

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-11

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC’S EXHIBIT NO. 1

TESTIMONY OF WES R. BLAKLEY

OCTOBER 3, 2022

Respectfully submitted,



T. Jason Haas

Attorney No. 34983-29

Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS WES R. BLAKLEY
CAUSE NO. 44910 TDSIC-11
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.,
3 Suite 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 requests
15 approval of its TDSIC costs incurred through April 30, 2022, under Ind. Code § 8-1-
16 39-9. Provisions in this Code allows for recovery of eighty percent (80%) of approved
17 capital expenditures through a periodic automatic adjustment of a utility's base rates
18 and charges as well as deferral of twenty percent (20%) of approved costs for
19 recovery as part of its next general rate case. I conclude nothing came to my attention

1 indicating CEI South's calculation of estimated TDSIC adjustment factors for the
2 relevant period are unreasonable. Ultimately, I recommend approval of CEI South's
3 proposed TDSIC-11 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-10 Order, dated May 25, 2022.

II. TDSIC-11 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 April 30, 2022.

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 11 is \$5.50. 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

1 proposal, and the Commission's Final Order in Cause No. 44910 TDSIC-3 approved
2 CEI's proposed cost recovery.¹

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-11?**

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-11, Attachment MAR-1, Schedule 2 using the Tax Reform
10 Settlement allocation percentages.

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

13 A: CEI South's revenue requirement calculation includes a return on new TDSIC-
14 completed investment, Construction Work in Progress, and annual return on new
15 capital investment as of April 30, 2022, in the amount of \$25,747,742. Incremental
16 operating expenses include property tax expense of \$1,612,185, depreciation expense
17 of \$6,352,246, plan development costs are fully recovered as of TDSIC-6 and are \$0,
18 amortization of deferred depreciation over the life of the transmission or distribution
19 asset of \$124,808, and amortization of post-in-service carrying charge over the life of
20 the transmission and distribution assets of \$296,155. This total is \$34,133,136 before
21 the 80%/20% split. The 80% cash revenue requirement to be tracked in TDSIC-11
22 totals \$27,306,509, with \$6,826,627 representing 20% of the revenue requirement
23 that will be deferred for recovery in CEI South's next general rate case.

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

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

3 A: Yes. Attachment WRB-1 displays my calculation of CEI South's TDSIC
4 (transmission and distribution) rates for residential customers. The transmission
5 revenue requirement components are summed and multiplied by 80% to derive the
6 eligible transmission cash revenue requirement for tracking in TDSIC-11. This
7 amount is multiplied by the Residential Service rate allocation percentage for
8 transmission investment to derive the transmission cash revenue requirement for
9 residential customers. The resulting product is then divided by the total projected
10 annual residential kWh sales resulting in a transmission rate of \$0.003065 per kWh.

11 The distribution revenue requirement components are summed and multiplied
12 by 80% to derive the eligible distribution cash revenue requirement for tracking in
13 TDSIC-11. This amount is multiplied by the Residential Service rate allocation
14 percentage for distribution investment to derive the distribution cash revenue
15 requirement for residential customers. The resulting product is then divided by the
16 total number of projected residential customers and divided by 12 months resulting in
17 a \$6.43 per customer monthly distribution fixed charge rate. As indicated previously
18 in my testimony, the distribution-related fixed charge is capped at \$5.50 in TDSIC-
19 10. Any amount in excess of the \$5.50 distribution-related fixed charge cap will be
20 recovered in an energy charge. This additional overage results in a distribution energy
21 charge of \$0.001076 per kWh.

22 There are two other items that affect the overall TDSIC energy rate. The first
23 is the calculation of over- or under-recovery variance. In this case, the variance is an
24 under-recovery of \$1,344,143 that will be charged to customers. The rate for

1 residential customers for the variance is an increase of \$0.000172 per kWh. The
2 second item is the result of the Tax Reform Settlement in Cause No. 45032-S21.
3 That settlement required CEI South to calculate a tax refund for excess ADIT
4 balances, as its ADIT was revalued as of December 31, 2017, at the new, lower
5 federal corporate income tax rate of 21%. In this case, a total tax refund credit of
6 \$4,971,424 will be passed back to customers. The resulting rate for residential
7 customers is a decrease of \$0.001546 per kWh. The combined TDSIC charge for
8 residential customers will be the fixed distribution charge of \$5.50 per month plus an
9 energy charge of \$0.002767 per kWh, which is the sum of the transmission and
10 distribution energy charges plus the under-recovery variance net of the income tax
11 refund.

III. CONCLUSION AND RECOMMENDATION

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

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

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

17 A: I recommend the Commission approve CEI South's proposed TDSIC-11 adjustment
18 factors.

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

20 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 trackers, 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-11

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	\$10,252,683			
Property Tax Expense	534,015			
Depreciation Expense	1,452,278			
Plan Development Cost - Amortization	0			
Deferred Depreciation - Amortization	22,997			
Deferred Post in Service Carrying Charge - Amortization	72,290			
Total Transmission Revenue Requirement		\$12,334,263		
Times: 80%		80%		
Total 80% Transmission Cash Revenue Requirement		\$9,867,410	42.62%	\$4,205,492
Annual kWh Sales for RS				1,372,246,704
Transmission Rate for RS Class per kWh				\$0.003065
<u>Distribution Revenue Requirement</u>				
Return on Distribution Investment	\$15,495,059			
Property Tax Expense	1,078,169			
Depreciation Expense	4,899,968			
Plan Development Cost - Amortization	0			
Deferred Depreciation - Amortization	101,811			
Deferred Post in Service Carrying Charge - Amortization	223,865			
Total Distribution Revenue Requirement		21,798,872		
Times: 80%		80%		
Total 80% Distribution Cash Revenue Requirement		\$17,439,098	58.44%	10,191,409
Total Residential Customers				132,044
**Distribution Fixed Charge per Month for Residential Customer (RS)				\$5.50
Annual kWh Sales for RS Distribution Fixed Charge				\$8,714,904
Distribution Rate for RS Class per kWh				\$0.001076
<u>(Over)/Under Recovery Variance</u>				
Variance Rate for RS Class per kWh	\$113,885	661,580,352		\$0.000172
<u>EADIT Credit</u>				
EADIT Rate for RS Class per kWh	(\$2,121,307)	1,372,246,704		(\$0.001546)
<u>Total TDSIC-11 Rates</u>				
Total Combined TDSIC-11 Energy Charge				\$0.002767
Total Distribution Fixed Charge				\$5.50
<u>Deferred Revenue Requirement</u>				
Total 20% Deferred Revenue Requirement TDSIC-11		\$6,826,627		

** Distribution costs collected through a fixed charge for rate RS capped at \$5.50 in TDSIC-11. Rate B and Rate SGS fixed charge is \$4.43 and \$5.50 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 extending to the right from the end of the name.

Wes R. Blakley
Senior Utility Analyst
Indiana Office of Utility Consumer Counselor
Cause No 44910 TDSIC-11 CenterPoint

October 3, 2022

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 3, 2022.

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