

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA GAS AND)
ELECTRIC COMPANY d/b/a CENTERPOINT ENERGY INDIANA)
SOUTH (“CEI SOUTH”) FOR AN ORDER: (1) GRANTING CEI)
SOUTH A CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY, PURSUANT TO IND. CODE CH. 8-1-8.5, TO)
PURCHASE AND ACQUIRE, THROUGH A BUILD TRANSFER)
AGREEMENT (“BTA”), A WIND ENERGY GENERATING)
FACILITY (THE “WIND PROJECT”); (2) FINDING THE WIND)
PROJECT CONSTITUTES A CLEAN ENERGY PROJECT UNDER)
IND. CODE CH. 8-1-8.8; (3) APPROVING ASSOCIATED)
RATEMAKING AND ACCOUNTING TREATMENT FOR THE)
WIND PROJECT PURSUANT TO IND. CODE CH. 8-1-8.5 AND § 8-)
1-8.8-11; (4) AUTHORIZING CEI SOUTH TO ACCRUE POST-IN-)
SERVICE CARRYING COSTS (“PISCC”) AND DEFER)
DEPRECIATION, OPERATIONS AND MAINTENANCE (“O&M”))
AND PROPERTY TAX EXPENSES ASSOCIATED WITH THE)
WIND PROJECT; (5) IN THE EVENT THE CPCN IS NOT)
GRANTED OR THE WIND PROJECT OTHERWISE IS NOT)
PLACED IN SERVICE, GRANTING AUTHORITY TO DEFER, AS)
A REGULATORY ASSET, COSTS ASSOCIATED WITH THE)
WIND PROJECT FOR FUTURE RECOVERY THROUGH RETAIL)
ELECTRIC RATES; (6) PROVIDING FOR ONGOING REVIEW OF)
THE WIND PROJECT; (7) AUTHORIZING THE)
ESTABLISHMENT OF DEPRECIATION RATES FOR THE WIND)
PROJECT; (8) APPROVING, TO THE EXTENT NECESSARY, AN)
ALTERNATIVE REGULATORY PLAN (“ARP”) WITH RESPECT)
TO THE WIND PROJECT UNDER IND. CODE CH. 8-1-2.5; AND (9))
APPROVING CONFIDENTIAL TREATMENT OF THE BTA)
PRICING AND OTHER NEGOTIATED COMMERCIAL TERMS)
AND RELATED CONFIDENTIAL INFORMATION.)

CAUSE NO. 45836

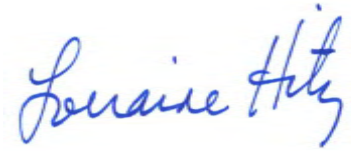
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

TESTIMONY OF JOHN W. HANKS

PUBLIC’S EXHIBIT NO. 3

FEBRUARY 27, 2023

Respectfully submitted,



Lorraine Hitz
Attorney No. 18006-29
Deputy Consumer Counselor

██████████ HIGHLIGHT INDICATES CONFIDENTIAL MATERIAL

**TESTIMONY OF OUCC WITNESS JOHN W. HANKS
CAUSE NO. 45836
SOUTHERN INDIANA GAS & ELECTRIC COMPANY D/B/A CENTERPOINT
ENERGY DELIVERY OF INDIANA SOUTH**

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is John W. Hanks, and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed as a Utility Analyst in the Indiana Office of Utility Consumer
6 Counselor's ("OUCC") Electric Division. A summary of my educational
7 background and experience is included in Appendix A attached to my testimony.

8 **Q: What is the purpose of your testimony?**

9 A: My testimony describes CenterPoint Energy Delivery of Indiana South's ("CEI
10 South" or "Petitioner") use of the 2020 Integrated Resource Plan ("IRP") to justify
11 its request for a Certificate of Public Convenience and Necessity ("CPCN") to
12 purchase the ██████████ facility ("Wind Project").

13 **Q: To the extent you do not address a specific item or adjustment, should that be**
14 **construed to mean you agree with Petitioner's proposal?**

15 A: No. The absence from my testimony of a reference to any specific item or
16 adjustment proposed by CEI South does not indicate my approval of that item or
17 adjustment. Furthermore, I am offering no opinion on the validity of the underlying
18 data CEI South offered, or the propriety of CEI South's proposed methodologies.

1 **Q: Please describe the review and analysis you conducted to prepare your**
2 **testimony.**

3 A: I reviewed Petitioner's witnesses' direct testimonies and attachments, portions of
4 its 2020 IRP, and materials Petitioner provided for stakeholder meetings in its
5 development of its 2023 IRP.

II. CEI SOUTH'S 2020 IRP

6 **Q: When was CEI South's most recent IRP, and when will the next IRP be**
7 **submitted to the Commission?**

8 A: Petitioner's last IRP was provided on June 15, 2020 to the Commission. Modeling
9 inputs for generating resources were provided through a 2019 All-Source Request
10 for Proposals.¹ CEI South's next IRP is due June 1, 2023; it was granted an
11 extension from its previous deadline of November 1, 2022.

12 **Q: How does CEI South use its 2020 IRP to justify its wind project request in this**
13 **Cause?**

14 A: While preparing its last IRP, CEI South selected a preferred portfolio which it
15 described as the "High Technology" option.² The portfolio included 300 MW of
16 wind resources to be selected in 2022.³ Petitioner's witness Matthew Rice describes
17 the benefits of the High Technology portfolio as including "affordability, cost
18 certainty, risk mitigation, environmental risk mitigation, market risk mitigation,
19 future flexibility, reliability, operational flexibility, resource diversity, local
20 resources, and economic development for the CEI South territory and the state of
21 Indiana."⁴

¹ Petitioner's Exhibit No. 3, Direct Testimony of Matthew A. Rice, p. 15, ll. 2-5.

² Petitioner's Exhibit No. 3, Attachment MAR-1, p. 256.

³ *Id.*, p. 235.

⁴ Rice Direct, p. 15, ll. 1-5.

1 Q: **Does this project satisfy these criteria?**

2 A: No. CEI South has not met the burden of proof to show that this project is the most
3 affordable option, that it reduces risk, or that it ensures reliability and cost certainty.

4 The cost inputs used in the creation of the IRP are significantly lower than the
5 estimated costs used in this proceeding. Furthermore, Mr. Rice writes that the
6 project is located outside Indiana, which means the project will not contribute to
7 the economic development of Petitioner's service territory or the State of Indiana.⁵

8 The possibility of transmission congestion could also lead to uncertainty regarding
9 reliability and the final cost of energy produced by the project. The project's impact
10 on customer affordability is further discussed by OUCC Witness Kaleb Lantrip.

11 Q: **What cost inputs did Petitioner use when modeling wind resources for the**
12 **IRP?**

13 A: Based on the 2019 RFP, CEI South estimated the total cost to be \$ [REDACTED] per kW in
14 2019 dollars.⁶ Adjusting the total cost for 2022 dollars yields approximately
15 \$ [REDACTED].⁷ In this Cause, Petitioner estimates the price per kW to be \$ [REDACTED], an
16 increase above the inflation-adjusted amount of approximately [REDACTED]%.⁸

17 Q: **Has CEI South provided current estimates of the cost of wind sources that**
18 **consider recent inflation and supply chain issues?**

19 A: Yes. CEI South held a stakeholder meeting to discuss its 2023 IRP on December
20 13, 2022. This meeting used results from a 2022 RFP, and Petitioner estimated the

⁵ *Id.* p. 26, l. 28.

⁶ Petitioner's Exhibit No. 3, Attachment MAR-2, p. 21.

⁷ U.S. Bureau of Labor Statistics. (n.d.). CPI inflation calculator. U.S. Bureau of Labor Statistics. Retrieved February 23, 2023, from https://www.bls.gov/data/inflation_calculator.htm.

⁸ Petitioner's Exhibit No. 2, Attachment FSB-1, Column J, row 46. (CONFIDENTIAL).

1 total cost of 200 MW of Indiana Wind Energy to be \$ [REDACTED].⁹ Using this figure, the
2 estimated price of the current project is approximately [REDACTED] % higher than the price
3 used in Petitioner’s most recent IRP modeling.

4 **Q: How did CEI South evaluate the generation facility proposals?**

5 A: While evaluating projects, CEI South grouped similar proposals and evaluated
6 them relative to one another using certain score criteria. According to the 2020 IRP,
7 “[t]he scoring criteria included four major categories: LCOE, energy settlement
8 location, interconnection/development status and local clearing requirement, and
9 project risk factors.”¹⁰

10 **Q: What score did CEI South give the current project proposal for each of these
11 criteria?**

12 A: Except for project risk factors, some of which are discussed below, CEI South
13 provided a score for each of these criteria. These scores are provided in the
14 following table:

15 **Scoring for CEI South’s Major Criteria for the Project in this Cause¹¹**

Scoring Criteria	CEI South’s Score
LCOE (out of 150)	[REDACTED]
Interconnection & Development Status (out of 100)	[REDACTED]
Energy Settlement Location (out of 100)	[REDACTED]

16 **Q: What do these criteria represent?**

17 A: The definition and importance of these criteria are given in Figure 6-6 titled Scoring

⁹ Confidential Vectren Stakeholder Meeting 3 pdf, Slide 34.

¹⁰ Petitioner’s Exhibit No. 3, Attachment MAR-1, p. 158.

¹¹ Petitioner’s Exhibit No. 2, Attachment FSB-1, Columns M, N, and O, row 46. (CONFIDENTIAL).

1 Summary, on page 159 of the 2020 IRP. LCOE represents a score given for the
2 Levelized Cost of Energy, which reflects the net present value of the total cost of
3 building and operating the power generating asset, divided by the net present value
4 of the total electricity generation over its lifetime.

5 A project will receive a score of 100 on the Energy Settlement Location
6 criteria for “[p]roposals that include all costs to have energy financially settled or
7 directly delivered to Vectren’s load node (SIGE.SIGW).”¹² The IRP states that this
8 is important because financial settlement or direct delivery to Vectren’s load node
9 “provides [the] Project’s true resource cost to Vectren’s customers, eliminating
10 risks/cost associated with the delivery of energy.” For Energy Settlement Location,
11 the Project in this case received a [REDACTED]

12 [REDACTED].

13 In the 2020 IRP, the Interconnection and Development Status criterion was
14 scored out of a possible 60, where up to 12 could be awarded for each of 5 steps
15 completed in the development process.¹³ The IRP states that this score is important
16 because, “[p]rojects which are further through the interconnection and development
17 process will receive more points as cost certainty improves.” [REDACTED]

18 [REDACTED]

19 [REDACTED].

20 **Q: Does the OUC have additional concerns with CEI South’s FSB-1**
21 **attachment?**

¹² Petitioner’s Exhibit No. 3, Attachment MAR-1, p. 159, Figure 6-6.

¹³ These include: 1) Executed a pro-forma MISO Service Agreement and Interconnection Construction Service Agreement; 2) Completed a MISO Facilities Study; 3) Completed a MISO System Impact Study; 4) Achieved site control and completed zoning requirements; and 5) EPC Contract awarded.

1 A: Yes [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED] This would give the updated
5 score for the [REDACTED]
6 [REDACTED]
7 [REDACTED]

III. MIDCONTINENT INDEPENDENT SYSTEM OPERATOR
("MISO") AND TRANSMISSION

8 **Q: How does the requested facility contribute to CEI South's accredited capacity**
9 **requirements for MISO?**

10 A: According to Mr. Rice, the Wind Project is expected to provide approximately [REDACTED]
11 MWs toward CEI South's Planning Reserve Margin Requirement ("PRMR") in the
12 summer, and approximately [REDACTED] MWs in the winter.

13 **Q: What requirements does MISO have for Generation Resources to qualify as a**
14 **Capacity Resource for the purpose of the PRMR?**

15 A: According to MISO's Resource Adequacy Business Practice Manual ("BPM"):
16 Generation Resources must be deliverable to Load within MISO's
17 Region. The deliverability of Generation Resources to Network
18 Load within MISO's Region shall be determined by System Impact
19 Studies pursuant to the Tariff that are conducted by MISO, which
20 consider, among other factors, the deliverability of aggregate
21 resources of Network Customers to the aggregate of Network Load.
22 Generation Resources that pass the deliverability test receive
23 Network Resource Interconnection Service.¹⁴

24 To ensure the deliverability of load to a utility's service area, MISO requires a
25 System Impact Study. [REDACTED]

¹⁴ MISO Resource Adequacy BPM-011-r27, p. 29.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]

9 [REDACTED] At a minimum, the magnitude of these upgrades is unknown at this
10 point. This increases the risk that the energy from the Wind Project will not reach
11 Petitioner's service territory without incurring significant upgrade or congestion
12 costs. Other factors that increase cost uncertainty are addressed by Mr. Lantrip.

13 **Q: How does CEI South address the problem of possible congestion?**

14 A: Though CEI South does not offer a [REDACTED], Petitioner's witness F.
15 Shane Bradford argues that this project will experience limited congestion
16 compared to other Purchase Power Agreements that the Commission has approved.
17 Bradford provides the day-ahead Locational Marginal Pricing ("LMP") difference
18 between the [REDACTED] (the closest pricing node to the Wind Project's point of
19 interconnection) and CEI South's load node (SIGE.SIGW) which is [REDACTED]/MWh.¹⁶
20 As a comparison, Mr. Bradford states that, "the average LMP difference for Benton
21 County over the same time period is -\$6.03/MWh, and for Fowler Ridge it is

¹⁵ Petitioner's Exhibit No. 2, Attachment FSB-1, Columns O, row 46. (CONFIDENTIAL).

¹⁶ Bradford Direct, p. 25, lines 12-16. (CONFIDENTIAL)

1 -\$3.26/MWh which is a good indication that the Wind Project may experience
2 limited congestion relative to delivery to SIGE's load."¹⁷ CEI South's evidence
3 regarding congestion is therefore that its proposed project *may* experience limited
4 congestion. Bradford also writes that, "expansion of transmission facilities through
5 the MISO Transmission Expansion Planning process *should* limit the congestion
6 across MISO generally and *potentially* the deliverability costs for the energy
7 generated by the Wind project"¹⁸ [emphasis added]. In the [REDACTED]
8 [REDACTED]
9 [REDACTED] there is no certainty regarding whether the Project will be
10 impacted by congestion or not.

IV. OUCC RECOMMENDATIONS

11 **Q: Please summarize your recommendations to the Commission in this Cause.**
12 **A:** I recommend the Commission deny Petitioner's request for a CPCN to purchase
13 the [REDACTED] facility. The estimated price of the project is significantly higher
14 than those used by the Petitioner for selecting a preferred portfolio in its IRP. In
15 addition, the 2020 IRP was based on modeling inputs from 2019, before the onset
16 of high inflationary pressure and supply chain bottlenecks in the wake of Covid-19.
17 The OUCC recommends CEI South complete its 2023 IRP with prices that more
18 closely reflect the recent proposals received from developers. Given the
19 discrepancy between the price of the proposed project and those used by the
20 Petitioner for portfolio selection, this project has not been shown to be the most

¹⁷ Bradford Direct, p. 25, ll. 16-19.

¹⁸ *Id.*, p. 25, ll. 19-22.

1 cost-effective option to serve CEI South's ratepayers. Similarly, Petitioner [REDACTED]
2 [REDACTED] will
3 not increase the bills of its customers more than is requested in this cause, which
4 would require a [REDACTED]. CEI South customers already pay the highest
5 rates in the State of Indiana, and since this project is located in another state, it will
6 not provide any indirect economic development benefits for CEI South's
7 ratepayers. Therefore, the OUCC recommends the Commission deny Petitioner's
8 request for a CPCN.

9 **Q: Does this conclude your testimony?**

10 A: Yes.

APPENDIX A

QUALIFICATIONS OF JOHN W. HANKS

1 **Q: Please describe your background and experience.**

2 A: I graduated from Indiana University-Purdue University Indianapolis with a
3 Bachelor of Arts in Quantitative Economics. I began my career with the OUCC in
4 2022 as a Utility Analyst, focusing on economics and finance in the Electric
5 Division. In the summer of 2022, I attended the Institute of Public Utilities' Annual
6 Program on Regulatory Fundamentals. In fall of 2022, I participated in the Indiana
7 Energy Conference organized by Indiana Industrial Energy Consumers. Also in the
8 fall of 2022, I attended a workshop about the Midcontinent Independent System
9 Operator ("MISO") offered by the Organization of MISO States ("OMS"). In
10 February of 2023, I attended a workshop through EUCI on cost-of-service studies.
11 Currently I am enrolled in Scott Hempling's Fundamentals of Utility Law course
12 offered through NARUC.

13 **Q: Have you previously filed testimony in other Commission proceedings?**

14 A: Yes.

AFFIRMATION

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



John W. Hanks
Utility Analyst II
Indiana Office of Utility Consumer Counselor
Cause No. 45836
CenterPoint Energy Indiana

Date: February 27, 2023

CERTIFICATE OF SERVICE

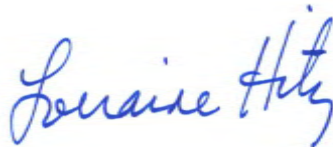
This is to certify that a copy of the Indiana OUCC's Testimony of John W. Hanks has been served upon the following parties of record in the captioned proceeding by electronic service on February 27, 2023.

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