

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a CENTERPOINT ENERGY INDIANA SOUTH
(CEI SOUTH)**

IURC
PETITIONER'S 3
EXHIBIT NO. 10-79-23
DATE REPORTER

**DIRECT TESTIMONY
OF
CHRISSY M. BEHME
MANAGER, REGULATORY REPORTING**

ON

**OFFICIAL
EXHIBITS**

ACCOUNTING AND RATEMAKING TREATMENT

**SPONSORING PETITIONER'S EXHIBIT NO. 3,
ATTACHMENT CMB-1**

DIRECT TESTIMONY OF CHRISSY M. BEHME

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Chrissy M. Behme. My business address is 211 NW Riverside Drive,
4 Evansville, IN 47708.

5 **Q. BY WHOM ARE YOU EMPLOYED?**

6 A. I am employed by CenterPoint Energy Service Company, LLC (“Service Company”), a
7 wholly owned subsidiary of CenterPoint Energy, Inc. The Service Company provides
8 centralized support services to CenterPoint Energy, Inc.’s operating units, including
9 Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South
10 (“CEI South”), an indirect subsidiary of CenterPoint Energy, Inc.

11 **Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS DIRECT TESTIMONY?**

12 A. I am submitting testimony on behalf of CEI South.

13 **Q. WHAT IS YOUR ROLE WITH RESPECT TO PETITIONER CEI SOUTH?**

14 A. I am Manager, Regulatory Reporting.

15 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL
16 EXPERIENCE.**

17 A. I graduated from the University of Evansville in 2015 with a Bachelor of Science in
18 Accounting. I joined CenterPoint Energy, Inc. in 2014 as an Accounting Analyst and have
19 held various accounting and reporting positions with increasing responsibility with
20 Petitioner or one of its affiliates¹ since that time. Those positions include Senior
21 Accounting Analyst, Senior External Reporting and Accounting Research Analyst, Senior
22 Utility Accounting Analyst, and Lead Regulatory Reporting Analyst. In October 2021, I was
23 promoted to my current role as Manager, Regulatory Reporting and have been supporting
24 CEI South since that time.

¹ For the sake of clarity, my testimony refers to CEI South or one of its affiliates even though in certain situations, I may be referring to CEI South when it operated under a different name.

1 **Q. WHAT ARE YOUR PRESENT DUTIES AND RESPONSIBILITIES AS MANAGER,**
2 **REGULATORY REPORTING?**

3 A. I am responsible for the financial analysis and implementation of regulatory initiatives for
4 CenterPoint Energy Inc.’s regulated utility operations covering Indiana and Ohio. These
5 duties include preparation of accounting exhibits submitted in various regulatory
6 proceedings for these operations, including CEI South.

7 **Q. ARE YOU FAMILIAR WITH THE BOOKS, RECORDS, AND ACCOUNTING**
8 **PROCEDURES OF CEI SOUTH?**

9 A. Yes, I am.

10 **Q. ARE CEI SOUTH’S BOOKS AND RECORDS MAINTAINED IN ACCORDANCE WITH**
11 **THE FEDERAL ENERGY REGULATORY COMMISSION (“FERC”) UNIFORM SYSTEM**
12 **OF ACCOUNTS (“USOA”) AND GENERALLY ACCEPTED ACCOUNTING**
13 **PRINCIPLES (“GAAP”)?**

14 A. Yes.

15 **Q. HAVE YOU EVER TESTIFIED BEFORE THE INDIANA UTILITY REGULATORY**
16 **COMMISSION (“COMMISSION”)?**

17 A. Yes. Most relevant to this proceeding, I have presented testimony before the Commission
18 on behalf of CEI South in Cause No. 45795 in support of its request for a Certificate of
19 Public Convenience and Necessity (“CPCN”) for its Culley East ash pond compliance
20 filing. I have also presented testimony before the Commission on behalf of CEI South in
21 Cause No. 45836 for a CPCN to purchase and acquire, indirectly through a Build Transfer
22 Agreement (“BTA”), a wind facility; and in Cause No. 45847 for a CPCN to purchase and
23 acquire, indirectly through a BTA, a solar facility in Posey County, Indiana. In addition, I
24 have testified in support of Petitioner’s request to enter into certain amendments to Power
25 Purchase Agreements (“PPAs”) related to solar projects in Cause No. 45839 and
26 presented testimony before the Commission on behalf of CEI South in its Gas Cost
27 Adjustment (“GCA”) proceeding, Cause No. 37366; its Fuel Adjustment Clause (“FAC”)
28 proceeding, Cause No. 38708; its Environmental Cost Adjustment (“ECA”) proceeding,
29 Cause No. 45052; its Clean Energy Cost Adjustment (“CECA”) proceeding, Cause No.
30 44909; its Electric Transmission, Distribution, and Storage System Improvement Charge
31 (“TDSIC”) proceeding, Cause No. 44910; and its Compliance and System Improvement
32 Adjustment (“CSIA”) proceeding, Cause No. 45612. I have also presented testimony

1 before the Commission on behalf of Indiana Gas Company, Inc. d/b/a CenterPoint Energy
2 Indiana North (“CEI North”) in its GCA proceeding, Cause No. 37394, and its CSIA
3 proceeding, Cause No. 45611.

4 **II. PURPOSE**

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

6 A. I will discuss CEI South’s proposed accounting and ratemaking treatment pursuant to Ind.
7 Code Ch. 8-1-8.4 (“Federal Mandate Statute”) for the timely recovery of the compliance
8 costs incurred (including removal costs, and finance costs) to complete a closure by
9 removal of the F.B. Culley East (“Culley East”) ash pond (the “CBR Project” or
10 “Compliance Project”). The CBR Project must be completed to comply with the United
11 States Environmental Protection Agency (“EPA”) Coal Combustion Residuals (“CCR”) Rule,
12 described more fully in the direct testimony of Witness Angila M. Retherford.

13 I will discuss how CEI South incurs costs in connection with the CBR Project (the
14 “Federally Mandated Costs”) and will seek timely recovery of these costs through the
15 currently authorized Environmental Cost Adjustment (“ECA”) Revenue Requirement
16 calculation. Finally, I will discuss the proposed adjustment to the authorized return amount
17 utilized in the FAC net operating income (“NOI”) earnings tests as a result of the proposed
18 ECA, consistent with the Federal Mandate Statute.

19 **Q. ARE YOU SPONSORING ANY ATTACHMENTS IN THIS PROCEEDING?**

20 A. Yes. I am sponsoring the following attachment in this proceeding:
21 • **Petitioner’s Exhibit No. 3, Attachment CMB-1:** Illustrative Annual Revenue
22 Requirement for the ECA inclusive of the CBR Project, Schedule 1.

23 **Q. WAS THIS ATTACHMENT PREPARED BY YOU OR UNDER YOUR SUPERVISION?**

24 A. Yes.

1 **III. FEDERAL MANDATE STATUTE**

2 **Q. WHAT CONSTITUTES A COMPLIANCE PROJECT UNDER THE FEDERAL MANDATE**
3 **STATUTE, AND WHAT DOES THE STATUTE PROVIDE CONCERNING COST**
4 **RECOVERY FOR COMPLIANCE PROJECTS?**

5 A. Ind. Code § 8-1-8.4-2 defines a “compliance project” to mean a project undertaken by an
6 energy utility and related to direct or indirect compliance with one or more federally
7 mandated requirements. Witnesses Retherford and Bradford describe the CBR Project
8 being undertaken by CEI South and its relation to compliance with federally mandated
9 requirements.

10 Ind. Code § 8-1-8.4-7(c) provides that if the Commission grants a Certificate of Public
11 Convenience and Necessity (“CPCN”) for the CBR Project, and approves the federally
12 mandated costs associated with it, then the following will apply:

13 (1) Eighty percent (80%) of the approved federally mandated costs shall be recovered
14 by the energy utility through a periodic retail rate adjustment mechanism that
15 allows the timely recovery of the approved federally mandated costs. The
16 commission shall adjust the energy utility’s authorized NOI to reflect any approved
17 earnings for purposes of Ind. Code § 8-1-2-42(d)(3) and Ind. Code § 8-1-2-
18 42(g)(3), with recovery commencing no earlier than: (A) the date of a final agency
19 action regarding the federally mandated requirement; or (B) in the absence of a
20 final agency action, the date on which the federally mandated requirement
21 becomes effective.

22 (2) Twenty percent (20%) of the approved federally mandated costs, including
23 depreciation, allowance for funds used during construction, and post in service
24 carrying costs, based on the overall cost of capital most recently approved by the
25 commission, shall be deferred and recovered by the energy utility as part of
26 the next general rate case filed by the energy utility with the commission.

27 (3) Actual costs that exceed the projected federally mandated costs of the approved
28 compliance project by more than twenty-five percent (25%) shall require specific
29 justification by the energy utility and specific approval by the commission before

1 being authorized in the next general rate case filed by the energy utility with the
2 commission.

3 **Q. HOW DOES THE FEDERAL MANDATE STATUTE DEFINE FEDERALLY MANDATED**
4 **COSTS?**

5 A. The Federal Mandate Statute defines federally mandated costs as those “costs that an
6 energy utility has incurred, or estimates that it will incur, in connection with a compliance
7 project, including capital, operating, maintenance, depreciation, tax, or financing costs, or
8 costs that are directly related to the preparation and conduct of a regulatory proceeding.”
9 Ind. Code § 8-1-8.4-4(a).

10 **Q. PLEASE PROVIDE AN OVERVIEW OF CEI SOUTH’S ECA MECHANISM.**

11 A. In accordance with Ind. Code § 8-1-8.4-7, CEI South first sought authority to implement a
12 periodic retail rate adjustment mechanism through which CEI South would recover
13 federally mandated costs associated with federally mandated compliance projects as
14 defined by Ind. Code § 8-1-8.4-2 and Ind. Code § 8-1-8.4-4 in Cause No. 45052. The CEI
15 South ECA Mechanism was approved by the Commission’s April 24, 2019 Order in that
16 Cause.

17 **IV. PROPOSED ACCOUNTING AND RATEMAKING TREATMENT**

18 **Q. PLEASE SUMMARIZE WHAT CEI SOUTH IS REQUESTING IN THIS PROCEEDING.**

19 A. As summarized in the testimony of Witness Retherford, CEI South is requesting a CPCN
20 and timely recovery of its approved federally mandated costs incurred in connection with
21 the CBR Project pursuant to the Federal Mandate Statute. The Company anticipates
22 completing the CBR Project in first quarter 2025 at a total estimated cost of approximately
23 \$52 million. There will also be operations and maintenance (“O&M”) expense as
24 mentioned in Witness Bradford’s testimony related to post-closure activities.

25 **Q. WILL THE COSTS YOU JUST DESCRIBED BE INCURRED BECAUSE OF A**
26 **COMPLIANCE PROJECT IMPLEMENTED TO ADDRESS FEDERALLY MANDATED**
27 **REQUIREMENTS, AS DEFINED IN IND. CODE CH. 8-1-8.4?**

28 A. Yes. Witnesses Retherford and Bradford explain in greater detail how these expenditures
29 are needed so that CEI South can close the Culley East ash pond in compliance with the
30 EPA’s CCR Rule. Witness Bradford also describes in more detail how the estimates were

1 derived and discusses the analysis and evaluation that led CEI South to select the CBR
2 Project over other potential options.

3 **Q. HOW ARE COSTS SUCH AS THOSE AT ISSUE HERE ACCOUNTED FOR BY**
4 **UTILITIES?**

5 A. The federally mandated costs at issue in this case are costs of removal under the FERC
6 Uniform System of Accounts (“USOA”). Cost of removal is a capital investment in plant
7 under the FERC USOA, which defines cost of removal as “the cost of demolishing,
8 dismantling, tearing down, or otherwise removing electric plant, including the cost of
9 transportation and handling incidental thereto.”² As costs of removal are incurred during
10 the course of a removal project, the debit entry is to Removal Work In-Progress (“RWIP”),
11 which is part of FERC Account 108 – Accumulated Provision for Depreciation of Electric
12 Utility Plant (“FERC Account 108”). This debit entry reduces Accumulated Depreciation.
13 Once the removal project is complete, the amounts for that removal project within RWIP
14 are closed to Accumulated Depreciation associated with the underlying capital asset. In
15 this fashion, the incurrence of removal costs has the effect of increasing net original cost
16 rate base. FERC Account 108 is a Utility Plant Account per the USOA, and is required to
17 be maintained by functional classifications applicable to electric plant similar to how FERC
18 Account 101 – Electric Plant in Service (“FERC Account 101”) is maintained. Moreover,
19 the requirement to maintain by functional classification explicitly extends to amounts for
20 cost of removal.

21 **Q. HOW ARE REMOVAL COSTS TYPICALLY RECOVERED?**

22 A. In the ordinary course, estimated future costs of removal would be embedded in
23 depreciation rates and recovered over the course of the asset’s life as established in a
24 base rate case. This is accomplished by adding projected costs of removal including the
25 estimated reserve necessary to remove and settle all legal obligations associated with
26 utility plant to the original cost of the underlying plant when calculating the required total
27 depreciation expense. These depreciation amounts represent a credit to FERC Account
28 108, Accumulated Depreciation. Subsequent depreciation studies update the estimates
29 for the eventual cost of removal as cost drivers are refined, actual retirement costs are
30 incurred, and as new retirement requirements are identified.

² FERC USOA, Plant Instruction 10.

1 **Q. ARE COSTS OF REMOVAL, WHEN RECOVERED THROUGH DEPRECIATION**
2 **RATES AS DESCRIBED ABOVE, KNOWN ACTUAL COSTS?**

3 A. No. The amounts associated with the cost of removal within depreciation rates are always
4 estimates based on the expected and known requirements for decommissioning and
5 retirement at the time of that depreciation study. As an asset ages, gets closer to
6 retirement, and new requirements are known and defined, the estimates for cost of
7 removal are updated with each new depreciation study. Once the decommissioning
8 activities begin, these estimates are further refined to match the actual costs incurred.

9 **Q. WHY IS IT APPROPRIATE TO RECOVER REMOVAL COSTS SUCH AS THESE**
10 **THROUGH THE ECA RATHER THAN THIS MORE TRADITIONAL APPROACH**
11 **THROUGH DEPRECIATION THAT YOU HAVE DESCRIBED?**

12 A. The Federal Mandate Statute provides a mechanism for “timely recovery” of federally
13 mandated costs, as defined in the statute, if they are approved and incurred in connection
14 with a project related to direct or indirect compliance with a federal mandate. Like other
15 federally mandated projects, the utility could choose not to seek a CPCN and recover the
16 costs through the more traditional and less timely route of general rate cases. But if the
17 utility seeks and obtains a CPCN, the Federal Mandate Statute provides a mechanism for
18 “timely recovery” through a periodic rate adjustment. The costs at issue here qualify under
19 the Federal Mandate Statute, which makes their recovery through the ECA appropriate.

20 **Q. HAVE ANY OF THE COSTS OF REMOVAL TO COMPLY WITH THE CCR RULE FOR**
21 **CULLEY EAST POND BEEN INCLUDED IN THE CALCULATION OF CEI SOUTH’S**
22 **DEPRECIATION RATES AND THEREBY ALREADY RECOVERED THROUGH**
23 **RATES?**

24 A. No. As was explained by Witness Swiz in Cause No. 45052, the approved depreciation
25 rates for Culley were approved in Cause No. 43111 in the Commission’s August 15, 2007
26 Order, prior to the enactment of the current EPA regulations. The existing depreciation
27 rates were not based upon site specific decommissioning studies but were stated as a
28 cost per megawatt of generating capacity based upon historical figures. These historical
29 costs of removal used in these rates would have been incurred well before the
30 implementation of requirements to close the Culley ash ponds in compliance with the CCR
31 Rule. The Company was ordered in Cause No. 43111 to submit site-specific
32 decommissioning studies in its next rate case, which the Company did in Cause No.
33 43839. This was also well before the CCR Rule. The estimate to close both of the Culley

1 ash ponds in that Cause No. 43839 study was \$1.1 million, which only included the cost
2 of backfill, grading and seeding. Importantly, that decommissioning study with the \$1.1
3 million estimate was never used to set depreciation rates. Accordingly, CEI South’s
4 depreciation rates do not contemplate a cost of removal to comply with the CCR Rule
5 associated with its ash pond, and therefore no funds have been collected in relation to
6 these removal costs. This is consistent with findings in the Commission Order in Cause
7 No. 45052 associated with CEI South’s Culley West pond.

8 **Q. PLEASE DESCRIBE CEI SOUTH’S REQUESTED ACCOUNTING AND RATEMAKING**
9 **TREATMENT FOR THE CBR PROJECT.**

10 A. CEI South’s proposed accounting and ratemaking treatment follows the standard
11 treatment I have described, with some slight modifications. Before the CBR Project is
12 completed, the removal costs will still be recorded to RWIP within FERC Account 108.
13 Because “federally mandated costs” also include “capital . . . or financing costs,”³ CEI
14 South seeks to accrue carrying charges or “financing costs” on the costs, both debt and
15 equity, incurred on the CBR Project from the date such costs are incurred until the date of
16 a Commission Order authorizing recovery of a return and including amortization expense
17 thereon in CEI South’s recoverable operating expenses. These carrying charges will be
18 calculated at CEI South’s weighted average cost of capital (“WACC”) and recorded to the
19 cost of the CBR Project as part of RWIP. Once the CBR Project is complete, the RWIP
20 would move to an Accumulated Depreciation reserve account. After completion of the
21 CBR Project, financing costs or carrying charges on the recorded cost of the CBR Project
22 at CEI South’s WACC would continue to be recorded, but would be recorded to a
23 regulatory asset until the date of a Commission Order authorizing recovery of a return and
24 including amortization expense thereon in CEI South’s recoverable operating expenses.
25 The balance of the regulatory asset would be included in CEI South’s rate base for
26 ratemaking purposes. The Company also seeks to establish a depreciation rate
27 associated with the CBR Project, such that depreciation and recovery of such may begin
28 effective with the implementation of rates. The Company proposes a depreciation rate of
29 7 years or 14.29 percent, which equates to a recovery period that closely approximates
30 the remaining life of the Culley Generating Station, based on an expected closure date of
31 2030. The depreciation life could be adjusted in future general rate cases.

³ Ind. Code § 8-1-8.4-4.

1 **Q. PLEASE EXPLAIN CEI SOUTH’S REQUEST WITH RESPECT TO CARRYING COSTS.**

2 A. CEI South seeks authorization for recovery of a return on the CBR Project as authorized
3 under the Federal Mandate Statute.⁴ Specifically, CEI South is seeking recovery of
4 carrying charges on the federally mandated costs for the period between when costs are
5 incurred for the CBR Project and when such costs are included for recovery in rates
6 through the ECA Mechanism. The carrying charges would be calculated and recorded
7 based upon CEI South’s WACC and included in the CBR Project RWIP and/or regulatory
8 asset, as appropriate. Prioritization of recovery would be consistent with the Company’s
9 other federally mandated costs recovered through the ECA. Additionally, CEI South is
10 requesting to earn a return on the unamortized project cost balance through the ECA
11 mechanism.

12 **Q. HOW WOULD THIS RETURN OF AND ON THE REMOVAL COSTS BE RECOVERED**
13 **THROUGH THE ECA?**

14 A. The Company would present a revenue requirement calculating the WACC as applied to
15 the undepreciated balance plus the annual depreciation. The ECA would then recover
16 80% of the approved revenue requirement pursuant to Ind. Code § 8-1-8.4-7 as described
17 above, with 20% of the approved revenue requirement deferred for recovery in CEI
18 South’s next ensuing general rate case.

19 **Q. WHY SHOULD THE ECA MECHANISM PROVIDE A RETURN ON THE COSTS OF THE**
20 **CBR PROJECT AT CEI SOUTH’S WACC?**

21 A. As I explained under the typical accounting treatment for these types of costs, the
22 Company would reflect such costs in its net original cost rate base as a reduction to FERC
23 Account 108 in accordance with FERC accounting guidelines. An entry that reduces
24 Accumulated Depreciation increases net original cost rate base just as much as if CEI
25 South had made the same investment in Utility Plant in Service. Thus, regardless of the
26 Company’s request, the costs incurred in connection with this project are capital costs that
27 would increase net original cost rate base, and the financing cost of these capital costs is
28 equal to CEI South’s WACC. If the CPCN is granted and the Company’s incurred and
29 projected federally mandated costs are approved, then Ind. Code § 8-1-8.4-7(c)(1)
30 requires “timely recovery” of these capital costs in a filing, such as the ECA.

⁴ Ind. Code § 8-1-8.4-4 and § 8-1-8.4-7.

1 **Q. WILL THERE BE ANY COSTS FOR THE CBR PROJECT THAT ARE INCURRED**
2 **BEFORE THE ISSUANCE OF AN ORDER IN THIS CAUSE?**

3 A. Yes. As explained by Witness Rice, compliance activities must commence before the
4 Commission issues an Order in this Cause. In addition, there are some pre-petition costs
5 (such as doing the various studies and engineering that must be submitted as a part of
6 this case as well as the costs of this proceeding and CEI South's costs incurred in Cause
7 No. 45795). All of these costs have been and will be recorded to RWIP and included in
8 the overall cost of the CBR Project.

9 Planning and engineering costs related to the CBR Project are appropriately recorded to
10 FERC Account 108. Many of these costs are also necessary to present the evidence that
11 is required in support of the Company's request for a CPCN. Accordingly, we are recording
12 all planning and engineering costs as well as all other costs incurred in connection with
13 this proceeding (and Cause No. 45795) to the CBR Project RWIP upon the issuance of
14 an Order in this Cause. These have been included in the best estimate of costs presented
15 by Witness Bradford.

16 **Q. WHAT EFFECT WILL INCLUSION OF THE CBR PROJECT IN THE ECA HAVE**
17 **REGARDING THE EARNINGS TEST IN CEI SOUTH'S FAC PROCEEDINGS?**

18 A. In accordance with the Federal Mandate Statute⁵, CEI South will adjust for FAC earnings
19 test purposes its statutory NOI by including the operating income associated with the CBR
20 Project as part of its authorized NOI. This is also consistent with the treatment of earnings
21 associated with CEI South's ECA mechanism from Cause Nos. 45052⁶, 45280⁷, and
22 45564⁸.

⁵ Ind. Code § 8-1-8.4-7(c)(1).

⁶ Cause No. 45052 (Order dated April 24, 2019) approved the recovery in the ECA of (1) environmental compliance investments to extend the life of F.B. Culley Unit 3 (or "Culley 3 Mandated Projects"), and (2) completed investments approved in Cause No. 44446 to comply with Mercury and Air Toxic Standards ("MATS"), National Pollutant Discharge Elimination System and EPA Notice of Violation (collectively the "MATS Projects") and associated deferrals.

⁷ Cause No. 45280 (Order dated May 19, 2020) (1) issued a CPCN for a compliance project to meet federally mandated requirements to close its A.B. Brown Ash Pond, (2) approved the recovery of the closure by removal of the A.B. Brown Ash Pond and associated deferrals.

⁸ Cause No. 45564 (Order dated June 22, 2022) (1) issued a CPCN for compliance projects to meet federally mandated requirements for Dry Ash Compliance Project, (2) approved the recovery of the Dry Ash Compliance Project for construction of equipment and facilities for handling and disposal of dry ash and to construct two new small ponds.

1 **Q. WHY IS CEI SOUTH PROPOSING TO DEPRECIATE THE CBR PROJECT REMOVAL**
2 **COSTS REQUESTED IN THIS FILING OVER THE REMAINING LIFE OF THE CULLEY**
3 **GENERATING STATION?**

4 A. CEI South has historically recovered federally mandated costs through the ECA
5 Mechanism as the costs are incurred. However, because the costs for the CBR Project of
6 approximately \$52 million will be incurred over approximately a 2-year timeframe, such a
7 short recovery period for costs of this magnitude could potentially result in a significant
8 rate impact for customers. Additionally, as I previously stated, these costs typically would
9 have been recovered through depreciation rates over the life of the assets. If we assume
10 a closure date of 2030 for the Culley Generating Station, approximately 7 years
11 represents a reasonable timeframe for recovery.

12 **Q. THE PETITION IN THIS CAUSE ALSO INCLUDES A REQUEST IN THE ALTERNATIVE**
13 **TO APPROVE THE COSTS OF THE COMPLIANCE PROJECT PURSUANT TO IND.**
14 **CODE § 8-1-2-23. CAN YOU PLEASE EXPLAIN THE PURPOSE FOR THIS**
15 **ALTERNATIVE REQUEST?**

16 A. I have previously explained the accounting for the costs of the CBR Project as they are
17 being incurred. To the extent the requested CPCN is not granted with respect to any of
18 the estimated costs of the CBR Project, CEI South seeks approval of the costs pursuant
19 to Ind. Code § 8-1-2-23. Such costs (including carrying charges), recorded to FERC
20 Account 108 as I have described, would be reflected in CEI South's next general rate
21 case.

22 **V. ECA REVENUE REQUIREMENT**

23 **Q. PLEASE GENERALLY EXPLAIN HOW THE CBR PROJECT WILL BE INCLUDED IN**
24 **THE ECA REVENUE REQUIREMENT CALCULATION.**

25 A. In each annual ECA filing, CEI South will calculate a revenue requirement for the ECA
26 mechanism. A summary filing schedule which reflects the illustrative calculation inclusive
27 of the CBR Project is included in Attachment CMB-1. The revenue requirement as shown
28 on this schedule as it pertains to the CBR Project includes: (1) the return on the total new
29 capital investment, which includes the unamortized CBR Project balance as well as
30 carrying charges; (2) an annual level of depreciation of the CBR Project balance and any
31 carrying charges; and (3) ongoing O&M Costs associated with the project. CEI South will
32 then multiply the annual revenue requirement by 80% to achieve the recoverable portion

1 of the revenue requirement. Per the Federal Mandate Statute, 80% of approved costs are
2 to be recovered through a periodic rate adjustment mechanism. As described in greater
3 detail by Witness Rice, the recoverable amounts for the approved investments will be
4 aggregated and utilized to derive annual ECA rates and charges based on annualized
5 billing determinants.

6 **Q. WHAT WILL HAPPEN TO THE REMAINING 20% OF REVENUE REQUIREMENT THAT**
7 **IS NOT INCLUDED FOR RECOVERY THROUGH THE ECA MECHANISM?**

8 A. In accordance with Ind. Code § 8-1-8.4-7, CEI South will defer as a regulatory asset 20%
9 of approved revenue requirement. This amount is deferred for subsequent recovery in the
10 next ensuing base rate case.

11 **Q. IS CEI SOUTH PROPOSING AN ECA REVENUE REQUIREMENT AMOUNT FOR**
12 **RECOVERY IN THIS PROCEEDING?**

13 A. No. The schedule presented is for illustrative purposes only to reflect how the CBR Project
14 and related costs will be included in future ECA filings. CEI South will prepare in each
15 annual filing a revenue requirement calculation which will accumulate all eligible costs
16 incurred through December 31 of the prior calendar year. The Company expects inclusion
17 of CBR Project costs to begin with the May 2024 filing, pending the issuance of the CPCN.
18 As discussed by Witness Rice, the revenue requirement for the CBR Project will be
19 aggregated with the other federally mandated projects approved in Cause Nos. 45052,
20 45280, and 45564 to arrive at the total revenue requirement that represents the basis for
21 determining the 80% recoverable portion requested in each annual ECA filing.

22 **Q. PLEASE DESCRIBE SCHEDULE 1 (ILLUSTRATIVE) REVENUE REQUIREMENT OF**
23 **THE ECA INCLUDED IN PETITIONER’S EXHIBIT NO. 3, ATTACHMENT CMB-1.**

24 A. This schedule illustrates the calculation of the proposed revenue requirement by category
25 investment CEI South will seek to recover in its ECA filing. The aggregated revenue
26 requirement calculation is divided on this schedule between the “Return on New Capital
27 Investment”, which calculates the pre-tax return on total net new investment (lines 1
28 through 9), and the “Incremental Expenses”, which calculates the recoverable expenses,
29 both projected and amortized from previously deferred balances (lines 10 through 18). All
30 items on this schedule are recoverable as eligible costs under the Federal Mandate
31 Statute.

1 **Q. WILL CEI SOUTH PREPARE WORK PAPER SCHEDULES SHOWING THE WORK**
2 **ORDER DETAILS THAT SUPPORT THE SUMMARIZED AMOUNTS?**

3 **A.** Yes. In each ECA filing, this information will be available upon request to support the
4 investments made by CEI South, including work paper support by work order, which will
5 agree to the summarized amounts listed on this schedule.

6 **VI. CONCLUSION**

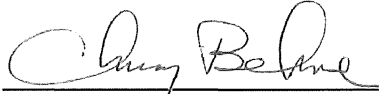
7 **Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

8 **A.** Yes, it does.

VERIFICATION

I affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

SOUTHERN INDIANA GAS AND ELECTRIC
COMPANY D/B/A CENTERPOINT ENERGY
INDIANA SOUTH

A handwritten signature in cursive script, appearing to read "Chrissy Behme", is written over a horizontal line.

Chrissy M. Behme
Manager, Regulatory Accounting

6/5/2023

Date

Attachment CMB-1 Provided in Excel Format

Cause No. 45903 - Petitioner CEI South
Exhibit No. 3
Attachment CMB-1 Illustrative Annual Revenue Requirement

FILED
June 8, 2023
INDIANA UTILITY
REGULATORY COMMISSION

Cause No. 45903

--- I L L I

SOUTHERN INDIANA GAS
d/b/a CENTERPOINT
ENERGY
ENVIRONMENTAL
ANNUAL REVENUE REQUIREMENT

A

Line	Description	Culley 3 Project (A)
	<u>Return on New Capital Investment:</u>	
1	Gross New Capital Investment - As of End of Period	\$ 54,085,623
2	Accumulated Depreciation - As of End of Period	\$ (2,796,311)
3	Net New Capital Investment - As of End of Period	\$ 51,289,312
4	New Capital Investment CWIP - As of End of Period	\$ 9,872,379
5	New Capital Investment RWIP - As of End of Period	\$ 9,872,379
6	Regulatory Asset	
7	PISCC Deferred Balance - As of End of Period	\$ 2,193,113
8	Total New Capital Investment - As of End of Period	\$ 63,354,805
9	Pre-Tax Rate of Return	7.78%
10	Annualized Return on New Capital Investment	\$ 4,929,004
	<u>Incremental Expenses</u>	
11	Property Tax Expense - Annualized	\$ 349,886
12	Depreciation Expense - Annualized	\$ 2,692,120
13	Operations and Maintenance Expense - Annualized	\$ (126,026)
14	Amortization Expense - Plan Development Costs	\$ 1,869,733
15	Amortization Expense - MATS Deferral	\$ -
16	Amortization Expense - Culley East Deferral	
17	Amortization Expense - Deferred Depreciation	\$ 84,339
18	Amortization Expense - Deferred PISCC	\$ 109,656

Attachment CMB-1 Illustrative Annual Revenue Requirement

19	Total Incremental Expenses	\$	4,979,708
20	Annual Revenue Requirement - ECA	\$	9,908,712
21	Recoverable ECA (80%)	\$	7,926,969
22	To Be Deferred (20%)	\$	1,981,743

Notes:

(A) Amounts are representative of the ECA-3 filing

(B) Amounts represent illustrative figures presented in Cause No. 45564

ILLUSTRATIVE ---**INDIANA GAS AND ELECTRIC COMPANY
INDIANA ENERGY SOUTH
CEI SOUTH
ANNUAL COST ADJUSTMENT
PERIOD THROUGH DECEMBER 31, 20XX**

B	C	D	E	F
MATS Projects (A)	Brown Pond Project (A)	Compliance Projects (B)	Culley East CBR Project (C)	Total Generation Plant
\$ 67,279,123	\$ -	\$ -	\$ -	\$ 121,364,747
\$ (16,809,823)	\$ -	\$ -	\$ -	\$ (19,606,134)
\$ 50,469,301	\$ -	\$ -	\$ -	\$ 101,758,613
\$ -	\$ 46,561,915	\$ 25,000,000	\$ -	\$ 81,434,294
\$ -	\$ 46,561,915	\$ 25,000,000	\$ 52,044,328	\$ 133,478,622
				\$ -
\$ -	\$ -	\$ -	\$ -	\$ 2,193,113
\$ 50,469,301	\$ 46,561,915	\$ 25,000,000	\$ 52,044,328	\$ 185,386,021
7.78%	7.78%	7.78%	7.78%	7.78%
\$ 3,926,512	\$ 3,622,517	\$ 1,945,000	\$ 4,049,049	\$ 14,423,032
\$ -	\$ 93,124	\$ 50,000	\$ -	\$ 493,010
\$ 2,604,356	\$ -	\$ -	\$ -	\$ 5,296,476
\$ 3,744,252	\$ 7,914,350	\$ 1,000,000	\$ 133,000	\$ 12,665,576
\$ -	\$ 1,223,267	\$ 1,000,000	\$ -	\$ 4,093,000
\$ 2,624,623	\$ -	\$ -	\$ -	\$ 2,624,623
			\$ 7,434,904	\$ 7,434,904
\$ -	\$ -	\$ -	\$ -	\$ 84,339
\$ -	\$ -	\$ -	\$ -	\$ 109,656

\$	8,973,231	\$	9,230,740	\$	2,050,000	\$	7,567,904	\$	32,801,583
\$	12,899,743	\$	12,853,257	\$	3,995,000	\$	11,616,953	\$	47,224,615
\$	10,319,794	\$	10,282,606	\$	3,196,000	\$	9,293,562	\$	37,779,692
\$	2,579,949	\$	2,570,651	\$	799,000	\$	2,323,391	\$	9,444,923

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