

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA)
GAS AND ELECTRIC COMPANY d/b/a)
CENTERPOINT ENERGY INDIANA SOUTH FOR:)
(1) APPROVAL OF AN ADJUSTMENT TO ITS)
ELECTRIC SERVICE RATES THROUGH ITS)
TRANSMISSION, DISTRIBUTION, AND STORAGE)
SYSTEM IMPROVEMENT CHARGE (“TDSIC”))
RATE SCHEDULE; (2) AUTHORITY TO DEFER)
20% OF THE APPROVED CAPITAL)
EXPENDITURES AND TDSIC COSTS FOR)
RECOVERY IN PETITIONER’S NEXT GENERAL)
RATE CASE; AND (3) APPROVAL OF)
PETITIONER’S UPDATED 7-YEAR ELECTRIC)
PLAN, ALL PURSUANT TO IND. CODE § 8-1-39-9)

CAUSE NO. 44910

TDSIC-12

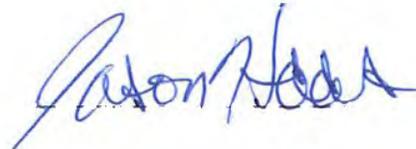
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC’S EXHIBIT NO. 1

TESTIMONY OF WES R. BLAKLEY

April 3, 2023

Respectfully submitted,



T. Jason Haas

Attorney No. 34983-29

Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS WES R. BLAKLEY
CAUSE NO. 44910 TDSIC-12
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A CENTERPOINT
ENERGY INDIANA SOUTH ("CEI SOUTH")

I. INTRODUCTION

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

2 A: My name is Wes R. Blakley and my business address is 115 W. Washington St., Suite
3 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am a Senior Utility Analyst for the Office of Utility Consumer Counselor
6 ("OUCC").

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

8 A: My testimony addresses Southern Indiana Gas and Electric Company d/b/a
9 CenterPoint Energy Indiana South's ("CEI South") request to recover investment
10 costs incurred for the construction and operation of transmission, distribution, and
11 storage facilities that were included in CEI South's Seven-Year Transmission,
12 Distribution, and Storage System Improvement Charge ("TDSIC") Plan. These costs
13 were also addressed in the Settlement approved by the Indiana Utility Regulatory
14 Commission ("Commission") in Cause No. 44910. In this tracker, CEI South
15 requests approval of its TDSIC costs incurred through October 31, 2022, under Ind.
16 Code § 8-1-39-9. Provisions in this Code allows for recovery of eighty percent (80%)
17 of approved capital expenditures through a periodic automatic adjustment of a
18 utility's base rates and charges as well as deferral of twenty percent (20%) of
19 approved costs for recovery as part of its next general rate case. I conclude nothing

1 came to my attention indicating CEI South's calculation of estimated TDSIC
2 adjustment factors for the relevant period is unreasonable. Ultimately, I recommend
3 approval of CEI South's proposed TDSIC-12 adjustment factors.

4 **Q: Please describe the review and analysis you conducted in order to prepare your**
5 **testimony.**

6 A: I reviewed CEI South's petition, testimony, schedules, and exhibits, which contain
7 internal accounting information. I also reviewed the Commission's Cause No. 44910
8 TDSIC-11 Order, dated November 23, 2022.

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

11 A: No. The absence from my testimony of a reference to any specific item or adjustment
12 proposed by CEI South does not indicate my approval of that item or adjustment.

13 **II. TDSIC-12 REVENUE REQUIREMENT AND RATE CALCULATION**

14 **Q: Please describe the Settlement terms in Cause No. 44910 relating to the**
15 **calculation of CEI South's revenue requirement and rate adjustment in this**
16 **Cause.**

17 A: The basic ratemaking terms of the Settlement are summarized below:

18 (1) CEI South shall be authorized to implement components of the TDSIC
19 Plan in good faith up to the \$446.5 million cap over a seven-year period
with various cap requirements for each year of the seven years.

20 (2) CEI South's petitions for rate recovery filed on or about August 1 will be
21 based on the capital investments and expenses through the period ended
22 April 30. Petitions filed on or about February 1 will include capital
23 investments and expenses through the period ended October 31, 2022.

24 (3) For customers receiving service pursuant to Rate Schedules DGS, MLA,
25 OSS, LP, BAMP and HLF, the tracked portion of approved capital
26 expenditures and TDSIC costs will be recovered through demand charges.

27 (4) For customers served under Rate Schedules RS, B and SGS, in Cause No.
28 44910 TDSIC-1, distribution-related costs will be recovered via a per
29 customer monthly charge up to a cap of \$0.50 per customer per month.

1 The cap on the monthly fixed TDSIC charge will grow by \$0.50 per
2 customer in each semi-annual filing (*e.g.* the fixed charge cap will be
3 \$0.50 per customer in TDSIC-1, \$1.00 per month in TDSIC-2, and so on),
4 with the overall distribution-related TDSIC charge not to exceed \$7.00 per
5 customer per month. The distribution-related fixed charge cap for TDSIC-
6 12 is \$6.00. Distribution-related TDSIC costs exceeding this applicable
7 cap will be included in the energy charge (per kWh). All transmission-
8 related costs applicable to Rate Schedules RS, B, and SGS will be
9 recovered via an energy charge.

10 (5) The Return on Equity included in the weighted average cost of capital for
11 the TDSIC mechanism will be 10.4%. This recognizes that (1) CEI South
12 will continue to net the original cost of retired assets from the depreciable
13 base used to determine its incremental recoverable depreciation expense,
14 and (2) CEI South will not accrue carrying costs on the amount deferred
15 representing 20% of the TDSIC Plan revenue requirement.

16 (6) Depreciation expense included for recovery in the TDSIC Plan will reflect
17 an annualized level of expense related to the gross new capital investment
18 as of the cut-off date of the TDSIC filing. As the investment is placed in
19 service, it will be classified in the appropriate FERC Plant Account and
20 depreciated using the depreciation rate approved for the Plant Account.
21 Similarly, property tax expense included for recovery in the TDSIC will
22 reflect an annualized level of expense related to the gross new capital
23 investment in service as of the cut-off date of the filing. The annualized
24 property tax expenses will be calculated by multiplying gross new capital
25 investment in service by the then current or most recent tax rate for the
26 projected period.

27 (7) CEI South will net the depreciation expense associated with retired and
28 replaced equipment against the depreciation expense associated with new
29 equipment in the TDSIC Plan.

30 (8) CEI South incurred \$3.7 million in development cost for the TDSIC Plan.
31 CEI South should amortize and recover this deferred balance through the
32 TDSIC tracker over a period of three years commencing in TDSIC-1. The
33 development cost has been fully amortized as of TDSIC-6 and thus no
34 development cost will be passed through in any further TDSIC trackers.

35 (9) TDSIC costs will be allocated based on rate schedules filed in Cause No.
36 44910, which take into account the rate migration of a large customer.

37 **Q: Did the Commission approve CEI South's adjustment to its seven-year TDSIC**
38 **Plan regarding multiple-unit projects in TDSIC-3?**

1 A: Yes. In TDSIC-3, CEI South revised its TDSIC Plan to remove Wood Pole
2 Replacement Program projects for years 2018-2023. The OUCC did not object to this
3 proposal, and the Commission's Final Order in Cause No. 44910 TDSIC-3 approved
4 CEI's proposed cost recovery.¹ As of TDSIC-12, CEI South has not commenced the
5 replacement program.

6 **Q: Has CEI South incorporated elements of the Settlement Agreement in Cause No.**
7 **45032-S21 relating to the Tax Cuts and Jobs Act of 2017 in TDSIC-12?**
8

9 A: Yes. The Settlement Agreement requires CEI South to pass credits to customers for
10 the amortization of Excess Accumulated Deferred Income Tax ("EADIT") using the
11 Average Rate Assumption Method for the protected balance, and a straight-line 10-
12 year amortization period for the unprotected balance. CEI South included the EADIT
13 credits in TDSIC-12, Attachment MAR-1, Schedule 2 using the Tax Reform
14 Settlement allocation percentages.

15 **Q: Did the Commission's order in Cause No. 45722 on securitization of CEI South's**
16 **A.B. Brown generation Units 1 and 2 include requirements relating to excess**
17 **accumulated deferred income taxes ("EADIT") credit in the TDSIC tracker?**
18

19 A: Yes. The 45722 Order requires CEI South to update its TDSIC tariff to reflect a
20 shorter amortization period for the A.B. Brown Units 1 and 2 EADIT ending with the
21 scheduled maturity date of the securitization bonds. CEI South will not know the
22 actual amount of remaining EADIT or the final maturity date of the securitization
23 bonds until the bonds are closed. After the securitization bonds are issued, CEI South
24 will update its tariff and file supporting schedules to reflect the required adjustment

¹ Cause No. 44910 TDSIC-3, Final Order, December 5, 2018, page 5.

1 taking into account the closing date and final maturity date of the securitization
2 bonds.

3 **Q: How did CEI South calculate its revenue requirement and rate adjustment in**
4 **this Cause?**

5 A: CEI South's revenue requirement calculation includes a return on new TDSIC-
6 completed investment, Construction Work in Progress, and annual return on new
7 capital investment as of October 31, 2022, in the amount of \$28,377,004.
8 Incremental operating expenses include property tax expense of \$1,981,983,
9 depreciation expense of \$7,998,839, plan development costs are fully recovered as of
10 TDSIC-6 and are \$0, amortization of deferred depreciation over the life of the
11 transmission or distribution asset of \$135,439, and amortization of post-in-service
12 carrying charge over the life of the transmission and distribution assets of \$317,987.
13 This total \$38,811,252 before the 80%/20% split. The 80% cash revenue requirement
14 to be tracked in TDSIC-12 totals \$31,049,002, with \$7,762,250 representing 20% of
15 the revenue requirement that will be deferred for recovery in CEI South's next
16 general rate case.

17 **Q: Using CEI South's data, have you verified its rate calculation and the rate**
18 **impact for residential customers?**

19 A: Yes. Attachment WRB-1 displays my calculation of CEI South's TDSIC
20 (transmission and distribution) rates for residential customers. The transmission
21 revenue requirement components are summed and multiplied by 80% to derive the
22 eligible transmission cash revenue requirement for tracking in TDSIC-12. This
23 amount is multiplied by the Residential Service rate allocation percentage for
24 transmission investment to derive the transmission cash revenue requirement for

1 residential customers. The resulting product is then divided by the total projected
2 annual residential kWh sales resulting in a transmission rate of \$0.003386 per kWh.

3 The distribution revenue requirement components are summed and multiplied
4 by 80% to derive the eligible distribution cash revenue requirement for tracking in
5 TDSIC-12. This amount is multiplied by the Residential Service rate allocation
6 percentage for distribution investment to derive the distribution cash revenue
7 requirement for residential customers. The resulting product is then divided by the
8 total number of projected residential customers and divided by 12 months resulting in
9 a \$7.26 per customer monthly distribution fixed charge rate. As indicated previously
10 in my testimony, the distribution-related fixed charge is capped at \$6.00 in TDSIC-
11 12. Any amount in excess of the \$6.00 distribution-related fixed charge cap will be
12 recovered in an energy charge. This additional overage results in a distribution
13 energy charge of \$0.001404 per kWh.

14 There are two other items that affect the overall TDSIC energy rate. The first
15 is the calculation of over- or under-recovery variance. In this case, the variance is an
16 over-recovery of \$56,810. The rate for residential customers for the variance is an
17 increase of \$0.000006 per kWh. The second item is the result of the Tax Reform
18 Settlement in Cause No. 45032-S21. That settlement required CEI South to calculate
19 a tax refund for excess ADIT balances, as its ADIT was revalued as of December 31,
20 2017, at the new, lower federal corporate income tax rate of 21%. In this case, a total
21 tax refund credit of \$4,971,424 will be passed back to customers. The resulting rate
22 for residential customers is a decrease of \$0.001462 per kWh. The combined TDSIC
23 charge for residential customers will be the fixed distribution charge of \$6.00 per

1 month plus an energy charge of \$0.003334 per kWh, which is the sum of the
2 transmission and distribution energy charges plus the under-recovery variance net of
3 the income tax refund.

III. CONCLUSION AND RECOMMENDATION

4 **Q: What is your opinion of CEI South's estimated TDSIC adjustment factors for**
5 **the relevant period?**

6 A: Nothing came to my attention indicating CEI South's calculation of estimated TDSIC
7 adjustment factors for the relevant period is unreasonable.

8 **Q: What do you recommend in this proceeding?**

9 A: I recommend the Commission approve CEI South's proposed TDSIC-12 adjustment
10 factors.

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

12 A: Yes.

APPENDIX A

1 **Q: Please describe your educational background and experience.**

2 A: I received a Bachelor of Science Degree in Business with a major in Accounting from
3 Eastern Illinois University in 1987 and worked for Illinois Consolidated Telephone
4 Company until joining the OUCC in April 1991 as a staff accountant. Since that time,
5 I have reviewed and testified in hundreds of trackers, rate cases and other proceedings
6 before the Commission. I have attended the Annual Regulatory Studies Program
7 sponsored by NARUC at Michigan State University in East Lansing, Michigan as
8 well as the Wisconsin Public Utility Institute at the University of Wisconsin-Madison
9 Energy Basics Program.

10 **Q: Have you previously testified before the Commission?**

11 A: Yes.

Cause No. 44910 TDSIC-12

OUCC Attachment WRB-1

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Southern Indiana Gas and Electric Company D/B/A Vectren Energy Delivery of Indiana Inc.
 Vectren South
 Cause No. 44910-TDSIC-12

Calculation of TDSIC Tracker Rate for Residential Customers (RS)

Cash Revenue Requirements for the 80% Trackable TDSIC Transmission and Distribution Investment

			Rate RS Allocation %	Rate RS
<u>Transmission Revenue Requirement</u>				
Return on Transmission Investment	\$11,378,269			
Property Tax Expense	678,116			
Depreciation Expense	2,012,123			
Plan Development Cost - Amortization	0			
Deferred Depreciation - Amortization	24,129			
Deferred Post in Service Carrying Charge - Amortization	75,395			
Total Transmission Revenue Requirement	\$14,168,032			
Times: 80%		80%		
Total 80% Transmission Cash Revenue Requirement	\$11,334,426		42.62%	\$4,830,734
Annual kWh Sales for RS				1,426,717,218
Transmission Rate for RS Class per kWh				\$0.003386

Distribution Revenue Requirement

Return on Distribution Investment	\$16,998,735			
Property Tax Expense	1,303,867			
Depreciation Expense	5,986,716			
Plan Development Cost - Amortization	0			
Deferred Depreciation - Amortization	111,310			
Deferred Post in Service Carrying Charge - Amortization	242,592			
Total Distribution Revenue Requirement	24,643,220			
Times: 80%		80%		
Total 80% Distribution Cash Revenue Requirement	\$19,714,576		58.44%	11,521,198
Total Residential Customers				132,198
**Distribution Fixed Charge per Month for Residential Customer (RS)				\$6.00
Annual kWh Sales for RS Distribution Fixed Charge				\$9,518,256
Distribution Rate for RS Class per kWh				\$0.001404

(Over)/Under Recovery Variance

Variance Rate for RS Class per kWh	\$4,770	741,290,871		\$0.000006
EADIT Credit				
EADIT Rate for RS Class per kWh	(\$2,085,835)	1,426,717,218		(\$0.001462)

Total TDSIC-12 Rates

Total Combined TDSIC-12 Energy Charge				\$0.003334
Total Distribution Fixed Charge				\$6.00

Deferred Revenue Requirement

Total 20% Deferred Revenue Requirement TDSIC-12	\$7,762,250			
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** Distribution costs collected through a fixed charge for rate RS capped at \$6.00 in TDSIC-12. Rate B and Rate SGS fixed charge is \$5.14 and \$6.00 respectively.

AFFIRMATION

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

A handwritten signature in black ink that reads "Wes R. Blakley". The signature is written in a cursive style with a horizontal line extending to the right from the end of the name.

Wes R. Blakley
Senior Utility Analyst
Indiana Office of Utility Consumer Counselor
Cause No 44910 TDSIC-12 CenterPoint

Date: April 3, 2023

CERTIFICATE OF SERVICE

This is to certify that a copy of the *OUCC's Public Testimony of Wes R. Blakley* has been served upon the following parties of record in the captioned proceeding by electronic service on April 3, 2023.

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