

OFFICIAL  
EXHIBITS

Petitioner's Exhibit No. 3  
Cause No. 37366-GCA150  
CEI South  
Page 1 of 7

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

IURC CAUSE NO. 37366-GCA150

IURC  
PETITIONER'S  
EXHIBIT NO. 3  
4-16-21 AT  
DATE REPORTER

DIRECT TESTIMONY  
OF  
BRITTANY A. FLEIG  
MANAGER, REGULATORY REPORTING

ON

GCA EARNINGS TEST

SPONSORING PETITIONER'S EXHIBIT NO. 3,  
ATTACHMENTS BAF-1 THROUGH BAF-2

**DIRECT TESTIMONY OF BRITTANY A. FLEIG**

1   **I.    INTRODUCTION**

2

3   **Q.    Please state your name and business address.**

4       My name is Brittany A. Fleig. My business address is 211 NW Riverside Drive, Evansville,  
5       Indiana, 47708.

6

7   **Q.    By whom are you employed?**

8    A.    I am employed by CenterPoint Energy, Inc. ("CenterPoint"). Southern Indiana Gas and  
9       Electric Company d/b/a CenterPoint Energy Indiana South ("Petitioner", "CEI South" or "the  
10       Company") is an indirect subsidiary of CenterPoint.

11

12   **Q.    What is your relationship with Petitioner CEI South?**

13   A.    I am Manager of Regulatory Reporting for CenterPoint, the ultimate parent company of CEI  
14       South. I hold the same position with two other utility subsidiaries of CenterPoint – Indiana  
15       Gas Company, Inc. d/b/a CenterPoint Energy Indiana North ("CEI North") and Vectren  
16       Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy Ohio ("CEOH").

17

18   **Q.    Please describe your educational background.**

19   A.    I graduated from University of Southern Indiana in 2013 with a Bachelor of Science Degree  
20       in Accounting.

21

22   **Q.    Please describe your professional experience.**

23   A.    I began working for the Company in April 2013 as an Associate Auditor and have held  
24       various auditing and accounting positions with increasing responsibility within the  
25       Company since that time. Those positions include Staff Auditor, Senior Auditor, and  
26       Manager of Minnesota Gas and Corporate Consolidations. In April 2020, I was named to  
27       my current position as Manager of Regulatory Reporting. Prior to my role as Senior  
28       Auditor, I was employed by Kimball Electronics as a Staff Auditor.

29

30   **Q.    What are your present duties and responsibilities as Manager, Regulatory**  
31       **Reporting?**

32   A.    I am responsible for the financial analysis and implementation of regulatory initiatives for

CenterPoint's regulated utility operations covering Indiana and Ohio. These duties include preparation of accounting exhibits submitted in various regulatory proceedings for these operations, including CEI South.

**Q. Are you familiar with the books, records, and accounting procedures of CEI South?**

A. Yes, I am.

**Q. Are CEI South's books and records maintained in accordance with the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USOA") and generally accepted accounting principles ("GAAP")?**

A. Yes.

**Q. Have you previously testified before any state regulatory commission?**

A. Yes. I have testified before the Indiana Utility Regulatory Commission ("IURC" or "Commission") on behalf of CEI North in its Gas Cost Adjustment ("GCA") proceedings, Cause No. 37394.

**Q. What is the purpose of your testimony in this proceeding?**

A. The purpose of my testimony is to present Petitioner's Exhibit No. 3, Attachments BAF-1 and BAF-2. Attachment BAF-1 computes the gas operating income, rate of return and operating income earnings test. In addition, my testimony provides information regarding the Application of CEI South for approval of a change in its gas cost adjustment for the period May, June, and July 2021 (the "GCA period"). Attachment BAF-2 represents the return on equity calculation for CEI South as of December 31, 2020.

**Q. Were your testimony and exhibits in this proceeding prepared by you or under your supervision?**

A. Yes, they were.

**II. PETITIONER'S EXHIBIT NO. 3, ATTACHMENT BAF-1; EARNINGS TEST**

**Q. Are you generally familiar with the properties, business and financial condition of**

1           **CEI South?**

2       A.     Yes.

3

4       **Q.     Please explain Petitioner's Exhibit No. 3, Attachment BAF-1.**

5       A.     Petitioner's Exhibit No. 3, Attachment BAF-1 reflects historic information regarding CEI  
6           South's last general rate proceeding, the NOI authorized in Cause No. 43112, allowed NOI  
7           adjustments under Cause No. 44429 TDSIC-12, application of the IC 8-1-2-42.3 refund  
8           test, and the income statement for the twelve (12) months ended December 31, 2020, as  
9           adjusted for the Normal Temperature Adjustment as approved in Cause No. 42890 on  
10          October 5, 2005, as well as resetting the earnings bank to zero as of August 1, 2007 in  
11          accordance with Cause Nos. 42943/43046.

12

13      **Q.     What is the source of the amounts in Petitioner's Exhibit No. 3, Attachment BAF-1?**

14      A.     Those amounts were derived from CEI South's accounting records, which are maintained  
15           in accordance with the Uniform System of Accounts as prescribed by this Commission.

16

17      **Q.     Were any adjustments necessary to arrive at the per-books NOI used in Petitioner's**  
18           **Exhibit No. 3, Attachment BAF-1?**

19      A.     No.

20

21      **Q.     Has the Commission authorized adjustments to the NOI allowed in the most recent**  
22           **base rate proceeding?**

23      A.     Yes. Effective July 23, 2020, in Cause No. 44429 TDSIC-12, the Commission approved  
24           increases in the allowed NOI of \$11,164,487 for the Compliance component and  
25           \$1,585,897 for the TDSIC component of the Compliance and System Improvement  
26           Adjustment ("CSIA") mechanism. The adjustments have been added to the NOI authorized  
27           in Cause No. 43112, with this total representing the total allowed NOI for CEI South this  
28           period.

29

30      **Q.     Will the implementation of the applied-for GCA in this Cause result in CEI South**  
31           **earning a return which requires CEI South to make a refund under the provisions of**  
32           **IC 8-1-2-42.3?**

33      A.     No. As shown on Petitioner's Exhibit No. 3, Attachment BAF-1, line 1 of page 3, CEI

1 South's twelve month determined NOI did not exceed the twelve month authorized NOI  
2 and the sum of the differentials for the relevant period is less than zero as shown on  
3 Petitioner's Exhibit No. 3, Attachment BAF-1, line 4 of page 3. As a result, CEI South is  
4 not required to make a refund under provisions of IC 8-1-2-42.3.  
5  
6

7 **III. PETITIONER'S EXHIBIT NO. 3, ATTACHMENT BAF-2; RETURN ON EQUITY**  
8 **CALCULATION**  
9

10 **Q. Why is the return on equity calculation being presented in this proceeding?**

11 A. As ordered in Cause Nos. 42943/43046, CEI South is to present in each GCA proceeding  
12 following the date of the referenced order the calculation of actual return on equity ("ROE")  
13 for the relevant twelve month period. The calculation is to be presented in the form  
14 proposed by CEI South in the Settlement Agreement attached to the order in Cause Nos.  
15 42943/43046.  
16

17 **Q. Is the ROE test as proposed to be implemented in this proceeding?**

18 A. No. As outlined in the referenced order, the calculation is to be presented only as an  
19 illustration for the purpose of review by the Commission.  
20

21 **Q. Has the ROE test illustration included in Petitioner's Exhibit No. 3, Attachment BAF-**  
22 **2 been prepared in the same manner as outlined in the referenced order?**

23 A. Yes. The methodology outlined has been followed here and is the same methodology that  
24 will be used in the actual ROE test if ultimately implemented.  
25

26 **Q. Are there any adjustments necessary in the ROE illustrative calculation?**

27 A. No.  
28

29 **Q. Please explain Petitioner's Exhibit No. 3, Attachment BAF-2.**

30 A. Petitioner's Exhibit No. 3, Attachment BAF-2 reflects the calculation of the adjusted ROE  
31 for the twelve month period ended December 31, 2020. Line 1 is the adjusted Net Income  
32 for CEI South for the twelve months ended December 31, 2020. Lines 2 through 6  
33 represent the actual quarter ending equity balance for CEI South for the months indicated.

Line 9 reflects the average ending equity balance for the five quarters presented. Line 10 represents the percentage allocation of the equity balance to CEI South, and Line 11 reflects the average equity balance (in dollars) for CEI South. Line 12 is the result of dividing Line 1 by Line 11, which represents the calculated ROE, or 4.51%. This is compared to the allowed ROE of 10.15%, for a return shortfall of 5.64% (Line 14). This shortfall is then multiplied by the average equity balance (Line 15) to arrive at a return shortfall (Line 16).

**Q. Are there any adjustments to net income necessary in the above calculation?**

A. No.

**Q. How was the allocation of the equity balance to CEI South determined?**

A. The allocation of equity to CEI South reflects the percentage of gas plant (19.37%) to total (both gas and electric) utility plant at CEI South. CEI South's electric operation makes up the other 80.63% of total plant. The use of this assumption is appropriate given that total equity is used to finance investment in total plant. In other words, the relative relationship of plant is appropriate to use to allocate equity.

**Q. Will this assumption be reviewed with each filing?**

A. Yes. Though not expected to change materially over time, the calculation of the relative relationship of gas plant to total plant will be performed and used in the calculation of ROE described above.

**Q. How does the result of the example ROE calculation reflected on Petitioner's Exhibit No. 3, Attachment BAF-2 compare to the net operating income ("NOI") earnings test reflected in Petitioner's Exhibit No. 3, Attachment BAF-1?**

A. The example ROE calculation on Attachment BAF-2 shows that CEI South had a return shortfall of 5.64% from its allowed return on equity of 10.15%. Per Attachment BAF-1, the net operating income for the twelve months ended December 31, 2020 is \$13.5 million, for an earnings shortfall of \$8.0 million under its authorized NOI.

1 IV. CONCLUSION

2

3 Q. Does this conclude your testimony?

4 A. Yes, it does.

STATE OF INDIANA                    )  
  ) SS:  
COUNTY OF VANDERBURGH        )

The undersigned, Brittany A. Fleig, being duly sworn, under penalty of perjury affirms that the foregoing Direct Testimony in Cause No. 37366-GCA150 is true to the best of her knowledge, information and belief.

Brittany Fleig  
Brittany A. Fleig



**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY (GAS DIVISION)**  
**d/b/a CENTERPOINT ENERGY INDIANA SOUTH**  
**NET OPERATING INCOME SUMMARY SHEET**  
**FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2020**

Line  
No.

1	Cause number of last general rate case and date the order was approved	Cause No. 43112 [A] August 1, 2007
2	New gas suppliers (names)	--
3	Gross addition of customers to the system	Unknown
4	Gross deletions of customers from the system	Unknown
5	Net addition of customers - 12 months ended December 31, 2020	1,001
6	Original cost rate base per Cause No. 43112	\$ 121,668,882
7	Return authorized in Cause No. 43112	7.20%
8	Gas Division operating income for twelve months ended December 31, 2020	\$ 13,532,632
9	Allowed operating income based on original cost rate base granted in general rate case Cause No. 43112 (Line 6 x Line 7)	\$ 8,760,160
10	Allowed operating income adjustment for Compliance per Cause No. 44429	\$ 11,164,487 [A]
11	Allowed operating income adjustment for TDSIC per Cause No. 44429	\$ 1,585,897 [A]
12	Total allowed operating income (Lines 9 + 10 + 11)	\$ 21,510,544
13	Operating income reported less operating income allowed (Line 8 - Line 12)	\$ (7,977,912)
14	Tax effect ratio per Commission Cause No. 43112	1.41583 [B]

[A] The July 22, 2020 Order in Cause No. 44429 TDSIC-12 found that 'Petitioner has properly calculated the after-tax return on investment that will be added to the authorized NOI. Therefore, effective with the approved rates in this Cause, Petitioner will adjust its authorized NOI by \$11,164,487 for the Compliance Projects and \$1,585,897 for the TDSIC Projects.'

[B] Reflects the lower federal tax rate of 21% resulting from the Tax Cuts and Jobs Act of 2017.

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY (GAS DIVISION)**  
**d/b/a CENTERPOINT ENERGY INDIANA SOUTH**  
**WEATHER NORMALIZED OPERATING INCOME EARNINGS TEST**  
**FOR THE PERIOD ENDED DECEMBER 31, 2020**

Line No.	GCA Period	GCA No.	Determined	Authorized	Differential
	(Col. A)	(Col. B)	(Col. C)	(Col. D)	(Col. E)
1	December 2020	150	\$ 13,532,632	\$ 21,510,544	\$ (7,977,912)
2	September 2020	149	\$ 12,803,752	\$ 21,510,544	\$ (8,706,792)
3	June 2020	148	\$ 12,299,278	\$ 20,610,841	\$ (8,311,562)
4	March 2020	147	\$ 11,899,527	\$ 20,610,841	\$ (8,711,314)
5	December 2019	146	\$ 3,256,520	\$ 19,244,826	\$ (15,988,305)
6	September 2019	145	\$ 5,051,198	\$ 19,244,826	\$ (14,193,627)
7	June 2019	144	\$ 4,732,177	\$ 17,839,770	\$ (13,107,592)
8	March 2019	143	\$ 3,568,950	\$ 17,839,770	\$ (14,270,820)
9	December 2018	142	\$ 10,542,156	\$ 16,784,743	\$ (6,242,586)
10	September 2018	141	\$ 8,590,322	\$ 16,784,743	\$ (8,194,420)
11	June 2018	140	\$ 9,796,565	\$ 15,659,425	\$ (5,862,860)
12	March 2018	139	\$ 9,990,963	\$ 15,659,425	\$ (5,668,462)
13	December 2017	138	\$ 9,045,499	\$ 14,479,609	\$ (5,434,110)
14	September 2017	137	\$ 9,238,383	\$ 14,479,609	\$ (5,241,226)
15	June 2017	136	\$ 9,332,954	\$ 13,460,191	\$ (4,127,237)
16	March 2017	135	\$ 9,710,840	\$ 13,460,191	\$ (3,749,351)
17	December 2016	134	\$ 9,486,147	\$ 12,847,030	\$ (3,360,883)
18	September 2016	133	\$ 8,686,386	\$ 12,847,030	\$ (4,160,644)
19	June 2016	132	\$ 8,288,032	\$ 12,172,489	\$ (3,884,457)
20	March 2016	131	\$ 8,102,830	\$ 12,172,489	\$ (4,069,659)
21	December 2015	130	\$ 7,863,250	\$ 10,898,939	\$ (3,035,689)
22	September 2015	129	\$ 7,138,937	\$ 10,898,939	\$ (3,760,002)
23	June 2015	128	\$ 6,618,090	\$ 9,440,141	\$ (2,822,051)
24	March 2015	127	\$ 6,300,023	\$ 9,440,141	\$ (3,140,118)
25	December 2014	126	\$ 6,046,667	\$ 8,760,160	\$ (2,713,493)
26	September 2014	125	\$ 5,259,263	\$ 8,760,160	\$ (3,500,897)
27	June 2014	124	\$ 5,335,027	\$ 8,760,160	\$ (3,425,133)
28	March 2014	123	\$ 5,776,239	\$ 8,760,160	\$ (2,983,921)
29	December 2013	122	\$ 5,944,895	\$ 8,760,160	\$ (2,815,265)
30	September 2013	121	\$ 7,200,773	\$ 8,760,160	\$ (1,559,387)
31	June 2013	120	\$ 8,234,309	\$ 8,760,160	\$ (525,851)
32	March 2013	119	\$ 8,665,904	\$ 8,760,160	\$ (94,256)
33	December 2012	118	\$ 9,289,115	\$ 8,760,160	\$ 528,955
34	September 2012	117	\$ 8,536,710	\$ 8,760,160	\$ (223,450)
35	June 2012	116	\$ 7,878,722	\$ 8,760,160	\$ (881,438)
36	March 2012	115	\$ 7,935,799	\$ 8,760,160	\$ (824,361)
37	December 2011	114	\$ 7,819,559	\$ 8,760,160	\$ (940,601)
38	September 2011	113	\$ 9,322,389	\$ 8,760,160	\$ 562,229
39	June 2011	112	\$ 9,588,801	\$ 8,760,160	\$ 828,641
40	March 2011	111	\$ 6,736,582	\$ 8,760,160	\$ (2,023,578)
41	December 2010	110	\$ 6,784,059	\$ 8,760,160	\$ (1,976,101)
42	September 2010	109	\$ 5,731,732	\$ 8,760,160	\$ (3,028,428)
43	June 2010	108	\$ 5,290,701	\$ 8,760,160	\$ (3,469,459)
44	March 2010	107	\$ 7,386,190	\$ 8,760,160	\$ (1,373,970)
45	December 2009	106	\$ 7,485,215	\$ 8,760,160	\$ (1,274,945)
46	September 2009	105	\$ 7,721,610	\$ 8,760,160	\$ (1,038,550)
47	June 2009	104	\$ 7,657,040	\$ 8,760,160	\$ (1,103,120)
48	March 2009	103	\$ 8,356,322	\$ 8,760,160	\$ (403,838)
49	December 2008	102	\$ 8,367,282	\$ 8,760,160	\$ (392,878)
50	September 2008	101	\$ 8,805,370	\$ 8,760,160	\$ 45,210
51	June 2008	100	\$ 9,483,961	\$ 8,760,160	\$ 723,801
52	March 2008	99	\$ 9,358,753	\$ 8,760,160	\$ 598,593
53	December 2007	98	\$ 8,214,956	\$ 8,760,160	\$ (545,204)
54	September 2007	97	\$ 7,907,759	\$ 8,760,160	\$ (852,401)
55	Sum of Differentials	[A]			<u>\$ (198,704,774)</u>

[A] Indiana Code 8-1-2-42.3 specifies that the ending period should be the longer of the immediately preceding 59 months or first full month after the company's last base rate case.

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY (GAS DIVISION)**  
**d/b/a CENTERPOINT ENERGY INDIANA SOUTH**  
**WEATHER NORMALIZED NET OPERATING INCOME EARNINGS TEST**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020**

Line No.	Description		Amount
	(Col. A)		(Col. B)
1	What is the determined return for the twelve month period ended December 31, 2020	Attachment BAF-1, page 2 of 4	\$ 13,532,632
2	What is the authorized return for the twelve month period ended December 31, 2020	Attachment BAF-1, page 2 of 4	\$ 21,510,544
3	Amount by which the twelve month determined return exceeds the authorized return.	(Line 1 - Line 2, if negative then 0)	-
4	What is the sum of the differentials between the determined and authorized return for each application for the relevant period?	Attachment BAF-1, page 2 of 4	\$ (198,704,774)
5	Amount by which the sum of the differentials demonstrate determined returns in excess of authorized.	(Line 4, if negative then 0)	-
6	Lesser of the amount on line 3 or on line 5.		-
7	Refund basis [A]	(Line 6 ÷ 4)	\$ -
8	Revenue conversion factor	(1 ÷ Line 14, Page 1)	70.6%
9	Revenue credit amount	(Line 7 ÷ Line 8)	\$ -

[A] As specified by Indiana Code 8-1-2-42.3 which states the amount of reduction shall be determined by dividing the lesser of: (1) the calculated sum of the differentials (both positive and negative) between the determined return and the authorized return for the respective twelve month test period or (2) the amount by which the return in the current application was more than the authorized return; by the total number of applications filed during the twelve month test period.

**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY (GAS DIVISION)**  
**d/b/a CENTERPOINT ENERGY INDIANA SOUTH**  
**GAS INCOME AND EXPENSE - SUMMARY**  
**FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2020**

	<u>Actual</u>	<u>Adjustments [A]</u>	<u>As Adjusted</u>
Total Net Gas Operating Revenues	\$ 99,510,449		\$ 99,510,449
Revenue from Interdepartmental Sales	671,375		671,375
<b>TOTAL GROSS GAS OPERATING REVENUES</b>	<b>\$ 100,181,824</b>	<b>\$ -</b>	<b>\$ 100,181,824</b>
<b>OPERATING EXPENSES:</b>			
Production Expenses, including			
Purchased Gas	\$ 27,998,563		\$ 27,998,563
Cost of Gas for Interdepartmental Sales	671,375		671,375
Maintenance of Manufactured Gas Production	-		-
Underground Storage Expenses	4,901,437		4,901,437
Transmission Expenses	3,349,906		3,349,906
Distribution Expenses	11,158,669		11,158,669
Customer Accounts Expenses	1,838,597	143,000	1,981,597
Customer Service & Info Expenses	41,600		41,600
Sales Expenses	1,230,803		1,230,803
Admin and General Expenses	14,264,723		14,264,723
Depreciation Expense	15,874,963		15,874,963
Taxes Other Than Income Taxes	3,431,295		3,431,295
Income Taxes	1,744,262		1,744,262
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 86,506,192</b>	<b>\$ 143,000</b>	<b>\$ 86,649,192</b>
<b>OPERATING INCOME</b>	<b>\$ 13,675,632</b>	<b>\$ (143,000)</b>	<b>\$ 13,532,632</b>

[A] Adjustments represent regulatory expenses associated with the company's approved USP that are recorded as other income deductions per FERC requirements.

**CenterPoint Energy Indiana South - Gas  
Return on Equity Test  
Twelve Months Ending December 31, 2020**  
(In Thousands)

**ILLUSTRATIVE EXAMPLE**

1	Gas Net Income for the 12 Months Ended December 31, 2020		\$	9,929
	CEI South Equity Balances [a]:			
2	4th quarter	Dec-19	\$	1,106,555
3	1st quarter	Mar-20	\$	1,126,860
4	2nd quarter	Jun-20	\$	1,146,523
5	3rd quarter	Sep-20	\$	1,177,398
6	4th quarter	Dec-20	\$	1,125,478
7	Sum of Lines 2-6		\$	5,682,814
8	Number of Quarters			5
9	Average Equity Balance (Line 7 / Line 8)		\$	1,136,563
10	Gas Portion of CEI South [a]			19.37%
11	Gas Average Equity Balance (Line 9 * Line 10)		\$	220,152
12	Actual Return on Equity (Line 1 / Line 11)			4.51%
13	Less: Allowed Return on Equity			10.15%
14	ROE Difference (Line 12 - Line 13)			-5.64%
15	Average Gas Equity Balance (Line 11)		\$	220,152
16	Return Excess/(Shortfall) (Line 14 * Line 15)		\$	(12,417)

**Footnotes:**

[a] Cause 42943 JAB-S2 pg. 21