

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF THE BOARD OF)
DIRECTORS FOR UTILITIES OF THE)
DEPARTMENT OF PUBLIC UTILITIES OF THE CITY)
OF INDIANAPOLIS, D/B/A CITIZENS THERMAL,)
FOR (1) AUTHORITY TO ADJUST ITS RATES AND)
CHARGES FOR STEAM UTILITY SERVICE, (2))
APPROVAL OF A NEW SCHEDULE OF RATES AND)
CHARGES, AND (3) APPROVAL OF CERTAIN)
REVISIONS TO ITS TERMS AND CONDITIONS)
APPLICABLE TO STEAM UTILITY SERVICE)

CAUSE NO. 45855

IURC
PETITIONER'S 4
EXHIBIT NO. 8-23-23 CR
DATE REPORTER

VERIFIED DIRECT TESTIMONY
of
CAMELA JOHNSON

On
Behalf of
Petitioner,
Citizens Thermal

OFFICIAL
EXHIBITS

Petitioner's Exhibit No. 4

INTRODUCTION AND BACKGROUND

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A1. My name is Camela Johnson. My business address is 2020 North Meridian Street, Indianapolis, Indiana.

Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A2. I am employed by the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis (the "Board of Directors" or "Board"), which does business as Citizens Energy Group ("Citizens"), as its Senior Accounting Manager, Shared Services and Financial Planning. Citizens owns the steam utility serving the City of Indianapolis, which does business under the trade name Citizens Thermal. The Citizens Thermal steam utility ("Petitioner" or the "Steam Utility") is the Petitioner in this proceeding.

Q3. PLEASE DESCRIBE THE DUTIES AND RESPONSIBILITIES OF YOUR PRESENT POSITION.

A3. The duties of my present position, effective May 2022, include managing the financial planning function of Citizens and the accounting activities for the Shared Services business unit.

Q4. HOW LONG HAVE YOU BEEN EMPLOYED BY CITIZENS ENERGY GROUP?

A4. I have been employed by Citizens since January 2013.

Q5. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A5. I graduated from Indiana University's Kelley School of Business – Indianapolis in 1991 with a Bachelor of Science degree in Accounting. I am a certified public accountant.

Q6. PLEASE DESCRIBE YOUR PRIOR BUSINESS EXPERIENCE.

1 A6. From 1991 to 2006, I worked for Cinergy Corp. (now part of Duke Energy) in positions of
2 increasing responsibility in various accounting and financial functions. My responsibilities
3 included preparing journal entries, regulatory reports, financial reports, and budgets, as
4 well as developing training modules for the company's financial employees.

5 From 2006 to 2009, I was a stay-at-home mother for my newly adopted children.

6 From 2009 to early 2013, I was employed by Zempleo, Inc., which assigned me as
7 a full-time contractor to Duke Energy in its Smart Grid Support department. My
8 responsibilities included tracking inventory for meters and communication nodes,
9 preparing journal entries, reviewing monthly allocation calculations, reviewing capital
10 projects, and answering data requests from the Public Utility Commission of Ohio for
11 annual rider filings.

12 From 2013 to date, I have been employed by Citizens in positions of increasing
13 responsibility. From January 2013 to May 2013, I served as Senior Accountant in Property
14 Records where I was responsible for preparing asset documentation and journal entries.

15 From May 2013 to February 2015, I served as the Financial Accounting Supervisor
16 in Property Records. My duties included supervising the property records functions and
17 coordinating the preparation of annual reports to the Indiana Utility Regulatory
18 Commission (the "Commission").

19 From February 2015 to January 2019, I served as the Financial Accounting
20 Manager in Property Records. In addition to managing the property records functions, I
21 prepared budgets, provided data for financial footnotes, reviewed monthly depreciation

1 calculations, and reviewed annual property tax returns. I also assisted with workpaper
2 documentation and data request answers for rate case proceedings.

3 From February 2019 to April 2022, I served as the Manager of Financial Planning
4 and Regulatory Accounting. My duties included coordinating the financial planning
5 process for Citizens and providing accounting support for regulatory matters. Additionally,
6 I provided oversight for the property records functions, which included the review of
7 internal accounting policies, monthly depreciation calculations, and annual property tax
8 returns.

9 From May 2022 to date, I have served as the Senior Accounting Manager, Shared
10 Services and Financial Planning. In that role, I am responsible for managing the accounting
11 processes for the Shared Services business unit and maintaining the allocation
12 methodology. I also continue to manage Citizens' financial planning process.

13 **Q7. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

14 A7. Yes. I have sponsored testimony in a base rate case on behalf of Westfield Gas, LLC.

15 **Q8. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

16 A8. The purpose of my testimony is to sponsor pro forma adjustments related to property taxes
17 and depreciation, as well as cloud computing amortization expense recorded in Other
18 Operating Expenses.

19 **Q9. WHAT HAVE YOU DONE TO PREPARE YOURSELF TO TESTIFY IN THIS**
20 **PROCEEDING?**

21 A9. In the managerial position I held until May 2022, my responsibilities included the
22 interpretation of accounting standards and review of accounting activity related to plant in

1 service and other assets, applicable depreciation and amortization, and property taxes. In
2 the normal course of performing those duties, I met with certain members of Citizens'
3 accounting staff who are responsible for making entries to the asset subsystem, and certain
4 subject matter experts in operations and engineering, in order to complete my review. I
5 have read the Verified Petition and direct testimony and attachments related to Petitioner's
6 revenue requirements in this proceeding. I have also familiarized myself with certain parts
7 of the Indiana Code pertaining to my testimony, including Indiana Code § 8-1.5-3-8 (Rates
8 and Charges) and Indiana Code ch. 6-1.1-8 (Property Taxes-Public Utility Companies). I
9 have relied upon the advice of counsel in interpreting said parts of the Indiana Code.

10 **PRO FORMA ADJUSTMENTS**

11 **Overview**

12 **Q10. PLEASE PROVIDE A HIGH-LEVEL ASSESSMENT OF PETITIONER'S PRO**
13 **FORMA ADJUSTMENTS WHICH YOU ARE SPONSORING.**

14 A10. In summary, the test year amount incurred for property taxes, depreciation, and cloud
15 computing amortization expense of \$5.324 million is slightly lower than going-level costs
16 for these same expenses of \$5.349 million. Outlined below is a summary and explanation
17 of the key drivers for these specific pro forma adjustments:

Test Year Amounts for Sponsored Expenses	\$ 5,323,712
Pro Forma Adjustments:	
Property Taxes	7,946
Depreciation	11,336
Cloud Computing Amortization in Operating Expenses	5,629
Pro Forma Amounts for Sponsored Expenses	<u>\$ 5,348,623</u>

18 Property taxes show an increase primarily due to increased assessment values.
19 Depreciation expense is increasing primarily due to increases in the plant in service balance

1 for Steam. Cloud computing amortization expense shows an increase due to normalizing
2 the costs to represent a full year of the expense.

3 **Q11. IS PETITIONER PROPOSING ANY OTHER PRO FORMA ADJUSTMENTS?**

4 A11. Yes. Petitioner's witnesses Sabine Karner and Korlon Kilpatrick will address additional
5 pro forma adjustments in their respective testimonies filed in this Cause.

6 **Q12. WHAT STEPS DID YOU TAKE TO DETERMINE PRO FORMA ADJUSTMENTS**
7 **TO THE TEST YEAR?**

8 A12. I reviewed property tax returns submitted to the Department of Local Government Finance
9 ("DLGF") and current year property tax bills compared to test year expenses. I also
10 reviewed pending asset addition and retirement activity for impacts on depreciation
11 expense within the pro forma adjustment period. Finally, I reviewed transaction level detail
12 for the cloud computing amortization account to determine whether the expense was
13 reflective of normal and ongoing expenditure levels.

14 **Q13. BRIEFLY EXPLAIN YOUR WORKPAPER FORMAT AND ORDER.**

15 A13. A list of my workpapers is included on Attachment CAJ-1. I used the following numbering
16 scheme for workpapers related to accounting adjustments:

17 155: Schedule of utility plant in service and accumulated depreciation by subaccount
18 156: Annual summary of plant additions and retirements by subaccount
19 415: Pro Forma Adjustments to Cloud Computing Amortization
20 450: Pro Forma Adjustments to Property Taxes
21 470: Pro Forma Adjustments to Depreciation
22 520: Description of utility's methodology for capitalizing construction overhead
23 522: Policies and procedures for capitalization of AFUDC
24 523: Capitalization policy

1 Where workpapers required additional supporting calculations, I have numbered these
2 supporting workpapers the same as the workpaper in question and added the suffix -Sn,
3 where n denotes the next sequential number (e.g., 450-S1 is a supporting workpaper for
4 workpaper 450).

5 **Q14. DID YOU INCLUDE A SUMMARY OF ALL PRO FORMA ADJUSTMENTS YOU**
6 **SPONSOR IN YOUR TESTIMONY?**

7 A14. Yes. Attachment CAJ-2 presents a summary of pro forma adjustments I calculated to
8 certain operating expenses of Petitioner during the test year. As noted above, Petitioner's
9 witnesses Karner and Kilpatrick present and sponsor additional pro forma adjustments in
10 their own respective testimony filed in this Cause.

11 **Property Taxes**

12 **Q15. PLEASE DESCRIBE YOUR PRO FORMA ADJUSTMENT TO PROPERTY**
13 **TAXES.**

14 A15. I have used the 2022 tax assessment values, payable in 2023, and applied the 2022 tax rate
15 to arrive at the pro forma amount for property taxes. The resulting adjustment to the test
16 year accrual amount is an increase of \$7,946 for the Steam Utility, including the allocation
17 of Shared Services property taxes to the Steam Utility.

18 **Q16. CITIZENS FILES A CONSOLIDATED PROPERTY TAX RETURN**
19 **COMPRISING ALL ITS MARION COUNTY BUSINESS UNITS. PLEASE**
20 **PROVIDE AN OVERVIEW OF HOW PROPERTY TAXES ARE ULTIMATELY**
21 **ASSIGNED TO EACH BUSINESS UNIT.**

A16. There are two assessment components which determine the amount of property taxes payable. One component is the distributable property, defined as “that property used to furnish the public utility service” (50 IAC 5.1-1-9). The DLGF annually issues an Order finalizing distributable property assessments by taxing district. The property tax bills issued as a result of this Order, due to the nature of the assessment, cannot be traced back to any one business unit. Instead, these property tax bills are allocated to each business unit based on its respective share of total distributable property being assessed. The table below, using Citizens’ actual 2022 filing, illustrates the approach.

	2022 filing, pay-2023 Assessment Value	% of total
CSS	5,106,150	0.70%
Gas	221,855,340	30.52%
Steam	23,551,600	3.24%
Water	450,312,430	61.96%
Other	<u>26,038,400</u>	<u>3.58%</u>
Total	726,863,920	100.00%

The total assessment for distributable property, \$726,863,920, was confirmed by the DLGF in its Order dated May 26, 2022 (see workpaper 450-S2). The resulting property tax bills to Citizens will be assigned to the Steam Utility at a rate of 3.24% each because that was the Steam Utility’s share of distributable property in the total assessment. Additionally, the Steam Utility receives an allocation of the distributable property taxes assessed to the Shared Services business unit.

The second component is the locally assessed real property, defined as “fixed real property owned or used by a public utility company that is assessed by the township assessor in the taxing district where it is located” (50 IAC 5.1-1-17). Because each real

1 property tax bill has a specific identifiable address, and each address can only be assigned
2 to one business unit at a time, real property tax bills are assigned directly to the business
3 unit owning the property. The Steam Utility also receives an allocation of the Shared
4 Services locally assessed real property taxes.

5 **Q17. PLEASE DESCRIBE YOUR PRO FORMA ADJUSTMENT FOR PROPERTY**
6 **TAXES IN MORE DETAIL.**

7 A17. For distributable property, I listed the consolidated distributable assessment values by
8 taxing district, applied the 2022 tax rates, and then allocated 3.24% to the Steam Utility
9 per its respective share of distributable property. Workpaper 450-S1 provides a list of all
10 distributable property, including the total distributable property taxes for the Shared
11 Services business unit.

12 For real property, I used the most current assessment per the local assessors for all
13 real property owned by the Steam Utility and Shared Services, and again applied the 2022
14 certified tax rates for each taxing district. Workpaper 450-S3 provides a detail list of all
15 real estate parcels for both the Steam Utility and Shared Services.

16 On Workpaper 450, I list the calculations for the pro forma property tax adjustment
17 for both the Steam Utility and its allocation of Shared Services property taxes.

18 **Q18. DO YOU BELIEVE THE USE OF 2022 TAX RATES FOR THE PRO FORMA**
19 **ADJUSTMENT IS REASONABLE?**

20 A18. Yes, as it is the most recently published tax rate. Tax rates for 2023 will not become
21 available until probably spring 2023. I cannot predict how materially different 2023 tax

1 rates may be from 2022 tax rates. I believe this is the most reasonable approach given the
2 circumstances.

3 **Depreciation Expense**

4 **Q19. PLEASE DISCUSS YOUR PRO FORMA ADJUSTMENT TO DEPRECIATION**
5 **EXPENSE FOR PLANT IN SERVICE.**

6 A19. I established the annual amount of depreciation expense on depreciable utility plant in
7 service as of September 30, 2022. Next, I calculated the net of annual depreciation expense
8 on an adjusted balance for plant in service after expected asset additions less expected
9 retirements. I present my calculations in workpaper 470, which includes pro forma
10 adjustments for both the Steam Utility and its allocated share of Shared Services.

11 For asset additions, I obtained a list of capital projects that are either already in
12 service but not yet recorded as assets pending final charges, or that have a reasonable
13 certainty, due to their high level of completion status, of being in service within the pro
14 forma adjustment period.

15 For asset retirements, I obtained a list of assets which will be retired within the
16 adjustment period. Only assets within the General Plant Amortization ("GPA") asset types
17 can have a predictable retirement date, as the concept of GPA is to automatically retire the
18 asset at the end of its estimated useful life.

19 After summarizing all of the above, the net depreciation expense adjustment results
20 in a pro forma increase of \$11,336 for the Steam Utility, including the allocation of Shared
21 Services depreciation expense to the Steam Utility.

22 **Q20. WHAT DEPRECIATION RATES ARE BEING USED?**

1 A20. The Steam Utility and Shared Services are using group depreciation rates that vary by asset
2 class as established by a depreciation study dated 2016. The Commission Order in Cause
3 No. 45039 dated December 27, 2018, approved the depreciation rates for implementation
4 as of the date of the Order.

5 **Cloud Computing Amortization Expense**

6 **Q21. PLEASE DESCRIBE YOUR PRO FORMA ADJUSTMENT FOR CLOUD**
7 **COMPUTING AMORTIZATION EXPENSE.**

8 A21. I established the annual amount of amortization expense on Shared Services' deferred
9 cloud computing costs for completed implementation projects. The pro forma adjustment
10 for the Steam Utility's share of cloud computing amortization expense resulted in an
11 increase of \$5,629 due to normalizing the costs to represent a full year of the expense.
12 Workpaper 415 contains my pro forma adjustment calculations for cloud computing
13 amortization expense.

14 **Q22. PLEASE DEFINE CLOUD COMPUTING AMORTIZATION.**

15 A22. Cloud computing amortization refers to the amortization of implementation costs incurred
16 for service contracts of cloud computing arrangements, also called hosting arrangements.

17 **Q23. PLEASE EXPLAIN THE ACCOUNTING FOR CLOUD COMPUTING**
18 **AMORTIZATION EXPENSE.**

19 A23. The accounting guidance issued by the Financial Accounting Standards Board requires that
20 companies record implementation costs incurred for service contracts of cloud computing
21 arrangements as deferred costs on the balance sheet. These deferred costs are not recorded
22 to property, plant, and equipment because they are not considered to be an intangible asset

1 like traditional on-premise software licenses. Rather, the deferred costs are recorded as an
2 Other Deferred Charge.

3 The deferred implementation costs are amortized to expense over the term of the
4 associated hosting arrangement. Although the expense is the result of using a straight-line
5 amortization method, it is required to be classified on the same income statement line as
6 the associated hosting fees. As such, the amortization expense is recorded to operation and
7 maintenance expense (i.e., account 921810).

8 **CONCLUSION**

9 **Q24. DO YOU BELIEVE THAT THE PRO FORMA ADJUSTMENTS YOU**
10 **PRESENTED ARE JUST AND REASONABLE?**

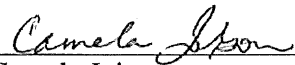
11 A24. Yes. I have made adjustments to obtain representative going-level costs and believe I have
12 done so reasonably and in accordance with acceptable standards, laws, and prior
13 Commission rulings.

14 **Q25. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

15 A25. Yes, at this time.

VERIFICATION

The undersigned affirms under the penalties for perjury that the foregoing testimony is true to the best of her knowledge, information and belief.



Camela Johnson

**Citizens Thermal
Workpapers submitted by Petitioner's Witness Camela A. Johnson**

Topic	Workpaper	MSFR	Description
Financial & Accounting Data	155	170 IAC 1-5-10 (2)	Schedule of utility plant in service and accumulated depreciation by subaccount
Financial & Accounting Data	156	170 IAC 1-5-10 (4)	Annual summary of plant additions and retirements by subaccount
Pro Forma Workpapers	415	170 IAC 1-5-8 (2)	Determination of Amortization Expense
Pro Forma Workpapers	415-S1	170 IAC 1-5-8 (2)	Amortization of Cloud Computing Costs
Pro Forma Workpapers	450	170 IAC 1-5-8 (2)	Determination of Pro Forma Property Tax Expense
Pro Forma Workpapers	450-S1	170 IAC 1-5-8 (2)	Determination of distributable property tax
Pro Forma Workpapers	450-S2	170 IAC 1-5-8 (2)	Determination of allocated distributable property tax
Pro Forma Workpapers	450-S3	170 IAC 1-5-8 (2)	Determination of allocated real property tax
Pro Forma Workpapers	470	170 IAC 1-5-8 (2); 170 IAC 1-5-11 (a)(2)	Determination of Depreciation Expense
Pro Forma Workpapers	470-S1	170 IAC 1-5-8 (2); 170 IAC 1-5-11 (a)(2)	Depreciation on Utility Plant in Service
Pro Forma Workpapers	470-S2	170 IAC 1-5-8 (2); 170 IAC 1-5-11 (a)(2)	Determination of Depreciation on Expected Asset Additions
Pro Forma Workpapers	470-S3	170 IAC 1-5-8 (2); 170 IAC 1-5-11 (a)(2)	Determination of Depreciation on Expected Asset Retirements
Misc. Informational	520	170 IAC 1-5-8 (27)	Description of utility's methodology for capitalizing construction overhead
Misc. Informational	522	170 IAC 1-5-10 (7)	Policies and procedures for capitalization of AFUDC
Misc. Informational	523	n/a	Capitalization policy

Citizens Thermal
Summary of Pro Forma Adjustments Sponsored by Petitioner's Witness Camela A. Johnson

Line	Account	Description	B	C		D		E	F		
				Test Year	balance	Adjustments made				Pro Forma	balance
						Test Year	amount				
1	403010	Depreciation	4,542,079.02	4,542,079.02	4,553,415.43	4,553,415.43	4,553,415.43	11,336.41			
2	408180	Tax Expense - Property	774,639.37	774,639.37	782,585.03	782,585.03	782,585.03	7,945.66			
3	921810	Software - Cloud Amortization Expense	6,993.63	6,993.63	12,622.69	12,622.69	12,622.69	5,629.06			
Total			5,323,712.02	5,323,712.02	5,348,623.15	5,348,623.15	5,348,623.15	24,911.13			