

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS AND ELECTRIC)
COMPANY D/B/A CENTERPOINT ENERGY INDIANA SOUTH)
PURSUANT TO INDIANA CODE CH. 8-1-40.5 FOR (1))
AUTHORITY TO (A) ISSUE SECURITIZATION BONDS; (B))
COLLECT SECURITIZATION CHARGES; AND (C) ENCUMBER)
SECURITIZATION PROPERTY WITH A LIEN AND SECURITY)
INTEREST; (2) A DETERMINATION OF TOTAL QUALIFIED)
COSTS AND AUTHORIZATION OF RELATED ACCOUNTING)
TREATMENT; (3) AUTHORIZATION OF ACCOUNTING)
TREATMENT RELATED TO ISSUANCE OF SECURITIZATION)
BONDS AND IMPLEMENTATION OF SECURITIZATION)
CHARGES; (4) APPROVAL OF PROPOSED TERMS AND)
STRUCTURE FOR THE SECURITIZATION FINANCING; (5))
APPROVAL OF PROPOSED TARIFFS TO (A) IMPLEMENT THE)
SECURITIZATION CHARGES AUTHORIZED BY THE)
FINANCING ORDER IN THIS PROCEEDING, (B) REFLECT A)
CREDIT FOR ACCUMULATED DEFERRED INCOME TAXES,)
AND (C) REFLECT A REDUCTION IN PETITIONER'S BASE)
RATES AND CHARGES TO REMOVE ANY QUALIFIED COSTS)
FROM BASE RATES; AND (6) ESTABLISHMENT OF A TRUE-UP)
MECHANISM PURSUANT TO INDIANA CODE § 8-1-40.5-12(c.))

CAUSE NO. 45722

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF WITNESS CALEB R. LOVEMAN

AUGUST 3, 2022

Respectfully submitted,



T. Jason Haas

Attorney No. 34983-29

Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS CALEB R. LOVEMAN
CAUSE NO. 45722
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A
CENTERPOINT ENERGY INDIANA SOUTH

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Caleb R. Loveman, and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed as an Assistant Director in the Indiana Office of Utility Consumer
6 Counselor's ("OUCC") Electric Division. A summary of my educational
7 background and experience is included in Appendix A attached to my testimony.

8 **Q: What is the purpose of your testimony?**

9 A: I provide my analysis and make recommendations on multiple proposals in
10 Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana
11 South's ("CEI South" or "Petitioner") request to securitize its A.B. Brown Units 1
12 and 2 ("Brown Units") in accordance with Ind. Code ("I.C.") ch. 8-1-40.5
13 ("Securitization Act") and 170 IAC 4-10-5 ("Securitization Rule"). I also provide
14 a brief overview of CEI South's request, an introduction to other OUCC witnesses,
15 and the OUCC's overarching concerns with CEI South's proposal.

16 **Q: Does the OUCC have a major concern with CEI South's proposed**
17 **securitization?**

18 A: Yes. The OUCC recognizes securitization as an effective tool. However, CEI
19 South's case-in-chief is severely deficient in ensuring ratepayers' interests will be
20 protected and represented during the post-financing order process, which includes
21 the structuring, pricing, and marketing of the Ratepayer-Backed Bonds ("RBB"),

1 and the certifications that this process will lead to the lowest possible securitization
2 charge for CEI South's ratepayers. As several other OUCC witnesses discuss, it is
3 necessary for CEI South's customers, statutorily represented by the OUCC, have a
4 seat at the table during the post-financing order process to ensure a lowest cost
5 securitization charge standard. CEI South's electric ratepayers, and only them, will
6 be responsible for the costs of the RBBs resulting from this proceeding.

7 **Q: What other recommendations does the OUCC have?**

8 A: In my testimony below, the OUCC recommends the Indiana Utility Regulatory
9 Commission ("Commission") approve CEI South's request with the following
10 modifications:

- 11 1) Modify CEI South's request to apply a minimum bill to four of its
12 customer classes, and instead accept the OUCC's proposed alternative
13 to apply CEI South's proposed securitization charges via CEI South's
14 Securitization of Coal Plants ("SCP") Tariff on the amount of electricity
15 consumed by the customer allowing each CEI South customer to receive
16 the maximum benefits possible from the proposed securitization;
- 17 2) Accept the OUCC's proposal to allocate CEI South's proposed
18 Accumulated Deferred Income Tax ("ADIT") Credit Rider ("SAC
19 Tariff") and the Securitization Rate Reduction ("SRR") Tariff in the
20 same manner as the OUCC's SCP Tariff proposal;
- 21 3) Modify CEI South's request to incur a regulatory liability or asset for
22 the difference between the total qualified costs approved in the
23 financing order and the qualified costs at the time the Brown Units

- 1 retire, and require CEI South to adjust its qualified costs to be the
2 expected net book value ("NBV") of the Brown Units at retirement;
- 3 4) Require CEI South to update its Cause No. 44910 TDSIC-XX Tracker
4 ("TDSIC Tracker") to reflect the updated excess ADIT credit upon
5 issuance of a final financing order in this Cause;
- 6 5) Additionally, other OUCC witnesses, including the OUCC's consultant,
7 Saber Partners, LLC ("Saber"), recommend the following:
- 8 A) Allow the OUCC, acting on behalf of ratepayers, to participate,
9 through its technical/financial advisors, in the structuring, pricing,
10 and marketing of the RBBs;
- 11 B) Require CEI South, the OUCC, and the underwriters to certify that
12 the actions taken in the structuring, pricing, and marketing of the
13 RBBs have resulted in the lowest possible transaction costs in the
14 bond issuance process;
- 15 C) Require the use of best practices as utilized in Texas and additional
16 states that have implemented securitization;
- 17 D) Accept the OUCC's proposal to include the future costs of its
18 advisor(s) in the qualified costs to be included in the RBBs;
- 19 E) Deny CEI South's proposal to defer removal and restoration costs
20 above the amount included in the qualified costs for recovery in a
21 future base rate case;
- 22 F) Accept the OUCC's proposal to calculate the SRR Credit using the
23 Brown Units NBV, and embedded weighted average cost of capital

1 ("WACC"), included in base rates from CEI South's most recent
2 base rate case; and

3 G) Deny CEI South's request to earn a return at its WACC on the equity
4 contribution to the special purpose entity and accept the OUCC's
5 proposal to only allow CEI South to earn the investment returns on
6 the account holding the contribution.

7 **Q: Please describe the review you conducted to prepare your testimony.**

8 A: I reviewed CEI South's petition, testimony, and exhibits. I issued formal data
9 requests ("DR") and reviewed CEI South's responses. I participated in a meeting
10 with CEI South to discuss this filing on Friday, July 8, 2022. I also reviewed
11 Petitioner's previous filings and the Commission's Final Order in Cause No. 45564.

12 **Q: To the extent you do not address a specific item or adjustment, should that be**
13 **construed to mean you agree with Petitioner's proposal?**

14 A: No. Excluding from my testimony any specific item or adjustments CEI South
15 proposed does not indicate my approval of those adjustments or amounts.

II. OVERVIEW OF CEI SOUTH'S PROPOSAL AND INTRODUCTION TO OUCC WITNESSES

16 **Q: Please provide a brief overview of CEI South's proposal.**

17 A: Pursuant to the Securitization Act, CEI South requests authority to issue RBBs,
18 collect securitization charges, and encumber securitization property with a lien and
19 security interest related to retiring the Brown Units. CEI South also requests the
20 Commission issue a financing order, as defined in I.C. § 8-1-40.5-4, in this Cause.¹
21 The total qualified costs CEI South proposes to include in the securitization are

¹ Petitioner's Exhibit No. 1, Direct Testimony of Richard C. Leger, p. 6, lines 9-14.

1 \$359,397,933, inclusive of \$9,272,933 in ongoing fees.² These qualified costs will
2 be recovered via CEI South's proposed SCP Tariff. As part of this request, CEI
3 South also proposes two credit trackers, the SRR Tariff and the SAC Tariff, to
4 reflect removing the Brown Units from rate base, and credit customers ADIT
5 related to the Brown Units.

6 **Q: Does the OUCC oppose CEI South's proposal?**

7 A: No. Securitization is an effective tool to produce real cost savings for consumers,
8 and the OUCC does not oppose CEI South's overall proposal. However, the OUCC
9 has numerous concerns relating to potential ratepayers' costs associated with CEI
10 South's request. The OUCC also seeks to ensure maximum cost savings for CEI
11 South's customers throughout the entire securitization process, as several OUCC
12 witnesses discuss.

13 **Q: Please introduce the other OUCC witnesses in this Cause.**

14 A: The following OUCC witnesses provide testimony regarding the following issues:

15 **Leja D. Courter** analyzes the Securitization Act pertaining to the Commission's
16 and the OUCC's respective authority and responsibilities and discusses the
17 transparency of CEI South's securitization charges. (Public's Exhibit No. 2)

18 **Shawn Dellinger** discusses CEI South's proposal to earn a return at its full WACC
19 on its 0.5% equity contribution to the Special Purpose Entity. (Public's Exhibit No.
20 9)

21 **Wes R. Blakley** explains CEI South's proposed accounting and ratemaking
22 treatment, proposes adjustments to CEI South's proposed SRR Tariff, and inclusion

² Petition, paragraph 2, section C.

1 of certain qualified costs. (Public's Exhibit No. 10)

2 The OUCC has also retained the consulting firm, Saber Partners, LLC,
3 which has extensive experience in utility securitizations in other jurisdictions, to
4 address the following issues:

5 **Joseph S. Fichera** is Saber's Chief Executive Office and has over 20 years'
6 experience with utility securitizations. He provides an overview of Saber Partners,
7 the OUCC's financial consultants in this proceeding, and explains the importance
8 of the OUCC's role in the post-financing order process, including ensuring CEI
9 South's ratepayers, through the OUCC, have representation in this process.
10 (Public's Exhibit No. 3)

11 **Rebecca Klein** is a former chair of the Public Utility Commission of Texas and
12 discusses the importance and benefits of establishing a lowest cost securitization
13 charge standard for a new ratepayer-backed bond program. (Public's Exhibit No.
14 4)

15 **Hyman Schoenblum** is a former vice president and treasurer for Consolidated
16 Edison Company of New York, Inc. and discusses the importance of active
17 ratepayer representation through experts and advisors in the structuring, marketing,
18 and pricing of RBBs. (Public's Exhibit No. 5)

19 **Brian A. Maher** is a former treasurer for Exxon Corporation (now ExxonMobil
20 Corporation) and oversaw the implementation of nuclear asset recovery bonds,
21 similar to the RBBs proposed in this Cause, for Duke Energy Florida. Mr. Maher
22 discusses the relationship between the OUCC, and its advisor, and the other parties
23 involved in the securitization transaction. (Public's Exhibit No. 6)

1 **Paul R. Sutherland** has over 20 years' experience working in various finance
2 capacities for Florida Power and Light Company and analyzes CEI South's
3 proposed financing structure and makes recommendations to maximize CEI South
4 customers' savings. (Public's Exhibit No. 7)

5 **Steven Heller** explains the function of the modeler and structuring agent for RBBs
6 and gives insight into different perspectives and objectives during the post-
7 financing order process. (Public's Exhibit No. 8)

III. **OVERARCHING CONCERNS**

8 **Q: Does the OUCC have overall concerns with CEI South's proposal?**

9 **A:** Yes. CEI South touts its proposed securitization as a win-win for CEI South and its
10 customers, yet CEI South proposes no ratepayer protections throughout the post-
11 financing order process to help ensure that full cost savings are achieved. CEI South
12 does not believe any other party in this proceeding should be involved throughout
13 the post-financing order process and proposes only one final input from the
14 Commission to either approve or deny the final bond issuance transaction, with
15 potentially only one business day to review the final Issuance Advice Letter from
16 CEI South.³ This leaves little time for the Commission to raise concerns with the
17 transaction, and CEI South argues against parties' involvement after the financing
18 order is issued. **CEI South expects to complete this transaction with little-to-no**
19 **oversight and no ratepayer representation.** OUCC witnesses will testify
20 regarding this concern, expressing the importance of ratepayer representation

³ *Id.*, paragraph 2, section D, subsection 6.

1 during the post-financing order process, showing that independent financial
2 advisors have participated in this process in securitization proceedings in other
3 states, discussing other “best practices” established in other states, and explaining
4 why it is in CEI South’s customers’ best interest for the OUCC to participate and
5 have a representative during this process.

6 **Q: What other concerns does the OUCC have?**

7 A: The OUCC is also concerned with customers’ affordability relating to CEI South’s
8 proposal. CEI South proposes implementing a minimum securitization charge on
9 several of its customer classes, without a minimum corresponding credit for the
10 securitization to these same customer classes. Low energy users will be negatively
11 impacted under CEI South’s proposal, resulting in a net charge to some customers
12 from the proposed securitization, as I discuss later in my testimony. Additionally,
13 the OUCC will advocate a “lowest-cost standard” be imperative in structuring,
14 pricing, and marketing of the RBBs. In times of unprecedented inflation, rising
15 interest rates, increased costs, etc., it is paramount all dollars be protected,
16 especially those of CEI South’s customers who will be solely responsible for the
17 RBBs.

IV. MINIMUM BILL

18 **Q: Please describe CEI South’s minimum bill request for the SCP Tariff.**

19 A: I.C. § 8-1-40.5-12(b) states:

1 A financing order must include terms ensuring that the securitization
2 charges authorized under the order are nonbypassable charges that are
3 payable by all customers and customer classes of the electric utility,
4 including any customer that:

5 (1) is participating in:

6 (A) a net metering program under 170 IAC 4-4.2;

7 (B) a distributed generation program under IC 8-1-40; or

8 (C) a feed-in-tariff program;

9 offered by the electric utility; or

10 (2) supplies at least part of the customer's own electricity demand.

11 CEI South proposes applying a minimum bill on four of its customer classes:

12 Residential (“RS”), Small General Service (“SGS”), Demand General Service

13 (“DGS”), and Rate Off-Season Service (“OSS”). CEI South recommends the

14 minimum bill threshold for these groups be the tenth percentile of annual average

15 customer usage for each of the four classes. This is approximately 369 kilowatt

16 hours (“kWh”) for RS, 17 kWh for SGS, 431 kWh for DGS, and 431 kWh for OSS

17 customers. CEI South indicates the majority of its Rider Net Metering (“NM”), and

18 Rider Excess Distributed Generation (“EDG”) customers are contained within

19 these four classes.⁴

20 **Q: Does Petitioner propose allocating either the SAC or SRR Tariff via this same**
21 **methodology?**

22 A: No. CEI South proposes to allocate these two credit riders using metered kWh.⁵

23 **Q: Does the OUCC have concerns with CEI South’s proposed minimum bill?**

24 A: Yes. First and foremost, under CEI South’s proposal, the three proposed tariffs will

25 not be treated equally among its customer classes. Certain customers, for whom a

26 minimum bill would be applied, will not fully benefit from the complete benefits

27 securitization will provide to ratepayers. For example, a residential customer using

⁴ Petitioner’s Exhibit No. 8, Direct Testimony of Matthew A. Rice, p. 9, lines 10-32.

⁵ Petitioner’s Exhibit No. 9, Direct Testimony of Ralph A. Zarumba, p. 5, lines 17-19.

1 200 kWh in a month will be charged the SCP Tariff at 369 kwh and have the SAC
2 and SRR Tariffs applied at 200 kW, meaning this customer would not fully realize
3 the benefits of having the Brown Units securitized and removed from rate base.

4 It is also unclear how and why CEI South decided the tenth percentile of
5 annual average customer usage was appropriate to determine a minimum bill for
6 these four rate classes. In response to Citizens Action Coalition, Inc.'s ("CAC") DR
7 2-1(c), CEI South states, "the tenth percentile was chosen for Residential, SGS,
8 DGS, and OSS tariff classes based upon a review of the bill frequency data....Other
9 thresholds at higher levels were considered; however, CEIS did not retain those
10 files."⁶ CEI South's response provides no justification or explanation of how it
11 actually determined this methodology was appropriate, why other levels were not
12 appropriate, and surprisingly did not save its work showing why this percentile was
13 appropriate above other calculations.

14 Finally, CEI South did not propose a minimum bill for its remaining
15 customer classes, such as Large Power Service or High Load Factor Service. As
16 stated above, CEI South indicated the minimum bill is proposed to comply with the
17 non-bypassable nature of I.C. § 8-1-40.5-12(b). Using this logic, a minimum charge
18 should be calculated for each customer class. Additionally, as stated above, CEI
19 South indicates the "**majority**" of Rider NM and EDG customers belong to these
20 four classes. Based on CEI South's response to CAC DR 2-3(h), there is only one
21 Distributed Energy Resource customer outside of these four classes, but it is

⁶ See OUCC Attachment CRL-1, CEI South's response to CAC DR 2-1(c).

1 unknown whether any other NM, EDG, or self-generation customers in the future
2 may belong to other classes for which a minimum bill would not be applied and,
3 therefore, potentially able to bypass the securitization charges.⁷ Petitioner's witness
4 Matthew A. Rice's testimony indicates the minimum bill is intended to ensure
5 customers participating in Rider NM and Rider EDG cannot bypass the
6 securitization charges.⁸ I.C. § 8-1-40.5-12(b) specifically references customers
7 participating in a net metering program, distributed generation program, feed-in-
8 tariff program, or a customer that supplies part of their own electricity demand, and
9 does not mandate a minimum bill be applied to any customer class to comply.

10 **Q: Under CEI South's proposal, will some customers see a bill increase resulting**
11 **from the securitization charges?**

12 A: Yes. CEI South confirms this in response to CAC DR 2-1(i).⁹ Not all customers
13 will realize all the benefits intended to be realized, as described by CEI South
14 witness Richard C. Leger.¹⁰ CEI South's proposal will punish low energy users in
15 the four affected rate classes by assessing a charge at a higher kWh than actually
16 used and assigning the credits on actual usage, which will be lower than the
17 minimum bill threshold. A major benefit to CEI South's customers under the
18 securitization proposal is the corresponding credit for removing the Brown Units
19 from rate base, which generally results in an overall savings for customers.
20 However, customers assigned a minimum bill will not receive the full potential of

⁷ OUCC Attachment CRL-1, CEI South's response to CAC DR 2-3(h).

⁸ Rice Direct, p. 9, lines 23-26.

⁹ OUCC Attachment CRL-1, CEI South's response to CAC DR 2-1(i).

¹⁰ Leger Direct, p. 9, lines 2-15.

1 this benefit. There is a mismatch between the total charges and total credits that
2 would be applied to CEI South's customers under its minimum bill proposal.

3 **Q: Is CEI South aware of any other jurisdictions where a proposal similar to CEI**
4 **South's has been adopted?**

5 A: No. In response to OUCC DR 6-1(b), CEI South indicated it is, "...not aware of
6 any utility securitization transaction in other states where a minimum bill was
7 implemented."¹¹

8 **Q: Is the OUCC aware of any other jurisdictions where a proposal similar to CEI**
9 **South's was adopted?**

10 A: No. In my examination of other jurisdictions, including Texas, Florida, Wisconsin,
11 California, and North Carolina, that approved securitization proceedings, I did not
12 find any jurisdictions that implemented a minimum bill requirement.

13 **Q: How have utilities in other jurisdictions applied "non-bypassable" charges to**
14 **their respective customers?**

15 A: The OUCC is familiar with two different methods for applying non-bypassable
16 charges to utility customers. Wisconsin Electric Power Company ("WEPCO")
17 allocates its Environmental Control Charge¹² to customers with certain energy
18 generating systems or net metering customers and only have the Environmental
19 Control Charge applied when a customer is a net purchaser.¹³ Pacific Gas and
20 Electric Company ("PG&E") allocates its non-bypassable charges to its net
21 metering customers for each kWh consumed from the grid. These charges cannot
22 be reduced for any credits or exports to the grid.¹⁴

¹¹ OUCC Attachment CRL-1, CEI South's response to OUCC DR 6-1(b).

¹² See Wisconsin Commission Final Order in Docket ID: 6630-ET-101.

¹³ <https://www.we-energies.com/pdfs/etariffs/wisconsin/elecrateswi.pdf#pagemode=bookmarks>, Revision 13 Sheet 20.2.

¹⁴ See https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHS_NEM2.pdf, special condition 2c.

1 **Q: Does the OUCC have an alternate proposal to comply with I.C. § 8-1-40.5-**
2 **12(b)?**

3 A: Yes. The OUCC proposes the SCP, SRR, and the SAC Tariffs all be allocated on a
4 total kWh basis prior to any netting on a customer's bill, similar to how PG&E
5 applies its non-bypassable charges to its customers, exclusive of CEI South's
6 streetlighting customers.

7 **Q: Please explain the OUCC's proposed allocation method and why it proposes**
8 **this method.**

9 A: Simply put, the OUCC's proposal allocates costs on total kWh delivered from CEI
10 South to the customer, prior to any netting for Rider NM, Rider EDG, and any other
11 netting CEI South may have or propose in future proceedings. This ensures
12 customers with self-generation are unable to bypass the securitization charge,
13 complying with I.C. § 8-1-40.5-12(b), by generating more electricity at times when
14 they are not drawing energy from CEI South. Due to the nature of I.C. § 8-1-40.5-
15 12(b) specifically referring to certain customers, the OUCC proposes a more
16 appropriate method to allocate the non-bypassable charges. Additionally, the two
17 proposed credit riders, the SRR and SAC Tariffs, would also be allocated using this
18 same methodology, resulting in a net benefit to all customers based on kWh usage.

19 **Q: Why is the OUCC's proposed allocation method better for CEI South's**
20 **customers compared to CEI South's proposal?**

21 A: Under the OUCC's proposal, all customers will receive the full benefit of the credit
22 riders in connection with the securitization charge rider. Additionally, with the
23 OUCC's proposal, CEI South's low-usage customers will not be punished with a
24 higher monthly rate for using less electricity than the minimum threshold CEI South
25 proposes.

1 **Q: Will CEI South's customers under special contracts for service be subject to**
2 **the securitization charges?**

3 A: Yes. In response to OUCC DR 3.1(b) and 3.1(c), CEI South confirmed it will apply
4 these charges to its customers that have a special contract for service.¹⁵

V. A.B. BROWN UNITS ONE AND TWO NET BOOK VALUE

5 **Q: What is the projected NBV of the Brown Units as of February 28, 2023, CEI**
6 **South's expected date to issue the RBBs?**

7 A: As of February 28, 2023, CEI South expects the NBV for the Brown Units to be
8 \$258,219,958,¹⁶ including cost of removal.

9 **Q: What is the projected NBV of the Brown Units as of October 15, 2023, CEI**
10 **South's expected date to retire these units?¹⁷**

11 A: Based on CEI South's \$2,143,425¹⁸ monthly depreciation expense related to these
12 units and CEI South's \$122,238¹⁹ monthly cost of removal expense related to these
13 units, I calculate the expected NBV for these units to be \$241,227,484 as of October
14 15, 2023.²⁰

15 **Q: Which NBV does CEI South propose including in the qualified costs for its**
16 **proposed RBBs?**

17 A: CEI South proposes including the February 28, 2023, NBV, \$258,219,958, in its
18 qualified costs at the proposed issuance time of the RBBs.²¹ CEI South also
19 proposes to incur a regulatory liability or asset for any difference between qualified

¹⁵ OUCC Attachment CRL-1, CEI South's response to OUCC DR 3.1.

¹⁶ Petitioner's Exhibit No. 4, Attachment JLT-3, p. 1, Cell E46.

¹⁷ Leger Direct, p. 10, lines 25-26.

¹⁸ Petitioner's Exhibit No. 4, Attachment JLT-3, p. 1, Cell E23 – Cell D23 divided by two, (((534,035,130)-(529,748,279))/2).

¹⁹ Petitioner's Exhibit No. 4, Attachment JLT-3, p. 1, Cell E35 – Cell D35 divided by two, (((6,042,788)-(5,798,312))/2).

²⁰ See OUCC Attachment CRL-2, line 4.

²¹ Petitioner's Exhibit No. 6, Direct Testimony of Ryan P. Harper, Table RPH-1, line 1 + line 2 + line 3.

1 costs approved in the financing order and Petitioner's qualified costs at the time the
2 Brown Units retire, pursuant to I.C. § 8-1-40.5-12(d).²²

3 **Q: Does the OUCC have concerns with the proposed NBV CEI South includes in**
4 **its qualified costs?**

5 A: Yes, I.C. § 8-1-40.5-6 states the following,

6 As used in this chapter, "qualified costs", with respect to an electric
7 generation facility that will be retired from service by an electric
8 utility not later than twenty-four (24) months after the filing of a
9 petition by the electric utility under section 10 of this chapter, means
10 the net original cost of the facility and any associated investments,
11 as reflected on the electric utility's accounting system, **and as**
12 **adjusted for depreciation to be incurred until the facility is**
13 **retired...**[Emphasis added].

14 It is clear the qualified costs are to be adjusted for depreciation to be incurred until
15 the facility is retired. CEI South plans to retire its Brown Units on or around October
16 15, 2023, approximately seven and a half months after CEI South expects to issue
17 the RBBs for the Brown Units. This creates an approximately \$17 million²³
18 variance between the time the RBBs are issued and the time the Brown Units retire.

19 **Q: What does the OUCC recommend?**

20 A: The OUCC recommends the Commission require CEI South to adjust the NBV for
21 the Brown Units to the estimated retirement date of October 15, 2023,
22 \$241,227,484, to be included in the determination of qualified costs for the
23 proposed Securitization. This would result in a \$16,992,747 reduction to CEI
24 South's proposed qualified costs. This amount was provided to OUCC witness Paul
25 Sutherland to include in his modeling. The OUCC also understands there will be
26 differences between the amounts as projected and the amounts CEI South actually

²² Petition, paragraph 5.

²³ See OUCC Attachment CRL-2, line 5.

1 incurs. In accordance with I.C. § 8-1-40.5-12(d), the OUCC also recommends the
2 Commission permit CEI South, after requiring the above adjustment, to defer any
3 differences in qualified costs between the date the RBBs are issued and actual date
4 of retirement for the Brown Units, and also to return or recover this difference in
5 the next occurring true-up filing once the Brown Units are retired.

VI. EXCESS ACCUMULATED DEFERRED INCOME TAXES

6 **Q: Please explain CEI South's proposal regarding refunding customers the excess**
7 **ADIT for the Brown Units.**

8 A: Petitioner proposes amortizing the excess ADIT related to the Brown Units over
9 the proposed 15-year recovery of the securitizations bonds.²⁴ As of December 31,
10 2021, the remaining excess ADIT related to the Brown Units was \$20,501,980.²⁵
11 CEI South also proposes to amortize the excess ADIT using the Reverse South
12 Georgia Method ("RSGM") and discontinue using the Average Rate Assumption
13 Method ("ARAM").²⁶

14 **Q: Does CEI South indicate in its case-in-chief how it will credit the excess ADIT**
15 **to its customers?**

16 A: No.

17 **Q: How does CEI South currently refund excess ADIT to its customers?**

18 A: In accordance with the stipulated provisions in the final order in Cause No. 45032
19 S21, CEI South credits excess ADIT through its TDSIC Tracker.

20 **Q: Has CEI South agreed to update the excess ADIT resulting from a financing**
21 **order in this cause in its TDSIC Tracker?**

²⁴ Direct Testimony of Benjamin D. Vallejo, p. 19, lines 20-24.

²⁵ *Id.*, lines 2-5.

²⁶ *Id.*, p. 20, line 45 to p. 21, line 2.

1 A: Yes. In a telephone call with CEI South staff on Friday, July 8, 2022, CEI South
2 confirmed this was its intent.

3 **Q: Does the OUCC oppose CEI South's proposal to refund the excess ADIT using**
4 **the RSGM versus ARAM?**

5 A: No. The OUCC does not oppose this proposal.

6 **Q: What does the OUCC recommend for the excess ADIT amortization?**

7 A: The OUCC recommends the Commission require CEI South to update the
8 amortization period, currently at 15 years to match the RBB issuance, based on the
9 term of bonds ordered in the financing order in this cause, and require CEI South
10 update its TDSIC Tracker to reflect the updated excess ADIT amortization within
11 30 days of a final financing order in this cause.

VII. RECOMMENDATIONS

12 **Q: What does the OUCC recommend?**

13 A: The OUCC recommends the Commission:

- 14 1) Deny CEI South's request to apply a minimum bill to four of its
15 customer classes, and accept the OUCC's proposed alternative to apply
16 CEI South's proposed securitization charges via CEI South's SCP Tariff
17 on a total kWh basis prior to any netting;
- 18 2) Accept the OUCC's proposal to allocate CEI South's proposed SAC
19 Tariff and the SRR Tariff in the same manner as the OUCC's proposal
20 for the SCP Tariff;
- 21 3) Require CEI South adjust its qualified costs to the expected net book
22 value of the Brown Units at retirement in October 2023, and allow CEI
23 South to incur a regulatory liability or asset for the difference between

1 the total qualified costs approved in the financing order and the qualified
2 costs at the time the Brown Units retire after the qualified costs are
3 adjusted;

4 4) Require CEI South to update its TDSIC Tracker to reflect the updated
5 excess ADIT credit upon issuance of a final financing order in this
6 Cause; and

7 5) Accept the recommendations presented by other OUCC witnesses in
8 this proceeding, including OUCC participation in implementation of the
9 financing order and the use of best practices that have benefitted
10 ratepayers in states using securitization.

11 **Q: Does this conclude your testimony?**

12 **A: Yes.**

APPENDIX A
QUALIFICATIONS OF CALEB R. LOVEMAN

1 **Q: Please describe your background and experience.**

2 A: I graduated from Franklin University in 2015 with a Bachelor of Science in
3 Accounting. From 2016 to 2019, I owned and operated an E-commerce business.
4 During this time, I also worked as a Staff Accountant for Legacy Administration
5 Services, LLC and as a Financial Analyst for Cummins, Inc. to gain additional
6 accounting experience. I began my career with the OUCC in July 2019 as a Utility
7 Analyst in the Electric Division. In March 2022, I was promoted to Assistant
8 Director in the OUCC's Electric Division. I review Indiana utilities' requests for
9 regulatory relief filed with the Commission. I also prepare and present testimony
10 based on my analyses and make recommendations to the Commission on behalf of
11 Indiana utility consumers. I attended "The Basics" Practical Regulatory Training
12 for the Electric Industry, sponsored by the National Association of Regulatory
13 Utility Commissioners ("NARUC") and the New Mexico State University Center
14 for Public Utilities, in Albuquerque, New Mexico in 2019. In 2020, I attended the
15 Institute of Public Utilities Accounting and Ratemaking Course at Michigan State
16 University and the INDIEC 2020 Indiana Energy Conference. I attended the 43rd
17 Annual Western Rate School sponsored by NARUC.

18 **Q: Have you previously filed testimony in other Commission proceedings?**

19 A: Yes.

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- Q 3.1:** How does CEI South intend to apply the SCP Tariff, SRR Tariff, and the SAC Tariff to customers for which CEI South has a special contract with for electric service?
- a. Has CEI South notified customers under a special contract of the proposed tariffs? If so, please provide all correspondence with all customers.
 - b. Do the existing special contracts allow CEI South to apply these charges to these customers? If not, please explain how this is not in conflict with the statutory requirement that these charges are nonbypassable.
 - c. If CEI South does not intend to apply these tariffs to customers who have a special contract with CEI South, please explain in detail.

Response:

- a. CEI South Key Account Managers are in the process of contacting CEI South's special contract customers to communicate the applicability of the SCP Tariff, SRR Tariff, and SAC Tariff. These communications have been verbal to inform, facilitate discussion, and provide any additional information or clarity based on customer feedback.
- b. Yes, the existing special contracts allow CEI South to apply the SCP, SRR, and SAC Tariffs to its special contract customers.
- c. N/A. See response to 45722 IG DR3-1.

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6-1. Please refer to p. 9, lines 19-32 or Mr. Rice's direct testimony.

- a) Is CEI South aware of any requirement or suggestion by any of the credit rating agencies that there needs to be a minimum bill component to the securitization charge to obtain or keep a AAA rating? If so, please explain in detail.
- b) Is CEI South aware of any utility securitization transactions in other states where a minimum bill component has been implemented? If yes, please provide a list of each transaction.

Response:

- a) As described by Witness Chang in Petitioner's Exhibit No. 3 on page 29 lines 27-31 "...the primary form of credit enhancement [considered by credit rating agencies] is the right to impose and collect nonbypassable Securitization Charges from consumers in the amount necessary to repay principal, interest and ongoing costs on the securitization bonds and the ability to adjust the amounts of the Securitization Charges through the true-up adjustment." The minimum bill mechanism helps ensure customers on Net Metering or EDG tariffs are not able to bypass securitization charges.
- b) CEI South is not aware of any utility securitization transaction in other states where a minimum bill component has been implemented.

2-1. Please refer to the direct testimony of Ralph Zarumba, beginning at page 5, which discusses CenterPoint's Minimum Bill proposal.

- a) Please confirm that a customer whose monthly usage exceeds the "minimum bill kWhs" (page 5, line 8) will not be subject to paying a Minimum Bill amount for that month.
- b) Please identify the specific statutory basis for authorizing the imposition of nonbypassable securitization charges on only certain rate classes but not others.
- c) Please explain in detail why CenterPoint selected the tenth percentile (page 5, line 22) as the Minimum Bill threshold. Please identify and fully explain whether other thresholds were considered and provide any research or analysis upon which CenterPoint used when considering what the appropriate threshold should be under a minimum bill mechanism.
- d) Please confirm or deny with detailed explanation that CenterPoint is planning to update in the future its calculation of the tenth percentile usage amounts for applicable customer classes to reflect possible future changes to customer usage. If confirmed, please identify and explain the planned frequency of such updates and the regulatory venue (e.g., rate cases) that CenterPoint plans to use for proposing such changes. Please provide any other relevant details.
- e) Please confirm whether CenterPoint is aware of any other U.S. utilities that apply a minimum bill mechanism specifically for recovering securitization charges. If confirmed, please identify each such example, including the name of the utility, the jurisdiction or state, the amount(s) of the minimum bill, the applicable customer class(es) subject to the minimum bill, and the primary source (including a hyperlink to or copy of the source) relied upon by CenterPoint for making this determination.
- f) Please confirm or deny with detailed explanation that it is possible for customers taking service under other rate schedules not proposed to be subject to a minimum bill to bypass paying all or a portion of securitization charges through the future deployment of distributed generation or self-supply of a portion of their own electricity.
- g) Please explain why the identified threshold for SGS customers of 17 kWh (page 5, line 25) is extremely small relative to the Residential tenth decile threshold of 369 kWh.
- h) Please include a description of what types of SGS customers are most likely to experience average usage of 17 kWh per month or less and therefore be most likely to experience a monthly Minimum Bill.
- i) Please confirm or deny with detailed explanation that some low usage CenterPoint customers that do not have a distributed generation facility are expected to see at least one monthly net bill increase from the application of the SRR, SCP Charge, and SAC if CenterPoint's petition is approved as filed. If confirmed, please identify how many customers CenterPoint estimates will see one or more net bill increases during the first 12-month period following CenterPoint implementing a monthly Minimum Bill
- j) Please confirm or deny with detailed explanation that the monthly Minimum Bill charge would be additional to the customer's Minimum Monthly Charge specified in the Company's base rate schedule.

Objection:

Petitioner objects to 45722 CAC DR 2-1(b) on the grounds and to the extent it is vague and ambiguous. Petitioner's proposed securitization charge is nonbypassable as applied to all rate classes. Petitioner further objects to 45722 CAC DR 2-1(c) on the separate and independent

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grounds and to the extent that its request for copies of analysis or research of alternative thresholds is confidential work product. Petitioner further objects to 45722 CAC DR 2-1(i) of the Request on the separate and independent grounds and to the extent it seeks a calculation, analysis or compilation which has not already been performed and which Petitioner objects to performing.

Response:

Subject to and without waiver of the foregoing objections, Petitioner responds as follows:

- a) Confirm. A customer whose monthly usage exceeds the “minimum bill kWhs” will be charged based on metered kWh as outlined in the proposed SCP tariff in Attachment MAR-1.
- b) See objection.
- c) See objection. The tenth percentile was chosen for the Residential, SGS, DGS and OSS tariff classes based upon a review of the bill frequency data. Please refer to 45722 CEIS Petitioner's Exhibit No 09 Workpaper RNZ-WP-1_Rate Divisor Gross-up_051022. Other thresholds at higher levels were considered; however, CEIS did not retain those files.
- d) CEI South does not plan to regularly update minimum bill thresholds throughout the life of the bonds. Thresholds will be reevaluated during general rate cases.
- e) The approach adopted by other utilities is irrelevant to this proceeding. The minimum bill proposal was based on customer usage characteristics specific to CEI South customers.
- f) Deny. CEI South did not identify any customers that could bypass securitization charges in rates outside of those with a proposed minimum bill.
- g) Each tariff class has different characteristics and therefore a different kWh threshold is produced when the 10th percentile is applied to each class.
- h) CEI South utilized the same methodology in setting up the proposed minimum usage thresholds. SGS customer criteria are described in the CEI South electric tariff in Sheet No. 14 (link below).

<https://midwest.centerpointenergy.com/assets/downloads/rates/in-south-electric-tariff.pdf>
- i) CEI South confirms that some customers without distributed energy facilities will have an increase to at least one monthly bill from the application of the SRR, SCP and SAC. See objection; CEI South has not performed an analysis to identify how many customers will see net bill increases during the first 12-month period following minimum bill implementation.
- j) Confirm.

2-3. Please refer to the direct testimony of Matthew Rice.

- a) Refer to Table MAR-7. Please provide updated tables showing the same under alternative securitization Structures #1 and #3 identified in Table BAJ-3.
- b) Please explain in detail how the securitization charge is nonbypassable for customers taking service under the following rate classes identified in Table MAR-7, given that these customer classes will not be assessed a Minimum Bill: B, LP/Other, BAMP, HLF, and Lighting.
- c) Please confirm or deny with detailed explanation that the reference to “AUPC” in Table MAR-7 means “average usage per customer”.
- d) Please refer to Attachment MAR-1 Tariff Securitization, page 49 of 54. Please confirm or deny with detailed explanation that the “metered kWh for the billing period” will be measured for Net Metering customers by taking the difference between electricity supplied by CenterPoint to the Net Metering customer, and the electricity supplied by the Net Metering customer to CenterPoint over the billing period.
- e) Please refer to Attachment MAR-1 Tariff Securitization, page 49 of 54. Please confirm or deny with detailed explanation that the “metered kWh for the billing period” will be measured for EDG customers by taking the difference between electricity supplied by CenterPoint to the EDG customer and the electricity supplied by the Net Metering customer to CenterPoint over the billing period.
- f) Please refer to Attachment MAR-1 Tariff Securitization, page 49 of 54. Please explain whether the “metered kWh for the billing period” can ever be a negative value (e.g., for a Net Metering customer that generates more electricity during the billing month than they consume), and if so, whether having negative usage would result in the customer being assessed a charge rather than a credit associated with the SRR and SAC.
- g) Please refer to Attachment MAR-1 Tariff Securitization, page 51 through 54 of 54. Please confirm or deny with explanation that the SRR and SAC will be assessed on the “metered kWh for the billing period” as that phrase is used on page 49 of 54. If the SRR and/or SAC will be assessed on a different measurement of monthly kWh usage, please explain in detail that difference and how this measurement will be calculated.
- h) Please confirm or deny with detailed explanation that CenterPoint has Net Metering, Distributed Generation, or Feed-In Tariff retail customers that are not part of the Residential, SGS, OSS or DGS customer classes. If confirmed, please identify for each such customer their rate class, generation technology, and nameplate capacity.
- i) Is CenterPoint aware of any of its large customers (i.e., an annual peak demand or contract demand of 1 MW or greater) that are currently considering or planning to install distributed generation or otherwise supply all or a portion of their electricity to serve their facilities located in CenterPoint’s service territory? If yes, please provide a detailed description of the customer(s), their rate class(es), and the timing of such investments.
- j) Does CenterPoint anticipate a significant increase or reduction in retail sales to industrial customers in 2023, 2024, or 2025? If yes, please provide a detailed explanation and identify the increase/decrease anticipated in each year.
- k) Please describe and identify any new large loads (defined as new or additional load for one customer that is 1 MW or greater) that CenterPoint anticipates within the next 5 years.

Objection:

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Petitioner objects to 45722 CAC DR 2-3 on the grounds and to the extent it seeks a compilation or analysis that has not been conducted and which Petitioner objects to doing. Petitioner further objects to 45722 CAC DR 2-3 on the separate and independent grounds and to the extent that it assumes electricity supplied will be netted over the billing period. On June 1, 2022, the Indiana Supreme Court granted transfer in *Off. Of Util. Cons. Couns. V. Southern Ind. Gas & Elec. Co.*, which means the Commission's Order in Cause No. 45378 remains in effect pending appeal. Petitioner objects to 45722 CAC DR 2-3(k) on the grounds and to the extent it is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence and is confidential, proprietary and trade secret. Petitioner further objects on the grounds and to the extent the Request is vague and ambiguous and provides no basis from which Petitioner can determine what information is sought, in that subpart (e) of the request appears to use EDG customer and Net Metering customer interchangeably.

Response:

Subject to and without waiver of the foregoing objections, Petitioner responds as follows:

- a) See objection. This analysis was not performed.
- b) CEI South has not identified a single customer that may bypass securitization charges in rate B, LP/Other, BAMP-Auxiliary, HLF, or Lighting.
- c) Confirm.
- d) Net metering customers will pay either a minimum bill, where applicable, or their "net electricity supplied by Company and delivered to Company", as described in Rider NM on Sheet 52 of CEI South's electric tariff.
- e) See objection. Petitioner assumes the use of "Net Metering customer" in the Request was a typographical error and responds as though this term was replaced with "EDG customer". EDG customers will pay either a minimum bill, where applicable, or inflow, as defined in Rider EDG on sheet No. 53 of CEI South's electric tariff.
- f) Net metering customers can have a negative value for a billing period; however, customers will not receive a charge for the SRR or SAC in a period where they have negative usage. In the event that the customer has zero kWh usage, the customers would not receive a charge or a credit.
- g) Confirm.
- h) CEI South identified one outside of these classes that recently installed a DER system; however, usage for this customer is expected to far exceed production from their system; thus, the customer will not bypass securitization charges. We are not aware of any other large customers that are planning to install DER that would materially affect their load.

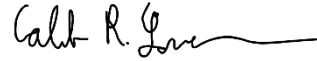
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- i) Please see Petitioner's Response to 45722 CAC DR 2-3(h). Systems of 1MW or greater would be set up with rate CSP, which requires a separate meter for production. In this scenario, production is not charged the SCP rate but rather the customer's kWh usage (measured on the second meter) would be charged the non-bypassable SCP rate .
- j) CEI South expects a significant increase in load in 2024 and 2025, when a new customer comes online. In general rate cases, allocation factors can be adjusted based on the load at that time.
- k) In addition to the project described in 45722 CAC DR 2-3(j), CEI South actively works to secure economic development projects. In general rate cases, allocation factors can be adjusted based on the load at that time.

A.B. Brown Units 1 & 2 NBV Calculation			
	<u>12/31/2022</u>	<u>2/28/2023</u>	<u>10/15/2023</u>
1 Gross Book Value	\$ 798,297,876	\$ 798,297,876	\$ 798,297,876
2 Accumulated Depreciation	(529,748,280)	(534,035,130)	(550,110,820)
3 Cost of Removal	(5,798,313)	(6,042,788)	(6,959,573)
4 Total NBV	\$ 262,751,284	\$ 258,219,958	\$ 241,227,484
5 Difference between Line 4 (10/15/23 - 2/28/2023)			\$ (16,992,474)

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



Caleb R. Loveman
Assistant Director-Electric Division
Indiana Office of Utility Consumer Counsel

Cause No. 45722
CenterPoint Energy Indiana South

August 3, 2022

CERTIFICATE OF SERVICE

This is to certify that a copy of the *OUCC's Testimony* has been served upon the following parties of record in the captioned proceeding by electronic service on August 3, 2002.

Jason Stephenson
Heather A. Watts
Jeffery A. Earl
Michelle D. Quinn
Matthew Rice
CENTERPOINT ENERGY INDIANA SOUTH
Jason.Stephenson@centerpointenergy.com
Heather.Watts@centerpointenergy.com
Jeffery.Earl@centerpointenergy.com
Matt.Rice@centerpointenergy.com
Michelle.Quinn@centerpointenergy.com

Nicholas K. Kile
Hillary J. Close
Lauren M. Box
BARNES & THORNBURG LLP
nicholas.kile@btlaw.com
hillary.close@btlaw.com
lauren.box@btlaw.com

Jennifer A. Washburn
Reagan Kurtz
CITIZENS ACTION COALITION
jwashburn@citact.org
rkurtz@citact.org

Tabitha Balzer
Todd Richardson
LEWIS & KAPPES, P.C
tbalzer@lewis-kappes.com
trichardson@lewis-kappes.com

REI
Nikki G. Shoultz
Kristina Kern Wheeler
BOSE MCKINNEY & EVANS LLP
nshoultz@boselaw.com
kwheeler@boselaw.com



T. Jason Haas
Attorney No. 34983-29
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PNC Center

115 West Washington Street, Suite 1500 South
Indianapolis, IN 46204

infomgt@oucc.in.gov

thaas@oucc.in.gov

317.232.2494 – Telephone

317.232.3315 – Direct

317.232.5923 – Facsimile