

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a CENTERPOINT ENERGY INDIANA SOUTH
(CEI SOUTH)**

CAUSE NO. 45903

**REBUTTAL TESTIMONY
OF
CHRISSY M. BEHME
MANAGER, REGULATORY REPORTING
ON**

ACCOUNTING AND RATEMAKING TREATMENT

PETITIONER'S EXHIBIT NO. 3-R

REBUTTAL TESTIMONY OF CHRISSY M. BEHME

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Chrissy M. Behme. My business address is 211 NW Riverside Drive,
4 Evansville, IN 47708.

5 Q. BY WHOM ARE YOU EMPLOYED?

6 A. I am employed by CenterPoint Energy Service Company, LLC (“Service Company”), a
7 wholly owned subsidiary of CenterPoint Energy, Inc. The Service Company provides
8 centralized support services to CenterPoint Energy, Inc.’s operating units, including
9 Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South
10 (“CEI South”), an indirect subsidiary of CenterPoint Energy, Inc.

11 Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS REBUTTAL TESTIMONY?

12 A. I am submitting testimony on behalf of CEI South.

13 Q. WHAT IS YOUR ROLE WITH RESPECT TO PETITIONER CEI SOUTH?

14 A. I am Manager, Regulatory Reporting.

15 Q. ARE YOU THE SAME CHRISSY M. BEHME WHO PRE-FILED DIRECT TESTIMONY IN
16 THIS CAUSE?

17 A. Yes.

18 II. SUMMARY OF PRESENTATION

19 Q. PLEASE DESCRIBE THE SCOPE AND PURPOSE OF YOUR TESTIMONY.

20 A. The purpose of my rebuttal testimony is to address and respond to the direct testimonies
21 of the Indiana Office of Utility Consumer Counselor (“OUCC”) Witnesses Cynthia M.
22 Armstrong¹ and Wes R. Blakley² and Citizens Action Coalition of Indiana, Inc. (“CAC”)
23 Witness Benjamin Inskeep.³ In particular, I am responding to: (1) arguments regarding
24 whether the closure by removal (“CBR”) of the F.B. Culley East (“Culley East”) coal ash

¹ Pub. Ex. No. 1, the Testimony of OUCC Witness Cynthia M. Armstrong.

² Pub. Ex. No. 3, the Testimony of OUCC Witness Wes R. Blakley.

³ CAC Ex. No. 1, the Direct Testimony of CAC Witness Benjamin Inskeep.

pond (the “CBR Project”) is a capital project; (2) the contention that a return should not be allowed on the CBR Project; (3) speculation surrounding possible prior recovery of the CBR Project costs in base rates; and (4) concerns of double recovery.

Q. TO THE EXTENT YOU DO NOT ADDRESS A SPECIFIC ARGUMENT MADE BY OUCC OR CAC IN YOUR TESTIMONY, SHOULD IT BE CONSTRUED TO MEAN YOU AGREE WITH THOSE POSITIONS?

A. No. I have not attempted to respond to every argument made by OUCC or CAC witnesses. The fact that I may not have responded to any particular argument or statement made by OUCC or CAC does not indicate my agreement with that argument or statement.

Q. ARE YOU SPONSORING ANY ATTACHMENTS AS PART OF YOUR REBUTTAL TESTIMONY?

A. No.

III. CAPITAL PROJECT QUALIFICATION

Q. PLEASE SUMMARIZE MR. BLAKLEY’S POSITION REGARDING THE CBR PROJECT.

A. Mr. Blakley agrees that the project is necessary. However, he states that removal costs are not capital investments or operating expenses. He feels that CEI South should only be allowed to recover these removal costs through the depreciation rates that will be established in the future.

Q. DO YOU AGREE WITH MR. BLAKLEY’S ASSERTION THAT THE CBR PROJECT IS NOT A CAPITAL INVESTMENT?

A. No, I do not agree. Cost of removal certainly is a capital investment in net plant under the Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts (“USOA”). The USOA defines cost of removal as “the cost of demolishing, dismantling, tearing down, or otherwise removing electric plant, including the cost of transportation and handling incidental thereto.”⁴ Amounts for cost of removal are recorded to FERC Account 108 – Accumulated Provision for Depreciation of Electric Utility Plant (“FERC Account 108”), which is a Utility Plant FERC account per the USOA. Furthermore, FERC Account 108 is required to be maintained by functional classifications applicable for electric plant similar

⁴ FERC USOA, Plant Instruction 10.

1 to how FERC Account 101 – Electric Plant in Service is maintained. This requirement to
2 maintain by functional classification explicitly extends to amounts for cost of removal. This
3 further cements costs of removal as a capital investment in net plant, which is clearly an
4 eligible cost under the Federal Mandate Statute.

5 **Q. TO YOUR KNOWLEDGE, HAS THE OUCC PREVIOUSLY TAKEN THE POSITION**
6 **THAT ASH POND REMEDIATION COST IS NOT ELIGIBLE AS A FEDERALLY**
7 **MANDATED COST?**

8 A. No. Notably, the Commission has previously approved a similar project of CEI South’s
9 that involved coal ash remediation, and in that case the project costs were found to be
10 eligible under the Federal Mandate Statute. In Cause No. 45052, CEI South requested,
11 among other things, a Certificate of Public Convenience and Necessity (“CPCN”) for
12 several compliance projects located at the F.B. Culley 3 generation facility (“Culley 3
13 Compliance Projects”) including remediation of the F.B. Culley West coal ash pond. The
14 request as it relates to the Culley 3 Compliance Projects was approved and CEI South
15 was granted authority to recover those costs through its ECA mechanism as capital costs.

16 **Q. IF MR. BLAKLEY BELIEVES THAT THESE COSTS ARE INELIGIBLE UNDER THE**
17 **FEDERAL MANDATE STATUTE, HOW DOES HE BELIEVE THEY SHOULD BE**
18 **ADDRESSED?**

19 A. His recommendation is stated on page 9. He recommends what he states is “normal
20 ratemaking treatment,” which he describes as “a charge to Accumulated Depreciation
21 Account 108 . . . [and] provid[ing] recovery of removal costs at the time of the next rate
22 case through the depreciation cost recovery process.”⁵ The costs at issue in this case
23 have not been capitalized as asset retirement obligations for regulatory purposes. While
24 I agree that Mr. Blakley has correctly described the “normal ratemaking” for these costs
25 and that this process is one avenue to recovery, the Federal Mandate Statute affords a
26 mechanism for more timely recovery.

27 **IV. RETURN ON CBR PROJECT COSTS**

28 **Q. PLEASE SUMMARIZE MR. INSKEEP’S POSITION CONCERNING CEI SOUTH**
29 **EARNING A RETURN ON THE CBR PROJECT.**

⁵ Pub. Ex. No. 3 at 9, lines 16 – 23.

1 A. Mr. Inskeep raises three concerns with CEI South earning a return on the CBR Project as
2 follows: (1) the CBR Project should not be considered a capital project for ratemaking
3 purposes and that it is more akin to Operation & Maintenance (“O&M”) expense; (2)
4 allowing CEI South to earn a return on the CBR Project provides a misalignment of
5 incentives that could lead to higher costs and delays in addressing other removal costs;
6 and (3) earning a return creates intergenerational equity concerns.⁶

7 **Q. IS THE CBR PROJECT A CAPITAL PROJECT?**

8 A. Yes. As I have previously demonstrated in my rebuttal testimony, cost of removal is an
9 investment in capital plant per the USOA. In fact, some of the very activities that Mr.
10 Inskeep uses as an example in support of his contention that the CBR Project’s costs are
11 O&M expense rather than capital are explicitly called out within the USOA’s definition of
12 cost of removal. Again, the USOA defines cost of removal as “the cost of demolishing,
13 dismantling, tearing down, or otherwise removing electric plant, *including the cost of*
14 *transportation and handling incidental thereto.*”⁷

15 **Q. GIVEN THAT THE CBR PROJECT IS A CAPITAL PROJECT, DOES THE ECA**
16 **MECHANISM ALLOW AND PROVIDE FOR A RETURN ON IT?**

17 A. Yes.

18 **Q. DO YOU AGREE THAT EARNING A RETURN ON THE CBR PROJECT PROVIDES A**
19 **MISALIGNMENT OF INCENTIVES OR THAT IT CREATES AN INTERGENERATIONAL**
20 **INEQUITY?**

21 A. No. In fact, approval of the CBR Project and recovery of and return on through the ECA is
22 not only in accordance with how the mechanism is intended to operate, but it also
23 incentivizes addressing these types of environmental issues sooner rather than later.
24 Additionally, earning a return on the CBR Project or not has no bearing on the
25 intergenerational equity of the manner of recovery of the CBR Project.

26 **Q. MR. BLAKLEY ARGUES THAT THE REMOVAL COSTS ARE NOT A CAPITAL**
27 **INVESTMENT FOR WHICH A RETURN “ON” AND A RETURN “OF” IS CALCULATED,**

⁶ Direct Testimony of Benjamin Inskeep, at 10 - 11, lines 9 – 16.

⁷ FERC USOA, Plant Instruction 10 (emphasis added).

1 **NOR ARE THEY AN EXPENSE THAT WOULD IMPACT CEI SOUTH’S INCOME**
2 **STATEMENT.⁸ DO YOU AGREE WITH THIS ARGUMENT?**

3 A. No. I do not agree with his argument. When booking to Account 108, as this type of
4 removal accounting is typically handled, we would increase our rate base and earn a return
5 on that increased rate base. However, in this case the removal costs are Federally
6 Mandated Costs, as I have previously stated, that are being incurred in relation to a
7 compliance project. Therefore, if approved by the Commission, these costs are eligible for
8 a timely recovery through a periodic rate adjustment mechanism.

9 **V. CLAIMS OF PRIOR RECOVERY AND DOUBLE RECOVERY**

10 **Q. PLEASE SUMMARIZE MS. ARMSTRONG’S POSITION REGARDING THE 2005**
11 **DECOMMISSIONING STUDY.⁹**

12 A. Ms. Armstrong suggests that the CBR Project costs would be better considered in the
13 context of a general rate case. She states that it is not possible to know the incremental
14 costs of this project beyond what is being recovered in base rates. She does, however,
15 acknowledge that the costs of closing ash ponds may have increased due to the Coal
16 Combustion Residuals (“CCR”) Rule’s requirements since the completion of CEI South’s
17 2005 decommissioning study. She then suggests that other costs that would be covered
18 in this levelized decommissioning estimate may have decreased, thus potentially allowing
19 for the chance to offset the unfactored costs of the CBR Project.

20 **Q. DO YOU AGREE WITH MS. ARMSTRONG’S POSITION?**

21 A. No. She is only partially acknowledging my direct testimony on this subject. As I discussed
22 in my direct testimony, the existing depreciation accrual rates are not based upon site
23 specific decommissioning studies. We know unequivocally that there are no costs of
24 closing this pond reflected in existing depreciation rates. The decommissioning costs
25 included in current rates are based upon historical averages of cost per megawatt of
26 generating capacity that were incurred long before the CCR Rule came into being. The
27 CBR Project costs have not been included in our base rates. As stated in my direct
28 testimony, no funds have been collected in relation to the removal costs associated with
29 the CBR Project. The approved depreciation rates for Culley were approved prior to the

⁸ Pub. Ex. No. 3 at 9, lines 6 – 8.

⁹ Pub. Ex. No. 1 at 7.

1 enactment of the current EPA regulations, therefore not considered in the calculations at
2 that time.

3 **Q. WHAT WAS THE COMMISSION’S FINAL RULING REGARDING REMOVAL COSTS**
4 **OF CEI SOUTH’S CULLEY WEST ASH POND IN CAUSE NO. 45052?**

5 A. As determined by the Commission in CEI South’s Cause No. 45052, “. . .costs associated
6 with the CCR closure have not been included in [CEI] South’s depreciation rates, which
7 were last updated prior to finalization of the CCR Rule.”¹⁰

8 **Q. PLEASE DESCRIBE MR. BLAKLEY’S CONCERN WITH POTENTIAL DOUBLE**
9 **RECOVERY OF THE CBR PROJECT REMOVAL COSTS.**

10 A. Mr. Blakley has concerns that if CEI South recovers the CBR Project costs within the ECA
11 mechanism it will result in double recovery because of the costs being charged to
12 accumulated depreciation. Due to CEI South’s accounting processes, double recovery
13 will not be an issue. CEI South will adjust its rate base for this project, if approved as a
14 Federally Mandated project, in the same manner that previously approved Federally
15 Mandated projects are adjusted. CEI South has sought recovery of other Federally
16 Mandated projects through the ECA mechanism. Once those projects are approved and
17 we begin recovery of those costs through the ECA mechanism, those costs are separate
18 from those recovered through base rates. Costs that are recovered through an interim
19 mechanism will remain separate until those costs are incorporated into base rates through
20 a rate case proceeding.

21 **VI. CONCLUSION**

22 **Q. DOES THIS CONCLUDE YOUR PREPARED REBUTTAL TESTIMONY?**

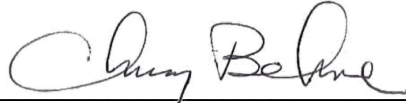
23 A. Yes, it does.

¹⁰ Final Order in Cause No. 45052 (IURC Apr. 24, 2019), at 30.

VERIFICATION

I affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

SOUTHERN INDIANA GAS AND ELECTRIC
COMPANY D/B/A CENTERPOINT ENERGY
INDIANA SOUTH

A handwritten signature in black ink, appearing to read "Chrissy Behme", written over a horizontal line.

Chrissy M. Behme
Manager, Regulatory Accounting

9/25/2023

Date