

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 (1))
ISSUANCE OF A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY PURSUANT TO)
IND. CODE CH. 8-1-8.5 FOR THE CONSTRUCTION)
OF TWO NATURAL GAS COMBUSTION)
TURBINES (“CTS”) PROVIDING)
APPROXIMATELY 460 MW OF BASELOAD)
CAPACITY (“CT PROJECT”); (2) APPROVAL OF)
ASSOCIATED RATEMAKING AND ACCOUNTING)
TREATMENT FOR THE CT PROJECT; (3))
ISSUANCE OF A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY PURSUANT TO)
IND. CODE CH. 8-1-8.4 FOR COMPLIANCE)
PROJECTS TO MEET FEDERALLY MANDATED)
REQUIREMENTS (“COMPLIANCE PROJECTS”);)
(4) AUTHORITY TO TIMELY RECOVER 80% OF)
THE FEDERALLY MANDATED COSTS OF THE)
COMPLIANCE PROJECTS THROUGH CEI)
SOUTH’S ENVIRONMENTAL COST ADJUSTMENT)
MECHANISM (“ECA”); (5) AUTHORITY TO)
CREATE REGULATORY ASSETS TO RECORD (A))
20% OF THE FEDERALLY MANDATED COSTS OF)
THE COMPLIANCE PROJECTS AND (B) POST-IN-)
SERVICE CARRYING CHARGES, BOTH DEBT)
AND EQUITY, AND DEFERRED DEPRECIATION)
ASSOCIATED WITH THE CT PROJECT AND)
COMPLIANCE PROJECTS UNTIL SUCH COSTS)
ARE REFLECTED IN RETAIL ELECTRIC RATES;)
(6) IN THE EVENT THE CPCN IS NOT GRANTED)
OR THE CTS OTHERWISE ARE NOT PLACED IN)
SERVICE, AUTHORITY TO DEFER, AS A)
REGULATORY ASSET, COSTS INCURRED IN)
PLANNING PETITIONER’S 2019/2020 IRP AND)
PRESENTING THIS CASE FOR CONSIDERATION)
FOR FUTURE RECOVERY THROUGH RETAIL)
ELECTRIC RATES; (7) ONGOING REVIEW OF THE)
CT PROJECT; AND (8) AUTHORITY TO)
ESTABLISH DEPRECIATION RATES FOR THE CT)
PROJECT AND COMPLIANCE PROJECTS ALL)
UNDER IND. CODE §§ 8-1-2-6.7, 8-1-2-23, 8-1-8.4-)
1 *ET SEQ.*, AND 8-1-8.5-1 *ET SEQ.*)
)

CAUSE NO. 45564

PETITION

Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South (“Petitioner” or “CEI South”) respectfully petitions the Indiana Utility Regulatory Commission (“Commission”) to authorize Petitioner to implement its Generation Transition Plan as set forth in its 2019/2020 Integrated Resource Plan (the “2019/2020 IRP”) as follows: (1) issue a certificate of public convenience and necessity (“CPCN”) pursuant to Ind. Code ch. 8-1-8.5 to construct two natural gas combustion turbines (“CTs”) providing approximately 460 MW of capacity (“CT Project”); (2) approve associated ratemaking and accounting treatment for the CT Project; (3) issue a CPCN pursuant to Ind. Code ch. 8-1-8.4 for the construction of equipment and facilities necessary to comply with the United States Environmental Protection Agency’s (“EPA”) Coal Combustion Residuals (“CCR”) rule for the handling and disposal of dry ash, including construction of a new dry fly ash loading facility on the Ohio River in order to store, load on barges and transport dry ash from the A.B. Brown, Warrick Unit #4 and Culley Plants for beneficial reuse (collectively the “Dry Ash Compliance Project”), (4) issue a CPCN pursuant to Ind. Code ch. 8-1-8.4 for a compliance project to construct two new small ponds (one with respect to A.B. Brown and one with respect to Culley) to handle coal-pile runoff, flue gas desulfurization (“FGD”) wastewater and other flows such as stormwater and landfill leachate in compliance with EPA’s CCR rule (the “Pond Compliance Project” and together with the Dry Ash Compliance Project, the “Compliance Projects”), (5) authorize Petitioner to timely recover 80% of the costs incurred in connection with the Compliance Projects (including capital, operating, maintenance, depreciation, tax and financing) (collectively the “revenue requirement”) through CEI South’s environmental cost adjustment mechanism; (6) authorize CEI South to create regulatory assets to record (A) 20% of the revenue requirement on the Compliance Projects and (B) post-in-service carrying costs, both debt and equity, and deferral of depreciation associated with the Compliance Projects and the CT Project until such costs are reflected in retail electric rates; (7) in the event the CPCN for the CTs is not granted or the CTs are otherwise not placed in service, authorize Petitioner to

defer, as a regulatory asset, costs incurred in planning its 2019/2020 IRP and presenting this case for consideration, for future recovery through retail electric rates; (8) grant Petitioner's request for ongoing review of the CT Project; and (9) authorize Petitioner to establish depreciation rates for the CT Project and the Compliance Projects.

Public convenience and necessity require or will require the construction of the CTs, and the CT Project is consistent with Petitioner's 2019/2020 IRP.

The Compliance Projects are reasonably necessary to comply with EPA requirements under the CCR rule. Absent the Dry Ash Compliance Project, CEI South would have no way of loading ash from the A.B. Brown, Culley and Warrick Plants onto barges and transporting this ash for beneficial reuse. That would leave Petitioner unable to properly handle and dispose of ash under the CCR rule. Further, in order for Petitioner to qualify for an extension to operate its unlined ash ponds beyond April 11, 2021 under the CCR Part A Reconsideration (as discussed below), Petitioner is required to demonstrate to EPA that it is pursuing the "fastest technically feasible option" for acquiring alternative disposal capacity. The Pond Compliance Project is the fastest technically feasible option available for the A.B. Brown and Culley unlined ash ponds, and if Petitioner does not construct the Pond Compliance Project, it will be in violation of the extension requirements of the CCR Part A Reconsideration. All of the costs to be incurred in connection with construction and operation of the Compliance Projects qualify as federally mandated costs under Ind. Code ch. 8-1-8.4.

In support hereof, CEI South shows the Commission:

Petitioner's Corporate and Regulated Status

1. CEI South is an operating public utility incorporated under the laws of the State of Indiana and has its principal office at 211 NW Riverside Drive, Evansville, Indiana. CEI South has charter power and authority to engage in, and is engaged in the business of, rendering retail electric service solely within the State of Indiana under indeterminate permits, franchises, and

necessity certificates heretofore duly acquired. CEI South owns, operates, manages, and controls, among other things, plant, property, equipment, and facilities which are used and useful for the production storage, transmission, distribution, and furnishing of electric service to approximately 145,000 electric consumers in southwestern Indiana. Its service territory is spread throughout seven counties: Pike, Gibson, Dubois, Posey, Vanderburgh, Warrick and Spencer counties.

2. CEI South is a “public utility” within the meaning of Ind. Code § 8-1-2-1 and § 8-1-8.5-1 and an “energy utility” under Ind. Code § 8-1-8.4-3. Petitioner is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Public Service Commission Act, as amended, and other pertinent laws of the State of Indiana. Petitioner is also subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”).

Background – CEI South’s 2019/2020 IRP and All Source RFP

3. On June 30, 2020, CEI South submitted its 2019/2020 IRP to the Commission. The 2019/2020 IRP identifies a need for the addition of 700 to 1,000 MWs of solar resources (some solar paired with storage) and 300 MWs of wind resources as part of the “Preferred Portfolio” to meet capacity and energy requirements. The additional renewable resources will replace approximately 730 MWs of coal generation. In accordance with the 2019/2020 IRP, CEI South plans to close its smallest, most inefficient coal unit, F.B. Culley Unit 2 (90 MWs). In addition, CEI South’s ability to rely on the joint operation of Warrick Unit #4 (150 MW) in the future is unlikely. Also in accordance with the 2019/2020 IRP, CEI South plans to retire A.B. Brown Units 1 and 2 because substantial capital investments at these units would otherwise be needed before the end of 2023 as a result of environmental regulations. Based on the retirement or exit of energy provided by A. B. Brown Units 1 and 2, F.B. Culley Unit 2 and Warrick Unit #4, the “Preferred Portfolio” set forth in the 2019/2020 IRP calls for CEI South to make changes to its generation portfolio in the next three years.

4. On February 23, 2021, CEI South took the first step in implementing its 2019/2020 IRP with the filing of its Petition in Cause No. 45501 for approval of a CPCN to purchase and acquire a solar facility in Posey County, Indiana, and authorization to enter into a power purchase agreement (“PPA”) to purchase energy and capacity from a 100 megawatts alternating current (“MWac”) solar project in Warrick County, Indiana. This filing represents the next step in implementing Petitioner’s Generation Transition Plan and 2019/2020 IRP, as the “Preferred Portfolio” also identified the CT Project as a means to provide capacity to support the low-cost renewable energy resources and to help replace a portion of the 730 MWs of coal generation. The CTs, which are part of a balanced mix of renewables, gas, coal, and DSM resources to serve customers, satisfy another portion of the capacity necessary to meet Petitioner’s retail electric load and adequate reserve margins.

Background – Environmental Regulations

5. Petitioner’s operations are subject to federal, state and local rules promulgated by, among others, EPA and the Indiana Department of Environmental Management (“IDEM”). Such rules establish environmental compliance standards that govern Petitioner’s electric generating units.

6. Petitioner and the electric utility industry are subject to federal environmental laws and regulations, including the Clean Water Act (“CWA”), the Clean Air Act (“CAA”) and CCR rules.

7. The CCR rule was promulgated by EPA under Subtitle D of the Resource Conservation & Recovery Act (42 U.S.C. 6901 *et seq.*) (“RCRA”). The CCR rule establishes specific requirements that must be met in order to continue operation of an existing ash pond: (1) a safety factor assessment which must have been completed by October 2016, (2) a groundwater assessment, and (3) various location restrictions. If the requirements are not met, use of the ash pond must cease and closure of the ash pond must begin.

8. In 2017, the Trump administration identified the CCR rule (as well as the Effluent Limitations Guidelines (ELG) rule) for reconsideration as part of a regulatory reform initiative focused in part on removing regulatory burdens on the generation of electricity from coal. In July 2018, EPA finalized its Phase I Part I reconsideration. In that action, EPA revised the final cessation deadline (i.e. the date by which an owner must cease disposal in an ash pond) by two years, from October 2018 to October 2020, for those ponds, like CEI South's, that fail to meet a location restriction and/or demonstrate an exceedance of groundwater protection standards.

9. In August 2020, the final cessation deadline was revised further to April 11, 2021, in EPA's "Hazardous and Solid Waste Management System: Disposal of Coal Combustion Residuals from Electric Utilities; A Holistic Approach to Closure Part A: Deadline To Initiate Closure (the "CCR Part A Reconsideration"). The CCR Part A Reconsideration now requires all unlined ash ponds to close no later than April 11, 2021 unless an extension is granted by EPA. The CCR Part A Reconsideration became effective in September 2020. If an extension is not granted, the rule requires CEI South to pursue alternative capacity for handling CCR and non-CCR waste streams that are currently managed in unlined CCR impoundments in the fastest technically feasible timeframe. If an extension is granted under the rule, an ash pond may be used until the fastest technically feasible option can be completed or October 15, 2023, whichever is sooner.

Petitioner's Existing Generation

10. To provide reliable electricity to its customers, CEI South's generation portfolio consists of 1,032 MWs of coal fired generation which includes 32 MWs associated with a 1.5% ownership in the Ohio Valley Electric Cooperative and 150 MWs associated with 50% ownership in Warrick Unit #4 operated by Alcoa Power Generating, Inc. ("Alcoa"). The portfolio also contains 160 MWs of natural gas peaking generation, 54 MWs of solar,¹ 3 MWs of landfill gas, 1 MW of

¹ Not including the 400 MWs of proposed solar projects pending in Cause No. 45501.

battery storage and two wind PPAs totaling 80 MWs. This equals a total of 1,329 MWs of installed capacity.

11. Coal makes up over 78% of CEI South’s installed capacity. Petitioner currently operates five (5) coal-fired baseload units as listed below:

<u>Unit</u>	<u>Capacity (MW)</u>	<u>Fuel</u>
A.B. Brown 1	245	Coal
A.B. Brown 2	245	Coal
F.B. Culley 2	90	Coal
F.B. Culley 3	270	Coal
Warrick 4	150 ²	Coal

Petitioner procures 100% of its coal supply from mines located in Indiana.

12. Petitioner has previously made substantial investments in its Culley Unit 3 generation facilities during the past decade to remain in compliance with changing air and water emissions standards. Specifically, investments have been made in a Dry Fly Ash system (allowing CEI South to collect ash from all of its units in a dry form and transport it to a storage silo located at the A.B. Brown site (the “Brown Site”) near the Ohio River to be loaded onto barges to be transported to a cement manufacturing facility for beneficial reuse), a bag house, a scrubber and a selective catalytic reduction (“SCR”) system. These significant investments in Culley Unit 3 are reflected in Petitioner’s current rates. The Commission also previously approved Petitioner’s request for a CPCN pursuant to Ind. Code ch. 8-1-8.4 in Cause No. 45052 to construct compliance projects needed to meet federally mandated requirements to allow Petitioner to maintain Culley Unit 3 in compliance with EPA’s ELG and CCR rules (the “Culley 3 Compliance

² Represents Petitioner’s ½ interest in Warrick 4 – a 300 MW unit.

Projects”). The Culley 3 Compliance Projects will allow Petitioner to continue operating Culley Unit 3 beyond 2023.

13. A.B. Brown Units 1 and 2 are different, however. Due to CCR, the Brown units are facing a hard stop compliance deadline of October 15, 2023. The Brown Units are also rapidly running out of landfill space. In addition, ELG prohibits the discharge of fly ash transport water. So modifications to the Brown fly ash handling system are needed before the end of 2023. In total, the improvements that are needed to keep Brown Units 1 and 2 in operation beyond 2023 as coal units are estimated to cost over \$150 million.

Proposed CT Project

14. Consistent with its 2019/2020 IRP results, CEI South plans to retire most of its current coal-fired generation and proposes to diversify its generation asset portfolio. CEI South took the first step in implementing its Generation Transition Plan in requesting approval of the two solar projects in Cause No. 45501. In this Cause, CEI South is proposing to further diversify its generation fleet based on its 2019/2020 IRP by constructing two F-Class CTs at the Brown Site, with an in-service date of fourth quarter 2024. The CTs will connect at the Brown site and replace a portion of the Company’s current 490 MWs of dispatchable coal generation at the A.B. Brown plant. The CTs will also support the 700-1,000 MWs of solar and 300 MWs of wind, a part of which is currently proposed to replace a portion of the 90 MWs of Culley Unit 2 and CEI South’s share of Warrick Unit #4.

15. While historically CEI South’s coal plants have been operated as base load units, over the years the market and regulatory conditions in which these facilities operate has changed. Increasingly, the Midcontinent Independent System Operator (“MISO”) dispatches other forms of generation before coal-fired generation. This has impacted both the efficiency and reliability of Petitioner’s coal-fired generation facilities. The CTs are designed to provide fast start and fast ramping capability, providing dispatchable energy to complement the initial 700 MWs of installed

renewable energy capacity identified in Petitioner's 2019/2020 IRP and ensuring sufficient dispatchable capacity to reliably and efficiently serve the Company's load when the intermittent renewable resources are not available for short or prolonged periods of time.

16. The proposed CTs will be built on the Brown Site, allowing Petitioner's customers to realize cost savings generated by the benefits of re-using existing facilities and equipment. The site has a designated entrance road off of a main highway and rail access to the location of the proposed facility. This will allow for large sections of the new plant to be moved by rail or truck into the facility with the option to rail large sections from the manufacturing facility directly to the plant. Since the Brown Site is located within Petitioner's service territory, the economic benefits of the investment will inure to CEI South's customers. The Brown Site also holds 500 MWs of MISO grid interconnect capacity. The MISO grid interconnect rights at the Brown Site can be transferred from the coal units to the CTs for up to three years after the Brown coal plants are retired.

17. Consistent with the 2019/2020 IRP, CEI South proposes to retain Culley Unit 3 as a coal-fired unit and retire the remaining coal units. The 400 MW solar projects proposed in Cause No. 45501 will replace a portion of the capacity supplied by Culley Unit 2 and CEI South's share of Warrick Unit #4. The two CTs totaling 460 MWs in this Cause would replace a portion of the current 490 MWs of dispatchable coal generation at the A.B. Brown plant. The remainder of the capacity need will be supplied by additional solar and wind resources which will be the subject of a future proceeding and through purchases of capacity. This generation mix will provide a reliable, low-cost portfolio with renewable resources being dispatched as available and the two CTs, Culley Unit 3 and the two natural gas peaking units providing enough dispatchable energy to serve CEI South's current customer load 98% of the time.

Approval of CT Project

18. The estimated capital cost of the new CTs is reasonable and is estimated to be \$323 million. This is the best estimate of the total cost of the CT Project. As described in Petitioner's case-in-chief, Petitioner undertook a robust Request for Proposal ("RFP") process to solicit full turnkey Engineering, Procurement and Construction ("EPC") bids as well as alternative proposals that met the technical, commercial and other required specifications of the CT Project. Petitioner also engaged outside consultants to analyze and evaluate the bids to assist Petitioner with identifying the best combustion turbine solution at the most competitive price.

19. Petitioner's evidence presents how it has taken into account (1) current and potential arrangements with other electric utilities including the interchange of power, pooling of facilities, purchase of power, and joint ownership of facilities; and (2) other methods for providing reliable, efficient, and economical electric service, including the refurbishment of existing facilities, conservation, load management, cogeneration and renewable energy sources. Petitioner solicited bids to obtain purchased power capacity and energy from alternative suppliers through an all-source request for proposals.

20. The CT Project is consistent with Petitioner's 2019/2020 IRP, and so the request is consistent with a utility specific proposal under Ind. Code §8-1-8.5-4(e) and submitted for approval under Ind. Code §8-1-8.5-5(d). The CT Project is a reasonable addition to a portfolio of capacity resources that in the aggregate serves to mitigate risk through diversification. The

project will allow Petitioner to further diversify its generation assets while ensuring reliable service to its customers in a cost-effective manner.

21. The proposed CT Project is also consistent with the Commission's analysis for expansion of electric generating capacity under Ind. Code §8-1-8.5-3.

22. Petitioner has the managerial and technical expertise to construct the proposed CT Project.

23. The estimated costs of the CT Project are the result of competitively bid engineering, procurement or construction contracts, and Petitioner has allowed third parties to submit firm and binding bids for the CT Project's construction that meet all of the technical, commercial and other specifications required for the CT Project so that ownership of the CT Project will vest with Petitioner no later than the date on which it becomes commercially available.

24. Therefore, the CT Project is reasonable and necessary and the public convenience and necessity will be served by the two CTs. Accordingly, Petitioner should be granted a certificate of public convenience and necessity and all other necessary Commission approval in order to proceed with the construction and use of the CT Project. Petitioner should also be provided the accounting and ratemaking treatment for its costs as requested herein.

Dry Ash Compliance Project

25. CEI South requests approval to construct, install and operate a new dry fly ash loading facility located on the Ohio River to enable Petitioner to continue complying with EPA's CCR rule. The Dry Ash Compliance Project consists of constructing three components: (1) a silo for accepting ash from A.B. Brown, Warrick Unit #4 and Culley; (2) a barge loading facility to load ash onto barges to transport for beneficial reuse; and (3) a new dry ash handling system since the previous conveyor system was converted for handling of ponded ash.

26. All four of CEI South's coal units, as well as Warrick Unit #4, have previously been converted to dry ash systems, although (as noted previously), additional dry ash handling

modifications would be needed at A.B. Brown Units 1 and 2. Currently, dry ash from the A.B. Brown Plant is pneumatically blown into a large storage silo near the Ohio River at the Brown Site. Dry ash from Culley and Warrick is also being transported to the Brown Site and placed in the same ash storage silo. Since the conveyor system at the A.B. Brown Plant has previously been converted to handle ponded ash, dry ash can no longer be transported and loaded on barges using the current conveyor system. Constructing the new dry ash handling system at the Brown Site will allow CEI South to load the dry ash from the Brown, Warrick and Culley Plants on barges and to transport this ash for beneficial reuse. Thus, the Dry Ash Compliance Project is required to enable CEI South to continue complying with dry ash handling and disposal requirements imposed under EPA's CCR rule.

Pond Compliance Project

27. CEI South also requests approval to construct two new ponds (one with respect to A.B. Brown and one with respect to Culley) to handle coal-pile runoff, FGD wastewater and other flows such as stormwater and landfill leachate in compliance with EPA's CCR rule. The Pond Compliance Project consists of constructing: (1) a 10-acre CCR-compliant lined pond at the A.B. Brown Plant; and (2) a 2- to 3-acre CCR-compliant lined pond at the Culley Plant. These ponds are necessary to demonstrate to EPA that Petitioner is pursuing alternative disposal capacity in the fastest technically feasible timeframe as required under the CCR Part A Reconsideration.

Approval of Compliance Projects

28. The Compliance Projects are being undertaken to comply with EPA's CCR rule, which has been duly promulgated under RCRA. The Dry Ash Compliance Project and the Pond Compliance Project each constitute a compliance project undertaken by Petitioner related to the direct or indirect compliance by Petitioner with one (1) or more federally mandated requirements under Ind. Code § 8-1-8.4-5.

29. The estimated capital cost of the Dry Ash Compliance Project is reasonable and is estimated to be approximately \$12 million. Petitioner has worked with engineering experts to analyze the Dry Ash Compliance Project to ensure it will be effective in allowing CEI South to appropriately handle and dispose of dry ash in compliance with the CCR rule. Petitioner also considered other alternatives to the proposed Dry Ash Compliance Project and determined the proposed project is the lowest cost feasible alternative to ensure compliance with the CCR rule.

30. The construction, installation and use of the Dry Ash Compliance Project will enable Petitioner to ensure it is appropriately handling and disposing of dry ash produced by the Brown, Warrick and Culley Plants as required under the CCR rule. Therefore, the Dry Ash Compliance Project is reasonable and necessary and the public convenience and necessity will be served by the Dry Ash Compliance Project. Accordingly, Petitioner should be granted a certificate of public convenience and necessity and all other necessary Commission approval in order to proceed with the construction and use of the project. Petitioner should also be provided the accounting and ratemaking treatment for its costs as requested herein. The Dry Ash Compliance Project will allow Petitioner to continue to use all 5 coal-fired units through 2023, and longer for Culley.

31. The estimated capital cost of the Pond Compliance Project is reasonable and is estimated to be approximately \$13 million for the A.B. Brown CCR-compliant lined pond and approximately \$6 million for the Culley CCR-compliant lined pond. There are no other alternatives to be considered with respect to the Pond Compliance Project. The CCR Part A Reconsideration requires Petitioner to pursue the “fastest technically feasible option” and construction of the Pond Compliance Project is the only option that will satisfy the requirements of the rule.

32. The Pond Compliance Project will allow Brown Units 1 and 2 and Culley Unit 2 to operate through 2023 and Culley Unit 3 beyond 2023. The Pond Compliance Project will also allow Petitioner to evaluate the possibility of operating Culley Unit 2 through 2025.

33. The construction, installation and use of the Pond Compliance Project will enable Petitioner to demonstrate to EPA it is pursuing alternative disposal capacity in the fastest technically feasible timeframe as required under the CCR Part A Reconsideration and to otherwise comply with the CCR rule. Therefore, the Pond Compliance Project is reasonable and necessary and the public convenience and necessity will be served by the Pond Compliance Project. Accordingly, Petitioner should be granted a certificate of public convenience and necessity and all other necessary Commission approval in order to proceed with the construction and use of these projects. Petitioner should also be provided the accounting and ratemaking treatment for its costs as requested herein.

Ongoing Review

34. Pursuant to Ind. Code §8-1-8.5-6, Petitioner requests ongoing review of the CT Project, including review of progress reports and any revisions to the cost estimates, as the construction proceeds, and associated ratemaking treatment consistent with such review.

Ratemaking and Accounting

35. Upon approval of the projected federally mandated costs associated with the proposed Compliance Projects described herein and in Petitioner's case-in-chief, Indiana Code § 8-1-8.4-1 *et seq.* authorizes Petitioner to recover 80% of the costs of the Compliance Projects through a periodic rate adjustment mechanism. Petitioner requests authority to recover these federally mandated costs by: (1) recovering eighty percent (80%) of the approved federally mandated costs, including capital, operating, maintenance, depreciation, tax or financing costs through a periodic rate adjustment mechanism that allows the timely recovery of the approved federally mandated costs; and (2) deferring twenty percent (20%) of the approved federally mandated costs, including depreciation, post-in-service carrying costs on the overall cost of

capital most recently approved by the Commission, for recovery at the time of Petitioner's next general rate case.

36. Petitioner requests authority (1) to continue the accrual of post-in-service carrying costs, both debt and equity, and to defer the accrual of depreciation expense on the CT Project and the Compliance Projects from their respective in-service dates until the implementation of rates including recovery of a return thereon and including recovery of depreciation expense thereon in CEI South's recoverable operating expenses; (2) to record such post-in-service carrying costs (both debt and equity) and deferred depreciation as regulatory assets in Account 182.3 Other Regulatory Assets; (3) to amortize such regulatory assets as a recoverable expense for ratemaking purposes over the estimated life of each of the CTs and the Compliance Projects commencing on the date of approval of rates providing recovery of a return on the CT Project and the Compliance Projects, respectively, and including depreciation expense thereon in CEI South's recoverable operating expenses; and (4) to include the unamortized portion of the regulatory assets in CEI South's rate base upon which it is permitted to earn a return. Post-in-service carrying costs ("PISCC") would be computed using the FERC Uniform System of Accounts ("FERC USoA") requirements once the investments are placed in-service. The PISCC will be computed by applying Petitioner's overall cost of capital approved in its last base rate case, *Southern Indiana Gas and Elec. Co. d/b/a Vectren Energy Delivery of Indiana, Inc.*, Cause No. 43839 (IURC 4/27/2011).

37. In the event the Commission approves Petitioner's CT Project as requested herein and the CTs are placed in service, Petitioner proposes to capitalize allocable costs of preparing the IRP and presenting this case to the costs of the CT Project and to amortize these costs over the life of the asset. Such costs are included in the best estimate of costs previously provided. In the event the Commission does not approve the requested CPCN for the CTs or the CTs are otherwise not placed in service for whatever reason, Petitioner requests authority to defer such

costs at that time as a regulatory asset to be recovered through retail electric rates over a period of time to be determined in a future proceeding or capitalized to an alternative project.

38. Petitioner also requests the Commission authorize Petitioner to approve depreciation rates for the CTs and the Compliance Projects, which rates will be described in more detail as part of its case-in-chief.

Applicable Law

39. Petitioner considers the provisions of the Public Service Commission Act, as amended, may be applicable to this proceeding, including Ind. Code §§ 8-1-2-6.7, 8-1-2-12, 8-1-2-23, 8-1-8.4-1 *et seq.*, and 8-1-8.5-1 *et seq.*

CEI South's Counsel

40. CEI South's duly authorized representatives to whom all correspondence and communications in this Cause should be sent are:

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Procedural Matters

41. To facilitate Petitioner’s ability to proceed with the CT Project and the Compliance Projects in a timely manner, Petitioner requests the Commission approve a procedural schedule agreed to by Petitioner and the OUCC and dispense with conducting a prehearing conference. The agreed upon schedule is as follows:

Date	Event
October 15, 2021	OUCC/Intervenors File Cases-in-Chief
November 15, 2021	Petitioner’s Rebuttal Testimony
December 15, 2021	Hearing

Discovery will be conducted on an informal basis with responses due within ten (10) calendar days until Petitioner files its rebuttal testimony. Thereafter, responses will be due within five (5) business days. Discovery served after noon on Friday or the day preceding a legal holiday will be deemed served the following business day.

WHEREFORE, Petitioner Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South respectfully requests that the Commission promptly publish notice, make such investigation and hold hearings as are necessary or advisable and thereafter issue an Order in this Cause:

- (a) making findings as to the best estimate for the construction of the proposed CT Project;
- (b) making findings that the construction of the CT Project is consistent with the Commission’s plan for expansion of electric generating capacity and Petitioner’s 2019/2020 Integrated Resource Plan;
- (c) making findings that public convenience and necessity require or will require the construction of the CT Project as proposed herein;
- (d) making the required findings under Ind. Code §8-1-8.5-5(e);
- (e) granting Petitioner a certificate of public convenience and necessity for the construction of the CT Project pursuant to Ind. Code § 8-1-8.5-1 *et seq.*;

(f) making findings that public convenience and necessity will be served by the Dry Ash Compliance Project and the Pond Compliance Project;

(g) granting Petitioner certificates of public convenience and necessity for the Dry Ash Compliance Project and the Pond Compliance Project, pursuant to Ind. Code § 8-1-8.4-1 *et seq.*;

(h) finding that each of the Dry Ash Compliance Project and the Pond Compliance Project constitutes a compliance project that will allow Petitioner to comply directly or indirectly with “federally mandated requirements” under Ind. Code § 8-1-8.4-5 and finding that the associated costs of each project are “federally mandated costs” under Ind. Code § 8-1-8.4-4 and therefore eligible for cost recovery set forth in Ind. Code § 8-1-8.4-7;

(i) making the required findings under each of the factors set forth in Ind. Code § 8-1-8.4-6(b);

(j) authorizing Petitioner to timely recover 80% of the approved federally mandated costs incurred for the Compliance Projects through CEI South’s environmental cost adjustment mechanism pursuant to Ind. Code § 8-1-8.4-7;

(k) authorizing Petitioner to create a regulatory asset to record 20% of the approved federally mandated costs incurred for the Compliance Projects until such costs are reflected in Petitioner’s retail electric rates pursuant to Ind. Code § 8-1-8.4-7(c)(2);

(l) authorizing Petitioner to accrue post-in-service carrying costs, both debt and equity, related to the CT Project and Compliance Projects after their respective in-service dates using the overall cost of capital approved in Petitioner’s last base rate case;

(m) authorizing Petitioner to defer depreciation expense relating to the CT Project and Compliance Projects until such expenses are recovered through either a rate adjustment mechanism or in base rates;

(n) in the event the CPCN for the CTs is not granted or the CTs are otherwise not placed in service, authorizing Petitioner to defer, as a regulatory asset, costs incurred in planning

its 2019/2020 IRP and presenting this case for consideration, for future recovery through retail electric rates;

(o) providing for ongoing review of the CT Project;

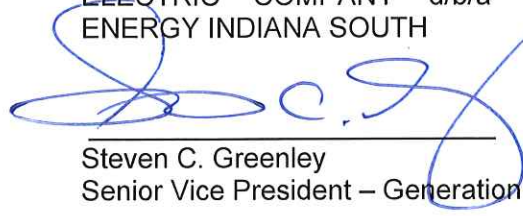
(p) approving depreciation rates for the CT Project and the Compliance Projects; and

(q) making such further orders and providing such further relief to Petitioner as may

be appropriate.

Dated this 17th day of June, 2021

SOUTHERN INDIANA GAS AND
ELECTRIC COMPANY d/b/a CENTERPOINT
ENERGY INDIANA SOUTH



Steven C. Greenley
Senior Vice President – Generation Development

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Petition was served via electronic mail transmission or by depositing a copy thereof in the United States mail, first class postage prepaid, addressed to:

William I. Fine
Indiana Office of Utility Consumer Counselor
PNC Center
115 W. Washington Street, Suite 1500 South
Indianapolis, Indiana 46204
wfine@oucc.in.gov
infomgt@oucc.in.gov

this 17th day of June, 2021.



Hillary J. Close

**Southern Indiana Gas and Electric Company
d/b/a CenterPoint Indiana South
A CenterPoint Energy Company
2021 CPCN
Index of Issues, Requests, and Supporting Witnesses¹**

Exhibit	Witness	Summary
1	Steven C. Greenley	Provides executive summary of the case and relief sought as well as introduction of witnesses.
2	Wayne D. Games	Provides an overview of CEI South's generation fleet and challenges facing it, the decision to construct two natural gas CTs at the A.B. Brown site and other options explored. He presents the best estimate of costs of the CT Project. He also describes the Compliance Projects and provides costs estimates therefore, as well as alternatives considered.
3	Erin Carroll	Describes the analysis performed by Power Advocate to assess the market competitiveness of the bid selected in addition to describing the process to be used for the procurement of the CTs.
4	Angila Retherford	Explains the federal environmental regulations applicable to the generation fleet and in particular how such regulations are effectively forcing the cessation of coal as the fuel source at the A.B. Brown station. She also explains how the Preferred Portfolio in the 2019/2020 IRP, including the two CTs here, will allow CEI South to achieve compliance with current regulations and provide flexibility to address future regulations. She also explains how the CCR rule is mandating the Compliance Projects for which CPCNs are sought.
5	Matthew A. Rice	Describes the analysis and results of the 2019/2020 IRP. He summarizes how the proposed CTs are consistent with the IRP, with the Final Report of Indiana's 21 st Century Energy Policy Development Task Force, and with the Commission's analysis for expansion of electric generating capacity. Finally, he describes the anticipated rate impact of the proposal as compared to alternatives.
6	Nelson Bacalao	Evaluates CEI South's 2019/2020 IRP and generation transition plan, with specific reference to lessons learned from Cause No. 45052.
7	Jason Zoller	Provides an overview of the engineering and technical specifications of the two CTs and describes the cost estimates. He also discusses the analysis to evaluate conversion of A.B. Brown from coal to gas and the analysis of alternative FGD technologies under the Business-as-Usual scenario.

¹ This Index of the Company's case-in-chief is intended to highlight issues and is not an exhaustive list of the requests in this proceeding. A complete account of the requested relief can be found in the case-in-chief, including but not limited to petition, testimony, exhibits and workpapers.

8	Paula J. Grizzle	Presents the procurement of firm pipeline capacity for the provision of reliable natural gas service to the A.B. Brown delivery location.
9	Kara Gostenhofer	Discusses the request to accrue post-in-service carrying charges and to defer depreciation on the CTs after their in-service dates. She also discusses the proposed accounting treatment and reflection in rates of federally mandated costs pursuant to Ind. Code ch. 8-1-8.4 for the Compliance Projects. Finally, she discusses CEI South's proposal for deferral authority related to IRP and planning costs in the event the CTs are not placed in service.
10	Rina H. Harris	Discusses the portion of the Company's load obligation that will be met through conservation and demand side management initiatives.
11	Shane Bradford	Provides an overview of CEI South's All-Source RFP. He also describes how the CT proposal fits within the overall capacity forecast for the Midcontinent Independent System Operator footprint.

CT Project		
8-1-8.5-4(1)(A)	Current and potential arrangement with other electric utilities for . . . interchange of power	Pet. Ex. 2 (Games)
8-1-8.5-4(1)(B)	Current and potential arrangement with other electric utilities for . . . pooling of facilities	Pet. Ex. 2 (Games)
8-1-8.5-4(1)(C)	Current and potential arrangement with other electric utilities for . . . purchase of power	Pet. Ex. 5 (Rice) and Pet. Ex. 11 (Bradford)
8-1-8.5-4(1)(D)	Current and potential arrangement with other electric utilities for . . . joint ownership of facilities	Pet. Ex. 2 (Games) and Pet. Ex. 5 (Rice)
8-1-8.5-4(2)	Other methods for providing reliable, efficient, and economical service, including . . . refurbishment of existing facilities	Pet. Ex. 2 (Games), Pet. Ex. 5 (Rice) and Pet. Ex. 7 (Zoller)
8-1-8.5-4(2)	Other methods for providing reliable, efficient, and economical service, including . . . conservation, load management	Pet. Ex. 10 (Harris)
8-1-8.5-4(2)	Other methods for providing reliable, efficient, and economical service, including . . . cogeneration	Pet. Ex. 5 (Rice)
8-1-8.5-4(2)	Other methods for providing reliable, efficient, and economical service, including . . . renewable energy sources	Multiple witnesses
8-1-8.5-5(b)(1)	Best estimate of costs	Pet. Ex. 2 (Games)
8-1-8.5-5(b)(2)(A)	Consistent with the Commission's analysis for expansion of generating capacity, or	Pet. Ex. 5 (Rice)
8-1-8.5-5(b)(2)(B)	Consistent with a utility specific proposal under section 3(e)(1) and approved under subsection (d) and consistent with the Commission's analysis	Pet. Ex. 5 (Rice)
8-1-8.5-5(b)(3)	Public convenience and necessity	Multiple witnesses

8-1-8.5-5(e)(1)(A)	The estimated costs are the result of competitively bid engineering, procurement or construction contracts	Pet. Ex. 2 (Games) and Pet. Ex. 3 (Carroll)
8-1-8.5-5(e)(1)(B)	Applicant allowed or will allow third parties to submit firm and binding bids that meet all of the specifications required so as to enable ownership to vest with CEI South not later than the date on which the CTs become commercially available	Pet. Ex. 2 (Games) and Pet. Ex. 3 (Carroll)
8-1-8.5-5(e)(2)(A)	Reliability	Multiple witnesses
8-1-8.5-5(e)(2)(B)	Solicitation of competitive bids to obtain purchased power capacity and energy from alternative providers	Pet. Ex. 11 (Bradford)
Compliance Projects		
8-1-8.4-6(b)(1)(A)	Description of federally mandated requirements	Pet. Ex. 4 (Retherford)
8-1-8.4-6(b)(1)(B)	Description of federally mandated costs associated with the Compliance Projects	Pet. Ex. 2 (Games)
8-1-8.4-6(b)(1)(C)	Description of how the Compliance Projects will allow compliance	Pet. Ex. 4 (Retherford)
8-1-8.4-6(b)(1)(D)	Alternative plans	Pet. Ex. 2 (Games) and Pet. Ex. 4 (Retherford)
8-1-8.4-6(b)(1)(E)	Whether the Compliance Projects will extend the useful life of an existing energy utility facility	Pet. Ex. 2 (Games) and Pet. Ex. 4 (Retherford)
8-1-8.4-7(b)(1)	Public convenience and necessity	Pet. Ex. 2 (Games) and Pet. Ex. 4 (Retherford)
8-1-8.4-7(b)(2)	Projected federally mandated costs	Pet. Ex. 2 (Games)
8-1-8.4-7(c)	80% of federally mandated costs recovered through periodic rate adjustment and 20% of federally mandated costs deferred	Pet. Ex. 9 (Gostenhofer)