

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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

CAUSE NO. 44910

TDSIC-13

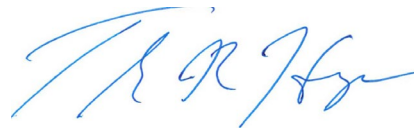
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF WES R. BLAKLEY

OCTOBER 2, 2023

Respectfully submitted,



Thomas R. Harper
Attorney No. 16735-53
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS WES R. BLAKLEY
CAUSE NO. 44910 TDSIC-13
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A CENTERPOINT
ENERGY INDIANA SOUTH ("CEI SOUTH")

I. INTRODUCTION

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

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

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

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

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

8 A: My testimony addresses Southern Indiana Gas and Electric Company d/b/a
9 CenterPoint Energy Indiana South's ("CEI South") request to recover investment
10 costs incurred for the construction and operation of transmission, distribution, and
11 storage facilities that were included in CEI South's Seven-Year Transmission,
12 Distribution, and Storage System Improvement Charge ("TDSIC") Plan. These costs
13 were also addressed in the Settlement approved by the Indiana Utility Regulatory
14 Commission ("Commission") in Cause No. 44910. In this tracker, CEI South
15 requests approval of its TDSIC costs incurred through April 30, 2023, under Ind.
16 Code § 8-1-39-9. Provisions in this Code allow for recovery of eighty percent (80%)
17 of approved capital expenditures through a periodic automatic adjustment of a
18 utility's base rates and charges as well as deferral of twenty percent (20%) of
19 approved costs for recovery as part of its next general rate case. I conclude nothing

1 came to my attention indicating CEI South's calculation of estimated TDSIC
2 adjustment factors for the relevant period is unreasonable. Ultimately, I recommend
3 approval of CEI South's proposed TDSIC-13 adjustment factors.

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

6 A: I reviewed CEI South's petition, testimony, schedules, and exhibits, which contain
7 internal accounting information. I also reviewed the Commission's Cause No. 44910
8 TDSIC-12 Order, dated May 30, 2023.

II. TDSIC-13 REVENUE REQUIREMENT AND RATE CALCULATION

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

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

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

16 (2) CEI South's petitions for rate recovery filed on or about August 1 will be
17 based on the capital investments and expenses through the period ended
18 April 30. Petitions filed on or about February 1 will include capital
19 investments and expenses through the period ended October 31.

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

23 (4) For customers served under Rate Schedules RS, B and SGS, in Cause No.
24 44910 TDSIC-1, distribution-related costs will be recovered via a per
25 customer monthly charge up to a cap of \$0.50 per customer per month.
26 The cap on the monthly fixed TDSIC charge will grow by \$0.50 per
27 customer in each semi-annual filing (*e.g.* the fixed charge cap will be
28 \$0.50 per customer in TDSIC-1, \$1.00 per month in TDSIC-2, and so on),
29 with the overall distribution-related TDSIC charge not to exceed \$7.00 per
30 customer per month. The distribution-related fixed charge cap for TDSIC-
31 13 is \$6.50. Distribution-related TDSIC costs exceeding this applicable
32 cap will be included in the energy charge (per kWh). All transmission-

1 related costs applicable to Rate Schedules RS, B, and SGS will be
2 recovered via an energy charge.

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

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

20 (7) CEI South will net the depreciation expense associated with retired and
21 replaced equipment against the depreciation expense associated with new
22 equipment in the TDSIC Plan.

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

28 (9) TDSIC costs will be allocated based on rate schedules filed in Cause No.
29 44910, which take into account the rate migration of a large customer.

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

32 **A:** Yes. In TDSIC-3, CEI South revised its TDSIC Plan to remove Wood Pole
33 Replacement Program projects for years 2018-2023. The OUCC did not object to this
34 proposal, and the Commission's Final Order in Cause No. 44910 TDSIC-3 approved

1 CEI's proposed cost recovery.¹ As of TDSIC-13, CEI South has not commenced the
2 replacement program.

3 **Q: Has CEI South incorporated elements of the Settlement Agreement in Cause No.**
4 **45032-S21 relating to the Tax Cuts and Jobs Act of 2017 in TDSIC-13?**

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

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

14 A: Yes. The 45722 Order requires CEI South to update its TDSIC tariff to reflect a
15 shorter amortization period for the A.B. Brown Units 1 and 2 EADIT ending with the
16 scheduled maturity date of the securitization bonds. The securitization bonds were
17 closed on June 29, 2023 and CEI South made a compliance filing with an updated
18 tariff on July 6, 2023. The revised EADIT calculation and TDSIC rates were
19 approved by the Commission on July 7, 2023.

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

22 A: CEI South's revenue requirement calculation includes a return on new TDSIC-
23 completed investment, Construction Work in Progress, and annual return on new
24 capital investment as of April 30, 2023, in the amount of \$30,468,977. Incremental

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

1 operating expenses include property tax expense of \$2,172,198, depreciation expense
2 of \$9,840,556, plan development costs are fully recovered as of TDSIC-6 and are \$0,
3 amortization of deferred depreciation over the life of the transmission or distribution
4 asset of \$163,387, and amortization of post-in-service carrying charge over the life of
5 the transmission and distribution assets of \$383,410. This total \$43,028,528 before
6 the 80%/20% split. The 80% cash revenue requirement to be tracked in TDSIC-13
7 totals \$34,422,822, with \$8,605,706 representing 20% of the revenue requirement
8 that will be deferred for recovery in CEI South's next general rate case. (Petitioner's
9 Petition, Exhibit No. 2 Attachment CMB-1 CEI South Schedule 1 Page 1 of 1.)

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

12
13 A: Yes. Attachment WRB-1 displays my calculation of CEI South's TDSIC
14 (transmission and distribution) rates for residential customers. The transmission
15 revenue requirement components are summed and multiplied by 80% to derive the
16 eligible transmission cash revenue requirement for tracking in TDSIC-13. This
17 amount is multiplied by the Residential Service rate allocation percentage for
18 transmission investment to derive the transmission cash revenue requirement for
19 residential customers. The resulting product is then divided by the total projected
20 annual residential kWh sales resulting in a transmission rate of \$0.003900 per kWh.

21 The distribution revenue requirement components are summed and multiplied
22 by 80% to derive the eligible distribution cash revenue requirement for tracking in
23 TDSIC-13. This amount is multiplied by the Residential Service rate allocation
24 percentage for distribution investment to derive the distribution cash revenue

1 requirement for residential customers. The resulting product is then divided by the
2 total number of projected residential customers and divided by 12 months resulting in
3 a \$7.82 per customer monthly distribution fixed charge rate. As indicated previously
4 in my testimony, the distribution-related fixed charge is capped at \$6.50 in TDSIC-
5 13. Any amount in excess of the \$6.50 distribution-related fixed charge cap will be
6 recovered in an energy charge. This additional overage results in a distribution
7 energy charge of \$0.001476 per kWh.

8 There are two other items that affect the overall TDSIC energy rate. The first
9 is the calculation of over- or under-recovery variance. In this case, the variance is an
10 over-recovery of \$50,689. The rate for residential customers for the Rate RS variance
11 is an increase of \$0.000430 per kWh. The second item is the result of the Tax
12 Reform Settlement in Cause No. 45032-S21. That settlement required CEI South to
13 calculate a tax refund for excess ADIT balances, as its ADIT was revalued as of
14 December 31, 2017, at the new, lower federal corporate income tax rate of 21%. In
15 this case, a total tax refund credit of \$5,527,597 will be passed back to customers.
16 The resulting rate for residential customers is a decrease of \$0.001648 per kWh. The
17 combined TDSIC charge for residential customers will be the fixed distribution
18 charge of \$6.50 per month plus an energy charge of \$0.004158 per kWh, which is the
19 sum of the transmission and distribution energy charges plus the Rate RS under-
20 recovery variance net of the income tax refund.

III. CONCLUSION AND RECOMMENDATION

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

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

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

6 A: I recommend the Commission approve CEI South's proposed TDSIC-13 adjustment
7 factors.

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

9 A: Yes.

APPENDIX A

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

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

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

11 A: Yes.

Southern Indiana Gas and Electric Company D/B/A Vectren Energy Delivery of Indiana Inc.
 Vectren South
 Cause No. 44910-TDSIC-13

Calculation of TDSIC Tracker Rate for Residential Customers (RS)

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

		Rate RS Allocation %	Rate RS
<u>Transmission Revenue Requirement</u>			
Return on Transmission Investment	\$12,104,875		
Property Tax Expense	858,881		
Depreciation Expense	3,271,392		
Plan Development Cost - Amortization	0		
Deferred Depreciation - Amortization	32,591		
Deferred Post in Service Carrying Charge - Amortization	<u>99,477</u>		
Total Transmission Revenue Requirement			\$16,367,216
Times: 80%		80%	
Total 80% Transmission Cash Revenue Requirement			<u>\$13,093,773</u>
		42.62%	\$5,580,566
Annual kWh Sales for RS			1,430,859,826
Transmission Rate for RS Class per kWh			\$0.003900

Distribution Revenue Requirement

Return on Distribution Investment	\$18,364,102		
Property Tax Expense	1,313,317		
Depreciation Expense	6,569,165		
Plan Development Cost - Amortization	0		
Deferred Depreciation - Amortization	130,795		
Deferred Post in Service Carrying Charge - Amortization	<u>283,932</u>		
Total Distribution Revenue Requirement			26,661,311
Times: 80%		80%	
Total 80% Distribution Cash Revenue Requirement			<u>\$21,329,049</u>
		58.44%	12,464,696
Total Residential Customers			132,732
**Distribution Fixed Charge per Month for Residential Customer (RS)			\$6.50
Annual kWh Sales for RS Distribution Fixed Charge			\$10,353,096
Distribution Rate for RS Class per kWh			\$0.001476

(Over)/Under Recovery Variance

Variance Rate for RS Class per kWh	\$295,042	685,426,347	\$0.000430
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EADIT Credit

EADIT Rate for RS Class per kWh	(\$2,358,626)	1,430,859,826	(\$0.001648)
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Total TDSIC-13 Rates

Total Combined TDSIC-13 Energy Charge			\$0.004158
Total Distribution Fixed Charge			\$6.50

Deferred Revenue Requirement

Total 20% Deferred Revenue Requirement TDSIC-13		\$8,605,705	
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** Distribution costs collected through a fixed charge for rate RS capped at \$6.50 in TDSIC-13. Rate B and Rate SGS fixed charge is \$5.56 and \$6.50 respectively.

AFFIRMATION

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

A handwritten signature in black ink that reads "Wes R. Blakley". The signature is written in a cursive style with a horizontal line underneath it.

Wes R. Blakley
Senior Utility Analyst
Indiana Office of Utility Consumer Counselor

Cause No 44910 TDSIC-13 CenterPoint

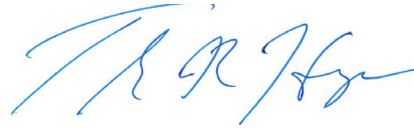
October 2, 2023
Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the *OUCC's Public Testimony of Wes R. Blakley* has been served upon the following parties of record in the captioned proceeding by electronic service on October 2, 2023.

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Respectfully submitted,



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