

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF SOUTHERN INDIANA)
GAS AND ELECTRIC COMPANY D/B/A)
CENTERPOINT ENERGY INDIANA SOUTH FOR:)
(1) APPROVAL OF AND A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY FOR)
FEDERALLY MANDATED NATURAL GAS)
TRANSMISSION, DISTRIBUTION AND STORAGE)
PROJECTS (THE "COMPLIANCE PROJECTS"),)
AND THE COSTS THEREOF, RELATED TO)
PETITIONER'S COMPLIANCE WITH VARIOUS)
FEDERALLY MANDATED REQUIREMENTS)
RELATED TO NATURAL GAS PIPELINE SAFETY)
AND INTEGRITY; (2) APPROVAL OF)
PETITIONER'S 5-YEAR PLAN FOR)
TRANSMISSION, DISTRIBUTION AND STORAGE)
SYSTEM IMPROVEMENTS PURSUANT TO IND.)
CODE CH. 8-1-39 ("TDSIC PLAN") (AND FOR)
COMPLIANCE PROJECTS, IN THE EVENT AND)
TO THE EXTENT THE COMMISSION)
CONCLUDES THAT SUCH PROJECTS DO NOT)
MEET THE REQUIREMENTS OF IND. CODE CH.)
8-1-8.4); (3) AUTHORIZE TDSIC TREATMENT AS)
PROVIDED IN IND. CODE CH. 8-1-39 FOR THE)
NATURAL GAS TRANSMISSION , DISTRIBUTION)
AND STORAGE SYSTEM IMPROVEMENTS (AND)
THE COSTS THEREOF) SET FORTH IN)
PETITIONER'S TDSIC PLAN; (4) APPROVAL OF)
PETITIONER'S USE OF ITS ADJUSTMENT)
("CSIA") MECHANISM AND RELATED)
ACCOUNTING DEFERRALS, PURSUANT TO IND.)
CODE CHS. 8-1-8.4 AND 8-1-39, FOR THE TIMELY)
RECOVERY AND DEFERRAL OF COSTS)
RELATED TO SUCH COMPLIANCE AND)
TRANSMISSION, DISTRIBUTION AND STORAGE)
PROJECTS (INCLUDING FINANCING COSTS)
INCURRED DURING CONSTRUCTION); AND (5))
APPROVAL OF OTHER RELATED RATEMAKING)
RELIEF AND TARIFF PROPOSALS CONSISTENT)
WITH IND. CODE CHS. 8-1-8.4 AND 8-1-39)**

CAUSE NO. 45612

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

**PUBLIC'S EXHIBIT NO. 1 – TESTIMONY OF OUCC WITNESS
HEATHER R. POOLE**

December 2, 2021

Respectfully submitted,



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**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
D/B/A CENTERPOINT ENERGY INDIANA SOUTH
CAUSE NO. 45612
TESTIMONY OF OUCC WITNESS HEATHER R. POOLE**

I. INTRODUCTION

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

2 A: My name is Heather R. Poole, and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, IN 46204.

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

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as
6 the Assistant Director of the Natural Gas Division. I have worked as a member of the
7 OUCC's Natural Gas Division since December of 2010. For a summary of my
8 educational and professional experience, as well as my preparation for this case,
9 please see the Appendix attached to my testimony.

10 **Q: What are your recommendations?**

11 A: I recommend approval of Southern Indiana Gas and Electric Company d/b/a
12 CenterPoint Energy Indiana South's ("CEI South" or "Petitioner") use of the
13 Compliance and System Improvement Adjustment ("CSIA") rate adjustment
14 mechanism for timely recovery of 80% of the federally mandated costs of the
15 Compliance Projects and the capital costs and TDSIC costs of the TDSIC Projects,
16 including financing costs incurred during construction, with a few adjustments. I
17 recommend changes to CEI South's Weighted Average Cost of Capital calculation
18 used in both the Compliance Component and TDSIC Component of the CSIA
19 mechanism. I recommend Petitioner collect the CSIA charge from residential
20 customers via a volumetric rate instead of a fixed monthly charge. I also recommend

1 deferral of 20% of the federally mandated costs of the Compliance Projects and the
2 capital costs and TDSIC costs of the TDSIC Projects, and interim deferrals of such
3 costs, until such costs are reflected in Petitioner's retail rates. I recommend various
4 approvals of CEI South's other requests, as discussed below.

5 In addition to my testimony, OUCC witness Brien R. Krieger discusses CEI
6 South's request for approval of a certificate of public convenience and necessity
7 ("CPCN") for the federally mandated projects contained within CEI South's petition.
8 Mr. Krieger also discusses CEI South's request for a 5-year plan for transmission,
9 distribution, and storage system improvements pursuant to Ind. Code ch. 8-1-39.

II. COMPLIANCE AND SYSTEM IMPROVEMENT ADJUSTMENT MECHANISM

10 **Q: Describe Petitioner's request to continue use of the current CSIA mechanism.**

11 A: In this Cause, CEI South is requesting accounting authority starting January 1, 2022
12 for, and subsequent recovery of, costs specific to the proposed Compliance Projects
13 under Ind. Code § 8-1-8.4 ("Compliance Statute") and the 5-Year TDSIC Plan
14 Projects under Ind. Code § 8-1-39 ("TDSIC Statute").

15 CEI South is requesting recovery of 80% of approved federally mandated
16 costs and approved capital expenditures and TDSIC costs via the CSIA mechanism
17 and deferral of the remaining 20% for subsequent recovery in a base rate case,
18 including costs associated with:

- 19 • Capital investments in eligible projects, both completed and under
20 construction,
- 21 • Financing costs on projects under construction,
- 22 • Post-in-service carrying costs ("PISCC"),
- 23 • Projected and annualized property tax and depreciation expense, and

1 • Amortization of deferred depreciation expense and PISCC.
2 CEI South is also requesting interim depreciation and PISCC deferrals and
3 subsequent recovery of deferred amounts via the CSIA mechanism.

4 Both the Compliance Statute and the TDSIC Statute allow for the timely
5 recovery of 80% of the approved costs through a periodic retail rate adjustment
6 mechanism, with the remaining 20% being deferred and subsequently recovered by
7 the Company as part of its next general base rate case.

8 **Q: Has CEI South used this methodology in the past?**

9 A: Yes. As previously approved by prior order in Cause No. 44429, Petitioner's CSIA
10 charges have both a Compliance Component and a TDSIC Component.

A. Compliance Component

11 **Q: How does the federal mandate statute define eligible costs?**

12 A: Ind. Code § 8-1-8.4-4(a) defines eligible federally mandated costs as “costs that an
13 energy utility incurs in connection with a compliance project, including capital,
14 operating, maintenance, depreciation, tax or financing costs.” I have reviewed the
15 costs CEI South proposes to include in the Compliance Component of the CSIA
16 mechanism, and all costs comply with the federal mandate statute. OUCC witness
17 Krieger discusses whether all of CEI South's federally mandated projects are eligible
18 under the federal mandate statute.

19 **Q: What Weighted Average Cost of Capital (“WACC”) will CEI South use in the
20 Compliance Component schedules?**

21 A: CEI South witness Fleig states: “The WACC utilized in the Compliance Component
22 will be the rate approved in CEI South's last base rate case.” (Petitioner's Exhibit

1 No. 4, page 11, lines 10-11.) The Compliance Statute states in Ind. Code § 8-1-8.4-

2 7(c)(2):

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

9 At the current time, the overall cost of capital most recently approved by the Indiana
10 Utility Regulatory Commission ("Commission") is the same cost of capital as
11 approved in CEI South's last base rate case in Cause No. 45447. The same will hold
12 true in Cause No. 45612 TDSIC-1 in that no other weighted average cost of capital
13 will be approved by the Commission at the time Cause No. 45612 TDSIC-1 is filed.
14 However, the weighted average cost of capital will be updated in Cause No. 45612
15 TDSIC-1 and will then represent the overall cost of capital most recently approved
16 by the Commission. Therefore, it should be used in TDSIC-2 as the weighted average
17 cost of capital in the Compliance Component of CEI South's TDSIC-2 filing. The
18 same should hold true for all future TDSIC filings in that the Compliance Component
19 should be updated to reflect the prior TDSIC weighted average cost of capital.

20 **Q: Has the Commission ruled on this issue in the past?**

21 A: Yes. In Cause No. 44430 TDSIC-2 the OUCC made the same argument. In that
22 Cause, the Commission found:

23 ...Petitioner should update its WACC in each CSIA filing...We see
24 no reason that Petitioner should not be required to use the WACC
25 'most recently approved' by the Commission when determining the
26 amounts to be recovered and deferred...Requiring the use of an
27 updated WACC serves to ensure Petitioner neither over-collects nor
28 under-collects approved costs by more accurately matching the utility
29 investment to the regulatory capitalization supporting that

1 investment. It is also consistent with the other Commission decisions
2 under Ind. Code ch. 8-1-8.4; other capital trackers, such as those
3 under Ind. Code § 8-1-2-6.8; and Petitioner's calculation of its
4 revenue requirement related to its TDSIC projects. Therefore, we find
5 that Petitioner should apply an updated WACC, employing the return
6 on common equity established in the most recent base rate case, in its
7 revenue requirement calculation.

8 (Cause No. 44430, TDSIC-2, Final Order, pages 9-10.)

9 I recommend CEI South use the WACC as approved in the most recent base rate case
10 in Cause No. 45447 for its TDSIC-1 filing. In TDSIC-2 and each TDSIC filing going
11 forward, I recommend CEI South update the WACC in the Compliance Component
12 to the most recent approved WACC from the TDSIC Component, as ordered by the
13 Commission in Cause No. 44430 TDSIC-2.

14 **Q: Will CEI South include incremental Operations and Maintenance (“O&M”)**
15 **expenses in its Compliance Component relating to PHMSA requirements?**

16 A: No. CEI South witness Fleig states: “Not at this time. In the event recovery is later
17 sought of incremental O&M expense that would otherwise qualify as Compliance
18 Projects, a request will be submitted under a new petition filed pursuant to the
19 Compliance Statute.” (Petitioner's Exhibit No. 4, page 12, lines 4-6.)

20 **Q: Will CEI South include the remaining unrecovered balance of O&M expenses**
21 **that has been deferred for later recovery through the CSIA pursuant to Cause**
22 **No. 44429?**

23 A: Yes. CEI witness Fleig states: “[t]he next two CSIA filings will include recovery of
24 the remaining unrecovered deferred O&M expenses from 44429 CSIA.” (Petitioner's
25 Exhibit No. 4, page 20, lines 24-25.) I have no objection to CEI South including the
26 unrecovered deferred O&M expenses in the first two CSIA filings in Cause No.
27 45612.

1 **Q: As part of Petitioner's prior Pipeline Safety Adjustment filings, were there any**
2 **compliance filings related to pipeline safety and/or infrastructure replacement**
3 **required?**

4 A: Yes. Prior to TDSIC-1 in Cause No. 44429, Petitioner was required to file quarterly
5 replacement program filings under Cause No. 44231. In Cause No. 44429, TDSIC-
6 1, Petitioner requested authorization to file the same replacement program
7 compliance filings under the TDSIC tracker case (Cause No. 44429 TDSIC-X), with
8 each April TDSIC filing, instead of under Cause No. 44231, in order to allow
9 Petitioner to include a full calendar year of information. The OUCC recommended
10 approval of this request, and the Commission granted approval in its final order in
11 Cause No. 44429 TDSIC-1 on January 14, 2015, page 9.

12 **Q: Did CEI South include the associated compliance filing in this Cause?**

13 A: Yes. Petitioner's witness Hoover has included a copy of the replacement program
14 filing in this Cause as Petitioner's Exhibit No. 2, Attachment SAH-8. Mr. Hoover
15 states: "In addition, Petitioner's Exhibit No. 2, Attachment SAH-8
16 (CONFIDENTIAL): BSCI Report is provided to describe additional individual BSCI
17 work order detail comparing estimated and actual main installation and retirement
18 footages, service installations and retirement counts, and costs." (Petitioner's Exhibit
19 No. 2, page 18, lines 6-9.) I recommend CEI South continue to provide these reports
20 with each April TDSIC filing in order to allow Petitioner to include a full calendar
21 year of information.

B. TDSIC Component

1 **Q: How does the TDSIC statute define eligible costs?**

2 A: Ind. Code § 8-1-39-7 defines eligible TDSIC costs as:

3 ...the following costs incurred with respect to eligible transmission,
4 distribution and storage system improvements incurred both while the
5 improvements are under construction and post in service:

- 6 (1) Depreciation expenses.
7 (2) Operation and maintenance expenses.
8 (3) Extensions and replacements to the extent not provided for
9 through depreciation, in the manner provided for in Ind. Code
10 § 8-1.5-3-8.
11 (4) Property taxes.
12 (5) Pretax returns.

13 I have reviewed the costs CEI South proposes to include in the TDSIC Component
14 of the CSIA mechanism, and all costs comply with the TDSIC statute. OUCC witness
15 Krieger discusses whether all of CEI South's TDSIC projects are eligible under the
16 TDSIC statute.

17 **Q: What WACC will CEI South use in the TDSIC Component?**

18 A: CEI South witness Fleig states: "The WACC utilized in the TDSIC Component will
19 be based upon the most recent actual calendar year ended capital structure."
20 (Petitioner's Exhibit No. 4, page 11, lines 11-12.)

21 The TDSIC Statute states in Ind. Code § 8-1-39-13(a):

22 For purposes of calculating the TDSIC costs of a public utility, the
23 commission shall determine an appropriate pretax return for the
24 public utility. In determining the appropriate pretax return, the
25 commission may consider the following factors:

- 26 (1) The current state and federal income tax rates.
27 (2) The public utility's capital structure.
28 (3) The actual cost rates for the public utility's long term debt and
29 preferred stock.
30 (4) The public utility's cost of common equity determined by the
31 commission in the public utility's most recent general rate
32 proceeding.

1 (5) Other information that the commission determines is necessary.

2 **Q: Has the Commission ruled on this issue in the past?**

3 A: Yes. In Cause No. 44429, the Commission found: "...we find Petitioners shall use
4 an updated capital structure in the calculation of the TDSIC Plan revenue
5 requirement with each six-month CSIA filing." (Cause No. 44429, Final Order, page
6 24.)

7 I recommend updates to the capital structure for the TDSIC Component be
8 as of the date of valuation of the utility's expenditures for which it is seeking
9 ratemaking treatment. The capital structure should be updated with each six-month
10 filing to accurately calculate the weighted average cost of capital, as ordered in Cause
11 No. 44429. The cost of equity should remain constant from the last general rate case
12 in Cause No. 45447.

13 **Q: Is Petitioner proposing any recovery of rural extension costs within this TDSIC**
14 **Plan?**

15 A: Yes. Petitioner's Exhibit No. 2, Attachment SAH-3 show rural extension costs being
16 included as part of the TDSIC Plan.

17 **Q: Does the OUCC have any concern with rural extensions being included in**
18 **TDSIC filings for recovery?**

19 A: Yes. Historically, utilities have invested in plant to serve new customers between rate
20 cases. The utility then receives a revenue margin from each new customer through
21 existing rates. These existing rates, and the margin per customer, are set in the
22 utility's last base rate case. When those rates are set in the rate case, they include a
23 return on utility plant investment (rate base), depreciation, O&M expenses, and
24 taxes. When a utility adds a new customer, it receives a revenue margin from that
25 customer, which includes a return on investment, depreciation, O&M expenses, and

1 taxes. Essentially, customer growth pays for itself. The utility receives an embedded
2 return on investment, and embedded recovery of depreciation as well as other
3 expenses from each new customer.

4 When a utility receives a revenue margin from new rural extension customers
5 – and *also* receives, through TDSIC rates, a return on the new plant investment,
6 depreciation, O&M expenses, and taxes – then the utility is receiving a double
7 recovery. New customers are paying the revenue margin for new gas service, and all
8 customers are paying the TDSIC rates for that same investment. Therefore,
9 ratepayers are paying two returns on the same investment, double the depreciation
10 expense, and at least incrementally, excess O&M expenses, and taxes.

11 **Q: Is the OUCC recommending a margin credit for rural extension cost recovery,**
12 **as has been recommended in other natural gas TDSIC cases?**

13 A: No. The OUCC advocated for a margin credit in the Northern Indiana Public Service
14 Company LLC (“NIPSCO”) TDSIC-1 filing in Cause No. 44403. However, there are
15 differences between CEI South and NIPSCO’s investments included for cost
16 recovery within the TDSIC mechanism.

17 In Cause No. 44403 TDSIC-1 and TDSIC-3, NIPSCO included one hundred
18 percent (100%) of costs relating to rural extensions in the TDSIC filing for recovery.
19 In this Cause, CEI South has only included the cost of main extensions in the TDSIC
20 filing for recovery. CEI South has not included the total investment for services and
21 meters for recovery in the TDSIC filing. CEI South will retain the incremental non-
22 gas cost revenue from new customers to offset the investments and costs not included
23 in the TDSIC filing. Therefore, no margin credit is needed at this time. The OUCC
24 reserves the right to review rural extensions in each tracker filing and suggest a

1 margin credit in the future if CEI South changes its methodology of costs included
2 for recovery.

C. Effect of Tax Cuts and Jobs Act of 2017 (“TCJA”)

3 **Q: Did the previous CSIA mechanism include a component to pass back credits**
4 **resulting from the TCJA?**

5 A: Yes. In Cause No. 44429, CEI South included a calculation to pass back credits
6 resulting from the TCJA. In CEI South’s most recent base rate case, Cause No.
7 45447, CEI South was approved to remove this credit from the CSIA mechanism and
8 include it in a separate tax savings credit rider. Therefore, there will no longer be a
9 credit included in the CSIA mechanism for the TCJA.

D. Cost Allocation

10 **Q: What allocation method is CEI South proposing for allocating cost recovery**
11 **across customer rate classes in the CSIA mechanism?**

12 A: CEI South is proposing to use the customer class allocation factors approved in CEI
13 South’s most recent base rate case, Cause No. 45447. The allocation factors are
14 shown on page 14 of Petitioner’s Exhibit No. 5.

15 **Q: Do the TDSIC Statute and Compliance Statute specify a cost allocation**
16 **methodology?**

17 A: The TDSIC Statute specifies that the petition “must use the customer class revenue
18 allocation factor based on firm load approved in the public utility’s most recent retail
19 base rate case order.” The Compliance Statute is silent on the cost allocation method.
20 Regarding customer class cost allocation, Petitioner is in compliance with the
21 Statutes, and also the Commission Order issued in Cause No. 45447.

E. Rate Design

1 **Q: What is CEI South's CSIA rate design proposal?**

2 A: CEI South's witness Tieken states: "The Company proposes no changes to the rate
3 design approved in the 44429/44430 Order. Customers receiving service under Rate
4 110 (Residential Sales Service) pay a fixed CSIA charge each month. Customers
5 receiving service under all other Rate Schedules pay a volumetric (per therm) CSIA
6 rate." (Petitioner's Exhibit No. 5, page 12, line 25 to page 13, line 3.)

7 **Q: Does either the TDSIC Statute or the Compliance Statute address rate design?**

8 A: No. Unlike cost allocation, the TDSIC Statute is silent regarding rate design, as is
9 the Compliance Statute. CEI South proposes a rate design much different than agreed
10 to in Settlement and approved by the Commission in the last base rate case (Cause
11 No. 45447.) Since the TDSIC Statute specifies that the customer class revenue
12 allocation factor approved in the last base rate case be used for TDSIC cost recovery,
13 it is the OUCC's position that the rate design agreed to in the last base rate case also
14 be used for CSIA cost recovery. The cost of service and rate design agreed upon in
15 the most recent Settlement Agreement proposed and approved in the most recent rate
16 case should be used as a benchmark for cost of service and rate design in this Cause,
17 and until the next base rate case.

18 **Q: Was a cost-of-service study performed for the last approved CSIA mechanism**
19 **in Cause No. 44429?**

20 A: No. The last CSIA mechanism was approved by the Commission in Cause No. 44429
21 on August 27, 2014. No cost-of-service study was performed at the time Cause No.
22 44429 was filed with the Commission. At that time, CEI South's last cost-of-service
23 study was completed in conjunction with a base rate case that was approved by the

1 Commission in Cause No. 43112 on August 1, 2007, using a test year end of March
2 31, 2006. Seven years had passed between the time of that cost-of-service study in
3 the rate case approved in 2007 to the time CEI South's previous CSIA mechanism
4 was approved in 2014.

5 **Q: Was a cost-of-service study performed for the currently proposed CSIA**
6 **mechanism in this Cause?**

7 A: While not specific to the CSIA mechanism, a cost-of-service study was performed in
8 CEI South's base rate case in Cause No. 45447. This rate case used a future test year
9 end of December 31, 2021. The currently proposed CSIA mechanism starts in 2022.
10 Therefore, the cost-of-service study from Cause No. 45447 is much newer than the
11 cost-of-service study performed when the old CSIA mechanism was put into place
12 in Cause No. 44429.

13 **Q: Are residential customers being treated differently than the other customer**
14 **classes with regard to rate design?**

15 A: Yes. CEI South proposes to recover CSIA costs from residential customers in a fixed
16 monthly charge, and through a volumetric charge from all other customers.

17 **Q: What was the result of the settled cost-of-service study in Cause No. 45447?**

18 A: In Cause No. 45447, the following customer classes were assessed a fixed monthly
19 charge, as well as a volumetric charge:

- 20 • Rate 110: Residential Sales Service
- 21 • Rate 120: General Sales Service
- 22 • Rate 125: School/Government Transportation Service
- 23 • Rate 129: Natural Gas Vehicle Service
- 24 • Rate 145: General Transportation Service
- 25 • Rate 160: Large Volume Transportation Service
- 26 • Rate 170: Contract Transportation Service

1 These same classes of customers are assessed a CSIA charge through Appendix K:
2 Compliance and System Improvement Adjustment.

3 **Q: Do all residential customers benefit from new pipes, valves, and service lines?**

4 A: Yes, all residential customers benefit from these types of CSIA costs being included
5 for recovery. However, residential customers who use more gas or have more
6 demand on the system should bear more of the cost of those pipes, valves, and service
7 lines, as is done in traditional ratemaking by having customers with higher volumes
8 pay more through a volumetric rate. This methodology is also used for all of CEI
9 South's other rate classes in the CSIA mechanism, who are charged a volumetric
10 rate. The same methodology should apply for residential customers.

11 **Q: Did CEI South move closer to a straight-fixed-variable rate design in their last**
12 **base rate case in Cause No. 45447?**

13 A: Yes. CEI South's monthly residential service charge was increased from \$11.00 to
14 \$16.50 in the last base rate case in Cause No. 45447. CEI South's other fixed monthly
15 charges were also increased for all other rate classes. Setting a fixed monthly CSIA
16 charge for residential customers - but using a volumetric charge for all other
17 customers - singles out residential customers and causes inconsistent ratemaking
18 principles between rate classes.

19 **Q: Is it equitable to Rate 110 – Residential Sales Service to assess 100% of the CSIA**
20 **charges as a fixed monthly charge?**

21 A: No. A full cost-of-service study was performed in CEI South's most recent base rate
22 case in Cause No. 45447. Every customer class was represented during the analysis
23 and discussions involved in the evaluation of cost-of-service and rate design
24 principles in Cause No. 45447. As mentioned above, all customer classes had both a

1 fixed monthly charge as well as a volumetric charge assigned to them through the
2 cost-of-service study. It is not equitable to single out one rate class for a different
3 recovery method than that applied to the other classes. For this reason, I recommend
4 the residential customers be charged a volumetric rate similar to the other rate classes
5 in this proceeding.

6 **Q: Will CEI South be harmed by charging a volumetric rate to residential**
7 **customers?**

8 A: No. In each CSIA proceeding, a reconciliation of approved recoveries to actual
9 recoveries is performed. If collections from residential customers via a volumetric
10 rate are less than approved, CEI South will include the under-recovery in its CSIA
11 mechanism through the reconciliation process. If collections from residential
12 customers via a volumetric rate are more than approved, CEI South will include the
13 over-recovery in its CSIA mechanism through the reconciliation process.

14 **Q: Are there any other utilities that recover 100% of costs through a fixed monthly**
15 **charge for residential customers as CEI South is proposing here?**

16 A: No. No other natural gas utilities with a TDSIC charge recover 100% of costs through
17 a fixed monthly charge for residential customers. (Indiana Gas Company, Inc. d/b/a
18 CenterPoint Energy Indiana North has proposed to recover 100% of costs through a
19 fixed monthly charge for residential customers in Cause No. 45611.) Only one
20 electric utility, CEI South recovers a portion of its costs through a fixed monthly
21 charge for residential customers. Per the Final Order in Cause No. 44910:

22 The Settling Parties agreed that in TDSIC-1, for customers served
23 under Rate Schedules RS, B, and SGS, distribution-related costs will
24 be recovered via a per customer charge up to a cap of \$0.50 per
25 customer per month. The cap on the monthly fixed TDSIC charge will
26 grow by \$0.50 per customer in each semi-annual filing (e.g., TDSIC-
27 2 would be capped at \$1.00 per customer per month), with the overall

1 distribution-related fixed TDSIC charge not to exceed \$7.00 per
2 customer per month by the end of the seven-year plan period.
3 Distribution-related TDSIC costs exceeding the applicable cap, and
4 all transmission-related TDSIC costs, will be included in the energy
5 charge (per kWh).

6 (Cause No. 44910, Final Order, page 12.)

7 No other electric utilities recover TDSIC costs through a fixed monthly charge for
8 residential customers.

F. Variances

9 **Q: Will CEI South calculate variances in each CSIA filing?**

10 A: Yes. CEI South will calculate the variances using the same set of schedules as was
11 used in Cause No. 44429. The over- or-under recovery variance will be calculated
12 by comparing actual recoveries to approved recoveries from a prior CSIA filing for
13 the same period. Variances will be specifically identified by rate class to ensure
14 customers are only paying for the costs allocated and approved for recovery from
15 that Rate Schedule.

16 **Q: Are there any over- or under-recovery variances left over from Cause No.**
17 **44429?**

18 Yes. Petitioner's witness Tieken states:

19 The Company proposes to include the over- or under-recovery
20 variances resulting from CSIA rates in place from the 44429 TDSIC-
21 13 and 44429 TDSIC-14 periods in the first semi-annual filing in this
22 Cause. The Company considered filing a TDSIC-15 under Cause No.
23 44429 to reconcile the over- or under-recovery variances resulting
24 from 44429 TDSIC-13, and file a TDSIC-16 under Cause No. 44429
25 to reconcile variances resulting from 44429 TDSIC-14, but decided it
26 was more administratively efficient to include the variances in the
27 first semi-annual tracker filing under this Cause.

28 (Petitioner's Exhibit No. 5, page 12, lines 10-16.)

1 The OUCC agrees with this methodology of using the first semi-annual tracker filing
2 under this Cause to reconcile the over- or under-recovery variances from Cause Nos.
3 44429 TDSIC-13 and TDSIC-14.

G. Proposed Procedural Schedule

4 **Q: What procedural schedule does CEI South propose for its periodic CSIA**
5 **filings?**

6 A: Consistent with Cause No. 44429, CEI South will file its CSIA petitions every six
7 months on October 1 and April 1 each year, with new rates becoming effective for
8 the six-month periods beginning January 1 and July 1, respectively. This schedule
9 has worked well for the OUCC in the past, and I recommend approval of the
10 continued use of this schedule.

H. Adjustment to Authorized Net Operating Income for GCA Purposes

11 **Q: Did Petitioner request an adjustment to authorized net operating income for the**
12 **Gas Cost Adjustment (“GCA”)?**

13 A: Yes. Petitioner’s witness Fleig states: “Schedule 9 calculates the after-tax return on
14 investments that will be added to the authorized NOI by multiplying the net new
15 capital investment by the after-tax WACC.” (Petitioner’s Exhibit No. 4, page 23,
16 lines 8-10.)

17 **Q: Do you agree with Petitioner’s methodology of the adjustment to authorized net**
18 **operating income for the GCA?**

19 A: Yes. This is the same methodology used in Cause No. 44429.

III. RECOMMENDATIONS

1 **Q: What are your recommendations regarding CEI South's requested CSIA**
2 **mechanism?**

3 A: I recommend approval of CEI South's use of the CSIA mechanism for timely
4 recovery of 80% of the Compliance Projects and TDSIC Projects and deferral of 20%
5 of Compliance Projects and TDSIC Projects to the next base rate case, with the
6 following adjustments:

7 1) Relating to the Compliance Component, CEI South use the WACC as approved
8 in the most recent base rate case in Cause No. 45447 for its TDSIC-1 filing. In
9 TDSIC-2 and each TDSIC filing going forward, CEI South update the WACC in
10 the Compliance Component to the most recently approved WACC from the
11 TDSIC Component.

12 2) Relating to the TDSIC Component, CEI South update its capital structure as of
13 the date of valuation of the utility's expenditures for which it is seeking
14 ratemaking treatment, with the cost of equity remaining constant from the last
15 general rate case in Cause No. 45447.

16 3) Relating to rate design, residential customers be charged a volumetric rate similar
17 to the other rate classes.

18 I also recommend:

19 1) Approval of proposed costs to be recovered through the Compliance Component
20 and the TDSIC Component.

21 2) Approval of CEI South's request to include the unrecovered deferred O&M
22 expenses in the first two CSIA tracker filings.

23 3) CEI South continue to provide the replacement program filings with each April
24 TDSIC filing.

25 4) Approval of the cost allocation factors proposed by CEI South.

26 5) Using the first semi-annual tracker filing under this Cause to reconcile the over-
27 or under-recovery variances from Cause No. 44429 TDSIC-13 and TDSIC-14.

28 6) Approval of the proposed procedural schedule for future tracker filings.

1 7) Approval of CEI South's methodology of the adjustment to authorized net
2 operating income for the GCA mechanism.

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

4 A: Yes.

APPENDIX TO TESTIMONY OF
OUCC WITNESS HEATHER R. POOLE

1 **Q: Describe your educational background and experience.**

2 A: I graduated from the School of Business at Ball State University in Muncie, Indiana
3 with a Bachelor of Science Degree in Accounting in May 2001, and a Master of
4 Science Degree in Accounting in May 2002. From September 2002 through
5 September 2010, I worked for London Witte Group, LLC, a CPA firm in
6 Indianapolis, Indiana, as a Senior Staff Accountant. I prepared and reviewed
7 individual, corporate, not-for-profit, property and payroll tax returns; prepared
8 compilations, reviews, and audit reports in compliance with GAAP for a variety of
9 utility companies and not-for-profit organizations; prepared depreciation
10 schedules; and guided clients through year-end accounting processes, including
11 preparation and review of adjusting entries. I prepared and reviewed Gas Cost
12 Adjustment (“GCA”) petitions, as well as annual reports filed with the Commission
13 for natural gas companies within the State of Indiana. I also prepared rate case
14 exhibits and schedules filed with the Commission on behalf of various gas utility
15 clients.

16 In December 2010, I began my employment with the OUCC as a Utility
17 Analyst II. In October 2012, I was promoted to Senior Utility Analyst. In February
18 2017, I was promoted to Assistant Director of the Natural Gas Division. My current
19 responsibilities include reviewing and analyzing rate cases filed by Indiana natural
20 gas, electric and water utilities with the Commission. I also review GCAs, special
21 contracts, tariff, financing, certificate of public necessity, pipeline safety

1 adjustment, gas demand side management, alternative regulatory plan, 7-Year Plan,
2 Federal Mandated Cost Adjustment Tracker, and TDSIC Tracker cases for natural
3 gas utilities.

4 In May 2016, I passed the Certified Public Accountant (“CPA”) Exam and
5 obtained my CPA license in June 2016. While employed at the OUCC, I completed
6 NARUC’s Utility Rate School hosted by the Institute of Public Utilities at Michigan
7 State University and the Institute of Public Utilities Advanced Regulatory Studies
8 Program at Michigan State University. I am also a member of the Indiana CPA
9 Society.

10 **Q: Have you previously testified before the Commission?**

11 A: Yes. I have testified in GCAs, rate cases, TDSIC tracker cases, Federally Mandated
12 Cost Adjustment cases, 7-Year Plan cases, tariff, gas demand side management,
13 decoupling, and special contract cases involving gas and water utilities. I also
14 provided extensive testimony in the Commission’s investigation into the existing
15 GCA procedures and schedules.

16 **Q: What review and analysis have you conducted to prepare your testimony?**

17 A: I reviewed the petition, testimony, exhibits, and supporting documentation
18 submitted in this Cause. I participated in a pre-filing meeting with Petitioner’s
19 representatives to discuss this case. I have participated in all of Petitioner’s prior
20 CSIA mechanism cases, and reviewed the Commission’s Orders in Cause No.
21 44429, and Cause Nos. 44429 TDSIC-1 through TDSIC-14.

AFFIRMATION

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

Heather R Poole
Heather R. Poole
Assistant Director-Natural Gas Division
Indiana Office of
Utility Consumer Counselor
45612
CenterPoint Energy South

12-2-21
Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *OUCC'S TESTIMONY OF HEATHER R. POOLE* has been served upon the following counsel of record in the captioned proceeding by electronic service on December 2, 2021.

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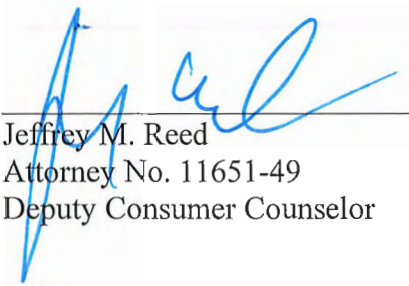
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