

FILED
April 4, 2024
**INDIANA UTILITY
REGULATORY COMMISSION**

**On Behalf of Petitioner,
DUKE ENERGY INDIANA, LLC**

**VERIFIED DIRECT TESTIMONY OF
STAN C. PINEGAR**

Petitioner's Exhibit 1

April 4, 2024

DUKE ENERGY INDIANA 2024 BASE RATE CASE
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**DIRECT TESTIMONY OF STAN C. PINEGAR
PRESIDENT, DUKE ENERGY INDIANA, LLC
BEFORE THE INDIANA UTILITY REGULATORY COMMISSION**

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Stan C. Pinegar, and my business address is 1000 East Main Street,
4 Plainfield, Indiana 46168.

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

6 A. I am President of Duke Energy Indiana, LLC (“Duke Energy Indiana,” or
7 “Company”), a wholly owned subsidiary of Duke Energy Indiana Holdco, LLC
8 and an affiliate of Duke Energy Corporation (“Duke Energy”).

9 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL AND**
10 **PROFESSIONAL BACKGROUND.**

11 A. I earned an undergraduate degree from Indiana University in 1986. I hold a
12 Bachelor of Arts Degree in both Political Science and History, as well as a
13 Teaching Certificate. In 1990, I earned a Juris Doctor (J.D.) from the Indiana
14 University McKinney School of Law in Indianapolis. Upon graduation, I
15 practiced law at the Indianapolis law firm Johnson, Smith, Densborn, Wright &
16 Heath before joining the Indiana Department of Revenue in the capacity of
17 Deputy Commissioner and General Counsel in 1991. I joined the Indiana
18 Petroleum Council in 1993 as Associate Director and was promoted to Executive
19 Director of the organization in 1997. I joined the Indiana Chamber of Commerce
20 in 2002 as the Director of Tax and Public Finance. In 2004, I joined the Indiana

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1 Energy Association (“IEA”) as Vice President. I was promoted to the position of
2 President and Chief Executive Officer of the IEA in 2011. I joined Duke Energy
3 Indiana as Vice President of Government Affairs in 2012 and maintained that role
4 until being appointed President of Duke Energy Indiana in November of 2018. In
5 addition to responsibilities associated with being the State President of Duke
6 Energy Indiana, I oversee our regulatory, governmental, and community affairs
7 teams. I am also responsible for developing and advancing our business
8 strategies, including integrated resource planning. Much of this work allows me
9 to work closely with customers, local elected officials, and policymakers in all
10 branches of Indiana government. I have been admitted to the Indiana Bar since
11 1990.

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

14 A. My testimony will provide an overview of the following: (1) Duke Energy
15 Indiana’s requested relief in this Cause, including an introduction of the other
16 witnesses in this Cause; (2) the drivers of Duke Energy Indiana’s requests in this
17 case; (3) Duke Energy Indiana’s electric utility operations; (4) Duke Energy
18 Indiana’s transition to a cleaner energy future; (5) the Company’s focus on
19 financially vulnerable customers and actions to alleviate affordability issues; (6)
20 Duke Energy Indiana’s pursuit of federal funds; (7) Duke Energy Indiana’s
21 economic development efforts; and (8) customer rate case notice and field
22 hearings.

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1 Q. WHEN DID DUKE ENERGY INDIANA LAST FILE A PETITION TO
2 CHANGE ITS RETAIL ELECTRIC BASIC RATES AND CHARGES?

3 A. Duke Energy Indiana's current retail electric base rates were approved in June
4 2020 based upon a petition filed on July 2, 2019, in Cause No. 45253.¹ It has been
5 more than fifteen months since Duke Energy Indiana last sought a general
6 increase in rates and charges. The test period used in the last rate case was a
7 forward-looking test period of twelve months ended December 31, 2020.

8 Q. SINCE DUKE ENERGY INDIANA'S LAST BASE RATE CASE, HOW
9 HAS THE COMPANY PERFORMED WITH RESPECT TO
10 RELIABILITY, SAFETY, AND CUSTOMER SATISFACTION?

11 A. At every step of generating, transmitting, and distributing energy, Duke Energy
12 Indiana has a relentless commitment to performing tasks safely, reliably, and
13 efficiently, which empowers us to exceed customer expectations. The Company's
14 strong 2023 reliability, safety, and customer satisfaction performance results are a
15 product of this commitment.

16 **A. Reliability Metrics**

17 The Transmission Distribution and Storage System Improvement Charge
18 ("TDSIC") plan and non-TDSIC (*e.g.*, vegetation management) investments that
19 Duke Energy Indiana has made directly contribute to the reliability, resiliency,
20 and stability of its system. Duke Energy Indiana's TDSIC plans, approved by the

¹ The Utility Receipts Tax ("URT") was repealed as of July 1, 2022. As approved by the Commission on June 8, 2022, the Company set the URT rate to 0.00% in its billing system effective with services rendered July 1, 2022.

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1 Indiana Utility Regulatory Commission (“Commission”) in Cause No. 44720
2 (“TDSIC 1.0”) and Cause No. 45647 (“TDSIC 2.0”), and its vegetation
3 management plan, are more fully discussed by Company witnesses Messrs.
4 McCorkle and Abbott. Through its TDSIC plans, the Company has invested \$1.6
5 billion in its electric grid and overall system on behalf of its customers, including
6 advanced technology that has helped prevent more than 185,000 power outages
7 since 2020. The Company has also enhanced its vegetation management plan,
8 including increasing routine trimming. Furthermore, the Company realized
9 significant improvement in underlying generation performance as a result of
10 reliability plan execution during several large scheduled maintenance outages that
11 occurred in 2022 and early 2023.

12 The aforementioned investments, enhancements, and plan execution have
13 yielded tangible improvements in reliability, as demonstrated in the Company’s
14 2023 System Average Interruption Duration Index (“SAIDI”), tree related SAIDI,
15 number of Customer Interruptions (“CI”), Customer Minutes Interrupted
16 (“CMI”), and Equivalent Forced Outage Rate (“EFOR”) results, discussed further
17 below.

18 Duke Energy Indiana utilizes reliability data to assess and track the
19 performance of its distribution and transmission systems using generally accepted
20 reliability measures or indices in the electric utility industry. One of the main
21 metrics utilized for both distribution and transmission is SAIDI, which reflects the
22 average number of minutes each customer was without power during a given

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1 period. As further detailed in Company witness Mr. McCorkle's direct testimony,
2 Duke Energy Indiana's overall SAIDI (excluding Major Event Days ("MEDs"))²
3 and tree related SAIDI³ (excluding MEDs) improved by 30% and 48%,
4 respectively, from 2019. Additionally, as also discussed by Company witness Mr.
5 McCorkle, the number of CI and CMI reflect material improvement, with
6 reductions of 13% and 27%, respectively, in 2023 as compared to 2019.

7 On the generation side, EFOR is a metric used to measure generation
8 reliability that represents the number of hours a unit is forced offline compared to
9 the number of hours a unit is running. As discussed in Company witness
10 Mr. Luke's direct testimony, in 2023, there has been a material improvement in
11 the EFOR for the Company's coal-fired units as compared to the period 2019-
12 2022.

B. Safety Metrics

14 Protecting our people enhances the quality of life for our workforce and
15 contributes to the Company's long-term business success. Through our
16 employees' commitment, ownership, and engagement, Duke Energy Indiana
17 continues to be among the industry leaders in employee safety results.

18 The Company monitors safety results using a variety of reportable metrics,
19 including two metrics that are based on industry standard measures. The Total

² As defined by the major event day methodology detailed in *IEEE Std. 1366, IEEE Guide for Electric Power Distribution Reliability Indices*.

³ Tree related SAIDI refers to the average number of minutes a customer was without power during a given period of time caused by trees in the State of Indiana.

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1 Incident Case Rate (“TICR”) represents the number of total Company employee
2 injuries or illnesses, per 200,000 hours worked, that meet the Occupational Safety
3 and Health Administration’s (“OSHA”) definition of recordability. The metric is
4 also known as OSHA recordable incident rate. The Days Away, Restricted, or
5 Transferred (“DART”) rate represents the number of total Company employee
6 injuries or illnesses, per 200,000 hours worked, that result in death, days away
7 from work, restricted work, or job transfer, and prevent employees from
8 performing typical duties. The Company’s TICR and DART 2023 metrics
9 demonstrate improvement as compared to its 2019 metrics. In 2023, the
10 Company’s TICR was 0.55, and its DART was 0.07, down from 1.08 and .51,
11 respectively, in 2019.

12 **C. Customer Service Benchmarks**

13 The Company relies on J.D. Power’s Customer Satisfaction Index as a
14 measure of its success because it provides a benchmark for performance
15 compared to other utilities, helping the Company understand how it fares in
16 customer satisfaction relative to its industry peers and aiding in shaping the
17 Company’s strategies and priorities for improvement. In 2023, the J.D. Power
18 Customer Satisfaction Index scores for large utilities reflected a downward trend
19 across the country. Despite this industry trend, the Company achieved significant
20 success, surpassing the Midwest Region average and ranking in the second
21 quartile among large utilities nationally, as discussed by Company witness
22 Mr. Colley.

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1 Q. WHAT RELIEF IS DUKE ENERGY INDIANA SEEKING IN THIS
2 CAUSE?

3 A. Attachment 1-A (SCP) is a copy of the Petition filed in this Cause. We are
4 seeking a general increase in rates and charges in two steps to recover for and
5 continue to make investments that increase reliability, resiliency and stability of
6 the Duke Energy Indiana system while transitioning our fleet to increase
7 environmental sustainability in a reasonable manner with consideration of
8 customer affordability. The first step would take effect as soon as possible after
9 the issuance of an Order in this Cause and would reflect actual net plant in service
10 and actual capital structure as of June 30, 2024, with other elements of rate base
11 being projected to test year end. June 30, 2024 is at least sixty days before the
12 anticipated commencement of the evidentiary hearings in this Cause and is prior
13 to the beginning of the forward looking test year, which is the 12 months ended
14 December 31, 2025 ("Forward-Looking Test Period"). The second step would
15 take effect as soon as possible following the end of the Forward-Looking Test
16 Period. The Company is seeking a total increase in annual revenues of
17 \$491,537,000, which is calculated to produce total net operating income of
18 \$813,832,000.

19 In addition, the Company is proposing one substantive change to its fuel
20 adjustment clause ("FAC") rider to reflect the recent volatility we have
21 experienced in coal inventory levels, as discussed in more detail by Company
22 witness Mr. Verderame. The Company is seeking approval of new depreciation

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1 accrual rates as described by Company witness Mr. Spanos. The Company is also
2 seeking authority to defer expenses associated with an upcoming carbon capture
3 and sequestration study to be conducted for the Edwardsport Generating Station.

4 **Q. IN TERMS OF PERCENTAGE, WHAT IS THE MAGNITUDE OF THE**
5 **INCREASE THAT IS BEING SOUGHT?**

6 A. To make an accurate comparison, it is important to focus on the base rate increase
7 request set forth in the Petition filed in this Cause. The Company has existing
8 riders that will change rates to reflect projects that have already been approved,
9 even if this case had never been filed. Accordingly, we have compared the *pro*
10 *forma* revenues at the rates the Company is proposing in this case to the *pro*
11 *forma* revenues that would have been produced by the rates that would be in
12 effect had the Company not filed this case. Using that as the comparison, the
13 overall increase is 16.2%. The percentage increase to the average residential
14 customer using 1,000 kWh per month is about 19%, or \$27.63 per month.

15 **Q. WHAT OTHER WITNESSES ARE TESTIFYING IN SUPPORT OF DUKE**
16 **ENERGY INDIANA'S PETITION IN THIS CAUSE?**

17 A. The following witnesses are testifying in support of the Company's request:

Joel T. Rutledge	He describes the financial planning processes used as the basis for the Forward-Looking Test Period proposed in this case. He also sponsors and supports the Forecast.
Christa L. Graft	She sponsors portions of Petitioner's Exhibit 26, which is the revenue requirements model supporting the Company's request.

18

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Suzanne E. Siefertman	She discusses the Company's compliance with the Commission's Minimum Standard Filing Requirements ("MSFRs"), sponsors various revenue and expense adjustments, discusses the Company's capital structure, and supports changes to existing trackers.
Kathryn C. Lilly	She sponsors rate base, explains the ratemaking treatment associated with coal ash closure, supports changes to existing trackers, and supports the Company's requested deferral authority for a carbon capture and sequestration study at Edwardsport.
Maria T. Diaz	She sponsors the Company's cost of service study.
Roger A. Flick	He sponsors and discusses the Company's proposed rate design and rate schedules.
Bickey Rimal	He sponsors the minimum system study.
Christopher B. Bauer	He discusses and sponsors the Company's projected capital structure.
Adrian M. McKenzie	He provides and recommends the Company's appropriate return on equity.
Jeffrey T. Kopp	He conducted and sponsors the decommissioning study for the Company.
John J. Spanos	He proposes new depreciation accrual rates.
Sean P. Riley	He discusses the appropriate ratemaking and recovery for costs of removal and specifically costs associated with closure of coal ash ponds.
Rebekah E. Buck	She discusses cost allocation and assignment of affiliate expenses used in the forecast for the Forward-Looking Test Period.
John R. Panizza	He discusses the corporate alternative minimum tax and provides the federal and state income tax rates to be used in the calculation of the revenue requirement.
Shannon A. Caldwell	She describes Duke Energy Corporation's and the Company's compensation and benefits programs.
William C. Luke	He describes the generating fleet and sponsors the forecasted generation capital additions and operating and maintenance expenses.

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Peter Hoeflich	He supports the Company's request for deferral of expenses associated with a carbon capture and sequestration study at Edwardsport.
Timothy S. Hill	He describes the Company's current progress and future plans for compliance with the United States Environmental Protection Agency ("EPA") Coal Combustion Residual ("CCR") Rule and the Indiana Department of Environmental ("IDEM") Management solid waste rules.
John D. Swez	He describes the proposed cost allocation between native and non-native load customers and supports the Company's proposal for sharing of certain non-native capacity and energy sales margins.
John A. Verderame	He supports fuel inventory levels, the projected test year fuel expense, and the Company's proposal to reflect changes in fuel inventory in the FAC.
Timothy A. Abbott	He sponsors the forecasted transmission system capital and expense, including transmission vegetation management and physical security investments.
Harley McCorkle	He sponsors the forecasted distribution system capital and expense, including distribution vegetation management.
Jacob S. Colley	He provides an overview of customer service and sponsors the forecasted customer-related expenditures.

1

2 **II. DRIVERS FOR RELIEF BEING SOUGHT AND THE FIVE PILLARS**3 **Q. WHAT IS DRIVING THE NEED FOR THE RELIEF THE COMPANY**
4 **SEEKS IN THIS CAUSE?**

5 A. The short answer is that it has been almost five years since the Company last filed
6 for a general rate increase. The test year in the Company's last general rate case
7 was a fully forecasted calendar year 2020. The case was filed, and the record was

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1 closed, before the COVID pandemic. Since that time, we have experienced
2 periods of dramatic inflation, the cost of capital has increased, and the Company
3 has invested substantially in additional rate base to continue to reliably serve
4 customers, improve resiliency of the system, and advance environmental
5 sustainability. Total rate base is projected to grow from the end of test year level
6 in the last case by \$2.3 billion, \$1.6 billion of which would not be reflected in
7 rates without this case. It is time for rates to be reviewed.

8 The more complete answer, however, is that this case and the relief the
9 Company seeks is driven and guided by what has come to be known as the “Five
10 Pillars.” In 2023, the Indiana General Assembly adopted Indiana Code § 8-1-2-
11 0.6, which sets out five attributes, known as the Five Pillars, which must be
12 considered as part of the decisions around electric generation resource mix,
13 energy infrastructure and electric ratemaking. The Five Pillars are not merely
14 something that Duke Energy Indiana has “considered” in filing this case; rather,
15 the Five Pillars are the very heart of this case.

16 **Q. PLEASE DESCRIBE THE FIVE PILLARS IDENTIFIED IN INDIANA**
17 **CODE § 8-1-2-0.6.**

18 A. The Five Pillars are as follows:

- 19 • *Reliability* – including: (A) the adequacy of electric utility service, including
20 the ability of the electric system to supply the aggregate electric demand and
21 energy requirements of end use customers at all times, taking into account: (i)
22 scheduled; and (ii) reasonably expected unscheduled; outages of system

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1 elements; and (B) the operating reliability of the electric system, including the
2 ability of the electric system to withstand sudden disturbances such as electric
3 short circuits or unanticipated loss of system components;

- 4 • *Resiliency* – including the ability of the electric system or its components to:
5 (A) adapt to changing conditions; and (B) withstand and rapidly recover from
6 disruptions or off-nominal events;
- 7 • *Stability* – including the ability of the electric system to: (A) maintain a state
8 of equilibrium during: (i) normal and abnormal conditions; or (ii)
9 disturbances; and (B) deliver a stable source of electricity, in which frequency
10 and voltage are maintained within defined parameters, consistent with
11 industry standards;
- 12 • *Environmental Sustainability* – including: (A) the impact of environmental
13 regulations on the cost of providing electric service; and (B) demand from
14 customers for environmentally sustainable sources of electric generation; and
- 15 • *Affordability* – including ratemaking constructs that result in retail electric
16 utility service that is affordable and competitive across residential,
17 commercial, and industrial classes.

18 **Q. HOW ARE THE FIVE PILLARS AT THE HEART OF THIS CASE?**

19 A. Let me begin with the first three: reliability, resiliency, and stability. These three
20 pillars are the core of what an electric utility is expected to do, which is to plan for
21 and invest so that service interruptions are kept to a minimum both in duration
22 and number. In other words, keep the lights on. Company witnesses Messrs.

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1 Abbott, McCorkle, and Luke describe in much greater detail the Company's
2 investments since the last rate case in transmission, distribution, and generation
3 assets that are geared toward reliability, resiliency, and stability. At a high level,
4 the Company has invested \$2.8 billion in new utility plant in service. Further, as I
5 have noted above, the Company has greatly improved performance within its
6 vegetation management programs. Company witness McCorkle sets forth the
7 Company's current historical performance on distribution vegetation
8 management, and it reveals a marked improvement. I am personally proud of the
9 Company's efforts in this regard. The pillars of reliability, resiliency, and stability
10 have guided these investment decisions.

11 **Q. HOW IS ENVIRONMENTAL SUSTAINABILITY DRIVING THIS CASE?**

12 A. As I will explain later, the Company is continuing its progress to an orderly
13 transition to our clean energy future. Coal-fired steam generation has been retired
14 and will continue to be retired in a manner that prioritizes reliability and
15 affordability. In addition to the generation transition, however, coal combustion
16 residuals are a significant issue in this case. Costs that the Company had prudently
17 incurred for coal ash closure and which the Commission approved in the rate
18 order were ultimately disallowed by the Indiana Supreme Court. And then certain
19 costs which the Company incurred for coal ash closure for which the Commission
20 issued a certificate of public convenience and necessity ("CPCN") as a federally
21 mandated environmental compliance project were rejected by the Indiana Court of
22 Appeals. If environmental sustainability is to be the pillar that the General

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1 Assembly has directed, then recovery of prudently incurred costs to sustain the
2 environment must be provided. One of the significant issues in this case is to
3 address cost recovery associated with coal ash closure. The Company is not
4 revisiting recovery of the costs that were disallowed in the Supreme Court
5 decision; however, the Company is seeking to recover through depreciation rates
6 the costs that were initially requested under the federal mandate statute but were
7 reversed by the Court of Appeals. Further, the Company is seeking a path forward
8 to assure recovery of future closure costs. These issues are discussed further by
9 Company witnesses Messrs. Riley and Hill, and Ms. Lilly.

10 **Q. THE REMAINING PILLAR IS AFFORDABILITY. HOW IS**
11 **AFFORDABILITY DRIVING THIS CASE?**

12 A. In many ways that I will explain. But I think it is first important that we level-set
13 what we mean by “affordability.” Duke Energy Indiana presently has the second
14 lowest rates among the five investor-owned electric utilities in the state. As of the
15 date this case has been filed, Duke Energy Indiana and three of the remaining
16 utilities will have general increase requests pending. Even with the Company’s
17 requested increase, I fully expect the Company to continue to have the second
18 lowest rates among our peer electric utilities in the state. I say this not to minimize
19 affordability concerns. We recognize that any increase in rates will cause
20 affordability issues for some of our customers. Affordability, however, is a
21 relative analysis.

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1 Q. LEADING UP TO THIS CASE, WHAT HAS THE COMPANY DONE TO
2 ADDRESS AFFORDABILITY ISSUES?

3 A. We have actively worked to maintain costs. Despite inflation's significant impact
4 on the cost to produce and deliver power, we have been able to keep our day to
5 day operating costs flat since 2020. The Company has held the line on expenses
6 during this period of rising prices, and this helps keep the Company's rates
7 affordable.

8 Q. IS THE COMPANY TAKING ANY MEASURES IN THIS CASE TO
9 ADDRESS AFFORDABILITY?

10 A. We have taken multiple steps in an effort to address affordability.

11 1. Generation transition. As explained by Company witness Ms. Lilly, the
12 Company is proposing to spread the recovery of Gibson Units 1 through 4 over a
13 longer period than those units are expected to remain in service. Upon retirement
14 of the last remaining coal unit, a regulatory asset will be created and included in
15 rate base until fully amortized. This is similar to what the Commission approved
16 for Northern Indiana Public Service Company LLC in Cause No. 45159. I will
17 address this further later on in my testimony.

18 2. In calculating depreciation accrual rates, we have excluded the future post-
19 closure maintenance obligations associated with ash pond remediation. As is
20 being explained by Company witness Mr. Hill, the EPA is currently considering a
21 revised and expanded Coal Combustion Residual Rule, and we have determined
22 that it is better to incorporate the future post-closure maintenance obligations in

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1 depreciation rates to be set in the Company's next general rate case or future
2 federal mandate rider proceeding.

3 3. While we believe the method for recovery described by Company witness
4 Mr. Riley for coal ash closure would apply and would support recovery of the
5 costs that were ultimately reversed by the Indiana Supreme Court in Cause No.
6 45253, we have elected to forego recovery of these costs.

7 4. The Minimum System Study conducted by Company witness Mr. Rimal
8 supports a customer charge of \$31.49, but the Company is proposing a customer
9 charge of only \$13.70, the lowest customer charge compared to our peers' recent
10 Commission orders or pending settlements.

11 5. As is being explained by Company witness Ms. Diaz, the Company is
12 proposing a change in its allocation methodology for purposes of the cost of
13 service study, which will specifically benefit residential customers.

14 6. Company witness Mr. McKenzie is recommending a return on equity
15 using the midpoint of his analysis of 10.80%, but we are proposing rates that are
16 calculated using a lower return of 10.50%, as I describe below.

17 7. As discussed later in this testimony and in Company witness Mr. Colley's
18 testimony, the Company has a number of programs currently in place to help
19 support and serve financially vulnerable customers. Further, the Company is
20 rolling out a new support program, Payment Navigator, to ensure the full range of
21 program and assistance options are available to meet these customers' needs. I

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1 will explain further later in this testimony how Duke Energy Indiana already
2 works to assist the Company's financially vulnerable customers.

3 8. The Company is making two ratemaking proposals in this case to give
4 back credits to customers faster than what is currently planned for excess deferred
5 taxes ("EDIT") and other post-retirement benefits ("OPRB"), as discussed in the
6 testimony of Company witness Ms. Graft.

7 9. Finally, as discussed in detail by Company witness Mr. Flick, the
8 Company is proposing new, voluntary time-of-use rates, offering hundreds of
9 thousands of residential and commercial customers a new pricing choice that will
10 allow participating customers to manage their bills based upon when they use
11 power, presenting the opportunity to save money through off-peak consumption.

12 Overall, the Company has strived to build this case in a fashion that
13 addresses the needs driven by the first four of the Five Pillars, while at the same
14 time balancing and designing the overall request with a view to the fifth pillar.

15 **III. OVERVIEW OF DUKE ENERGY INDIANA**

16 **Q. PLEASE DESCRIBE DUKE ENERGY INDIANA.**

17 A. Duke Energy Indiana is the largest electric utility in Indiana with operations
18 headquartered in Plainfield, Indiana. The Company has been in business for over
19 110 years, and today serves approximately 900,000 customers located in 69
20 Indiana counties. Since the Company's last rate case order in 2020, the Company
21 is projected to add more than 60,000 customers by 2025. The Company also
22 provides power to wholesale customers, selling electricity to other electric utilities

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1 that in turn supply electric utility service to numerous customers in areas not
2 served by the Company, and supplies steam service to one customer from its
3 Cayuga Generating Station and to Purdue University via a combined heat and
4 power facility. Duke Energy Indiana and its affiliates have approximately 2,500
5 employees located in Indiana and numerous facilities throughout the state,
6 including over 37,000 miles of transmission and distribution lines, nine baseload
7 generating and peaking plants, one hydro facility, one utility scale solar plant, and
8 several smaller solar plants and battery storage projects. GIC, an investment firm,
9 acquired a 19.9% minority interest in Duke Energy Indiana's holding company.
10 GIC has two seats on the board of directors of Duke Energy Indiana's holding
11 company, which has a total membership of ten.

12 **Q. PLEASE DESCRIBE THE COMPANY'S SERVICE TERRITORY.**

13 A. Duke Energy Indiana has a diverse service territory providing electric service to
14 cities, towns, and rural areas throughout the lower two-thirds of Indiana, in
15 portions of its 69 counties. The area is diverse in
16 terms of terrain and vegetation coverage and is
17 comprised of both rural and urban communities. This
18 map generally depicts Duke Energy Indiana's service
19 territory. However, municipal utilities and rural
20 electric cooperatives also serve many customers
21 throughout the Duke Energy Indiana service territory
22 footprint.



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1 Q. HOW IS DUKE ENERGY INDIANA PRESENT IN THE COMMUNITIES
2 IT SERVES?

3 A. Duke Energy Indiana has a committed, highly respected team of nine community
4 relations managers who work closely with customers, local officials, and
5 community leaders in their specific regions. These single-points-of-contact
6 provide communities a go-to person for any concerns or communication needs the
7 communities have. Those nine individuals have an average service tenure of 17
8 years with the Company and serve on a collective 50 local non-profit and
9 community-oriented boards of directors. Their value to customers and
10 communities the Company serves was most apparent during the mid-summer
11 2023 storms. Their effective engagement with community leaders, emergency
12 responders, media, and coordination with the Company's operational personnel,
13 was instrumental in the recovery effort that resulted in only one customer
14 complaint filed with the Commission despite multiple days of storms and
15 restoration work.

16 Duke Energy Indiana is also deeply committed to enhancing economic
17 opportunities in its communities through the work of four economic development
18 professionals. In 2023, the Company's economic development team was
19 instrumental in the announcement of projects providing \$6.55 billion in capital
20 investment and 4,672 future jobs to the Company's service territory communities.

21 Since my appointment as President of the Company, I have prioritized the
22 importance of meeting with local leaders, customers, and employees living and

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1 working in the communities Duke Energy Indiana serves. Over the past two years,
2 I have conducted over 20 group listening sessions in all corners of the service
3 territory with residential and small business customers. Hearing directly from
4 customers their expectations for the Company, what they appreciate, and how the
5 Company can improve is invaluable and a continued area of focus for me and the
6 Company.

7 Duke Energy Indiana also has 39 operations facilities spread throughout
8 the state where customer work orders are fulfilled, transmission and distribution
9 line personnel work, materials and supplies are housed, and outage restoration
10 work is scheduled.

11 Duke Energy Indiana is committed to quality of life in the communities it
12 serves. In 2023, Duke Energy Indiana contributed support to various worthwhile
13 causes as its employees and retirees contributed over 13,600 hours of volunteer
14 time. Also in 2023, the Duke Energy Foundation contributed \$2.8 million in
15 shareholder funding to various local civic and community organizations in
16 Indiana. The Duke Energy Foundation centered its 2023 Indiana philanthropic
17 giving around creating vibrant communities, environmental initiatives, and
18 support for vulnerable residents in Indiana. In one particularly successful
19 program, \$115,000 in grants were made by the Duke Energy Foundation to assess
20 and address childcare gaps in Indiana communities. Duke Energy Indiana joined
21 with the Indiana Economic Development Association (“IEDA”) to launch a first-
22 of-its-kind childcare innovation grants program to provide financial support to

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1 communities willing to approach this issue in new and innovative ways. Today,
2 the grants are helping to address a key workforce issue for Indiana working
3 parents and their employers.

4 **Q. PLEASE DESCRIBE THE MAIN FUNCTIONAL OPERATION TEAMS**
5 **THAT SERVE DUKE ENERGY INDIANA CUSTOMERS.**

6 A. Duke Energy Indiana customers are served primarily by our Transmission and
7 Distribution teams, the Generation team, and the Customer Service team, along
8 with various support functions such as accounting, engineering, legal, rates, and
9 management.

10 Duke Energy Indiana is committed to adding new power generation and
11 grid investments to its system in a way that prioritizes reliability, safety,
12 environmental sustainability, and mitigates costs for customers while
13 simultaneously creating value for local communities and minimizing any adverse
14 impacts to those areas. The Company recently added an Infrastructure
15 Engagement team, which focuses on the manner in which significant projects,
16 decisions, or transactions impact communities and other stakeholders. The team
17 engages with communities well in advance of project execution to solicit input
18 and explain system needs. Duke Energy Indiana uses a listen, learn, and adjust
19 approach in its project planning and implementation to help create the best
20 outcomes for customers, stakeholders, and the Company.

21 **Q. DESCRIBE THE DUKE ENERGY INDIANA TRANSMISSION AND**
22 **DISTRIBUTION FUNCTIONS.**

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1 A. Transmission and distribution lines take power from generation sources and move
2 it where Duke Energy Indiana's customers are located. Since the Company's last
3 rate case order in 2020, the Company has added over 300 miles of new
4 transmission and distribution lines. By the end of the Forward-Looking Test
5 Period, Duke Energy Indiana anticipates having added approximately ten new
6 transmission or distribution substations. Duke Energy Indiana's transmission
7 system is jointly owned with Wabash Valley Power Association, Inc. d/b/a
8 Wabash Valley Power Alliance and Indiana Municipal Power Agency and is part
9 of an interconnected electric transmission system under the functional control of
10 the Midcontinent Independent System Operator, Inc. ("MISO"), which safely,
11 efficiently, and reliably transports power to customers across all or parts of 15
12 U.S. states and one Canadian province.

13 The Duke Energy Indiana joint transmission system consists of over 5,200
14 miles of transmission lines and approximately 500 distribution and transmission
15 substations, which are interconnected with a variety of transmission and
16 distribution circuits.

17 Duke Energy Indiana's electric distribution system includes approximately
18 31,800 miles of distribution lines, which distribute power to customers' premises.
19 The 500 substations mentioned above include both transmission voltage level (69
20 kV and above) and the lower distribution voltage levels. The distribution system
21 also includes various other equipment and facilities, such as control rooms,

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1 computers, capacitors, streetlights, meters, and protective relays, and
2 telecommunications equipment and facilities.

3 **Q. DESCRIBE THE DUKE ENERGY INDIANA GENERATION**
4 **FUNCTIONS.**

5 A. Duke Energy Indiana maintains a reliable and diverse portfolio of generation
6 assets to provide service to its customers, including approximately 3,800 MW of
7 total coal generation assets at the Company's Gibson and Cayuga Generating
8 Stations, approximately 600 MW of syngas generation at Edwardsport Generating
9 Station, about 2,000 MW of natural gas assets at the Company's Noblesville,
10 Cayuga Combustion Turbine, Henry County, Madison, Wheatland, Purdue, and
11 Vermillion Generating Stations, 10 MW of diesel generation at the Cayuga
12 Generating Station, 45 MW of hydropower at the Markland Generating Station,
13 17 MW of solar at the Crane Solar Plant, 15 MW of energy storage, and a few
14 small solar plants. In addition, the Company has entered into long-term purchased
15 power agreements with wind and solar facilities and relies on utility sponsored
16 energy efficiency and demand response programs as part of a diversified portfolio
17 to serve customers' needs.

18 **Q. DESCRIBE THE DUKE ENERGY INDIANA CUSTOMER SERVICE**
19 **FUNCTIONS.**

20 A. In addition to reliably and economically generating and delivering energy to
21 customers, Duke Energy Indiana strives to provide superior customer service in
22 the process. From the front lines – the customer care call centers and field

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1 technicians – to the technology that makes customer service interactions possible,
2 we are investing and improving to meet increasing customer expectations. On the
3 technology front, Duke Energy Indiana has deployed technologies, such as
4 Advanced Metering Infrastructure (“AMI”), which provide cost savings due to
5 reduced meter reading costs and outage truck-rolls, assisting in restoration after
6 major storms, efficient, and convenient start and stop service for customers, and
7 increased information about customers’ own usage patterns, a newer customer
8 service platform, Customer Connect, and improvements in the Company’s
9 interactive voice response (“IVR”) system, so we can interact with customers in a
10 way they appreciate and have come to expect. In my listening sessions referred to
11 above, I have repeatedly heard from our customers that communications, such as
12 forewarning of severe weather that could cause outages, outage alerts, outage
13 updates, and usage alerts, go a long way to helping them feel connected and
14 valued.

IV. CLEANER ENERGY FUTURE

16 **Q. PLEASE EXPLAIN HOW DUKE ENERGY IS INVESTING IN A**
17 **CLEANER ENERGY FUTURE AS A PART OF THIS RATE**
18 **PROCEEDING.**

19 A. The Company has been investing in a cleaner energy future through its orderly
20 transition to cleaner energy production, while not losing sight of the other pillars
21 of reliability, resiliency, affordability, and stability. The Company’s challenge is
22 to balance all Five Pillars so as to provide the best value for its customers. The

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1 Company has a team dedicated to ensuring the Company complies with all
2 environmental rules and regulations so it can provide service to its customers in
3 an environmentally sustainable way. One area of focus since the last rate case has
4 been continuing the Company's investments in safely closing its coal ash basins.
5 In this proceeding, we are transitioning to recovering coal ash basin closure costs
6 as part of our depreciation rates to align these costs with the remaining useful
7 lives of the generating facilities they served to support.

8 Also, since the last rate case, the Company continues to make progress on
9 cleaner energy production through its ongoing Integrated Resource Planning
10 ("IRP") process. Since the last rate case, the Company has retired its Gallagher
11 Generating Station and has added a new natural gas combined heat and power
12 ("CHP") project, the Purdue CHP plant, to its fleet. The Company has also
13 entered into a purchase power agreement for almost 200 MWs of solar from the
14 Speedway Solar Project. And, later this year, the Company plans to request a
15 CPCN for a new natural gas combined cycle plant to replace one of its retiring
16 coal-fired Cayuga Generating Station units, and potentially for additional CPCNs
17 for new solar projects.

18 In the transition to cleaner generating options, the Company's coal plants
19 are set to retire over the next decade or so. In the last rate case, the Company
20 shortened the depreciable lives of several of its coal-fired generating plants in a
21 reasonable and thoughtful way to transition to cleaner energy, without risking
22 potentially extreme customer cost increases that could come with future

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1 environmental regulation. The updated IRP analyses we have undertaken since
2 pending EPA rules, such as the proposed changes to Clean Air Act Section 111 to
3 regulate carbon dioxide emissions from existing coal-fired generation plants, were
4 announced, demonstrates a need to further reduce the depreciable lives of our
5 Gibson Generating Station units. But that IRP is in the process of being updated
6 in 2024 and could result in different proposed retirement dates. Given that
7 uncertainty, in order to mitigate the impact of this request on ultimate customer
8 rates, Duke Energy Indiana has decided not to propose shorter depreciable lives
9 for the Gibson Generating Station units one through four in this proceeding.
10 However, we still need assurance of reasonable recovery of the costs of these
11 generating units that have served customers so well over the past almost 50 years.
12 As such, we will propose to keep the depreciable lives the same as the last case,
13 but request Commission approval to establish deferred accounting for the
14 remaining costs associated with such plants at the time of their eventual
15 retirement, as explained in more detail in the testimony of Company witness
16 Ms. Lilly. We believe this proposal provides an appropriate balance of the Five
17 Pillars by allowing for a moderate transition to cleaner energy options, while also
18 mitigating the rate impact associated with that transition.

19 **V. FOCUS ON FINANCIALLY VULNERABLE CUSTOMERS AND**
20 **AFFORDABILITY**

21 **Q. HOW DOES DUKE ENERGY INDIANA CARE FOR ITS FINANCIALLY**
22 **VULNERABLE POPULATION OF CUSTOMERS?**

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1 A. Duke Energy Indiana has a long history of Company, customer, and employee
2 support for low income customers, some of which I describe herein, and as further
3 detailed in the direct testimony of Company witness Mr. Colley.

4 In the last rate case, the Company committed to participating in a low
5 income collaborative in which the Company would discuss and consider ways to
6 provide assistance to low income customers. Coming out of that collaborative, the
7 Company sought and received Commission approval to implement three new
8 programs targeted to aid qualifying customers:

9 1) The Company reduced security deposits for energy assistance program
10 (“EAP”) recipient customers to \$50 to provide financial relief and extra funds for
11 energy bills or expenses, resulting in \$900,000 in relief for over 5,000 customers
12 in the first program year;

13 2) The Company also automatically enrolled customers with arrears over
14 \$50 in extended six-month payment plans, totaling \$12 million in arrearages for
15 11,800 customers in 2023; and

16 3) Customers can now round up their electric bill payment to support the
17 Share the Light Fund, with nearly 400 customers participating in 2023.

18 Additionally, the Company offers the Neighborhood Energy Saver
19 Program (“NES”), an energy efficiency initiative for lower income customers. In
20 2022, we expanded the NES program to offer deeper energy savings measures for
21 eligible homes (those that use >10 kwh/sq. ft). These measures include attic
22 insulation, air sealing, duct sealing, and smart thermostats. At year end, the

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1 program had installed energy efficient upgrades in 667 homes in 2022 and 1,292
2 homes in 2023. We are kicking off our latest effort on April 23, 2024, in Madison,
3 Indiana, where 1,300 Duke Energy Indiana customers will receive a home energy
4 makeover.

5 The Company also partners with Indiana Housing and Community
6 Development Authority (“IHCDA”) to aid in its Weatherization Assistance
7 Program (“WAP”). WAP aims to help qualifying customers save energy and
8 decrease expenses through the implementation of energy-saving measures in their
9 homes. Duke Energy Indiana contributed \$200,000 in 2022, and an additional
10 \$100,000 in 2023 to support the IHCDA’s “Healthy Homes Production Grant,”
11 which secured \$2 million in additional funding to help Indiana homes stay safe
12 and warm. The funding from Duke Energy Indiana went towards implementing
13 health and safety measures in homes served by Duke Energy Indiana that are
14 being weatherized under WAP. Duke Energy Indiana remains dedicated to
15 collaborating with IHCDA to assist customers in its service areas and added an
16 extra \$100,000 towards health and safety measures in 2024.

17 Further, the Company’s Share the Light Fund aids customers in need of
18 assistance with their energy bills. Over the last five years, more than \$3.1 million
19 has been distributed to customers. Duke Energy shareholders have contributed an
20 average of \$500,000 annually, with an additional one-time donation of \$100,000
21 from the Duke Energy Foundation in 2023. The Share the Light Fund collaborates
22 with agencies and funds can be combined with other sources of assistance from

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1 federal, state, and local governments. In recent years, the Company has dedicated
2 a portion of these funds for customer summer rate relief, which is a gap in current
3 federal and state funding, which typically runs from October through May.

4 And to improve efficiency and effectiveness in applying pledges to
5 customer accounts, we established the Centralized Agency Team as a single
6 contact point for utility assistance agencies. A digital self-service portal was
7 created for agencies to securely access customer account information, process
8 commitments, and make payments. This allows agencies to easily track pledge
9 history and receive notifications for pledge deadlines, leading to better pledge
10 decisions. The success of the Centralized Agency Team is demonstrated by the
11 significant increase in EAP funding, surpassing \$15.5 million in 2023 and over
12 \$12 million by March 26, 2024.

13 Furthermore, the Company is introducing a new support program called
14 Payment Navigator within its contact center. This program aims to provide
15 tailored assistance to customers struggling to pay their electric utility bills.
16 Eligible customers are invited to speak with specialized agents who review the
17 customers' accounts, empathetically listen to their situations, and provide
18 personalized recommendations to help them become current on payments.
19 Recommendations may include connecting customers to assistance funding,
20 energy efficiency programs, or enrolling them in budget billing. Payment
21 Navigator is set to be rolled out in 2025.

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1 Q. WHAT OTHER OUTREACH HAS THE COMPANY DONE RELATED
2 TO FINANCIALLY VULNERABLE CUSTOMERS?

3 A. Several years ago, Duke Energy Indiana began special outreach to customers to
4 inform them of the opportunity to apply for bill payment assistance. We have used
5 digital text, email, and phone calls to provide resources to potentially eligible
6 customers. Over 30,000 Indiana customers have been assisted since starting text
7 and email campaigns in 2023.

8 Additionally, beginning in 2023 and continuing throughout 2024, Duke
9 Energy Indiana is partnering with social service agencies in over 39 Indiana
10 communities to provide assistance to financially vulnerable customers, including
11 foundation grants, food drives, and social service fairs. At these events, Duke
12 Energy customer service representatives are available to assist customers to sign
13 up for federal and state utility bill assistance, including EAP programs and to
14 provide them information on our energy efficiency programs that will help reduce
15 their energy burden going forward. To date, we have served over 4,000 customers
16 at these events.

17 Q. HOW HAS DUKE ENERGY INDIANA CONSIDERED THE PILLAR OF
18 AFFORDABILITY IN ITS APPROACH TO ITS PROPOSED COST OF
19 EQUITY?

20 A. Company witness Mr. McKenzie, based on the results of his analysis,
21 recommends a cost of equity range of 10.3% to 11.3%, concluding that the 10.8%
22 midpoint of the range represents a just and reasonable return on equity that is

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1 adequate to compensate the Company's investors while maintaining the
2 Company's financial integrity and ability to attract capital on reasonable terms.
3 However, as mentioned above, for rate mitigation purposes and to assist in
4 establishing rates that are affordable and competitive across all customer classes,
5 in lieu of the 10.8% midpoint as recommended by Company witness
6 Mr. McKenzie, the Company is proposing a return on equity of 10.5% in this
7 Cause.

8 **VI. DUKE ENERGY INDIANA'S PURSUIT OF FEDERAL FUNDS**

9 **Q. ARE YOU FAMILIAR WITH THE COMMISSION'S GENERAL**
10 **ADMINISTRATIVE ORDER ON FEDERAL FUNDING, GAO 2022-02?**

11 A. Yes, I have reviewed the GAO. Generally, it requests utilities to provide
12 information on what grant funding opportunities it has reviewed, applied for, and
13 the results thereof. Duke Energy Indiana recognizes the potential benefits to
14 customers that may be provided through these recently enacted grant programs.
15 As such, the Company stood up a team to review the potential grant funding
16 opportunities available, and I will provide an update on the Duke Energy Indiana
17 funding efforts.

18 **Q. PLEASE GENERALLY DESCRIBE THE BIPARTISAN**
19 **INFRASTRUCTURE LAW, REFERRED TO AS THE**
20 **INFRASTRUCTURE INVESTMENT AND JOBS ACT ("IIJA").**

21 A. In general, the IIJA provides approximately \$973 billion over five years from
22 fiscal year ("FY") 2022 through FY 2026, including \$550 billion in new

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1 investments for all modes of transportation, water, power and energy,
2 environmental remediation, public lands, broadband, and grid resilience. This
3 includes more than \$65 billion for clean power infrastructure, including
4 investment in the grid and to support cutting-edge clean energy technologies, as
5 well as \$7.5 billion to build out a national network for electric vehicle chargers
6 and more than \$10 billion for electric and alternative fuel transit and school buses.

7 **Q. HOW HAS DUKE ENERGY INDIANA DETERMINED WHICH GRANTS**
8 **TO PRIORITIZE IN ITS PURSUIT OF FUNDS UNDER THE IIJA?**

9 A. Using a prioritization framework, Duke Energy Indiana has considered each
10 grant's alignment with the Company's business focus, executability, and ability to
11 provide the greatest benefits to customers and the resources and costs that would
12 be required to pursue funds under the IIJA and to actively participate in each stage
13 of the application process. Each application requires significant due diligence and
14 resources, and the Company has engaged third-party expert grant writers to ensure
15 the highest quality and most competitive applications. Additionally, the grant
16 applications generally require shovel ready projects or projects expected to be
17 completed within about five years.

18 **Q. TO DATE, WHICH GRANT OPPORTUNITIES HAS DUKE ENERGY**
19 **INDIANA PARTICIPATED IN?**

20 A. Over approximately the last year, Duke Energy Indiana has, individually or in
21 concert with other utilities, submitted six concept papers, three full applications,
22 and is in the process of working on three more full applications, all under the U.S.

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1 Department of Energy's ("DOE") Grid Resilience and Innovation Partnership
2 ("GRIP") program. These IJA funding dollars are primarily focused on
3 infrastructure investments to enhance grid flexibility and improve resilience of the
4 power system against growing threats of extreme weather and climate change.
5 Duke Energy Indiana's applications have included investments in its distribution
6 system, including self-optimizing grid investments, targeted undergrounding, and
7 microgrid battery storage systems, and investments in its transmission system
8 including steel poles, substation optimization, and line upgrades. DOE's GRIP
9 Program is highly competitive, and therefore receipt of IJA funds under this
10 program is not guaranteed. For example, in the first round of GRIP funding for
11 Topic Area 1, which Duke Energy Indiana applied for last year, 289 entities
12 submitted concept papers, DOE encouraged 144 of those entities to apply, and
13 awarded just 16 awards. To date, despite being encouraged to apply for the
14 awards after submittal of concept papers, Duke Energy Indiana has not been
15 selected to negotiate an award for the GRIP applications. The Company has taken
16 the lessons learned from DOE feedback and has refined its proposed applications
17 to provide additional focus on the community engagement and benefits our
18 projects will provide.

19 In addition to the GRIP funding, Duke Energy Indiana has coordinated
20 with and provided advice to the Indiana Office of Energy Development, IHCDA,
21 IDEM, and Indiana Department of Transportation on various funding
22 opportunities and grants they have received related to energy efficiency

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1 investments, electric vehicle charging infrastructure, and clean energy
2 investments.

3 Finally, Duke Energy Indiana was selected to negotiate with the DOE's
4 Office of Clean Energy Demonstration for a carbon capture and storage Front-
5 End Engineering Design ("FEED") study grant. Duke Energy Indiana is in the
6 initial phase of this grant, with the FEED study expected to begin later this year,
7 which will be funded in part by the DOE, as discussed more in the testimony of
8 Company witness Mr. Hoeflich.

9 **VII. ECONOMIC DEVELOPMENT**

10 **Q. PLEASE DESCRIBE DUKE ENERGY INDIANA'S COMMITMENT TO**
11 **ECONOMIC DEVELOPMENT IN ITS SERVICE TERRITORY AND IN**
12 **THE STATE OF INDIANA.**

13 A. As the largest electric supplier in the state, Duke Energy Indiana is committed to
14 engaging with our communities to attract jobs and capital investment. The
15 Company's economic development team serves as the liaison to the local, state,
16 and regional economic development leaders, serving on more than 30 boards, and
17 assisting businesses looking to locate in Duke Energy Indiana's service territory.

18 The Company's strategy includes advising, supporting, and investing in its
19 communities, as well as local, regional, and state economic development boards
20 and their initiatives. Duke Energy Indiana is also focused on developing strong
21 relationships with site selection consultants via annual economic development
22 conferences and our Indiana Power Partnership Site Consultant Events across the

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1 country. Finally, the Company continuously promotes Duke Energy Indiana-
2 served sites to national and global prospects to bring growth to its communities.

3 Duke Energy Indiana's economic development team has also launched
4 programs to support the Company's strategy, including Site Readiness, which
5 involves working in partnership with nationally recognized site consultants. The
6 Company provides funding and expertise to help communities assess, improve,
7 and increase awareness of industrial sites in Duke Energy Indiana's service
8 territory. The program's goal is to help further develop prime sites to increase
9 their marketability. Since the beginning of Site Readiness in 2013, Duke Energy
10 Indiana has invested more than \$1,300,000 into our program portfolio of 45 sites.

11 In addition, Company representatives participate as speakers and the
12 Company sponsors the Ball State Economic Development Basic Course, which is
13 accredited by the International Economic Development Council. Since 2008, the
14 Company has contributed \$10,000 annually to provide ten scholarships to
15 community leaders seeking a comprehensive educational experience in the theory
16 and practice of holistic approaches to building and sustaining vibrant
17 communities. In 2016, a new program, the Advanced Economic Development
18 Leadership executive education course, was introduced providing experienced
19 economic developers the opportunity to earn a Master Economic Development
20 Practitioner ("MEDP") certificate.

21 In 2017, the Company introduced the Marketing Partnership Program,
22 which provides funding to local and regional economic development

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1 organizations to support strategic marketing initiatives. Through this program, the
2 Company has funded more than \$700,000 of marketing investment efforts in our
3 communities.

4 When the Company's site attraction strategy and programs produce
5 results, the Duke Energy Indiana economic development team is present to
6 provide expertise and guidance that can be critical for businesses looking to locate
7 or expand in Indiana. That work entails electrical infrastructure strategies, electric
8 rates and incentives, and additional cost-reducing programs, such as energy
9 efficiency, design assistance, outdoor lighting, and electrification opportunities.

10 **Q. HOW HAS DUKE ENERGY INDIANA'S ECONOMIC DEVELOPMENT**
11 **TEAM PERFORMED?**

12 A. I am proud to report that in 2023, the Duke Energy Indiana economic
13 development team's cooperative efforts with state, regional, and local economic
14 development partners resulted in the creation of more than 4,500 jobs and over
15 \$6.4 billion in capital investment. Since 2008, the team's wins contributed to
16 more than 49,848 new jobs and \$22 billion in capital investment.

17 And finally, in 2023, for the 19th consecutive year, Duke Energy was
18 recognized by Site Selection Magazine as a Top 10 Electric Utility Economic
19 Development Program and is the only utility company to achieve this distinction.

20 **Q. PLEASE DESCRIBE DUKE ENERGY INDIANA RATEMAKING**
21 **EFFORTS TO ENCOURAGE ECONOMIC DEVELOPMENT.**

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1 A. Duke Energy Indiana provides economic development incentives in the form of
2 Standard Contract Rider No. 58 (“ED Rider”). The ED Rider is available to new
3 load of at least 500 kW demand at one premise; the customer must have applied
4 for and received economic assistance from the State, local government, or other
5 public agency; and the customer must employ an additional workforce in the
6 Company’s service area of a minimum of ten full-time equivalent employees, or,
7 the customer’s new load must result in capital investment of one million dollars.
8 If qualified, a customer is eligible for a reduction in the monthly bill for the
9 qualifying new load up to 30% for five years. The reduction can be extended for
10 ten years with a minimum new load of 20 MW. The percentage discount will be
11 determined based on a number of criteria outlined in the ED Rider. In addition to
12 the economic development options, Duke Energy Indiana is aware that existing
13 customers can provide value to the Duke Energy Indiana system in exchange for
14 certain credits, discounts, or alternative pricing options. As such, the Company
15 has engaged in negotiations and entered into special contracts with certain of our
16 larger industrial customers.

VIII. CUSTOMER RATE CASE NOTICES AND FIELD HEARINGS

18 **Q. DID DUKE ENERGY INDIANA PROVIDE NOTICE TO THE**
19 **COMMISSION OF ITS INTENT TO FILE THIS RATE CASE AT LEAST**
20 **30 DAYS PRIOR TO THE FILING?**

21 A. Yes, such notice is attached to my testimony as Attachment 1-B (SCP).

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1 Q. HOW WILL DUKE ENERGY INDIANA PROVIDE NOTICE TO ITS
2 CUSTOMERS OF THIS FILING?

3 A. Duke Energy Indiana will publish in newspapers in each county it serves a notice
4 of the filing and will be providing a bill insert notice to all customers starting in
5 mid-April 2024. Once these publications and mailings have been completed,
6 copies will be filed with the Commission as Attachment 1-C (SCP). Additionally,
7 Duke Energy Indiana will provide a website with basic rate case information for
8 its customers, which can be accessed at the following link: [duke-energy.com/IN-](https://duke-energy.com/IN-Rates)
9 [Rates](https://duke-energy.com/IN-Rates).

10 Q. DOES DUKE ENERGY INDIANA HAVE A RECOMMENDATION AS TO
11 CUSTOMER FIELD HEARINGS TO BE HELD IN THIS PROCEEDING?

12 A. Yes, it is my understanding that Ind. Code § 8-1-2-61 requires a field hearing in
13 the largest municipality served by the utility. In Duke Energy Indiana's case, the
14 largest municipality is currently Fishers, Indiana.

15 IX. CONCLUSION

16 Q. DO YOU BELIEVE DUKE ENERGY INDIANA'S REQUESTED RATE
17 RELIEF IN THIS PROCEEDING IS REASONABLE?

18 A. I do. I am keenly aware that no cost increase will be welcomed by our customers,
19 but I am also aware that, as a Company, we need to maintain reliable service,
20 continue to work towards a cleaner energy future, and focus on customers'
21 growing needs and expectations through customer offerings. The Company
22 believes the rate proposals in this proceeding provide a balanced approach to

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1 direct the Company where it needs to go, and where the customers are expecting
2 it to go, in a reasonable timeframe and in a cost effective way. We look forward to
3 engaging with customers and stakeholders on the requests herein.

4 **Q. WERE ATTACHMENTS 1-A (SCP), 1-B (SCP), AND 1-C (SCP)**
5 **PREPARED BY YOU OR UNDER YOUR DIRECTION?**

6 A. Yes, they were.

7 **Q. DOES THIS CONCLUDE YOUR PREFILED DIRECT TESTIMONY?**

8 A. Yes, it does.

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  _____
Stan Pinegar

Dated: April 4, 2024

FILED
April 4, 2024
INDIANA UTILITY
REGULATORY COMMISSION

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 MULTI-STEP RATE IMPLEMENTATION)
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)
REVISED ELECTRIC DEPRECIATION RATES)
APPLICABLE TO ITS ELECTRIC PLANT IN SERVICE,)
AND APPROVAL OF REGULATORY ASSET)
TREATMENT UPON RETIREMENT OF THE)
COMPANY’S LAST COAL-FIRED STEAM GENERATION)
PLANT; (4) APPROVAL OF AN ADJUSTMENT TO THE)
COMPANY’S FAC RIDER TO TRACK COAL)
INVENTORY BALANCES; AND (5) APPROVAL OF)
NECESSARY AND APPROPRIATE ACCOUNTING)
RELIEF, INCLUDING AUTHORITY TO: (A) DEFER TO A)
REGULATORY ASSET EXPENSES ASSOCIATED WITH)
THE EDWARDSPORT CARBON CAPTURE AND)
SEQUESTRATION STUDY, (B) DEFER TO A)
REGULATORY ASSET COSTS INCURRED TO ACHIEVE)
ORGANIZATIONAL SAVINGS, AND (C) DEFER TO A)
REGULATORY ASSET OR LIABILITY, AS APPLICABLE,)
ALL CALCULATED INCOME TAX DIFFERENCES)
RESULTING FROM FUTURE CHANGES IN INCOME)
TAX RATES.)

CAUSE NO. 46038

**PETITION FOR GENERAL RATES AND CHARGES INCREASE AND
ASSOCIATED RELIEF UNDER IND. CODE § 8-1-2-42.7 AND NOTICE OF
PROVISION OF INFORMATION IN ACCORDANCE WITH THE
MINIMUM STANDARD FILING REQUIREMENTS**

Duke Energy Indiana, LLC (“Duke Energy Indiana,” “Petitioner” or “Company”) respectfully petitions the Indiana Utility Regulatory Commission (“Commission”) for authority to increase its retail rates and charges for electric service rendered by Duke Energy Indiana in the

State of Indiana through a multi-step rate implementation using a forecasted test period; and for approval of related relief including: approval of revised depreciation rates and Petitioner's proposal for regulatory asset treatment upon retirement of the Company's last coal-fired steam generation plant; an adjustment to Duke Energy Indiana's fuel adjustment clause ("FAC") rider to track coal inventory balances in the Company's quarterly FAC filings; approval of necessary and appropriate accounting relief, including authority to: (1) defer to a regulatory asset expenses associated with an upcoming carbon capture and sequestration study to be conducted for the Edwardsport Generating Station ("Edwardsport"); (2) defer to a regulatory asset costs incurred by the Company to achieve organizational savings; and (3) defer to a regulatory asset or liability, as applicable, all calculated income tax differences resulting from future changes in income tax rates; and approval of new schedules of rates, charges, rules, and regulations. This filing is made pursuant to Ind. Code § 8-1-2-42.7 ("Section 42.7").

At every step of generating, transmitting, and distributing energy, Duke Energy Indiana has a relentless commitment to performing tasks safely, reliably, and efficiently. This commitment and the investments included in this Cause have resulted in the strong reliability, safety, and customer satisfaction successes set forth in the Company's case-in-chief. The requested relief is necessary to recover for and continue to make investments that increase reliability, resiliency, and stability of the Duke Energy Indiana system while transitioning the Company's generation fleet to increase environmental sustainability in a reasonable manner that takes customer affordability into consideration.

In accordance with the Commission's General Administrative Order ("GAO") 2013-05 (Rate Case Standard Procedural Schedule and Recommended Best Practices for Rate Cases Submitted under Ind. Code § 8-1-2-42.7), Duke Energy Indiana hereby provides its Notice of

Intent to File Information required under the Minimum Standard Filing Requirements (“MSFRs”), 170 IAC 1-5, as applicable, to provide support for this Petition.

In support of this Petition, Duke Energy Indiana represents the following:

1. Petitioner’s Corporate Status.

Duke Energy Indiana is an Indiana limited liability corporation with its principal office in the Town of Plainfield, Hendricks County, Indiana. Its address is 1000 East Main Street, Plainfield, Indiana 46168. It has the corporate power and authority to engage, and it is engaged, in the business of supplying electric utility service to the public in the State of Indiana. Accordingly, Petitioner is a “public utility” within the meaning of that term as used in the Indiana Public Service Commission Act, as amended, Ind. Code § 8-1-2-1, and is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana, including Ind. Code § 8-1-2-1 *et seq.* Petitioner is a wholly-owned subsidiary of Duke Energy Indiana Holdco, LLC.

2. Petitioner’s Operations and Service Territory.

Petitioner is engaged in the business of rendering retail electric service solely within the State of Indiana under duly acquired indeterminate permits, franchises, and necessity certificates. Duke Energy Indiana owns, operates, manages, and controls, among other things, plant, property, equipment, and facilities (collectively, the “Utility Properties”) that are used and useful for the production, storage, transmission, distribution, and furnishing of electric service to its customers.

Petitioner directly supplies electric energy throughout its approximately 22,000-square mile service area to approximately 900,000 customers located in 69 counties in the central, north central, and southern parts of the State of Indiana, and supplies steam service to one customer from its Cayuga Generating Station and to Purdue University via a combined heat and power facility. Petitioner also sells electric energy for resale to other public utilities that in turn supply electric utility service to numerous customers in areas not served directly by Petitioner.

Duke Energy Indiana's electric generating Utility Properties currently consist of: (1) two syngas/natural gas-fired combustion turbines ("CT") and one steam turbine; (2) five solar-powered facilities, two of which have on-site energy storage systems; (3) steam capacity located at two stations comprised of seven coal-fired generating units; (4) combined cycle capacity located at one station comprised of three natural gas-fired CTs and two steam turbine-generators; (5) one CT in a combined heat and power ("CHP") configuration located at Purdue University; (6) a run-of-river hydroelectric generation facility comprised of three units; (7) peaking capacity consisting of four oil-fired diesels and twenty-four natural gas-fired CTs, one of which is configured with dual natural gas and fuel oil capability; and (8) one distribution-tied energy storage system located at the Nabb substation. Petitioner's generating fleet also includes numerous environmental compliance facilities, including Flue Gas Desulfurization technology (*i.e.*, "scrubbers"), Selective Catalytic Reduction technology, low-Nitrogen Oxide burners, baghouses, monitors, *etc.*, added to meet various federal and state environmental requirements.

The transmission Utility Properties currently consist of over 5,000 circuit miles of 345 kV, 230 kV, 138 kV, and 69 kV transmission lines, along with approximately 500 transmission and distribution substations and associated equipment. Petitioner jointly owns its transmission system with Wabash Valley Power Association, Inc. ("WVPA") and the Indiana Municipal Power Agency ("IMPA").

Pursuant to the Commission's Order in Cause No. 42027 (December 27, 2001), Duke Energy Indiana's transmission system is under the functional control of Midcontinent Independent System Operator, Inc. ("MISO"), a Federal Energy Regulatory Commission ("FERC")-approved regional transmission organization ("RTO"), and is used for the provision of open access non-discriminatory transmission service pursuant to MISO's Open Access Transmission Tariff on file

with the FERC. As a member of MISO, charges and credits are billed to Duke Energy and allocated to Duke Energy Indiana for functional operation of the transmission system, management of the MISO markets including the assurance of a reliable system, and general administration of the RTO.

Duke Energy Indiana's electric distribution Utility Properties currently consist of over 31,800 circuit miles of distribution lines, as well as control rooms, transformers, circuit breakers, poles, substations, and other associated distribution equipment.

Duke Energy Indiana's electric system Utility Properties, together with its offices, call centers, and associated equipment, are used and useful in providing safe and reliable electric utility service to its customers.

Duke Energy Indiana's property is classified in accordance with the Uniform System of Accounts as prescribed by the FERC and adopted by this Commission.

3. Petitioner's "Public Utility" Status.

Duke Energy Indiana is a "public utility" under Ind. Code § 8-1-2-1 and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Public Service Commission Act, as amended, and other pertinent laws of the State of Indiana.

4. Petitioner's Operating Results Under Existing Rates.

Duke Energy Indiana's existing retail rates in Indiana were established pursuant to the Commission's Order in Cause No. 45253, dated June 29, 2020. Those basic rates and charges remain in effect today, as modified by the Commission's Order on Remand in Cause No. 45253, dated April 12, 2023, and various riders approved by the Commission from time to time, as well as the reduction in rates produced by Indiana's repeal of the Utility Receipts Tax. These riders adjust Duke Energy Indiana's rates for service to timely recover changes in certain costs associated with the provision of service. The petition in Cause No. 45253 was filed on July 2, 2019, and so

more than 15 months have passed since the filing date of Petitioner's last request for a general increase in its basic rates and charges.

Since its basic rates and charges for utility service were last established in Cause No. 45253, Petitioner has continued and will continue to make significant capital expenditures for additions, replacements, and improvements to its Utility Properties. Also, the fair value of Petitioner's Utility Properties has materially increased. At the same time, some expenses and other costs have also increased. As a result, Petitioner's return on its Utility Properties currently is, and without increase will continue to be, below the level required to permit Petitioner to earn a fair return on the fair value of its Utility Properties; to provide revenues which will enable it to continue to attract capital required for additions, replacements, and improvements to its Utility Properties at a reasonable cost; to maintain and support Petitioner's credit; to assure confidence in Petitioner's financial soundness; and to earn a return on the value of its Utility Properties equal to that available on other investments of comparable risk. As a consequence, Petitioner's existing rates and charges now are and will continue to be insufficient to provide revenues adequate to cover its necessary and reasonable operating expenses and provide the opportunity to earn the fair return Petitioner must be provided the opportunity to earn by law. The existing rates of Petitioner, therefore, are unjust, unreasonable, insufficient, and confiscatory and should be increased.

5. Petitioner's Requested Relief.

Petitioner requests that new rates and charges be authorized to enable Petitioner to realize a proper and adequate utility operating income, maintain and support its credit, adequately service its outstanding securities, assure confidence in its financial soundness, allow Petitioner to earn a return equal to that available on other investments of comparable risk, and raise on fair and

reasonable terms such amounts of additional capital that will be required to enable Petitioner to render safe, adequate, and continuous electric service to the public.

As discussed in the Company's case-in-chief, Duke Energy Indiana requests that the Commission approve an overall annual increase in revenues from base rates and charges, including rate adjustment mechanisms, in the total amount of approximately \$491.5 million (inclusive of the Step 1 and 2 increases). The total requested increase is approximately 16.20%. The percentage increase by rate class is set forth in Attachment A. Petitioner proposes to implement the requested revenue increase in two steps. Based upon projected net original cost rate base and capital structure, Step 1 would increase revenue by approximately \$355.4 million, representing an approximate 12% increase; Step 2 would reflect a revenue increase of approximately \$136.1 million, representing an approximate 4% incremental increase. The estimated bill impact after Step 2 for an average residential customer is set forth in the testimony of Company witness Ms. Christa Graft. This two-step rate increase will ensure that only plant that is in-service and used and useful will be reflected in Petitioner's retail electric rates. The first step would take effect as soon as possible after the issuance of an Order in this Cause. Rate base for the first step will be projected as of the end of the test year except that it will include actual net plant in service as of June 30, 2024. The first step will also reflect actual capital structure as of June 30, 2024. This date is at least sixty (60) days before the anticipated commencement of the evidentiary hearings in this Cause and is prior to the beginning of the forward-looking test year, which is the 12 months ended December 31, 2025. The second step would take effect as soon as possible following the end of the test year.

In addition, Duke Energy Indiana is seeking approval of new depreciation accrual rates as described by Company witness Mr. John Spanos, as well as regulatory asset treatment upon the retirement of Duke Energy Indiana's last coal-fired steam generation plant as discussed by

Company witness Ms. Kathryn Lilly. The Company is also proposing one substantive change to its FAC rider to address the recent volatility the Company has experienced in coal inventory levels as discussed in Company witness Mr. John Verderame's testimony. Further, the Company is seeking authority to defer expenses associated with an upcoming carbon capture and sequestration study to be conducted for the Edwardsport Generating Station, as described in the testimonies of Company witnesses Mr. Peter Hoeflich and Ms. Lilly. The Company is also seeking authority to defer to a regulatory asset costs incurred by the Company to achieve organizational savings, as described in the testimony of Ms. Graft. Finally, the Company is seeking authority to defer to a regulatory asset or liability, as applicable, all calculated income tax differences resulting from future changes in income tax rates, as discussed by Ms. Graft.

6. Drivers of the Relief Being Sought and the Five Pillars.

It has been almost five years since the Company last filed for a general rate increase. The test year in the Company's last general rate case was a fully forecasted calendar year 2020. Thus, the case establishing Petitioner's current rates and charges was filed and the record was closed before the COVID-19 pandemic.

The economic climate in which Duke Energy Indiana operates has changed significantly since the Company's last rate case. Since that time, the U.S. economy has experienced periods of dramatic inflation, the cost of capital has increased, and the Company has made significant capital investments in its electric system. The lapse in time since Petitioner's last base rate case, the changing market conditions since that time, and the Company's focus on the "Five Pillars" are what is driving Petitioner's requested relief in this Cause.

In 2023, the Indiana General Assembly adopted Ind. Code § 8-1-2-0.6, which sets forth five attributes, known as the "Five Pillars," which must be considered as part of the decisions

around electric generation resource mix, energy infrastructure, and electric ratemaking. The Five Pillars are: reliability, resiliency, stability, environmental sustainability, and affordability. As described in more detail in Company witness Mr. Stan Pinegar's testimony and in Petitioner's case-in-chief, these Five Pillars are central to Petitioner's case and are driving Petitioner's requested relief in this Cause.

With respect to reliability, resiliency, and stability, these three pillars are at the core of what an electric utility is expected to do – to render adequate and reliable service and facilities to the public and its customers. As discussed in the testimonies of Company witnesses Mr. Timothy Abbott, Mr. Harley McCorkle, and Mr. William Luke, the Company has made, and will continue to make, significant investments in transmission, distribution, and generation assets to ensure and support the electric system's reliability, resiliency, and stability. Further, as discussed in detail in Mr. Abbott's testimony, the Company is also proposing to make significant physical security investments in this Cause in order to better protect its substations and critical assets against a physical attack and to further support these pillars. As a result of these investments and as described in Petitioner's case-in-chief, net original cost rate base is projected to grow from the end of the test year level in the last case by almost \$2.3 billion, \$1.6 billion of which would not be reflected in rates without this case.

With respect to environmental sustainability, the Company is continuing its progress to a clean energy future. As discussed in the Company's case-in-chief, coal-fired steam generation has been retired and will continue to be retired. In addition to the generation transition, however, coal combustion residuals are a significant issue in this case. If environmental sustainability is to be the pillar that the General Assembly has directed under Ind. Code § 8-1-2-0.6, then recovery of prudently incurred costs to sustain the environment must be provided. As part of the relief being

requested in this Cause, Duke Energy Indiana has developed a reasonable and thoughtful approach to recover prudently incurred costs associated with coal ash closure and management, as well as to recover closure and management costs that will be incurred in the future. The Company's proposal is discussed in detail in the testimonies of Company witnesses Mr. Sean Riley, Mr. Timothy Hill, and Ms. Kathryn Lilly.

With respect to the pillar of affordability, Petitioner has actively worked to maintain costs since its last base rate case. This is evidenced by the fact that despite the significant impact of inflation on the cost to produce and deliver power, the Company has been able to keep its day-to-day operating costs flat since 2020. Further, the Company has specifically designed its proposals and taken multiple measures in this Cause to address affordability. These measures are outlined in Mr. Pinegar's testimony and discussed in detail in Petitioner's case-in-chief testimony. As described in Mr. Pinegar's testimony, these specific affordability measures are reflected in the Company's proposed depreciation accrual rates, its proposal for recovery of coal ash closure and management costs, its proposal for mitigating increased customer charges, the methodology the Company used in its cost of service study, and the return on equity the Company is proposing in this Cause, to name a few.

Overall, as is evidenced by Petitioner's proposals in this Cause and the evidence filed with its case-in-chief, Duke Energy Indiana has structured its requested relief in this Cause to support the first four of the Five Pillars – reliability, resiliency, stability, and environmental sustainability – while at the same time balancing and designing the Company's overall request with a view to the fifth pillar of affordability.

7. Statutory and Regulatory Authority for Requested Relief.

This Petition is filed pursuant to Ind. Code §§ 8-1-2-42.7 and 8-1-2-61. Other provisions of the Public Service Commission Act, as amended, Ind. Code § 8-1-2-1, *et seq.*, that may be

applicable to the subject matter of this proceeding, include, but are not limited to: Ind. Code §§ 8-1-2-4, 6, 6.7, 6.8, 10, 12, 14, 19, 20, 21, 23, 24, 25, 29, 42, 61, 68 and 71, Ind. Code chs. 8-1-8.4, 8-1-8.5, 8-1-8.7, 8-1-8.8, and 8-1-39. Certain of the Commission's administrative rules are or may be applicable to the subject matter of this proceeding, as well, including but not limited to: 170 IAC 4-1-15(f).

8. Commission GAO 2013-5.

In accordance with the guidance provided by the Commission's GAO 2013-5, Duke Energy Indiana delivered its Notice of Intent to File Rate Case to the Commission on March 5, 2024, 30 days prior to the date of filing this Petition.

Further, Duke Energy Indiana has met with the Indiana Office of Utility Consumer Counselor ("OUCC") and other stakeholders to discuss this filing.

9. Test Year, Rate Base Cutoff Dates.

Pursuant to Section 42.7(d), Duke Energy Indiana is utilizing a forward-looking test period determined on the basis of projected data for the twelve (12) months ending December 31, 2025 ("Test Year").

Duke Energy Indiana proposes that the Commission find Duke Energy Indiana's authorized net operating income by applying the overall weighted average cost of capital to the Test Year end original cost rate base. The Company also proposes the Test Year end original cost rate base be used as the fair value of the Company's utility property for such purposes.

10. Depreciation Rates.

Duke Energy Indiana is proposing new depreciation accrual rates as recommended by Mr. Spanos. With a view to affordability, Petitioner has directed that these rates be calculated on the assumption that the Gibson Generating Units 1 through 4 will be retired approximately three years after they are presently projected to be retired. This proposal is subject to the condition that

Petitioner's proposal for regulatory asset treatment upon the retirement of Petitioner's last coal-fired steam generation plant be approved. The regulatory asset treatment is described in the testimony of Ms. Lilly.

11. Adjustment to Fuel Adjustment Clause Rider.

As described in the testimony of Mr. Verderame, Duke Energy Indiana is proposing an adjustment to its FAC Rider in this Cause to track its coal inventory balance. Specifically, the Company is proposing to build into its base rates a representative balance of coal inventory and then to track the actual inventory balance, both up and down, in the Company's quarterly FAC filings. Duke Energy Indiana believes the proposal to track its coal inventory balance is appropriate and necessary in order to address the recent volatility the Company has experienced in its coal inventory levels as discussed by Mr. Verderame.

12. Deferral of Carbon Capture and Sequestration Study Expenses for Edwardsport.

As discussed in the testimonies of Mr. Hoeflich and Ms. Lilly, Duke Energy Indiana is also seeking authority to defer and subsequently recover costs associated with the Company's 50% share of the study costs to assess the potential for carbon capture and sequestration at the Edwardsport Generating Station. The Company is requesting approval to defer such costs in order to be able to present those costs for inclusion in rates in a future proceeding.

13. Deferral of Costs Incurred to Achieve Organizational Savings.

As discussed in the testimony of Ms. Graft, the Company is also seeking authority to defer and subsequently recover costs of \$6,289,000 it incurred to achieve organizational savings. As described in Ms. Graft's testimony, the Company's 2025 test year operations and maintenance expense was reduced by the annual savings it expects from the corporate

restructuring. The Company is proposing to defer these costs as a regulatory asset and amortize them over a three-year period.

14. Deferral of Calculated Income Tax Differences.

As further discussed in Ms. Graft's testimony, the Company is also requesting authority in this Cause to defer to a regulatory asset or liability, as applicable, all calculated income tax differences resulting from future changes in income tax rates until the effect of the statutory income tax change can be fully reflected in the Company's rates.

15. Submission of Case-in-Chief and Other Supporting Documentation.

Duke Energy Indiana will file its case-in-chief, including the information required by Section 42.7(b), in written form concurrent with this Petition. Additionally, in accordance with GAO 2020-05, Petitioner has included Attachment B, Duke Energy Indiana 2024 Base Rate Case Index of Issues, Requests and Supporting Witnesses, to this Petition. The balance sheet, income statement, revenue requirements, pro forma net operating income at present and proposed rates, and gross revenue conversion factor are set forth in Petitioner's Exhibit 26, at Attachment 26-A, Schedule FS1; Attachment 26-B, Schedule FS2; Attachment 26-C, Schedules OPIN1 and OPIN3; and Attachment 26-C, Schedule RR2, respectively.

Further, MSFRs will be filed concurrently with Petitioner's case-in-chief testimony in this proceeding. As recognized in GAO 2013-5, a future test year does not align with all of the Commission's pre-existing MSFRs. In accordance with the guidance in the GAO 2013-5, Duke Energy Indiana has provided supporting documentation in accordance with the Commission's MSFRs, modified where appropriate to conform with the forward-looking test year authorized by Section 42.7. This information is provided electronically (in Excel format where appropriate) and includes workpapers for the forecast, the revenue requirements, the rate design, the cost of service study, the proposed cost of equity and fair rate of return, the depreciation study and

decommissioning study, and various amortizations of regulatory assets. Duke Energy Indiana's supporting documentation also includes historical data for the 12-month period ended August 31, 2023 (the "Base Period").

16. Confidential Information.

Pursuant to 170 IAC 1-5-15(e)(2), the electronic copy of the cost of service study is to be treated as confidential and protected from disclosure to the public under Ind. Code § 5-14-3-4 and Ind. Code § 8-1-2-29.

Duke Energy Indiana is also filing a motion for protective order to protect certain confidential, proprietary, competitively sensitive, and/or trade secret information related to Duke Energy Indiana's filing from public disclosure. Duke Energy Indiana is in the process of negotiating acceptable confidentiality agreements with potential intervenors to facilitate the production of the confidential information as appropriate.

17. Procedural Matters.

Pursuant to 170 IAC 1-1.1-9(a)(8) and the best practices set forth in the Commission's GAO 2013-05, Duke Energy Indiana has discussed the procedural schedule for this case with the OUCC, the Duke Energy Indiana Industrial Group, the Citizens Action Coalition of Indiana, Inc., and Nucor Steel-Indiana, and the parties have agreed to the following procedural schedule for purposes of this proceeding:

<u>Date</u>	<u>Event</u>
July 11, 2024	OUCC/Intervenors File Cases-in-Chief
August 8, 2024	Petitioner Files Rebuttal Testimony
Starts August 29, 2024	Hearing
October 3, 2024	Petitioner Files Proposed Order

October 24, 2024	OUCC/Intervenors File Proposed Orders
October 31, 2024	Petitioner Files Reply

18. Customer Notification and Field Hearings.

Pursuant to Ind. Code § 8-1-2-61(a), Duke Energy Indiana will publish notice of the filing of this Petition in a newspaper of general circulation published in each Indiana county in which Duke Energy Indiana renders service. Duke Energy Indiana will furnish to residential customers within forty-five (45) days of this Petition, a notice which fairly summarizes the nature and extent of the proposed changes, in accordance with 170 IAC 4-1-18(c). Such notice will be provided via bill insert.

Ind. Code § 8-1-2-61 requires a field hearing in the largest municipality served by the utility. The largest municipality in Petitioner's service territory is currently Fishers, Indiana.

19. Attorneys for Petitioner.

The names and addresses of Duke Energy Indiana's duly authorized representatives, to whom all correspondence and communications concerning this Petition should be sent, are as follows:

Elizabeth A. Heneghan (Atty. No. 24942-49)
 Andrew J. Wells (Atty. No. 29545-49)
 Liane K. Steffes (Atty. No. 31522-41)
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WHEREFORE, Duke Energy Indiana respectfully requests that the Commission make such investigation and hold such hearings as are necessary or advisable in this proceeding, and thereafter make and enter an appropriate order in accordance with the time frame provided in GAO 2013-5 and Section 42.7:

(1) finding that the existing rates for electric service rendered by Duke Energy Indiana in the State of Indiana are insufficient to provide revenues to cover the reasonable and necessary Test Year operating expenses and a fair return and are therefore unjust, unreasonable, insufficient, and confiscatory;

(2) determining and, by order, fixing increased rates and charges to be imposed, observed, and followed commencing as soon as practicable in lieu of those so found to be unjust, unreasonable, insufficient, and confiscatory and authorizing and approving the filing of new schedules of rates and charges applicable to its electric utility service through a multi-step rate implementation that will provide just, reasonable, sufficient, and non-confiscatory rates;

(3) authorizing and approving the filing by Petitioner of new schedules of increased rates and charges applicable to the electric utility service rendered by Petitioner so as to provide just, reasonable, sufficient, and non-confiscatory rates;

(4) authorizing Duke Energy Indiana to revise and place into effect new depreciation rates and approving the Company's proposal for regulatory accounting treatment upon the retirement of the Company's last coal-fired steam generation plant as described in this Petition and in Petitioner's case-in-chief;

(5) authorizing Duke Energy Indiana to adjust its FAC rider to track coal inventory balances in the Company's quarterly FAC filings as described in Petitioner's case-in-chief;

(6) authorizing Duke Energy Indiana to defer to a regulatory asset expenses associated with its carbon capture and sequestration study to be conducted for the Edwardsport Generating Station;

(7) authorizing Duke Energy Indiana to defer to a regulatory asset costs incurred by the Company to achieve organizational savings;

(8) authorizing Duke Energy Indiana to defer to a regulatory asset or liability, as applicable, all calculated income tax differences resulting from future changes in income tax rates;

(9) granting accounting authority necessary to implement the relief authorized in a Final Order in this Cause, including the accounting authority described in this Petition and in Petitioner's case-in-chief;

(10) approving the other requests set forth in this Petition and in Duke Energy Indiana's case-in-chief; and

(11) granting such other and further relief to Duke Energy Indiana as may be appropriate and proper.

Dated this 4th day of April, 2024.

Respectfully submitted,

DUKE ENERGY INDIANA, LLC

By: 
Counsel for Duke Energy Indiana, LLC

Elizabeth A. Heneghan, Atty. No. 24942-49

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CERTIFICATE OF SERVICE


The undersigned hereby certifies that a copy of the foregoing was electronically delivered this 4th day of April, 2024 to the following:

Indiana Office of Utility Consumer Counselor
PNC Center
115 W. Washington Street
Suite 1500 South
Indianapolis, Indiana 46204
infomgt@oucc.in.gov

Copies have been distributed electronically, for informational purposes, to the following:

<p>Anne E. Becker Lewis & Kappes, P.C. One American Square, Suite 2500 Indianapolis, Indiana 46282-0003 abecker@Lewis-Kappes.com</p>	<p>Jennifer A. Washburn Citizens Action Coalition of Indiana, Inc. 1915 West 18th Street, Suite C Indianapolis, IN 46202 jwashburn@citact.org</p>
<p>Todd Richardson Tabitha L. Balzer Aaron A. Schmoll Lewis & Kappes, P.C. One American Square, Suite 2500 Indianapolis, Indiana 46282-0003 trichardson@lewis-kappes.com TBalzer@Lewis-Kappes.com ASchmoll@LewisKappes.com</p>	<p>Shaun C. Mohler Stone Mattheis Xenopoulos & Brew, PC 1025 Thomas Jefferson Street, NW 8th Floor, West Tower Washington, DC 20007-5201 smohler@smxblaw.com</p>

Dated this 4th day of April, 2024.

By: 
Counsel for Duke Energy Indiana, LLC

Elizabeth A. Heneghan (Atty. No. 24942-49)
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Estimated Rate Class Average Increase

	Current		Proposed	Increase 1/
RS	\$ 1,282,293,748	\$	1,527,643,225	19.1%
CS	\$ 142,200,330	\$	170,582,861	20.0%
HLF				
Secondary	\$ 367,185,363	\$	421,415,947	14.8%
Primary	\$ 168,836,979	\$	190,566,275	12.9%
Direct	\$ 167,199,427	\$	179,802,405	7.5%
Common	\$ 102,671,298	\$	112,399,053	9.5%
Bulk	\$ 109,679,849	\$	115,209,748	5.0%
	\$ 915,572,916	\$	1,019,393,428	11.3%
LLF				
Secondary	\$ 503,260,080	\$	591,133,065	17.5%
Primary	\$ 69,222,987	\$	77,470,562	11.9%
Direct	\$ 28,370,843	\$	30,896,384	8.9%
Transmission	\$ 16,556,630	\$	17,621,094	6.4%
High Efficiency	\$ 16,470,495	\$	19,606,704	19.0%
	\$ 633,881,035	\$	736,727,809	16.2%
<i>1/ Estimated rate class impacts are averages, individual customer impacts will vary.</i>				

Duke Energy Indiana
2024 Base Rate Case
Index of Issues, Requests, and Supporting Witnesses¹

Subject	GENERAL	Supporting Witness
Test Year	Twelve Months Ended December 31, 2025	Rutledge
Historical Base Period	Twelve Months Ended August 31, 2023	<ul style="list-style-type: none"> • Rutledge (provides a summary of the differences from historic base period to the Test Year) • Various Company witnesses support detailed comparisons of historic base period to Test Year expenses, including, for example, in the following functional areas: generation (Luke), transmission (Abbott), distribution (McCorkle), and customer services (Colley)

REVENUE REQUIREMENT		
Subject	Request	Supporting Witness
Overall Revenue Increase	<ul style="list-style-type: none"> • Total annual increase in revenue of approximately \$492 million or 16.2% to be implemented in two steps. <ul style="list-style-type: none"> • Step 1: \$355 million or 12%. • Step 2: \$136 million or 4%. 	<ul style="list-style-type: none"> • Pinegar (overview) • Graft (summary and drivers) • Graft/Sieferman/ • Lilly/Flick (each witness sponsors portions of Petitioner’s Exhibit 26 – Revenue Requirement Model)

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.

REVENUE REQUIREMENT		
Subject	Request	Supporting Witness
Financial Forecast	Set rates based on test year 2025 financial forecast which includes operating expenses, capital investments, other balance sheet components. The forecast will subsequently reflect <i>pro forma</i> adjustments supported by other witnesses.	<ul style="list-style-type: none"> • Rutledge (overall development of financial forecast, including O&M and capital forecast) • Sieferman/Bauer (capital structure and cost of capital) • Buck (cost assignment processes) • Caldwell (compensation and benefits) • Verderame (Fuel inventory)
<i>Pro Forma</i> Adjustments	Approve <i>pro forma</i> adjustments to financial forecast as discussed in the testimonies of Company witnesses Graft, Sieferman, Lilly, and Flick.	<ul style="list-style-type: none"> • Graft • Sieferman • Lilly • Flick • Exhibit 26, Attachment 26-C
Depreciation	<ul style="list-style-type: none"> • Set new depreciation rates and reflect the resulting depreciation expense in base rates based on depreciation study. • Depreciation rates calculated on assumption that the Gibson Generating Station Units 1 through 4 will be retired approximately three years after projected retirement date. • Approve proposal for regulatory asset treatment upon the retirement of Petitioner's last coal-fired steam generation plant. • Costs of decommissioning reflected in depreciation study. 	<ul style="list-style-type: none"> • Lilly (depreciation expense and regulatory asset accounting treatment) • Spanos (depreciation rates and depreciation study) • Luke (expected lives of generating plants) • Kopp (decommissioning study)
Step 1 and 2 Total Revenue Requirements	Approve proposed jurisdictional retail revenue requirement.	Graft
Separation Study	Reflect results of separation study as the basis to determine jurisdictional retail revenue requirement.	Diaz
Return on Equity	Recommend midpoint: 10.8% Authorize: 10.5%.	<ul style="list-style-type: none"> • McKenzie • Pinegar

REVENUE REQUIREMENT		
Subject	Request	Supporting Witness
Taxes	Reflect forecasted Test Year expenses in base rates.	<ul style="list-style-type: none"> • Panizza • Graft
Generating Fleet	<ul style="list-style-type: none"> • Approval of generating fleet costs including as used and useful assets. • Reflect in-service capital expenditures in rate base. • Reflect 2025 operation and maintenance expenses in rates. • Discussion of 2020 Edwardsport major maintenance outage and related accounting treatment. 	Luke
Coal Ash Basin Closure and Management Costs	Approve Company's proposal for recovery of prudently incurred coal ash closure and management costs and the recovery of costs to be incurred for future management.	<ul style="list-style-type: none"> • Lilly (ratemaking treatment) • Hill (CCR projects and related-costs) • Riley (costs and appropriate accounting treatment) • Spanos (COR and depreciation rates)
Transmission/ Transmission Vegetation Management	<ul style="list-style-type: none"> • Reflect capital expenditures in rate base. • Reflect 2025 operation and maintenance expenses in rates. • Supports forecasted operations and maintenance expense and capital expenditures for Transmission Vegetation Management Program. • Approve Company's proposal to include transmission vegetation management costs in the reserve accounting approach previously approved by the Commission for distribution vegetation management costs in Cause No. 45253. 	<ul style="list-style-type: none"> • Abbott • Graft (reserve accounting approach)
Distribution/ Distribution Vegetation Management	<ul style="list-style-type: none"> • Reflect capital expenditures in rate base. • Reflect 2025 operation and maintenance expenses in rates. • Supports forecasted operations and maintenance expense and capital expenditures for Distribution Vegetation Management Program. 	McCorkle

REVENUE REQUIREMENT		
Subject	Request	Supporting Witness
Change to FAC Rider	Proposal to build into base rates a representative balance of coal inventory and then to track the actual inventory balance in the Company's quarterly FAC filings.	<ul style="list-style-type: none"> • Verderame • Graft
Customer Services	<ul style="list-style-type: none"> • Reflect 2025 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. • Discussion of new "Payment Navigator" program, a support program for qualified low-income customers. 	Colley

COST OF SERVICE AND RATE DESIGN		
Subject	Proposal	Supporting Witness
Cost of Service Study	<ul style="list-style-type: none"> • Production and demand allocators based on 12CP. • Allocation of revenue increase to eliminate 5% of current subsidies. 	Diaz
Rate Design	<ul style="list-style-type: none"> • Updated rate tariffs based on cost of services revenue by rate code. • Refreshed TOU rate options for residential and commercial customers. • Proposal to increase certain customer charges. 	<ul style="list-style-type: none"> • Flick • Rimal (Minimum System Study supporting increased customer charges)
General Terms and Conditions and Tariff updates	<ul style="list-style-type: none"> • Tariff changes including proposed rate options mentioned above. • Updated miscellaneous rates and charges. 	Flick

OTHER		
Subject	Proposal	Supporting Witness
Deferral of Edwardsport Generating Station - CCS Study Costs	Authority to defer costs associated with the Edwardsport Carbon Capture and Sequestration Study.	<ul style="list-style-type: none"> • Hoeflich • Lilly
Deferral of Organizational Savings Costs	Authority to defer to a regulatory asset costs incurred by the Company to achieve organizational savings.	Graft
Deferral of Calculated Income Tax Differences	Authority to defer to a regulatory asset or liability, as applicable, all calculated income tax differences resulting from future changes in income tax rates until the effect of the statutory income tax change can be fully reflected in the Company's rates.	Graft



March 5, 2024

Via electronic delivery

Dana Kosco
Secretary of the Commission
Indiana Utility Regulatory Commission
101 West Washington Street, Suite 1500 East
Indianapolis, IN 46204

Re: Notice of Intent to File an Electric Base Rate Case

Dear Ms. Kosco:

Pursuant to Indiana Utility Regulatory Commission General Administrative Order 2013-5, Duke Energy Indiana, LLC, ("Duke Energy Indiana") provides notice of its intent to file an electric base rate case on or after April 4, 2024.

Duke Energy Indiana will contact the Indiana Office of Utility Consumer Counselor and anticipated intervenors to offer a prefiling meeting. Further, Duke Energy Indiana will discuss the procedural schedule for the case with the parties.

Sincerely,

A handwritten signature in black ink that reads "Elizabeth A. Heneghan".

Elizabeth A. Heneghan
Deputy General Counsel
Duke Energy Indiana, LLC

cc: William Fine, Indiana Office of Consumer Counselor
Jennifer Washburn, Citizens Action Coalition of Indiana, Inc.
Tabitha Balzar, Duke Energy Industrial Group
Anne Becker, Nucor Steel

Attachment 1-C (SCP)

[To Be Late Filed]