

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF DUKE ENERGY INDIANA, )  
LLC FOR APPROVAL OF A FEDERAL )  
MANDATE CERTIFICATE UNDER IND. )  
CODE § 8-1-8.4-1 )

CAUSE NO. 45253 S1

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

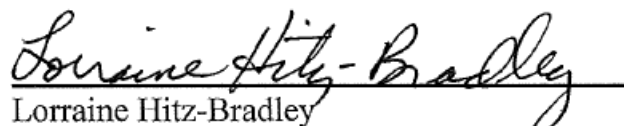
TESTIMONY OF

ANTHONY A. ALVAREZ – PUBLIC’S EXHIBIT NO. 3

JULY 22, 2020

Respectfully submitted,

Indiana Office of Utility Consumer Counselor

  
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Deputy Consumer Counselor

**TESTIMONY OF OUCC WITNESS ANTHONY A. ALVAREZ**  
**CAUSE NO. 45253 S1**  
**DUKE ENERGY INDIANA, LLC.**

**I. INTRODUCTION**

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

2   A:    My name is Anthony A. Alvarez, 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 Electric Division of the Indiana Office of  
6         Utility Consumer Counselor (“OUCC”). I describe my educational background in  
7         Appendix A to my testimony.

8   **Q:    Have you previously testified before the Indiana Utility Regulatory**  
9         **Commission (“Commission”)?**

10  A:    Yes. I have testified in a number of cases before the Commission, including electric  
11         utility base rate cases; environmental and renewable energy Purchase Power  
12         Agreement (“PPA”) and tracker cases; Transmission, Distribution, and Storage  
13         System Improvement Charge (“TDSIC”) cases; and applications for Certificates of  
14         Public Convenience and Necessity (“CPCN”).

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

16  A:    My testimony addresses Duke Energy Indiana, LLC’s (“DEI”) request for CPCN  
17         approval of its Coal Combustion Residuals (“CCR”) closure plan in this  
18         subdocket.<sup>1</sup> In particular, my testimony: 1) summarizes DEI’s construction  
19         schedules and proposed project cost estimates included in its CCR closure plan; 2)

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<sup>1</sup> See IURC Order in Cause No. 45253 dated December 5, 2019.

1 addresses the project management, monitoring and reporting process DEI currently  
2 has in place to manage its coal ash compliance plan in Indiana; and 3) addresses  
3 the need to establish a future reporting framework for DEI's CCR closure plan.<sup>2</sup>  
4 Should the Commission approve DEI's request, I recommend the Commission  
5 require DEI to provide detailed cost information and up-to-date project  
6 management reports in its semi-annual Environmental Cost Recovery ("ECR")  
7 Rider (i.e. tracker), as further described in my testimony.

8 **Q: What did you do to prepare your testimony?**

9 A: I reviewed DEI's petition, direct testimony, and public and confidential exhibits  
10 filed in this Cause. I wrote OUCC discovery questions and reviewed DEI's  
11 responses.

## II. COAL COMBUSTION RESIDUALS CLOSURE PLANS

12 **Q: Please identify the proposed projects included in DEI's CCR closure plans.**

13 A: Following are the proposed projects and respective Indiana generation station  
14 facility locations included in DEI's CCR closure plans:<sup>3</sup>

- 15 1. Lined Ash Disposal Area ("LADA"), Primary Ash Settling Pond and Ash  
16 Disposal Area #1 at the Cayuga Generating Station ("Cayuga");
- 17 2. North Ash Pond, Primary Pond Ash Fill Area, Ash Pond A, and Ash Pond  
18 B/Landfill at the Gallagher Generating Station ("Gallagher");
- 19 3. Ash Pond A, Secondary Settling Pond and South Ash Pond at the Wabash  
20 River Generating Station ("Wabash River");
- 21 4. East Settling Basin and East Ash Pond at the Gibson Generating Facility  
22 ("Gibson");

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<sup>2</sup> I use the term "coal ash compliance plan" as a general reference to DEI's overall compliance plan in Indiana. I use the term "CCR closure plan" in reference to the Coal Combustion Residuals closure plan DEI is specifically requesting approval for in this proceeding,

<sup>3</sup> Petitioner's Exhibit 2, Direct Testimony of Timothy J. Thiemann, Tables 1 and 2, pp. 6 – 7.

1           5. Coal Ash Management Area and Mine Spoil Area at the former Dresser  
2           Generating Facility (“Dresser”); and

3           6. Ash Stack at the Noblesville Generating Facility (“Noblesville”).

4   **Q:   Briefly discuss DEI’s proposed closure plan at each coal ash management site,**  
5   **generation station and facility.**

6   A:   Petitioner’s witness Mr. Timothy J. Thiemann, Direct at 25, lines 16 – 20, states  
7       DEI’s “closure plans can be broken down into two simple options” (or “closure  
8       methods”) – closure by removal, and closure in place. Closure by removal requires  
9       the closing of a coal ash basin (pond or area) “by removing all ash and any areas  
10      affected by the releases from the CCR unit.”<sup>4</sup> Closure in place requires the closing  
11     of a coal ash “basin by removing the liquid wastes, stabilizing the remaining wastes  
12     and installing an impermeable cap over the material in place.”<sup>5</sup> These two closure  
13     methods drive the project work scopes, schedules, associated closure costs and coal  
14     ash management costs to complete these compliance projects. Some coal ash  
15     management sites may have a combination of both closure methods.<sup>6</sup> OUCC  
16     witness Cynthia Armstrong discusses the closure methods in her testimony. DEI is  
17     still awaiting the Indiana Department of Environmental Management’s (“IDEM”) approval for future closure of other coal ash management sites, which makes it  
18     likely that DEI will be adding more compliance projects at these generation stations  
19     going forward.<sup>7</sup> However, DEI’s request in this subdocket does not include the  
20     compliance projects awaiting closure approvals.<sup>8</sup>

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<sup>4</sup> Thiemann Direct at 25, lines 17 – 18.

<sup>5</sup> *Id.*

<sup>6</sup> See Thiemann Direct at 6, Table 1, Cayuga Ash Disposal Area #1 required closure in place and closure by removal in an isolated area.

<sup>7</sup> Thiemann Direct at 6, lines 4 – 5.

<sup>8</sup> *Id.*

1           Following are summaries of DEI's proposed closure plan at each coal ash  
2           management site, generation station and facility:

A. Cayuga Generating Station

3           DEI's CCR closure plan includes three coal ash management areas of the  
4           Cayuga ash pond system: LADA, Ash Disposal Area #1 ("ADA #1") and the  
5           Primary Ash Settling Pond.<sup>9</sup> Each of these individual coal ash management areas  
6           constitute a separate project with a distinct work scope, schedule and activities, as  
7           shown in Petitioner's Confidential Exhibit 2-B (TJT). The closure method for the  
8           LADA project will be closure in place. The ADA #1 project will be closure in place  
9           but will also require closure by removal in some areas. The Primary Ash Settling  
10          Pond project will be closure by removal of all CCR materials.<sup>10</sup> DEI plans to  
11          complete the closure of these coal ash management areas by 2023, and requests  
12          approval for \$94 million in estimated closure costs and the additional the coal ash  
13          management costs found in Petitioner's Confidential Exhibit 2-L (TJT), Line No.  
14          7, p. 2.<sup>11</sup>

B. Gallagher Generating Station

15          DEI's CCR closure plan includes three coal ash management areas of the  
16          Gallagher ash pond system: North Ash Pond, Primary Pond Ash Fill Area, Ash  
17          Pond A, and Ash Pond B/Landfill. Petitioner's Confidential Exhibit 2-D (TJT)  
18          identifies the work scope, schedule and activities involved in each project. The

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<sup>9</sup> *Id.* at 8, lines 2 – 4.

<sup>10</sup> *Id.* at 6, Table 1.

<sup>11</sup> *Id.* at 9, lines 18 – 19, and at 22, line 3.

1 North Ash Pond and Primary Pond Ash Fill Area projects will be closed in place.<sup>12</sup>  
2 Meanwhile, the Ash Pond A project will be closed by removal of all CCR materials,  
3 and the Ash Pond B/Landfill project will be closed in place with an integrated cover  
4 system and on-site restricted waste landfill.<sup>13</sup> DEI plans to complete the closure of  
5 these coal ash management areas at Gallagher by 2025, and seeks approval for \$105  
6 million in estimated closure costs and the additional coal ash management costs  
7 found in Pet. Conf. Exh. 2-L (TJT), Line No. 13, p. 2.<sup>14</sup>

### C. Wabash River Generating Facility

8 DEI's CCR closure plan includes three coal ash management areas of the  
9 Wabash River ash pond system: Ash Pond A, Secondary Settling Pond, and the  
10 South Ash Pond. Petitioner's Confidential Exhibit 2-F (TJT) identifies the work  
11 scope, schedule and activities involved in each project. Both Ash Pond A and  
12 Secondary Settling Pond projects will be closed by removal with the material being  
13 placed in the lined South Ash Pond.<sup>15</sup> The South Ash Pond project will be closed  
14 in place using fill materials coming from Ash Pond A, Ash Pond B (not included  
15 in this proceeding), and Secondary Settling Pond areas.<sup>16</sup> DEI plans to complete  
16 the closure of these coal ash management areas at Wabash River by 2027, and seeks  
17 approval for \$88 million in estimated closure costs and the additional coal ash  
18 management costs found in Pet. Conf. Exh. 2-L (TJT), Line No. 25, p. 2.<sup>17</sup>

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<sup>12</sup> *Id.* at 11, lines 11 – 22, and Table 1, pp. 5 – 6.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 12, lines 3 – 4, and at 22, line 4.

<sup>15</sup> *Id.* at 13, lines 11 – 19, and Table 1, p. 6.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at 14, lines 1 – 2, and at 22, line 5.

D. Gibson Generating Facility

1           DEI's closure plan at Gibson involves the remaining coal ash-related  
2           remediation work on the East Ash Pond system made up of the East Ash Pond  
3           project and the East Settling Basin project.<sup>18</sup> DEI conducted the coal ash-related  
4           remediation work on the East Ash Pond system under a previous closure plan prior  
5           to the CCR Rule.<sup>19</sup> The East Ash Pond project is not subject to the CCR Rule and  
6           DEI amended its closure plan so it can close the East Settling Basin project under  
7           the CCR Rule.<sup>20</sup> Ms. Armstrong discusses the CCR Rule in her testimony. DEI  
8           plans to complete these projects at Gibson by 2023. Although DEI already included  
9           the closure expenses associated with these projects through 2020 in Cause No.  
10          45253 (DEI's recent base rate case), it seeks approval for the coal ash management  
11          costs found in Pet. Conf. Exh. 2-L (TJT), Line No. 19, p. 2.<sup>21</sup>

E. Former Dresser Generating Facility

12          DEI's Dresser Closure Implementation Plan involves two main areas: the  
13          mine refuse management area ("mine spoil area") and the coal ash management  
14          area.<sup>22</sup> DEI retired Dresser in 1975 and needed to consolidate the "numerous piles"  
15          of materials located within the property.<sup>23</sup> These materials are "mine spoils" from  
16          the Dresser Mine, and include mine refuse and materials containing asbestos, which  
17          needs remediation.<sup>24</sup> DEI will consolidate coal ash materials into one pile near the

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<sup>18</sup> *Id.* at 14, lines 8 – 10, and at 15, lines 11 – 13.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.* at 15, lines 15 – 18.

<sup>21</sup> *See* Pet. Conf. Exh. 2-L (TJT), Note 1, p. 2 of 2.

<sup>22</sup> Thiemann Direct at 17, lines 1 – 2.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* at 16, lines 14 – 19.

1 former coal pile, and combine the two piles of materials containing asbestos on-  
2 site.<sup>25</sup> After consolidation, both areas will be closed in place. DEI plans to complete  
3 the closure of these areas by 2022. Although DEI already included closure expenses  
4 through 2020 in Cause No. 45253, it is seeking approval for an additional \$1.3  
5 million in closure costs for 2021, and the additional coal ash management costs  
6 found in Pet. Conf. Exh. 2-L (TJT), Line No. 25, p. 2.<sup>26</sup>

#### E. Noblesville Generating Facility

7 DEI's Noblesville closure plan addresses "2 contiguous ash disposal areas  
8 in the northwest portion of the station property."<sup>27</sup> In 2003, DEI decommissioned  
9 Noblesville's coal-fired plant, and needed to excavate and consolidate the CCR  
10 materials from the two ash disposal areas into one ash management area ("Ash  
11 Stack" project) along the western boundary of the property. After consolidation, the  
12 ash management area will be closed in place. DEI plans to complete the closure of  
13 the consolidated ash management area by 2021 and seeks approval of \$16 million  
14 in estimated closure costs and the additional coal ash management costs found in  
15 Pet. Conf. Exh. 2-L (TJT), Line No. 26, p. 2.<sup>28</sup>

### **III. CCR CLOSURE PLAN PROJECT MANAGEMENT**

16 **Q: Please discuss DEI's project management for its CCR closure plan.**  
17 A: Duke Energy Business Services, LLC., Coal Combustion Product ("CCP") Project  
18 Management Midwest, a DEI company affiliate, is responsible for DEI's coal ash

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<sup>25</sup> *Id.* at 17, lines 11 – 17.

<sup>26</sup> *See* Pet. Conf. Exh. 2-I (TJ) and Pet. Conf. Exh. 2-L (TJT), pp. 1 – 2.

<sup>27</sup> Thiemann Direct at 18, lines 17 – 19.

<sup>28</sup> *Id.* at 22, line 7.



1 compliance plan in Indiana.<sup>29</sup> The CCP project management group manages “the  
2 closure of each coal ash management area as a separate and independent project  
3 from a project management and accounting perspective.”<sup>30</sup> The CCP project  
4 management group is “accountable for each assigned project,”<sup>31</sup> and the “assigned  
5 station level Project Director is responsible for providing the progress reports for  
6 each project.”<sup>32</sup> For example, Cayuga’s CCR closure plan includes three coal ash  
7 management areas constituting three “separate and independent” projects, namely:  
8 “a closure project for the Lined Ash Disposal Area, a closure project for the Primary  
9 Settling Basin and a closure project for the Ash Disposal Area #1.”<sup>33</sup> The Project  
10 Director (and assigned team) at Cayuga is then responsible for gathering,  
11 monitoring, analyzing, and reporting the projects’ progress on a weekly and  
12 monthly basis.<sup>34</sup> The Project Director and team provide the data updates for  
13 consolidation in the overall portfolio weekly report – “CCP Executive Summary  
14 Report,” and monthly report – “CCP Monthly Executive Project Status Report  
15 (PSR).”<sup>35</sup> DEI will use the same project management structure and progress  
16 reporting process at the other coal ash management areas and sites.

17 **Q: Did DEI provide additional future CCR closure cost information in the**  
18 **current proceeding, as compared to the information it provided in Cause No.**  
19 **45253?**

20 **A:** Yes. DEI provided additional cost information pertaining to future CCR closures,

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<sup>29</sup> Att. AAA-2 – DEI Response to OUCC DR Set 2.3 (a) – (i).

<sup>30</sup> Att. AAA-1 – DEI Response to OUCC DR Set 2.2 (a) – (c).

<sup>31</sup> Att. AAA-2. OUCC DR 2.3(b).

<sup>32</sup> *Id.* OUCC DR 2.3(e).

<sup>33</sup> Att. AAA-1. OUCC DR 2.2.

<sup>34</sup> Att. AAA-2. OUCC DR 2.3(b).

<sup>35</sup> *Id.*

1 as offered in Mr. Thiemann's direct testimony and as found in Pet. Conf. Exh. 2-L  
2 (TJT).

3 **Q: Does the additional cost information in DEI's case-in-chief provide adequate**  
4 **support to allow the OUCC to conduct an effective review and evaluate "the**  
5 **nature and magnitude of the potential costs?"<sup>36</sup>**

6 A: No. DEI's case-in-chief lacks critical information needed to establish the project  
7 baseline costs,<sup>37</sup> or to support the project costs found in Pet. Conf. Exh. 2-L (TJT).  
8 In addition, it was only through confidential responses to OUCC discovery that DEI  
9 provided recently dated copies of its CCP Executive Summary Report and CCP  
10 Monthly Executive Project Status Report (PSR) ("project management reports") as  
11 examples of its project management reports.<sup>38</sup> These project management reports  
12 contain cost information along with other useful information, establishing the  
13 project baseline schedules or "Level 1 schedules" found in Petitioner's Confidential  
14 Exhibits 2-B, 2-D, 2-F, 2-G, 2-I, and 2-K (TJT). DEI should have provided this  
15 project information in its case-in-chief.

16 **Q: Did the cost information found in the project management report examples set**  
17 **forth in Pet. Conf. Exh. 2-L (TJT) include the necessary cost information to**  
18 **establish project baseline costs?**

19 A: No. The additional cost information found in the sample reports did not contain the  
20 necessary detail to supplement the cost information offered in Pet. Conf. Exh. 2-L  
21 (TJT) and establish project baseline costs that will allow tracking of future cost

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<sup>36</sup> Cause No. 45253, Commission Docket Entry dated December 5, 2019.

<sup>37</sup> A "baseline" in project management is a clearly defined starting point for a project. It is a fixed reference point to measure and compare the project progress against and allow project performance assessment over time. A project baseline cost defines the cost of the project and a project baseline schedule defines the duration of the project. See website: <https://www.wrike.com/project-management-guide/faq/what-is-a-baseline-in-project-management-project-baseline/>. Accessed: 07/16/2020. See also Project-Management.com website: <https://project-management.com/the-project-baseline-a-project-management-definition/>. Accessed: 07/16/2020.

<sup>38</sup> Att. AAA-2.

1 changes in a meaningful manner.<sup>39</sup> The project management reports and Pet. Conf.  
2 Exh. 2-L (TJT) did not provide a detailed cost breakdown of a project's direct,  
3 indirect and overhead costs, including the various cost components of each cost  
4 type. Without a detailed cost breakdown to establish the baseline cost of a project,  
5 there is no specifically defined starting point to track and assess future cost  
6 movements and project performance. In other words, should cost increases occur,  
7 the cost information found in both the case-in-chief and in the project management  
8 report examples could not explain whether the increase was related to the direct  
9 cost, indirect cost or overhead cost of the project.

10 **Q: Can you give an example?**

11 A: Yes. DEI is seeking "deferral accounting treatment" for costs exceeding its "cost  
12 estimate by more than 25%" without receiving "specific approval from the  
13 commission."<sup>40</sup> However, should this cost increase occur, there is no way of  
14 knowing whether the increase is related to the project's direct, indirect or overhead  
15 costs, or a combination of cost types. Therefore, DEI should provide a detailed cost  
16 breakdown of the cost types (i.e., direct, indirect, and overhead costs), and define  
17 the cost components within each types of cost. OUCC witness Wes Blakley  
18 discusses DEI's proposed accounting treatment in his testimony.

19 **Q: Will you be able to successfully track future cost movement using the cost**  
20 **information found in Pet. Conf. Exh. 2-L (TJT)?**

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<sup>39</sup> The cost baseline handles the amount of money the project is predicted to cost. See website: <https://www.rationalplan.com/projectmanagementblog/creating-budget-cost-baseline-projects/#:~:text=In%20Project%20Management%2C%20the%20term,part%20of%20a%20project%20baseline>. Accessed: 07/16/2020.

<sup>40</sup> Petitioner's witness Brian P. Davey, Direct at 6, lines 7 – 12, and p. 8, lines 6 – 10.

1 A: No. As discussed earlier, the cost information found in Pet. Conf. Exh. 2-L (TJT)  
2 was at a high-level and did not provide a breakdown of the cost components for  
3 each project. The case-in-chief is deficient. For example, there may be contingency  
4 amounts baked into each project as a cost component of overhead costs. However,  
5 Mr. Thiemann's direct testimony and attachments (including confidential) do not  
6 offer any information regarding estimated contingency amounts within each  
7 project's costs. Petitioner's witnesses Owen R. Schwartz and Brian P. Davey were  
8 likewise silent on project contingencies. However, the CCP Executive Summary  
9 Report examples DEI provided only in discovery clearly showed there were  
10 contingency funds in each project, as well as amounts drawn and amounts  
11 remaining.<sup>41</sup> Although each project's total contingency funds may depend on risk,  
12 in terms of total project cost (or "TPC" as shown in the example project  
13 management reports), the percentages varied widely from 1.6% to 20%, with most  
14 at 10% - 12%. However, because DEI already included some project closure costs  
15 in its recent base rate case, there is no way of knowing how much of the contingency  
16 amounts drawn were already included in base rates. At the same time, by not  
17 providing a detailed cost breakdown, it is difficult and problematic to track the use  
18 and movement of contingency funds or any other future project cost components.  
19 Therefore, as shown above, DEI should provide detailed cost breakdown and

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<sup>41</sup> Att. AAA-2. OUCC DR 2.3

1 critical cost component information for each project included in DEI's CCR closure  
2 plan in its ECR tracker going forward.

#### IV. REPORTING FRAMEWORK

3 **Q: If the Commission approves DEI's request in this proceeding, will CCR**  
4 **closure costs be subject to ongoing review?**

5 A: Yes. DEI will use its existing semi-annual ECR tracker to recover CCR closure  
6 costs, subjecting costs to ongoing review. This would also give DEI an opportunity  
7 to provide progress reports and high-level cost estimate revisions on a semi-annual  
8 basis. Therefore, the Commission should order DEI to report cost details and up-  
9 to-date project management reports in future coal ash compliance filings.

10 **Q: If the Commission approves DEI's requests, why would you need up-to-date**  
11 **project management reports going forward?**

12 A: In addition to the CCR closure plan in this proceeding, there are more closure  
13 projects in the pipeline awaiting IDEM approval. These approvals may directly and  
14 indirectly expand DEI's overall coal ash compliance plan in Indiana and affect on-  
15 going and future closure projects included in this proceeding. Mr. Thiemann's  
16 Direct at 23, lines 7 – 8, states DEI "estimates these additional closures will be  
17 approximately \$250 million." Equally important to these "yet-to-be-approved  
18 closure plans,"<sup>42</sup> are "several CCR closure-related projects" and "post closure  
19 O&M [costs] related to the retire[ment] and demolition" of DEI's generating plants,  
20 which will add more costs to DEI's coal ash compliance plan.<sup>43</sup> Mr. Thiemann's  
21 Direct at 24, lines 1 - 14, provides a list of post-retirement closure projects with an

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<sup>42</sup> Thiemann Direct at 23, line 11.

<sup>43</sup> Thiemann Direct at 23, lines 15 – 16.

1 estimated, non-escalated cost of \$150 million. Therefore, if the Commission  
2 approves DEI's requests, the need for up-to-date project management reports will  
3 be imperative when these "yet-to-be-approved closure plans" and post-retirement  
4 closure projects come to fruition and DEI files its semi-annual project cost  
5 revisions. DEI has an obligation to provide detail to support any project for which  
6 it seeks rate recovery, and the Commission requires detail to determine whether  
7 costs are justified. Therefore, the Commission should require DEI to include these  
8 project management reports as part of the reporting framework.

9 **Q: Would it be burdensome for DEI to provide the cost information and up-to-**  
10 **date project management reports you recommend in its typical ECR tracker**  
11 **filings?**

12 **A:** No. These are standard DEI project management reports used as a part of DEI's  
13 internal corporate responsibility and accountability. In response to OUCC  
14 discovery, DEI discussed the level of project management accountability regarding  
15 the accuracy and reliability of these reports as being "reviewed and challenged" at  
16 different corporate levels.<sup>44</sup> DEI stated "[o]ver the month the assigned Project  
17 Director works with his/her assigned team to gather, monitor, analyze and report  
18 the project data through CCP Monthly Executive Progress Status Reports  
19 ("PSR")."<sup>45</sup> DEI further stated, "[e]ach active PSR is reviewed and challenged at  
20 the project site level and Senior Vice President level."<sup>46</sup> Additionally, the OUCC is  
21 interested in obtaining critical information regarding DEI's CCR closure plans in  
22 Indiana. As evidenced by the copies of DEI's project management reports (included

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<sup>44</sup> Att. AAA-2. OUCC DR 2.3(b).

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*

1 in my confidential attachments), DEI is capable of redacting all information  
2 pertaining to other jurisdictions and only providing jurisdictional information  
3 relevant to its coal ash compliance plan here in Indiana.

4 **Q: How should DEI provide up-to-date project management reports in the**  
5 **context of its semi-annual ECR tracker filings?**

6 A: In response to OUCC discovery, DEI stated it conducts its coal ash compliance  
7 reporting progress process on a monthly, quarterly, and annual basis.<sup>47</sup> DEI should  
8 provide all project management reports generated monthly, quarterly, and annually  
9 within the appropriate period of each filing up to the designated cut-off date for the  
10 period. The “CCP Monthly Executive Project Status Report (PSR), April 2020”  
11 provided as Confidential Attachment AAA-3, and “CCP Executive Summary  
12 Report, 05/18/20 – 05/31/20 (weekly)” provided as Confidential Attachment AAA-  
13 4, show how project management tracks costs at a project and activity level;  
14 reviews actual costs against budgets; provides explanations of cost variances;  
15 discusses safety, environmental, quality, scope, cost, risk, schedules and issues,  
16 including barriers confronting the projects.<sup>48</sup> The “CCP Executive Financial  
17 Summary, April 2020” (Confidential Attachment AAA-5) and “CCP Project Status  
18 Review (Portfolio) Report” (Confidential Attachment AAA-6) show how project  
19 finance tracks project costs at a project level; records works completed and  
20 invoiced; ensures proper cost recording; conducts station sample audits; and  
21 performs monthly actual versus budget variance analysis, among other functions.  
22 The “ARO Estimate Memo Update, October 31, 2019” (Confidential Attachment

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<sup>47</sup> *Id.*

<sup>48</sup> Att. AAA-2. OUCC DR 2.4(a).

1 AAA-7) shows how project finance manages the Asset Retirement Obligation  
2 (“ARO”) liability review.<sup>49</sup> DEI should identify the reports in which changes to  
3 project scopes, schedules, costs, etc., occurred and provide the relevant weekly  
4 reports (Conf. Attach. AAA-4 - CCP Executive Summary Report) in which such  
5 changes were reported. Further, DEI should expand the cost information provided  
6 in Pet. Exh. 2-L (TJT) to include detailed cost information (such as project  
7 contingency amounts and calculations) and a breakdown of the cost types (direct,  
8 indirect, and overhead costs) and associated cost components of each cost type.

#### V. RECOMMENDATION

9 **Q: What do you recommend in this proceeding?**

10 A: Should the Commission approve DEI’s request, I recommend the Commission  
11 require DEI to provide the detailed cost information and up-to-date project  
12 management reports as proposed in my testimony.

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

14 A: Yes.

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<sup>49</sup> *Id.*



## **APPENDIX A**

### **I. EDUCATIONAL BACKGROUND AND EXPERIENCE**

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

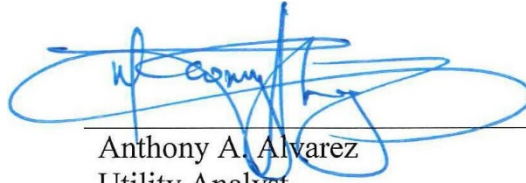
2   A:   I hold a Master of Business Administration degree from the University of the  
3       Philippines (“UP”), in Diliman, Quezon City, Philippines. I also hold a Bachelor of  
4       Science degree in Electrical Engineering from the University of Santo Tomas  
5       (“UST”), in Manila, Philippines.

6       I joined the OUCC in July 2009 and have completed the regulatory studies  
7       program at Michigan State University sponsored by the National Association of  
8       Regulatory Utility Commissioners (“NARUC”). I have also participated in other  
9       utility and renewable energy resources-related seminars, forums, and conferences.

10      Prior to joining the OUCC, I worked for the Manila Electric Company  
11      (“MERALCO”) in the Philippines as a Senior Project Engineer responsible for  
12      overall project and account management for large and medium industrial and  
13      commercial customers. I evaluated electrical plans, designed overhead and  
14      underground primary and secondary distribution lines and facilities, primary and  
15      secondary line revamps, extensions and upgrades with voltages up to 34.5 kV. I  
16      successfully completed the MERALCO Power Engineering Program, a two-year  
17      program designed for engineers in the power and electrical utility industry.

## **AFFIRMATION**

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

A handwritten signature in blue ink, appearing to read 'Anthony A. Alvarez', is written over a horizontal line.

Anthony A. Alvarez  
Utility Analyst  
Indiana Office of Utility Consumer Counselor  
Cause No. 45253 S1 Duke Energy, Indiana

July 22, 2020

OUCC  
IURC Cause No. 45253 S1  
Data Request Set No. 2  
Received: June 4, 2020

OUCC 2.2

**Request:**

Petitioner's Exhibit 2, Direct Testimony of Timothy J. Thiemann, page 5, lines 21 – 22 up to lines 1 – 2, page 6, states, "[t]he projects included in Tables 1 and 2, along with the required post-closure care and maintenance through 2028, comprise the coal ash compliance plan for which the Company requests CPCN approval in this proceeding." Please identify, enumerate, define, and label the individual (distinct) projects that "comprise the coal ash compliance plan" for which the Company requests CPCN approval in this proceeding.

- a. Are there other projects in DEI's coal ash compliance plan other than those included in Tables 1 and 2? If yes, please identify each of these other projects.
- b. Please define the phrase "along with the required post-closure care and maintenance through 2028."
- c. Do the "post-closure care and maintenance through 2028" requirements constituent distinct and separate projects in addition to those included in Tables 1 and 2? Please explain.

**Response:**

Duke Energy Indiana is seeking approval for the closure of the assets listed in Table 1 and Table 2 on pages 6 and 7 of Thiemann's testimony. For clarification, the closure plans that were submitted to and approved by the state (IDEM) include all basins under one total site engineering closure plan. For example: under Table 1 for Cayuga Station, there is only one closure plan that contains the specific details to close the Lined Ash Disposal Area, the Primary Settling Pond and the Ash Disposal Area #1. Similarly, other stations have their basins in one or more total site engineering closure plan.

In this filing, we are seeking a CPCN approval for closure of the coal ash management areas that the state has already approved. We have not included any basins that do not have IDEM-approved closure plans.

To further explain, although Cayuga Station has approval from IDEM for one total site engineering closure plan, the Company will be managing the closure of each coal ash management area as a separate and independent project from a project management and accounting perspective. So, for the Cayuga Station example above, there will be a closure project for the Lined Ash Disposal Area, a closure project for the Primary Settling Basin and a closure project for the Ash Disposal Area #1.

- a) No. The coal ash compliance plan in this proceeding includes only the closure-related expenses for coal ash management areas with IDEM-approved closure plans. Answering further, there are other basins that are not yet approved by IDEM. Future filings will cover the remaining basins that have not yet been approved at this time. Please refer to Thiemann direct testimony pages 22 thru 24 lines 18 (page 22) thru line 14 (page 24) for a list of projects not included in this proceeding.
- b) Post closure care and maintenance thru 2028 include the cost associated with the CCR rule requirement of 30 years of post-closure maintenance. (IDEM has similar requirements for coal ash management areas closed under its jurisdiction as well). Post closure care and maintenance consist of several activities. Please refer to Thiemann direct testimony pages 4 and 5 lines 15 thru 11.
- c) Duke Energy Indiana has not defined the post closure care and maintenance as separate and distinct projects for purposes of this proceeding. The estimated costs have been included in this filing and are defined on line 27 (un-escalated) of Confidential Exhibit 2-L (TJT).

**Witness: Tim Thiemann**

OUCC  
IURC Cause No. 45253 S1  
Data Request Set No. 2  
Received: June 4, 2020

OUCC 2.3

**Request:**

Please define, explain and provide DEI's overall project management policy to guide the initiation, planning, implementation, and completion of the various projects in DEI's coal ash compliance plan.

- a. Does DEI or some other Duke Energy affiliate(s) have the full project management responsibility for DEI's coal ash compliance plan here in Indiana? Please explain.
- b. Please describe and explain DEI's project management, monitoring, and reporting process.
- c. Who is responsible for collecting and gathering data and information related to the progress, status and update of each project? Please explain.
- d. How often are the data and information collected and gathered (frequency) from individual projects for reporting purposes? Please state the frequency for each individual project.
- e. What are the baseline criteria used to evaluate, monitor, analyze, and verify the progress of each project? Please provide documentation to support your response.
- f. Who is responsible for providing the progress report for each project? Please identify DEI employees by name and position, and explain DEI's project progress reporting process.
- g. Please identify the formal internal document submitted to DEI management by those in project management to report the progress of each project ("progress report"). If none, please explain why there is no formal progress report submitted to DEI management for each project. Please provide documentation to support your response.
- h. How often (i.e., monthly, quarterly, etc.) does the project management of each project submit formal progress reports to DEI management? If none, please explain why there is no regularly scheduled reporting requirement. Please provide documentation in support of your response.
- i. Has the project management of each project submitted any formal progress report to DEI management to date? If yes, please provide unredacted copies (in electronic form) of the latest (to date) progress reports submitted for each project. If no, please explain why there is no formal project progress report submission yet.

**Objection:**

Duke Energy Indiana objects to subpart (f) of this request as not reasonably calculated to lead to admissible evidence in this proceeding. Duke Energy Indiana also objects to providing “unredacted copies” of any reports containing information relating to projects from other jurisdictions as overbroad and not reasonably calculated to lead to admissible evidence in this proceeding.

**Response:**

Subject to and without waiving or limiting its objections, Duke Energy Indiana responds as follows:

- a. The Coal Combustion Product (CCP) – Project Management group for the Duke Energy Indiana jurisdiction is led by Tim Thiemann (GM, CCP Project Management). Mr. Thiemann has the full project management responsibility for the Duke Energy Indiana coal ash compliance plan in Indiana.
- b. The CCP Project Management group is accountable for each assigned project. They are supported by the multiple support organizations (i.e., Engineering, Governance, Project Controls, Finance, Supply Chain and others). Each active Project progress is monitored and reported on a weekly and a monthly basis. The process includes weekly site meetings, data updates and management discussions. On a weekly basis the assigned Project Director provides the data updates to get consolidated in the overall portfolio weekly report “CCP Executive Summary Report”. Over the month the assigned Project Director works with his/her assigned team to gather, monitor, analyze and report the project data through “CCP Monthly Executive Project Status Report (PSR)”. Each active PSR is reviewed and challenged at the project site level and Senior Vice President level. The progress reports cover the Key Performance Index (“KPI”) (safety, environmental, quality, scope, schedule, risks) trends, issues and concerns. See Confidential Attachments OUCC 2.3-A and OUCC 2.3-B for the most recent weekly CCP Executive Summary Report and monthly CCP Executive Project Status Report.
- c. The collection and gathering of the project data is a collaborative effort. Each assigned Subject Matter Expert as part of his/her project role collects, gathers, analyzes and reports the data on a weekly and monthly basis that inputs to final reporting as described under the Company’s response to OUCC 2.3(b).
- d. Project progress data is collected and reported on a weekly and a monthly basis as described in the Company’s response to OUCC 2.3(b).
- e. Baselines are established based on regulatory milestones and during funding process. Each baseline and funding package are routed, reviewed and approved by various subject matter experts, and senior management. Actual progress against both baselines – cost and schedule – are routinely monitored, updated, tracked and reported through weekly

and monthly progress status updated process as described in the Company's response to OUCC 2.3(b).

See objection. The assigned station level Project Director is responsible for providing the progress report for each project. The process is described in the Company's response to OUCC 2.3(b). The members of the Duke Energy Indiana CCP Project Management group report to Tim Thiemann.

- f. The formal internal documents submitted to Duke Energy Indiana management are as follows:
  - 1) Weekly CCP Executive Summary Reports – Consolidated view of all jurisdictions
  - 2) CCP Monthly Executive Project Status Report – Separate package by jurisdiction
  - 3) CCP Monthly Executive Financial Summary – Consolidated annual view of all jurisdictions
  - 4) Monthly CCP Portfolio Report – Consolidated view of all jurisdictions
  - 5) Monthly CCP Portfolio GAP Report – Consolidated view of all jurisdictions
- g. See the Company's response to OUCC 2.3(g).
- h. Yes. See the Company's response to OUCC 2.3(g). In addition, please see the Company's response to subpart (b).

**Witness: Tim Thiemann**

OUCC  
IURC Cause No. 45253 S1  
Data Request Set No. 2  
Received: June 4, 2020

OUCC 2.4

**Request:**

Does DEI management submit a formal internal document to report the progress of its coal ash compliance plan (“compliance plan progress report”) to Duke Energy corporate management (“Duke corporate”)? If yes, please identify and provide unredacted copies (in electronic form) of the latest (to date) formal compliance plan progress report submitted to Duke corporate. If no, please explain why DEI management do not submit a compliance plan progress report to Duke corporate.

- a. Please describe and explain DEI’s coal ash compliance progress reporting process to Duke corporate. If none, please explain why there is no reporting process in place. Please provide documentation to support your response.

**Objection:**

Duke Energy Indiana objects to this request as overly broad and not reasonably calculated to lead to admissible evidence in this proceeding, specifically the portion that seeks “unredacted copies.” To the extent the Company’s reports contain information from other jurisdictions unresponsive to this request, it will be redacted.

**Response:**

Subject to and without waiving or limiting its objections, Duke Energy Indiana responds as follows: Yes, Duke Energy Indiana management reports the progress of its coal ash compliance plan to Duke Energy Corporate Management in various ways. Generally, Duke Energy Indiana submits the following to corporate management:

- 1) CCP Executive Financial Summary. See Confidential Attachment OUCC 2.4-A.
  - 2) CCP Project Status Review (referred to as the “Portfolio”) Report. See Confidential Attachment OUCC 2.4-B.
  - 3) ARO Estimate Memo Update to Jamil & Young. See Confidential Attachment OUCC 2.4-C.
  - 4) Confidential Attachments OUCC 2.3-A and 2.3-B are additional reports that are provided to corporate management.
- a. Following please find a description of Duke Energy Indiana’s coal ash compliance progress reporting process. In addition, please see the Company’s response to OUCC 2.3.



- 1) On a monthly basis:
  - a. CCP Project Controls tracks project costs at a project/activity/Work Breakdown Structure level.
  - b. CCP Project Controls along with site project manager have a monthly review meeting to review project cost reports.
  - c. CCP Project Controls reviews actuals versus budget/Forecast and prepares variance explanations for project.
  - d. CCP Project Controls, project managers, project directors and general managers conduct a Project Status Review Meeting to discuss safety, environmental, quality, scope, cost, risk, schedule and issues and or barriers for the projects.
  - e. CCP Finance tracks project costs at a project level. CCP records accruals for work completed by not invoiced based on confirmation of work completed from project manager and CCP Project Controls.
  - f. CCP Finance ensures costs are appropriately recorded against the correct projects. CCP Finance conducts station sample audits.
  - g. CCP Finance performs monthly actual versus budget variance analysis and reporting for jurisdictions which includes all stations and respective projects- this gets incorporated as part of our CCP Financial Executive Summary (provided as Confidential Attachment OUCC 2.4-A).
  - h. CCP Finance prepares a CCP Financial Executive Summary and distributes to Duke Energy Indiana management.
  - i. CCP Finance facilitates a Financial Oversight & Project Status Review meeting with CCP Senior Management to review financial results for all costs incurred for Month to Date, Year to Date and discusses Year End results. During this meeting, each respective general manager speaks to each Project Status Review and provides an update on items discussed in the Project Status Review meetings. The CCP Executive Financial Summary is used to discuss financial results. CCP Project Controls also reviews fleet Portfolio Reports (provided as Confidential Attachment OUCC 2.4-B).
- 2) On a quarterly basis:
  - a. CCP Project controls and CCP teams evaluate if there is a significant change that could trigger a change in the total project cost (spend plus remaining estimated spend).
  - b. CCP Finance conducts quarterly Asset Retirement Obligation (“ARO”) Liability Review meetings with Senior Management for open action items to identify if there has been a change in estimate to the overall total project cost, significant cost changes, legal/law changes that trigger an increase/decrease. Asset Accounting and the Company’s outside auditors are participants in these meetings.

- c. CCP Project Controls ensures all estimates identified with changes are aligned with updated assumptions, schedule and compliance regulations and proper supporting documentation is provided to CCP Finance.
  - d. CCP Finance reviews liability updates provided by CCP Project Controls. Conducts quarterly audits to align with SOX controls. Ensures proper supporting documentation is included.
  - e. CCP Finance prepares a summary of changes schedule and provides it to Asset Accounting for consideration to include as part of system ARO balances.
  - f. The CCP Senior Vice President discusses and provides quarterly liability updates with the Executive Vice President, Regulated & Generation Transmission.
  - g. Asset Accounting reviews updated estimates with Asset Accounting Management and the Chief Accounting Officer and Controller.
  - h. Asset Accounting conducts a Coal Ash Leadership meeting with CCP Finance, Asset Accounting, Chief Accounting Officer & Controller and Legal to discuss summary of changes and outcomes of the ARO Liability Review Meetings to determine if the ARO Liability on the books is material enough to record based on Passed Adjustment Entry thresholds for each jurisdiction.
  - i. CCP Finance manages the ARO Development Procedure. Any change in process is updated and communicated. This is updated on an annual basis.
  - j. CCP Teams, CCP Project Controls, CCP Finance and Asset Accounting follow the ARO Development Process.
  - k. Based on whether an update gets recorded in the system of record or not, CCP Finance updates all ARO Liability identified, analyzes, audits and provides reporting of the ARO Liability for that given period to all key stakeholders.
  - l. ARO Liability Development has SOX Controls that are owned and managed by CCP Finance and Asset Accounting. Controls are tested quarterly.
- 3) On an annual basis:
- a. Note: CCP Finance and Asset Accounting deem the 3<sup>rd</sup> quarter as the “Annual” update.
  - b. As part of the full portfolio review, on an annual basis, CCP Project Controls conducts CCP Senior Management Review Sessions to review the entire ARO and any proposed changes. CCP Finance, Asset Accounting and the Company’s outside auditor are participants in these meetings as well.
  - c. CCP Project Controls ensures estimates are aligned with updated assumptions, schedule & compliance dates.
  - d. CCP Finance prepares and provides a site total 5-year plan for the Gibson Station and its joint owners.
  - e. The annual budget and business planning cycle starts in April and usually ends in December.

- f. As part of annual budget/business planning cycle, a series of base budget review meetings, project budget review meetings, and a consolidated budget review meeting are held to review the upcoming 2 years of budgets as well as the 5-year long range plan with respective CCP organizations.
- g. During the above-mentioned budget meetings, ARO projects budgets and 5-year plan are also discussed.
- h. Budgets are finalized and approved by the CCP Senior Vice President in August/September.
- i. CCP Finance provides and communicates approved budgets to key internal stakeholders.
- j. The CCP Senior Vice President discusses and provides budget updates to the Executive Vice President of Regulated Generation & Transmission.
- k. The CCP Senior Vice President communicates all ARO Liability annual updates and key drivers to Executive Vice President of Regulated Generation & Transmission and the Chief Financial Officer (provided as Confidential Attachment OUCC 2.4-C).
- l. All Budgets are loaded into the Corporate Planning tool. All ARO Liability updates made in Q3 for any projects will also be updated in budget tool for the first 2 budget years.
- m. An annual Coal Ash Audit that is conducted by the Company's outside auditor occurs from August through December.

**Witness: Tim Thiemann**

## **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the **OUCS TESTIMONY OF ANTHONY A. ALVAREZ** was served on this 22nd day of July, 2020, by email transmission to:

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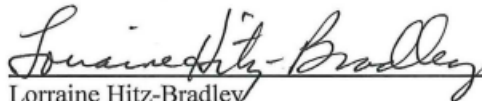
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