

2018 Edwardsport Settlement Agreement, IURC Cause No. 43114 IGCC-17

1. Introduction.

This Settlement Agreement (“Settlement” or “2018 Edwardsport Settlement”) is entered into by and between Duke Energy Indiana, LLC (and its successors), the Indiana Office of Utility Consumer Counselor (“OUCC”), the Duke Industrial Group, and Nucor Steel-Indiana (collectively, the “Settling Parties”) solely for purposes of compromise and settlement. The Settling Parties agree that this Settlement resolves IGCC ratemaking issues for calendar years 2018 and 2019 regarding Duke Energy Indiana’s Edwardsport IGCC Generating Facility (“Edwardsport”).

This Settlement includes caps on Duke Energy Indiana’s retail operating expenses for 2018 and 2019, reduces the Company’s Regulatory Asset by \$30 million dollars (with a corresponding reduction of the amount of amortization of the regulatory asset included in rates by \$10 million annually beginning with the implementation of final IGCC 17 rates), and provides funding for low income assistance and clean energy projects.

The Settlement also provides that certain issues will be addressed in Duke Energy Indiana’s next retail base rate case (anticipated being filed in mid-2019) (herein “next rate case”). Specifically, post-in-service ongoing capital project costs incurred from January 1, 2018, through the Company’s next rate case test period cutoff date will be addressed in the next rate case. In addition, Duke Energy Indiana’s operating expenses for January 1, 2020, onward will also be addressed in the next rate case.

As a result of this Settlement, Duke Energy Indiana will not file an IGCC Rider proceeding in either 2019 or 2020, and the Settling Parties intend for the Company to petition to include Edwardsport investment and operating expenses in base rates in its next rate case and to discontinue the tracking of Edwardsport via the IGCC Rider thereafter. These provisions and their implementation will be discussed in more detail below.

The Settling Parties desire to fully settle all disputes, claims and issues among them arising out of or relating to IGCC ratemaking issues for calendar years 2018 and 2019, with the exception of ongoing capital, and do so, among other reasons, to avoid the continued time and expense of further proceedings and the inherent uncertainties and potential outcomes associated with such proceedings. The Settling Parties agree that the rates that will result from approval and implementation of this Settlement are just, reasonable and necessary. The Settling Parties further agree that this Settlement is a reasonable compromise and will work together to achieve approval of this Settlement. Duke Energy Indiana, the Duke Industrial Group and the OUCC will file testimony with the Commission in support of this Settlement, and in such testimony, each such submitting party will explain to the Commission how, in that

Settling Party's view, the Settlement is just and reasonable and in the public interest, based on substantial evidence of record.

2. Edwardsport O&M Caps and Reconciliation of Costs after 2020.

A. 2018 and 2019 O&M Caps.

Duke Energy Indiana's recovery of Edwardsport's operation and maintenance expenses (as defined for purposes of the Settlement to include operation and maintenance expenses, payroll taxes, property taxes, property insurance and net of the credit for operating expenses of the retired Edwardsport coal plant (excluding fuel and depreciation), hereinafter referred to as "O&M"), shall be capped for 2018 and 2019 at the Company's budgeted retail O&M amounts as follows:

- a. 2018: \$97.6 million
- b. 2019: \$96.0 million

To the extent Duke Energy Indiana's actual expenses exceed these capped amounts, the difference will not be deferred for future recovery. To the extent Duke Energy Indiana's actual expenses are less than these capped amounts, Duke Energy Indiana shall only recover the actual O&M incurred. If Duke Energy Indiana over-collects, the difference will be reconciled in the final IGCC Rider reconciliation, discussed further below in Para 2(C).

B. O&M incurred after January 1, 2020.

Duke Energy Indiana's O&M incurred from January 1, 2020 onward will be addressed in its next rate case. Duke Energy Indiana expects the O&M in 2020 to be greater than the 2019 level because of a scheduled major outage in 2020 of the entire station. Duke Energy Indiana reserves the right to propose deferral treatment for the 2020 outage, separate and distinct from the proposed amount for base rates, in the next rate case. The non-Duke Settling Parties reserve all rights to make any and all arguments regarding the appropriate amount of and Duke Energy Indiana's ability to recover O&M incurred after January 1, 2020.

IGCC-17 rates will continue after January 1, 2020, until the Commission issues a final order in Duke Energy Indiana's next rate case. The difference between the amount of O&M that Duke Energy Indiana has recovered after January 1, 2020, via the IGCC Rider and the amount that Duke Energy Indiana is authorized to recover in the next rate case will be reconciled in the final IGCC Rider reconciliation, discussed further below in Para 2(C).

C. Final IGCC Rider reconciliation.

As noted above, IGCC-17 rates will remain in effect until the Company's retail base rates are updated after the issuance of a final order in its next rate case. Therefore, IGCC Rider filings will not be filed in March 2019 or March 2020. The Settling Parties also agree that the return on and of investment amounts established in IGCC-17 for Edwardsport will remain in effect until retail base rates are updated after a final order in the Company's next rate case, assuming such filing occurs in 2019. Absent a retail rate case filing in 2019, the IGCC-17 Rider will remain in effect until mid-2020. A final reconciliation of the IGCC Rider will be made as part of the first practicable ECR Rider filed following the Commission's issuance of the Company's next rate case order.

The Settling Parties further agree that Duke Energy Indiana shall not include in the ECR Rider more than \$10 million annually (or \$5 million in each semi-annual ECR Rider) of costs associated with this IGCC Rider reconciliation. The Company shall continue to include IGCC reconciliation amounts in future ECR Riders until the reconciliation amount (without carrying costs) is fully collected or refunded. The ECR Rider reconciliation cap amount shall be calculated without consideration of the \$30 million credit discussed in Para 4.

D. Force Majeure.

The only exceptions to application of the O&M caps shall be for force majeure events beyond the control and without the fault or negligence of Duke Energy Indiana, such as, by way of example, the following: acts of God, the public enemy, or any governmental or military entity. In such case, Duke Energy Indiana may only propose to recover O&M expenditures above the caps set in this Settlement for the periods of time covered by this Settlement in the event of such a force majeure event. If Duke Energy Indiana proposes to recover O&M expenditures over the caps due to a force majeure event, the non-Duke Settling Parties reserve any and all rights to make arguments in response to Duke Energy Indiana's request.

3. Edwardsport Ongoing Capital for 2018 and Through the Next Rate Case.

IGCC-17 rates reflecting post-in-service ongoing capital costs incurred through December 31, 2017 will remain in effect until the Company's retail base rates are updated after issuance of a final order in its next rate case. Post-in service ongoing capital costs at Edwardsport for Calendar Year 2018 and through the Company's next rate case test period rate base cutoff date will be reviewed in that next rate case. The non-Duke Settling Parties reserve all rights to make any and all arguments regarding the amount of and Duke Energy Indiana's ability to recover post-in-service ongoing capital costs incurred after January 1, 2018.

4. \$30 Million Reduction of Regulatory Asset.

Duke Energy Indiana agrees that retail customers shall receive a \$30 million credit by reducing the balance of the Regulatory Asset. (The 2016 Settlement Agreement provided for this Regulatory Asset to be amortized in the amount of \$20 million annually and recovered through rates over approximately eight years without carrying costs.) This \$30 million credit will be implemented as follows:

i. The interim IGCC-17 rates currently include \$20 million of annual Regulatory Asset amortization expenses and this will be reduced by \$10 million in the final IGCC-17 rates to be proposed under the terms of this Settlement Agreement.

ii. In the next rate case, consistent with the 2016 Settlement Agreement, Duke Energy Indiana will propose base rates that continue to include an annual amortization of the Regulatory Asset of \$20 million without carrying costs until the Regulatory Asset is recovered. However, the Company's ECR rider will include a \$10 million annual credit (or \$5 million in each semi-annual ECR Rider) until the total \$30 million credit provided for in this Settlement Agreement has been refunded.

5. Supplemental Filing.

A supplemental filing shall be made in IGCC-17 that identifies the following required changes from three other proceedings that impact the calculation of the IGCC-17 rider: (1) Cause No. 45032-S2 (Tax Act), (2) Cause No. IGCC 15-S1 (Attorney Fees), and (3) the reconciliation of the Commission-ordered Regulatory Liability (being amortized over two years in accordance with the 2016 Settlement Agreement). This Settlement Agreement does not change the ratemaking treatment established in the other three proceedings regarding these issues. These changes would be effective upon approval of this Settlement in the Commission's order in IGCC-17.

In addition, the supplemental filing will also identify how IGCC-17 rates will be adjusted to reduce the amortization of the Regulatory Asset from \$20 million per year to \$10 million per year as stated in Paragraph 4(i) above and to recognize the additional time period the final IGCC-17 rates will be in effect under the terms of this Settlement Agreement (i.e., until new base rates are implemented.)

6. Reservation of Rights.

Except as expressly provided herein or as otherwise provided in prior Edwardsport-related settlement agreements, the Settling Parties reserve all rights to raise any and all arguments regarding the treatment of Edwardsport including, but not limited to, costs and expenses in Duke's next rate case and in other future proceedings.

7. Low income assistance and clean energy projects.

The OUCC and Duke Energy Indiana will cooperate to use \$1.7 million of shareholders' funds for low income assistance (e.g., Duke Energy Indiana's Helping Hand Fund) and/or clean energy-related projects/programs (unless this Settlement is voided in its entirety pursuant to Para9 below). The other Settling Parties may participate in the discussions as desired.

8. Attorney fees.

Within 30 days of a Commission order approving of this Settlement, Duke Energy Indiana agrees to reimburse the Duke Industrial Group and Nucor Steel-Indiana for their reasonably incurred legal expenses and attorneys' fees up to \$300,000, with implementation details in a separate Attorneys' Fees and Expenses Implementation Agreement.

This amount will be paid by Duke Energy Indiana shareholders and will not flow through to customers. Upon the conclusion of the case (after all reviews and appeals of a final order in this proceeding have been exhausted), any remaining balance will revert to the funding of programs discussed in Para. 7.

9. Other.

A. The Settling Parties agree that the evidence to be submitted in support of this Settlement, along with the evidence of record previously submitted in Cause No. 43114 IGCC-17, together constitute substantial evidence to support this Settlement and provide a sufficient evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of this Settlement. The Settling Parties, other than Nucor Steel-Indiana, shall prepare and file with the Commission as soon as reasonably possible, testimony and proposed order(s) in support of and consistent with this Settlement.

B. This Settlement is a complete and interrelated package that is intended to resolve all issues related to Edwardsport's operations from January 2017 through December 2019 except for ongoing capital discussed in Para. 3. The Settling Parties agree to oppose or not support any attempt to create additional proceedings or phases of Commission proceedings to further examine Edwardsport operations and related expenditures incurred from January 2017 until the filing of the Company's petition initiating its next rate case, assuming such filing occurs in 2019.

C. The Settling Parties will not appeal or seek rehearing, reconsideration or a stay of a Final Order approving this Settlement in its entirety or without change or condition(s) unacceptable to any adversely affected Party (or related orders to the extent such orders are specifically implementing the provisions of this Settlement).

D. The Settling Parties agree to support in good faith the terms of this Settlement before the Commission and further agree not to take any positions adverse to or inconsistent with the Settlement or any adverse positions against each other with respect to the Settlement before any appellate courts, or on rehearing, reconsideration, remand or subsequent or additional related Commission proceedings.

E. The Settling Parties also agree to support or not oppose this Settlement in the event of any request for a stay by a person not a party to this Settlement or if this Settlement is the subject matter of any other proceeding.

F. The Settling Parties shall remain bound by the terms of this Settlement Agreement and shall continue to support or not oppose all the terms of the Settlement on appeal, remand, reconsideration, etc., even if the Commission rejects the Settlement. However, in the event that the Settlement is rejected by the Commission and such rejection is ultimately upheld on rehearing, reconsideration, and/or appeal, at the point when all such proceedings and appeals are complete, this Settlement Agreement shall become void and of no further effect (except for provisions which have already been fully implemented or which are explicitly stated herein to survive termination/voiding).

G. If the Commission approves the Settlement in its entirety, or approves the Settlement with modifications that are acceptable to affected Settling Parties, and such Commission approval is ultimately vacated or reversed on appeal, the Settling Parties agree to support or not oppose the terms of this Settlement in any additional related proceedings before the Commission (as well as any subsequent appeals). In such situation, the Settling Parties agree not to take any positions adverse to or inconsistent with the Settlement or any adverse positions against each other with respect to the Settlement or the subject matters herein, on remand or in additional related proceedings before the Commission. To the extent that the Commission and/or appellate courts ultimately and finally reject this Settlement, any provisions of this Settlement that remain to be implemented will then become void and of no further effect, unless explicitly stated herein.

H. The positions taken by the Settling Parties in this Settlement shall not be deemed to be admissions by any of the Settling Parties and shall not be used as precedent, except as necessary to implement the terms of this Settlement. This provision shall survive termination/voiding of this Agreement.

I. It is understood that this Settlement is reflective of a good faith negotiated settlement and neither the making of the Settlement nor any of its provisions shall constitute an admission by any Settling Party in this or any other litigation or proceeding except as necessary to implement or enforce this Settlement Agreement. It is also understood that each

and every term of the Settlement Agreement is in consideration and support of each and every other term.

J. The Settling Parties will support this Settlement before the Commission and request that the Commission expeditiously accept and approve the Settlement. This Settlement is a complete, interrelated package and is not severable, and shall be accepted or rejected in its entirety without modification or further condition(s) that may be unacceptable to any Settling Party.

K. The Settling Parties will file this Settlement and any testimony in support of this Settlement. Such supportive testimony will be agreed-upon by the Settling Parties and offered into evidence without objection by any Settling Party and the Settling Parties hereby waive cross-examination of each other's witnesses. The Settling Parties propose to submit this Settlement and evidence conditionally, and if the Commission fails to approve this Settlement in its entirety without any change or with condition(s) unacceptable to any adversely affected Settling Party, the Settlement and supporting evidence may be withdrawn. Subsequently, the Settling Parties may file testimony and the Commission will continue to proceed to decision in this proceeding, without regard to the filing of this Settlement.

L. The communications and discussions during the negotiations and conferences and any materials produced and exchanged concerning this Settlement all relate to offers of settlement and shall be privileged and confidential, without prejudice to the position of any Settling Party, and shall not to be used in any manner in connection with any other proceeding or otherwise. This provision shall survive termination/voiding of this Agreement.

M. The undersigned Settling Parties have represented and agreed that they are fully authorized to execute the Settlement on behalf of their designated clients, and their successors and assigns, who will be bound thereby.

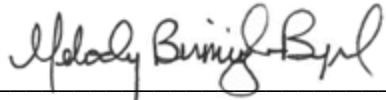
N. The provisions of this Settlement shall be enforceable by any Settling Party before the Commission and thereafter in any Indiana court of competent jurisdiction as necessary.

O. This Settlement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

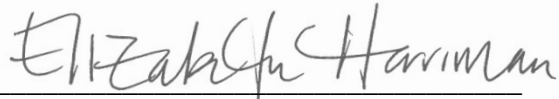
ACCEPTED AND AGREED TO THIS 20th DAY of SEPTEMBER 2018:

[signature pages to follow]

For Duke Energy Indiana, LLC



Melody Birmingham-Byrd, President
Duke Energy Indiana, LLC



Elizabeth A. Herriman, Associate General Counsel
Attorney for Duke Energy Indiana, LLC

[This is a signature page for the 2018 IGCC Settlement Agreement before the Indiana Utility Regulatory Commission. The remainder of this page is intentionally left blank.]

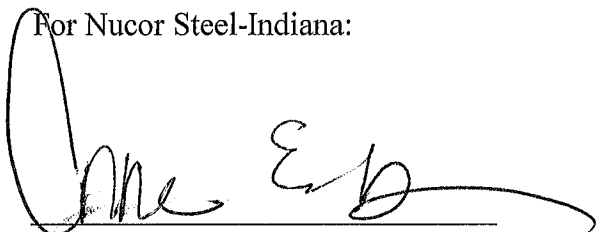
For the Indiana Office of Utility Consumer Counselor:

A handwritten signature in blue ink, appearing to read "RCHL", written over a horizontal line.

Randall C. Helmen, Chief Deputy Consumer Counselor
Indiana Office of Utility Consumer Counselor

[This is a signature page for the 2018 IGCC Settlement Agreement before the Indiana Utility Regulatory Commission. The remainder of this page is intentionally left blank.]

For Nucor Steel-Indiana:

A handwritten signature in black ink, appearing to read 'Anne E. Becker', written over a horizontal line.

Anne E. Becker
Attorney for Nucor Steel-Indiana

[This is a signature page for the 2018 IGCC Settlement Agreement before the Indiana Utility Regulatory Commission. The remainder of this page is intentionally left blank.]

For the Duke Energy Indiana Industrial Group



Tabitha Balzer
Attorney for Duke Energy Indiana Industrial Group

[This is a signature page for the 2018 IGCC Settlement Agreement before the Indiana Utility Regulatory Commission. The remainder of this page is intentionally left blank.]