

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA MICHIGAN POWER COMPANY,)
AN INDIANA CORPORATION, FOR AUTHORITY TO)
INCREASE ITS RATES AND CHARGES FOR ELECTRIC)
UTILITY SERVICE THROUGH A PHASE IN RATE)
ADJUSTMENT; AND FOR APPROVAL OF RELATED)
RELIEF INCLUDING: (1) REVISED DEPRECIATION)
RATES; (2) ACCOUNTING RELIEF; (3) INCLUSION IN)
RATE BASE OF QUALIFIED POLLUTION CONTROL)
PROPERTY AND CLEAN ENERGY PROJECT; (4))
ENHANCEMENTS TO THE DRY SORBENT INJECTION)
SYSTEM; (5) ADVANCED METERING)
INFRASTRUCTURE; (6) RATE ADJUSTMENT)
MECHANISM PROPOSALS; AND (7) NEW SCHEDULES)
OF RATES, RULES AND REGULATIONS.)

CAUSE NO. 45235

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

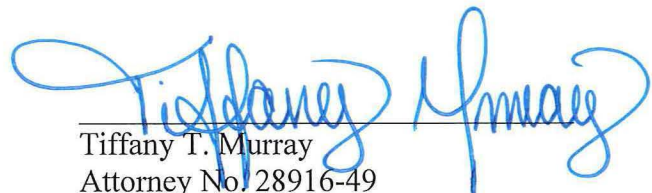
PUBLIC'S EXHIBIT NO. 6

TESTIMONY OF OUCC WITNESS

JOHN E. HASELDEN

August 20, 2019

Respectfully submitted,



Tiffany T. Murray
Attorney No. 28916-49
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS JOHN E. HASELDEN
CAUSE NO. 45235
INDIANA MICHIGAN POWER COMPANY

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 Senior Utility Analyst in the
4 Electric Division of the Indiana Office of Utility Consumer Counselor ("OUCC").
5 I describe my educational background, professional work experience, and
6 preparation for this filing in 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 a number of cases before the Commission, including rate
10 cases, cases on demand side management ("DSM"), renewable energy,
11 environmental trackers, and applications for Certificates of Public Convenience and
12 Necessity.

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

14 A: I provide my analysis and recommendation on the following proposals made by
15 Indiana Michigan Power Company ("I&M" or "Petitioner"):

- 16 • treatment of the DSM/EE Rider; and
17 • proposals related to both ongoing and new Customer Assistance and Economic
18 Development Programs.

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

3 A: I reviewed the Verified Petition, Direct Testimony and Exhibits submitted in this
4 Cause. I drafted data requests (“DRs”) and reviewed I&M’s responses. I
5 participated in on-site meetings August 1-2, 2019 at American Electric Power’s
6 (“AEP”) corporate office in Columbus, Ohio to discuss I&M’s financial forecasting
7 model and capital budgeting process.

8 **Q: To the extent you do not address a specific item or adjustment, should that be**
9 **construed to mean you agree with the Company’s proposal for that item?**

10 A: No. Exclusion from my testimony of any specific adjustments or amounts proposed
11 by the Company does not indicate my approval of those adjustments or amounts,
12 but rather the scope of my testimony is limited to the specific items addressed
13 herein.

14 **Q: Are you sponsoring any attachments in this proceeding?**

15 A: Yes. I am sponsoring Attachment JEH-1, which is a copy of page 15, paragraph
16 128B of the Fifth Joint Modification to the Consent Decree approved by the U.S.
17 District Court for the Southern District of Ohio Eastern Division.

II. I&M’S PROPOSED DSM/EE RIDER TREATMENT

18 **Q: Does I&M propose changes to its DSM/EE rider in this Cause?**

19 A: Yes. I&M witness Andrew J. Williamson outlines I&M’s proposal to move all
20 DSM/EE capital forecasted to go into service through the end of the test year
21 (December 2020) into base rates. He also indicates net lost revenues will reset to
22 zero, beginning when new rates are implemented, and that all direct and indirect
23 program costs, including costs for evaluation, measurement and verification,

1 performance incentives, and DSM labor will continue to be recovered through the
2 DSM rider, as is the current practice. ¹

3 **Q: Does the OUCC object to I&M's DSM/EE proposal as described above?**

4 A: No.

III. I&M'S ONGOING AND NEW CUSTOMER ASSISTANCE AND ECONOMIC DEVELOPMENT PROGRAMS

5 **Q: Does I&M propose using ratepayer funds for new customer assistance and**
6 **economic development programs, in addition to continuing existing programs,**
7 **in this proceeding?**

8 A: Yes. I&M's proposed economic development, customer assistance programs, and
9 requested funding amounts are described I&M witness David Lucas's testimony,
10 pages 18-35. Table JEH-1 below summarizes these programs and the proposed
11 annual ratepayer funding level for each:

TABLE JEH-1

Program	Annual Funding
Economic Impact Grant Program	\$700,000
Apprenticeship and Training Program	\$350,000
Building Development Program	\$150,000
Energy Share Program	\$250,000
Low Income Weatherization Program	\$150,000
Neighbor to Neighbor Pilot Program	\$50,000
Low Income Arrearage Forgiveness Pilot Program	N/A
Income Qualified Safety and Health Pilot program	\$100,000
Total	\$1,750,000

¹ Direct Testimony of Andrew J. Williamson, page 41, line 19 - page 42, line 6.

1 **Q: Does the OUCC support using ratepayer funds for these types of programs?**

2 A: In general, no. A utility's revenue requirement recovered from ratepayers should
3 be based on the level of expenses it needs to provide safe and reliable utility service
4 to its customers. Programs that are not necessary to provide utility service should
5 not be funded by ratepayers. I would emphasize that my recommendation to deny
6 ratepayer funding for any of these programs is not necessarily denial of the program
7 itself. The utility is free to use shareholder or voluntary funds to explore pilot and
8 low-income customer assistance programs it thinks can yield benefits.

9 **Q: What does the OUCC recommend?**

10 A: The OUCC is not supportive of including costs to fund the programs listed in Table
11 JEH-1 in base rates. I describe the various reasons why below.

12 **Q: Why do you recommend denying ratepayer funding for the proposed**
13 **continuation of the Economic Impact Grant Programs ("EIG")?**

14 A: The EIG programs came into existence as a result of the Settlement Agreement in
15 Cause 44967.² While the OUCC does not oppose the disbursement of any
16 unallocated funds that do not affect the revenue requirement,³ it is not appropriate
17 to begin funding these grants in base rates. The Settlement Agreement stands on its
18 own and I&M has offered no compelling evidence in support of ratepayer funding.

19 **Q: Why do you recommend denying ratepayer funding for the proposed**
20 **Apprenticeship and Training Pilot and the Building Development Programs?**

21 A: Neither of these programs is an appropriate use of ratepayer funds. While
22 availability of a well-trained workforce and developable sites is valuable to
23 economic development, these kinds of programs are not necessary for the provision

² Direct Testimony of Mr. David Lucas, page 20, lines 1-17.

³ Lucas Direct, page 20, lines 16-23.

1 of energy utility service, and relate to issues that state and local economic
2 development agencies are intended to address. It is inappropriate to force captive
3 ratepayers to pay utility rates that include expenses exceeding the scope of an
4 electric utility's operational responsibility.

5 **Q: Why do you recommend denying ratepayer funding for the Energy Share Pilot**
6 **and Neighbor-to-Neighbor Program?**

7 A: As stated above, utility rates should be based on a utility's cost to serve its
8 customers, and not on expenses that exceed the scope of a utility's operational
9 obligation. Recoverable utility expenses must be reasonable and necessary, and the
10 costs of these programs do not meet that standard. There are a number of state and
11 local programs designed to assist low-income customers and I&M is free to offer
12 low-income customer assistance programs using its own funds. I&M has presented
13 no compelling evidence as to why it is appropriate to include the expense to offer
14 these programs at a cost to ratepayers.

15 **Q: Why do you recommend denying ratepayer funding for the Low Income**
16 **Weatherization Program?**

17 A: This program is a DSM program delivered through a channel different from I&M's
18 existing DSM program, Residential Income Qualified Weatherproofing. I&M
19 contributes money to the Indiana Community Action Association ("IN-CAA") and
20 IN-CAA reports the measures installed, for which I&M records impacts and lost
21 revenues associated with the IN-CAA efforts. This program should be proposed as
22 part of I&M's next three-year DSM Plan expected to be filed later this year. Actual

1 spending on this portion of the program can be uncertain and dependent on DOE
2 funding cycles as described by Mr. Lucas.⁴

3 **Q: Why do you recommend denying ratepayer funding for the Income Qualified**
4 **Safety and Health Pilot Program?**

5 A: This program is essentially part of the Low Income Weatherization program
6 discussed above. In addition, limits on spending per home are typically set for
7 programs such as this and total spending can vary significantly. In my experience
8 through other DSM trackers, utilities often have difficulty consistently spending the
9 funds for such safety and health programs. Monitoring of the spending of such
10 funds is more appropriately done through a tracker; therefore, this program should
11 also be proposed as part of I&M's next three-year DSM Plan expected to be filed
12 later this year and should not be included in base rates.

13 **Q: Does the OUCC's have other potential concerns with these programs?**

14 A: Yes. Expenditures on programs that are used to satisfy certain requirements
15 regarding restitution or funds to come into compliance with the law, as contained
16 in the recently approved Fifth Modification to the Consent Decree,⁵ should not be
17 recoverable from ratepayers. Although such expenditures may be made on similar
18 or existing programs such as renewable energy or energy efficiency, they are a
19 result of the settlement in the consent decree and not appropriate for customers to
20 pay in base rates or otherwise.

⁴ Lucas Direct, page 31, lines 3-7.

⁵ Attachment JEH-1, page 15, Paragraph 128B.

IV. RECOMMENDATIONS

1 **Q: What are the OUCC's recommendations regarding DSM/EE, economic**
2 **development, and customer assistance programs.**

3 A: The OUCC recommends the Commission approve I&M's proposed treatment for
4 DSM/EE Programs and the Low Income Arrearage Forgiveness Pilot Program, for
5 which no ratepayer funding was requested.

6 The OUCC further recommends the Commission deny:

7 • I&M's requested ratepayer funding for the following economic
8 development and customer assistance programs:

9 ○ Economic Impact Grant Program;

10 ○ Apprenticeship and Training Program;

11 ○ Building Development Program;

12 ○ Energy Share Program;

13 ○ Neighbor-to-Neighbor Program

14 ○ Low Income Weatherization Program; and

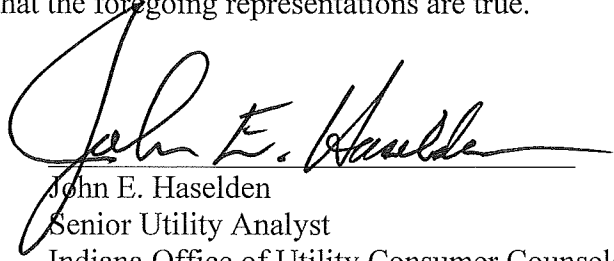
15 ○ Income Qualified Safety and Health Pilot Program.

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

17 A: Yes.

AFFIRMATION

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



John E. Haselden

Senior Utility Analyst
Indiana Office of Utility Consumer Counselor

Cause No. 45235
Indiana Michigan Power Company

August 19, 2019
Date

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. 43827 (DSM-8), 45086, 45145, 45193, 45194, 44733(TDSIC-5)
3 and 44910 (TDSIC-4).

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION**

UNITED STATES OF AMERICA)

Plaintiff,)

and)

STATE OF NEW YORK, ET AL.,)

Plaintiff-Intervenors,)

v.)

AMERICAN ELECTRIC POWER)
SERVICE CORP., ET AL.,)

Defendants.)

OHIO CITIZEN ACTION, ET AL.,)

Plaintiffs,)

v.)

AMERICAN ELECTRIC POWER)
SERVICE CORP., ET AL.,)

Defendants.)

UNITED STATES OF AMERICA)

Plaintiff,)

v.)

AMERICAN ELECTRIC POWER)
SERVICE CORP., ET AL.,)

Defendants.)

Consolidated Cases:

Civil Action No. C2-99-1182

Civil Action No. C2-99-1250

JUDGE EDMUND A. SARGUS, JR.

Magistrate Judge Kimberly A. Jolson

Civil Action No. C2-04-1098

JUDGE EDMUND A. SARGUS, JR.

Magistrate Judge Kimberly A. Jolson

Civil Action No. C2-05-360

JUDGE EDMUND A. SARGUS, JR.

Magistrate Judge Kimberly A. Jolson

Paragraph 128B is replaced in its entirety and now reads as follows:

128B. Citizen Plaintiffs' Mitigation Projects. I&M will provide \$2.5 million in mitigation funding as directed by the Citizen Plaintiffs for projects in Indiana that include diesel retrofits, health and safety home repairs, solar water heaters, outdoor wood boilers, land acquisition projects, and small renewable energy projects (less than 0.5 MW) located on customer premises that are eligible for net metering or similar interconnection arrangements on or before December 31, 2014. I&M shall make payments to fund such Projects within seventy-five (75) days after being notified by the Citizen Plaintiffs in writing of the nature of the Project, the amount of funding requested, the identity and mailing address of the recipient of the funds, payment instructions, including taxpayer identification numbers and routing instructions for electronic payments, and any other information necessary to process the requested payments. Defendants shall not have approval rights for the Projects or the amount of funding requested, but in no event shall the cumulative amount of funding provided pursuant to this Paragraph 128B exceed \$2.5 million.


In addition to the \$2.5 million provided in 2014, pursuant to the Fifth Joint Modification I&M will provide as restitution or as funds to come into compliance with the law \$3.5 million in funding for Citizen Plaintiffs to support projects that will promote energy efficiency, distributed generation, and pollution reduction measures for nonprofits, governmental entities, low income residents and/or other entities selected by Citizen Plaintiffs. I&M shall provide the \$3.5 million in funding within seventy-five (75) days of the Date of Entry of the Fifth Joint Modification of the Consent Decree by the Court in accordance with instructions from counsel for Citizen Plaintiffs.

Paragraph 133 is replaced in its entirety and now reads as follows:

133. Claims Based on Modifications after the Date of Lodging of This Consent Decree. Entry of this Consent Decree shall resolve all civil claims of the United States against Defendants that

CERTIFICATE OF SERVICE

Indiana Office of Utility Consumer Counselor Public's Exhibit No. 6 Testimony of OUCC Witness John E. Haselden has been served upon the following parties of record in the captioned proceeding by electronic service on August 20, 2019.



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