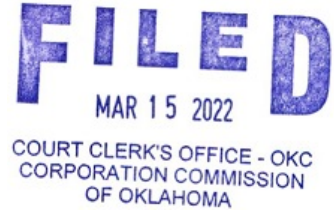


BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)
SUMMIT UTILITIES OKLAHOMA, INC.,)
FOR APPROVAL OF ITS PERFORMANCE-)
BASED RATE CHANGE PLAN CALCULATIONS)
FOR THE TWELVE MONTHS ENDED)
DECEMBER 31, 2021)

CAUSE NO. PUD 202200022



APPLICATION

Summit Utilities Oklahoma, Inc. (“SUO” or the “Company”), hereby applies for an order of the Oklahoma Corporation Commission (the “Commission”):

- (a) approving the calculations resulting in no change to revenues or rates, according to requirements of the Company’s Performance Based Rate Change Plan (the “PBRC Plan”) for the calendar year ended December 31, 2021;
- (b) approving proposed base rate adjustments due to the Company’s Energy Efficiency (“EE”) true-up adjustment and its EE incentive; and
- (c) approving a 13-year amortization of unprotected Excess Deferred Income Tax (“EDIT”) resulting from the Cost of Removal being reclassified by SUO as a result of an IRS private letter ruling, during which time SUO customers will not receive the annual EDIT refund because revised unprotected EDIT will offset the credit customers would otherwise receive from protected EDIT.

In support of this Application, SUO states as follows:

I. Parties.

SUO is a natural gas public utility operating in the State of Oklahoma under the jurisdiction of the Commission. The names of and contact information for the persons to whom notices and correspondence concerning this Application should be sent are as follows:

Stephanie J. Hammons
Summit Utilities Oklahoma, Inc.
1400 Centerview Drive, Ste. 100

CenterPoint Energy Resources Corp., d/b/a Summit Utilities Oklahoma, Inc.
Performance Based Rate Change, filed March 15, 2022

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and

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II. Allegation of Facts.

1. In this proceeding, SUO will present calculations from Test-Year 2021 to support a Finding that the adjusted Earned Return (“ER”) is 10.15%. Because the adjusted ER is within the so-called deadband, no revenue or rate change is required and customers will not receive a credit.

2. The Company has continued to make significant investments in its Oklahoma distribution system to replace an aging infrastructure under guidelines for pipeline safety and integrity management demanded by the Company’s principles of safety and reliability. In Test Year 2021, the Company added or replaced approximately \$7.7 million of distribution mains, with approximately \$5.1 million of that amount related to system maintenance, rehabilitation, or growth. This investment in its Oklahoma distribution system benefits Oklahoma customers because it results in more efficient, safe, and reliable natural gas service throughout the service area.

3. In 2021 the Company experienced a significant increase of new development opportunities that had been bottle-necked during the pandemic. The Company worked with

developers and builders to capture opportunities to serve new customers. As a result, the Company experienced a 189% increase in capital investment associated with these customer addition activities. All Oklahoma customers benefit from these efforts to add new customers because the Company is able to spread its fixed costs over a wider customer base, keeping per-customer cost down.

4. SUO's predecessor owner of the Oklahoma utility assets, CenterPoint Energy Resources Corp. ("CenterPoint"), began operating under a PBRC Plan after it was first approved in 2004.¹ The Plan generally provides for an annual review to compare actual financial performance against an Allowed Return on Equity ("AR") set by the Commission. If, as is the case in Test Year 2021, the Company's earned return on equity falls within a specified ROE deadband of 100 basis points relative to the AR, then the Company is not permitted a rate increase nor do customers receive a credit. Since inception, the PBRC Plan has provided an efficient annual mechanism for the Commission's rate review and for rate change. In test years 2020 and 2019, the Commission approved billing credits to customers as part of the Plan.

5. SUO documents its case with the supporting testimony of four Company witnesses: Burl M. Drews, a Regulatory Manager for CenterPoint testifying on behalf of SUO; Tyson D. Porter, the Senior Director of Regulatory Finance and Rates at SUO's parent company, Summit Utilities, Inc.; Steven E. Birchfield, an Executive Vice President and the Chief Financial Officer of Summit Utilities, Inc.; and John D. True, a Contract Services Manager for Summit Utilities, Inc.

6. In this Cause, CenterPoint Oklahoma complies with the annual PBRC Plan filing requirements by presenting its calculations in this proceeding based upon the 2021 Test-Year, the

¹ Order No. 499253 entered on December 28, 2004, in Cause No. PUD 200400187.

twelve-month period ending December 31, 2021. These calculations show an adjusted earned return on equity of 10.15% for the 2021 Test-Year.

7. The evidence SUO will present in the Cause supports the conclusions that the PBRC Plan operates (a) to encourage greater efficiency and performance by SUO; (b) to benefit customers directly when the Company's Earned Return exceeds the deadband by providing direct bill credits to which customers would not otherwise be entitled; (c) to reduce the cost of serving customers through significantly lower rate case and regulatory expenses; (d) to accomplish "gradualism" by providing the opportunity for more frequent rate changes; and (e) to foster close and efficient supervision of SUO by the Commission's Public Utility Division.

8. The PBRC Plan encourages these efficiencies. Under the Plan, the Company bears all the adverse financial impact of a test-year in which it underearns and it is never able to make up those losses. But in a year of surplus earnings, the Company and its customers share the surplus, with the customers receiving the most. This mechanism provides a clear and unambiguous incentive for the Company to achieve efficiencies in its operations and to maximize earnings, all to the benefit of customers.

9. In this Cause, the Company presents changes to EDIT resulting from the IRS private letter ruling 202033002 addressing whether Cost of Removal is "protected" by the normalization rules of IRC § 168 (i)(9). The IRS ruled that COR is unprotected and the Company had to reclassify \$3,317,394 from the net protected liability class to an unprotected asset. The Company has been refunding to customers unprotected EDIT resulting from the Tax Cuts and Jobs Act of 2017, on a five-year amortization. Every April, the Company has issued a one-time bill credit of the net associated refund with the amortization of EDIT. In this Cause, the Company will present evidence supporting an amortization of the unprotected EDIT asset at the

same rate as the protected liability, until the unprotected asset is fully amortized, a period of 13 years. During such period, SUO proposes its customers will not receive credits or charges (including the annual refund normally provided in April).

10. The Company will present evidence concerning the Covid-19 Regulatory Asset. SUO has recorded a regulatory asset of expenses related to Covid-19 estimated to be in the amount of \$238,122, which the Company is not seeking to recover in the proceeding.

11. Also included in the accompanying testimony is an explanation that, based on the facts summarized above, the interests of the Company remain aligned with those of its customers. This alignment justifies the continued allowance of all incentive compensation expense, in keeping with past practices by the Commission in CenterPoint PBRC Plan proceedings over many years.

12. The Company provides in the accompanying testimony an update regarding SUO's acquisition of certain gas distribution assets of CenterPoint. The acquisition closed on January 10, 2022 and, as anticipated, the Company entered into a Transition Services Agreement ("TSA") with CenterPoint which includes the provision of services in the areas of gas supply, safety, training, engineering, customer operations, supply chain, finance, accounting and regulatory. This PBRC filing does not include any recovery of TSA costs because the closing did not occur until January 2022.

13. The Company also presents for approval certain rate adjustments specified by Sections 5.5.3 and 5.5.4 of the PBRC Plan, pertaining to EE Incentives and an EE true-up. These adjustments result in changes to base rates in the amount of \$0.0239/Ccf for the Residential class, \$0.0186/Ccf for the General Service class, \$0.0259/Ccf for the Commercial Service class sales service customers, \$0.2494/MMBtu for the Commercial Service class

transportation service customers, and (\$0.4553)/MMBtu for the Large Commercial Service customers who choose to participate in the energy efficiency program. The EE rate adjustments are not applicable to the Commercial NGV (CS-NGV) rate class, nor to the LCS-1 sales service customers.

III. Legal Authority.

The Commission has authority to grant the requested relief in this Application by virtue of 17 OKLA. STAT. §§151 and 152, as well as Rider Schedule No. 5 PBRC Plan to the Company's tariff approved by this Commission in Cause No. 200400187, and modified by Order No. 528372 issued in Cause No. PUD 200600062, Order No. 541049 issued in Cause No. 200700076, Order No. 556393 issued in Cause No. PUD 200800062, Order No. 568883 issued in Cause No. PUD 200900055, Order No. 576698 issued in Cause No. PUD 201000030, Order No. 583869 in Cause No. PUD 20100048, Order No. 588757 issued in Cause No. PUD 201100056, Order No. 598447 issued in Cause No. PUD 201200036, Order No. 614541 issued in Cause No. PUD 201300033, Order No. 627433 issued in Cause No. PUD 201400070, by Order No. 654461 issued in Cause No. PUD 201600094, by Order No. 657250 issued on October 26, 2016 in Cause No. PUD 201600263, by Order No. 684379 issued on October 4, 2018, in Cause No. PUD 201800029, by Order No. 701439 issued on August 29, 2019 in Cause No. PUD 201900019, by Order No. 713127 issued on July 14, 2020 in Cause No. PUD 202000028 and by Order 720135 issues on August 19, 2021 in Cause No. PUD 202100054.

IV. Relief Sought.

SUO requests that the Commission grant this Application and enter an order (a) approving the calculations presented by the Company according to requirements of the Company's Performance Based Rate Change Plan (the "PBRC Plan") for the calendar year

CenterPoint Energy Resources Corp., d/b/a Summit Utilities Oklahoma, Inc.
Performance Based Rate Change, filed March 15, 2022

ended December 31, 2021, and resulting in no change to revenues or rates; (b) approving a 13-year amortization of unprotected EDIT resulting from reclassification of Cost of Removal as a result of an IRS private letter ruling; and (c) approving proposed base rate adjustments due to the Company's EE true-up adjustment and its EE incentive.

Respectfully submitted,

/s/ J. Dillon Curran

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ATTORNEYS FOR SUMMIT UTILITIES
OKLAHOMA, INC.

CenterPoint Energy Resources Corp., d/b/a Summit Utilities Oklahoma, Inc.
Performance Based Rate Change, filed March 15, 2022

CERTIFICATE OF SERVICE

I hereby certify that on the 15th day of March, 2022, a full, true, and correct copy of the above and foregoing instrument was served on the following persons by **ELECTRONIC MAIL** and by **UNITED STATES CERTIFIED MAIL**, postage prepaid to:

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*/s/ J. Dillon Curran*_____