

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

IURC  
PETITIONER'S  
EXHIBIT NO. 3-14-23  
DATE 3/14/23 REPORTER [Signature]

~~IURC  
PETITIONER'S  
T NO. \_\_\_\_\_  
REPORTER \_\_\_\_\_~~

DIRECT TESTIMONY  
OF  
CHRISSEY M. BEHME  
MANAGER, REGULATORY REPORTING  
ON  
ACCOUNTING AND RATEMAKING TREATMENT

SPONSORING PETITIONER'S EXHIBIT NO. 3,  
ATTACHMENT CMB-1

OFFICIAL  
EXHIBITS

DIRECT TESTIMONY OF CHRISSY M. BEHME

1 I. **INTRODUCTION**

2 Q. **PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Chrissy M. Behme. My business address is 211 NW Riverside Drive,  
4 Evansville, IN 47708.

5 Q. **BY WHOM ARE YOU EMPLOYED?**

6 A. I am employed by CenterPoint Energy Service Company, LLC (“Service Company”), a  
7 wholly owned subsidiary of CenterPoint Energy, Inc. The Service Company provides  
8 centralized support services to CenterPoint Energy, Inc.’s operating units, including  
9 Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South  
10 (“CEI South”), an indirect subsidiary of CenterPoint Energy, Inc.

11 Q. **ON WHOSE BEHALF ARE YOU SUBMITTING THIS DIRECT TESTIMONY?**

12 A. I am submitting testimony on behalf of CEI South.

13 Q. **WHAT IS YOUR ROLE WITH RESPECT TO PETITIONER CEI SOUTH?**

14 A. I am Manager, Regulatory Reporting.

15 Q. **PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL  
16 EXPERIENCE.**

17 A. I graduated from the University of Evansville in 2015 with a Bachelor of Science in  
18 Accounting. I joined CenterPoint Energy, Inc. in 2014 as an Accounting Analyst and have  
19 held various accounting and reporting positions with increasing responsibility with  
20 Petitioner or one of its affiliates<sup>1</sup> since that time. Those positions include Senior  
21 Accounting Analyst, Senior External Reporting and Accounting Research Analyst, Senior  
22 Utility Accounting Analyst, and Lead Regulatory Reporting Analyst. In October 2021, I was  
23 promoted to my current role as Manager, Regulatory Reporting and have been supporting  
24 CEI South since that time.

25 Q. **WHAT ARE YOUR PRESENT DUTIES AND RESPONSIBILITIES AS MANAGER,  
26 REGULATORY REPORTING?**

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<sup>1</sup> For the sake of clarity, my testimony refers to CEI South or one of its affiliates even though in certain situations, I may be referring to a predecessor company of CEI South or one of its affiliates.

1 A. I am responsible for the financial analysis and implementation of regulatory initiatives for  
2 CenterPoint Energy Inc.’s regulated utility operations covering Indiana and Ohio. These  
3 duties include preparation of accounting exhibits submitted in various regulatory  
4 proceedings for these operations, including CEI South.

5 **Q. ARE YOU FAMILIAR WITH THE BOOKS, RECORDS, AND ACCOUNTING**  
6 **PROCEDURES OF CEI SOUTH?**

7 A. Yes, I am.

8 **Q. ARE CEI SOUTH’S BOOKS AND RECORDS MAINTAINED IN ACCORDANCE WITH**  
9 **THE FEDERAL ENERGY REGULATORY COMMISSION (“FERC”) UNIFORM SYSTEM**  
10 **OF ACCOUNTS (“USOA”) AND GENERALLY ACCEPTED ACCOUNTING**  
11 **PRINCIPLES (“GAAP”)?**

12 A. Yes.

13 **Q. HAVE YOU EVER TESTIFIED BEFORE THE INDIANA UTILITY REGULATORY**  
14 **COMMISSION (“COMMISSION”)?**

15 A. Yes. I have presented testimony before the Commission on behalf of CEI South in its Gas  
16 Cost Adjustment (“GCA”) proceeding, Cause No. 37366; its Fuel Adjustment Clause  
17 (“FAC”) proceeding, Cause No. 38708; its Environmental Cost Adjustment (“ECA”) proceeding,  
18 Cause No. 45052; its Clean Energy Cost Adjustment (“CECA”) proceeding,  
19 Cause No. 44909; its Electric Transmission, Distribution, and Storage System  
20 Improvement Charge (“TDSIC”) proceeding, Cause No. 44910; and its Compliance and  
21 System Improvement Adjustment (“CSIA”) proceeding, Cause No. 45612. I have also  
22 presented testimony before the Commission on behalf of Indiana Gas Company, Inc. d/b/a  
23 CenterPoint Energy Indiana North (“CEI North”) in its GCA proceeding, Cause No. 37394,  
24 and its CSIA proceeding, Cause No. 45611.

25 **II. PURPOSE**

26 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

27 A. I will discuss CEI South’s proposed accounting and ratemaking treatment pursuant to Ind.  
28 Code Ch. 8-1-8.4 (“Federal Mandate Statute”) for the timely recovery of the proposed  
29 compliance costs incurred (including removal costs, and finance costs) to complete a  
30 closure by removal of the F.B. Culley East (“Culley East”) coal ash pond (the “CBR

1 Project”). The CBR Project must be completed to comply with the United States  
2 Environmental Protection Agency (“EPA”) Coal Combustion Residuals (“CCR”) Rule,  
3 described more fully in the direct testimony of Witness Angila M. Retherford.

4 I will discuss how CEI South incurs costs in connection with the CBR Project (the  
5 “Federally Mandated Costs”) and will seek timely recovery of these costs through the  
6 currently authorized Environmental Cost Adjustment (“ECA”) Revenue Requirement  
7 calculation. Finally, I will discuss the proposed adjustment to the authorized return amount  
8 utilized in the FAC net operating income (“NOI”) earnings tests as a result of the proposed  
9 ECA, consistent with the Federal Mandate Statute.

10 **Q. ARE YOU SPONSORING ANY ATTACHMENTS IN THIS PROCEEDING?**

11 A. Yes. I am sponsoring the following attachment in this proceeding:  
12 • **Petitioner’s Exhibit No. 3, Attachment CMB-1:** Illustrative Annual Revenue  
13 Requirement for the ECA inclusive of the CBR Project, Schedule 1.

14 **Q. WAS THIS ATTACHMENT PREPARED BY YOU OR UNDER YOUR SUPERVISION?**

15 A. Yes.

16 **III. FEDERAL MANDATE STATUTE**

17 **Q. WHAT CONSTITUTES A COMPLIANCE PROJECT UNDER THE FEDERAL MANDATE**  
18 **STATUTE, AND WHAT DOES THE STATUTE PROVIDE CONCERNING COST**  
19 **RECOVERY FOR COMPLIANCE PROJECTS?**

20 A. Ind. Code § 8-1-8.4-2 defines a “compliance project” to mean a project that is undertaken  
21 by an energy utility and related to direct or indirect compliance with one or more federally  
22 mandated requirements. Witnesses Retherford and Games describe the CBR Project  
23 being undertaken by CEI South and its relation to compliance with federally mandated  
24 requirements.

25 Ind. Code § 8-1-8.4-7(c) provides that if the Commission grants a Certificate of Public  
26 Convenience and Necessity (“CPCN”) for the CBR Project, and approves the projected  
27 federally mandated costs associated with it, then the following will apply:

1 (1) Eighty percent (80%) of the approved federally mandated costs shall be recovered  
2 by the energy utility through a periodic retail rate adjustment mechanism that  
3 allows the timely recovery of the approved federally mandated costs. The  
4 commission shall adjust the energy utility’s authorized NOI to reflect any approved  
5 earnings for purposes of Ind. Code § 8-1-2-42(d)(3) and Ind. Code § 8-1-2-  
6 42(g)(3).

7 (2) Twenty percent (20%) of the approved federally mandated costs, including  
8 depreciation, allowance for funds used during construction, and post in service  
9 carrying costs, based on the overall cost of capital most recently approved by the  
10 commission, shall be deferred and recovered by the energy utility as part of  
11 the next general rate case filed by the energy utility with the commission.

12 (3) Actual costs that exceed the projected federally mandated costs of the approved  
13 compliance project by more than twenty-five percent (25%) shall require specific  
14 justification by the energy utility and specific approval by the commission before  
15 being authorized in the next general rate case filed by the energy utility with the  
16 commission.

17 **Q. HOW DOES THE FEDERAL MANDATE STATUTE DEFINE FEDERALLY MANDATED**  
18 **COSTS?**

19 A. The Federal Mandate Statute defines federally mandated costs as those “costs that an  
20 energy utility incurs in connection with a compliance project, including capital, operating,  
21 maintenance, depreciation, tax, or financing costs.” Ind. Code § 8-1-8.4-4(a).

22 **Q. PLEASE PROVIDE AN OVERVIEW OF CEI SOUTH’S ECA MECHANISM.**

23 A. In accordance with Ind. Code § 8-1-8.4-7, CEI South first sought authority to implement a  
24 periodic retail rate adjustment mechanism through which CEI South would recover  
25 federally mandated costs associated with federally mandated compliance projects as  
26 defined by Ind. Code § 8-1-8.4-2 and Ind. Code § 8-1-8.4-4 in Cause No. 45052. The CEI  
27 South ECA Mechanism was approved by the Commission’s April 24, 2019 Order in that  
28 Cause.

1 **IV. PROPOSED ACCOUNTING AND RATEMAKING TREATMENT**

2 **Q. PLEASE SUMMARIZE WHAT CEI SOUTH IS REQUESTING IN THIS PROCEEDING.**

3 A. As summarized in the testimony of Witness Retherford, CEI South is requesting a CPCN  
4 and timely recovery of its approved federally mandated costs incurred in connection with  
5 the CBR Project pursuant to the Federal Mandate Statute. The Company anticipates  
6 completing the CBR Project by the end of 2024 at a total estimated cost of approximately  
7 \$49.7 million. There will also be operations and maintenance (“O&M”) expense as  
8 mentioned in Witness Games’ testimony related to post-closure activities.

9 **Q. WILL THE COSTS YOU JUST DESCRIBED BE INCURRED BECAUSE OF A**  
10 **COMPLIANCE PROJECT IMPLEMENTED TO ADDRESS FEDERALLY MANDATED**  
11 **REQUIREMENTS, AS DEFINED IN IND. CODE CH. 8-1-8.4?**

12 A. Yes. Witnesses Retherford and Games explain in greater detail how these expenditures  
13 are needed so that CEI South can close the Culley East Ash Pond in compliance with the  
14 EPA’s CCR Rule. Witness Games also describes in more detail how the estimates were  
15 derived and discusses the analysis and evaluation that led CEI South to select the CBR  
16 Project over other potential options.

17 **Q. HOW ARE COSTS SUCH AS THOSE PROPOSED HERE ACCOUNTED FOR BY**  
18 **UTILITIES?**

19 A. The federally mandated costs at issue in this case are costs of removal under the FERC  
20 Uniform System of Accounts. As costs of removal are incurred, the debit entry is to FERC  
21 Account No. 108, Accumulated Depreciation, reducing Accumulated Depreciation. In this  
22 fashion, the incurrence of removal costs has the effect of increasing net original cost rate  
23 base.

24 **Q. HOW ARE REMOVAL COSTS TYPICALLY RECOVERED?**

25 A. In the ordinary course, estimated future costs of removal would be embedded in  
26 depreciation rates and recovered over the course of the asset’s life as established in a  
27 base rate case. This is accomplished by adding projected costs of removal including the  
28 estimated reserve necessary to remove and settle all legal obligations associated with  
29 utility plant to the original cost of the underlying plant when calculating the required total  
30 depreciation expense. These depreciation amounts represent a credit to FERC Account  
31 No. 108, Accumulated Depreciation. Subsequent depreciation studies update the

1 estimates for the eventual cost of removal as cost drivers are refined, actual retirement  
2 costs are incurred, and as new retirement requirements are identified.

3 **Q. ARE COSTS OF REMOVAL, WHEN RECOVERED THROUGH DEPRECIATION**  
4 **RATES AS DESCRIBED ABOVE, KNOWN ACTUAL COSTS?**

5 A. No. The amounts associated with the cost of removal within depreciation rates are always  
6 estimates based on the expected and known requirements for decommissioning and  
7 retirement at the time of that depreciation study. As an asset ages, gets closer to  
8 retirement, and new requirements are known and defined, the estimates for cost of  
9 removal are updated with each new depreciation study. Once the decommissioning  
10 activities begin, these estimates are further refined to match the actual costs incurred.

11 **Q. WHY IS IT APPROPRIATE TO RECOVER REMOVAL COSTS SUCH AS THESE**  
12 **THROUGH THE ECA RATHER THAN THIS MORE TRADITIONAL APPROACH**  
13 **THROUGH DEPRECIATION THAT YOU HAVE DESCRIBED?**

14 A. The Federal Mandate Statute provides a mechanism for “timely recovery” of such costs if  
15 they are approved and incurred in connection with a project related to direct or indirect  
16 compliance with a federal mandate. Like other federally mandated projects, the utility  
17 could choose not to seek a CPCN and recover the costs through the more traditional and  
18 less timely route of general rate cases. But if the utility seeks and obtains a CPCN, the  
19 Federal Mandate Statute provides a mechanism for “timely recovery” through a periodic  
20 rate adjustment. The costs at issue here qualify under the Federal Mandate Statute, which  
21 makes their recovery through the ECA appropriate.

22 **Q. HAVE ANY OF THE PROJECTED COSTS OF REMOVAL TO COMPLY WITH THE CCR**  
23 **RULE FOR CULLEY EAST POND BEEN INCLUDED IN THE CALCULATION OF CEI**  
24 **SOUTH’S DEPRECIATION RATES AND THEREBY ALREADY RECOVERED**  
25 **THROUGH RATES?**

26 A. No. As was explained by Witness Swiz in Cause No. 45052, the approved depreciation  
27 rates for Culley were approved in Cause No. 43111 in the Commission’s August 15, 2007  
28 Order, prior to the enactment of the current EPA regulations. The existing depreciation  
29 rates were not based upon site specific decommissioning studies but were stated as a  
30 cost per megawatt of generating capacity based upon historical figures. These historical  
31 costs of removal used in these rates would have been incurred well before the  
32 implementation of requirements to close the Culley Ash Ponds in compliance with CCR.

1 The Company was ordered in Cause No. 43111 to submit site-specific decommissioning  
2 studies in its next rate case, which the Company did in Cause No. 43839. This was also  
3 well before the CCR Rule. The estimate to close both of the Culley Ash Ponds in that  
4 Cause No. 43839 study was \$1.1 million, which only included the cost of backfill, grading  
5 and seeding. Importantly, that decommissioning study with the \$1.1 million estimate was  
6 never used to set depreciation rates. Accordingly, CEI South’s depreciation rates do not  
7 contemplate a cost of removal to comply with CCR associated with its ash pond, and  
8 therefore no funds have been collected in relation to these removal costs. This is  
9 consistent with findings in the Commission Order in Cause No. 45052 associated with CEI  
10 South’s Culley West Pond.

11 **Q. PLEASE DESCRIBE CEI SOUTH’S REQUESTED ACCOUNTING AND RATEMAKING**  
12 **TREATMENT FOR THE CBR PROJECT.**

13 A. CEI South’s proposed accounting and ratemaking treatment follows the standard  
14 treatment I have described, with a slight modification. We seek to recover through the  
15 ECA the return on the incurred CBR Project costs at the Company’s weighted average  
16 cost of capital (“WACC”) and the Company seeks to recover a return of the incurred costs  
17 over the remaining life of the Culley Generating Station, which is estimated to be  
18 approximately 8 years based on an expected closure date of 2030. The amortization  
19 period could be adjusted in future general rate cases. There is one slight modification the  
20 Company proposes to this standard accounting. Because the Company’s systems do not  
21 provide for amortizing an amount that has been debited to FERC Account 108, the  
22 Company seeks authority upon issuance of an Order in this Cause to record such costs  
23 to a regulatory asset. Specifically, the Company requests that the costs incurred in  
24 connection with the CBR Project be recorded to this regulatory asset instead of recording  
25 them as a debit to Account 108.

26 **Q. PLEASE EXPLAIN CEI SOUTH’S REQUEST WITH RESPECT TO CARRYING COSTS.**

27 A. CEI South seeks authorization for recovery of a return on the CBR Project as authorized  
28 under the Federal Mandate Statute.<sup>2</sup> Specifically, CEI South is seeking recovery of PISCC  
29 on the federally mandated costs for the period between when costs are incurred for the  
30 CBR Project and when such costs are included for recovery in rates through the ECA  
31 Mechanism. The PISCC would be calculated and recorded based upon CEI South’s

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<sup>2</sup> Ind. Code §8-1-8.4-4 and §8-1-8.4-7.

1 WACC and included in the regulatory asset. Prioritization of recovery would be consistent  
2 with the Company’s other federally mandated costs recovered through the ECA.  
3 Additionally, CEI South is requesting to earn a return on the unamortized project cost  
4 balance through the ECA mechanism.

5 **Q. HOW WOULD THIS RETURN OF AND ON THE REGULATORY ASSET BE**  
6 **RECOVERED THROUGH THE ECA?**

7 A. The Company would present a revenue requirement calculating the WACC as applied to  
8 the unamortized regulatory asset balance plus the annual amortization. The ECA would  
9 then recover 80% of the approved revenue requirement pursuant to Ind. Code § 8-1-8.4-  
10 7 as described above, with 20% of the approved revenue requirement deferred for  
11 recovery in CEI South’s next general rate case.

12 **Q. WHY SHOULD THE ECA MECHANISM PROVIDE A RETURN ON THE COSTS OF THE**  
13 **CBR PROJECT AT CEI SOUTH’S WACC?**

14 A. As I explained under the typical accounting treatment for these types of costs, the  
15 Company would reflect such costs in its net original cost rate base as a reduction to FERC  
16 Account 108 in accordance with FERC accounting guidelines. An entry that reduces  
17 Accumulated Depreciation increases net original cost rate base just as much as if CEI  
18 South had made the same investment in Utility Plant in Service. Thus, regardless of the  
19 Company’s request to establish a regulatory asset, the costs incurred in connection with  
20 this project are capital costs that would increase net original cost rate base, and the  
21 financing cost of these capital costs is equal to CEI South’s WACC. If the CPCN is granted  
22 and the Company’s projected federally mandated costs are approved, then Ind. Code §  
23 8-1-8.4-7(c)(1) requires “timely recovery” of these capital costs in a filing, such as the ECA.

24 **Q. WILL THERE BE ANY COSTS FOR THE CBR PROJECT THAT ARE INCURRED**  
25 **BEFORE THE ISSUANCE OF AN ORDER IN THIS CAUSE?**

26 A. Assuming an order can be issued in this Cause in accordance with a reasonable schedule,  
27 the vast majority of the costs would not be incurred until after the Order is issued. There  
28 will be some pre-petition costs (such as doing the various studies and engineering that  
29 must be submitted as a part of this case as well as the costs of this proceeding) and if  
30 there were a delay in order issuance, it is possible the Company would need to begin  
31 incurring some costs before the Order has been issued, but the Company will endeavor  
32 to minimize those costs. Any removal costs that are incurred before the Order is issued

1 will be recorded to FERC Account 108 per the FERC Uniform System of Accounts. Upon  
2 Order issuance, the Company would seek to move CBR Project costs to the regulatory  
3 asset the Company is requesting, and it will seek to include this regulatory asset in the  
4 ECA.

5 **Q. YOU MENTIONED PRE-PETITION COSTS. IS THE COMPANY PROPOSING TO**  
6 **RECORD THOSE TO THE REQUESTED REGULATORY ASSET?**

7 A. Yes. Planning and engineering costs related to the CBR Project are appropriately  
8 recorded to FERC Account 108. Many of these costs are also necessary to present the  
9 evidence that is required in support of the Company’s request for a CPCN in this case.  
10 We are requesting authority to record all planning and engineering costs as well as all  
11 other costs incurred in connection with this proceeding to the CBR Project regulatory asset  
12 upon the issuance of an Order in this Cause. These have been included in the best  
13 estimate of costs presented by Witness Games.

14 **Q. WHAT EFFECT WILL INCLUSION OF THE CBR PROJECT IN THE ECA HAVE**  
15 **REGARDING THE EARNINGS TEST IN CEI SOUTH’S FAC PROCEEDINGS?**

16 A. In accordance with the Federal Mandate Statute<sup>3</sup>, CEI South will adjust for FAC earnings  
17 test purposes its statutory NOI by including the operating income associated with the CBR  
18 Project as part of its authorized NOI. This is also consistent with the treatment of earnings  
19 associated with CEI South’s ECA mechanism from Cause Nos. 45052<sup>4</sup>, 45280<sup>5</sup>, and  
20 45564<sup>6</sup>.

21 **Q. WHY IS CEI SOUTH PROPOSING TO AMORTIZE THE REGULATORY ASSET**  
22 **CONTAINING THE COSTS OF REMOVAL REQUESTED IN THIS FILING OVER THE**  
23 **REMAINING LIFE OF THE CULLEY GENERATING STATION?**

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<sup>3</sup> Ind. Code § 8-1-8.4-7(c)(1).

<sup>4</sup> Cause No. 45052 (Order dated April 24, 2019) approved the recovery in the ECA of (1) environmental compliance investments to extend the life of F.B. Culley Unit 3 (or “Culley 3 Mandated Projects”), and (2) completed investments approved in Cause No. 44446 to comply with Mercury and Air Toxic Standards (“MATS”), National Pollutant Discharge Elimination System and EPA Notice of Violation (collectively the “MATS Projects”) and associated deferrals.

<sup>5</sup> Cause No. 45280 (Order dated May 19, 2020) (1) issued a CPCN for a compliance project to meet federally mandated requirements to close its A.B. Brown Ash Pond, (2) approved the recovery of the closure by removal of the A.B. Brown Ash Pond and associated deferrals.

<sup>6</sup> Cause No. 45564 (Order dated June 22, 2022) (1) issued a CPCN for compliance projects to meet federally mandated requirements for Dry Ash Compliance Project, (2) approved the recovery of the Dry Ash Compliance Project for construction of equipment and facilities for handling and disposal of dry ash and to construct two new small ponds.

1 A. CEI South has historically recovered federally mandated costs through the ECA  
2 Mechanism as the costs are incurred. However, because the costs for the CBR Project of  
3 approximately \$49.7 million will be incurred over approximately a 2-year timeframe, such  
4 a short recovery period for costs of this magnitude could potentially result in a significant  
5 rate impact for customers. Additionally, as I previously stated, these costs typically would  
6 have been recovered through depreciation rates over the life of the assets. Using the  
7 remaining life of the Culley Generating Station, which is estimated to be approximately 8  
8 years based on an expected closure date of 2030, represents a reasonable timeframe for  
9 recovery while also balancing any concerns of inter-generational inequity since they  
10 directly relate to those same assets.

11 **V. ECA REVENUE REQUIREMENT**

12 **Q. PLEASE GENERALLY EXPLAIN HOW THE CBR PROJECT WILL BE INCLUDED IN**  
13 **THE ECA REVENUE REQUIREMENT CALCULATION.**

14 A. In each annual ECA filing, CEI South will calculate a revenue requirement for the ECA  
15 mechanism. A summary filing schedule which reflects the illustrative calculation inclusive  
16 of the CBR Project is included in Attachment CMB-1. The revenue requirement as shown  
17 on this schedule as it pertains to the CBR Project includes: (1) the return on the total new  
18 capital investment, which includes the unamortized CBR Project balance regulatory asset  
19 as well as PISCC; (2) an annual level of amortization of the CBR Project regulatory asset  
20 and any PISCC; and (3) ongoing O&M Costs associated with the project. CEI South will  
21 then multiply the annual revenue requirement by 80% to achieve the recoverable portion  
22 of the revenue requirement. Per the Federal Mandate Statute, 80% of approved costs are  
23 to be recovered through a periodic rate adjustment mechanism. As described in greater  
24 detail by Witness Rice, the recoverable amounts for the approved investments will be  
25 aggregated and utilized to derive annual ECA rates and charges based on annualized  
26 billing determinants.

27 **Q. WHAT WILL HAPPEN TO THE REMAINING 20% OF REVENUE REQUIREMENT THAT**  
28 **IS NOT INCLUDED FOR RECOVERY THROUGH THE ECA MECHANISM?**

29 A. In accordance with Ind. Code § 8-1-8.4-7, CEI South will defer as a regulatory asset 20%  
30 of approved revenue requirement. This amount is deferred for subsequent recovery in the  
31 next base rate case.

1 Q. IS CEI SOUTH PROPOSING AN ECA REVENUE REQUIREMENT AMOUNT FOR  
2 RECOVERY IN THIS PROCEEDING?

3 A. No. The schedule presented is for illustrative purposes only to reflect how the CBR Project  
4 and related costs will be included in future ECA filings. CEI South will prepare in each  
5 annual filing a revenue requirement calculation which will accumulate all eligible costs  
6 incurred through December 31 of the prior calendar year. The Company expects inclusion  
7 of CBR Project costs to begin with the May 2024 filing, pending the issuance of the CPCN.  
8 As discussed by Witness Rice, the revenue requirement for the CBR Project will be  
9 aggregated with the other federally mandated projects approved in Cause Nos. 45052,  
10 45280, and 45564 to arrive at the total revenue requirement that represents the basis for  
11 determining the 80% recoverable portion requested in each annual ECA filing.

12 Q. PLEASE DESCRIBE SCHEDULE 1 (ILLUSTRATIVE) REVENUE REQUIREMENT OF  
13 THE ECA INCLUDED IN PETITIONER’S EXHIBIT NO. 3, ATTACHMENT CMB-1.

14 A. This schedule illustrates the calculation of the proposed revenue requirement by category  
15 investment CEI South will seek to recover in its ECA filing. The aggregated revenue  
16 requirement calculation is divided on this schedule between the “Return on New Capital  
17 Investment”, which calculates the pre-tax return on total net new investment (lines 1  
18 through 9), and the “Incremental Expenses”, which calculates the recoverable expenses,  
19 both projected and amortized from previously deferred balances (lines 10 through 18). All  
20 items on this schedule are recoverable as eligible costs under the Federal Mandate  
21 Statute.

22 Q. WILL CEI SOUTH PREPARE WORK PAPER SCHEDULES SHOWING THE WORK  
23 ORDER DETAILS THAT SUPPORT THE SUMMARIZED AMOUNTS?

24 A. Yes. In each ECA filing, this information will be available upon request to support the  
25 investments made by CEI South, including work paper support by work order, which will  
26 agree to the summarized amounts listed on this schedule.

27 VI. CONCLUSION

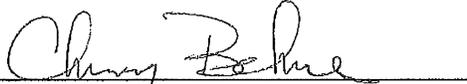
28 Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?

29 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



Chrissy M. Behme  
Manager, Regulatory Accounting

11-01-2022  
Date

Attachment CMB-1 Provided in Excel Format

**Cause No. 45795 - Petitioner CEI South**  
**Exhibit No. 3**  
**Attachment CMB-1 Illustrative Annual Revenue Requirement**

**FILED**  
**November 1, 2022**  
**INDIANA UTILITY**  
**REGULATORY COMMISSION**

--- ILLUSTRATIVE ---  
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY  
d/b/a CENTERPOINT ENERGY INDIANA SOUTH  
CEI SOUTH  
ENVIRONMENTAL COST ADJUSTMENT  
ANNUAL REVENUE REQUIREMENT THROUGH DECEMBER 31, 20XX

Line	Description	A	B	C	D	E	F
		Culley 3 Project (A)	MATS Projects (A)	Brown Pond Project (A)	Compliance Projects (B)	Culley East CBR Project (C)	Total Generation Plant
<b>Return on New Capital Investment:</b>							
1	Gross New Capital Investment - As of End of Period	\$ 54,085,623	\$ 67,279,123	\$ -	\$ -	\$ -	\$ 121,364,747
2	Accumulated Depreciation - As of End of Period	\$ (2,796,311)	\$ (16,809,823)	\$ -	\$ -	\$ -	\$ (19,606,134)
3	Net New Capital Investment - As of End of Period	\$ 51,289,312	\$ 50,469,301	\$ -	\$ -	\$ -	\$ 101,758,613
4	New Capital Investment CWIP - As of End of Period	\$ 9,872,379	\$ -	\$ 46,561,915	\$ 25,000,000	\$ -	\$ 81,434,294
5	Regulatory Asset - Culley East					\$ 49,702,000	\$ 49,702,000
6	PISCC Deferred Balance - As of End of Period	\$ 2,193,113	\$ -	\$ -	\$ -	\$ -	\$ 2,193,113
7	Total New Capital Investment - As of End of Period	\$ 63,354,805	\$ 50,469,301	\$ 46,561,915	\$ 25,000,000	\$ 49,702,000	\$ 235,088,021
8	Pre-Tax Rate of Return	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%
9	Annualized Return on New Capital Investment	\$ 4,929,004	\$ 3,926,512	\$ 3,622,517	\$ 1,945,000	\$ 3,866,816	\$ 18,289,848
<b>Incremental Expenses</b>							
10	Property Tax Expense - Annualized	\$ 349,886	\$ -	\$ 93,124	\$ 50,000	\$ -	\$ 493,010
11	Depreciation Expense - Annualized	\$ 2,692,120	\$ 2,604,356	\$ -	\$ -	\$ -	\$ 5,296,476
12	Operations and Maintenance Expense - Annualized	\$ (126,026)	\$ 3,744,252	\$ 7,914,350	\$ 1,000,000	\$ 133,000	\$ 12,665,576
13	Amortization Expense - Plan Development Costs	\$ 1,869,733	\$ -	\$ 1,223,267	\$ 1,000,000	\$ -	\$ 4,093,000
14	Amortization Expense - MATS Deferral	\$ -	\$ 2,624,623	\$ -	\$ -	\$ -	\$ 2,624,623
15	Amortization Expense - Culley East Deferral					\$ 6,212,750	\$ 6,212,750
16	Amortization Expense - Deferred Depreciation	\$ 84,339	\$ -	\$ -	\$ -	\$ -	\$ 84,339
17	Amortization Expense - Deferred PISCC	\$ 109,656	\$ -	\$ -	\$ -	\$ -	\$ 109,656
18	Total Incremental Expenses	\$ 4,979,708	\$ 8,973,231	\$ 9,230,740	\$ 2,050,000	\$ 6,345,750	\$ 31,579,429
19	Annual Revenue Requirement - ECA	\$ 9,908,712	\$ 12,899,743	\$ 12,853,257	\$ 3,995,000	\$ 10,212,566	\$ 49,869,277
20	Recoverable ECA (80%)	\$ 7,926,969	\$ 10,319,794	\$ 10,282,606	\$ 3,196,000	\$ 8,170,053	\$ 39,895,422
21	To Be Deferred (20%)	\$ 1,981,743	\$ 2,579,949	\$ 2,570,651	\$ 799,000	\$ 2,042,513	\$ 9,973,855

**Notes:**

- (A) Amounts are representative of the ECA-3 filing  
(B) Amounts represent illustrative figures presented in Cause No. 45564