

FILED

May 11, 2017

INDIANA UTILITY

STATE OF INDIANA

REGULATORY COMMISSION

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS AND)
ELECTRIC COMPANY D/B/A VECTREN ENERGY)
DELIVERY OF INDIANA, INC. FOR APPROVAL OF)
CLEAN ENERGY SOLAR PROJECTS;)
DECLINATION OF JURISDICTION WITH RESPECT)
TO CONSTRUCTION OF THE PROJECTS)
PURSUANT TO IND. CODE § 8-1-2.5; AND)
ACCOUNTING AND RATEMAKING TREATMENT,)
INCLUDING TIMELY RECOVERY OF COSTS)
INCURRED DURING CONSTRUCTION AND)
OPERATION THROUGH A CLEAN ENERGY COST)
ADJUSTMENT PURSUANT TO IND. CODE § 8-1-8.8)

CAUSE NO. 44909

OUCC REDACTED TESTIMONY

OF

EDWARD T. RUTTER – PUBLIC’S EXHIBIT #1

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

May 11, 2017

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



Karol H. Krohn, Atty. No. 5566-82
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *OUCC Redacted Testimony of Edward T. Rutter* has been served upon the following counsel of record in the captioned proceeding by electronic service on May 11, 2017.

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REDACTED TESTIMONY OF OUCC WITNESS EDWARD T. RUTTER

CAUSE NO. 44909

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.

("VECTREN SOUTH")

I. INTRODUCTION

1 **Q: Please state your name, employer, current position and business address.**

2 A: My name is Edward T. Rutter. I am employed by the Indiana Office of Utility
3 Consumer Counselor ("OUCC") as a Chief Technical Advisor in the Resource
4 Planning and Communications Division. My business address is 115 West
5 Washington St., Suite 1500 South Tower, Indianapolis, Indiana 46204. My
6 educational background and professional experience are detailed in Appendix
7 ETR-1 attached to this testimony.

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

9 A: I discuss Vectren South's Verified Petition seeking approval of clean energy solar
10 projects pursuant to IC § 8-1-8.8-11(b); declination of jurisdiction with respect to
11 construction of the solar projects pursuant to IC § 8-1-2.5-5; or, in the alternative,
12 for a certificate of public convenience and necessity ("CPCN") for the projects
13 under IC § 8-1-8.5; and approval of accounting and ratemaking treatment, including
14 expedited recovery of costs incurred during construction and operation. Vectren
15 South (Vectren South or Petitioner) proposes to recover applicable costs through a
16 clean energy cost adjustment ("CECA") as provided for in IC § 8-1-8.8-11.

1 I describe and discuss the three (3) proposed clean energy solar projects
2 (“Solar Projects”) Vectren South proposes to construct, own and operate within its
3 service territory.

4 I recommend the Commission approve, in part, Petitioner’s request for
5 declination of jurisdiction with respect to construction of the three (3) solar projects.
6 My testimony does not address Vectren South’s requested accounting and
7 ratemaking treatment, including timely recovery of costs incurred during
8 construction and operation through the proposed CECA. OUC Analyst Crystal
9 Thacker’s testimony addresses accounting and ratemaking treatment, including
10 timely cost recovery through the proposed CECA mechanism.

11 **Q: Please describe the solar projects Vectren South proposed in this proceeding.**

12 A: Petitioner is proposing to construct, own, and operate three solar power projects
13 consisting of 4.3 megawatts (“MWac”) of alternating current and two (2) battery
14 energy storage systems (“BESS”) with 4.4 MWac, all located in Vectren South’s
15 service territory.

16 The solar projects consist of two ground mounted projects, the Highway 41
17 Facility and the Evansville Urban Facility, and one rooftop solar facility proposed
18 for a new downtown multi-family residential facility which Vectren South refers to
19 as the Urban Living Research Center (“ULRC”). The three solar projects are
20 described in more detail below:

- 21 • The Highway 41 Facility is a 2 MW ground mounted solar array
22 which includes a 4MWh BESS located adjacent to Highway 41

1 in Northern Vanderburgh County outside of the Evansville city
2 limits. The estimated cost of this project is \$8.8 million.

- 3 • The Evansville Urban Facility is a 2 MW ground mounted solar
4 array located within the City of Evansville. It will interconnect
5 with Vectren South's distribution system. The estimated cost of
6 this project is \$5.4 million.

- 7 • The Rooftop Solar Facility located at the ULRC is a proposed
8 300 kW rooftop solar facility with a BESS consisting of
9 approximately 25 residential battery storage systems within the
10 living spaces at the ULRC with another 150kWh of battery
11 storage that would be shared by another set of residential units.
12 The majority of the battery storage systems planned for the
13 ULRC are expected to be installed behind the meter, not directly
14 benefiting the grid. The estimated cost of this project is \$2.0
15 million.

16 The total estimated cost of the above solar projects is \$16.2 million.

17 **Q: What is the ULRC?**

18 **A:** The ULRC is a cooperative effort between Vectren South and Haier America to
19 develop a new downtown housing facility. As part of Phase One, the State of
20 Indiana provided the southwest region of Indiana with \$42 million in matching
21 funds to support regional development plans focused on growing Indiana
22 communities into nationally-recognized destinations for talent. The ULRC, as
23 proposed, calls for Vectren South and Haier America to work on the project in
24 conjunction with the Southwest Regional Cities Initiative.

25 The ULRC is proposed as a new downtown housing facility that would
26 serve as a platform for research and development ("R&D") associated with energy
27 efficiency, smart "connected" appliances and emerging energy technologies.

1 Petitioner suggests that it will realize value for its customers by being able to
2 monitor, analyze, and research energy utilization under various conditions.¹

3 **Q: Is Vectren South seeking to recover the full cost of the planned ULRC through**
4 **this petition?**

5 A: No. Vectren South is seeking to recover only the cost of the rooftop solar facility
6 and the associated BESS in the amount of \$ [REDACTED].²

7 **Q: What are you recommending the Commission approve with regard to the**
8 **ULRC rooftop solar project proposed by Vectren South?**

9 A: From my review and analysis of Vectren South's proposed rooftop solar project, I
10 determined that the majority of costs for the BESS investments at the ULRC
11 [REDACTED]³ is proposed to be treated as "behind the meter", benefitting the
12 occupants of the planned new mixed-use development, not directly Vectren South's
13 full customer base.

¹ Petitioner's Exhibit No. 1, the pre-filed direct testimony of Mr. Robert C. Sears, page 10 of 24, lines 12-14.

² Petitioner's Exhibit No. 2, Attachment WDG-3, Confidential.

³ Provided by Petitioner's witness Mr. Robert Sears in our tech to tech conversation held on April 12, 2017 and re-confirmed in a follow-up tech to tech telephone call on April, 26, 2017.

1 I recommend that the rooftop solar project be treated as a stand-alone rooftop solar
2 project that could be constructed, owned and operated by Vectren South on any
3 rooftop. The costs associated with the behind the meter BESS investments should
4 not be allowed to be recovered from ratepayers.

5 I recommend the Commission approve the remaining rooftop solar project
6 cost estimate of \$ [REDACTED] (\$ [REDACTED]).

7 **Q: Does the OUCC agree with Mr. Sears⁴ that all Vectren South customers will**
8 **ultimately benefit from the entire ULRC project?**

9 A: The OUCC agrees that the rooftop solar facility (which will connect directly into
10 Vectren South's distribution system) and the accompanying BESS unit (to be
11 placed on the roof of the ULRC on Petitioner's side of the meter) have the potential
12 to benefit all Vectren South customers. However, the OUCC cannot accept that
13 potential future benefits from R&D requiring smaller-sized BESS units located on
14 the customer side of the ULRC meter will outweigh the cost of the twenty-five (25)
15 smaller BESS units Vectren South is asking ratepayers to fund. Based on the
16 evidence presented, it is speculative to suggest that Petitioner's customer base will
17 receive any benefits, let alone a sufficient level of benefits, to justify asking
18 ratepayers to fund Vectren South's purchase of 25 small BESS units for the ULRC.

19 While the R&D conducted in conjunction with a future ULRC structure
20 (which has not yet been built) may someday benefit future small BESS owners who
21 also are electric utility customers of Vectren South, the purchase of small, site-

⁴ Petitioner's Exhibit No. 1, prefiled direct testimony of Mr. Robert C. Sears, page 11 of 24, lines 7-10.

1 specific energy storage systems to be owned and controlled by building owners or
2 tenants should be funded by the building owner and/or building tenants who will
3 directly benefit from their future use and/or by Petitioners' shareholders.

4 **Q: Is it the OUCC's position that the two land-based Solar Projects (one of which**
5 **includes a utility-scale BESS unit), the rooftop solar facility and the**
6 **accompanying utility-scale rooftop BESS should be approved under IC § 8-1-**
7 **8.8-11(b) and/or IC § 8-1-8.5?**

8 A: Yes. The OUCC agrees that Vectren South's petition in this proceeding meets the
9 requirements in IC § 8-1-8.5 and IC § 8-1-8.8-11(b) with respect to those projects.
10 However, the OUCC recommends the BESS proposed to be placed behind the
11 customer's meter (\$██████) not be included in the approved project costs.

II. DECLINATION OF JURISDICTION

12 **Q: Has the OUCC reviewed Vectren South's request for the Commission to**
13 **decline jurisdiction over these facilities in accordance with IC 8-1-2.5-5?**

14 A: Yes. The OUCC agrees that the provisions of IC 8-1-2.5-5 have been satisfied.
15 The OUCC recommends that Vectren South's proposed projects be approved
16 except for the small BESS units that will be placed on the customer side of the
17 meter.

VI. RECOMMENDATIONS

18 **Q: What does the OUCC recommend in this proceeding?**

19 A: The OUCC recommends the Commission:

- 20 • Approve the Highway 41 Facility as a clean energy solar project.
- 21 • Approve the Evansville Urban Facility as a clean energy solar project.
- 22 • Approve the ULRC rooftop solar project excluding the BESS that are
- 23 behind the meter and installed in living spaces at the ULRC.

1 ○ The estimated cost of the recommended disallowance is
2 \$ [REDACTED] reducing the cost to be recovered from ratepayers for
3 the ULRC rooftop solar and BESS in this proceeding to
4 \$ [REDACTED].

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

6 A: Yes.

APPENDIX TO TESTIMONY OF
OUCW WITNESS EDWARD T. RUTTER

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

2 **A:** I am a graduate of Drexel University in Philadelphia, PA, with a Bachelor of
3 Science degree in Business Administration. I was employed by South Jersey Gas
4 Company as an accountant responsible for coordinating annual budgets, preparing
5 preliminary monthly, quarterly, annual and historical financial statements,
6 assisting in preparation of annual reports to shareholders, all SEC filings, state
7 and local tax filings, all FPC/FERC reporting, plant accounting, accounts payable,
8 depreciation schedules and payroll. Once the public utility holding company was
9 formed, South Jersey Industries, Inc., I continued to be responsible for accounting
10 as well as for developing the consolidated financial statements and those of the
11 various subsidiary companies including South Jersey Gas Company, Southern
12 Counties Land Company, Jessie S. Morie Industrial Sand Company, and SJI LNG
13 Company.

14 I left South Jersey Industries, Inc. and took a position with Associated
15 Utility Services Inc. (AUS), a consulting firm specializing in utility rate
16 regulation including rate of return, revenue requirement, purchased gas
17 adjustment clauses, fuel adjustment clauses, revenue requirement development
18 and valuation of regulated entities.

1 On leaving AUS, I worked as an independent consultant in the public
2 utility area as well as telecommunications including cable television (CATV). I
3 joined the OUCC in December 2012 as a utility analyst.

4 **Q: Have you previously testified before the Indiana Utility Regulatory**
5 **Commission?**

6 A: I have previously testified before the Indiana Utility Regulatory Commission
7 (Commission) in Cause Nos. 44311, 44331, 44339, 44363, 44370, 44418, 44429,
8 44446, 44478, 44486, 44495, 44497, 44526, 44540, 44542, 44576, 44602, 44403,
9 44634, 44645, 44688, 44794, 44765, 44835, 44841, 44871, 44872 plus 43827,
10 44781 and 43955 DSM dockets and several sub-dockets.. I have also testified
11 before the regulatory commissions in the states of New Jersey, Delaware,
12 Maryland, Pennsylvania, New York, Connecticut, Georgia, Florida, North
13 Carolina, Ohio, Oklahoma, Virginia and Wisconsin. In addition to the states
14 mentioned, I submitted testimony before the utility regulatory commissions in the
15 Commonwealth of Puerto Rico and the U.S. Virgin Islands. I have also testified as
16 an independent consultant on behalf of the U.S. Internal Revenue Service in
17 Federal Tax Court, New York jurisdiction.

AFFIRMATION

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

A handwritten signature in black ink, appearing to read 'E. T. Rutter', is written over a horizontal line.

By: Edward T. Rutter
Indiana Office of
Utility Consumer Counselor

May 11, 2017
Date: