

ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Bennett	√		
Freeman	√		
Veleta	√		
Ziegner	√		

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) CAUSE NO. 44910 TDSIC 13
 STORAGE SYSTEM IMPROVEMENT CHARGE)
 (“TDSIC”) RATE SCHEDULE; (2) AUTHORITY) APPROVED: NOV 29 2023
 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.)**

ORDER OF THE COMMISSION

Presiding Officers:

**David E. Ziegner, Commissioner
Kehinde Akinro, Administrative Law Judge**

On August 1, 2023, Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South (“Petitioner” or “CEI South”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”), initiating this Cause. CEI South also filed the direct testimony and attachments of the following witnesses:

- Stephen R. Rawlinson, Director, Electric Engineering, for CEI South;
- Chrissy M. Behme, Manager, Regulatory Reporting, for CEI South; and
- Matthew A. Rice, Director, Indiana Electric Regulatory and Rates, for CEI South.

On October 2, 2023, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and attachments of Wes R. Blakley, Senior Utility Analyst in the OUCC’s Electric Division. CEI South filed a Notice of Intent Not to File Rebuttal Testimony on October 13, 2023.

The Commission held an evidentiary hearing in this Cause at 10:30 a.m. on October 31, 2023 in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. CEI South and the OUCC appeared and participated in the hearing by counsel, and the testimony and exhibits of CEI South and the OUCC were admitted into the record without objection.

Based on the applicable law and the evidence of record, the Commission finds:

1. **Notice and Jurisdiction.** Notice of the hearing in this Cause was given and published by the Commission as required by law. CEI South is a public utility as that term is defined in Ind. Code §§ 8-1-2-1(a) and 8-1-39-4. Under Ind. Code ch. 8-1-39, the Commission has jurisdiction over a public utility's petition to approve rate schedules establishing a Transmission, Distribution, and Storage System Improvement Charge ("TDSIC") that will allow for the periodic adjustment of the public utility's basic rates and charges to provide for timely recovery of 80% of approved capital expenditures and TDSIC costs. Therefore, the Commission has jurisdiction over CEI South and the subject matter of this proceeding.

2. **CEI South's Characteristics.** CEI South is a corporation organized and existing under Indiana law with its principal office located at 211 NW Riverside Drive, Evansville, Indiana. CEI South provides retail electric service to the public and owns and operates electric generating plant and distribution system facilities for the production, storage, transmission, distribution, and furnishing of electric service to approximately 150,000 electric consumers in southwestern Indiana. Its service territory is spread throughout seven counties: Pike, Gibson, Dubois, Posey, Vanderburgh, Warrick, and Spencer.

3. **Background.** On September 20, 2017, the Commission issued an Order in Cause No. 44910 ("44910 Order"), approving CEI South's Seven-Year Plan and the TDSIC Settlement Agreement entered into by CEI South, the OUCC, and the Vectren Industrial Group ("Industrial Group") (the "44910 Settlement Agreement"). In the 44910 Order, the Commission: (1) approved the Settlement Agreement in its entirety; (2) found the projects included in CEI South's revised TDSIC Plan, including substitution projects are "eligible transmission, distribution, and storage system improvements"; (3) authorized CEI South to implement the TDSIC and other tariff changes to effectuate timely recovery of 80% of up to \$446.5 million of eligible and approved capital expenditures and TDSIC costs; (4) authorized deferral and later recovery of 20% of eligible and approved capital expenditures and TDSIC costs; (5) authorized allocation of the costs associated with the TDSIC Plan in the manner described in the Settlement Agreement, as well as recovery of a portion of distribution-related TDSIC costs from residential and small commercial customers through a fixed monthly charge; (6) authorized deferral of depreciation expense and post-in-service carrying costs associated with the Automated Metering Infrastructure ("AMI") project for recovery in CEI South's subsequent retail base rate proceeding; and (7) authorized CEI South to adjust its authorized net operating income to reflect any approved earnings associated with the TDSIC.

4. **Relief Requested.** Pursuant to Ind. Code § 8-1-39-9(a) and (b) and the terms of the 44910 Settlement Agreement, CEI South requests: (1) approval of new TDSIC factors to effectuate the timely recovery of 80% of approved capital expenditures and TDSIC costs to be applicable and made effective for bills during the first billing cycle starting November 1, 2023, or as soon thereafter as practicable; (2) authorization for the TDSIC factors, upon becoming effective, to remain in effect until replaced by different TDSIC factors approved in a subsequent filing; (3) approval of the capital expenditures and TDSIC costs incurred through April 30, 2023, and of forecasted TDSIC costs upon which the proposed factors are based; (4) approval of the Updated TDSIC Plan filed with the Petition in accordance with Ind. Code § 8-1-39-9(a), which requires a public utility to update its Seven-Year TDSIC Plan at least once annually; (5) interim deferral and

recovery of 80% of eligible and approved capital expenditures and TDSIC costs in connection with its Updated TDSIC Plan through the TDSIC and deferral of 20% of eligible and approved capital expenditures and TDSIC costs, including depreciation and allowance for funds used during construction in connection with the Updated TDSIC Plan for recovery in CEI South's next general rate case; and (6) approval of an adjustment to its authorized net operating income to reflect any approved earnings for purposes of Ind. Code § 8-1-2-42(d)(3).

5. Commission Discussion and Findings. CEI South submitted its Verified Petition and supporting testimony and exhibits to demonstrate compliance with the requirements of Ind. Code § 8-1-39-9 and the 44910 Order.

A. Past and Future Rate Case Timing and TDSIC Timing. Ind. Code § 8-1-39-9(d) states that, “[e]xcept as provided in section 15 of this chapter, a public utility may not file a petition under subsection (a) within nine (9) months after the date on which the commission issues an order changing the public utility's basic rates and charges with respect to the same type of utility service.” At the time of filing, CEI South's most recent retail electric base rate order was issued April 27, 2011, in Cause No. 43839. The Commission finds that CEI South's request in this Cause was filed more than nine months after CEI South's last general rate case in accordance with Ind. Code § 8-1-39-9(d).

Ind. Code § 8-1-39-9(f) states that “[a] public utility may file a petition under this section not more than one (1) time every six (6) months.” CEI South filed its Verified Petition in this Cause consistent with the terms of the 44910 Settlement Agreement approved in the 44910 Order and not within six months of a previous TDSIC adjustment filing. Mr. Rawlinson testified that CEI South updates its TDSIC project costs on a semi-annual basis through tracker filings each August 1 and February 1. He explained that the August tracker filing updates costs through April 30, and the February tracker filing updates costs through October 31. The Commission finds that CEI South's timeline for TDSIC filings is consistent with Ind. Code § 8-1-39-9(f).

B. CEI South's Updated TDSIC Plan. Ind. Code § 8-1-39-9(a) requires a utility to update its Seven-Year Plan annually at a minimum. Mr. Rawlinson testified that the TDSIC Plan has been revised to capture project estimate increases or decreases based on updated cost information and scope of work refinement. The Commission finds that the Updated TDSIC Plan that CEI South submitted in this Cause is in accordance with the statute.

C. Revenue Requirement. The 44910 Order granted CEI South accounting authority for, and subsequent recovery of, costs associated with its approved TDSIC Plan. The accounting authority includes the timely recovery within the TDSIC of 80% of the revenue requirement associated with the Plan capital investments and expenses, and deferral of the remaining 20% of the revenue requirement until CEI South's next base rate case.

CEI South proposes the following ratemaking and accounting treatment, in accordance with the 44910 Order:

- (1). Authorization of the eligible revenue requirement amounts as of April 30, 2023, inclusive of the amounts associated with:
 - a. Capital investment in eligible projects, both completed and under construction;
 - b. Financing costs incurred on projects during construction;
 - c. Post-in-service carrying costs on eligible completed projects; and
 - d. Deferred expenses, projected incremental depreciation, and property taxes expense.
- (2). Recovery, via the TDSIC, of 80% of the eligible revenue requirement amounts as of April 30, 2023, which is \$34,422,822 (Petitioner's Exhibit 2, Attachment CMB-1, Schedule 1, Line 16, Column C).
- (3). Deferral of 20% of the eligible revenue requirement amounts as of April 30, 2023, which is \$8,605,706 (Petitioner's Exhibit 2, Attachment CMB-1, Schedule 1, Line 17, Column C), for subsequent recovery in a base rate case.

CEI South filed its Verified Petition and case-in-chief in support of its request for approval of TDSIC rates and charges on August 1, 2023. Mr. Blakley confirmed CEI South's calculation of its revenue requirement and testified that nothing came to his attention that would indicate CEI South's calculation of its estimated TDSIC adjustment factors for the relevant period is unreasonable. The Commission finds the annual revenue requirement of \$43,028,528 as calculated in Petitioner's Exhibit 2, Attachment CMB-1, Schedule 1, Line 15, Column C is correct, and such revenue requirement is approved.

We further find CEI South's proposed total revenue requirement has been calculated in compliance with the tracker methodology approved in the 44910 Order and is approved. Pursuant to Ind. Code Ch. 8-1-39, only 80% of this revenue requirement is recoverable in CEI South's TDSIC mechanism. We approve the recovery of 80% of the total revenue requirement amounts, \$34,422,822, as noted in Petitioner's Exhibit 2, Attachment CMB-1, Schedule 1. We also approve the deferral for subsequent recovery in CEI South's next base rate proceeding of 20% of the total revenue requirement amounts, \$8,605,706, as noted in Petitioner's Exhibit 2, Attachment CMB-1, Schedule 1. In addition, the collection of 80% of the revenue requirement is, in order of priority, the full return on the investments, including the full equity and debt return and then eligible operating expenses. The collection priority will not impact the total amount authorized by the Commission in this Order for immediate recovery in the TDSIC or the amount deferred and authorized for future recovery in a base rate proceeding as noted in Petitioner's Exhibit 2, Attachment CMB-1, Schedule 1. In the event the authorized revenue requirement in a TDSIC proceeding is not fully recovered in the applicable TDSIC, the unrecovered amount becomes a variance that is recoverable in the subsequent reconciliation process.

D. Approved Capital Expenditures and TDSIC Costs. CEI South’s total capital investment of \$394,675,871 (Petitioner’s Exhibit 2, Attachment CMB-1, Schedule 1, Line 6, Column C) for its TDSIC projects through April 30, 2023, was below the maximum annual capital expenditure of \$383,272,000 (not including the 5% annual tolerance level) as set forth in the 44910 Settlement Agreement. Mr. Rawlinson testified that, from November 1, 2022 through April 30, 2023, approximately 43 projects were initiated, and approximately 40 projects were completed. He stated that construction resources have steadily been increased in order to execute the TDSIC Plan while maintaining adequate project management, construction management, and cost controls over all activities. Mr. Rawlinson also testified that, based on progress to date, CEI South’s project timeline and cost projections indicate that both the 2023 annual and overall TDSIC Plan targets will be achieved.

Based upon the evidence presented, the Commission finds that CEI South should be authorized to recover 80% of these eligible and approved capital expenditures and TDSIC costs upon which the proposed factors are based.

E. TDSIC Factors. Petitioner’s Exhibit 3, Attachment MAR-1, Schedule 2 shows how the TDSIC rates and charges were calculated.

Proposed TDSIC Charge/Factors			
Rate Schedule	\$ Per Month	\$ Per KW or kVa	\$ per kWh
RS	\$6.50		\$0.004158
B	\$5.56		\$0.002841
SGS	\$6.50		\$0.005264
DGS/MLA		\$1.558	
OSS		\$2.425	
LP		\$0.899	
LP-TVD		(\$0.406)	
BAMP		\$0.493	
HLF		\$0.415	
SL/OL	\$0.45		

Mr. Rice testified that Schedule 2 is divided into three sections showing the different allocation percentages applicable to the TDSIC costs to derive the TDSIC charges: transmission revenue requirement, distribution revenue requirement, and the Excess Accumulated Deferred Income Tax Credit (“EADIT Credit”) component of the TDSIC rate. The allocation percentages used for the transmission and distribution revenue requirement reflect the 44910 Settlement allocation percentages, which are based on CEI South’s Cost of Service Study in its last base rate case, and the allocation percentages used for the EADIT Credit amount, which are based on the settlement in Cause No. 45032 S21 and noted below:

<u>Rate Schedule</u>	<u>Transmission Allocation Percentage</u>	<u>Distribution Allocation Percentage</u>	<u>EADIT Credit Allocation Percentage</u>
RS	42.62%	58.44%	42.67%
B	0.13%	1.12%	0.20%
SGS	1.82%	4.10%	1.16%
DGS/MLA	27.33%	22.53%	30.15%
OSS	2.12%	2.32%	2.11%
LP	25.33%	10.59%	21.97%
HLF	0.65%	0.01%	0.93%
SL/OL	0.00%	0.89%	0.81%

Mr. Rice testified that the allocation percentages are applied separately to transmission and distribution rates and divided by the estimated billing determinants. Consistent with the 44910 Settlement Agreement, the distribution-related costs do not exceed the \$6.50 per customer per month cap for TDSIC 13. Petitioner’s Exhibit 3, Attachment MAR-1, Schedule 3 shows CEI South’s TDSIC rates and charges using the information in Schedule 2.

Mr. Blakley found nothing unreasonable in CEI South’s calculation of the TDSIC factors and recommended their approval.

Based on the evidence of record, the Commission finds that the proposed TDSIC factors set forth in Petitioner’s Exhibit 3, Attachment MAR-1, Schedule 3 were correctly calculated, and such factors are therefore approved.

F. EADIT Credit. Ms. Behme testified that CEI South is including a projected level of EADIT Credits within the TDSIC, in accordance with the stipulated provisions in the August 29, 2018, Order in Cause No. 45032 S21 (“Tax Reform Order”). This credit amount of \$(5,527,597) is the annual projected credit for November 2023 through October 2024, and is allocated in accordance with the allocation percentages noted in Paragraph 5-E. The OUCC noted and raised no objection to CEI South’s credit amount and the impact on residential customers. The Commission finds that the proposed EADIT Credit has been properly calculated consistent with the requirements of the Tax Reform Order.

Mr. Rice testified that on July 6, 2023, CEI South made a compliance filing in the form of an updated tariff along with supporting schedules that were revised to account for the EADIT adjustment required by the Commission’s January 4, 2023, Order in Cause No. 45722.

G. Billing Period. In the 44910 Order, we authorized CEI South to file its petitions and cases-in-chief every six months, on or before August 1 and February 1 of each year, with new semi-annual TDSIC charges becoming effective on November 1 and May 1, respectively. The August filing recovers costs incurred through May 30, and the February filing recovers costs incurred through October 31. In the 44910 Settlement Agreement, CEI South agreed to waive the statutory deadline for an Order in this initial TDSIC 1 subdocket. Accordingly, the TDSIC rates and charges approved herein shall become effective immediately following the issuance of this Order and upon filing and approval of Appendix K, the Transmission, Distribution, and Storage

System Improvement Charge, with the Energy Division of the Commission. In the event the authorized revenue requirement amount of \$34,422,822 is not fully recovered during the TDSIC 13 billing period, any unrecovered amount will be a recoverable variance in the subsequent reconciliation process. CEI South shall file the TDSIC 14 proceeding on or before February 1, 2024, in accordance with the terms of the 44910 Settlement Agreement.

H. Projected Effect on Retail Rates and Charges. Ind. Code § 8-1-39-9(a)(3) requires a utility to identify the projected effects of the plan on retail rates and charges. Petitioner's Exhibit 3, Attachment MAR-3 summarizes the estimated year-over-year impact on customer rates for the life of the TDSIC Plan. We find that CEI South identified the projected effects of the Seven-Year TDSIC Plan on retail rates and charges as required by Ind. Code § 8-1-39-9(a)(3).

I. Average Aggregate Increase in Total Retail Revenues. Ind. Code § 8-1-39-14(a) states:

The commission may not approve a TDSIC that would result in an average aggregate increase in a public utility's total retail revenues of more than two percent (2%) in a twelve (12) month period. For purposes of this subsection, a public utility's total retail revenues do not include TDSIC revenues associated with a target economic development project.

Ms. Behme testified that the increase in the TDSIC revenue requirement is determined by comparing the increase in TDSIC revenue requirement to the 2% of retail revenues from the prior 12-month period. Petitioner's Exhibit 2, Attachment CMB-1, Schedule 9 shows that CEI South's retail revenues do not exceed the 2% cap during the previous 12-month period.

The Commission finds that CEI South's annual retail revenues will not result in an average aggregate increase of more than 2% in a 12-month period.

J. Adjustment of Net Operating Income. Consistent with the 44910 Settlement Agreement, CEI South proposes to adjust its statutory Net Operating Income ("NOI") earnings test by increasing its authorized NOI by incremental earnings from approved TDSIC filings in the amount of \$24,390,969. The OUCC did not note any objections to CEI South's adjustment to its authorized NOI. We find this approach consistent with the 44910 Settlement Agreement and find CEI South's request is reasonable and should be approved.

K. Compliance with 44910 Order. The 44910 Order approved and incorporated the 44910 Settlement Agreement in its entirety. CEI South's witnesses supported CEI South's compliance with the 44910 Order in their testimony.

The 44910 Settlement Agreement set specific limits to CEI South's electric TDSIC project contingency factors at 15% for years one through three and 25% for years four through seven of the TDSIC Plan. Mr. Rawlinson testified that CEI South's project estimates are within the set contingency factors.

The 44910 Settlement Agreement set engineering and supervision capital overhead costs and administrative and general capital overhead costs, combined, at or below 18% of overall

project direct costs. Mr. Rawlinson confirmed in his testimony that these costs are consistent with the 44910 Settlement Agreement. Mr. Rawlinson also testified that the project costs are within the cap set forth under the 44910 Settlement Agreement.

L. Reconciliations. Mr. Rice testified that CEI South is including a reconciliation of revenues and costs in this filing, starting with rates approved in Cause No. 44910 TDSIC 1. As required by past TDSIC orders, CEI South submitted testimony detailing and supporting the calculation of the variance and provided the OUCC with this calculation during the pre-filing meeting. The variance included totaled \$50,689 of over-collection for the TDSIC 13 period. These variances are determined by specific rate schedule and included in the rates and charges proposed in this filing. The OUCC supported CEI South's calculation of the variance. Based on the evidence of record, we find that CEI South has properly calculated the reconciliation variance for the TDSIC 13 period.

6. Confidential Information. On August 1, 2023, CEI South filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information in this Cause, which was supported by Mr. Rawlinson's affidavit showing that certain information to be submitted to the Commission was trade secret information as defined in Ind. Code § 24-2-3-2 and should be treated as confidential in accordance with Ind. Code §§ 5-14-3-4 and 8-1-2-29. The Presiding Officers issued a docket entry on August 14, 2023, finding the information should be held confidential on a preliminary basis, after which the information was submitted under seal on August 14, 2023. After review of the information and consideration of Mr. Rawlinson's affidavit, we find the information is trade secret information as defined in Ind. Code § 24-2-3-2, is exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29, and shall be held confidential and protected from public access and disclosure by the Commission.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. CEI South's Updated TDSIC Plan, filed concurrently with this Petition, is approved, and the projects set forth therein constitute "eligible transmission, distribution, and storage system improvements" within the meaning of Ind. Code § 8-1-39-2.

2. CEI South is authorized to recover 80% of the costs incurred in connection with the TDSIC Plan in the amount of \$34,422,822 through the TDSIC and to defer 20% of the costs incurred, including ongoing carrying charges on all deferred costs, in the amount of \$8,605,706 for recovery in its next general rate case.

3. CEI South's TDSIC factors are approved as set forth in Appendix K, the Transmission, Distribution and Storage System Improvement Charge (Petitioner's Exhibit 3, Attachment MAR-2), to effectuate the timely recovery of 80% of approved capital expenditures and TDSIC costs to be applicable and made effective immediately following the issuance of this Order and upon the filing of Appendix K with the Commission's Energy Division, and shall remain in effect until replaced by different TDSIC factors approved in a subsequent filing.

4. Prior to implementing its TDSIC factors, CEI South shall file under this Cause a revised Appendix K tariff sheet for approval by the Energy Division that reflects the Commission's

findings in this Order pursuant to Ind. Code § 8-1-39-9(a) to effectuate the timely recovery of 80% of eligible and approved capital expenditures.

5. CEI South's capital expenditures and TDSIC costs upon which the proposed factors are based are approved.

6. CEI South is authorized to adjust its authorized net operating income to reflect any approved earnings for purposes of Ind. Code § 8-1-2-42(d)(3).

7. The information submitted under seal in this Cause pursuant to CEI South's request for confidential treatment is determined to be confidential trade secret information as defined in Ind. Code § 24-2-3-2 and shall continue to be held as confidential and exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29.

8. This Order shall be effective on and after the date of its approval.

HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR:

APPROVED: NOV 29 2023

**I hereby certify that the above is a true
And correct copy of the Order as approved.**

**Dana Kosco
Secretary of the Commission**