

**INDIANA GAS COMPANY, INC.
d/b/a CENTERPOINT ENERGY INDIANA NORTH
(CEI NORTH)**

IURC CAUSE NO. 45611

FILED
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INDIANA UTILITY
REGULATORY COMMISSION

**DIRECT TESTIMONY
OF
BRITTANY A. FLEIG
MANAGER, REGULATORY REPORTING**

ON

PROPOSED CSIA REVENUE REQUIREMENT

PETITIONER'S EXHIBIT NO. 4

GLOSSARY OF ACRONYMS

44429/44430 Order	Commission's Order dated August 27, 2014 in consolidated Cause Nos. 44429 and 44430
44430 CSIA	Petitioner's 2014 – 2020 Compliance Projects and TDSIC Plan
AFUDC	Allowance for Funds Used During Construction
ASC	Accounting Standards Codification
CCNC	Completed Construction Not Classified
CEI North, Petitioner, or the Company	Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North.
CEI South	Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South
CEOH	Vectren Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy Ohio
Commission or IURC	Indiana Utility Regulatory Commission
Compliance Statute	Ind. Code Ch. 8-1-8.4
CSIA	Compliance and System Improvement Adjustment
CWIP	Construction Work in Progress
ECA	Environmental Cost Adjustment
EER	Energy Efficiency Rider
FAC	Fuel Adjustment Clause
FERC	Federal Energy Regulatory Commission
FIS	Financial Information System
GAAP	Generally Accepted Accounting Principles
GCA	Gas Cost Adjustment
O&M	Operating and Maintenance
PISCC	Post-In-Service Carrying Costs
Service Company	CenterPoint Energy Service Company, LLC.
SRC	Sales Reconciliation Component
Statutes	Ind. Code Ch. 8-1-8.4 (Compliance Statute) and Ind. Code Ch. 8-1-39 (TDSIC Statute)
TDSIC	Transmission, Distribution, and Storage System Improvement Charge
TDSIC Statute	Ind. Code Ch. 8-1-39
TSCR	Tax Savings Credit Rider
USOA	Uniform System of Accounts
WACC	Weighted Average Cost of Capital

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DIRECT TESTIMONY OF BRITTANY A. FLEIG

1 **I. INTRODUCTION**

2

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

4 A. My name is Brittany A. Fleig. My business address is 211 NW Riverside Drive,
5 Evansville, IN 47708.

6

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

8 A. I am employed by CenterPoint Energy Service Company, LLC ("Service Company"),
9 a wholly owned subsidiary of CenterPoint Energy, Inc. The Service Company provides
10 centralized support services to CenterPoint Energy, Inc.'s operating units, which
11 includes Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North ("CEI
12 North", the "Company" or "Petitioner").

13

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

15 A. I am submitting testimony on behalf of CEI North, which is an indirect subsidiary of
16 CenterPoint Energy, Inc.

17

18 **Q. What position do you hold with Petitioner CEI North?**

19 A. I am Manager, Regulatory Reporting for the Company. I hold the same position with
20 two other utility subsidiaries of CenterPoint Energy, Inc. – Southern Indiana Gas and
21 Electric Company d/b/a CenterPoint Energy Indiana South ("CEI South") and Vectren
22 Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy Ohio ("CEOH").

23

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

2 A. I graduated from University of Southern Indiana in 2013 with a Bachelor of Science
3 Degree in Accounting.
4

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

6 A. I have been employed within the Company since April 2013, and I have held various
7 auditing and accounting positions with increasing responsibility from April 2013 to
8 2015, and then again from 2016 to present. Such positions included Associate
9 Auditor, Staff Auditor, Senior Auditor, and Manager of Minnesota Gas and Corporate
10 Consolidations. From 2015 – 2016, I was employed by Kimball Electronics as a Staff
11 Auditor. I was named to my current position, Manager of Regulatory Reporting, in
12 April 2020.
13

14 **Q. What are your present duties and responsibilities as Manager, Regulatory**
15 **Reporting?**

16 A. I am responsible for the financial analysis and implementation of regulatory initiatives
17 for CenterPoint Energy, Inc.'s regulated utility operations covering Indiana and Ohio.
18

19 **Q. Are you familiar with the books, records, and accounting procedures of CEI**
20 **North?**

21 A. Yes, I am.
22

23 **Q. Are CEI North's books and records maintained in accordance with the Federal**
24 **Energy Regulatory Commission ("FERC") Uniform System of Accounts**
25 **("USOA") and generally accepted accounting principles ("GAAP")?**

1 A. Yes.

2

3 **Q. Have you ever testified before the Indiana Utility Regulatory Commission**
4 **("IURC" or "Commission")?**

5 A. Yes. I have testified before the Commission on behalf of CEI North in its Gas Cost
6 Adjustment ("GCA") proceeding, Cause No. 37394. I have also testified before the
7 Commission on behalf of CEI South in its GCA proceeding, Cause No. 37366, its Fuel
8 Adjust Clause ("FAC") proceeding, Cause No. 38708, and its Environmental Cost
9 Adjustment ("ECA") proceeding, Cause No. 45052.

10

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

12 A. I will support CEI North's request, described by Petitioner's Witness Katie J. Ticken,
13 to continue a Compliance and System Improvement Adjustment ("CSIA"), which will
14 include both a Compliance Component ("Compliance Component") and a
15 Transmission, Distribution and Storage System Improvement Charge ("TDSIC")
16 Component ("TDSIC Component") revenue requirement. I will generally address the
17 accounting provided under Ind. Code Ch. 8-1-8.4 (the "Compliance Statute") and Ind.
18 Code Ch. 8-1-39 (the "TDSIC Statute") (collectively "Statutes") and how CEI North will
19 specifically capture the new capital investment costs incurred pursuant to the Statutes.
20 I will also discuss the Compliance and TDSIC Component revenue requirement and
21 supporting schedules.

22

23 **Q. Are you sponsoring any attachments in this proceeding?**

24 A. No. The proposed attachments are similar in nature to the structure approved within
25 the 2014 – 2020 Compliance Projects and TDSIC Plan ("44430 CSIA"), with any

1 material changes discussed in the below testimony. References throughout my
2 testimony to “schedules” are to the illustrative example of the semi-annual CSIA filing
3 schedules, which are included as workpapers in this Cause.
4
5

6 **II. ACCOUNTING TREATMENT**
7

8 **Q. Please summarize CEI North’s accounting proposals and the statutory**
9 **authority supporting these proposals.**

10 A. Pursuant to the Statutes, CEI North is requesting accounting authority starting January
11 1, 2022 for, and subsequent recovery of, costs specific to the proposed Federally
12 Mandated Projects (“Compliance Projects”) and the 5-Year infrastructure plan (“TDSIC
13 Plan”), discussed by Petitioner’s Witnesses Steven A. Hoover and Adam M. Gilles.
14

15 The Compliance Statute allows for timely recovery of eighty percent (80%) of the
16 approved federally mandated costs through a periodic retail rate adjustment
17 mechanism (Ind. Code § 8-1-8.4-7(c)(1)). CEI North is proposing to include these
18 costs in the Compliance Component portion of the CSIA, with the remaining twenty
19 percent (20%) deferred and recovered by the Company as part of its next general base
20 rate case (Ind. Code § 8-1-8.4-7(c)(2)).
21

22 The TDSIC Statute provides for timely recovery of 80% of the approved capital
23 expenditures and TDSIC costs via a periodic automatic adjustment of the utility’s rates
24 (Ind. Code § 8-1-39-9(a)). CEI North is proposing to include the costs associated with
25 the TDSIC Plan in the TDSIC Component portion of the CSIA, with the remaining 20%

1 deferred and recovered by the Company as part of its next general base rate case
2 (Ind. Code § 8-1-39-9(b)).
3

4 **Q. Please explain the specific accounting treatment CEI North is requesting in this**
5 **case.**

6 A. CEI North is proposing the following accounting treatment beginning January 1, 2022,
7 in accordance with the Statutes previously discussed:

8 1. Recovery of 80% of approved federally mandated costs and approved capital
9 expenditures and TDSIC costs via a rate adjustment mechanism, including costs
10 associated with:

11 a. Capital investment in eligible projects, both completed and under
12 construction

13 b. Financing costs on projects under construction (i.e., allowance for funds
14 used during construction or "AFUDC")

15 c. Post-in-service carrying costs ("PISCC")

16 d. Projected and annualized property tax and depreciation expense

17 e. Amortization of deferred depreciation expense and PISCC

18 2. Deferral of 20% of the approved federally mandated costs and approved capital
19 expenditures and TDSIC costs, for subsequent recovery in a base rate case,
20 including costs associated with

21 a. Capital investment in eligible projects, both completed and under
22 construction

23 b. Financing costs on projects under construction (i.e., AFUDC)

24 c. PISCC

25 d. Projected and annualized property tax and depreciation expense

1 e. Amortization of deferred depreciation expense and PISCC

2 3. Interim depreciation and PISCC deferrals and subsequent recovery of deferred
3 amounts via the rate adjustment mechanism

4

5 As I will explain later, the CSIA will also recover the remaining unrecovered
6 balance of operation and maintenance ("O&M") expense that has been deferred
7 for later recovery through the CSIA pursuant to the Commission's Order dated
8 August 27, 2014 in consolidated Cause Nos. 44429 and 44430 ("44429/44430
9 Order" or "Order").

10

11 **Q. How do the Statutes define eligible costs?**

12 A. The Compliance Statute defines eligible federally mandated costs as "costs that an
13 energy utility incurs in connection with a compliance project, including capital,
14 operating, maintenance, depreciation, tax or financing costs." (Ind. Code § 8-1-8.4-
15 4(a))

16

17 The TDSIC Statute defines eligible TDSIC costs as:

18 "...the following costs incurred with respect to eligible transmission, distribution, and
19 storage system improvements incurred both while the improvements are under
20 construction and post in service:

21 (1) Depreciation expenses.

22 (2) Operation and maintenance expenses.

23 (3) Extensions and replacements to the extent not provided for through
24 depreciation, in the manner provided for in Ind. Code § 8-1.5-3-8.

25 (4) Property taxes.

1 (5) Pretax returns.” (Ind. Code § 8-1-39-7)

2

3 **Q. How will CEI North capture these eligible costs for recovery within the proposed**
4 **CSIA?**

5 A. Consistent with these definitions, CEI North will accumulate, within individually
6 calculated revenue requirements, all eligible costs incurred pursuant to the
7 Compliance and TDSIC Statutes, respectively. The CSIA revenue requirement, which
8 is the sum of the Compliance and TDSIC Component revenue requirement, as
9 discussed later in my testimony, will represent the basis for the recovery of 80% of the
10 eligible revenue requirement amounts requested in each periodic CSIA filing.

11

12 **Q. What is included in “new capital investment”?**

13 A. New capital investment includes gross plant, both in service and Construction Work in
14 Progress (“CWIP”), specific to investments under the Compliance Projects and TDSIC
15 Plan. The accumulated depreciation on these new capital investments, net of any cost
16 of removal or salvage related to the disposal of assets retired and replaced because
17 of these investments, will be included as a reduction to the gross plant balance.
18 Finally, the PISCC on in service investments not yet captured for recovery in the CSIA
19 will be added to the net new capital investments. CEI North will utilize the actual
20 balance as of the filing cut-off date to calculate the annualized depreciation expense
21 and PISCC not yet captured for recovery in the CSIA.

22

23 **Q. How will pre-tax return on new capital investment be calculated?**

24 A. The pre-tax return on the new capital investment will be calculated by multiplying the
25 pre-tax rate of return, based on the weighted average cost of capital (“WACC”) by the

1 total new capital investment related to the proposed Compliance Projects and TDSIC
2 Plan.

3

4 **Q. What WACC will be utilized?**

5 A. The WACC utilized in the Compliance Component will be the rate approved in CEI
6 North's last base rate case. The WACC utilized in the TDSIC Component will be based
7 upon the most recent actual calendar year ended capital structure. For both the
8 Compliance and TDSIC Components, the equity component of the WACC will be
9 grossed up for recovery of income taxes, both state and federal, at then current rates
10 to achieve the pre-tax rate of return. I will discuss the calculation, and resulting actual
11 rate used for the Compliance Component and the rate used for the TDSIC Component
12 later in my testimony.

13

14 **Q. Please explain CEI North's proposal to defer the remaining 20% of eligible**
15 **revenue requirement amounts not recovered in the CSIA.**

16 A. As provided for in the Statutes, the remaining 20% of eligible revenue requirement
17 amounts shall be deferred in a regulatory asset for recovery as part of CEI North's
18 next base rate case proceeding with the Commission. Consistent with the 80% portion
19 recoverable in the CSIA, the revenue requirement calculation discussed later in my
20 testimony will be used to derive the 20% deferred for future recovery.

21

22 **Q. Will CEI North include incremental O&M expense for Compliance Projects in its**
23 **CSIA filings at this time?**

24 A. Not at this time. In the event recovery is later sought of incremental O&M expense
25 that would otherwise qualify as Compliance Projects, a request will be submitted under

1 a new petition filed pursuant to the Compliance Statute.

2

3 **Q. Please explain the proposal to defer and subsequently recover incremental**
4 **depreciation expense on an interim basis prior to inclusion in the CSIA.**

5 A. CEI North proposes to defer depreciation expense on the Compliance Projects and
6 the TDSIC Plan, from their in-service dates until the date CSIA rates are effective.
7 Commencing on the date the projects are placed in service, the depreciation expense
8 will be charged to FERC Account 403, Depreciation Expense, with a corresponding
9 credit to FERC Account 108, Accumulated Provision for Depreciation of Gas Utility
10 Plant. Concurrently, the deferral of depreciation would be recorded as a charge to
11 FERC Account 182.3, Other Regulatory Assets, and a credit for FERC Account 407.4,
12 Regulatory Credits, until such point as the assets will be included in the Compliance
13 or TDSIC Component of the CSIA and recovered through rates. The proposed
14 accounting for the deferral of depreciation is in accordance with GAAP and,
15 specifically, Accounting Standards Codification ("ASC") 980. ASC 980 specifies that
16 an entity shall capitalize all or part of an incurred cost that would otherwise be charged
17 to expense if it is probable that future revenue in an amount at least equal to the
18 capitalized cost will result from inclusion of that cost in allowable costs for rate-making
19 purposes and the future revenue will be provided to permit recovery of the previously
20 incurred cost.

21

22 **Q. How does CEI North propose recovering the regulatory asset balances in FERC**
23 **Account 182.3 recorded through interim deferral of depreciation expenses?**

24 A. CEI North will amortize the cumulative deferred balances over time and include the
25 amortization amount in the Compliance and TDSIC Component revenue

1 requirements. Specific to depreciation expense, CEI North proposes to amortize the
2 deferred balance through the Compliance and TDSIC Components over the life of the
3 assets that generated the depreciation expense. The calculation will utilize the
4 depreciation rates applicable to the class of plant as the basis for the amortization
5 period, as approved in the most recent CEI North general rate case.

6

7 **Q. Are these deferred amounts included as eligible federally mandated and TDSIC**
8 **costs under the Statutes?**

9 A. Yes, as noted previously, the Compliance Statute includes operating, maintenance,
10 depreciation, property tax expenses, and financing costs as federally mandated costs.
11 Similarly, the TDSIC Statute includes depreciation, property taxes, and pre-tax returns
12 (i.e., financing costs) as eligible TDSIC costs.

13

14 **Q. Please explain the projected expense recovery ratemaking treatment being**
15 **requested within the CSIA.**

16 A. CEI North is seeking authority of the CSIA to recover annualized depreciation and
17 property tax expenses. To provide for timely recovery, CEI North's proposed CSIA
18 will project an annualized level of expense related to the depreciation and property tax
19 expenses associated with new capital investments.

20

21 **Q. How will the depreciation expense included for recovery be calculated?**

22 A. Depreciation expense included for recovery in the CSIA will reflect an annualized level
23 of expense related to the gross new capital investment as of the cut-off date of the
24 CSIA filing. As the investment is placed in service, it will be classified in the appropriate
25 FERC plant account and depreciated using the depreciation rate approved in the last

1 rate case, as applicable, for the plant account. The projected amount is calculated
2 consistent with the actual depreciation expense, so no reconciliation will be required
3 specific to depreciation expense.
4

5 **Q. How will the property tax expense included for recovery be calculated?**

6 A. Property tax expense included for recovery in the CSIA will reflect an annualized level
7 of expense related to the gross new capital investment. The annualized property tax
8 expenses will be calculated by multiplying gross new capital investment by the then
9 current or most recent tax rate for the projected period. Because the projected amount
10 is calculated consistent with the actual property tax expense and the property tax rates
11 do not deviate materially year over year, there will be no reconciliation specific to
12 property tax expense.
13

14 **Q. Is the CWIP ratemaking treatment proposed by CEI North authorized under the**
15 **Statutes associated with eligible federally mandated and TDSIC costs?**

16 A. Yes. The TDSIC Statute provides that TDSIC costs include those "incurred with
17 respect to eligible transmission, distribution, and storage system improvements
18 incurred both while the improvements are in construction and post in service." (Ind.
19 Code § 8-1-39-7). Similarly, the Compliance Statute defines federally mandated costs
20 as those the "utility incurs in connection with a compliance project, including
21 capital...or financing costs" (Ind. Code § 8-1-8.4-4).
22

1 **Q. For projects that have construction periods that span multiple CSIA filing**
2 **periods, how will CEI North segregate the expenditures that have received CWIP**
3 **ratemaking treatment through the CSIA from the expenditures that have not, in**
4 **order to ensure that AFUDC is accrued appropriately?**

5 A. CEI North's fixed asset accounting system, PowerPlant, allows the AFUDC eligibility
6 to be "turned off" on specific projects. CEI North will utilize an "AFUDC end date" to
7 mark each individual work order that has been included in CWIP in the CSIA to cease
8 AFUDC at the date that the CSIA rate becomes effective.

9

10 **Q. Please explain the PISCC accounting treatment being requested.**

11 A. CEI North proposes to accrue PISCC on all eligible new capital investment from the
12 date the investment is placed in service until the date when the investment is included
13 in rates for recovery. The PISCC balance will be calculated as the gross new capital
14 investment multiplied by the pre-tax rate of return.

15

16 **Q. What rates will be used to calculate PISCC on projects placed in service but not**
17 **yet recovered in the CSIA?**

18 A. The PISCC rate used is the overall WACC, discussed further above.

19

20 **Q. Please describe the accounting associated with the PISCC accruals.**

21 A. At the point when a work order is placed in service and prior to its inclusion for recovery
22 in the CSIA, PISCC will be accrued by multiplying the applicable rates by the gross
23 new capital investment, net of retirements. The accrual will be recorded as a
24 regulatory asset under FERC Account 182.3 Other Regulatory Assets, with
25 corresponding entries to income under FERC Account 419.1, Allowance for Other

1 Funds Used During Construction ("AFUDC Debt") for the debt specific component of
2 the PISCC, and FERC Account 432, Allowance for Borrowed Funds Used During
3 Construction ("AFUDC Equity") for the equity specific component of the PISCC.
4

5 **Q. How will the amortization of the PISCC deferred balance be calculated?**

6 A. CEI North proposes to amortize the deferred PISCC regulatory asset balance through
7 the CSIA over the life of the assets that generated the deferred PISCC, using the
8 depreciation rates applicable to the applicable class of plant asset.
9

10 **Q. Is the PISCC ratemaking treatment proposed by CEI North authorized under the**
11 **Statutes?**

12 A. Yes. The Compliance Statute provides that federally mandated costs include PISCC
13 based on the overall cost of capital most recently approved by the Commission (Ind.
14 Code § 8-1-8.4-7(c)). The TDSIC Statute allows for the deferral of PISCC (Ind. Code
15 § 8-1-39-9(c)).
16

17 **Q. Is CEI North requesting to accrue and subsequently recover PISCC on the 20%**
18 **deferred balance?**

19 A. No. CEI North is not seeking the authority to accrue and subsequently recover in the
20 next base rate case PISCC on the 20% deferred balance previously discussed.
21
22

23 **III. ACCOUNTING FOR PROJECT COSTS**
24

1 **Q. Please explain the process that will be used to segregate and record the capital**
2 **costs of the Compliance Projects and new capital investments under the TDSIC**
3 **Plan while they are under construction.**

4 A. To ensure proper accumulation of construction costs related to the Projects, a unique
5 SAP Superior Order number will be assigned to the capital project. Individual SAP
6 orders related to the capital project will roll up to the Superior Order and will be
7 maintained in the Company's Financial Information System ("FIS") Projects
8 Accounting module. The individual order number will be required for the recording of
9 all project construction costs into any of the FIS feeder systems. Each of the feeder
10 systems, which include payroll, accounts payable and material inventory, interface
11 with SAP. Total incurred project construction costs can be accurately viewed and/or
12 reported by the Superior Order number at any time as the project progresses. Each
13 project will be sub-categorized in the system as recoverable pursuant to the applicable
14 (Compliance or TDSIC) Statute, to both differentiate the treatment between
15 components of the CSIA and to ensure the exclusion of any capital investment made
16 that does not qualify for recovery under the mechanisms. Additionally, each project
17 will be classified in one of the following funding categories to ensure accurate tracking
18 for filing reporting requirements, such as federally mandated; economic development
19 – targeted; reliability; safety and system modernization.

20
21 **Q. Will the requirements of the FERC USOA be followed in the recording of the**
22 **project construction costs?**

23 A. Yes. Costs incurred during the construction phase will be reflected in FERC Account
24 107, CWIP. When each project is completed, meaning the assets are now used and
25 useful in providing utility service, the costs will be moved to FERC Account 106,

1 Completed Construction Not Classified ("CCNC"). At the point where the final project
2 costs are captured and the project manager formally defines the assets installed and
3 removed, the costs will be transferred for FERC Account 101, Gas Plant In-Service.
4 As explained in more detail below, any existing assets retired as a result of the projects
5 will create a reduction to FERC Account 101, with an offsetting entry to FERC Account
6 108, Accumulated Provision for Depreciation of Gas Utility Plant.

7

8 **Q. What types of costs will be included as utility plant upon which the Company**
9 **will earn a return?**

10 A. The proposed ratemaking treatment will apply to the construction costs of the projects,
11 including engineering and project management, permitting, contractor costs, site
12 preparation, equipment and installation, financing costs during construction, and other
13 costs approved by the Commission.

14

15 **Q. What capitalized overheads will be included in the construction costs?**

16 A. An allocation for general oversight, management and administrative costs will be
17 included, consistent with Company policy. Costs associated with accounting, legal
18 services, human resource management, insurance and other similar costs are
19 included as overhead costs that are allocated to construction projects. As part of the
20 workpapers in each CSIA filing, CEI North will segregate the applicable project costs
21 included for recovery into categories of direct costs and indirect capital overheads.

22

23 **Q. Will AFUDC be recorded on the project construction costs?**

24 A. Yes. CEI North proposes to record AFUDC in accordance with GAAP. As explained
25 previously in my testimony, AFUDC will cease the earlier of the date the project is

1 placed in service or the date that project expenditures are recovered in the CSIA rates.

2

3 **Q. What AFUDC rate will be used?**

4 A. CEI North will use the same AFUDC rate it uses for all other construction projects.

5 This AFUDC rate is calculated annually and represents the weighted cost of investor-

6 supplied capital adjusted to include short-term debt, as provided by FERC accounting

7 procedures. The periodic AFUDC rate is based on the actual cost rates for long-term

8 debt during a particular period and the actual cost rate of short-term debt for the same

9 period. The cost rates for common equity are the cost of common equity determined

10 in CEI North's last gas base rate proceeding.

11

12 **Q. Do CEI North's AFUDC accrual procedures comply with FERC USOA?**

13 A. Yes.

14

15 **Q. Are there assets currently in utility plant in service that are being retired as a**
16 **part of the projects?**

17 A. Yes, in certain situations, existing assets will be replaced, and will be retired against

18 the accumulated provision for depreciation, net of removal costs or salvage recoveries

19 as discussed above. Actual retirements will be reflected in the filings, impacting the

20 gross plant balance used to determine the recoverable depreciation expense.

21

22 **Q. Please explain the accounting of the retirements within utility plant in service.**

23 A. In accordance with "Gas Plant Instruction" 10(B)(2) of the USOA, the retirements of

24 utility plant should be recorded against the accumulated depreciation applicable to

25 such property. The accounting treatment of the gross utility plant results in no change

1 to overall rate base upon which the Company will earn a return. Any incremental cost
2 of removal and any salvage proceeds shall be charged or credited to accumulated
3 depreciation.

4
5
6 **IV. CSIA RECOVERY OF APPROVED COSTS**

7
8 **Q. Please generally explain how the Compliance and TDSIC Component revenue**
9 **requirements will be calculated.**

10 A. In each semi-annual CSIA filing, CEI North will calculate a revenue requirement for
11 the CSIA, listing the Compliance and TDSIC Components separately using a
12 consistent set of schedules from the 44430 CSIA. The revenue requirement for both
13 the Compliance and TDSIC Components, shown on Schedule 1, will include the return
14 on new capital investments, property tax and depreciation expenses, both projected
15 and amortized, as well as recovery of the deferred O&M depreciation expense, and
16 PISCC through amortization of the regulatory assets. CEI North will then multiply the
17 total annual revenue requirement by 80% to achieve the recoverable portion of the
18 revenue requirement. Per the Statutes, 80% of approved costs may be recovered
19 through a periodic rate adjustment mechanism, to establish a total recoverable
20 Compliance and TDSIC Component revenue requirement amount. As described in
21 greater detail by Petitioner's Witness Tieken, the total recoverable amounts will be
22 utilized to derive semi-annual CSIA rates based on annualized billing determinants. In
23 addition, and as I will explain, the next two CSIA filings will include recovery of the
24 remaining unrecovered deferred O&M expense from 44430 CSIA.

1 **Q. Is CEI North proposing a CSIA Revenue Requirement amount for recovery in**
2 **this proceeding?**

3 A. No. The Company expects to include the investments for the Compliance Projects
4 and TDSIC Plan within the first filing following the approval.
5

6 **Q. Please describe CSIA revenue requirement (Schedule 1) and the supporting**
7 **schedules.**

8 A. Consistent with the 44430 CSIA, the revenue requirement calculation will be presented
9 on Schedule 1 and is divided between the "Return on New Capital Investment", which
10 calculates the pre-tax return on the total net new investment, and the "Expenses"
11 which calculates the recoverable expenses, both projected and amortized from
12 previously deferred balances. There is a separate revenue requirement for the TDSIC
13 and Compliance projects and the two are combined and summarized in a total revenue
14 requirement. All items on Schedule 1 are supported by additional schedules, as
15 explained below.
16

17 The following schedules support the overall revenue requirement for CSIA,
18 consistent with 44430 CSIA:

- 19 i. Schedule 2 supports the Gross New Capital Investment, Accumulated
20 Depreciation attributed to the new capital investment, and CWIP balances
21 related to the new capital investment as of the filing date.
- 22 ii. Schedule 3 summarizes the PISCC balance on new capital investments placed
23 in service but not yet captured for recovery under previous CSIA filings.
- 24 iii. Schedule 4 calculates the pre-tax return used in the revenue requirement. The
25 pre-tax return is calculated by taking the WACC specific to each CSIA revenue

1 requirement component discussed previously and grossing up the equity
2 component to capture recovery of state and federal income taxes at current
3 rates.

4 iv. Schedule 5 supports the annualized depreciation expense. It is calculated by
5 multiplying the gross new capital investment balance as of the filing cut-off date
6 from Schedule 2, net of retirements, by the approved depreciation rate
7 applicable to the respective classes of plant

8 v. Schedule 6 calculates the annualized level of deferred depreciation
9 amortization expense. It is calculated by multiplying the cumulative deferred
10 depreciation balance as of the filing cut-off date by the annual depreciation rate
11 applicable to the respective classes of plant.

12 vi. Schedule 7 captures a summary of the CSIA amounts which have been
13 deferred in accordance with the Statutes.

14 vii. Schedule 8 of the Compliance Component calculates the amortization of
15 deferred O&M expense, as explained in above testimony, included for recovery
16 in the Compliance Component revenue requirement. The deferred O&M
17 expense balance represents the cumulative expenses incurred and deferred
18 under 44430 CSIA but not yet recovered in CSIA rates. The deferred balance,
19 less amounts directly amortized for recovery in prior CSIA filings, will be
20 amortized and recovered over twelve (12) months. Additional explanation of
21 the calculation is included in testimony below.

22 viii. Schedule 8 of the TDSIC Component compares the increase in the TDSIC
23 Component revenue requirement to the prior 12-month retail revenues for CEI
24 North, to ensure that the amounts included for recovery in the CSIA adhere to
25 the statutory requirements. Per the TDSIC Statute, retail revenues do not

1 include targeted economic development project revenues in the comparison.
2 As defined in the TDSIC Statute, "the commission may not approve a TDSIC
3 that would result in an average aggregate increase in a public utility's total retail
4 revenues of more than two percent (2%) in a 12-month period." (Ind. Code §
5 8-1-39-14(a)).

6 ix. Schedule 9 calculates the after-tax return on investment that will be added to
7 the authorized NOI by multiplying the net new capital investment by the after-
8 tax WACC.

9

10 **Q. Please explain the recovery of deferred O&M expense from 44430 CSIA that you**
11 **have mentioned.**

12 A. This relates to Compliance Projects from 44430 CSIA. The Compliance Statute
13 provides for the recovery "through a periodic retail rate adjustment mechanism that
14 allows the timely recovery of the approved federally mandated costs." (Ind. Code § 8-
15 1-8.4-7(c)(1)). The Company's proposed mechanism in 44430 CSIA was "to defer
16 O&M expense related to the Compliance Projects, and subsequently recover these
17 balances within the CSIA filings. O&M expenses related to the Compliance Projects
18 will be charged to FERC Account 182.3. This regulatory balance will be included in
19 the CSIA filings and recovered over 12 months, or two CSIA filings." Petitioner's
20 Exhibit No. JCS-1, p. 8 (Cause No. 44430). The timely recovery through the CSIA
21 would be retrospective, representing historically deferred balances and not a pro forma
22 projection. The 44429/44430 Order approved this process for timely recovery.
23 "Petitioners also propose to defer and subsequently recover incremental O&M and
24 depreciation expense on an interim basis prior to inclusion in the CSIA. O&M
25 expenses related to the Compliance Projects will be charged to Account 182.3 and

1 these costs will be included in the CSIA. Petitioners propose to defer 80% of the
2 depreciation expense from the Compliance Projects and the TDSIC Plans from their
3 in-service dates until depreciation expense is included for recovery in the CSIA. We
4 find Petitioners' proposal is reasonable and Petitioners shall be permitted to defer and
5 subsequently recover these costs through the CSIA." 44429/44430 Order, p. 26.

6

7 This deferral authority provided by the 44429/44430 Order continues until the costs
8 are recovered either through the CSIA or through the date of the Order approving rates
9 in the Company's ensuing general rate case. Id., p. 28. As such, until the approval of
10 rates in Cause No. 45468, the Company has continued to defer O&M that constitutes
11 approved Compliance Project Costs under 44430 CSIA. The remaining unrecovered
12 balance of deferred O&M will be recovered, as requested and approved in
13 44429/44430 Order, through the CSIA.

14

15 **Q. Are Excess Accumulated Deferred Income Tax Credits included within this**
16 **CSIA?**

17 A. No, as explained within Petitioner's Witness Tieken's testimony, the Settling Parties in
18 Cause No. 45468 agreed to the proposed Tax Savings Credit Rider ("TSCR")
19 mechanism, so it will no longer be included within the CSIA.

20

21 **Q. In any given year, does CEI North expect to exceed the 2% cap during the life of**
22 **the TDSIC Plan?**

23 A. No, CEI North does not expect to exceed the 2% cap during the life of the TDSIC Plan.

24

25

1 **V. CONCLUSION**

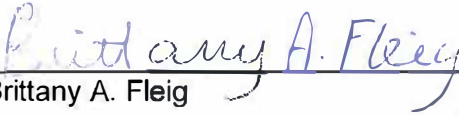
2

3 **Q. Does this conclude your prepared direct testimony?**

4 **A. Yes, it does.**

VERIFICATION

I, Brittany A. Fleig, affirm under the penalties of perjury that the foregoing representations of fact in my Direct Testimony are true to the best of my knowledge, information and belief.


Brittany A. Fleig

Dated: September 10, 2021