

**FILED**  
May 10, 2022  
**INDIANA UTILITY  
REGULATORY COMMISSION**

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

**DIRECT TESTIMONY  
OF  
RICHARD C. LEGER  
SENIOR VICE PRESIDENT INDIANA ELECTRIC**

**ON**

**OVERVIEW OF CEI SOUTH AND SECURITIZATION CASE**

**SPONSORING PETITIONER'S EXHIBIT NO. 1,  
ATTACHMENTS RCL-1 THROUGH RCL-4**

**DIRECT TESTIMONY OF RICHARD C. LEGER**

1 **I. INTRODUCTION**

2

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

4 A. My name is Richard C. Leger. My business address is 211 NW Riverside Drive,  
5 Evansville, Indiana, 47708.

6

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

8 A. I am employed by Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy  
9 Indiana South ("CEI South" or "Company").

10

11 **Q. On whose behalf are you submitting this direct testimony?**

12 A. I am submitting testimony on behalf of CEI South, which is an indirect subsidiary of  
13 CenterPoint Energy, Inc.

14

15 **Q. What is your role with respect to Petitioner CEI South?**

16 A. I am the Senior Vice President, Indiana Electric.

17

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

19 A. I graduated in December 2000 from McNeese State University with a Bachelor of Science  
20 degree in Marketing and a Bachelor of Science degree in Accounting.

21

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

23 A. I began my career with CenterPoint Energy, Inc. in January 2001 as a Marketing  
24 Consultant in New Iberia, LA. Over the years, I have worked in six of CenterPoint Energy,  
25 Inc.'s natural gas service territories in a variety of progressing roles, including Manager of  
26 Marketing & Sales and Conservation Improvement Program Manager for Louisiana,  
27 Mississippi, Arkansas, and Oklahoma; Director of Regulatory Affairs for Louisiana and  
28 Mississippi; and District Director for Central Arkansas operations. In February 2019, I was  
29 promoted to Vice President of Operations for Indiana and Ohio. In January 2022, I was  
30 promoted to my current position as Senior Vice President, Indiana Electric.

1 **Q. What are your present duties and responsibilities as Senior Vice President, Indiana**  
2 **Electric?**

3 A. I am responsible for all aspects of CEI South's electric utility operations in Indiana. My  
4 direct responsibilities include execution and oversight of operations and maintenance  
5 ("O&M") and capital budgets, transmission and distribution operations, engineering, and  
6 generation.

7  
8 **Q. Have you ever testified before the Indiana Utility Regulatory Commission (the**  
9 **"Commission" or "IURC")?**

10 A. Yes. I have testified on behalf of CEI South and Indiana Gas Company, Inc. d/b/a  
11 CenterPoint Energy Indiana North ("CEI North") in various cases, including Cause Nos.  
12 45401 (alternative regulatory plan related to gas meter replacement), 45447 and 45468  
13 (gas base rates cases), and 45611 and 45612 (gas CSIA).

14  
15 **II. PURPOSE & SCOPE OF TESTIMONY**

16  
17 **Q. What is the purpose of your testimony in this proceeding?**

18 A. The purpose of my testimony is to support CEI South's request for authority to issue  
19 securitization bonds, collect securitization charges, and encumber securitization property  
20 with a lien and security interest pursuant to Ind. Code ch. 8-1-40.5 (the "Securitization  
21 Act"). Specifically, in this testimony, I:

- 22 1. Briefly describe CEI South's electric utility operations.
- 23 2. Briefly describe CEI South's request in this Cause and summarize its case-in-chief,  
24 to include identifying CEI South's witnesses and their respective testimony topics.
- 25 3. Provide an overview of securitization and the application of the Securitization Act  
26 to CEI South.
- 27 4. Discuss the benefits of securitization to CEI South, its customers, and Indiana, and  
28 provide additional detail about CEI South's securitization plan.
- 29 5. Discuss why CEI South's requested relief is just and reasonable and my  
30 recommendation that the Commission approve the requested relief.

31  
32 **Q. Are you sponsoring any exhibits in this proceeding?**

33 A. Yes. I am sponsoring the following exhibits in this proceeding:

- 1 • Petitioner's Exhibit No. 1, Attachment RCL-1: Petition
- 2 • Petitioner's Exhibit No. 1, Attachment RCL-2: Proofs of Legal Notice Publication
- 3 (Late Filed Attachment)
- 4 • Petitioner's Exhibit No. 1, Attachment RCL-3: Copy of Customer Notice Posted
- 5 via Company's Website (Late Filed Attachment)
- 6 • Petitioner's Exhibit No. 1, Attachment RCL-4: Copy of Pre-Filing Notice to
- 7 Commission
- 8

9 **Q. Were these exhibits prepared by you or under your supervision?**

10 A. Yes, they were.

11

12

13 **III. CEI SOUTH'S UTILITY OPERATIONS**

14

15 **Q. Please describe CEI South and its electric utility operations.**

16 A. CEI South is a corporation organized and existing under the laws of the State of Indiana

17 with its principal office located at 211 NW Riverside Drive, Evansville, Indiana. CEI South

18 is a *public utility* as that term is defined in Ind. Code § 8-1-2-1(a) that renders electric utility

19 service to the public and owns and operates electric generating, transmission, and

20 distribution plant, property, and equipment and related facilities for the production,

21 transmission, delivery, and furnishing of electric service to approximately 150,000

22 customers in Southwestern Indiana. CEI South is an indirect subsidiary of CenterPoint

23 Energy, Inc.

24

25 **Q. Please provide an overview of CEI South's existing generation resources.**

26 A. Table RCL-1 below shows CEI South's existing generating units. The current generation

27 mix consists of approximately 1,329 megawatts ("MWs") of installed capacity with a heavy

28 reliance on coal and limited ownership of natural gas or renewables.

**Table RCL-1: Generating Units**

Unit	Installed Capacity ICAP (MW)	Primary Fuel	Year in Service
A.B. Brown 1	245	Coal	1979
A.B. Brown 2	245	Coal	1986
F.B. Culley 2	90	Coal	1966
F.B. Culley 3	270	Coal	1973
Warrick Unit 4	150	Coal	1970
OVEC	≈32	Coal	1950s – 1960s
A.B. Brown 3	80	Gas	1991
A.B. Brown 4	80	Gas	2002
Blackfoot	3	Landfill Gas	2009
Benton County	30	Wind PPA	2008
Fowler Ridge	50	Wind PPA	2009
Oak Hill	2	Solar	2018
Volkman Rd	2	Solar	2018
Troy	50	Solar	2021

- 1 **Q. Please provide an overview of CEI South's Generation Transition Plan (the "Plan").**
- 2 A. CEI South faces relatively near-term decisions about investments in its generation
- 3 portfolio and is investing in a diversified generation portfolio comprising wind, solar,
- 4 storage, and natural gas- and coal-fired generation resources. Specifically, the Company's
- 5 2019/2020 Integrated Natural Resource Plan ("IRP") calls for an initial step of identifying
- 6 and selecting approximately 700 MWac of solar generation, 300 MWac of wind generation,
- 7 and approximately 500 MW of natural gas combustion turbine generation. CEI South has
- 8 begun making filings to implement this Plan. With Cause Nos. 45501, 45564, and 45600,
- 9 which CEI South filed in February, June, and August of 2021, respectively, CEI South took
- 10 important steps to implement its Generation Transition Plan.<sup>1</sup> Below you will find a visual
- 11 depiction of our preferred generation mix as outlined in the 2019/2020 IRP.

<sup>1</sup> As of the pre-filing of my Direct Testimony, CEI South has a pending IURC case under Cause No. 45564 for approval of a certificate of public convenience and necessity to construct and operate two natural gas combustion turbine generating units.



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**IV. PETITION AND CASE-IN-CHIEF**

**Q. Have you reviewed the petition filed by CEI South in this Cause?**

A. Yes. I have reviewed the petition filed in this Cause, and I have attached a copy of the petition to my direct testimony as Petitioner's Exhibit No. 1, Attachment RCL-1.

**Q. What relief is CEI South requesting in this Cause?**

A. CEI South is requesting authority under Ind. Code ch. 8-1-40.5 to (1) issue securitization bonds, (2) collect securitization charges; and (3) encumber securitization property with a lien and security interest related to the retirement of A.B. Brown Units 1 & 2 ("Brown Units 1 & 2"). CEI South also requests under Ind. Code § 8-1-40.5-10 that the Commission issue a *Financing Order* as that term is defined in Ind. Code § 8-1-40.5-4.

**Q. Please discuss how CEI South will comply with the notice requirements set forth in 170 IAC 4-10-7.**

A. CEI South will cause to be published a legal notice in a newspaper of general circulation in each county in which CEI South renders service. Proofs of publication of the legal notice will be submitted as a late filed exhibit once received as Petitioner's Exhibit No. 1, Attachment RCL-2. CEI South will also cause to be posted on the Company's website, notice to customers, a copy of which will be provided as a late filed exhibit as Petitioner's Exhibit No. 1, Attachment RCL-3. I would note that CEI South did provide the Commission with at least 30 days advance notice of the filing of the petition in this Cause in accordance with 170 IAC 4-10-6, a copy of which is provided as Petitioner's Exhibit No. 1, Attachment RCL-4.

1 **Q. Please identify the witnesses and topics that compose CEI South's case-in-chief**  
2 **in support of the petition.**

3 A. Concurrent with the filing of its petition in this Cause, CEI South is providing the direct  
4 testimony and attachments of the following additional witnesses:

Exhibit No.	Witness Name	Topic(s)
2	Brett Jerasa	Overview of Utility Securitizations, the Company's Proposed Transaction, Estimated Total Qualified Costs, Net Present Value, and Proposed Financing Order
3	Eric Chang	Overview of Utility Securitizations, to include key structural and security features, rating agency considerations, and estimated costs for securitization bond issuances
4	Jessica Thayer	Plant accounting for Brown Units 1 & 2
5	Jeffrey Kopp	Decommissioning cost study for Brown Units 1 & 2
6	Ryan Harper	Special Purpose Entity, accounting entries, and revenue requirement for removal of Qualified Costs from rate base
7	Benjamin D. Vallejo	Tax implications from securitization
8	Matthew Rice	Rate Design and Securitization Tariffs
9	Ralph Zarumba	Allocation of Securitization Charges to Customers

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7 **V. OVERVIEW AND APPLICATION OF THE SECURITIZATION ACT**

8

9 **Q. Please describe the Securitization Act and its application to Petitioner CEI South.**

10 A. The Securitization Act creates a pilot program authorizing a public utility that satisfies  
11 certain criteria to finance costs related to an electric generation facility that is owned or  
12 operated by the public utility and that provides electric service to Indiana customers. The  
13 public utility must be subject to the jurisdiction of the Commission; and have no more than  
14 200,000 retail electric customers at the time of filing a petition. Additionally, the electric  
15 generation facility must be retired from service not later than 24 months after the public  
16 utility's filing of a petition under the Securitization Act.

17

18 CEI South meets all four of these required conditions. In addition to owning and operating  
19 Brown Units 1 & 2 – electric generating assets, CEI South is subject to the jurisdiction of

1 the Commission, has approximately 150,000 electric customers, and has filed a petition  
2 in this Cause within 24 months of when Brown Units 1 & 2 are scheduled to be retired.

3 **Q. Please generally describe securitization.**

4 A. Petitioner's Witnesses Jerasa and Chang provide an overview of utility securitizations and  
5 in doing so, explain securitization is a financing tool widely used in the utility industry to  
6 spread out the customer impact and recover certain Qualified Costs related to significant  
7 events or potential stranded costs due to asset retirement. Securitization creates a  
8 property right to revenues collected from customers by a regulated utility ("Securitization  
9 Property") pursuant to an irrevocable and nonbypassable mechanism. The Securitization  
10 Property is then sold and used as security for debt service payments of the securitization  
11 bonds. As further explained by Witnesses Jerasa and Chang, utility-issued securitization  
12 bonds generally contain credit-enhancing features that allow for a AAA rating from the  
13 rating agencies, such as: use of bankruptcy-remote special-purpose entities as the issuer  
14 of the securitization bonds; irrevocability of the Financing Order; certainty of cash flow via  
15 property right to collect future surcharges and the nonbypassability of the surcharges; and  
16 the ability to update the customer surcharge for under/over collections ("true-up  
17 mechanism").

18  
19 In addition to providing an overview of utility securitization, Witnesses Jerasa and Chang  
20 discuss the Company's proposed transaction structure, rating agency considerations, and  
21 estimated costs related to securitization with Witness Jerasa providing detail surrounding  
22 the Estimated Total Qualified Costs. Witnesses Jerasa, Chang and Harper, each discuss  
23 the special purpose entity; and Witnesses Jerasa and Rice address the nonbypassable  
24 Securitization Charge, which will be used to pay the principal and interest due on the  
25 securitization bonds and other ongoing costs. As discussed further by Witness Rice, CEI  
26 South will collect Securitization Charges from all electric customers and customer classes  
27 of CEI South; both Witness Rice and Witness Zarumba explain the calculation, allocation,  
28 and other rate design matters.

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31 **VI. BENEFITS OF SECURITIZATION**



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**Q. What are the benefits of securitization to CEI South's customers?**

A. As discussed earlier in my testimony and as Witness Jerasa explains in greater detail, securitization bonds provide a lower cost means for CEI South to recover the Qualified Costs related to Brown Units 1 & 2 than traditional utility ratemaking. Specifically, as Witness Jerasa testifies, the Securitization Act ensures that CEI South's use of securitization provides several benefits to customers. First, the Securitization Act requires the net present value of the total Securitization Charges collected from customers to be less than the amount that would be recovered through traditional ratemaking if the Qualified Costs were included in CEI South's rate base and recovered over a period of not more than 20 years. In other words, with respect to the Brown Units 1 & 2, under securitization, rates will recover less revenues from customers than they would have under traditional ratemaking as illustrated in Petitioner's Exhibit 2, Attachment BAJ-3. As Witness Rice testifies, initially, residential customers are expected to see a net monthly bill decrease of \$5 per month.

As Witnesses Jerasa and Rice describe, the Securitization Act creates an adjustment mechanism to ensure that over the term of the securitization bonds CEI South recovers no more and no less than the actual Securitization Charges needed to pay debt service on the securitization bonds and other ongoing costs. If, in a given period, CEI South recovers through rates more Securitization Charges than necessary to pay the debt service on the securitization bonds and other ongoing costs for that period, then the over-collected amount will be reconciled in the next periodic adjustment of Securitization Charges.

Third, the Securitization Act requires CEI South to make capital investments in its system in an amount equal to or exceeding the amount of the total Qualified Costs within seven years of the issuance of the securitization bonds and directs the Commission to encourage CEI South to make the capital investments in clean energy resources.

**Q. What are the benefits of securitization to CEI South?**

A. Primarily, securitization provides two key benefits to CEI South: it ensures CEI South's recovery of its capital investment in Brown Units 1 & 2 at a lower cost for its customers,

1 and it provides necessary capital for CEI South to reinvest in generation projects to replace  
2 the energy that Brown Units 1 & 2 currently generate. These two key benefits assist CEI  
3 South in continuing its Generation Transition Plan, as discussed in CEI South's 2019/2020  
4 IRP.

5 **Q. What are the benefits of securitization to the state and local community?**

6 A. CEI South plans to reinvest the net proceeds from the securitization bonds into its  
7 Generation Transition Plan, which includes investment in renewable resources such as  
8 wind- and solar-powered generation and battery storage. Because the Securitization Act  
9 requires reinvestment in Indiana, securitization provides a catalyst for the continued  
10 growth of renewable energy in Indiana. The increasing use of renewable energy for CEI  
11 South's generation could attract new economic development in Indiana, especially from  
12 companies with environmental, social, and governance ("ESG") goals. In addition,  
13 because this will be a pilot project for securitization, CEI South's successful  
14 implementation of its securitization plan will provide valuable data to the Commission, the  
15 legislature, and other electric utilities in Indiana, proving the benefits of securitization to  
16 utilities, their customers, and to the state.

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18  
19 **VII. SUMMARY OF SECURITIZATION PLAN**

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21 **Q. Please describe CEI South's proposed timeline for issuing securitization bonds.**

22 A. Petitioner's Exhibit No. 2 – the Direct Testimony of Witness Jerasa provides the timing  
23 and process for marketing the securitization bonds.

24  
25 **Q. Please provide the proposed timeline for the retirement of A.B. Brown.**

26 A. CEI South plans to retire the Brown Units 1 & 2 on or around October 15, 2023.

27  
28 **Q. Does CEI South have an estimated plan and timeline for capital investments using  
29 the proceeds of the securitization bonds?**

30 A. Yes. While CEI South plans to issue approximately \$350M in securitization bonds upon  
31 approval of a Financing Order in this Cause, the Company plans to invest an amount equal  
32 to or exceeding the amount of CEI South's Qualified Costs over a period of not more than  
33 seven (7) years immediately following the planned issuance date of the securitization

1 bonds, not including amounts for purchases of energy or capacity through a power  
2 purchase agreement. Specifically, from 2022-2026 alone, CEI South plans to invest \$2.7B  
3 in capital designed to provide reliable energy to our customers in Southwestern Indiana.  
4 Included in that capital budget is nearly \$1.5B for several projects designed to support CEI  
5 South's Generation Transition, which includes nearly \$600M for clean energy (solar)  
6 projects located in Southwestern Indiana and \$350M for the proposed natural gas-fired  
7 combustion turbine project, the latter of which is pending in Cause No. 45564.

8  
9  
10 **VIII. CONCLUSION**

11  
12 **Q. In your opinion, is approval of CEI South's petition in the public interest?**

13 A. Yes. As discussed above, CEI South's petition and proposed securitization plan complies  
14 with the requirements of Ind. Code ch. 8-1-40.5 and will provide significant benefits to CEI  
15 South, its customers, and to the state and local community. Therefore, I recommend that  
16 the Commission approve the relief requested in the petition.

17  
18 **Q. Does this conclude your prepared direct testimony?**

19 A. Yes, it does.

**VERIFICATION**

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

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



Richard C. Leger  
Senior Vice President, Indiana Electric

5/4/2022  
Date

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REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS AND )  
ELECTRIC COMPANY D/B/A CENTERPOINT ENERGY )  
INDIANA SOUTH PURSUANT TO INDIANA CODE CH. 8- )  
1-40.5 FOR (1) AUTHORITY TO (A) ISSUE )  
SECURITIZATION BONDS; (B) COLLECT )  
SECURITIZATION CHARGES; AND (C) ENCUMBER )  
SECURITIZATION PROPERTY WITH A LIEN AND )  
SECURITY INTEREST; (2) A DETERMINATION OF )  
TOTAL QUALIFIED COSTS AND AUTHORIZATION OF )  
RELATED ACCOUNTING TREATMENT; (3) )  
AUTHORIZATION OF ACCOUNTING TREATMENT )  
RELATED TO ISSUANCE OF SECURITIZATION BONDS )  
AND IMPLEMENTATION OF SECURITIZATION )  
CHARGES; (4) APPROVAL OF PROPOSED TERMS AND )  
STRUCTURE FOR THE SECURITIZATION FINANCING; )  
(5) APPROVAL OF PROPOSED TARIFFS TO (A) )  
IMPLEMENT THE SECURITIZATION CHARGES )  
AUTHORIZED BY THE FINANCING ORDER IN THIS )  
PROCEEDING, (B) REFLECT A CREDIT FOR )  
ACCUMULATED DEFERRED INCOME TAXES, AND (C) )  
REFLECT A REDUCTION IN PETITIONER'S BASE )  
RATES AND CHARGES TO REMOVE ANY QUALIFIED )  
COSTS FROM BASE RATES; AND (6) ESTABLISHMENT )  
OF A TRUE-UP MECHANISM PURSUANT TO INDIANA )  
CODE § 8-1-40.5-12(c). )

CAUSE NO. 45722

**VERIFIED PETITION OF SOUTHERN INDIANA GAS AND ELECTRIC COMPANY**

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY, INC. D/B/A  
CENTERPOINT ENERGY INDIANA SOUTH (“Petitioner” or “CEI South”) respectfully  
represents and shows the Commission that:

1. **Petitioner’s Organization, Business and Properties.** Petitioner is an operating  
public utility incorporated under the laws of the State of Indiana. Petitioner has its principal office  
at 211 N.W. Riverside Drive, Evansville, Indiana 47708. Petitioner is a “public utility” within the

meaning of that term in Ind. Code § 8-1-2-1(a) and an “electric utility” within the meaning of that term in Ind. Code § 8-1-40.5-3 and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the laws of the State of Indiana. Petitioner has charter power and authority to engage in, and is engaged in, the business of rendering retail electric service solely within the State of Indiana under indeterminate permits, franchises, and necessity certificates heretofore duly acquired. CEI South owns, operates, manages, and controls, among other things, plant, property, equipment, and facilities which are used and useful for the production, storage, transmission, distribution, and furnishing of electric service to approximately 150,000 electric consumers in southwestern Indiana. Its service territory is spread throughout seven counties: Pike, Gibson, Dubois, Posey, Vanderburgh, Warrick and Spencer. Petitioner also renders gas utility service to approximately 114,000 customers in southwestern Indiana. Petitioner is a wholly-owned subsidiary of Vectren Utility Holdings, Inc. (“VUHI”), which is a wholly-owned subsidiary of Vectren Corporation. Vectren Corporation is a wholly-owned subsidiary of CenterPoint Energy, Inc., a holding company whose stock is publicly traded and listed on the New York Stock Exchange.

CEI South’s current generation mix consists of approximately 1,329 megawatts (“MWs”) of installed capacity with a heavy reliance on coal and limited ownership of natural gas or renewables. CEI South faces relatively near-term decisions about investments in its generation portfolio and is investing in a diversified generation portfolio comprising wind, solar, storage, and natural gas- and coal-fired generation resources. CEI South has filed proceedings before the Commission in Cause Nos. 45501, 45564 (pending) and 45600 to implement its Generation Transition Plan. As a part of that Generation Transition Plan, CEI South plans to retire A.B. Brown Units 1 and 2 within twenty-four (24) months of this Petition.

2. **Executive Summary of Request (170 IAC 4-10-5(b)(4)).**<sup>1</sup>

Securitization provides a lower cost means for CEI South to recover the qualified costs than traditional utility financing methods. Traditional utility financing refers to financing via the utility's balance sheet, including traditional debt and equity. Interest rates associated with securitization bonds are historically lower than traditional utility financing (i.e., the utility's cost of capital), thereby reducing the cost to customers.

A. **Background of Securitization in Indiana.** Senate Enrolled Act 386, codified at Indiana Code chapter 8-1-40.5 (the "Securitization Act"), was enacted in 2021 by the Indiana General Assembly to establish a pilot program for securitization of retired electric utility assets. Utility securitization is a financial tool that may reduce the overall cost to customers due to the retirement of generation assets. All Indiana investor-owned electric utilities are in the process of transitioning from aging generation resource portfolios, heavily reliant on coal, to more diverse portfolios consisting largely of renewable resources and natural gas, with coal playing a much smaller role. By enacting the Securitization Act, the General Assembly enabled the Commission to examine the potential effectiveness of securitization as a method to reduce customer costs arising from this transition, focusing on smaller public electric utilities likely to face the greatest challenges in making that transition. Petitioner, the smallest of Indiana's public electric utilities, is currently the only one that meets the statutory criterion to seek securitization approval (i.e., utilities serving no more than 200,000 customers (Ind. Code § 8-1-40.5-3(3))). Hence, examining the effectiveness of securitization in Petitioner's efforts to reduce customer costs while transitioning away from coal-based generation is likely to be particularly helpful in studying

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<sup>1</sup> Appendix A to this Petition contains a list of the CEI South witnesses supplying direct testimony in this proceeding and a brief overview of topics covered by each.

whether the General Assembly may want to make this transition-planning tool more widely available.

The Securitization Act enables an electric utility to use securitization to recover “qualified costs,” defined in the statute to mean “the net original cost of the [electric generation facility to be retired] and any associated investments, as reflected on the electric utility’s accounting system, and as adjusted for depreciation to be incurred until the facility is retired, together with:

(1) costs of:

(A) removal; and

(B) restoration, as applicable;

of the facility, any associated improvements, and facility grounds;

(2) the applicable portion of investment tax credits associated with the facility and any associated investments;

(3) costs of issuing, supporting, and servicing securitization bonds;

(4) taxes related to the recovery of securitization charges; and

(5) any costs of retiring and refunding the electric utility’s existing debt and equity securities in connection with the issuance of securitization bonds.”

Ind. Code § 8-1-40.5-6.

The Securitization Act allows for the “qualified costs” to be recovered via “securitization charges” which are defined as “nonbypassable amounts that are:

(1) approved by the commission under a financing order to allow for the full recovery of qualified costs by an electric utility;

(2) collected from all retail customers and customer classes of the electric utility, including any customer that:

(A) is participating in:

(i) a net metering program under 170 IAC 4-4.2;

(ii) a distributed generation program under IC 8-1-40; or



(iii) a feed-in-tariff program;

offered by the electric utility; or

(B) supplies at least part of the customer's own electricity demand;

(3) charged for the use or availability of electric services; and

(4) collected by the electric utility, its successors, an assignee, or any other collection agent as provided for in the financing order.”

Ind. Code § 8-1-40.5-8.

Not later than two hundred forty (240) days after the date a petition is filed by an electric utility under Ind. Code § 8-1-40.5-10(a), the Commission must conduct a hearing and issue an order on the petition. Pursuant to Ind. Code § 8-1-40.5-10(b), the Commission shall approve the issuance of securitization bonds, the collection of securitization charges, and the encumbrance of securitization property with a lien and security interest under Ind. Code § 8-1-40.5-15 if the Commission: (1) makes the findings set forth in § 8-1-40.5-10(d); and (2) finds that the net present value of the total securitization charges to be collected under the Commission's financing order is less than the amount that would be recovered through traditional ratemaking if the electric utility's qualified costs were included in the electric utility's net original cost rate base and recovered over a period of not more than twenty (20) years. The subsection (d) findings the Commission must make are:

(1) a determination of the amount of the electric utility's qualified costs;

(2) a finding that the proceeds of the authorized securitization bonds will be used solely for the purposes of reimbursing the electric utility for qualified costs, that the electric utility's books and records will reflect a reduction in rate base associated with the receipt of proceeds from the securitization bonds, and that such reduction will be reflected in retail rates when the securitization bonds are issued;

(3) a finding that the expected structuring and the expected pricing of the securitization bonds will result in reasonable terms consistent with market conditions and the terms of the financing order;

(4) a finding that the electric utility has demonstrated that it will make, subject to approval by the Commission, capital investments in Indiana in an amount equal to or exceeding the amount of the electric utility's qualified costs, over a period of not more than seven (7) years immediately following the planned issuance date of the securitization bonds;

(5) a finding that (A) the electric utility has proposed a reasonable mechanism to reflect a reduction in the electric utility's base rates and charges upon the assessment of securitization charges on customer bills, so as to remove any qualified costs from the electric utility's base rates, and (B) the mechanism will provide timely rate savings for customers; and

(6) a determination that the proposal is just and reasonable.

**B. Relief Requested.** CEI South files this Petition pursuant to Indiana Code ch. 8-1-40.5, and requests the Commission issue a Financing Order in substantially the same form as is attached to the Direct Testimony of Brett A. Jerasa filed with Petitioner's case-in-chief in this proceeding. The requested Financing Order (1) approves the recovery of Qualified Costs through securitization, including costs incurred to issue and ongoing costs to maintain the Securitization Bonds ("financing costs"), in the amount of approximately \$359,397,933; (2) authorizes, subject to the terms of the Financing Order, CEI South to issue Securitization Bonds in an amount of approximately \$350,125,000 for reimbursement of Qualified Costs; (3) authorizes CEI South to impose, collect, and receive Securitization Charges over the life of the Securitization Bonds (but not longer than twenty (20) years); (4) approves the structure of the proposed securitization financing through an issuance advice letter process; (5) approves the encumbrance of

Securitization Property with a valid and enforceable lien and security interest; (6) approves the adjustment mechanism set forth in the Financing Order to account for over collections and under collections of Securitization Charges and ensure recovery of amounts sufficient to provide all payments of debt service and other required amounts and charges in connection with the securitization bonds; and (7) approves Petitioner’s proposed Tariffs to implement Securitization Charges, an annual credit to customers for accumulated deferred income taxes (“ADIT”) associated with the retiring generation assets that are the subject of this proceeding, and any credits or rate reductions to remove Qualified Costs from CEI South’s existing rates. Petitioner asks the Commission to make the findings set forth in the proposed Financing Order, including those findings required under Ind. Code §§ 8-1-40.5-10, -12 and -15, as more fully described below.

C. **Qualified Costs.**<sup>2</sup> CEI South’s Estimated Total Qualified Costs are \$359,397,933, consisting of the following:

<b>Type of Cost</b>	<b>Amount as of 2/28/2023</b>
Brown Units 1 & 2 Original Cost	\$798,297,876
Accumulated Depreciation (excluding Cost of Removal)	(534,035,130)
Cost of Removal Reserve	(6,042,788)
Regulatory Asset	59,557,019
Estimated Total Cost to Decommission, Demolish and Restore Site	26,771,245
Subtotal	344,548,222
Estimated Expert Support Costs	\$885,000
Estimated Cost to Issue Securitization Bonds	\$4,691,778
Estimated Total Qualified Costs subject to securitization at issuance	\$350,125,000
Estimated Ongoing Fees	\$9,272,933
Estimated Total Qualified Costs <sup>3</sup>	\$359,397,933

<sup>2</sup> Sections 2.C and 2.D of this Verified Petition contain Petitioner’s best estimate of the amount and terms of the securitization. 170 IAC 4-10-5(b)(1).

<sup>3</sup> Estimate does not include interest on securitization bonds.

Petitioner's total jurisdictional electric rate base as of December 31, 2021 is \$1,659,751,577. The best estimate of the total jurisdictional rate base at the time synchronized with the best estimate of qualified costs at time of anticipated bond issuance is \$1,859,485,002.<sup>4</sup> The Estimated Total Qualified Costs are at least five percent (5%) of Petitioner's jurisdictional rate base both as of the date of this Petition and as of the projected date of issuance of the Securitization Bonds. Detailed descriptions of and support for the Qualified Costs are contained in the Direct Testimony of CEI South witnesses Brett A. Jerasa, Jessica L. Thayer and James T. Kopp. CEI South's case-in-chief presents the total expected Qualified Costs as of a projected date in time for issuance of the Securitization Bonds. In this case, CEI South uses February 28, 2023 as the projection date, while acknowledging that, to the extent the actual issuance is later than that date, it would cause relative Qualified Costs (all else being equal) to be approximately \$2.0 million per month less. As explained in the Direct Testimony of Brett A. Jerasa and Ryan P. Harper, any delay from February 28, 2023 for securitization bond issuance will not cause the net present value of the Securitization Charges to exceed the net present value under traditional ratemaking.

**D. Proposed Securitization Transaction.**

**(1) Creation of Special Purpose Entity.** CEI South will create a wholly owned Delaware limited liability company subsidiary ("special purpose entity" or "SPE"). The SPE will be designed to be a bankruptcy-remote limited purpose entity that will not be affected by any bankruptcy of CEI South, its affiliates, or respective successors. An Amended & Restated LLC Agreement will be signed by CEI South as the sole member of the SPE and will govern the conduct

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<sup>4</sup> 170 IAC 4-10-5(b)(3).

and governance of the SPE. A copy of the draft Amended & Restated LLC Agreement is provided as Attachment BAJ-10 to the Direct Testimony of Brett A. Jerasa.

(2) **Creation and Transfer of Securitization Property.** The Financing Order will establish the mechanism for the creation of “Securitization Property.”<sup>5</sup> Pursuant to Ind. Code § 8-1-40.5-11, Securitization Property includes (1) the right to impose, collect, and receive securitization charges, as authorized under the financing order, in an amount necessary to provide for the full recovery of all qualified costs; (2) the right under the financing order to obtain periodic adjustments of securitization charges under Ind. Code § 8-1-40.5-12(c); and (3) all revenue, collections, payments, money, and proceeds arising out of the rights and interests described in Ind. Code § 8-1-40.5-11.

CEI South will transfer, via a true sale, its rights in Securitization Property to the SPE. A draft of the proposed Purchase and Sale Agreement is included as Attachment BAJ-9 to the Direct Testimony of Brett A. Jerasa.

(3) **Securitization Bonds.** The SPE will issue “Securitization Bonds”<sup>6</sup> to investors and transfer the net proceeds from the sale of the Securitization Bonds to CEI South in consideration for the transfer of the Securitization Property. The Securitization Bonds will be issued pursuant to an Indenture and a series supplement, which will be administered by an Indenture Trustee. The Securitization Bonds will be secured by and payable solely out of the corresponding Securitization Property created pursuant to the Financing Order. The preliminary proposed structure for the

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<sup>5</sup> Per Ind. Code § 8-1-40.5-11, “Securitization Property” means “means the rights and interests of an electric utility, or its successor, under a financing order, as described in section 11 [Ind. Code § 8-1-40.5-11].”

<sup>6</sup> Per Ind. Code § 8-1-40.5-7, “Securitization Bonds” mean “bonds, debentures, notes, certificates of participation, certificates of a beneficial interest, certificates of ownership, or other evidences of indebtedness that: (1) are issued by an electric utility, its successors, or an assignee under a financing order; (2) have a term of not more than twenty (20) years; and (3) are secured by, or payable from, Securitization Property.”

Securitization Bonds is contained in the Direct Testimony of Brett A. Jerasa, including the balance for each of two tranches (issued on the same date), the average life, indicative yield, scheduled final payment dates, and legal final maturity dates, among other details. Petitioner is proposing a fifteen-year scheduled final payment date with legal final maturity date of seventeen years to balance customer savings with intergenerational equity issues.<sup>7</sup> The Securitization Bonds are expected to be fixed interest rate bonds, to achieve predictable savings for utility customers as well as the AAA ratings typically assigned to utility securitizations. The role of the rating agencies and requirements to achieve the desired AAA rating are outlined in the Direct Testimony of Brett A. Jerasa and Eric Chang.

The proceeds from the sale of the Securitization Bonds will be used, directly or indirectly to reimburse CEI South's Qualified Costs (described above).

**(4) Securitization Charges.**

CEI South's proposed Securitization Charges are presented in its proposed Securitization of Coal Plants ("SCP") Tariff described below. The Securitization Charges will become effective upon issuance of the Securitization Bonds. The SCP Tariff is designed to ensure the nonbypassability of the Securitization Charges. The proposed Securitization Charges are calculated based on a forecasted annual revenue requirement over the proposed fifteen-year expected life of the Securitization Bonds, initially estimated to be \$32.9 million on an annual basis. The revenue requirement is equal to the annual principal payments, interest payments, and ongoing costs to service the Securitization Bonds over the proposed fifteen-year period through the scheduled final payment date.

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<sup>7</sup> This is the best estimate of the proposed term in years of the Securitization Bonds. 170 IAC 4-10-5(b)(2).

(5) **Servicing Agreement and Administrative Agreement.** CEI South will act as a collection agent or “Servicer” for the SPE and the SPE’s right to collect and receive Securitization Charges, pursuant to a Servicing Agreement. A draft of the Servicing Agreement is provided as Attachment BAJ-7 to the Direct Testimony of Brett A. Jerasa. A third-party indenture trustee will be appointed to, among other things, receive and process Securitization Charges from the Servicer, calculate the amounts due to bondholders on each payment date, and allocate collections in accordance with the priority of payments for the transaction.

In addition, CEI South will provide administrative services to the SPE pursuant to an Administrative Agreement. Services provided under the Administrative Agreement include, without limitation, maintaining general accounting records, preparing quarterly and annual financial statements, arranging for annual audits of the SPE’s financial statements, preparing all required external financial filings, preparing any required income or other tax returns, and related support. Petitioner’s proposed estimated annual administration fee is \$75,000 plus reimbursement of third-party expenses. A draft of the Administration Agreement is provided as Attachment BAJ-8 to the Direct Testimony of Brett A. Jerasa.

(6) **Issuance Advice Letter.** Petitioner proposes to use an Issuance Advice Letter process to update the Commission as to the final structure and pricing of the Securitization Bonds. Actual structure and pricing will not be known until pricing and issuance of the Securitization Bonds is complete. A draft form of Issuance Advice Letter is provided as Attachment BAJ-5 to the Direct Testimony of Brett A. Jerasa. Petitioner proposes to provide a copy of the draft final Issuance Advice Letter to the Commission no later than two weeks before marketing the Securitization Bonds. Petitioner proposes to provide a copy of the final Issuance Advice Letter within three (3) business days after pricing of the Securitization Bonds, to provide the Commission

an opportunity to review and reject, no later than noon on the 4<sup>th</sup> business day after pricing, the Issuance Advice Letter if Securitization Bonds about to be issued would be inconsistent with the Financing Order in this Cause or the Securitization Act. Absent a rejection of the Issuance Advice Letter by the Commission, the Securitization Bonds would close on the 5<sup>th</sup> business day after pricing.

Through the Issuance Advice Letter process described above, CEI South will provide an updated net present value analysis, which will reflect the actual Qualified Costs.

(7) **Adjustment Mechanism.** CEI South will, at least annually, apply an “adjustment mechanism” to the Securitization Charges to (i) correct any over collections or under collections of Securitization Charges during the twelve (12) months preceding the date of the filing of CEI South’s true-up application under Ind. Code § 8-1-40.5-12(c) and (ii) ensure the timely and complete payment of the debt service and all other required amounts and charges in connection with the Securitization Bonds. Any over collection or under collection will be given back or charged, respectively, to customers based on four coincident peak (“4CP”) allocation, regardless of how each rate class contributed to the over- or under-collection.

If necessary, Petitioner will file with the Commission outside of the annual process set forth above as needed to ensure enough funds will be collected to make timely bond payments and pay other ongoing costs. Petitioner anticipates true-up adjustments will occur more than one time in the last year the Securitization Bonds are expected to be outstanding.

(8) **Rate Reduction.** Petitioner’s case-in-chief includes a proposed rate reduction to timely reflect a reduction in rate base associated with the receipt of proceeds from the



Securitization Bonds. The rate reduction will be implemented through a Securitization Rate Reduction Tariff (“SRR Tariff”) as described in Paragraph 4.C below.

**3. Net Present Value Analysis.** Petitioner’s case-in-chief includes an analysis comparing the net present value (“NPV”) of the proposed Securitization Charges with the NPV of the recovery of the Qualified Costs through traditional ratemaking, over a period not to exceed twenty (20) years. The NPV analysis calculates the revenue requirement associated with traditional ratemaking using the estimated retiring assets’ year-end rate base for the years 2023-2033 and applying Petitioner’s current pre-tax rate of return to establish the annual return on rate base, to which is added the depreciation and amortization of the regulatory assets being securitized as described in greater detail in the Direct Testimony of Ryan P. Harper. The method employed to calculate the revenue requirement for the Securitization Bond payments is described above in Paragraph 2.D.(4). The securitization financing analysis assumes a 15-year scheduled final payment date for the Securitization Bonds and a weighted average coupon rate of 4.46%.

The NPV analysis shows that the cost to customers on a present value basis of recovering the total Securitization Charges through securitization (estimated to be approximately \$249 million, reduced further by approximately \$21 million for accumulated deferred income taxes (described below)) will be less than the amount that would be recovered through traditional ratemaking methods if the Qualified Costs were included in CEI South’s net original cost rate base and recovered over a period of not more than twenty (20) years (estimated to be approximately \$286 million).

**4. Proposed Tariffs.**

**A. Securitization of Coal Plants (“SCP”).** Petitioner’s proposed preliminary Securitization Charges are shown in its proposed Securitization of Coal Plants (“SCP”) Tariff (Attachment MAR-1 to the Direct Testimony of Matthew A. Rice). Petitioner proposes to allocate the revenue requirement for the Securitization Charges based on the 4CP allocation factor percentages approved by the Commission in September 2020 in an Order in Cause No. 43354-MCRA 21 S1. Those allocation factor percentages were approved due to material changes in electric load and the number of customers since the time of Petitioner’s last base rate case (Cause No. 43839) in one of Petitioner’s customer classes. Because street lighting customers have a zero percent allocation under the 4CP method, due to the latter being based on meeting a peak that traditionally happens in the late afternoon in summer, when street lights are not operating, Petitioner is proposing to allocate 0.45% of the Securitization Charge revenue requirement to street lighting customers prior to allocating the remaining portion of the Securitization Charge revenue requirement using the 4CP allocation factors described above. Street lighting is projected to account for 0.45% of total sales for 2023. This approach is necessary to ensure the Securitization Charges are nonbypassable in compliance with Ind. Code §§ 8-1-40.5-8 and -12(b) and that the opportunity for a AAA rating from rating agencies is preserved.

In most cases, the Securitization Charges are based on metered kWhs; however, for residential, small commercial service, demand general service, and Rate OSS customers, in order to ensure that the Securitization Charges are applied to all customers and customer classes in accordance with Ind. Code §§ 8-1-40.5-8 and -12(b), CEI South is proposing to use a “minimum bill” mechanism to place a floor on the level of consumption to which the Securitization Charges are applied. The “minimum bill” mechanism is described in the Direct Testimony of Ralph N. Zarumba and Matthew A. Rice.

**B. Securitization ADIT Credit (“SAC”).** Petitioner is proposing a credit to provide customers the full benefit of accumulated deferred income taxes (“ADIT”) associated with the retiring assets through a separate Securitization ADIT Credit (“SAC”) Tariff. The beginning balance of ADIT associated with the retiring assets will be amortized over the life of the Securitization Bonds using the amortization schedule set forth in Attachment BAJ-4 to the Direct Testimony of Brett A. Jerasa. Petitioner is proposing to multiply the unamortized balance of ADIT each year by the then current WACC using only CEI South’s cost of investor-supplied capital and reflect the product as an ADIT credit through the SAC Tariff. The calculation of the credit would be subject to the same true-up mechanism as applies to the Securitization Charges under Ind. Code §8-1-40.5-12.

**C. Securitization Rate Reduction (“SRR”).** Petitioner’s case-in-chief includes its proposed mechanism (Attachment MAR-1 to the Direct Testimony of Matthew A. Rice) for reflecting in retail rates the reduction in rate base associated with the receipt of the proceeds of the Securitization Bonds. The proposed Securitization Rate Reduction Tariff (“SRR Tariff”) is a temporary tariff to facilitate removal of A.B. Brown Units 1 and 2 related charges from customer rates. The SRR Tariff is calculated from a revenue requirement based on (1) removal of Qualified Costs from CEI South’s electric rate base; (2) CEI South’s pre-tax weighted average cost of capital (“WACC”); and (3) recovery of depreciation expense. The SRR Tariff will be effective upon implementation of the Securitization Charges and is meant to remain in place until an order is received in CEI South’s next general electric rate case and the Commission approves a final true-up of the SRR Tariff. For street lighting customers, the Securitization Rate Reduction is being set equal to the Securitization Charge net of the ADIT credit for those customers, since under the 4CP allocator method, street lighting customers do not pay for the retiring assets in their base rates. CEI

South will then allocate the remaining revenue requirement in the SRR based on the same 4CP allocation factor percentages used to develop the Securitization Charges.

**5. Accounting Treatment.** Petitioner's case-in-chief presents its proposed accounting entries to recognize the amount authorized to be recovered through securitization in a newly created regulatory asset. The proposed accounting entries are presented in the Direct Testimony of Ryan P. Harper. The cumulative balance reflected in the entries associated with the new regulatory asset is approximately \$344 million. Pursuant to Ind. Code § 8-1-40.5-12(d), any difference between Petitioner's Qualified Costs approved in the Financing Order and Petitioner's Qualified Costs at the time A.B. Brown Units 1 and 2 are retired will be accounted for as a regulatory asset or liability.

**6. Petitioner's Proposed Securitization is Just and Reasonable.** The proposed securitization provides customer savings compared to traditional ratemaking, and the SCP Tariff, SAC Tariff and SRR Tariff provide a mechanism to allow customers to realize those savings in a timely manner. The proposed allocation of the Securitization Charges is calculated to ensure that the charges are nonbypassable and calculated to provide full recovery of Petitioner's Qualified Costs from all customers and customer classes in compliance with Ind. Code §§ 8-1-40.5-8 and - 12(b). As stated earlier in this Petition and in the case-in-chief, the proceeds of the Securitization Bonds will be used solely for the purposes of reimbursing the electric utility for qualified costs. Petitioner is proposing accounting entries that will ensure its books and records will reflect a reduction in rate base associated with the receipt of proceeds from the Securitization Bonds. Petitioner's case-in-chief presents evidence that the expected structuring and the expected pricing of the Securitization Bonds will result in reasonable terms consistent with market conditions and the terms of Financing Order as proposed. Petitioner's plans to make capital investments in Indiana

that will equal or exceed the amount of its Qualified Costs in satisfaction of Ind. Code §§ 8-1-40.5-10(d)(4) and to invest in clean energy resources as described in IC 8-1-37-4(a)(1) through -4(a)(15) are outlined in the Direct Testimony of Richard C. Leger. For all of the foregoing reasons, Petitioner's proposal is just and reasonable.

**7. Applicable Statutory Provisions.** Petitioner considers that Ind. Code §§ 8-1-2-49 and -84(f), § 8-1-4-1 and ch. 8-1-40.5, among others, may be deemed applicable to the subject matter of this petition.

**8. Notice.** In compliance with 170 IAC 4-10-7, CEI South will cause to be published a legal notice in a newspaper of general circulation in each county in which CEI South renders service. Proofs of publication of the legal notice will be submitted as a late filed exhibit (Petitioner's Exhibit No. 1, Attachment RCL-2) once received. CEI South will also cause to be posted on the its website notice to customers, a copy of which will be provided as a late filed exhibit as Petitioner's Exhibit No. 1, Attachment RCL-3.

**9. Proposed Procedural Schedule.** Pursuant to 170 IAC 1-1.1-9(a)(8) of the Commission's Rules of Practice and Procedure, Petitioner has met with the Indiana Office of Utility Consumer Counselor and CEI South Industrial Group and reached agreement on a proposed procedural schedule to permit compliance with the 240-day timeline set forth in Ind. Code § 8-1-40.5-10(b). The agreed schedule is set forth in the cover pleading to Petitioner's submission of its case-in-chief in this Cause.

Petitioner has also met with the Citizens Action Coalition of Indiana to discuss this filing.

**10. Petitioner's Attorneys.** Petitioner's attorneys in this Cause who are duly authorized to accept service of pleadings on behalf of Petitioner are as follows:

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Heather A. Watts (Atty. No. 35482-82)  
Jeffery A. Earl (Atty. No. 27821-64)  
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With a copy to:  
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Matthew Rice  
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WHEREFORE, Petitioner respectfully requests that the Indiana Utility Regulatory Commission make such investigation and hold such hearings as it may deem necessary, and thereafter make and enter a Financing Order in this Cause in substantially the form submitted as Attachment BAJ-6 to the Direct Testimony of Brett A. Jerasa:

- (a) making the findings required under Ind. Code §§ 8-1-40.5-10, -12, and -15 as set forth in the proposed form of Financing Order submitted with Petitioner's Case-in-Chief;
- (b) approving the securitization of Qualified Costs, including costs incurred to issue and ongoing costs to maintain the Securitization Bonds, estimated at the time of this Petition to be \$359,397,933;

- (c) authorizing the issuance of Securitization Bonds for reimbursement of Qualified Costs, subject to the terms of the Financing Order;
- (d) granting such approvals and authorizations as may be necessary for the securitization transactions described above, including approval of the structure of the proposed securitization financing through an issuance advice letter process; approval of the Servicing Agreement, Administrative Agreement, LLC Agreement and Sales Agreement as described in this Petition and in Petitioner's Case-in-Chief; and other matters relating to such transactions;
- (e) authorizing CEI South to impose, collect, and receive Securitization Charges over the life of the Securitization Bonds (not to exceed twenty (20) years);
- (f) approving the adjustment mechanism described in the Petition and Petitioner's Case-in-Chief to account for over-collections and under-collections of Securitization Charges and ensure recovery of amounts sufficient to provide all payments of debt service and other required amounts and charges in connection with the securitization bonds;
- (g) authorizing the encumbrance of Securitization Property with a lien and security interest as described in Ind. Code § 8-1-40.5-15;
- (h) approving the form(s) of tariff, as presented in this Petition and Petitioner's Case-in-Chief, to implement Securitization Charges and any credits or rate reductions to remove Qualified Costs from CEI South's existing rates; and

- (i) making such further orders and providing such further relief to Petitioner as may be appropriate.



Dated this 10th day of May, 2022.

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



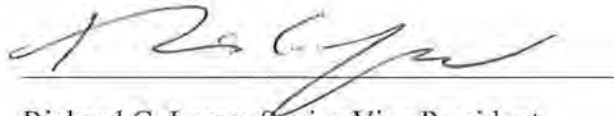
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Richard C. Leger, Senior Vice President,  
Indiana Electric

**VERIFICATION**

I, Richard C. Leger, Senior Vice President, Indiana Electric for Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South, under penalty of perjury, affirm that the foregoing representations are true and correct to the best of my knowledge, information and belief.

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

A handwritten signature in black ink, appearing to read "R. C. Leger", is written over a horizontal line.

Richard C. Leger, Senior Vice President,  
Indiana Electric

**Southern Indiana Gas and Electric Company  
 d/b/a CenterPoint Energy Indiana South**

**Securitization**

**Index of Issues, Requests, and Supporting Witnesses<sup>1</sup>**

Subject	Statutory and Indiana Administrative Code Reference(s)	Findings Requested in Financing Order	Supporting Witness
Eligibility for Securitization Petition	<ul style="list-style-type: none"> <li>• IC 8-1-40.5-3</li> <li>• IC 8-1-40.5-6</li> <li>• IC 8-1-40.5-10(a)</li> </ul>	<ul style="list-style-type: none"> <li>• CEI South meets Definition of “Electric Utility”</li> <li>• Satisfaction of electric generation facility being retired within 24 months of petition</li> <li>• Determination of Satisfaction of 5% Test</li> </ul>	<ul style="list-style-type: none"> <li>• Leger (Pet. Ex. 1) (Definition of “electric utility”; retirement of A.B. Brown Units 1 and 2 within 24 months of petition)</li> <li>• Thayer (Pet. Ex. 4) (Definition of “electric utility”; retirement of A.B. Brown Units 1 and 2 within 24 months of petition; 5% test)</li> </ul>
Overview of Utility Securitization and IC 8-1-40.5 (“Securitization Act”)	<ul style="list-style-type: none"> <li>• IC 8-1-40.5</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Jerasa (Pet. Ex.2)</li> <li>• Chang (Pet. Ex. 3)</li> </ul>

<sup>1</sup> This Index of the Company’s case-in-chief is intended to highlight issues and is not an exhaustive list of the requests in this proceeding. A complete account of the requested relief can be found in the case-in-chief, including but not limited to petition, testimony, exhibits and workpapers.

Subject	Statutory and Indiana Administrative Code Reference(s)	Findings Requested in Financing Order	Supporting Witness
<p>Authority to Issue Securitization Bonds; Proposed Securitization Transaction; Financing Order</p>	<ul style="list-style-type: none"> <li>• IC 8-1-40.5-10(a)(1)</li> <li>• IC 8-1-40.5-14</li> <li>• IC 8-1-2-49(2)</li> <li>• 170 IAC 4-10-5(b)</li> <li>• 170 IAC 4-10-5(c)(8)</li> <li>• 170 IAC 4-10-5(c)(13)</li> <li>• 170 IAC 4-10-5(c)(15)</li> <li>• 170 IAC 4-10-5(c)(16)</li> </ul>	<ul style="list-style-type: none"> <li>• Authority to issue securitization bonds for approximately \$350,125,000 of Qualified Costs</li> <li>• Expected structuring and expected pricing of the Securitization Bonds will result in reasonable terms consistent with market conditions and the terms of the Financing Order</li> <li>• Proposed Servicing Agreement, Administration Agreement, Purchase and Sale Agreement and Amended &amp; Restated LLC Agreement are in the public interest</li> </ul>	<ul style="list-style-type: none"> <li>• Petition (Pet. Ex. 1, Attachment RCL-1) (Executive Summary, including Requested Relief and Description of Proposed Transaction with best estimate of amount and term of proposed securitization and best estimate of proposed term in years of securitization bonds and best estimate of total jurisdictional rate base at time synchronized with the best estimate of qualified costs at the time of bond issuance)</li> <li>• Jerasa (Pet. Ex. 2) (sizing of transaction; proposed preliminary structure; creation of <b>special purpose entity (“SPE”)</b> sensitivity analysis and estimated savings for ratepayers; proposed financing order; Issuance Advice Letter process; basic transaction documents)</li> <li>• Chang (Pet. Ex. 3) (market conditions; financing order requirements; rating agencies)</li> <li>• Vallejo (Pet. Ex. 7) (qualification for safe harbor under Rev Proc 2005-62)</li> </ul>
<p>Authority to Collect Securitization Charges</p>	<ul style="list-style-type: none"> <li>• IC 8-1-40.5-10(a)(2)</li> <li>• IC 8-1-40.5-8</li> <li>• IC 8-1-40.5-12(b)</li> <li>• IC 8-1-40.5-10(f)</li> <li>• IC 8-1-40.5-11</li> <li>• 170 IAC 4-10-5(c)(7)</li> </ul>	<ul style="list-style-type: none"> <li>• Authority to collect securitization charges to allow for the full recovery of Qualified Costs over the life of the Securitization Bonds;</li> <li>• <b>Approval of Securitization of Coal Plants (“SCP”) Tariff and Securitization ADIT Credit (“SAC”) Tariff</b></li> <li>• Nonbypassable amounts collected from all retail customers and customer classes of the electric utility</li> <li>• Securitization Charges are not subject to reduction, impairment or</li> </ul>	<ul style="list-style-type: none"> <li>• Jerasa (Pet. Ex. 2) (expected life of Securitization Bonds)</li> <li>• Rice (Pet. Ex. 8) (calculation of securitization charges; proposed SCP and SAC Tariffs)</li> <li>• Zarumba (Pet. Ex. 9) (allocation of securitization charges; minimum bill</li> </ul>

Subject	Statutory and Indiana Administrative Code Reference(s)	Findings Requested in Financing Order	Supporting Witness
		adjustment by further action of the Commission under IC 8-1-2-72 or any other statute or rule except as provided in IC 8-1-40.5-10(h) (retirement or refunding of previously authorized securitization bonds) and IC 8-1-40.5-12(c) (true-up adjustment mechanism)	mechanism; rate divisor gross-up factor)
Authority to Encumber Securitization Property with a Lien and Security Interest	<ul style="list-style-type: none"> <li>• IC 8-1-40.5-10(a)(3)</li> <li>• IC 8-1-40.5-15</li> <li>• IC 8-1-2-84(f)</li> </ul>	<ul style="list-style-type: none"> <li>• Authority to encumber securitization property with a lien and security interest</li> </ul>	<ul style="list-style-type: none"> <li>• Jerasa (Pet. Ex. 2) (description of encumbrance)</li> </ul>
Qualified Costs	<ul style="list-style-type: none"> <li>• IC 8-1-40.5-10(d)(1)</li> <li>• IC 8-1-40.5-6</li> <li>• IC 8-1-40.5-10(e)</li> <li>• 170 IAC 4-10-5(c)(1)</li> <li>• 170 IAC 4-10-5(c)(3)</li> <li>• 170 IAC 4-10-5(c)(9)</li> </ul>	<ul style="list-style-type: none"> <li>• Determination of the amount of Qualified Costs</li> </ul>	<ul style="list-style-type: none"> <li>• Jerasa (Pet. Ex. 2) (Estimated Total Qualified Costs subject to securitization at issuance; estimated ongoing cost; Estimated Total Qualified Costs).</li> <li>• Thayer (Pet. Ex. 4) (Identification of assets to be retired for which securitization is being requested; Brown Units 1 and 2 original cost, accumulated depreciation, cost of removal reserve; inflation adjusted cost to decommission, demolish and restore site; mapping of Qualified Costs to costs currently included in rates, as applicable).</li> </ul>

Subject	Statutory and Indiana Administrative Code Reference(s)	Findings Requested in Financing Order	Supporting Witness
			<ul style="list-style-type: none"> <li>• Kopp (Pet. Ex. 5) (estimated cost to decommission, demolish and restore site).</li> <li>• Harper (Pet. Ex. 6) (regulatory asset).</li> <li>• Vallejo (Pet. Ex. 7) (no need for tax gross-up on future securitization payments)</li> </ul>
Allocation of Qualified Costs to Customer Classes	<ul style="list-style-type: none"> <li>• IC 8-1-40.5-10(b) and (c)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Authority to use four coincident peak (“4CP”) allocation factor</b> percentages approved in Cause No. 43354-MCRA 21 S1 to avoid unreasonable rates to customers in customer classes that have experienced material changes in electric load or in the number of customers.</li> </ul>	<ul style="list-style-type: none"> <li>• Rice (Pet. Ex. 8) (allocation of revenue requirement to each customer class).</li> </ul>
NPV Analysis	<ul style="list-style-type: none"> <li>• IC 8-1-40.5-10(b)(2)</li> <li>• 170 IAC 4-10-5(c)(2)</li> <li>• 170 IAC 4-10-5(c)(11)</li> </ul>	<ul style="list-style-type: none"> <li>• Net Present Value (NPV) of total securitization charges to be collected under the Financing Order is less than the amount that would be recovered through traditional <b>ratemaking if Petitioner's</b> Qualified Costs were included in its net original cost rate base and recovered over a period of not more than twenty (20) years.</li> </ul>	<ul style="list-style-type: none"> <li>• Jerasa (Pet. No. 2) (NPV Analysis and underlying assumptions).</li> </ul>
Adjustment Mechanism (aka “True-Up Mechanism”)	<ul style="list-style-type: none"> <li>• IC 8-1-40.5-12(c)</li> <li>• 170 IAC 4-10-5(c)(4)</li> <li>• 170 IAC 4-10-5(c)(14)</li> </ul>	<ul style="list-style-type: none"> <li>• Mechanism for Securitization Charges to be reviewed and adjusted by the Commission at least annually to correct any over collections or under collections of Securitization Charges and to ensure the expected recovery of amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the Securitization Bonds</li> </ul>	<ul style="list-style-type: none"> <li>• Jerasa (Pet. Ex. 2) and Chang (Pet. Ex. 3) (importance of true-up adjustment mechanism)</li> <li>• Rice (Pet. Ex. 8) (mechanics of true-up adjustment mechanism; cash flow model)</li> </ul>

Subject	Statutory and Indiana Administrative Code Reference(s)	Findings Requested in Financing Order	Supporting Witness
Receipt and Use of Proceeds of Securitization Bonds; Reduction to Retail Rates	<ul style="list-style-type: none"> <li>• IC 8-1-40.5-10(d)(2)</li> <li>• IC 8-1-40.5-10(d)(5)</li> <li>• 170 IAC 4-10-5(c)(5)(A)&amp;(B)</li> <li>• 170 IAC 4-10-5(c)(6)</li> <li>• 170 IAC 4-10-5(c)(7)</li> <li>• 170 IAC 4-10-5(c)(12)</li> </ul>	<ul style="list-style-type: none"> <li>• Proceeds of the authorized securitization bonds will be used solely for purposes of reimbursing CEI South for Qualified Costs</li> <li>• <b>CEI South's books and records will reflect a reduction in rate base</b> associated with the receipt of proceeds from the Securitization Bonds</li> <li>• The reduction in rate base will be reflected in retail rates when the Securitization Bonds are issued.</li> <li>• <b>Approval of Securitization Rate Reduction ("SRR") Tariff</b> as reasonable mechanism to (1) <b>reflect a reduction in CEI South's base rates and charges</b> upon assessment of Securitization Charges on customer bills to remove any Qualified Costs from base rates and (2) provide timely rate savings to customers.</li> </ul>	<ul style="list-style-type: none"> <li>• Jerasa (Pet. Ex. 2) (description of use of proceeds)</li> <li>• Harper (Pet. Ex. 6) (journal entry upon receipt of proceeds)</li> <li>• Rice (Pet. Ex. 8) (SRR Tariff)</li> </ul>
Accounting Treatment	<ul style="list-style-type: none"> <li>• IC 8-1-40.5-12(d)</li> </ul>	<ul style="list-style-type: none"> <li>• Any difference between Qualified Costs approved in the Financing Order and Qualified Costs at the time A.B. Brown Units 1 and 2 are retired shall be accounted for as a regulatory asset or liability</li> <li>• If CEI South incurs costs for removal and restoration that are greater than the amount estimated when the assets are retired, then CEI South can seek recovery of such costs through rates, and the Commission may approve such recovery if it finds the costs to be just and reasonable.</li> </ul>	<ul style="list-style-type: none"> <li>• Harper (Pet. Ex. 6) (proposed journal entries at time of final Financing Order, at time of issuance of Securitization Bonds, and after issuance of Securitization Bonds)</li> <li>• Vallejo (Pet. Ex. 7) (tax accounting)</li> </ul>
Capital Investment over 7-Year Period	<ul style="list-style-type: none"> <li>• IC 8-1-40.5-10(d)(4)</li> <li>• 170 IAC 4-10-5(c)(10)</li> </ul>	<ul style="list-style-type: none"> <li>• CEI South has demonstrated that it will make capital investments in its system in an amount equal to or exceeding the amount of Qualified Costs over a period of not more than 7 years immediately following the planned issuance date of the Securitization Bonds</li> <li>• Findings related to whether proceeds will be used for construction and ownership of clean energy resources described in IC 8-1-37-4(a)(1) through IC 8-1-37-4(a)(15).</li> </ul>	<ul style="list-style-type: none"> <li>• Leger (Pet. Ex. 1) (<b>Petitioner's</b> proposed capital investments).</li> </ul>
Irrevocability; State and Commission Pledge	<ul style="list-style-type: none"> <li>• IC 8-1-40.5-10(f), (g) and (j)</li> <li>• IC 8-1-40.5-16(b)</li> </ul>	<ul style="list-style-type: none"> <li>• Affirmation that Securitization Bonds issued under the Financing Order are binding in accordance with their terms even if the Financing Order is later vacated, modified or otherwise held to be invalid in whole or in part.</li> </ul>	<ul style="list-style-type: none"> <li>• Jerasa (Pet. Ex. 2) and Chang (Pet. Ex. 3) (Importance of irrevocability and pledge for highest rating from rating agencies).</li> </ul>

Subject	Statutory and Indiana Administrative Code Reference(s)	Findings Requested in Financing Order	Supporting Witness
		<ul style="list-style-type: none"> <li>Affirmation of State pledge that it will not take or permit any action that would impair the value of Securitization Property or reduce, alter (except as authorized in IC 8-1-40.5-12(c)) or impair Securitization Charges to be imposed, collected and remitted to financing parties until the principal, interest, and premium, and other charges incurred, or contracts to be performed, in connection with the Securitization Bonds have been paid or performed in full</li> </ul>	
Customer Notice	<ul style="list-style-type: none"> <li>170 IAC 4-10-7</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Leger (Pet. Ex. 1) (provision of notice posted on website and published notice as late-filed Attachments RCL-2 and RCL-3)</li> </ul>



**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that the foregoing Petition of Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South has been served by electronic mail transmission, this 10<sup>th</sup> day of May, 2022 addressed to:

Jeffrey Reed  
Randall Helmen  
Office of Utility Consumer Counselor  
PNC Center  
115 W. Washington Street, #1500 South  
Indianapolis, Indiana 46204  
[infomgt@oucc.in.gov](mailto:infomgt@oucc.in.gov)  
[jreed@oucc.in.gov](mailto:jreed@oucc.in.gov)  
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Courtesy Copy to:  
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*Hillary J. Close*

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Hillary J. Close

Attachments RCL-2 and RCL-3 will be late-filed

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March 11, 2022

Ms. Dana Kosco  
Secretary of the Commission  
Indiana Utility Regulatory Commission  
101 W. Washington Street, Suite 1500 East  
Indianapolis, Indiana 46204  
[dakosco@urc.in.gov](mailto:dakosco@urc.in.gov)

Re: 170 IAC 4-10-6(a) Notice of Intent to File Securitization Petition

Dear Ms. Kosco:

This letter is provided in accordance with 170 IAC 4-10-6(a) to notify the Indiana Utility Regulatory Commission that on or about April 11, 2022, Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South (“CEI South”) plans to file a petition under Indiana Code § 8-1-40.5-10 for authority to issue securitization bonds, collect securitization charges and encumber securitization property with a lien and security interest.

CEI South will contact the Indiana Office of Utility Consumer Counselor and anticipated intervenors to discuss the procedural schedule for the case.

Sincerely,



Hillary J. Close, Attorney No. 25104-49

cc: *Via hand delivery and email*

Ms. Beth E. Heline, General Counsel, Indiana Utility Regulatory Commission  
Mr. William Fine, Indiana Utility Consumer Counselor

Indiana Utility Regulatory Commission

March 11, 2022

Page 2

*Via email*

Ms. Jane Steinhauer, Director, Energy Division, Indiana Utility Regulatory Commission

Dr. Brad Borum, Director, Research, Policy and Planning Division, IURC

Mr. Randy Helmen, OUCC

Ms. Tabitha Balzer, CenterPoint Energy South Industrial Group, Counsel

Ms. Heather Watts, CEI South, Counsel