

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA GAS )  
AND ELECTRIC COMPANY D/B/A VECTREN ENERGY )  
DELIVERY OF INDIANA, INC., A CENTERPOINT )  
ENERGY COMPANY REQUESTING THE INDIANA )  
UTILITY REGULATORY COMMISSION TO APPROVE )  
CERTAIN DEMAND SIDE MANAGEMENT PROGRAMS )  
AND GRANT COMPANY AUTHORITY TO RECOVER )  
COSTS, INCLUDING PROGRAM COSTS, INCENTIVES )  
AND LOST MARGINS, ASSOCIATED WITH THE )  
DEMAND SIDE MANAGEMENT PROGRAMS VIA THE )  
COMPANY'S DEMAND SIDE MANAGEMENT )  
ADJUSTMENT )

CAUSE NO. 45387

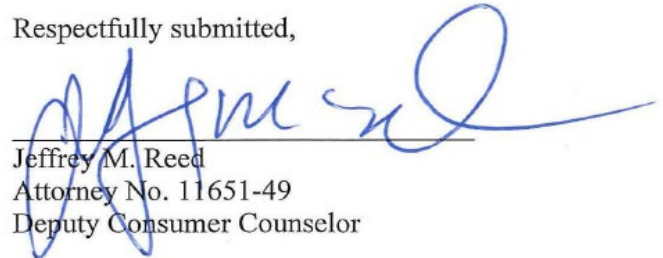
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

SETTLEMENT TESTIMONY OF

JOHN E. HASELDEN - PUBLIC'S EXHIBIT NO. 1

OCTOBER 20, 2020

Respectfully submitted,



Jeffrey M. Reed  
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**SETTLEMENT TESTIMONY OF OUCC WITNESS JOHN E. HASELDEN**

**CAUSE NO. 45387**

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY**  
**D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.**

**I. INTRODUCTION**

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

2 A: My name is John E. Haselden. My business address is 115 West Washington Street,  
3 Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: Are you the same John E. Haselden that filed direct testimony in this Cause?**

5 A: Yes.

6 **Q: What is the purpose of your settlement testimony?**

7 A: I provide a summary of and support for the Stipulation and Settlement Agreement  
8 (“Settlement Agreement” or “Settlement”) reached by the OUCC, Southern Indiana  
9 Gas And Electric Company (“Vectren” or “Vectren South”), and the Citizens  
10 Action Coalition (“CAC”) (collectively referred to as the “Settling Parties”), in this  
11 proceeding. The Settlement Agreement allows Vectren to move forward with a  
12 modified of word version its proposed DSM Plan. The OUCC concludes the  
13 Settlement Agreement is reasonable and in the public interest and recommends the  
14 Indiana Utility Regulatory Commission (“Commission”) approve the Settlement  
15 Agreement in its entirety.

16 **Q: What have you done to prepare your testimony supporting the Settlement**  
17 **Agreement?**

18 A: I reviewed Vectren’s verified petition, testimony, and exhibits in this proceeding.  
19 I also reviewed Vectren’s responses to data requests submitted by the OUCC and  
20 CAC. I filed testimony on behalf of the OUCC and participated in technical

1 discussions with Vectren staff as well as numerous settlement negotiation sessions.

2 I reviewed the Settlement Agreement, as well as the Company's settlement  
3 testimony.

4 **Q: Are you sponsoring any exhibits?**

5 A: Yes, together with Vectren witness Rina Harris, I am sponsoring Joint Exhibit 1,  
6 which is a copy of the Settlement Agreement. This exhibit will be offered into  
7 evidence at the hearing.

8 **Q: Did all parties in the case reach settlement?**

9 A: Yes.

10 **Q: On whose behalf are you testifying?**

11 A: I am testifying on behalf of the OUCC. The Settling Parties have afforded each  
12 other an opportunity to comment on the settlement testimony prior to its filing.  
13 When parties enter into compromise, they can have different reasons for doing so.  
14 The settlement testimony seeks to explain the negotiated terms and presents each  
15 Settling Party's perspective as to why the Settlement Agreement is reasonable, in  
16 the public interest and should be approved. In this respect, the Settling Parties may  
17 not agree with all opinions and explanations contained in our respective testimony.  
18 The settlement testimony does not change the substance of the Settlement  
19 Agreement.

## **II. SETTLEMENT AGREEMENT**

20 **Q: Please summarize the Settlement Agreement.**

21 A: The Settlement Agreement addresses a wide array of issues, including:

- 1           • Lighting – Lighting plays a major role in the Settlement Agreement. Except  
2           for the Income Qualified Weatherization (“IQW”) Program and School  
3           Education Program, Vectren will remove light-emitting diode (“LED”)   
4           General Service Lightbulbs (“GSLs”) from all other programs in the 2021-  
5           2023 Plan. For the IQW GSL LEDs, the baseline bulb for comparison  
6           purposes shall be the non-Energy Star LED GSL, and the EUL for IQW  
7           LED GSL bulbs will be two years.

8                         These elements relate directly to several other aspects of the  
9           Settlement Agreement. Removing GSL LEDs from the Home Energy  
10          Assessment (“HEA”) causes the program to no longer be cost effective. The  
11          Settlement terminates this program effective January 1, 2021 and moves the  
12          original HEA budgeted amounts to cost-effective residential programs. The  
13          original School Education Program is also affected by the lighting changes.

- 14          • IQW – The Settlement establishes a threshold of 200% above the Federal  
15          Poverty Level (“FPL”) as the upper-end cap for eligible participants in this  
16          program. Funds originally budgeted to enroll customers above the 200%  
17          FPL will instead be used to fund the modified School Education Program  
18          discussed below. The Settlement Agreement includes a commitment from  
19          Vectren South that it will use best efforts to meet the originally-filed energy  
20          savings projections of the IQW Program and another from Settling Parties  
21          that the Oversight Board (“OSB”) will explore ways to improve IQW  
22          Program reach and participation by expanding eligibility and verification  
23          requirements.

- 1           • Modified School Education Program – This program previously relied  
2 heavily on lighting, and an agreement to eliminate GSL LEDs would have  
3 caused the program to be non-cost effective. Instead, the Settlement  
4 Agreement moves the Modified School Education Program into the  
5 Marketing Budget and keeps it fully funded. Funds originally proposed for  
6 this program will be shifted to other programs and the Settling Parties, via  
7 the OSB, will work to achieve Vectren's pre-filed goal of energy savings  
8 equivalent to 1.3% of eligible sales.
- 9           • Vectren South's Interruptible Tariff - Vectren South agrees to use best  
10 efforts in working with its OSB to update Vectren South's Interruptible  
11 Contract ("IC") Rider by the end of calendar year 2020.
- 12          • Commercial and Industrial ("C&I") Program Review – Vectren South will  
13 annually review the active account status for each that enrolls, and begins  
14 participating, in rebate programs that are associated with programs under  
15 the Company's 2021-2023 Plan. "Inactive" accounts will be re-evaluated  
16 prior to filing the Company's next Demand Side Management Adjustment  
17 (DSMA") Rider. For accounts till "inactive", Vectren South will adjust the  
18 useful life of measure(s) rebate(s) for purposes of net lost revenue tracking  
19 and recovery.
- 20          • Lost Revenues – The Settlement Agreement contains a cap on lost revenues.
- 21          • Shareholder Incentives – Vectren South will continue to use a shared  
22 savings mechanism similar in mechanics to its current method.

1 Modifications to the mechanism include an increased incentive percentage  
2 at the top end and annual credits to ratepayers.

3 • Carbon Tax – Costs associated with the carbon tax included in Vectren's  
4 IRP are included in program cost-effectiveness calculations. For purposes  
5 of excluding the impact of the carbon tax when calculating shareholder  
6 incentives, the Settlement Agreement states there will be an annual \$60,000  
7 reduction in shareholder incentives.

8 • Gas Pipeline – Costs associated with yet-to-be constructed natural gas  
9 pipeline included in Vectren's 2019 – 2020 Integrated Resource Plan (IRP)"  
10 are included in program cost-effectiveness calculations. Vectren Souths'  
11 annual base calculation for shareholder incentives will exclude \$129,279,  
12 reflective of the annual avoided capacity costs of excluding the pipeline. In  
13 addition, in years when Vectren achieves the 110% achievement level and  
14 earns the top-tier 13% incentive, shareholder incentives will be reduced by  
15 an additional \$129,679.

16 **Q: Please describe the Settlement Agreement's benefits as the OUCC views them.**

17 **A:** From the OUCC's perspective, there are numerous benefits including:

18 • Lighting – Removing GSL LEDs from all programs other than IQW  
19 Program and Modified School Education Program will save ratepayers  
20 hundreds of thousands of dollars annually as they no longer will pay for  
21 program administrative costs, program marketing costs, overhead, lost  
22 revenues or shareholder incentives. Because LED GSLs are now the  
23 predominantly available bulb in the market, customer access is generally

1 not an issue, and retail prices are at or below other bulb options on a dollar-  
2 per lumen equivalent. While eliminating GSL LEDs rendered the HEA  
3 Program non-cost effective and led to its termination, those dollars will to  
4 be reallocated to other programs that are potentially more cost effective.  
5 The commitment by the Settling Parties (who make up the OSB) to  
6 collaboratively work to recoup energy savings originally targeted with  
7 bulbs was a critical component for an all-party Settlement.

- 8 • IQW – Retaining GSL LEDs in the IQW Program continues delivering  
9 energy-efficient bulbs to customers who stand to benefit most. Since many  
10 bulbs in the IQW Program are direct-installs, we can guarantee that those  
11 bulbs are replacing less-efficient incandescent or halogen bulbs. The new  
12 non-Energy Star GSL LED baseline and two-year EUL for these bulbs  
13 significantly reduces the associated lost revenues.

14 The FPL +200% eligibility cap puts Vectren's program in line with  
15 most other Indiana investor-owned utility low-income programs. The  
16 commitment from all Settling Parties to collaboratively work to recoup  
17 energy savings originally targeted by this program, coupled with exploring  
18 ways to increase participation, is an additional benefit.

- 19 • Modified School Education Program – Retaining GSL LEDs in the filed  
20 School Education Program was essential to its cost-effectiveness, but the  
21 new GSL LED baseline and two-year EUL could have ended the program.  
22 At the same time, OUCC, CAC and Vectren were all committed to the need  
23 to continue educating school children about the benefits of energy

1 efficiency. The Settlement Agreement takes a radical new approach to  
2 resolve both concerns. By funding the program from the Marketing Budget,  
3 Vectren agreed to not recognize any savings for DSM Plan purposes, forego  
4 all associated lost revenues and shareholder incentives. By shifting funds  
5 originally budgeted to enroll customers above the 200% FPL in the IQW  
6 Program, this freed up funds originally budgeted for the filed School  
7 Education Program to be re-allocated to other programs to achieve  
8 additional cost-effective savings. The modified School Education Program  
9 remains robust and continues the Settling Parties' unified goal of energy  
10 efficiency education for youth. As an additional benefit, all measures  
11 distributed through the program continue to produce the identical per/unit  
12 energy savings they would have if they had been funded from a different  
13 program. The OUCC commends Vectren South for offering this innovative  
14 solution.

- 15 • C&I Inactive Customer Review – In the current economic environment,  
16 businesses are failing at increased rates. This element of the Settlement  
17 Agreement reduces the probability that Vectren will earn ongoing lost  
18 revenues for C&I measures that were incentivized but are no longer  
19 providing energy savings. It also provides Vectren protection in that if an  
20 inactive account is determined to be “active” as part of the second review,  
21 Vectren will continue to earn lost revenues on the measure(s).
- 22 • Lost Revenues – The lost revenue cap saves ratepayers from paying any lost  
23 revenues beyond December 31, 2024.



- 1           • Shareholder Incentives – Vectren South will continue to use a shared  
2           savings mechanism similar in mechanics to its current method.  
3           Modifications to the mechanism include an increased incentive percentage  
4           at the top end and annual credits to ratepayers.
- 5           • Avoided Costs – As can be seen from the direct testimonies, avoided costs  
6           were an issue where each of the Settling Parties had a dramatically different  
7           perspective. Multiple extensive, intensive negotiating sessions preceded the  
8           resolution of these issues. As is the case with most hard-fought agreements  
9           requiring compromises by all parties, everyone hoped for more of what they  
10          originally wanted, yet also recognize the benefits of the ultimate result.
- 11                 ○ Carbon Tax – The OUCC opposed Vectren shareholders earning an  
12                 incentive on the carbon tax included in Vectren’s IRP. This  
13                 “avoided cost” would almost certainly not be avoided during the  
14                 Plan, given Vectren’s IRP modeled the carbon tax to occur after the  
15                 Plan ends. The \$60,000 annual reduction in shareholder incentives  
16                 is a savings for ratepayers that offsets the carbon tax impact without  
17                 requiring complicated and time-consuming subsequent model runs.
- 18                 ○ Gas Pipeline – The OUCC opposed including these costs in either  
19                 the cost-effectiveness calculations or shareholder incentives for  
20                 several reasons. Based on the amounts involved, excluding these  
21                 costs could have caused significant negative impacts to program  
22                 cost effectiveness scores. The Settlement Agreement includes the  
23                 avoided capacity cost of the pipeline in computing program cost

1 effectiveness. Including the pipeline as an avoided cost for cost-  
2 effectiveness calculations allows Vectren to continue to provide a  
3 robust portfolio of DSM programs in this Plan. The Settlement  
4 Agreement saves money for ratepayers as Vectren South will  
5 exclude \$129,679 per year from the base calculation of annual  
6 shareholder incentives. The parties negotiated this amount to  
7 represent the impact of Vectren South's lost incentive opportunity  
8 from removing the avoided capacity cost of the pipeline when  
9 calculating the net present value of benefits for the purpose of the  
10 shareholder incentive. The Settling Parties agreed to a modified  
11 shareholder incentive scale, allowing Vectren an opportunity to earn  
12 a greater incentive percentage at the top tier. However, in each year  
13 Vectren South reaches the new 13% top incentive tier, shareholder  
14 incentives will be reduced an additional \$129,679.

15 **Q: Why is adjusting the baseline bulb to a LED GSL and the new two-year EUL**  
16 **reasonable?**

17 A: Using LED GSLs as the comparable baseline bulb provides a more accurate  
18 representation of the market transformation to LED GSL bulbs as the  
19 predominantly available, most cost-effective choice. Adjusting the EUL for these

1 bulbs for two years is comparable to the average expected life of a halogen bulb, a  
2 technology that has already superseded by compact fluorescent light bulbs.

3 **Q: Vectren's direct evidence indicates the IQW Program will not be cost-**  
4 **effective. Why does this program remain in the portfolio?**

5 A: The IQW Program is not required to be cost-effective per I.C. 8-1-8.5-10. The  
6 Settling Parties also recognize there are societal benefits associated with the IQW  
7 program that warrant continued inclusion in Vectren South's DSM portfolio. These  
8 programs have long been a means for lower income customers to participate in  
9 energy efficiency programs that otherwise would be cost prohibitive to them. In its  
10 entirety, the DSM Plan portfolio is cost-effective.

### **III. CONCLUSION AND RECOMMENDATION**

11 **Q: Is the Settlement in the public interest?**

12 A: Yes. The Settlement is a reasonable compromise between the positions of the  
13 Settling Parties, is in the public interest, and should be approved. The Settlement  
14 addresses the issue of offering DSM programs, other than IQW, not expected to be  
15 cost effective. The Settlement provides ratepayer protections by limiting the term  
16 of lost revenue recovery and a check on the persistence of measures delivered  
17 through the C&I Programs to further decrease lost revenues when appropriate. The

1 Settlement also provides significant reductions in shareholder incentives from the  
2 resolution of strongly contested avoided cost issues.

3 **Q: Does the Settlement address the concerns raised by the OUCC?**

4 A: Yes.

5 **Q: Does the OUCC accept the terms of the Settlement?**

6 A: Yes. The compromise reached in the Settlement reduces costs recovered from  
7 ratepayers. Therefore, the OUCC accepts the terms of the Settlement.

8 **Q: Do you recommend the Commission approve the terms of the Settlement?**

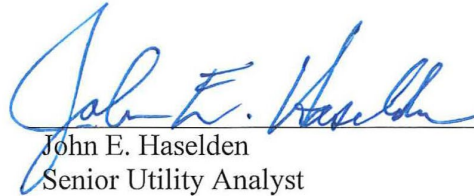
9 A: Yes. The Settlement is in the public interest, and I recommend approval by the  
10 Commission.

11 **Q: Does this conclude your settlement testimony?**

12 A: Yes.

**AFFIRMATION**

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



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John E. Haselden  
Senior Utility Analyst  
Indiana Office of Utility Consumer Counselor

Cause No. 45387  
CenterPoint Energy Company

October 20, 2020  
Date:

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the ***OUCS SETTLEMENT TESTIMONY FILING OF JOHN E. HASELDEN PUBLIC'S EXHIBIT NO. 1*** has been served upon the following parties of record in the captioned proceeding by electronic service on October 20, 2020.

**VSE**

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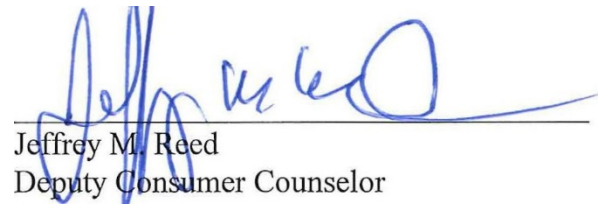
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