FILED

July 14, 2017

INDIANA UTILITY

STATE OF INDIANA

REGULATORY COMMISSION

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF DUKE ENERGY INDIANA,)	
LLC FOR: (1) APPROVAL OF AN ADJUSTMENT TO)	
ITS ELECTRIC SERVICE RATES THROUGH ITS)	
TRANSMISSION, DISTRIBUTION AND STORAGE)	
SYSTEM IMPROVEMENT CHARGE ("TDSIC") RATE)	
SCHEDULE, STANDARD CONTRACT RIDER NO. 65;)	CAUSE NO. 44720
(2) AUTHORITY TO DEFER 20% OF THE APPROVED)	TDSIC-02
CAPITAL EXPENDITURES AND TDSIC COSTS FOR)	
RECOVERY IN PETITIONER'S NEXT GENERAL)	
RATE CASE; AND (3) APPROVAL OF PETITIONER'S)	
UPDATES TO ITS 7-YEAR ELECTRIC PLAN,)	
PURSUANT TO IND. CODE § 8-1-39-9.)	

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

CORRECTED TESTIMONY OF

STACIE R. GRUCA - PUBLIC'S EXHIBIT NO. 1

JULY 14, 2017

Respectfully submitted,

Jeffrey M. Reed

Attorney No. 11651-49

Deputy Consumer Counselor

OUCC DIRECT TESTIMONY OF STACIE R. GRUCA CAUSE NO. 44720 TDSIC-2 DUKE ENERGY INDIANA, LLC

I. <u>INTRODUCTION</u>

1	Q:	Please state your name, business address and employment capacity.
2	A:	My name is Stacie R. Gruca, and my business address is 115 West Washington
3		St., Suite 1500 South, Indianapolis, Indiana 46204. I am employed as the
4		Assistant Director of the Electric Division for the Indiana Office of Utility
5		Consumer Counselor ("OUCC"). For a summary of my educational and
6		professional background and my preparation for this case, please see Appendix A
7		attached to my testimony.
8	Q:	What is the purpose of your testimony?
9	A:	I provide an overview of Duke Energy Indiana, LLC's (hereafter "DEI" or
10		"Petitioner") adjustment to its electric service rates through its Transmission,
11		Distribution, and Storage System Improvement Charge ("TDSIC") rate schedule.
12		Based on my review, DEI's calculations for its proposed Transmission and
13		Distribution Infrastructure Improvement Cost Rate Adjustment Factors appear to
14		be in compliance with the accounting and ratemaking treatment included in the
15		Settlement Agreement approved by the Indiana Utility Regulatory Commission
16		("Commission") in its Cause No. 44720 Order dated June 29, 2016.
		II. TDSIC-2 RATE SCHEDULE ADJUSTMENT
17 18	Q:	Please discuss the evidence submitted by Petitioner to support its requested TDSIC-2 rate schedule adjustment.
19	A:	Petitioner's TDSIC-2 rate schedule adjustment is based on an 80% tracked and
20		20% deferred recovery structure, per Ind. Code Ch. 8-1-39. As such, in its filing,

1 DEI provided its annual revenue requirement for its TDSIC-2 to recover: 1) a 2 return on investment at 80%; 2) depreciation expense at 80%; 3) operation and 3 maintenance ("O&M") expense at 80%; 4) property tax expense at 80%; 5) post 4 in-service carrying costs expense at 80%; and 6) plan development costs amortization. DEI's filing provided its TDSIC costs incurred in connection with 5 6 its in-service TDSIC projects through December 31, 2016, as well as its 7 forecasted TDSIC costs for the July 1, 2017 through June 30, 2018 period. 8 What costs does Petitioner propose to recover in its TDSIC-2 filing? Q: Petitioner proposes to recover total TDSIC-2 revenues¹ of approximately 9 A: 10 \$34,659,749. This includes Petitioner's revenue requirement for transmission 11 infrastructure improvement projects totaling \$9,358,622 and revenue requirement 12 for distribution infrastructure improvement projects of \$25,301,127. What is the impact on a typical residential customers' bill as a result of DEI's 13 0: 14 proposed TDSIC-2 rate schedule? 15 According to Petitioner, as a result of its TDSIC-2 filing, a typical residential A: customer using 1,000 kWh per month will experience an approximate \$0.55 16

increase in their monthly bill.²

17

¹ 80% of TDSIC costs eligible for rider recovery.

² Petitioner Witness Ms. Diana L. Douglas's Testimony, Page 14, Lines 8-11. *Also See* Petitioner's Exhibit 3-C (DLD) Page 2 of 2.

1 2 3 4	Q:	TDSIC costs incurred in connection with Petitioner's transmission, distribution, and storage system improvements to be recovered in TDSIC-2 matches the amount Petitioner proposes to recover?
5	A:	Yes. My calculation resulted in a total charge of approximately \$34,659,749 (or
6		approximately \$18,339,446 for residential customers). Based on my calculation
7		of total TDSIC costs tracked in TDSIC-2, the effect is an increase of
8		approximately \$0.000551 per kWh for residential customers. ³
9	Q:	How will the TDSIC-2 proposed Rate RS factor impact the cost of electricity
10		for DEI's residential ratepayers?
10 11	A:	for DEI's residential ratepayers? The table below estimates the cost of electricity for a DEI residential customer
	A:	- ·
11	A:	The table below estimates the cost of electricity for a DEI residential customer
11 12	A:	The table below estimates the cost of electricity for a DEI residential customer using 1,000 kWh, including DEI's trackers. The table is based on a snapshot of

³ *See* OUCC Attachment SRG-1. ⁴ *See* Petitioner's Exhibit 3-A (DLD).

Duke Energy Indiana, LLC Cause No. 44720 TDSIC-2 Residential Customer Bill using 1,000 kWh					
Description	kWh	Rate		\$	% of Bill
Customer Connection Charge			(1)	\$9.40	7.68%
Energy Charge – First 300 kWh	300	\$0.092945	(1)	27.88	22.79%
Energy Charge – Next 700 kWh	700	\$0.054178	(1)	37.92	30.99%
Base Customer and Energy Charge			_	\$75.20	61.46%
FAC Charge	1,000	\$0.012600	(1)	\$12.60	10.30%
IGCC Charge	1,000	\$0.014499	(1)	14.50	11.85%
ECR – QPCP Charge	1,000	\$0.003657	(1)	3.66	2.99%
ECR – Emission Allowance Credit	1.000	(\$0.000090)	(1)	(0.09)	-0.07%
ECR – Clean Coal Operating Cost	1.000	\$0.007154	(1)	7.15	5.84%
EE Charge	1,000	\$0.003880	(1)	3.88	3.17%
Cinergy Merger Costs Credit	1,000	(\$0.000622)	(1)	(0.62)	-0.51%
RTO Charge	1,000	\$0.003144	(1)	3.14	2.57%
SRA Charge	1,000	\$0.000807	(1)	0.81	0.66%
FMCA Charge	1,000	\$0.000064	(1)	0.06	0.05%
TDSIC Charge	1,000	\$0.002062	(2)	2.06	1.69%
Tracker Charges			_	\$47.15	38.54%
Total Billing Amount			=	\$122.35	100.00%
Base Customer and Energy Charge				\$75.20	61.46%
Other Trackers (non FAC)				34.55	28.24%
FAC				12.60	10.30%
Total			_	\$122.35	100.00%

 $^{1) \} Per \ DEI's \ Tariffs \ as \ of \ June \ 19, 2017 \ (\underline{https://www.duke-energy.com/home/billing/rates/electric-tariff}).$

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When including the proposed TDSIC costs along with current base rates and charges, a typical residential customer using 1,000 kWh per month would experience a bill of approximately \$77.26,⁵ which equates to an average cost per kWh of 7.73 cents. When including other current DEI tracker costs with its base

²⁾ Per Petitioner's Exhibit 3-A (DLD).

⁵ Per DEI Rate RS Residential and Farm Electric Service Tariff effective January 1, 2016 which includes a \$9.40 Connection Charge and a \$0.092945 per kWh energy charge for the first 300 kWh and a \$0.054178 per kWh energy charge for the next 700 kWh, as well as the proposed TDSIC charge of \$2.06 per kWh. Other applicable riders were not included in this calculation.

1		rates and charges and proposed TDSIC costs, a typical DEI residential customer
2		using 1,000 kWh per month would experience a bill of approximately \$122.35,
3		which equates to an average cost per kWh of 12.24 cents. Tracker costs,
4		excluding the fuel clause adjustment, make up approximately \$34.55, or 28.24%
5		of the total costs included on a typical DEI residential customer's bill.
6	Q:	Please explain your Attachment SRG-1.
7	A:	Attachment SRG-1 summarizes the total annual revenue requirement to recover:
8		1) a return on investment at 80%; 2) depreciation expense at 80%; 3) operation
9		and maintenance ("O&M") expense at 80%; 4) property tax expense at 80%; 5)
10		post in-service carrying costs expense at 80%; and 6) plan development costs
11		amortization to derive the total TDSIC-2 revenues to be recovered. All
12		information was taken from Petitioner's schedules in this Cause.
13 14	Q:	Do you believe that Attachment SRG-1 reflects all the elements in the formula for Petitioner's TDSIC tracker?
15	A:	Yes. Attachment SRG-1 reflects all of the monetary elements of Petitioner's
16		TDSIC-2 tracker.
17		III. <u>DEFERRED TDSIC COSTS</u>
18 19 20 21 22	Q:	Did Petitioner provide a separate schedule in the current proceeding, as recommended by the OUCC in its TDSIC-1 testimony, providing the calculation of total 20% deferred costs DEI intends to recover in its next base rate case as a result of each TDSIC tracker filing, as well as a running total of 20% of deferred costs it intends to recover in its next base rate case?
23	A:	Yes. Petitioner's Exhibit 3-D (DLD) provides DEI's annual revenue requirement
24		to recover return on investment at 20% (less accumulated depreciation),
25		depreciation expense at 20%, O&M expense at 20%, property tax expense at
26		

1		20%, and post in-service carrying costs at 20%, to derive its total deferred costs
2		for TDSIC-1 and TDSIC-2, as well as a running total of the 20% deferred costs it
3		anticipates recovering in its next base rate case.
4 5	Q:	What is the amount of 20% deferred TDSIC costs DEI anticipates to recover in its next base rate case?
6	A:	As of TDSIC-2, the 20% deferred TDSIC costs DEI anticipates recovering in its
7		next base rate case is \$18,374,677. This includes 20% deferred TDSIC-1 costs of
8		\$5,168,312 and 20% deferred TDSIC-2 costs of \$13,206,365.
		IV. <u>CONCLUSION</u>
9	Q:	What do you conclude regarding DEI's proposed TDSIC-2 rate schedule?
10	A:	Petitioner's proposed TDSIC tracking factor calculations appear to comport with
11		the ratemaking and accounting treatment authorized by the Commission, as a
12		result of the Settlement Agreement, in Cause No. 44720.
13	Q:	Does this conclude your testimony?
14	A:	Yes.

APPENDIX

1	Q:	Please summarize your professional background and experience.
2	A:	I graduated from Indiana University, Indianapolis, with a Bachelor of Science
3		degree in Business, majoring in Accounting, Finance, and International Studies. I
4		became Assistant Director of the OUCC's Electric Division in February, 2017.
5		Prior to that I was a Senior Utility Analyst in the OUCC's Electric Division
6		(2011-2017) and a Utility Analyst II in the OUCC's Electric Division (2006-
7		2011). I began my regulatory career with the OUCC in 2003 as a Utility Analyst
8		in the Electric Division. I attended "Practical Skills for the Changing Electric and
9		Gas Industries," sponsored by the National Association of Regulatory Utility
10		Commissioners ("NARUC") and the New Mexico State University Center for
11		Public Utilities, in Albuquerque, New Mexico, the 2003 Annual Regulatory
12		Studies Program sponsored by NARUC and the Institute of Public Utilities at
13		Michigan State University in East Lansing, Michigan, and the 37 th Annual Eastern
14		NARUC Utility Rate School sponsored by NARUC and the Institute of Public
15		Utilities at Michigan State University in Clearwater, Florida. I have also attended
16		various Market Practices Subcommittee, Market Settlements Subcommittee, and
17		Revenue Sufficiency Guarantee ("RSG") Task Force meetings of the

Q: Please describe your duties and responsibilities at the OUCC.

Midcontinent Independent System Operator ("MISO").

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20 A: I review Indiana electric utilities' requests for regulatory relief filed with the
21 Commission. I also prepare and present testimony based on the results of my

Public's Exhibit No. 1 Corrected Cause No. 44720 TDSIC-2 Page 8 of 8

1		analysis and make recommendations to the Commission on behalf of Indiana
2		electric utility consumers.
3	Q:	Have you previously testified before the Commission?
4	A:	Yes.
5 6	Q:	Please describe the examination and analysis you conducted in order to prepare your testimony and attachments in this Cause.
7	A:	I read and reviewed Petitioner's verified petition, as well as Petitioner's prefiled
8		testimony, attachments, and work papers. I also reviewed Petitioner's responses
9		to the OUCC's formal data requests.

Duke Energy Indiana, LLC Cause No. 44720 TDSIC-2

Calculation of Transmission, Distribution, and Storage System Improvement Cost Rate Bills Beginning with the Effective Date of the Commission's Final Order

Line No.	TDSIC Components - Transmission and Distribution 80% Trackable Amount	80 (App	Total T&D - O% Tracked plicable to Retail Customers)	Rate RS - % of Revenue Requirement (Cause No. 42359)		Rate RS
	Transmission Revenue Requirement					
	-					
	Return on Investment - Transmission					
1	Investment as of December 31, 2016 - Transmission	\$	23,870,746			
2	Less: Accumulated Depreciation	\$	102,310			
3	Net Transmission Investment (Line 1 - Line 2)	\$	23,768,436			
4	Rate of Return Return on Investment (Line 3 x Line 4)	-	5.92%			
5		\$	1,407,091			
6	Revenue Conversion Factor		1.47338			
7	Annual Return on Investment - Transmission (Line 5 x Line 6)	\$	2,073,180			
0	<u>Depreciation, O&M, Property Tax, PISCC and Plan Development Amortization</u> Depreciation Expense (1)		2 (20 (9)			
8 9	O&M Expense (1)		2,629,686			
10	Property Tax Expense (2)		4,001,429 188,468			
11	Post In-Service Carrying Costs (3)					
12	Plan Development Costs Amortization (4)		311,400 154,459			
12	Tail Development Costs Amortization (4)		134,439			
13	Total Annual Revenue Requirement - Transmission (Sum of Lines 7-12)	\$	9,358,622	37.432%	\$	3,503,119
	Distribution Revenue Requirement					
	Return on Investment - Distribution					
14	Investment as of December 31, 2016 - Distribution	\$	39,345,601			
15	Less: Accumulated Depreciation	\$	426,034			
16	Net Transmission Investment (Line 14 - Line 15)	\$	38,919,567			
17	Rate of Return		5.92%			
18	Return on Investment (Line 16 x Line 17)	\$	2,304,038			
19	Revenue Conversion Factor		1.47338			
20	Annual Return on Investment - Distribution (Line 18 x Line 19)	\$	3,394,724			
	Depreciation, O&M, Property Tax, PISCC and Plan Development Amortization					
21	Depreciation Expense (1)		4,952,677			
22	O&M Expense (1)		15,378,919			
23	Property Tax Expense (2)		292,524			
24	Post In-Service Carrying Costs (3)		1,089,500			
25	Plan Development Costs Amortization (4)		192,783			
26	Total Annual Revenue Requirement - Distribution (Sum of Lines 20-25)	\$	25,301,127	58.639%	\$	14,836,327
27	Reconciliation Adjustment For Prior TDSIC Riders	\$			\$	
28	Total Annual T&D Revenue Requirement	\$	34,659,749		\$	18,339,446
29	kWh Sales for 12-Months Ended December 31, 2016.	26	5,604,003,246		8,8	94,679,832
30	Total TDSIC-2 per kWh (Line 28 / Line 29)				\$	0.002062
31	Current TDSIC Factor (TDSIC-1)					0.001511
32	Increase / (Decrease) TDSIC Factor (Line 30 - Line 31)				\$	0.000551
33	Dollar Increase / (Decrease) on Typical Residential Customer Bill (Line 32 x 1,000)				\$	0.55

 $⁽¹⁾ Actual July 2016 \ through \ December \ 2016 \ costs \ and \ Forecasted \ July \ 2017 \ through \ June \ 2018 \ costs \ grossed-up \ for \ taxes.$

⁽²⁾ Forecasted July 2017 through June 2018 costs grossed-up for taxes.

⁽³⁾ PISCC incurred July 2016 through December 2016 grossed-up for taxes.

^{(4) 12} months of 36 months grossed up for taxes.

1 DEI provided its annual revenue requirement for its TDSIC-2 to recover: 1) a 2 return on investment at 80%; 2) depreciation expense at 80%; 3) operation and 3 maintenance ("O&M") expense at 80%; 4) property tax expense at 80%; 5) post 4 in-service carrying costs expense at 80%; and 6) plan development costs 5 amortization. DEI's filing provided its TDSIC costs incurred in connection with 6 its in-service TDSIC projects through December 31, 2016, as well as its 7 forecasted TDSIC costs for the July 1, 2017 through June 30, 2018 period. 8 What costs does Petitioner propose to recover in its TDSIC-2 filing? Q: Petitioner proposes to recover total TDSIC-2 revenues¹ of approximately 9 A: 10 \$34,659,749. This includes Petitioner's revenue requirement for transmission 11 infrastructure improvement projects totaling \$9,358,622 and revenue requirement 12 for distribution infrastructure improvement projects of \$25,301,127. What is the impact on a typical residential customers' bill as a result of DEI's 13 0: 14 proposed TDSIC-2 rate schedule? 15 According to Petitioner, as a result of its TDSIC-2 filing, a typical residential A: customer using 1,000 kWh per month will experience an approximate \$0.55 16 increase in their monthly bill.² 17

¹ 80% of TDSIC costs eligible for rider recovery.

² Petitioner Witness Ms. Diana L. Douglas's Testimony, Page <u>1514</u>, Lines <u>1-38-11</u>. *Also See* Petitioner's Exhibit 3-C (DLD) Page 2 of 2.

Duke Energy Indiana, LLC Cause No. 44720 TDSIC-2 Residential Customer Bill using 1,000 kWh						
Description	kWh	Rate		\$	% of Bill	
Customer Connection Charge			(1)	\$9.40	7.56 7.68%	
Energy Charge – First 300 kWh	300	\$0.092945	(1)	27.88	22.44 22.79%	
Energy Charge – Next 700 kWh	700	\$0.054178	(1)	37.92	30.53 30.99%	
Base Customer and Energy Charge				\$75.20	60.53 <u>61.46</u> %	
FAC Charge	1,000	\$0.014484 <u>\$0.012600</u>	(1)	\$14.48 <u>\$12.60</u>	11.66 10.30%	
IGCC Charge	1,000	\$0.014499	(1)	14.50	11.67 11.85%	
ECR – QPCP Charge	1,000	\$0.003657	(1)	3.66	2.94 2.99%	
ECR – Emission Allowance Credit	1.000	(\$0.000090)	(1)	(0.09)	-0.07%	
ECR – Clean Coal Operating Cost	1.000	\$0.007154	(1)	7.15	5.76 <u>5.84</u> %	
EE Charge	1,000	\$0.003880	(1)	3.88	3.12 <u>3.17</u> %	
Cinergy Merger Costs Credit	1,000	(\$0.000622)	(1)	(0.62)	-0.50 -0.51%	
RTO Charge	1,000	\$0.003144	(1)	3.14	2.53 2.57%	
SRA Charge	1,000	\$0.000807	(1)	0.81	0.65 <u>0.66</u> %	
FMCA Charge	1,000	\$0.000064	(1)	0.06	0.05%	
TDSIC Charge	1,000	\$0.002062	(2)	2.06	1.66 1.69%	
Tracker Charges				\$49.03 <u>\$47.15</u>	39.47 <u>38.54</u> %	
Total Billing Amount				<u>\$124.23</u> <u>\$122.35</u>	100.00%	
Base Customer and Energy Charge				\$75.20	60.53 <u>61.46</u> %	
Other Trackers (non FAC)				49.03 34.55	27.81 28.24%	
FAC				14.48 12.60	11.66 10.30%	
Total				\$124.23 <u>\$122.35</u>	100.00%	

 $^{1) \} Per \ DEI's \ Tariffs \ as \ of \ June \ 19, 2017 \ (\underline{https://www.duke-energy.com/home/billing/rates/electric-tariff}).$

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When including the proposed TDSIC costs along with current base rates and charges, a typical residential customer using 1,000 kWh per month would experience a bill of approximately \$77.26,5 which equates to an average cost per kWh of 7.73 cents. When including other current DEI tracker costs with its base

²⁾ Per Petitioner's Exhibit 3-A (DLD).

⁵ Per DEI Rate RS Residential and Farm Electric Service Tariff effective January 1, 2016 which includes a \$9.40 Connection Charge and a \$0.092945 per kWh energy charge for the first 300 kWh and a \$0.054178 per kWh energy charge for the next 700 kWh, as well as the proposed TDSIC charge of \$2.06 per kWh. Other applicable riders were not included in this calculation.

1		rates and charges and proposed TDSIC costs, a typical DEI residential customer
2		using 1,000 kWh per month would experience a bill of approximately
3		\$124.23\\$122.35, which equates to an average cost per kWh of 12.42\12.24 cents.
4		Tracker costs, excluding the fuel clause adjustment, make up approximately
5		\$49.03\$34.55, or 27.8128.24% of the total costs included on a typical DEI
6		residential customer's bill.
7	Q:	Please explain your Attachment SRG-1.
8	A:	Attachment SRG-1 summarizes the total annual revenue requirement to recover:
9		1) a return on investment at 80%; 2) depreciation expense at 80%; 3) operation
10		and maintenance ("O&M") expense at 80%; 4) property tax expense at 80%; 5)
11		post in-service carrying costs expense at 80%; and 6) plan development costs
12		amortization to derive the total TDSIC-2 revenues to be recovered. All
13		information was taken from Petitioner's schedules in this Cause.
14 15	Q:	Do you believe that Attachment SRG-1 reflects all the elements in the formula for Petitioner's TDSIC tracker?
16	A:	Yes. Attachment SRG-1 reflects all of the monetary elements of Petitioner's
17		TDSIC-2 tracker.
18		III. <u>DEFERRED TDSIC COSTS</u>
19 20 21 22 23	Q:	Did Petitioner provide a separate schedule in the current proceeding, as recommended by the OUCC in its TDSIC-1 testimony, providing the calculation of total 20% deferred costs DEI intends to recover in its next base rate case as a result of each TDSIC tracker filing, as well as a running total of 20% of deferred costs it intends to recover in its next base rate case?
24	A:	Yes. Petitioner's Exhibit 3-D (DLD) provides DEI's annual revenue requirement
25		to recover return on investment at 20% (less accumulated depreciation),
26		depreciation expense at 20%, O&M expense at 20%, property tax expense at

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

Stacie R. Gruca

Senior Utility Analyst

Indiana Office of Utility Consumer Counselor

July 14, 2017

Date

Cause No. 44720 TDSIC-02 Duke Energy Indiana, LLC

CERTIFICATE OF SERVICE

This is to certify that a copy of the *Indiana Office of Utility Consumer Counselor*Corrected Testimony of Stacie R. Gruca has been served upon the following parties of record in the captioned proceeding by electronic service on July 14, 2017.

Petitioner
Kelley A. Karn
Casey M. Holsapple
DUKE ENERGY BUSINESS SERVICES LLC
1000 East Main Street
Plainfield, Indiana 46168
kelley.karn@duke-energy.com
casey.holsapple@duke-energy.com

Jeffrex M. Reed

Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

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