

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS AND)
ELECTRIC COMPANY d/b/a CENTERPOINT ENERGY)
INDIANA SOUTH ("CEI SOUTH") FOR (1) ISSUANCE)
OF A CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY PURSUANT TO IND. CODE CH. 8-1-8.4 FOR)
COMPLIANCE PROJECTS TO MEET FEDERALLY)
MANDATED REQUIREMENTS ("CBR PROJECT"); (2))
APPROVAL OF THE ESTIMATED FEDERALLY)
MANDATED COSTS ASSOCIATED WITH THE CBR)
PROJECT; (3) AUTHORITY TO TIMELY RECOVER)
80% OF THE FEDERALLY MANDATED COSTS)
ASSOCIATED WITH THE CBR PROJECT THROUGH)
CEI SOUTH'S ENVIRONMENTAL COST ADJUSTMENT)
("ECA") MECHANISM; (4) AUTHORITY TO DEFER)
20% OF THE FEDERALLY MANDATED COSTS)
ASSOCIATED WITH THE CBR PROJECT UNTIL SUCH)
COSTS ARE REFLECTED IN RETAIL ELECTRIC)
RATES; (5) APPROVAL OF THE SPECIFIC)
RATEMAKING AND ACCOUNTING TREATMENT)
DESCRIBED HEREIN; AND (6) IN THE ALTERNATIVE,)
APPROVAL TO INCLUDE THE CBR PROJECT IN RATE)
BASE PURSUANT TO IND. CODE § 8-1-2-23.)

CAUSE NO. 45795

IURC
PUBLIC'S 3
EXHIBIT NO. 3-14-23
DATE REPORTER

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 3

TESTIMONY OF GREGORY L. KRIEGER

FEBRUARY 10, 2023

OFFICIAL
EXHIBITS

Respectfully submitted,

Lorraine Hitz

Lorraine Hitz
Attorney No. 18006-29
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS GREGORY L. KRIEGER
CAUSE NO. 45795
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 Gregory Krieger, and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am a Utility Analyst II for the Indiana Office of Utility Consumer Counselor
6 ("OUCC").

7 **Q: Please describe the review and analysis you conducted to prepare your**
8 **testimony.**

9 A: I read Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy
10 Indiana South's ("CEIS") pre-filed testimony and verified petition for CEIS'
11 proposed Culley East Ash Pond Closure by Removal Project ("East CBR Project"),
12 as well as Commission orders relating to federally mandated costs and compliance
13 projects at Culley Generating Station in Cause No. 45052. I also drafted data
14 requests ("DR") on behalf of the OUCC and reviewed CEIS' responses to same. I
15 reviewed CEIS' Engineering, Procurement, Construction and Management
16 Agreement ("EPCM") with AECOM Technical Services Inc. ("AECOM") as well
17 as AECOM's review of various bidders' responses to CEIS' Request for Proposal
18 ("RFP") in this cause to obtain an understanding of the Project Costs. I also
19 participated in meetings with other OUCC staff members to discuss issues
20 identified in this Cause.

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

2 A: The purpose of my testimony is to present a review of CEIS' engineering analysis
3 and project cost estimate related to its request for a Certificate of Public
4 Convenience and Necessity ("CPCN") and the recovery of associated federally
5 mandated costs. I discuss CEIS' request for approval of costs and how those costs
6 were developed for the closure and remediation of the east ash impoundment at
7 Culley Generation's location. I address how those project costs are developed in
8 CEIS' testimony and CEIS' data request responses in this Cause. I recommend the
9 Indiana Utility Regulatory Commission ("Commission") approve CEIS' choice of
10 the Closure by Removal ("CBR") Project, but recommend a reduction of the
11 approved estimate to \$44.4 million.

12 **Q: To the extent you do not address a specific item, issue, or adjustment, does this**
13 **mean you agree with those portions of CEIS' proposals?**

14 A: No. Excluding any specific adjustments, issues, or amounts CEIS proposes does
15 not indicate my approval of those adjustments, issues, or amounts. Rather, the scope
16 of my testimony is limited to the specific items addressed herein.

II. PROJECT ESTIMATE REVIEW

17 **Q: What is your overall position regarding the Project's scope?**

18 A: Because the Project is necessary to comply with the Coal Combustion Residuals
19 ("CCR") Rule, CEIS should recover reasonable costs associated with its
20 completion. As such, the goal of my review was to determine whether CEIS
21 followed a reasonable process to develop its project cost estimates and evaluate its
22 options for management of CCRs.

1 CEIS developed the Project's scope through the comparison of alternatives,
2 issuing an RFP, and comparing bidders' responses, which resulted in reasonable
3 options. The OUCC agrees with CEIS' selection of CBR as the preferred method
4 of closing the East Ash Pond.

5 Once the closure method was selected, AECOM, on behalf of CEIS,
6 reviewed and prepared an analysis of the bidders' responses, which improved
7 CEIS' development of scope.

8 **Q: Please describe CEIS' Project Estimating Process for this project.**

9 A: CEIS first looked for an engineering and consulting firm with which it could enter
10 into an EPCM services agreement. CEIS selected AECOM and entered into an
11 agreement with them in May of 2016.¹ The EPCM agreement was amended and
12 filed in Petitioner's witness Wayne Games' Confidential Testimony. Under that
13 agreement, AECOM developed RFPs for the various Ash Pond Closure options
14 including Cap in Place ("CIP") and CBR options to solicit construction bids from
15 contractors. AECOM then compared responses on quantitative and qualitative
16 factors of each bid. From this information, estimates were made and CEIS selected
17 Closure by Removal as the preferred method. It is not clear from testimony if cost
18 estimates were prepared using only information from CBR RFP respondents.

¹ CEI South's Exhibit No. 2 Att. WDG-1 (CONFIDENTIAL) AECOM Agreement, page 3 of 98, amendment signature page.

1 **Q: Please explain your objection to the use of anecdotal information on future**
2 **regulatory risk.**

3 A: CEIS contracted with AECOM for services as the EPCM contractor.² In Mr.
4 Games' direct testimony, he discusses how costs were developed and provides four
5 tables showing Cost of Work, including EPCM fees, contingency and Owner's
6 expense. Those tables represent AECOM's Target Price (Table WDG-1), the Total
7 Cost Estimate for CBR Project (Table WDG-2), Estimated CIP Costs (Table WDG-
8 3), and CBR with CCR Material to a Mine (Table WDG-4). AECOM's Target Price
9 is a subset of the total East CBR Project cost of \$49,702,000.

10 CEIS' testimony then compares the CIP and removal to mine projects to its
11 preferred option on a cost basis.

12 I object to this comparison because it compares a relatively accurate
13 budgetary estimate to inaccurate estimates as a justification to seek approval. The
14 CIP alternative is a Class 5 estimate with a speculative estimate of "Future Costs
15 related to Future Regulations"³ added to it. The other alternative, CBR with CCR
16 Material to a Mine project, also contains speculative regulatory cost estimates.⁴
17 Thus, it is not an appropriate cost comparison.

18 Future regulatory risk may be possible. However, CEIS does not provide
19 testimony or evidence that convinces the OUCC that this scenario has a high
20 probability to occur. Additionally, CEIS does not present any scientific evidence

² Direct Testimony of Wayne D. Games, p. 2 ll. 27-29.

³ Games, Table WDG-3: Estimated CIP Costs.

⁴ Games, Table WDG-4: CBR with CCR Material to a Mine.

1 that the alternatives have a higher probability of causing future environmental
2 harm.

3 Additionally, CIP and CBR projects are not new, so preparation of a Class
4 3 accuracy level estimate should not be difficult and would be a more suitable
5 comparison. As presented, the cost comparisons are misleading and do not justify
6 CEIS' choice.

7 **Q: What is a Class 5 Estimate?**

8 A: A Class 5 estimate is intended for use in the screening of project concepts. The
9 estimate's accuracy on the lower limit should be minus 20 % to minus 50%. The
10 upper limit should be plus 30% to plus 100%. These accuracy levels may be higher
11 or lower, depending on the degree of project definition, the experience of the
12 estimator, and the complexity of the project.

13 **Q: Why does the OUCC object to a Class 5 Estimate as a comparison?**

14 A: A Class 5 estimate is typically prepared when there is little history for the type of
15 project or significant unknowns regarding the project site. CBR and CIP projects
16 are not new, and AECOM was able to find experienced contractors. If CEIS wanted
17 to justify a project solely on the comparison of costs, CEIS should have used and
18 prepared a more accurate estimate.

19 **Q: Does the OUCC have any objections to the contingency and escalation**
20 **amounts applied to the project estimate?**

21 A: The CEIS East CBR Project uses a [REDACTED] contingency on both a Class [REDACTED] Cost of
22 Work estimate and AECOM's EPCM fee of [REDACTED]. It then applies a [REDACTED] contingency
23 for Owner's Expense, which includes transportation cost, landfill tipping fees,

1 Internal Labor, Project Overheads and Other. The OUCC has no objection to \$ [REDACTED]
2 million in contingency. It is reasonable for a project this size.

3 Because the AECOM agreement uses 2022 dollars, no escalation was
4 included in the project cost. The OUCC has no objection to a request without
5 escalation.

III. RECOMMENDATIONS

6 **Q: Please summarize the OUCC's position on the Project Engineering Cost**
7 **Estimates.**

8 A: In reviewing the cost estimating processes, the OUCC is comfortable with the cost
9 of the CBR East Ash Pond Project given the RFP and comparison process used by
10 CEIS and performed by AECOM. However, given that CEIS has some of the
11 highest electric rates in the State, the OUCC would expect CEIS to be more
12 sensitive to the impact on its customers when developing the scope and alternative
13 project estimates. Without a rigorous analysis of alternatives, the OUCC
14 recommends the project be approved without contingency and CEIS be required to
15 request approvals of cost overruns before they occur. Although the project is
16 necessary, the OUCC recommends the Commission deny the CPCN and order CEI
17 South to include the cost of the project in the context of a general rate case, as
18 further described in OUCC witness Cynthia Armstrong's direct testimony.

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

20 A: Yes.

APPENDIX A

1 **Q: Summarize your professional background and experience.**

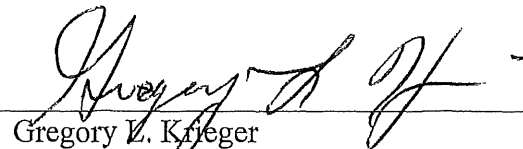
2 A: I have a Bachelor of Science in Industrial Engineering from Purdue University.
3 After graduating Purdue, I was a Manufacturing Project Engineer, Manufacturing
4 Quality Manager and Capital Investment Manager while I earned my Masters in
5 Business Administration from IU's Kelley School of Business with concentrations
6 in Finance and Marketing. I then worked over 20 years with Technicolor (f.k.a.
7 Thomson S.A.) in the areas of Operations, Finance, Marketing and Sales. After
8 completing my MBA, I was a start-up Plant Controller then a Project and Program
9 Manager in Finance, Operations and Supply Chain. Ultimately at Technicolor, I
10 was General Manager of Sales, Operations and Finance where I led three successive
11 re-organization Programs of Latin America Sales and Distribution, Audio-Video-
12 Accessories Division Operations and Corporate Finance. Post Technicolor, I spent
13 eight years at Cummins in the areas of Business Development, Sales Functional
14 Excellence, Strategy and Pricing. I have been with the OUCC since October of
15 2022.

16 **Q: Describe some of your duties and training at the OUCC.**

17 A: I review and analyze utilities' requests and file recommendations on behalf of the
18 OUCC in utility proceedings. My current focus is Engineering Project Management
19 and Engineering Cost Analysis. In November I completed Michigan State
20 University's Institute of Public Utilities (IPU) Advanced Cost Allocation and Rate
21 Design Course. In January 2023 I began NARUC's Regulatory Training for
22 Fundamentals of Utility Law, taught by Scott Hempling.

AFFIRMATION

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



Gregory L. Krieger
Utility Analyst II
Indiana Office of Utility Consumer Counselor

Cause No. 45795
CenterPoint Energy Indiana South

February 10, 2023

Date:

CERTIFICATE OF SERVICE

This is to certify that a copy of the Indiana OUCC's Testimony Filing of Gregory L. Krieger has been served upon the following parties of record in the captioned proceeding by electronic service on February 10, 2023.

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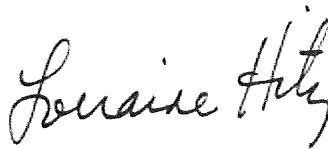
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