REVISED TESTIMONY OF BRIAN P. DAVEY
DIRECTOR, RATES AND REGULATORY STRATEGY, INDIANA
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 Brian P. Davey, and my business address is 1000 East Main Street, Plainfield, Indiana.

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

A. I am employed by Duke Energy Indiana LLC ("Duke Energy Indiana", "Petitioner" or "Company") as Director, Rates and Regulatory Strategy, Indiana.

Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I received a Bachelor's of Science Degree in Accounting from Indiana University in Indianapolis. I joined Duke Energy Indiana (formerly Public Service Company of Indiana, Inc., a predecessor of the Company) as a staff accountant. I have held various positions in the Rates Department, Corporate Accounting and Financial Forecasting. In 1994, I was promoted to Cinergy's Financial Forecast manager and subsequently held manager and director positions in the Commercial Business Unit with Accounting, Budgeting and Forecasting responsibilities. In 2003, I was promoted to Assistant Controller. In 2005, I became General Manager of Budgets and Forecasts. In 2006, I became Duke Energy's General Manager of Financial Planning for U.S. Franchised Electric and Gas. In late 2006, my responsibilities were specifically related to the Midwest jurisdictions of U.S. Franchised Electric

and Gas. In 2009, I assumed my current responsibilities. I am a Certified Public Accountant and a member of the Indiana CPA Society.

Q. PLEASE DESCRIBE YOUR DUTIES AS DIRECTOR, RATES & REGULATORY STRATEGY, INDIANA.

A. As Director, Rates and Regulatory Strategy, Indiana, I am responsible for regulated rate matters including the Company's various rider filings for Duke Energy Indiana.

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

A. I sponsor Petitioner's Exhibit 2-A (BPD) which provides a comprehensive overview of the key issues and components of the rate case and also indicates which Duke Energy Indiana witness provides testimony or exhibits on each topic of interest. Additionally, my testimony includes existing rate structure, summary of the rate request mechanics, overview of the rate case increase request, summary of rate request drivers, overview of the decoupling proposal, other ratemaking elements, proposed collaboratives and rate competitiveness.

II. DUKE ENERGY INDIANA EXISTING RATE STRUCTURE

Q. PLEASE PROVIDE BACKGROUND ON THE LAST TIME DUKE ENERGY INDIANA CHANGED ITS RETAIL ELECTRIC BASIC RATES AND CHARGES.

A. Duke Energy Indiana's retail electric base rates were effective in May 2004 with the order from the last base rate case, Cause No. 42359. The test period was an historical test period of twelve months ended September 2002.

Q. PLEASE PROVIDE BACKGROUND ON THE RATE-RELATED STANDARD CONTRACT RIDERS OR TRACKERS THAT DUKE ENERGY INDIANA CURRENTLY HAS IN PLACE.

A. The following table includes the existing riders, a brief description, the Company witness who will provide proposed rate making information and the 2018 revenues associated with the riders.

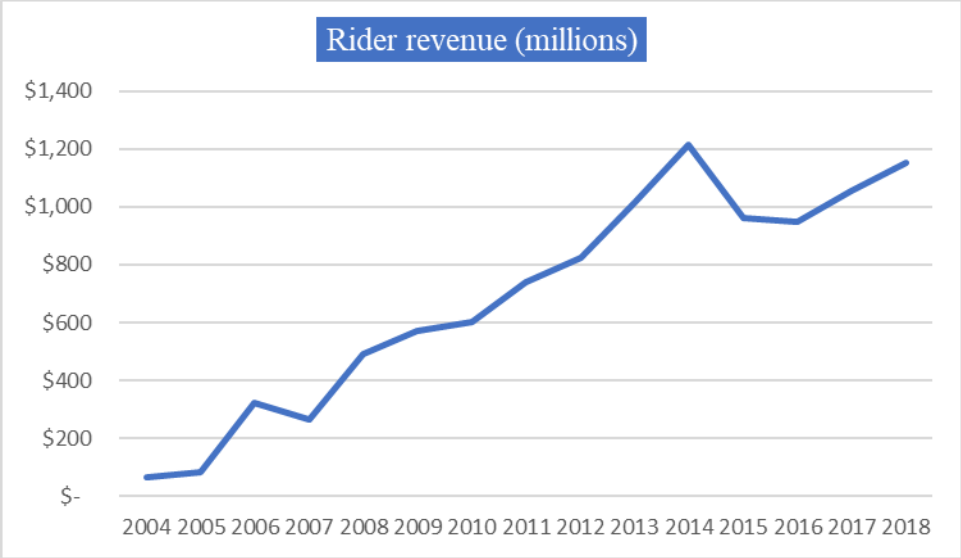
Table 1: Rider Revenues

Standard Contract Rider	Description	Witness	2018 Revenue (millions)
No. 60 - Fuel Cost Adjustment (FAC)	Recovers changes in the cost of fuel consumed, purchased power and fuel-related MISO charges and credits.	Suzanne E. Sieferman	$347.6
No. 61 - Integrated Coal Gasification Combined Cycle Generating Facility (IGCC)	Recovers return on asset, operating costs and certain credits.	Diana L. Douglas	$365.7
No. 62 - Environmental Compliance Investment Adjustment (ECR)	Recovers return on Qualified Pollution Control Projects, Clean Energy Projects and Federally Mandated Phase 1 Coal Combustion Residual ("CCR") rule projects.	Christa L. Graft	$82.6
No. 63 - SO_2, NOx and Hg Emission Allowance Adjustment (ECR)	Recovers the cost of native emission allowances consumed and credits customers with the net proceeds from sales of native emission allowances.	Christa L. Graft	($0.4)

Standard Contract Rider	Description	Witness	2018 Revenue (millions)
No. 65 - Transmission and Distribution Infrastructure Improvement Cost Rate Adjustment (TDSIC)	Recovers the rider-eligible portion of the return on the net depreciated value of plant-in-service and associated depreciation and plan-related O&M costs in connection with Company's 7-year TDSIC plan.	Diana L. Douglas	$40.3
No. 66-A - Energy Efficiency Revenue Adjustment (DSM)	Recovers the cost of energy efficiency programs, including lost revenues and performance incentives approved by the Commission.	Diana L. Douglas	$70.4
No. 67 - Tax and Merger Credits Adjustment (30 Day Filing)	Removes the annual amortization of the 1994 Cinergy merger costs that are embedded in base rates and credits customers for certain benefits of the 2018 federal income tax rate decrease under the Tax Cuts and Jobs Act.	Diana L. Douglas	($15.0)
No. 68 - Midcontinent Independent System Operator "MISO" Management Costs and Revenue Adjustment (RTO)	Recovers non-fuel MISO charges and credits netted with transmission revenues over amounts included in base rates.	Suzanne E. Sieferman	$64.6
No. 70 - Reliability Adjustment (SRA)	Recovers and/or credits customers with the net cost of reliability purchases, PowerShare® and similar customer-specific demand response programs, and 50% sharing of net profits from non-native sales down to zero. Capacity costs are tracked from zero.	Suzanne E. Sieferman	$16.4
No. 71 - Environmental Compliance Operating Cost Adjustment (ECR)	Recovers incremental operating costs for clean coal and the rider-eligible portion of federally mandated Phase 1 CCR projects, including the cost of reagents and the depreciation of projects included in Rider 62, net of certain credits.	Christa L. Graft	$169.8

Standard Contract Rider	Description	Witness	2018 Revenue (millions)
No. 72 - Federally Mandated Cost Rate Adjustment (FMCA)	Recovers return on CWIP and the net depreciated value of the rider-eligible portion of certain federally mandated plant in service and operating costs, primarily the cost of certain physical and cyber-security projects.	Christa L. Graft	$2.9
No. 73 - Renewable Energy Project Revenue Adjustment (REP)	Recovers return on CWIP and the net depreciated value of completed plant and operating costs incurred in connection with Company-owned renewable energy generation projects (currently includes Crane Solar, Markland Uprate, Atterbury solar/microgrid, and Nabb battery projects).	Suzanne E. Sieferman	$7.6
Total 2018 Rider Revenue			**$1,152.5**

The general upward trend for rider revenue was more gradual than what would have happened if the costs would have been recovered with base rate increases, which can cause spikes in customer rates. Additionally, riders are adjusted on a regular basis and when costs decrease the rider revenue also decreases. Please see the chart on the next page for a historical look at Duke Energy Indiana's rider revenues since the prior base rate case.



III. SUMMARY OF RATE REQUEST MECHANICS

Q. WHAT IS THE TEST PERIOD FOR THIS PROCEEDING AND HOW DOES DUKE ENERGY INDIANA PROPOSE TO CHANGE RATES AFTER A COMMISSION ORDER?

A. The proposed rates are based on a forward-looking 2020 test period and a December 31, 2020 rate base. The historical period is 2018. A two-step rate increase is proposed. The first step, expected to occur in mid-2020, will be based on the rate base as of December 2019. The second step, expected to occur approximately in April 2021, after a compliance filing, will be based on the rate base as of December 2020. The two-step process is used to ensure that when new rates go into effect the capital expenditures included in those rates are in-service and actually used and useful.

Q. PLEASE DISCUSS WHAT THE COMPANY IS PROPOSING VIS A VIS CURRENT RATE RIDERS.

A. The Company is proposing to eliminate one rider, Rider 61 - IGCC, and include the test period costs in base rates. The Company is proposing to combine the three ECR riders, which are all environmental expense related, into one new rider. Rider 63 (SO_2, NOx and Hg Emission Allowance Adjustment) and rider 71 (Environmental Compliance Operating Cost Adjustment) will be consolidated into rider 62 (Environmental Compliance Investment Adjustment ("ECR")). The Company is proposing to include the test period costs in base rates for the riders, except for the EE Rider, and reset the rider accordingly. The Company witnesses listed in the table above will provide additional details on any modifications and the proposed continued use of the riders after base rates are updated.

Q. PLEASE EXPLAIN HOW DUKE ENERGY INDIANA HAS COMPLIED WITH THE COMMISSION'S GENERAL ADMINISTRATIVE ORDER ON RATE CASES (GAO 2013-5) AND THE COMMISSION'S MINIMUM STANDARD FILING REQUIREMENTS ("MSFRs").

A. As the Verified Petition initiating this case indicates, Duke Energy Indiana submitted a Notice of Intent on May 28, 2019, at least 30 days prior to the date of filing for a change in base rates, and Duke Energy Indiana has discussed this filing with the Indiana Office of Utility Consumer Counselor ("OUCC") and other stakeholders. As the GAO states, the MSFRs contemplate a historical test period, and thus the documentation requirements do not perfectly fit with a forward-looking test period. Accordingly, the Company used the MSFRs as guidance as

to the categories of information to include in its case in chief and supporting documentation. Duke Energy Indiana's filing includes the following:

- A case-in-chief that includes a complete description of the rate relief requested, along with supporting workpapers.
- Documentation supporting the forecasted Test Year, including calculations, assumptions, and results. In addition, Duke Energy Indiana has provided responses to the MSFRs for the Test Year and, where appropriate, for the historic base period.
- A summary of the differences from the historic base period to the Test Year presented by Company witness Mr. Christopher M. Jacobi, and supported by various Company witnesses in the generation, transmission, distribution, customer, and administrative and general functional areas.
- Testimony, exhibits, and/or MSFRs that include:
  - Jurisdictional operating revenues and expenses, including taxes and depreciation;
  - Balance sheet and income statements for the forecasted Test Year, the historic base year, and the 12 months in between the Test Year and the historic base year, as available;
  - Jurisdictional rate base as of the end of the Test Year
  - Proposed cost of capital and capital structure;
  - Jurisdictional class cost of service study;
  - Proposed rate design and *pro forma* tariff sheets.

Q. DOES THE COMPANY'S FILING DEVIATE IN ANY WAY FROM THE MSFRs OR THE COMMISSION'S GAO?

A. As contemplated by the GAO, Duke Energy Indiana followed the Commission's guidance, but deviated from the guidance when appropriate in light of the use of a forecasted Test Year. More specifically, Duke Energy Indiana made the following deviations from the MSFR and GAO guidance:

- Duke Energy Indiana has provided detailed "supporting documentation" and "supporting calculations" for the forward-looking Test Year. However, we have not provided this supporting documentation in the form of "individual adjustments" from the historic base period to the Test Year under GAO 2013-5 ¶ II.A.2.c. See the testimony of Company witness Mr. Jacobi for the explanation of the Company's forecasting process and for a summary of differences between the Test Year and the historic base period.

- Because of the Two-Step rate increase, it was not necessary to use an average monthly rate base under GAO 2013-5 ¶ II.A.6.b.
- Regarding revision to the Company's retail electric tariff, which can be found in Mr. Roger A. Flick's, Petitioner's Exhibit 9-B (RAF), Duke Energy Indiana has used computer redlining, as opposed to using bold type as referenced in the MSFRs. Due to formatting issues, only the substantive changes in the tariff are noted in redline in some cases.

Q. PLEASE EXPLAIN THE ORGANIZATION OF THE MSFRs.

A. Concurrent with its case-in-chief testimony filing, the Company has submitted volumes containing the MSFR requirements, numbered according to the Indiana Administrative Code citations. The MSFR volumes also include workpapers associated with the MSFRs. Where certain MSFRs responses are included in the case-in-chief testimony, there are references to the appropriate witness' testimony. The basic accounting exhibits required to be filed with the case-in-chief for MSFR 170 IAC 1-5-6 can be found for convenience both in the MSFR volumes and as exhibits to the individual witnesses' testimony. A summary index of these MSFR accounting exhibits is contained in my Petitioner's Exhibit 2-A (BPD). Finally, those MSFR responses and attachments requiring confidential treatment will be supported with a Motion for Confidentiality and provided to the Commission upon Commission preliminary approval of confidential treatment. They will be supplied to the OUCC and non-competitive intervenors upon execution of a mutually agreeable non-disclosure agreement.

IV. RATE CASE INCREASE REQUEST

Q. WHAT IS THE OVERALL RETAIL RATE INCREASE REQUESTED BY DUKE ENERGY INDIANA IN THIS PROCEEDING AND HOW IS THE

PROPOSED RATE INCREASE BROKEN DOWN TO MAJOR RATE CODES?

A. The first step rate increase, mid-2020, is $343.5million and a 13.49% increase. The second step increase, approximately April 2021, is $ $49.6 million and a 1.94% increase. The step one and two increases total $393.1million, or 15.43%. This increase represents total retail revenues after the rate case versus base rates and riders before the rate increase. Impacts of utility receipts tax to the percentage increase are discussed later in testimony. The total of both steps for the major rate groups are:

Table 2: Rate Increase by Major Rate Class

Major Tariff Groups	Average Overall Rate increase *
RS - Residential Service	18.7%
CS - Commercial Service	16.5%
HLF - High Load Factor Service	11.6%
LLF- Low Load Factor Service	16.2%
Average Retail	15.43%

* Includes Step 1 and Step 2. Does not include impacts of Utility Receipts Tax.

Q. PLEASE DESCRIBE HOW THE REVENUE REQUIREMENTS WERE DEVELOPED.

A. The development of the revenue requirement begins with the Duke Energy Indiana forecast. The forecast is supported by Company witness Mr. Jacobi. The forecast test period is the year 2020. The forecast includes the balance sheet,

income statement, capital structure balances, and other detail needed to develop rate base as of December 31, 2019 and 2020. Additionally, the forecast includes the supporting details of the components of net operating income for the 2020 test period. The next step in the process is the development of the Company's proposed *pro forma* adjustments to the 2020 test period.

Q. PLEASE PROVIDE AN OVERVIEW OF THE PROPOSED *PRO FORMA* ADJUSTMENTS TO THE 2020 TEST PERIOD?

A. *Pro forma* adjustments are necessary to develop a reasonable level of ongoing revenues and operating expenses and to determine the appropriate rate base. The table below includes a list of the proposed *pro forma* adjustments and the Company witness sponsoring the *pro forma*.

Table 3: *Pro Forma* Adjustments

Description	Adjustment Schedule Reference	Sponsoring Witness
Remove Expense for Other Post Retirement Benefits	OM15	Diana L. Douglas
Normalize Edwardsport Outage Expenses	OM16	Diana L. Douglas
Adjust and Annualize Depreciation Expense	DA3-DA8	Diana L. Douglas
Adjust and Annualize Regulatory Asset Amortization Expense	DA10	Diana L. Douglas
Adjust and Annualize Property Tax Expense	OTX5	Diana L. Douglas
Rate Base *Pro Formas* except SO_2 Inventory to Reg Asset	RB2, RB4-RB5	Diana L. Douglas
All Income Tax *Pro Formas*	TX1-TX7	Diana L. Douglas
Remove Unbilled Revenues	REV3	Christa L. Graft

Description	Adjustment Schedule Reference	Sponsoring Witness
Remove Rider Revenues and Costs/Credits that Will Stay in Riders	REV2, OM4, OM5, OM6, DA11, OTX3, OTX7, OTX8	Christa L. Graft
Remove Rider Related O&M Expense Deferrals	COGS5, OM7, DA2, OTX4	Christa L. Graft
Remove Expenses for Customer Connect Project	OM14, OTX13	Christa L. Graft
Distribution Vegetation Management Expense	OM17	Christa L. Graft
Annualize Uncollectible Expense	OM19	Christa L. Graft
Add Residential Credit Card Fees	OM20	Christa L. Graft
Remove All Utility Receipts Tax Expense	OTX2	Christa L. Graft
Remove Non-Native Bulk Power Marketing Revenue and Fuel Expense	REV4, COGS3	Suzanne A. Sieferman
Remove Short Term Bundled Non-Native Sales Revenue and Fuel Expense	REV5, COGS2	Suzanne A. Sieferman
Remove REC-B and MVP Related Revenues and Expenses	REV6, OM3, OTX6	Suzanne A. Sieferman
Remove IEA Membership Expense	OM8	Suzanne A. Sieferman
Remove Brand Advertising Expense	OM9	Suzanne A. Sieferman
Remove Expenses for WVPA's Portion of Henry County Generating Station	OM10, OTX9	Suzanne A. Sieferman
Remove Non-Utility Lighting Expenses	OM11, OTX10	Suzanne A. Sieferman
Remove Non-Utility Premier Power Expenses	OM12, OTX11	Suzanne A. Sieferman
Remove Electric Vehicle Pilot Program Expenses	OM13, OTX12	Suzanne A. Sieferman
Remove Retail Native SO_2 Emission Allowance Expense	COGS4	Suzanne A. Sieferman
Normalize Major Storm Expenses	OM18, OTX14	Suzanne A. Sieferman
Transfer SO_2 EA balance to Regulatory Asset	RB3	Suzanne A. Sieferman
Adjust Miscellaneous Charges and Rates Revenue	REV7	Roger A. Flick

Q. PLEASE PROVIDE AN OVERVIEW OF THE SEPARATION STUDY.

A. The separation study is the process of allocating rate base and net operating income for services provided to a customer who receives steam from Duke Energy Indiana and to Duke Energy Indiana's long-term native load wholesale customers. The remaining rate base and net operating income is to serve Duke Energy Indiana's jurisdictional retail customers. The broad components of net operating income include operating revenues, operation and maintenance ("O&M") expenses, depreciation and amortization, taxes other than income taxes and income taxes. The separation study is supported by Company witness Ms. Maria T. Diaz. The following table summarizes the separation study.

Table 4: Jurisdictional Separation Study

(millions)	2020 Forecast With Pro Forma Adjustments	Steam Service	Long-Term Wholesale Contracts	Jurisdictional, Retail
Rate Base	$ 10,698.6	$ 19.9	$ 489.2	$ 10,189.4
Operating Revenues	$ 2,721.6	$ 6.0	$ 197.6	$ 2,517.9
Operation and Maintenance Expense	$ 1,460.0	$ 4.2	$ 98.0	$ 1,357.8
Depreciation and Amortization	$ 748.7	$ 2.5	$ 39.4	$ 706.8
Taxes Other Than Income Taxes	$ 71.9	$ 0.1	$ 3.2	$ 68.6
Income taxes	$ 63.8	$ (0.3)	$ 12.1	$ 51.9
Total Operating Expenses	$ 2,344.3	$ 6.5	$ 152.7	$ 2,185.0
Net Operating Income	$ 377.3	$ (0.5)	$ 44.9	$ 332.9

Q. HOW IS THE PROPOSED REVENUE INCREASE CALCULATED?

A. The proposed rate of return is 6.15% and is supported by Company witness Ms. Diana L. Douglas. Ms. Douglas also supports the calculation of the revenue increase. The rate of return includes the proposed return on equity of 10.4%. The return on equity is supported by Company witness Mr. Robert B. Hevert. The proposed net operating income is the result of multiplying rate base by the rate of return. The incremental net operating income is determined by subtracting the net operating income associated with existing revenue from the proposed net operating income. The incremental net operating income is grossed up for income taxes, bad debt expense and public utility fee. The revenue increase is the

sum of the incremental net operating income, income taxes, bad debt expense and public utility fee. The following table is a summary of the revenue increase. The first column is the same as the last column in the previous table.

Table 5: Revenue Increase Summary

(millions)	Jurisdictional, Retail - Existing Revenue	Proposed Net Operating Income (NOI)	Revenue, Expense, Tax and NOI Increase	Proposed Base Revenue	Net Increase (a)	% Increase
Rate Base	$ 10,189.4	$ 10,189.4				
Operating Revenues	$ 2,517.9		$ 394.6	$ 2,912.5	$ 393.1	15.43%
Operation and Maintenance Expense	$ 1,357.8		$ 1.6			
Depreciation and Amortization	$ 706.8					
Taxes Other Than Income Taxes	$ 68.6					
Income taxes	$ 51.9		$ 99.2			
Total Operating Expenses	$ 2,185.0		$ 100.8			
Net Operating Income	$ 332.9	$ 626.6	$ 293.8			
Rate of Return		6.15%				

(a) Net increase includes a reduction for revenue remaining in riders of $1.5 million.
Revenue remaining in riders of $29.6 million is added to existing revenue to calculate the % increase.
Does not include impact of Utility Receipts Tax.

Q. PLEASE PROVIDE AN OVERVIEW OF THE RETAIL COST OF SERVICE STUDY.

A. The purpose of the retail cost of service study is to determine the revenue requirement for each rate tariff. The revenue requirement for each rate tariff is also functionalized among production, transmission, distribution, demand, energy, customer, *etc*. This detailed level of revenue requirement is then used for rate design. There are many different allocation factors. For example, there are production demand, energy, distribution, and number of customers. The cost of service study is supported by Company witness Ms. Diaz.

Q. PLEASE EXPLAIN THE REQUIREMENT TO FILE AND SUPPORT PRODUCTION ALLOCATION FACTORS BASED ON FOUR COINCIDENT PEAKS.

A. The Duke Energy and Cinergy merger settlement agreement, Cause No. 42873, committed the Company to file and support a cost of service study and rate design based on four coincident peaks. Additionally, the Company committed to file a cost of service study and rate design with production allocation factors based on twelve coincident peaks. The Company has filed both cost of service studies and proposed rates are based on the cost of service study with four coincident peaks. The cost of service studies can be found in the testimony of Ms. Diaz.

Q. WHAT IS SUBSIDY/EXCESS AND DID DUKE ENERGY INDIANA REDUCE IT IN ITS DEVELOPMENT OF THE RATE INCREASE BY CLASS?

A. Subsidy/excess refers to the rate of return variability among the various rate groups from the cost of service study for existing rates. In general, the rate of return for residential customers is lower than the retail average rate of return and the rate of return for industrial customers is above the retail average rate of return. One of the causes of this is residential sales have increased since the 2004 base rate case while industrial sales have decreased since the 2004 base rate case. The proposed rates are based on a subsidy/excess reduction of 5% which resulted in a residential proposed increase of 19%. Further reduction to the subsidy/excess would result in a larger residential proposed increase. The rate making process

includes the practice of gradualism and the subsidy/excess can be further reduced in future rate cases.

Q. WHAT CUSTOMER CHARGE IS DUKE ENERGY INDIANA PROPOSING FOR RESIDENTIAL AND SMALL COMMERCIAL CUSTOMERS?

A. The customer charge for residential customers (Rate RS) is $10.54 per month and for small commercial customers (Rate CS) is $10.70 per month in the absence of decoupling. The Company is proposing decoupling which is discussed below and in the testimonies of Company witnesses Ms. Diaz, Mr. Jeffrey R. Bailey and Dr. Daniel G. Hansen. The Company is proposing lower customer charges in conjunction with the decoupling proposal. If decoupling is approved, the proposed customer charge for Rate RS is $9.80 per month and for Rate CS is $9.27 per month.

Q. IS DUKE ENERGY INDIANA PROPOSING DECLINING BLOCK RATES?

A. Yes. The Company is proposing declining block rates for Rate RS and CS. These are consistent with cost based rates as discussed in the testimony of Mr. Bailey. With the Company's decoupling proposal, declining block rates are closer to flat.

Q. HAS DUKE ENERGY INDIANA CALCULATED ITS RATE BASE AND RATE OF RETURN ON A FAIR VALUE BASIS?

A. Yes. Company witness Mr. John J. Spanos supports the fair value plant, property and equipment amount, and Company witness Mr. Robert E. Hevert supports the fair value rate of return. Although, the Company performed a fair value analysis, the Company's proposed rates are based on forecast original cost rate base. The two options result in similar outcomes and original cost rate base is a more transparent method of setting rates.

V. SUMMARY OF REVISED TESTIMONY AND RATE REQUEST DRIVERS

Q. PLEASE EXPLAIN YOUR REVISED TESTIMONY AS IT RELATES TO THE PROPOSED RATE INCREASE PERCENTAGE AND THE IMPACT ON CUSTOMERS' BILLS.

A. In analyzing individual customer bill impacts and responding to discovery, Duke Energy Indiana discovered a need to clarify the presentation of the estimated bill impacts. Please note that the Company's proposed total base revenue requirements and proposed base revenue requirement for the major tariff groups (*e.g.*, RS, CS, HLF, LLF, etc.) are not impacted by these revisions. The proposed base revenue requirements have been revised for the various rate codes within the HLF tariff. The proposed changes within HLF are explained further in the Revised Direct Testimony of Mr. Bailey and Ms. Douglas. Ms. Douglas also clarifies allocations of riders and a $1.5 million proposed reduction to revenues that will remain in riders.

Regarding the clarification for the presentation of the estimated bill impact, there are two notable issues that when considered together result in

essentially the same rate impact as Duke Energy Indiana included in its direct testimony. The first item is related to the Indiana Utility Receipts Tax ("URT"). The Company is proposing to include Utility Receipts Tax as a separate line item on customer bills as an addition to the cost of utility services, as is done currently with sales tax. However, currently, Utility Receipts Tax is embedded in base rates and rider rates. When making the change to line item the URT, the Company did not include the impact of the Utility Receipts Tax in its customer bill impact analysis. The Company would like to clarify that the total retail average proposed rate increase initially presented of 15.49% was *before* including an estimate for URT and the proposed $1.5 million rider reduction. When including URT, the total increase is approximately 17.0% compared to rates expected to be in effect at the time of the rate increase. Similarly, the residential customer rate increase of 19% did not include the impact of URT and the proposed $1.5 million rider reduction, making the total residential increase 20.4% compared to rates expected to be in effect at the time of the rate increase.

Another clarification regarding the bill impact essentially nets out the impact of the URT issue described above. Between Duke Energy Indiana's filing date and when the rates are projected to go into effect, Duke Energy Indiana's retail rates are forecasted to decrease primarily due to projected fuel costs decreases (FAC, Rider 60), the flow back of tax savings in the Tax and Merger Credits Adjustment (Rider 67) and energy efficiency costs (Energy Efficiency, Rider 66–A). As such, when comparing customer bills from the filing date of the

rate case (July 2, 2019) to the bill impact of the Company's proposed rate increase in this proceeding, the average customer bill impact increase, including the impact of URT, is projected to be 14%. The average residential customer bill impact increase as of the filing date and including the impact of the URT is projected to be 19%.

The following table includes estimates for a Typical Residential Bill, 1000 kWh.

Typical Residential Bill			
July 2, 2019, Month of Filing	Present Rates (Mr. Bailey's Exhibit 8-B)	Revised Proposed Rates (Includes Step 1 and Step 2)	Revised Proposed Rates with Utility Receipts Tax
(a)	(b)	(c)	(d)
$121.76	$120.30	$142.59	$144.59
		18.5%	
			20.2%
			18.7%

This testimony is presented simply to clarify the calculation of the bill impact analysis, but the end results is substantially the same and again, the Company's initially proposed base revenue requirement for the major tariff groups remains unchanged.

Q. AS YOU EXAMINE THE RATE INCREASE REQUESTED HEREIN, CAN IT BE BROKEN DOWN INTO SEVERAL KEY DRIVERS?

A. Yes. I will discuss each of the main drivers for the sum of proposed Step 1 and 2 increase, or 15.43%. The drivers in the table below are based on reasonable

assumptions and estimates of what will be included in customers' bills with proposed rates versus the absence of a base rate case.

Table 6: Rate Increase Drivers

Drivers for total step 1 and 2 proposed increase, (dollars in millions)		
Return on rate base increase	$ 193	7.6%
Depreciation for rate base increase	$ 59	2.3%
Sub-total	$ 253	9.9%
Rate of return, financing costs	$ (89)	-3.5%
Depreciation rates	$ 138	5.4%
Distribution vegetation management	$ 36	1.4%
All other operation and maintenance expense, primarily A&G	$ (33)	-1.3%
Coal ash basin closure costs, return on and of	$ 28	1.1%
Regulatory asset amortization other than coal ash basin closure costs	$ 32	1.3%
Taxes other than income taxes	$ 24	1.0%
All other	$ 3	0.1%
Total increase	$ 393	15.43%
Present revenue	*$ 2,547.6*	
Percentages do not include impact of Utility Receipts Tax.		

Q. PLEASE DESCRIBE WHAT MAKES UP THE INCREASE IN INVESTMENT OR RATE BASE.

A. Proposed rate base is approximately $2.5 billion higher than amounts in current base rates and riders for a total rate base of $10.2 billion. The components of the increase include $1.1 billion for distribution, $0.8 billion for transmission, $0.2 billion for coal ash removal costs (the return on and return of are on a separate line on the table) and the remaining components include other plant, inventory, regulatory assets and prepaid pension assets. Current base rates do not include a balance for prepaid pension assets. However, the Commission has approved prepaid pension balances as part of rate base or as zero cost of capital component for other Indiana utilities. In addition to the $193 million return on incremental

rate base, the depreciation expense associated with this rate base increase is $59 million.

It's notable that the bulk of the rate base increase is T&D investment needed to serve new customers. From 2002 through May 2019, Duke Energy Indiana has added over 100,000 customers; with over 91,000 of those being residential customers, requiring substation replacements, additional distribution circuits, substation upgrades and other grid investment.

Q. PLEASE DESCRIBE CHANGES IN THE RATE OF RETURN SINCE THE TIME OF THE LAST RATE CASE.

A. The rate of return approved in the prior base rate case was 7.30%. The proposed rate of return based on the December 31, 2020 capital structure is 6.15%. Notable drivers of the reduced rate of return include the embedded interest rate declining from 6.37% to 4.88%, deferred income tax component of capital structure increasing from 14% to 21% and return on equity decreasing from 10.5% to a proposed 10.4%.

Q. DEPRECIATION RATES HAVE INCREASED SINCE THE LAST TIME DUKE ENERGY UPDATED THEM BASED ON 2009 DATA, WHAT ARE THE KEY DRIVERS?

A. The $138.1 million in the table above includes $127 for production, $12 million for transmission, $2 million for distribution and a $3 million reduction for general plant. The depreciation rate changes for Gibson and Cayuga generating stations total $103 million of the $127 million for production. An important assumption

for the production expense is the expected lives of the generating assets. Company witness, Mr. Keith B. Pike supports testimony on this topic, and Company witness Mr. John J. Spanos supports the depreciation study.

Q. PLEASE DESCRIBE THE RATE INCREASE DRIVER RELATED TO VEGETATION MANAGEMENT.

A. The operation and maintenance expense for vegetation management for the distribution system has increased from approximately $13 million at the time of the last rate case to approximately $49 million. These expenses are for a five-year trim cycle. Company witness Mr. TK Christie supports testimony for distribution vegetation management.

Q. DESCRIBE HOW ADMINISTRATIVE AND GENERAL COSTS HAVE DECREASED SINCE THE LAST RATE CASE.

A. The reduction in all other operating and maintenance expense, $33 million, is primarily due to administrative and general ("A&G") expenses. The A&G labor and employee pensions and benefits have decreased since the last base rate case. One reason for this is the cost savings that have resulted from mergers and acquisitions. The notable merger activity since the 2004 base rate case include the Duke / Cinergy merger, the Duke / Progress merger and the Duke / Piedmont merger. Company witness Mr. Jeffrey R. Setser provides more information regarding A&G expense.

Q. WHAT COSTS IS DUKE ENERGY INDIANA INCLUDING IN THIS PROCEEDING FOR COMPLIANCE WITH COAL ASH BASIN REGULATIONS?

A. The Company proposal is to include approximately $212 million for coal ash basin closure costs in rate base. This includes the December 2018 closure cost balance and approximately $9 million for 2019 and 2020 expenditures for two basins whose closure plans were approved by Indiana Department of Environmental Management ("IDEM"). Additionally, cost recovery will be spread over the period of approximately mid 2020 through 2038. Company witness Mr. Timothy J. Thiemann sponsors testimony regarding the coal ash basin closure and remediation projects. Company witness Ms. Douglas sponsors supporting ratemaking testimony.

Q. PLEASE SUMMARIZE THE REGULATORY ASSET AMORTIZATIONS THAT ARE INCLUDED IN THE RATE INCREASE.

A. Rate base includes approximately $221 million for regulatory assets other than coal ash removal costs. This amount includes remaining balances of regulatory assets that have existed since the last rate case. Additionally, there are new regulatory assets relative to the last rate case. The proposed amortization periods are in a range of three to twenty years. Company witness Ms. Douglas sponsors supporting testimony.

Q. HOW HAVE TAXES OTHER THAN INCOME TAXES CHANGED SINCE THE LAST RATE CASE?

A. These taxes have increased by $24 million. The primary driver is property taxes associated with the plant added since the last case.

Q. ARE COSTS RELATED TO THE EDWARDSPORT IGCC PLANT A DRIVER OF THE RATE INCREASE?

A. No. The Edwardsport costs in proposed base rates will be slightly lower than the costs currently in the Edwardsport rider. Proposed rates include a return on the Edwardsport materials and supplies inventory whereas this return is not in the Edwardsport rider. The return on inventory is offset by a lower return on declining Edwardsport rate base from the 2017 balance currently in the rider to the 2020 test period balance in proposed base rates.

VI. DECOUPLING

Q. DUKE ENERGY INDIANA IS PROPOSING REVENUE DECOUPLING FOR ITS RESIDENTIAL AND SMALL COMMERCIAL CUSTOMER CLASSES IN THIS PROCEEDING. PLEASE EXPLAIN WHY.

A. Duke Energy Indiana has been looking at modernized ratemaking structures for some time and we believe now is the time to propose a decoupling mechanism for a number of reasons. First, there has been a downward trend in usage per customers over the last several years for the residential and small commercial classes. Setting rates that recover fixed costs primarily in the energy charge (kWh) when customers are using less, not more energy, is not sustainable. In and of itself, it would require more frequent base rate cases for collection of fixed costs. Decoupling smooths out this impact, by acknowledging that the number of

customers still increase, as are costs generally due to inflation, in between rate cases. As such, we are proposing a revenue per customer decoupling model, which also smooths out the impact of weather. For example, in a hot summer, an electric utility sells more energy than average, producing additional fixed cost contribution and earnings for the utility. The decoupling mechanism moderates this increase, by only allowing for the fixed cost recovery per customer that was approved in the rate case, no more no less. Of course, the opposite would hold true in a mild summer, the decoupling mechanism would again true-up revenues and allow the utility to recover its fixed cost.

A second reason Duke Energy Indiana is pursuing decoupling now is that it wants the flexibility to offer customers new rate options, which often times have the effect of lowering revenues in between rate cases. The testimony of Company witness Mr. Bailey describes the new residential and small commercial dynamic pricing pilots the company is proposing.

Duke Energy Indiana is proposing to lower its customer charge for residential and small commercial customers to $9.80 and $9.27, per month, respectively, if decoupling is approved. Additionally, the Company proposes a flatter rate design (as opposed to its existing and proposed declining block rate design) if decoupling is approved.

Duke Energy Indiana is cognizant that decoupling is new for Indiana on the electric utility front, and as such is proposing it as a limited time program of five (5) years and only for its residential and small commercial customer non-

demand rates. Duke Energy Indiana will perform an evaluation of the program and provide the results, along with a recommendation to continue, stop, or modify the program, prior to the end of the five-year program. Company witnesses Mr. Bailey, Ms. Diaz and Dr. Hansen provide testimony supporting decoupling.

VII. OTHER RATEMAKING ELEMENTS

Q. IS THE COMPANY REQUESTING ANY NEW OR CONTINUING COST DEFERRALS IN THIS PROCEEDING?

A. Yes. The Company is proposing six new cost deferrals in this proceeding. The first is for the 2020 Edwardsport IGCC major planned maintenance outage. This maintenance will occur about every seven years. The estimated expense is $46 million. The Company proposal is to include one-seventh of the expense in rates. The remaining expenses will be deferred until the amount in rates fully recovers the expense, and if the amount billed in rates cumulatively exceeds $46 million, then a regulatory liability will be established. Company witness Mr. Cecil T. Gurganus' testimony provides more information for the major outage. Company witness Ms. Douglas' testimony provides more information on the ratemaking and accounting treatment.

The second proposed new cost deferral is for distribution vegetation management expenses. The Company is planning to materially increase vegetation management expenses in 2020. The Company proposal is to defer the difference between the actual 2020 monthly expense and the amount in base rates for the period January 2020 until base rates are effective, approximately July

2020. The estimated deferral is $9.2 million and the Company proposal is to recover this amount over three years beginning with the Commission order for this proceeding. Company witness Mr. Christie's testimony provides more information for distribution vegetation maintenance expenses. Company witness Ms. Christa L. Graft's testimony provides more information on ratemaking and accounting treatment.

The third proposed new cost deferral is for the Customer Connect platform. Duke Energy is currently developing a new customer service platform to be operational in the Fall of 2022 for Duke Energy Indiana. The enterprise-wide estimated cost of Customer Connect is $900 million. The amount allocated to Duke Energy Indiana is estimated at $90-95 million, with approximately 50 percent reflecting the capital investment and the remainder, O&M. The Company proposal is to defer these costs with carrying costs until the Company's next retail rate case wherein they will be recovered. Company witness Ms. Retha I. Hunsicker's testimony provides more Customer Connect information. Company witness Ms. Graft's testimony provides more information on the ratemaking and accounting treatment.

The fourth new proposed deferral is for storm expenses. The Company is proposing a five-year average for storm expenses, $13 million, to be included in base rates. The annual amount of storm expenses above or below the $13 will be deferred on the balance sheet as either a net regulatory asset or net regulatory liability. The net balance will be addressed in the next base rate case. Company

witness Ms. Cicely M. Hart's testimony provides more storm information. Company witness Ms. Suzanne E. Sieferman's testimony provides more information on the ratemaking and accounting treatment.

The fifth new proposed deferral is for coal ash basin closure costs and coal ash-related remediation project costs incurred in the years 2019 and after. The Company proposes to defer costs to comply with the Environmental Protection Agency's Coal Combustion Residual Rule and coal ash-related remediation projects mandated by Indiana's Solid Waste Management Program, which is overseen by the IDEM. Additionally, the Company proposal is to defer these costs with carrying costs until the Company's next retail rate case or other proceeding wherein they will be recovered. Company witness Mr. Thiemann's testimony provides more information regarding the costs. Company witness Ms. Douglas' testimony provides more information on the ratemaking and accounting treatment.

The sixth proposed new cost deferral is for electric transportation pilot program costs. The Company proposal is to defer these costs with carrying costs until the Company's next retail rate case wherein they will be recovered. The Company's proposal for cost recovery is capped at $15.3 million, excluding carrying costs. Company witness Mr. Lang W. Reynolds' testimony provides program information. Company witness Ms. Sieferman's testimony provides more information on the ratemaking and accounting treatment.

Finally, the ratemaking treatment for the deferred costs that are currently in regulatory assets on the Company's balance sheet is supported by Company witness Ms. Douglas.

Q. HOW DOES DUKE ENERGY INDIANA PROPOSE TO DEAL WITH NON-NATIVE SALES PROFITS AND LOSSES?

A. The non-native margins proposal is an equal sharing mechanism between the Company and customers with each receiving 50%. Additionally, proposed base rates do not include an amount for non-native margins. The actual net margin will be shared equally as part of the annual Rider 70 filing process.

The Company currently has one short-term (five years or less) sales contract expiring in 2021. Current MISO energy and capacity prices are very competitive resulting in wholesale customer interest in short term bundled contracts with both energy and capacity. These short-term contract prices are below the Company's fully embedded costs but above the variable costs, resulting in a contribution to fixed costs. The Company proposal is to include this contribution to fixed costs, non-native margin in Rider 70 and share with an equal sharing mechanism between the Company and customers, with each receiving 50%. The Company did not allocate costs to this short-term contract as part of the separation study described previously in this testimony. The Company did allocate costs to its long-term native load wholesale contracts in the separation study.

The Company will likely have opportunities to enter into more short-term bundled non-native contracts and the Company proposes to include margins from these contracts in Rider 70 resulting in customer rates being lower than they otherwise would be. Company witness Mr. John A. Verderame's testimony provides more information on non-native margins and short-term bundled non-native contracts. Company witness Ms. Sieferman's testimony provides more information on the ratemaking and accounting treatment.

Q. HOW IS DUKE ENERGY INDIANA PROPOSING TO DEAL WITH THE UTILITY RECEIPT TAX IN RATES?

A. The Company proposal is to treat the Utility Receipt Tax ("URT") similar to Sales Taxes. The proposal is to exclude the URT from base rates but to include the URT as a line item on the bill. Ms. Graft's testimony provides more detail on this topic.

Q. YOU MENTIONED THE COMPANY IS PROPOSING NEW RATE OPTIONS FOR RESIDENTIAL AND SMALL COMMERCIAL CUSTOMERS. PLEASE DESCRIBE.

A. The Company is proposing new dynamic pricing pilots for rates RS and CS. The Company's primary objective with innovative rate designs is to offer customers increased options to manage their bill. The expectation is customers will gain more control over their electric cost. These rates motivate customers to shift their consumption to lower cost times or reduce their electric consumption. The Company proposes three pilot rates for the Rate RS class and three pilot rates for

the Rate CS class. Company witness Mr. Bailey's testimony provides more information on these proposed rates.

Q. IS THE COMPANY ALSO PROVIDING NEW RATE OPTIONS FOR LARGE COMMERCIAL AND INDUSTRIAL CUSTOMERS?

A. Yes. The Company proposes an Experimental Market Pricing Program and an Experimental Demand Management Stability Program applicable to Rate LLF and Rate HLF. Additionally, the Company proposes changes to the existing HLF and LLF time of use rates with the objective to make them more appealing to customers. Company witness Mr. Bailey's testimony provides more information on these proposed rates and modifications.

VIII. PROPOSED COLLABORATIVES

Q. WHAT IS DUKE ENERGY INDIANA PROPOSING RELATED TO A LOW- INCOME COLLABORATIVE?

A. Duke Energy Indiana recognizes that as electric bills rise, low income customers have an even more difficult time paying timely. We also recognize the importance of electric service in our customers' lives. The testimony of Ms. Lesley G. Quick and Mr. Stan C. Pinegar discusses what the Company does today for low income customers. Additionally, after the conclusion of this rate case, the Company proposes a collaborative process with interested stakeholders to consider the development of new or enhanced low income programs.

Q. WHAT OTHER COLLABORATIVE IS DUKE ENERGY INDIANA PROPOSING?

A. Duke Energy Indiana recognizes from prior rate case orders for other utilities that the Commission has a keen interest in performance metrics. As such, at the conclusion of this rate case, the Company proposes a collaborative process with interested stakeholders to develop annual reporting for performance metrics.

IX. RATE COMPETITIVENESS

Q. PLEASE COMPARE DUKE ENERGY INDIANA'S CURRENT RATES WITH THOSE OF ITS PEERS.

A. Duke Energy Indiana's overall 2018 retail average realization is the lowest among its Indiana electric utility peers. Additionally, the Company's 2018 retail average realization is below the regional and national average. Please see the table below.

Table 7: Rate Competitiveness

Average Realization for 12 months ending December 31, 2018	Total Retail
Duke Energy Indiana	**9.35**
Indiana Michigan Power	9.36
Indianapolis Power & Light Company	9.61
Northern Indiana Public Service Company	9.88
Southern Indiana Gas & Electric Company	11.23
Indiana Average	9.62
East North Central Average	10.70
USA Average	10.83
Source: EEI Typical Bills and Average Rates report, Winter 2019	

Q. AFTER THE RATE INCREASE REQUESTED HEREIN DO YOU BELIEVE THAT DUKE ENERGY INDIANA WILL MAINTAIN A COMPETITIVE POSITION VIS A VIS ITS PEER UTILITIES?

A. Yes. Duke Energy Indiana's residential rates for a typical customer using 1000 kWh are the second lowest in the state as of January 1, 2019. Based on proposed rates in other utility's pending base rate cases and the typical bill of $142.59 per the Company's proposed rates, it is reasonable to expect that Duke Energy Indiana may continue to have the second lowest residential rates. Please see the table below.

Table 8: Residential Bill Comparison

Typical Residential Bill, 1000 kWh	January 1, 2019
Duke Energy Indiana	**$ 123.43**
Indiana Michigan Power	$ 131.05
Indianapolis Power & Light Company	$ 115.41
Northern Indiana Public Service Company	$ 138.90
Southern Indiana Gas & Electric Company	$ 148.01
Source: EEI Typical Bills and Average Rates report, Winter 2019	

Duke Energy Indiana's residential customer charge is the lowest in the state of Indiana and, based on pending base rate cases, will remain the lowest in the state of Indiana.

X. CONCLUSION

Q. WAS PETITIONER'S EXHIBIT 2-A (BPD) PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes, it was.

Q. DOES THIS CONCLUDE YOUR PREFILED DIRECT TESTIMONY?

A. Yes, it does.

Duke Energy Indiana

2019 Base Rate Case
Index of Issues, Requests, and Supporting Witnesses[1]

Subject	Proposal	Supporting Witness
Test Year	Twelve Months Ended December 31, 2020	Davey
Historical Base Period	Twelve Months Ended December 31, 2018	Davey

REVENUE REQUIREMENT		
Subject	**Request**	**Supporting Witness**

Overall Revenue Increase	• Total annual increase in revenue of approximately $393.1million or 15.43% to be implemented in two steps.
	  • Step 1: $343.5million or 13.49%.
	  • Step 2: $49.6 million or 1.94%.
	• Does not include the impact of the Utility Receipts Tax
		• Pinegar (overview)
		• Davey (summary and drivers)
		• Basic Accounting Exhibits listing at end of this exhibit

Financial forecast	Set rates based on test year 2020 financial forecast which includes operating expenses, capital investments, other balance sheet components. The forecast will subsequently reflect *pro forma* adjustments supported by other witnesses.	• Jacobi (overall development of financial forecast, including O&M and capital forecast) • Sullivan (Capital structure and cost of long-term debt) • Setser (Cost assignment processes) • Metzler (Compensation and benefits) • Phipps (Fuel inventory)
Pro forma adjustments	• Approve *pro forma* adjustments to financial forecast. Company witness Davey's testimony includes a list of *pro forma* adjustments and supporting witnesses.	• Graft • Douglas • Sieferman • Flick

[1] This Index of the Company's case-in-chief is intended to highlight issues and is not an exhaustive list of requests in this proceeding. A complete account of requested relief can be found in case-in-chief, including but not limited to petition, testimony, exhibits, workpapers, and minimum standard filing requirement ("MSFR") responses. The table at the end of this exhibit, also provides an index of the MSFR Basic Accounting Exhibits.

REVENUE REQUIREMENT		
Subject	**Request**	**Supporting Witness**
Depreciation	• Set new depreciation rates and reflect the resulting depreciation expense in base rates based on depreciation study. • Shorter expected lives of generating plants reflected in deprecation study. • Costs of decommissioning and dismantlement reflected in depreciation study. o Including material and supplies inventory balances, net of salvage credits	• Douglas (depreciation expense) • Spanos (depreciation rates and depreciation study) • Pike (expected lives of generating plants) • Kopp (decommissioning and dismantlement study)
Step 1 and 2 total revenue requirements	Approve proposed jurisdictional retail revenue requirement.	Douglas
Separation study	Reflect results of separation study as the basis to determine jurisdictional retail revenue requirement.	Diaz
Return on Equity	Authorize 10.4%.	Hevert
Taxes	• Reflect forecasted Test Year expenses in base rates.	Panizza
Generating fleet (excluding Edwardsport)	• Approval of generating fleet costs including environmental investments as used and useful assets. • Reflect in-service capital expenditures in rate base. • Reflect 2020 operation and maintenance expenses in rates.	Mosley
Edwardsport generating station	• Approval of Edwardsport generating station costs and designation as used and useful. • Reflect 2018, 2019 and 2020 capital expenditures in rate base. • Reflect the Edwardsport materials and supplies inventory in rate base. • Reflect 2020 operation and maintenance expenses in rates as adjusted for the deferral of the 2020 major maintenance outage.	• Gurganus • Douglas (deferral of outage)

REVENUE REQUIREMENT		
Subject	**Request**	**Supporting Witness**
Coal ash basin closure and remediation costs	• Approval of recovery for Coal Combustion Residual Rule coal ash basin closure costs as of 2018 in rate base and federal mandate certificate of public convenience and necessity • Approval of recovery for IDEM coal ash management area costs as of 2018, including Gibson East Ash Pond through 2019 and former Dresser generating station through 2020. • Approval of the amortization period of 18 years for coal ash basin and remediation costs. • Approval of coal ash basin closure and remediation costs deferrals for 2019 and after, with carrying costs.	• Thiemann (costs) • Douglas (amortization and deferrals)
Transmission	• Reflect in-service capital expenditures in rate base. • Reflect 2020 operation and maintenance expenses in rates.	• Abbott
Distribution	• Reflect in-service capital expenditures in rate base. • Reflect 2020 operation and maintenance expenses in rates. • Approve deferral treatment for storm costs.	• Hart • Sieferman (deferral treatment)
Distribution vegetation management	• Approval of operations and maintenance expenses for five-year trim cycle. • Approval of Hazard Tree Program capital expenditures in rate base. • Approval of deferral treatment for certain 2020 vegetation management costs.	• Christie • Graft (deferral treatment)
Advanced Meter Infrastructure	• Reflect in-service capital expenditures in rate base in accordance with transmission, distribution and storage improvement charge ("TDSIC") Settlement, Cause No. 44720.	• Schneider • Douglas
Changes to Rider 70	• Approval to continue Rider 70. • Approval of proposed change in base level non-native sales sharing to zero and ability pass losses through rider. • Approval of non-native sales strategy. • Approval of proposed modification of stacking (FAC and RTO). • Approval to eliminate benchmark (FAC). • Approval of Madison Generating Station (Ohio) recovery of external MISO zone and PJM charges.	• Verderame • Sieferman

REVENUE REQUIREMENT		
Subject	**Request**	**Supporting Witness**
Customer services	• Reflect 2020 customer-related operation and maintenance expenses in rates. • Approval of residential Fee-Free payment option for residential customers who use credit cards and debit cards. • See also waiver section below.	Quick
Renewable and storage projects	• Approval of the operating Crane solar project as used and useful. • Approval of the planned 2020 in-service for Crane energy storage project and microgrid project as used and useful. • Approval of the planned 2019 in-service for Camp Atterbury microgrid project used and useful. • Approval of the planned 2019 in-service for Nabb battery project as used and useful. • Approval of the planned 2019 in-service for Tippecanoe Solar Power Plant as used and useful. • Approval of the planned 2019 in-service for B-line Heights Solar Power Plant as used and useful.	Ritch
Customer Connect Platform	• Approve deferral of depreciation expense and accrue post-in-service carrying costs until the Company's next retail rate case. • Defer operation and maintenance and payroll tax expense from 2018 and forward with carrying costs until the Company's next retail rate case.	• Hunsicker • Graft (deferral treatment)
Electric transportation pilot programs	• Approval of the electric transportation pilot programs. • Deferral of costs with carrying costs until next retail rate case.	• Reynolds • Sieferman (deferral treatment)

COST OF SERVICE AND RATE DESIGN		
Subject	**Proposal**	**Supporting Witness**
Cost of service studies	• Production and demand allocators based on four coincident peaks per Cinergy merger settlement agreement, Cause No. 42873. • Allocation of revenue increase to eliminate 5% of current subsidies.	Diaz
Rate design New residential and industrial rate options	• Updated rate tariffs based on cost of services revenue by rate code. • Implement new dynamic pricing pilots. • Implement an Experimental Market Pricing Program and an Experimental Demand Management Stability Program applicable to Rate LLF and Rate HLF. • Implement declining block rate structure • Rate RS customer charge if decoupling is approved by Commission - $9.80 per month. • Rate RS customer charge if decoupling is not approved by Commission - $10.54 per month. • Rate RS declining block rates closer to flat if decoupling is approved.	Bailey
General terms and conditions and tariff updates	• Tariff changes including proposed rate options mentioned above. • Modifications to lighting programs. • Further clarification and additional definitions for a variety of services. • Go Green program is a permanent offering. • Updated miscellaneous rates and charges.	Flick
Decoupling	• Revenue decoupling for residential and customer classes. • Five-year term. • Revenue per customer model including the impact of weather, weather impacts are normalized for the customer. • Revenue per customer model based on fixed costs only. • Implement new dynamic pricing pilots for rates RS and CS with an objective of more customer options in future base rate cases. • Rate RS and Rate CS will have a lower customer charge and declining block rates that are flatter with the decoupling proposal. • Customer revenue is adjusted annually for the difference in actual revenue and the allowed revenue per customer model amount.	• Hansen • Bailey • Diaz

OTHER		
Subject	**Proposal**	**Supporting Witness**
Requests for waiver of Commission rules	• Customer Connect o Self-service aspects for payment agreements, without signature requirement o Modify the way in which usage is displayed on a customer's bill. o Enable all customers' preferred method of communication as it relates to their energy bill. o Revert to Owner multi-family building program deposit • Change disconnection of service process to call and text • Change interest rate on customer deposits from 6% to 2%.	• Hunsicker • Quick (disconnection) • Quick (interest rate)

Case in Chief Basic Accounting Exhibits Required to be Filed with the Case-in-Chief Pursuant to Minimum Standard Filing Requirements ("MSFR") under 170 IAC 1-5-6 [1/]			
MSFR Code Reference 170 IAC 1-5-6	**Exhibit**	**Exhibit Number**	**Sponsoring Witness**
(1) (A)	Comparative Balance Sheets for the Forecasted Test Period and Year Prior	3-A (CMJ)	Christopher M. Jacobi
(1) (A)	Comparative Balance Sheets for the Historical Reference Period	4-A (DLD)	Diana L. Douglas
(1) (B)	Statement of Cash Flows for the Forecasted Test Year	3-B (CMJ)	Christopher M. Jacobi
(1) (B)	Statement of Cash Flows for the Historical Reference Period	4-B (DLD)	Diana L. Douglas
(1) (C)	Comparative Income Statement for the Forecasted Test Period and Year Prior	3-C (CMJ)	Christopher M. Jacobi
(1) (C)	Comparative Income Statement for the Historical Reference Period	4-C (DLD)	Diana L. Douglas
(2)	Revenue Requirement Calculation	4-D (DLD)	Diana L. Douglas
(3)	Jurisdictional Net Operating Income	4-E (DLD)	Diana L. Douglas
(4)	Jurisdictional Rate Base	4-F (DLD)	Diana L. Douglas
(5)	Capital Structure and Cost of Capital	4-G (DLD)	Diana L. Douglas
(6)	Gross Revenue Conversion Factor	6-F (CLG)	Christa L. Graft
(7)	Effective Income Tax Rate	4-H (DLD)	Diana L. Douglas
[1/] The Basic Accounting Exhibits are also included in the MSFRs.			

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: Brian P. Davey
Brian P. Davey

Dated: 9-9-19