

**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 )

**FILED**  
SEP 17 2021

COURT CLERK'S OFFICE - OKC  
CORPORATION COMMISSION  
OF OKLAHOMA

HEARING: August 17, 2021, Courtroom B (virtual teleconference)  
2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105  
*Before* Linda S. Foreman, Administrative Law Judge

APPEARANCES: Curtis M. Long and J. Dillon Curran, Attorneys *representing* CenterPoint  
Energy Resources Corp., Southern Col Midco, LLC, and Summit  
Utilities Oklahoma, Inc.  
Mike S. Ryan, Assistant General Counsel *representing* Public Utility  
Division, Oklahoma Corporation Commission  
Jared B. Haines and A. Chase Snodgrass, Assistant Attorneys General  
*representing* Office of Attorney General, State of Oklahoma

**AMENDED REPORT AND RECOMMENDATION OF THE ADMINISTRATIVE LAW  
JUDGE**

This Cause comes before the Oklahoma Corporation Commission (“Commission”) on the Joint Application of CenterPoint Energy Resources Corp. (“CERC”), Southern Col Midco, LLC (“SC MidCo”) and Summit Utilities Oklahoma, Inc. (“SUO”).

**I. RECOMMENDATION**

The Administrative Law Judge (“ALJ”) recommends approval of the Joint Applicants’ request for a transfer of the utility assets of CenterPoint Energy Resources Corp. including customer accounts, to Summit Utilities Oklahoma, Inc., a subsidiary of South Col Midco, LLC, because the Applicants met the requirements of OAC 165:45-5-3.

The ALJ recommends that the Commission establish a process to closely monitor, on an annual basis, the cost of service underlying SUO’s operation of the transferred jurisdictional assets to assure that customers receive all benefits to which they are entitled under the CERC Performance Based Rate Change (“PBRC”) Tariff which shall be adopted by SUO upon closing and including any credits that may be forthcoming from year to year during the transition period.

The ALJ recommends that SUO reconcile SUO’s Accumulated Deferred Income Tax (ADIT) and Excess Deferred Income Tax (EDIT) legacy balance to CenterPoint’s last PBRC filing in a subsequent PBRC filing by SUO with SUO separately tracking any newly created SUO ADIT balance due to the uncertainty of whether tax normalization rules apply to SUO’s legacy ADIT and EDIT balances.

The ALJ does not recommend suspension of a PBRC filing for the years 2021, 2022 and 2023. It is not recommended that SUO file a rate case.

## **II. PROCEDURAL HISTORY**

On June 24, 2021, CERC, CD MidCo and SUO (collectively, “Applicants”) filed their Joint Application for transfer of jurisdictional assets and customer accounts pursuant to OAC 165: 45-3-5.

Also on June 24, 2021, the Attorney General of the State of Oklahoma filed an Entry of Appearance on behalf of Jared B. Haines and A. Chase Snodgrass.

Also on June 24, 2021, the Direct Testimonies of Steven E. Birchfield and Fred Kirkwood on behalf of Summit Utilities Oklahoma, Inc. and Cynthia L. Westcott on behalf of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Oklahoma Gas were filed.

Also on June 24, 2021, Applicants filed a Joint Motion for Protective Order, a Joint Motion to Establish Notice Requirements and a Joint Motion to Establish Procedural Schedule along with Notices of Hearing setting the Joint Motion for Protective Order, Joint Motion to Establish Notice Requirements and Joint Motion to Establish Procedural Schedule for hearing on July 1, 2021.

On July 1, 2021, the Joint Motion to Establish Notice Requirements, Joint Motion for Protective Order and the Joint Motion to Establish Procedural Schedule came on for hearing before the ALJ, and were heard and recommended on that date.

On July 13, 2021, Order No. 719419, Order Granting Joint Motion to Establish Notice Requirements, Order No. 719420, Order Granting Joint Motion to Establish Procedural Schedule and Order No. 719421, Order Granting Joint Motion for Protective Order were issued.

On July 23, 2021, the Responsive Testimony of Todd F. Bohrmann, the Responsive Testimony of Brice D. Betchan and the Responsive Testimony of John Givens were filed.

On August 5, 2021, the Rebuttal Testimony of John Givens and the Rebuttal Testimony of Steven E. Birchfield were filed.

On August 13, 2021, the Public Utility Division’s Exhibit List, the Attorney General’s Exhibit List and the Exhibit List of Joint Applicants CenterPoint Energy Resources Corp., Southern Col MidCo, LLC. and Summit Utilities Oklahoma, Inc. were filed.

Also on August 13, 2021, the Summary of Responsive Testimony of John Givens, Summary of Rebuttal Testimony of John Givens, the Summary of Testimony of Cynthia L. Westcott, the Summary of Testimony of Fred Kirkwood, the Summary of Testimony of Steven E. Birchfield, the Summary of Responsive Testimony of Brice D. Betchan and the Summary of Responsive Testimony of Todd F. Bohrmann were filed.

On August 16, 2021, the Testimony of Angus S. King III was filed.

On August 17, 2021, the Hearing on the Merits was held and Exhibits 1 through 12 were filed.

Also on August 17, 2021, the Hearing on the Merits was continued by agreement of the parties to August 26, 2021.

On August 26, 2021, following testimony presented at the Hearing, the ALJ took the matter under advisement and requested the parties to file Proposed Findings of Fact and Conclusion of Law on or before September 9, 2021.

Also on August 26, 2021, the Notice of Withdrawal of Appearance on behalf of Johanna Roberts was filed.

Also on August 26, 2021, the Notice of Transcript Completion from August 17, 2021, was filed.

On September 2, 2021, the Notice of Transcript Completion from August 26, 2021, was filed.

### **III. SUMMARY OF EVIDENCE**

Documents filed in this Cause are contained in records kept by the Court Clerk of the Commission. Testimony was offered at the Hearing on the Merits. Witnesses testifying were John Givens on behalf of PUD, Cynthia L. Westcott on behalf of CERC, Steven E. Birchfield and Angus S. King III on behalf of SUO, Brice D. Betchan and Todd F. Bohrmann on behalf of the Attorney General. The entirety of the testimony offered is contained in the transcript of these proceedings. The testimony summaries are included as Attachment “A” attached hereto and incorporated herein.

### **IV. FINDINGS OF FACT AND CONCLUSIONS OF LAW**

#### Jurisdiction

1. The Commission has jurisdiction in this Cause pursuant to Article IX, § 18 of the Oklahoma Constitution and 17 OKLA. STAT. § 151 *et seq.*
2. This proceeding is governed by OAC 165:45-3-5.

#### Notice

3. Notice of the Hearing on the Merits is proper as prescribed by Order No. 719419 with individual notice provided by United States Mail, at least twenty (20) days prior to the hearing, as required by OAC 165:45-3-5(f). On August 9, 2021, CERC filed an Affidavit of Service demonstrating that notice in this Cause was provided to the Company’s Oklahoma customers as required by Order No. 719419.

#### Purchase Agreement

4. CERC is a natural gas utility company serving approximately 100,025 residential,

commercial and industrial customers throughout 36 Oklahoma Counties and operates subject to Commission oversight.

5. SUO, organized under Colorado law, and a subsidiary of SCMidco, a Delaware limited liability company, was organized to acquire the assets of CERC in Oklahoma. SUO corporate affiliates include several regulated public utility companies operating in Oklahoma, Arkansas, Missouri, Colorado and Maine. Its primary parent company, Summit Utilities, operates natural gas utilities in multiple jurisdictions.

6. Pursuant to an Asset Purchase Agreement entered into by CERC and SC Midco on April 29, 2021 and subject to Commission approval, SUO will acquire substantially all of the utility operating assets of CERC located in the State of Oklahoma (the “Utility Assets”). Following completion of the Transaction, SUO will use these assets to continue to provide the natural gas services currently provided by CERC as an Oklahoma public utility, at the same rates, and under the same terms and conditions of service, as set out in CERC’s current Oklahoma rate schedules and tariff on file with, and as may be revised and approved from time to time by, this Commission.

#### Joint Application

7. The Commission should approve the transfer of jurisdictional assets and customer accounts from CERC to SUO. The Joint Application of CERC, SC Midco and SUO seeking approval of this asset transfer, and complying with the requirements of OAC 165:45-3-5, was filed June 24, 2021. Joint Applicants provided all of the information set out in OAC 165:45-3-5(b) (1 through 14) and demonstrated the ability to continue operations in furtherance of the welfare of utility customers sufficient to support approval of the Joint Application. Givens Responsive Testimony 6:2-11 and 12:15-23.

8. The Commission should find that there was no evidence presented by any party to this cause indicating there was insufficient information to support approval of the Joint Application for asset transfer. 1TR 78:25 – 79:10.

#### Post-Closing Transition

9. The Commission should find that the Joint Applicants have taken steps to ensure a safe transition during this asset transfer.

10. SC Midco or an affiliate will enter into Transition Services Agreement (TSA) under whose terms CESC, a CERC subsidiary, will provide to SUO, and SUO will pay for, transition services for a 12 month post-closing period. 1TR 60:24 – 61:3.

11. Services provided to SC Midco by CESC under the TSA shall include operational support in the areas of gas supply, safety, training, engineering, customer operations, supply chain, finance, accounting, and regulatory, among other services. Birchfield Direct 6:23–7:14; Kirkwood/King 5:21–6:11; Givens Responsive 6:2-11.

12. TSA expenses are expected to be equivalent to pre-closing CERC operating and maintenance expenses since they will be charged to SUO consistent with the historical

methodology for direct charges and allocated costs to CERC. Birchfield Direct 7:12-14.

13. SUO committed to hiring CERC employees and to assuring safe and reliable service. Birchfield 1T 55:7 – 56:10. Givens Responsive 6:2-11.

14. As a protection of reliable and safe service to customers, as recommended by PUD, SUO's direct testimony in support of its first post-transfer PBRC, shall include:

- 1) An in-depth description SUO's plant investment strategy and any variance from the prior utility's spending pattern with a discussion of procurement processes that mitigate capital cost and negative effect on rate payers.
- 2) A discussion of SUO's procurement process and safeguards in place to assure projects are completed at the lowest reasonable cost while ensuring system integrity and maintaining customer service standards.
- 3) An outline of any changes made or to be made in the future to SUO's Distribution Integrity Management Plan (DIMP), Transmission Integrity Management Plan (TIMP).
- 4) An analysis considering whether SUO is able to slow the timetable for certain improvement projects without affecting the safety and reliability of service to customers. Givens responsive 12:1-13.

#### Accumulated Deferred Income Tax and Excess Deferred Income Tax

14. The Commission should find that SUO's recommendation that CERC's ADIT and EDIT remain a reduction to rate base for rate-making purposes is reasonable and in the customers' interest. Birchfield Direct 19:19 – 20:2; Betchan Responsive 7: 12-20.

15. SUO shall reconcile its legacy ADIT and EDIT with CERC's last PBRC filing in a subsequent filing by SUO with SUO separately tracking newly created ADIT balances due to uncertainty of whether tax normalization rules apply to SUO legacy ADIT, EDIT balances. Betchan 9:10-17.

#### Cost of Service Study and Depreciation Study

16. The Commission should find that SUO shall enumerate in its first post-closing PBRC filing a proposed timeline in which to perform both a Cost of Service Study and Depreciation Study, specifically stating how the scheduling strikes a balance between avoidance of potential harm to customers due to unnecessary delay while providing sufficient post-acquisition data to allow for meaningful review. Givens responsive 10: 1-11, 13:5-12.

#### Suspension of PBRC review

17. The Commission should deny the Attorney General's recommendation to suspend PBRC review for 2021, 2022 and 2023. There has been no convincing evidence presented in support of

PBRC suspension in the context of the current proceeding. The information required to effectuate a sale or transfer of the assets of a utility company in Oklahoma is delineated in OAC 165: 43-3-5. This chapter does not require the acquiring party to commit to a specific method of performance review in a future proceeding to receive approval of the transfer. Therefore the joint applicants' failure to agree to the recommendation regarding suspension of PBRC review for test years 2021, 2022 and 2023 in favor of a rate case filing in 2024 is irrelevant to the current proceeding.

18. As a matter of policy, PBRC suspension runs counter to the public interest as it would eliminate the process which allows PUD to closely monitor utility costs during the transition period and thereafter on a yearly basis. Givens Responsive 13:5 – 14:4; 2TR 14:19 – 15:2. Any adjustments to rates that can be made in a general rate case are and can be made in a PBRC review proceeding. 1TR. 53:21 – 54:19, 1TR 115:12 – 117:4.

19. Suspension of the PBRC for a three year period in favor a full rate case review additionally removes the possibility of a credit to customers during the suspension period. Givens Rebuttal 7: 1-10. Suspension also eliminates rate change gradualism that is a hallmark of the PBRC. 1Tr. 98:7 -99: 18.

20. Prior consideration of this issue found that “the yearly performance-based comparison and regular review by PUD, OAG and ultimately the Commission is inherently efficient leading to improvements toward greater efficiency in the public interest.” PUD 201900019, Order No. 701439.

#### Rate Case Review

21. The Commission should deny the Attorney General's recommendation that, in addition to PBRC suspension, a general rate case be initiated in 2024. A general rate case is not required at this time since CERC and SUO have taken steps to ensure that quality of service will be maintained. SUO will provide the same services to CERC customers using the same assets, under the same rate structure and tariffs previously approved by the Commission. Birchfield Direct 20:3-18; 1TR 79:22-25 and 81:11-13. SUO also intends to retain CERC employees who currently operate the system. Birchfield Direct 8:13 - 9:5. Operating and maintenance costs will continue as under CERC for a 12 month period under the TSA and are not expected to vary substantially from costs under CERC. Birchfield Direct, 7: 12-14. SUO will not seek to recover costs arising from the transfer including acquisition premium, transition or general integration costs. Birchfield Direct 18: 21- 22,19: 18.

22. The items that are reviewed in a rate case including cost of capital, capital structure, cost of service and rate design can be reviewed in an annual PBRC proceeding. Bohrmann TR. 115: 12-25, 116: 1-9.

#### The Attorney General's Objection to PUD Testimony

23. At trial, PUD counsel requested permission to present additional testimony in the nature of surrebutal by witness John Givens. Counsel for the Attorney General objected to this testimony based upon the language set out in the Procedural Schedule Order. However the Procedural Schedule Order in this case allows the ALJ discretion in permitting additional testimony. The

Commission should give due weight to Mr. Given's testimony in light of the subject matter of this proceeding.

Conclusion

24. Joint Applicants' requested transfer of jurisdictional assets and customer accounts is in the public interest and the terms of the transaction are fair, just, and reasonable insofar as they pertain to utility service in Oklahoma.

25. The Joint Application should be approved in all respects, subject to the findings and conclusions set out herein.

Respectfully submitted,

/s/ Linda S. Foreman  
LINDA S. FOREMAN  
Administrative Law Judge

September 17, 2021  
Date

C:

C:

Chairman Dana L. Murphy  
Vice Chairman Bob Anthony  
Commissioner J. Todd Hiett  
Curtis M. Johnson  
Matt Mullins  
Nicole King  
Elbert J. Thomas  
Ben Jackson  
Elizabeth A.P. Cates  
Mary Candler  
Stacy Bonner  
Natasha M. Scott  
Mike S. Ryan  
Jared B. Haines  
A. Chase Snodgrass  
Curtis M. Long  
J. Dillon Curran

Attachment "A"

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

JOINT APPLICATION OF CENTERPOINT )  
ENERGY RESOURCES CORP., SOUTHERN COL )  
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OF OKLAHOMA



**SUMMARY OF  
REBUTTAL TESTIMONY  
OF  
JOHN GIVENS  
AUGUST 13, 2021**



1 John Givens is employed by the Public Utility Division (“PUD”) of the Oklahoma  
2 Corporation Commission (“Commission”) as a Senior Public Utility Regulatory Analyst.  
3 On June 24, 2021, CenterPoint Energy Resources Corp. (“CenterPoint”), Southern Col  
4 Midco, LLC, and Summit Utilities Oklahoma, Inc. (“SUO”) filed a Joint Application with  
5 the Commission seeking approval of the transfer of jurisdictional utility assets and  
6 customer accounts from CenterPoint to SUO pursuant to OAC 165:45-3-5. Mr. Givens  
7 filed Rebuttal Testimony on August 5, 2021, to give the Public Utility Division’s (“PUD”)  
8 response to the recommendations contained in the Responsive Testimony of Todd  
9 Bohrmann on behalf of the Attorney General regarding a general rate case and annual  
10 Performance Based Rate Change (“PBRC”) filings.

11 Mr. Givens testified that a general rate case is unnecessary, because PBRC filings are  
12 sufficient to perform a thorough review of SUO’s costs after the acquisition of  
13 CenterPoint’s system. Furthermore, Mr. Givens testified that suspension of the PBRC  
14 filing risks denying the benefits of the PBRC to ratepayers. Mr. Givens testified that for  
15 these reasons, PUD recommends the Commission deny the Attorney General’s  
16 recommendation to require SUO to file a general rate case and suspend annual filings under  
17 the PBRC Tariff for the 2021, 2022, and 2023 test years.

**CERTIFICATE OF SERVICE**

This is to certify that on August 5, 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:

Jared Haines  
Office of Attorney General  
313 NE 21<sup>st</sup> Street  
Oklahoma City, OK 73105  
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*Barbara Colbert*

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TISH COATS, Regulatory Admin. Oversight Manager  
BARBARA COLBERT, Administrative Assistant  
SUSAN HARWELL, PUD Regulatory Analyst  
OKLAHOMA CORPORATION COMMISSION

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**SUMMARY OF  
RESPONSIVE TESTIMONY  
OF  
JOHN GIVENS  
AUGUST 13, 2021**

1 John Givens is employed by the Public Utility Division (“PUD”) of the Oklahoma  
2 Corporation Commission (“Commission”) as a Senior Public Utility Regulatory Analyst.  
3 On June 24, 2021, CenterPoint Energy Resources Corp. (“CenterPoint”), Southern Col  
4 Midco, LLC, and Summit Utilities Oklahoma, Inc. (“SUO”) filed a Joint Application with  
5 the Commission seeking approval of the transfer of jurisdictional utility assets and  
6 customer accounts from CenterPoint to SUO pursuant to OAC 165:45-3-5. Mr. Givens  
7 filed Responsive Testimony on July 23, 2021, to present PUD’s recommendations regarding  
8 the transfer of CenterPoint’s Oklahoma gas distribution system and customers to SUO.

9 Mr. Givens testified that PUD reviewed the Joint Application, Direct Testimony, and the  
10 Commission’s Chapter 45 Gas Utility Rules. PUD also held a virtual audit conference with  
11 SUO personnel to discuss the proposed transfer and its effect on Oklahoma ratepayers,  
12 issued a Data Request and reviewed the responses, and reviewed the responses to Data  
13 Requests issued by the Attorney General.

14 As a result of its review, Mr. Givens testified that PUD recommends the Commission  
15 approve the proposed transfer as fair, just, reasonable, and in the public interest, and  
16 approve SUO’s proposal to adopt CenterPoint’s existing tariff, including the Performance  
17 Based Rate Change (“PBRC”) tariff. PUD also recommends that the Commission find that  
18 a need exists for SUO to perform a Class Cost of Service Study and a Depreciation Study  
19 after the transfer from CenterPoint is complete. Regarding the timing of these studies,  
20 PUD recommends that the Commission require SUO to file Direct Testimony in its first  
21 PBRC filing describing its proposed timeline for performing and submitting each study, as

1 well as how the proposed timeline strikes a balance between (a) avoiding negative impacts  
2 from unnecessary delays, and (b) ensuring sufficient post-transition historical data exists  
3 for the studies to be effective. Finally, PUD recommends that the Commission also require  
4 SUO to include the following information in Direct Testimony its first PBRC filing:

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

**CERTIFICATE OF SERVICE**

This is to certify that on August 5, 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:

Jared Haines  
Office of Attorney General  
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*Barbara Colbert*

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TISH COATS, Regulatory Admin. Oversight Manager  
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OKLAHOMA CORPORATION COMMISSION

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 OAC 165:45-3-5 )

CAUSE NO. PUD 202100114



**SUMMARY OF RESPONSIVE TESTIMONY OF BRICE D. BETCHAN**  
**ON BEHALF OF**  
**JOHN O'CONNOR, OKLAHOMA ATTORNEY GENERAL**

John O'Connor, the Attorney General of Oklahoma, on behalf of the utility customers of this State, hereby submits the Summary of Responsive Testimony of Brice D. Betchan in the proceeding referenced above. The Attorney General urges close consideration of the testimony.

Respectfully submitted,

JOHN O'CONNOR  
 ATTORNEY GENERAL OF OKLAHOMA

A handwritten signature in black ink that appears to read "A. Chase Snodgrass".

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 chase.snodgrass@oag.ok.gov

**CERTIFICATE OF SERVICE**


On this 13th day of August, 2021, a true and correct copy of the *Summary of Responsive Testimony of Brice D. Betchan on Behalf of John O'Connor, Oklahoma Attorney General* was sent via electronic mail to the following interested parties:

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A. CHASE SNODGRASS  
Assistant Attorney General  
Utility Regulation Unit



**Summary of the Responsive Testimony of Brice D. Betchan  
on Behalf of John O'Connor, Oklahoma Attorney General**

Mr. Brice D. Betchan submitted pre-filed responsive testimony on July 23, 2021. He testified to his education and professional background as a Certified Public Accountant. Mr. Betchan explained Summit Utilities Oklahoma, Inc's ("SUO") proposal concerning CenterPoint Energy Resources Corporation's ("CenterPoint") legacy Accumulated Deferred Income Tax ("ADIT") and Excess Deferred Income Tax ("EDIT"). He also recommended on behalf of the Attorney General enhanced tracking of SUO's ADIT and EDIT.

Mr. Betchan explained that ADIT results from book and tax timing differences, which usually results in greater tax deductions than book deductions for utilities. Mr. Betchan testified that utilities keep the excess tax deduction and recognize the cost-free source of capital, known as ADIT, as a reduction to rate base. Mr. Betchan then acknowledged that ADIT and EDIT would be zero after the CenterPoint sale to SUO because of the transaction type.

Mr. Betchan then testified to the importance of ADIT and EDIT. He stated that SUO's proposal is to keep CenterPoint's legacy ADIT and EDIT on its books, even though the transaction would result in zero EDIT and ADIT. Mr. Betchan then stated that CenterPoint's ADIT and EDIT reduce rate base by more than 20 percent. He expressed concerns of the Attorney General about SUO's proposal and noted that SUO was unable to detail how it would protect legacy ADIT and EDIT balances. Mr. Betchan further noted that Attorney General has concerns that the legacy ADIT and EDIT balances will not be sufficiently tracked from CenterPoint's last Performance Based Rate Change ("PBRC") until SUO's next filing before the Commission. Mr. Betchan testified that the Attorney General is also concerned about the income tax normalization rules and how they may or may not apply to the legacy ADIT and EDIT balances.

Mr. Betchan then provided three reasons why SUO's legacy ADIT and EDIT balances will differ from CenterPoint's December 31, 2020 balances. Mr. Betchan recommended, on behalf of the Attorney General, enhanced tracking of both ADIT and EDIT balances. Further, that it is necessary to reconcile SUO's legacy ADIT and EDIT balances to CenterPoint's last PBRC filing in a subsequent filing by SUO. Mr. Betchan also testified that it is necessary to separately track any newly created ADIT balances of SUO due to SUO's uncertainty of whether the income tax normalization rules apply to SUO's legacy ADIT and EDIT balances.

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**SUMMARY OF RESPONSIVE TESTIMONY OF TODD F. BOHRMANN**  
**ON BEHALF OF**  
**JOHN O'CONNOR, OKLAHOMA ATTORNEY GENERAL**

John O'Connor, the Attorney General of Oklahoma, on behalf of the utility customers of this State, hereby submits the Summary of Responsive Testimony of Todd F. Bohrmann in the proceeding referenced above. The Attorney General urges close consideration of the testimony.

Respectfully submitted,

JOHN O'CONNOR  
ATTORNEY GENERAL OF OKLAHOMA

A handwritten signature in black ink, appearing to read "A. Chase Snodgrass".  
\_\_\_\_\_  
JARED B. HAINES, OBA #32002

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**CERTIFICATE OF SERVICE**


On this 13th day of August, 2021, a true and correct copy of the *Summary of Responsive Testimony of Todd F. Borhmann on Behalf of John O'Connor, Oklahoma Attorney General* was sent via electronic mail to the following interested parties:

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**Summary of the Responsive Testimony of Todd F. Bohrmann  
On Behalf of John O'Connor, Oklahoma Attorney General**

Mr. Todd F. Bohrmann submitted pre-filed responsive testimony in the present case on August 6, 2021, regarding revenue requirement issues. Mr. Bohrmann testified that the Attorney General does not object to the Commission approving the Joint Application with the following three conditions: 1) Summit Utilities Oklahoma, Inc. (“SUO”) shall file a Chapter 70 base rate proceeding once it has at least 12 months of representative data after the acquisition, but the test year shall be no later than December 31, 2023; 2) SUO shall not make an annual filing under its predecessor’s Performance Based Rate Change (“PBRC”) tariff for test years 2021, 2022, and 2023; and 3) as explained further by Attorney General expert witness Brice D. Betchan, the Commission should require SUO to reconcile its legacy deferred tax balances to the last PBRC filing by CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Gas Oklahoma (“CenterPoint Oklahoma”) in a subsequent filing by SUO. The Attorney General also believes it is necessary to separately track any newly created deferred tax balances of SUO due to SUO’s uncertainty of whether the tax normalization rules apply to SUO’s legacy deferred tax balances.

Mr. Bohrmann described the timeline of events leading up to the announcement of the sale of CenterPoint Oklahoma to Summit Utilities. He also described Summit’s current organizational structure which includes Arkansas Oklahoma Gas Corporation (“AOG”). AOG provides local natural gas distribution service to approximately 12,500 customers, primarily in two eastern Oklahoma counties, LeFlore and Sequoyah, located near Fort Smith, Arkansas. Mr. Bohrmann also testified regarding the relative size of CenterPoint Oklahoma within CenterPoint Energy as well as the expected relative size within Summit post-acquisition.

Mr. Bohrmann testified that the Commission would approve the acquisition if it can determine the transaction is fair, just, and reasonable, and in the public interest. He also indicated that if Summit receives all necessary approvals to acquire CenterPoint Oklahoma's assets, the Commission and the parties will need to examine all facets of SUO's costs to determine whether SUO's rates remain fair, just, and reasonable. For example, CenterPoint Oklahoma receives shared services, such as customer service and accounting, as a relatively small subsidiary of CenterPoint Energy, Inc. CenterPoint Energy, Inc. will continue to provide such services to SUO for 12 months after the acquisition. However, Mr. Bohrmann opined that once Summit is providing these services itself to its subsidiaries, that the total cost of these shared services and how those costs are allocated among SUO and its affiliates will most likely be different from CenterPoint Oklahoma's allocated costs before the acquisition. To allow the Commission to make an accurate prediction of SUO's revenues and expenses in the reasonably near future, SUO should incur 12 months of representative test year data prior to filing its Chapter 70 base rate proceeding. However, SUO should file such rate case with a test year no later than 12 months ending December 31, 2023.

Mr. Bohrmann described CenterPoint Oklahoma's and AOG's Performance Based Ratemaking Change ("PBRC") tariffs with the most significant difference between the two utilities' tariffs is that AOG's tariff sets its allowed ROE at 10.5 percent, or 50 basis points higher than CenterPoint Oklahoma's tariff. He testified that it has been several years since many elements of CenterPoint Oklahoma's base rate costs have been updated, including cost of capital, capital structure, a jurisdictional cost of service study, a class cost of service study, depreciation rates, and rate design. Each element may be substantially different after the acquisition and transition is complete from what is currently reflected in CenterPoint Oklahoma's base rates. The Commission and the parties can better address these issues in a base rate proceeding, not a PBRC proceeding.

Mr. Bohrmann indicated that the Company has agreed to treat the existing accumulated deferred income tax (“ADIT”) and excess ADIT (“EDIT”) as a reduction to rate base despite even though ADIT and EDIT balances will be zero after the acquisition. As Attorney General expert witness Brice D. Betchan explains in his testimony, the Commission should mandate that SUO track the ADIT and EDIT balances to make certain that SUO’s customers receive the appropriate value from these regulatory liabilities.

Mr. Bohrmann testified that CenterPoint Oklahoma’s PBRC tariff recognizes that parties may propose adjustments that are “customarily accepted for ratemaking purposes.” The Commission has approved changes in proceedings under CenterPoint Energy’s PBRC tariff that are customarily accepted for ratemaking purposes, such as cost of capital, depreciation, and rate design. Previously, the Commission would typically approve one or fewer instances of such changes in a given year.

Mr. Bohrmann indicated that CenterPoint Oklahoma’s PBRC tariff allows the Commission and the parties a limited, abbreviated schedule to review and analyze the historical data from the prior test year. Due to the number and complexity of potential issues, including those discussed by Mr. Betchan, a Chapter 70 base rate proceeding which provides for a longer review period of a utility’s application to change rates is the more appropriate forum to affirm that SUO’s rates are fair, just, and reasonable.

Mr. Bohrmann stated that, combined with its CenterPoint counterpart in Arkansas, these two LDCs have nearly five times the number of customers as Summit’s five other LDCs. Given the need to scale up its resources to serve an organization six times its current size within 12 months post-closure effectively and efficiently, he believed that it would be premature to accept SUO’s assertion that these O&M costs will be consistent with historical amounts at face value.

Mr. Bohrmann testified that the Commission approved the merger between The Empire District Electric Company (“Empire”) and Liberty Utilities (“Liberty”) were based, in part, from the economies of scale that were expected to occur due to the merger. Empire had also filed for a Chapter 70 base rate proceeding with a test year ending June 30, 2016 with the six month period ending December 30, 2016. However, the merger between Empire and Liberty did not close until January 2017. If the Commission had established Empire’s base rates with the pre-acquisition test year data, Empire’s customers would not have received the post-merger cost savings. The Commission recognized that a general rate case after at least 12 months of Liberty’s ownership would make certain that Empire’s rates were established and reflected the post-merger savings.

Mr. Bohrmann stated that, on or before March 15 each year, SUO’s predecessor, CenterPoint Oklahoma, would file testimony, schedules, and workpapers to support its position whether base rate revenues should increase, remain constant, or whether a one-time credit is issued under the PBRC tariff. CenterPoint Oklahoma would file revenue, cost, investment, and other data for the preceding year to support its position. However, with the acquisition expected to close by year-end 2021, the Commission and the parties would be reviewing data that would no longer be representative of SUO’s future revenues and expenses until a Chapter 70 base rate proceeding is conducted.

Mr. Bohrmann indicated that AOG sought a waiver of its PBR filing requirements for the test year ending August 31, 2017, because such a filing would “not lend itself to the accurate, complete, and efficient review that is contemplated by the PBR Plan.” As part of a joint stipulation among AOG, the Attorney General, and the Commission’s Public Utility Division, the Commission granted AOG’s request for a waiver from its PBR tariff’s filing requirements until April 30, 2019.



Mr. Bohrmann testified that 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. As of March 31, 2021, the net book value of CenterPoint Oklahoma's assets was approximately \$113 million. The acquisition price is more than three times the net book value of these assets.

Mr. Bohrmann stated that Summit will not seek recovery of any acquisition premium for a regulatory or ratemaking purpose. Although SUO may not directly seek to recover this acquisition premium through rates, he believed that SUO's customers will nonetheless experience sustained, substantial base rate increases in the future to finance this acquisition premium. To his knowledge, the acquisition of CenterPoint Energy's Arkansas and Oklahoma's natural gas utility assets by Summit is an arms-length transaction, so Summit would gain little for over-paying for these assets. Therefore, Summit must believe that the present value of all future earnings from these assets is greater than the acquisition price. To do otherwise would not be a rational economic and financial decision.

Mr. Bohrmann indicated that this strategy would be consistent with the actions taken during the last several years by another Summit subsidiary located in Oklahoma, AOG. Both AOG and CenterPoint Oklahoma have similar tariffs that allow for an annual, expedited opportunity to increase base rate revenues if the utility has earned below a minimum rate of return on common equity ("ROE"). Since Summit acquired AOG in 2017, its annual revenue requirement has increased at an annual 3.3 percent rate to \$10.4 million. By comparison, CenterPoint Oklahoma's annual revenue requirement increased at an annual 2.6 percent rate during the same time frame. In both instances, these increases are driven primarily by rate base growth, but AOG's rate base has

grown at an annual average rate of nearly 25 percent while CenterPoint Oklahoma's rate base has grown by slightly less than 10 percent.

Mr. Bohrmann testified that SUO expects the rate of capital investment to increase, compared to the rate CenterPoint Oklahoma had been spending, as pipeline replacement activities accelerate over the next decade, from the current pace of 15 to 20 miles annually to as much as 40 miles per year. SUO has set a target of replacing over 800 miles of pipeline over the next 20 years. To reach this target, SUO expects capital spending to increase from the current \$15 to \$20 million per year level to approximately \$30 million per year, during the next 5 years.

Mr. Bohrmann believed that SUO will implement a strategy similar to what AOG has done since its acquisition by Summit. As he recently testified, AOG has not justified its large investment in its distribution system from either a safety and reliability or reduced O&M expense perspective compared to the increasing costs that will result to customers. Meanwhile, AOG is seeking approval for substantial base rate increases on its customers. Most recently, AOG has proposed to increase its base rates by nearly \$90 per year for each residential customer.

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

JOINT APPLICATION OF CENTERPOINT )  
ENERGY RESOURCES CORP. D/B/A )  
CENTERPOINT ENERGY OKLAHOMA GAS )  
AND SUMMIT UTILITIES OKLAHOMA, INC. ) Cause No. PUD 202100114  
FOR TRANSFER OF JURISDICTIONAL UTILITY )  
ASSETS AND CUSTOMER ACCOUNTS )  
PURSUANT TO OAC 165:45-3-5 )

**FILED**  
AUG 13 2021  
COURT CLERK'S OFFICE - OKC  
CORPORATION COMMISSION  
OF OKLAHOMA

SUMMARY OF TESTIMONY

OF

CYNTHIA L. WESTCOTT

VICE PRESIDENT – REGIONAL OPERATIONS

ON BEHALF OF

CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY OKLAHOMA GAS

Filed: August 13, 2021

Cynthia L. Westcott, the Vice President of Regional Operations for the states of Arkansas and Oklahoma, testified on behalf of CenterPoint Energy Resources Corp. (“CERC”). Ms. Westcott holds a bachelor’s degree in industrial engineering and a master’s degree in business administration. Since 2007, she has been a licensed professional engineer in the State of Arkansas. Over the past 18 years Ms. Westcott has been employed in various engineering, regulatory, and operations positions in Arkansas, Texas, and Oklahoma. Currently, she is responsible for the financial and operational integrity of CERC’s d/b/a, CenterPoint Energy Oklahoma Gas (“CenterPoint Oklahoma”) and she manages employees who ensure safe and reliable delivery of natural gas to customers in Arkansas and Oklahoma. Ms. Westcott has previously filed testimony before the Oklahoma Corporation Commission (the “Commission”).

Ms. Westcott’s testimony was in support of a Joint Application filed by CERC and Summit Utility Oklahoma, Inc.’s (“SUO”) sole owner, Southern Col Midco, LLC (“SC MidCo”), requesting approval of a transaction that is the subject of that certain Asset Purchase Agreement (“APA”) whereby, among other things, CERC agreed to sell and SC MidCo agreed to purchase certain of CERC’s assets for its natural gas utility business that serves customers in Arkansas, Oklahoma, and certain areas of Bowie County, Texas, including Texarkana, Texas (the “Transaction”). She explained that SC MidCo is a wholly-owned subsidiary of Southern Col HoldCo, which, in turn, is a wholly-owned subsidiary of Summit Utilities, Inc. (“Summit”). Ms. Westcott’s testimony provided information regarding CERC’s facilities and operations and also described the proposed changes to the ownership of those assets. She explained why the sale and transfer of CERC’s Oklahoma assets is in the public interest and how the transfer will result in Oklahoma customers continuing to receive safe and reliable gas service and will provide continued financial strength to the benefit of the customers and the distribution system that SUO is acquiring from CERC.

Ms. Westcott described CenterPoint Oklahoma as a local distribution company which, as of May 31, 2021, served more than 100,000 customers in 36 counties in Oklahoma, including 89,000 residential customers, 10,700 general service and small commercial customers, and 23 large volume customers. CenterPoint Oklahoma operates almost 2,800 miles of distribution and transmission main in Oklahoma. Ms. Westcott’s filed, direct testimony included an exhibit which shows CenterPoint Oklahoma’s service territory and stated that CERC employs approximately 100 persons in Oklahoma.

Ms. Westcott testified that CERC is an indirect, wholly-owned subsidiary of CenterPoint Energy, Inc. (“CNP”). CNP is an energy delivery company with electric transmission and distribution, power generation and natural gas distribution operations that serve more than 7 million metered customers in 8 states, including Arkansas and Oklahoma. CNP employs approximately 9,500 employees across its service territories.

Ms. Westcott’s testimony described the origin and nature of the Transaction. Following its decision announced on December 7, 2020, to sell its assets in Arkansas and Oklahoma, CNP engaged in a competitive bidding process which resulted in the APA with SUO’s sole owner, SC MidCo, in which, among other things, CERC agreed to sell and SC MidCo agreed to purchase certain of CERC’s assets for its natural gas utility business that

serves customers in Arkansas, Oklahoma and certain areas of Bowie County, Texas, including Texarkana, Texas. This ownership change requires Commission approval in Oklahoma prior to the closing of the Transaction, as requested in the Joint Application.

Ms. Westcott described the expected impact of SUO's acquisition on CenterPoint Oklahoma's operations, assuming the Commission authorizes SUO to operate as a public utility in the State of Oklahoma. According to her testimony, CenterPoint Oklahoma basically will become SUO. She testified that she expects SUO will remain committed to providing safe, reliable natural gas service to its customers in Oklahoma. Her testimony referred to the direct testimony of Steven E. Birchfield, which stated that Summit's acquisition of Arkansas Oklahoma Gas Corporation in 2017 has allowed Summit to become familiar with the laws, regulations, and regulatory environment in Oklahoma. Ms. Westcott testified that Summit's Oklahoma experience and its commitment to maintaining CERC's regional management team ensure that CERC's customers will continue to receive the same safe and reliable service they have always enjoyed. She also testified that access to Summit's capital will allow for growth and development in areas not previously pursued. She testified that these reasons, among others, support her belief that the consummation of the Transaction is in the public interest.

Ms. Westcott testified that the Arkansas Public Service Commission must also approve the Transaction prior to closing and such approval has been requested by a filing made in Arkansas on June 11, 2021 in Docket No. 21-060-U. She identified Mr. Birchfield's testimony as the source for a description of other approvals necessary for SUO to operate the assets.

Ms. Westcott testified that, in her opinion, the Transaction would have no adverse impact on CenterPoint Oklahoma's customers.

Ms. Westcott testified she had prepared the depositor information required by OAC: 45-3-5(B)(11), however, because such records contain confidential customer information, they were provided for review subject to the protective order issued in this Cause. She also affirmed that the records and reports required by OAC: 165:45-9 exist and would be made available upon request, subject to the protective order.

Finally, Ms. Westcott urged and recommend that the Commission approve the Joint Application.

**CERTIFICATE OF SERVICE**

I hereby certify that on the 13<sup>th</sup> day of August, 2021, a full, true, and correct copy of the above and foregoing instrument was served on the following persons by electronic mail to the following at the email addresses noted:

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/s/ Curtis M. Long

**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**  
AUG 13 2021

**COURT CLERK'S OFFICE - OKC  
CORPORATION COMMISSION  
OF OKLAHOMA**

**SUMMARY OF TESTIMONY  
OF  
FRED KIRKWOOD  
CHIEF CUSTOMER OFFICER  
ON BEHALF OF  
SUMMIT UTILITIES OKLAHOMA, INC.**

**AUGUST 13, 2021**

Fred Kirkwood, Summit Utilities, Inc.'s ("Summit") Chief Customer Officer, testified on behalf of Summit Utilities Oklahoma, Inc. ("SUO"). Mr. Kirkwood has more than 30 years of experience working with residential and commercial customers in the natural gas industry. He is responsible for overseeing all customer service activities of Summit and its subsidiaries, including oversight of all employees involved in call center and billing operations. He also manages a team of customer development representatives in Arkansas and Oklahoma who work with customers daily on the efficient use of natural gas and oversees Summit's IT functions, including IT support and systems and cyber security. He previously has filed testimony with the Oklahoma Corporation Commission (the "Commission").

Mr. Kirkwood testified that SUO is seeking approval to acquire, through transfer, the Oklahoma assets of CenterPoint Energy Resources Corp. ("CERC") and authorization to operate those assets as an Oklahoma public utility. He urged the Commission to approve the Joint Application and to grant to SUO authority to operate the assets to be transferred as a public utility and find both approvals to be consistent with the public interest.

Mr. Kirkwood further testified Summit is committed to providing superior service to its customers and its customer service team is dedicated to making customers' lives better in every state Summit serves. Mr. Kirkwood explained that Summit utilizes the Net Promoter Score System ("NPS") which is a proven methodology for measuring customer loyalty through surveys that provide first-hand feedback. Summit's overall NPS score was 47 in 2020. The utility industry benchmark scores range from 5 to 41. The score of 47 places Summit well above the benchmark for the utilities industry. The individual company score for Summit's affiliate Arkansas Oklahoma Gas Company ("AOG") was even higher, with a score of 59.



Mr. Kirkwood further explained that Summit tracks industry standard call center metrics including service level, abandoned call rate and average speed of answer. Summit exceeds the industry standard in all respects. The current industry standard for service level is 80% of all calls answered within 30 seconds, an abandoned call rate of 5% and average speed of answer rate at 28 seconds. For years 2018-2020, the Summit contact center achieved an average service level of 85% of all calls answered within 30 seconds, an abandoned call rate of 2% and average speed of answer rate of 17 seconds.

Mr. Kirkwood provided an overview of the customer service and billing operations that will support SUO's Oklahoma operations. He explained that SUO will become a part of the Summit customer service operation under the same leadership as the other Summit-affiliated operating companies. This includes a well-trained call center and customer billing staff primarily based in Arkansas, led by management with an average tenure of 20 years.

Mr. Kirkwood identified the challenges SUO anticipates with respect to customer service and billing operations. CERC's customer service and billing operations (and staff) are located in Houston, Texas and will not be acquired by SUO. To ensure customer service and billing are uninterrupted, those services will be provided under a Transition Services Agreement (described in the testimony of Steven E. Birchfield) while Summit bolsters its existing customer service and billing operations to serve the expanded demand by, among other actions, adding staff. Summit currently provides customer service and billing operations for a combined customer base of approximately 105,000 using a team based in Fort Smith, Arkansas. The CERC acquisition will add approximately 525,000 customers to Summit's customer base. To serve this customer base,

Summit's strategy is to hire and onboard new staff to meet the increased customer demand. Summit will utilize existing experienced customer service and billing leadership to train the new staff and support daily operations to ensure that SUO is meeting the needs of its customers.

Mr. Kirkwood expects SUO will succeed in providing CERC's customers the same or similar customer services as they experience currently because, as evidenced through Summit's acquisition of AOG, Summit's leadership has the experience and history necessary to integrate multiple company operations. AOG has been providing exemplary customer service for more than 75 years. In addition, Summit has invested in new technology and systems to better serve customers across its platform and SUO will benefit from the updated technology and systems. Summit will be well equipped and staffed to provide quality customer service to the additional 525,000 customers that Summit is adding to its portfolio.

Mr. Kirkwood explained SUO is familiar with the Commission's rules by virtue of SUO's affiliate AOG's long history of serving natural gas utility customers in Oklahoma. AOG and SUO will share leadership with experience and knowledge of all Oklahoma natural gas rules and regulations, including the Commission's Gas Service Utilities Rules and its Rules of Practice.

Mr. Kirkwood testified that SUO proposes to step into the shoes of CERC's existing tariffs and he described the customer service benefits associated with such continuity. Changes to rates or to existing tariffs would create confusion and potentially customer dissatisfaction. Calls and complaints could spike in response to tariff revisions during the transition. By keeping the current tariffs in place, customer billing components and applications will be familiar and predictable, making the transition to SUO seamless and transparent for customers.

SUO plans to continue energy efficiency operations associated with the CERC assets and to support these programs anticipates hiring the six energy efficiency representatives that CERC employs to serve the Oklahoma and Arkansas assets. SUO is familiar with Oklahoma's energy efficiency programs as a result of AOG's experiences. Though it received a waiver on the requirement to file energy efficiency programs in Oklahoma, pursuant to its Customer Retention Program, in 2015, AOG implemented its Oklahoma Weatherization Program and Equipment Rebate Program. Both energy efficiency programs have been successful in Oklahoma.

Mr. Kirkwood testified that SUO will pursue business development on the CERC distribution system by hiring CERC's existing business development representative positions. CERC currently employs 12 business development representatives that serve the Arkansas and Oklahoma region. SUO anticipates these 12 representatives will join the Summit team at the closing of the transaction. In addition, Summit and AOG employees have a history of working with these representatives and have found that goals and culture align. Together, SUO will continue to achieve the level of service that the customers served by these assets are accustomed to receiving.

**CERTIFICATE OF SERVICE**

I hereby certify that on the 13<sup>th</sup> day of August, 2021, a full, true, and correct copy of the above and foregoing instrument was served on the following persons by electronic mail to the following at the email addresses noted:

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Dillon Curran

**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**

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) Cause No. PUD 202100114  
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**FILED**  
AUG 13 2021

COURT CLERK'S OFFICE - OKC  
CORPORATION COMMISSION  
OF OKLAHOMA

**SUMMARY OF TESTIMONY  
OF  
STEVEN E. BIRCHFIELD  
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER  
ON BEHALF OF  
SUMMIT UTILITIES OKLAHOMA, INC.**

**AUGUST 13, 2021**

Steven E. Birchfield, Executive Vice President and Chief Financial Officer for Summit Utilities, Inc. ("Summit"), testified on behalf of Summit Utilities Oklahoma, Inc. ("SUO"). Mr. Birchfield holds a computer engineering degree, a master's degree in business administration and has over 18 years of utility industry experience. He is responsible for overseeing all of Summit's financial activities including oversight of all employees involved in preparing financial documentation and reporting and implementing all internal financial policies. He also is responsible for arranging financing for SUO's proposed acquisition of CenterPoint Energy Resources Corporation's ("CERC") assets in Oklahoma and Arkansas and oversees Summit's gas procurement functions. Mr. Birchfield has previously filed testimony with the Oklahoma Corporation Commission (the "Commission")

Mr. Birchfield's testimony supports the Joint Application, filed by SUO and CenterPoint Energy Resources Corp. ("CERC") and Southern Col Midco, LLC ("SC MidCo"), seeking an order of the Commission authorizing CERC to transfer to SUO its natural gas utility assets located in Oklahoma (the "Utility Assets") and Oklahoma customer accounts and authorizing SUO to provide utility service on the Utility Assets after transfer, under CERC's existing tariffs on file with and approved by the Commission (collectively, the "Transaction"). He urges the Commission to approve the Joint Application and find the Transaction to be consistent with the public interest and also urges the Commission to authorize SUO to operate the Utility Assets and find that such authorization is also consistent with the public interest.

Mr. Birchfield provided information on financial matters related to the Transaction. He described 1) SUO's plans to finance the acquisition; 2) SUO's and Summit's sound financial condition; 3) the method by which the Utility Assets will be transferred to SUO; 4) SUO's position on the ratemaking treatment of transaction costs, transition costs, and acquisition premiums; and 5) certain post-acquisition protective measures intended to insulate SUO from any adverse impacts from Summit's unregulated activities.

With respect to the financial terms of the Transaction, Mr. Birchfield testified that pursuant to an Asset Purchase Agreement dated April 29, 2021 (the "APA"), SC MidCo as purchaser will purchase from CERC – through two subsidiaries of SC MidCo, namely, SUO and Summit Utilities, Arkansas, Inc. ("SUA") – the assets and other rights necessary for the operation of CERC's natural gas distribution systems in Oklahoma and Arkansas, respectively. Mr. Birchfield explained that SC MidCo is a direct, wholly-owned subsidiary of Southern Col Holdco, LLC ("SC HoldCo") which, in turn, is a direct, wholly-owned subsidiary of Summit. Under the APA the \$2.15 billion purchase price is subject to adjustment, including certain adjustments related to gas costs incurred by CERC during the February 2021 winter storm commonly known as "Winter Storm Uri", if CERC receives reimbursement for such gas costs before the closing of the Transaction. Consummation of the proposed Transaction is subject to fulfillment of the parties' respective obligations under the APA and satisfaction of specified governmental regulatory requirements, among other enumerated conditions in the APA. SC MidCo will designate, in its capacity as the purchaser under the APA, SUO to receive all of the



interests, rights and obligations to the purchased gas distribution assets and business in Oklahoma at or prior to closing, so that effective as of the closing SUO will become the owner thereof as a new regulated gas distribution utility subject to the Commission's jurisdiction.

Next, Mr. Birchfield described how the Transaction would be financed. The purchase price will be funded through a combination of debt and equity. At signing of the APA, \$1.172 billion in Bridge Loan Financing was committed by KeyBank National Association and KeyBanc Capital Markets (collectively, "KeyBank"), and \$978 million of funding was committed by Summit's existing indirect shareholder, the Infrastructure Investments Fund ("IIF"). Established in 2006, IIF is a private investment fund with a long-term investment horizon that invests in infrastructure and contracted energy assets, predominately in countries within the Organization for Economic Co-operation and Development. The funding from IIF will be provided to Summit and then to SC HoldCo and then SC MidCo and then, ultimately, to each of the operating utilities (SUO and SUA) to fund their respective purchases of the CERC assets. While the bridge financing commitment was obtained primarily to assure CERC that SC MidCo would have access to the necessary financial resources to close on the acquisition, Summit plans to have in place by closing its permanent financing plan for the acquisition. Summit's permanent financing is expected to take the form of \$350 million of term loans, and \$100 million in unfunded revolving credit facility commitments held at the SC HoldCo level, and approximately \$390 million in private placement notes issued by SC MidCo. The permanent financing for the approximately \$425 million of gas costs associated with Winter Storm Uri has not yet been decided. After the closing of the Transaction, Mr. Birchfield anticipates that SUO's capital structure will have a conservative leverage profile, with capitalization at 51.5% debt and 48.5% equity.

Mr. Birchfield explained that at the closing of the proposed Transaction, SC MidCo (or an affiliate) will enter into a Transition Services Agreement ("TSA"), pursuant to which CenterPoint Energy Service Company ("CESC"), an affiliate of CenterPoint Energy, Inc., will provide transition services to SC MidCo, SUO and SUA, for a period of up to 12 months post-closing. Mr. Birchfield's testimony provided the agreed form of the TSA, which includes a schedule of services at Schedule 2.1 (attached as Exhibit G of the APA). The scope of CESC's services under the TSA will include operational support in the areas of gas supply, safety, training, engineering, customer operations, supply chain, finance, accounting, and regulatory, among other services. In connection with providing such services, CESC will assist in migrating assets into SUO (and SUA), including by providing any information and materials and other assistance necessary to transition services to SUO's systems, equipment, processes and facilities. As part of the TSA, Summit will be identifying assets specific to each of the Oklahoma and Arkansas businesses, and it currently expects that the allocation to SUO of such assets will be consistent with CERC's existing allocation.

Mr. Birchfield explained that a smooth transition of operations could be expected because Summit has developed the necessary skill and experience in transitioning new operations into its systems and processes and, where appropriate, developing new systems and processes that are appropriately suited to the scale and scope of the platform resulting from a

significant acquisition. In addition to the TSA, Summit is especially pleased that CERC's state utilities operations management team located in Little Rock, Arkansas (Regional Vice President, Director of Regional Operations, Director of Regional Engineering, Manager of Regulatory and Rates, Manager of Technical Field Operations, Manager of Damage Prevention, Manager of Conservation Improvement Program, Director of Regulatory Relations and Government Affairs, and Associate General Counsel of Southern Gas Operations) will have the opportunity to join SUO following close, as will the directors of district operations.

Mr. Birchfield testified as to how the Transaction will affect the supply of gas to customers. Pursuant to the APA, the parties will cooperate in good faith to assign or novate certain of CERC's asset management agreements, interstate pipeline service agreements and natural gas purchase and sales contracts to SUO. This cooperative effort, along with the transition services provided pursuant to the TSA and described above, will allow SUO to preserve access to gas supply and capacity on substantially the same economic basis as currently held by CERC.

A substantial rationale for the acquisition of CERC's footprint rests on the expertise CERC has demonstrated in its operation of the systems in Oklahoma and Arkansas. CERC's Oklahoma employees have developed and maintained an efficient utility that serves its customers and communities well. Synergies were not a value driver of Summit's decision to pursue this acquisition. Prior to the closing of the Transaction, Summit will be making offers to CERC's Oklahoma employees to join the Summit team – a legal mechanism made necessary because the transaction involves the sale of assets as opposed to the sale of the stock of the utility company itself that directly employs all of the Oklahoma employees. The benefit plans that CERC's employees will be provided by Summit will be substantially comparable to those currently enjoyed by CERC's employees. In addition, as reflected in the APA and as further reflection of Summit's desire to have CERC's Oklahoma employees join the Summit team, SC MidCo made certain commitments to, among other things, maintain for 24 months after the closing the base and bonus compensation of those employees at levels at least equal to those in effect on the closing date.

Mr. Birchfield described Summit as a privately-held holding company incorporated in Colorado with corporate headquarters located in Centennial, Colorado. Summit and its operating subsidiaries have approximately 400 employees and hold assets of more than \$1.25 billion. Through its regulated subsidiaries, Summit provides natural gas service to over 105,000 customers in Oklahoma, Arkansas, Colorado, Missouri, and Maine. Summit's primary business is local distribution of natural gas through its subsidiaries AOG, Colorado Natural Gas, Inc. ("CNG"), Summit Natural Gas of Missouri, Inc. ("SNGMO"), and Summit Natural Gas of Maine, Inc. ("SNGME"). Summit also provides wholesale gas services through its unregulated subsidiary, Wolf Creek Energy, LLC. In addition, Summit is developing a renewable natural gas digester facility in Maine, through its unregulated subsidiary Peaks Renewables, Inc.

Safety is a top priority for Summit and its employees. Summit's operating entities have put a particular emphasis on reviewing and updating their operation manuals and safety plans to ensure all operating companies are providing the safest service possible. For example, due



to the age of AOG's infrastructure, Summit has prioritized the replacement of outdated facilities to better and more safely serve AOG customers. Since Summit acquired ownership of AOG, AOG has updated its DIMP and TIMP programs, replaced approximately 147 miles of distribution pipeline, and developed a meter relocation program to better protect the safety of customers and communities. These pipeline safety initiatives have resulted in a significant reduction in third party damages to meter sets and in leaks detected on the system. In addition, for the third year in a row, Summit received an "Industry Leader Accident Prevention Award" from the American Gas Association for its excellence in personnel safety performance.

Mr. Birchfield described Summit's experience in operating regulated utilities in Oklahoma. In 2017, the Commission approved the acquisition by Summit of 100% of the shares of AOG's parent, A.O.G. Corporation. AOG is a natural gas public utility with operations in both Oklahoma and Arkansas. In Oklahoma, AOG provides service to residential and business customers in Sequoyah, LeFlore, Haskell, and Latimer Counties; each of which are within (approximately) a 50-mile radius of the company's headquarters in Fort Smith, Arkansas, as well as Delaware County, Oklahoma, located west of Siloam Springs, Arkansas. Between Oklahoma and Arkansas, AOG operates approximately 120 miles of transmission main. In Oklahoma, AOG operates approximately 754 miles of distribution main, serving approximately 12,280 customers. Summit does not operate any unregulated affiliates in Oklahoma. Summit's acquisition and integration of AOG in 2017 was the first time Summit began operating a regulated utility in Oklahoma. The result of that acquisition was improved customer service, technology, billing and safety performance. Since the acquisition, AOG has expanded its pipeline safety initiatives and improved on the operational excellence AOG was previously known for.

Mr. Birchfield testified that the acquisition of AOG was instrumental in furthering Summit's corporate strategy of investing in systems with the prospect for customer growth and the potential for distribution system expansion. The acquisition has provided AOG with increased access to capital to pursue growth and development in areas where AOG had identified opportunities that it had been unable to pursue under its prior ownership. During the period following the 2017 acquisition, AOG replaced approximately 147 miles of bare steel pipe with modern high density polyethylene pipe, and in 2020 alone relocated more than 750 at-risk meters. Also, during the integration period following the AOG transaction, Summit consolidated its platform-wide customer service and dispatch operations and a portion of its engineering/drafting services department in Fort Smith, Arkansas. Mr. Birchfield believes that AOG has maintained its historic reputation as a trusted partner with the Commission, the Public Utility Division Staff, the Office of the Oklahoma Attorney General, and other stakeholders concerned with the operation of public utilities in Oklahoma. And most important, AOG has demonstrably continued, and improved upon, its standing with customers, businesses, and the communities in which it serves.

To further explain how AOG and Summit benefitted each other, Mr. Birchfield stated that when Summit acquired AOG, Summit expected sharing of best practices across all operating companies, including from AOG because of AOG's considerable tenure as a local distribution company. The reality has exceeded those expectations. In the operations area, for instance, each of Summit's utilities have adopted the Work Order Field Application ("WOFA")

originally developed by AOG's information technology group. WOFA provides an elegant solution for recording detailed specifications of individual components of the system (e.g., size, length, type, manufacturer, production lot number, depth, and installation date) using 3-dimensional bar codes, or QR's, and Global Positioning System data to record the precise location of new facilities as they are installed above and below ground. Summit received the SGA's Engineering and Innovation Award in recognition of the development and deployment of WOFA. In addition, and perhaps most significantly, Summit has benefited greatly from the professional talent that AOG had already nurtured prior to the acquisition. For instance, Mr. Fred Kirkwood brought over 30 years of experience in the gas industry. At the time of Summit's acquisition of AOG, Mr. Kirkwood was AOG's Senior Vice President of Customer Development and has since taken on a national senior executive role as Summit's Chief Customer Officer with responsibility across the entire Summit platform of operating companies. Likewise, Jeremy Schreckhise, formerly AOG's Vice President of Information Technology, was instrumental in coordinating the transition and integration of information technology systems after the AOG acquisition and now serves under Mr. Kirkwood as Summit's Vice President of Information Technology with oversight responsibilities for company-wide information systems. Summit's corporate culture demands, and its success depends on, an ability to attract and retain exceptional leaders and Summit anticipates that the incorporation of CERC's expertise will result in yet further opportunities for professional advancement for employees joining the Summit platform.

The proposed Transaction is consistent with Summit's strategy of customer growth through identifying areas with potential for distribution system expansion. Under Summit, Mr. Birchfield believes SUO will enjoy access to capital to allow for growth and development in areas not previously pursued. In addition, Summit is committed to system modernization throughout its platform, and efforts to decarbonize those systems. For instance, since 2013, AOG has reduced its methane emissions by 20% due to its pipeline replacement program. Similar initiatives are ongoing at other Summit operating companies. Summit's subsidiary, Peaks Renewables, Inc., is developing a renewable natural gas facility that will be both a customer of SNGME and also a supplier of natural gas. Summit is also pursuing a green hydrogen pilot program to power a power-to-gas facility. Mr. Birchfield expects that under Summit's ownership, SUO will similarly engage in initiatives to help decarbonize and increase resilience of the Oklahoma distribution system. Also, CERC has particular areas of excellence developed over its long history of providing natural gas service in Oklahoma and Arkansas that can benefit Summit's other operating subsidiaries.

Summit's primary business is the delivery of safe and reliable natural gas service at reasonable rates. Summit's experience in this industry will complement the existing expertise of CERC's Oklahoma employees. Furthermore, Summit's access to capital and experience in growing and constructing natural gas distribution systems will help SUO expand its delivery of natural gas service, increase the availability of natural gas within its service territory, and modernize its system. Each of Summit's subsidiaries operates under a model that encourages strong connections to the communities we serve. Summit comes from a tradition of employees giving back in their local communities. As such, Summit is committed to delivering safe and reliable gas service at reasonable rates. For most of Summit's employees, what happens at work happens in their hometowns. Summit sees a similar culture

at CERC. These similarities between Summit and the people SUO will employ from CERC will strengthen the implementation of their shared values of safe and reliable service, community connection, and reasonable rates.

Mr. Birchfield testified that SUO is knowledgeable in Oklahoma's operating safety standards applicable to natural gas, including gas and hazardous liquid pipeline safety rules and the Oklahoma Underground Facilities Damage Prevention Act. SUO will continue to be managed by operations personnel and subject matter experts who currently operate the Oklahoma business for CERC, in combination with the leadership and operations teams at Summit. Mr. Birchfield stated that SUO will continue to provide safe and reliable service to the approximately 100,025 customers served by the CERC assets in Oklahoma.

Summit's past experience with other acquisitions should contribute to the success of its acquisition of CERC's assets. SUO will have the benefit of its parent company already understanding the laws and regulations in Oklahoma. SUO's parent company also has experience with developing new entities and expanding its current business plan and practices to include new utilities. Summit's history of being a growth utility already operating within the state of Oklahoma will allow for a seamless transition and a familiarity that will benefit both customers and regulators.

SUO is not, at this time, proposing any changes to existing operational function, maintenance policies or safety policies currently in place for CERC's Oklahoma assets. However, SUO will continue to evaluate its policies and to make adjustments and changes that may be necessary to provide or enhance the safe and reliable service to the customers.

Mr. Birchfield described how Summit plans to expand its operations to include the CERC assets. Summit has created a new operating company within Oklahoma. SUO will share leadership with AOG and Summit's other subsidiaries and benefit from the existing expertise of both Summit and AOG. However, SUO will employ its own staff as necessary to service and operate the newly acquired assets, starting with the dedicated employees located in Oklahoma and operating the system in the field today. This will allow the newly formed company to develop its own operations team and provide the same responsive and qualified operations as AOG has demonstrated.

Mr. Birchfield does not expect Summit to encounter unusual operational, maintenance or safety challenges in connection with the acquisition of the CERC assets. Summit is very familiar with the CERC assets, having undertaken extensive due diligence review, including site visits. CERC's significant planned investments in infrastructure and pipeline safety will continue to be a priority under SUO's ownership.

Mr. Birchfield testified that Summit and SUO will have the necessary funding, qualified staff, assets, policies, and experience to operate a natural gas system that will effectively and efficiently continue to serve customers. None of the CERC assets to be acquired are parallel to or in competition with utility assets already owned by SUO or its affiliates.

Summit and its subsidiaries are financially sound. Attached to Mr. Birchfield's testimony were copies of Summit's consolidated audited financial statements for December 31, 2020, and 2019 and 2018, along with unaudited financial statements for the quarter ended March 31, 2021. Summit operates a diversified natural gas platform with a robust rate base growth profile driven by strong customer additions. Summit serves approximately 105,000 customers across five states with assets of more than \$1.25 billion. Since 2009, Summit has grown its customer base by more than 20% per year while growing revenues at approximately 22% per year. Summit had net revenues of \$98 million in 2020 and a debt-to-capitalization ratio of 42%. Summit has access to equity capital through its indirect parent, IIF.

SUO's financial condition will not impact the customers served by the CERC assets. There will be no adverse effect on the quality of utility service, or the cost thereof, subject of course to any future rate increases that may be approved by the Commission. SUO's capital structure will remain essentially as it is today under CERC. Over time, SUO and its customers will benefit from access to capital for both expansion and capital repair and replacement on SUO's system. SUO's acquisition represents the desire by Summit to increase its capital investment in Oklahoma.

Mr. Birchfield described the assets that SUO will acquire as including: real and personal property interests, together with buildings, structures, pipelines, other improvements and fixtures located thereon; natural gas distribution utility assets installed; inventory of natural gas and natural gas products; parts and other inventory; information technology and communications equipment; motor vehicles, trailers and similar rolling stock; furnishings, fixtures, machinery, equipment, materials and other tangible personal property; billed and unbilled revenues as described in the APA; certain business agreements and shared contract rights; environmental and other permits; documents, warranties and business intellectual property; claims and defenses of Seller as they relate to the business and assets acquired and other general assets and property related to the operation of the natural gas utility business in Oklahoma. The purchased assets do not include certain excluded assets, as defined in the APA. Though structured as an asset purchase, pursuant to the APA, SUO will also acquire regulatory assets and liabilities and other corporate assets and liabilities for the Oklahoma business as would be included in a stock acquisition of a regulated utility. The net book value of the assets to be acquired by SUO, as of March 31, 2021, was approximately \$113 million.

Mr. Birchfield testified that in the requested approval of the proposed Transaction, SUO is not seeking to adjust the book value of the acquired assets for ratemaking purposes. However, SUO does propose to record the difference between the purchase price and the book value of the assets as goodwill for accounting purposes.

Mr. Birchfield explained that SUO will not seek recovery of its Transaction costs in this or any future proceeding. Additionally, SUO will not seek recovery of any acquisition premium for regulatory or rate-making purposes; however, SUO will record an acquisition premium on its books for accounting purposes. SUO will seek recovery for capital expenditures that deliver post acquisition and ongoing customer benefit such as IT investments, vehicles, and office space. SUO, however, will not seek recovery for general integration costs, such as travel for meetings during the integration process. The costs of

the services to be provided by CESC under the TSA will be recovered as operations and maintenance costs.

Mr. Birchfield described how the Transaction would affect the allocation of O&M costs to SUO. The common costs currently allocated, for ratemaking purposes, to CERC's operations in Oklahoma are approximately \$8.8 million according to CERC's 2021 forecast. Following integration, common costs will be allocated to SUO in a manner consistent with generally accepted accounting principles and the Commission's rules. At present, Summit estimates that the common costs allocable to SUO will be consistent with the historical amounts allocated by CERC.

As for ADIT and EDIT balances, Mr. Birchfield testified that although SUO's post-close ADIT and EDIT balances will be zero (because the Transaction involves the sale of assets and not shares of a company, thus resulting in the elimination of the deferred tax balances due to the tax realization event resulting from the asset sale), SUO proposes that for ratemaking purposes in Oklahoma the existing Oklahoma-related ADIT and EDIT continue to be treated as a reduction to rate base.

SUO will offer the same utility services that CERC currently provides to its customers under CERC's existing tariff. SUO anticipates that the estimated total revenues expected from the acquisition of the CERC facilities will be similar to the revenues produced by CERC's tariffs, and that its total fixed charges and operating expenses will likewise be similar to those currently incurred by CERC.

SUO is proposing to assume CERC's tariff (with ministerial changes to reflect the new company, contact information and the like). This will provide (i) transparent, understandable, and reasonable rates for customers without confusion or disruption; (ii) maintenance of the existing pace of necessary capital expenditures to improve the system and enhance safety and reliability; and (iii) an opportunity for SUO to earn a fair return on its investments and recover its costs. Despite being an asset purchase, SUO is essentially taking over CERC's Oklahoma's business, using the same equipment, local employees, inventories, assets, customers, liabilities, and business relationships. The goal in this Transaction is to maintain as much continuity as possible for all stakeholders.

The Commission will retain the same jurisdiction over SUO's operations as it currently has over CERC. SUO will operate as a public utility subject to the Commission's regulatory authority, its rules and its orders.

Mr. Birchfield identified other approvals required for the Transaction. In addition to the instant filing, the Joint Applicants made filings required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Additionally, the Joint Applicants are seeking waivers and approvals from the Federal Energy Regulatory Commission to allow for the release and transfer, to SUO and SUA of interstate pipeline capacity that CERC currently uses to obtain gas supply to serve customers in Arkansas and



Oklahoma<sup>1</sup>. Finally, SUA and CERC have filed a Joint Application with the Arkansas Public Service Commission in which SUA seeks authorization to provide utility service in Arkansas and approval of the sale of CERC's utility assets used to provide service in Arkansas.

Mr. Birchfield described Summit's position on separation of CERC's assets from Summit's unregulated Assets. Summit's primary business is operating regulated natural gas systems. The activities of Summit's unregulated subsidiaries generally support Summit's primary business and contribute less than 1% of Summit's consolidated revenue. Nevertheless, Summit's holding company structure serves to inoculate its operating subsidiaries from the activities of Summit's unregulated affiliates. Furthermore, Summit will provide shared administrative services to SUO with costs allocated consistent with generally accepted accounting principles and the Commission's rules. Any affiliate transactions will be conducted in accordance with all applicable regulatory rules and will only occur in the regular course of business. Following the acquisition, SUO will maintain its own books and records, separate and apart from Summit and its other subsidiaries. Finally, Summit will not permit SUO to pledge its assets as security for non-SUO debt, and lenders for Summit's non-SUO-related financings will have no recourse to the assets, properties or business of SUO.

In his rebuttal testimony, Mr. Birchfield replied to the Responsive Testimony of Todd F. Bohrmann who filed responsive testimony on behalf of the office of the Attorney General of Oklahoma ("AG"). Mr. Birchfield explained there is no need for the Public Utility Division of the Commission to mandate a particular date for the filing of a general rate case because the PBRC provides a flexible mechanism for adjustments to rates if SUO's performance in a given year falls outside of a pre-determined band. The PBRC has historically, and successfully, addressed ratemaking "elements" that Mr. Bohrmann claims, incorrectly, must be evaluated in the context of a general rate case, such as changes to cost of capital, class cost of service, and depreciation rates. Indeed, the PBRC tariff itself does not impede any party from proposing, in the course of an annual PBRC proceeding, changes to the elements described by Mr. Bohrmann.

Mr. Birchfield further explained that the PBRC has additional benefits. The PBRC encourages greater efficiency and performance by reducing the cost of serving customers through significantly lower rate case and regulatory expenses. Rate case expenses can range upward from \$500,000 to \$1,000,000— an unnecessary cost borne by customers that can be avoided by continuing with the PBRC. In addition, the PBRC provides the opportunity for more frequent, yet modest, changes in rates achieving a regulatory goal of gradualism while allowing the Commission and the AG closer supervision and annual review of SUO's financial performance. This system provides an explicit incentive for SUO to maintain efficient operations while benefiting both the company and its customers.

In his rebuttal Mr. Birchfield also compared the anticipated costs of shared services provided by Summit to SUO against the costs CERC allocates to the assets. He explained the parties will adhere to the TSA wherein CERC and its affiliates provides SUO with shared services for the twelve months immediately following the acquisition. The purpose of the TSA

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<sup>1</sup> CERC Arkansas and SUA will also seek such waivers and approvals from the Federal Energy Regulatory Commission necessary for SUA to acquire and operate certain cross-border assets.

is to allow the new utility to operate using already-existing services provided by CERC during the transition period while, at the same time, Summit stands up the organization to support the newly acquired assets. The TSA expenses charged to SUO are expected to be similar to the operations and maintenance expenses that CERC and its affiliates allocates to CenterPoint Energy Oklahoma Gas, CERC's division that serves Oklahoma ("CenterPoint Oklahoma"), for the same services. This expectation arises because (1) the cost of services provided under the TSA will be based on the actual cost to CenterPoint Oklahoma of performing those services; and (2) those costs will be charged consistent with CERC's historical methodology for direct charges and allocated costs. Upon conclusion of the TSA term, Summit's and SUO's staffing and costs will be similar to those previously dedicated by CERC to perform the same services for the utility.

Mr. Birchfield rebutted Mr. Bohrmann's suggestion that the Commission should prohibit SUO from submitting annual filings under the PBRC tariff for test years 2021, 2022, and 2023 as a condition to approving the Transaction. The PBRC provides SUO with a flexible, efficient, and mutually beneficial process by which to monitor and gradually update rates as necessary. The PBRC process helps to provide a utility the timely opportunity to earn a reasonable return on new investment in the system. A prohibition on filing for annual PBRC adjustments for three years could result in a disincentive for SUO to make capital improvements to its Oklahoma system. SUO's capital investment strategy is to invest in projects that are focused on ensuring the safety of pipeline infrastructure, and 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 acquired through the Transaction. SUO expects the rate of capital investment to increase 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 five years.

Mr. Birchfield testified to his belief that if SUO makes investments in its Oklahoma system, SUO ought to be allowed a return on such investments. As SUO continues to make reasonable investments in the system over the next three years and beyond, it is necessary that the company have a fair opportunity earn a reasonable return. SUO must therefore be afforded a timely opportunity to demonstrate that its pipeline replacement projects, and the costs of those projects, are a reasonable approach to ensuring the reliability and safety of the distribution infrastructure. The arbitrary condition proposed by Mr. Bohrmann – a three-year moratorium on PBRC filings – would, without any purpose germane to the issues in this Cause, deprive SUO of the cost-recovery mechanism created by the statute. Furthermore, such a moratorium on prompt recovery of system improvements runs counter to the safety-driven efforts SUO will undertake to continue installation of pressure regulators on the meter settings of customers served from low pressure distribution systems. Finally, as noted by witnesses for both the Commission and the AG, customer attrition on CERC's system has been an on-going problem during the past several years and those parties have challenged CERC to address the issue. SUO believes that this concern can be addressed through the flexibility that the PBRC provides in encouraging reasonable expansion of the distribution system to accommodate and

encourage growth and to spread fixed costs over an expanding customer base for the benefit of all.

An arbitrary three-year moratorium on rate-related proceedings under the PBRC Tariff would effectively deny recovery for these efforts, pre-empting the Commission's timely review of the reasonableness and prudence of these and other current investments and discouraging SUO from its plans to maintain safety and reliability standards and to combat customer attrition. If adopted, Mr. Bohrmann's proposal would be confiscatory and would unreasonably deny SUO the opportunity to recover its costs and to earn a reasonable rate of return on its investment.

Finally, Mr. Birchfield testified in rebuttal to Mr. Bohrmann's position that SUO's treatment of ADIT and EDIT would be best addressed within a general rate case. Mr. Birchfield stated that a general rate case is not the best venue for reconciliation of deferred income tax. In 2018 following the Tax Cuts and Jobs Act, treatment of ADIT and EDIT were referred to the PBRC. SUO intends to track its newly created ADIT balances separately from all other existing balances, thereby providing records for future proceedings.



**CERTIFICATE OF SERVICE**

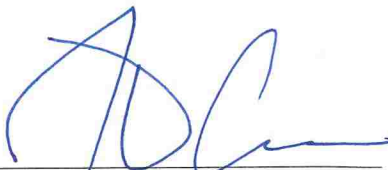
I hereby certify that on the 13th day of August, 2021, a full, true, and correct copy of the above and foregoing instrument was served on the following persons by electronic mail to the following at the email addresses noted:

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Dillon Curran

**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 ) Cause No. PUD 202100114  
TRANSFER OF JURISDICTIONAL UTILITY ASSETS )  
AND CUSTOMER ACCOUNTS PURSUANT TO )  
OAC 165:45-3-5 )

**FILED**  
AUG 16 2021

COURT CLERK'S OFFICE - OKC  
CORPORATION COMMISSION  
OF OKLAHOMA

**TESTIMONY  
OF  
ANGUS S. KING III  
CHIEF DEVELOPMENT OFFICER  
ON BEHALF OF  
SUMMIT UTILITIES OKLAHOMA, INC.  
ADOPTING THE TESTIMONY OF FRED KIRKWOOD, FILED ON JUNE 24, 2021.**

**AUGUST 16, 2021**

**Testimony of Angus King Adopting the Testimony of Fred Kirkwood**

Cause No. PUD 202100114

1    **Q.     PLEASE STATE YOUR NAMES AND BUSINESS ADDRESS.**

2    A.     My name is Angus S. King III and my business address is 2 Delorme Avenue, Yarmouth,  
3           Maine.

4    **Q.     MR. KING, FOR WHOM DO YOU WORK AND IN WHAT CAPACITY?**

5    A.     I am the Chief Development Officer for Summit Utilities, Inc. (“Summit Utilities”).  
6           Summit Utilities is a privately held public utility holding company that directly owns  
7           natural gas distribution and transmission subsidiaries that operate in Maine (Summit  
8           Natural Gas of Maine, Inc.), Colorado (Colorado Natural Gas, Inc.), Missouri (Summit  
9           Natural Gas of Missouri) and Arkansas and Oklahoma (Arkansas Oklahoma Gas Corp.).

10   **Q.     MR. KING, PLEASE DESCRIBE YOUR BUSINESS AND EDUCATIONAL**  
11   **BACKGROUND.**

12   A.     I graduated from the Dartmouth College in 1993 with a Bachelor of Arts in Political  
13           Science and Government. In 2001, I earned a Master of Business Administration from the  
14           Harvard Business School. After earning my undergraduate degree, I worked at the White  
15           House as Special Assistant to the Chief of Staff in the Clinton Administration, then as a  
16           consultant with Bain & Company. In 2002, I worked for The Wishcamper Group, then  
17           became a principal of Evergreen Partners, both Maine-based developers of affordable  
18           housing across the United States. In 2009, I joined First Wind as Vice President of  
19           Mergers and Acquisitions. Following SunEdison’s acquisition of First Wind in 2015,  
20           among other roles, I led SunEdison’s utility-scale solar and wind project development  
21           efforts in Europe, the Middle East, and Africa. I joined Summit as Chief Development  
22           Officer in 2016.

1 **Q. PLEASE DESCRIBE FOR WHOM YOU ARE TESTIFYING AND THE**  
2 **PURPOSE OF YOUR TESTIMONY.**

3 A. I am testifying on behalf of Joint Applicant Summit Utilities Oklahoma, Inc. (“SUO”) in  
4 support of the Joint Application. I adopt the written direct testimony of Fred Kirkwood,  
5 Chief Customer Officer of Summit Utilities, Inc., which was filed June 24, 2021 (the  
6 “Kirkwood Filed Testimony”). An unexpected illness prevents Mr. Kirkwood from  
7 participating in the Hearing on the Merits and I am appearing as his substitute.

8 **Q. MR. KING, PLEASE SUMMARIZE YOUR RESPONSIBILITIES AT SUMMIT**  
9 **UTILITIES.**

10 A. As Chief Development Officer for Summit Utilities, I am responsible for all growth  
11 efforts for Summit and its subsidiaries, overseeing sales, marketing, business  
12 development, and mergers and acquisitions activities.

13 **Q. ARE YOU FAMILIAR WITH THE MATTERS WHICH ARE THE SUBJECT OF**  
14 **THE KIRKWOOD FILED TESTIMONY, INCLUDING SUMMIT UTILITIES,**  
15 **INC.’S CUSTOMER SERVICE AND BILLING OPERATIONS THAT WILL**  
16 **SUPPORT SUMMIT UTILITIES OKLAHOMA, INC.’S OPERATIONS IN**  
17 **OKLAHOMA, STAFFING PLANS AND FAMILIARITY WITH OKLAHOMA’S**  
18 **REGULATORY REQUIREMENTS.**

19 A. Yes. Mr. Kirkwood and I work closely together as members of Summit’s executive  
20 management team. While Mr. Kirkwood and I have separate responsibilities, my own  
21 duties require me to be familiar with and understand the subjects of Mr. Kirkwood’s  
22 testimony. I was also closely involved in the integration of the customer service and

**Testimony of Angus King Adopting the Testimony of Fred Kirkwood**

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1 billing functions in the Summit / AOG transaction, where I worked closely with Mr.

2 Kirkwood on the combination of the two teams.

3 **Q. HAVE YOU READ THE KIRKWOOD FILED TESTIMONY AND, IF SO, DID**  
4 **YOU FIND IT TO BE TRUE, ACCURATE, COMPLETE AND CORRECT?**

5 A. I have read his testimony and, yes, it is true, accurate, complete and correct.

6 **Q. DO YOU ADOPT THE KIRKWOOD FILED TESTIMONY?**

7 A. Yes.

Joint Application of CenterPoint Resources Corp., Southern Col. Midco, LLC, and Summit Utilities Oklahoma, Inc.

**Testimony of Angus King Adopting the Testimony of Fred Kirkwood**

Cause No. PUD 202100114

**CERTIFICATE OF SERVICE**


I hereby certify that on the 16th day of August, 2021, a full, true, and correct copy of the above and foregoing instrument was served on the following persons by electronic mail to the following at the email addresses noted:

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