

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA GAS)
AND ELECTRIC COMPANY d/b/a VECTREN ENERGY)
DELIVERY OF INDIANA, INC. ("VECTREN SOUTH"))
FOR (1) ISSUANCE OF A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY FOR THE)
CONSTRUCTION OF A COMBINED CYCLE GAS)
TURBINE GENERATION FACILITY ("CCGT"); (2))
APPROVAL OF ASSOCIATED RATEMAKING AND)
ACCOUNTING TREATMENT; (3) ISSUANCE OF A)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY FOR COMPLIANCE PROJECTS TO MEET)
FEDERALLY MANDATED REQUIREMENTS ("CULLEY)
3 COMPLIANCE PROJECT"); (4) AUTHORITY TO)
TIMELY RECOVER 80% OF THE COSTS INCURRED)
DURING CONSTRUCTION AND OPERATION OF THE)
CULLEY 3 COMPLIANCE PROJECTS THROUGH)
VECTREN SOUTH'S ENVIRONMENTAL COST)
ADJUSTMENT MECHANISM; (5) AUTHORITY TO)
CREATE REGULATORY ASSETS TO RECORD (A) 20%)
OF THE REVENUE REQUIREMENT FOR COSTS,)
INCLUDING CAPITAL, OPERATING, MAINTENANCE,)
DEPRECIATION, TAX AND FINANCING COSTS ON)
THE CULLEY 3 COMPLIANCE PROJECT WITH)
CARRYING COSTS AND (B) POST-IN-SERVICE)
ALLOWANCE FOR FUNDS USED DURING)
CONSTRUCTION, BOTH DEBT AND EQUITY, AND)
DEFERRED DEPRECIATION ASSOCIATED WITH THE)
CCGT AND CULLEY 3 COMPLIANCE PROJECT UNTIL)
SUCH COSTS ARE REFLECTED IN RETAIL ELECTRIC)
RATES; (6) ONGOING REVIEW OF THE CCGT; (7))
AUTHORITY TO IMPLEMENT A PERIODIC RATE)
ADJUSTMENT MECHANISM FOR RECOVERY OF)
COSTS DEFERRED IN ACCORDANCE WITH THE)
ORDER IN CAUSE NO. 44446; AND (8) AUTHORITY TO)
ESTABLISH DEPRECIATION RATES FOR THE CCGT)
AND CULLEY 3 COMPLIANCE PROJECT ALL UNDER)
IND. CODE §§ 8-1-2-6.7, 8-1-2-23, 8-1-8.4-1 *ET SEQ*, 8-1-
8.5-1 *ET SEQ*, AND 8-1-8.8 -1 *ET SEQ*.)

CAUSE NO. 45052

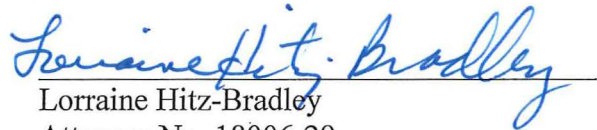
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

TESTIMONY OF

BARBARA A. SMITH – PUBLIC'S EXHIBIT NO. 5

AUGUST 10, 2018

Respectfully submitted,



Lorraine Hitz-Bradley
Attorney No. 18006-29
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS BARBARA A. SMITH
CAUSE NO. 45052
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.

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

2 A: My name is Barbara A. Smith. My business address is 115 W. Washington Street,
3 Suite 1500 South, Indianapolis, Indiana 46204. I am employed by the Indiana
4 Office of the Utility Consumer Counselor ("OUCC") as the Executive Director,
5 Technical Operations. A summary of my qualifications can be found in Appendix
6 A.

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

9 A: Yes.

10 **Q: Do you have any general comments regarding the Commission's Draft**
11 **Statewide Analysis?**

12 A: Yes. The OUCC appreciates the Commission staff's efforts developing this
13 Analysis. We certainly understand the challenge accomplishing this difficult task.
14 The OUCC looks forward to working with the Commission and other
15 stakeholders on the final version of this analysis.

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

17 A: I will explain the OUCC's concerns regarding this draft analysis and how those
18 concerns relate to this Cause. I will discuss how the Draft Statewide Analysis, in
19 its current state, contains certain ambiguities which make the consequences of the
20 analysis and its conclusion difficult to determine. We are hopeful the Commission
21 will clarify in the analysis' final version how the information contained will affect
22 this case, future CPCNs and other filings. Also, I will briefly summarize the

1 concerns the OUCC and other stakeholders¹ (“Joint Stakeholders”) have
2 regarding the Draft Statewide Analysis. This diverse group representing a variety
3 of interests, including advocates for the public, residential, commercial and
4 industrial customers, coal industry and environmental representatives are
5 developing joint comments to be submitted on August 17, 2018 per the GAO-
6 2018-2. We will move for leave to attach these comments to my testimony in this
7 Cause once they are filed with the Commission in the GAO proceeding 2018-2 on
8 August 17, 2018.

9 **Q: What did you do to prepare to testify in this Cause?**

10 A: I read the Draft Analysis and the “Indiana Electricity Projections: The 2017
11 Forecast” (“SUFGE 2017 Forecast”). I facilitated and participated in several
12 meetings with the Joint Stakeholders, during which the group discussed and
13 documented concerns regarding the Draft Statewide Analysis in light of Vectren’s
14 request for issuance of a CPCN. I also reviewed Vectren’s testimony in this Cause
15 and reviewed the other OUCC witnesses’ testimonies.

16 **Q: What does I.C. § 8-1-8.5-3 address?**

17 A: I.C. § 8-1-8.5-3 addresses the Commission’s “Analysis of needs; plans; hearing;
18 [and] report” in the context of the specific findings the Commission must make in
19 granting a CPCN. The sections set forth below address the Commission’s
20 obligations in development of the analysis.²

21 (a) The commission *shall develop, publicize, and keep current* an analysis of the
22 long-range needs for expansion of facilities for the generation of electricity.

¹ Alliance Coal, LLC, Sunrise Coal, LLC, the Indiana Coal Council, Inc., Evansville Western Railway, Citizens Action Coalition of Indiana, Sierra Club Hoosier Chapter, and Valley Watch, Inc.

² The balance of the statute addresses the entities the Commission may consult with in making its analysis, the requirement that there be a hearing, and the submission of the analysis to the governor.

1 (b) This analysis *must include* an estimate of:

2 (1) the probable future growth of the use of electricity;

3 (2) the probable needed generating reserves;

4 (3) in the judgment of the commission, the optimal extent, size, mix, and
5 general location of generating plants;

6 (4) in the judgment of the commission, the optimal arrangements for
7 statewide or regional pooling of power and arrangements with other
8 utilities and energy suppliers to achieve maximum efficiencies for the
9 benefit of the people of Indiana; and

10 (5) the comparative costs of meeting future growth by other means of
11 providing reliable, efficient, and economic electric service, including
12 purchase of power, joint ownership of facilities, *refurbishment of*
13 *existing facilities*, conservation (including energy efficiency), load
14 management, distributed generation, and cogeneration.

15 (c) The commission *shall consider the analysis in acting upon any petition by any*
16 *utility for construction.*

17 Emphasis added.

18 **Q: Is the Draft Statewide Analysis considered final?**

19 A: No, it is currently in draft form.

20 **Q: Is this a concern to the OUCC?**

21 A: Yes. Because this analysis is required by I.C. § 8-1-8.5-3(c) to be considered by
22 the Commission when ruling on Vectren's request in this Cause, the parties
23 should be provided the opportunity to review a completed Statewide Analysis and
24 provide testimony regarding it in this Cause. A draft does not provide the proper
25 foundation for decision-making regarding Indiana's generating resource needs.

26 **Q: Does the Draft Statewide Analysis address any issues specific to this case?**

27 A: Yes. Page 28 states:

1 In IURC Cause No. 45052, SIGECO is proposing to diversify
2 its generation fleet based on its 2016 Integrated Resource Plan
3 (“IRP”) by investing in a new combined cycle gas turbine,
4 sized to replace certain coal-fired units that will be retired at
5 the end of 2023. SIGECO is seeking a CPCN to construct the
6 combined cycle gas turbine, with the capacity of 800-900 MW,
7 adjacent to SIGECO's Brown Generating Station.

8 **Q: Isn't the Commission just stating a fact here?**

9 A: Not when you consider other portions of the Draft Statewide Analysis. For
10 example, footnote 1 on page 1 states:

11 IRPs comprehensively evaluate a broad range of feasible and
12 economically viable resource alternatives over at least a 20
13 year planning period to assure electric power will be delivered
14 to their customers at the lowest cost reasonably possible while
15 providing safe and reliable service. Indiana utilities utilize
16 state-of-the-art analysis and work with their stakeholders to
17 develop credible Integrated Resource Plans (IRPs).

18 In addition, footnote 3 on page 6 states:

19 The Commission considers a robust stakeholder process
20 essential to understanding and expediting cases by narrowing a
21 number of contentious issues.

22 Although the non-utility parties devote a large amount of resource time to the IRP
23 stakeholder process, the IRPs still remain the utilities' products. The stakeholders
24 typically do not have the human or monetary resources to own and run the models
25 and therefore do not know to what extent, if any, their input is reflected in the
26 final IRP selections.

27 Given the Commission's stated confidence in the IRPs and the IRP
28 stakeholder process together with the Draft Statewide Analysis' mention of the
29 Vectren CPCN, it is difficult to determine how much weight the Commission has
30 given to the Vectren's IRP conclusion regarding the CCGT. Without specific

1 conclusions in the Draft Statewide Analysis, the Commission should clarify in its
2 final analysis version the extent the Commission's decision would be predisposed
3 to accept Vectren's IRP result in this Cause given that confidence.

4 The statute outlines a process to analyze long-range electric generation
5 facility expansion. Because the Draft's conclusions do not include specifics, yet
6 the Vectren CCGT request is mentioned in the Draft, it is difficult to determine
7 the significance of Vectren's IRP on the Draft Statewide Analysis on this case.

8 **Q: Are there other concerns about the Draft Statewide Analysis that affect this**
9 **Cause?**

10 A: Yes. The OUCC realizes this is the first analysis of its kind the IURC has
11 produced, but because of the impact and use of the analysis, I summarize some
12 key concerns below the OUCC hopes to see addressed in the final version. The
13 common thread in each of our concerns is the need for clarification as to the
14 consequences of the analysis' conclusions. All concerns will be fully explained in
15 the Joint Stakeholder's Draft Statewide Analysis comments to be submitted to the
16 Commission per GAO 2018-2 on August 17, 2018.

- 17 • The Draft Statewide Analysis largely relies on pre-existing individual utility
18 reports and the State Utility Forecasting Group's "Indiana Electricity
19 Projections: The 2017 Forecast" report that uses utility-provided information.
20 These reports are based upon significantly difference sources, assumptions
21 and vintages with no apparent indication of reconciling these differences.
- 22 • As mentioned above, the Draft Statewide Analysis includes the utilities' IRPs.
23 However, but IRPs are not the findings or a result of the Commission's own

1 analysis. The Commission can only make such findings through a formal
2 proceeding that meets due process requirements.

3 • A key data source used in the Draft Statewide Analysis – The SUFG 2017
4 Forecast – included actual data only through 2015.³ With the recent changes
5 in resource costs and other factors, including the federal income tax reduction,
6 this is concerning to the OUCC.

7 • Some inputs that could benefit the Statewide Analysis were not mentioned,
8 such as the IURC's Director Report on IRPs ("Director IRP Report"), IRP
9 stakeholder comments, etc.

10 • The Draft Statewide Analysis does not specifically address the optimal extent,
11 size, mix, and general location of the generating plants.

12 Given these ambiguities, we look forward to an open and robust discussion
13 concerning the strengths and weaknesses of the data used in the Draft Statewide
14 Analysis.

15 **Q: Has the Commission authorized CPCNs before without the prior issuance of**
16 **an analysis?**

17 A: Yes. Since this is the Commission's first analysis under the 2015 version of I.C. §
18 8-1-8.5-3, the Commission has issued CPCNs previously.

19 **Q: How is the current proceeding different from previous CPCN cases?**

20 A: Previously, there were no pending analyses pursuant to I.C. § 8-1-8.5-3. Given
21 the Commission currently has a pending draft analysis, this case would be best
22 served after the analysis is complete so the Commission can incorporate the
23 analysis into its CPCN decision.

³ State Utility Forecasting Group / Indiana Electricity Projections 2017, page 1-7.

1 **Q: What is the OUCC's recommendation to the IURC?**

2 A: Before the Commission decides on Vectren's request for a CCGT, the OUCC
3 recommends the Commission complete the Statewide Analysis. As stated in GAO
4 2018-2, the process to complete should be done in an open and transparent
5 manner, which includes sufficient time and opportunity to address the Joint
6 Stakeholders' concerns. It is important to have a clear, transparent and final
7 statewide plan before any decisions are made regarding how Vectren's CCGT fits
8 into that plan.

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

10 A: Yes.


APPENDIX A

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

2 A: I received a Bachelor of Science degree, *magna cum laude*, from Indiana
3 Wesleyan University. I also earned an Associate's Certificate in Project
4 Management through George Washington University. I was employed by
5 Vectren from 1987 through 2006 in various capacities, including supervisor of
6 distribution planning. My responsibilities included planning installation of new
7 natural gas pipelines, making pipeline replace/repair decisions, as well as
8 development, implementation and support of new data repositories (such as asset
9 management and compliance systems, support of Geographic Information System
10 mapping, capital work order systems, outage management systems and storm
11 outages.) My professional experience as a member of the management team at
12 Vectren with direct customer contact helped me develop a broad understanding of
13 consumer interests, including the value placed on reliable service and the impact
14 rate increases have on consumers. I joined the OUCC as a Utility Analyst in the
15 Electric Division in October 2006 and held the position of Director, Resource
16 Planning and Communication Division from April 2009 through July 2015. I was
17 promoted to my current position of Executive Director, Technical Operations in
18 August 2015. On behalf of the OUCC, I have led many case teams in complex
19 cases, including Certificate of Public Convenience and Necessity cases, critical
20 infrastructure as well as demand side management and renewable energy cases.

AFFIRMATION

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



Barbara A. Smith
Executive Director of Technical Operations

Indiana Office of Utility Consumer Counselor

August 10, 2018

Date

Cause No. 45052
Vectren Electric South

CERTIFICATE OF SERVICE

This is to certify that a copy of the *OUCC TESTIMONY OF BARBARA A. SMITH* has been served upon the following parties of record in the captioned proceeding by electronic service on August 10, 2018.

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