

FILED  
September 1, 2021  
INDIANA UTILITY  
REGULATORY COMMISSION

Petitioner's Exhibit No. 3  
Cause No. 37366-GCA152  
CEI South  
Page 1 of 7

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

**IURC CAUSE NO. 37366-GCA152**

**DIRECT TESTIMONY  
OF  
JASON R. MATHEWS  
MANAGER, REGULATORY REPORTING**

**ON**

OFFICIAL  
EXHIBITS

**GCA EARNINGS TEST**

IURC  
PETITIONER'S 3  
EXHIBIT NO. 10-15-21  
DATE                      REPORTER                     

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

**DIRECT TESTIMONY OF JASON R. MATHEWS**

**I. INTRODUCTION**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 A. Yes, I am.  
14

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

18 A. Yes.  
19

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

21 A. Yes. I have testified before the Indiana Utility Regulatory Commission ("IURC" or  
22 "Commission") on behalf of CEI South and CEI North in its Compliance and System  
23 Improvement Adjustment ("CSIA") Cause Nos. 44430 and 44429, respectively, beginning  
24 with CSIA 14. I have also testified on before the Commission in the CEI South and CEI  
25 North rate case proceedings, Cause Nos. 45447 and 45468, respectively. I have testified  
26 before the Illinois Commerce Commission on behalf of Northern Illinois Gas Company d/b/a  
27 Nicor Gas Company ("Nicor Gas") in its 2018 Rate Case Filing, Docket No. 18-1775. I  
28 have also testified on behalf of Nicor Gas in connection with its Rider 6 – Purchased Gas  
29 Adjustment ("PGA"), Rider 26 – Uncollectible Expense Adjustment ("UEA"), and Certificate  
30 of Public Convenience and Necessity ("CPCN") filings. Additionally, I testified on behalf of  
31 Nicor Gas in dockets approving Rider 36 – Variable Income Tax Adjustment ("VITA") and  
32 Rider 38 – Volume Balancing Adjustment ("VBA") 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 South for approval of a change in its gas cost adjustment for the  
6 period November 2021 through January 2022 (the "GCA period"). Attachment JRM-2  
7 represents the return on equity calculation for CEI South as of June 30, 2021.

8  
9 **Q. Were your testimony and exhibits in this proceeding prepared by you or under your  
10 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 South?**

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 South's last general rate proceeding, the NOI authorized in Cause No. 43112, allowed NOI  
23 adjustments under Cause No. 44429 TDSIC-13, application of the IC 8-1-2-42.3 refund  
24 test, and the income statement for the twelve (12) months ended June 30, 2021, as  
25 adjusted for the Normal Temperature Adjustment as approved in Cause No. 42890 on  
26 October 5, 2005, as well as resetting the earnings bank to zero as of August 1, 2007 in  
27 accordance with Cause Nos. 42943/43046.  
28

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

30 A. Those amounts were derived from CEI South's accounting records, which are maintained  
31 in accordance with the Uniform System of Accounts as prescribed by this Commission.  
32

33 **Q. Were any adjustments necessary to arrive at the per-books NOI used in Petitioner's**

**Exhibit No. 3, Attachment JRM-1?**

A. No.

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

A. Yes. Effective January 21, 2021, in Cause No. 44429 TDSIC-13, the Commission approved increases in the allowed NOI of \$11,954,372 for the Compliance component and \$1,611,999 for the TDSIC component of the Compliance and System Improvement Adjustment ("CSIA") mechanism. The adjustments have been added to the NOI authorized in Cause No. 43112, with this total representing the total allowed NOI for CEI South this period.

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

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

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

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

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

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

1 A. No. As outlined in the referenced order, the calculation is to be presented only as an  
2 illustration for the purpose of review by the Commission.  
3

4 **Q. Has the ROE test illustration included in Petitioner's Exhibit No. 3, Attachment JRM-**  
5 **2 been prepared in the same manner as outlined in the referenced order?**

6 A. Yes. The methodology outlined has been followed here and is the same methodology that  
7 will be used in the actual ROE test if ultimately implemented.  
8

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

10 A. No.  
11

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

13 A. Petitioner's Exhibit No. 3, Attachment JRM-2 reflects the calculation of the adjusted ROE  
14 for the twelve month period ended June 30, 2021. Line 1 is the adjusted Net Income for  
15 CEI South for the twelve months ended June 30, 2021. Lines 2 through 6 represent the  
16 actual quarter ending equity balance for CEI South for the months indicated. Line 9 reflects  
17 the average ending equity balance for the five quarters presented. Line 10 represents the  
18 percentage allocation of the equity balance to CEI South, and Line 11 reflects the average  
19 equity balance (in dollars) for CEI South. Line 12 is the result of dividing Line 1 by Line 11,  
20 which represents the calculated ROE, or 5.03%. This is compared to the allowed ROE of  
21 10.15%, for a return shortfall of 5.12% (Line 14). This shortfall is then multiplied by the  
22 average equity balance (Line 15) to arrive at a return shortfall (Line 16).  
23

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

25 A. No.  
26

27 **Q. How was the allocation of the equity balance to CEI South determined?**

28 A. The allocation of equity to CEI South reflects the percentage of gas plant (18.98%) to total  
29 (both gas and electric) utility plant at CEI South. CEI South's electric operation makes up  
30 the other 81.02% of total plant. The use of this assumption is appropriate given that total  
31 equity is used to finance investment in total plant. In other words, the relative relationship  
32 of plant is appropriate to use to allocate equity.  
33

1   **Q.     Will this assumption be reviewed with each filing?**

2   A.     Yes. Though not expected to change materially over time, the calculation of the relative  
3           relationship of gas plant to total plant will be performed and used in the calculation of ROE  
4           described above.

5  
6   **Q.     How does the result of the example ROE calculation reflected on Petitioner's Exhibit**  
7           **No. 3, Attachment JRM-2 compare to the net operating income ("NOI") earnings test**  
8           **reflected in Petitioner's Exhibit No. 3, Attachment JRM-1?**

9   A.     The example ROE calculation on Attachment JRM-2 shows that CEI South had a return  
10          shortfall of 5.12% from its allowed return on equity of 10.15%. Per Attachment JRM-1, the  
11          net operating income for the twelve months ended June 30, 2021 is \$14.9 million, for an  
12          earnings shortfall of \$7.4 million under its authorized NOI.

13  
14  
15   **IV.     CONCLUSION**

16  
17   **Q.     Does this conclude your testimony?**

18   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. 37366-GCA152 is true to the best of his knowledge, information and belief.

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



**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY (GAS DIVISION)**  
**d/b/a CENTERPOINT ENERGY INDIANA SOUTH**  
**NET OPERATING INCOME SUMMARY SHEET**  
**FOR THE TWELVE MONTHS ENDING JUNE 30, 2021**

Line  
No.

1	Cause number of last general rate case and date the order was approved	Cause No. 43112 [A] August 1, 2007
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 June 30, 2021	967
6	Original cost rate base per Cause No. 43112	\$ 121,668,882
7	Return authorized in Cause No. 43112	7.20%
8	Gas Division operating income for twelve months ended June 30, 2021	\$ 14,901,563
9	Allowed operating income based on original cost rate base granted in general rate case Cause No. 43112 (Line 6 x Line 7)	\$ 8,760,160
10	Allowed operating income adjustment for Compliance per Cause No. 44429	\$ 11,954,372 [A]
11	Allowed operating income adjustment for TDSIC per Cause No. 44429	\$ 1,611,999 [A]
12	Total allowed operating income (Lines 9 + 10 + 11)	\$ 22,326,531
13	Operating income reported less operating income allowed (Line 8 - Line 12)	\$ (7,424,968)
14	Tax effect ratio per Commission Cause No. 43112	1.41583 [B]

[A] The January 20, 2021 Order in Cause No. 44429 TDSIC-13 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 \$11,954,372 for the Compliance Projects and \$1,611,999 for the TDSIC Projects.'

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

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY (GAS DIVISION)**  
**d/b/a CENTERPOINT ENERGY INDIANA SOUTH**  
**WEATHER NORMALIZED OPERATING INCOME EARNINGS TEST**  
**FOR THE PERIOD ENDED JUNE 30, 2021**

Line No.	GCA Period	GCA No.	Determined	Authorized	Differential
	(Col. A)	(Col. B)	(Col. C)	(Col. D)	(Col. E)
1	June 2021	152	\$ 14,901,563	\$ 22,326,531	\$ (7,424,968)
2	March 2021	151	\$ 14,494,159	\$ 22,326,531	\$ (7,832,372)
3	December 2020	150	\$ 13,532,632	\$ 21,510,544	\$ (7,977,912)
4	September 2020	149	\$ 12,803,752	\$ 21,510,544	\$ (8,706,792)
5	June 2020	148	\$ 12,299,278	\$ 20,610,841	\$ (8,311,562)
6	March 2020	147	\$ 11,899,527	\$ 20,610,841	\$ (8,711,314)
7	December 2019	146	\$ 3,256,520	\$ 19,244,826	\$ (15,988,305)
8	September 2019	145	\$ 5,051,198	\$ 19,244,826	\$ (14,193,627)
9	June 2019	144	\$ 4,732,177	\$ 17,839,770	\$ (13,107,592)
10	March 2019	143	\$ 3,568,950	\$ 17,839,770	\$ (14,270,820)
11	December 2018	142	\$ 10,542,156	\$ 16,784,743	\$ (6,242,586)
12	September 2018	141	\$ 8,590,322	\$ 16,784,743	\$ (8,194,420)
13	June 2018	140	\$ 9,796,565	\$ 15,659,425	\$ (5,862,860)
14	March 2018	139	\$ 9,990,963	\$ 15,659,425	\$ (5,668,462)
15	December 2017	138	\$ 9,045,499	\$ 14,479,609	\$ (5,434,110)
16	September 2017	137	\$ 9,238,383	\$ 14,479,609	\$ (5,241,226)
17	June 2017	136	\$ 9,332,954	\$ 13,460,191	\$ (4,127,237)
18	March 2017	135	\$ 9,710,840	\$ 13,460,191	\$ (3,749,351)
19	December 2016	134	\$ 9,486,147	\$ 12,847,030	\$ (3,360,883)
20	September 2016	133	\$ 8,686,386	\$ 12,847,030	\$ (4,160,644)
21	June 2016	132	\$ 8,288,032	\$ 12,172,489	\$ (3,884,457)
22	March 2016	131	\$ 8,102,830	\$ 12,172,489	\$ (4,069,659)
23	December 2015	130	\$ 7,863,250	\$ 10,898,939	\$ (3,035,689)
24	September 2015	129	\$ 7,138,937	\$ 10,898,939	\$ (3,760,002)
25	June 2015	128	\$ 6,618,090	\$ 9,440,141	\$ (2,822,051)
26	March 2015	127	\$ 6,300,023	\$ 9,440,141	\$ (3,140,118)
27	December 2014	126	\$ 6,046,667	\$ 8,760,160	\$ (2,713,493)
28	September 2014	125	\$ 5,259,263	\$ 8,760,160	\$ (3,500,897)
29	June 2014	124	\$ 5,335,027	\$ 8,760,160	\$ (3,425,133)
30	March 2014	123	\$ 5,776,239	\$ 8,760,160	\$ (2,983,921)
31	December 2013	122	\$ 5,944,895	\$ 8,760,160	\$ (2,815,265)
32	September 2013	121	\$ 7,200,773	\$ 8,760,160	\$ (1,559,387)
33	June 2013	120	\$ 8,234,309	\$ 8,760,160	\$ (525,851)
34	March 2013	119	\$ 8,665,904	\$ 8,760,160	\$ (94,256)
35	December 2012	118	\$ 9,289,115	\$ 8,760,160	\$ 528,955
36	September 2012	117	\$ 8,536,710	\$ 8,760,160	\$ (223,450)
37	June 2012	116	\$ 7,878,722	\$ 8,760,160	\$ (881,438)
38	March 2012	115	\$ 7,935,799	\$ 8,760,160	\$ (824,361)
39	December 2011	114	\$ 7,819,559	\$ 8,760,160	\$ (940,601)
40	September 2011	113	\$ 9,322,389	\$ 8,760,160	\$ 562,229
41	June 2011	112	\$ 9,588,801	\$ 8,760,160	\$ 828,641
42	March 2011	111	\$ 6,736,582	\$ 8,760,160	\$ (2,023,578)
43	December 2010	110	\$ 6,784,059	\$ 8,760,160	\$ (1,976,101)
44	September 2010	109	\$ 5,731,732	\$ 8,760,160	\$ (3,028,428)
45	June 2010	108	\$ 5,290,701	\$ 8,760,160	\$ (3,469,459)
46	March 2010	107	\$ 7,386,190	\$ 8,760,160	\$ (1,373,970)
47	December 2009	106	\$ 7,485,215	\$ 8,760,160	\$ (1,274,945)
48	September 2009	105	\$ 7,721,610	\$ 8,760,160	\$ (1,038,550)
49	June 2009	104	\$ 7,657,040	\$ 8,760,160	\$ (1,103,120)
50	March 2009	103	\$ 8,356,322	\$ 8,760,160	\$ (403,838)
51	December 2008	102	\$ 8,367,282	\$ 8,760,160	\$ (392,878)
52	September 2008	101	\$ 8,805,370	\$ 8,760,160	\$ 45,210
53	June 2008	100	\$ 9,483,961	\$ 8,760,160	\$ 723,801
54	March 2008	99	\$ 9,358,753	\$ 8,760,160	\$ 598,593
55	December 2007	98	\$ 8,214,956	\$ 8,760,160	\$ (545,204)
56	September 2007	97	\$ 7,907,759	\$ 8,760,160	\$ (852,401)
57	Sum of Differentials	[A]			\$ (213,962,114)

[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.

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY (GAS DIVISION)**  
**d/b/a CENTERPOINT ENERGY INDIANA SOUTH**  
**WEATHER NORMALIZED NET OPERATING INCOME EARNINGS TEST**  
**FOR THE TWELVE MONTHS ENDED JUNE 30, 2021**

Line No.	Description		Amount
	(Col. A)		(Col. B)
1	What is the determined return for the twelve month period ended June 30, 2021	Attachment JRM-1, page 2 of 4	\$ 14,901,563
2	What is the authorized return for the twelve month period ended June 30, 2021	Attachment JRM-1, page 2 of 4	\$ 22,326,531
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 4	\$ (213,962,114)
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)	70.6%
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.

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY (GAS DIVISION)**  
**d/b/a CENTERPOINT ENERGY INDIANA SOUTH**  
**GAS INCOME AND EXPENSE - SUMMARY**  
**FOR THE TWELVE MONTHS ENDING JUNE 30, 2021**

	<u>Actual</u>	<u>Adjustments [A]</u>	<u>As Adjusted</u>
Total Net Gas Operating Revenues	\$ 131,871,830		\$ 131,871,830
Revenue from Interdepartmental Sales	799,058		799,058
<b>TOTAL GROSS GAS OPERATING REVENUES</b>	<b>\$ 132,670,888</b>	<b>\$ -</b>	<b>\$ 132,670,888</b>
<b>OPERATING EXPENSES:</b>			
Production Expenses, including			
Purchased Gas	\$ 58,192,512		\$ 58,192,512
Cost of Gas for Interdepartmental Sales	799,058		799,058
Maintenance of Manufactured Gas Production	-		-
Underground Storage Expenses	5,501,754		5,501,754
Transmission Expenses	2,880,558		2,880,558
Distribution Expenses	10,998,479		10,998,479
Customer Accounts Expenses	2,055,072	298,834	2,353,906
Customer Service & Info Expenses	38,509		38,509
Sales Expenses	1,252,534		1,252,534
Admin and General Expenses	12,741,652		12,741,652
Depreciation Expense	17,474,959		17,474,959
Taxes Other Than Income Taxes	3,377,974		3,377,974
Income Taxes	2,157,430		2,157,430
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 117,470,491</b>	<b>\$ 298,834</b>	<b>\$ 117,769,325</b>
<b>OPERATING INCOME</b>	<b>\$ 15,200,397</b>	<b>\$ (298,834)</b>	<b>\$ 14,901,563</b>

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

**CenterPoint Energy Indiana South - Gas**  
**Return on Equity Test**  
**Twelve Months Ending June 30, 2021**  
(In Thousands)

**ILLUSTRATIVE EXAMPLE**

1	Gas Net Income for the 12 Months Ended June 30, 2021			\$	11,032
	CEI South Equity Balances [a]:				
2	2nd quarter	Jun-20	\$	1,146,523	
3	3rd quarter	Sep-20	\$	1,177,398	
4	4th quarter	Dec-20	\$	1,125,478	
5	1st quarter	Mar-21	\$	1,155,905	
6	2nd quarter	Jun-21	\$	1,178,306	
7	Sum of Lines 2-6		\$	5,783,610	
8	Number of Quarters			5	
9	Average Equity Balance (Line 7 / Line 8)			\$	1,156,722
10	Gas Portion of CEI South [a]				18.98%
11	Gas Average Equity Balance (Line 9 * Line 10)			\$	219,546
12	Actual Return on Equity (Line 1 / Line 11)				5.03%
13	Less: Allowed Return on Equity				10.15%
14	ROE Difference (Line 12 - Line 13)				-5.12%
15	Average Gas Equity Balance (Line 11)			\$	219,546
16	Return Excess/(Shortfall) (Line 14 * Line 15)			\$	(11,241)

**Footnotes:**

[a] Cause 42943 JAB-S2 pg. 21