

FILED  
October 1, 2021  
INDIANA UTILITY  
REGULATORY COMMISSION

Petitioner's Exhibit No. 3  
Cause No. 37394-GCA152  
CEI North  
Page 1 of 7

INDIANA GAS COMPANY, INC.  
d/b/a CENTERPOINT ENERGY INDIANA NORTH  
(CEI NORTH)

IURC CAUSE NO. 37394-GCA152

IURC  
PETITIONER'S  
EXHIBIT NO. 3  
11-10-21 cl  
DATE REPORTER

DIRECT TESTIMONY  
OF  
JASON R. MATHEWS  
MANAGER, REGULATORY REPORTING

ON

OFFICIAL  
EXHIBITS

GCA EARNINGS TEST

SPONSORING PETITIONER'S EXHIBIT NO. 3,  
ATTACHMENTS JRM-1 THROUGH JRM-2

**DIRECT TESTIMONY OF JASON R. MATHEWS**

1   **I.    INTRODUCTION**

2

3   **Q.    Please state your name and business address.**

4    A.    My name is Jason R. Mathews. My business address is 211 NW Riverside Drive,  
5            Evansville, Indiana, 47708.

6

7   **Q.    By whom are you employed?**

8    A.    I am employed by CenterPoint Energy Services Company, LLC ("Service Company"), a  
9            wholly-owned subsidiary of CenterPoint Energy, Inc. The Service Company provides  
10           centralized support services to CenterPoint Energy, Inc.'s operating units, one of which is  
11           Indiana Gas Company d/b/a CenterPoint Energy Indiana North ("Petitioner", "CEI North"  
12           or the "Company").

13

14   **Q.    On whose behalf are you submitting this direct testimony?**

15    A.    I am submitting testimony on behalf of CEI North, which is an indirect subsidiary of  
16           CenterPoint Energy, Inc.

17

18   **Q.    What is your role with respect to Petitioner CEI North?**

19    A.    I am Manager of Regulatory Reporting for the Company. I hold the same position with  
20           two other utility subsidiaries of CenterPoint Energy, Inc. – Southern Indiana Gas and  
21           Electric Company d/b/a CenterPoint Energy Indiana South ("CEI South") and Vectren  
22           Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy Ohio ("CEOH").

23

24   **Q.    Please describe your educational background.**

25    A.    I hold a Bachelor of Business Administration (B.B.A.) in Finance and a B.B.A in  
26           Economics from the University of Iowa, both completed in 2012. Further, I completed my  
27           Master of Business Administration (M.B.A.) with a concentration in Accounting in 2016 at  
28           DePaul University in Chicago.

29

30   **Q.    Please describe your professional experience.**

31    A.    From 2012 to 2020, I was employed by Nicor Gas Company, a subsidiary of the Southern  
32           Company, in various roles within the Rates and Regulatory department while most

1 recently serving as Manager, Regulatory Affairs. I have been employed by the Company  
2 since October 2020. My current role is Manager, Regulatory Reporting.  
3

4 **Q. What are your present duties and responsibilities as Manager, Regulatory**  
5 **Reporting?**

6 A. I am responsible for the financial analysis and implementation of regulatory initiatives for  
7 CenterPoint's regulated utility operations covering Indiana and Ohio. These duties  
8 include preparation of accounting exhibits submitted in various regulatory proceedings for  
9 these operations, including CEI North.  
10

11 **Q. Are you familiar with the books, records, and accounting procedures of CEI North?**

12 A. Yes, I am.  
13

14 **Q. Are CEI North's books and records maintained in accordance with the Federal**  
15 **Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USOA")**  
16 **and generally accepted accounting principles ("GAAP")?**

17 A. Yes.  
18

19 **Q. Have you previously testified before any state regulatory commission?**

20 A. Yes. I have testified before the Indiana Utility Regulatory Commission ("IURC" or  
21 "Commission") on behalf of CEI South and CEI North in its Compliance and System  
22 Improvement Adjustment ("CSIA") Cause Nos. 44430 and 44429, respectively, beginning  
23 with CSIA 14. I have also testified before the Commission in the CEI South and CEI  
24 North rate case proceedings, Cause Nos. 45447 and 45468, respectively. I have testified  
25 before the Illinois Commerce Commission on behalf of Northern Illinois Gas Company  
26 d/b/a Nicor Gas Company ("Nicor Gas") in its 2018 Rate Case Filing, Docket No. 18-  
27 1775. I have also testified on behalf of Nicor Gas in connection with its Rider 6 –  
28 Purchased Gas Adjustment ("PGA"), Rider 26 – Uncollectible Expense Adjustment  
29 ("UEA"), and Certificate of Public Convenience and Necessity ("CPCN") filings.  
30 Additionally, I testified on behalf of Nicor Gas in dockets approving Rider 36 – Variable  
31 Income Tax Adjustment ("VITA") and Rider 38 – Volume Balancing Adjustment ("VBA")  
32 mechanisms.  
33

1   **Q.    What is the purpose of your testimony in this proceeding?**

2    A.    The purpose of my testimony is to present Petitioner's Exhibit No. 3, Attachments JRM-1  
3           and JRM-2. Attachment JRM-1 computes the gas operating income, rate of return and  
4           operating income earnings test. In addition, my testimony provides information regarding  
5           the Application of CEI North for approval of a change in its gas cost adjustment for the  
6           period December 2021 through February 2022 (the "GCA period"). Attachment JRM-2  
7           represents the return on equity calculation for CEI North as of August 31, 2021.  
8

9   **Q.    Were your testimony and exhibits in this proceeding prepared by you or under**  
10       **your supervision?**

11   A.    Yes, they were.  
12  
13

14   **II.    PETITIONER'S EXHIBIT NO. 3, ATTACHMENT JRM-1; EARNINGS TEST**  
15

16   **Q.    Are you generally familiar with the properties, business and financial condition of**  
17       **CEI North?**

18   A.    Yes.  
19

20   **Q.    Please explain Petitioner's Exhibit No. 3, Attachment JRM-1.**

21   A.    Petitioner's Exhibit No. 3, Attachment JRM-1 reflects historic information regarding CEI  
22           North's last general rate proceeding, the NOI authorized in Cause No. 43298, allowed  
23           NOI adjustments under Cause No. 44430 TDSIC-14, application of the IC 8-1-2-42.3  
24           refund test, and the income statement for the twelve (12) months ended August 31, 2021,  
25           as adjusted for the Normal Temperature Adjustment as approved in Cause No. 42890 on  
26           October 5, 2005.  
27

28   **Q.    What is the source of the amounts in Petitioner's Exhibit No. 3, Attachment JRM-1?**

29   A.    Those amounts were derived from CEI North's accounting records, which are maintained  
30           in accordance with the Uniform System of Accounts as prescribed by this Commission.  
31

32   **Q.    Were any adjustments necessary to arrive at the per-books NOI used in**  
33       **Petitioner's Exhibit No. 3, Attachment JRM-1?**

1 A. No.

2

3 **Q. Has the Commission authorized adjustments to the NOI allowed in the most recent**  
4 **base rate proceeding?**

5 A. Yes. Effective July 29, 2021, in Cause No. 44430 TDSIC-14, the Commission approved  
6 increases in the allowed NOI of \$33,401,144 for the Compliance component and  
7 \$10,428,373 for the TDSIC component of the Compliance and System Improvement  
8 Adjustment ("CSIA") mechanism. The adjustments have been added to the NOI  
9 authorized in Cause No. 43298, with this total representing the total allowed NOI for CEI  
10 North this period.

11

12 **Q. Will the implementation of the applied-for GCA in this Cause result in CEI North**  
13 **earning a return which requires CEI North to make a refund under the provisions of**  
14 **IC 8-1-2-42.3?**

15 A. No. As shown on Petitioner's Exhibit No. 3, Attachment JRM-1, line 1 of page 3, CEI  
16 North's twelve month determined NOI did not exceed the twelve month authorized NOI  
17 and the sum of the differentials for the relevant period is less than zero as shown on  
18 Petitioner's Exhibit No. 3, Attachment JRM-1, line 4 of page 3. As a result, CEI North is  
19 not required to make a refund under provisions of IC 8-1-2-42.3.

20

21

22 **III. PETITIONER'S EXHIBIT NO. 3, ATTACHMENT JRM-2; RETURN ON EQUITY**  
23 **CALCULATION**

24

25 **Q. Why is the return on equity calculation being presented in this proceeding?**

26 A. As ordered in Cause Nos. 42943/43046, CEI North is to present in each GCA proceeding  
27 following the date of the referenced order the calculation of actual return on equity (ROE)  
28 for the relevant twelve-month period. The calculation is to be presented in the form  
29 proposed by CEI North in the Settlement Agreement attached to the order in Cause Nos.  
30 42943/43046.

31

32 **Q. Is the ROE test as proposed to be implemented in this proceeding?**

33 A. No. As outlined in the referenced order, the calculation is to be presented only as an

illustration for the purpose of review by the Commission.

**Q. Has the ROE test illustration included in Petitioner's Exhibit No. 3, Attachment JRM-2 been prepared in the same manner as outlined in the referenced order?**

A. Yes. The methodology outlined has been followed here and is the same methodology that will be used in the actual ROE test if ultimately implemented.

**Q. Are there any adjustments necessary in the ROE illustrative calculation?**

A. No.

**Q. Please explain Petitioner's Exhibit No. 3, Attachment JRM-2.**

A. Petitioner's Exhibit No. 3, Attachment JRM-2 reflects the calculation of the adjusted ROE for the twelve month period ended August 31, 2021. Line 1 is the adjusted Net Income for CEI North for the twelve months ended August 31, 2021. Lines 2 through 6 represent the actual quarter ending equity balance for CEI North for the months indicated. Line 9 reflects the average ending equity balance for the five quarters presented. Line 10 is the result of dividing Line 1 by Line 9, which represents the calculated ROE, or 9.29%. This is compared to the allowed ROE of 10.20%, for a return shortfall of 0.91% (Line 12). This shortfall is then multiplied by the average equity balance (Line 9) to arrive at a return shortfall (Line 13).

**Q. Are there any adjustments to net income necessary in the above calculation?**

A. No.

**Q. How does the result of the example ROE calculation reflected on Petitioner's Exhibit No. 3, Attachment JRM-2 compare to the net operating income ("NOI") earnings test reflected in Petitioner's Exhibit No. 3, Attachment JRM-1?**

A. The example ROE calculation on Attachment JRM-2 shows that CEI North had a return shortfall of 0.91% from its allowed return on equity of 10.20%. Per Attachment JRM-1, the net operating income for the twelve months ended August 31, 2021 is \$93.2 million, for an earnings shortfall of \$12.5 million under its authorized NOI.

1    IV.    **CONCLUSION**

2

3    Q.    **Does this conclude your direct testimony?**

4    A.    Yes, it does.

STATE OF INDIANA                    )  
  ) SS:  
COUNTY OF VANDERBURGH        )

The undersigned, Jason R. Mathews, being duly sworn, under penalty of perjury affirms that the foregoing Direct Testimony in Cause No. 37394-GCA152 is true to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Jason R. Mathews

**INDIANA GAS COMPANY, INC  
d/b/a CENTERPOINT ENERGY INDIANA NORTH  
NET OPERATING INCOME SUMMARY SHEET  
FOR THE TWELVE MONTHS ENDING AUGUST 31, 2021**

Line No.		
1	Cause number of last general rate case and date the order was approved	Cause No. 43298 [A] February 13, 2008
2	New gas suppliers (names)	--
3	Gross addition of customers to the system	Unknown
4	Gross deletions of customers from the system	Unknown
5	Net addition of customers - 12 months ended August 31, 2021	9,152
6	Original cost rate base per Cause No. 43298	\$ 792,666,334
7	Return authorized in Cause No. 43298	7.80%
8	Gas Division operating income for twelve months ended August 31, 2021	\$ 93,193,069
9	Allowed operating income based on original cost rate base granted in general rate case Cause No. 43298	(Line 6 x Line 7) \$ 61,827,974
10	Allowed operating income adjustment for Compliance per Cause No. 44430	\$ 33,401,144 [A]
11	Allowed operating income adjustment for TDSIC per Cause No. 44430	\$ 10,428,373 [A]
12	Total allowed operating income	(Lines 9 + 10 + 11) \$ 105,657,491
13	Operating income reported less operating income allowed	(Line 8 - Line 12) \$ (12,464,422)
14	Tax effect ratio per Commission Cause No. 43298	1.41924 [B]

[A] The July 28, 2021 Order in Cause No. 44430 TDSIC-14 found that 'Petitioner has properly calculated the after-tax return on investment that will be added to the authorized NOI. Therefore, effective with the approved rates in this Cause, Petitioner will adjust its authorized NOI by \$33,401,144 for the Compliance Projects and \$10,428,373 for the TDSIC Projects.'

[B] Reflects the lower federal tax rate of 21% resulting from the Tax Cuts and Jobs Act of 2017.

**INDIANA GAS COMPANY INC.**  
**d/b/a CENTERPOINT ENERGY INDIANA NORTH**  
**WEATHER NORMALIZED OPERATING INCOME EARNINGS TEST**  
**FOR THE PERIOD ENDED AUGUST 31, 2021**

Line No.	GCA Period	GCA No.	Determined	Authorized	Differential
	(Col. A)	(Col. B)	(Col. C)	(Col. D)	(Col. E)
1	August 2021	152	\$ 93,193,069	\$ 105,657,491	\$ (12,464,422)
2	May 2021	151	\$ 92,536,277	\$ 103,049,074	\$ (10,512,797)
3	February 2021	150	\$ 90,438,331	\$ 103,049,074	\$ (12,610,743)
4	November 2020	149	\$ 93,816,568	\$ 100,755,052	\$ (6,938,484)
5	August 2020	148	\$ 90,153,887	\$ 100,755,052	\$ (10,601,165)
6	May 2020	147	\$ 91,484,314	\$ 97,936,937	\$ (6,452,624)
7	February 2020	146	\$ 70,621,506	\$ 97,936,937	\$ (27,315,431)
8	November 2019	145	\$ 62,398,789	\$ 95,378,179	\$ (32,979,390)
9	August 2019	144	\$ 66,078,144	\$ 95,378,179	\$ (29,300,035)
10	May 2019	143	\$ 65,072,223	\$ 91,378,819	\$ (26,306,596)
11	February 2019	142	\$ 81,659,085	\$ 91,378,819	\$ (9,719,734)
12	November 2018	141	\$ 77,950,151	\$ 88,297,507	\$ (10,347,356)
13	August 2018	140	\$ 78,242,404	\$ 84,453,268	\$ (6,210,864)
14	May 2018	139	\$ 79,584,615	\$ 84,453,268	\$ (4,868,653)
15	February 2018	138	\$ 75,099,538	\$ 84,453,268	\$ (9,353,730)
16	November 2017	137	\$ 70,858,760	\$ 81,105,185	\$ (10,246,425)
17	August 2017	136	\$ 72,035,246	\$ 81,105,185	\$ (9,069,939)
18	May 2017	135	\$ 71,258,694	\$ 78,075,123	\$ (6,816,429)
19	February 2017	134	\$ 69,189,527	\$ 78,075,123	\$ (8,885,596)
20	November 2016	133	\$ 65,173,034	\$ 74,435,919	\$ (9,262,885)
21	August 2016	132	\$ 60,472,231	\$ 74,435,919	\$ (13,963,688)
22	May 2016	131	\$ 59,812,181	\$ 70,548,532	\$ (10,736,351)
23	February 2016	130	\$ 58,450,190	\$ 66,254,615	\$ (7,804,425)
24	November 2015	129	\$ 56,149,632	\$ 66,254,615	\$ (10,104,983)
25	August 2015	128	\$ 56,040,289	\$ 66,254,615	\$ (10,214,326)
26	May 2015	127	\$ 55,514,478	\$ 64,145,883	\$ (8,631,405)
27	February 2015	126	\$ 55,857,037	\$ 64,145,883	\$ (8,288,846)
28	November 2014	125	\$ 54,003,740	\$ 61,827,974	\$ (7,824,234)
29	August 2014	124	\$ 54,087,608	\$ 61,827,974	\$ (7,740,366)
30	May 2014	123	\$ 54,258,669	\$ 61,827,974	\$ (7,569,305)
31	February 2014	122	\$ 53,655,064	\$ 61,827,974	\$ (8,172,910)
32	November 2013	121	\$ 55,583,407	\$ 61,827,974	\$ (6,244,567)
33	August 2013	120	\$ 56,455,774	\$ 61,827,974	\$ (5,372,200)
34	May 2013	119	\$ 56,362,587	\$ 61,827,974	\$ (5,465,387)
35	February 2013	118	\$ 57,229,714	\$ 61,827,974	\$ (4,598,260)
36	November 2012	117	\$ 55,819,076	\$ 61,827,974	\$ (6,008,898)
37	August 2012	116	\$ 56,231,138	\$ 61,827,974	\$ (5,596,836)
38	May 2012	115	\$ 57,589,119	\$ 61,827,974	\$ (4,238,855)
39	February 2012	114	\$ 57,311,557	\$ 61,827,974	\$ (4,516,417)
40	November 2011	113	\$ 58,896,782	\$ 61,827,974	\$ (2,931,192)
41	August 2011	112	\$ 58,407,313	\$ 61,827,974	\$ (3,420,661)
42	May 2011	111	\$ 56,949,160	\$ 61,827,974	\$ (4,878,814)
43	February 2011	110	\$ 56,907,863	\$ 61,827,974	\$ (4,920,111)
44	November 2010	109	\$ 57,396,244	\$ 61,827,974	\$ (4,431,730)
45	August 2010	108	\$ 56,495,592	\$ 61,827,974	\$ (5,332,382)
46	May 2010	107	\$ 55,490,223	\$ 61,827,974	\$ (6,337,751)
47	February 2010	106	\$ 55,044,503	\$ 61,827,974	\$ (6,783,471)
48	November 2009	105	\$ 59,200,755	\$ 61,827,974	\$ (2,627,219)
49	August 2009	104	\$ 59,624,135	\$ 61,827,974	\$ (2,203,839)
50	May 2009	103	\$ 61,318,357	\$ 61,827,974	\$ (509,617)
51	February 2009	102	\$ 64,123,140	\$ 61,827,974	\$ 2,295,166
52	November 2008	101	\$ 56,420,326	\$ 61,827,974	\$ (5,407,648)
53	August 2008	100	\$ 56,720,381	\$ 61,827,974	\$ (5,107,593)
54	May 2008	99	\$ 55,078,064	\$ 61,827,974	\$ (6,749,910)
55	February 2008	98	\$ 54,414,648	\$ 61,827,974	\$ (7,413,326)
56	Sum of Differentials	[A]			\$ (470,115,656)

[A] Indiana Code 8-1-2-42.3 specifies that the ending period should be the longer of the immediately preceding 59 months or first full month after the company's last base rate case.

**INDIANA GAS COMPANY INC.  
d/b/a CENTERPOINT ENERGY INDIANA NORTH  
WEATHER NORMALIZED NET OPERATING INCOME EARNINGS TEST  
FOR THE TWELVE MONTHS ENDED AUGUST 31, 2021**

Line No.	Description		Amount
	(Col. A)		(Col. B)
1	What is the determined return for the twelve month period ended August 31, 2021	Attachment JRM-1, page 2 of 5	\$ 93,193,069
2	What is the authorized return for the twelve month period ended August 31, 2021	Attachment JRM-1, page 2 of 5	\$ 105,657,491
3	Amount by which the twelve month determined return exceeds the authorized return.	(Line 1 - Line 2, if negative then 0)	-
4	What is the sum of the differentials between the determined and authorized return for each application for the relevant period?	Attachment JRM-1, page 2 of 5	\$ (470,115,656)
5	Amount by which the sum of the differentials demonstrate determined returns in excess of authorized.	(Line 4, if negative then 0)	-
6	Lesser of the amount on line 3 or on line 5.		-
7	Refund basis [A]	(Line 6 ÷ 4)	\$ -
8	Revenue conversion factor	(1 ÷ Line 14, Page 1)	70.46%
9	Revenue credit amount	(Line 7 ÷ Line 8)	\$ -

[A] As specified by Indiana Code 8-1-2-42.3 which states the amount of reduction shall be determined by dividing the lessor of: (1) the calculated sum of the differentials (both positive and negative) between the determined return and the authorized return for the respective twelve month test period or (2) the amount by which the return in the current application was more than the authorized return; by the total number of applications filed during the twelve month test period.

**INDIANA GAS COMPANY INC.  
d/b/a CENTERPOINT ENERGY INDIANA NORTH  
WEATHER NORMALIZED INCOME AND EXPENSE - SUMMARY  
FOR THE TWELVE MONTHS ENDING AUGUST 31, 2021**

	<u>Actual</u>	<u>Adjustments [A]</u>	<u>As Adjusted</u>
Total Net Gas Operating Revenues	\$ 704,191,729	\$ 7,767	\$ 704,199,496
Revenue from Interdepartmental Sales	-		-
<b>TOTAL GROSS GAS OPERATING REVENUES</b>	<b>\$ 704,191,729</b>	<b>\$ 7,767</b>	<b>\$ 704,199,496</b>
<b>OPERATING EXPENSES:</b>			
Production Expenses, including			
Purchased Gas	\$ 338,862,465		\$ 338,862,465
Cost of Gas for Interdepartmental Sales	-		-
Maintenance of Manufactured Gas Production	-		-
Underground Storage Expenses	3,797,153		3,797,153
Transmission Expenses	10,770,395		10,770,395
Distribution Expenses	48,131,403		48,131,403
Customer Accounts Expenses	9,498,649	875,500	10,374,149
Customer Service & Info Expenses	574,935		574,935
Sales Expenses	5,336,685		5,336,685
Admin and General Expenses	47,159,091		47,159,091
Depreciation Expense	110,614,115		110,614,115
Taxes Other Than Income Taxes	19,610,237		19,610,237
Income Taxes	15,773,851	1,949	15,775,800
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 610,128,978</b>	<b>\$ 877,449</b>	<b>\$ 611,006,427</b>
<b>OPERATING INCOME</b>	<b>\$ 94,062,751</b>	<b>\$ (869,682)</b>	<b>\$ 93,193,069</b>

[A] Adjustments represent regulatory expenses associated with the company's approved USP that are recorded as other income deductions per FERC requirements.

**INDIANA GAS COMPANY, INC.**  
**d/b/a CENTERPOINT ENERGY INDIANA NORTH**  
**DETAIL OF CHANGE IN SALES DUE TO THE WEATHER**  
**FOR THE TWELVE MONTHS ENDED AUGUST 31, 2021**

Line No.	Description	Indianapolis Medium Interruptible Commercial (Rate 240) [A]	Louisville Medium Interruptible Commercial (Rate 240) [A]	Total Medium Interruptible Commercial (Rate 240) [A]
	(Col. A)	(Col. B)	(Col. C)	(Col. D)
1	Actual Billed Sales	\$ 191,964	\$ 13,829	\$ 205,793
2	Less: Nonheat sensitive gas sales	70,296	5,064	75,360
3	Heat sensitive sales (Line 1 - Line 2)	121,668	8,765	130,433
4	Weather for billing period expressed as a percentage of the 30 year normal [B]	91.578%	87.914%	
5	Normalized heat sensitive sales (Line 3 ÷ Line 4)	132,858	9,970	142,828
6	Add: Nonheat sensitive gas sales (Line 2)	70,296	5,064	75,360
7	Normalized Billed Sales (Line 5 + Line 6)	203,154	15,034	218,188
8	Less: Actual Billed Sales (Line 1)	191,964	13,829	205,793
9	Change in Actual Billed Sales (Line 7 - Line 8)	11,190	1,205	12,395
10	Less: Change in Unbilled Sales	(181)	(13)	(194)
11	Total Change in Sales (Line 9 - Line 10)	11,371	1,218	12,589
12	Second block revenue per unit Tariff Rate G-19, Cause No. 43298			\$ 0.617
13	Effective gross margin per unit			\$ 0.617
14	Rate 240 change in gross margin (Line 13 x Line 11)			\$ 7,767
15	Effective tax rate [C] [(100% - 5.18%) x 21.00% + 5.18%]			25.092%
16	Tax effect (Line 14 x Line 15)			\$ 1,949

[A] With the exception of 240, all other tariffs impacted by weather are subject to tariff-based NTA calculation adjustments.

[B] Percentage based on actual degree days for the billing period over the 30 year normal for each location.

[C] The Indiana state income tax rate for corporations changed from 5.50% to 5.25% on July 1, 2020, and to 4.90% on July 1, 2021. Indiana Gas Company is using a blended rate of 5.375% for 2020 and 5.075% for 2021. Line 15's effective tax rate calculation uses a state income tax rate manually calculated using 4 months (SEP - DEC 2020) @ 5.375% and 8 months (JAN - AUG 2021) @ 5.075%.

**CenterPoint Energy Indiana North**  
**Return on Equity Test**  
**Twelve Months Ending August 31, 2021**  
(In Thousands)

**ILLUSTRATIVE EXAMPLE**

1	Net Income for the 12 Months Ended August 31, 2021			\$	73,481
	CEI North Equity Balances [a]:				
2	2nd quarter	Aug-20	\$	775,732	
3	3rd quarter	Nov-20	\$	783,904	
4	4th quarter	Feb-21	\$	786,904	
5	1st quarter	May-21	\$	808,083	
6	2nd quarter	Aug-21	\$	801,410	
7	Sum of Lines 2-6		\$	3,956,034	
8	Number of Quarters			5	
9	Average Equity Balance (Line 7 / Line 8)			\$	791,207
10	Actual Return on Equity (Line 1 / Line 9)				9.29%
11	Less: Allowed Return on Equity				10.20%
12	ROE Difference (Line 10 - Line 11)				-0.91%
13	Return Excess/(Shortfall) (Line 12 * Line 9)			\$	(7,222)

**Footnotes:**

[a] Cause 42943 JAB-S2 pg. 21