STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF INDIANA MICHIGAN POWER COMPANY, AN INDIANA CORPORATION, FOR APPROVAL OF 20 MWAC CLEAN ENERGY SOLAR PROJECT; FOR APPROVAL OF RELATED ACCOUNTING AND RATEMAKING INCLUDING: TIMELY RECOVERY OF COSTS INCURRED DURING CONSTRUCTION AND OPERATION OF THE PROJECT THROUGH I&M'S BASIC RATES OR A SOLAR POWER RIDER, APPROVAL OF DEPRECIATION PROPOSAL, AND AUTHORITY TO DEFER COSTS UNTIL SUCH COSTS ARE REFLECTED IN RATES; AND FOR APPROVAL OF SALE OF RENEWABLE ENERGY CREDITS	)	CAUSE NO. 45245

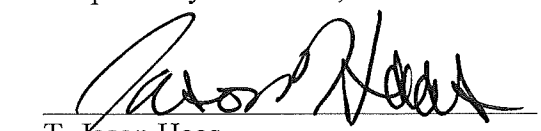
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

TESTIMONY OF

WES R. BLAKLEY – PUBLIC'S EXHIBIT NO. 3

AUGUST 12, 2019

Respectfully submitted,



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TESTIMONY OF OUCC WITNESS WES R. BLAKLEY
CAUSE NO. 45245
INDIANA MICHIGAN POWER COMPANY

I. INTRODUCTION

Q: Please state your name, business address, and employment capacity.

A: My name is Wes R. Blakley and my business address is 115 W. Washington St., Suite 1500 South, Indianapolis, Indiana 46204. I am a Senior Utility Analyst in the Electric Division of the Indiana Office of Utility Consumer Counselor ("OUCC"). I describe my educational background and professional work experience in Appendix A to my testimony.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to review and make comments and recommendations concerning Indiana Michigan Power Company's ("I&M") requested ratemaking treatment for its South Bend Solar Project ("SBSP").

Q: Please describe the review and analysis you conducted in order to prepare your testimony.

A: I read Petitioner's prefiled testimony and reviewed its exhibits, schedules and workpapers in this Cause. I reviewed parts of both the Indiana Code and the Indiana Administrative Code. I also reviewed prior requests for approval of Clean Energy Projects under Ind. Code ch. 8-1-8.8 that are permitted under certain circumstances. Additionally, I met with other OUCC staff to discuss issues in this Cause.

II. ACCOUNTING AND RATEMAKING TREATMENT OF SBSP

Q: What accounting and ratemaking treatment does I&M request for the SBSP?

A: I&M requests the Indiana Utility Regulatory Commission ("Commission") approve in accordance with Ind. Code § 8-1-8.8-11 for ratemaking treatment to provide

timely recovery of costs related to the SBSP. I&M seeks recovery of these costs through either the pending rate case in Cause No. 45235 or, in the alternative, through the Solar Power Rider ("SPR"). The SPR request under Ind. Code § 8-1-8.8-11 permits timely recovery of clean energy project construction and operating costs. The Commission approved this type of tracker request for another solar clean energy project.[1] Clean energy or "renewable energy" trackers permit a return "on" for plant investment net of accumulated depreciation, a return "of" in the form of depreciation, related operation and maintenance expenses and taxes plus post-in-service costs, until they are approved for recovery by the Commission in a full rate case proceeding. The other option I&M proposed involves rolling the completed SBSP, with forecasted operation costs, into base rates in Cause No. 45235. This would occur on December 31, 2020 (Phase 3 of that Cause), if the SBSP is operational by that date.

Q: Does the OUCC have an opinion on whether the SBSP is included in I&M's rate base or in an annual rider/tracker.

A: Yes. If the Commission allows I&M to recover costs associated with the SBSP, a renewable energy project rider, which I&M proposes in the form of the SPR, best accomplishes this. If renewable energy projects are blended into a utility's rate base, the OUCC is concerned that the Commission and the OUCC will lose valuable cost information regarding different generating technologies or between different renewable energy projects. Recovering individual renewable energy

[1] *Petition of Duke Energy Indiana, LLC for the Crane Solar Facility*, Cause No, 44734, Order (July 6, 2016).

project costs within the context of a rider allows collection of cost data that can be easily analyzed for each type of renewable energy project.

Q: Does any Indiana Investor-Owned Utility currently recover costs associated with renewable energy projects through a tracking mechanism?

A: Yes. In Duke Energy Indiana, LLC ("DEI") Cause No. 44734, approved July 6, 2016, the parties settled on cost recovery in an annual rider specific to a utility-owned renewable energy generation project, applying a cost-recovery methodology used in other construction work-in-project and plant investment trackers. The Renewable Energy Project rider approved in that Cause would not only capture solar projects, but all types of future renewable energy projects proposed by the utility and approved by the Commission. DEI's Renewable Energy Project rider currently tracks costs of three renewable energy projects – a solar project, a solar and battery project, and a hydro project. The costs associated with each of these three projects are reported separately by project. Certain cost and generated kWh information is provided for each project as identified in A-7 of the Settlement Agreement in Cause No. 44734, which states, in part:

> …Duke Energy Indiana agrees to provide written annual updates as part of its annual utility-owned renewable energy generation project rider proceedings, beginning with its 2017 filing. The testimony shall contain the following information: generation output of the solar generation system (with monthly detail), the actual revenue requirement during the twelve (12) months covered by the report ("reporting period"), the cost per kWh of electricity generated by the Crane Solar Facility during the reporting period, the total renewable energy credit ("REC") proceeds (in U.S. dollars) associated with Duke Energy Indiana's solar generation at NSA Crane, and the average annual billing impact on all customer classes.[2]

[2] Cause No. 44734, Joint Stipulation and Settlement Agreement (April 15, 2016).

This type of information could be valuable to the Commission and the OUCC in gaining a better understanding of the cost of producing various types of renewable energy and should be presented with each renewable project included in the tracker.

Q: Have there been other renewable energy project requests filed with the Commission for cost recovery and ratemaking treatment?

A: Yes. There have been a few renewable energy requests filed with the Commission for cost recovery and ratemaking treatment. Many of these recovery requests have been in the form of purchase power agreement ("PPA") recovery mechanisms or included in the Fuel Adjustment Clause (FAC), while others are recovered through plant investment tracker mechanisms.[3] Relevant information about costs and performance of renewable energy projects in Indiana were provided as part of these requests.

Q: How many types of renewable energy projects could be included in rates under Indiana law?

A: Ind. Code § 8-1-8.8-10 (a) states, in part: "As used in this chapter "renewable energy resources" means the following: (1) A clean energy resources listed on IC 8-1-37-4(a)(1) through IC 8-1-37-4(a)(16)." Reviewing what is listed in Ind. Code § 8-1-37-4(a), the definition of "clean energy resource" includes:

(1) Energy from wind.
(2) Solar energy.
(3) Photovoltaic cells and panels.
(4) Dedicated crops grown for energy production.
(5) Organic waste biomass, including any of the following organic matter that is available on a renewable basis:

[3] *See Duke Energy Indiana, LLC Camp Atterbury Microgrid*, Cause No. 45002, Order (October 30, 2017); *Vectren Energy Delivery of Indiana Solar Energy Project*, Cause No. 45086, Order (March 20, 2019); and *NIPSCO LLC Jordan Creek Wind Farm PPA*, Cause No. 45195 Order (June 5, 2019).

(A) Agricultural crops.
(B) Agricultural wastes and residues.
(C) Wood and wood wastes, including the following:
(i) Wood residues.
(ii) Forest thinnings.
(iii) Mill residue wood.
(D) Animal wastes.
(E) Animal byproducts.
(F) Aquatic plants.
(G) Algae.
(6) Hydropower.
(7) Fuel cells.
(8) Hydrogen.
(9) Energy from waste to energy facilities, including energy derived from advanced solid waste conversion technologies.
(10) Energy storage systems or technologies.
(11) Geothermal energy.
(12) Coal bed methane.
(13) Industrial byproduct technologies that use fuel or energy that is a byproduct of an industrial process.
(14) Waste heat recovery from capturing and reusing the waste heat in industrial processes for heating or for generating mechanical or electrical work.
(15) A source, technology, or program approved by the commission and designated as a clean energy resource by a rule adopted by the commission under IC 4-22-2.
(16) Demand side management or energy efficiency initiatives that:
(A) reduce electricity consumption; or
(B) implement load management, demand response, or energy efficiency measures designed to shift customers' electric loads from periods of higher demand to periods of lower demand; as a result of equipment installed, or customers enrolled, after January 1, 2010.

This list reveals how ratepayers are exposed to many different technologies with greatly varying costs, financing and efficiencies. In order to evaluate and gain a better understanding of the costs associated with potential renewable energy resource technologies that could be presented to the Commission for cost recovery from ratepayers, it makes sense to recover such costs within the context of a tracker.

Q: Does tracking renewable energy projects provide other benefits to ratepayers?

A: Yes. By recovering costs associated with renewable investments in a tracker, I&M will receive a return "of" the renewable plant investment through depreciation and a return "on" the renewable plant investment net of accumulated depreciation. The net renewable plant investment adjusted annually for accumulated depreciation will naturally lower revenue requirement related to earnings. Depreciation charges will remain stable. Any replacement of plant will be offset by plant retirement which will lower depreciation expenses. Operation and maintenance expenses will be reviewed and tracked. Cost recovery through a tracker strikes an appropriate balance between providing a customer benefit in the form of an annual reduction in revenue requirement, while also not harming I&M because the return "on" and "of" will still be matched with its renewable plant investment.

III. RECOMMENDATION

Q: What is your recommendation regarding cost recovery proposed in this proceeding?

A: As provided in the testimony of OUCC witnesses Lauren Aguilar and John Haselden, the OUCC recommends the Commission deny I&M recovery of the SBSP. However, if the Commission approves I&M's request, I recommend I&M's proposed SBSP costs be recovered in an annual Renewable Energy Project rider that provides detailed information of all cost elements to be recovered plus kWh's generated during the relevant period (similar to the information provided in DEI's Renewable Energy Project rider). In the future, such a Renewable Energy Project rider could be used for the recovery of other specific renewable energy projects where cost recovery treatment is requested and approved.

Q: Does this conclude your testimony?

A: Yes.

APPENDIX A

Q: Please describe your educational background and experience.

A: I received a Bachelor of Science Degree in Business with a major in Accounting from Eastern Illinois University in 1987 and worked for Illinois Consolidated Telephone Company until joining the OUCC in April 1991 as a staff accountant. Since that time I have reviewed and testified in hundreds of tracker, rate cases and other proceedings before the Commission. I have attended the Annual Regulatory Studies Program sponsored by NARUC at Michigan State University in East Lansing, Michigan as well as the Wisconsin Public Utility Institute at the University of Wisconsin-Madison Energy Basics Program.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

Wes R. Blakley
Senior Utility Analyst

Indiana Office of Utility Consumer Counselor

Cause No. 45245

8-12-2019
Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the ***Indiana Office of Utility Consumer Counselor's Testimony of Wes R. Blakley*** has been served upon the following parties of record in the captioned proceeding by electronic service on August 12, 2019.

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