

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

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

CAUSE NO. 45990

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

REDACTED PUBLIC’S EXHIBIT NO. 9

PUBLIC TESTIMONY OF OUCC WITNESS GREGORY L. KRIEGER

MARCH 12, 2024

Respectfully submitted,



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

Confidential Information indicated by [REDACTED] highlights

**TESTIMONY OF OUCC WITNESS GREGORY L. KRIEGER
CAUSE NO. 45990
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 Gregory L. Krieger, and my business address is 115 W. Washington
3 St., Suite 1500 South, Indianapolis, Indiana 46204.

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

5 A: I am a Utility Analyst in the Indiana Office of Utility Consumer Counselor's
6 ("OUCC") Electric Division. A description of my professional background and
7 experience is included in Appendix A.

8 **Q: Please describe the review and analysis you conducted to prepare your**
9 **testimony.**

10 A: I reviewed the testimony prefiled by Southern Indiana Gas and Electric Company
11 d/b/a CenterPoint Energy Indiana South ("CEI South" or "Petitioner") in this Cause
12 as well as schedules, workpapers and relevant Indiana Utility Regulatory
13 Commission ("Commission") Orders. I reviewed previous CEI South cases before
14 the Commission, CEI South's Integrated Resource Plan ("IRP") and participated in
15 meetings with OUCC staff members in developing issues identified in this Cause.

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

17 A: The purpose of my testimony is to explain CEI South's request for capital
18 investment to be included in rate base as set forth in Petitioner's witness F. Shane
19 Bradford's testimony and workpapers. I discuss the differences between capital
20 investment and maintenance costs and how project managers and project engineers
21 distinguish between them. Ultimately, I recommend a \$169.4 million reduction of

Confidential Information indicated by [REDACTED] highlights

1 capital investment in Steam Production Plant CEI South proposes to include in rate
2 base. This reduces annual depreciation by an estimated \$8.8 million and reduces
3 the annual revenue requirement by an additional \$8.9 million.

4 **Q: To the extent you do not address a specific item, issue, or adjustment, does this**
5 **mean you agree with those portions of CEI South's proposals?**

6 A: No. Excluding any specific adjustments, issues, or amounts CEI South proposes
7 does not indicate my approval of those adjustments, issues, or amounts. Rather, the
8 scope of my testimony is limited to the specific items addressed herein.

II. CAPITAL PROJECT MANAGEMENT AND INVESTMENT

9 **Q: Please define fixed assets and capital investment.**

10 A: In my experience, fixed assets (also known as "capital assets") are plant, property,
11 or equipment having a useful life of more than one year, which are not purchased
12 for resale. Capital investment is the amount spent on fixed assets that are intended
13 to generate value when in use during the asset's useful life. Capital investment is
14 the sum of all initial costs necessary to make a fixed asset used and useful. CEI
15 South's Capitalization Policy confirms this understanding.¹

16 Company expenditures for items that have a useful life greater than
17 one year or that extend the useful life of an existing asset by more
18 than one year, that meet the minimum dollar thresholds, and that are
19 not intended for sale in the ordinary course of business shall be
20 capitalized[.]

21
22 **Q: Please explain what is meant by the "useful life" of a capital asset.**

23 A: When an asset is purchased or constructed, there is an expectation that it will be
24 useful for a period of time. It may be used occasionally or constantly over that

¹ OUCC Attachment GLK-05 45990 OUCC DR 40.2 (CONFIDENTIAL) Attachment – Capitalization Policy; Policy statement p. 1.

Confidential Information indicated by [REDACTED] highlights

1 timeframe. The useful life is how long the capital asset will perform under the
2 expected conditions and frequency of use or operation, assuming proper operation
3 and maintenance (“O&M”).

4 **Q: What is the difference between an O&M expense and a capital expense?**

5 A: Capital expense, or “Capex,” is interchangeable with the term capital investment
6 spending. What may make it confusing is total Capex for a project can include costs
7 that are routinely expensed for O&M purposes. The difference between a capital
8 expense and an O&M expense is O&M is routinely recurring. The initial cost
9 required to get an asset ready for its first use is included in Capex and is capitalized.

10 Some simple examples of O&M versus Capex include the replacement of
11 oil in an engine, air filters in a furnace, or salt in a water softener. The engine,
12 furnace, and water softener are not useful without oil, filters, or salt, respectively.
13 The first oil fill of an engine or filter of a furnace, and the cost of labor to install
14 them, are capitalized. Subsequent changes, including the cost of the oil or filter and
15 technician labor needed to change them, are not capitalized. The oil change cost is
16 a maintenance expense and is necessary to maintain the usefulness of the engine.
17 Without routine maintenance, the engine’s useful life is diminished.

18 **Q: Please explain the role of O&M expense in the life of a fixed, or capitalized,
19 asset.**

20 A: Maintenance expense keeps a fixed asset in good working order. Operational
21 expenses are the costs necessary to keep the fixed asset operating.

22 **Q: Why are the distinctions between Capex and O&M expenses important in
23 ratemaking and project management?**

24 A: The distinctions are important for many reasons. First, utilities are capital-intensive
25 businesses and require significant capital investment. Because of this, Capex drives

Confidential Information indicated by [REDACTED] highlights

1 the majority of rate base, and the associated depreciation is a significant portion of
2 O&M expense recovered from ratepayers.

3 From a project management perspective, a project manager ("PM") needs
4 to manage installation or construction budgets while choosing equipment with
5 reasonable O&M costs for the life of the assets. The PM must also know what can
6 be capitalized to manage the projects' budgets.

7 For ratemaking, net plant in service is the total cost of an installed asset and
8 equals the capital investment less depreciation. In this case, net plant in service
9 drives \$106.1 million of the recommended gross revenue increase.

10 An understanding of O&M and Capex is important because poorly
11 maintained or operated fixed assets will not be used and useful for their expected
12 lives. Finally, the accounting distinction between Capex and O&M must be
13 rigorously applied to all utility spending. Capitalizing O&M inappropriately
14 increases rate base, raising rates and placing affordability at risk.

15 **Q: Is there a legal distinction between maintenance and capital in prior cases?**

16 A: Although I am not an attorney, I understand that certain legal precedent states that
17 maintenance costs restore a capital asset to a previous reasonable operating level.
18 Therefore, costs that only restore an asset to a prior condition are not capitalized
19 and depreciated - they are expensed. This comes from the U.S. Supreme Court's
20 statement that "depreciation is the loss, not restored by current maintenance, which
21 is due to all the factors causing the ultimate retirement of the property. These factors
22 embrace wear and tear, decay, inadequacy, and obsolescence." *Lindheimer v.*
23 *Illinois Bell Tele. Co.*, 292 U.S. 151, 167 (1934).

Confidential Information indicated by [REDACTED] highlights

1 **Q: Please explain your concerns about the need for rigorous accounting.**

2 A: Distinguishing between maintenance expense, capitalization, and depreciation
3 requires proper accounting. Net plant in service, or Capex less depreciation, earns
4 a return on investment in ratemaking at the weighted average cost of capital
5 (“WACC”). If net plant in service is overstated through the capitalized inclusion of
6 O&M, consumers pay WACC plus a mark-up. This incorrect inclusion of O&M
7 raises rates to customers’ detriment.

8 If O&M spending is not capitalized, the utility only recovers the cost of
9 O&M without earning a return, making rates more affordable. If it is incorrectly
10 capitalized the utility earns a return on it at WACC and the consumer pays WACC
11 plus a conversion factor or gross up every year until it is fully depreciated.
12 Capitalizing maintenance expenses compounds the cost for ratepayers.

13 CEI South uses a straight-line remaining life method of depreciation that
14 allocates the original cost of the property, less accumulated depreciation, less future
15 net salvage, in equal amounts to each year of remaining service life.

Q: How is accounting rigor established and maintained in fixed asset accounting?

16 A: One way accounting rigor is established and maintained is through consistent and
17 uniform application of a fixed asset or capital investment policy and associated
18 procedures; the assets and the accounting entries are periodically reviewed via an
19 audit process. The policy should govern the routines of fixed asset accounts and
20 clearly define what PMs, project engineers and operating personnel can charge to
21 capex accounts.

22 **Q: Are there common errors in applying fixed asset accounting rules?**

23 A: Yes. In my experience, a common error is capitalizing spending that does not

Confidential Information indicated by [REDACTED] highlights

1 extend the useful life of an asset. Once an asset is in service, spending on
2 maintenance, repair, and upkeep should be capitalized only if the useful life of the
3 asset is extended. For example, if a water valve leaks and requires repair, its repair
4 does not extend the boiler's life; rather, it ensures the boiler can be used for its
5 expected life. The cost of repair is maintenance, not fixed asset investment. If a
6 water valve is replaced, its cost may be capitalized; proper capitalization removes
7 the value of the old valve from net plant in service by adjusting its original cost and
8 its reserve for depreciation. The new valve's cost is then added to plant in service
9 and the useful life for depreciation is adjusted to the remaining useful life of the
10 boiler.

11 A challenge in process industries,² however, is that a single valve is often
12 not an individually capitalized asset. Instead, the entire system is capitalized as a
13 group. In the valve example, the entire cost of the boiler system is capitalized as a
14 single asset including the installation labor, process piping and valves that supply
15 it. Consequently, the original cost and depreciation reserve are difficult to adjust
16 correctly. If the new valve is simply added without subtracting out the remaining
17 value of the removed valve, consumers are overcharged, and rates become less
18 affordable.

19 **Q: Explain how the straight-line remaining life method of depreciation can**
20 **impact capitalization and maintenance.**

21 A: The straight-line remaining life method of depreciation potentially allows utilities

² Utilities are considered "process industries". AACE International Recommended Practice No. 18R-97; Cost Estimate Classification System – As Applied in Engineering, Procurement and Construction for the Process Industries; Rev. March 1, 2016; Introduction.

Confidential Information indicated by [REDACTED] highlights

1 to capitalize pumps, valves, process piping and other miscellaneous asset
2 components when they are replaced. Utilities receive a “return on” these assets
3 because the capitalized items increase rate base. To capitalize replacements, a
4 utility should be required to demonstrate a replacement increases the entire useful
5 life or salvage value of an asset and that proper maintenance occurred.

III. INVESTMENT IN RATE BASE

6 **Q: How much capital investment has CEI South added to rate base since its last**
7 **rate case?**

8 A: CEI South's total capital additions and Allowance for Funds Used During
9 Construction (“AFUDC”) are expected to add approximately \$1.5 billion to rate
10 base.³

11 As summarized below in Table GLK-2 and according to Petitioner's
12 Exhibit No. 20 Schedule B-1.1, Rate Base Roll Forward, CEI South will have added
13 \$1,458 billion in Net Utility Plant between June 30, 2009 and December 31, 2025.⁴

³ CEI South Exhibit No. 20 – Financial Exhibit, Schedule B-1.1.

⁴ *Id.*

Confidential Information indicated by [REDACTED] highlights

Table GLK-2 Change in Net Plant (\$000)

<u>Net Utility Plant</u>	<u>Dec. 31, 2025</u>	<u>June 30, 2009</u>	<u>Net Plant Change</u>
Intangible Plant	77,722	1,015	76,707
Steam Production Plant	415,552	657,990	(242,438)
Other Production Plant	772,430	48,558	723,872
Transmission Plant	421,570	192,292	229,278
Distribution Plant	906,611	285,584	621,027
General Plant	34,267	11,659	22,608
General Plant - Common	47,966	21,420	26,546
Total Gross Utility Plant	2,676,118	1,218,518	1,457,600

1 **Q: What are the primary contributors to this \$1.5 billion addition to rate base?**

2 A: The largest contributors are Transmission and Distribution Plant, which added
3 approximately \$850 million to rate base. The second and third largest contributors
4 are \$481 million in production plant and \$76 million in intangible plant,
5 respectively. In their respective testimonies, OUCC witness Michael Eckert
6 discusses transmission and distribution investments, Jason Compton addresses
7 intangible plant, and Cindy Armstrong reviews land purchases.

8 **Q: How much of CEI South's production plant has the Commission approved?**

9 A: According to Mr. Bradford, approximately \$1 billion was approved in various
10 causes and is expected to be spent through 2025. Table GLK-3 details of each Cause
11 approved, and further detail can be found in OUCC CONFIDENTIAL Attachment
12 GLK-01.

Confidential Information indicated by [REDACTED] highlights

1

Table GLK-3 Approved Projects

Cause No.	Project Name
45280/45052 ECA 4	A.B. Brown Ash Pond Closure
45564/45052 ECA 4	A.B. Brown Compliance Pond
44446/45052	A.B. Brown NPDES
45052 ECA 4	F.B. Culley West Pond Closure
45052 ECA 4	F.B. Culley 3 Dry Bottom Ash
45903	F.B. Culley East Pond Closure
45052 ECA 4	F.B. Culley FGD Spray Dry Evaporator
45564/45052 ECA 4	F.B. Culley Compliance Pond
44446	F.B. Culley 2 Precipitator Upgrade
45564/45052 ECA 4	DFA Loadout Facility
44909/44909 CECA 1	Evansville Urban Facility
45501/45847	Posey Solar BTA
45564	A.B. Brown 5&6 CTs
44909/44909 CECA 1	Hwy 41 Facility

2 **Q: If production plant additions of \$1 billion have been authorized by the**
3 **Commission, why did capital investment rate base only increase by \$481**
4 **million?**

5 A: This is primarily due to two things:

- 6 1. The Commission's approval of securitization in Cause No. 45772 eliminated
7 approximately \$360 million in net plant; this amount is being passed through to
8 consumers in a rider.
- 9 2. Consumers have already paid \$965 million in depreciation through 2022.⁵

⁵ CEI South Exhibit No. 20 – Financial Exhibit, Schedule B-1.1 Line 16 column [C].

Confidential Information indicated by [REDACTED] highlights

1 **Q: Is there spending in the asset class Steam Production Plant that concerns you?**

2 A: Yes. Mr. Bradford's testimony provides some explanation, but his workpapers
3 provide very limited detail, including a project listing of "Other (Projects less than
4 \$5M)".⁶ That list⁷ contains projects that do not have supporting documentation
5 explaining their necessity. CEI South is including:

6 \$95.9 million of replacement projects,⁸

7 \$7.6 million on refurbishment projects,⁹

8 [REDACTED] million for a coal silo failure,¹⁰

9 [REDACTED] million in land,¹¹

10 \$1.2 million in valves,¹² and

11 [REDACTED].¹³

12 There is also [REDACTED] million for FB Culley Unit 3,¹⁴ in addition to \$116.8
13 million of miscellaneous projects including equipment overhauls, computers, and
14 cell phones.¹⁵

15 **Q: Why do the investments in replacement and refurbishments concern you?**

16 A: Capitalizing items that should be expensed as maintenance can add to the cost for
17 consumers by allowing a utility to earn a return on items that should be expensed.

⁶ Petitioner's Exhibit No. 7 Workpaper FSB-1 (Confidential), PS Projects from 2009 tab.

⁷ *Id.*

⁸ 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab ReplacementPivotLT5M.

⁹ 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab RefurbLT5M Pivot.

¹⁰ 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab [REDACTED].

¹¹ 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab [REDACTED].

¹² 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab Valves

¹³ 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab [REDACTED].

¹⁴ 45990 OUCC CONFIDENTIAL Workpaper GLK-01 Notable Capital Projects.xlsx, tab Culley 3.

¹⁵ Petitioner's Exhibit No. 7, Workpaper FSB-1 (Confidential), PS Projects from 2009 tab.

Confidential Information indicated by [REDACTED] highlights

1 I am also concerned about CEI South's project management and accounting
2 discipline.

3 **Q: Can you provide some examples that make you question CEI South's**
4 **capitalization discipline?**

5 A: Yes. One example is approximately [REDACTED] spent for "wallpaper" replacement.¹⁶

6 When asked about the remaining life of the building where it was installed, CEI
7 South responded the Flue Gas Desulphurization scrubber absorber tower structure
8 ("tower structure") was not a building and did not otherwise respond to the
9 question.¹⁷

10 When the OUCC asked how the old wallpaper was written off, CEI South
11 responded, "[t]he wallpaper replaced on this project were [sic] retired with equal
12 reductions to plant in service and accumulated depreciation in CEI South's fixed
13 asset system."¹⁸ Given CEI South uses straight line remaining life depreciation and
14 replacements were performed in 2011, 2022, and 2023 to a 1994 tower
15 structure,^{19,20} equal reductions to plant in service and accumulated depreciation
16 implies at least three fully depreciated wallpaper assets were removed from service,
17 as I explain further below.

¹⁶ The "wallpaper" in question is a specialized thin high chrome alloy that is welded internally onto the Flue Gas Desulphurization ("FGD") scrubber absorber tower structure. OUCC Attachment GLK-04; CEI South Confidential Response to OUCC DR 33.2a. Petitioner's exhibit 7 Workpaper FSB-1 identifies several work orders simply as "FBC FGD Wallpaper Replacement".

¹⁷ *Id.*, DR 33.2g.

¹⁸ *Id.*, DR 33.2i.

¹⁹ Petitioner's Exhibit No. 7 Workpaper FSB-1 (Confidential)

²⁰ Cause No. 45990 – CEI South (CONFIDENTIAL) Response to OUCC DR 33.2d.

Confidential Information indicated by [REDACTED] highlights

1 **Q: What evidence do you have that CEI South is not properly accounting for**
2 **capital investment?**

3 A: When the OUCC requested in discovery that CEI South provide the number of
4 replacements it had made, CEI South stated that it had “not performed an analysis
5 for what is or is not a replacement project.”²¹ While CEI South’s capitalization
6 policy properly states that capital projects should increase the useful life of a given
7 piece of equipment,²² that policy further states [REDACTED]

8 [REDACTED]. See OUCC

9 Exhibit GLK-05, CEI South Capitalization Policy. This cataloging process would
10 allow for regular reviews and long-term oversight of proper capitalization. In
11 contrast, the projects listed above reference repairs, replacements, and
12 refurbishments, and other categories that are maintenance, not investment. Such
13 items keep an asset running but do not extend the asset’s useful life.

14 **Q: Please explain why removing an asset from service using equal reductions to**
15 **plant in service and accumulated depreciation implies three fully depreciated**
16 **wallpaper assets were removed.**

17 A: CEI South uses a straight-line depreciation method. This method adds the same
18 percentage of a fixed asset’s original cost to the depreciation reserve each year.
19 When an asset is capitalized, only the plant in service amount exists in the fixed
20 asset accounting records. Only after an asset is in service for a full accounting

²¹ Cause No. 45990 – CEI South (CONFIDENTIAL) Response to OUCC DR 28.16.

²² OUCC Attachment GLK-05 45990 OUCC DR 40.2 (CONFIDENTIAL) Attachment – Capitalization Policy; Policy statement p. 1.

Confidential Information indicated by [REDACTED] highlights

1 period is the first depreciation entry made. Depreciation entries continue for each
2 period until the asset is dispositioned or fully depreciated.

3 From the first entry and for every accounting period until the end of an
4 asset's depreciable life, the plant in service value and accumulated reserve are
5 different values. The net of the two is the asset's net book value ("NBV").

6 When an asset is dispositioned, its original cost and accumulated
7 depreciation are removed, which removes the asset from the books.

8 Equal reductions to plant in service and accumulated depreciation could
9 occur only when a fully depreciated asset - or one with a NBV of zero - is removed
10 from the books. CEI South's transaction description implies that each project in
11 2011, 2020 and 2023 replaced only sections of wallpaper that were fully
12 depreciated.

13 **Q: Does CEI South use this description of asset removals in other discovery**
14 **responses?**

15 A: Yes. It uses this description of asset removals for various [REDACTED]
16 [REDACTED] projects.

17 **Q: Are there other anomalies included in the proposed rate base calculations?**

18 A: Yes. One example is when CEI South failed to install a design modification to a
19 coal silo as specified in the design document; the silo later failed.²³ The [REDACTED] million
20 cost is a result of poor project management and should not be added to rate base or
21 borne by consumers.

²³ OUCC Attachment GLK-03; CEI South Confidential Response to OUCC DR 33.4.

Confidential Information indicated by [REDACTED] highlights

1 **Q: Please explain the investment in FB Culley 3.**

2 A: Of the [REDACTED] million amount, over \$7 million is pending a Commission ruling on
3 the Culley 3 outage in Cause 38708 FAC-137 S1.²⁴ FB Culley Unit 3 is slated for
4 gas conversion by 2027.²⁵ The [REDACTED] million balance is forecasted in CEI South
5 Exhibit 7, confidential workpaper FSB-1, and includes multiple Unit 3 projects.²⁶
6 The conversion and associated major projects should not be included in rates until
7 a future CPCN for FB Culley Unit 3's conversion to natural gas is approved by the
8 Commission. Not until the CPCN is filed, ruled on by the Commission, and the
9 subsequent work completed should it be included in rates.

10 **Q: Does Mr. Bradford or any other CEI South witness provide support that these**
11 **costs are reasonable?**

12 A: No. Mr. Bradford only focuses on the largest projects. There is no testimony
13 regarding how CEI South manages maintenance, replacement, and smaller capital
14 projects.

15 **IV. RECOMMENDATIONS**

16 **Q: What is your recommendation?**

17 A: I recommend the Commission:

- 18 1. Deny CEI South the ability to earn a "return on" \$104.7 million of replacement,
19 refurbishment, and valve projects;
- 20 2. Deny CEI South's request to include [REDACTED] million in rate base for FB Culley 3
21 major projects;

²⁴ On February 29, 2024, the OUCC filed its proposed order in Cause No. 38708 FAC 137 S1 requesting that this amount not be collected from customers. The matter is pending resolution before the Commission as of the date of this testimony.

²⁵ OUCC Attachment GLK-02; CenterPoint Energy press release; April 26, 2023.

²⁶ Petitioner's Exhibit No. 7 Workpaper FSB-1 (Confidential); [REDACTED] tab.

Confidential Information indicated by [REDACTED] highlights

- 1 3. Deny CEI South's request to include [REDACTED] million in rate base for the
2 replacement of a coal silo failure as described in my testimony;
- 3 4. Deny the "return of depreciation" in the amount of \$8.8 million associated with
4 the assets that should not have been capitalized;²⁷ and
- 5 5. As a result of these adjustments, reduce revenue requirement driven by the
6 "return on" capex by \$8.9 million.²⁸

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

8 A: Yes.

²⁷ 45990 OUCC Confidential Workpaper GLK-02 Deprec Resrv Est.xlsx.

²⁸ *Id.*

Confidential Information indicated by [REDACTED] highlights

APPENDIX A

1 **Q: Summarize your professional background and experience.**

2 A: I have a Bachelor of Science in Industrial Engineering from Purdue University.

3 After graduating Purdue, I was a Manufacturing Project Engineer, Manufacturing

4 Quality Manager and Capital Investment Manager while I earned my Masters in

5 Business Administration from IU's Kelley School of Business. I then worked over

6 20 years with Technicolor (f.k.a. Thomson S.A.) in the areas of Operations,

7 Finance, Marketing and Sales. After completing my MBA, I was a start-up Plant

8 Controller then a Project and Program Manager in Finance, Operations and Supply

9 Chain. Ultimately at Technicolor, I was General Manager of Sales, Operations and

10 Finance where I led three successive re-organization Programs: Latin America

11 Sales and Distribution, Audio-Video-Accessories Division Operations and

12 Corporate Finance. Post Technicolor, I worked eight years at Cummins in the areas

13 of Business Development, Sales Functional Excellence, Strategy and Pricing. I

14 have been with the OUCC since October of 2022.

15 **Q: Describe some of your duties and training at the OUCC.**

16 A: I review and analyze utilities' requests and file recommendations on behalf of the

17 OUCC in utility proceedings. My current focus is Engineering Project Management

18 and Engineering Cost Analysis. I have completed Michigan State University's

19 Institute of Public Utilities (IPU) Advanced Cost Allocation and Rate Design

20 Course, EUCI's Seminar in Electric Cost of Service, NARUC's Regulatory

21 Training for Fundamentals of Utility Law, and University of Wisconsin's Regional

22 Transmission Organization Fundamentals. Most recently, I completed NARUC

Confidential Information indicated by [REDACTED] highlights

1 Staff Subcommittee on Accounting and Finance Depreciation Training:

2 Fundamental Concepts and Current Issues.

3 Q: **Have you previously provided testimony to the Commission?**

4 A: Yes.

"Excluded from public access per A.R. 9{G)."

With respect to Shane Bradford's confidential Workpaper FSB-1 please respond to the following:

Q 28.15:

For the

[REDACTED]

Objection:

CEI South objects to the Request on the grounds and to the extent the Request seeks information which is trade secret or other proprietary, confidential, and competitively sensitive business information of CEI South, its customers, or its vendors. CEI South has made reasonable efforts to maintain the confidentiality of this information. Such information has independent economic value and disclosure of the requested information would cause an identifiable harm to CEI South, its customers, or its vendors. The responses are "trade secret" under law (Ind. Code § 24-2-3-2) and entitled to protection against disclosure. See also Indiana Trial Rule 26(C)(7). All responses containing designated confidential information are being provided pursuant to non-disclosure agreements between CEI South and the receiving parties.

CEI South further objects to the Request, on separate and independent grounds, to the extent it solicits documents or information already in the public domain which are accessible to the parties.

Response:

Subject to and without waiver of the foregoing objections, CEI South responds as follows: Please see the attachment listed below.

Attachment:

- 45990 OUCC DR28 28.15 (CONFIDENTIAL)_Variance.xlsx



For Immediate Release

Page 1 of 3

CenterPoint Energy continues shift from coal-fired generation; renewables complemented with natural gas-fired generation forge ahead as generation portfolio

- *Proposed plan is expected to save customers nearly \$80 million in the aggregate*
- *Expected to reduce carbon emissions from its electric generation fleet by more than 95% over next 20 years while maintaining reliable service*
- *Year-long planning process included detailed analysis and extensive public input*

Evansville – April 26, 2023 – CenterPoint Energy’s (NYSE: CNP) Indiana-based electric business today announced its Integrated Resource Plan (IRP) preferred portfolio to further invest in renewable generation and end its use of Indiana coal by 2027.

The IRP preferred portfolio was shared at CenterPoint Energy’s fourth and final public stakeholder meeting, conducted as part of a year-long planning process involving extensive analysis and public input. The proposed plan is expected to save customers nearly \$80 million in the aggregate compared to the continued use of coal while reducing carbon emissions from its electric generation fleet by more than 95% over the next 20 years. Currently, 85% of electricity generated for southwest Indiana customers comes from coal. By 2030, it is expected that more than 80% of CenterPoint Energy’s electricity will be generated by solar and wind, with the remainder provided by natural gas.

“Our recommended mix of renewable and natural gas resources is expected to maintain the ability to turn on generating resources during times of greatest demand supporting reliability and continuing our strategy of providing cleaner electricity that meets customers’ future energy needs,” said Richard Leger, Senior Vice President, Indiana Electric.

CenterPoint Energy’s IRP is conducted every three years and submitted to the Indiana Utility Regulatory Commission (IURC). Based on an in-depth analysis of energy needs, public stakeholder input and many other factors which are updated and forecasted across the next 20 years, the IRP identifies a balanced plan that seeks to supply reliable and reasonably priced electricity to the utility’s 150,000 customers in southwestern Indiana. The plan also is designed to comply with the new, more stringent capacity requirements set by the Midcontinent Independent System Operator (MISO) to meet peak energy demand across all four seasons.

Modeling conducted within the IRP analysis points CenterPoint Energy toward the following goals:

- Converting F.B. Culley 3, the last coal unit operated by CenterPoint Energy, to natural gas by 2027, maintaining its 270 MW capacity
 - Preserving the 270 MW of dispatchable generation is expected to maintain reliability during long duration summer and winter weather events
- Adding 200 MW of wind and 200 MW of solar by 2030, with the potential need for an additional 400 MW of wind resources by 2032

Leger said, “Customer and stakeholder engagement were heavily considered throughout this process. We appreciate the thoughtful insights which helped us arrive at our go-forward plan that will help meet the growing demands of our residential and business customers in the region and maintain our environmental responsibilities. We continue our goal to provide a responsible, resilient and reliable energy future, which



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requires fast-ramping resources like natural gas turbines to keep the power flowing when renewable generation is not sufficient.”

The IURC previously granted approval for the construction of two natural gas combustion turbines, with capacity of 460 MW. CenterPoint Energy also has five previously announced solar projects in various stages of development. In addition, a wind generation project has been filed and is awaiting IURC approval. The completed IRP is expected to be submitted to the IURC by June 1. A director's report, detailing the IURC's comments, will likely be issued by the second quarter of 2024. For more information on CenterPoint Energy's preferred portfolio and the IRP process, visit [CenterPointEnergy.com/IRP](https://www.CenterPointEnergy.com/IRP).

Leger added, “We are confident the proposed portfolio will meet the expectations of our customers and deliver on our goal to provide a cost-effective, well-balanced energy mix. These continued investments in our generation transition plan will allow customers to benefit in the near term and leaves room for flexibility as the future of electric generation continues to evolve.”

Forward Looking Statement

This news release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this news release, the words "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "should," "target," "will" or other similar words are intended to identify forward-looking statements. These forward-looking statements are based upon assumptions of management which are believed to be reasonable at the time made and are subject to significant risks and uncertainties. Actual events and results may differ materially from those expressed or implied by these forward-looking statements. Any statements in this news release regarding future events, such as CenterPoint Energy's ability to execute on its generation transition plan and to implement cleaner energy, the ability of CenterPoint Energy to secure sufficient capacity, or that such capacity will be sufficient to meet future customer demand, the extent and amount of, if any, of anticipated bill, anticipated savings and energy reductions, the timing of CenterPoint Energy's IRP and any other statements that are not historical facts are forward-looking statements. Each forward-looking statement contained in this news release speaks only as of the date of this release. Important factors that could cause actual results to differ materially from those indicated by the provided forward-looking information include risks and uncertainties relating to: (1) the impact of pandemics, including the COVID-19 pandemic; (2) financial market conditions; (3) general economic conditions; (4) the timing and impact of future regulatory and legislative decisions; (5) effects of competition; (6) weather variations; (7) changes in business plans; (8) continued disruptions to the global supply chain and increases in commodity prices; (9) legislative decisions, including tax and developments related to the environment such as global climate change, air emissions, carbon and waste water discharges; (10) CenterPoint Energy's ability to execute on its initiatives, targets and goals and operations and maintenance goals and (11) other factors, risks and uncertainties discussed in CenterPoint Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission.

About CenterPoint Energy

As the only investor-owned electric and natural gas utility based in Texas, CenterPoint Energy, Inc. (NYSE: CNP) is an energy delivery company with electric transmission and distribution, power generation and natural gas distribution operations that serve more than 7 million metered customers in Indiana, Louisiana, Minnesota, Mississippi, Ohio and Texas. As of December 31, 2022, the company owned



For more information, contact
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approximately \$38 billion in assets. With approximately 9,000 employees, CenterPoint Energy and its predecessor companies have been in business for more than 150 years. For more information, visit CenterPointEnergy.com.

- Q 33.4:** Please explain [REDACTED]
[REDACTED]
[REDACTED]
- a. Was this [REDACTED]?
 - b. Was [REDACTED]
[REDACTED]
 - c. [REDACTED]
[REDACTED]
 - d. What was the [REDACTED]
[REDACTED]
[REDACTED]

Objection: CEI South objects to the Request on the grounds and to the extent the Request seeks information that is trade secret or other proprietary, confidential, and competitively sensitive business information of CEI South, its customers, or third parties. CEI South has made reasonable efforts to maintain the confidentiality of this information. Such information has independent economic value and disclosure of the requested information would cause an identifiable harm to Petitioner, its customers, or third parties. The responses are "trade secret" under law (Ind. Code § 24-2-3-2) and entitled to protection against disclosure. See also Indiana Trial Rule 26(C)(7). All responses containing designated confidential information are being provided pursuant to nondisclosure agreements between Petitioner and the receiving parties.

Response: Subject to and without waiver of the foregoing objection, CEI South responds as follows:

- a. Single.
- b. Yes. The root cause of the FBC 3B Coal Silo failure was determined to be the 1976 design modification was not installed as specified in the design document.
- c. No.
- d. CEI South does not have expected life of the specific component beyond what is inherent in group depreciation.

² Please see FN 1 above.

- Q 33.2:** Please explain [REDACTED]
[REDACTED]
[REDACTED] by answering the following:
- b. Where is [REDACTED]
[REDACTED]
 - c. [REDACTED]
 - d. [REDACTED]?
 - e. Please provide any [REDACTED]
[REDACTED]
 - f. Was [REDACTED]
[REDACTED]
 - g. What is the expected [REDACTED]
[REDACTED]?
 - h. What is the expected [REDACTED]
[REDACTED]?
 - i. Explain how [REDACTED]
[REDACTED]
 - j. [REDACTED] Were any of these [REDACTED] and if so, please explain [REDACTED]?
 - k. How many [REDACTED]?

Objection: CEI South objects to the Request on the grounds and to the extent the Request seeks information that is trade secret or other proprietary, confidential, and competitively sensitive business information of CEI South, its customers, or third parties. CEI South has made reasonable efforts to maintain the confidentiality of this information. Such information has independent economic value and disclosure of the requested information would cause an identifiable harm to Petitioner, its customers, or third parties. The responses are "trade secret" under law (Held. Code § 24-2-3-2) and entitled to protection against disclosure. See also Hildaiila Trial Rule 26(C)(7). All responses containing designated confidential information are being provided pursuant to nondisclosure agreements between Petitioner and the receiving parties.

Response: Subject to and without waiver of the foregoing objection, CEI South responds as follows:

- a. Wallpaper is a term used for a thin high chrome alloy that is welded internally onto the Flue Gas Desulfurization ("FGD") scrubber absorber tower structure. This wallpaper is resistant to corrosion from the scrubber slurry and flue gas in the absorber.
- b. No contractor estimate was provided. The work scope is determined by the amount of wallpaper identified to replace through condition assessment; therefore, the work is done on a time and material basis.

- c. No. CEI South has a Master Service Agreement (“MSA”) with the vendor that provides this service at discounted costs.
- d. Original wallpaper was installed prior to the scrubber going in-service in 1994.
- e. As the wallpaper fails, the slurry in the absorber tower will corrode the carbon steel structural component of the tower and leak slurry externally. During a scheduled outage, thickness readings are taken to determine how much wallpaper to replace for reliable operation.
- f. Wallpaper is the only option due to the environment in the absorber tower. It is the industry standard.
- g. The FGD is not a building.
- h. This is unknown due to changing conditions in the absorber tower.
- i. The wallpaper replaced on this project were retired with equal reductions to plant in service and accumulated depreciation in CEI South’s fixed asset system.
- j. CEI South does not have this information.
- k. CEI South does not have this information.

Q 40.2: Please provide CEI South's current fixed asset or capital investment policies and procedures that govern the approval, purchase, and capitalization of items to be added to plant in service accounts.

Objection: CEI South objects to the Request on the grounds and to the extent the Request seeks information, which is trade secret or other proprietary, confidential, and competitively sensitive business information of CEI South, its customers, or its vendors. CEI South has made reasonable efforts to maintain the confidentiality of this information. Such information has independent economic value and disclosure of the requested information would cause an identifiable harm to CEI South, its customers, or its vendors. The responses are "trade secret" under law (Ind. Code § 24-2-3-2) and entitled to protection against disclosure. See also Indiana Trial Rule 26(C)(7). All responses containing designated confidential information are being provided pursuant to non-disclosure agreements between Petitioner and the receiving parties.

Response: Subject to and without waiver of the foregoing objection, CEI South responds as follows: Please see the attachments listed below.

Attachments:

- 45990 OUCC DR 40 40.02 (CONFIDENTIAL) Attachment – Capitalization Policy.pdf
- 45990 OUCC DR 40 40.02 (CONFIDENTIAL) Attachment – Computer Software Policy.pdf
- 45990 OUCC DR 40 40.02 (CONFIDENTIAL) Attachment – Expenditure Authorization Policy.pdf

Q 28.16: For 

Objection: CEI South objects to the foregoing Request on the grounds that meaning of the term "replacement projects" is vague and ambiguous and provides no basis from which Petitioner can determine what information is sought.

CEI South objects to the Request, on separate and independent grounds, and to the extent it seeks a calculation, compilation, or analysis that CEI South has not completed and to which CEI South objects to performing.

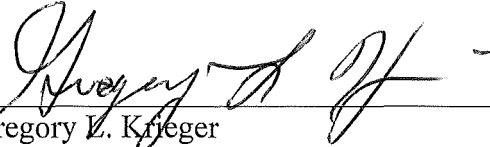
CEI South objects to the Request on the grounds and to the extent the Request seeks information which is trade secret or other proprietary, confidential, and competitively sensitive business information of CEI South, its customers, or its vendors. CEI South has made reasonable efforts to maintain the confidentiality of this information. Such information has independent economic value and disclosure of the requested information would cause an identifiable harm to CEI South, its customers, or its vendors. The responses are "trade secret" under law (Ind. Code § 24-2-3-2) and entitled to protection against disclosure. See also Indiana Trial Rule 26(C)(7). All responses containing designated confidential information are being provided pursuant to non-disclosure agreements between CEI South and the receiving parties.

Response: Subject to and without waiving the foregoing objection, CEI South provides the following response:

Beyond what Workpaper FSB-1 (CONFIDENTIAL) shows as "replacement projects" via the project name, CEI South has not performed an analysis for what is or is not a replacement project. In addition, the retirement of any projects in conjunction with the placement in service of "replacement projects" would not have any effect on the net original cost rate base but rather the only effect would be on depreciation expense which will be captured in the post order submission.

AFFIRMATION

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



Gregory L. Krieger
Utility Analyst II
Indiana Office of Utility Consumer Counselor

Cause No. 45990
CenterPoint Energy Indiana South

March 12, 2024

Date

CERTIFICATE OF SERVICE

The undersigned counsel for the OUCC certifies that on March 12, 2024 a copy of this *Redacted Testimony of Public's Exhibit No. 9, Witness Gregory L. Krieger* was electronically served, via e-mail, upon all parties of record in this proceeding.

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