

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

JOINT APPLICATION OF CENTERPOINT)
ENERGY RESOURCES CORP., SOUTHERN COL)
MIDCO, LLC, AND SUMMIT UTILITIES)
OKLAHOMA, INC. FOR TRANSFER OF)
JURISDICTIONAL UTILITY ASSETS AND)
CUSTOMER ACCOUNTS PURSUANT TO OAC)
165:45-3-5)

CAUSE NO. PUD 202100114

FILED
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CORPORATION COMMISSION
OF OKLAHOMA



RESPONSIVE TESTIMONY

OF

JOHN GIVENS

JULY 23, 2021

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1 **EXECUTIVE SUMMARY**

2 On June 24, 2021, CenterPoint Energy Resources Corp. (“CenterPoint”), Southern Col
3 Midco, LLC (“SC MidCo”), and Summit Utilities Oklahoma, Inc. (“SUO”) filed a Joint
4 Application with the Oklahoma Corporation Commission (“Commission”) seeking
5 approval of the transfer of jurisdictional utility assets and customer accounts from
6 CenterPoint to SUO pursuant to OAC 165:45-3-5. The Public Utility Division (“PUD”)
7 reviewed the Application and Testimony, held a virtual audit conference with SUO, issued
8 a Data Request, and reviewed Data Request responses.

9 As a result of its review, PUD recommends that the Commission approve the proposed
10 transfer as fair, just, reasonable, and in the public interest, and approve SUO’s proposal to
11 adopt CenterPoint’s existing tariff, including the Performance Based Rate Change
12 (“PBRC”) tariff. PUD also recommends that the Commission find that a need exists for
13 SUO to perform a Class Cost of Service Study and a Depreciation Study after the transfer
14 from CenterPoint is complete. Regarding the timing of these studies, PUD recommends
15 that the Commission require SUO to file Direct Testimony in its first PBRC filing
16 describing its proposed timeline for performing and submitting each study, as well as how
17 the proposed timeline strikes a balance between (a) avoiding negative impacts from
18 unnecessary delays, and (b) ensuring sufficient post-transition historical data exists for the
19 studies to be effective. Finally, PUD recommends that the Commission also require SUO
20 to include the following information in Direct Testimony its first PBRC filing:

- 21 • A high-level description of SUO’s plant investment strategy and why it requires
22 accelerated spending relative to CenterPoint’s spending on the same system;
23 • SUO’s procurement process for labor and materials, and how it ensures projects
24 are completed at the lowest reasonable cost;

Responsive Testimony – Givens

- Any substantive changes made, or expected to be made, to CenterPoint's Distribution Integrity Management Program ("DIMP") or Transmission Integrity Management Program ("TIMP") plans;
- Any efforts SUO has made, or could reasonably make, to minimize the capital cost of plant projects or otherwise mitigate the impact on rates; and,
- Whether SUO could slow or delay the implementation of plant projects without material adverse effects to the safe and reliable delivery of service.

INTRODUCTION

Q: Please state your name and your business address.

A: My name is John Givens. My business address is Oklahoma Corporation Commission, Public Utility Division, Jim Thorpe Office Building, Room 580, 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105.

Q: Have you previously testified before the Commission and were your qualifications accepted?

A: Yes. I have previously testified before the Commission and my qualifications were accepted at that time.

Q: Who employs you and what is your position?

A: I am employed by the Oklahoma Corporation Commission Public Utility Division as a Senior Public Utility Regulatory Analyst.

Q: How long have you been so employed?

A: I have been employed by the Commission since April 2014.

1 **Q: What are your duties and responsibilities with PUD?**

2 A: I conduct research and perform comparative analysis of utility applications, reports,
3 financial records, and workpapers to ensure that PUD can make accurate recommendations.
4 My work focuses on Plant in Service, Depreciation, and the Southwest Power Pool. For a
5 complete list of my work history and educational background, please review the attached
6 curriculum vitae.¹

7 **PURPOSE**

8 **Q: What is the purpose of this Responsive Testimony regarding the Joint Application of**
9 **CenterPoint, SC MidCo, and SUO for the transfer of jurisdictional utility assets and**
10 **customer accounts pursuant to OAC 165:45-3-5, as filed in Cause No. PUD**
11 **202100114?**

12 A: The purpose of this Responsive Testimony is to present PUD's recommendations regarding
13 the transfer of CenterPoint's Oklahoma gas distribution system and customers to SUO.

14 **PUD'S REVIEW PROCESS**

15 **Q: Please explain PUD's review process in this Cause.**

16 A: PUD reviewed the Application, Direct Testimony, and the Commission's Chapter 45 Gas
17 Utility Rules. PUD also held a virtual audit conference with SUO personnel to discuss the
18 proposed transfer and its effect on Oklahoma ratepayers, issued a Data Request and
19 reviewed the responses, and reviewed the responses to Data Requests issued by the
20 Attorney General.

¹ Exhibit JTG-1.

1 **ABILITY TO PROVIDE SERVICE**

2 **Q: Does SUO possess the operational and managerial expertise to offer gas utility service**
3 **in Oklahoma?**

4 A: Yes. SUO's ultimate parent company, Summit Utilities, Inc. ("Summit") owns regulated
5 gas distribution utilities in five states, including Oklahoma.² Furthermore, Summit and
6 SUO intend to utilize CenterPoint's existing expertise by: (a) making job offers to current
7 CenterPoint employees in Oklahoma;³ (b) inviting CenterPoint's entire state utilities
8 operation management team located in Little Rock, Arkansas, to continue at Summit⁴ in
9 substantially the same roles as they currently fill at CenterPoint;⁵ and executing a
10 Transition Services Agreement to receive operational support from CenterPoint Energy
11 Service Company for 12 months following the transfer.⁶

12 **ASSET VALUE AND PURCHASE PREMIUM**

13 **Q: What is the net book value of the assets to be acquired by SUO?**

14 A: The net book value of the assets is approximately \$113 million.⁷

15 **Q: How does this compare to the value of CenterPoint's Oklahoma net plant?**

16 A: In its most recent PBRC filing, Cause No. PUD 202100054, CenterPoint's Oklahoma net
17 plant was approximately \$99.5 million.⁸

² Joint Application, page 2.

³ Direct Testimony of Steven E. Birchfield, page 8, lines 19 – 20.

⁴ Joint Application, Attachment 3, page 3.

⁵ SUO Response to Attorney General Data Request AG-SUO-2-4.

⁶ Joint Application, Attachment 3, page 5.

⁷ *Id.* at page 3, ¶ (b)(3)

⁸ Cause No. PUD 202100054, Schedule B-1, line 4.

1 **Q: Will the difference between these two figures of approximately \$13.5 million be**
2 **included in SUO's rate base?**

3 A: No. These figures cannot be directly compared, for three reasons. First, CenterPoint's net
4 plant figure is from the 2020 test year; any capital additions or retirements during 2021 are
5 not included. Second, CenterPoint's net plant figure includes amounts allocated to
6 Oklahoma for corporate-owned assets which are not being acquired by SUO.⁹ Finally,
7 SUO's \$113 million figure includes asset retirement obligation assets which will be
8 transferred from CenterPoint to SUO, but which are excluded for ratemaking purposes in
9 Oklahoma.¹⁰ The value of SUO's initial rate base is not known at this time, but the assets
10 purchased by SUO will be included in rate base at their net book value, just as they
11 currently are for CenterPoint.

12 **Q: Does the transaction include a purchase premium?**

13 A: Yes. SUO's parent company, SC MidCo, is acquiring the previously mentioned \$113
14 million in assets in Oklahoma (which it will then assign to SUO), as well as approximately
15 \$865 million of assets in Arkansas and Texas,¹¹ for a total of approximately \$978 million
16 in net book value. As consideration, SC MidCo is paying a purchase price of \$2.15 billion,
17 subject to certain adjustments,¹² resulting in a total purchase premium of approximately
18 \$1.17 billion.

⁹ SUO Response to PUD Data Request JTG-SUO-1-2.

¹⁰ *Ibid.*

¹¹ Arkansas Public Service Commission Docket No. 21-060-U, Direct Testimony and Exhibit of Steven E. Birchfield, page 10, lines 17 – 18.

¹² Direct Testimony of Steven E. Birchfield, page 5, line 12.

1 **Q: Will this purchase premium affect Oklahoma ratepayers?**

2 A: No. SUO has testified that it “will not seek recovery of any acquisition premium for
3 regulatory or rate-making purposes.”¹³ In other words, any amounts above the net book
4 value of the purchased assets will be excluded from rate base and borne by shareholders,
5 not ratepayers.

6 **PBRC TARIFF AND ANNUAL PBRC FILING**

7 **Q: Does SUO propose to adopt CenterPoint’s PBRC tariff?**

8 A: Yes, SUO is proposing to adopt CenterPoint’s existing tariff,^{14,15} which includes the
9 PBRC.

10 **Q: Does PUD support SUO’s proposed adoption of CenterPoint’s PBRC tariff?**

11 A: Yes. While many things can be expected to change when a new company begins operating
12 a utility, the annual PBRC filing is designed to take most of these changes into account.
13 For example, any changes to rate base, cost of debt, or operating income will be reviewed
14 by PUD and intervenors, and will flow through the revenue requirement calculation, just
15 as they would if CenterPoint had experienced those same changes. Furthermore, because
16 Summit will continue operating the same system, for the same customers, in the same state,
17 there would likely be no difference in the Allowed Return on Equity calculation between
18 CenterPoint and SUO. There are, however, two areas that PUD believes require additional
19 consideration: class cost of service allocations and depreciation rates.

¹³ *Id.* at page 19, lines 2 – 3.

¹⁴ Joint Application, pages 5-6, ¶ (b)(4).

¹⁵ Direct Testimony of Steven E. Birchfield, page 20, lines 10 – 11.

1 **Q: Why does PUD believe that class cost of service allocations require additional**
2 **consideration?**

3 A: CenterPoint's PBRC tariff does not contain a mechanism for updating class cost of service
4 allocations, and the same allocation factors have been in effect since the 2011 Test Year.
5 As CenterPoint has added and removed both plant assets and customers over the last
6 decade, and especially as SUO begins to do the same under different management and
7 operating characteristics, it is likely that these allocation factors have and will become
8 increasingly inaccurate estimates of each class's contribution to cost of service, which may
9 cause certain customer classes to pay more or less than their fair share of utility costs.

10 **Q: Why does PUD believe that depreciation rates require additional consideration?**

11 A: Depreciation rates are affected by any change in capital addition and retirement
12 characteristics. These changes occur over time as a normal part of utility operations, which
13 is why utilities file periodic Depreciation Studies to update rates and amortize any reserve
14 imbalance (i.e., any over- or under-depreciated amount relative to actual retirements);
15 however, it is reasonable to assume that the changes will be much more pronounced when
16 transitioning from one operating company to another. For this reason, it is important that
17 a new Depreciation Study be performed in the relatively near future to update depreciation
18 rates and avoid the reserve imbalance growing too large and having an outsized impact on
19 future base rates.

1 **Q: What does PUD recommend regarding the PBRC tariff?**

2 A: PUD recommends that the Commission approve SUO's request to adopt CenterPoint's
3 existing tariff, including the PBRC tariff. PUD also recommends that the Commission find
4 that a need exists for SUO to perform a Class Cost of Service Study and a Depreciation
5 Study after the transfer from CenterPoint is complete. Regarding the timing of these
6 studies, PUD does not take a position at this time, but rather recommends that the
7 Commission require SUO to file Direct Testimony in its first PBRC filing describing its
8 proposed timeline for performing and submitting each study, as well as how the proposed
9 timeline strikes a balance between (a) avoiding negative impacts from unnecessary delays,
10 and (b) ensuring sufficient post-transition historical data exists for the studies to be
11 effective.

12 **POST-TRANSITION CAPITAL INVESTMENTS**

13 **Q: Is PUD concerned that the rate of capital investment under SUO will be higher than**
14 **under CenterPoint, leading to increased ratepayer costs?**

15 A: Yes. PUD has recently identified high rates of net plant investment as a concern for another
16 Oklahoma gas utility, Arkansas Oklahoma Gas Corporation ("AOG"), after being acquired
17 by Summit,¹⁶ and PUD is concerned that SUO customers will see similar rate base
18 increases.

¹⁶ Cause No. PUD 202100081, Responsive Testimony of John Givens, page 7, lines 1 – 5.

1 **Q: Is PUD relying solely on the experiences of AOG to predict capital spending increases**
2 **for SUO?**

3 A: No. In its Response to PUD Data Request JTG-SUO-1-3, SUO stated that it “expects
4 capital spending to increase from the current \$15-\$20 million per year level to
5 approximately \$30 million dollars per year, during the next 5 years.” This represents an
6 increase of approximately 50 – 100%.

7 **Q: Has PUD estimated the impact this increase will have on rates?**

8 A: No. Estimating the impact on rates, or even rate base, is complicated by several factors,
9 such as the impact of corporate allocations on SUO’s initial rate base and the impact of
10 additions and retirements on Accumulated Depreciation. Given the short review timeline
11 in this Cause, PUD did not attempt to perform that calculation. It is important to note that
12 a 50 – 100% increase in capital spending does not equate to a 50 – 100% increase in rate
13 base; plant investments are marginal increases to existing plant levels, and plant is only
14 one aspect of rate base, so the annual percentage impact on rate base will be much smaller.
15 However, PUD expects the impact on rate base to be significant, especially if the increased
16 spending is sustained over several years.

17 **Q: Does PUD oppose increases to capital investment spending in general?**

18 A: Not at all. Increased capital spending can lead to improved system resiliency, reliability,
19 safety, and other benefits for a utility’s customers. However, these benefits must be
20 balanced against the costs borne by ratepayers, and significant, recurring increases to rate
21 base can lead to unsustainable increases in ratepayer costs.

1 **Q: What does PUD recommend regarding post-transition capital investments by SUO?**

2 A: PUD recommends that SUO be required to provide Direct Testimony in its first PBRC
3 filing before the Commission addressing the following:

- 4 • A high-level description of SUO’s plant investment strategy and why it requires
5 accelerated spending relative to CenterPoint’s spending on the same system;
- 6 • SUO’s procurement process for labor and materials, and how it ensures projects
7 are completed at the lowest reasonable cost;
- 8 • Any substantive changes made, or expected to be made, to CenterPoint’s DIMP
9 or TIMP plans;
- 10 • Any efforts SUO has made, or could reasonably make, to minimize the capital
11 cost of plant projects or otherwise mitigate the impact on rates; and,
- 12 • Whether SUO could slow or delay the implementation of plant projects without
13 material adverse effects to the safe and reliable delivery of service.

14

RECOMMENDATION

15 **Q: What is the Public Utility Division’s (“PUD”) recommendation to the Oklahoma**
16 **Corporation Commission (“Commission”) concerning the transfer of jurisdictional**
17 **utility assets and customer accounts from CenterPoint Energy Resources Corp.**
18 **(“CenterPoint”) to Summit Utilities Oklahoma, Inc. (“SUO”)?**

19 A: PUD recommends that the Commission approve the proposed transfer as fair, just,
20 reasonable, and in the public interest. SUO has demonstrated a clear ability to continue to
21 provide continued service to CenterPoint’s customers in Oklahoma, due both to the
22 experience and expertise of its ultimate parent company, Summit Utilities, Inc., and its
23 commitment to hire current CenterPoint employees and management.

24 PUD also recommends that the Commission approve SUO’s proposal to adopt
25 CenterPoint’s existing tariff, including the Performance Based Rate Change (“PBRC”)

1 tariff. The PBRC mechanism will continue to allow for effective review of SUO’s rates,
2 including any changes to rate base and operating income, just as it has for CenterPoint.
3 However, the PBRC mechanism does not provide for changes to class cost of service
4 allocations or depreciation rates, which PUD believes should be updated based on new
5 operating characteristics of SUO. For this reason, PUD recommends that the Commission
6 find that a need exists for SUO to perform a Class Cost of Service Study and a Depreciation
7 Study after the transfer from CenterPoint is complete. Regarding the timing of these
8 studies, PUD recommends that the Commission require SUO to file Direct Testimony in
9 its first PBRC filing describing its proposed timeline for performing and submitting each
10 study, as well as how the proposed timeline strikes a balance between (a) avoiding negative
11 impacts from unnecessary delays, and (b) ensuring sufficient post-transition historical data
12 exists for the studies to be effective.

13 In addition to information regarding Class Cost of Service and Depreciation Studies, PUD
14 believes that SUO should also be required to address concerns about its post-transition
15 capital investment strategy. SUO expects to accelerate its rate of capital investment
16 relative to CenterPoint’s current rate, and PUD is concerned about the effect this could
17 have on ratepayers. Specifically, PUD recommends that the Commission require SUO to
18 address the following in Direct Testimony in its first PBRC filing:

- 19 • A high-level description of SUO’s plant investment strategy and why it requires
20 accelerated spending relative to CenterPoint’s spending on the same system;
- 21 • SUO’s procurement process for labor and materials, and how it ensures projects
22 are completed at the lowest reasonable cost;
- 23 • Any substantive changes made, or expected to be made, to CenterPoint’s
24 Distribution Integrity Management Program (“DIMP”) or Transmission
25 Integrity Management Program (“TIMP”) plans;

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3
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- Any efforts SUO has made, or could reasonably make, to minimize the capital cost of plant projects or otherwise mitigate the impact on rates; and,
- Whether SUO could slow or delay the implementation of plant projects without material adverse effects to the safe and reliable delivery of service.

I state, under penalty of perjury under the laws of Oklahoma, that the foregoing is true and correct to the best of my knowledge and belief.

/s/ John Givens

John Givens

**CenterPoint Energy Resources Corp., Southern Col Midco, LLC, and Summit Utilities
Oklahoma, Inc. – Cause No. PUD 202100114**

LIST OF EXHIBITS

JTG-1

Curriculum Vitae



John T. Givens

Exhibit JTG-1

Curriculum Vitae

Contact

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580 Jim Thorpe Building
P.O. Box 52000
Oklahoma City, OK 73152

Work Experience

Oklahoma Corporation Commission

2014 – Present

Public Utility Division, Rates and Regulation Group – Sr. Public Utility Regulatory Analyst

- Conduct research and perform comparative analysis of utility applications, reports, financial records, and workpapers.
- Draft pre-filed testimony and serve as an expert witness in court proceedings.
- Review monthly submissions from regulated electric utilities related to Southwest Power Pool market and transmission costs.
- Lead analyst in PUD Cause Nos. 201900083, 201900094, 202100028, 202100057, and 202100114.
- Lead analyst in OSF Cause Nos. 202000240 and 202000244.
- Support analyst in PUD Cause Nos. 202000021, 202000022, 202000028, 202100054, 202100055, 202100063, 202100081, and 202100118.

Public Utility Division, OUSF Monthly Payment Team – Public Utility Regulatory Analyst

- Reviewed and processed Monthly Payment Request and Change Request submissions from eligible Oklahoma Universal Service Fund (“OUSF”) providers.
- Verified and approved hundreds or thousands of individual pending payment records each month prior to monthly OUSF disbursement.
- Coordinated development and maintenance of the OUSF Database with contracted Fund Manager, including developing SQL queries and reports.
- Analyzed pending and historical payment records to ensure compliance with state and federal law, as well as Commission orders, rules, and policies.
- Performed cost-per-megabit benchmarking analysis in PUD Cause Nos. 201400115, 201400116, 201600345, 201600362.

Oil & Gas Conservation Division, Well Records Section – Administrative Technician

- Reviewed and processed transfer-of-operator requests.
- Performed both systematic and ad hoc reviews and corrections of data in Imaging and Well Data (RBDMS) systems.
- Assisted operators, mineral owners, and other stakeholders with research involving imaged documents, online databases, microfilm, and hard-copy files.
- Reviewed mineral leases and various other legal documents, working closely with the Office of General Counsel to ensure compliance.

Education

University of Oklahoma

2005 – 2010

- B.A., Multidisciplinary Studies (Minor in Mathematics)

Professional Training and Development

- *Introduction to Regional Wholesale Electricity Markets*, EUCI, March 3–4, 2020
- *Telecom 101*, Online School of Network Sciences, completed November 2019
- National Exchange Carrier Association Expo, November 5–8, 2017
- National Regulatory Research Institute Telecommunications Training, March 16, 2017
- Oklahoma Telephone Association Accounting Conference, November 3, 2015 and November 3, 2016
- Numerous internal PUD trainings on Accounting, Accumulated Deferred Income Taxes, Cost of Capital, Cost of Service, Depreciation, the Revenue Requirement, Tariffs, Utility Operating Expenses, and other ratemaking and regulatory topics

Responsive Testimony – Givens

CenterPoint Energy Resources Corp., Southern Col Midco, LLC, and Summit Utilities Oklahoma, Inc. – Cause No. PUD 202100114

CERTIFICATE OF SERVICE

This is to certify that on July 23, 2021, a true and correct copy of the above and foregoing, was sent via electronic mail and/or United States Postal Service, postage fully prepaid thereon to the following interested parties:

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