

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.,
A CENTERPOINT ENERGY COMPANY
(VECTREN SOUTH)**

IURC CAUSE NO. 43406-RCRA-18

**DIRECT TESTIMONY
OF
JUSTIN M. JOINER
DIRECTOR, POWER SUPPLY SERVICES**

ON

**ESTIMATED COSTS FOR PURCHASED EMISSION ALLOWANCES AND ESTIMATED
AND ACTUAL NON-FUEL PURCHASED POWER COSTS**

SPONSORING PETITIONER'S EXHIBIT NO. 1

DIRECT TESTIMONY OF JUSTIN M. JOINER

1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. Justin M. Joiner

5 One Vectren Square

6 Evansville, Indiana 47708

7

8 **Q. What position do you hold with Southern Indiana Gas and Electric Company,**
9 **Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South")?**

10 A. I am Director of Power Supply Services for Vectren Utility Holdings, Inc. ("VUHI"), the
11 immediate parent company of Vectren South ("Vectren").

12

13 **Q. Please describe your educational background.**

14 A. I received a Bachelor of Science in Economics and Finance (2005) and a Master's in
15 Business Administration (2012), both from Southern Illinois University at Edwardsville.

16

17 **Q. Have you previously testified before this Commission?**

18 A. Yes, I have testified before the Commission for Vectren's Midcontinent ISO "MISO"
19 Cost and Revenue Adjustment (MCRA) filing, most recently MCRA23, and its
20 Certificate of Public Convenience and Need, Cause Number 45052.

21

22 **Q. Please describe your professional experience.**

23 A. I have been employed by the Company since January 2015. I began my career in the
24 energy industry at Ameren Corporation ("Ameren") and actively participated in the
25 MISO markets in both the regulated and merchant divisions from 2008 to 2013. While
26 at Ameren, I helped manage and optimize Ameren's generation portfolio in the Real-
27 Time and Day-Ahead markets in MISO. Prior to joining the Company, I worked at
28 MISO in the Strategy and Business Development segment where I conducted key
29 industry analysis on market developments such as Resource Adequacy, Footprint
30 Diversity and Gas/Electric Coordination while working to attract and retain

membership within MISO. I was also Secretary of the Internal Risk and Audit Committee at MISO.

Q. What are your present duties and responsibilities as Director of Power Supply Services?

A. I have responsibility for the following related functions: Wholesale Power Marketing, MISO Market Settlements, utility reporting and the Integrated Resource Plan (IRP) process. This aligns areas that interact with the MISO on a daily basis with regards to generation and market related initiatives. I also maintain continued oversight and emphasis on conducting required Public Stakeholder meetings and compliance with IRP requirements.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide information regarding Vectren South's estimated costs for purchased emission allowances and estimated and actual non-fuel purchased power costs.

Q. Are you sponsoring any exhibits in this proceeding?

A. No, I am not.

II. Emergency Event, January 30, 2019

Q Please describe the event that occurred on January 30, 2019 when MISO requested that Vectren South deploy all Load Modifying Resources ("LMR's").

A. On January 30, 2019 MISO declared a Maximum Generation Emergency Event due to issues in the northern MISO area. During this time MISO requested that Vectren South take steps necessary to fully deploy the 23.5 MW's of LMR's in the Vectren service area. These instructions were confusing for a few reasons: (1) Vectren South units were on line and had significantly more generation to be dispatched than the amount of curtailment requested; (2) MISO did not follow its own procedure that calls for all available generation to be dispatched as the first step in an Emergency Event;

1 (3) The scheduling instruction by MISO used the word "drill". Because Vectren South
2 understands the potential operational and financial impacts of interrupting service to
3 its industrial customers, and given we had a significant amount of generation available
4 to be dispatched and the MISO instructions did not align with conditions (following their
5 procedure regarding dispatching all available generation as the first step during an
6 emergency event) and used the word "drill", Vectren South did not direct LMR's to
7 reduce demand.
8

9 **Q. What was the result of Vectren South's decision?**

10 A. In May 2019 MISO issued Miscellaneous adjustments for underperformance and
11 capacity disqualification penalties. A charge of [REDACTED] was assessed for energy
12 related penalties, and a charge of [REDACTED] was assessed for capacity related
13 penalties. MISO also disqualified Vectren's load modifying resources (LMRs)
14 from participating as a capacity resource from January 30th through the end of
15 the 2018 – 2019 Planning Year for failing to deploy on January 30th in
16 compliance with MISO's Scheduling Instructions regarding the January 30th
17 Maximum Generation Emergency Event.
18

19 **Q. Was a dispute filed with MISO to request relief from the charges assessed for**
20 **capacity disqualification penalties?**

21 A. On May 29, 2019 Vectren disputed the imposition of the energy and capacity
22 penalties through the Market Settlements dispute process. MISO denied both
23 disputes and issued notice that the issue is eligible for Alternative Dispute
24 Resolution ("ADR"), if initiated within ninety (90) calendar days of the dispute
25 denial. On July 30, 2019 Vectren initiated the ADR process to request that MISO
26 waive the energy and capacity charges incurred as a result of the event.
27

28 **Q. Please provide an update on the Alternative Dispute Resolution.**

29 A. On April 9, 2020 MISO issued a determination letter denying Vectren's requested relief
30 related to the energy penalty. In a second letter MISO determined that it should not
31 have doubled the Auction Clearing Price penalty for Load Modifying Resources
32 (LMRs) included in a Fixed Resource Adequacy Plan (FRAP). Given that Vectren's

1 LMRs are included in a FRAP, MISO refunded one half of the capacity penalty
2 previously charged. MISO has resettled the January 30, 2019 operating day and all
3 issues related to this dispute have been resolved. A summary of the overall event
4 impact is shown below:

Energy Penalty Revenue Redistribution	
Disqualification Penalty Revenue Redistribution	
Energy Penalties	
Capacity Disqualification Penalties	
Total Impact:	

5 Vectren South will pass the revenue credits received as a result of the event to
6 customers through the FAC and RCRA filings. Vectren South will not seek recovery of
7 the associated penalties.
8
9

10 **III. PURCHASE POWER COSTS**

11
12 **Q. What non-fuel purchased power costs are included in this RCRA?**

13 A. Non-fuel purchased power costs for the annual projection period covered by RCRA-
14 18, November 1, 2020 through October 31, 2021 (the "RCRA-18 period"), include
15 estimated capacity costs from Ohio Valley Electric Corporation ("OVEC").
16

17 **Q. What additional purchased power costs are included in this RCRA?**

18 A. Projected PJM market support and administration costs related to Vectren South's
19 wind contracts with Fowler Ridge II ("FRII") have been included for the RCRA period,
20 as shown on Line 3 of Petitioner's Exhibit No. 2, Attachment KJT-2, Schedule 3.
21

22 **Q. How were the estimated OVEC capacity costs derived?**

23 A. The OVEC capacity charges are based on estimates from OVEC. OVEC provides a
24 five-year estimate of capacity costs for the total OVEC system. Vectren South uses
25 those estimated amounts for each year and determines annual costs allocable to the
26 Company based on Vectren South's OVEC Power Participation Ratio ("PPR") of 1.5%.
27 The PPR is Vectren South's share of OVEC and is used by OVEC to allocate actual

1 monthly capacity charges to Vectren South and other utilities. For the RCRA-18
2 period, estimated OVEC capacity charges applicable to Vectren South of \$5,577,862
3 are shown on Line 1 of Petitioner's Exhibit No. 2, Attachment KJT-2, Schedule 3.
4

5 **Q. Did Vectren South make any capacity purchases relating to the Resource**
6 **Adequacy Planning Year 2019-2020 which runs from June 1, 2019 through May**
7 **31, 2020?**

8 A. Yes, due to the retirement of NE units 1 and 2 and the suspension of the Broadway
9 Avenue Gas ("BAGS") 2 unit effective April 18, 2019, Vectren South needed to
10 purchase capacity to cover our obligations for the 2019-2020 Planning Year. Vectren
11 South purchased 23 MW's of capacity from Voltus Inc at [REDACTED]/kW-Month for a total of
12 [REDACTED] plus a broker fee to Karbone Inc. in the amount of [REDACTED]
13

14 **Q. Is the Broadway Avenue Gas ("BAGS") 2 unit still in suspension?**

15 A. Effective December 22, 2019 Broadway Avenue Gas ("BAGS") 2 unit was converted
16 from suspension status to retirement per Attachment-Y retirement notice approval by
17 MISO on December 5th, 2019.
18

19 **Q. Did Vectren South make any capacity purchases relating to the Resource**
20 **Adequacy Planning Year 2020-2021 which runs from June 1, 2020 through May**
21 **31, 2021?**

22 A. No
23

24 **Q. Did Vectren South participate in the annual MISO Planning Resource Auction**
25 **("PRA"), relating to the Resource Adequacy Planning Year 2020-2021?**

26 A. Yes. Vectren South participated in the Midcontinent Independent System Operator
27 ("MISO") PRA for the 2020-2021 planning year which runs from June 1, 2020 through
28 May 31, 2021. Vectren cleared 7.8 MW's in the auction at \$5.00/MW-day. Vectren
29 South will also receive a Daily Zonal Net Benefit amount of \$5.80 per day. This will
30 provide revenue of \$16,353 between June 2020 and May 2021.
31

32 **Q. How does this compare to recent MISO Auction clearing prices?**

33 A. Last year the Zone 6 MISO Auction price cleared at \$2.99/MW-day.

1
2 **Q. What factors contributed to the increase in clearing price from the prior year?**

3 A. Per MISO, cleared resources show the continued growth of gas, renewables, and
4 demand side resources. This trend is the primary basis for Resource Availability and
5 Need initiatives around the timely and efficient conversion of capacity into energy
6 across all hours of the year. Most zones cleared \$4.75-\$6.88/MW-day with Zone 7
7 clearing at Cost of New Entry of \$257.53/MW-day due to insufficient zonal capacity to
8 meet the Zone 7 Local Clearing Requirement (LCR).
9

10
11 **IV. EMISSION ALLOWANCES**

12
13 **Q. Did retail customers benefit from the sale of Emission Allowances during the**
14 **period of May 1, 2019 through April 30, 2020, the reconciliation period?**

15 A. Yes. Retail customers received net proceeds in the amount of \$20,609. The net
16 proceeds are shown on line 7 of Petitioner's Exhibit No. 2, Attachment KJT-2,
17 Schedule 4, page 2 and are included in the calculation of the RCRA's.
18

19 **Q. Is Vectren South following recent regulatory developments with respect to SO₂**
20 **and NO_x allowances?**

21 A. Yes. After several court rulings and revisions, on October 23, 2014, the D.C. Court
22 ordered Phase 1 of the Cross State Air Pollution Rule ("CSAPR") into effect beginning
23 January 1, 2015 with Phase 2 going into effect on January 1, 2017. Vectren South
24 monitors SO₂ and NO_x allowance market prices and procures the necessary
25 allowances to cover all Wholesale Power Marketing ("WPM") sales.
26

27 **Q. Did Vectren South purchase Emissions Allowances in order to remain in**
28 **compliance in 2019?**

29 A. Yes. Vectren South carried forward 59 seasonal NO_x allowances into the 2019
30 compliance year. These allowances were purchased in December of 2018 from
31 Fathom Energy LLC at [REDACTED] each, for a total of [REDACTED]. These allowances were
32 purchased through a broker, Evolution Markets, for a fee of [REDACTED] per allowance, or [REDACTED].
33 In May of 2019, Vectren South purchased 950 seasonal NO_x allowances from Fathom

1 Energy LLC at [REDACTED] each, for a total of [REDACTED]. The allowances were purchased
2 through Evolution Markets for a fee of [REDACTED] per allowance, or [REDACTED]. Finally, In
3 December of 2019, Vectren South purchased 100 seasonal NOx allowances from
4 NRG Power Marketing LLC at [REDACTED] each, for a total of [REDACTED]. These allowances
5 were also purchased through Evolution Markets for a fee of [REDACTED] per allowance, or [REDACTED].
6 The total purchase price including the brokers fee was [REDACTED].
7

8 **Q. Have there been any changes to the number of NOx emission allowances**
9 **allocated to Vectren South's generating facilities in 2020?**

10 A. No. Since 2017, the CSAPR Phase 2 NOx seasonal (May – September) allowance
11 allocation to Vectren South has been 1,356 tons.
12

13 **Q. Have there been any changes to the number of SO₂ emission allowances**
14 **allocated to Vectren South's generating facilities in 2020?**

15 A. No. Since 2017, the CSAPR Phase 2 annual SO₂ allowance allocation to Vectren
16 South has been 9,933 tons.
17
18

19 **V. WHOLESALE POWER MARKETING AND ADMINISTRATIVE COSTS**
20

21 **Q. Has Vectren South included any WPM results in this RCRA?**

22 A. Yes. Vectren South is including 50% of the retail sharing portion of WPM margin below
23 the base rate level for the 12 months ending April 30, 2020. The total shortfall for this
24 period is \$(5,704,809), resulting in a retail sharing portion for that 12-month period of
25 \$(2,852,404). Vectren South witness Katie J. Tieken discusses how these WPM
26 results are reflected in this RCRA.
27

28 **Q. Have PJM market support and administration costs associated with the FRIL**
29 **Renewable Energy Purchase Agreement ("REPA") been included for recovery**
30 **in this RCRA?**

31 A. Yes. Consistent with the Order in Cause No. 43635 approved on June 17, 2009 ("June
32 17 Order") Vectren South has included costs from the reconciliation period in this
33 RCRA associated with the REPA in the amount of \$239,747 for the 12-month period

May 2019 to April 2020. Supporting documentation is included in the work papers provided to the Indiana Office of Utility Consumer Counselor ("OUCC").

Q. Has Vectren South included any estimates of PJM market support and administration costs in this RCRA?

A. Yes. Vectren South has included PJM costs related to the purchase of wind power from FRII. As described and approved by the Commission in Cause No. 43635, Vectren South will incur charges from PJM because FRII is located within the PJM footprint. Vectren South has estimated \$378,096 in PJM market support and administration costs for the annual RCRA-18 period, as shown on Petitioner's Exhibit No. 2, Attachment KJT-2, Schedule 3, line 3.

Q. Does Vectren South normally sell FRII capacity into PJM market?

A. No. Since FRII resides in PJM but is pseudo-tied to MISO and is used to serve Vectren South customers, Vectren South annually requests exemption from the PJM Base Residual Auction for its share of the capacity from FRII Wind Farm.

Q. Please explain why the 1.6MW's was sold into the PJM capacity market?

A. Vectren South mistakenly requested an exemption of 4.8 MW's of capacity credit, which is the amount Vectren South annually received prior to the 2017-2018 planning year. Vectren South's correct exemption should be 6.4 MW's. Because Vectren did not request exemption for the full amount, the difference of 1.6 MW's cleared (was sold) in the PJM capacity auction for the 2019-2020 planning year. Vectren South worked with PJM to purchase replacement capacity to meet this obligation.

Q. Does Vectren South expect to receive any capacity payment credits from the PJM market going forward?

A. No

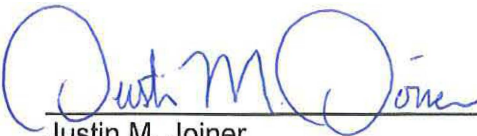
VI. CONCLUSION

Q. Does this conclude your prepared direct testimony?

1 A. Yes, at the present time.

VERIFICATION

The undersigned, Justin M. Joiner, being duly sworn, under penalty of perjury affirms that the foregoing Direct Testimony in Cause No. 43406-RCRA-18 is true to the best of his knowledge, information and belief.



Justin M. Joiner