

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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

CAUSE NO. 45990

Verified Settlement Testimony of

Michael P. Gorman

On behalf of

The CenterPoint Energy Indiana South Industrial Group

May 20, 2024



STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

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

CAUSE NO. 45990

Verified Settlement Testimony of Michael P. Gorman

1 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 Q ARE YOU THE SAME MICHAEL P. GORMAN WHO PREVIOUSLY FILED
5 TESTIMONY IN THIS CAUSE?

6 A I will support the comprehensive settlement (the “Settlement”) between and among
7 Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South

1 (“CEI South” or “Company”), the CenterPoint Energy Indiana South Industrial Group,
2 SABIC Innovative Plastics Mt. Vernon, LLC (“SABIC”) (collectively, the “Settling
3 Parties”) as filed with the Commission on May 20, 2024.

4 **Q DO YOU RECOMMEND APPROVAL OF THE SETTLEMENT?**

5 A Yes, I recommend approval of the Settlement. It is a comprehensive agreement among
6 the Settling Parties which resolves all of the issues raised by the parties in this rate
7 case in a fair and reasonable manner. The Settlement is the result of arms-length
8 negotiations between the Settling Parties, all of whom were represented in the
9 settlement discussions by competent and experienced counsel and aided by skilled
10 experts.

11 My colleague, Jessica York, will provide testimony regarding specifically the
12 agreed cost allocation and rate design terms in the Settlement. In my opinion, the
13 terms related to the revenue requirement are within the range of outcomes which could
14 have resulted if this case were fully litigated. In sum, I believe that, taken as a whole,
15 the Settlement is a fair and reasonable resolution, which is in the public interest and
16 should be approved.

17 **Q WOULD YOU PLEASE PROVIDE SOME DETAILS REGARDING THE TERMS OF**
18 **THE SETTLEMENT RELATED TO THE REVENUE REQUIREMENT?**

19 A Certainly. The Settling Parties agreed to a revenue increase for CEI South of
20 approximately \$80,009,617. This is about \$38,748,076 less than the \$118,757,693
21 revenue requirement increase requested by CEI South in its case-in-chief and
22 \$35,436,080 less than CEI South’s Rebuttal position proposing an increase of

1 \$115,445,697. To arrive at the reduced revenue requirement, the Settling Parties had
2 to agree to a number of concessions as part of the bargaining process.

3 These concessions include: (1) eliminating Phase 1 of the rate increase;
4 (2) reducing coal inventory in rate base by an additional \$2,949,966; (3) removing
5 \$212,036 in additional investment in the Urban Living Research Center from rate base;
6 (4) reducing PISCC and deferred depreciation by implementing the interim rate
7 increase steps after the Posey Solar and the CT Projects are placed in-service;
8 (5) removing certain land acquisition items from rate base; (6) agreeing to a Return on
9 Equity ("ROE") of 9.8% as described more fully below; (7) utilizing the depreciation
10 accrual rates recommended by OUCC Witness David J. Garrett; (8) reducing the
11 forecasted base cost of fuel included in the test year revenue requirement by
12 \$8,175,808 as recommended by OUCC Witness Eckert; (9) rejecting CEI South's
13 proposal to include \$725,000 in interruptible sales billing credits; (10) reducing
14 forecasted capacity purchase costs included in the test year revenue requirement by
15 \$5,000,000; and (11) reducing O&M expense by \$1,350,000.

16 **Q IN YOUR OPINION, ARE THE REVENUE TERMS OF THE SETTLEMENT**
17 **REASONABLE?**

18 **A**Yes. Notably, in my direct testimony I recommended that the revenue increase be no
19 more than \$89.2 million. Even so, the Settling Parties were able to reach agreement
20 on an increase of only \$80.0 million. The range of potential litigation outcomes was
21 between CEI South's rebuttal position of \$115.4 million and the OUCC's proposed
22 \$48.3 million increase. The settled increase falls below the \$81.9 million midpoint of
23 that range. In my opinion, the settled revenue requirement is a reasonable resolution
24 of the revenue issues raised in this case, is fully supported by the record as a whole,

1 and represents a fair compromise on the revenue disputes raised in the litigated phase
2 of this proceeding.

3 **Q WHAT IS THE AGREED UPON ROE?**

4 A The Settling Parties ultimately agreed on a 9.8% ROE for this case.

5 **Q HOW DOES THE AGREED UPON ROE COMPARE TO THE POSITIONS TAKEN BY**
6 **THE PARTIES IN THIS CASE?**

7 A CEI South had requested an ROE of 10.4%, the OUCC had recommended an ROE of
8 8.8%, and on behalf of the Industrial Group, I had recommended an ROE of 9.2%. The
9 Company's current ROE, agreed to in the Settlement which resolved CEI South's last
10 base rate case, is 10.4%. Accordingly, the agreed upon 9.8% in this case is well within
11 the range of reasonableness identified by witnesses in this case. The agreed upon
12 ROE is also consistent with other recent settlements, such as the NIPSCO Gas Rate
13 settlement in Cause 45967, which recently settled at a 9.75% ROE, the AESI Electric
14 settlement in Cause No. 45911 at 9.9%, and the I&M Electric settlement in Cause No.
15 45933 at 9.85%.

16 **Q DO YOU HAVE ANY COMMENTS ON OTHER TERMS CONTAINED IN THE**
17 **SETTLEMENT AGREEMENT?**

18 A Yes. The Settlement contains other reasonable terms as well. For example, as part of
19 the Settlement, CEI South agreed to withdraw its request for a regulatory asset for
20 post-test year cloud computing costs from this proceeding, though CEI South may
21 renew this request in a separately docketed proceeding. In addition, CEI South agreed
22 to adopt and incorporate the changes to its limitation of liability provision in its tariff as

recommended by me on behalf of the Industrial Group, as modified by CEI South
Witness Rice on rebuttal. Furthermore, the Settlement contains a number of residential
consumer protection provisions as outlined in Section 10.

**Q IN YOUR OPINION, IS THE SETTLEMENT REASONABLE AND IN THE PUBLIC
INTEREST?**

A Yes, it is. When taken as a complete package, the Settlement is a reasonable
resolution to the issues raised in this proceeding and represents a fair balance between
the needs of the Company and the interests of the ratepayers. The Settlement results
in a reasonable revenue increase which reflects a fair return of and on capital
investment made by the Company if the utility is operated efficiently, and enables CEI
South to continue to provide reliable service to its customers on an economical basis.
The Settlement is a comprehensive agreement resolving all of the issues in the case,
with each term essential to the overall reasonableness and arrived at as part of the
“give and take” of the negotiating process. The Settling Parties were represented by
counsel experienced in utility matters who were supported by similarly experienced
experts. I therefore recommend the Commission approve the Settlement without
material change.

Q DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?

A Yes, it does.

INDIANA UTILITY REGULATORY COMMISSION

CAUSE NO. 45990

Michael Arnheim

May 20, 2024