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'S AND CITIZENS ACTION COALITION OF INDIANA'S POST-HEARING BRIEF

The Indiana Office of the Utility Consumer Counselor ("OUCC") and Citizens Action Coalition of Indiana, Inc. ("CAC"), by counsel, file this Post-Hearing Brief in support of their proposed order.[1] Securitization is a useful tool to help both utilities and consumers. Securitization helps utilities by providing them immediate income on stranded assets, while it helps customers

[1] The OUCC has been authorized to file this brief on CAC's behalf.

by lowering bills then they would be otherwise by utilizing a favorable financing mechanism compared to traditional ratemaking. However, this process must be done correctly to ensure that the appropriate amounts are securitized, that customers pay the appropriate amounts, and that sufficient consumer safeguards are included in the Financing Order. Additionally, while securitization is new in Indiana, over 80 different securitization transactions have occurred in the United States over more than 20 years. Indiana can and should use the lessons learned from these other transactions to protect customers' interests and strive to attain the lowest cost for customers. In CenterPoint Energy Indiana South's ("CEI South") proposed securitization transaction, the OUCC raised several concerns about the determination of qualified costs and the proper refund amount, the proper accounting of certain costs in this proceeding, the allocation of costs to customers, and the appropriate post-financing order process which involves the structuring, marketing, and pricing of the bonds in the bond issuance process.

I. DETERMINATION OF QUALIFIED COSTS, REFUND AMOUNT, AND ACCOUNTING TREATMENT

A. Qualified Costs

OUCC Witness Dellinger argued against CEI South receiving a return of its weighted average cost of capital ("WACC") on any capital contributions in connection with the creation of the special purpose entity. CEI South Witness Jerasa, in his rebuttal testimony, offered an alternative proposal stating, "CEI South could agree to accept a return equal to the coupon of the longest tenor tranche of securitization bonds for the 0.5% of principal capital contribution amount." (Pet. Ex. No. 2-R at 21). The OUCC does not object to Mr. Jerasa' s proposal and agrees this is a reasonable compromise on this issue.

B. Refund Amount

CEI South proposed to implement a Securitization Rate Reduction ("SRR") Tariff to facilitate removal of Qualified Costs of the Brown units from rate base. The SRR credit will be effective as soon as the securitization charges are implemented and will remain in place until CEI South's next general rate case. CEI South calculates the SRR using the estimated original book cost of the Brown Units, net of estimated accumulated depreciation and cost of removal as of February 28, 2023, and uses an annual revenue requirement of approximately $19.8 million. However, this calculation does not reflect what is actually being collected in customer rates related to the Brown units. Customers are currently paying in rates the gross plant and accumulated depreciation as of June 30, 2009, which is the end of the test year of CEI South's last base rate case. This annual revenue requirement amount is approximately $35.5 million. OUCC Witness Blakley provides the calculation based on these amounts in his testimony. (Public's Ex. No. 18 at 8). CEI South did not dispute this calculated amount. Additionally, CEI South will still be collecting this amount, $64 million, in its base rates until the next rate case, while only refunding $48 million through the SRR Tariff until its next rate case. To avoid this mismatch between what CEI South is collecting in its base rates and what it is refunding in the SRR Tariff, the amounts should be equalized, so that CEI South is refunding the same amount it is collecting. This would adjust the SRR tariff to refund the $64 million to customers until CEI South's base rates are adjusted in its next base rate case.

C. Accounting Treatment

CEI South estimates the cost to demolish and restore the Brown unit site to be approximately $27 million. This amount will be included in the qualified costs and will be included in the securitized amount. However, if the demolition cost exceeds this amount, CEI South proposes to defer this amount and address recovery in the next base rate case. (Pet. Ex. No. 6 at 20, Pet. Ex. No. 8 at 22). Alternatively, OUCC Witness Blakley recommended any excess amount be charged to accumulated depreciation. (Public's Ex. No. 10 at 5). CEI South Witness Harper responded that CEI South will seek deferral of such costs until a general rate relief request, and that any difference between actual and approved removal and restoration costs would be charged to accumulated depreciation. (Pet. Ex. No. 6-R at 8). Mr. Harper also stated this request "to recover these costs in a future rate case is based on Indiana Code 8-1-40.5-12(d)." (Pet. Ex. No. 6-R at 8-9). This section requires that any difference between qualified costs approved by the Commission in the financing order and the electric utility's qualified costs at the time an electric generation facility is retired shall be accounted for by the electric utility as a regulatory asset or liability.

The OUCC acknowledges the specific statutory language allowing the creation of a regulatory asset. However, for any amount in excess of the estimate, CEI South should either create a regulatory asset or charge the amount to accumulated depreciation, but not both, as Mr. Harper's testimony seems to indicate. If CEI South did both, it would lead to double recovery for this amount. Rather, CEI South should be authorized to do one or the other, either create a regulatory asset pursuant to Ind. Code § 8-1-40.5-12(d) or charge to accumulated depreciation.

II. MINIMUM BILL REQUIREMENT IS NOT APPROPRIATE FOR CUSTOMERS

CEI South's proposed minimum bill methodology is unnecessarily broad and punitive toward the 10% of its customer base with the lowest usage, including those customers without distributed generation systems, running contrary to Indiana state law. The OUCC and CAC's alternative proposal will achieve the Securitization Statute's requirement for non-bypassability in a way that is not punitive, is more targeted toward the intended audience, and should be adopted instead of CEI South's proposal.

CEI South's minimum bill proposal is excessively broad and produces a result that is unjust and unreasonable, contrary to the requirements of Ind. Code § 8-1-2-4. Where a scalpel is required that would specifically address the customers described in Ind. Code § 8-1-40.5-8(2), CEI South's proposal is a sledgehammer that unfairly harms a far greater number of customers. While the Securitization Statute at Ind. Code §§ 8-1-40.5-8 and 12(b) requires the Securitization Charge be non-bypassable, it does not prescribe a minimum bill, especially not one that is overly punitive toward customers with the bottom tenth percentile of usage encompassing thousands of customers each month and primarily harming those customers without distributed generation ("DG") systems when the aim of securitization is to bring cost savings to customers. In addition, CEI South's minimum bill proposal runs contrary to the tenets of Ind. Code § 8-1-2-4 requiring charges to be just and reasonable, as CEI South's proposal penalizes low volume users, including vulnerable customer groups such as senior citizens on fixed incomes and low-income families.

While CEI South states the minimum bill proposal's purpose is to ensure non-bypassability of Securitization Charges for net metering and excess distributed generation customers (collectively, "DG customers") (Pet. Ex. 8, lines 24-26), CEI South's proposal would unfairly apply a minimum bill to customers who fall into a subset of rate classes and who are in the bottom

tenth percentile of usage in a given month. Not only can some DG customers avoid paying the minimum bill (e.g., if a residential DG customer has usage greater than 369 kWh in a month or if the customer is not in one of the four rate classes subject to the minimum bill but deploys a DG system (CAC Ex. 1 at 13; Attachment BDI-1)), but the vast majority of customers who would be subject to the minimum bill are not net metering customers or EDG customers. Based on figures from CEI South, there are only 814 net metering customers and 80 EDG customers. Even if all these customers were in the lowest 10% of usage, and thus impacted by CEI South's minimum bill proposal, over 90% of the affected customers would not be net metering or EDG customers. (CAC Ex. 1 at 20-21; *see also* CAC CX 2 and CAC CX 3 (showing examples of CEI South non-net metering and non-EDG residential customers who would be subject to the minimum bill under CEI South's proposal)).

Some of these non-DG, low usage customers could even experience a net bill increase, rather than the intended bill decrease from securitization, since CEI South did not design a symmetrical, corresponding minimum credit to these customers who would be assessed a minimum bill. (CAC Ex. 1 at 12, lines 3-5; Public's Ex. No. 1 at 11, line 10 to 12, line 2). This runs contrary to the goal of securitization which is supposed to be a "win-win" for the utility and all of its customers. Given the broad applicability of the minimum bill, low usage customers without DG systems could be worse off after securitization, including vulnerable populations such as senior citizens on fixed incomes and those living in poverty who are cutting back on their electric usage as they attempt to lower their monthly bills, as discussed at the hearing. (Tr. at A-54, line 18 to A-55, line 4). CEI South has long held the title of the highest residential electric bills across the State of Indiana. (CAC CX 1). The Commission must ensure that no customers are

further left behind or worse with a bill increase as a result of CEI South's minimum bill construct in this proposal.

In fact, dozens of other U.S. utilities have used securitization with similar language requiring securitization charges be non-bypassable in statutes and authority. Yet, no other utility in any other state has implemented a non-bypassable securitization charge on customers in the form of a minimum bill, which has not resulted in any discernable negative impact on the collection of securitization charges or bond credit ratings. (CAC Ex. 1 at 15). Instead, an example in another state was seen that is similar to what the OUCC and CAC proposed. (Public's Ex. No 1 at 12-13).

The alternative proposal recommended by the OUCC and CAC would apply the Securitization Charge to all customers based solely on the inflow of electricity, that is, the amount of electricity consumed by a customer from the utility prior to any offset for self-generated electricity, thus including those customers specifically mentioned in Ind. Code § 8-1-40.5-12(b). While CEI South balked at how to track billing for the OUCC and CAC proposal, CEI South confirmed at the hearing that CEI South records inflow and outflow for all its meters, making this a nonissue. (Tr. at A-63, line 14). CEI South also referenced the additional cost to implement the CAC and OUCC proposal but did not provide an estimate for this or even for the necessary changes to its billing system for CEI South's own minimum bill proposal. (Tr at A-63, lines 15-23). Either proposal would require additional costs to implement the billing changes. CEI South also argued that the OUCC and CAC proposal could not be done because it would require a change to the way in which net metering customers are charged. This is not a concern, given that CEI South's net metering tariff specifically requires that customers "shall remain responsible for all applicable Rates and Charges." The Securitization Charge based on inflow would be an "applicable" charge to all customers, not just net metering customers, and would be appropriate to avoid bypassing the

charge. Additionally, while raising the issue, CEI South did not provide any specific evidence that zero usage customers are a significant concern. The OUCC and CAC alternative should be adopted.

Most importantly, the OUCC and CAC alternative to CEI South's minimum bill proposal to collect Securitization Charges assessed on gross monthly inflows would comply with the plain language of the Securitization Statute because it would allow for the full recovery of qualified costs (Ind. Code § 8-1-40.5-8(1)(a)), be collected from all retail customers and customer classes (Ind. Code § 8-1-40.5-8(2)), be charged for the use or availability of electric services (Ind. Code § 8-1-40.5-8(3)), and be collected by the electric utility (Ind. Code § 8-1-40.5-8(4)). The OUCC and CAC proposal would not let DG customers bypass Securitization charges, as DG customers would be required to pay the $/kWh Securitization Charge on all electricity supplied by CEI South to the customer during the billing month (i.e., gross inflows). Contrary to CEI South's assertions, this proposal would not net monthly inflows and monthly outflows for purposes of calculating per-kWh Securitization Charges or Credits under its proposal, ensuring that DG customers cannot bypass paying their fair share of the Securitization Charges. Rather, this fair proposal would align with the design of non-bypassable securitization charges adopted other jurisdictions that have successfully implemented utility securitizations and would ensure all customers in all customer classes actually realize a net benefit from securitization.

CEI South's minimum bill proposal must be rejected as it is unfairly broad and would negatively affect numerous low-usage customers that do not have self-generation capability and, in some instances, would actually increase bills for these customers. Instead, the OUCC and CAC proposal to bill customers based on inflow, or gross consumption, is a more reasonable method to apply Securitization Charges to customers, would be non-bypassable for all customers, would

more appropriately align costs with benefits, especially for low-usage customers, and would apply to all customers, including those specifically referenced in the Securitization Statue.

III. OUCC PARTICIPATION IN THE BOND ISSUANCE PROCESS

Securitization is intended to reduce costs to CEI South's customers. However, the participation of the OUCC, as the statutory representative of Indiana ratepayers, is necessary to ensure the lowest securitization charges for the structuring, marketing, and pricing of the securitization bonds, maximizing savings for CEI South's customers. The Commission has not specifically indicated that it will participate in the bond issuance process, and the only evidence in the record suggests it will not. (Public's CX-1, May 12, 2022 email from Beth Heline to Joseph Fichera: "The Indiana Utility Regulatory Commission will not be contracting for securitization advisors.") In this novel situation, especially where the concept is new to Indiana and in the form of a pilot, ratepayer representation is essential as ratepayers are 100% responsible for the payment of the securitization bonds.

The OUCC provided extensive testimony indicating that utilities have different incentives when issuing securitization bonds and when employing traditional financing. OUCC Witness Courter indicated that, in traditional financing, the utility has an economic incentive to lower the interest costs its shareholders are paying. Also, the Commission has ongoing review of the debt service in each general rate case. Conversely, in securitization issuances, all costs are passed directly to the utility's customers, and there is no Commission review of the bonds once they are issued. (Public's Ex. No. 2 at 14-15). This understanding was echoed by OUCC Witness Joseph S. Fichera (Public's Ex. No. 3 at 16-27), OUCC Witness Rebecca Klein (Public's Ex. No. 4 at 8-10), OUCC Witness Hyman Schoenblum (Public's Ex. No. 5 at 9-10), and OUCC Witness Brian A. Maher (Public's Ex. No. 5 at 10).

Put another way, in other jurisdictions where the securitization process is obligated to achieve the lowest cost possible, there is a reason the utility commission required the participation of an independent financial advisor. It is because the sole participation of the utility in the issuance process was not sufficient to meeting this requirement. If sole participation of the utility was sufficient to ensure the lowest cost possible, there would be no reason to require an independent financial advisor.[2]

In Indiana, there is no statutory requirement that the securitization process achieve the lowest cost possible. However, the statute does require "the net present value of the total securitization charges to be collected under the Commission's financing order under this section is less than the amount that would be recovered through traditional ratemaking," and "the expected structuring and the expected pricing of the securitization bonds will result in reasonable terms consistent with market conditions and the terms of the financing order." Ind. Code §§ 8-1-40.5-10(b)(2) and (d)(3). It is reasonable for the Commission to set a goal that the securitization process seeks to achieve the lowest reasonable cost of the Securitization Charge, and that, as was done in other states, a reasonable method to achieve this goal is through a "Bond Team" consisting of representatives of CEI South, as applicant, and the OUCC, as the statutory ratepayer

[2] North Carolina Utilities Commission, *In the Matter of Petition of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC*, Docket No. E-2, SUB 1262, Financing Order, May 10, 2021, at 12: "In order [to] ensure that the structuring, marketing, and pricing of the Storm Recovery Bonds are reasonably expected to result in the lowest Storm Recovery Charges consistent with market conditions at the time the Storm Recovery Bonds are priced and the terms set forth in this Financing Order, it is reasonable to create an advisory body that includes members who can provide representation of ratepayer interests." *See also*: Florida Public Service Commission, *Petition by Duke Energy Florida, Inc.*, Docket No. 150148-EI, Financing Order, Nov. 19, 2015, at 9: "These standards, procedures and conditions are designed to allow for meaningful and substantive cooperation between DEF and its designated advisors, this Commission and our designated advisors, legal counsel, and representatives through a 'Bond Team' to ensure that the structuring, marketing, pricing and financing costs of the nuclear asset-recovery bonds will achieve the statutory cost objectives as well as the lowest overall cost standard."

representative. CEI South and the OUCC may designate staff, counsel, and consultants to participate on the Bond Team on their behalf. Utility commissions in other states have participated in the Bond Team. However, without an indication the IURC will do so here, that responsibility should fall to the OUCC as the statutory ratepayer representative. The members of the Bond Team should participate in the marketing, structuring, and pricing of the bonds to ensure the lowest reasonable cost goal is achieved. Additionally, as part of the bond issuance process, the utility, the OUCC, and the underwriters should submit certifications that the marketing, structuring, and pricing of the Securitization Bonds, as described in the Issuance Advice Letter, sought to achieve the lowest Securitization bond charges consistent with market conditions and terms of the Financing Order. The certifications will ensure the participants in the bond issuance process took the necessary actions to achieve the lowest reasonable cost goal.

CEI South indicated that it would support the Bond Team approach composed of CEI South, CEI South counsel, Designated Commissioner or Commission staff, and a Commission financial advisor (if hired). (Pet. Ex. No. 2-R at 27). However, as indicated above, without knowing if the Commission will participate in such a process, the OUCC should step into the role to participate in the bond issuance process to represent ratepayers. That said, the OUCC does not oppose this proposal if the Commission does intend to fully participate in marketing, structuring, and pricing of the Securitization Bonds with a qualified expert in a manner that will protect ratepayer interests and seek to achieve the lowest reasonable costs of the Securitization Charge.

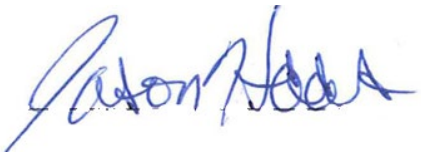
While CEI South argues it is concerned the OUCC or its representative would impose unreasonable demands in the bond issuance process or would refuse to issue a certificate if its demands were not met, this argument ignores the testimony in this case. First, the OUCC's designated representative, Saber Partners, has been involved in 14 securitization transactions over

the past 20 years. There is no indication that "unreasonable" demands were proposed in any of these transactions by the OUCC's representative. In fact, the evidence presented from Florida and Texas securitizations (Public's CX-2 and CX-3) show approval from the Commission and parties in those proceedings with Saber's performance, including from then Public Utility Commission of Texas ("PUCT") Commissioner and current CenterPoint Board member Barry Smitherman. Second, the members of Saber Partners have extensive experience in the bond, finance and utility industries, including Ms. Klein, the former chair of the PUCT. To believe this group would present unreasonable demands is entirely speculative and goes against their professional backgrounds and prior experience with Securitizations. Also, while CEI South Witness Jerasa believes certain proposals by the intervenors are unreasonable, none of those proposals relate to the proposals made by the OUCC's Saber witnesses. Finally, should the OUCC and Saber refuse to certify the actions of the post-finance order process, another concern of CEI South Witness Jerasa, the Commission has the final decision-making authority, and can make the decision as to whether the concerns are valid or truly "unreasonable." The OUCC and Saber involvement would not be able to hold the issuance "hostage" by refusing to issue the certification. CEI South Witness Jerasa's argument that participation of the OUCC and its advisor would deliberately prevent a securitization deal that has the potential to save ratepayers tens of millions of dollars is completely speculative and absurd on its face.

IV. CONCLUSION

Securitization is a good deal for customers with the potential to save ratepayers a significant amount of money compared to traditional ratemaking over the life of the bonds. However, there are several issues that must be addressed. Mainly, the amount refunded to customers should match what is paid in base rates for the retired Brown units. Also, the minimum bill proposal should be rejected in favor of a more focused method that will not harm low-use customers. Finally, the bond issuance process should be improved by looking at lessons learned from other jurisdictions, including adopting a lowest-cost standard and implementing a "Bond Team" consisting of the OUCC and its representative, if the Commission does not participate in such a role. By implementing these recommendations, the securitization will be a true "win-win" for the utility and ratepayers of Indiana.

Respectfully submitted,



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

CERTIFICATE OF SERVICE

This is to certify that a copy of the ***Post-Hearing Brief*** has been served upon the following parties of record in the captioned proceeding by electronic service on October 7, 2022.

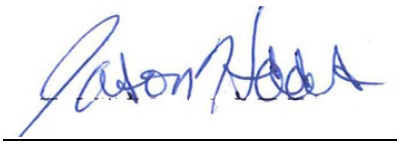
Jason Stephenson
Heather A. Watts
Jeffery A. Earl
Michelle D. Quinn
Matthew Rice
CENTERPOINT ENERGY INDIANA SOUTH
Jason.Stephenson@centerpointenergy.com
Heather.Watts@centerpointenergy.com
Jeffery.Earl@centerpointenergy.com
Matt.Rice@centerpointenergy.com
Michelle.Quinn@centerpointenergy.com

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

Industrial Group
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