ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Bennett	√		
Freeman	√		
Veleta	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A CENTERPOINT ENERGY INDIANA SOUTH ("CEI SOUTH") FOR APPROVAL OF A CHANGE IN ITS FUEL COST ADJUSTMENT FOR ELECTRIC SERVICE IN ACCORDANCE WITH THE ORDER OF THE COMMISSION IN CAUSE NO. 37712 EFFECTIVE JUNE 18, 1986, AND SENATE BILL NO. 529 EFFECTIVE APRIL 11, 1979, AND FOR RECOVERY OF NATURAL GAS POWER PLANT PIPELINE SERVICE RATES IN ACCORDANCE WITH THE ORDER OF THE COMMISSION IN CAUSE NO. 45564 S1 EFFECTIVE AUGUST 7, 2024	)	**CAUSE NO. 38708 FAC 144** **APPROVED: OCT 30 2024**

ORDER OF THE COMMISSION

Presiding Officer:
Greg S. Loyd, Administrative Law Judge

On August 16, 2024, in accordance with Ind. Code § 8-1-2-42, Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South ("CEI South") filed its Verified Petition ("Petition") with the Indiana Utility Regulatory Commission ("Commission") in this Cause for approval of a change in its fuel adjustment charge ("FAC"). In support of its Petition, CEI South contemporaneously filed the testimony of F. Shane Bradford, Petitioner's Vice President, Indiana Electric; Brian K. Ankenbrand, Manager of Regulatory and Rates for CEI South, CenterPoint Energy Service Company, LLC; and Marisa J. Johnson, Manager of Regulatory Reporting for CEI South, CenterPoint Energy Service Company, LLC.

On September 20, 2024, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony of Gregory T. Guerrettaz, a Certified Public Accountant, and Michael D. Eckert, Director of the OUCC's Electric Division. On September 27, 2024, the OUCC filed a corrected version of Mr. Guerrettaz's testimony.

The Indiana Utility Regulatory Commission ("Commission") held an evidentiary hearing at 9:00 a.m. on October 22, 2024, in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. CEI South and the OUCC appeared by counsel at the hearing, during which their respective evidence was admitted into the record without objection.

Based on the applicable law and the evidence presented, the Commission finds:

1. Statutory Notice and Jurisdiction. Notice of the hearing in this Cause was given and published as required by law. CEI South is a public utility as defined in Ind. Code § 8-1-2-1. Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes to CEI South's rates and charges related to adjustments in fuel costs. Therefore, the Commission has jurisdiction over CEI South and the subject matter of this proceeding.

2. CEI South's Characteristics. CEI South is a corporation organized and existing under the laws of the State of Indiana with its principal office located at 211 NW Riverside Drive in Evansville, Indiana. CEI South renders electric utility service to the public and owns and operates electric generating, transmission, and distribution plant, property, and equipment and facilities for the production, storage, transmission, delivery, and furnishing of this service.

3. Efforts to Acquire Fuel and Generate or Purchase Power to Provide Electricity at the Lowest Reasonable Cost. As a condition of receiving its requested fuel adjustment cost, Petitioner must demonstrate it complied with the statutory requirements of Ind. Code § 8-1-2-42(d)(1) by making every reasonable effort to acquire fuel and generate or purchase power, or both, so as to provide electricity to its retail customers at the lowest fuel cost reasonably possible.

A. Efforts to Acquire Fuel. Mr. Bradford testified that CEI South utilizes coal and natural gas for its electric generation and incurs the costs of purchasing those fuels, including fuel related transportation and storage costs. He said CEI South's generating units are offered into the Midcontinent Independent System Operator's ("MISO") Day Ahead and Real Time markets and are dispatched by MISO on an economic basis. He noted CEI South has contracted through competitive processes to purchase its coal requirements from nearby mines, which helps minimize transportation costs. Mr. Bradford added that CEI South utilizes Indiana coal as its primary fuel source for electric generation. He further testified that CEI South has one coal supply contract currently in place that supports re-pricing opportunities for CEI South's supply, which, given volume flexibility provided for under this contract, also leaves opportunities for spot purchases as needed. CEI South has made specific data concerning its coal purchases available to the auditors for the OUCC.

Mr. Bradford described CEI South's coal inventory position and the on-going steps it has taken to manage its coal inventory. Mr. Bradford testified that CEI South has a coal inventory reserve target to ensure reliability. He then testified regarding CEI South's 2023 and 2024 coal plans, including an update on its projected coal burn, coal purchases, and coal inventory. Mr. Bradford also provided a detailed calculation of CEI South's expected coal inventory.

Mr. Bradford additionally described the details of the utility's four new Texas Gas Transmission ("TGT") capacity contracts starting December 1, 2024, and April 1, 2025. He explained that these contracts provide a certain amount of no-notice storage and transportation capacity per day. He described the firm capacity that Petitioner would receive pursuant to these contracts.

Mr. Ankenbrand testified that CEI South received approval to recover the TGT-related costs through the FAC mechanism in the Commission's August 7, 2024 Order in Cause No. 45564 S1, which approved CEI South's request to recover the TGT costs using the then in effect 4CP allocation through its FAC mechanism. Specifically, Mr. Ankenbrand stated the Commission authorized CEI South to recover TGT fixed costs through the Natural Gas Power Plant Pipeline Service Rate. He noted CEI South will recover the variable, commodity costs, as part of its fuel charges through the FAC mechanism. The Natural Gas Power Plant Pipeline Service Rates requested for recovery in this FAC can be found on page 2 of Petitioner's Exhibit No. 2, Attachment BKA-1.

OUCC witness Mr. Eckert testified that as of July 31, 2024, CEI South's coal inventory was 366,813 tons, which is approximately 33,544 tons lower than what was reported in Cause No. 38708 FAC 143. He added that CEI South has taken actions to increase its coal inventory. Mr. Eckert recommended that CEI South continue to provide inputs to its calculation of the coal inventory, as well as update the Commission on its 2024 projected coal burn, coal purchases, and coal inventory.

Mr. Eckert testified that CEI South is not currently using coal decrement pricing. He stated that the OUCC recommends CEI South file testimony, schedules, and workpapers to justify any coal decrement pricing (or any other type of pricing) in future FAC filings. Mr. Eckert noted CEI South is requesting recovery of firm TGT interstate pipeline capacity costs in this proceeding. Mr. Eckert determined that CEI South's proposed treatment of these TGT interstate pipeline capacity costs comply with the Commission's August 7, 2024 Order in Cause No. 45564 S1. He added that CEI South's steam generation costs and monthly fuel costs are comparable or lower than its Indiana peer utilities.

Based on the evidence presented, the Commission finds that CEI South has made every reasonable effort to acquire fuel so as to provide electricity to its retail customers at the lowest fuel cost reasonably possible. We also find Mr. Eckert's recommendations regarding CEI South's coal inventory reasonable and appropriate. As such, we direct CEI South to continue providing inputs to its coal inventory calculation and to update the Commission on its 2024 projected coal burn, coal purchases, and coal inventory. Additionally, CEI South is directed to file testimony, schedules, and workpapers to justify any coal decrement pricing or any other type of pricing in future FAC filings.

B. Purchased Power Costs for March, April, and May 2024 ("Reconciliation Period"). In Cause No. 43414, the Commission established daily benchmarks to assess the reasonableness of purchased power costs. Mr. Bradford explained that the benchmark consists of using a generic gas-fired turbine heat rate of 12,500 BTU/kWh and the NYMEX Henry Hub Gas day-ahead price plus $0.60/MMBTU gas transport charge. Petitioner's Exhibit No. 1, Attachment FSB-1, Schedule 2 illustrates the calculation of the daily benchmarks. Applying the daily benchmarks to individual power purchase transactions in this proceeding, CEI South requests the recovery of certain purchased power costs in excess of the Daily Benchmarks for the Reconciliation Period. As the Commission previously noted, the standard to evaluate a utility's purchase that exceeds the benchmark is the "reasonableness of the decisions under the circumstances which were known (or which reasonably should have been known) at the time the purchases were made, not an after the fact focus using hindsight judgment . . . ." *Treatment of Purchased Power Costs*, Cause No. 41363 at 11 (IURC Aug. 18, 1999).

Mr. Bradford stated that CEI South incurred purchased power costs in excess of the daily benchmarks totaling $1,705,612.94 ($267,005.09 in March 2024, $779,063.68 in April 2024, and $659,544.17 in May 2024). He stated that $47,884.70 of this total is not recoverable because it did not meet the criteria established by a benchmark settlement, but the remaining over-benchmark purchases in the amount of $1,657,728.24 are recoverable. He stated that the $1,657,728.24 in benchmark purchases were incurred pursuant to MISO's security constrained economic dispatch across its footprint because MISO elected to utilize other generation when CEI South needed additional power. Petitioner's Exhibit No. 1, Attachment FSB-1, Schedule 3 provided evidence regarding CEI South's purchased power that included purchased power volumes, costs, the reasons for the purchases, and the sum of hourly purchased power costs in excess of the applicable benchmarks for the Reconciliation Period. CEI South also provided support for its position that over-benchmark costs of $1,657,728.24 included in this proceeding are recoverable. The schedule indicates these power purchases were made due to generation facilities being on outage or reserve shutdown. Mr. Bradford testified that without the purchased power, Petitioner could not have met its retail customers' demand while complying with MISO dispatch instructions. OUCC witness Eckert agreed with CEI South's determination that the utility should be allowed to recover $1,657,728.24 of purchased power costs that exceeded the benchmark.

Based on this evidence, we find that CEI South's identified purchased power costs were reasonable under the circumstances at the time of the purchases. As such, these purchased power costs are properly included in the fuel cost reconciliation.

4. <u>Fuel Cost and Other Operating Expenses</u>. To recover its requested fuel adjustment cost, Ind. Code § 8-1-2-42(d)(2) requires Petitioner to establish that "the actual increases in fuel cost through the latest month for which actual fuel costs are available since the last order of the commission approving basic rates and charges of the electric utility have not been offset by actual decreases in other operating expenses." Actual increases in Petitioner's fuel cost in the current case for the Reconciliation Period have not been offset by actual decreases in other operating expenses.

At the time of the filing of this Petition, the latest month for which CEI South's actual fuel costs were available was May 2024, and the latest three months for which such figures were available were March, April, and May 2024.

The Order in CEI South's most recent electric base rate case, Cause No. 43839, was issued on April 27, 2011, and approved the cost of fuel per kWh sold to be determined for the various voltage-level sales groups based on the line loss characteristics of each voltage group. These changes were effective May 3, 2011. The average cost of fuel per kWh supplied for the Reconciliation Period was $0.030299 as reflected in Petitioner's Exhibit No. 2, Attachment BKA-2, Schedule 5, Page 4, Line 31. The fuel cost at approved rates in Cause No. 43839 totaled $222,189,000 and the actual fuel costs were $188,282,000, a difference of $33,907,000, as shown on Petitioner's Exhibit No. 3, Attachment MJJ-1, Page 1, Line 17.

As shown in Petitioner's Exhibit No. 3, Attachment MJJ-1, Page 1, Line 16, the authorized operation and maintenance expense, excluding fuel cost, for the 12 months ended May 31, 2024, was $271,038,000, while the actual operating and maintenance expense, excluding fuel, amounted to $326,010,000, a difference of $54,972,000.

Based on the evidence, the Commission finds CEI South has met the requirement of Ind. Code § 8-1-2-42(d)(2) that increases in fuel costs have not been offset by decreases in other operating expenses.

5. <u>Return Earned</u>. Ind. Code § 8-1-2-42(d)(3), subject to the provisions of Ind. Code § 8-1-2-42.3, generally prohibits an FAC that would result in CEI South earning a return in excess of the applicable authorized return. Should the FAC result in CEI South earning a return in excess of the applicable authorized return, CEI South must, in accordance with the provisions of Ind. Code § 8-1-2-42.3, determine if the sum of the differentials between the actual earned return and the authorized return for each of the 12-month periods considered during the relevant period is greater than zero. If the sum is greater than zero, then the Commission shall reduce the FAC. Ind. Code § 8-1-2-42.3(b).

The authorized return from Cause No. 43839 applicable in this Cause is $94,450,297. The Commission's Orders in Cause Nos. 44910, 45052, and 44909, including sub-dockets, authorized a total of $35,197,815. The proration for purposes of this FAC is determined on a daily basis as shown in Petitioner's Exhibit No. 3, Attachment MJJ-3 (Cause No. 44910 TDSIC 12 of $11,200,925, Cause No. 44910 TDSIC 13 of $11,195,855, Cause No. 44910 TDSIC 14 of $1,239,061, Cause No. 45052 ECA 3 of $6,835,600, Cause No. 45052 ECA 4 of $3,960,941, Cause No. 44909 CECA 4 of $9,905, and Cause No. 44909 CECA 5 of $755,529). Therefore, CEI South's authorized return for this FAC proceeding is $129,648,112. Petitioner's Exhibit No. 3, Attachment MJJ-1, Page 1, Line 15 shows net electric operating income applicable to retail customers for the 12 months ended May 31, 2024, of $72,514,000. CEI South based its net operating income on its actual financial statements for this period.

CEI South did not exceed its authorized return in the current period as reflected in Petitioner's Exhibit No. 3, Attachment MJJ-2, Line 1. The sum of the differentials (both positive and negative) between the determined return and the authorized return during the relevant period is negative $655,865,080. As such, no refund is appropriate.

6. <u>Estimation of Fuel Cost</u>. Ind. Code § 8-1-2-42(d)(4) sets forth an additional requirement that must be found in order for an electric utility to recover its requested FAC. Specifically, it requires a finding that a utility's estimate of its prospective average fuel costs for each month of the estimated three calendar months is reasonable after taking into consideration the actual fuel costs experienced and the estimated fuel costs for the three calendar months for which actual fuel costs are available.

Petitioner's Exhibit No. 2, Attachment BKA-2, Schedule 1, Line 24, Column E indicates that CEI South's prospective average monthly fuel cost for the months of November 2024, December 2024, and January 2025 ("Estimation Period") is $15,168,711. Mr. Ankenbrand explained that this prospective average fuel cost estimate was calculated by determining the amount of generation that would be required from each generating unit, the amount of fuel required for the generation, and the price of fuel for each generating unit, assuming a normal weather supply plan. The price used for each coal-fired generation unit is the estimated average price of all coal in inventory for each unit. CEI South has included projections for solar generation within this FAC proceeding.

Mr. Ankenbrand sponsored Petitioner's Exhibit No. 2, Attachment BKA-2, Schedule 5, Page 4, which indicates CEI South had estimated its weighted average fuel cost for the Reconciliation Period would be $0.033276 per kWh supply. This exhibit further shows the actual weighted average fuel cost experienced for this three-month period was $0.030299 per kWh supply, resulting in a difference between estimated and actual weighted average cost in the amount of $0.002977 per kWh or 9.83% as reflected in Petitioner's Exhibit No. 2, Attachment BKA-2, Schedule 5, Page 4, Line 32. He said the estimating deviation was 26.98% in March 2024, 1.38% in April 2024, and 2.72% in May 2024.

Based on the evidence presented, the Commission finds that CEI South's estimating techniques are reasonable, and its estimates for the Estimation Period should be accepted.

7. <u>Actual Incremental Fuel Cost/Actual Incremental Fuel Clause Revenue</u>. During the Reconciliation Period, CEI South's actual incremental cost of fuel incurred was negative $6,284,918 but its actual incremental fuel adjustment clause revenues to be reconciled with this amount equaled $235,862 resulting in an under-recovery for the Reconciliation Period, in the amount of $6,520,780 as reflected on Petitioner's Exhibit No. 2, Attachment BKA-2, Schedule 4, Pages 1-3, Line 6.[1] CEI South's reconciliation of the actual incremental fuel cost and the collected fuel costs for the Reconciliation Period is proper and when combined with the Estimation Period, assures that the CEI South is reconciling actual fuel costs applicable to kWh sales.

8. <u>Resulting Fuel Cost Adjustment</u>. The estimated cost of fuel supplied for the Estimation Period in this filing, $0.035804 per kWh as reflected on Petitioner's Exhibit No. 2, Attachment BKA-2, Schedule 1, Line 25, plus the variance of negative $0.005404 per kWh (*Id.* at Line 29), results in the cost of fuel supplied of $0.030400 per kWh (*Id*. at Line 30). Adjustments for system losses are applied to the rate schedules based on voltage-level losses, as approved in Cause No. 43839. The following table illustrates the calculation of the FACs for the voltage-level groups based on their estimated loss percentages.

[1] These figures are not inclusive of the special contract variance included on Petitioner's Exhibit No. 2, Attachment BKA-2, Schedule 4, Pages 1-3, Line 7, as the special contract variance does not contribute to the rate derivation for the other rate classes.

	RS, B, SGS, OSS, SL, OL	DGS	LP	HLF	Special Contracts
Cost of Fuel Supplied	30.400	30.400	30.400	30.400	35.804
Estimated Loss %	6.948088%	6.910903	4.502335	1.774684	1.179326
Fuel Cost Adjusted for Losses	32.670	32.657	31.833	30.949	36.314
Estimated Cost of Company Use	0.087	0.087	0.087	0.087	0.087
Total Estimated Cost of Fuel (mills/kWh Sold)	32.757	32.744	31.920	31.036	36.401
Less Base Cost of Fuel Included in Rates (mills/kWh Sold)	38.295	38.275	37.123	35.883	
Fuel Cost Charge per kWh sold (mills/kWh Sold)	(5.538)	(5.531)	(5.203)	(4.847)	36.401

The OUCC recommended the Commission approve the factors set forth above. The FACs shown above will be applied to the usage billed by CEI South during the Estimation Period.

CEI South additionally requested approval of Natural Gas Power Plant Pipeline Service Rates for the recovery of costs incurred during the FAC period, including the reconciliation of prior period variance and the offset of costs with any used capacity sales, from the TGT pipeline. As noted above, in Cause No. 45564 S1 we authorized CEI South to recover its TGT costs using the then in effect 4CP allocation factors approved in Cause No. 43354 MCRA 21 S1 Settling Agreement through its FAC mechanism. This table illustrates the Natural Gas Power Plant Pipeline Service Rates to be charged by rate schedule.

	Allocation Percentage	Charge Adjusted	Rate ($ per kW or kVa)	Rate ($ per kWh)
RS	40.6160%	Energy	-	$0.005455
B	0.1307%	Energy	-	$0.003337
SGS	1.8234%	Energy	-	$0.005505
DGS/MLA	27.9043%	Energy	-	$0.005130
OSS	2.1556%	Energy	-	$0.004992
LP	24.6258%	Demand	$0.974	-
BAMP – Backup	1.8495%	Demand	$0.014	-
HLF	0.8947%	Demand	$1.728	-

9. <u>Effect on Customers</u>. Based on CEI South's filing, a residential customer using 1,000 kWh per month will experience an increase of $5.98 per month on his or her electric bill for the Estimation Period compared to the factor presently approved (excluding various tracking mechanisms and sales tax).

10. <u>Confidential Information</u>. On August 16, 2024, Petitioner filed its Motion for Protection of Confidential and Proprietary Information with a supporting affidavit asserting that certain information to be submitted to the Commission was trade secret information as defined in Ind. Code § 24-2-3-2 and should be treated as confidential in accordance with Ind. Code §§ 5-14-3-4 and 8-1-2-29. A Docket Entry was issued on September 17, 2024, in which the Presiding Administrative Law Judge determined the information should be held confidential on a preliminary basis, after which the information was submitted under seal. After review of the information and consideration of the affidavit, we find the information is trade secret information as defined in Ind. Code § 24-2-3-2, is exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29, and shall be held confidential and protected from public access and disclosure by the Commission.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. CEI South's fuel cost factors set forth in Section 8 are approved.

2. Prior to implementing the authorized rates, CEI South shall file the tariff and applicable rate schedules under this Cause for approval by the Commission's Energy Division. Such rates shall be effective on or after the date of approval subject to Division review and agreement with the amounts reflected.

3. Consistent with the recommendations of the OUCC, CEI South shall continue to provide inputs to its coal inventory calculation; update the Commission regarding Petitioner's 2024 projected coal burn and coal purchases, and coal inventory; update the OUCC with detailed information on any potential coal or transport contract amendments or price changes; and provide testimony describing the impact that Petitioner's fuel inventory strategy may have on its customers. CEI South shall continue to provide testimony regarding its natural gas hedges for the forecast period and how the strategy evolves. CEI South shall also file testimony, schedules, and workpapers to justify any actual or anticipated need for coal decrement pricing in future FAC filings.

4. The information submitted under seal in this Cause pursuant to Petitioner's request for confidential treatment is determined to be confidential trade secret information as defined in Ind. Code § 24-2-3-2 and shall continue to be held as confidential and exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29.

5. This Order shall be effective on and after the date of its approval.

HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR:

APPROVED: OCT 30 2024

I hereby certify that the above is a true and correct copy of the Order as approved.

Dana Kosco Digitally signed by Dana Kosco
Date: 2024.10.30 10:16:16
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Dana Kosco
Secretary of the Commission