STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF DUKE ENERGY INDIANA, LLC PURSUANT TO IND. CODE §§ 8-1-2-42.7 AND 8-1-2-61, FOR (1) AUTHORITY TO MODIFY ITS RATES AND CHARGES FOR ELECTRIC UTILITY SERVICE THROUGH A STEP-IN OF NEW RATES AND CHARGES USING A FORECASTED TEST PERIOD; (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES, GENERAL RULES AND REGULATIONS, AND RIDERS; (3) APPROVAL OF A FEDERAL MANDATE CERTIFICATE UNDER IND. CODE § 8-1-8.4-1; (4) APPROVAL OF REVISED ELECTRIC DEPRECIATION RATES APPLICABLE TO ITS ELECTRIC PLANT IN SERVICE; (5) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING DEFERRAL RELIEF; AND (6) APPROVAL OF A REVENUE DECOUPLING MECHANISM FOR CERTAIN CUSTOMER CLASSES	**)**	**CAUSE NO. 45253**

VERIFIED DIRECT TESTIMONY
OF
CHRISTOPHER M. JACOBI

On Behalf of Petitioner,
DUKE ENERGY INDIANA, LLC

Petitioner's Exhibit 3

July 2, 2019

TESTIMONY OF CHRISTOPHER M. JACOBI
DIRECTOR, REGIONAL FINANCIAL FORECASTING
DUKE ENERGY BUSINESS SERVICES LLC
ON BEHALF OF DUKE ENERGY INDIANA, LLC
BEFORE THE INDIANA UTILITY REGULATORY COMMISSION

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Christopher M. Jacobi, and my business address is 550 South Tryon Street, Charlotte, NC 28202.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Duke Energy Business Services LLC ("DEBS") as Director, Regional Financial Forecasting. DEBS provides various administrative and other services to Duke Energy Indiana, LLC, ("Duke Energy Indiana" or "Company") and other affiliated companies of Duke Energy Corporation ("Duke Energy").

Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I have a Bachelor of Arts degree in History and Political Science from Wake Forest University and a Master of Business Administration degree from Wake Forest University. In 2007, I joined Duke Energy's MBA rotation program as a Commercial Associate. In 2008, I became a manager in the Energy Efficiency group. Subsequently, I held various positions of increasing responsibility within the Retail Customer and Products and Services department. In 2015, I became Treasury Director, within the Corporate Finance group of the Treasury

Department. In February 2019, I became Director, Regional Financial Forecasting within the Financial Planning and Analysis Department.

Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DIRECTOR, REGIONAL FINANCIAL FORECASTING.

A. I am responsible for preparing the budgets and forecasts as well as performing financial analysis for Duke Energy's Midwest electric utilities, including Duke Energy Indiana, Duke Energy Kentucky, and Duke Energy Ohio, in addition to Duke Energy's gas utilities and ventures.

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

A. My testimony describes the budgeting and forecasting process underlying the projected data for the future test period proposed in this case (calendar year 2020). I sponsor and support the 2020 budget and financial forecast.

Q. ARE YOU FAMILIAR WITH INDIANA UTILITY REGULATORY COMMISSION GAO 2013-5?

A. Yes.

Q. HAS THE COMPANY COMPLIED WITH THE REQUIREMENT TO PROVIDE SUPPORTING DOCUMENTATION, INCLUDING ANY SUPPORTING CALCULATIONS, FOR ANY CHANGES BETWEEN THE HISTORIC BASE PERIOD AND FORECASTED TEST YEAR PERIOD IN BOTH INDIVIDUAL ADJUSTMENTS TO THE REVENUE REQUIREMENTS SCHEDULE AND TESTIMONY?

A. Yes.

Q. ARE THERE ADJUSTMENTS TO THE FORECASTED TEST YEAR COSTS AND REVENUES?

A. Yes. These *pro forma* adjustments are detailed in the direct testimonies of Company witnesses Ms. Diana L. Douglas, Ms. Christa L. Graft, Ms. Suzanne E. Sieferman, and Mr. Roger A. Flick II. These adjustments are necessary to support ratemaking adjustments to reflect the impacts of the forecast relevant to requests that will be effective upon Commission approval in this proceeding.

Q. PLEASE PROVIDE A BRIEF SUMMARY OF YOUR TESTIMONY AS IT RELATES TO DUKE ENERGY INDIANA'S BUDGETING AND FORECASTING PROCESS AND THE BUDGET AND FORECAST FOR 2020.

A. I describe the budgeting and forecasting process underlying the projected data for the forecasted test year proposed in this proceeding. I will also provide the 2020 test year revenues and assumptions, other income and expenses and the underlying assumptions and a comparison of these revenues, other income and expenses to those recorded in 2018 and forecasted for 2019.

II. <u>THE COMPANY'S BUDGET AND FORECAST PROCESS</u>

Q. PLEASE DESCRIBE THE COMPANY'S BUDGETING AND FORECASTING PROCESS USED IN THE DEVELOPMENT OF THE BUDGET AND FORECAST FOR 2020.

A. Duke Energy's Financial Planning and Analysis ("FP&A") department manages an annual budgeting process that includes input from multiple groups across the Company. The process uses a "bottom-up" approach that consists of several phases. To start, each functional organization (*e.g.*, Fossil/Hydro, Distribution, Transmission, etc.) ("functions") that performs work for Duke Energy Indiana receives operations and maintenance ("O&M") and capital guidelines provided by Duke Energy's FP&A Department. In coordination with their budgeting partners, the functions then develop O&M and capital budgets, which are informed and prioritized by business objectives. The results of these budgets are reviewed by the respective leaders in each function. The Company also updates key projections that will impact the forecast, such as interest rates, commodity prices, and load forecasts by customer class and jurisdiction.

This information, along with sales and revenue data, is then consolidated and input into the Company's financial model. Duke Energy uses a financial software program designed by Utilities International ("UI"), which develops financial statements for the Company's jurisdictional and corporate budget. The budget information is then reviewed by various levels of management within Duke Energy. One or more iterations of the annual budget are typically required before final approval by executive management and the Board of Directors in February. This approach is reasonable and has been an effective process for managing costs for many years.

Q. DESCRIBE THE GUIDELINES PROVIDED BY THE FP&A DEPARTMENT IN DEVELOPING DUKE ENERGY INDIANA'S ANNUAL (OPERATING AND MAINTENANCE) BUDGET.

A. The guidelines provided by the FP&A department are a detailed set of instructions for creating a budget. For example, there are detailed instructions for budgeting employee labor data, such as the escalation rates for non-union labor expenses and indirect labor and fringe benefit loading rates, and how to handle staff additions or deletions. Detailed instructions for non-labor related expenses, such as transportation and information technology expenses, are included. There are instructions for handling contract labor and supplies, and guidelines for identifying a capital versus expense item. Budget coordinators are required to use these assumptions and/or instructions in projecting their future departmental expenses. These budgeting guidelines are reflected in the budgets and forecasts that are submitted to Duke Energy Indiana's executive management and Duke Energy's Board of Directors for approval and are also reflected in the forecasted financial data in this proceeding.

Q. HOW IS THE COMPANY'S CAPITAL BUDGET DEVELOPED?

A. During the budget process, functional teams work to develop capital budgets and prioritize investments based on a number of factors, including: regulatory and compliance requirements, customer requirements, system reliability, the integrated resource plan for each jurisdiction, capital constraints, and business objectives. The budget guidelines referenced above also apply to the capital

budget. The capital budget forecast is submitted to Duke Energy Indiana's executive management and Duke Energy's Board of Directors for approval and is reflected in the forecasted financial data in these proceedings.

Q. HOW IS THE COMPANY'S LOAD FORECAST DEVELOPED?

A. The load forecast is developed by the Duke Energy's Load Forecasting and Fundamentals (Load Forecasting) group and is updated at least annually. Generally speaking, the Load Forecast is developed in three steps: first, a service area economic forecast is obtained; next, an energy forecast is prepared; and finally, using the energy forecast, summer and winter peak demand forecasts are developed.

The forecast methodology is essentially the same as that presented in past Integrated Resource Plans submitted to the Indiana Utility Regulatory Commission. The only difference would be that the models have been updated to include more recent data. For the 2020 budget at issue in this proceeding, the forecast was developed in the Fall of 2018.

Q. WHAT OTHER STEPS ARE INVOLVED IN DEVELOPING THE CORPORATE BUDGET?

A. In addition to the O&M expenses and capital data provided by the budgeting process, other forecasted information is required as follows:

1. Operating revenues;
2. Projected fuel, purchased power, purchased gas costs, emission allowance, other production costs and off-system sales;
3. Depreciation;

4. Property taxes;

5. Other Income and Expense, primarily allowance for funds used during construction ("AFUDC");

6. Financing assumptions, including short- and long-term debt rates, dividend policy, issuances and redemptions, accounts receivable sales and capital leases; and

7. Tax rates and tax depreciation.

Q. PLEASE DESCRIBE HOW THE COMPANY MANAGES CHANGES TO THE FINANCIAL FORECAST?

A. Duke Energy's Board of Directors approves the forecasted budget on an annual basis. However, it is necessary that changes to the plan occur in-between forecast periods based on updated information and business needs. Examples of items that can cause a change to the plan include: changes in compliance/regulatory requirements, updated projections such as interest rates or fuel prices, evolving operational needs, changes to project assumptions, customer requirements, and model corrections. The Company manages these changes during the year through coordination between functional business leaders, FP&A, and executive management.

Q. DOES THE FORECAST CONTAIN THE SAME ASSUMPTIONS AND METHODOLOGIES USED IN FORECASTED DATA PREPARED FOR USE BY MANAGEMENT?

A. The Company's annual budget is approved by executive management and the Board of Directors in February. The forecast is based upon the annual budget, but includes updated projections and assumptions to the 2020 forecast test period

based on more current information. The forecast also removes the Company's assumptions on rate case outcomes included in the annual budget. Petitioner's Exhibit 3-A (CMJ) includes the income statement and balance sheet differences between the annual budget and forecast for 2019 and 2020.

Q. DOES THE FORECASTED TEST PERIOD REFLECT ANY EXPECTED PRODUCTIVITY AND EFFICIENCY GAINS?

A. Yes. The forecasted data reflects all expected productivity and efficiency gains.

III. FORECASTED TEST YEAR

A. Revenues

Q. PLEASE DESCRIBE HOW THE OPERATING REVENUES WERE FORECASTED.

A. The first step in preparing the operating revenues for the 2020 annual budget was to obtain a forecast of the projected Retail electric kilowatt hour (kWh) sales and Wholesale kilowatt (kW) and kWh sales from the Load Forecasting group. The Forecasting group prepares load forecasts for each customer class over a five-year period. The Load Forecasting group also provides the number of customers for each customer class. The projected revenues for the annual budget were calculated by applying the tariff charges to these sales forecast numbers for residential electric customers. The projected revenue for electric non-residential customers was calculated by applying average realizations to their respective kWh sales forecasts.

Q. ARE THE REVENUE PROJECTIONS BASED ON WEATHER NORMALIZED LOAD FORECASTS?

A. Yes. A thirty-year period was used as the basis for calculating normal weather. This is the same methodology that management relies on for preparing its budgets and forecasts, and for financial presentations to the Board of Directors, credit rating agencies, and the investment community.

Q. HOW WERE OTHER REVENUES PROJECTED?

A. Other revenue categories, such as transmission revenues, reconnection charges, late payment fees, *etc.*, for Duke Energy Indiana's 2020 annual budget were projected based on historical trends or are provided by the functions.

Q. WHAT ARE THE MAJOR OPERATING REVENUE ASSUMPTIONS REFLECTED IN THE COMPANY'S 2020 BUDGET?

A. The major revenue assumptions are the load forecast, current tariff rates, and wholesale rates. Tariff rates are based on approved rate structures by the Commission and projected rider recovery assumptions. Wholesale rate assumptions are provided by the Duke Energy Wholesale Power function.

Q. WHAT IS THE LEVEL OF REVENUE INCLUDED IN THE DUKE ENERGY INDIANA 2020 BUDGET – USING CURRENT TARIFF RATES, NOT PROPOSED OR ANTICIPATED TARIFF RATES COMING OUT OF THIS CASE?

A. As shown in Petitioner's Exhibit 3-B (CMJ), under current rates, Duke Energy Indiana's revenues in 2020 are forecasted to be $2.911 billion.

Q. HOW DO THESE FORECASTED 2020 REVENUES COMPARE TO FORECASTED 2019 REVENUES AND ACTUAL 2018 REVENUES?

A. A comparison of the forecasted 2020 revenues to the forecasted 2019 revenues and actual 2018 revenues, all under current rates, is shown in the table below. The decline in revenues from 2018 to 2019 is primarily due to lower forecasted fuel expenses. Revenues increase by $34 million, or 1%, in 2020 over forecasted 2019.

Table 1:

$ in Millions under current rates	2018A	2019E	2020E
Revenues	$3,059	$2,877	$2,911
Increase/(Decrease)		($182)	$34

B. Fuel and Purchased Power Expenses

Q. HOW DID YOU OBTAIN THE FUEL AND PURCHASED POWER EXPENSES FOR THE ANNUAL BUDGET FOR 2020?

A. The levels of fuel and purchased power expenses are derived from the projected cost per unit of the fuel consumed and the amount of power generated and purchased. The Fuels and System Optimization group provided the electric fuel and purchased power cost forecast by simulating generation output and associated cost with their production cost model. Duke Energy Indiana's fuel procurement strategy is discussed in more detail in Duke Energy Indiana witness Mr. Brett Phipps' testimony.

Q. WHAT IS THE LEVEL OF FUEL AND PURCHASED POWER EXPENSE INCLUDED IN THE DUKE ENERGY INDIANA 2020 BUDGET?

A. As shown in Petitioner's Exhibit 3-B (CMJ), Duke Energy Indiana's fuel and purchase power expense in 2020 is forecasted to be $884 million.

Q. HOW DOES THE FORECASTED 2020 FUEL AND PURCHASE POWER EXPENSE COMPARE TO FORECASTED 2019 FUEL AND PURCHASED POWER EXPENSE AND ACTUAL 2018 FUEL AND PURCHASED POWER EXPENSE?

A. A comparison of the forecasted 2020 fuel and purchased power expense to the forecasted 2019 fuel and purchased power expense and to actual 2018 fuel and purchased power expense is shown in the table below. 2018 expenses were elevated compared to 2019 primarily due to weather. Forecasted 2019 and 2020 expenses reflect weather normal sales.

Table 2:

$ in Millions	2018A	2019E	2020E
Fuel & Purchased Power Expense	$1,000	$859	$884
Increase/(Decrease)		($141)	$26

C. O&M

Q. HOW DID YOU OBTAIN OPERATING AND MAINTENANCE EXPENSES FOR THE ANNUAL BUDGET FOR 2020?

A. The O&M expenses, including benefits and payroll taxes, were obtained from the 2020 annual budget by the various functions, using the bottom-up approach that I previously described. Duke Energy Indiana's proportionate share of the shared and corporate O&M expenses are assigned and/or allocated from the service company to Duke Energy Indiana and are also derived using the same bottom-up

approach. The allocated share is derived by the application of appropriate allocations based on the service company allocation factors, and in accordance with various Commission-approved service agreements as discussed in the direct testimony of Duke Energy Indiana witness Mr. Jeff Setser.

Q. WHAT ARE THE MAJOR O&M ASSUMPTIONS REFLECTED IN THE COMPANY'S 2020 BUDGET?

A. For labor-related expenses, the budget used the projected annual labor cost rate increases provided by Duke Energy Indiana witness Ms. Renee Metzler to budget 2020 union and non-union employee labor expense. Union labor cost increases were assumed to be between 1% and 3%, depending on the agreements, while non-union labor cost increases were assumed to be 3.5%. Additional assumptions include fringe benefit loading rates 29.95% and payroll tax 7.65% loadings.

Non-labor expenses for 2020 were forecasted by the functions based on their knowledge and expectations for various costs.

Q. WHAT IS THE LEVEL OF O&M EXPENSES INCLUDED IN THE DUKE ENERGY INDIANA 2020 BUDGET?

A. As shown in Petitioner's Exhibit 3-B (CMJ), Duke Energy Indiana's O&M expenses in 2020 are forecasted to be $823 million.

Q. HOW DO THESE FORECASTED 2020 O&M EXPENSES COMPARE TO FORECASTED 2019 O&M EXPENSES AND ACTUAL 2018 O&M EXPENSES?

A. A comparison of the forecasted 2020 O&M expenses to the forecasted 2019 O&M expenses and the actual 2018 O&M expenses is shown in the table below.

Table 3:

$ in Millions	2018A	2019E	2020E
Operations & Maintenance	$789	$754	$823
Increase/(Decrease)		($34)	$68

The table below includes forecasted O&M expenses by FERC function, and removes items are not included in the FERC definition of O&M. From 2018 to 2020, FERC O&M is forecasted to increase by $37 million, equivalent to a 2.4% compounded annual growth rate. While the forecast increases from 2018 to 2020, 2019 expenses are $30 million less than 2018. Key drivers of the year-over-year decline include a reduction in Distribution, partially due to higher storm expenses in 2018, and Administrative and General, partially due to higher severance payments incurred in 2018 and lower labor costs in 2019. 2020 FERC O&M is forecasted to increase $68 million over 2019 expenses. Key drivers of the year-over-year change include increased spending in Steam Production, including the levelization of outage expenses, and Distribution, partially due to increased vegetation management expenses.

Table 4:

$ in Millions	2018A	2019E	2020E
Total Operations & Maintenance	**$789**	**$754**	**$823**
FERC to SEC Reporting Differences	$29	$26	$26
Total FERC Operations & Maintenance	**$759**	**$729**	**$796**
FERC O&M, Summarized by Function			
Production - Steam	$289	$286	$350
Production - Hydro	$1	$2	$2
Production - Other	$21	$24	$26
Other Production	$47	$54	$28
Total Production	$357	$366	$407
Transmission	$98	$104	$99
Distribution	$117	$92	$128
Customer/Sales	$40	$33	$35
Administrative and General	$148	$132	$127
Total O&M	**$759**	**$729**	**$796**

D. Depreciation & Amortization

Q. DESCRIBE HOW DEPRECIATION EXPENSE IS REFLECTED IN THE FORECAST.

A. The forecasted depreciation for existing and projected new plant was calculated by multiplying the original cost of current and projected new plant by the current composite depreciation rates. For existing plant, the Asset Accounting department provided the original cost of the current electric plant along with the current depreciation rates. For projected new plant, the various groups within the Company supplied budgeted capital expenditures. To forecast depreciation expense, the budget includes assumptions on the amount and timing of project closings and corresponding depreciation rates. The timing and cost of the projects

are based on the functional organizations capital budget plans, which include estimated in-service dates. Projects are assigned a depreciation group, which has a corresponding depreciation rate.

Q. WHAT IS THE LEVEL OF DEPRECIATION EXPENSES INCLUDED IN THE DUKE ENERGY INDIANA 2020 BUDGET?

A. As shown in Petitioner's Exhibit 3-B (CMJ), Duke Energy Indiana's Depreciation expenses in 2020 are forecasted to be $553 million.

Q. HOW DO THESE FORECASTED 2020 DEPRECIATION EXPENSES COMPARE TO FORECASTED 2019 DEPRECIATION EXPENSES AND ACTUAL 2018 DEPRECIATION EXPENSES?

A. A comparison of the forecasted 2020 depreciation expenses to the forecasted 2019 depreciation expenses and the actual 2018 depreciation expenses is shown in the table below. Expenses increase by $8 million in 2019 and $28 million in 2020, primarily due to higher plant depreciation.

Table 5:

$ in Millions	2018A	2019E	2020E
Depreciation & Amortization	$517	$525	$553
Increase/(Decrease)		$8	$28

E. Property and other Taxes

Q. HOW DID YOU OBTAIN THE PROPERTY AND OTHER TAX EXPENSE?

A. As described in Duke Energy Indiana witness Mr. John Panizza's testimony, the Company's forecasted property taxes are based on the most recent historical

property tax data. It is then adjusted based on projected property tax rates, assumed in-service dates for new projects, retirements and depreciation. Other incomes taxes are calculated in the financial model based on current tax rates.

Q. WHAT IS THE LEVEL OF TAX EXPENSES, OTHER THAN INCOME TAXES, INCLUDED IN THE DUKE ENERGY INDIANA 2020 BUDGET?

A. As shown in Petitioner's Exhibit 3-B (CMJ), Duke Energy Indiana's tax expenses, other than income taxes, in 2020 are forecasted to be $92 million.

Q. HOW DO THE FORECASTED 2020 TAX EXPENSES, OTHER THAN INCOME TAXES COMPARE TO FORECASTED 2019 AND ACTUAL 2018 TAX EXPENSES, OTHER THAN INCOME TAXES?

A. A comparison of the forecasted 2020 tax expenses, other than income taxes, to the forecasted 2019 tax expenses and the actual 2018 tax expenses is shown in the table below. Expenses increase by $7 million in 2019 and 2020, with Property tax being the primary driver in the year-over-year changes.

Table 6:

$ in Millions	2018A	2019E	2020E
Property and other Taxes	$78	$85	$92
Increase/(Decrease)		$7	$7

F. Other Income and Expenses

Q. HOW DID YOU OBTAIN THE "OTHER INCOME AND EXPENSE"?

A. The "other income and expense" is derived from a combination of sources. The amount of funds for the AFUDC was derived from the capital forecasts prepared for the annual budget. The Treasury department provided interest rate

information for interest income from the sale of accounts receivable.

Q. WHAT IS THE LEVEL OF OTHER INCOME AND EXPENSES INCLUDED IN THE DUKE ENERGY INDIANA 2020 BUDGET?

A. As shown in Petitioner's Exhibit 3-B (CMJ), Duke Energy Indiana's other income and expenses in 2020 is forecasted to be $35 million.

Q. HOW DO THESE FORECASTED 2020 OTHER INCOME AND EXPENSES COMPARE TO FORECASTED 2019 OTHER INCOME AND EXPENSES AND ACTUAL 2018 OTHER INCOME AND EXPENSES?

A. A comparison of the forecasted 2020 other income and expenses to the forecasted 2019 other income and expenses and the actual 2018 other income and expenses is shown in the table below. 2018 results included a one-time $15 million equity return related to the DE Indiana tax settlement. 2020 results are $7 million greater than 2019 due to higher AFUDC equity returns ($4 million) and intercompany interest income ($3 million).

Table 7:

$ in Millions	2018A	2019E	2020E
Other Income and Expenses	$45	$28	$35
Increase/(Decrease)		($17)	$7

G. Interest Expense

Q. HOW DID YOU OBTAIN THE INTEREST EXPENSE?

A. Duke Energy Indiana witness Mr. John L. Sullivan provided the long-term debt balances and short-and long-term interest rates for the 2020 forecast. To forecast interest expense, the 2020 budget includes assumptions on the amount of short-

and long-term debt by month as well as projected debt cost rates. The monthly debt balances are based on other model inputs, such as the maturity of long-term debt and the timing of O&M and capital expenditures. The financial plan also includes assumptions around the sizing and timing of new long-term debt issuances. Finally, the plan applies the projected short- and long-term debt rates.

Q. WHAT IS THE LEVEL OF INTEREST EXPENSE INCLUDED IN THE DUKE ENERGY INDIANA 2020 BUDGET?

A. As shown in Petitioner's Exhibit 3-B (CMJ), Duke Energy Indiana's interest expense in 2020 is forecasted to be $198 million.

Q. HOW DO THESE FORECASTED 2020 INTEREST EXPENSES COMPARE TO FORECASTED 2019 INTEREST EXPENSES AND ACTUAL 2018 INTEREST EXPENSES?

A. A comparison of the forecasted 2020 interest expenses to the forecasted 2019 interest expenses and the actual 2018 interest expenses is shown in the table below. The year-over-year change is primarily due to interest expense on long-term debt, which is forecasted to increase by $11 and $21 million in 2019 and 2020.

Table 8:

$ in Millions	2018A	2019E	2020E
Interest Expense	$167	$182	$198
Increase/(Decrease)		$15	$17

H. Income Tax

Q. HOW DID YOU OBTAIN THE INCOME TAX EXPENSE?

A. The tax department provided the appropriate state and federal income tax rates and the amortization of investment tax credit ("ITC"). The income tax expense was derived in the Company's financial model for each month of the 2020 forecast by applying statutory income tax rates to applicable taxable book income and then applying book-to-tax adjustments according to the Internal Revenue Code.

Q. WHAT IS THE LEVEL OF INCOME TAX EXPENSES INCLUDED IN THE DUKE ENERGY INDIANA 2020 BUDGET?

A. As shown in Petitioner's Exhibit 3-B (CMJ), Duke Energy Indiana's income tax expenses, in 2020 are forecasted to be $76 million.

Q. HOW DO THE FORECASTED 2020 INCOME TAX EXPENSES COMPARE TO FORECASTED 2019 AND ACTUAL 2018 INCOME TAX EXPENSES?

A. A comparison of the forecasted 2020 income tax expenses to the forecasted 2019 tax expenses and the actual 2018 tax expenses is shown in the table below. Income taxes are forecasted to decline due to lower taxable income in 2019 and 2020. The 2020 effective tax rate is also lower, due to a higher excess accumulated deferred income tax ("ADIT") giveback, per the Tax Cuts and Jobs Act of 2017 settlement.

Table 9:

$ in Millions	2018A	2019E	2020E
Income Taxes	$128	$120	$76
Increase/(Decrease)		($8)	($44)

I. Capital Expenditures

Q. WHAT IS THE LEVEL OF CAPITAL EXPENDITURES INCLUDED IN THE DUKE ENERGY INDIANA 2020 BUDGET?

A. Duke Energy Indiana's capital expenditures in 2020 are forecasted to be $797 million.

Q. HOW DO THE FORECASTED 2020 CAPITAL EXPENDITURES COMPARE TO FORECASTED 2019 CAPITAL EXPENDITURES AND ACTUAL 2018 CAPITAL EXPENDITURES?

A. A comparison of the forecasted 2020 capital expenditures to the forecasted 2019 capital expenditures and actual 2018 capital expenditures is shown in the table below.

Table 10:

$ in Millions	2018A	2019E	2020E
Capital Expenditures	$748	$825	$797
Increase/(Decrease)		$77	($28)

The table below includes forecasted capital expenditures by FERC function. From 2018 to 2020, capital expenditures are forecasted to increase by $49 million, equivalent to a 3.2% compounded annual growth rate. 2019 expenditures are forecasted to increase by $77 million over 2018. Key drivers of the year-over-

year change include increases in Distribution, General and Other Production Plant, partly due to increases in system capacity projects, renewable generation, and Customer Connect. These increases were offset by a reduction in Transmission Plant, which has lower planned TDSIC capital expenditures in 2019. 2020 expenditures are forecasted to come down from 2019 levels by $28 million. A key driver of the year-over-year change is a reduction in Distribution Plant, partially due to the expectation that the AMI deployment schedule will continue through the end of 2019.

Table 11:

$ in Millions	2018A	2019E	2020E
Elec - Distribution Plant	$342	$364	$332
Elec - General Plant	$55	$109	$90
Elec - Intangible Plant	$13	$11	$14
Elec - Other Production Plant	$22	$57	$102
Elec - Steam Production Plant	$142	$148	$106
Elec - Transmission Plant	$174	$136	$153
Total Capital	**$748**	**$825**	**$797**

J. Plant in Service

Q. HOW WERE PLANT IN SERVICE BALANCES CALCULATED?

A. The forecasted 2020 plant in service balance uses actual December 2018 data as a baseline. From there, the 2019 and 2020 capital expenditure forecasts supplied by the various groups within the Company were incorporated. The timing and cost of the projects are based on the functional organizations capital budget plans, which include estimated in-service dates. The estimated in-service dates and

corresponding depreciation rates were then used to calculate depreciation.

Other forecasted items include materials, supplies, and inventory. The forecasted totals are based on (i) guidance from the functional organizations or (ii) historical balance levels (i.e., ending 2018 balances are held constant throughout the forecast.

K. Balance Sheet

Q. HOW WERE INITIAL BALANCES ESTABLISHED FOR THE BALANCE SHEET?

A. The final month of actual data for the historical period was the December 2018 balances.

Q. WHAT OTHER INFORMATION WAS USED TO ESTABLISH THE FORECASTED BALANCE SHEET?

A. The forecasted balance sheet is generated as part of the UI financial model. The model begins with the initial balance and then consolidates the forecasted inputs to derive the updated balance sheet. Please see Petitioner's Exhibit 3-C (CMJ).

L. Cash Flow Statement

Q. HOW DID YOU PREPARE THE CASH FLOW STATEMENT FOR THE 2018 ANNUAL BUDGET?

A. The cash flow statement is generated as part of the UI financial model. It is derived from corresponding inputs from the income statement and changes in the balance sheet. Please see Petitioner's Exhibit 3-D (CMJ).

M. Forecasted Test Period

Q. DO YOU HAVE AN OPINION AS TO WHETHER THE FORECASTED TEST PERIOD FINANCIAL DATA IS REASONABLE, RELIABLE, MADE IN GOOD FAITH AND THAT ALL BASIC ASSUMPTIONS USED IN THE FORECAST HAVE BEEN IDENTIFIED AND JUSTIFIED?

A. Yes, the forecasted test period financial data is reasonable, reliable and made in good faith, based on all the information available as of the time of this filing. In my opinion, as Director, Regional Financial Forecasting, the budgeting and forecasting processes are adequate, reasonable, and reliable. My testimony has identified all the basic assumptions in the forecast, and reflects the work of multiple organizations across the Company to ensure the accuracy and reasonableness of the forecasted data. These assumptions are explained in my testimony and the testimony of the other witnesses I have identified.

IV. OVERVIEW OF DUKE ENERGY INDIANA'S BUDGET TO ACTUAL VARIANCES FOR 2014-2018

Q. DOES THE REVENUE FORECASTING METHODOLOGY DESCRIBED IN THIS TESTIMONY RESULT IN AN ACCURATE ESTIMATE OF REVENUES TO BE ACHIEVED DURING 2020?

A. Yes, with two caveats: Duke Energy Indiana witnesses Ms. Douglas, Ms. Graft, Ms. Sieferman, and Mr. Flick describe various pro forma adjustments to the 2020 forecast that are more reflective of actual revenues expected and the revenue forecast presented in this case does not yet reflect proposed or anticipated

revenues coming out of this proceeding. As discussed earlier in my testimony, a key component of forecasted revenues is the amount of forecasted customer energy usage. For the last five years, the average annual weather normalized variance for the residential model was (0.2%). During that same time period, for general service, the average annual weather normalized variance was (1.2%). The more volatile industrial forecast average variance was (1.2%) during that same time period.

Table 12: Duke Energy Indiana Weather Normal Retail Sales Actual vs. Budget

Customer Class	2014	2015	2016	2017	2018	Average
Residential	2.5%	(2.2%)	(2.8%)	0.1%	1.4%	**(0.2%)**
General Service	0.8%	(2.2%)	(2.6%)	(2.0%)	(0.0%)	**(1.2%)**
Industrial	2.1%	(3.0%)	(3.2%)	(1.2%)	(0.9%)	**(1.2%)**
Retail	**1.8%**	**(2.5%)**	**(2.9%)**	**(1.0%)**	**0.1%**	**(0.9%)**

Q. DOES THE O&M BUDGETING METHODOLOGY DESCRIBED IN THIS TESTIMONY RESULT IN AN ACCURATE ESTIMATE OF EXPENSES TO BE INCURRED DURING 2020?

A. Yes. Duke Energy Indiana has experienced a variance of 3.0%, compared to its approved O&M budget over the last 5 years. As shown in the table below, Duke Energy Indiana's average budgeted expenses over the 5-year period 2014 through 2018 were $744 million. The average actual O&M spend for the same period was $722 million. That represents an average annual underspend of $22 million, or 3.0%. Given that Duke Energy Indiana operates in an environment influenced by external factors that are outside of its control, such as weather, this average variance demonstrates a high level of historical O&M budgeting accuracy by

Duke Energy Indiana. Accordingly, these results should provide confidence as to the overall accuracy and reliability of the O&M expenses included in Duke Energy Indiana's 2020 O&M budget.

Table 13:

$ in Millions	2014	2015	2016	2017	2018	Average
Actual	$670	$682	$727	$744	$789	$722
Budget	$724	$711	$727	$802	$758	$744
Variance	($54)	($29)	($1)	($58)	$31	($22)
Variance %	(7.5%)	(4.1%)	(0.1%)	(7.2%)	4.0%	(3.0%)

Q. DOES THE CAPITAL BUDGETING METHODOLOGY DESCRIBED IN THIS TESTIMONY RESULT IN AN ACCURATE ESTIMATE OF CAPITAL TO BE EXPENDED DURING 2020?

A. Yes. Duke Energy Indiana has experienced a variance of 3.3%, compared to its approved capital budget over the last 5 years. As shown in the table below, Duke Energy Indiana's average annual capital budget over the 5-year period 2014 through 2018 was $679 million. The average annual actual spend for the same period was $702 million, representing an annual overspend of $22 million, or approximately 3.3%. This variance demonstrates a high level of historical capital budgeting accuracy by Duke Energy Indiana. Accordingly, these results should provide a high level of confidence as to the overall accuracy and reliability of the capital expenses included in Duke Energy Indiana's 2020 capital budget.

Table 14:

$ in Millions	2014	2015	2016	2017	2018	Average
Actual	$608	$617	$694	$842	$748	$702
Budget	$644	$641	$678	$769	$665	$679
Variance	($36)	($24)	$16	$73	$83	$22
Variance %	(5.6%)	(3.7%)	2.4%	9.5%	12.5%	3.3%

Q. YOU HAVE DISCUSSED IN YOUR TESTIMONY THE SIGNIFICANT VARIANCES BETWEEN THE 2020 BUDGET, AS COMPARED TO FORECASTED 2019 AND ACTUAL 2018. CAN YOU ALSO PLEASE SUMMARIZE THE SMALLER VARIANCES THAT HAVE OCCURRED?

A. Yes. Petitioner's Exhibit A (CMJ) and workpapers 1-10 (CMJ) provide a summary of the remaining variances between the budget or forecast for 2020, as compared to the budget or forecast for 2019 and actual 2018.

Q. HAVE YOU PREPARED AN EXHIBIT WITH ACTUAL BALANCES YEAR TO DATE?

A. Yes. Petitioner's Exhibit 3-E (CMJ) is Duke Energy Indiana's actual income statement and balance sheet through Q1, 2019. Throughout the pendency of this case, the Company will submit actual quarterly 2019 income statement and balance sheets as such become available.

V. CONCLUSION

Q. WERE PETITIONER'S EXHIBITS 3-A (CMJ) THROUGH 3-E (CMJ) PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes, they were.

Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

A. Yes.

Petitioner's Exhibit #3
Attachment 3-A
Page 1 of 5

DUKE ENERGY INDIANA, LLC

2019 Income Statement Changes from Annual Budget to Forecast (unaudited and current rates)

2019, $ in Millions under current rates	Budget	Variance	Forecast
Total Operating Revenues	$2,910	($33)	$2,877
Operating Expenses			
Fuel & Purchased Power Expense	$871	($12)	$859
Operation and Maintenance	$754	$1	$754
Depreciation and Amortization	$529	($3)	$525
Property and other Taxes	$82	$3	$85
Impairment Charges	$0	$0	$0
Total Operating Expenses	$2,236	($13)	$2,223
Gain/(Loss) on Sales of Other Assets and Other, net	$0	$0	$0
Operating Income	$674	($20)	$654
Other Income and Expenses	$28	($0)	$28
Interest Expense	$181	$1	$182
Income Before Income Taxes	$522	($21)	$501
Income Taxes	$129	($8)	$120
Net Income	$393	($12)	$380

2020, $ in Millions under current rates	Budget	Variance	Forecast
Total Operating Revenues	$2,925	($14)	$2,911
Operating Expenses			
Fuel & Purchased Power Expense	$866	$18	$884
Operation and Maintenance	$772	$50	$823
Depreciation and Amortization	$560	($7)	$553
Property and other Taxes	$88	$4	$92
Impairment Charges	$0	$0	$0
Total Operating Expenses	$2,287	$66	$2,352
Gain/(Loss) on Sales of Other Assets and Other, net	$0	$0	$0
Operating Income	$639	($79)	$559
Other Income and Expenses	$36	($1)	$35
Interest Expense	$191	$8	$198
Income Before Income Taxes	$483	($87)	$396
Income Taxes	$101	($25)	$76
Net Income	$382	($63)	$320

Petitioner's Exhibit #3
Attachment 3-A
Page 2 of 5

DUKE ENERGY INDIANA, LLC

2019 Balance Sheet Variances from Annual Budget to Forecast (unaudited and current rates)

$ in Thousands	Budget	Variance	Forecast
ASSETS			
Current Assets			
Cash and Cash Equivalents	$35,561	$26,925	$8,636
Receivables	$71,375	$5,223	$66,153
Receivables from Affiliated Companies	$124,471	($5,931)	$130,402
Inventory	$422,100	($15,637)	$437,737
Regulatory Assets	$172,410	$76,778	$95,632
Other	$35,543	$8,538	$27,005
Total Current Assets	**$861,460**	**$95,895**	**$765,565**
Property, Plant and Equipment			
Total Property, Plant and Equipment	$16,066,753	($79,539)	$16,146,292
Total Accumulated Depreciation and Amortization	($5,177,961)	$69,416	($5,247,377)
Net Property, Plant, and Equipment	**$10,888,792**	**($10,123)**	**$10,898,915**
Other Noncurrent Assets			
Regulatory Assets	$1,045,256	($66,383)	$1,111,639
Other	**$192,521**	**$14**	**$192,507**
Total Other Noncurrent Assets	**$1,237,777**	**($66,369)**	**$1,304,146**
Total Assets	**$12,988,029**	**$19,403**	**$12,968,625**

Petitioner's Exhibit #3
Attachment 3-A
Page 3 of 5

DUKE ENERGY INDIANA, LLC

2019 Balance Sheet Variances from Annual Budget to Forecast (unaudited and current rates)

$ in Thousands	Budget	Variance	Forecast
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts Payable	$203,192	$17,185	$186,007
Accounts Payable to Affiliated Companies	$91,873	$9,126	$82,748
Notes Payable to Affiliated Companies	($0)	($63,319)	$63,319
Taxes Accrued	$40,635	$6,755	$33,880
Interest Accrued	$55,757	$0	$55,757
Current Maturities of Long-Term Debt	$447,844	$0	$447,844
Asset Retirement Obligations - Current	$108,558	$108,558	$0
Regulatory Liabilities	$24,932	$5,932	$19,000
Other	$100,774	$605	$100,169
Total Current Liabilities	**$1,073,565**	**$84,841**	**$988,724**
Total Long-Term Debt	**$3,467,747**	**$0**	**$3,467,747**
Total LT Notes Payable to Affiliated Companies	**$150,000**	**$0**	**$150,000**
Other Noncurrent Liabilities			
Deferred Income Taxes	$1,180,955	$17,941	$1,163,013
Investment Tax Credit	$160,772	($1,868)	$162,640
Accrued Pension and Other Post-Retirement Benefit Costs	$119,564	$0	$119,564
Asset Retirement Obligations	$613,157	($108,558)	$721,716
Regulatory Liabilities	$1,687,703	($5,732)	$1,693,434
Other	$1,289	$0	$1,289
Total Other Noncurrent Liabilities	**$3,763,439**	**($98,217)**	**$3,861,656**
Total Equity	**$4,533,278**	**$32,779**	**$4,500,499**
Total Liabilities and Equity	**$12,988,029**	**$19,403**	**$12,968,625**

Petitioner's Exhibit #3
Attachment 3-A
Page 4 of 5

DUKE ENERGY INDIANA, LLC

2020 Balance Sheet Variances from Annual Budget to Forecast (unaudited and current rates)

$ in Thousands	Budget	Variance	Forecast
ASSETS			
Current Assets			
Cash and Cash Equivalents	$13,588	$263	$13,326
Receivables	$98,001	$2,501	$95,500
Receivables from Affiliated Companies	$124,471	($5,931)	$130,402
Inventory	$422,100	($10,888)	$432,988
Regulatory Assets	$173,798	$76,778	$97,020
Other	$35,543	$8,538	$27,005
Total Current Assets	**$867,501**	**$71,260**	**$796,240**
Property, Plant and Equipment			
Total Property, Plant and Equipment	$16,632,041	($140,489)	$16,772,530
Total Accumulated Depreciation and Amortization	($5,461,617)	$68,806	($5,530,423)
Net Property, Plant, and Equipment	**$11,170,424**	**($71,683)**	**$11,242,107**
Other Noncurrent Assets			
Regulatory Assets	$1,174,165	($36,966)	$1,211,131
Other	**$191,771**	**$2**	**$191,769**
Total Other Noncurrent Assets	**$1,365,936**	**($36,964)**	**$1,402,900**
Total Assets	**$13,403,860**	**($37,387)**	**$13,441,247**

Petitioner's Exhibit #3
Attachment 3-A
Page 5 of 5

DUKE ENERGY INDIANA, LLC

2020 Balance Sheet Variances from Annual Budget to Forecast (unaudited and current rates)

$ in Thousands	Budget	Variance	Forecast
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts Payable	$203,653	$1,366	$202,287
Accounts Payable to Affiliated Companies	$91,873	$9,126	$82,748
Notes Payable to Affiliated Companies	$8,710	$8,710	$0
Taxes Accrued	$61,812	$6,905	$54,907
Interest Accrued	$46,888	$0	$46,888
Current Maturities of Long-Term Debt	($51,957)	($0)	($51,957)
Asset Retirement Obligations - Current	$108,558	$108,558	$0
Regulatory Liabilities	$24,932	$5,932	$19,000
Other	$95,197	($915)	$96,112
Total Current Liabilities	**$589,666**	**$139,682**	**$449,984**
Total Long-Term Debt	**$4,066,056**	**($100,000)**	**$4,166,056**
Total LT Notes Payable to Affiliated Companies	**$150,000**	**$0**	**$150,000**
Other Noncurrent Liabilities			
Deferred Income Taxes	$1,265,358	$37,045	$1,228,313
Investment Tax Credit	$181,485	$5,287	$176,198
Accrued Pension and Other Post-Retirement Benefit Costs	$123,812	$0	$123,812
Asset Retirement Obligations	$613,157	($108,558)	$721,716
Regulatory Liabilities	$1,648,799	($6,166)	$1,654,965
Other	($139)	$0	($139)
Total Other Noncurrent Liabilities	**$3,832,471**	**($72,393)**	**$3,904,864**
Total Equity	**$4,765,668**	**($4,676)**	**$4,770,344**
Total Liabilities and Equity	**$13,403,860**	**($37,387)**	**$13,441,247**

Petitioner's Exhibit #3
Attachment 3-B
Page 1

DUKE ENERGY INDIANA, LLC

Forecasted Income Statement (unaudited and current rates)

$ in Millions under current rates	2018A	2019E	2020E
Total Operating Revenues	$3,059	$2,877	$2,911
Operating Expenses			
Fuel & Purchased Power Expense	$1,000	$859	$884
Operation and Maintenance	$789	$754	$823
Depreciation and Amortization	$517	$525	$553
Property and other Taxes	$78	$85	$92
Impairment Charges	$30	$0	$0
Total Operating Expenses	$2,414	$2,223	$2,352
Gain/(Loss) on Sales of Other Assets and Other, net	$0	$0	$0
Operating Income	$645	$654	$559
Other Income and Expenses	$45	$28	$35
Interest Expense	$167	$182	$198
Income Before Income Taxes	$523	$501	$396
Income Taxes	$128	$120	$76
Net Income	$395	$380	$320

Petitioner's Exhibit #3
Attachment 3-C

DUKE ENERGY INDIANA, LLC
Forecasted Consolidated Balance Sheet (unaudited and current rates)

$ in Thousands	2018A	2019E	2020E
ASSETS			
Current Assets			
Cash and Cash Equivalents	$23,966	$8,636	$13,326
Receivables	$51,518	$66,153	$95,500
Receivables from Affiliated Companies	$130,402	$130,402	$130,402
Inventory	$422,100	$437,737	$432,988
Regulatory Assets	$98,398	$95,632	$97,020
Other	$27,005	$27,005	$27,005
Total Current Assets	**$753,388**	**$765,565**	**$796,240**
Property, Plant and Equipment			
Total Property, Plant and Equipment	$15,494,769	$16,146,292	$16,772,530
Total Accumulated Depreciation and Amortization	($4,984,828)	($5,247,377)	($5,530,423)
Net Property, Plant, and Equipment	**$10,509,941**	**$10,898,915**	**$11,242,107**
Other Noncurrent Assets			
Regulatory Assets	$1,049,771	$1,111,639	$1,211,131
Other	$192,928	$192,507	$191,769
Total Other Noncurrent Assets	**$1,242,698**	**$1,304,146**	**$1,402,900**
Total Assets	**$12,506,028**	**$12,968,625**	**$13,441,247**

DUKE ENERGY INDIANA, LLC

Forecasted Consolidated Balance Sheet (unaudited and current rates)

$ in Thousands	2018A	2019E	2020E
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts Payable	$199,889	$186,007	$202,287
Accounts Payable to Affiliated Companies	$82,748	$82,748	$82,748
Notes Payable to Affiliated Companies	$166,718	$63,319	$0
Taxes Accrued	$31,351	$33,880	$54,907
Interest Accrued	$57,689	$55,757	$46,888
Current Maturities of Long-Term Debt	$62,512	$447,844	($51,957)
Asset Retirement Obligations - Current	$0	$0	$0
Regulatory Liabilities	$19,000	$19,000	$19,000
Other	$107,987	$100,169	$96,112
Total Current Liabilities	**$727,893**	**$988,724**	**$449,984**
Total Long-Term Debt	**$3,568,723**	**$3,467,747**	**$4,166,056**
Total LT Notes Payable to Affiliated Companies	**$150,000**	**$150,000**	**$150,000**
Other Noncurrent Liabilities			
Deferred Income Taxes	$1,012,067	$1,163,013	$1,228,313
Investment Tax Credit	$146,943	$162,640	$176,198
Accrued Pension and Other Post-Retirement Benefit Costs	$114,826	$119,564	$123,812
Asset Retirement Obligations	$721,716	$721,716	$721,716
Regulatory Liabilities	$1,727,535	$1,693,434	$1,654,965
Other	$16,220	$1,289	($139)
Total Other Noncurrent Liabilities	**$3,739,308**	**$3,861,656**	**$3,904,864**
Total Equity	**$4,320,104**	**$4,500,499**	**$4,770,344**
Total Liabilities and Equity	**$12,506,028**	**$12,968,625**	**$13,441,247**

Petitioner's Exhibit #3
Attachment 3-D
Page 1

DUKE ENERGY INDIANA, LLC
Forecasted Cash Flow Statement (unaudited and current rates)

$ in Thousands under current rates	2020E
Cash Flows from Operating Activities	
Net Income	$319,845
Depreciation and Amortization	$553,028
Amortization of Debt Costs	$3,308
Deferred Income Taxes and Itc Amortization	$57,667
Accrued Pension and Other Retirement Benefit Costs	$4,248
Receivables	($29,347)
Inventory	$16,002
Accounts Payable	$10,037
Income Taxes Accrued	$16,341
Other Taxes Accrued	$4,686
Interest Accrued	($8,869)
Other Current Liabilities	($9,382)
Equity AFUDC	($12,310)
Regulatory Asset/Liability Deferrals	($23,748)
Payments for Asset Retirement Obligations (ARO) - Coal Ash	($105,099)
Other, Assets	$507
Other, Liabilities	($66,426)
Net Cash provided by Operating Activities	**$730,489**
Cash Flows from Investing Activities	
Capital Expenditures Direct	($797,196)
Capital Expenditures AFUDC and IDC	($12,773)
(Purchases)/Sales of Emission Allowances	$231
Other Investing	$101
Net Cash used in Investing Activities	**($809,637)**
Cash Flows from Financing Activities	
Proceeds from the Issuance of Long-Term Debt	$700,000
Payments for the Redemption of Long-Term Debt	($502,844)
Money Pool Payable (net)	($63,319)
Capital Contributions From/(To) Parent	($50,000)
Net Cash provided by Financing Activities	**$83,837**
Net increase (decrease) in cash and cash equivalents	$4,689
Cash and cash equivalents at beginning of period	$8,636
Cash and cash equivalents at end of period	**$13,326**

Petitioner's Exhibit #3
Attachment 3-E

DUKE ENERGY INDIANA, LLC

2019 Income Statement AvB (unaudited)

Actuals, $ in Millions	Q1	Q2	Q3	Q4	Total
Total Operating Revenues	$768				$768
Operating Expenses					
Fuel & Purchased Power Expense	$257				$257
Operation and Maintenance	$188				$188
Depreciation and Amortization	$131				$131
Property and other Taxes	$19				$19
Impairment Charges	$0				$0
Total Operating Expenses	$595	$0	$0	$0	$595
Gain/(Loss) on Sales of Other Assets and Other, net	($3)				($3)
Operating Income	$170	$0	$0	$0	$170
Other Income and Expenses	$19				$19
Interest Expense	$43				$43
Income Before Income Taxes	$146	$0	$0	$0	$146
Income Taxes	$33				$33
Net Income	$112	$0	$0	$0	$112

Petitioner's Exhibit #3
Attachment 3-E

DUKE ENERGY INDIANA, LLC

2019 Income Statement AvB (unaudited)

Budget, $ in Millions	Q1	Q2	Q3	Q4	Total
Total Operating Revenues	$724				$724
Operating Expenses					
Fuel & Purchased Power Expense	$227				$227
Operation and Maintenance	$189				$189
Depreciation and Amortization	$129				$129
Property and other Taxes	$21				$21
Impairment Charges	$0				$0
Total Operating Expenses	$566	$0	$0	$0	$566
Gain/(Loss) on Sales of Other Assets and Other, net	$0				$0
Operating Income	$158	$0	$0	$0	$158
Other Income and Expenses	$7				$7
Interest Expense	$44				$44
Income Before Income Taxes	$121	$0	$0	$0	$121
Income Taxes	$29				$29
Net Income	$92	$0	$0	$0	$92

Petitioner's Exhibit #3
Attachment 3-E

DUKE ENERGY INDIANA, LLC

2019 Income Statement AvB (unaudited)

Variance, $ in Millions	Q1	Q2	Q3	Q4	Total
Total Operating Revenues	$45	$0	$0	$0	$45
Operating Expenses					
Fuel & Purchased Power Expense	$30	$0	$0	$0	$30
Operation and Maintenance	($1)	$0	$0	$0	($1)
Depreciation and Amortization	$2	$0	$0	$0	$2
Property and other Taxes	($2)	$0	$0	$0	($2)
Impairment Charges	$0	$0	$0	$0	$0
Total Operating Expenses	$29	$0	$0	$0	$29
Gain/(Loss) on Sales of Other Assets and Other, net	($3)	$0	$0	$0	($3)
Operating Income	$25	$0	$0	$0	$12
Other Income and Expenses	$12	$0	$0	$0	$12
Interest Expense	($0)	$0	$0	$0	($0)
Income Before Income Taxes	$25	$0	$0	$0	$25
Income Taxes	$4	$0	$0	$0	$4
Net Income	$20	$0	$0	$0	$20

Petitioner's Exhibit #3

Attachment 3-E

Page 4 of 5

DUKE ENERGY INDIANA, LLC

2019 Actual Balance Sheet

$ in Thousands	Q1	Q2	Q3	Q4
ASSETS				
Current Assets				
Cash and Cash Equivalents	$20			
Receivables	$50			
Receivables from Affiliated Companies	$102			
Inventory	$435			
Regulatory Assets	$79			
Asset Held For Sale	$0			
Other	$23			
Total Current Assets	**$710**	**$0**	**$0**	**$0**
Property, Plant and Equipment				
Total Property, Plant and Equipment	$15,678			
Total Accumulated Depreciation and Amortization	($5,086)			
Net Property, Plant, and Equipment	**$10,591**	**$0**	**$0**	**$0**
Operating Lease Right of Use Assets	**$61**			
Other Noncurrent Assets				
Regulatory Assets	$1,046			
Other	$200			
Total Other Noncurrent Assets	**$1,246**	**$0**	**$0**	**$0**
Total Assets	**$12,608**	**$0**	**$0**	**$0**

Petitioner's Exhibit #3

Attachment 3-E

Page 5 of 5

DUKE ENERGY INDIANA, LLC

2019 Actual Balance Sheet

$ in Thousands	Q1	Q2	Q3	Q4
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts Payable	$198			
Accounts Payable to Affiliated Companies	$60			
Notes Payable to Affiliated Companies	$136			
Taxes Accrued	$61			
Interest Accrued	$53			
Current Maturities of Long-Term Debt	$3			
Asset Retirement Obligations - Current	$0			
Regulatory Liabilities	$17			
Other	$92			
Total Current Liabilities	**$619**	**$0**	**$0**	**$0**
Total Long-Term Debt	**$3,569**			
Total LT Notes Payable to Affiliated Companies	**$150**			
Operating Lease Liabilities	**$57**			
Other Noncurrent Liabilities				
Deferred Income Taxes	$1,053			
Investment Tax Credit	$147			
Accrued Pension and Other Post-Retirement Benefit Costs	$113			
Asset Retirement Obligations	$719			
Regulatory Liabilities	$1,719			
Other	$29			
Total Other Noncurrent Liabilities	**$3,780**	**$0**	**$0**	**$0**
Total Equity	**$4,432**			
Total Liabilities and Equity	**$12,608**	**$0**	**$0**	**$0**

VERIFICATION

I hereby verify under the penalties of perjury that the foregoing representations are true to the best of my knowledge, information and belief.

Signed: _____ Dated: 7/2/2019
Christopher M. Jacobi