

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 BRIAN R. LATHAM

PUBLIC’S EXHIBIT NO. 2

FEBRUARY 27, 2023

Respectfully submitted,



Lorraine Hitz
Attorney No. 18006-29
Deputy Consumer Counselor

█ HIGHLIGHT INDICATES CONFIDENTIAL MATERIAL
TESTIMONY OF OUCC WITNESS BRIAN R. LATHAM
CAUSE NO. 45836

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a CENTERPOINT ENERGY INDIANA SOUTH

I. INTRODUCTION

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

2 A: My name is Brian R. Latham, and my business address is 115 West Washington
3 Street, 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: Have you previously testified before the Commission?**

9 A: Yes.

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

11 A: I discuss Southern Indiana Gas and Electric Company's d/b/a CenterPoint Energy
12 Indiana South's ("CEI" or "Petitioner") proposed "Owner's Costs/ Overheads"
13 ("Owners Costs") included in its plan related to purchasing and acquiring,
14 indirectly through a Build Transfer Agreement ("BTA"), a wind facility in █
15 █.

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

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

II. RELIEF REQUESTED

5 **Q: How much does Petitioner estimate its proposed Wind Project will cost?**

6 A: The estimated cost to acquire the Wind Project is expected to be \$636 million.¹

7 **Q: Does the OUCC recommend the Commission approve CEI's request?**

8 A: No, the OUCC recommends the Commission deny CEI's request. If the
9 Commission approves CEI's request, CEI's request should be reduced by \$44
10 million as discussed below.

11 **Q: How much has Petitioner included in the Wind Project Cost for Owner's
12 Costs?**

13 A: Petitioner is estimating [REDACTED] in Owner's costs,² which accounts for [REDACTED]
14 of the total Wind Project Cost.

15 **Q: What items does CEI propose including as Owner's Costs?**

16 A: CEI's Owner's Costs include allowances for the owner's project management
17 team; owner's engineer; environmental and/or other permitting activities not
18 included in the Purchase Price; overheads such as internal labor and loadings to
19 support construction from planning through construction; Administrative and

¹Direct Testimony of Chrissy M. Behme, Petitioner's Exhibit 4, p. 3.

²Direct Testimony (Confidential) of F. Shane Bradford, Petitioner's Exhibit 2, p. 16 (Table FSB-1).

1 General overheads (“A&G”); Allowance for Funds Used During Construction
2 (“AFUDC”); expert consultant fees; and owner’s contingency.³

3 CEI is applying one percent A&G to Project Development, Interconnection
4 Costs, Spare Parts, Study/Pework and Owner’s Costs.⁴

5 Owner’s contingency includes any [REDACTED]
6 [REDACTED] unforeseen costs during planning and construction addressed through
7 change orders, [REDACTED]
8 [REDACTED] or any additional cost related [REDACTED].⁵

9 **Q: Do you agree with CEI’s proposed Owner’s Costs?**

10 A: No. I understand that there may be some costs applied to the Wind Project, but
11 Petitioner’s proposed one percent A&G application rate is not supported by
12 evidence and Petitioner did not provide a line-item breakout to support the
13 allocated amounts.

14 The one percent A&G applied to the various costs totals a minimum of
15 [REDACTED], as detailed in Table BRL-1.

³ *Id.*

⁴ *Id.*

⁵ *Id.*

Table BRL-1

	CEI Estimate	One Percent
Project Development		
Interconnection Costs		
Spare parts		
Study Pre-Work		
Owners Cost/Overheads		
Total	\$ 636,000,000	

1 **Q: Do you have any issues with Petitioner's one percent allocation to Project**
2 **Development?**

3 **A:** Yes. Since the Wind Project is a BTA, the third-party builder is essentially handing
4 over the keys to CEI; any allocation of A&G is duplicative and, therefore, not
5 necessary. I propose decreasing the purchase price by [REDACTED].

6 **Q: Do you have any issues with Petitioner's one percent allocation to**
7 **Interconnection Costs Development?**

8 **A:** Yes. Petitioner indicates that Interconnection Costs will be capped at [REDACTED],⁶
9 but then adds one percent A&G allocation. To be consistent with Petitioner's cap,
10 I recommend reducing the purchase price by one percent, or [REDACTED].

11 **Q: Do you have any issues with Petitioner's one percent allocation to Spare**
12 **Parts?**

13 **A:** Yes. It is difficult to understand why ordering spare parts requires an A&G
14 allocation. Ordering parts is a normal cost of business; therefore, applying an

⁶ *Id.*

1 unsupported allocation rate is not necessary. I recommend the allocation amount
2 be eliminated.

3 **Q: Should Petitioner's proposed [REDACTED] Study/Pre-work be subject to the**
4 **proposed one percent A&G allocation?**

5 A: No. If the Commission rejects CEI's proposed Wind Project, the Study/Pre-work
6 portion of the project should be considered a sunk cost with no recovery. These
7 costs were incurred prior to any Commission approval. This is a cost of doing
8 business and should not incur any allocated costs. I recommend a [REDACTED]
9 reduction.

10 **Q: Are CEI's Owner's Costs subject to its proposed one percent A&G charge?**

11 A: Yes, although the amount is unclear. Petitioner indicates that its one percent A&G
12 charge is applied to Owners Costs; however, Owner's Costs are comingled with
13 Overheads, rendering the amount of Owner's Costs listed in Petitioner's Table
14 FSB-1⁷ impossible to determine. This accounts for the "unknown" entry in Table
15 BRL-1.

16 **Q: What type of information does the OUCC expect CEI to provide to support**
17 **its one percent A&G allocation?**

18 A: At a minimum, the OUCC expects a budget detailing the staff who were expected
19 to apply time to the project, the amount of time, and the staff persons' hourly rate.
20 The OUCC also expects that any position previously included in the most recent
21 rate case be eliminated to prevent double recovery. Additionally, a detailed listing

⁷ Direct Testimony (Confidential) of F. Shane Bradford, Petitioner's Exhibit 2, p. 16 (Table FSB-1).

1 of any other costs expected to be incurred as part of the one percent A&G
2 allocation should be included, again eliminating any costs currently in rates.
3 Finally, the OUCC would anticipate a breakout of costs (such as spare parts) with
4 the amount of A&G expenses to be allocated. The total allocated amount should
5 equal the amount in the detailed budget.

6 **Q: What other concerns do you have with Petitioner's Owner's Cost/Overheads?**

7 A: Petitioner is including contingency for "[REDACTED]," and
8 an additional cost related to a "[REDACTED]" I found no reference to "[REDACTED]"
9 "[REDACTED]" in Petitioner's witness Jennifer K. Story's (CEIS'
10 Vice President of Tax) testimony. I also do not believe that a contingency is needed
11 for a "[REDACTED]"

12 As discussed in Petitioner's witness Chrissy M. Behme's testimony,
13 AFUDC is expected to be a small percentage of the total cost.⁸ Due to the nature
14 of CEI's proposed transaction, this should be a de minimis amount, although CEI
15 did not break out this amount.

III. RECOMMENDATIONS

16 **Q: What do you recommend regarding Owner's Cost/Overheads?**

17 A: Because Petitioner's Owner's Cost/Overheads amounts appear to be arbitrary, my
18 recommendation is to reduce the Petitioner's requested amount by \$44 million to

⁸Direct Testimony of Chrissy M. Behme, Petitioner's Exhibit 4, p. 3.

APPENDIX A

QUALIFICATIONS OF BRIAN R. LATHAM

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

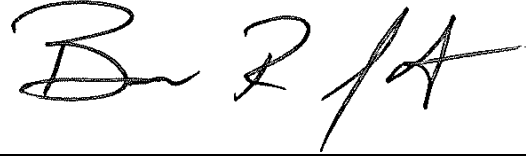
2 A: I graduated from Northern Illinois University in DeKalb, Illinois, with a bachelor's
3 degree in accounting. I then attended Illinois State University in Normal, Illinois,
4 and obtained a master's degree in accounting. In addition, I have participated in
5 various continuing education programs sponsored by my current and former
6 employers.

7 I began my employment in 1992 as a Staff Accountant with OSI Industries
8 (Aurora, 15 Illinois). In 1995, I was hired as a cost accountant at Rexnord in
9 Milwaukee, Wisconsin. In 1998, I was hired as a cost accounting manager at
10 Morton Metalcraft (Morton, Illinois) eventually promoted to a Controller role at
11 Illinois Machine and Tool Works. In 2001, was hired at Hamernik Associates,
12 where I was a work-out and bankruptcy consultant. I was an independent financial
13 recruiter in 2007 and 2008. In March 2008, I was hired as Vice President of
14 Finance for Junior Achievement of Central Indiana. In 2009, I was hired as a
15 Utility Analyst for the Indiana Utility Regulatory Commission, where I worked as
16 a member of the Water Division Staff, reviewing water and wastewater utility
17 filings and making recommendations based on witness' testimony and Indiana
18 law. In 2018, I was hired as Controller for Aqua Indiana, where I was responsible
19 for Aqua Indiana's financial operations, and my roles included the oversight and
20 accountability of the monthly, quarterly, and annual financial closings and

1 reporting, SOX and audit compliance, budget, forecasting, and five-year planning,
2 regulatory petitions, acquisitions, and other strategic projects. After a short stint as
3 Controller at Senior Home Companions, I was hired at the OUCC as a Utility
4 Analyst in October 2022.

AFFIRMATION

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

A handwritten signature in black ink, appearing to read "B R Latham". The signature is written in a cursive style with a horizontal line extending from the end of the name.

Brian R. Latham
Utility Analyst
Indiana Office of Utility Consumer Counsel
Cause No. 45836
CenterPoint Energy

Date: February 27, 2023

CERTIFICATE OF SERVICE

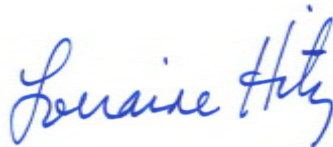
This is to certify that a copy of the Indiana OUCC's Testimony Brian R. Latham has been served upon the following parties of record in the captioned proceeding by electronic service on February 27, 2023.

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