

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

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
PUBLIC'S EXHIBIT NO. 3
TESTIMONY OF OUCC WITNESS
KALEB G. LANTRIP

July 11 , 2024

Respectfully submitted,



Thomas R. Harper
Atty. No. 16735-53
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS KALEB G. LANTRIP
CAUSE NO. 46038
DUKE ENERGY INDIANA, LLC

I. INTRODUCTION

1 **Q: Please state your name, business address, and employment capacity.**

2 A: My name is Kaleb G. Lantrip, and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204. I am employed as a Senior
4 Utility Analyst in the Indiana Office of Utility Consumer Counselor's ("OUCC")
5 Electric Division. A summary of my educational background and experience is
6 included in Appendix A attached to my testimony.

7 **Q: What is the purpose of your testimony?**

8 A: I address Duke Energy Indiana, LLC's ("Duke" or "Petitioner") rate case requests
9 regarding the Summer Reliability Adjustment ("SRA") Rider and the
10 Transmission, Distribution, and Storage System Improvement Charge ("TDSIC")
11 Rider. Ultimately, I recommend the Indiana Utility Regulatory Commission
12 ("Commission") approve Petitioner's SRA Rider revised embedded amounts and
13 Duke's proposed treatment for recording capital spending in its TDSIC Rider. I
14 differ from Duke, however, as I propose a different allocation split for non-native
15 bundled sales revenues above \$5 million. I request the Commission approve a
16 75%/25% ratepayer/shareholder allocation split on Petitioner's short-term, non-
17 native bundled sales revenues above \$5 million, with the larger portion allocated

1 to customers. Duke's alternative proposed allocation split with ratepayers is
2 excessive.

3 **Q: Please describe the review and analysis you conducted to prepare your**
4 **testimony.**

5 A: I reviewed the testimony and attachments of the following Duke witnesses:
6 Kathryn C. Lilly, Rebekah E. Buck, Suzanne E. Sieferman, and John D. Swez. I
7 also reviewed Petitioner's relevant workpapers and responses to intervenors' data
8 requests. I participated in meetings within the office at which Petitioner's
9 proposals and the potential impacts to its customer base were discussed.
10 Additionally, I reread through Petitioner's approved rate case Order in Cause No.
11 45253, and my testimonial positions and relevant witnesses' testimony for Duke's
12 most recent SRA filing in Cause No. 44348 SRA 9, Duke's TDSIC 1.0 Order in
13 Cause No. 44720 TDSIC 12, and Petitioner's most recent TDSIC filings under
14 Cause No. 45647, including the approved TDSIC 2.0 Order and the pending
15 TDSIC 3 filing.

16 **Q: If you do not address a specific topic, issue, or item in your testimony, should**
17 **it be construed to mean you agree with Duke's proposal?**

18 A: No. My silence on any issue should not be construed as an endorsement. Also, my
19 silence in response to any actions or adjustments stated or implied by Petitioner
20 should not be construed as an endorsement.

II. SRA RIDER

21 **Q: What treatment is currently approved in Petitioner's SRA Rider?**

22 A: As approved in Duke's last base rate case, Cause No. 45253, the SRA Rider
23 reconciles the variance in Petitioner's PowerShare® program costs from the

1 \$9.911 million¹ currently embedded in base rates. Additionally, Duke's traditional
2 non-native positive sales margins are shared 100% with its customers. Duke's
3 short-term, non-native bundled sales ("STNNBS") contract margin variances are
4 tracked and shared 50%/50% with customers, based on an embedded sales
5 amount of \$11.748 million in base rates.

6 **Q: What changes is Petitioner proposing related to the SRA Rider?**

7 A: Duke proposes the embedded PowerShare® costs of \$9.911 million² and \$11.748
8 million³ of STNNBS margins, respectively, be removed from base rates and
9 tracked, instead, in the SRA Rider.⁴ Accordingly, Duke is also proposing
10 adjustments to remove \$25.876 million in STNNBS cost of goods sold and \$3.308
11 million in non-native sales cost of goods sold.⁵ On the revenue side, Duke is
12 proposing a pro-forma adjustment removing \$20.087 million of test period
13 STNNBS revenues and \$6.46 million of non-native sales revenues.⁶ Additionally,
14 Petitioner is proposing to adjust its STNNBS sharing mechanism to share 100%
15 of positive sales margins with its customers up to \$5 million, with margins above
16 that threshold shared 50%/50% with customers.⁷

¹ See Attachment KGL-1: Cause No. 44348 SRA 9, Petitioner's Exhibit No. 6, Verified Direct Testimony of Suzanne E. Sieferman, Attachment 6-D, p. 1.

² See Attachment KGL-1.

³ Petitioner's Exhibit No. 4, Verified Direct Testimony of Suzanne E. Sieferman, p. 31, ll. 1-4.

⁴ Sieferman Direct, p. 31 ll. 1-4 and 6-10; p. 32, l. 18 – p. 33 l. 1 and ll. 13-17; see also, Sieferman Direct, Attachment 4-C (SES) p. 1 at ¶ A. 2.

⁵ Sieferman Direct, p. 21, ll. 1-8 and 12-14.

⁶ Sieferman Direct, p. 19, ll. 10-16 and 20-22.

⁷ Sieferman Direct, p. 29, ll. 11-16.

1 **Q: What is your recommendation regarding Petitioner's proposed changes to its**
2 **SRA Rider?**

3 A: I support Duke's removal of embedded PowerShare® costs and STNNBS
4 costs/credits from base rates and, instead, tracking these through the SRA Rider.
5 With regard to Duke's proposed change in its STNNBS margin sharing, however,
6 Duke has not presented sufficient evidence demonstrating why the \$5 million
7 threshold was chosen or the propriety of this proposed threshold. According to
8 Petitioner, this type of sales contract has not had a positive margin since the first
9 such contract expired in mid-2021.⁸ Per Mr. Swez, the realized 2023 total margin
10 was \$(7.618) million, while 2024's margin was forecasted to be \$(5.999) million,
11 \$(5.789) million in 2025, \$(2.438) million in 2026, and \$(1.031) million in 2027.⁹
12 Thus, Petitioner forecasts it will be years before these bundled contracts are
13 expected to achieve positive margins, but this does not justify the new sharing
14 threshold and percentages Duke proposes. I recommend the Commission, instead,
15 approve 75% of Petitioner's positive sales margins be shared with customers for
16 amounts above \$5 million, with 25% of these margins returned to Petitioner.
17 Petitioner's proposal of 50% being shared above the \$5 million threshold is an
18 excessive incentive for the short-term non-native bundled sales.

III. TDSIC RIDER

19 **Q: Please describe a TDSIC Plan.**

⁸ Sieferman Direct, p. 31, ll. 17-20.

⁹ Petitioner's Exhibit No. 20, Verified Direct Testimony of John D. Swez, p. 20, ll. 9-12.

1 A: Under Ind. Code ch. 8-1-39, public utilities may petition the Commission for
2 approval of a five- to seven-year plan (“TDSIC Plan”) for executing transmission
3 and distribution projects to address system needs. If the Commission approves the
4 TDSIC Plan, a TDSIC Rider is used to recover the TDSIC Plan costs, and the
5 utility files a petition at least annually throughout the TDSIC Plan’s
6 implementation, updating the Commission upon its progress in completing the
7 approved projects and requesting related cost recovery.¹⁰ The utility is permitted
8 to recover 80% of its TDSIC costs through the cost recovery updates subsequent
9 to the plan’s approval by the Commission, with the remaining 20% of these costs
10 to be deferred as a regulatory asset until such costs are included for recovery in
11 the utility’s next base rate case.

12 **Q: What is Duke’s history with TDSIC Plans?**

13 A: To date, the Commission has approved two TDSIC Plans for Duke. The first of
14 these was a seven-year TDSIC Plan approved in Cause No. 44720 (“TDSIC Plan
15 1.0”) after a settlement agreement was reached. TDSIC Plan 1.0 covered 2016
16 through 2022. Petitioner filed its final TDSIC Plan 1.0 update on April 27, 2023.
17 On June 15, 2022, the Commission approved Petitioner’s second TDSIC Plan in
18 Cause No. 45647¹¹ (“TDSIC Plan 2.0”). TDSIC Plan 2.0 is a six-year plan
19 spanning 2023-2028. Duke’s first cost recovery update for TDSIC 2.0 was filed

¹⁰ Indiana Code § 8-1-39-9.

¹¹ *In re Duke Energy Ind., LLC*, Cause No. 45647 (Ind. Util. Regul. Comm’n Jun. 15, 2022); *Ind. Off. Of Util. Consumer Couns. v. Duke Energy Ind., LLC*, 205 N.E.3d 1026 (Ind.Ct.App.2023), *trans. granted*, *Ind. Off. of Util. Consumer Couns. et al., v. Duke Energy Indiana, LLC*, 211 N.E.3d 1004 (Table)(Ind. 2023).

1 on April 29, 2024, and as of finalizing this testimony, remained pending before
2 the Commission.

3 **Q: What changes, if any, is Duke proposing to its TDSIC Rider in this filing?**

4 A: Duke is proposing to roll the original cost investment and accumulated
5 depreciation of in-service TDSIC plant, as of the end of the 2025 test period, into
6 base rates. This proposal includes 80% of in-service plant that is eligible for
7 inclusion in the TDSIC tracker, as well as the 20% deferred for rate case
8 recovery.¹² This request also includes in base rates the test period levels of
9 property taxes and depreciation accrued on the in-service TDSIC investments.¹³

10 When new base rates resulting from this proceeding are implemented, the
11 TDSIC Rider will:

- 12 • Remove the investment and property tax amounts included in the base rates;
- 13 • Recalculate the depreciation on the remaining investment using new
14 depreciation rates;
- 15 • Revise the Weighted Average Cost of Capital for the approved Return on
16 Equity and customer deposit rates; and
- 17 • Revise the rate class cost of service allocations to the Commission approved
18 transmission and distribution revenue requirements.¹⁴

19 **Q: What reporting changes is Duke proposing to make in future TDSIC Rider**
20 **filings?**

¹² Petitioner's Exhibit No. 5, Verified Direct Testimony of Kathryn C. Lilly, p. 30, ll. 8-14.

¹³ Lilly Direct, p. 30, ll. 14-16.

¹⁴ Lilly Direct, p. 31, ll. 1-11.

1 A: Duke proposes to continue reporting its TDSIC 2.0 Plan total annual and
2 cumulative investment for purposes of determining the amounts included in the
3 TDSIC tracker.¹⁵ This proposed treatment will enable the forecasted TDSIC 2.0
4 Plan amounts to be compared with Petitioner's actual spending on TDSIC
5 projects. Duke proposes in its post-base rate case filings to present the total
6 cumulative amount for each TDSIC project. For purposes of the return
7 calculations, the amount of TDSIC investment already included in Duke's base
8 rates will be subtracted from the total TDSIC Plan 2.0 investment so that only
9 80% of the incremental amount not currently earning a return in base rates, or
10 otherwise included in base rates, will earn a return in the TDSIC tracker.¹⁶
11 Depreciation and property taxes will be calculated on the incremental amount of
12 TDSIC investment included in the tracker.¹⁷

13 **Q: Does Duke propose any exceptions to TDSIC categories?**

14 A: Yes. Duke is proposing that TDSIC operation and maintenance ("O&M") expense
15 and post-in-service carrying costs ("PISCC") not be included in its base rates, but
16 continue to be tracked and recovered in the TDSIC Rider. According to Ms. Lilly,
17 this treatment is proposed because the TDSIC project-related O&M is non-
18 recurring and variable in nature, and the O&M for the TDSIC inspection-based
19 projects can also fluctuate depending on the number of inspections each TDSIC
20 Plan year. Per Ms. Lilly, the PISCC experiences similar variations due to being

¹⁵ Lilly Direct, p. 31, ll. 17-19.

¹⁶ Lilly Direct, p. 31, l. 21 – p. 32, l. 5.

¹⁷ Lilly Direct, p. 32, ll. 5-6.

1 non-recurring and variable in nature based on the progress made on different
2 groups of TDSIC projects from year to year.¹⁸

3 **Q: How does Duke propose to implement the changes to the TDSIC Rider once**
4 **new base rates are approved?**

5 A: Duke proposes to file revised schedules resetting the TDSIC Rider rates to
6 remove the TDSIC amounts included in its base rates and update the weighted
7 average cost of capital calculation, revenue conversion factors, and allocation
8 factors. This will be done concurrently with filing Duke's new base rate tariffs,
9 with both base rates and the TDSIC Rider rate changes implemented on a service-
10 rendered basis.¹⁹

11 **Q: What is your recommendation regarding Petitioner's proposed treatment of**
12 **its TDSIC Rider?**

13 A: I recommend Petitioner's proposed treatment of its TDSIC Rider be approved.
14 Duke's proposal to maintain TDSIC project balances for in-service base rate
15 investments as an offset within the TDSIC Rider is useful for the OUCC's
16 analysis in tracking whether individual projects are trending toward the total
17 amount approved in updated plan estimates, including what is to be part of test
18 year 2025's rate base. I do not oppose Petitioner's proposal to exclude its
19 incremental TDSIC O&M and PISCC expenses from base rates because these
20 costs are non-recurring and will be better adjusted through the rider process.

IV. OUCC RECOMMENDATIONS

21 **Q: Please summarize your recommendations to the Commission.**

¹⁸ Lilly Direct, p. 32, ll. 9-20.

¹⁹ Lilly Direct, p. 33, ll. 13-19.

1 A: I recommend the Commission approve Duke's requested revisions to the
2 embedded amounts in its SRA Rider and Petitioner's proposed treatment for
3 recording capital spending in its TDSIC Rider. I do not oppose excluding the
4 incremental TDSIC O&M and PISCC expenses from base rates. However, I do
5 oppose the 50%/50% allocation split Duke is requesting above a \$5 million
6 threshold, due to Petitioner's lack of support for its \$5 million metric when Duke
7 is forecasting a negative STNNBS margin through 2027.²⁰ I recommend the
8 Commission find Duke's \$5 million STNNBS threshold be an acceptable
9 threshold conditioned on approving a 75%/25% allocation split on short-term,
10 non-native bundled sales revenues above \$5 million, with the larger allocated
11 portion shared to customers.

12 **Q: Does this conclude your testimony?**

13 A: Yes.

²⁰ Swez Direct, p. 20, ll. 9-12.

APPENDIX A

1 **Q: Please describe your educational background and experience.**

2 A: I graduated from the Kelley School of Business of Indianapolis in 2014 with a
3 Bachelor of Science in Business, with majors in Accounting and Finance. I am
4 licensed in the State of Indiana as a Certified Public Accountant. I attended the
5 National Association of Regulatory Utility Commissioners Spring 2018
6 Conference held at New Mexico State University and the Intermediate Course
7 Fall 2019 conference held by the Institute of Public Utilities at Michigan State
8 University. In September 2019, I attended the annual Society of Depreciation
9 Professionals conference held in Philadelphia and the Basics of Depreciation
10 course. In April 2022, 2023, and 2024, I attended the 53rd, 54th, and 55th Society
11 of Utility Regulatory and Financial Analyst Forums, all held in Richmond,
12 Virginia.

13 **Q: Have you previously testified before the Commission?**

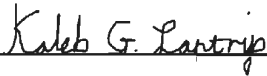
14 A: Yes.

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

16 A: I review Indiana utilities' requests for regulatory relief filed with the Commission.
17 My scope of review typically focuses on accounting and utility ratemaking issues.
18 This involves reading petitioners and intervenors' testimony, orders the
19 Commission has approved, and appellate opinions to inform my analyses. I
20 prepare and present testimony based on these analyses and make
21 recommendations to the Commission on the OUCC's behalf.

AFFIRMATION

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

A handwritten signature in black ink that reads "Kaleb G. Lantrip". The signature is written in a cursive style and is positioned above a solid horizontal line.

Kaleb G. Lantrip
Utility Analyst II
Indiana Office of Utility Consumer Counselor

Cause No. 46038
DEI, LLC

Date: July 11, 2024

DUKE ENERGY INDIANA, LLC

COMPARISON OF ACTUAL POWERSHARE® COSTS INCURRED FOR THE TWELVE-MONTH PERIOD ENDED MAY 2023
TO THE ANNUAL PRO FORMA TEST PERIOD EXPENSES APPROVED IN CAUSE NO. 45253

Line No.	Description	Twelve-Month Period Ended May 31, 2023 Amount	Line No.
1	PowerShare® Costs Incurred For The Applicable Period	\$ 7,124,091	1
2	PowerShare® Costs Pro Forma Test Period Expense Approved in Cause No. 45253	<u>9,911,000</u>	2
3	Costs In Excess of / (Less Than) Test Period Level	<u><u>\$ (2,786,909)</u></u>	3

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 3 Testimony of OUCC Witness Kaleb G. Lantrip* has been served upon the following counsel of record in the captioned proceeding by electronic service on July 11, 2024.

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