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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) APPROVAL OF CEI SOUTH'S 5-YEAR PLAN FOR TRANSMISSION, DISTRIBUTION AND STORAGE SYSTEM IMPROVEMENTS PURSUANT TO IND. CODE CH. 8-1-39 ("TDSIC PLAN"); (2) AUTHORIZATION OF TDSIC TREATMENT AS PROVIDED IN IND. CODE CH. 8-1-39 FOR THE ELECTRIC TRANSMISSION, DISTRIBUTION AND STORAGE SYSTEM IMPROVEMENTS (AND THE COSTS THEREOF) SET FORTH IN CEI SOUTH'S TDSIC PLAN; (3) APPROVAL OF CEI SOUTH'S USE OF ITS TDSIC RATE ADJUSTMENT MECHANISM AND RELATED ACCOUNTING DEFERRALS, PURSUANT TO IND. CODE 8-1-39, FOR THE TIMELY RECOVERY AND DEFERRAL OF COSTS RELATED TO SUCH TRANSMISSION, DISTRIBUTION AND STORAGE SYSTEM IMPROVEMENTS (INCLUDING FINANCING COSTS INCURRED DURING CONSTRUCTION); AND (4) APPROVAL OF OTHER RELATED RATEMAKING RELIEF AND TARIFF PROPOSALS CONSISTENT WITH IND. CODE CH. 8-1-39.	)	**CAUSE NO. 45894**

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF OUCC WITNESS

KALEB G. LANTRIP

AUGUST 16, 2023

Respectfully submitted,

Thomas R. Harper, Attorney No. 16735-53
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TESTIMONY OF OUCC WITNESS KALEB G. LANTRIP
CAUSE NO. 45894
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: My testimony addresses the accounting and ratemaking treatment proposed by CenterPoint Energy Indiana South ("CEI South" or "Petitioner") in its request for its 5-Year Transmission, Distribution, and Storage System Improvement Charge ("TDSIC") Plan ("5-Year TDSIC Plan" or "2024-2028 Electric Plan") pursuant to Indiana Code ("I.C.") 8-1-39 ("TDSIC statute"). I address the calculation of CEI South's TDSIC revenue requirement proposal, as shown in CEI South witnesses Chrissy M. Behme and Matthew A. Rice's testimonies. Specifically, I address:

1) Proposed treatment of deferral and recovery of 20% of capital expenditures and TDSIC costs;

2) Concerns with the timeliness of this filing, especially with a Commission TDSIC order required less than two weeks before Petitioner is expected to file a general rate case;

3) The Indiana General Assembly's policy statements on electric service and the applicability of its policy statements on CEI South's proposed TDSIC Plan;

4) CEI South's proposed ratemaking;

5) CEI South's proposals for deferred accounting treatment in its TDSIC Plan;

6) CEI South's pre-tax return on new investments in its TDSIC Plan;

7) CEI South's proposal for contingency and indirect costs to be included in the cost estimates for its project list;

8) CEI South's proposal to reconcile Cause No. 44910 ("Electric Plan 1") TDSIC-13 and -14 in its semi-annual filings; and

9) The filing schedule proposed by CEI South in updating its TDSIC plan and recovery.

Q: Please describe the review and analysis you conducted in preparation for your testimony.

A: I reviewed CEI South's petition, testimony, attachments, and workpapers provided in this filing, as well as Petitioner's responses to OUCC data requests. I also reviewed and compared the TDSIC filings in Cause No. 44910 to CEI South's new proposal in this proceeding. In addition, I met with CEI South staff at a pre-filing meeting on May 16, 2023.

Q: To the extent you do not address a specific item in your testimony, should it be construed to mean you agree with CEI South's proposal?

A: No. My silence regarding any topic, issue, or item 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.

II. INTRODUCTION OF OTHER WITNESSES

Q: Please introduce the other OUCC witnesses testifying on behalf of the public in this cause.

A: In addition to my testimony, the OUCC offers the testimony of the following witnesses.

1) Gregory Krieger addresses Petitioner's project estimates, reliability metrics, and proposed cost allocation.

2) Derek J. Leader addresses Petitioner's economic study assumptions and Substation Physical Security Upgrades project supports.

III. CEI SOUTH ELECTRIC TDSIC HISTORY

Q: What is CEI South's history with electric TDSIC plans?

A: CEI South's current 7-year TDSIC plan was approved in Cause No. 44910 on September 20, 2017. Petitioner refers to the statutory requirement under I.C. 8-1-39-9(d) that a public utility may not file a petition under subsection (a) within 9 months after the date on which the Indiana Utility Regulatory Commission ("Commission") issues an order changing the public utility's basic rates and charges with respect to the same type or utility service. The Commission issued its order in Petitioner's last rate case (Cause No. 43839) on April 27, 2011. Petitioner's Electric TDSIC Plan 1 is set to expire on December 31, 2023. CEI South witness Matthew A. Rice testifies that Petitioner will file its statutorily required base rate case by the end of this year.[1] On May 24, 2023, CEI South filed this Cause requesting approval of a new 5-year TDSIC plan under I.C. 8-1-39-10(a).

IV. TREATMENT OF DEFERRAL AND RECOVERY OF 20% OF CAPITAL EXPENDITURES AND TDSIC COSTS

[1] See Direct Testimony of Petitioner's Witness Matthew A. Rice, p. 4, ll. 14-19.

Q: What treatment does CEI South request for the deferral of the 20% portion of capital expenditures and TDSIC costs?

A: Petitioner seeks to defer 20% of its capital expenditures and TDSIC costs as a regulatory asset and recover those amounts both in its rate case required to be filed in calendar year 2023 (due to its statutory responsibility under its current TDSIC plan), and the next rate case that will follow (on a future date in or before 2028) as required by statute. CEI South is requesting accelerated recovery of the required deferred amount under this new Plan.[2]

Q: Is CEI South's request appropriate in this current filing?

A: No. As I understand, CEI South is not correctly applying the TDSIC statute. Utilities must first petition the Commission for approval of a multi-year plan, then separately petition the Commission for periodic rate adjustments.[3] Section 10 governs the petition for the multi-year plan approval, while section 9 governs the petitions for the recovery of capital expenditures and TDSIC costs. CEI South's petition in this case is for approval of the multi-year plan and is governed by Section 10 of the statute.[4] Section 10 does not address or govern the 20% deferral; instead, section 9 governs the 80% recovery and the 20% deferral and its later recovery.[5] Section 9 sets forth the requirements for the public utility to file a

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[2] See Rice Direct, p. 6, ll. 19-26 and Direct Testimony of Petitioner's Witness Chrissy M. Behme Direct, p. 6, ll. 17-25.

[3] The legislature drafted the TDSIC statute to allow utilities to first petition the Commission for approval of a multi-year plan, and then, separately, petition the Commission for periodic rate adjustments. Indiana Office of Utility Consumer Counselor v. Duke Energy Indiana, LLC, 205 N.E. 3d 1026 at 1030 (Ind. 2023) citing NIPSCO Industrial Group v. N. Ind. Pub. Serv. Co., 125 N.E. 3d 617 at 624 (Ind. 2019).

[4] Indiana Code § 8-1-39-10.

[5] Indiana Code § 8-1-39-9.

petition "to provide timely recovery of eighty percent (80%) of approved capital expenditures and TDSIC costs."[6] Thus, the clear language of the statute applies once the public utility has actually incurred capital expenditures and TDSIC costs and petitions for the approval and recovery of those costs. This condition is not met until after the start of the approved multi-year TDSIC plan; in this case, on or after January 1, 2024.

Q: What is your experience with filings handling the TDSIC statute's implementation before the Commission?

A: During my time with the OUCC, I have been part of the case teams reviewing the new plan filings for AES Indiana's Cause No. 45264, Northern Indiana Public Service Company, LLC's ("NIPSCO") Cause No. 45557, and Duke Energy Indiana, LLC's ("DEI") Cause No. 45647. The timing between those filings' section 10 Plan approvals and section 9 recovery did not coincide so closely with a scheduled base rate case.

Q: What is your understanding of a utility's ability to recover under the TDSIC statute?

A: After receiving Commission approval for a new TDSIC plan under section 10 of the statute, a petitioner may file pursuant to section 9 as a public utility "that recovers capital expenditures and TDSIC costs… shall defer the remaining twenty percent (20%) of approved capital expenditures and TDSIC costs… and shall recover those capital expenditures and TDSIC costs as part of the next general rate case that the public utility files with the commission."[7] The clear language of

[6] Indiana Code § 8-1-39-9(a).

[7] Indiana Code § 8-1-39-9(c).

the statute demonstrates that "the next general rate case" refers to the period after the public utility has already incurred capital expenditures and TDSIC costs and has already begun recovery, or petitioned for recovery, of the approved capital expenditures and TDSIC costs it has already incurred.

Q: Are there other sections of the TDSIC statute which provide guidance on recoverability?

A: Yes. Section 12 further governs the process and requirements for orders to be issued for section 9 petitions (and not section 10 petitions).[8] Section 12 allows the Commission to authorize the deferral of TDSIC costs, pursuant to Section 9(c).[9] This provision does not extend to section 10 of the statute. The section 10 petition in this docket seeks authorization to recover the mandatory 20% deferred capital expenditures and TDSIC costs from Petitioner's 2024-2028 plan through the general rate case it will file in 2023. Petitioner is inappropriately accelerating recovery and should not receive approval to recover this 20% deferral of capital expenditures and TDSIC costs in the rate case to be filed yet this year, before the start of this TDSIC Plan.

V. TIMING AND UNCERTAINTY

Q: Does the OUCC have concerns about the timeliness of this filing?

A: Yes. The OUCC has concerns about the impact of this proposed plan, as the TDSIC statute has provisions which defer to a base rate case's ability to establish certain parameters, including a cost-of-service study ("COSS") for determining

[8] Indiana Code § 8-1-39-12.

[9] Indiana Code § 8-1-39-12(c)(3).

rate allocation. As presented in CEI South witness Rice's testimony, CEI South considers its Cause No. 43839 (approved April 27, 2011) allocation factors to not accurately represent the migration of its customer base.[10] OUCC witness Krieger will address CEI South's proposal to extend the previous Cause No. 44910 Settlement Agreement's COSS factors.

Q: Please elaborate on the significance of CEI South's base rate case timing.

A: As mentioned above, CEI South has initiated this case more than 12 years after the establishment of its current base rates. Since that time, there has been a succession of rider filings to update Petitioner's cost recovery in its investment in infrastructure. The OUCC recognizes CEI South's ability to have the opportunity to make reasonable and prudent investments in needed infrastructure. However, the value of completing timely infrastructure improvement is impacted and diminished by reliance on base rates and applicable data that are more than a decade old. Base rate cases provide a venue to examine the utility's rates and charges on a holistic basis, and establish new standards for its cost of service, the condition of its assets composing rate base and its depreciation, its capital structure composition, and authorized rate of return. Petitioner has indicated that it will file a new base rate case on or before December 31, 2023 as noted above. The staleness of the current base rates and Petitioner's plan to initiate a new base rate proceeding immediately after the conclusion of the TDSIC case further complicate an already complex and voluminous proceeding.

[10] See Rice Direct, p. 8, ll. 26-30.

Q: Why will Petitioner be filing a new base rate case by the end of this year?

A: The TDSIC statute requires CEI South to file a new base rate petition no later than December 31, 2023, because CEI South's first electric TDSIC plan received Commission approval in 2017.

Q: How do the TDSIC and rate cases relate in terms of timing?

A: The 210-day statutory timeframe under the TDSIC law requires the Commission to issue an order in this proceeding no later than December 20, 2023. The 300-day statutory timeframe for rate cases would require the IURC to issue its Order in the upcoming rate case during October 2024, if filed in December 2023.

Q. Why is this a concern?

A: The proposed TDSIC plan relies on base rates that received Commission approval in 2011. The 10.4% return on equity ("ROE") as authorized in CEI South's 2011 rate order is considerably higher than ROEs that have been authorized more recently for other Indiana investor-owned utilities. Most recently, NIPSCO received approval for a 9.80% ROE in Cause No. 45772's settlement agreement (August 2, 2023). The most recent electric rate case in which the Commission has authorized an ROE of more than 10.00% was in 2013, in Indiana Michigan Power Company's ("I&M") Cause No. 44075. Since then, I&M has been approved for 9.70% ROEs in both contested Cause No. 45235 (Order, March 11, 2020) and settled in Cause No. 45576 (February 23, 2022). DEI received a 9.70% ROE in contested Cause No. 45253 (Order, June 29, 2020). AES Indiana was approved for ROEs of 9.85% in contested Cause No. 44576 (Order, March 16, 2016) and 9.99% in settled Cause No. 45029 (October 31, 2018).

Q: Does the timing of this TDSIC plan filing raise concerns and uncertainty about additional ratemaking elements – such as capital structure and cost allocations - and how they may apply to the proposed plan?

A: Yes.

Q: Please elaborate.

A: I am not an attorney, but after reviewing the TDSIC statute, I did not find language that would require a rate order to apply to TDSIC trackers other than the one most recently approved at the time of the I.C. 8-1-39-10 initial Plan approval filing. The Commission order in this case should clarify that TDSIC Plan recovery will be updated for base rate case elements when and as such elements are approved and ordered by the Commission. The ROE approved in 2011 should not be grandfathered in for any tracker applied after the effective date of the Commission's order establishing a new ROE. While the TDSIC statute does not prohibit Petitioner from filing a TDSIC plan this year, Petitioner could have exercised a more reasonable and more efficient approach if it had delayed this filing until after new base rates were fully established.

VI. RELIABILITY AND RESILIENCE

Q: Reliability and resilience are two of the Five Pillars of Electric Utility Service established in I.C. § 8-1-2-0.6. Are these addressed in the OUCC's testimony?

A: Yes. A utility's customers need assurances that the funding raised through TDSIC trackers will be used on TDSIC projects. They also need assurances that the utility's reliability metrics will improve as a result of TDSIC investment.

Q: Have Petitioner's reliability metrics shown consistent improvement over the life of its first TDSIC plan?

A: No. The 2022 SAIDI, CAIDI, and SAIFI figures in Petitioner's most recent annual report to the Commission show significant increases to the time and frequency of outages over the same factors for 2021, even when limited to non-event days. All three indexes also show poorer results for 2022 when compared to 2018, both with and without non-event days included. OUCC witness Krieger addresses this issue.

VII. AFFORDABILITY

Q: Is it imperative for the Commission to consider affordability in this proceeding?

A: Yes. State policy requires affordability to be considered. These considerations must include CEI South's status of having the state's highest electric rates in 13 consecutive annual surveys by the Commission. They must also include the additional multiple upward pressures on rates from various other proceedings.

Q: How does state policy on affordability apply to this request?

A: The Indiana General Assembly has recognized the importance of affordability in two separate policy statements. The first was passed in 2016 and encourages investment in infrastructure "while protecting the affordability of utility services for present and future generations of Indiana citizens." I.C. § 8-1-2-0.5. In the midst of unprecedented rate increases, the Indiana General Assembly passed an additional policy statement in the 2023 session. I.C. § 8-1-2-0.6 requires that decisions concerning Indiana's electric generation resource mix, energy infrastructure, and electric service ratemaking constructs must consider certain attributes, more specifically referred to as the "Five Pillars of Electric Utility

Service." One of the Pillars is affordability. As costs and investments systematically increase to historic levels, the consistent upward pressure on ratepayers continues. It is imperative the Commission carefully scrutinize petition requests so as to only approve what is verified and justifiable as reasonably necessary and at a prudent cost. It is also critical to factor customer affordability into the accounting treatment a petitioner may seek, and into the timing of project requests and prioritization.

Q: Are you familiar with I.C. § 8-1-39-14?

A; Yes. The statute's language prohibits the Commission from approving a TDSIC "that would result in an average aggregate increase in a public utility's total retail revenues of more than two percent (2%) in a twelve (12) month period."

Q: Has a utility ever exceeded this 2% cap in a TDSIC tracker filing?

A: Yes. Northern Indiana Public Service Co. ("NIPSCO") exceeded the 2% cap in Cause No. 45557-TDSIC 2.

Q: How did NIPSCO address the overrun?

A: It deferred the portion exceeding 2% for future recovery, as the statute allows. NIPSCO also testified it would be recording carrying charges until its next general rate case.

Q: Why is this a concern?

A: The Commission order in Cause No. 45647 cited the 2% cap as a sufficient protector of rate affordability in TDSIC proceedings. However, rather than the 2% being an absolute standard for affordability, the 2% is an annual cap and any amount over that can be deferred with a return until the end of the plan. All deferrals with the carrying charges are recovered as demonstrated in Cause No. 45557-TDSIC 2. Thus, the cap is not a sufficient incentive for the utility to manage or control the costs it will try to recover. This does not protect long-term affordability, especially in light of continued upward pressures on rates.

Q: What is the revenue impact of this case?

A: CEI South is requesting recovery of costs associated with its approximately $454 million in proposed TDSIC Plan investments. 80% would be incrementally included and recovered in each semi-annual TDSIC tracker as projects are completed and placed into service as allowed by statute. The total estimated revenue requirement to be generated by CEI South's proposed TDSIC plan over the 5-year period is $125.1 million.[11]

Q: How does the issue of affordability tie into Petitioner's rates? And what is the breakdown of CEI South's current and forecasted residential bill?

A: Looking at affordability comprehensively, CEI South has 10 trackers that periodically adjust customer rates and factor into residential bills, and has filed for approval of forecasted rate increases as follows:

[11] See Behme Direct, Attachment CMB-2, "total annual revenue requirement" added up for 2024-2028 columns.

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY ("CEI SOUTH")

August 2023 Residential Customer Bill using 1,000 kWh

Line No.	Description:	kWh	Rate	$	% of Bill
	Current Charges				
1	Customer Charge			$10.84	6.82%
2	Energy Charge	1,000	$0.090260	90.26	56.82%
3	Fuel Charge	1,000	$0.038320	38.32	24.12%
4	Variable Production Charge	1,000	$0.004680	4.68	2.95%
5	Fuel Adjustment Clause	1,000	$0.001434	1.43	0.90%
6	Demand Side Management Adjustment	1,000	$0.007385	7.39	4.65%
7	Clean Energy Cost Adjustment	1,000	$0.001943	1.94	1.22%
8	Environmental Cost Adjustment	1,000	$0.008263	8.26	5.20%
9	Securitization of Coal Plants	1,000	$0.009040	9.04	5.69%
10	Securitization Rate Reduction	1,000	($0.013387)	(13.39)	-8.43%
11	Securitization ADIT Credit	1,000	($0.001060)	(1.06)	-0.67%
12	MISO Cost and Revenue Adjustment	1,000	$0.005409	5.41	3.40%
13	Reliability Cost and Revenue Adjustment	1,000	($0.007460)	(7.46)	-4.70%
14	Transmission, Distribution, and Storage System Improvement Charge	1,000	$0.003194	3.19	2.01%
15	Total Current Billing Amount (Excluding Taxes)			158.86	100.00%
	Approved/Requested Future Charges				
16	Approved Cause No. 45564: A.B. Brown CTs	1,000	0.023	$23.00	90.71%
17	Approved Cause No. 45754: Pike Solar	1,000	0.006	$6.00	8.39%
18	Approved Cause No. 45836 Wind Project	1,000	0.01986	$19.86	0.90%
19	Approved Cause No. 45839 Solar PPAs	1,000	0.0053	$5.30	4.65%
20	Requested Cause No. 45903 Culley CCR CBR	1,000	0.00263	$2.63	1.22%
21	Requested Cause No. 43406 RCRA-21	1,000	0.01655	$16.55	5.20%
22	Total Forecasted Billing Additions (Excluding Taxes)			$48.86	100.00%
23	Total Current and Forecasted Billing Amount (Excluding Taxes)			$207.72	

Note: Per online tariffs as of August 14, 2023, https://www.vectren.com/information/rates

CEI South files riders on a routine basis that almost always increase customer bills each year. It has been more than a decade since CEI South has received a comprehensive review of its rates, charges, and finances. During this period, CEI South has ranked with the state's highest residential electric rates in 13 consecutive annual surveys by the Commission.[12] When this point was raised in Cause No. 45836, Petitioner's recent request for Commission approval of a $636 Million wind project, CEI South countered in rebuttal that it had recently been surpassed in this position by two other utilities.[13] However, that statement was misleading in that the primary factor of this change was from the effect of quarterly FAC filings, which recover the fuel costs of electric generation plants and have been subject to increased volatility in recent market pricing.

The long-term fact is that the Commission's most recent Electricity Residential Bill Survey shows CEI South as having the highest monthly residential bill (at 1,000 kWh) among all IURC-jurisdictional utilities as of July 1, 2023. Whether branded as CEI South or Vectren Energy Delivery, Southern Indiana Gas & Electric Co. has also had the highest such bill in each of these surveys for 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, and 2022.[14]

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[12] Per IURC Electricity Residential Bill Survey: https://www.in.gov/iurc/energy-division/electricity-industry/electricity-residential-bill-survey/

[13] See Cause No. 45836 Verified Rebuttal Testimony of Mr. Matthew A. Rice, Attachment MAR-R1.

[14] See Attachment KGL-2: 2022 IURC Annual Report, Appendix G.

While the consideration of consistently having the highest electric rates among Indiana jurisdictional utilities implicates affordability, affordability works in conjunction with the TDSIC statute; they are not mutually exclusive. The legislative policy supports investment in infrastructure but there remains consideration of affordability. There are numerous ways affordability can be affected within those parameters. TDSIC plans should not receive automatic approval simply because the statute authorizes the filing. The legislature provided for wide Commission discretion in approving TDSIC plans. The order must include the following:

> (1) A finding of the best estimate of the cost of the eligible improvements included in the plan.
> (2) A determination whether public convenience and necessity require or will require the eligible improvements included in the plan.
> (3) A determination whether the estimated costs of the eligible improvements included in the plan are justified by incremental benefits attributable to the plan.[15]

The Commission must also determine whether the plan is reasonable.[16]

The OUCC puts forth evidence as to the TDSIC Plan's deficiencies and makes recommendations for the Commission's consideration.

[15] Indiana Code § 8-1-39-10(b).

[16] *Id*.

VIII. TDSIC RATEMAKING

Q: How will TDSIC costs be recovered through Petitioner's revenue requirement?

A: CEI South is proposing the following treatment: 80% recovery of approved capital expenditures and TDSIC costs through the rider, and deferral of 20% for subsequent recovery in its next two base rate cases as allowed by statute.[17] These costs include:

a) Capital investment in eligible projects, both completed and under construction;

b) Allowance for funds used during construction ("AFUDC");

c) Post-in-service carrying costs ("PISCC");

d) Projected and annualized property tax and depreciation expense;

e) Amortization of deferred depreciation expense, planning development expense, and PISCC.

Additionally, CEI South is requesting interim deferral treatment of depreciation and PISCC for provisional recovery in the rider if its request in this cause receives Commission approval.[18]

Q: How does Petitioner propose to treat recovery of its TDSIC plan?

A: CEI South proposes accumulating, within the calculated revenue requirement, all eligible costs requested above, with 80% cost recovery of these amounts through semi-annual TDSIC filings.[19]

Q: What is CEI South proposing to include in "New Capital Investment"?

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[17] See Behme Direct, p. 4, ll. 3-8.

[18] See Behme Direct, p. 4, l. 10 through p. 5, l. 2.

[19] See Behme Direct, p. 5, ll. 15-20.

A: Petitioner defines "New Capital Investment" as including gross plant, both in-service and Construction Work in Progress ("CWIP"), specific to investments under the TDSIC plan. It will also include amounts associated with prepayments made in 2022 and 2023 for equipment ordered in advance. CEI South Witness Behme states these prepayment amounts are necessary in order to have the equipment in place before the start of the TDSIC Plan's requested start date of 2024.[20]

Q: Is CEI South proposing to include other cost categories in its "new capital investments"?

A: Yes. Petitioner is proposing to use the accumulated depreciation on new capital investments, net of any cost of removal or salvage related to the disposal of assets retired and replaced because of these investments, as a reduction to the gross plant balance. Additionally, CEI South is proposing to include PISCC on in-service investments not yet captured for recovery in the TDSIC. CEI South will use the actual balance as of the filing cut-off date to calculate the annualized depreciation expense and PISCC not yet captured for recovery in the TDSIC.[21]

Q: What is your opinion of CEI South's proposed in-service treatment?

A: I recommend a continuance of the depreciation expense accounting treatment approved in Cause No. 44910, which used the annualized level of expense related to gross new capital investment, netting the expense related to the retired or replaced assets with the depreciation expense of new capital investment. This

[20] See Behme Direct, p. 5, ll. 21-26.

[21] See Behme Direct, p. 5, ll. 21-33.

treatment did not adjust for the cost of removal or salvage related to the disposal of assets retired or replaced because of these investments, which appears to be consistent with what CEI South witness Behme's Schedule 2, lines 4-6, and Schedule 7 footnote (A). Furthermore, the exclusion of recognition of cost of removal through a rider was upheld in IURC Order 44182, page 59. In this order, it was determined that "when the replaced item is retired, the remaining original cost is transferred to the accumulated depreciation reserve account. This causes depreciation expense to decrease, but there is no effect on net plant balances, and accordingly, no effect on rate base."[22]

Q: What is CEI South's proposal regarding incremental depreciation?

A: Petitioner is proposing to defer depreciation expense on the capital investments in the TDSIC plan from their in-service dates until the date TDSIC rates are effective. Commencing on the date the projects are placed in service, the depreciation expense will be charged to FERC Acct. 403 (Depreciation Expense), with a corresponding credit to FERC Acct. 108 (Accumulated Provision for the Depreciation of Electric Utility Plant). In the meantime, the deferral of depreciation would be recorded as a charge to FERC Acct. 182.3 (Other Regulatory Assets), and a credit for FERC Acct. 407.4 (Regulatory Credits), until such point as the assets will be included in the TDSIC and recovered through rates. CEI South seeks to amortize the cumulative deferred balances over time and include the amortization amount in TDSIC revenue requirements. Specifically,

[22] *In re Indiana Michigan Power Co.*, Cause No. 44182, Final Order p. 59, (Ind. Util. Regul. Comm'n July 17, 2013).

CEI South proposes to match the deferred depreciation balance over the life of the assets which generated the expense.[23]

Q: What is Petitioner's proposed treatment of plan development costs?

A: CEI South has incurred plan development costs to assist in the development of the TDSIC plan proposal. CEI South is requesting treatment to defer these costs under the FERC Acct. 182.3 for subsequent recovery in the proposed TDSIC rider filings over five (5) years. Witness Behme states that this is similar treatment to how such costs were treated in the previous Cause No. 44910 TDSIC plan.

IX. PRE-TAX RATE OF RETURN

Q: How is CEI South proposing to calculate pre-tax return in its TDSIC plan?

A: According to its case-in-chief, the pre-tax return on new capital investment would be calculated by multiplying the pre-tax rate of return, based on the weighted average cost of capital ("WACC"), by the total new capital investment related to the proposed TDSIC plan.[24]

Q: How will WACC be calculated?

A: CEI South proposes to use a WACC based on the actual capital structure at the end of the relevant measuring period in each update filing. Witness Behme states the capital structure presentation will be consistent with the TDSIC statute, with the balances based on actual amounts.[25] The cost of equity would be set at 10.4%

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[23] See Behme Direct, p. 6, l. 26 through p. 7, l. 18.

[24] See Behme Direct, p. 6, ll. 1-5.

[25] See Behme Direct, p. 6, ll. 6-12.

as approved in CEI South's current approved base rate case.[26] CEI South clarified its intent, in response to a data request, to make an adjustment to this cost of equity following the issuance of its next base rate order.[27]

Q: What is your opinion on CEI South's proposed calculation of pre-tax return on new capital?

A: If the Commission approves CEI South's TDSIC plan, the order should approve Petitioner's proposal to update its rate of return and capital structure in TDSIC rider filings following its next base rate order. I respectfully recommend that the Commission order in this cause include a definitive finding that a utility approved for a new TDSIC plan will be expected to update its Plan's capital structure and cost of equity for the effective date of its newest base rate case order, as this finding would clarify pre-tax return on capital guidance for all utilities that use the TDSIC mechanism.

X. CONTINGENCY AND INDIRECT COSTS

Q: Is CEI South requesting approval for budgeted contingency and indirect costs in this Cause?

A: Yes. Witness Stephen Rawlinson explains the role contingency serves in estimating budgets for TDSIC projects. CEI South has not included contingency in each detailed cost estimate. Petitioner is requesting a 12.5% contingency factor on most projects in the first two years of the plan (2024-2025), and a 17.5%

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[26] See Behme Direct, p. 6, ll. 12-13.

[27] See Attachment KGL-1: CEI South's response to CAC DR 1-11.

contingency factor for both the list of Potential Substitution Projects ("PSPs") and the last three years of the plan (2026-2028)[28].

Q: How does CEI South's proposed contingency factor compare to other Indiana electric utilities?

A: In reviewing the contingency factor in other Indiana electric utility TDSIC plans:

- AES Indiana was approved for a 10% contingency factor in its $1.2 billion 7-year plan in Cause No. 45264[29].
- Duke Energy Indiana, LLC was approved for a 15% factor in its $2.0 billion 6-year plan in Cause No. 45647[30].
- Northern Indiana Public Service Company, LLC was approved for a 10% factor in its $1.635 billion 5.5-year plan in Cause No. 45557[31].

Q: What is your recommendation regarding CEI South's contingency factor?

A: A 10% contingency factor would be more consistent with levels approved in other utilities' plans.

Q: What is CEI South's proposed level of indirect costs?

A: Petitioner is requesting a 12% factor for the indirect costs of the projects in the proposed plan.[32] Witness Krieger addresses its use within this cause in his public testimony.

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[28] See Rawlinson Direct, p. 26, ll. 20-27.

[29] *In re AES Indiana,* Cause No. 45264, Final Order p. 16 (Ind. Util. Regul. Comm'n Mar. 4, 2020).

[30] *In re Duke Energy Indiana, LLC,* Cause No. 45647, Final Order p. 8 (Ind. Util. Regul. Comm'n Jun. 15, 2022).

[31] *In re Northern Indiana Public Service Company, LLC,* Cause No. 45557, Final Order p. 51 (Ind. Util. Regul. Comm'n Dec. 28, 2021).

[32] See Rawlinson Direct, p. 26, ll. 1-5.

XI. RECONCILIATION OF PETITIONER'S FIRST TDSIC

Q: How does CEI South plan to address the transition of the TDSIC rider tariff rate from Cause No. 44910 to this pending case?

A: Petitioner proposes to include reconciliation variance resulting from TDSIC rates in place from the 44910 TDSIC-13 and -14 periods in the first semi-annual filing in this Cause if approved.[33] CEI South considered filing fifteenth and sixteenth updates under Cause No. 44910 to reconcile those respective rider filings, but the recovery treatment proposed in this pending cause, if approved, would be more administratively efficient.[34]

Q: What is your opinion on CEI South's proposal to reconcile its first TDSIC plan through this filing?

A: I do not object to CEI South using this case's cause number to file updates in reconciliation, provided that the Petitioner is able to specifically identify the Cause No. 44910 costs as distinctly labelled from the recovery of projects related to this pending plan, as testified by witness Rice.[35]

XII. FILING SCHEDULE

Q: Do you have any additional recommendations in this Cause?

A: If the Commission approves Petitioner's TDSIC plan in this Cause, the utility should implement an annual update schedule, alternating on a semi-annual basis between plan updates and cost recovery updates. This format is currently used by

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[33] See Rice Direct, p. 7, l. 27 through p. 8, l. 1.

[34] See Rice Direct, p. 8, ll. 1-5.

[35] See Rice Direct, p. 8, ll. 5-7.

Duke Energy Indiana, LLC (Cause No. 45647)[36] and AES Indiana (Cause No. 45264).[37]

Q: What are the benefits of adopting this filing schedule in TDSIC filings?

A: If CEI South used this filing schedule, it would provide for more flexibility in compliance with I.C. § 8-1-39-9(d), which does not allow a utility to file for rate recovery through the rider filing within nine (9) months of a rate case order. As CEI South is planning to file its rate case before the end of the year, a semi-annual rate recovery schedule would require the utility to either skip a filing date or adjust the timing of the filing to the middle of the next period. Adopting the example of DEI and AES Indiana would allow for more stability and certainty in the filing and review process for all parties.

Q: How would this recommendation affect CEI South's initial TDSIC update?

A: Similar to what was approved in AES Indiana's Cause No. 45264, CEI South's first filing would be a cost recovery update, followed by a plan update six months later. Subsequent filings would follow the same pattern of semi-annual updates.

XIII. RECOMMENDATIONS

Q: Please summarize your recommendations to the Commission in this cause.

A: If the Commission approves any portion of CEI South's new TDSIC plan, I recommend the Commission:

1) Deny Petitioner's request to defer 20% of its capital expenditures and TDSIC costs as a regulatory asset and recover those amounts over the next two rate cases;

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[36] See IURC Order in Cause No. 45647, p. 33.

[37] See IURC Order in 45264, p. 27.

2) Require CEI South to update its tracker filings to ensure that the rider reflects base rate case revisions to cost of service, capital structure, cost of capital, and depreciation rates. This finding should clarify that these parameters from previous rate orders should not be grandfathered in for the life of the Plan;

3) Allow Petitioner to record retirements of the utility plant against the accumulated depreciation,[38] consistent with Cause No. 44910's caveat of netting of depreciation expense of retired assets against depreciation expense of the new capital investment;

4) Allow reconciliation of Cause No. 44910 TDSIC-13 and -14 filings through the rider updates filed under this cause, provided that such reconciliations are labelled clearly and distinctly;

5) Deny Petitioner's requested contingency factors and approve the OUCC's recommendation of a 10% factor;

6) Approve witness Leader's recommendations regarding inflation, wages, and security;

7) Deny TDSIC rate recovery of $85 million of project estimates lacking quantifiable benefits, per witness Krieger's recommendations;

8) Require more appropriate and more accurate project estimates per witness Krieger's recommendations, and use its discretion to limit project approvals to those that are fully supported with complete and accurate cost estimates; and

9) Require CEI South to implement a filing schedule which alternates on a semi-annual basis between rate recovery and plan updates, consistent with what the Commission has approved in Cause Nos. 45264 and 45647.

Q: Does this conclude your testimony?

A: Yes.

[38] See Behme Direct, p. 12, l. 26 through p. 13, l. 2.

APPENDIX A

Q: Please describe your educational background and experience.

A: I graduated from the Kelley School of Business of Indianapolis in 2014 with a Bachelor of Science in Business with majors in Accounting and Finance. I am licensed in the State of Indiana as a Certified Public Accountant. I attended the National Association of Regulatory Utility Commissioners ("NARUC") Spring 2018 Conference held by New Mexico State University and the Intermediate Course Fall 2019 conference held by the Institute of Public Utilities at Michigan State University. In September 2019, I attended the annual Society of Depreciation Professionals ("SDP") conference held in Philadelphia and the Basics of Depreciation course. In April 2022 and 2023, I attended the 53rd and 54th Society of Utility Regulatory and Financial Analyst ("SURFA") Forums, both held in Richmond, Virginia.

Q: Have you previously testified before the Commission?

A: Yes.

Q: Please describe your duties and responsibilities at the OUCC.

A: I review Indiana utilities' requests for regulatory relief filed with the Indiana Utility Regulatory Commission. My scope of review is typically focused on accounting and utility ratemaking issues. This involves reading testimonies of petitioners and intervenors, previous orders issued by the Commission, and any appellate opinions to inform my analyses. I prepare and present testimony based on these analyses and make recommendations to the Commission on behalf of Indiana utility consumers.

1.11 Please refer to Behme Direct testimony, p. 6, line 13.

a) Is CenterPoint proposing that its authorized return on equity be permanently set at 10.4% for the duration of this TDSIC Plan, regardless of whether the authorized return on equity changes in CenterPoint's next rate case? Please explain.

Response:

No. CEI South used 10.4% as the cost of equity in the explanation of calculating the weighted average cost of capital ("WACC") because that is what is currently approved from the last base rate case. This was an illustrative example of how the WACC is calculated. CEI South will use the cost of equity that is approved in the next base rate case for TDSIC filings that follow the order date of the rate case.

Residential Electric Bill Comparison

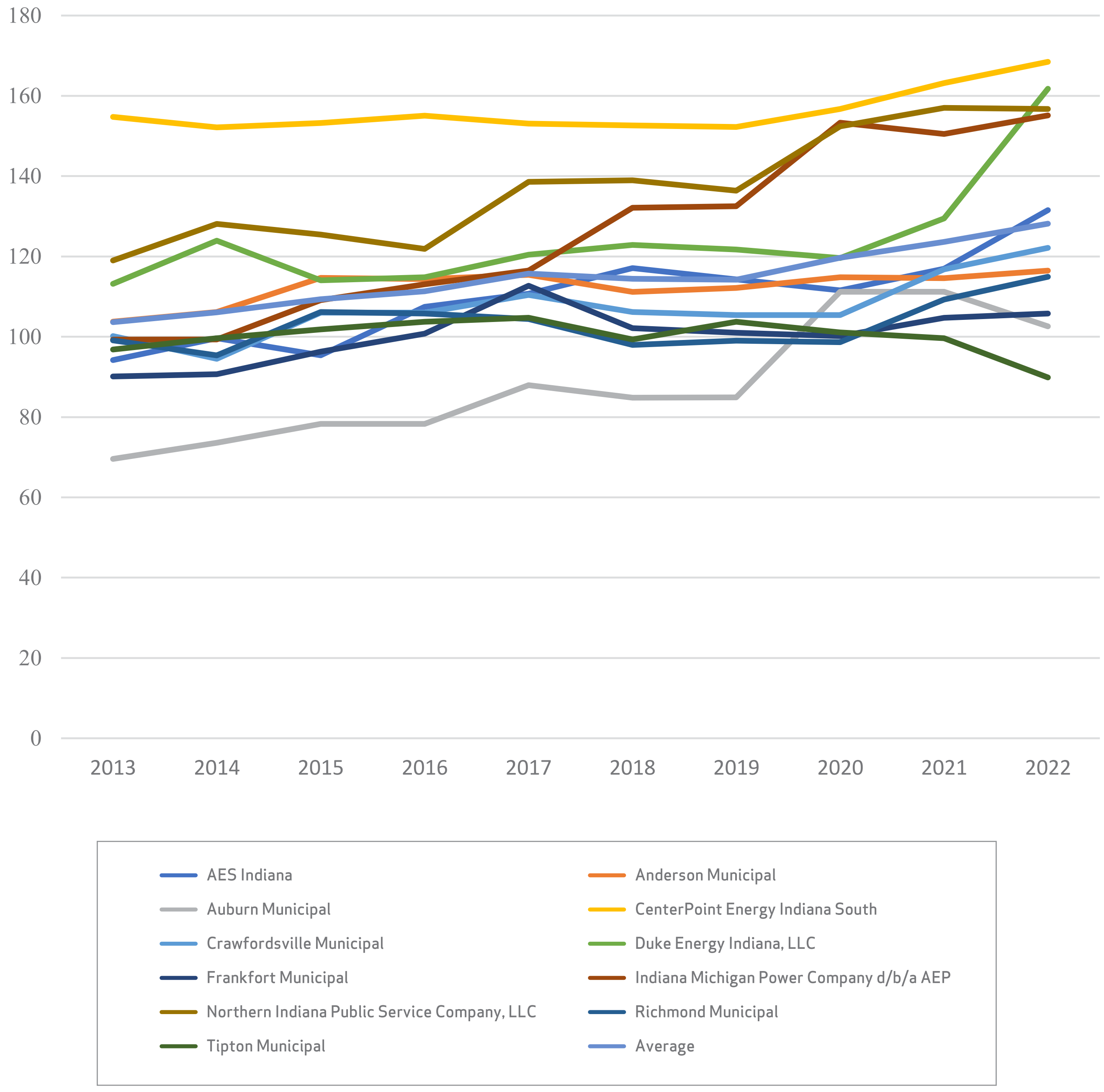
Residential Bill for 1,000 kWh Usage, July 1 of each year

MUNICIPAL UTILITIES	2022	2013	DOLLAR CHANGE	PERCENTAGE CHANGE
Anderson Municipal Light & Power Company	$ 116.47	$ 103.76	$ 12.71	12.25%
Auburn Municipal Electric	$ 102.57	$ 69.58	$ 32.99	47.41%
Crawfordsville Municipal Electric	$ 122.14	$ 100.18	$ 21.96	21.92%
Frankfort Municipal Light & Power	$ 105.81	$ 90.11	$ 15.70	17.42%
Lebanon Municipal Utilities - Electric	$ 112.55	$ 103.66	$ 8.89	8.58%
Richmond Municipal Power & Light	$ 114.93	$ 99.12	$ 15.81	15.95%
Tipton Municipal Electric	$ 89.86	$ 96.80	$ (6.94)	-7.17%
MUNICIPAL UTILITIES	2022	2013	DOLLAR CHANGE	PERCENTAGE CHANGE
AES Indiana	$ 131.53	$ 94.19	$ 37.34	39.64%
CenterPoint Energy Indiana South	$ 168.47	$ 154.77	$ 13.70	8.85%
Duke Energy Indiana, LLC	$ 161.77	$ 113.18	$ 48.59	42.93%
Indiana Michigan Power Company d/b/a AEP	$ 155.13	$ 99.29	$ 55.84	56.24%
Northern Indiana Public Service Company, LLC	$ 156.71	$ 119.00	$ 37.71	31.69%

Cause No. 45894
OUCC Attachment KGL-2
Page 1 of 2

Yearly Residential Electric Bill Comparison Chart

Residential Bill for 1,000 kWh Usage, July 1 of each year



Cause No. 45894
OUCC Attachment KGL-2
Page 2 of 2

AFFIRMATION

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

Kaleb G. Lantrip

Kaleb G. Lantrip
Utility Analyst II
Indiana Office of Utility Consumer Counselor

Cause No. 45894
CEIS

August 16, 2023
Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the ***OUCC's Public's Exhibit No. 1 Testimony of Kaleb G. Lantrip*** has been served upon the following parties of record in the captioned proceeding by electronic service on August 16, 2023.

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