SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.

A CENTERPOINT ENERGY COMPANY

(VECTREN SOUTH)

IURC CAUSE NO. 45447

DIRECT TESTIMONY

OF

ANGIE M. BELL

DIRECTOR, REGULATORY AND RATES

ON

REVENUE REQUIREMENT

SPONSORING PETITIONER'S EXHIBIT NO. 2,

ATTACHMENTS AMB-1 THROUGH AMB-3

Glossary of Acronyms

AFUDC	Allowance for Funds Used During Construction
BS/CI Program	Bare Steel and Cast-Iron Main Replacement Program
CenterPoint	CenterPoint Energy, Inc.
CIP	Capital Investment Plan
Commission	Indiana Utility Regulatory Commission
Company	Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc.
Compliance Statute	Ind. Code Ch. 8-1-8.4
CSIA	Compliance and System Improvement Adjustment
CWIP	Construction Work In Progress
DSM	Demand Side Management
ECA	Electric Cost Adjustment
EEFC	Energy Efficiency Funding Component
EIP	Enterprise Integration Program
FAC	Fuel Adjustment Clause
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
GCA	Gas Cost Adjustment
GRCF	Gross Revenue Conversion Factor
HDD	Heating Degree Days
ITC	Investment Tax Credit
IURC	Indiana Utility Regulatory Commission
IURT	Indiana Utilities Receipts Tax
NOAA	National Oceanic and Atmospheric Administration
O&M	Operating and Maintenance
Petitioner	Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc.
PISCC	Post-In-Service Carrying Costs
SRC	Sales Reconciliation Component
TDSIC	Transmission, Distribution, and Storage System Improvement Charge
TDSIC Statute	Ind. Code Ch. 8-1-39
USF	Universal Service Fund
USoA	Uniform System of Accounts
Vectren	Vectren Corporation
Vectren North	Vectren – Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc.
Vectren Ohio	Vectren Energy Delivery of Ohio, Inc.
Vectren South	Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc.
VUHI	Vectren Utilities Holdings, Inc.

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DIRECT TESTIMONY OF ANGIE M. BELL

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Angie M. Bell. My business address is 211 NW Riverside Drive, Evansville, Indiana, 47708.

Q. By whom are you employed?

A. I am employed by Vectren Corporation ("Vectren"), a wholly-owned subsidiary of CenterPoint Energy, Inc. ("CenterPoint").

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Petitioner", "Vectren South" or "the Company"), which is a subsidiary of Vectren.

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

A. I am Director, Regulatory and Rates for Vectren, and in that role I oversee regulatory and rate matters for Vectren South. I have the same role with two other utility subsidiaries of Vectren – Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren North") and Vectren Energy Delivery of Ohio, Inc. ("Vectren Ohio"). As of the composition of this document, I was Director, Accounting for Vectren.

Q. Please describe your educational background.

A. I graduated from Coker College in 2002 with a Bachelor of Science Degree in Business

Administration – Accounting.

Q. Please describe your professional experience.

A. I began working for Vectren in July 2005 as a Senior Accounting Analyst and have held various accounting positions with increasing responsibility within Vectren since that time. Those positions include Lead Accounting Analyst, Senior and Lead Operational Analyst for Power Supply, Manager of Utility Accounting, Manager of Regulatory Analysis, and Manager of Regulatory Reporting. In April 2020, I was promoted to Director, Accounting. Effective November 2020, I am named Director, Regulatory and Rates. Prior to joining Vectren, I was employed by Progress Energy as a Business Financial Analyst at the Robinson Nuclear Plant and at Mar-Mac Protective Apparel, Inc. as Manager of Accounting and Inventory Control.

Q. What are your present duties and responsibilities as Director, Regulatory and Rates?

A. I am responsible for the regulatory and rate matters of the regulated utilities within VUHI in proceedings before the Indiana and Ohio utility regulatory commissions. I also have the responsibility for the implementation of regulatory initiatives of Vectren South (and other utility subsidiaries in Indiana and Ohio), as well as the preparation of accounting exhibits submitted in various regulatory proceedings.

Q. Have you ever testified before any state regulatory commission?

A. Yes. I have testified before the Indiana Utility Regulatory Commission ("IURC" or "Commission") on behalf of Vectren South in its Gas Cost Adjustment ("GCA") proceedings, Cause No. 37366; its Electric Transmission, Distribution, and Storage

System Improvement Charge ("TDSIC") proceedings, Cause No. 44910; its Electric Environmental Cost Adjustment ("ECA") proceeding, Cause No. 45052; its Fuel Adjustment Clause ("FAC") proceedings, Cause No. 38708; and its Electric Demand Side Management ("DSM") Plan proceeding, Cause No. 45387. I have also testified before the Commission on behalf of Vectren North in its GCA proceedings, Cause No. 37394.

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

A. The purpose of my testimony is to present: (i) the financial and accounting data in support of Vectren South's revenue requirement; (ii) an explanation of the Company's decision to use a forecasted 2021 test year for ratemaking purposes, along with the budgeting and forecasting process used for the test year; (iii) the proposed update process for Phase 2 rates; (iv) the pro forma adjustments to the test year; (v) the determination of rate base; and (vi) certain elements of the capital structure presented by Petitioner's Witness Robert B. McRae.

Q. Are you sponsoring any of the Revenue Requirement Schedules provided in <u>Petitioner's Exhibit No. 18</u> in this proceeding?

A. Yes. Within the financial schedules included in <u>Petitioner's Exhibit No. 18</u>, I am specifically sponsoring or co-sponsoring the revenue requirement and supporting calculations within **Schedules A** (Revenue Increase and Financial Summary), **Schedules B** (Rate Base), and **Schedules C** (Income Statement and Adjustments). Petitioner's Witnesses McRae will sponsor and support **Schedules D** (Capital Structure) and Russell A. Feingold and Katie J. Tieken will sponsor and support respective portions of the **Schedules E** (Revenue Proof and Bill Impacts) with the exception of **Schedule E-5.1** (Continued Decoupling with Update Proposed Margin) which I will sponsor. Throughout my testimony, I will refer to Petitioner's Exhibit No. 18 based on these Schedule references.

Q. Has Vectren South included these financial exhibits in their native format within the document submitted to the Commission in this proceeding?

A. Yes.

Q. Has Vectren South also included workpapers in their native format supporting these schedules within the documents submitted to the Commission?

A. Yes. The Revenue Requirement files, including the workpapers, are contained in a single Excel file which is marked as Petitioner's Exhibit No. 18. For simplicity, printed pages of selected individual worksheets from Petitioner's Exhibit No. 18 are included as Petitioner's Exhibit No. 19.

Q. Are you sponsoring any attachments in this proceeding?

A. Yes. I am sponsoring the following attachments in this proceeding:

- Petitioner's Exhibit No. 2, **Attachment AMB-1**: SIGECO 2019 Balance Sheet
- Petitioner's Exhibit No. 2, **Attachment AMB-2**: SIGECO 2019 Income Statement
- Petitioner's Exhibit No. 2, **Attachment AMB-3**: SIGECO 2019 Statement of Cash Flows

Q. Were these attachments prepared by you or under your supervision?

A. Yes, they were.

Q. Are the Company's books and records kept in accordance with the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USoA") and generally accepted accounting principles ("GAAP")?

A. Yes. The Company's books and records are kept in accordance with the FERC Uniform System of Accounts as adopted by this Commission and GAAP.

II. REVENUE REQUIREMENT

Q. What is the revenue increase requested by Vectren South?

A. As reflected on Schedule A-1, the Company seeks a total revenue increase of $29,631,211 utilizing a projected test year for calendar year 2021 and rate base, capital structure balances and costs projected as of December 31, 2021. This is necessary to allow the Company to earn a fair and reasonable return on its investment at a recommended return on equity of 10.15 percent. The recommended return on equity as detailed in Schedule D-1 is supported in the testimony of Petitioner's Witness Ann E. Bulkley, and is set forth in the capital structure (Schedule D-1) sponsored by Petitioner's Witness McRae.

Q. Why is Vectren South seeking rate relief in this proceeding?

A. Specifically, Ind. Code Ch. 8-1-39 ("TDSIC Statute") requires that the Company file a base rate case prior to the completion of a 7-year plan under the TDSIC Statute. In Cause No. 44429, the Company sought and received approval from the Commission of a 7-year capital investment program under the TDSIC Statute and Ind. Code Ch. 8-1-8.4 ("Compliance Statute"), which started in 2014 and completes in 2020. The

TDSIC Statute requires that the Company file a base rate case prior to the end of 2020.

In addition, Schedule A-1 demonstrates there is a financial need that currently exists. Over the past fifteen (15) years between test years and rate base cut-off periods, the Company has proactively taken measures that have allowed us to delay a general rate case. Our current rates are simply insufficient at this time.

Q. What is the rate of return for the test year, absent rate relief as proposed in this proceeding?

A. The Company is projecting a rate of return of 1.53 percent for calendar year 2021. This compares to the proposed rate of return of 6.18 percent.

III. <u>TEST YEAR</u>

Q. What is the historic base period and the forward-looking test year used in support of the Company's rate case?

A. The Company's historic base period is the twelve months ended December 31, 2019. This represents the most recent financial data available that was submitted to the Commission within its annual report for 2019. The Company's forward-looking test year is projected from the budget for the twelve months ending December 31, 2021.

Q. Please explain why Vectren South chose 2021 for the forward-looking test year.

A. This is a twelve-month period beginning not later than 24 months after the date the petition in this case has been filed. The year ending December 31, 2021, with appropriate adjustments, is an appropriate test year since it is representative of the ongoing operations and economic conditions impacting the Company during the initial twelve-month period that the new rates will be in effect.

The testimony of Petitioner's Witness Ryan D. Moore will support the 2021 budgeting process in further detail and supports the 2021 budgeted net operating income statement (including both revenues and operating expenses). Petitioner's Witness Steven A. Hoover will support the capital expenditures budget. I am sponsoring the forecasted and adjusted rate base (Schedule B) and the adjusted Net Operating Income statement at present and proposed rates (Schedule C), both of which are derived from these 2021 budgets.

Q. How did the Company develop its proposed revenue requirement?

A. Budgeted revenues and expenses were downloaded from Hyperion which is the Company's internal budget system. Workpapers in support of the budget data are part of Petitioner's Exhibit No. 18. The budget data components were classified within the appropriate FERC USoA for presentation within the revenue requirement schedules. Petitioner's Witness Moore supports the unadjusted test year levels for all income statement components. Later on in my testimony, I will discuss and sponsor necessary adjustments to the budgeted amounts based on current information.

Q. Since the initial filing is based on the 2021 budget information, does the Company intend to update once actual results are known?

A. Yes. The Company proposes that the rate should be set in two phases.

Q. Please describe Phase 1.

A. Upon the issuance of an Order in this Cause, the Company proposes to implement rates under Phase 1 based upon the actual rate base and capital structure as of June 30, 2021.

Q. Please describe Phase 2.

A. The Company proposes to update certain financial schedules that have an impact on the revenue requirement at the conclusion of the 2021 test year. For Phase 2, the Company proposes to (1) update to the actual rate base and capital structure as of the end of test year, and (2) update the full test year revenue requirement for actual results for calendar year 2021, with depreciation expense annualized based on December 31, 2021 plant in-service balances. To do this, Vectren South will perform a full comprehensive update to the revenue requirement and the related schedules based on actuals.

Q. Is this two-phase approach traditionally used in Indiana general rate cases?

A. Traditionally, forecasted test year rate cases in Indiana have utilized a two-phase rate implementation process that involves the updating of rate base and capital structure for actual balances as of the end of the test year. However, the continued uncertainty surrounding the effects from the COVID-19 pandemic and resulting public health emergency, as further described by Petitioner's Witness Richard C. Leger, supports the Company's proposal that a two-phase rate implementation should include more than an update to these two components.

Q. Does the Company propose any limit to the information that will be updated in Phase 2?

A. In the update, the Company will cap the total net original cost rate base to the level found by the Commission in its Order, and the Company will also cap the total operating and maintenance ("O&M") expenses to the total level found in the Order. Revenue and billing determinants will be adjusted based completely on actuals. The resulting revenue requirement calculation will become the basis for the Phase 2 rates.

Q. What process do you propose for this update?

A. Once Vectren South has finalized the 2021 year-end financials and prepared the updated revenue requirement schedules, the Company will file these updated schedules with the Commission, together with revised rate schedules to reflect the actual amounts, subject to the caps on rate base and O&M previously mentioned. The Company expects the update to be filed in March 2022. Consistent with other orders issued in future test year cases in Indiana, the Company would propose that those rates take effect immediately on an interim-subject-to-refund basis (with a true-up including carrying charges). The Company would propose that other parties to this proceeding be provided a period of sixty (60) days to review this submission and present any objections to the Commission.

IV. REVENUE REQUIREMENT SCHEDULES

Q. Please generally describe the structure of the revenue requirement schedules and workpapers included in Petitioner's Exhibit No. 18.

A. The Company has included within Petitioner's Exhibit No. 18 all of its revenue requirement schedules and associated workpapers in native format, with printed copies of the schedules referenced below in Petitioner's Exhibit No. 19. As previously explained, these calculations are organized by schedule to differentiate the components and more clearly explain each of the factors utilized to derive the proposed revenue requirement and revenue increase.

- A Schedules – Revenue Increase and Financial Summary, including the gross revenue conversion factor support.
- B Schedules – Rate Base, and all components with pro forma adjustments.
- C Schedules – Income Statement and all pro forma adjustments.
- D Schedules – Capital Structure and Weighted Average Cost of Capital.
- E Schedule – Revenue Proof and Bill Impacts, referred to as the "Revenue Model".

V. A SCHEDULES

Q. Please describe Schedule A-1.

A. Schedule A-1 is the overall financial summary including rate base, operating income, rate of return and the proposed revenue increase. As indicated on this summary schedule and as I explained previously, the projected rate of return on a pro forma basis for calendar year 2021 without any rate relief is 1.53 percent, which is significantly below the level required to provide Vectren South with a fair and reasonable return as recommended by Petitioner's Witness Bulkley.

Q. Please explain the calculation of the revenue deficiency for the forward-looking test year of December 31, 2021.

A. The revenue deficiency is determined by multiplying the test year ending rate base of $469,388,809 by the proposed rate of return (equal to the weighted average cost of capital) of 6.18 percent to arrive at the required operating income of $29,008,228. The difference between the required operating income and the current operating income results in the operating income deficiency of $21,824,403. The operating income deficiency is multiplied by the Gross Revenue Conversion Factor ("GRCF") to arrive at the revenue deficiency of $29,631,211.

Q. Please describe the GRCF that is shown on Schedule A-2 proposed in this proceeding?

A. Schedule A-2 presents the calculated GRCF of 1.35771 which is used to determine the overall revenue increase on Schedule A-1. The GRCF uses the current statutory federal income tax rate of 21 percent, the statutory Indiana State Tax Rate of 4.90 percent effective July 1, 2021, and the Indiana Utilities Receipts Tax ("IURT") rate of 1.40 percent. The GRCF calculates the incremental gross revenue required to generate the incremental dollar of net operating income accounting for the effects of taxes, commission fees, and uncollectible accounts.

Q. How did Company determine the uncollectible expense (or bad debt) rate used in the current proceeding?

A. The uncollectible expense rate of 0.370 percent as depicted in the GRCF was determined based on the ratio of the three-year (2017 – 2019) average of (1) bad debt charge offs, net of collections, to (2) total revenues.

VI. B SCHEDULES

Q. Please describe the components of Schedules B, Rate Base?

A. The purpose of the B Schedules is to present the projected rate base as of December 31, 2021. The rate base summary is shown on Schedule B-1, reflecting the total rate base projected of $469,388,809. This schedule includes various components from other B Schedules, as referenced on Schedule B-1. The supporting schedule references are: B-2, plant in service; B-3, reserve for accumulated depreciation; and B-4, other rate base components, which include utility materials & supplies, material storeroom expense, gas in underground storage, and regulatory assets related to post-in-service carrying costs ("PISCC") for approved capital expenditure programs.

Q. Please describe generally how rate base is calculated for this proceeding.

A. Vectren South began with the actual rate base as of December 31, 2019. As described in the testimony of Petitioner's Witnesses Hoover and Moore, the Company has budgeted and projected capital expenditures for calendar year 2020 and 2021 as part of its standard budgeting process. These expenditures, along with the estimated accumulated depreciation associated with these investments, have been included as net utility plant in-service in the Company's forecasted rate base to project forward a December 31, 2021 projected rate base balance. As I discuss in greater detail later in my testimony, for other rate base components included as working capital, the Company has either maintained the actual December 31, 2019 balances or projected forward the balances based on projected activity during the 2020 and 2021 periods.

Q. Please describe Schedule B-1.1.

A. Schedule B-1.1 presents a roll-forward of the rate base as determined in the Company's last rate case to the amounts projected in this proceeding, by FERC major class of plant. The schedule starts with the comparison of the last authorized rate base in Cause No. 43112, as of October 31, 2006, to the actual rate base as of December 31, 2019, noting the changes over this thirteen-year time period. Petitioner's Witness Hoover discusses in greater detail in his testimony the activity that comprises the material changes in gross plant since 2006.

From the actual December 31, 2019 balances, the 2020 projected activity is added in Column D to project the December 31, 2020 rate base balance. The 2020 capital investment plan ("CIP") is supported by Petitioner's Witness Hoover. The Company has taken these capital expenditures and determined the estimated activity that will be placed in-service during calendar year 2020, using the same information that supports the calculation of budgeted depreciation expense as discussed in greater detail by Petitioner's Witness Moore. The difference between the activity included in rate base in 2020 and the CIP dollars supported by Petitioner's Witness Hoover is the exclusion of any year-end 2020 construction work in progress ("CWIP") activity, which is not included in rate base in this proceeding.

The same process is followed for 2021 CIP activity. Activity for 2021 is divided for the calendar year to determine the amounts that would be in place before June 30, 2021 (Column F) and the amounts that would be in place after June 30, 2021 (Column H). This is needed to determine the estimated Phase 1 rate base amount, as of June 30, 2021, which is projected to be $441,756,456. The final column projects the rate base as of December 31, 2021, as used within the revenue requirement schedules to determine the requested increase in this proceeding.

Later in my testimony, I will discuss adjustments that have been included in the projected December 31, 2021 rate base. These adjustments have been captured as 2021 activity, with all but the information technology-related ("IT-related") investments included in the activity through June 30, 2021.

Q. Is all of the plant in service included in rate base used and useful in providing utility service?

A. The plant in service as of December 31, 2019 is rendering service to Vectren South's customers receiving service subject to the Commission's jurisdiction and is used and useful in that regard. The plant-in-service in the forward-looking test year is anticipated to be used and useful to render service to the Company's customers.

Q. Please describe Schedules B-2 and B-2.1?

A. Schedule B-2 presents the gross plant in service projected for December 31, 2021 by major FERC class of plant. Schedule B-2.1 is the supporting detail for this schedule, subdividing the class of plant by account and subaccount.

Q. Has Vectren South proposed adjustments to the projected rate base as of December 31, 2021?

A. On Schedules B-2 and B-2.1, specifically in the "Adjustments" column, gross plant in-service projected as of December 31, 2021 includes four primary adjustments. The adjustments have both gross plant and accumulated reserve impacts.

The first relates to information technology investments, discussed in greater detail in the testimony of Petitioner's Witness Jeffrey S. Myerson. The second relates to the pushdown of assets that previously resided at Vectren Utility Holdings, Inc. ("VUHI") and were charged to Vectren South and the other VUHI utility subsidiaries through a shared services charge. The third relates to the removal of investments associated with a specific industrial customer contract whereby these investments are paid for in full by the specific customer. The fourth adjustment relates to the purchase and installation of leak detection equipment and software on a Company vehicle to better identify sources of gas leaks throughout Vectren South's service territory.

A. Information Technology Investment Adjustment

Q. Please describe the adjustment associated with the IT-related investments.

A. The gross asset addition to the projected rate base for IT-related investments represents the Vectren South allocated share of the investment necessary to replace end-of-life systems and to harmonize the Vectren systems with CenterPoint. The IT-related investment was captured and approved as part of the 2020 and 2021 budgets, but it was not allocated to the individual utilities at the completion of the budget process. The calculation of the allocations are shown on Worksheets WPB-2.1c1 and WPB-2.1d in Petitioner's Exhibit No. 18.

B. Pushdown of Assets

Q. Please describe the adjustment associated with the pushdown of the VUHI assets.

A. Assets that were utilized by all of the Vectren utilities – Vectren South, Vectren North, and Vectren Ohio – were previously centralized under VUHI to provide for administrative efficiencies and avoid unnecessary duplication of vital resources. These assets included information technology systems to support the financial, operational, and customer billing services of the utilities, along with the facilities and office buildings common to VUHI and Vectren employees. Within 2020, it was determined that the information technology assets at VUHI should be pushed down to the individual utilities primarily due to the adoption of the shared services model that is utilized by CenterPoint. As I will explain later, because of corresponding adjustments to net operating income, this adjustment has no effect on the total revenue requirement.

Q. Were these assets included for recovery in the rates and charges of Vectren South and the other Vectren utilities?

A. Yes. These assets have historically been charged via a shared services charge to each of the utilities annually as an operating expense, akin to a rental or lease expense. This shared services charge captured the depreciation associated with these investments, in addition to the calculated return on these investments at the authorized rate of return for each of the utilities. The calculation mirrored what would occur if the assets, or specifically the allocated portion of the assets, were included in the respective rate base of each of the utilities. This process has been in place since the formation of Vectren in 2000. This is how these costs were recovered for ratemaking purposes in Vectren South's last rate case.

Q. How were these assets allocated to Vectren South in particular?

A. The assets shared among the VUHI operating utilities are allocated to each utility based on defined allocations. Costs for these information technology assets are allocated to the utilities using the Company's approved allocation methodology. This allocation approach is captured in the existing affiliate agreements with VUHI for each of the utilities and matches how those assets were allocated and charged within the shared services charge historically.

Q. Why were not all of the VUHI assets allocated to each of the utilities?

A. The VUHI assets that are common to the utilities such as customer billing systems, financial systems (e.g., enterprise resource planning) other technology related infrastructure can be allocated or pushed down whereas as physical structures such as buildings and related fixed assets cannot be easily separated across utilities. Historically, CNP has pushed down intangible assets, such as software, to the jurisdictions that benefit from the utility of those assets. However, in the case of a building it is not feasible or appropriate to be pushed down since the usage of the building can change over time.

Q. How does this amount, and the associated impacts on depreciation expense, along with the required return, compare to the amount captured in the 2021 budget for Vectren South's share of the shared services charge?

A. I will discuss the specific amounts as a component of Schedule C-3.16, but the impact to the revenue requirement associated with the VUHI assets is unchanged whether it was within the shared services charge as opposed to rate base. Ultimately the calculation of the shared services charge should follow exactly what would otherwise occur if the asset was placed within rate base.

C. Adjustment to Remove Assets Associated with Individual Customer

Q. Please describe the adjustment for the removal of assets associated with extension of service to an industrial customer.

A. The Company has removed gross plant-in-service representing extension of main to be able to serve a single industrial customer. As part of this agreement to serve this customer, the Company and customer agreed to enter into a contract whereby the full value of main extension would be paid by the customer over the life of the asset. As such, the asset should be removed from rate base to avoid costs being allocated to other customers. In addition, as discussed later in my testimony, the associated contractual (non-gas cost) revenues for this customer were also removed from the test year.

D. Advanced Leak Detection Assets

Q. Please describe the adjustment for the purchase and installation of the advanced leak detection assets.

A. The Company has included in the forecasted rate base investment associated with the first Picarro Leak Surveyor for the Indiana region. As discussed in greater detail in the direct testimony of Petitioner's Witness Leger and Witness Kate D. Porter, this technology has been utilized in other CenterPoint service territories to detect very low levels of methane, indicating a possible natural gas leak that would require remediation and potential replacement.

Q. Please describe the column labeled "Allocation" on Schedules B-2 and B-2.1.

A. Vectren South has both an electric and gas jurisdiction serving southwest Indiana. On a consolidated entity basis, Vectren South maintains assets that are considered common between electric and gas jurisdictions. The "Allocation" column reflects the appropriate split of any of the common assets between electric and gas, with 19 percent of these common assets being allocated to gas. This allocation is determined by the percentage of gross plant attributed solely to the electric and gas jurisdictions.

Q. Please describe Schedules B-3 and B-3.1?

A. Schedule B-3 is the accumulated depreciation and amortization balances by FERC account and subaccount, projected as of December 31, 2021. Schedule B-3.1 summarizes the corresponding adjustments for the test year, discussed earlier in my testimony, to the accumulated depreciation reserve by FERC account. Each of these adjustments to gross plant in-service also carried with it a corresponding adjustment to the accumulated reserve account. The net impact of each is summarized in the table below:

Table AMB-1: Net Plant Adjustments

Description	Gross Plant In-Service		Accumulated Depreciation Reserve		Net Adjustment to Rate Base	
	(Schedule B-2.1)		(Schedule B-3.1)			
IT Investments	$	8,680,843	$	(541,447)	$	8,139,396
Pushdown of Assets	$	38,802,872	$	(29,327,332)	$	9,475,539
Large Customer	$	(9,871,230)	$	3,277,016	$	(6,594,214)
Leak Detection	$	1,200,000	$	(118,950)	$	1,081,050
Total	**$**	**38,812,485**	**$**	**(26,710,713)**	**$**	**12,101,771**

Q. Will the Company be proposing new depreciation rates in this proceeding?

A. Yes. The Company is proposing new depreciation rates effective upon an order in this proceeding. The "Depreciation Study", and the depreciation rates proposed, are supported by the testimony of Petitioner's Witness John J. Spanos. The Company included the annualized depreciation expense based on December 31, 2021 plant in-service balances in its revenue requirement schedules.

Q. Please describe Schedule B-3.2.

A. Schedule B-3.2 presents the calculation of the pro forma level of depreciation expense, by FERC account and subaccount, using the projected and adjusted December 31, 2021 gross plant in-service and current approved depreciation rates, as compared to those depreciation rates proposed by Petitioner's Witness Spanos. This schedule shows that the current approved depreciation rates would result in annual depreciation on projected gross plant in-service of $20.867 million, whereas the proposed depreciation rates applied to the same asset base would produce annual depreciation of $21.495 million.

Q. Please describe Schedule B-4.

A. Schedule B-4 presents the other rate base component items, projected as of December 31, 2021. Within this schedule, there are six (6) specific items included in rate base as working capital components.

The first four components are: (1) materials and supplies; (2) storeroom expenses associated with the materials and supplies; (3) natural gas in underground storage as working gas, used to serve retail customers; and, (4) natural gas in underground storage as base gas. Each balance noted on Schedule B-4 reflects a thirteen-month average of the actual balances for Vectren South for the monthly periods ended December 31, 2019. The Company does not project these balances as part of its budgeting process, so the Company has maintained the actual, historical balances as the basis for inclusion in rate base in this proceeding.

The remaining two components are regulatory assets associated with the deferral of PISCC on two approved capital investment programs. In Cause No. 43112, the Company received approval to commence its bare steel and cast-iron main replacement program ("BS/CI Program"). This approval also allowed for deferred accounting treatment, which granted Vectren South the ability to defer depreciation and continue to accrue PISCC at the Company's Allowance for Funds Used During Construction ("AFUDC") rates until the investments are included for recovery in the Company's next base rate case. The Company has included only the PISCC balance in rate base, projected through December 31, 2021 at $1,925,051. The second regulatory asset relates to the Company's approved Compliance and System Improvement Adjustment ("CSIA") capital investment plan approved in Cause No. 44429. The cumulative PISCC deferred balance has been included for recovery in the Company's CSIA filings in Cause No. 44429, amortized over the remaining life of the associated installed assets. This balance is projected as of December 31, 2021 at $10,169,214.

VII. C SCHEDULES

Q. Please describe the components of Schedules C, Income Statement and Adjustments.

A. The C Schedules present the calculation of Vectren South's operating income for the test year, adjusted to capture necessary and certain items that were not within the 2021 budget.

Q. Please describe Schedule C-1.

A. Schedule C-1 is the pro forma income statement showing adjusted revenues and expenses under existing customer rates and the impact of the proposed revenue increase. This schedule shows that under the current rates, the Company's pro forma rate of return projected for 2021 is 1.53 percent. The revenue increase calculated within Schedule E-4 is based on the rates submitted as part of Vectren South's proposed tariff supported by Petitioner's Witness Feingold. By adjusting the current adjusted operating income statement by the impact of the proposed rates, this schedule shows that the Company's rate of return will increase to 6.18 percent, which is the requested Rate of Return reflected on Schedule D-1 and discussed by Petitioner's Witnesses McRae and Bulkley.

Q. Please describe Schedule C-1.1.

A. Schedule C-1.1 presents a more detailed view of the pro forma income statement, through net operating income, for the twelve months ended December 31, 2021. Column A presents the unadjusted income statement, by FERC Account, for the 2021 budget as supported by Petitioner's Witness Moore. Column B summarizes the pro forma adjustments required to the test year. These pro forma adjustments are detailed within the various C-3 schedules I will discuss later in my testimony. These adjustments are numbered sequentially starting with Schedule C-3.1, by FERC Account, on the far side of Schedule C-1.1. Column C then represents the pro forma income statement at present rates. Column D captures the revenue increase, as noted on Schedule C-1, to arrive at the pro forma at proposed rates income statement presented in Column E.

Q. In your opinion, does Schedule C-1.1, Column E accurately reflect Vectren South's projected operating results during the test year, with appropriate adjustments?

A. Yes.

Q. Please describe Schedule C-2.

A. Schedule C-2 reflects the Company's operating income for the test year, the twelve months ended December 31, 2021, adjusted for several items as identified in Schedule C-3 (Summary of Adjustments to Operating Income). These adjustments will be discussed later in my testimony.

Q. Please describe Schedule C-2.1.

A. Schedule C-2.1 provides the detail of the revenue and expenses for the test year, by account in accordance with FERC USoA. The detail provided on this schedule represents the test year amounts and is unadjusted, as supported by Petitioner's Witness Moore.

Q. Please describe Schedule C-3.

A. The amounts as indicated on Schedule C-3 represent a summary of the adjustments which are detailed on Schedules C-3.1 through C-3.24. The adjustments are necessary to reflect the annual effect of expenses and revenues for ratemaking purposes and establish test year expense and revenue levels appropriate for ratemaking purposes.

Q. Please describe Schedules C-3.1 through C-3.9.

A. Schedules C-3.1 through C-3.9 are pro forma adjustments to the Company's test year gross revenues and represent a net decrease in test year revenues.

Q. Has Vectren South provided detailed calculations supporting the determination of the pro forma level of operating revenues within the documents submitted in this proceeding?

A. Yes. The Company has included as workpapers documents that support these adjustments, and specifically support for the amount ultimately utilized on Schedule E-4.1 for the Revenue Proof which is supported by Petitioner's Witness Feingold. These workpapers, referred to below as the "Revenue Model" provide monthly detailed calculations of the test year and pro forma level of operating revenues by Rate Schedule.

Q. Please generally describe why adjustments to the 2021 budgeted operating revenues are necessary.

A. As discussed by Petitioner's Witness Moore, the 2021 budget was prepared in detail during the standard budget process to capture known estimates for the 2021 period.

However, these estimates were prepared during 2019, and the Company is now equipped with new information that require adjustments within the budgeted information. In addition, the budget was prepared with estimated rates for various adjustment mechanisms (or riders) based on 2019 information. Adjustments are required to annualize these rider revenues to truly capture the going level at proposed rates.

Q. Please describe Schedule C-3.1.

A. Schedule C-3.1 reflects the change to operating revenues of $(11,256) to adjust monthly service charge revenues for the projected customer count by Rate Schedule. This adjustment is required to remove five (5) large customers under Rate Schedules 145, 160, and 170 that have (1) ceased operations, (2) a plan to cease operations prior to the conclusion of 2021, or (3) a special contract in place. The special contract customer, which I discussed within the rate base adjustment, is only paying for the asset investment needed to provide service to this customer. As such, this customer is removed from the appropriate billing determinants and all associated revenue is removed from the rate case to align with the removal of the investment to which they are responsible.

Q. Please describe Schedule C-3.2.

A. Schedule C-3.2 represents a change in the amount of operating revenues by $(176,402) for weather-sensitive Rate Schedules (Residential 110, General Sales Service 120, and School/Government Transportation Service 125) to adjust volumes for Normal Weather. The Company developed its budget based on the normal heating degree days ("HDD") as defined in the Company's last base rate case, which used the

National Oceanic and Atmospheric Administration ("NOAA") 30-year Normal for Evansville for 1971 through 2000. This adjustment on Schedule C-3.2 updates the normal HDD to a more current level, reflecting the NOAA 30-year Normal for Evansville for 1981 through 2010. This adjustment reduces the budgeted volumes for the small customer rate schedules, resulting in a reduction to operating revenues of $(176,402).

Petitioner's Witness Tieken proposes to utilize these new normal heating degree days within the Vectren South Gas Tariff reflected within Appendix B, Sheet No. 31.

Q. Please describe Schedule C-3.3.

A. Schedule C-3.3 represents a decrease of $(1,471,451) to base revenues for large volume customers. As noted within the discussion on Schedule C-3.1, the Company has removed activity associated with 5 customers who have (1) ceased operations, (2) will cease operations in the coming period, or (3) a special contract in place governing their rates and charges. Within Rate Schedules 145 and 160, the impact of closures for four customers has resulted in a reduction of operating revenues of $(44,525). The special contract customer that was removed in Rate 170 results in a reduction of operating revenues of $(1,426,926). As described earlier, this removal aligns with the removal in rate base of the asset investment needed to serve this single customer.

Q. Please describe Schedule C-3.4.

A. Schedule C-3.4 primarily represents the change in operating revenues of $(6,600,700) for annualized CSIA revenue. This rider, currently authorized under Cause No. 44429, allows for the collection of eighty percent of the revenue requirement associated with approved CSIA investments. The remaining twenty percent is deferred for recovery within the Company's next base rate case. The 2021 budget includes the recognition of this deferral authority, and includes the deferred amount projected; however, this amount should be removed from the test year operating revenues as present rates and charges do not include recovery of this balance.

As the CSIA reflects the revenue requirement associated with the investments, which includes recovery of related operating expense, this adjustment affects both operating revenue and operating expense.

For further detail on the recovery of the CSIA deferral, please see the explanation provided later in my testimony on Schedule C-3.18.

Q. Please describe Schedule C-3.5.

A. Schedule C-3.5 represents an increase of $176,402 in operating revenues for annualized Sales Reconciliation Component ("SRC") collections within the Energy Efficiency Rider ("EER"). The SRC, or "decoupling", collects the impacts of changes in usage for the small customer rate schedules. As noted within the explanation on Schedule C-3.2, budgeted volumes were adjusted to reflect an adjusted normal HDD factor, which impacted the amount of base operating revenues for the small customer rate schedules (Rates 110, 120, and 125). The SRC adjustment on Schedule C-3.5 reflects the fact that the SRC mechanism would recover this volumetric adjustment as part of the Company's annual decoupling filing. This adjustment results in an increase to operating revenues of $176,402. The Company is proposing to continue the SRC in its present form, as explained by Petitioner's Witness Tieken.

Q. Please describe Schedule C-3.6.

Schedule C-3.6 represents the change of $(18,988) in operating revenues for the annualized Energy Efficiency Funding Component ("EEFC") within the EER. This adjustment is required to synchronize the EEFC revenues with the billing determinant adjustments made in the prior revenue adjustment Schedules. As this rider reflects full collection of an operating expense amount, an associated adjustment was required to operating expenses of $(40,220) to ensure that revenues were matched with recoverable expense. In total, this adjustment has no impact on net operating income.

Q. Please describe Schedule C-3.7.

A. Schedule C-3.7 reflects an adjustment to remove the Company's Universal Service Fund ("USF") revenues for the test year by rate schedule, resulting in no change to operating revenues or operating income in total. The USF collects from customers discounts provided to low-income customers during the winter heating season. As discussed by Petitioner's Witness Teresa J. Cullum, Vectren South is proposing to continue this mechanism, with minor modifications. This mechanism ensures that any discounts provided are fully recovered from other customers, which means that the budgeted level of operating expense is unchanged as a result of the USF. For ease of calculation of the revenue proof and to reflect that the USF will remain in place subsequent to the rate case, the Company has removed these amounts by rate schedule.

Q. Please describe Schedule C-3.8.

A. Schedule C-3.8 is a required adjustment to annualize the company gas cost adjustment ("GCA") revenues and match these GCA revenues with recoverable gas costs. The GCA rate was adjusted to reflect current estimates for calendar year 2021. This rate was then multiplied by the adjusted billing determinants for the GCA-eligible rate schedules (Rate 110 and Rate 120) to determine the adjustment to operating revenues of $(833,378). An associated reduction to recoverable gas costs of $(705,653) was also captured on this adjustment, to ensure that revenues and expenses are matched within the test year.

Q. Please describe Schedule C-3.9.

A. Schedule C-3.9 represents the change in operating revenues associated with late payment fees. The Company budgets late payment fees based on an average percentage of the total operating revenues for the calendar year. This percentage – 0.51% within the 2021 budget – is applied to the adjusted operating revenues as a result of Schedules C-3.1 through C-3.8 to determine the pro forma level of late fees for the test year. The resulting adjustment reduces operating revenues by $(50,275).

Q. Please describe Schedules C-3.10 through C-3.16.

A. Schedules C-3.10 through C-3.16 reflect necessary adjustments to operating and maintenance ("O&M") expenses for the 2021 budget test year.

Q. Please describe Schedule C-3.10.

A. Schedule C-3.10 represents the increase in operating expenses of $254,966 associated with IT-related investments. This one-time expense associated with roll-out and implementation of the IT-related technology in 2021 is amortized over a five (5) year period.

Q. Please describe Schedule C-3.11.

A. Schedule C-3.11 represents the increase in operating expenses of $94,664 associated with the proposed five (5) year amortization of COVID-19 deferred expenses. Pursuant to the Commission's May 27, 2020 Order in Cause No. 45380 which mandated a moratorium on utility disconnections, Vectren South established a regulatory asset to track COVID-19 related impacts. In combination with the temporary disconnection moratorium, the Commission's orders with respect to extended payment plans, deferrals and other arrangements have resulted in an increase in uncollectible accounts. Since the Commission's authorization to do so in its May 27, 2020 Order in Cause No. 45380, the Company has deferred bad debt expense associated with COVID-19 in a regulatory asset. Based on the Company's experience during the Great Recession of 2009, incremental bad debt based on an assumed 30% increase in write-offs is deferred. The Company historically experiences peak write-offs to occur between July and September but due to the moratorium it is anticipated to shift to December 2020 through March 2021. In light of this, the Company will conduct a true-up at the conclusion of the first quarter of 2021, after dunning has run full cycle to ensure that the full impact has been captured. The difference between those periods as a percentage of revenues and the dollars associated with those periods will be considered the actual COVID-19 impact with a true-up to the regulatory asset occurring at that time.

Q. Please describe Schedule C-3.12.

A. Schedule C-3.12 represents an adjustment of $330,000 to increase test year expenses for the estimated incremental rate case costs associated with this proceeding. Line 1 reflects the total estimated cost of the current proceeding,

$1,650,000. Line 2 reflects the amortization period of five (5) years. Line 3 reflects the annual pro forma amortization.

Q. Please describe Schedule C-3.13.

A. Schedule C-3.13 reflects the pro forma level of IURC Fees and is determined by applying a rate of 0.127 percent (Line 2) to the adjusted test year operating revenues of $106,437,459 (Line 1). The pro forma increase of $565 on Line 5 was calculated as the difference between the pro forma level of IURC assessment fee (Line 3) and the unadjusted test year assessment fee amount (Line 4).

Q. Please describe Schedule C-3.14.

A. Schedule C-3.14 represents the decrease of test year expenses of $(1,336,503) pertaining to non-recurring miscellaneous budget adjustments. The adjustment was made to correct FERC Account 887 (Maintenance of Mains) for right-of-way maintenance in the amount of $(1,600,000) since this pertains to costs associated with Vectren North and Ohio that were incorrectly budgeted to Vectren South. Additionally, an adjustment to FERC Account 925 (Injuries and Damages) was required for liability insurance in the amount of $263,497 as a result of higher insurance premiums when compared to the budget.

Q. Please describe Schedule C-3.15.

A. Schedule C-3.15 reflects an adjustment to test year expenses by $(267,138) to annualize the level of uncollectible accounts expense to the latest known level. This is calculated by taking the pro forma adjusted operating revenues on Line 1 multiplied by the bad debt write-off percentage of 0.370 percent as described earlier in my testimony to arrive at the amount of $393,819. The amount of $526,720 on Line 2 represents the unadjusted test year uncollectible expense, which is removed from the amount on Line 1 to arrive at the adjustment to uncollectible accounts expense of $(132,902) shown on Line 3. As the gas cost portion of the bad debt expense is fully recovered within the GCA, Schedule C-3.8 already reflected an adjustment to revenues for the collection of a portion of this incremental amount. The net adjustment amount of $(267,138) reflects the impact to uncollectible expense for non-gas cost revenues.

Q. Please describe Schedule C3.16.

A. Schedule C3.16 reflects a pro forma decrease of $(2,603,415) in VUHI shared services charges for the test year. As I discussed earlier within my testimony, the VUHI shared services charge represents the centralization of the assets that serve multiple Vectren utility jurisdictions, and the subsequent charging via a lease or rental charge as operating expense to the utilities. The shared services charge includes depreciation expense, property taxes, and a fair and reasonable return on net plant. The adjusted test year amount of $1,373,772 is based on the allocated share of projected plant at December 31, 2021, multiplied by the pre-tax rate of return proposed in this proceeding, with the return on the assets adding to the annual depreciation and property tax expense to determine the total shared services charge.

Q. Please explain how the pushdown of the VUHI technology assets has impacted the pro forma shared services charge amount.

A. As previously explained, adjustments have been made to utility plant-in-service to reflect the pushdown of intangible plant as reflected in the B Schedules.

Q. Does the adjustment to rate base for the pushdown of the VUHI technology assets offset the reduction in the shared services charge?

A. Yes. The net rate base adjustment of $9,475,539 multiplied by the pre-tax rate of return in this proceeding would produce an annual return on these assets of $736,249. The additional annual depreciation expense for these assets is $1,833,013, making the total shared services charge associated with this portion of the VUHI shared assets $2,569,262, which is offset by the reduction in shared service charge captured within Schedule C-3.16.

Q. Please describe Schedules C-3.17 through C-3.20.

A. Schedules C-3.17 through C-3.20 are pro forma adjustments to the Company's test year Depreciation and Amortization expense.

Q. Please describe Schedule C-3.17.

A. Schedule C-3.17 in the amount of $4,461,264 reflects an adjustment to annualize depreciation expense based on plant in service as of December 31, 2021 at the proposed depreciation rates discussed above. This is calculated by taking the annualized depreciation expense of $21,289,105 as shown on Schedule B-3.2 less the adjustments for CSIA annualized depreciation expense of $273,026 (Schedule C-3.4) and the test year depreciation expense of $16,554,815 (Schedule C-2.1).

Q. Please describe Schedule C-3.18.

A. Schedule C-3.18 reflects the annual amortization expense associated with the regulatory asset representing the statutory deferral of 20 percent of the CSIA revenue requirement. Vectren South initiated the CSIA in 2014 under Cause No. 44429, which approved a seven (7) year capital investment plan that will conclude in 2020. This plan includes a Compliance Component (governed by the Compliance Statute) and a TDSIC Component (governed by the TDSIC Statue). Both statutes require that the utility recover 80 percent of its revenue requirement via its approved recovery mechanism, with the remaining amount deferred until the next (now current) base rate case. The projected December 31, 2021 regulatory asset balance is $27,055,983, with a proposed seven (7) year amortization period. This results in an increase in amortization expense of $3,865,140 annually.

Q. How does Vectren South propose to handle the remaining balance if a base rate case is filed prior to the end of the 7-year amortization period?

A. In the event there is a remaining deferred balance at the time of the next base rate proceeding, the Company would propose for the remaining balance to be included as amortization expense and included for recovery in that proceeding.

Q. Please describe Schedule C-3.19.

A. Schedule C-3.19 reflects the annual amortization expense associated with the CSIA deferrals related to PISCC and deferred depreciation. The approved investment plan within the CSIA allows for the deferral of depreciation and PISCC until such point as the asset is included for recovery in the CSIA rates and charges. This balance is then amortized over the remaining life of the assets generating the deferral. The adjustment reflects an increase of CSIA program expense to the test year in the amount of $368,460. The projected December 31, 2021 regulatory asset balance for CSIA PISCC and depreciation deferrals is $14,593,873, with the amortization period representing the average remaining asset life of thirty-eight (38) years.

Q. Please describe Schedule C-3.20.

A. Schedule C-3.20 reflects the annual amortization expense associated with the BS/CI Program deferrals related to PISCC and deferred depreciation. In Cause No. 43112, the Commission authorized the deferral of depreciation and PISCC (calculated at the Company's AFUDC rate) on replacement investments for a period of four (4) years after the in-service date. The adjustment reflects an increase in amortization expense of $131,997, representing the annual amortization of the projected December 31, 2021 regulatory asset balance for BS/CI Program deferrals of $3,563,906 the average remaining asset life of twenty-seven (27) years.

Q. Please describe Schedule C-3.21.

A. Schedule C-3.21 reflects the annualized property tax expense on the projected tax basis balance of assets as of December 31, 2021. The pro forma property tax expense calculation is presented in workpapers supporting Schedule C-3.21, and is calculated in line with the Company's annual property tax return, with 19 percent being allocated to gas. The resulting calculation yields pro forma property tax expense of $2,468,476, and a total pro forma adjustment of $21,180 to property tax expense.

Q. Please generally describe the purpose of Schedules C-3.22, C-3.23, and C-3.24.

A. These schedules represent changes to revenue and income taxes to synchronize with the pro forma adjusted test year financial results. I will note that all of these adjustments are before the determination of the revenue increase amount. The associated taxes related to the revenue increase are captured in the GRCF calculation in Schedule A-2 and reflected on Schedules C-1 and C-1.1.

Q. Please describe Schedule C-3.22.

A. Schedule C-3.22 is the calculation of the Indiana Utility Receipts Tax ("IURT") applicable to the pro forma operating revenues for the test year. The IURT is calculated by applying the 1.40 percent statutory rate to the pro forma adjusted operating revenues, before inclusion of the proposed revenue increase. The total pro forma level of IURT expense calculated is $1,484,597. The adjustment is then determined by subtracting the unadjusted test year amount of IURT of $1,609,000 with the final amount further reduced to account for the amount of IURT captured in the associated revenue adjustments reflected on Schedules C-3.1 through C-3.9. Schedule C-3.22 reflects a pro forma adjustment of $(92,946).

Q. Please describe Schedules C-3.23 and C-3.24.

A. Schedules C-3.23 and C-3.24 are calculations of the Indiana state and federal income taxes for the pro forma adjusted test year. Indiana state income taxes are calculated in detail on Schedule C-4, sponsored by Petitioner's Witness Brenda L. Musser. The statutory rate utilized for the Indiana income taxes is 4.90 percent, reflecting the rate expected to be effective July 1, 2021. Schedule C-4 captures the impact of the change in the state income tax rate during the test year from the level utilized to determine income tax expense in the unadjusted budget. Federal income taxes are calculated in detail on Schedule C-5, also sponsored by Petitioner's Witness Musser. The current statutory rate utilized for the federal income taxes is 21 percent, which is unchanged from the rate utilized for the test year. The pro forma level of state and federal income tax expense is compared to the test year unadjusted tax expense to determine the required adjustment. As all of the adjustments to revenue and operating expenses also include state and federal income tax impacts, the net adjustment shown on

Schedules C-3.23 and C-3.24 excludes all adjustments already reflected to the test year income tax expense.

VIII. D SCHEDULES

Q. Please describe Schedule D-1.

A. Schedule D-1 reflects the calculation of the overall rate of return summary which is based on the forecasted capital structure at December 31, 2021. This is sponsored by Petitioner's Witness McRae, who also discusses how the forecasted balances for long-term debt and common equity were determined for December 31, 2021.

Q. Has Vectren South adjusted the capital structure components from how it is presented in its semi-annual CSIA proceedings in Cause No. 44429?

A. Yes. The Company has included prepaid pension asset as a component of the capital structure which is an offset to zero cost capital. This methodology is consistent with previous rulings made by the Commission in Cause No. 45029 and Cause No. 44688. Petitioner's Witness McRae discusses in further detail Vectren South's proposal to include the prepaid pension asset in the capital structure within this proceeding.

Q. Are there components of Vectren South's capital structure that have not been projected to December 31, 2021?

A. Yes. On Schedule D-5, Customer Advances for Construction and Customer Deposits are held constant as of December 31, 2019, with no projected assumptions or estimates to include for the projected test year for 2021. This is consistent with how the Company currently budgets, with these items not discretely forecasted for changes on the projected balance sheet.

Q. How did the Company forecast the test year balance of Investment Tax Credits ("ITC")?

A. The Company used the year-end balance as of December 31, 2019 as a starting point then projected activity associated with amortizations of the balance through December 31, 2021 to arrive at the projected level of ITC included in the capital structure.

IX. E SCHEDULES

Q. Please describe Schedule E-5.1.

A. As discussed earlier in testimony, the SRC, or "decoupling", collects the impacts of changes in usage for the small customer rate schedules. Schedule E-5.1 presents Vectren South's proposed order granted margin calculation for its Residential (Rate 110) and General Service (Rates 120 and 125) customers, for use in the Company's existing annual decoupling calculation as part of its SRC, as described in further detail by Petitioner's Witness Tieken. Schedule E-5.1 uses the pro forma billing determinants for each Rate Schedule, as reflected on Schedules E-4 and E-4.1 in Petitioner's Exhibit No. 18. These billing determinants, by month (Columns A and B) are multiplied by the proposed rates in this proceeding to determine the order granted margin amount (Column D). The order granted margin is divided by the total customers per month to determine the order granted margin per customer factor (Column F) which is used to derive the decoupling adjustment required monthly for the SRC.

Q. Outside of these monthly factors, will the calculation of the decoupling amount of the SRC change as a result of this rate case?

A. No, the calculation as currently presented within the SRC will be unchanged.

X. CONCLUSION

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

VERIFICATION

I, Angie M. Bell, affirm under the penalties of perjury that the forgoing representations of fact in my Direct Testimony are true to the best of my knowledge, information and belief.

Angie M. Bell

Angie M.Bell

Dated: October 30, 2020

SOUTHERN INDIANA GAS & ELECTRIC COMPANY BALANCE SHEETS
(*In millions*)

	December 31, 2019
Utility Plant	
Original cost	$3,862.0
Less: accumulated depreciation & amortization	1,666.9
Net utility plant	**2,195.1**
Current Assets	
Cash & cash equivalents	3.7
Notes receivable from Vectren Utility Holdings	2.0
Accounts receivable - less reserves of $1.9 & $1.8, respectively	44.2
Accrued receivable from Vectren Utility Holdings	—
Accrued unbilled revenues	24.4
Inventories	86.0
Recoverable fuel & natural gas costs	1.4
Prepayments & other current assets	9.3
Total current assets	**171.0**
Investments in unconsolidated affiliates	0.2
Other investments	7.3
Nonutility plant - net	1.4
Goodwill - net	5.6
Regulatory assets	145.4
Other assets	45.7
TOTAL ASSETS	**$2,571.7**

SOUTHERN INDIANA GAS & ELECTRIC COMPANY BALANCE SHEETS
(*In millions*)

	December 31, 2019
Common stock (no par value)	$433.3
Retained earnings	638.1
Total common shareholder's equity	**1,071.4**
Long-term debt payable to third parties	292.7
Long-term debt payable to Vectren Utility Holdings - net of current maturities	373.5
Total long-term debt	**666.2**
Commitments & Contingencies	
Current Liabilities	
Accounts payable	53.8
Payables to CenterPoint Energy, Inc.	0.3
Payables to other Vectren companies	16.3
Refundable fuel & natural gas costs	1.2
Accrued liabilities	39.5
Current maturities of long-term debt payable to Utility Holdings	114.5
Total current liabilities	**225.6**
Deferred Credits & Other Liabilities	
Deferred income taxes	213.9
Regulatory liabilities	260.5
Deferred credits & other liabilities	134.1
Total deferred credits & other liabilities	**608.5**
TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	**$2,571.7**

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY (GAS DIVISION)
INCOME STATEMENT
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2019

Total Net Gas Operating Revenues	$	99,531,527
Revenue from Interdepartmental Sales		672,725
TOTAL GROSS GAS OPERATING REVENUES	$	100,204,252
OPERATING EXPENSES:		
Production Expenses, including		
Purchased Gas	$	33,623,787
Cost of Gas for Interdepartmental Sales		672,725
Underground Storage Expenses		3,312,928
Transmission Expenses		3,330,747
Distribution Expenses		11,857,695
Customer Accounts Expenses		2,379,159
Customer Service & Info Expenses		50,160
Sales Expenses		1,527,349
Admin and General Expenses		23,289,254
Depreciation Expense		14,480,300
Taxes Other Than Income Taxes		3,929,404
Income Taxes		(1,505,776)
TOTAL OPERATING EXPENSES	$	96,947,732
OPERATING INCOME	$	3,256,520
OTHER INCOME AND DEDUCTIONS	$	297,770
INTEREST AND OTHER CHARGES:		
Interest on Long-Term Debt	$	2,034,278
Interest on Intercompany Notes Payable		3,841,043
Allowance for Borrowed Funds Used During Construction		(2,152,780)
Amortization of Debt Discount and Related Expenses		114,195
Other Interest Expense		85,285
TOTAL INTEREST AND OTHER CHARGES	$	3,922,020
NET INCOME	$	(367,730)

SOUTHERN INDIANA GAS & ELECTRIC COMPANY STATEMENTS OF CASH FLOWS
(*In millions*)

	Year Ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$56.5
Adjustments to reconcile net income to cash from operating activities:	
Depreciation & amortization	114.0
Deferred income taxes & investment tax credits	19.8
Provision for uncollectible accounts	2.2
Expense portion of pension & postretirement benefit cost	6.4
Other non-cash items - net	(7.4)
Changes in working capital accounts:	
Accounts receivable & accrued unbilled revenue	3.1
Inventories	(16.1)
Recoverable/refundable fuel & natural gas costs	2.2
Prepayments & other current assets	5.1
Accounts payable	17.1
Accrued liabilities	(14.1)
Changes in noncurrent assets	(30.3)
Changes in noncurrent liabilities	(32.0)
Net cash from operating activities	**126.5**
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from:	
Long-term debt from CenterPoint Energy, Inc.	40.0
Long-term debt, net of issuance costs	—
Capital contributions from parent	—
Requirements for:	
Dividends to parent	—
Retirement of long-term debt	—
Net change in commercial paper and short-term borrowings to third parties	—
Net cash from financing activities	**40.0**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from:	
Sale of Company-owned life insurance	9.6
Sale of investments	16.2
Requirements for:	
Capital expenditures, excluding AFUDC equity	(269.4)
Net change in short-term intercompany notes receivable	96.7
Purchase of investments	(18.2)
Net cash from investing activities	**(165.1)**
Net change in cash & cash equivalents	1.4
Cash & cash equivalents at beginning of period	2.3
Cash & cash equivalents at end of period	$3.7