

ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda			√
Ober	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF SOUTHERN INDIANA)
 GAS AND ELECTRIC COMPANY d/b/a)
 CENTERPOINT ENERGY INDIANA SOUTH)
 FOR: (1) APPROVAL OF AN ADJUSTMENT TO)
 ITS ELECTRIC SERVICE RATES THROUGH ITS)
 TRANSMISSION, DISTRIBUTION, AND)
 STORAGE SYSTEM IMPROVEMENT CHARGE)
 (“TDSIC”) RATE SCHEDULE; (2) AUTHORITY)
 TO DEFER 20% OF THE APPROVED CAPITAL)
 EXPENDITURES AND TDSIC COSTS FOR)
 RECOVERY IN PETITIONER’S NEXT GENERAL)
 RATE CASE; AND (3) APPROVAL OF)
 PETITIONER’S UPDATED 7-YEAR ELECTRIC)
 PLAN, ALL PURSUANT TO IND. CODE § 8-1-39-9.)**

CAUSE NO. 44910 TDSIC 9

APPROVED: NOV 24 2021

ORDER OF THE COMMISSION

**Presiding Officers:
 David E. Ziegner, Commissioner
 Brad J. Pope, Administrative Law Judge**

On August 2, 2021, Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South (“Petitioner” or “CEI South”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”), along with the direct testimony and attachments of Stephen R. Rawlinson, Director, Electric Engineering for Petitioner; Brittany A. Fleig, Manager, Regulatory Reporting; and Matthew A. Rice, Director, Regulatory and Rates for CEI South.

Also on August 2, 2021, Petitioner filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information (“Motion”) requesting that certain information contained in the attachments to the testimony of Mr. Rawlinson be treated as confidential and exempted from public disclosure. The Presiding Officers granted the Motion and found the information should be treated as confidential on a preliminary basis by docket entry dated August 13, 2021.

On October 1, 2021, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony of Wes R. Blakley, Senior Utility Analyst in the Electric Division; and John E. Haselden, Senior Utility Analyst in the Electric Division. On October 8, 2021, the OUCC filed corrected testimony of John E. Haselden.

The Commission held an Evidentiary Hearing in this Cause on October 26, 2021, at 1:30 p.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated in the hearing at which the testimony and exhibits of Petitioner and the OUCC were admitted into the record without objection.

Based upon the applicable law and evidence presented, the Commission now finds:

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published by the Commission as required by law. Petitioner is a public utility as defined in Ind. Code §§ 8-1-2-1(a) and 8-1-39-4. Under Ind. Code ch. 8-1-39, the Commission has jurisdiction over a public utility's petition to approve rate schedules establishing a Transmission, Distribution, and Storage System Improvement Charge ("TDSIC") that will allow for the periodic adjustment of the public utility's basic rates and charges to provide for timely recovery of 80% of approved capital expenditures and TDSIC costs. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. Petitioner's Characteristics. Petitioner is a corporation organized and existing under the laws of the State of Indiana with its principal office located at 211 NW Riverside Drive, Evansville, Indiana. Petitioner is engaged in rendering retail electric service to the public and owns and operates electric generating plant and distribution system facilities for the production, storage, transmission, distribution, and furnishing of electric service to approximately 145,000 electric consumers in southwestern Indiana. Its service territory is spread throughout seven counties: Pike, Gibson, Dubois, Posey, Vanderburgh, Warrick, and Spencer.

3. Background to this Proceeding. On September 20, 2017, the Commission issued an Order in Cause No. 44910 ("44910 Order"), approving Petitioner's Seven-Year Plan and TDSIC Settlement Agreement entered into by Petitioner, the OUCC, and Vectren Industrial Group ("Industrial Group") (the "44910 Settlement Agreement"). In the 44910 Order, the Commission: (1) approved the Settlement Agreement in its entirety; (2) found the projects included in Petitioner's revised TDSIC Plan, including substitution projects are "eligible transmission, distribution, and storage system improvements"; (3) authorized Petitioner to implement the TDSIC and other tariff changes to effectuate timely recovery of 80% of up to \$446.5 million of eligible and approved capital expenditures and TDSIC costs; (4) authorized deferral and later recovery of 20% of eligible and approved capital expenditures and TDSIC costs; (5) authorized allocation of the costs associated with the TDSIC Plan in the manner described in the Settlement Agreement, as well as recovery of a portion of distribution-related TDSIC costs from residential and small commercial customers through a fixed monthly charge; (6) authorized deferral of depreciation expense and post-in-service carrying costs associated with the AMI project for recovery in Petitioner's subsequent retail base rate proceeding; and (7) authorized Petitioner to adjust its authorized net operating income to reflect any approved earnings associated with the TDSIC.

4. Relief Requested. Pursuant to Ind. Code § 8-1-39-9(a) and (b) and the terms of the 44910 Settlement Agreement, Petitioner requested in this sub-docket: (1) approval of TDSIC factors to effectuate the timely recovery of 80% of approved capital expenditures and TDSIC costs to be applicable and made effective for bills during the first billing cycle starting November 1, 2021, or as soon thereafter as practicable; (2) authorization for the TDSIC factors, upon becoming effective, to remain in effect until replaced by different TDSIC factors approved in a subsequent filing; (3) approval of the capital expenditures and TDSIC costs incurred through April 30, 2021, and of forecasted TDSIC costs upon which the proposed factors are based; (4) approval of the Updated TDSIC Plan filed with the Petition in accordance with Ind. Code § 8-1-39-9(a), which

requires a public utility to update its Seven-Year TDSIC Plan with each filing (“Updated TDSIC Plan”); (5) interim deferral and recovery of 80% of eligible and approved capital expenditures and TDSIC costs in connection with its Updated TDSIC Plan through the TDSIC and deferral, as a regulatory asset, of 20% of eligible and approved capital expenditures and TDSIC costs, including depreciation and allowance for funds used during construction in connection with the Updated TDSIC Plan for recovery in Petitioner’s next general rate case; and (6) approval of an adjustment to its authorized net operating income to reflect any approved earnings for purposes of Ind. Code § 8-1-2-42(d)(3).

5. Commission Discussion and Findings Regarding TDSIC 9. Petitioner submitted its Verified Petition and supporting testimony and exhibits to demonstrate compliance with the requirements of Ind. Code § 8-1-39-9 and the 44910 Order.

A. Past and Future Rate Case Timing and TDSIC Timing. Ind. Code § 8-1-39-9(d) states that “[e]xcept as provided in section 15 of this chapter, a public utility may not file a petition under subsection (a) within nine (9) months after the date on which the commission issues an order changing the public utility’s basic rates and charges with respect to the same type of utility service.” At the time of filing, Petitioner’s most recent retail electric base rate order was issued April 27, 2011, in Cause No. 43839. The Commission finds that Petitioner’s request in this Cause was filed more than nine months after Petitioner’s last general rate case in accordance with Ind. Code § 8-1-39-9(d).

Indiana Code § 8-1-39-9(f) states that “[a] public utility may file a petition under this section not more than one (1) time every six (6) months.” Petitioner filed its Verified Petition in this Cause consistent with the terms of the 44910 Settlement Agreement approved in the 44910 Order and not within six months of a previous TDSIC adjustment filing. Mr. Rawlinson testified that Petitioner updates its TDSIC project costs on a semi-annual basis through tracker filings each August 1 and February 1. He explained that the August tracker filing updates costs through April 30, and the February tracker filing updates costs through October 31. The Commission finds that Petitioner’s timeline for TDSIC filings is consistent with Ind. Code § 8-1-39-9(f).

B. Petitioner’s Updated TDSIC Plan. In accordance with Ind. Code § 8-1-39-9(b), a utility is to update its Seven-Year Plan annually at a minimum. Mr. Rawlinson testified that the TDSIC Plan has been revised to capture project estimate increases or decreases based upon updated cost information and scope of work refinement. The Commission finds that the Updated TDSIC Plan that Petitioner submitted in this Cause is in accordance with the statute.

C. Revenue Requirement. The 44910 Order granted Petitioner accounting authority for, and subsequent recovery of, costs associated with its approved TDSIC Plan. The accounting authority includes the timely recovery within the TDSIC of 80% of the revenue requirement associated with the Plan capital investments and expenses, and deferral of the remaining 20% of the revenue requirement until Petitioner’s next base rate case.

Petitioner proposes the following ratemaking and accounting treatment, in accordance with the 44910 Order:

- (1). Authorization of the eligible revenue requirement amounts as of April 30, 2021, inclusive of the amounts associated with:
 - a. Capital investment in eligible projects, both completed and under construction;
 - b. Financing costs incurred on projects during construction;
 - c. Post-in-service carrying costs on eligible completed projects; and
 - d. Deferred expenses, projected incremental depreciation, and property taxes expense.
- (2). Recovery, via the TDSIC, of 80% of the eligible revenue requirement amounts as of April 30, 2021, which is \$21,624,518 (Petitioner's Exhibit No. 2, Attachment BAF-1, Schedule 1, Line 16, Column C).
- (3). Deferral of 20% of the eligible revenue requirement amounts as of April 30, 2021, which is \$5,406,129 (Petitioner's Exhibit No. 2, Attachment BAF-1, Schedule 1, Line 17, Column C), for subsequent recovery in a base rate case.

Petitioner filed its Petition and case-in-chief in support of its request for approval of TDSIC rates and charges on August 2, 2021. OUCC witness Wes R. Blakley confirmed Petitioner's calculation of its revenue requirement and testified that nothing came to his attention that would indicate Petitioner's calculation of its estimated TDSIC adjustment factors for the relevant period is unreasonable. The Commission finds the annual revenue requirement of \$27,030,647 as calculated in Petitioner's Exhibit No. 2, Attachment BAF-1, Schedule 1, Line 15, Column C is correct, and such revenue requirement is approved.

We further find Petitioner's proposed total revenue requirement has been calculated in compliance with the tracker methodology approved in the 44910 Order, and is approved. Pursuant to Ind. Code ch. 8-1-39, only 80% of this revenue requirement is recoverable in Petitioner's TDSIC mechanism. We approve the recovery of 80% of the total revenue requirement amounts, \$21,624,518, as noted in Petitioner's Exhibit No. 2, Attachment BAF-1, Schedule 1. We also approve the deferral for subsequent recovery in Petitioner's next base rate proceeding of 20% of the total revenue requirement amounts, \$5,406,129, as noted in Petitioner's Exhibit No. 2, Attachment BAF-1, Schedule 1. In addition, the collection of 80% of the revenue requirement is, in order of priority, the full return on the investments, including the full equity and debt return and then eligible operating expenses. The collection priority will not impact the total amount authorized by the Commission in this Order for immediate recovery in the TDSIC or the amount deferred and authorized for future recovery in a base rate proceeding as noted in Petitioner's Exhibit No. 2, Attachment BAF-1, Schedule 1. In the event the authorized revenue requirement in a TDSIC proceeding is not fully recovered in the applicable TDSIC, the unrecovered amount becomes a variance that is recoverable in the subsequent reconciliation process.

D. Approved Capital Expenditures and TDSIC Costs. Petitioner's total capital investment of \$252,326,074 (Petitioner's Exhibit No. 2, Attachment BAF-1, Schedule 1, Line 6, Column C) for its TDSIC projects through April 30, 2021, was below the maximum annual capital expenditure of \$302,434,000 (not including the 5% annual tolerance level) as set forth in the 44910 Settlement Agreement. Petitioner witness Stephen R. Rawlinson testified that from November 1, 2020 through April 30, 2021, approximately 59 projects were initiated and approximately 41

projects were completed. He stated that construction resources have steadily been increased in order to execute the TDSIC Plan while maintaining adequate project management, construction management, and cost controls over all activities. Mr. Rawlinson further stated that per its analysis, Petitioner’s project timeline and cost projections based on progress to date indicate both the 2021 annual and overall TDSIC Plan targets will be achieved.

OUCC witness John E. Haselden did not identify any concerns regarding Petitioner’s TDSIC Plan update, progress, or cap adjustments. Mr. Haselden testified that although Petitioner made project movements that increased the caps in years 2020 and 2021 of the TDSIC Plan, its current projections show a Seven-Year total spend that does not exceed the approved \$446.5 million cap. He further stated that he had no concerns with Petitioner’s cancelled and substitute projects and significant cost estimate variances. Mr. Haselden recommended approval of Petitioner’s TDSIC 9 Plan update.

Based upon the evidence presented, the Commission finds that Petitioner should be authorized to recover 80% of these eligible and approved capital expenditures and TDSIC costs, and approves the forecasted TDSIC costs upon which the proposed factors are based.

E. TDSIC Factors. Petitioner’s Exhibit No. 3, Attachment MAR-1, Schedule 2 shows how the TDSIC rates and charges are calculated.

<u>Rate Schedule</u>	<u>\$ per Month</u>	<u>\$ per kW or kVa</u>	<u>\$ per kWh</u>
RS	\$4.50		\$0.001991
B	\$3.59		\$0.001437
SGS	\$4.50		\$0.002621
DGS/MLA		\$1.071	
OSS		\$1.716	
LP		\$1.296	
LP-TVD		\$(0.886)	
BAMP		\$0.411	
HLF		\$0.72	
SL/OL	\$0.28		

Mr. Rice testified that Schedule 2 is divided into three sections showing the different allocation percentages applicable to the TDSIC costs to derive the TDSIC charges: transmission revenue requirement, distribution revenue requirement, and the Excess Accumulated Deferred Income Tax Credit (“EADIT Credit”) component of the TDSIC rate. The allocation percentages used for the transmission and distribution revenue requirement reflect the 44910 Settlement allocation percentages, which are based on Petitioner’s Cost of Service Study in its last base rate case, and the allocation percentages used for the EADIT Credit amount, which are based on the settlement in Cause No. 45032 S21 and noted below:

<u>Rate Schedule</u>	<u>Transmission Allocation Percentage</u>	<u>Distribution Allocation Percentage</u>	<u>EADIT Credit Allocation Percentage</u>
RS	42.62%	58.44%	42.67%
B	0.13%	1.12%	0.20%
SGS	1.82%	4.10%	1.16%
DGS/MLA	27.33%	22.53%	30.15%
OSS	2.12%	2.32%	2.11%
LP	25.33%	10.59%	21.97%
HLF	0.65%	0.01%	0.93%
SL/OL	0.00%	0.89%	0.81%

Mr. Rice testified that the allocation percentages are applied separately to transmission and distribution rates and divided by the estimated billing determinants. Consistent with the 44910 Settlement Agreement, the distribution-related costs do not exceed the \$4.50 per customer per month cap for TDSIC 9. Petitioner’s Exhibit No. 3, Attachment MAR-1, Schedule 3 shows Petitioner’s TDSIC rates and charges using the information in Schedule 2.

OUCC witness Wes R. Blakley found nothing unreasonable in Petitioner’s calculation of the TDSIC factors and recommended approval of such factors.

The Commission finds that the proposed TDSIC factors set forth in Petitioner’s Exhibit No. 3, Attachment MAR-1, Schedule 3 were correctly calculated, and such factors should be approved.

F. EADIT Credit. Ms. Fleig testified that Petitioner is including a projected level of EADIT Credits within the TDSIC, in accordance with the stipulated provisions in the August 29, 2018 Order in Cause No. 45032 S21 (“Tax Reform Order”). This credit amount of \$(4,700,936) is the annual projected credit for November 2021 through October 2022, and is allocated in accordance with the allocation percentages noted in Paragraph 5-E. The OUCC noted and raised no objection to Petitioner’s credit amount and the impact on residential customers. The Commission finds that the proposed EADIT Credit has been properly calculated consistent with the requirements of the Tax Reform Order.

G. Billing Period. In the 44910 Order, we authorized Petitioner to file its petitions and cases-in-chief every six months, on or before August 1 and February 1 of each year, with new semi-annual TDSIC charges becoming effective on November 1 and May 1, respectively. The August filing recovers costs incurred through April 30, and the February filing recovers costs incurred through October 31. In the 44910 Settlement Agreement, Petitioner agreed to waive the statutory deadline for an Order in this initial TDSIC 1 sub-docket. Accordingly, the TDSIC rates and charges approved herein shall become effective immediately following the issuance of this Order and upon filing and approval of Appendix K, the Transmission, Distribution and Storage System Improvement Charge, with the Energy Division of the Commission. In the event the authorized revenue requirement amount of \$21,624,518 is not fully recovered during the TDSIC 9 billing period, any unrecovered amount will be a recoverable variance in the subsequent reconciliation process. Petitioner shall file the TDSIC 10 proceeding on or before February 1,

2022, in accordance with the terms of the 44910 Settlement Agreement.

H. Projected Effect on Retail Rates and Charges. Ind. Code § 8-1-39-9(a)(3) requires a utility to identify the projected effects of the plan on retail rates and charges. Petitioner's Exhibit No. 3, Attachment MAR-3 summarizes the estimated year-over-year impact on customer rates for the life of the TDSIC Plan. We find that Petitioner identified the projected effects of the Seven-Year TDSIC Plan on retail rates and charges as required by Ind. Code § 8-1-39-9(a)(3).

I. Average Aggregate Increase in Total Retail Revenues. Ind. Code § 8-1-39-14(a) states:

The commission may not approve a TDSIC that would result in an average aggregate increase in a public utility's total retail revenues of more than two percent (2%) in a twelve (12) month period. For purposes of this subsection, a public utility's total retail revenues do not include TDSIC revenues associated with a target economic development project.

Ms. Fleig testified that the increase in the TDSIC revenue requirement is determined by comparing the increase in TDSIC revenue requirement to the 2% of retail revenues from the prior 12-month period. Petitioner's Exhibit No. 2, Attachment BAF-1, Schedule 9 shows that Petitioner's retail revenues do not exceed the 2% cap during the previous 12-month period.

The Commission finds that Petitioner's annual retail revenues will not result in an average aggregate increase of more than 2% in a 12-month period.

J. Adjustment of Net Operating Income. Consistent with the 44910 Settlement Agreement, Petitioner proposes to adjust its statutory Net Operating Income ("NOI") earnings test by increasing its authorized NOI by incremental earnings from approved TDSIC filings in the amount of \$15,618,984. The OUCC did not note any objections to Petitioner's adjustment to its authorized NOI. We find this approach consistent with the 44910 Settlement Agreement and find Petitioner's request is reasonable and should be approved.

K. Compliance with 44910 Order. The 44910 Order approved and incorporated the 44910 Settlement Agreement in its entirety. Petitioner witnesses Rawlinson, Fleig, and Rice supported Petitioner's Compliance with the 44910 Order in their testimony.

The 44910 Settlement Agreement set specific limits to Petitioner's electric TDSIC project contingency factors at 15% for years one through three and 25% for years four through seven of the TDSIC Plan. Mr. Rawlinson testified that Petitioner's project estimates are within the set contingency factors.

The 44910 Settlement Agreement set engineering and supervision capital overhead costs and administrative and general capital overhead costs, combined, at or below 18% of overall project direct costs. Mr. Rawlinson confirmed in his testimony that these costs are in adherence with the 44910 Settlement Agreement. Mr. Rawlinson also testified that the project costs are within the cap set forth under the 44910 Settlement Agreement.

L. Reconciliations. Mr. Rice testified that Petitioner is including a reconciliation of revenues and costs in this filing, starting with rates approved in Cause No. 44910 TDSIC 1. As required by past TDSIC orders, Petitioner submitted testimony detailing and supporting the calculation of the variance and provided the OUCC with this calculation during the pre-filing meeting. The variance included for recovery totaled \$1,362,594 of under-collection for the TDSIC 9 Period. These variances are determined by specific Rate Schedule and included in the rates and charges proposed in this filing. The OUCC supported Petitioner's calculation of the variance. Based on the evidence in the record, we find that Petitioner has properly calculated the reconciliation variance for the TDSIC 9 Period.

6. Confidential Information. On August 2, 2021, Petitioner filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information in this Cause, which was supported by an affidavit from Stephen R. Rawlinson showing that certain information to be submitted to the Commission was trade secret information as defined in Ind. Code § 24-2-3-2 and should be treated as confidential in accordance with Ind. Code §§ 5-14-3-4 and 8-1-2-29. The Presiding Officers issued a docket entry on August 13, 2021, finding the information should be held confidential on a preliminary basis, after which the information was submitted under seal on August 16, 2021. After review of the information and consideration of the affidavit, we find the information is trade secret information as defined in Ind. Code § 24-2-3-2, is exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29, and shall be held confidential and protected from public access and disclosure by the Commission.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. Petitioner's Updated TDSIC Plan, filed concurrent with this Petition, is approved, and the projects set forth therein constitute "eligible transmission, distribution, and storage system improvements" within the meaning of Ind. Code § 8-1-39-2.

2. Petitioner is authorized to recover 80% of the costs incurred in connection with the TDSIC Plan in the amount of \$21,624,518 through the TDSIC and to defer, as a regulatory asset, 20% of the costs incurred, including ongoing carrying charges on all deferred costs, in the amount of \$5,406,129 for recovery in its next general rate case.

3. Petitioner's TDSIC factors are approved as set forth in Appendix K, the Transmission, Distribution, and Storage System Improvement Charge (Petitioner's Exhibit No. 3, Attachment MAR-2), to effectuate the timely recovery of 80% of approved capital expenditures and TDSIC costs to be applicable and made effective immediately following the issuance of this Order and upon the filing of Appendix K with the Commission's Energy Division, and shall remain in effect until replaced by different TDSIC factors approved in a subsequent filing.

4. Prior to implementing its TDSIC factors, Petitioner shall file under this Cause a revised Appendix K tariff sheet for approval by the Energy Division that reflects the Commission's findings in this Order pursuant to Ind. Code § 8-1-39-9(a) to effectuate the timely recovery of 80% of eligible and approved capital expenditures.

5. Petitioner's capital expenditures and TDSIC costs incurred through April 30, 2021, and the forecasted TDSIC costs upon which the proposed factors are based are approved.

6. Petitioner is authorized to adjust its authorized net operating income to reflect any approved earnings for purposes of Ind. Code § 8-1-2-42(d)(3).

7. The information submitted under seal in this Cause pursuant to Petitioner's request for confidential treatment is determined to be confidential trade secret information as defined in Ind. Code § 24-2-3-2 and shall continue to be held as confidential and exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29.

8. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, OBER, AND ZIEGNER CONCUR; KREVDA ABSENT:

APPROVED: NOV 24 2021

**I hereby certify that the above is a true
and correct copy of the Order as approved.**

Dana Kosco
Secretary of the Commission