

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) AUTHORITY)
TO MODIFY ITS RATES AND CHARGES FOR)
ELECTRIC UTILITY SERVICE THROUGH A)
PHASE-IN OF RATES, (2) APPROVAL OF NEW)
SCHEDULES OF RATES AND CHARGES, AND)
NEW AND REVISED RIDERS, INCLUDING)
BUT NOT LIMITED TO A NEW TAX)
ADJUSTMENT RIDER AND A NEW GREEN)
POWER RIDER (3) APPROVAL OF A)
CRITICAL PEAK PRICING (“CPP”) PILOT)
PROGRAM, (4) APPROVAL OF REVISED)
DEPRECIATION RATES APPLICABLE TO)
ELECTRIC AND COMMON PLANT IN)
SERVICE, (5) APPROVAL OF NECESSARY)
AND APPROPRIATE ACCOUNTING RELIEF,)
INCLUDING AUTHORITY TO CAPITALIZE AS)
RATE BASE ALL CLOUD COMPUTING COSTS)
AND DEFER TO A REGULATORY ASSET)
AMOUNTS NOT ALREADY INCLUDED IN)
BASE RATES THAT ARE INCURRED FOR)
THIRD-PARTY CLOUD COMPUTING)
ARRANGEMENTS, AND (6) APPROVAL OF AN)
ALTERNATIVE REGULATORY PLAN)
GRANTING CEI SOUTH A WAIVER FROM 170)
IAC 4-1-16(f) TO ALLOW FOR REMOTE)
DISCONNECTION FOR NON-PAYMENT)**

CAUSE NO. 45990

PUBLIC’S EXHIBIT NO. 5

TESTIMONY OF JASON T. COMPTON

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

March 12, 2024

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that a copy of the *Public's Exhibit No. 5 – Testimony of Jason T. Compton on behalf of the OUCC* has been served upon the following in the captioned proceeding by electronic service on March 12, 2024.

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TESTIMONY OF OUCC WITNESS JASON T. COMPTON
CAUSE NO. 45990
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A
CENTERPOINT ENERGY INDIANA SOUTH

I. INTRODUCTION

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

2 A: My name is Jason Compton, and my business address is 115 West Washington Street, Suite
3 1500 South, Indianapolis, IN 46204.

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

5 A: I am employed by the Indiana Office of Utility Consumer Counselor (“OUCC”) as a Utility
6 Analyst in the Water and Wastewater Division. My qualifications and credentials are set
7 forth in Appendix A attached to this testimony.

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

9 A: I respond to Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana
10 South’s (hereafter “Petitioner” or “CEI South”) request to include certain Information
11 Technology (“IT”) investments in rate base and related operating expenses in its revenue
12 requirement. I recommend denial of those rate base additions and O&M expenses for lack
13 of support. I explain that Petitioner’s requested accounting treatment for all costs under its
14 cloud computing arrangements does not comply with accounting standards established by
15 the Financial Accounting Standards Board. I identify sponsorship expenses that should
16 have been removed from *pro forma* operating expenses. I recommend Petitioner be
17 permitted to recover any unamortized rate case expense in a subsequent rate order provided
18 ratepayers are similarly protected from over-amortization of that expense. I recommend
19 ratepayers not be required to pay Petitioner’s entire proposed rate case expense and that
20 ratepayers be required to reimburse Petitioner no more than \$1,037,390 to be amortized

1 over five years. Lastly, I describe difficulties the OUCC encountered while reviewing CEI
2 South's case-in-chief.

3 **Q: Do you sponsor any schedules or attachments?**

4 A: Yes. I sponsor the following attachments:

- 5 • OUCC Attachment JTC-1 – CEI South's Responses to OUCC Data Requests

6 **Q: What review and analysis have you conducted to prepare your testimony?**

7 A: I reviewed CEI South's petition and case-in-chief testimony, as well as CEI South's
8 financial exhibit, various attachments, and other supporting workpapers. I reviewed the
9 minimum standard filing requirements ("MSFR") and the documents CEI South provided
10 to satisfy those requirements. I prepared discovery questions and reviewed CEI South's
11 responses.

12 **Q: If you do not discuss a specific topic or adjustment, does that mean you agree
13 with CEI South?**

14 A: No. My silence regarding any proposals, adjustments, or requested relief should not be
15 construed as assent or agreement to any proposal, adjustment, or request. Rather, the scope
16 of my testimony is limited to the specific items addressed herein.

17 **II. SPONSORSHIP COSTS INCLUDED IN ADMINISTRATIVE AND GENERAL 18 EXPENSES**

18 **Q: Did CEI South propose any adjustments to remove sponsorship expenses?**

19 A: Yes. CEI South removed \$160,653 from its 2025 future test year administrative and general
20 expenses to remove projected expenses associated with sponsoring the Indianapolis Colts
21 (\$129,385) and the Ford Center (\$31,268). I agree with CEI South that those expenses
22 should not be included in rates.

1 **Q: Did CEI South remove every sponsorship expense?**

2 A: No. CEI South's response to OUCC DR 8.04 shows it did not remove an additional \$6,654
3 for its sponsorship of the Ohio Valley Conference Basketball Tournament ("Ohio Valley")
4 or \$3,025 for its University of Evansville sponsorship (OUCC Attachment JTC-1, pages
5 1-2).

6 **Q: Why should CEI South have removed its expenses for the Ohio Valley and University
7 of Evansville sponsorships?**

8 A: These sponsorships are for image building and enhancing relations in the communities CEI
9 South operates within. The sponsorships also act as a vehicle for CEI South to advertise its
10 company. CEI South's advertising and public relations efforts using these sponsorships do
11 not assist in maintaining CEI South's system or in providing utility service.
12 Notwithstanding the immateriality of this additional \$9,679, expenses for image building
13 or charitable gifts are not recoverable from ratepayers, and these sponsorship dollars should
14 be excluded from the revenue requirement. CEI South's ratepayers are not responsible for
15 funding these expenses.

16 **Q: What amount should CEI South remove from its Administrative and General
17 Expenses for sponsorship costs?**

18 A: I recommend CEI South be required to remove \$170,331 from its administrative and
19 general expenses to adjust for sponsorship costs.

III. INFORMATION TECHNOLOGY CAPITAL INVESTMENTS

20 **Q: Please describe CEI South's proposal for its information technology ("IT")
21 investments.**

22 A: Petitioner's witness Ronald W. Bahr testifies to the various IT investments CEI South is
23 planning to make and supports their inclusion in rate base. The IT investments Mr. Bahr
24 identifies are as follows: (1) enterprise integration program ("EIP"); (2) advanced metering

1 infrastructure (“AMI”); (3) advanced distribution management system (“ADMS”); (4)
2 supervisory control and data acquisition (“SCADA”); (5) digital delivery; (6) cloud
3 acceleration, transformation, and optimization (“CATO”); (7) systems applications and
4 products in data processing (“SAP”) business, planning, and consolidations (“BPC”)
5 program; (8) cybersecurity; (9) network transformation; and (10) data center refresh and
6 resiliency. In response to OUCC DR 12.06, CEI South indicated the overall net increase to
7 rate base because of these investments is \$36.4 million (OUCC Attachment JTC-1, page
8 3). CEI South’s request also includes \$770,000 of O&M expense for its SAP S/4HANA
9 transformation program and \$813,540 of O&M expense for cloud computing arrangement
10 costs under the CATO project, both of which are to be incurred in 2025.

11 **Q: Why is CEI South proposing to make these investments?**

12 A: On pages 4 through 5 of Mr. Bahr’s testimony, he explains that software and hardware
13 need to be routinely updated, maintained, and/or replaced. Mr. Bahr further explains that
14 older technology becomes a security risk as more patches and updates are pushed through
15 the applications and software, making it easier for hackers to find vulnerabilities.
16 Additionally, older technology becomes more costly to maintain and increases the
17 operating costs while functionality and performance become worse.

18 **Q: Do you agree with CEI South’s proposal to include its proposed IT investments in**
19 **rate base?**

20 A: No. While I generally agree with Mr. Bahr’s assessment that older technologies slow over
21 time and have the potential to become a security risk, CEI South has not substantiated its
22 proposed IT investments in Petitioner’s case-in-chief or provided sufficient evidence
23 demonstrating the necessity of all these investments.

1 **Q: What benefits does CEI South claim its IT investments will pass on to ratepayers?**

2 A: Mr. Bahr makes several different claims on the benefits CEI South's investments in IT
3 infrastructure will have for ratepayers. Mr. Bahr's claims primarily consist of improving
4 the system's resiliency and security, improving the efficiency of its systems, and
5 decreasing application maintenance and support costs.¹

6 **Q: Does CEI South provide evidence in its case-in-chief that supports Mr. Bahr's claims
7 regarding these IT investment benefits?**

8 A: No. There is no evidence in CEI South's case-in-chief substantiating Mr. Bahr's claims.
9 There are no studies, no reports, and no projections supporting or identifying how CEI
10 South's IT investments will benefit the resiliency and security of its systems, the difference
11 in efficiency between the old and new applications, or how much application maintenance
12 and support costs might decrease. The benefits Mr. Bahr claims are merely broad assertions
13 without support.

14 **Q: Did the OUCC provide CEI South with an opportunity to provide evidence to support
15 its claim regarding the benefits its IT investments might provide?**

16 A: Yes. In OUCC DR 12.10, the OUCC asked CEI South whether Petitioner had conducted a
17 study to quantify how much its system might improve or how much maintenance costs
18 might be reduced because of the proposed IT investments (OUCC Attachment JTC-1, page
19 4). In response, CEI South stated that it had conducted no such study and referred the
20 OUCC to blanket statements Mr. Bahr makes regarding how CEI South's systems *might*
21 improve.

¹ Petitioner's Exhibit No. 8, Direct Testimony of Ronald Bahr, p. 9. lines 25-31, p. 10, lines 1-19, p. 12 lines 17-33, p. 14, lines 1-19, p. 15, lines 13-18, p. 19, lines 1-13, p. 20 lines 28-33, p. 21 lines 1-8, p. 22, lines 3-10, p. 24, lines 1-7, p. 25, lines 17-25, and p. 26, lines 21-31.

1 Also, in OUCC DR 12.11, the OUCC asked CEI South to identify what the
2 reduction in its information system maintenance budget will be because of its IT
3 investments (OUCC Attachment JTC-1, page 5). CEI South objected to this question
4 stating the OUCC was requesting a calculation, compilation, or analysis Petitioner had not
5 completed. This objection, once again, shows CEI South claims its IT investments will
6 provide benefits with no actual analysis to support these claims. However, CEI South did
7 respond in part to the question by identifying an approximately \$640K realized reduction
8 of maintenance expense in 2023 due to the enterprise network transformation. If CEI South
9 is basing its cost savings on this singular event, it is both improper and presumptuous to
10 extrapolate that these savings will be realized from its nine other IT investments, some of
11 which are completely different in nature.

12 Finally, in OUCC DR 12.2, the OUCC asked CEI South to identify the headcount
13 of its current IT support staff and to also identify how that headcount will change because
14 of its IT investments (OUCC Attachment JTC-1, page 6). CEI South stated the electric
15 allocation of labor headcount was 8.8 full-time equivalents (“FTE”) for application
16 support, 3 FTEs for infrastructure support, and 3 FTEs for network support. CEI South also
17 responded that there will be no change in its IT support staff because of its IT investments.
18 It seems incongruous for CEI South to claim it will realize decreased maintenance costs,
19 increased resiliency, and improved efficiency but will still require the same FTE support
20 staff as it did prior to these proposed IT investments.

21 **Q: Did CEI South claim any of its current software or hardware is obsolete?**

22 **A:** No. CEI South did not make any claim of obsolescence regarding its software or hardware.

23 While CEI South did explain that older technologies become vulnerable and less efficient,

1 it did not explain, support, or show that its current technologies have reached that stage in
2 their lives. CEI South simply stated its new investments will increase the efficiency of its
3 operations without any cost benefit study analyzing the level of improvements compared
4 to investment cost.² For example, with the information provided in CEI South's case-in-
5 chief, there is no way to confirm or identify how much better its digital delivery system
6 might become because of \$7,333,979³ of additional investment between 2022 and 2025;
7 therefore, with the evidence provided, there is no way to determine whether the investments
8 CEI South has made and plans to make for its IT development are prudent or reasonable.

9 **Q: Please explain the adjustments you made in accordance with your recommendation**
10 **to disallow any rate base additions for CEI South's IT investments.**

11 A: With the information CEI South provided, I am unable to calculate the dollar impact to
12 utility plant in service and accumulated reserve resulting from CEI South's IT investments;
13 consequently, the OUCC used the estimates CEI South provided in response to OUCC DR
14 12.06 to make its adjustments. I was also unable to reasonably calculate the exact
15 adjustments to be made to FERC accounts 303.2, 303.12, and 303.25 with the information
16 CEI South provided. As a result, I calculated a proxy adjustment to each of these FERC
17 accounts using a pro rata allocation to reduce both utility plant in service and accumulated
18 reserve based on CEI South's estimations.

19 **Q: Please explain the pro rata allocation methodology used to allocate the reduction in**
20 **utility plant in service and accumulated reserve.**

21 A: I added the ending balances in utility plant in service for FERC accounts 303.2, 303.12,
22 and 303.25 together to identify the total balance of these three accounts. Using the total

² Bahr Direct, p. 9, lines 25-31, p. 19, lines 18-24, p. 22, lines 3-10, and p. 25, lines 17-25.

³ Based on page 21 of Mr. Bahr's REVISED case-in-chief testimony, \$6,334,842 investment in 2022, \$685,306 in 2023, \$265,266 in 2024, and \$48,565 in 2025.

1 balance of the three accounts, the OUCC divided each account by the total to determine
2 the percentages that each account makes up of the total. The OUCC multiplied each
3 percentage by CEI South's estimated increase to utility plant in service of \$39.4 million
4 and used the results as the proxy adjustment. I repeated this process for its adjustment to
5 accumulated reserve using the accumulated reserve ending balances for the same accounts
6 and CEI South's estimated \$3 million increase in accumulated reserve. These adjustments
7 ultimately result in reducing CEI South's rate base by its estimated increase of \$36.4
8 million for its IT investments.

9 **Q: What do you recommend the Commission find regarding CEI South's IT**
10 **investments?**

11 A: I recommend the Commission deny CEI South's request to include any of the investments
12 in rate base. I also recommend the Commission deny CEI South's request to include
13 \$770,000 in O&M expense for its SAP transformation program and \$813,540 in O&M
14 expense for cloud computing arrangement costs to be incurred in 2025 under the CATO
15 Project. CEI South has failed to provide proof of the necessity behind the investments and
16 has also failed to substantiate the claimed benefits for its system. Moreover, CEI's
17 responses to discovery showed Petitioner performed no study and conducted no analysis
18 to support the benefits it claims.

IV. PROPOSED REGULATORY ACCOUNTING TREATMENT FOR POST TEST

YEAR CLOUD COMPUTING ARRANGEMENT EXPENDITURES

19 **Q: Please describe CEI South's requested accounting treatment for its post-test year**
20 **cloud computing arrangement (referred to by CEI South as "CCA") costs.**

21 A: Some cloud computing arrangement costs incurred during the implementation period are
22 capital. Cloud computing arrangement costs incurred *before* and *after* the implementation

1 phase are *operating expenses*, not capital costs. However, CEI South requests it be allowed
2 to capitalize all post-test year cloud computing costs by establishing a deferred regulatory
3 asset to reflect amounts not already included in its base rates. Petitioner proposes this
4 amortization of regulatory assets begin upon the effective date of rates in its next rate case
5 and be amortized over the anticipated life of the rates in that rate case.

6 **Q: What does CEI South say regarding why it should be allowed to treat all post-test**
7 **year cloud computing arrangement expenses as capital expenditures?**

8 A: Petitioner’s witness Chrissy M. Behme contends this regulatory treatment is warranted
9 because disparate outcomes between the treatment of on-premises and cloud computing
10 arrangements can occur despite similarities in economics. Ms. Behme added that the nature
11 of a software-as-a-service type cloud computing arrangement makes it difficult to
12 determine identifiable license costs, which creates potential for eligible capital costs to be
13 recorded as operations and maintenance (“O&M”) as opposed to capital.⁴

14 **Q: Do you agree with CEI South’s proposal to capitalize all its prospective cloud**
15 **computing arrangement costs?**

16 A: No. CEI South should not be permitted to treat its O&M expenses as a deferred regulatory
17 asset and earn a return on its *expenses*. CEI South presumes it is entitled to a return on
18 O&M expenses because of a misconception that its risk to properly identify license costs
19 should result in ratepayers providing a return on costs that are clearly not capital.

20 **Q: Is Ms. Behme correct that difficulty identifying license costs may cause capital cloud**
21 **computing arrangement costs to be recorded as O&M expense and not capital?**

22 A: No. The Financial Accounting Standards Board (“FASB”) Accounting Standards
23 Codification (“ASC”) provides very clear instructions for what portions of cloud
24 computing arrangement costs can be capitalized and what portions must be expensed.

⁴ Petitioner’s Exhibit No. 2, Direct Testimony of Chrissy Behme, p. 38 lines 8-19.

1 (FASB ASC 350-40-25-1 through 350-40-25-6.⁵) There are significant available resources
2 explaining how to identify and treat such costs. For instance, Deloitte, PwC, and KPMG
3 all publish resources that are readily available to inform CEI South how it should properly
4 identify and account for cloud computing arrangement costs. CEI South's ratepayers
5 should not have to pay higher rates to protect Petitioner from its own failure to follow
6 accounting standards. Identifying license costs is the responsibility of CEI South's
7 accounting practices and not a justification to capitalize what is properly an O&M expense.

8 **Q: Ms. Behme argues that expenses under a cloud computing arrangement would be**
9 **capitalized if CEI South were to implement an on-premises IT solution. Is that true?**

10 A: Yes, but that is a specious argument. On-premises IT solutions allow more costs to be
11 capitalized because FASB recognizes on-premises solutions as more capital intensive.
12 Under an on-premises solution, CEI South would host all its data, applications and software
13 using entirely in-house computer servers and hardware. Under a cloud computing
14 arrangement, CEI South will be connecting to third-party servers and infrastructure that
15 hosts its data and applications. An on-premises solution would require CEI South to build
16 its own in-house infrastructure, whereas cloud computing arrangements rely on already
17 existing third-party infrastructure. It is obvious that on-premises solutions would and
18 should have more capital-related costs than that of a cloud computing arrangement. Relying
19 on an on-premises solution is tantamount to building a road. Relying on cloud computing
20 arrangements is using a toll road someone else has already built.

⁵ <https://asc.fasb.org/1943274/2147482658>

1 **Q: What action do you recommend the Commission take regarding CEI South's**
2 **requested accounting treatment for its prospective cloud computing arrangement**
3 **costs?**

4 A: I recommend the Commission deny CEI South's request to capitalize all its costs regarding
5 its cloud computing arrangement. CEI South should expense or capitalize any cloud
6 computing arrangement costs it incurs in accordance with the FASB ASC.

V. CASE DEFICIENCIES

7 **Q: Aside from the evidentiary omissions discussed above, did you encounter instances in**
8 **which CEI South's filing was deficient, obfuscated, or non-transparent?**

9 A: Yes. There were several instances during my review where I identified CEI South's filing
10 as either deficient or unclear, or where CEI South was reticent or unwilling to cooperate.
11 The instance I will discuss is CEI South's unwillingness to provide vendors' names and
12 transaction descriptions with its general ledger as prescribed by "standard monthly journal
13 entries" as part of MSFR 170 IAC 1-5-7(2).

14 **Q: Did CEI South provide a general ledger?**

15 A: Yes. In response to MSFR 170 IAC 1-5-7(2), CEI South provided its general ledger for the
16 historic base period.

17 **Q: Did CEI South provide the general ledger in a format that allowed the OUCC to**
18 **reasonably complete its review?**

19 A: No. The format CEI South provided was not offered in a manner the OUCC could
20 effectively or reasonably use to complete its review of the general ledger. The general
21 ledger CEI South provided does not identify vendors' names, and it did not provide any
22 transaction description, both of which are the most crucial components of reviewing a
23 general ledger. Without this information, the general ledger is no better than an
24 unintelligible list of numbers.

1 **Q: Is the OUCC's review of the general ledger a material component of its analysis in a**
2 **rate case?**

3 A: Yes. The general ledger provides valuable information about what CEI South included as
4 the basis for its costs going forward in its historic base period. It also provides both the
5 Commission and OUCC with a crucial forensic pathway to validate transactions and
6 vendors.

7 **Q: Can you provide an example where the OUCC used the general ledger to identify an**
8 **issue in a rate case?**

9 A: Yes. In Cause No. 45870, the OUCC identified costs included in Indiana American Water
10 Company's ("INAWC") revenue requirement that should not have been. This error was
11 discovered using information sourced from the general ledger. My review of the general
12 ledger INAWC provided in Cause No. 45870 enabled me to identify that INAWC had
13 included costs related to purchasing Indiana Pacer tickets in its revenue requirement and
14 allowed me to argue for their removal on behalf of ratepayers. I was able to identify these
15 costs because INAWC provided a general ledger which clearly indicated transaction
16 descriptions. If INAWC had provided a general ledger in the same format CEI South
17 presents in its general ledger, I would have been unable to identify those non-recoverable
18 costs, which would have been improperly passed on to ratepayers.

19 **Q: Is it possible CEI South's general ledger contains non-recoverable costs that have not**
20 **been removed from its revenue requirement and may improperly be passed on to**
21 **ratepayers?**

22 A: Yes. While I cannot say with certainty that it does or does not contain non-recoverable
23 costs, the possibility exists because CEI South's presentation of the general ledger
24 precluded the OUCC from performing a substantive review.

1 **Q: Did the OUCC ask CEI South to provide a general ledger containing vendor names**
2 **and transaction descriptions?**

3 A: Yes. In OUCC DR 2.46 (OUCC Attachment JTC-1, pages 7-8) the OUCC asked CEI South
4 to provide a general ledger with transaction descriptions and vendor names. CEI South
5 specifically objected to doing so, stating the request was extremely voluminous, despite
6 already providing all the transactions in the general ledger with its case-in-chief. OUCC
7 DR 2.46 simply asked for additional information on the transactions already provided. CEI
8 South stated that if the OUCC wished more detailed transactions, the OUCC would need
9 to identify specific transactions.

10 **Q: Are there any issues with the OUCC performing its review on a per transaction basis**
11 **with the general ledger CEI South provided?**

12 A: Yes. It all circles back to the fact that the general ledger CEI South provided in this case is
13 an unintelligible list of numbers for third parties attempting to review it. A meaningful
14 analysis of the general ledger can only be completed when descriptions for *all* transactions
15 are provided. The inclusion of intelligible information for all transactions is crucial to
16 ensuring improper costs are not passed on to ratepayers. Sampling the general ledger,
17 requesting discovery on that sample, waiting 10 days for a discovery response, reviewing
18 the sampled transactions, and then potentially being required to follow-up and wait another
19 10 days for an additional response unduly restricts the OUCC's ability to review the general
20 ledger. Moreover, the only usable information provided that the OUCC would be able to
21 create a sample on is the FERC account and posted transaction amount. This provides no
22 information as to the transaction types the OUCC is sampling and further restricts the
23 ability to obtain potentially pertinent information.

1 By obstructing the OUCC's and other intervening parties' review in this manner,
2 Petitioner is not only keeping other parties from reviewing, it also ultimately obstructs the
3 Commission's review. The Commission only has access to discovery responses if a party
4 includes them in testimony and exhibits. While the Commission may issue docket entries
5 requesting additional information on specific transactions, the Commission relies on the
6 evidence before it to make those requests. By not allowing open access to its general ledger,
7 Petitioner is insulating its operations from Commission review.

8 **Q: By requesting a general ledger with transaction descriptions and vendor names, is the**
9 **OUCC making a truly voluminous ask?**

10 **A:** No. CEI South should have a general ledger system it can run a query on to print reports
11 containing transaction descriptions and vendor names, which it failed to include when CEI
12 South initially printed the ledger off to meet MSFR 170 IAC 1-5-7(2). CEI South could
13 have easily provided those components when meeting the MSFR. Instead, CEI South
14 excluded those items and subsequently objected to their production during discovery. After
15 receiving Petitioner's objections to providing vendor names and transactions descriptions,
16 the OUCC reached out to CEI South's legal counsel to address the response; however, CEI
17 South continued to object, claiming the request was extremely voluminous. This claim is
18 baseless since CEI South had already provided the millions of lines of the general ledger
19 transactions pursuant to the MSFR in its case-in-chief. The OUCC only sought information
20 omitted on the transactions already provided. Additionally, utilities both larger and smaller
21 than CEI South have had no difficulties in providing the OUCC with a general ledger
22 containing the vendor names and transaction description components. As previously
23 mentioned, INAWC, the state's largest water utility with more than twice as many

1 customers as CEI South, provided the OUCC with a general ledger with roughly 4.5 million
2 transactions with transaction descriptions in Cause No. 45870.

3 **Q: What action do you recommend the Commission take regarding CEI South's failure**
4 **to provide a useful general ledger?**

5 A: Due to CEI South's provision of a non-transparent general ledger and its steadfast refusal
6 to cooperate with the OUCC in providing material information needed for the OUCC to
7 conduct its analysis in a timely manner, I recommend the Commission authorize CEI South
8 a less favorable return on equity than supported by OUCC witness Shawn Dellinger. CEI
9 South's general ledger provision does not comply with 170 IAC 1-5-7(2) as it is
10 unreasonable for Petitioner to maintain that vendor names and transaction descriptions are
11 not included in "standard monthly journal entries." Ultimately, this non-compliance
12 prohibits both the OUCC and the Commission from performing a substantive review and
13 analysis of Petitioner's case. This is but one instance of a pattern CEI South exhibited in
14 this case to thwart transparency that needs to be rectified. OUCC witness Mike Eckert
15 further discusses the requested regulatory implications resulting from the consideration of
16 affordability and CEI South's lack of transparency.

VI. RATE CASE EXPENSE

17 **Q: Please describe CEI South's proposed recovery for rate case expense.**

18 A: Petitioner requests Commission authority to recover \$2,074,780 of rate case expense for
19 this Cause and to amortize this over five years for an annual *pro forma* revenue requirement
20 increase of \$414,956. CEI South's requested recovery of rate case expense is composed of
21 \$1,125,000 for legal expenses, \$899,780 for consultant expenses, and \$50,000 for legal

1 notice and miscellaneous expenses.⁶ CEI South based its five-year amortization proposal
2 on its proposed five-year Transmission, Distribution, and Storage System Improvement
3 Charge plan, which will require CEI South to file a rate case before the end of that plan.⁷
4 CEI South also requests that it be allowed to recover any unamortized balance in the
5 following rate case order.

6 **Q: Do you accept CEI South's proposal?**

7 A: No. While I do not dispute CEI South's estimate for rate case expense of \$2,074,780, I
8 encourage the Commission to not accept the premise that CEI South's ratepayers should
9 wholly be responsible for reimbursing Petitioner for that expense through its rates. Rather,
10 rate case expense incurred in this Cause should be borne equally by CEI South as a below-
11 the-line expense, making ratepayers responsible for \$1,037,390 and shareholders
12 responsible for \$1,037,390, recognizing that significant benefits flow to shareholders. As
13 to CEI South's proposal to recover any unamortized rate case expense in its next rate case,
14 that proposal is acceptable provided CEI's customers be similarly protected from
15 continuing to pay that expense after the authorized rate case expense has been fully
16 amortized. Regrettably, CEI South's request includes no such proposal. I recommend CEI
17 South be authorized to collect the unamortized amount in its next rate case, provided CEI
18 South is also required to amend its tariff of rates and charges once its authorized rate case
19 expense has been fully amortized to remove that expense from rates.

20 **Q: Why should a portion of CEI South's rate case expense be borne by CEI South as a**
21 **below-the-line expense?**

22 A: CEI South and its shareholders benefit from the prosecution of this case.

⁶ Petitioner's Exhibit 20, WPC 3.13

⁷ Petitioner's Exhibit No. 2, Direct Testimony of Chrissy Behme, p. 24, lines 24-26.

1 **Q: What benefits do shareholders receive from a utility filing a rate case?**

2 A: A major focus of rate cases involving investor-owned utilities (“IOU”) like CEI South is
3 setting rates through which a utility is authorized an opportunity to earn a return, which
4 affords profit for its shareholders. Moreover, the studies, such as the depreciation study
5 and decommissioning study, that CEI South hires consultants to complete in a rate case,
6 provide shareholders the confidence that CEI South is maintaining its system and
7 accounting for items appropriately. In the case of an IOU, such as CEI South, a rate case
8 provides the utility an opportunity to earn a reasonable rate of return, which includes profit
9 for its shareholders. Profits for utilities lead to a greater likelihood of dividends for
10 shareholders. Dividends are a direct benefit to shareholders, not ratepayers. CEI South
11 admits to this in response to OUCC DR 1.15 (OUCC Attachment JTC-1, page 9): “CEI
12 South issues a quarterly dividend equal to 50% of the prior quarter’s net income (if net
13 income is greater than \$0), subject to other factors including impact to liquidity, capital
14 structure, and credit metrics.”

15 Ultimately, a rate case is not only about the utility recovering a necessary and
16 reasonable level of funds needed to function and maintain a reliable system. As previously
17 discussed, rate cases also provide definitive benefits to shareholders. As such, ratepayers
18 should not be burdened with paying for both their benefits and the benefits to shareholders.
19 Thus, shareholders should also pay a portion of the costs associated with filing and
20 completing a rate case.

21 **Q: Do Indiana statutes allow CEI South to recover rate case expenses from its**
22 **customers?**

23 A: Yes. Indiana statutes do not, however, prohibit the Commission from allowing rate case
24 expenses to be shared among shareholders and ratepayers. Ind. Code § 8-1-2-42.7 grants

1 the Commission jurisdiction over utility rate case proceedings. The statute does not prohibit
2 the Commission from requiring a utility's shareholders from paying an equitable portion
3 of its rate case expenses. Also, Ind. Code § 8-1-2-4 provides:

4 The charge made by any public utility for any service rendered or to
5 be rendered either directly or in connection therewith shall be
6 *reasonable and just*, and every unjust or unreasonable charge for
7 such service is prohibited and declared unlawful. (emphasis added.)

8 **Q: Is it just or reasonable for ratepayers to be burdened with paying the entirety of CEI**
9 **South's rate case expense?**

10 A: No. There are definitive benefits provided to shareholders from a utility filing a rate case.
11 It is neither just nor reasonable for ratepayers to be burdened with paying for the
12 prospective benefits to CEI South's shareholders from the filing of this rate case. One group
13 of beneficiaries should not be responsible for paying for the benefits flowing to another
14 group of beneficiaries. Thus, the OUCC maintains that, as provided by Ind. Code § 8-1-2-
15 4, ratepayers being solely responsible for rate case expenses is not reasonable and just.

16 **Q: Are there potential adverse ramifications when ratepayers are the sole party**
17 **responsible for rate case expense?**

18 A: In addition to being neither just nor reasonable, when only ratepayers are responsible for
19 rate case expenses, the utility has no financial incentive to be prudent in its rate case
20 spending or the frequency of these filings. If the funds are being provided entirely by
21 ratepayers, the utility has no financial stake in ensuring the cost benefits of hiring legal
22 counsel and rate case consultants are maximized or that the consultants it retains provide
23 the best value for their cost. Utilities are provided with the ability to hire expensive
24 consultants who argue for regulatory treatments that specifically only benefit shareholders
25 and negatively impact ratepayers such as a higher return on equity. It is counterintuitive to

1 require ratepayers to fund studies and consultants that negatively impact their rates with no
2 positive, substantive effect on their service.

3 Furthermore, as evidenced in this case, requiring ratepayers to pay all rate case
4 expenses removes any financial incentive for petitioning utilities to be transparent and
5 cooperative when providing information in its case and through data requests. A
6 petitioner's lack of transparency requires the OUCC to ask extensive discovery questions,
7 which, in turn, can increase the legal costs incurred by the utility. However, this has little
8 significance to the petitioning utility as these costs are entirely recovered through
9 ratepayers and the utility has no financial incentive to anticipate the consumer parties' need
10 for comprehensive information.

11 **Q: What are you proposing CEI South be allowed to collect from ratepayers for rate case**
12 **expense?**

13 A: I recommend the Commission allow CEI South to collect \$1,037,390 amortized over five
14 years for an annual *pro forma* revenue requirement adjustment of \$207,478. I also propose
15 CEI South be allowed to collect any unamortized amount in its next rate case if CEI South
16 is required to amend its tariff of rates and charges upon its authorized rate case expense
17 being fully amortized to avoid any over-collection.

VII. CONCLUSION

18 **Q: Please summarize your recommendations for the Commission.**

19 A: I recommend the Commission:

- 20 1) Require rate case expense to be shared equitably between ratepayers and shareholders,
21 making ratepayers' portion \$1,037,390 amortized over five years;

- 1 2) Permit CEI South to collect its unamortized rate case expense in its next rate case but
2 also require CEI South to amend its tariff of rates and charges upon its authorized rate
3 case expense being fully amortized to avoid any over-collection;
- 4 3) Require CEI South to remove an additional \$9,679 of sponsorship expense from its
5 revenue requirement for a total of \$170,331;
- 6 4) Deny CEI South's request to capitalize all post-test year cloud computing arrangement
7 expenditures and require CEI South to expense and capitalize those expenditures in
8 accordance with the FASB ASC;
- 9 5) Deny CEI South's request to include any of its IT investment in rate base and deny its
10 inclusion of O&M expenses of \$770,000 for SAP S/4HANA and \$813,540 for cloud
11 computing arrangements as CEI South's claims are unsubstantiated and not adequately
12 supported by studies or analyses;
- 13 6) Require CEI South and all utilities to fully comply with 170 IAC 1-5-7(2); and
- 14 7) Reduce CEI South's authorized return on equity due to its lack of transparency and
15 unwillingness to provide the OUCC a general ledger in a manner that provides
16 meaningful, reviewable information.

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

18 A: Yes.

APPENDIX A TO TESTIMONY OF
OUCW WITNESS JASON T. COMPTON

1 **Q: Describe your educational background and experience.**

2 A: I graduated from Indiana University Bloomington with a Bachelor of Science in
3 Accounting in May 2022, and a Master of Science in Accounting with Data and Analytics
4 in May 2023. Throughout my undergraduate education, I worked as an undergraduate
5 instructor for Indiana University Bloomington, teaching the lab portion of a web
6 development and data analytics class, CSCI-A110. From May 2022 through August 2022,
7 I worked as a Staff Accounting Intern for Greystone Property Management Company
8 where I was responsible for completing daily bank reconciliations, truing up accruals, and
9 preparing the monthly financial statements for nine separate properties.

10 In May 2023, I began my employment with the Indiana Office of Utility Consumer
11 Counselor (“OUCW”) as a Utility Analyst in the Water and Wastewater Division. My
12 current responsibilities consist of reviewing accounting adjustments to expenses and
13 revenues, verifying revenue requirements, and performing data analyses for proposed
14 models.

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

16 A: Yes. I have testified in Cause No. 45870, Cause No. 45900-U, Cause No. 45929, Cause
17 No. 45767 DSIC 2, Cause No. 45964, and Cause No. 45998 DSIC 1.

AFFIRMATION

I affirm the representations I made in the foregoing testimony are true to the best of my knowledge, information, and belief.

Jason Compton

By: Jason T. Compton

Cause No. 45990

Office of Utility Consumer Counselor (OUCC)

Date: March 12, 2024

Q 8.04: Please list all organizations, teams, and arenas that CEI South currently sponsors and the annual sponsorship expense for each year 2020 through 2025.

Objection: CEI South objects to the request on the grounds and to the extent that it is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence.

Response: Subject to and without waiver of the foregoing objection, CEI South responds as follows:-See attachment for the requested information. For 2020, these types of costs were retained at Vectren Corporation and not allocated to CEI South. Certain amounts were adjusted out of the requested expenses in Petitioner’s Exhibit No. 20 for the test year 2025, Schedule C3.29.

Attachment:

- 45990 OUCC DR08 8.04 Attachment 1.xlsx

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 [1]</u>	<u>2024</u>	<u>2025</u>
Ford Center		27,003.58	32,346.19	-	29,664.44	31,267.99 [2]
Ohio Valley Conference Basketball Tournament		6,447.77	6,499.62	-		6,653.95
Golf Gives Back		11,696.29	23,398.90	21,643.55		
University of Evansville						3,024.52
Colts Marketing		108,479.90	119,962.10	75,643.47	121,029.55	129,384.78 [2]

[1] Amount for 2023 represent January through September. Amounts for October though December are not included as they have not been reported publically.

[2] Amounts were adjusted out of the requested expenses in Accounting Schedule C3.29

Q 12.6: Please identify the overall net increase or decrease to rate base resulting from the¹capital investments sponsored by Mr. Bahr netted against the offsetting retirement of Petitioner’s various applications at the end of 2025.

Response: Overall, there is a net increase to rate base resulting from the capital investments Mr. Bahr sponsors and associated retirements. Because of normal retirements accounting, there is no effect on rate base from the associated retirements when the retirements are made. The increase to rate base from the specific programs described by Mr. Bahr is set forth at pages 10, 13, 14, 15, 19, 21, 22, 24, 25, and 27 of Mr. Bahr’s direct testimony. These amounts are included in the total projected investment for information technology projects. Please see CEI South’s Exhibit No. 20, Workpaper B-3.1a and Workpaper B-3.1b for accumulated reserve by FERC account. The estimated net increase to rate base within accounts 303.2, 303.12, and 303.25 is \$36.4M consisting of a Plant in Service increase of \$39.4M, Accumulated Reserve of \$3M, and associated retirements of \$0.7M.

¹ The word file for OUCG’s Data Request No. 12 contained an incomplete question in Q12.06, however, the accompanying pdf file contained a completed Q12.06. CEI South assumes the word file’s incomplete question was due to a formatting error and that Q12.07 was intended to complete the question in Q12.06 (as reflected in the pdf file for OUCG Data Request No. 12). CEI South has therefore condensed the fragmented Q12.06 and Q12.07, and answered them as one question, as they were reflected in the pdf file for OUCG Data Request No. 12.

Q 12.10: Mr. Bahr makes numerous statements throughout his testimony regarding improved resiliency of CEI South’s technology and reduced maintenance costs because of its investments in IT. Has CEI South conducted a study to quantify how much the system will improve or how much maintenance costs will be reduced by? If so, please provide that study.

Response: CEI South has not conducted a study to quantify how much the system will improve or how much maintenance costs will be reduced. However, Mr. Bahr’s testimony does highlight several examples of how the IT investments will improve the system or reduce maintenance. In the EIP Phase 2 initiative (on page 10 of Mr. Bahr’s testimony), the system will improve by increasing security compliance by moving customer data to a more secure, highly available SAP system, and provide the ability of call center representatives in other regions to assist CEI South customer calls during outages or weather events. In the case of the CATO initiative (on page 18 of Mr. Bahr’s testimony), usage of cloud computing resources will result in greater ability to handle peak loads to public websites such as CenterPointEnergy.com (and its internal links such as “Outage Tracker”) using cloud resources that are on a ‘pay as you go’ model instead of acquiring additional capacity that will help reduce maintenance costs. Finally, the Enterprise Network Transformation initiative (on page 25 of Mr. Bahr’s testimony) will result in new networking capabilities for data communications.

Q 12.11: Please identify what the reduction in Petitioner’s information system maintenance budget will be as a result of the capital investments sponsored by Mr. Bahr.

Objection: CEI South objects to the Request on the grounds and to the extent it seeks a calculation, compilation or analysis that CEI South has not completed and to which CEI South objects to performing.

Response: Subject to and without waiver of the foregoing objection, CEI South responds as follows: A full analysis has not been completed of the reduction in Petitioner’s information system maintenance budget as a result of the capital investments. However, approximately \$640K of maintenance expense reductions were realized in 2023 as a result of various system consolidation as well as the Enterprise Network Transformation.

Q 12.2: Please identify the labor headcount in current support staff for infrastructure, networks, and each application listed on Attachment RWB-1. Please also identify how the headcount in the current support staff will change because of the new IT investments and applications.

Response: For applications listed in Attachment RWB-1, support is generally not tracked by application as labor headcount may support other applications and infrastructure not listed. In total, CEI South Electric's allocation of labor headcount for applications in Attachment RWB-1 is: Application Support – 8.8 FTEs, Infrastructure Support – 3 FTEs, and Network Support – 3 FTEs. The headcount in the current support staff will not change due to the new IT investments.

Q 2.46: Petitioner’s base period general ledger data excluded some key information needed to review these transactions. Please provide base period general ledger data in Excel format that is sortable and searchable and includes the following information:

- (a) Account number;
- (b) Account name;
- (c) Transaction date;
- (d) General ledger month;
- (e) Transaction description;
- (f) Transaction amount;
- (g) Cost Center identifier;
- (h) Department number;
- (i) Department name;
- (j) SAP Cost Element number;
- (k) SAP Cost Element description;
- (l) Vendor name; and
- (m) Transaction number or other identifying information for the transaction.

Objection: CEI South objects to the Request on the grounds and to the extent it seeks a calculation, analysis or compilation CEI South has not conducted and which it objects to conducting.

CEI South further objects to the Request on the separate and independent grounds and to the extent it is based on the mischaracterization or false premise that CEI South “excluded some key information needed to review these transactions.”

CEI South further objects to the Request on the separate and independent grounds and to the extent it seeks information that is unduly burdensome and extremely voluminous in that the requested information for every transaction during the base period would exceed the limitations inherent in Excel.

Response: Subject to and without waiver of the foregoing objections, CEI South responds as follows:

In response to MSFR 170 IAC 1-5-7(1)(A), CEI South provided detailed descriptions of the types of charges incurred in specific subaccounts in its format for account numbering and coding. In response to MSFR 170 IAC 1-5-7(2), CEI South provided multiple Excel files that contain most of the detail sought in the Request, in greater detail than is required by the current effective MSFR.

Please see attachments “45990 - Attachment OUCG DR02 Q2.45_SAP GL Accounts and Descriptions.xlsx” and “45990 – Attachment OUCG DR02 Q2.46.xlsx” for the items requested in subparts (b&k) and (i). In comparing the list of requested items to what CEI South is currently providing, the following

items have not been included: (e) Transaction Description, and (l) Vendor Name. The other items on the list are already included with this response or provided in response to the MSFR 170 IAC 1-5-7(1)(A). Due to the extremely voluminous nature of the information requested in (e) and (l), CEI South recommends the OUCG identify some sample types of transactions for which it would like to see the additional detail on a transaction basis.

Q 1.15: How is the amount of dividends paid by CEI South to its parent company determined?

Response: CEI South issues a quarterly dividend equal to 50% of the prior quarter's net income (if net income is greater than \$0), subject to other factors including impact to liquidity, capital structure, and credit metrics.