

**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

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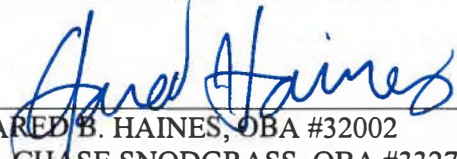
COURT CLERK'S OFFICE - OKC  
CORPORATION COMMISSION  
OF OKLAHOMA

**RESPONSIVE TESTIMONY OF TODD F. BOHRMANN**  
**ON BEHALF OF**  
**DAWN CASH, OKLAHOMA ATTORNEY GENERAL**

Dawn Cash, the Acting Attorney General of Oklahoma, on behalf of the utility customers of this State, hereby submits the Responsive Testimony of Todd F. Bohrmann in the proceeding referenced above. The Attorney General urges close consideration of the testimony.

Respectfully submitted,


DAWN CASH  
ACTING ATTORNEY GENERAL OF OKLAHOMA

  
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**CERTIFICATE OF SERVICE**

On this 23rd day of July, 2021, a true and correct copy of the *Responsive Testimony of Todd F. Bohrmann on Behalf of Dawn Cash, Acting Oklahoma Attorney General* was sent via electronic mail to the following interested parties:

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**RESPONSIVE TESTIMONY**

**OF**

**TODD F. BOHRMANN**

**ON BEHALF OF**

**DAWN CASH,**

**ACTING OKLAHOMA ATTORNEY GENERAL**

**July 23, 2021**

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**I. Introduction**

**Q. PLEASE STATE YOUR NAME.**

A. My name is Todd F. Bohrmann.

**Q. PLEASE IDENTIFY YOUR EMPLOYER AND YOUR BUSINESS ADDRESS.**

A. I am employed by the Oklahoma Office of the Attorney General (“Attorney General”). My business address is 313 NE 21st Street, Oklahoma City, Oklahoma 73105.

**Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?**

A. I graduated from the University of Central Florida in Orlando, Florida, with a Bachelor of Arts degree in Economics with honors and a Master of Business Administration degree. I was on the staff of the Florida Public Service Commission in several analyst positions from 1994 to 2006. I worked as an independent consultant on various utility regulatory matters from 2006 to 2008. I was employed at CSX Transportation as an economist from 2006 to 2016. I was employed by Acadian Consulting Group as an analyst from 2016 to 2017. I have been employed by the Attorney General since 2017 as a regulatory analyst in the Utility Regulation Unit. I have attached my curriculum vita as Exhibit TFB-1.

**Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE OKLAHOMA CORPORATION COMMISSION?**

A. Yes, I have. I filed responsive testimony on behalf of the Attorney General in prior proceedings before the Oklahoma Corporation Commission (“Commission”) as detailed in Exhibit TFB-1. My credentials have previously been accepted.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

A. The purpose of my testimony is to state that the Attorney General does not object to the Commission approving the Joint Application with the following three conditions:

- 1           1.     Summit Utilities Oklahoma, Inc. (“SUO”) shall file a Chapter 70 base rate  
2                   proceeding once it has at least 12 months of representative data after the acquisition,  
3                   but the test year shall be no later than December 31, 2023.
- 4           2.     SUO shall not make an annual filing under its predecessor’s Performance Based  
5                   Rate Change (“PBRC”) tariff for test years 2021, 2022, and 2023.
- 6           3.     As explained further by Attorney General expert witness Brice D. Betchan, the  
7                   Commission should require SUO to reconcile its legacy deferred tax balances to  
8                   the last PBRC filing by CenterPoint Energy Resources Corp. d/b/a CenterPoint  
9                   Energy Gas Oklahoma (“CenterPoint Oklahoma”) in a subsequent filing by SUO.  
10           The Attorney General also believes it is necessary to separately track any newly  
11           created deferred tax balances of SUO due to SUO’s uncertainty of whether the tax  
12           normalization rules apply to SUO’s legacy deferred tax balances.

13   **Q.     ARE THERE ADDITIONAL WITNESSES TESTIFYING ON BEHALF OF THE**  
14           **ATTORNEY GENERAL IN THIS PROCEEDING?**

15   A.     Yes. The Attorney General is also sponsoring the responsive testimony of Mr. Brice D.  
16           Betchan. Mr. Betchan explains the need to track SUO’s deferred tax balances after the  
17           acquisition is completed to protect CenterPoint Oklahoma’s current customers’ rights to  
18           those regulatory liabilities.

19   **Q.     WHAT MATERIALS DID YOU REVIEW PRIOR TO FILING YOUR**  
20           **TESTIMONY IN THIS PROCEEDING?**

21   A.     I read the direct testimonies filed on behalf of the SUO and CenterPoint Oklahoma as well  
22           as review the responses to the data requests from the Attorney General and the other  
23           intervening parties. I also read the transcripts of management discussions with equity

1 analysts from CenterPoint Energy’s quarterly earnings presentation and its Investors’ Day  
2 presentation. Finally, I read CenterPoint Energy’s securities filings, including its Form 10-  
3 K and its Proxy Statement filed earlier this year.

**II. Background**

5 **Q. WHAT WAS THE TIMELINE THAT CENTERPOINT ENERGY FOLLOWED**  
6 **PRIOR TO ANNOUNCING THE SALE OF CENTERPOINT OKLAHOMA TO**  
7 **SUMMIT UTILITIES?**

8 A. On December 7, 2020, CenterPoint Energy announced its decision to seek a sale of two  
9 local natural gas distribution companies (“LDCs”): CenterPoint Oklahoma and its  
10 Arkansas counterpart.<sup>1</sup> During its Q4 2020 earnings presentation to equity analysts,  
11 CenterPoint Energy expressed its optimism that an announcement regarding a pending sale  
12 may occur before July 2021.<sup>2</sup> On April 29, 2021, Summit Utilities, Inc. (“Summit”)  
13 announced its agreement with CenterPoint Energy to acquire the Arkansas and Oklahoma  
14 gas distribution assets for approximately \$2.15 billion (“Asset Purchase Agreement”).  
15 Later, CenterPoint Energy indicated that the transaction is expected to close by the end of  
16 2021, subject to regulatory approval.<sup>3</sup>

17 **Q. PLEASE IDENTIFY THE JOINT APPLICANTS.**

18 A. The Joint Applicants are CenterPoint Energy Resources Corporation, Southern Col Midco,  
19 LLC (“SC Midco”), and SUO. CenterPoint Energy Resources Corp. is a subsidiary of

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<sup>1</sup> CenterPoint Energy, Inc., *Delivering with Focus* 39 (Dec. 7, 2020).

<sup>2</sup> CenterPoint Energy, Inc., *2020Q4 Earnings Presentation* (Feb. 25, 2021).

<sup>3</sup> CenterPoint Energy, Inc., *2021Q1 Earnings Call Transcript 2* (May 6, 2021).

1 CenterPoint Energy, Inc., and it is the same corporate entity as CenterPoint Oklahoma,  
2 while SC Midco and SUO are subsidiaries of Summit.

3 **Q. PLEASE DESCRIBE SUMMIT.**

4 A. Summit, the parent company for both SUO and SC Midco, owns regulated local natural  
5 gas distribution utilities in Arkansas, Colorado, Maine, Missouri, and Oklahoma. These  
6 subsidiaries provide regulated natural gas distribution services to residential, commercial  
7 and industrial customers, serving more than 105,000 customers and operating more than  
8 5,077 miles of distribution pipeline and 494 miles of transmission pipeline. Summit also  
9 provides wholesale gas services through an unregulated subsidiary and is developing a  
10 renewable natural gas digester facility through another unregulated subsidiary.<sup>4</sup> Summit is  
11 a wholly owned subsidiary of IIF CNG Investment LLC, which is, in turn, wholly owned  
12 by IIF US Holding 2 LP.<sup>5</sup>

13 **Q. PLEASE IDENTIFY THE UTILITY THAT SUMMIT CURRENTLY OWNS**  
14 **WITHIN THE COMMISSION'S JURISDICTION.**

15 A. In 2017, Summit acquired AOG Corporation, the parent company of Arkansas Oklahoma  
16 Gas Corporation ("AOG"). AOG is a natural gas local distribution company ("LDC")  
17 which provides utility service to approximately 58,000 residential, commercial, industrial,  
18 and agricultural customers in or near Fort Smith, Arkansas in both Arkansas and  
19 Oklahoma. AOG provides local natural gas distribution service to approximately 12,500

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<sup>4</sup> Direct Test. of Steven E. Birchfield, Executive Vice President and Chief Financial Officer, on Behalf of Summit Utilities Oklahoma, Inc. 9:8–18 (June 24, 2021) [hereinafter "Birchfield Direct"].

<sup>5</sup> SUO's Response to AG-SUO-1-2, attached as Ex. TFB-2.



1 customers, primarily in two eastern Oklahoma counties, LeFlore and Sequoyah, located  
2 near Fort Smith, Arkansas.

3 **Q. PLEASE DESCRIBE SC MIDCO AND SUO.**

4 A. SC Midco agreed to purchase CERC's natural gas utility assets, primarily in Arkansas and  
5 Oklahoma. SUO, a direct subsidiary of SC Midco, was formed to acquire CERC's natural  
6 gas distribution assets in Oklahoma. Subject to approval from this Commission and other  
7 regulatory authorities, SUO will acquire CenterPoint Oklahoma's assets and provide local  
8 natural gas distribution services to customers within CenterPoint Oklahoma's existing  
9 service territory.

10 **Q. PLEASE DESCRIBE CENTERPOINT ENERGY RESOURCES CORP.**

11 A. CenterPoint Energy Resources Corp. is an indirect, wholly-owned subsidiary of  
12 CenterPoint Energy, Inc. that owns and operates natural gas distribution facilities in six  
13 states, including Oklahoma. CERC engages in regulated intrastate natural gas sales and  
14 natural gas transportation and storage for residential, commercial, industrial and  
15 transportation customers.

16 **Q. COMPARE THE RELATIVE SIZE OF CENTERPOINT OKLAHOMA WITHIN**  
17 **CENTERPOINT ENERGY, INC. WITH ITS RELATIVE SIZE WITHIN SUMMIT**  
18 **IF THE ACQUISITION IS COMPLETED.**

19 A. CenterPoint Oklahoma is one of several natural gas local distribution companies ("LDCs")  
20 within CERC. Among CenterPoint Oklahoma's LDC counterparts in Arkansas, Louisiana,  
21 Indiana, Minnesota, Mississippi, Ohio, and Texas, the Oklahoma utility is the smallest by

1 customer count, representing approximately two percent of total LDC customers.<sup>6</sup> Other  
2 subsidiaries include Houston Electric,<sup>7</sup> Vectren,<sup>8</sup> and CenterPoint Energy Midstream.<sup>9</sup>  
3 CenterPoint Oklahoma's revenue comprised approximately 1.0 percent of the revenues of  
4 CenterPoint Energy, Inc. in 2020.<sup>10</sup> However, the number of CenterPoint Oklahoma's  
5 customers is nearly as large as the current number of Summit's customers. Combined with  
6 its CenterPoint counterpart in Arkansas, these two LDCs have nearly five times the number  
7 of customers as Summit's five other LDCs. Please refer to Exhibit TFB-3 for a comparison  
8 of number of customers by utility and jurisdiction.

9 **Q. PLEASE DESCRIBE THE RELIEF THAT THE JOINT APPLICANTS HAVE**  
10 **REQUESTED IN THIS CAUSE.**

11 A. The Joint Applicants request that the Commission issue a final order which authorizes the  
12 following actions:

- 13 1. Approve the transaction described in the Asset Purchase Agreement, including the  
14 transfer of the utility assets and all Oklahoma natural gas customer accounts served  
15 by CenterPoint Oklahoma to SUO;

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<sup>6</sup> See CenterPoint Energy, Inc., Form 10-K, Annual Report for Fiscal Year Ended December 31, 2020 at 7. (Feb. 25, 2021) [hereinafter "2020 Form 10-K"].

<sup>7</sup> Houston Electric engages in electric transmission and distribution in the Texas Gulf Coast area.

<sup>8</sup> Vectren is a wholly-owned subsidiary which is comprised of three public utilities: SIGECO; Indiana Gas; and VEDO. These public utilities offer electric and/or natural gas services in Indiana and Ohio.

<sup>9</sup> CenterPoint Energy Midstream represents the Parent's interest in Enable, a publicly traded master limited partnership, controlled by the Parent and OGE Energy Corp.

<sup>10</sup> CenterPoint Oklahoma's 2020 revenues were \$74.1 million compared with its Parent's revenues of \$7.4 billion. Compare 2020 Form 10-K at 93 with Direct Test. of Burl M. Drews, Manager of Rates, on Behalf of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Oklahoma Gas, Ex. BMD-1, at 6, *CenterPoint Energy Okla. Gas Performance-Based Rate Change Plan Calculations for 2020*, No. PUD 202100054 (Okla. Corp. Comm'n Mar. 15, 2021).

1           2.     Authorize SUO to provide utility service utilizing the utility assets after the transfer  
2                   thereof to SUO, under CenterPoint Oklahoma's applicable tariffs on file with and  
3                   approved by this Commission (as may be revised and approved from time to time  
4                   in the future); and,

5           3.     Provide for such other relief that may be proper in this Cause.

6   **Q.   BY WHAT STANDARD SHALL THE COMMISSION USE TO DETERMINE**  
7           **WHETHER THE RELIEF REQUESTED BY THE JOINT APPLICANTS SHOULD**  
8           **BE GRANTED?**

9   A.   Counsel informs me that the Commission shall grant the relief requested if the Commission  
10           determines that the transaction is fair, just, and reasonable, and in the public interest.<sup>11</sup>

11                                   **III. General Rate Case**

12   **Q.   SHOULD THE COMMISSION MANDATE THAT SUO FILE A CHAPTER 70**  
13           **BASE RATE PROCEEDING?**

14   A.   Yes. If Summit receives all necessary approvals to acquire CenterPoint Oklahoma's assets,  
15           the Commission and the parties will need to examine all facets of SUO's costs to determine  
16           whether SUO's rates remain fair, just, and reasonable. For example, CenterPoint Oklahoma  
17           receives shared services, such as customer service and accounting, as a relatively small  
18           subsidiary of CenterPoint Energy, Inc. CenterPoint Energy, Inc. will continue to provide  
19           such services to SUO for 12 months after the acquisition.<sup>12</sup> However, once Summit is  
20           providing these services itself to its subsidiaries, the total cost of these shared services and

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<sup>11</sup> OAC 165:45-3-5(d).

<sup>12</sup> Birchfield Direct 7:1-14.

1        how those costs are allocated among SUO and its affiliates will most likely be different  
2        from CenterPoint Oklahoma's allocated costs before the acquisition. To allow the  
3        Commission to make an accurate prediction of SUO's revenues and expenses in the  
4        reasonably near future, SUO should incur 12 months of representative test year data prior  
5        to filing its Chapter 70 base rate proceeding. However, SUO should file such rate case with  
6        a test year no later than 12 months ending December 31, 2023.

7        **Q.    DO CENTERPOINT OKLAHOMA'S TARIFFS ALLOW FOR CHANGES TO ITS**  
8        **BASE RATES OUTSIDE OF A CHAPTER 70 BASE RATE PROCEEDING?**

9        A.    Under CenterPoint Oklahoma's PBRC tariff, for each calendar year, the Commission  
10       determines whether CenterPoint Oklahoma's base rate revenues increase, remain constant,  
11       or a one-time credit is issued.<sup>13</sup> The Commission approved CenterPoint Oklahoma's PBRC  
12       tariff as a five-year pilot program in Cause No. PUD 200400187 following a settlement  
13       among the parties in that case.<sup>14</sup> The Commission later made the PBRC tariff permanent in  
14       Cause No. PUD 201000030.<sup>15</sup> Since 2016, the Commission has authorized CenterPoint  
15       Oklahoma an allowed return on common equity of 10.0 percent, with a deadband of 100  
16       basis points around the allowed return.<sup>16</sup> The PBRC tariff does not mandate a periodic  
17       comprehensive rate case proceeding, nor does it have an expiration date.

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<sup>13</sup> CenterPoint Oklahoma, Rider Schedule No. 5, Performance Based Rate Change (PBRC) Plan, ¶ 5.3.1 [hereinafter "CenterPoint Oklahoma PBRC Tariff"].

<sup>14</sup> Final Order, Order No. 499,253, *CenterPoint Energy Rates, Charges & Tariffs*, No. PUD 200400187 (Okla. Corp. Comm'n Dec. 28, 2004).

<sup>15</sup> Final Order, Order No. 576,698, at 3, *CenterPoint Energy Okla. Gas Performance-Based Rate Change Plan Calculations for 2009*, No. PUD 201000030 (Okla. Corp. Comm'n July 2, 2010).

<sup>16</sup> *Id.* at ¶ 5.2.1.

1   **Q.   DOES AOG HAVE A SIMILAR TARIFF?**

2   A.   Yes. AOG does have a similar tariff that allows for a base rate revenue increase if AOG  
3       does not earn greater than a ROE minimum.<sup>17</sup> The most significant difference between the  
4       two utilities' tariffs is that AOG's tariff sets its allowed ROE at 10.5 percent, or 50 basis  
5       points higher than CenterPoint Oklahoma's tariff.

6   **Q.   ARE THERE OTHER ELEMENTS OF SUO'S COST STRUCTURE THAT**  
7       **SHOULD BE UPDATED IN A CHAPTER 70 BASE RATE PROCEEDING?**

8   A.   Yes. It has been several years since many elements of CenterPoint Oklahoma's base rate  
9       costs have been updated, including cost of capital, capital structure, a jurisdictional cost of  
10      service study, a class cost of service study, depreciation rates, and rate design. Each element  
11      may be substantially different after the acquisition and transition is complete from what is  
12      currently reflected in CenterPoint Oklahoma's base rates. The Commission and the parties  
13      can better address these issues in a base rate proceeding, not a PBRC proceeding.

14   **Q.   DO OTHER ISSUES EXIST RELATED TO THE ACQUISITION WHICH ARE**  
15      **BETTER ADDRESSED IN CHAPTER 70 BASE RATE PROCEEDING?**

16   A.   Yes. The Company has agreed to treat the existing accumulated deferred income tax  
17      ("ADIT") and excess ADIT ("EDIT") as a reduction to rate base despite these ADIT and  
18      EDIT balances will be zero after the acquisition.<sup>18</sup> As Attorney General expert witness  
19      Brice D. Betchan explains in his testimony, the Commission should mandate that SUO

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<sup>17</sup> See generally Arkansas Oklahoma Gas Corp., Rate Schedule OK-PBR, Performance Based Rate Plan ("PBR").

<sup>18</sup> Birchfield Direct 19:20–20:2.

1 track the ADIT and EDIT balances to make certain that SUO's customers receive the  
2 appropriate value from these regulatory liabilities.

3 **Q. HAS THE COMMISSION PREVIOUSLY APPROVED CHANGES TO**  
4 **CENTERPOINT OKLAHOMA'S PBRC TARIFF THAT ARE CUSTOMARILY**  
5 **ACCEPTED FOR RATEMAKING PURPOSES?**

6 A. Yes. The PBRC tariff recognizes that parties may propose adjustments that are  
7 "customarily accepted for ratemaking purposes."<sup>19</sup> The Commission has approved changes  
8 in proceedings under CenterPoint Energy's PBRC Tariff that are customarily accepted for  
9 ratemaking purposes, such as cost of capital,<sup>20</sup> depreciation,<sup>21</sup> and rate design.<sup>22</sup> Previously,  
10 the Commission would typically approve one or fewer instances of such changes in a given  
11 year.

12 **Q. WHY ARE THESE ISSUES MORE APPROPRIATELY CONSIDERED IN A**  
13 **CHAPTER 70 BASE RATE PROCEEDING?**

14 A. CenterPoint Oklahoma's PBRC tariff allows the Commission and the parties a limited,  
15 abbreviated schedule to review and analyze the historical data from the prior test year. Due  
16 to the number and complexity of potential issues, including those discussed by Mr.  
17 Betchan, a Chapter 70 base rate proceeding which provides for a longer review period of a

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<sup>19</sup> CenterPoint Oklahoma PBRC Tariff ¶ 5.3.7(b).

<sup>20</sup> Final Order 3, Order No. 541,049, *CenterPoint Energy Okla. Gas Modifications to its PBRC Plan and Approval of Calculations for Dec. 31, 2006*, No. PUD 200700076 (Okla. Corp. Comm'n June 27, 2007); Final Order, Order No. 654,461, *CenterPoint Energy Okla. Gas Performance Based Rate Change Plan Calculations for Dec. 31, 2015*, No. PUD 201600094 (Okla. Corp. Comm'n July 19, 2016).

<sup>21</sup> Final Order, Attachment 1, 17, Order No. 669,205, *CenterPoint Energy Okla. Gas Performance Based Rate Change Plan Calculations for Dec. 31, 2016*, No. PUD 201700078 (Okla. Corp. Comm'n Oct. 19, 2017).

<sup>22</sup> Final Order, Exhibit A, at 8, Order No. 646,583, *CenterPoint Energy Okla. Gas Performance Based Rate Change Plan Calculations for Dec. 31, 2014*, No. PUD 201500118 (Okla. Corp. Comm'n Nov. 4, 2015).

1 utility's application to change rates is the more appropriate forum to affirm that SUO's  
2 rates are fair, just, and reasonable.

3 **Q. DO YOU HAVE ANY COMMENT ON SUO'S BELIEF THAT THE O&M COSTS**  
4 **ALLOCATED TO SUO WOULD BE CONSISTENT WITH THE HISTORICAL**  
5 **COSTS ALLOCATED TO CENTERPOINT OKLAHOMA?**

6 A. Yes. As I stated earlier, combined with its CenterPoint counterpart in Arkansas, these two  
7 LDCs have nearly five times the number of customers as Summit's five other LDCs. Given  
8 the need to scale up its resources to serve an organization six times its current size within  
9 12 months post-closure effectively and efficiently, I believe that it would be premature to  
10 accept SUO's assertion that these O&M costs will be consistent with historical amounts at  
11 face value.

12 **Q. HAS THE COMMISSION PREVIOUSLY ADDRESSED THE NEED TO HAVE 12**  
13 **MONTHS OF REPRESENTATIVE DATA AFTER A MERGER OR**  
14 **ACQUISITION HAS OCCURRED?**

15 A. Yes. The Commission approved the merger between The Empire District Electric  
16 Company ("Empire") and Liberty Utilities ("Liberty") based, in part, from the economies  
17 of scale that were expected to occur due to the merger.<sup>23</sup> Empire had also filed for a Chapter  
18 70 base rate proceeding with a test year ending June 30, 2016 with the six month period  
19 ending December 30, 2016. However, the merger between Empire and Liberty did not  
20 close until January 2017. If the Commission had established Empire's base rates with the

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<sup>23</sup> Final Order, Order No. 652,551, at 5, *The Empire Dist. Elec. Co. & Liberty Sub Corp. Plan of Merger*, No. PUD 201600098 (Okla. Corp. Comm'n May 12, 2016).

1 pre-acquisition test year data, Empire's customers would not have received the post-merger  
2 cost savings. The Commission recognized that a general rate case after at least 12 months  
3 of Liberty's ownership would make certain that Empire's rates were established that  
4 reflected the post-merger savings.<sup>24</sup>

5 **Q. SHOULD THE COMMISSION SUSPEND SUO'S OBLIGATION TO FILE THE**  
6 **APPROPRIATE SCHEDULES AND SUPPORTING EVIDENCE UNDER THE**  
7 **PBRC TARIFF?**

8 A. Yes. On or before March 15 each year, SUO's predecessor, CenterPoint Oklahoma, would  
9 file testimony, schedules, and workpapers to support its position whether base rate  
10 revenues should increase, remain constant, or whether a one-time credit is issued under the  
11 PBRC tariff.<sup>25</sup> CenterPoint Oklahoma would file revenue, cost, investment, and other data  
12 for the preceding year to support its position. However, with the acquisition expected to  
13 close by year-end 2021,<sup>26</sup> the Commission and the parties would be reviewing data that  
14 would no longer be representative of SUO's future revenues and expenses until a Chapter  
15 70 base rate proceeding is conducted.<sup>27</sup>

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<sup>24</sup> Final Order, Order No. 667,123, at 8, *The Empire Dist. Elec. Co. Rates & Charges for Elec. Serv.*, No. PUD 201600468 (Okla. Corp. Comm'n Aug. 17, 2017).

<sup>25</sup> CenterPoint Oklahoma PBRC Tariff ¶5.4.

<sup>26</sup> CenterPoint Energy, Inc., 2021Q1 Earnings Call Transcript 2 (May 6, 2021).

<sup>27</sup> Cf. Final Order, Order No. 667,123, at 7–8, *The Empire Dist. Elec. Co. Rates & Charges for Elec. Serv.*, No. PUD 201600468 (Okla. Corp. Comm'n Aug. 17, 2017).



1   **Q.     WHEN SUMMIT ACQUIRED AOG IN 2017, DID AOG SEEK A WAIVER OF ITS**  
2       **PBR FILING REQUIREMENTS?**

3   A.     Yes. AOG sought a waiver of its PBR filing requirements for the test year ending August  
4       31, 2017, because such a filing would “not lend itself to the accurate, complete, and  
5       efficient review that is contemplated by the PBR Plan.”<sup>28</sup> AOG further elaborated:

6             Because AOG does not yet have a full year of financial information  
7             collected for a post-Summit acquisition as of the end of 2017, a PBR review  
8             is not likely to be an effective or efficient exercise at this time. AOG does  
9             not have sufficient information to accurately calculate the adjustments  
10            called for by Section 3.6(e) of the Plan for a test year ended either August  
11            31, 2017 or December 31, 2017.<sup>29</sup>

12   **Q.     DID THE COMMISSION GRANT AOG’S REQUEST FOR A WAIVER?**

13   A.     Yes. As part of a joint stipulation among AOG, the Attorney General, and the  
14       Commission’s Public Utility Division granted AOG’s request for a waiver from its PBR  
15       tariff’s filing requirements until April 30, 2019.<sup>30</sup>

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<sup>28</sup> Direct Test. of Kim R. Linam, Chief Administrative Officer, on Behalf of Arkansas Oklahoma Gas Corporation, at 4:3–4, *Ark. Okla. Gas Corp. Waiver of Review of Performance Based Rates for 2017*, No. PUD 201700495 (Okla. Corp. Comm’n Mar. 8, 2018).

<sup>29</sup> Direct Test. of Kim R. Linam, Chief Administrative Officer, on Behalf of Arkansas Oklahoma Gas Corporation, at 4:5–9, *Ark. Okla. Gas Corp. Waiver of Review of Performance Based Rates for 2017*, No. PUD 201700495 (Okla. Corp. Comm’n Mar. 8, 2018).

<sup>30</sup> See generally Final Order, Order No. 684,561, *Ark. Okla. Gas. Corp. Waiver of Review of Performance Based Rates for 2017*, No. PUD 201700495 (Okla. Corp. Comm’n Oct. 9, 2018).

**IV. Customer Impact**

**Q. WHAT WAS THE ACQUISITION PRICE FOR THE ASSETS OF CENTERPOINT OKLAHOMA?**

A. As I referenced previously, Summit agreed to acquire the Arkansas and Oklahoma gas distribution assets of CenterPoint Energy for approximately \$2.15 billion. If this acquisition price is allocated on the number of customers in each state, the Oklahoma share of the acquisition price is approximately \$420 million.

**Q. WHAT IS THE NET BOOK VALUE OF THE ASSETS THAT SUO WILL ACQUIRE FROM CENTERPOINT OKLAHOMA?**

A. As of March 31, 2021, the net book value of CenterPoint Oklahoma's assets was approximately \$113 million.<sup>31</sup> The acquisition price is more than three times the net book value of these assets.

**Q. DOES SUO PROPOSE TO RECOVER THIS ACQUISITION PREMIUM OF ITS PURCHASE OF CENTERPOINT OKLAHOMA?**

A. No. Summit will not seek recovery of any acquisition premium for a regulatory or ratemaking purpose.<sup>32</sup>

**Q. DO YOU HAVE ANY COMMENT ON SUO'S PLEDGE NOT TO RECOVER THIS ACQUISITION PREMIUM?**

A. Although SUO may not directly seek to recover this acquisition premium through rates, I believe that SUO's customers will nonetheless experience sustained, substantial base rate

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<sup>31</sup> Birchfield Direct 18:11–12.

<sup>32</sup> Birchfield Direct 19:1–3.

1 increases in the future to finance this acquisition premium. To my knowledge, the  
2 acquisition of CenterPoint Energy's Arkansas and Oklahoma's natural gas utility assets by  
3 Summit is an arms-length transaction, so Summit would gain little for over-paying for these  
4 assets. Therefore, Summit must believe that the present value of all future earnings from  
5 these assets is greater than the acquisition price. To do otherwise would not be a rational  
6 economic and financial decision.

7 **Q. IS REVENUE PER CUSTOMER GROWTH THE MOST LIKELY SOURCE FOR**  
8 **EARNINGS GROWTH FOR SUO?**

9 A. Yes. That strategy would be consistent with the actions taken during the last several years  
10 by another Summit subsidiary located in Oklahoma, AOG. Both AOG and CenterPoint  
11 Oklahoma have similar tariffs that allow for an annual, expedited opportunity to increase  
12 base rate revenues if the utility has earned below a minimum rate of return on common  
13 equity ("ROE"). Since Summit acquired AOG in 2017, its annual revenue requirement has  
14 increased at an annual 3.3 percent rate to \$10.4 million. By comparison, CenterPoint  
15 Oklahoma's annual revenue requirement increased at an annual 2.6 percent rate during the  
16 same time frame.<sup>33</sup> In both instances, these increases are driven primarily by rate base  
17 growth, but AOG's rate base has grown at an annual average rate of nearly 25 percent while  
18 CenterPoint Oklahoma's rate base has grown by slightly less than 10 percent.

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<sup>33</sup> During this period, changes in consumer prices as measured by the U.S. personal consumption expenditure deflator increased at a 1.7 percent annual rate. *See* U.S. Bureau of Economic Analysis, Personal Consumption Expenditures: Chain-type Price Index [PCEPI], available at <https://fred.stlouisfed.org/series/PCEPI> (last visited July 18, 2021).

1   **Q.   DOES SUO ANTICIPATE INCREASING RATE BASE GROWTH BEYOND**  
2       **CENTERPOINT OKLAHOMA’S CURRENT GROWTH RATE?**

3   A.   Yes. SUO expects the rate of capital investment to increase, compared to the rate  
4       CenterPoint Oklahoma had been spending, as pipeline replacement activities accelerate  
5       over the next decade, from the current pace of 15 to 20 miles annually to as much as 40  
6       miles per year. SUO has set a target of replacing over 800 miles of pipeline over the next  
7       20 years. To reach this target, SUO expects capital spending to increase from the current  
8       \$15 to \$20 million per year level to approximately \$30 million per year, during the next 5  
9       years.<sup>34</sup>

10   **Q.   ARE YOU CONCERNED THAT SUO’S CUSTOMERS WOULD ALSO BEGIN TO**  
11       **EXPERIENCE MORE SUBSTANTIAL BASE RATE INCREASES UNLESS THE**  
12       **COMMISSION IMPOSES THE CONDITIONS THAT YOU RECOMMENDED ON**  
13       **THE ACQUISITION?**

14   A.   Yes. I believe that SUO will implement a strategy similar to what AOG has done since its  
15       acquisition by Summit.<sup>35</sup> As I recently testified, AOG has not justified its large investment  
16       in its distribution system from either a safety and reliability or reduced O&M expense  
17       perspective compared to the increasing costs that will result to customers.<sup>36</sup> Meanwhile,  
18       AOG is seeking approval for substantial base rate increases on its customers. Most recently,

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<sup>34</sup> SUO’s Response to JTG-SUO-1-3, attached as Ex. TFB-4.

<sup>35</sup> See Birchfield Direct 13:9–18.

<sup>36</sup> Responsive Test. of Todd F. Bohrmann on Behalf of Dawn Cash, Acting Attorney General 24:17–20, *Ark. Okla. Gas Corp. Performance Based Rate Plan Adjustments for 2020*, No. PUD 202100081 (Okla. Corp. Comm’n July 16, 2021).

1       AOG has proposed to increase its base rates by nearly \$90 per year for each residential  
2       customer.<sup>37</sup>

**V. Conclusion**

**Q.     PLEASE REVIEW YOUR RECOMMENDATIONS.**

5     A.    The Attorney General does not object to the Commission's approval of the Joint  
6       Application provided that three conditions are met. First, SUO shall file a Chapter 70 base  
7       rate proceeding once it has at least 12 months of representative data after the acquisition,  
8       but the test year shall be no later than December 31, 2023. Second, SUO shall not make an  
9       annual filing under its predecessor's PBRC tariff for test years 2021, 2022, and 2023.  
10      Third, SUO shall reconcile its legacy deferred tax balances to CenterPoint Oklahoma's last  
11      PBRC filing in a subsequent filing by SUO, and separately track any newly created  
12      deferred tax balances of SUO due to uncertainty of whether the tax normalization rules  
13      apply to SUO's legacy deferred tax balances.

**Q.     DO YOU HAVE ANY ADDITIONAL COMMENTS?**

15    A.    Yes. My testimony is limited to the subject matters discussed. The Commission and the  
16       stakeholders should not infer my agreement with or support for a subject matter not covered  
17       in this testimony.

**Q.     DOES THIS CONCLUDE YOUR RESPONSIVE TESTIMONY?**

19    A.    Yes, it does.

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<sup>37</sup> Responsive Test. of Todd F. Bohrmann on Behalf of Dawn Cash, Acting Attorney General, Ex. TFB-5, *Ark. Okla. Gas Corp. Performance Based Rate Plan Adjustments for 2020*, No. PUD 202100081 (Okla. Corp. Comm'n July 16, 2021).

**AFFIDAVIT OF TODD F. BOHRMANN**

STATE OF OKLAHOMA     )  
  ) ss  
COUNTY OF OKLAHOMA    )

I, Todd F. Bohrmann, do hereby swear/affirm that the foregoing testimony is true and correct to the best of my knowledge and belief.

Todd F. Bohrmann  
Todd F. Bohrmann

Subscribed and sworn to/affirmed before me this 23rd day of July, 2021.



Crystal Ryan  
Notary Public

My Commission expires on 7/13/25.

## **TODD F. BOHRMANN**

313 NE 21st Street  
Oklahoma City, OK 73105  
(405) 522-2924  
Todd.Bohrmann@oag.ok.gov

### **Professional Experience**

#### **OKLAHOMA OFFICE OF THE ATTORNEY GENERAL, Oklahoma City, OK .....2017-present Regulatory Analyst**

- Prepare and present expert witness testimony regarding the economic regulation of jurisdictional electric and gas utilities before state agencies, boards, and commissions.

#### **ACADIAN CONSULTING GROUP, Baton Rouge, LA ..... 2016-2017 Senior Research Analyst**

- Leveraged skills and knowledge associated with economic regulation of investor-owned utilities to identify issues, review discovery responses, and assist in preparing expert witness testimony in selected proceedings before several public utility commissions.
- Researched the impact of the natural gas renaissance on the liquefied natural gas, electric generation, petrochemicals, processing, pipeline, and storage industries in the states of Texas, Louisiana, Mississippi, and Alabama.

#### **CSX TRANSPORTATION, Jacksonville, FL..... 2006-2016 Manager, Coal Planning and Market Analytics (2014-2016)**

Provided critical and strategic thought regarding competitive position for utility coal franchise due to a deep understanding of industry and market conditions.

- Drove more effective pricing decisions through comparing CSX-served electric generation plants with competitive alternatives through internal presentations to senior leadership.
- Aligned operational resources with commercial expectations due to a monthly top-down forecast of over \$1 billion in annual sales from utility coal customers.
- Developed commercial and regulatory strategies to minimize impact of economic and environmental regulations on coal-fired electric generation within CSX's customer base.

#### **Manager, Market Strategy (2006-2014)**

Provided timely, relevant economic analysis to executive leadership and over 400 sales and marketing managers.

- Provided guidance regarding CSX sales and volume performance relative to prior year results and current year expectations.
- Enhanced market and competitive intelligence sources and methods by tracking volume by origin-destination by mode in over 100 product markets and 70 geographic markets.

- Generated \$100,000 in incremental revenue annually through auctioning scarce rail cars among agricultural customers at a premium price.

**Independent Consultant, Jacksonville, FL ..... 2006-2008**

Leveraged skills and knowledge associated with economic regulation of investor-owned electric utilities to identify issues, develop discovery requests, and review discovery responses in selected proceedings before the Florida Public Service Commission.

- Presented expert testimony on the regulatory jurisdiction of costs recovered through the fuel and purchased power cost recovery clause.

**FLORIDA PUBLIC SERVICE COMMISSION, Tallahassee, FL ..... 1994-2006**

**Economic Analyst**

Led a 19-member team of attorneys, accountants, economists, engineers, and administrative staff to identify and resolve factual, legal, and policy issues regarding prudent regulatory oversight of \$10 billion annually for the purchase, delivery, storage, consumption, and disposal of fuel used for electric generation by investor-owned utilities.

- Initiated and developed an incentive program adopted by the Florida Public Service Commission that allows a utility to maximize its wholesale energy sales by allowing each utility to retain part of its annual profits earned on these sales after a target is achieved.
- Presented expert testimony regarding a regulatory accounting system for revenues and costs associated with price risk management of coal, oil, natural gas, and wholesale energy purchases.
- Co-authored the annual “Review of Ten-Year Site Plans” which evaluates the reasonableness of Florida’s electric utilities’ generation and transmission expansion plans.

## **Education**

**University of Central Florida, Orlando, Florida.**

- Master of Business Administration
- Bachelor of Arts in Economics, with honors

## **Professional Memberships**

- National Association of Business Economics (2008-2015)
  - Transportation Roundtable, Founding Chair (2012-2015)
  - Energy Industry Conference Planning Committee (2013)
  - Business Conditions Survey Leadership Team (2015-2016)
- CSX Associate Development Program
  - Planning Committee, Facilitator (2010-2011)
- National Association of State Utility Consumer Advocates (2018-present)
  - Electricity Committee (2018-present)



- Gas Committee (2018-present)
- Society of Utility and Regulatory Financial Analysts (2019)

### **Expert Witness Testimony**

- Responsive Testimony on behalf of Dawn Cash, Acting Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 202100081, Application of Arkansas Oklahoma Gas Corporation For Approval of Its Performance Based Rate Plan Adjustments For The Twelve Months Ended December 31, 2020.
- Responsive Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 202100054, In The Matter Of The Application Of Centerpoint Energy Resources Corp., D/B/A Centerpoint Energy Oklahoma Gas, For Approval Of Its Performance Based Rate Change Plan Calculations For The Twelve Months Ended December 31, 2020.
- Responsive and Cross Examination Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 202100057, Application Of Fort Cobb Fuel Authority, LLC For Approval Of Special Regulatory Treatment For Abnormal Gas Supply Costs Arising From Extreme Winter Weather And Waiver Of Applicable Purchased Gas Adjustment Tariffs And Rules Under OAC 165:50 Specifying Methodology For Recovery Of Gas Supply Costs.
- Responsive, Surrebuttal, and Cross Examination Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 202000097, “Application Of Public Service Company Of Oklahoma (“PSO”) For Approval Of The Cost Recovery Of Facilities To Be Located At Ft. Sill; A Determination There Is A Need For The Facilities; Approval For Future Inclusion In Base Rates For Cost Recovery Of Prudent Costs Incurred By PSO For The Facilities; Approval Of A Temporary Cost Recovery Rider; And Such Other Relief The Commission Deems PSO Is Entitled”
- Responsive Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 202000028, “In The Matter Of The Application Of CenterPoint Energy Resources Corp., D/B/A CenterPoint Energy Oklahoma Gas, For Approval Of Its Performance Based Rate Change Plan Calculations For The Twelve Months Ended December 31, 2019”
- Responsive and Settlement Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 202000021, “In The Matter Of The Application Of Oklahoma Gas And Electric Company For An Order Of The Commission Approving A Recovery Mechanism For Expenditures Related To The Oklahoma Grid Enhancement Plan”
- Responsive Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 201900028, “Application Of Arkansas Oklahoma Gas

Corporation For Approval Of Its Performance Based Rate Plan Adjustments For The Twelve Months Ended December 31, 2018.”

- Responsive Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 201800133, “In The Matter Of The Application Of The Empire District Electric Company, A Kansas Corporation, For An Adjustment In Its Rates And Charges For Electric Service In The State Of Oklahoma.”
- Responsive, Rebuttal, and Cross Examination Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 201900019, “In The Matter Of The Application Of CenterPoint Energy Resources Corp., D/B/A CenterPoint Energy Oklahoma Gas, For Approval Of Its Performance Based Rate Change Plan Calculations For The Twelve Months Ended December 31, 2018”
- Responsive Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 201800159, “In The Matter Of The Application Of Oklahoma Gas And Electric Company For Commission Preapproval Pursuant To 17 O.S. Section 286(C) For Acquisition Of Capacity Through Asset Purchase”
- Responsive Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 201800140, “In The Matter Of The Application Of Oklahoma Gas And Electric Company For An Order Of The Commission Authorizing Applicant To Modify Its Rates, Charges, And Tariffs For Retail Electric Service In Oklahoma”
- Responsive Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 201800097, “Application Of Public Service Company Of Oklahoma, An Oklahoma Corporation, For An Adjustment In Its Rates And Charges And The Electric Service Rules, Regulations And Conditions Of Service For Electric Service In The State Of Oklahoma And To Approve A Performed Base Rate Proposal.”
- Responsive Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 201800073, “In The Matter Of The Application Of Public Service Company Of Oklahoma For An Approval Of Energy Efficiency And Demand Response Programs; For Approval Of The Recovery Of All Demand Program Costs, Lost Net Revenues And A Shared Savings Incentive; For A Commission Waiver Of OAC165:35-41-5(D)(2) For Program Years 2020 And 2021, Respectively; And Authorizing The Continued Use Of The Demand Side Management Cost Recovery Rider.”
- Responsive and Surrebuttal Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 201800029, “In The Matter Of The Application Of CenterPoint Energy Resources Corp., D/B/A CenterPoint Energy Oklahoma Gas, For Approval Of Its Performance Based Rate Change Plan Calculations For The Twelve Months Ended December 31, 2017.”
- Responsive Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 201700496, “In The Matter of The Application of

Oklahoma Gas And Electric Company For An Order of The Commission Authorizing Applicant To Modify Its Rates, Charges, And Tariffs For Retail Electric Service In Oklahoma.”

- Responsive Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 201700495, “Application of Arkansas Oklahoma Gas Corporation For Waiver of Requirement To File For Review of Performance Based Rates For The Twelve Months Ended August 31, 2017 And Request For Tariff Change.”
- Responsive and Settlement Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 201700471, “In The Matter of The Application of The Empire District Electric Company For Approval of Its Customer Savings Plan.”
- Responsive, Surrebuttal, and Settlement Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 201700267, “Application of Public Service Company of Oklahoma (“PSO”) For Approval of The Cost Recovery of The Wind Catcher Energy Connection Project; A Determination There Is A Need For The Project; Approval For Future Inclusion In Base Rates Cost Recovery of Prudent Costs Incurred By PSO For The Project; Approval of A Temporary Cost Recovery Rider; Approval of Certain Accounting Procedures Regarding Federal Production Tax Credits; Waiver of OAC 165:35-38-5(E); And Such Other Relief The Commission Deems PSO Is Entitled.”
- Responsive and Surrebuttal Testimony on behalf of Mike Hunter, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 201700151, “Application of Public Service Company of Oklahoma, An Oklahoma Corporation, For An Adjustment In Its Rates And Charges And The Electric Service Rules, Regulations And Conditions of Service For Electric Service In The State of Oklahoma.”
- Rebuttal Testimony on behalf of Florida Office of Public Counsel in Florida Public Service Commission Docket No. 060658-EI, “Petition on behalf of Citizens of the State of Florida to require Progress Energy Florida, Inc. to refund customers \$143 million.”
- Direct Testimony on behalf of Florida Public Service Commission Staff in Florida Public Service Commission Docket No. 011605-EI, “Review of investor-owned electric utilities' risk management policies and procedures.”
- Direct Testimony on behalf of Florida Public Service Commission Staff in Florida Public Service Commission Docket No. 930885-EU, “Petition to resolve territorial dispute with Gulf Coast Electric Cooperative, Inc. By Gulf Power Company.”

**BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA**

JOINT APPLICATION OF CENTERPOINT )  
ENERGY RESOURCES CORP., SOUTHERN )  
COL MIDCO, LLC, AND SUMMIT UTILITIES ) CAUSE NO. PUD 202100114  
OKLAHOMA, INC. FOR TRANSFER OF )  
JURISDICTIONAL UTILITY ASSETS AND )  
CUSTOMER ACCOUNTS PURSUANT TO )  
OAC 165:45-3-5 )

**SUMMIT UTILITIES OKLAHOMA, INC.'S RESPONSES TO OKLAHOMA  
ATTORNEY GENERAL'S FIRST SET OF DATA REQUESTS**

**AG-SUO-1**

- 1-2** Please refer to the direct testimony of Steven E. Birchfield, page 6, lines 1 through 8. Please explain whether Summit Utilities, Inc. has shareholders other than IIF US Holdings 2 LP.

**Response: Summit Utilities, Inc. is a wholly owned subsidiary of IIF CNG Investment LLC, which is wholly owned by IIF US Holding 2 LP.**

**Witness: Steve Birchfield**

**Title: Executive Vice President and Chief Financial Officer\***

\*Assisted by Jadine Crane, Executive Paralegal

SUMMIT UTILITIES, INC.  
NUMBER OF CUSTOMERS BY STATE AND SUBSIDIARY -- 2019

*Cause No. PUD 202100114  
Exhibit TFB-3  
Page 1 of 1*

State	Utility	Number	Share
AR	CenterPoint Energy	406,419	67%
OK	CenterPoint Energy	98,111	16%
AR	Arkansas Oklahoma Gas	45,372	7%
OK	Arkansas Oklahoma Gas	12,445	2%
CO	Colorado Natural Gas	22,686	4%
MO	Summit Natural Gas	19,003	3%
ME	Summit Natural Gas	4,157	1%
	Total	608,193	

**BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA**

JOINT APPLICATION OF CENTERPOINT	)	
ENERGY RESOURCES CORP., SOUTHERN	)	
COL MIDCO, LLC, AND SUMMIT UTILITIES	)	CAUSE NO. PUD 202100114
OKLAHOMA, INC. FOR TRANSFER OF	)	
JURISDICTIONAL UTILITY ASSETS AND	)	
CUSTOMER ACCOUNTS PURSUANT TO	)	
OAC 165:45-3-5	)	

**SUMMIT UTILITIES OKLAHOMA, INC.'S RESPONSES TO OKLAHOMA PUBLIC  
UTILITY DIVISION'S FIRST SET OF DATA REQUESTS**

**JTG-SUO-1**

**JTG 1-3** Does SUO expect the rate of capital investment to increase, decrease, or remain relatively flat compared to CenterPoint Oklahoma's current rate of investment (including, in both cases, affiliate investments assigned or allocated to the Oklahoma utility)? Please explain at a high level the reason(s) behind the Company's expectation.

**Response:** SUO's capital investment strategy is to invest in projects that are focused on its DIMP/TIMP plans with a risk-based approach to ensuring the safety of pipeline infrastructure. SUO also intends to continue a targeted program to install pressure regulators on the meter settings of customers served from low pressure distribution systems. In addition, SUO plans to continue to grow the business to provide natural gas to additional customers in the service territories to be assumed through the transaction. SUO expects the rate of capital investment to increase, compared to the rate CenterPoint has been spending, as pipeline replacement activities accelerate over the next decade, from 15-20 miles per year to 25-40 miles per year, with a target of replacing over 800 miles of pipeline over the next 20 years. As such, SUO expects capital spending to increase from the current \$15-\$20 million per year level to approximately \$30 million per year, during the next 5 years.

**Witness: Steve Birchfield**

**Title: Executive Vice President and Chief Financial Officer**