

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA)
GAS AND ELECTRIC COMPANY d/b/a)
CENTERPOINT ENERGY INDIANA SOUTH FOR:)
(1) APPROVAL OF AN ADJUSTMENT TO ITS)
ELECTRIC SERVICE RATES THROUGH ITS)
TRANSMISSION, DISTRIBUTION, AND)
STORAGE SYSTEM IMPROVEMENT CHARGE) CAUSE NO. 44910 TDSIC-10
("TDSIC") RATE SCHEDULE; (2) AUTHORITY)
TO DEFER 20% OF THE APPROVED CAPITAL)
EXPENDITURES AND TDSIC COSTS FOR)
RECOVERY IN PETITIONER'S NEXT GENERAL)
RATE CASE; AND (3) APPROVAL OF)
PETITIONER'S UPDATED 7-YEAR ELECTRIC)
PLAN, ALL PURSUANT TO IND. CODE § 8-1-39-9.]
)

PUBLIC'S EXHIBIT NO. 2

TESTIMONY OF JOHN E. HASELDEN

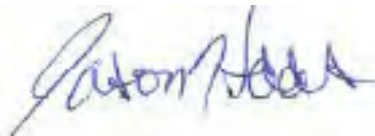
ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

APRIL 4, 2022

Respectfully submitted

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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TESTIMONY OF OUCC WITNESS JOHN E. HASELDEN
CAUSE NO. 44910 TDSIC-10
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
D/B/A CENTERPOINT ENERGY INDIANA SOUTH

I. INTRODUCTION

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

2 A: My name is John E. Haselden. My business address is 115 West Washington Street,
3 Suite 1500 South, Indianapolis, Indiana 46204. I am employed as a Senior Utility
4 Analyst in the Electric Division of the Indiana Office of Utility Consumer
5 Counselor ("OUCC"). I describe my educational background and experience in
6 Appendix A to my testimony.

7 **Q: Have you previously testified before the Indiana Utility Regulatory**
8 **Commission ("Commission")?**

9 A: Yes. I have testified in many cases before the Commission, including Demand-Side
10 Management, renewable energy, environmental tracker cases, and applications for
11 Certificates of Public Convenience and Necessity. I also testified on behalf of the
12 OUCC in previous transmission, distribution, storage system improvement charge
13 ("TDSIC") proceedings under Cause No. 44910.

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

15 A: I provide my opinion, from an engineering perspective, on CenterPoint Energy
16 Indiana South's ("Petitioner" or "CenterPoint") request for Commission approval
17 of updates to the cost estimates of its Seven-Year Plan for eligible TDSIC projects
18 ("TDSIC Plan" or "Plan") in this Cause ("TDSIC-10"). I address whether the
19 TDSIC-10 Plan is consistent with the Settlement Agreement approved in Cause No.
20 44910 ("Settlement Agreement"). I provide an overview of CenterPoint's TDSIC-

1 10 Plan update, including the overall progress of the projects in the Plan and the
2 annual and cumulative cost caps. I discuss CenterPoint's proposal to move or
3 reschedule certain projects affecting the annual cost caps in this Plan. I also review
4 the projects CenterPoint proposes cancelling or substituting into the Plan. I provide
5 the results of my analysis and evaluation of the driving factors of certain project
6 cost variances. Ultimately, I recommend the Commission approve CenterPoint's
7 TDSIC-10 Plan update and associated project cost estimates, as filed.

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

10 A: I reviewed CenterPoint's verified petition, direct testimony, and exhibits. I attended
11 a tech-to-tech meeting with CenterPoint staff in Evansville on March 29, 2022, to
12 discuss the projects in this proceeding. As part of the tech-to-tech meeting, I visited
13 a sampling of projects recently completed and others under construction.

14 **Q: To the extent you do not address a specific item in your testimony, should it be**
15 **construed to mean you agree with CenterPoint's proposal?**

16 A: No. My silence regarding any topics, issues or items CenterPoint proposes does not
17 indicate my approval of those topics, issues, or items. Rather, the scope of my
18 testimony is limited to the specific items addressed herein.

II. ANNUAL COST CAPS

19 **Q: What is the status of CenterPoint's total and annual cost caps in its TDSIC-10**
20 **Plan update?**

21 A: CenterPoint's TDSIC-10 Plan update remains within the \$446.5 million total
22 capital cost cap approved in the Commission's Cause No. 44910 Final Order

1 (“Order”).¹ As explained in more detail below, CenterPoint’s filing in this Cause
2 shows a proposed increase to its annual cost caps in year 2023 and proposed
3 decreases to its cost caps in 2021 and 2022.²

4 Table 1 below shows a comparison of the annual cost caps as authorized in
5 Cause Nos. 44910 and 44910 TDSIC-9 against the proposed annual cost caps in
6 this TDSIC filing. In TDSIC-3, CenterPoint revised its TDSIC Plan to remove
7 Wood Pole Replacement Program projects for years 2018-2023. The OUCC did
8 not object to this proposal, and the Commission’s Final Order in Cause No. 44910
9 TDSIC-3 approved CenterPoint’s proposed cost recovery.³ See my testimony in
10 TDSIC-4 through TDSIC-9 for earlier approved cost cap changes.

Table 1 – Annual Cost Cap Comparison

Year	Approved in <u>44910</u>	Approved in <u>TDSIC-9</u>	Proposed in <u>TDSIC-10</u>⁴	<u>Difference</u>
2017	\$38,153,000	\$40,003,748	\$40,003,748	\$0
2018	53,925,000	57,471,886	57,471,886	0
2019	64,723,000	68,299,730	68,299,730	0
2020	68,098,000	61,862,426	61,862,426	0
2021	77,535,000	83,180,397	82,613,727	(566,670)
2022	80,838,000	74,785,043	74,586,324	(198,719)
2023	63,236,000	60,904,770	61,670,158	765,389
7-Year Total	\$446,508,000	\$ 446,508,000	\$446,508,000	\$0

¹ Petitioner’s Exhibit No. 1, Direct Testimony of Stephen R. Rawlinson, Attachment SRR-2, “Electric TDSIC - 9 Year Plan Caps/Expenditures.”.

² The Settlement Agreement subjects the annual caps to a 5% tolerance for each year of the TDSIC Plan. *See* Cause No. 44910, Settlement Agreement at pp. 6 – 7.

³ Cause No. 44910 TDSIC-3, Final Order, p. 5 (December 5, 2018).

⁴ Rawlinson Direct, Attachment SRR-2.

1 **Q: How many projects does CenterPoint propose moving or rescheduling in its**
2 **TDSIC-10 Plan update?**

3 A: CenterPoint's proposed TDSIC Plan-10 update includes moving four (4) projects
4 to different years within the Plan. 18 projects have been cancelled, including six (6)
5 Potential Substitution Projects ("PSP"), and 10 projects have been suspended. In
6 addition, one (1) project was unsuspended and moved back into the Plan.⁵
7 CenterPoint's Exhibit No. 1, Attachment SRR-3 (Confidential) shows the list of
8 rescheduled projects, the years to which they were rescheduled, and their estimated
9 costs. Table 2 below summarizes the net effect per year of the rescheduled projects.

Table 2 – Net Effect per Year of Projects Moved within the Plan⁶

Year	Net Effect of Projects Moved
2021	\$(566,669)
2022	\$(198,719)
2023	\$765,389

10 This Table shows how moving TDSIC projects affects the annual cost caps of the
11 corresponding years.

12 **Q: CenterPoint witness Stephen R. Rawlinson identified cancelled projects and**
13 **suspended projects CenterPoint moved out of the Plan. Did these projects**
14 **affect the annual caps?**

15 A: No. Cancelled projects and substitution projects moved into or out of the Plan do
16 not affect or make changes to the annual caps of the Plan.⁷ I will discuss these
17 projects later in my testimony.

⁵ Rawlinson Direct, p. 7, lines 20 – 24.

⁶ Table 2 data source: Petitioner's Exhibit No. 1, Attachment SRR-3 (Confidential).

⁷ Rawlinson Direct, p. 24, lines 31-32.

1 **Q: Do you have any concerns regarding the update, progress and proposed cost**
2 **cap adjustments in CenterPoint's TDSIC-10 Plan update?**

3 A: No. The Settlement Agreement permits annual cap adjustments for projects moved
4 to a different year in the Plan, and it states, "[a]ny amount above the annual cap in
5 a given year will operate as an offset to the available cap variance within the three-
6 year rolling period."⁸ Although CenterPoint made project movements that
7 increased the caps in year 2023 of the Plan, its current projections show a seven-
8 year total spend that does not exceed the approved \$446.5 million cap.⁹

III. CANCELLED, SUBSTITUTION AND POTENTIAL SUBSTITUTION PROJECTS REVIEW

9 **Q: Did you review the projects CenterPoint cancelled, suspended, or added from**
10 **the PSP pool, or moved back into the PSP pool?**

11 A: Yes. I reviewed the 12 cancelled projects, 10 suspended projects, and one (1) PSP
12 project unsuspending. Mr. Rawlinson identified and listed these projects in Tables
13 SRR-1 and SRR-2 of his testimony.¹⁰ These projects totaled \$3.85 million. I also
14 evaluated the reasons why CenterPoint cancelled or suspended the projects from its
15 TDSIC-10 Plan. In addition to the information that Mr. Rawlinson provided in his
16 testimony, I also discussed these projects during a tech-to-tech meeting with
17 CenterPoint's TDSIC team on March 29, 2022.

18 As CenterPoint went through its normal engineering process for its TDSIC
19 Plan, it evaluated upcoming individual projects, tightened its cost estimates,
20 conducted field inspections, and updated project information. One project was

⁸ Cause No. 44910, Settlement Agreement at pp. 7 - 8.

⁹ Rawlinson Direct, Attachment SRR-2.

¹⁰ Rawlinson Direct, Tables SRR-1 and SRR-2.

1 completed outside the TDSIC Plan. Two (2) circuit breaker projects were deferred
2 to a future time when their replacements will be more cost effective. The remaining
3 projects were suspended or put back into the PSP pool to keep annual budgets
4 withing required parameters. Table 3 below summarizes the net total amount of
5 cancelled, suspended, and projects added from or put back into the PSP pool per
6 year in the TDSIC-10 Plan, excluding previously cancelled projects.

**Table 3 – TDSIC-10 Annual Net Cost for Cancelled, Suspended, and
Projects Added and Returned to PSP¹¹**

Year	Total Amount of Cancelled Projects
2021	0
2022	\$(3,298,850)
2023	\$(551,290)
Total	\$(3,850,140)

7 **Q: Do you have concerns regarding the cancelled, suspended, or PSPs in the**
8 **TDSIC-10 Plan update?**

9 A: No. CenterPoint's rationale for cancelling, suspending, or moving PSPs is logical
10 and within the bounds of appropriate project management. As such, I do not have
11 any concerns regarding the projects moved to different years, nor the 16 projects
12 CenterPoint cancelled, suspended, or PSPs moved in or out of its TDSIC-10 Plan
13 update.

¹¹ *Id.*

IV. COMPLETED PROJECTS REVIEW

1 **Q: Mr. Rawlinson testified that during the May 1, 2021, through October 31,**
2 **2021, period, CenterPoint completed approximately 66 projects. Did you**
3 **review the projects CenterPoint reported as completed in the Plan?**

4 A: Yes. I reviewed and evaluated the 66 projects CenterPoint reported completed in
5 its TDSIC-10 Plan update.

6 **Q: Please briefly discuss the overall progress CenterPoint made with its**
7 **completed projects.**

8 A: As of October 31, 2021, CenterPoint's overall TDSIC spend for 2021 was
9 \$68,160,510 compared to the planned 2021 annual expenditures of \$83,180,397.
10 CenterPoint appears on track to be well below the 2021 annual plan cap. However,
11 expenditures made in the remaining two months of 2021 are not included in this
12 TDSIC-10 proceeding.

V. SIGNIFICANT COST ESTIMATE VARIANCES REVIEW

13 **Q: Did your analysis identify the projects with cost increases equal to or greater**
14 **than either \$100,000 or 20% of the total project cost?**

15 A: Yes. 11 of CenterPoint's completed projects experienced these levels of cost
16 estimate overruns. For purposes of my review, I requested and received additional
17 supporting information from CenterPoint for projects with actual cost increases of
18 either \$100,000 or 20% above its previously approved estimate. While Mr.
19 Rawlinson addresses some of these projects in his testimony, I discussed these
20 projects in detail with CenterPoint's TDSIC team during the March 29, 2022,
21 technical review meeting. The explanations for projects having significant actual
22 cost increases compared to the original estimates were due to a variety of reasons,
23 such as: increasing materials and labor costs; soil remediation to install transformer

1 foundations and the addition of control houses to the scope of work for several
2 projects. I also reviewed a sampling of other projects, including projects that had
3 significant cost underruns.

4 **Q: Please comment on the projects completed at lower costs than originally**
5 **estimated.**

6 A: There were 16 projects completed with such lower costs. It appears there are three
7 main reasons for lower project costs for those completed in the TDSIC-10
8 timeframe. First, most of the projects that underran the original budget were due to
9 CenterPoint using internal engineering and construction crews when available. All
10 of the projects were originally estimated with the assumption that contract crews
11 would be used. When internal crews are used, the cost is generally less than
12 originally estimated. Second, one project incurred less right-of-way clearing costs
13 than expected and another incurred less erosion control costs than expected. Third,
14 CenterPoint is continuing to use unit-based labor rates in lieu of time and equipment
15 rates, where appropriate.

16 **Q: Do you currently have any concerns regarding the significant cost estimate**
17 **increases CenterPoint experienced in some of its projects in this tracker filing?**

18 A: No. While I discussed all significant cost increases in projects with CenterPoint and
19 found its explanations and support reasonable, the OUCC will continue to monitor
20 the progress of these projects and any future projects that incur large cost increases.
21 Moreover, to verify compliance with the terms of the Settlement Agreement, I
22 confirmed CenterPoint's combined engineering and supervision, and
23 administrative and general costs remain at or below 18% of the overall project's
24 direct costs. Further, CenterPoint maintained the use of offset amounts generated

1 from the projects within the limits stipulated in the Settlement Agreement. Finally,
2 CenterPoint kept the cost of its overall Plan within the Commission-approved cost
3 cap.

VI. RECOMMENDATION

4 **Q: What do you recommend?**

5 A: For the reasons described above, I recommend the Commission approve
6 CenterPoint's TDSIC-10 Plan update.

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

8 A: Yes.

APPENDIX TO TESTIMONY OF
OUCC WITNESS JOHN E. HASELDEN

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

2 A: I am a graduate of Purdue University with a Bachelor of Science degree in Civil
3 Engineering. I am also a graduate of Indiana University with the degree of Master of
4 Business Administration, majoring in Finance. I am a registered Professional Engineer in
5 the State of Indiana. I have attended and presented at numerous seminars and conferences
6 on topics related to demand-side management (“DSM”) and renewable energy.

7 **Q: Please describe your utility business experience.**

8 A: I began employment with Indianapolis Power & Light Company in April, 1982 as a Design
9 Project Engineer in the Mechanical-Civil Design Engineering Department. I was
10 responsible for a wide variety of power plant projects from budget and cost estimation
11 through the preparation of drawings, specifications, purchasing and construction
12 supervision.

13 In 1987, I became a Senior Engineer in the Power Production Planning Department.
14 I was responsible for assisting and conducting studies concerning future generation
15 resources, economic evaluations, and other studies.

16 In 1989, I was promoted to Division Supervisor of Fuel Supply and in 1990, became
17 Director of Fuel Supply. I was responsible for the procurement of the various fuels used at
18 IPL’s generating stations.

19 In 1993, I became Director of Demand-Side Management. I was responsible for the
20 development, research, implementation, monitoring, and evaluation of all marketing and
21 DSM programs. In particular, I was responsible for the start-up of this new department and

1 for the start-up and implementation of the DSM programs approved by the Commission in
2 its Order in Cause 39672 dated September 8, 1993. The DSM Department was dissolved
3 at IPL in 1997 and I left the company.

4 From 1997 until May, 2006, I held the positions of Director of Marketing and later,
5 Director of Industrial Development and Engineering Services at The Indiana Rail Road
6 Company. I was responsible for the negotiation of coal transportation contracts with several
7 electric utilities, supervision of the Maintenance-of-Way and Communications and Signals
8 departments, project engineering, and development of large capital projects.

9 I rejoined IPL in May, 2006 as a Principal Engineer in the Regulatory Affairs Department.
10 I was responsible for the evaluation and economic analysis of DSM programs and assisted
11 in the planning and evaluation of environmental compliance options and procurement of
12 renewable resources.

13 In May, 2018, I joined the OUCC as a Senior Utility Analyst - Engineer. I review
14 and analyze utilities' requests and file recommendations on behalf of consumers in utility
15 proceedings. As applicable to a case, my duties may also include evaluating rate design
16 and tariffs, examining books and records, inspecting facilities, and preparing various
17 studies.

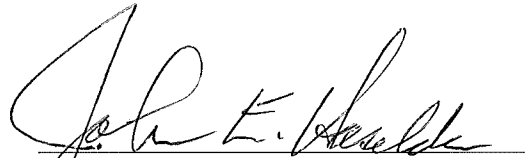
18 **Q: Have you previously testified before the Indiana Utility Regulatory Commission?**

19 A: Yes. I have provided testimony in several proceedings on behalf of IPL regarding the
20 subjects of Fuel Supply, DSM and renewable energy most recently in Cause Nos. 43485,
21 43623, 43960, 43740, 44328, 44018, and 44339. My testimony on DSM concentrated on
22 the evaluation, measurement and verification ("EM&V") of DSM programs. My
23 testimony on renewable energy concentrated on IPL's Rate REP (feed-in tariff, wind

1 power purchase agreements and solar energy. I have provided testimony on behalf of the
2 OUCC in Cause Nos. 43955 (DSM-7 and 8), 43827 (DSM-8 and 9), 43623 (DSM-19),
3 43405 (DSMA-17), 45086, 45145, 45193, 45194, 45235, 45245, 45253, 45285, 45370,
4 45387, 45465, 45485, 44733 (TDSIC-5, 7 and 8), 44910 (TDSIC-4, 6, 7, 8 and 9), 45576,
5 45506, and 45616.

AFFIRMATION

I affirm the representations I made in the foregoing testimony are true to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "John E. Haselden", written over a horizontal line.

By: John E. Haselden
Cause No. 44910 TDSIC-10
Office of Utility Consumer Counselor (OUCC)

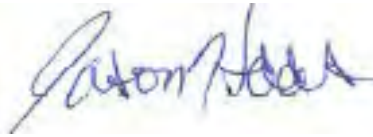
Date: April 4, 2022

CERTIFICATE OF SERVICE

This is to certify that a copy of the *Public Exhibit No. 2- Testimony of John E. Haselden on behalf of the OUCC* has been served upon the following in the captioned proceeding by electronic service on April 4, 2022.

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