FILED
April 25, 2024
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A CENTERPOINT ENERGY INDIANA SOUTH ("CEI SOUTH") FOR (1) AUTHORITY TO MODIFY ITS RATES AND CHARGES FOR ELECTRIC UTILITY SERVICE THROUGH A PHASE-IN OF RATES, (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES, AND NEW AND REVISED RIDERS, INCLUDING BUT NOT LIMITED TO A NEW TAX ADJUSTMENT RIDER AND A NEW GREEN POWER RIDER (3) APPROVAL OF A CRITICAL PEAK PRICING ("CPP") PILOT PROGRAM, (4) APPROVAL OF REVISED DEPRECIATION RATES APPLICABLE TO ELECTRIC AND COMMON PLANT IN SERVICE, (5) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING RELIEF, INCLUDING AUTHORITY TO CAPITALIZE AS RATE BASE ALL CLOUD COMPUTING COSTS AND DEFER TO A REGULATORY ASSET AMOUNTS NOT ALREADY INCLUDED IN BASE RATES THAT ARE INCURRED FOR THIRD-PARTY CLOUD COMPUTING ARRANGEMENTS, AND (6) APPROVAL OF AN ALTERNATIVE REGULATORY PLAN GRANTING CEI SOUTH A WAIVER FROM 170 IAC 4-1-16(f) TO ALLOW FOR REMOTE DISCONNECTION FOR NON-PAYMENT.	**CAUSE NO. 45990**))))))))v

<u>INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S</u>
<u>FOURTH NOTICE OF CORRECTION</u>

The Indiana Office of Utility Consumer Counselor ("OUCC"), by counsel, respectfully submits corrections to the Prefiled Direct Testimonies of OUCC Witnesses Michael Eckert, Public's Exhibit No. 1, Brian Latham, Public's Exhibit No. 2, Kaleb Lantrip, Public's Exhibit No. 3, Jason Compton, Public's Exhibit No. 5, Margaret Stull, Public's Exhibit No. 6, and Gregory Krieger, Public's Exhibit No. 8, some of which Southern Indiana Gas and Electric Company D/B/A CenterPoint Energy Indiana South identified in its prefilings. Redline and clean versions of the corrected pages are attached.

The OUCC will include clean copies of the direct testimony in the court reporter copies offered into evidence at the hearing.

Respectfully submitted,

T. Jason Haas
Attorney No. 34983-29
Deputy Consumer Counselor

requests for fuel cost, fuel inventory, Culley 3 outage capital expenditures, and amortization expense.

The OUCC recommends the Indiana Utility Regulatory Commission ("IURC" or "Commission"):

1) Reject CEI South's requested annual rate increase of $118.757 million. As explained by OUCC witness Brian Latham, the OUCC's analysis shows Petitioner has justified an increase of $48.315~~33.120~~ million. This is largely due to capital projects that have received IURC preapproval as allowed by state law;

2) Reject Petitioner's requested 10.4% authorized return on equity ("ROE"), and approve a 9.00% ROE as set forth by OUCC witness Shawn Dellinger and modified in my testimony below;

3) Reduce Mr. Dellinger's 9.00% ROE by an additional 20 basis points due to continued issues with CEI South's reliability, customer satisfaction, and challenges the OUCC has faced in conducting its analysis of Petitioner's requests, as I will explain;

4) Deny Petitioner's proposed increases to its monthly customer charges for residential and small business customers, as explained by OUCC witness David Dismukes.

5) Continue the current agreement which allows the OUCC and intervenors to file Fuel Adjustment Charge ("FAC") testimony 35 days after CEI South files its petition and testimony;

6) Approve modifications to certain depreciation rates as recommended by OUCC witness David Garrett; and

7) Approve the recommendations and proposals of the OUCC's additional witnesses.

Q: Please describe the review and analysis you conducted to prepare your testimony.

A: I reviewed CEI South's petition and prefiled testimony in this proceeding. I also read relevant Commission Orders and reviewed Petitioner's workpapers and its Minimum Standard Filing Requirements. I submitted data requests ("DR") and reviewed Petitioner's responses to the OUCC's and Intervenors' DRs. I examined

Commission finds should be authorized. From Mr. Dellinger's recommendation, this results in an authorized ROE of 8.8%.

X. OVERVIEW OF CEI SOUTH'S CASE-IN-CHIEF AND OUCC REVENUE REQUIREMENTS

Q: Please summarize the OUCC's findings regarding Petitioner's revenue requirement.

A: As stated above, CEI South requests a $118.757 million rate increase. By comparison, the OUCC's analysis shows that an increase of $48.315~~33.120~~ million[21] is justified by the evidence in this case.

Q: Please summarize your recommendations regarding a return on rate base.

A: The OUCC's revenue requirements are based on an original cost rate base of $2,520,842,218. However, the rate base will ultimately be updated to reflect actual rate base on December 31, 2025, subject to a cap not to exceed the lesser of the rate base forecast in Petitioner's case-in-chief or the forecasted rate base amount approved in the Commission's Order. The OUCC recommends the Commission grant the parties in this Cause at least sixty (60) days to review Petitioner's updated rate base and capital structure presented in a compliance filing containing all pertinent documentation supporting the updated rate base. The OUCC's recommended WACC is 6.29,[22] with a 9.00% ROE (less the 20-basis point incentive discussed above.)

XI. OUCC REVENUE REQUIREMENT ANALYSIS

Q: Please provide an overview of the OUCC's process to evaluate CEI South's revenue requirements.

---

[21] Direct Testimony of Brian R. Latham, Schedule BRL-1.
[22] *Id.*, Schedule BRL-8.

[redacted]

Q: Has CEI South struggled to maintain its coal inventory pile effectively and efficiently with respect to the quantity it has on hand?

A: Yes. As the table above shows, CEI South has struggled to maintain its coal inventory effectively or efficiently at an appropriate level, as approved in Petitioner's last rate case. The table shows CEI South had excessive coal inventory during most of 2023, which imposes an additional and unnecessary cost on ratepayers.

Q: What is the maximum day burn at Culley Unit 3?

A: The maximum day burn at Culley Unit 3 is [redacted].[32]

Q: Please explain how you calculated the OUCC's recommended coal inventory level.

A: The OUCC calculated the inventory level by multiplying [redacted] by the MDB [redacted] by the inventory cost per ton [redacted]

Q: What is the amount of coal inventory in days, tons, and dollars the OUCC is recommending be included in rate base?

A: An average of the test year would be a reasonable coal inventory level for Petitioner to include in rate base. The OUCC is recommending an inventory level of [redacted] at [redacted] or $8,215,500~~6,846,250~~. Thus, the OUCC recommends a fuel inventory level of $8,990,701~~6,846,250~~ as opposed CEI South's amount of

[32] Informational Publication on Culley Generating Station, found at https://pubs.naruc.org/pub.cfm?id=537D00E9-2354-D714-51FF-3ADC617478CC

$11,940,667, which is a $2,949,966~~5,094,417~~ greater reduction than Petitioner proposes.

XVII. FUEL COST

Q: Does the OUCC accept CEI South's requested base cost of fuel?

A: No. CEI South is requesting a base cost of fuel that is too high given current market conditions. Petitioner is proposing a $0.048139 per kWh base cost of fuel as compared to the $0.038295 per kWh currently approved base cost of fuel.

Q: What components of the base cost of fuel are too high?

A: The cost of natural gas and MISO market prices are too high.

Q: Why do you believe CEI South's cost of natural gas and MISO market prices are too high?

A: Petitioner used the forecasted cost of natural gas and MISO market prices for 2025 as of [redacted][33]. As of March 4, 2024,[34] the forecasted cost of natural gas and MISO market prices for 2025 had decreased by approximately [redacted] respectively.

Q: Is the forecasted cost of natural gas expected to remain low?

A: Yes. Fitch,[35] Reuters,[36] and the Economy Forecast Agency[37] all expect the cost of natural gas to remain low.

Q: What factors are affecting the cost of natural gas?

---

[33] Confidential Attachment MDE-5.
[34] Confidential Attachment MDE-6.
[35] https://www.fitchratings.com/research/corporate-finance/north-american-henry-hub-natural-gas-prices-reach-historic-low-steady-production-warm-weather-drive-winter-gas-prices-down-06-03-2024.
[36] https://www.nasdaq.com/articles/us-natgas-prices-fall-3-to-fresh-one-week-low-on-milder-forecasts.
[37] https://longforecast.com/natural-gas-forecast-2017-2018-2019.

XX. RECOMMENDATIONS

Q: What do you recommend in this proceeding?

A: I recommend the Commission:

1) Reject Petitioner's requested $118.757 million annual rate increase, and instead limit the increase to $48.315~~33.120~~ million as supported by the OUCC's revenue requirement adjustments and recommendations;

2) Extend the current agreement allowing the OUCC and intervenors to file FAC testimony 35 days after CEI South files its petition and testimony;

3) Approve the recommendations detailed in the testimony of additional OUCC witnesses;

4) Approve an additional downward adjustment of 20 basis points to the recommendation of Mr. Dellinger or make such adjustment to the ROE authorized; and

5) Consider and adhere to the state policy of promoting utility investment in infrastructure while protecting the affordability of utility service, and only approve necessary and reasonable requests required for CEI South's provision of electric service at reasonable rates.

Q: Does this conclude your testimony?

A: Yes.

South's proposed capital structure and found it to be reasonable, except for the proposed return on equity ("ROE"), which OUCC witness Shawn Dellinger discusses in his testimony, and as adjusted by OUCC witness Michael Eckert. I propose a weighted average cost of capital ("WACC") corresponding with Mr. Eckert's final ROE recommendation.

Q: Please describe the review and analysis you conducted to prepare your testimony.

A: I reviewed relevant portions of CEI South's petition, testimony, exhibits, data responses, and workpapers in this Cause. I also reviewed previous filings and the Commission's final Orders in Cause Nos. 45799, 45458, 45590, and 43839.

Q: To the extent you do not address a specific issue, item or adjustment, should that be construed to mean you agree with CEI South's proposal?

A: No. My silence regarding any topics, issues, or items CEI South proposes does not indicate my approval of those topics, issues, or items. Rather, the scope of my testimony is limited to the specific items addressed herein.

I. OUCC REVENUE RECOMMENDATION

Q: Please summarize your findings regarding CEI South's revenue requirement.

A: My compilation of the OUCC's analyses shows CEI South has justified an annual revenue increase of $~~33,199,749~~48,315,224[1] or approximately ~~4.48~~6.52%. This

[1] Schedule BRL-1, pg. 1, line 1.

increases. Column G sums the OUCC's Adjusted Revenue and Expenses with its Proposed Increase, yielding the OUCC proposed test year Proforma Revenue and Expenses.

Q: Please describe Schedule BRL-7.

A: Schedule BRL-7 is a Rate Base Summary that compares CEI South's proposed test year rate base with the OUCC's proposed test year rate base.

Q: Please describe Schedule BRL-9.

A: Schedule BRL-9 is a comparison of CEI South's test year income statement with the OUCC's income statement reductions.

Q: Are you directly sponsoring any adjustments?

A: Yes. I am making adjustments for depreciation, accumulated depreciation, and income taxes.

Q: What is your depreciation adjustment?

A: Using OUCC Witness Mr. David Garrett's proposed depreciation rates,[4] I calculated a depreciation reduction of $~~6,259,258~~5,452,579, as shown on workpaper Depr-20. All assets eliminated by OUCC witnesses were treated as if they were retired in the most appropriate account that minimizes the depreciation reduction.

Q: What is your adjustment to accumulated depreciation?

[4] Direct Testimony of OUCC Witness David Garrett, Workpaper D40, tabs "3 Mass Parameter Comp" and "4 Detail Rate Comp."

On Schedule BRL–20, columns q through x, I adjust accumulated depreciation by $5.~~7~~3 million due to Mr. Garrett's depreciation decrease and the adjustments in Utility Plant in Service proposed by various OUCC witnesses. All additions, retirements and transfers are treated as if they happen on June 30, 2025 (halfway through 2025). This reduction is then added to OUCC witness Mr. Kaleb Lantrip's $7,312 depreciation adjustment to yield a $~~5,709,090~~5,344,788 accumulated depreciation reduction. Mr. Lantrip's and my calculated accumulated depreciation reduction is then increased by 25% ($1,~~427,363~~336,197), to account for an October 1, 2024, anticipated order in this case. My calculation is shown in BRL - Table 1, below:

Table 1

Line	Description	Witness (OUCC)	Proposed Amount Petitioner	OUCC	Variance
1	Accumulated Depreciation		$ (1,227,300,954)	$ (1,227,300,954)	$ -
2	Adjustment IT	J. Compton	-	3,000,000	3,000,000
3	Costs Excluded in CN45903	C. Armstrong		(288,150)	(288,150)
4	Reduction in from Latham/Lantrip	B. Latham		6,680,985	6,680,985
5	Reduction From G. Krieger	G. Krieger		71,677,088	71,677,088
6	Adjusted Accumulated Depreciation	TOTAL	$ (1,227,300,954)	$ (1,146,231,031)	$ 81,069,923
7	Depreciation Adjustments:				
8	Accumulated Calc (Depr-WP20)	B. Latham		$ 5,337,476	
9	Depreciation Adjustment (Depr-WP2)	K. Lantrip		7,312	
10	Accumulated Adjustment	Line 8+ Line 9		5,344,788	
11	Qurter of the Year			25%	
12	4th qtr 2024 (post order)	Line 11 * 0.25		1,336,197	
13	Total Depreciation Reserve Adj	Line 10 + Line 12		$ 6,680,985	

Field Code Changed

Q: What adjustment did you make to income taxes?

My adjustment for income taxes represents the taxes on the OUCC's Operating income on Schedule BRL-6, column D. The adjustment is applied to net operating income at the statutory state rate (4.9%) and the statutory federal rate (21%). This adjustment is in the workpapers as Taxes-WP8. BRL - Table 2 below illustrates this calculation.

BRL - Table 2

Line	Description	OUCC Adjustments
1	Operating Revenues	$ -
2	Operation & Maintenance Expense	(15,471,638)
3	Depreciation Expense	(14,686,732)
4	Property Taxes	-
5	Operating Income Before State Income Taxes	$ 30,158,370
6	State Tax Rate	4.90%
7	State Income Tax Expense 4.9%	$ 1,477,760
8	Operating Income Subject to Fed Taxes	$ 28,680,610
9	Federal Tax Rate	21.0%
10	Federal Income Tax Expense 21%	$ 6,022,928

Q: Please describe Schedule BRL-8.

A: Schedule BRL-8 compares the OUCC's proposed weighted cost of capital with CEI South's proposed weighted cost of capital. There are no proposed changes in the capital structure other than the OUCC's adjustment to the ROE.

Q: What is CEI South's proposed capital structure and WACC for the proposed year ending December 31, 2024?

TESTIMONY OF OUCC WITNESS KALEB G. LANTRIP
CAUSE NO. 45990
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A
~~CNETERPOINT~~ CENTERPOINT ENERGY INDIANA SOUTH

I. INTRODUCTION

Q: Please state your name, business address, and employment capacity.

A: My name is Kaleb G. Lantrip and my business address is 115 W. Washington St., Suite 1500 South, Indianapolis, Indiana 46204. I am employed as a Utility Analyst in the Indiana Office of Utility Consumer Counselor's ("OUCC") Electric Division. A summary of my educational background and experience is included in Appendix A attached to my testimony.

Q: What is the purpose of your testimony?

A: I address Southern Gas and Electric Company D/B/A CenterPoint Energy Indiana South's ("CEI South" or "Petitioner") rate case requests to embed base rate inclusion of investments in its Clean Energy Cost Allocation ("CECA") tracker; ~~Transmission, Distribution, Storage System Improvement Charge ("TDSIC") tracker~~; and Reliability Cost and Revenue Adjustment ("RCRA") tracker. Ultimately, I recommend the Indiana Utility Regulatory Commission ("IURC" or "Commission") disallow Petitioner's request to include $219,348 of costs from the CECA's Urban Living Research Center ("ULRC") in excess of the Cause No. 44909 CECA-5 IURC order's determination limiting the project's approved recovery to $1.15 Million. ~~Furthermore, I recommend Petitioner's TDSIC project costs placed in rate base be restricted to the 20% deferred portion amounts as confirmed and approved through plan updates filed through the rider.~~ I recommend the RCRA rider's embedded costs not include Petitioner's proposed adjustments to Interruptible Sales billing credits and Emissions Allowances balances. Additionally, I discuss the proposed treatment of CEI South's affiliate company arrangements with CenterPoint Energy Service Company, LLC ("CenterPoint Shared Services") and Vectren Utility Holdings, Inc ("VUH").

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

A: I read Petitioner's relevant testimony, attachments, work papers, and responses to data requests from intervenors. I participated in a tech-to-tech meeting with Citizens Action Coalition and CenterPoint Energy on January 31, 2024. Additionally, I reviewed Petitioner's currently approved rate case order, Cause No. 43839, Cause No. 44909 CECA-5 and pending CECA-6, Cause No. 43406 RCRA-21, Cause No. 44910 ("Electric Plan 1"), and Cause No. 45894 ("2024-2028 TDSIC Plan").

Q: To the extent you do not address a specific item, does this mean you agree with those portions of CEI South's proposal?

A: No. Excluding any specific adjustments or amounts CEI South proposes does not indicate my approval of those adjustments or amounts. Rather, the scope of my testimony is limited to the specific items addressed herein.

II. CECA RIDER

Q: What projects are currently included in Petitioner's Clean Energy Cost Adjustment Rider?

A: Petitioner has two pilot solar projects capable of 2.5 MW peak production, which were put in service in November 2018. The first, "Evansville Urban Facility" features only the solar array, while the "Highway 41 Facility" includes an on-site

Battery Energy Storage System. Petitioner completed a third project, the ULRC in December 2022, which is a 105 kW rooftop solar facility attached to the Post House in downtown Evansville.

In Cause No. 45086, Petitioner was approved to use the CECA rider to recover its Troy Solar Project costs. This 50 MW facility was placed into service in December 2020 and uses a levelized rate of recovery schedule over a 35-year expected period.

Q: What projects have been approved to be recovered through the CECA rider, but are not yet in service?

A: In Cause No. 45754, Petitioner was approved to use the CECA rider to recover costs for its Crosstrack Solar facility, which is expected to be in service in 2026.

In Cause No. 45836, Petitioner was approved to use the CECA rider to recover the costs of a $636 Million Wind Project, which is currently expected to have a commercial operation date of December 31, 2026, according to its most recently filed project report update.

In Cause No. 45847, Petitioner was approved to use the CECA rider to recover costs of the Posey Solar Project, which is expected to be online by February 14, 2025. Petitioner's witness Chrissy M. Behme testifies about Petitioner's approval to use the CECA rider for recovery to the extent that project costs are not included in rate base through this filing.[1]

Q: Do you have any recommendations regarding Petitioner's CECA adjustments in this Cause?

[1] Petitioner's Exhibit No. 2, Direct Testimony of Witness Ms. Chrissy M. Behme, p. 22, ll. 12-16.

A: Yes. I recommend Petitioner's request to include $219,348[2] of net project costs related to the ULRC be denied. The Commission's most recent order in Cause No. 44909 CECA-5 found ratemaking recovery should be limited to the $1.15M project estimate given in CECA-4, due to the project's changes in scope from the previous approved cost in CECA-2. This regulatory history of the ULRC project is addressed more comprehensively in OUCC witness Cynthia Armstrong's testimony. Cause No. 44909 CECA-5 also required Petitioner to update the Commission on the outcome of Petitioner's Department of Energy ("DOE") reimbursement request for $60,000.[3]

Q: Has Petitioner provided an update regarding its reimbursement request to the DOE?

A: Yes. Petitioner received $56,407 of its $60,000 reimbursement request from the DOE.[4]

Q: Has the Petitioner provided any other updates regarding ULRC related adjustments?

A: Yes. Petitioner's witness F. Shane Bradford testified to an overhead adjustment, removing costs of $37,195 which had been incorrectly assessed to the ULRC project.[5]

Q: What is your recommendation regarding these updates to CECA offsets?

A: I recommend these adjustments be addressed and implemented in Petitioner's pending CECA-6 rider as one-time offsets to the tariff. Petitioner confirmed there have been no significant changes to the scope of the ULRC since CECA-5 when

---

[2] Petitioner Exhibit No. 7, Direct Testimony of Witness Mr. F. Shane Bradford, p. 21, l. 17 – p. 23, l. 5.
[3] *In re Southern Indiana Gas and Electric Company dba CenterPoint Energy Indiana South.* Cause No. 44909, Final Order pp. 13-14 (Ind. Util. Regul. Comm'n May 30, 2023).
[4] Bradford Direct, p. 21, ll. 19-20
[5] Bradford Direct, p. 21, ll. 20-23.

responding to an OUCC data request.[6] The Commission's May 30, 2023, CECA-5 order states:

> Since DOE is, apparently, continuing to evaluate the extent to which this research will continue, the Commission directs CEI South to promptly update the Commission and the OUCC via a filing in this Cause when a decision is made upon the DOE/ORNL [Oak Ridge National Laboratory] funding and also when DOE makes a decision upon the $60,000 of additional reimbursement CEI South has requested.[7]

Q: What is Petitioner proposing for rate base adjustments to its CECA rider?

A: According to Ms. Behme, and as illustrated in Petitioner's financial exhibit, CEI South is proposing to include $18M[8] in post-in-service carrying costs ("PISCC") from its CECA investments in its Phase 2 adjustment. Petitioner removes the impact of Troy Solar and Crosstrack Solar in its Exhibit No. 20, Schedule B2.1, page 4 adjustment removing $388.8M, as the facilities costs are to be recovered through a levelized rate schedule through the CECA rider rather than through inclusion in rate base.

Q: What is Petitioner proposing for revenue requirement adjustments to its CECA rider?

A: Petitioner is proposing to remove the revenue requirement effect of its non-utility property solar projects of its Troy Solar[9] and Crosstrack Solar[10] facilities, as their recovery is through a levelized cost schedule which will be tracked and updated through the CECA rider instead. Petitioner's Exhibit No. 20 details the following adjustments in its schedules: Schedule C3.17 removes $1.53M of Troy's operating expenses from the test year and Schedule C3.18 regards the removal

---

[6] Attachment KGL-1: Petitioner's response to OUCC DR 1-38.
[7] IURC Cause No. 44909 CECA-5, p. 14.
[8] Petitioner's Exhibit No. 20, Financial Exhibit, Schedule B-4, line 8.
[9] Behme Direct, p. 15, ll. 17-25.
[10] Behme Direct, p. 15, l. 28 – p. 16, l. 12.

$1.56M of Crosstrack Solar expenses. Petitioner's Schedule C3.22 proposes to increase CECA's PISCC and deferred depreciation balances over an amortization period of 27 years ($495.6K) and CECA's deferred operations and maintenance ("O&M") expenses increase of $497.8K over seven years, for a total amortization expense increase of $994.4K.

Petitioner's Schedule C3.3 proposes the CECA rider synchronization adjustment to the rate case's Phase 2 period at the end of its 2025 test year will be a $20.4M increase in rate case revenue requirement.

Q: What do you recommend regarding CEI South's proposed CECA Rider adjustments to its rate base and revenue requirements?

A: Petitioner's proposed CECA Rider adjustments for the additional $219,348 ULRC costs should be denied.

Q: Do other OUCC witnesses also address recommendations which affect the CECA Rider's tariff in this case?

A: Yes. Ms. Armstrong addresses the appropriateness of Petitioner's request to recover the excess ULRC costs through this Cause. Additionally, OUCC witness Brian Wright addresses Petitioner's proposed treatment of RECs through the Green Power Rider, for which CEI South petitioned approval in this Cause. Petitioner has historically sold off its REC inventory and passed back the proceeds from the sales as a ratepayer credit through the CECA rider.

Q: Does Petitioner plan to continue its practice of using its CECA mechanism as a means of distributing proceeds from its sales of Renewable Energy Credits ("RECs").

A: Yes. According to Petitioner's witness Matthew A. Rice, CEI South is proposing to continue using the CECA Rider to flow back the proceeds of REC sales.[11]

~~III. TDSIC RIDER~~

~~Q: What is a TDSIC plan?~~

~~A: A utility may file a petition under Indiana Code § 8-1-39 for a five to seven year plan for executing transmission and distribution projects to address its systems' needs. If the Commission approves this plan, the utility creates a rider tariff and files petitions to update its progress on its approved projects and cost recovery on at least an annual basis.[12] The utility is permitted to recover 80% of its costs through the subsequent updates, with the remaining 20% of investment to be deferred for recovery until the petitioner's next base rate case(s).~~

~~Q: What is Petitioner's history with TDSIC plans?~~

~~A: The Commission has approved two consecutive TDSIC plans for CEI South's electric utility. The first one, Cause No. 44910, was approved through a settlement agreement for the seven-year span of 2017-2023. Petitioner filed its final TDSIC rider update on February 1, 2024, including a request for a \$7.00 residential fixed charge component and an energy charge which includes a variance reconciliation. At the end of 2023, the Commission approved Petitioner's second TDSIC plan, Cause No. 45894, for the five-year period of 2024-2028. Petitioner is planning to file its first plan update in that cause in August 2024.[13]~~

[11] Petitioner's Exhibit No. 19, Direct Testimony of Witness Mr. Matthew A. Rice, p. 9, ll. 13-16.

~~[12] Indiana Code § 8-1-39-9.~~

~~[13] *In re Southern Indiana Gas and Electric Company dba CenterPoint Energy Indiana South.* Cause No. 45894, Final Order p. 35 (Ind. Util. Regul. Comm'n Dec. 27, 2023).~~

~~Q: What accounting treatment approval did the Commission approve in Cause No. 45894?~~

~~A: The Commission's order in Cause No. 45894 approved Petitioner's request for a second TDSIC plan and its requested treatment to defer the 20% portion of its TDSIC investment over its next two general rate cases. This proceeding is the first rate case in which these costs are being considered. The Commission Order at page 37, finding 9 specifically addresses the requested treatment of the 20% as includable in this rate case and the next. But Petitioner's request for timeliness of the remaining 80% of its TDSIC investment could be met by its inclusion in the rider updates and resulting factors, which already include the prioritized amounts. Page 33 of the 45894 order reads:~~

> ~~We find that Petitioner's proposed prioritization of the 80% recovery through the rider in terms of accounting, as described by Ms. Behme in direct and not opposed by the OUCC or the CAC, should be approved. As Ms. Behme explained, this prioritization is needed to assure Petitioner receives the return granted by Ind. Code § 8-1-39-9(c) in accordance with the Financial FASB ASC Topic 980 and is consistent with the recovery prioritization approved in Cause No. 44910.~~[14]

~~While I am not a lawyer, a plain language reading of this order would indicate Petitioner is approved to collect 80% of its TDSIC investment through the rider updates with the approved prioritization and, also, experience shorter regulatory lag on the 20% deferred portion of its investment through the Commission's finding that the 20% deferral is eligible for inclusion in this Cause.~~

~~Q: Do you have any concerns with Petitioner's proposed TDSIC treatment in this Cause?~~

---

[14] ~~*In re Southern Indiana Gas and Electric Company dba CenterPoint Energy Indiana South*, Cause No. 45894, Final Order p. 33, (Ind. Util. Regul. Comm'n Dec. 27, 2023).~~

~~A: Yes. As CEI South has already been approved for filing a semi-annual TDSIC rider update, it would be more administratively efficient to have the 80% portion of TDSIC investment be tracked and remain recovered through the rider until the completion of the Plan and the rate case filing required to be filed before its expiration. Under the TDSIC statute, this 80% portion is permitted through Indiana Code § 8-1-39-9(a), while the 20% portion is deferred for recovery, specifically through the rate case(s). As mentioned above, the Commission granted Petitioner's request to allow for the 20% TDSIC investment portion to be recovered through the timing of this rate case and the next.~~

~~As I understand Petitioner's request to place 100% of its completed TDSIC projects into rate base as of the rate base cutoff date of the 2025 test year,[15] it would create an administrative inefficiency to adjust and reconcile the TDSIC tariff at each phase to clear the billing charge for completed projects through compliance filings and in the TDSIC trackers. Any unidentified errors could result in double recovery as to individual completed projects. However, the 20% deferred portion of TDSIC investment is not billed under the tariff and would not require such adjustments or reconciliations.~~

~~Furthermore, TDSIC riders serve a unique function as capital infrastructure trackers for specific transmission and distribution asset improvements. I am concerned at the prospect of CEI South's accountability if Petitioner receives approval in the rate case for inclusion of 100% rate base of its completed TDSIC investment.~~

~~[15] Rice Direct, p. 36, ll. 20-31.~~

~~**Q: Do you have concerns with the timing of Petitioner's rate case proposal to move 100% of its completed TDSIC projects into rate base?**~~

~~A: Yes. The Cause No. 45894 TDSIC plan has a five-year effective period, and this proposal would equate to cover 40% of the total plan's duration. Additionally, Petitioner has not yet received Commission approval for its first TDSIC plan's (Cause No. 44910) final update, which was filed on February 1, 2024.~~

~~I am concerned about CEI South's requested 100% of rate base inclusion of its completed projects,[16] because this testimony date is before the Commission has approved the last update of the first plan and the first update of the latest plan.~~

~~**Q: What is your recommendation regarding Petitioner's TDSIC recovery in this rate case?**~~

~~A: I recommend Petitioner's rate base recovery be limited to the extent of the 20% deferred investment that has been approved through the rider prior to the Phase 2 cutoff date of December 31, 2025, with the 80% investment recovery to be separately recovered through the TDSIC rider, until the next rate case to be filed before the Plan's expiration.~~

~~**Q: What is your alternative recommendation regarding Petitioner's TDSIC recovery in this rate case?**~~

~~A: If the Commission approves the inclusion in rate base of the non-deferred portion of the completed TDSIC investment, I recommend Petitioner's TDSIC investment included in base rates be capped at the lesser of 1) Petitioner's estimated investment as presented in its proposals in this cause, 2) the amounts approved by the Commission in the 45894 rider updates, or 3) the amounts approved by the Commission in its Final Order in this case.~~

~~[16] Rice Direct, p. 36, ll. 20-31.~~

~~Q: If the Commission does not find this ratemaking proposal equitable, do you have an alternative proposal?~~

~~A: Yes. If in its rate case order the Commission finds the 80% portion of TDSIC investments are eligible to be included in rate base, rather than being tracked separately, I propose the inclusion of these projects in base rates not occur until the end of Phase 2 in 2025. This treatment would hold Petitioner accountable for confirming and verifying its estimated project costs as prudent and reasonable in executing the plan as well as its ability to deliver the proposed benefits to its system and its customers.~~

~~Q: What is Petitioner's proposed amortization expense for its two TDSIC plans' program expenses?~~

~~A: According to Petitioner's Exhibit No. 20, Schedule C-3.21, the December 31, 2025, forecasted it proposes amortizing the first and second plan balances for 20% deferred depreciation and PISCC over 34 years. Its 20% deferred revenue balances will be amortized over seven years. These calculate to $6,278,981 in total combined pro-forma amortization expense.~~[17]

~~Q: What is Petitioner's proposed adjustment for the 80% portion of TDSIC PISCC?~~

~~A: Petitioner's Ex. 20, Schedule B1.1, sponsored by Ms. Behme, details a forecasted effect in test year 2025 of PISCC equaling $16,517,144 from Cause No. 44910 and $5,433,980 from the recently approved Cause No. 45894 TDSIC Plan 2.0, for a total effect of $21,951,124 of Post-In-Service AFUDC in base rates. (Schedule B-1.1).~~

~~Q: What is Petitioner's TDSIC recovery synchronization adjustment?~~

---

[17] ~~Petitioner's Exhibit No. 20: Financial Exhibit, Sch. C3.21.~~

~~A: According to Petitioner's Schedule C-3.2, the total amount forecasted as includable as of December 31, 2025, is a revenue requirement expense adjustment of $2,163,733.~~

~~Q: What is Petitioner's proposed annualized depreciation expense adjustment for TDSIC?~~

~~A: As part of the Petitioner's Schedule C-3.16 total adjustment of $9,946,645, the TDSIC adjustment contributed an annual reduction amount of $4,004,864.~~

~~Q: What is your recommendation regarding Petitioner's proposed rate base and revenue requirement adjustments?~~

~~A: I recommend Petitioner's Cause No. 45894 recovery through rate base be limited to the 20% deferred portion which was approved in the December 27, 2023, order, with the remaining 80% portion being recovered through the schedule of the rider updates.~~[18] ~~The 20% rate base recovery should be held to the extent the Commission has reviewed and approved the underlying project spending in completed Electric Plan 1 investment and the Cause No. 45894 (Current Electric Plan).~~

~~IV.~~ III. RCRA RIDER

Q: What changes is the Petitioner proposing to make to the RCRA rider?

A: According to Petitioner's Exhibit No. 19, Attachment MAR-1, page 117, CEI South is requesting the following embedded amounts be the new default base rate standard against which RCRA updates are compared:

- Non-Fuel Purchased Power costs: $20,583,262
- Interruptible Sales billing credits: $725,000

~~[18] *In re* Cause No. 45894 order, dated Dec. 27, 2023, p. 33.~~

- Environmental Emissions Allowance expenses: $3,519,952
- Wholesale Power Marketing ("WPM") margin sales revenues: $21,723,254
- BAMP Backup Generation Capacity Services revenues: $201,960.

The last entry on this list would be a new part of the RCRA rider, which Petitioner is proposing through this rate case to add to the tariff. Part of the WPM adjustment above is due to CEI South's proposal to change its WPM sales margins sharing to flow 100% to customers, from the 50/50% customer/company split as is currently approved.[19] Petitioner's witness Matthew A. Rice testifies that this change would be a $7.1M proposed benefit to customers, starting in 2025.[20]

Q: Were you able to confirm Petitioner's proposed embedded amounts?

A: Yes. Petitioner provided supporting spreadsheets in response to OUCC DR set 26 for its projected Ohio Valley Electric Corporation demand, NOx emissions allowances, WPMs, Rate BAMP, and forecasted PJM costs.[21]

Q: What is your recommendation regarding Petitioner's proposal to embed Emission Allowances amounts into rate base?

A: In coordination with Ms. Armstrong, I am recommending the IURC deny the Emissions Allowance portion of costs in base rates, as Petitioner has not demonstrated prudence regarding the management of its allowance inventory. I recommend embedding a zero balance in base rates and Petitioner's approval of its Emissions Allowance cost variance be contingent upon an improvement of its practices, as demonstrated through testimonial support in

[19] Rice Direct, p. 8, ll. 6-14. Also, Attachment KGL-2: Petitioner's response to OUCC DR 1, p. 2.
[20] Rice Direct, p. 31, ll. 17-18.
[21] Attachment KGL-4: Petitioner's Response to OUCC DR 26-8.

its RCRA rider filings. This recommendation would remove from the test year $1,282,707[22] of rate base and $3,519,952[23] of Emission Allowance O&M costs.

Q: What is your recommendation regarding Petitioner's request to embed $725,000 in interruptible sales billing credits into base rates?

A: In coordination with OUCC Witness Brian Wright, I am recommending denial of these embedded credits due to lack of substantive support, even when supplemented by Petitioner's response to OUCC DR-42.1[24], which references its response to OUCC DR-26.8b[25], which in turn references its response to OUCC DR-22.2(c)(I)[26].

~~V.~~IV. SHARED SERVICES

Q: How many related entities does Petitioner mention in its testimony?

A: According to Petitioner, there are two related entities: CenterPoint Shared Services and VUH. Additionally, there are CEI South common assets, which are split between the electric and gas utility segments.

Q: What are Petitioner's forecasted test year amounts for affiliate O&M expenses?

A: As Petitioner's witness Christopher G. Wood testifies, CenterPoint Shared Services and VUH have a joint total forecasted O&M expense of $52.2M.[27] Mr. Wood states the amount is calculated by the final approved 2023 plan amounts in the SAP ("Systems, Applications, and Products in Data Processing") accounting

[22] Petitioner's Exhibit No. 20, Sch. B-4, line 3.
[23] Petitioner's Exhibit No. 19, Attachment MAR-1, p. 117.
[24] Attachment KGL-9: Petitioner's Response to OUCC DR 42-1.
[25] Attachment KGL-4: Petitioner's Response to OUCC DR 26.8.
[26] Attachment KGL-10: Petitioner's Response to OUCC DR 22-2(c)(I).
[27] Petitioner's Exhibit No. 9, Direct Testimony of Mr. Christopher G. Wood, p. 12, ll. 18-19.

system. CEI South escalated these costs by 3% for 2024 and again by 3% for the 2025 test year.[28]

Q: What is Petitioner's forecasted total affiliate billings for work on capital and deferred activities in the test year?

A: Mr. Wood testifies to $4.3M of affiliate capital billings to CEI South in test year 2025.[29]

Q: Is Petitioner proposing any adjustments related to its Shared Services?

A: Yes. In its Exhibit No. 20, Schedule C3.19, Petitioner is proposing a $38,459 increase to revenue requirement for its forecasted VUH common asset charge.[30] Ms. Behme testifies to this schedule as a centralization of the assets which service multiple utility jurisdictions and the subsequent charging via lease or rental charge as operating expense to the utilities.[31]

Q: Does Petitioner have any other adjustments regarding its service companies during the test year?

A: According to Ms. Behme's testimony, Petitioner is only proposing the Schedule C3.19 adjustment of $38,459.[32]

Q: Was the OUCC able to confirm Petitioner's proposed adjustment?

A: No. The OUCC submitted multiple data requests to Petitioner for more context as to how its shared services expenses were derived and forecasted. My attachments KGL-2 and KGL-5 contain multiple discovery requests the OUCC sent to Petitioner to clarify its case-in-chief regarding the composition of these costs. Petitioner provided a service company trial balance in response to OUCC DR-

[28] Wood Direct, p. 12, ll. 20-25.
[29] Wood Direct, p. 13, ll. 19-22.
[30] Wood Direct, p. 13, ll. 11-14.
[31] Behme Direct, p. 26, ll. 10-15.
[32] Behme Direct, p. 26, ll. 10-15.

2.48 and OUCC DR-13.10,[33] neither of which provide a clear outline for how Petitioner's testimonial figures were derived. In OUCC DR 2.27, the OUCC asked for support for the VUH O&M expense for the base year and future test year.[34] In response, CEI South directed attention to its set of MSFRs under 170 IAC 1-5-8(a)(17)(A-C). The underlying MSFRs for the historical and future test year indicate the VUH costs were all expensed but does not clearly define to Petitioner's stated testimonial totals for how the respective accounts were escalated from the base year to the forecasted test year. The OUCC followed up with a request in its DR 24.6 for whether there were adjustments to VUH's level of O&M expense for the years 2023 and 2024 to arrive at Petitioner's forecasted 2025. In response, CEI South stated there were not adjustments made to the historical base year to arrive at the forecasted test year.[35] Petitioner's response to OUCC DR 36.24 illustrates the difficulty in discerning how Petitioner has defined shared services.[36] In this three-part response regarding the flowthrough of Petitioner's Exhibit No. 20, Schedules C-3.19 and C-2.1, CEI South explains in part a) why VUH's test year adjustment is characterized under the term "shared services expense" and charged under FERC Account 931 under "Rents." In part b), Petitioner confirms that VUH is indeed the correct entity underlying the "Shared Service Expense" charge. And in part c), which asked whether "Shared Services" could be considered the same as "VUH", Petitioner responds "Shared Services and Vectren Utility Holdings are not the same." While this line of

[33] Attachment KGL-6: Petitioner's Response to OUCC DR 13-10.
[34] Attachment KGL-5: Petitioner's Response to OUCC DR Set 2, p. 7.
[35] Attachment KGL-11: Petitioner's Response to OUCC DR 24-6.
[36] Attachment KGL-7: Petitioner's response to OUCC DR 36-24.

inquiry was not deliberately attempting to conflate CenterPoint Shared Services with VUH, Petitioner's classification of a VUH cost through two other categories which do not feature "VUH" in the title of the line items made final confirmation of shared services expense difficult even after reading through the response. Furthermore, Petitioner provided its Service Company billing data through responses to OUCC DR 35.7 and 35.8,[37] rather than in its initial case-in-chief. Petitioner's 2023 and forecasted 2024 Service Company billing data was essential in the comparison to the estimated rates for the test year ended 2025. Having this information provided in the case-in-chief would have significantly aided in the efficiency of the discovery process when determining the reasonableness of Petitioner's projected billings.

Therefore, due to Petitioner's lack of support in its case-in-chief and its responses to OUCC DRs, I recommend disallowing Petitioner's $38,459 testimonial figure as unsupported by its case-in-chief workpaper calculation evidence.

~~VI.~~V. OUCC RECOMMENDATIONS

Q: Please summarize your recommendations in this cause.

A: I recommend the following Commission findings:

- Petitioner's $219,348 request for additional ULRC costs be denied;
- ~~The 20% deferred portion of Petitioner's TDSIC project costs to be included in this rate case be subject to confirmation of the actual costs realized at the end of Phases 1 and 2;~~

[37] Attachment KGL-8: Petitioner's Response to OUCC DR 35-7 and 35-8.

- ~~The 80% portion of Petitioner's TDSIC project costs be recovered according to the schedule of plan updates, as approved by the Commission in its Cause No. 45894 order. If the Commission determines it will revise its ordered approval and allow the 80% portion of TDSIC investments to be recovered through the two compliance period phases, I recommend the 80% portion placed in rate base be restricted to the amounts approved through plan updates filed through the rider;~~
- Petitioner's request to embed the following RCRA items be disallowed: $1,282,707 of Emissions Allowance rate base, $3,519,952 in Emissions Allowance O&M costs, and $725,000 of Interruptible Sales billing credits; and
- Petitioner's $38,459 shared services adjustment for VUH common asset charges be denied due to lack of support in the Petitioner's case in chief.

Q: Does this conclude your testimony?

A: Yes.

Q 2.26 [sic](2)[3]:	Are monthly Service cost billings based on actuals or budgets? If actuals, is it billed in the same month incurred or one month in arrears? Please explain.
Response:	Monthly billings from Service Company are based on actual incurred costs. Costs are billed in the same month as incurred.

[3] For the DRs 2.24(2) through 2.34(2), CEI South has edited the data request number to preserve OUCC's numbering convention while still distinguishing the duplicate numbers from previous questions.

Also, in OUCC DR 12.11, the OUCC asked CEI South to identify what the reduction in its information system maintenance budget will be because of its IT investments (OUCC Attachment JTC-1, page 5). CEI South objected to this question stating the OUCC was requesting a calculation, compilation, or analysis Petitioner had not completed. This objection, once again, shows CEI South claims its IT investments will provide benefits with no actual analysis to support these claims. However, CEI South did respond in part to the question by identifying an approximately $640K realized reduction of maintenance expense in 2023 due to the enterprise network transformation. If CEI South is basing its cost savings on this singular event, it is both improper and presumptuous to extrapolate that these savings will be realized from its nine other IT investments, some of which are completely different in nature.

Finally, in OUCC DR 12.2, the OUCC asked CEI South to identify the headcount of its current IT support staff and to also identify how that headcount will change because of its IT investments (OUCC Attachment JTC-1, page 6). CEI South stated the electric allocation of labor headcount was 8.8 full-time equivalents ("FTE") for application support, 3 FTEs for infrastructure support, and 3 FTEs for network support. CEI South also responded that there will be no change in its IT support staff because of its IT investments. It seems incongruous for CEI South to claim it will realize decreased maintenance costs, increased resiliency, and improved efficiency but will still require the same FTE support staff as it did prior to these proposed IT investments.

Q: Did CEI South claim any of its current software or hardware is obsolete?

A: ~~No~~Yes. CEI South did ~~not make any~~ claim ~~of~~ two of its application have reached or will reach obsolescence ~~regarding its software or hardware~~. However, ~~W~~while CEI South did explain that older technologies become vulnerable and less efficient, it did not explain, support, or show that its ~~current~~ other technologies have reached that stage in their lives. CEI South simply stated its new investments will increase the efficiency of its operations without any cost benefit study analyzing the level of improvements compared to investment cost.[2] For example, with the information provided in CEI South's case-in-chief, there is no way to confirm or identify how much better its digital delivery system might become because of $7,333,979[3] of additional investment between 2022 and 2025; therefore, with the evidence provided, there is no way to determine whether the investments CEI South has made and plans to make for its IT development are prudent or reasonable.

Q: Please explain the adjustments you made in accordance with your recommendation to disallow any rate base additions for CEI South's IT investments.

A: With the information CEI South provided, I am unable to calculate the dollar impact to utility plant in service and accumulated reserve resulting from CEI South's IT investments; consequently, the OUCC used the estimates CEI South provided in response to OUCC DR 12.06 to make its adjustments. I was also unable to reasonably calculate the exact adjustments to be made to FERC accounts 303.2, 303.12, and 303.25 with the information CEI South provided. As a result, I calculated a proxy adjustment to each of these FERC accounts using a pro rata allocation to reduce both utility plant in service and accumulated reserve based on CEI South's estimations.

Q: Please explain the pro rata allocation methodology used to allocate the reduction in utility plant in service and accumulated reserve.

---

[2] Bahr Direct, p. 9. lines 25-31, p. 19, lines 18-24, p. 22, lines 3-10, and p. 25, lines 17-25.
[3] Based on page 21 of Mr. Bahr's REVISED case-in-chief testimony, $6,334,842 investment in 2022, $685,306 in 2023, $265,266 in 2024, and $48,565 in 2025.

Q: Why does Petitioner include forecasted test year operating revenues and expenses in Phase 1?

A: In response to discovery, Petitioner stated that "Because Phase 1 begins with November 2024. There's only two months of difference from the test year." (OUCC Attachment MAS-7).

Q: Did Petitioner explain the basis for its proposal to implement rates prior to the start of its future test year?

A: Yes. On page 7, lines 12-13 of her testimony, Ms. Behme stated Petitioner's proposal is "modeled after the approach proposed by Indiana American Water Company in Cause No. 45870."

Q: Do you accept Petitioner's proposal to begin implementing its proposed rate increase prior to the start of its forward-looking test year?

A: No. Petitioner's proposal differs materially from the two proposals the Commission considered when it previously allowed rates to be implemented prior to the start of a utility's forward-looking test year. Moreover, Petitioner has not provided sufficient evidence or support for the Commission to approve its proposed Phase 1 pre-test year rates.

Q: How does Petitioner's proposal differ from the pre-test year rates previously approved by the Commission's prior orders?

A: In ~~those prior orders~~Indiana American's Cause No.45870 , the basis for initial rates was a 12-month period ending approximately when an order was expected to be issued in the case. In ~~the case of~~ Evansville's ~~Municipal Water,~~ Cause No. 45545, the forward-looking test period began on April 1, 2023 and Phase 1(initial) rates were based on *pro forma* net operating income for the 12-month period ending

March 31, ~~2022~~2023.[10] Thus, there was no overlap between the data used for Phase 1 and the test year. ~~A final order was issued on March 2, 2022 in that case.~~ Similarly, in Cause No. 45870, Indiana American Water Company proposed a forward-looking test year which would begin May 1, 2024 and the Phase 1 (initial) rates were based on rate base and capital structure as of July 31, 2023 and *pro forma* net operating income for the 12-month period ending December 31, 2023. A final order was issued on February 14, 2024 in that case.

In ~~both of those cases the utility~~ Cause No. 45870 Indiana American did not seek to recover costs before they were projected to be incurred and their initial rate increase only reflected the effects of projected data through the date an order was expected to be issued. But in this case, Petitioner has proposed that Phase 1 rates be based on a 12-month period that begins when an order is expected to be issued, effectively seeking to recover costs before they are projected to be incurred.

Q: What do Indiana Statutes allow?

A: Indiana Code 8-1-2-42.7 establishes that rates may be based on a twelve-month forward-looking test period. Petitioner is effectively trying to base rates on more than twelve months of forward-looking data. Pursuant to subsection (d), "the commission shall approve a test period that is one of the following: . . . a forward-looking test period determined on the basis of projected data for the twelve (12) month period beginning not later than twenty-four (24) months after the date on

[10] Because Evansville is a municipal utility, it does not earn a return on rate base and, therefore, no measurement date for rate base or capital structure was established.

Confidential Information indicated by [redacted]

TESTIMONY OF OUCC WITNESS GREGORY L. KRIEGER
CAUSE NO. 45990
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A
CENTERPOINT ENERGY INDIANA SOUTH

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Gregory L. Krieger, and my business address is 115 W. Washington St., Suite 1500 South, Indianapolis, Indiana 46204.

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

A: I am a Utility Analyst in the Indiana Office of Utility Consumer Counselor's ("OUCC") Electric Division. A description of my professional background and experience is included in Appendix A.

Q: Please describe the review and analysis you conducted to prepare your testimony.

A: I reviewed the testimony prefiled by Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South ("CEI South" or "Petitioner") in this Cause as well as schedules, workpapers and relevant Indiana Utility Regulatory Commission ("Commission") Orders. I reviewed previous CEI South cases before the Commission, CEI South's Integrated Resource Plan ("IRP") and participated in meetings with OUCC staff members in developing issues identified in this Cause.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to explain CEI South's request for capital investment to be included in rate base as set forth in Petitioner's witness F. Shane Bradford's testimony and workpapers. I discuss the differences between capital investment and maintenance costs and how project managers and project engineers distinguish between them. Ultimately, I recommend a $150.7~~4.9~~ million reduction of capital investment in Steam Production Plant CEI South proposes to include in rate base. This reduces annual depreciation by an estimated $8.6~~8~~ million and reduces the annual revenue requirement by an additional $9.2~~8.9~~ million.

Q: To the extent you do not address a specific item, issue, or adjustment, does this mean you agree with those portions of CEI South's proposals?

A: No. Excluding any specific adjustments, issues, or amounts CEI South proposes does not indicate my approval of those adjustments, issues, or amounts. Rather, the scope of my testimony is limited to the specific items addressed herein.

II. CAPITAL PROJECT MANAGEMENT AND INVESTMENT

Q: Please define fixed assets and capital investment.

A: In my experience, fixed assets (also known as "capital assets") are plant, property, or equipment having a useful life of more than one year, which are not purchased for resale. Capital investment is the amount spent on fixed assets that are intended to generate value when in use during the asset's useful life. Capital investment is the sum of all initial costs necessary to make a fixed asset used and useful. CEI South's Capitalization Policy confirms this understanding.[1]

> Company expenditures for items that have a useful life greater than one year or that extend the useful life of an existing asset by more than one year, that meet the minimum dollar thresholds, and that are not intended for sale in the ordinary course of business shall be capitalized[.]

Q: Please explain what is meant by the "useful life" of a capital asset.

A: When an asset is purchased or constructed, there is an expectation that it will be useful for a period of time. It may be used occasionally or constantly over that

---

[1] OUCC Attachment GLK-05 45990 OUCC DR 40.2 (CONFIDENTIAL) Attachment – Capitalization Policy; Policy statement p. 1.

Q: If production plant additions of $1 billion have been authorized by the Commission, why did capital investment rate base only increase by $481 million?

A: This is primarily due to two things:

1. The Commission's approval of securitization in Cause No. 45772 eliminated approximately $360 million in net plant; this amount is being passed through to consumers in a rider.
2. Consumers have already paid $965 million in depreciation through 2022.[5]

Q: Is there spending in the asset class Steam Production Plant that concerns you?

A: Yes. Mr. Bradford's testimony provides some explanation, but his workpapers provide very limited detail, including a project listing of "Other (Projects less than $5M)".[6] That list[7] contains projects that do not have supporting documentation explaining their necessity. CEI South is including:

$95.9 million of replacement projects,[8]

$7.6 million on refurbishment projects,[9]

[redacted] million for a coal silo failure,[10]

[redacted] million in land,[11]

$1.2 million in valves,[12] and

[redacted].[13]

---

[5] CEI South Exhibit No. 20 – Financial Exhibit, Schedule B-1.1 Line 16 column [C].
[6] Petitioner's Exhibit No. 7 Workpaper FSB-1 (Confidential), PS Projects from 2009 tab.
[7] *Id.*
[8] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab ReplacementPivotLT5M.
[9] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab RefurbLT5M Pivot.
[10] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab [redacted].
[11] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab [redacted]
[12] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab Valves
[13] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab [redacted].

There is also [redacted] million for FB Culley Unit 3,[14] in addition to $116.8 million of miscellaneous projects including equipment overhauls, computers, and cell phones.[15]

Q: Why do the investments in replacement and refurbishments concern you?

A: Capitalizing items that should be expensed as maintenance can add to the cost for consumers by allowing a utility to earn a return on items that should be expensed. I am also concerned about CEI South's project management and accounting discipline.

Q: Can you provide some examples that make you question CEI South's capitalization discipline?

A: Yes. One example is approximately [redacted] spent for "wallpaper" replacement.[16] When asked about the remaining life of the building where it was installed, CEI South responded the Flue Gas Desulphurization scrubber absorber tower structure ("tower structure") was not a building and did not otherwise respond to the question.[17]

When the OUCC asked how the old wallpaper was written off, CEI South responded, "[t]he wallpaper replaced on this project were [sic] retired with equal reductions to plant in service and accumulated depreciation in CEI South's fixed asset system."[18] Given CEI South uses straight line remaining life depreciation and replacements were performed in 2011, 2022, and 2023 to a 1994 tower

[14] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab Culley 3.
[15] Petitioner's Exhibit No. 7, Workpaper FSB-1 (Confidential), PS Projects from 2009 tab.
[16] The "wallpaper" in question is a specialized thin high chrome alloy that is welded internally onto the Flue Gas Desulphurization ("FGD") scrubber absorber tower structure. OUCC Attachment GLK-04; CEI South Confidential Response to OUCC DR 33.2a. Petitioner's exhibit 7 Workpaper FSB-1 identifies several work orders simply as "FBC FGD Wallpaper Replacement".
[17] *Id.,* DR 33.2g.
[18] *Id.*, DR 33.2i.

asset accounting records. Only after an asset is in service for a full accounting period is the first depreciation entry made. Depreciation entries continue for each period until the asset is dispositioned or fully depreciated.

From the first entry and for every accounting period until the end of an asset's depreciable life, the plant in service value and accumulated reserve are different values. The net of the two is the asset's net book value ("NBV").

When an asset is dispositioned, its original cost and accumulated depreciation are removed, which removes the asset from the books.

Equal reductions to plant in service and accumulated depreciation could occur only when a fully depreciated asset - or one with a NBV of zero - is removed from the books. CEI South's transaction description implies that each project in 2011, 2020 and 2023 replaced only sections of wallpaper that were fully depreciated.

Q: Does CEI South use this description of asset removals in other discovery responses?

A: Yes. It uses this description of asset removals for various [redacted] projects.

Q: Are there other anomalies included in the proposed rate base calculations?

A: Yes. One example is when CEI South failed to install a design modification to a coal silo as specified in the design document; the silo later failed.[23] The [redacted]

[23] OUCC Attachment GLK-03; CEI South Confidential Response to OUCC DR 33.4.

million cost is a result of poor project management and should not be added to rate base or borne by consumers.

Q: Please explain the investment in FB Culley 3.

A: Of the [redacted] million amount, over $7 million is pending a Commission ruling on the Culley 3 outage in Cause 38708 FAC-137 S1.[24] FB Culley Unit 3 is slated for gas conversion by 2027.[25] The [redacted] million balance is forecasted in CEI South Exhibit 7, confidential workpaper FSB-1, and includes multiple Unit 3 projects.[26] The conversion and associated major projects should not be included in rates until a future CPCN for FB Culley Unit 3's conversion to natural gas is approved by the Commission. Not until the CPCN is filed, ruled on by the Commission, and the subsequent work completed should it be included in rates.

Q: Does Mr. Bradford or any other CEI South witness provide support that these costs are reasonable?

A: No. Mr. Bradford only focuses on the largest projects. There is no testimony regarding how CEI South manages maintenance, replacement, and smaller capital projects.

---

[24] On February 29, 2024, the OUCC filed its proposed order in Cause No. 38708 FAC 137 S1 requesting that this amount not be collected from customers. The matter is pending resolution before the Commission as of the date of this testimony.
[25] OUCC Attachment GLK-02; CenterPoint Energy press release; April 26, 2023.
[26] Petitioner's Exhibit No. 7 Workpaper FSB-1 (Confidential); [redacted] tab.

Confidential Information indicated by [redacted]

IV. RECOMMENDATIONS

Q: What is your recommendation?

A: I recommend the Commission:

1. Deny CEI South the ability to earn a "return on" $104.7 million of replacement, refurbishment, and valve projects;
2. Deny CEI South's request to include [redacted] million in rate base for FB Culley 3 major projects;
3. Deny CEI South's request to include [redacted] million in rate base for the replacement of a coal silo failure as described in my testimony;
4. Deny the "return of depreciation" in the amount of $8.6~~8~~ million associated with the assets that should not have been capitalized;[27] and
5. As a result of these adjustments, reduce revenue requirement driven by the "return on" capex by $9.2~~8.9~~ million.[28]

Q: Does this conclude your testimony?

A: Yes.

---

[27] 45990 OUCC Confidential Workpaper GLK-02 Deprec Resrv Est.xlsx.
[28] *Id.*

requests for fuel cost, fuel inventory, Culley 3 outage capital expenditures, and amortization expense.

The OUCC recommends the Indiana Utility Regulatory Commission ("IURC" or "Commission"):

1) Reject CEI South's requested annual rate increase of $118.757 million. As explained by OUCC witness Brian Latham, the OUCC's analysis shows Petitioner has justified an increase of $48.315 million. This is largely due to capital projects that have received IURC preapproval as allowed by state law;

2) Reject Petitioner's requested 10.4% authorized return on equity ("ROE"), and approve a 9.00% ROE as set forth by OUCC witness Shawn Dellinger and modified in my testimony below;

3) Reduce Mr. Dellinger's 9.00% ROE by an additional 20 basis points due to continued issues with CEI South's reliability, customer satisfaction, and challenges the OUCC has faced in conducting its analysis of Petitioner's requests, as I will explain;

4) Deny Petitioner's proposed increases to its monthly customer charges for residential and small business customers, as explained by OUCC witness David Dismukes.

5) Continue the current agreement which allows the OUCC and intervenors to file Fuel Adjustment Charge ("FAC") testimony 35 days after CEI South files its petition and testimony;

6) Approve modifications to certain depreciation rates as recommended by OUCC witness David Garrett; and

7) Approve the recommendations and proposals of the OUCC's additional witnesses.

Q: Please describe the review and analysis you conducted to prepare your testimony.

A: I reviewed CEI South's petition and prefiled testimony in this proceeding. I also read relevant Commission Orders and reviewed Petitioner's workpapers and its Minimum Standard Filing Requirements. I submitted data requests ("DR") and reviewed Petitioner's responses to the OUCC's and Intervenors' DRs. I examined

Commission finds should be authorized. From Mr. Dellinger's recommendation, this results in an authorized ROE of 8.8%.

X. OVERVIEW OF CEI SOUTH'S CASE-IN-CHIEF AND OUCC REVENUE REQUIREMENTS

Q: Please summarize the OUCC's findings regarding Petitioner's revenue requirement.

A: As stated above, CEI South requests a $118.757 million rate increase. By comparison, the OUCC's analysis shows that an increase of $48.315 million[21] is justified by the evidence in this case.

Q: Please summarize your recommendations regarding a return on rate base.

A: The OUCC's revenue requirements are based on an original cost rate base of $2,520,842,218. However, the rate base will ultimately be updated to reflect actual rate base on December 31, 2025, subject to a cap not to exceed the lesser of the rate base forecast in Petitioner's case-in-chief or the forecasted rate base amount approved in the Commission's Order. The OUCC recommends the Commission grant the parties in this Cause at least sixty (60) days to review Petitioner's updated rate base and capital structure presented in a compliance filing containing all pertinent documentation supporting the updated rate base. The OUCC's recommended WACC is 6.29,[22] with a 9.00% ROE (less the 20-basis point incentive discussed above.)

XI. OUCC REVENUE REQUIREMENT ANALYSIS

Q: Please provide an overview of the OUCC's process to evaluate CEI South's revenue requirements.

---

[21] Direct Testimony of Brian R. Latham, Schedule BRL-1.
[22] *Id.*, Schedule BRL-8.

[redacted]

Q: Has CEI South struggled to maintain its coal inventory pile effectively and efficiently with respect to the quantity it has on hand?

A: Yes. As the table above shows, CEI South has struggled to maintain its coal inventory effectively or efficiently at an appropriate level, as approved in Petitioner's last rate case. The table shows CEI South had excessive coal inventory during most of 2023, which imposes an additional and unnecessary cost on ratepayers.

Q: What is the maximum day burn at Culley Unit 3?

A: The maximum day burn at Culley Unit 3 is [redacted].[32]

Q: Please explain how you calculated the OUCC's recommended coal inventory level.

A: The OUCC calculated the inventory level by multiplying [redacted] by the MDB [redacted] by the inventory cost per ton [redacted]

Q: What is the amount of coal inventory in days, tons, and dollars the OUCC is recommending be included in rate base?

A: An average of the test year would be a reasonable coal inventory level for Petitioner to include in rate base. The OUCC is recommending an inventory level of [redacted] at [redacted] or $8,215,500. Thus, the OUCC recommends a fuel inventory

[32] Informational Publication on Culley Generating Station, found at https://pubs.naruc.org/pub.cfm?id=537D00E9-2354-D714-51FF-3ADC617478CC

level of $8,990,701 as opposed CEI South's amount of $11,940,667, which is a $2,949,966 greater reduction than Petitioner proposes.

XVII. FUEL COST

Q: Does the OUCC accept CEI South's requested base cost of fuel?

A: No. CEI South is requesting a base cost of fuel that is too high given current market conditions. Petitioner is proposing a $0.048139 per kWh base cost of fuel as compared to the $0.038295 per kWh currently approved base cost of fuel.

Q: What components of the base cost of fuel are too high?

A: The cost of natural gas and MISO market prices are too high.

Q: Why do you believe CEI South's cost of natural gas and MISO market prices are too high?

A: Petitioner used the forecasted cost of natural gas and MISO market prices for 2025 as of [redacted][33]. As of March 4, 2024,[34] the forecasted cost of natural gas and MISO market prices for 2025 had decreased by approximately [redacted] respectively.

Q: Is the forecasted cost of natural gas expected to remain low?

A: Yes. Fitch,[35] Reuters,[36] and the Economy Forecast Agency[37] all expect the cost of natural gas to remain low.

Q: What factors are affecting the cost of natural gas?

[33] Confidential Attachment MDE-5.
[34] Confidential Attachment MDE-6.
[35] https://www.fitchratings.com/research/corporate-finance/north-american-henry-hub-natural-gas-prices-reach-historic-low-steady-production-warm-weather-drive-winter-gas-prices-down-06-03-2024.
[36] https://www.nasdaq.com/articles/us-natgas-prices-fall-3-to-fresh-one-week-low-on-milder-forecasts.
[37] https://longforecast.com/natural-gas-forecast-2017-2018-2019.

XX. RECOMMENDATIONS

Q: What do you recommend in this proceeding?

A: I recommend the Commission:

1) Reject Petitioner's requested $118.757 million annual rate increase, and instead limit the increase to $48.315 million as supported by the OUCC's revenue requirement adjustments and recommendations;

2) Extend the current agreement allowing the OUCC and intervenors to file FAC testimony 35 days after CEI South files its petition and testimony;

3) Approve the recommendations detailed in the testimony of additional OUCC witnesses;

4) Approve an additional downward adjustment of 20 basis points to the recommendation of Mr. Dellinger or make such adjustment to the ROE authorized; and

5) Consider and adhere to the state policy of promoting utility investment in infrastructure while protecting the affordability of utility service, and only approve necessary and reasonable requests required for CEI South's provision of electric service at reasonable rates.

Q: Does this conclude your testimony?

A: Yes.

South's proposed capital structure and found it to be reasonable, except for the proposed return on equity ("ROE"), which OUCC witness Shawn Dellinger discusses in his testimony, and as adjusted by OUCC witness Michael Eckert. I propose a weighted average cost of capital ("WACC") corresponding with Mr. Eckert's final ROE recommendation.

Q: Please describe the review and analysis you conducted to prepare your testimony.

A: I reviewed relevant portions of CEI South's petition, testimony, exhibits, data responses, and workpapers in this Cause. I also reviewed previous filings and the Commission's final Orders in Cause Nos. 45799, 45458, 45590, and 43839.

Q: To the extent you do not address a specific issue, item or adjustment, should that be construed to mean you agree with CEI South's proposal?

A: No. My silence regarding any topics, issues, or items CEI South proposes does not indicate my approval of those topics, issues, or items. Rather, the scope of my testimony is limited to the specific items addressed herein.

I. OUCC REVENUE RECOMMENDATION

Q: Please summarize your findings regarding CEI South's revenue requirement.

A: My compilation of the OUCC's analyses shows CEI South has justified an annual revenue increase of $48,315,224[1] or approximately 6.52%. This contrasts with

---

[1] Schedule BRL-1, pg. 1, line 1.

increases. Column G sums the OUCC's Adjusted Revenue and Expenses with its Proposed Increase, yielding the OUCC proposed test year Proforma Revenue and Expenses.

Q: Please describe Schedule BRL-7.

A: Schedule BRL-7 is a Rate Base Summary that compares CEI South's proposed test year rate base with the OUCC's proposed test year rate base.

Q: Please describe Schedule BRL-9.

A: Schedule BRL-9 is a comparison of CEI South's test year income statement with the OUCC's income statement reductions.

Q: Are you directly sponsoring any adjustments?

A: Yes. I am making adjustments for depreciation, accumulated depreciation, and income taxes.

Q: What is your depreciation adjustment?

A: Using OUCC Witness Mr. David Garrett's proposed depreciation rates,[4] I calculated a depreciation reduction of $5,452,579, as shown on workpaper Depr-20. All assets eliminated by OUCC witnesses were treated as if they were retired in the most appropriate account that minimizes the depreciation reduction.

Q: What is your adjustment to accumulated depreciation?

[4] Direct Testimony of OUCC Witness David Garrett, Workpaper D40, tabs "3 Mass Parameter Comp" and "4 Detail Rate Comp."

On Schedule BRL–20, columns q through x, I adjust accumulated depreciation by $5.3 million due to Mr. Garrett's depreciation decrease and the adjustments in Utility Plant in Service proposed by various OUCC witnesses. All additions, retirements and transfers are treated as if they happen on June 30, 2025 (halfway through 2025). This reduction is then added to OUCC witness Mr. Kaleb Lantrip's $7,312 depreciation adjustment to yield a $5,344,788 accumulated depreciation reduction. Mr. Lantrip's and my calculated accumulated depreciation reduction is then increased by 25% ($1,336,197), to account for an October 1, 2024, anticipated order in this case. My calculation is shown in BRL - Table 1, below:

Table 1

Line	Description	Witness (OUCC)	Proposed Amount Petitioner	OUCC	Variance
1	Accumulated Depreciation		$ (1,227,300,954)	$ (1,227,300,954)	$ -
2	Adjustment IT	J. Compton	-	3,000,000	3,000,000
3	Costs Excluded in CN45903	C. Armstrong		(288,150)	(288,150)
4	Reduction in from Latham/Lantrip	B. Latham		6,680,985	6,680,985
5	Reduction From G. Krieger	G. Krieger		71,677,088	71,677,088
6	Adjusted Accumulated Depreciation	TOTAL	$ (1,227,300,954)	$ (1,146,231,031)	$ 81,069,923
7	Depreciation Adjustments:				
8	Accumulated Calc (Depr-WP20)	B. Latham		$ 5,337,476	
9	Depreciation Adjustment (Depr-WP2)	K. Lantrip		7,312	
10	Accumulated Adjustment	Line 8+ Line 9		5,344,788	
11	Qurter of the Year			25%	
12	4th qtr 2024 (post order)	Line 11 * 0.25		1,336,197	
13	Total Depreciation Reserve Adj	Line 10 + Line 12		$ 6,680,985	

Q: What adjustment did you make to income taxes?

My adjustment for income taxes represents the taxes on the OUCC's Operating income on Schedule BRL-6, column D. The adjustment is applied to net operating income at the statutory state rate (4.9%) and the statutory federal rate (21%). This adjustment is in the workpapers as Taxes-WP8. BRL - Table 2 below illustrates this calculation.

BRL - Table 2

Line	Description	OUCC Adjustments
1	Operating Revenues	$ -
2	Operation & Maintenance Expense	(15,471,638)
3	Depreciation Expense	(14,686,732)
4	Property Taxes	-
5	Operating Income Before State Income Taxes	$ 30,158,370
6	State Tax Rate	4.90%
7	State Income Tax Expense 4.9%	$ 1,477,760
8	Operating Income Subject to Fed Taxes	$ 28,680,610
9	Federal Tax Rate	21.0%
10	Federal Income Tax Expense 21%	$ 6,022,928

Q: Please describe Schedule BRL-8.

A: Schedule BRL-8 compares the OUCC's proposed weighted cost of capital with CEI South's proposed weighted cost of capital. There are no proposed changes in the capital structure other than the OUCC's adjustment to the ROE.

Q: What is CEI South's proposed capital structure and WACC for the proposed year ending December 31, 2024?

A: A capital structure describes the total cost of capital for CEI South, which includes long-term debt, common equity, customer deposits, prepaid pension asset, and

TESTIMONY OF OUCC WITNESS KALEB G. LANTRIP
CAUSE NO. 45990
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A CENTERPOINT ENERGY INDIANA SOUTH

I. INTRODUCTION

Q: Please state your name, business address, and employment capacity.

A: My name is Kaleb G. Lantrip and my business address is 115 W. Washington St., Suite 1500 South, Indianapolis, Indiana 46204. I am employed as a Utility Analyst in the Indiana Office of Utility Consumer Counselor's ("OUCC") Electric Division. A summary of my educational background and experience is included in Appendix A attached to my testimony.

Q: What is the purpose of your testimony?

A: I address Southern Gas and Electric Company D/B/A CenterPoint Energy Indiana South's ("CEI South" or "Petitioner") rate case requests to embed base rate inclusion of investments in its Clean Energy Cost Allocation ("CECA") tracker;; and Reliability Cost and Revenue Adjustment ("RCRA") tracker. Ultimately, I recommend the Indiana Utility Regulatory Commission ("IURC" or "Commission") disallow Petitioner's request to include $219,348 of costs from the CECA's Urban Living Research Center ("ULRC") in excess of the Cause No. 44909 CECA-5 IURC order's determination limiting the project's approved recovery to $1.15 Million. I recommend the RCRA rider's embedded costs not include Petitioner's proposed adjustments to Interruptible Sales billing credits and Emissions Allowances balances. Additionally, I discuss the proposed treatment of CEI South's affiliate company arrangements with CenterPoint Energy Service

Company, LLC ("CenterPoint Shared Services") and Vectren Utility Holdings, Inc ("VUH").

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

A: I read Petitioner's relevant testimony, attachments, work papers, and responses to data requests from intervenors. I participated in a tech-to-tech meeting with Citizens Action Coalition and CenterPoint Energy on January 31, 2024. Additionally, I reviewed Petitioner's currently approved rate case order, Cause No. 43839, Cause No. 44909 CECA-5 and pending CECA-6, Cause No. 43406 RCRA-21, Cause No. 44910 ("Electric Plan 1"), and Cause No. 45894 ("2024-2028 TDSIC Plan").

Q: To the extent you do not address a specific item, does this mean you agree with those portions of CEI South's proposal?

A: No. Excluding any specific adjustments or amounts CEI South proposes does not indicate my approval of those adjustments or amounts. Rather, the scope of my testimony is limited to the specific items addressed herein.

II. CECA RIDER

Q: What projects are currently included in Petitioner's Clean Energy Cost Adjustment Rider?

A: Petitioner has two pilot solar projects capable of 2.5 MW peak production, which were put in service in November 2018. The first, "Evansville Urban Facility" features only the solar array, while the "Highway 41 Facility" includes an on-site Battery Energy Storage System. Petitioner completed a third project, the ULRC in December 2022, which is a 105 kW rooftop solar facility attached to the Post House in downtown Evansville.

In Cause No. 45086, Petitioner was approved to use the CECA rider to recover its Troy Solar Project costs. This 50 MW facility was placed into service in December 2020 and uses a levelized rate of recovery schedule over a 35-year expected period.

Q: What projects have been approved to be recovered through the CECA rider, but are not yet in service?

A: In Cause No. 45754, Petitioner was approved to use the CECA rider to recover costs for its Crosstrack Solar facility, which is expected to be in service in 2026.

In Cause No. 45836, Petitioner was approved to use the CECA rider to recover the costs of a $636 Million Wind Project, which is currently expected to have a commercial operation date of December 31, 2026, according to its most recently filed project report update.

In Cause No. 45847, Petitioner was approved to use the CECA rider to recover costs of the Posey Solar Project, which is expected to be online by February 14, 2025. Petitioner's witness Chrissy M. Behme testifies about Petitioner's approval to use the CECA rider for recovery to the extent that project costs are not included in rate base through this filing.[1]

Q: Do you have any recommendations regarding Petitioner's CECA adjustments in this Cause?

A: Yes. I recommend Petitioner's request to include $219,348[2] of net project costs related to the ULRC be denied. The Commission's most recent order in Cause No. 44909 CECA-5 found ratemaking recovery should be limited to the $1.15M project estimate given in CECA-4, due to the project's changes in scope from the

[1] Petitioner's Exhibit No. 2, Direct Testimony of Witness Ms. Chrissy M. Behme, p. 22, ll. 12-16.
[2] Petitioner Exhibit No. 7, Direct Testimony of Witness Mr. F. Shane Bradford, p. 21, l. 17 – p. 23, l. 5.

previous approved cost in CECA-2. This regulatory history of the ULRC project is addressed more comprehensively in OUCC witness Cynthia Armstrong's testimony. Cause No. 44909 CECA-5 also required Petitioner to update the Commission on the outcome of Petitioner's Department of Energy ("DOE") reimbursement request for $60,000.[3]

Q: Has Petitioner provided an update regarding its reimbursement request to the DOE?

A: Yes. Petitioner received $56,407 of its $60,000 reimbursement request from the DOE.[4]

Q: Has the Petitioner provided any other updates regarding ULRC related adjustments?

A: Yes. Petitioner's witness F. Shane Bradford testified to an overhead adjustment, removing costs of $37,195 which had been incorrectly assessed to the ULRC project.[5]

Q: What is your recommendation regarding these updates to CECA offsets?

A: I recommend these adjustments be addressed and implemented in Petitioner's pending CECA-6 rider as one-time offsets to the tariff. Petitioner confirmed there have been no significant changes to the scope of the ULRC since CECA-5 when responding to an OUCC data request.[6] The Commission's May 30, 2023, CECA-5 order states:

> Since DOE is, apparently, continuing to evaluate the extent to which this research will continue, the Commission directs CEI South to promptly update the Commission and the OUCC via a

---

[3] *In re Southern Indiana Gas and Electric Company dba CenterPoint Energy Indiana South.* Cause No. 44909, Final Order pp. 13-14 (Ind. Util. Regul. Comm'n May 30, 2023).
[4] Bradford Direct, p. 21, ll. 19-20
[5] Bradford Direct, p. 21, ll. 20-23.
[6] Attachment KGL-1: Petitioner's response to OUCC DR 1-38.

> filing in this Cause when a decision is made upon the DOE/ORNL [Oak Ridge National Laboratory] funding and also when DOE makes a decision upon the $60,000 of additional reimbursement CEI South has requested.[7]

Q: What is Petitioner proposing for rate base adjustments to its CECA rider?

A: According to Ms. Behme, and as illustrated in Petitioner's financial exhibit, CEI South is proposing to include $18M[8] in post-in-service carrying costs ("PISCC") from its CECA investments in its Phase 2 adjustment. Petitioner removes the impact of Troy Solar and Crosstrack Solar in its Exhibit No. 20, Schedule B2.1, page 4 adjustment removing $388.8M, as the facilities costs are to be recovered through a levelized rate schedule through the CECA rider rather than through inclusion in rate base.

Q: What is Petitioner proposing for revenue requirement adjustments to its CECA rider?

A: Petitioner is proposing to remove the revenue requirement effect of its non-utility property solar projects of its Troy Solar[9] and Crosstrack Solar[10] facilities, as their recovery is through a levelized cost schedule which will be tracked and updated through the CECA rider instead. Petitioner's Exhibit No. 20 details the following adjustments in its schedules: Schedule C3.17 removes $1.53M of Troy's operating expenses from the test year and Schedule C3.18 regards the removal $1.56M of Crosstrack Solar expenses. Petitioner's Schedule C3.22 proposes to increase CECA's PISCC and deferred depreciation balances over an amortization period of 27 years ($495.6K) and CECA's deferred operations and maintenance

[7] IURC Cause No. 44909 CECA-5, p. 14.
[8] Petitioner's Exhibit No. 20, Financial Exhibit, Schedule B-4, line 8.
[9] Behme Direct, p. 15, ll. 17-25.
[10] Behme Direct, p. 15, l. 28 – p. 16, l. 12.

("O&M") expenses increase of $497.8K over seven years, for a total amortization expense increase of $994.4K.

Petitioner's Schedule C3.3 proposes the CECA rider synchronization adjustment to the rate case's Phase 2 period at the end of its 2025 test year will be a $20.4M increase in rate case revenue requirement.

Q: What do you recommend regarding CEI South's proposed CECA Rider adjustments to its rate base and revenue requirements?

A: Petitioner's proposed CECA Rider adjustments for the additional $219,348 ULRC costs should be denied.

Q: Do other OUCC witnesses also address recommendations which affect the CECA Rider's tariff in this case?

A: Yes. Ms. Armstrong addresses the appropriateness of Petitioner's request to recover the excess ULRC costs through this Cause. Additionally, OUCC witness Brian Wright addresses Petitioner's proposed treatment of RECs through the Green Power Rider, for which CEI South petitioned approval in this Cause. Petitioner has historically sold off its REC inventory and passed back the proceeds from the sales as a ratepayer credit through the CECA rider.

Q: Does Petitioner plan to continue its practice of using its CECA mechanism as a means of distributing proceeds from its sales of Renewable Energy Credits ("RECs").

A: Yes. According to Petitioner's witness Matthew A. Rice, CEI South is proposing to continue using the CECA Rider to flow back the proceeds of REC sales.[11]

III. RCRA RIDER

Q: What changes is the Petitioner proposing to make to the RCRA rider?

[11] Petitioner's Exhibit No. 19, Direct Testimony of Witness Mr. Matthew A. Rice, p. 9, ll. 13-16.

A: According to Petitioner's Exhibit No. 19, Attachment MAR-1, page 117, CEI South is requesting the following embedded amounts be the new default base rate standard against which RCRA updates are compared:

- Non-Fuel Purchased Power costs: $20,583,262
- Interruptible Sales billing credits: $725,000
- Environmental Emissions Allowance expenses: $3,519,952
- Wholesale Power Marketing ("WPM") margin sales revenues: $21,723,254
- BAMP Backup Generation Capacity Services revenues: $201,960.

The last entry on this list would be a new part of the RCRA rider, which Petitioner is proposing through this rate case to add to the tariff. Part of the WPM adjustment above is due to CEI South's proposal to change its WPM sales margins sharing to flow 100% to customers, from the 50/50% customer/company split as is currently approved.[19] Petitioner's witness Matthew A. Rice testifies that this change would be a $7.1M proposed benefit to customers, starting in 2025.[20]

Q: Were you able to confirm Petitioner's proposed embedded amounts?

A: Yes. Petitioner provided supporting spreadsheets in response to OUCC DR set 26 for its projected Ohio Valley Electric Corporation demand, NOx emissions allowances, WPMs, Rate BAMP, and forecasted PJM costs.[21]

Q: What is your recommendation regarding Petitioner's proposal to embed Emission Allowances amounts into rate base?

---

[19] Rice Direct, p. 8, ll. 6-14. Also, Attachment KGL-2: Petitioner's response to OUCC DR 1, p. 2.
[20] Rice Direct, p. 31, ll. 17-18.
[21] Attachment KGL-4: Petitioner's Response to OUCC DR 26-8.

A: In coordination with Ms. Armstrong, I am recommending the IURC deny the Emissions Allowance portion of costs in base rates, as Petitioner has not demonstrated prudence regarding the management of its allowance inventory. I recommend embedding a zero balance in base rates and Petitioner's approval of its Emissions Allowance inventory variance be contingent upon an improvement of its practices, as demonstrated through updates of less volatility in inventory levels presented in its RCRA rider testimony. This recommendation would remove from the test year $1,282,707[22] of rate base and $3,519,952[23] of Emission Allowance O&M costs.

Q: What is your recommendation regarding Petitioner's request to embed $725,000 in interruptible sales billing credits into base rates?

A: In coordination with OUCC Witness Brian Wright, I am recommending denial of these embedded credits due to lack of substantive support, even when supplemented by Petitioner's response to OUCC DR-42.1[24], which references its response to OUCC DR-26.8b[25], which in turn references its response to OUCC DR-22.2(c)(I)[26].

IV. SHARED SERVICES

Q: How many related entities does Petitioner mention in its testimony?

A: According to Petitioner, there are two related entities: CenterPoint Shared Services and VUH. Additionally, there are CEI South common assets, which are split between the electric and gas utility segments.

[22] Petitioner's Exhibit No. 20, Sch. B-4, line 3.
[23] Petitioner's Exhibit No. 19, Attachment MAR-1, p. 117.
[24] Attachment KGL-9: Petitioner's Response to OUCC DR 42-1.
[25] Attachment KGL-4: Petitioner's Response to OUCC DR 26.8.
[26] Attachment KGL-10: Petitioner's Response to OUCC DR 22-2(c)(I).

Q: What are Petitioner's forecasted test year amounts for affiliate O&M expenses?

A: As Petitioner's witness Christopher G. Wood testifies, CenterPoint Shared Services and VUH have a joint total forecasted O&M expense of $52.2M.[27] Mr. Wood states the amount is calculated by the final approved 2023 plan amounts in the SAP ("Systems, Applications, and Products in Data Processing") accounting system. CEI South escalated these costs by 3% for 2024 and again by 3% for the 2025 test year.[28]

Q: What is Petitioner's forecasted total affiliate billings for work on capital and deferred activities in the test year?

A: Mr. Wood testifies to $4.3M of affiliate capital billings to CEI South in test year 2025.[29]

Q: Is Petitioner proposing any adjustments related to its Shared Services?

A: Yes. In its Exhibit No. 20, Schedule C3.19, Petitioner is proposing a $38,459 increase to revenue requirement for its forecasted VUH common asset charge.[30] Ms. Behme testifies to this schedule as a centralization of the assets which service multiple utility jurisdictions and the subsequent charging via lease or rental charge as operating expense to the utilities.[31]

Q: Does Petitioner have any other adjustments regarding its service companies during the test year?

A: According to Ms. Behme's testimony, Petitioner is only proposing the Schedule C3.19 adjustment of $38,459.[32]

---

[27] Petitioner's Exhibit No. 9, Direct Testimony of Mr. Christopher G. Wood, p. 12, ll. 18-19.
[28] Wood Direct, p. 12, ll. 20-25.
[29] Wood Direct, p. 13, ll. 19-22.
[30] Wood Direct, p. 13, ll. 11-14.
[31] Behme Direct, p. 26, ll. 10-15.
[32] Behme Direct, p. 26, ll. 10-15.

Q: Was the OUCC able to confirm Petitioner's proposed adjustment?

A: No. The OUCC submitted multiple data requests to Petitioner for more context as to how its shared services expenses were derived and forecasted. My attachments KGL-2 and KGL-5 contain multiple discovery requests the OUCC sent to Petitioner to clarify its case-in-chief regarding the composition of these costs. Petitioner provided a service company trial balance in response to OUCC DR-2.48 and OUCC DR-13.10,[33] neither of which provide a clear outline for how Petitioner's testimonial figures were derived. In OUCC DR 2.27, the OUCC asked for support for the VUH O&M expense for the base year and future test year.[34] In response, CEI South directed attention to its set of MSFRs under 170 IAC 1-5-8(a)(17)(A-C). The underlying MSFRs for the historical and future test year indicate the VUH costs were all expensed but does not clearly define to Petitioner's stated testimonial totals for how the respective accounts were escalated from the base year to the forecasted test year. The OUCC followed up with a request in its DR 24.6 for whether there were adjustments to VUH's level of O&M expense for the years 2023 and 2024 to arrive at Petitioner's forecasted 2025. In response, CEI South stated there were not adjustments made to the historical base year to arrive at the forecasted test year.[35] Petitioner's response to OUCC DR 36.24 illustrates the difficulty in discerning how Petitioner has defined shared services.[36] In this three-part response regarding the flowthrough of Petitioner's Exhibit No. 20, Schedules C-3.19 and C-2.1, CEI South explains in

[33] Attachment KGL-6: Petitioner's Response to OUCC DR 13-10.
[34] Attachment KGL-5: Petitioner's Response to OUCC DR Set 2, p. 7.
[35] Attachment KGL-11: Petitioner's Response to OUCC DR 24-6.
[36] Attachment KGL-7: Petitioner's response to OUCC DR 36-24.

part a) why VUH's test year adjustment is characterized under the term "shared services expense" and charged under FERC Account 931 under "Rents." In part b), Petitioner confirms that VUH is indeed the correct entity underlying the "Shared Service Expense" charge. And in part c), which asked whether "Shared Services" could be considered the same as "VUH", Petitioner responds "Shared Services and Vectren Utility Holdings are not the same." While this line of inquiry was not deliberately attempting to conflate CenterPoint Shared Services with VUH, Petitioner's classification of a VUH cost through two other categories which do not feature "VUH" in the title of the line items made final confirmation of shared services expense difficult even after reading through the response. Furthermore, Petitioner provided its Service Company billing data through responses to OUCC DR 35.7 and 35.8,[37] rather than in its initial case-in-chief. Petitioner's 2023 and forecasted 2024 Service Company billing data was essential in the comparison to the estimated rates for the test year ended 2025. Having this information provided in the case-in-chief would have significantly aided in the efficiency of the discovery process when determining the reasonableness of Petitioner's projected billings.

Therefore, due to Petitioner's lack of support in its case-in-chief and its responses to OUCC DRs, I recommend disallowing Petitioner's $38,459 testimonial figure as unsupported by its case-in-chief workpaper calculation evidence.

V. OUCC RECOMMENDATIONS

[37] Attachment KGL-8: Petitioner's Response to OUCC DR 35-7 and 35-8.

Q: Please summarize your recommendations in this cause.

A: I recommend the following Commission findings:

- Petitioner's $219,348 request for additional ULRC costs be denied;
- Petitioner's request to embed the following RCRA items be disallowed: $1,282,707 of Emissions Allowance rate base, $3,519,952 in Emissions Allowance O&M costs, and $725,000 of Interruptible Sales billing credits; and
- Petitioner's $38,459 shared services adjustment for VUH common asset charges be denied due to lack of support in the Petitioner's case in chief.

Q: Does this conclude your testimony?

A: Yes.

Q 2.26 [sic](2)[3]:	Are monthly Service cost billings based on actuals or budgets? If actuals, is it billed in the same month incurred or one month in arrears? Please explain.
Response:	Monthly billings from Service Company are based on actual incurred costs. Costs are billed in the same month as incurred.

[3] For the DRs 2.24(2) through 2.34(2), CEI South has edited the data request number to preserve OUCC's numbering convention while still distinguishing the duplicate numbers from previous questions.

Also, in OUCC DR 12.11, the OUCC asked CEI South to identify what the reduction in its information system maintenance budget will be because of its IT investments (OUCC Attachment JTC-1, page 5). CEI South objected to this question stating the OUCC was requesting a calculation, compilation, or analysis Petitioner had not completed. This objection, once again, shows CEI South claims its IT investments will provide benefits with no actual analysis to support these claims. However, CEI South did respond in part to the question by identifying an approximately $640K realized reduction of maintenance expense in 2023 due to the enterprise network transformation. If CEI South is basing its cost savings on this singular event, it is both improper and presumptuous to extrapolate that these savings will be realized from its nine other IT investments, some of which are completely different in nature.

Finally, in OUCC DR 12.2, the OUCC asked CEI South to identify the headcount of its current IT support staff and to also identify how that headcount will change because of its IT investments (OUCC Attachment JTC-1, page 6). CEI South stated the electric allocation of labor headcount was 8.8 full-time equivalents ("FTE") for application support, 3 FTEs for infrastructure support, and 3 FTEs for network support. CEI South also responded that there will be no change in its IT support staff because of its IT investments. It seems incongruous for CEI South to claim it will realize decreased maintenance costs, increased resiliency, and improved efficiency but will still require the same FTE support staff as it did prior to these proposed IT investments.

Q: Did CEI South claim any of its current software or hardware is obsolete?

A: Yes. CEI South did claim two of its applications have reached or will reach obsolescence. However, while CEI South did explain that older technologies become vulnerable and less efficient, it did not explain, support, or show that its other technologies have reached that stage in their lives. CEI South simply stated its new investments will increase the efficiency of its operations without any cost benefit study analyzing the level of improvements compared to investment cost.[2] For example, with the information provided in CEI South's case-in-chief, there is no way to confirm or identify how much better its digital delivery system might become because of $7,333,979[3] of additional investment between 2022 and 2025; therefore, with the evidence provided, there is no way to determine whether the investments CEI South has made and plans to make for its IT development are prudent or reasonable.

Q: Please explain the adjustments you made in accordance with your recommendation to disallow any rate base additions for CEI South's IT investments.

A: With the information CEI South provided, I am unable to calculate the dollar impact to utility plant in service and accumulated reserve resulting from CEI South's IT investments; consequently, the OUCC used the estimates CEI South provided in response to OUCC DR 12.06 to make its adjustments. I was also unable to reasonably calculate the exact adjustments to be made to FERC accounts 303.2, 303.12, and 303.25 with the information CEI South provided. As a result, I calculated a proxy adjustment to each of these FERC accounts using a pro rata allocation to reduce both utility plant in service and accumulated reserve based on CEI South's estimations.

Q: Please explain the pro rata allocation methodology used to allocate the reduction in utility plant in service and accumulated reserve.

---

[2] Bahr Direct, p. 9. lines 25-31, p. 19, lines 18-24, p. 22, lines 3-10, and p. 25, lines 17-25.
[3] Based on page 21 of Mr. Bahr's REVISED case-in-chief testimony, $6,334,842 investment in 2022, $685,306 in 2023, $265,266 in 2024, and $48,565 in 2025.

Q: Why does Petitioner include forecasted test year operating revenues and expenses in Phase 1?

A: In response to discovery, Petitioner stated that "Because Phase 1 begins with November 2024. There's only two months of difference from the test year." (OUCC Attachment MAS-7).

Q: Did Petitioner explain the basis for its proposal to implement rates prior to the start of its future test year?

A: Yes. On page 7, lines 12-13 of her testimony, Ms. Behme stated Petitioner's proposal is "modeled after the approach proposed by Indiana American Water Company in Cause No. 45870."

Q: Do you accept Petitioner's proposal to begin implementing its proposed rate increase prior to the start of its forward-looking test year?

A: No. Petitioner's proposal differs materially from the two proposals the Commission considered when it previously allowed rates to be implemented prior to the start of a utility's forward-looking test year. Moreover, Petitioner has not provided sufficient evidence or support for the Commission to approve its proposed Phase 1 pre-test year rates.

Q: How does Petitioner's proposal differ from the pre-test year rates previously approved by the Commission's prior orders?

A: In Indiana American's Cause No.45870 , the basis for initial rates was a 12-month period ending approximately when an order was expected to be issued in the case. In Evansville's Cause No. 45545, the forward-looking test period began on April 1, 2023 and Phase 1(initial) rates were based on *pro forma* net operating income for the 12-month period ending March 31, 2023.[10] Thus, there was no overlap between the data used for Phase 1 and the test year. . Similarly, in Cause No. 45870, Indiana American Water Company proposed a forward-looking test year which would begin May 1, 2024 and the Phase 1 (initial) rates were based on rate base and capital structure as of July 31, 2023 and *pro forma* net operating income for the 12-month period ending December 31, 2023. A final order was issued on February 14, 2024 in that case.

In Cause No. 45870 Indiana American did not seek to recover costs before they were projected to be incurred and their initial rate increase only reflected the effects of projected data through the date an order was expected to be issued. But in this case, Petitioner has proposed that Phase 1 rates be based on a 12-month period that <u>begins</u> when an order is expected to be issued, effectively seeking to recover costs before they are projected to be incurred.

Q: What do Indiana Statutes allow?

A: Indiana Code 8-1-2-42.7 establishes that rates may be based on a twelve-month forward-looking test period. Petitioner is effectively trying to base rates on more than twelve months of forward-looking data. Pursuant to subsection (d), "the commission shall approve a test period that is one of the following: . . . a forward-looking test period determined on the basis of projected data for the twelve (12) month period beginning not later than twenty-four (24) months after the date on

[10] Because Evansville is a municipal utility, it does not earn a return on rate base and, therefore, no measurement date for rate base or capital structure was established.

TESTIMONY OF OUCC WITNESS GREGORY L. KRIEGER
CAUSE NO. 45990
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A
CENTERPOINT ENERGY INDIANA SOUTH

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Gregory L. Krieger, and my business address is 115 W. Washington St., Suite 1500 South, Indianapolis, Indiana 46204.

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

A: I am a Utility Analyst in the Indiana Office of Utility Consumer Counselor's ("OUCC") Electric Division. A description of my professional background and experience is included in Appendix A.

Q: Please describe the review and analysis you conducted to prepare your testimony.

A: I reviewed the testimony prefiled by Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South ("CEI South" or "Petitioner") in this Cause as well as schedules, workpapers and relevant Indiana Utility Regulatory Commission ("Commission") Orders. I reviewed previous CEI South cases before the Commission, CEI South's Integrated Resource Plan ("IRP") and participated in meetings with OUCC staff members in developing issues identified in this Cause.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to explain CEI South's request for capital investment to be included in rate base as set forth in Petitioner's witness F. Shane Bradford's testimony and workpapers. I discuss the differences between capital investment and maintenance costs and how project managers and project engineers distinguish between them. Ultimately, I recommend a $150.7 million reduction of

Q: If production plant additions of $1 billion have been authorized by the Commission, why did capital investment rate base only increase by $481 million?

A: This is primarily due to two things:

1. The Commission's approval of securitization in Cause No. 45772 eliminated approximately $360 million in net plant; this amount is being passed through to consumers in a rider.
2. Consumers have already paid $965 million in depreciation through 2022.[5]

Q: Is there spending in the asset class Steam Production Plant that concerns you?

A: Yes. Mr. Bradford's testimony provides some explanation, but his workpapers provide very limited detail, including a project listing of "Other (Projects less than $5M)".[6] That list[7] contains projects that do not have supporting documentation explaining their necessity. CEI South is including:

$95.9 million of replacement projects,[8]

$7.6 million on refurbishment projects,[9]

[redacted] million for a coal silo failure,[10]

[redacted] million in land,[11]

$1.2 million in valves,[12] and

[redacted].[13]

---

[5] CEI South Exhibit No. 20 – Financial Exhibit, Schedule B-1.1 Line 16 column [C].
[6] Petitioner's Exhibit No. 7 Workpaper FSB-1 (Confidential), PS Projects from 2009 tab.
[7] *Id.*
[8] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab ReplacementPivotLT5M.
[9] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab RefurbLT5M Pivot.
[10] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab [redacted].
[11] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab [redacted].
[12] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab Valves
[13] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab [redacted].

There is also [redacted] million for FB Culley Unit 3,[14] in addition to $116.8 million of miscellaneous projects including equipment overhauls, computers, and cell phones.[15]

Q: Why do the investments in replacement and refurbishments concern you?

A: Capitalizing items that should be expensed as maintenance can add to the cost for consumers by allowing a utility to earn a return on items that should be expensed. I am also concerned about CEI South's project management and accounting discipline.

Q: Can you provide some examples that make you question CEI South's capitalization discipline?

A: Yes. One example is approximately [redacted] spent for "wallpaper" replacement.[16] When asked about the remaining life of the building where it was installed, CEI South responded the Flue Gas Desulphurization scrubber absorber tower structure ("tower structure") was not a building and did not otherwise respond to the question.[17]

When the OUCC asked how the old wallpaper was written off, CEI South responded, "[t]he wallpaper replaced on this project were [sic] retired with equal reductions to plant in service and accumulated depreciation in CEI South's fixed asset system."[18] Given CEI South uses straight line remaining life depreciation and replacements were performed in 2011, 2022, and 2023 to a 1994 tower

---

[14] 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab Culley 3.
[15] Petitioner's Exhibit No. 7, Workpaper FSB-1 (Confidential), PS Projects from 2009 tab.
[16] The "wallpaper" in question is a specialized thin high chrome alloy that is welded internally onto the Flue Gas Desulphurization ("FGD") scrubber absorber tower structure. OUCC Attachment GLK-04; CEI South Confidential Response to OUCC DR 33.2a. Petitioner's exhibit 7 Workpaper FSB-1 identifies several work orders simply as "FBC FGD Wallpaper Replacement".
[17] *Id.,* DR 33.2g.
[18] *Id.*, DR 33.2i.

asset accounting records. Only after an asset is in service for a full accounting period is the first depreciation entry made. Depreciation entries continue for each period until the asset is dispositioned or fully depreciated.

From the first entry and for every accounting period until the end of an asset's depreciable life, the plant in service value and accumulated reserve are different values. The net of the two is the asset's net book value ("NBV").

When an asset is dispositioned, its original cost and accumulated depreciation are removed, which removes the asset from the books.

Equal reductions to plant in service and accumulated depreciation could occur only when a fully depreciated asset - or one with a NBV of zero - is removed from the books. CEI South's transaction description implies that each project in 2011, 2020 and 2023 replaced only sections of wallpaper that were fully depreciated.

Q: Does CEI South use this description of asset removals in other discovery responses?

A: Yes. It uses this description of asset removals for various [redacted] projects.

Q: Are there other anomalies included in the proposed rate base calculations?

A: Yes. One example is when CEI South failed to install a design modification to a coal silo as specified in the design document; the silo later failed.[23] The [redacted] million

[23] OUCC Attachment GLK-03; CEI South Confidential Response to OUCC DR 33.4.

cost is a result of poor project management and should not be added to rate base or borne by consumers.

Q: Please explain the investment in FB Culley 3.

A: Of the [redacted] million amount, over $7 million is pending a Commission ruling on the Culley 3 outage in Cause 38708 FAC-137 S1.[24] FB Culley Unit 3 is slated for gas conversion by 2027.[25] The [redacted] million balance is forecasted in CEI South Exhibit 7, confidential workpaper FSB-1, and includes multiple Unit 3 projects.[26] The conversion and associated major projects should not be included in rates until a future CPCN for FB Culley Unit 3's conversion to natural gas is approved by the Commission. Not until the CPCN is filed, ruled on by the Commission, and the subsequent work completed should it be included in rates.

Q: Does Mr. Bradford or any other CEI South witness provide support that these costs are reasonable?

A: No. Mr. Bradford only focuses on the largest projects. There is no testimony regarding how CEI South manages maintenance, replacement, and smaller capital projects.

---

[24] On February 29, 2024, the OUCC filed its proposed order in Cause No. 38708 FAC 137 S1 requesting that this amount not be collected from customers. The matter is pending resolution before the Commission as of the date of this testimony.

[25] OUCC Attachment GLK-02; CenterPoint Energy press release; April 26, 2023.

[26] Petitioner's Exhibit No. 7 Workpaper FSB-1 (Confidential); [redacted] tab.

IV. RECOMMENDATIONS

Q: What is your recommendation?

A: I recommend the Commission:

1. Deny CEI South the ability to earn a "return on" $104.7 million of replacement, refurbishment, and valve projects;
2. Deny CEI South's request to include [redacted] million in rate base for FB Culley 3 major projects;
3. Deny CEI South's request to include [redacted] million in rate base for the replacement of a coal silo failure as described in my testimony;
4. Deny the "return of depreciation" in the amount of $8.6 million associated with the assets that should not have been capitalized;[27] and
5. As a result of these adjustments, reduce revenue requirement driven by the "return on" capex by $9.2 million.[28]

Q: Does this conclude your testimony?

A: Yes.

---

[27] 45990 OUCC Confidential Workpaper GLK-02 Deprec Resrv Est.xlsx.
[28] *Id.*

CERTIFICATE OF SERVICE

This is to certify that a copy of the ***Indiana Office of Utility Consumer Counselor's Fourth Notice of Filing Corrections*** has been served upon the following parties of record in the captioned proceeding by electronic service on April 25, 2024.

PETITIONER
Heather A. Watts
Jeffery A. Earl
Alyssa N. Allison
Kelly M. Beyrer
Matthew A. Rice
SOUTHERN INDIANA GAS AND ELECTRIC CO. d/b/a
CENTERPOINT ENERGY IN SOUTH
211 NW Riverside Dr.
Evansville, IN 47708
Heather.Watts@centerpointenergy.com
Jeffery.Earl@centerpointenergy.com
Alyssa.Allison@centerpointenergy.com
Kelly.Beyrer@centerpointenergy.com
Matt.Rice@centerpointenergy.com

Nicholas K. Kile
Hillary J. Close
Lauren M. Box
Lauren Aguilar
BARNES & THORNBURG LLP
11 South Meridian Street
Indianapolis, Indiana 46204
nicholas.kile@btlaw.com
hillary.close@btlaw.com
lauren.box@btlaw.com
lauren.aguilar@btlaw.com

CEIS INDUSTRIAL GROUP
Tabitha Balzer
Todd Richardson
LEWIS & KAPPES, P.C.
One American Square, Suite 2500
Indianapolis, IN 46282
TBalzer@lewis-kappes.com
TRichardson@lewis-kappes.com
ATyler@lewis-kappes.com
ETennant@lewis-kappes.com

Jennifer Washburn
CITIZENS ACTION COALITION OF IN, INC.
1915 West 18th Street, Suite C
Indianapolis, Indiana 46202
JWashburn@citact.org
RKurtz@citact.org

SABIC
Nikki Gray Shoultz
Kristina K. Wheeler
BOSE MCKINNEY & EVANS
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
NShoultz@boselaw.com
KWheeler@boselaw.com

Jason Haas

T. Jason Haas
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
PNC Center
115 West Washington Street, Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
thaas@oucc.in.gov
317.232.2494 – Telephone
317.232.3315 – Direct
317.232.5923 – Facsimile