SETTLEMENT TESTIMONY OF DIANA L. DOUGLAS
DIRECTOR, RATES & REGULATORY PLANNING
DUKE ENERGY INDIANA, LLC
CAUSE NO. 43114 IGCC-17 BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Diana L. Douglas, and my business address is 1000 East Main Street, Plainfield, Indiana.

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

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

Q. ARE YOU THE SAME DIANA L. DOUGLAS THAT PRESENTED DIRECT TESTIMONY IN THIS CAUSE, IDENTIFIED AS PETITIONER'S EXHIBIT 2?

A. Yes, I am.

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

A. My testimony will present an overview of the Company's request for Commission approvals and also of the substantive terms of the Settlement Agreement entered into between Duke Energy Indiana, the Indiana Office of Utility Consumer Counselor ("OUCC"), the Duke Industrial Group and Nucor Steel-Indiana, a division of Nucor Corporation (collectively, the "Settling Parties") which is attached to this testimony as Petitioner's Exhibit 3-A (DLD) ("2018 Settlement Agreement"). The 2018

Settlement Agreement is a complete and inter-related package that is intended to resolve all IGCC ratemaking issues regarding the Company's Edwardsport IGCC Generating Facility ("Edwardsport") for the years 2018 and 2019, with the exception of ongoing capital, which will be reviewed as part of Duke Energy Indiana's next retail base rate case pursuant to Term 3 of the 2018 Settlement Agreement. The 2018 Settlement Agreement is the result of good faith negotiations and compromise among the parties.

My testimony and exhibits will also include the calculations used to develop the Company's proposed final IGCC-17 ("Step 2" rates) revenue adjustment factors pursuant to the 2018 Settlement Agreement and the updated retail electric tariff pages applicable to Standard Contract Rider No. 61 - Integrated Coal Gasification Combined Cycle Generating Facility Revenue Adjustment ("Rider 61" or "IGCC Rider") for which the Company is requesting Commission approval.

The calculations of the proposed IGCC-17 Step 2 revenue adjustment factors are based on the same data recorded on the Company's books and records as of December 31, 2017, the same 2019 forecasted data, and the same basic calculations that were included in the development of the IGCC-17 rates described and supported in my Direct Testimony in this proceeding and subsequently approved for interim implementation by the Commission on May 23, 2018 ("Step 1" rates), under the Commission's Thirty Day Filing Rules in filing number 50180. However, the calculations of the IGCC-17 Step 2 rates proposed herein have been adjusted to reflect the terms of the 2018 Settlement Agreement, actual timing of implementation of the IGCC-17 Step 1 rates, expected timing of implementation of these proposed final IGCC-17 Step 2 rates given the current procedural schedule, the reconciliation of the Commission-ordered Regulatory Liability created in Cause No. 43114-IGCC-4 S1, and two other events that occurred subsequent to the development of the interim IGCC-17 rates: (1) the Commission's June 13, 2018 Order in Cause No. 43114 IGCC-15 S1 approving payment of $1.1 million in attorneys' fees from the common fund established by the Commission's order in Consolidated Cause No. 43114 IGCC-15, and (2) the Settlement Agreement in Cause No. 45032-S2 (the Company's subdocket in the Commission's 2017 Tax Cuts and Jobs Act ("Tax Act") generic docket), approved by the Commission on August 22, 2018.

Finally, I will discuss why approval of the 2018 Settlement Agreement and the rates proposed herein are reasonable and in the public interest.

Q. WHAT SPECIFIC APPROVAL IS DUKE ENERGY INDIANA REQUESTING IN THIS PROCEEDING?

A. Duke Energy Indiana is requesting that the Commission: (1) approve the 2018 Settlement Agreement in its entirety; (2) remove the interim status of the IGCC-17 Step 1 rates which were implemented on an interim basis beginning with bills rendered May 2018 Cycle 17 following Commission approval in Thirty-Day Filing No. 50180; and (3) approve the IGCC-17 Step 2 rates filed with my Settlement Testimony for billing to customers beginning after the Commission's approval in a final order in this proceeding and until the establishment of new base rates which include Edwardsport investment and operating expenses. A base rate case is currently anticipated to be filed mid-2019, as previously discussed in the Direct Testimony of Mr. Brian P. Davey in Cause No. 45032-S2.

II. <u>SUBSTANTIVE TERMS OF THE 2018 SETTLEMENT AGREEMENT</u>

Q. PLEASE PROVIDE AN OVERVIEW OF THE GENERAL AREAS ADDRESSED BY THE 2018 SETTLEMENT AGREEMENT.

A. The 2018 Settlement Agreement resolves among the Settling Parties all IGCC ratemaking issues regarding Edwardsport for the years 2018 and 2019. The 2018 Settlement Agreement: (1) includes caps on Duke Energy Indiana's recoverable retail operating expenses for 2018 and 2019; (2) provides for a review of ongoing capital costs for 2018 through the Company's next retail base rate case test period cutoff date; (3) reduces the value of the Company's regulatory asset containing deferred operating expenses addressed in the Commission's Order approving the 2016 Settlement Agreement in Consolidated Cause No. 43114 IGCC-15 ("2016 Settlement Agreement") by $30 million, with a corresponding reduction in the amount of amortization of the regulatory asset included in rates of $10 million annually beginning with the implementation of these proposed final IGCC-17 rates; and (4) provides funding for low income assistance and clean energy projects. The 2018 Settlement Agreement also provides that Duke Energy Indiana will not file an IGCC Rider proceeding in either 2019 or 2020, and that the Settling Parties intend for the Company to include Edwardsport investment and operating expenses in base rates in its next retail base rate case and to discontinue the tracking of Edwardsport via the IGCC Rider thereafter.

Q. PLEASE DESCRIBE THE 2018 SETTLEMENT AGREEMENT'S PROVISIONS REGARDING EDWARDSPORT OPERATING AND MAINTENANCE ("O&M") CAPS.

A. Term 2 of the 2018 Settlement Agreement provides for a cap on recovery of Edwardsport O&M (defined for purposes of the 2018 Settlement Agreement to include O&M 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)) at the Company's budgeted retail O&M amounts of $97.6 million for 2018 and $96.0 million for 2019. As explained in my Direct Testimony, the IGCC-17 Step 1 rates which were implemented for interim billing used the $96.0 million 2019 budget amount, as will the final IGCC-17 Step 2 rates being proposed pursuant to the terms of the 2018 Settlement Agreement. To the extent Duke Energy Indiana's actual expenses incurred in 2018 or 2019 exceed these budgeted amounts, the difference will not be deferred for future recovery (*i.e.,* will be borne by Duke Energy Indiana's shareholders). To the extent actual expenses incurred are less than these budgeted amounts, the difference will be addressed in the final IGCC Rider reconciliation, to be further discussed.

Q. DOES THE 2018 SETTLEMENT AGREEMENT CONTAIN PROVISIONS RELATED TO THE RECOVERY OF 2020 EDWARDSPORT O&M?

A. The 2018 Settlement Agreement provides that the amount of Edwardsport 2020 O&M costs incurred or deferred for future recovery will be addressed as part of the rate case. The ratemaking treatment for the difference in revenue requirement for the period of January 1, 2020 until base rates are approved in the rate case will be addressed in the next rate case, to be further discussed.

Q. WHAT PROVISIONS DOES THE 2018 SETTLEMENT AGREEMENT CONTAIN RELATED TO FUTURE IGCC RIDER RATE ADJUSTMENT FILINGS?

A. Term 2 of the 2018 Settlement Agreement also provides that the final IGCC-17 rates pursuant to the settlement terms will remain in effect until the Company's retail base rates are updated in its next rate case, and that IGCC Rider filings will not be filed in March 2019 or March 2020, as would have been the case absent the 2018 Settlement Agreement. The Settling Parties also agreed that the return on and of investment amounts established in IGCC-17 for Edwardsport will remain in effect until retail base rates are updated in the Company's next retail base rate case, assuming such filing is made in 2019. Absent a retail rate case filing in 2019, the IGCC-17 Rider will remain in effect until mid-2020. As previously discussed, the Settling Parties intend for the Company to include Edwardsport investment and operating expenses in base rates in its next retail base rate case and to discontinue the tracking of Edwardsport via the IGCC Rider thereafter. Term 2 further provides that a final reconciliation of the IGCC Rider will be made as part of the first practicable ECR Rider, presently docketed as Cause No. 42061, filed following the issuance of the Company's next retail base rate case order. (The ECR Rider to be used for the final IGCC reconciliation uses the same coincident peak production demand allocation method to customer classes as the IGCC Rider does.) Additionally, Term 2 provides for an annual cap of $10 million on the amount of the final IGCC Rider reconciliation that can be included in the ECR Rider filings.

Q. DOES THE 2018 SETTLEMENT AGREEMENT PROVIDE FOR ANY EXCEPTIONS TO APPLICATION OF THE O&M CAPS?

A. The 2018 Settlement Agreement provides in Term 2 that 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 the 2018 Settlement Agreement for the periods of time covered by this Settlement in the event of such force majeure event. To the extent Duke Energy Indiana proposes to recover O&M expenditures over the caps due to a force majeure event, the non-Duke Settling Parties reserve all rights to make arguments in response to Duke Energy Indiana's request.

Q. PLEASE DESCRIBE THE 2018 SETTLEMENT AGREEMENT'S PROVISIONS REGARDING EDWARDSPORT ONGOING CAPITAL FOR 2018 AND THROUGH THE NEXT RETAIL RATE CASE.

A. Term 3 of the 2018 Settlement Agreement provides that 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 in its next rate case. Post-in-service ongoing capital costs at Edwardsport for 2018 and through the

Company's base rate case test period rate base cutoff date will be reviewed in that retail base rate case.

Q. WHAT DOES THE 2018 SETTLEMENT AGREEMENT PROVIDE RELATED TO THE REDUCTION OF THE REGULATORY ASSET BEING RECOVERED IN IGCC-17 RATES?

A. The 2018 Settlement Agreement provides in Term 4 that customers will be provided with a $30 million credit by reducing the balance of the Regulatory Asset (*i.e.,* Duke Energy Indiana shareholders will cover an additional $30 million of Edwardsport operating expenses previously deferred in the Edwardsport Regulatory Asset). The 2016 Settlement Agreement provided for this Regulatory Asset to be amortized and recovered through rates over approximately eight years in the amount of $20 million annually. The $30 million credit will be provided to customers by reducing the amortization amount to $10 million annually. Term 4 explains that the implementation will include a reduction in the amortization amount in the final IGCC-17 rates from $20 million to $10 million. Subsequent to that, Duke Energy Indiana will propose base rates with an annual amortization amount of $20 million, however, it will also include a credit in ECR Rider filings (which is also being used for the final IGCC reconciliation, as discussed above) in the amount of $10 million annually (or $5 million in each semi-annual ECR Rider) until the total $30 million has been credited to customers.

Q. WHAT DOES THE 2018 SETTLEMENT AGREEMENT PROVIDE RELATED TO THE FILING OF THE IGCC-17 STEP 2 RATES REQUESTED FOR RECOVERY IN THIS FILING?

A. The 2018 Settlement Agreement provides in Term ~~4~~ 5 that a supplemental filing be made in the IGCC-17 proceeding to propose rates that reflect the required changes from Cause No. 45032-S2 (inclusion of the IGCC Rider-related regulatory liability resulting from the Tax Act), Cause No. 1GCC-15 S1 (reflection of the $1.1 million common fund attorneys' fees), and the reconciliation of the Commission-Ordered Regulatory Liability (being amortized over two years in accordance with the 2016 Settlement Agreement). It further provides that the 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 discussed previously, and to recognize the final IGCC-17 Step 2 rates under the terms of the 2018 Settlement Agreement will be in effect longer than the normal one-year period.

Q. WHAT DOES THE 2018 SETTLEMENT AGREEMENT PROVIDE RELATED TO FUNDING FOR LOW INCOME ASSISTANCE AND CLEAN ENERGY PROJECTS?

A. Term ~~5~~ 7 of the 2018 Settlement Agreement provides that the OUCC and Duke Energy Indiana will cooperate to use $1.7 million of Duke Energy Indiana shareholders' funds for low income assistance (*e.g.,* Duke Energy Indiana's Helping Hand Fund) and clean energy-related projects/programs, unless the 2018 Settlement Agreement is voided in its entirety. Duke Energy Indiana and the OUCC will determine the allocation of the funding, with participation of other Settling Parties as desired. The Settling Parties also agreed that the Non-Duke Settling Party attorney and consultant fees will be reimbursed by Duke Energy Indiana shareholder funds in an amount not to exceed $300,000. To the extent the actual attorney and consultant fees are less than $300,000, any remaining amount will be used by the OUCC and Duke Energy Indiana to provide additional funds to the low income assistance and clean energy-related projects and programs discussed previously.

III. <u>RIDER 61 RATEMAKING AND PROPOSED IGCC-17 STEP 2 RATES</u>

Q. HOW DO THESE PROPOSED RATES RELATE TO THE STEP 1 RATES WHICH WERE APPROVED FOR IMPLEMENTATION ON AN INTERIM BASIS AND FROM THE ORIGINAL STEP 2 PROPOSED RATES THAT WERE INCLUDED IN YOUR DIRECT TESTIMONY?

A. As noted previously, these new IGCC-17 Step 2 rates pursuant to the 2018 Settlement Agreement are based on the same data used in the Step 1 rates (actual data as of December 31, 2017 and forecasted O&M and depreciation for 2019) and subject to the same 2012 and 2016 Settlement Agreement terms and calculations discussed in my Direct Testimony, but items included in the rate calculation that were affected by the terms of the 2018 Settlement Agreement have been adjusted pursuant to those terms. The Company is requesting approval of these final IGCC-17 Step 2 rates pursuant to the 2018 Settlement Agreement instead of the proposed Step 2 rates included as Petitioner's Exhibits 2-D (DLD) through 2-F (DLD) and previously discussed in my Direct Testimony. These new proposed IGCC-17 Step 2 rates pursuant to the 2018 Settlement Agreement are being requested to become effective after the Commission's approval beginning with the first Bill Cycle 1 following a final Commission Order (currently anticipated to be April 2019, given the current procedural schedule). The billing of these proposed IGCC-17 Step 2 settlement rates along with the billing of the IGCC-17 Step 1 rates (now anticipated to be through March 2019) are intended to work together to recover the agreed upon costs of Edwardsport through the date of implementation of revised base rates in mid-2020, with only a minimal amount of remaining reconciliation required.

Q. DO THE PROPOSED RATES REFLECT THE PASSAGE OF THE TAX ACT?

A. Yes. As with the IGCC-17 Step 1 rates previously approved for interim implementation beginning with bills issued May 24, 2018, we have used the new, lower 21.0% federal income tax rate in the development of the revenue conversion factors used in this filing. Reflecting this change resulted in being able to provide customers with approximately $30 million of tax benefits in the form of lower revenue requirements in IGCC-17 than what they would have been with the previous 35.0% rate. The new lower tax rates affected the amount of revenue requirements included for return on investment, as well as for depreciation and post-in-service AFUDC.

In addition, pursuant to terms in both the Settlement Agreement approved in Cause No. 45032-S2 and the 2018 Settlement Agreement in this proceeding, the benefits of the tax rate reduction on IGCC Rider revenues from January 1, 2018 through May 23, 2018 ($12,262,038) will be returned to customers via the IGCC-17 Step 2 rates. Support for this amount, which was deferred in a regulatory liability on the Company's books pursuant to the Commission's January 3, 2018, Order in Cause No. 45032, is included in Workpaper 3-C (DLD) being filed with my Settlement Testimony.

Q. PLEASE IDENTIFY THE DOCUMENT THAT HAS BEEN MARKED FOR PURPOSES OF IDENTIFICATION AS PETITIONER'S EXHIBIT 3-B (DLD).

A. Petitioner's Exhibit 3-B (DLD), pages 1 through 5, represents an update of Duke Energy Indiana's Rider No. 61, which was last updated and approved on an interim basis by the Commission in its IGCC-17 Thirty-Day Filing Order No. 50180 on May 23, 2018. The Company is requesting approval to implement this update (*i.e.,* the IGCC-17 Step 2 rates) as of the first Bill Cycle 1 following a final Commission order in this proceeding (currently anticipated to be Bill Cycle 1 of April 2019).

Q. PLEASE IDENTIFY THE DOCUMENT THAT HAS BEEN MARKED FOR PURPOSES OF IDENTIFICATION AS PETITIONER'S EXHIBIT 3-C (DLD).

A. Petitioner's Exhibit 3-C (DLD) includes the pages from Petitioner's Exhibit 2-B (DLD) calculating the Step 1 rates that were previously approved on an interim basis that changed pursuant to the terms of the 2018 Settlement Agreement. The only pages of Exhibit 2-B (DLD) that were affected by these changes were Pages 1, 5, and 8, and the applicable revisions are shown on Pages 1, 2 and 3 of Petitioner's Exhibit 3-C (DLD), respectively. All other revenue requirement support is the same as shown in Petitioner's Exhibit 2-B (DLD) and as explained in my Direct Testimony and workpapers. Revenue requirements for the IGCC-17 Step 2 rates are $332,666,578 as shown in Column H, line 13 of Page 1 of Petitioner's Exhibit 3-C (DLD). As shown on this exhibit, this is $12,801,181 less than the revenue requirements in the current IGCC-17 Step 1 rates. Upon approval, the IGCC-17 Step 2 rates for each revenue class will be less than the current IGCC-17 Step 1 rates. The revenue requirement impact for total retail of this decrease from IGCC-17 Step 1 rates to Step 2 rates is approximately 0.51% of total billed 2017 revenues.

Q. PLEASE EXPLAIN WHAT SPECIFIC ITEMS INCLUDED IN THE IGCC-17 REVENUE REQUIREMENTS CHANGED PURSUANT TO THE TERMS OF THE 2018 SETTLEMENT AGREEMENT.

A. The first change was a reduction in the annual amount of amortization of the Regulatory Asset from $20 million to $10 million, pursuant to Term 4, as explained above. This lower amount of amortization can be seen on Page 2 of Petitioner's Exhibit 3-C (DLD) in column B, line 15.

The second change was an increase in the annual amount of amortization of the Regulatory Liability from a credit amount of $13,358,576 to an annual charge amount of $7,114,002. This amount can be seen on Page 2 of Petitioner's Exhibit 3-C (DLD) in column C, line 15. The reason behind the change is that the Regulatory Liability was fully amortized as of August 2018, but customers will continue to get a monthly amortization credit in Step 1 rates until the proposed Step 2 rates are effective. Customers will therefore be over-refunded for seven months of the current amortization through March 2019, plus have been over-refunded by the $1.1 million in legal fees required to be paid by the Commission's Order in IGCC-15 S1. Term 4 listed these adjustments to be included in the filing of final IGCC-17 rates to be made pursuant to the 2018 Settlement Agreement and provided for further adjustment to spread the resulting reconciliation amount over the expected number of months that the final IGCC-17 Step 2 rates are to be billed (18 months in the 2018 Settlement Agreement language, but now expected to be 15 months given the current procedural schedule), therefore minimizing any reconciliation remaining from the billing of IGCC-17 rates. See Workpaper 3-A (DLD) filed with my Settlement Testimony for support for the amount included on Page 2 for the Regulatory Liability amortization.

Similar to the adjustment made to the Regulatory Liability to minimize any reconciliation remaining from the billing of IGCC-17 rates, pursuant to Term 4, the revenue requirement for post-in-service AFUDC amortization was also reduced from $4,685,139 in Step 1 rates to $3,018,344 in the proposed IGCC-17 Step 2 rates to reflect the expected number of months the current IGCC-17 Step 1 rates (10.3) and the proposed final IGCC-17 Step 2 rates (15) would be billed to customers. This new amount can be seen on Page 2, line 16 of Petitioner's Exhibit 3-C (DLD). See Workpaper 3-B (DLD) filed with my Settlement Testimony for support for the amount included on Page 2 for the post-in-service AFUDC amortization.

Term 4 also required the inclusion of the Tax Act regulatory liability previously discussed, which also was adjusted to reflect the expected number of months (15) over which the proposed final IGCC-17 Step 2 rates would be billed to customers. See Workpaper 3-C (DLD) filed with my Settlement Testimony for support for the $9,809,630 credit amount included on Petitioner's Exhibit 3-C (DLD), Page 2, line 18 for the resulting annual amount of Tax Act regulatory liability refund included in the development of IGCC-17 Step 2 rates.

The final item included in revenue requirements that was affected by Term 4's requirement to recognize the additional time period the final IGCC-17 rates are expected to be be in effect under the terms of this Settlement Agreement until new base rates are implemented is the amount of the IGCC Rider reconciliation. The amount included for the normal reconciliation to all customers has been reduced from $15,438,374 in IGCC-17 Step 1 rates to $3,939,492, and the amount included for the HLF only credit reconciliation has been reduced from $581,844 to $283,392, as can be seen on Petitioner's Exhibit 3-C (DLD), Page 1, columns F and G, line 13. The development of the normal reconciliation amount applicable to all customers is shown on Petitioner's Exhibit 3-C (DLD), Page 3. Lines 21 – 27 changed on this exhibit. The reconciliation amounts on Pages 1 and 3 are further supported by Workpaper 3-D (DLD) filed with my Settlement Testimony.

Please note that the O&M Cap provisions included in Term 2 of the 2018 Settlement Agreement did not require any adjustments to the O&M amount in the original IGCC-17 Step 1 rates since the 2019 budget/cap amount was used to develop both the Step 1 and these Step 2 rates.

Q. PLEASE IDENTIFY THE DOCUMENT THAT HAS BEEN MARKED FOR PURPOSES OF IDENTIFICATION AS PETITIONER'S EXHIBIT 3-D (DLD).

A. Petitioner's Exhibit 3-D (DLD) shows the impact on the monthly bill of a typical residential customer using 1,000 kilowatt-hours of the IGCC ratemaking pursuant to the 2018 Settlement Agreement, should the Commission approve it, for these proposed final IGCC-17 Step 2 rates. Upon approval and implementation of the proposed IGCC-17 Step 2 rates, the monthly bill of a residential customer using 1,000 kilowatt-hours will decrease by $0.53 or approximately 0.5%.

Q. WHAT AMENDMENTS TO DUKE ENERGY INDIANA'S RATE SCHEDULES ARE BEING PROPOSED TO REFLECT THE RIDER 61 RATEMAKING TREATMENT REQUESTED IN THIS PROCEEDING?

A. Duke Energy Indiana is proposing to update its Rider 61, Eleventh Revised Sheet No. 61, Pages 1 through 5 (Petitioner's Exhibit 3-B (DLD), Pages 1 through 5, the Step 2 rates) upon filing of the tariffs with the Energy Division following Commission approval of the rates in a final Order in this proceeding to be effective with the first bill cycle 1 following a Commission order (anticipated to be bill cycle 1 of April 2019, given the current procedural schedule).

IV. 2018 SETTLEMENT AGREEMENT IS IN THE PUBLIC INTEREST

Q. DO YOU BELIEVE THE 2018 SETTLEMENT AGREEMENT IS IN THE PUBLIC INTEREST?

A. Yes. The 2018 Settlement Agreement balances the interest of customers and the Company in an administratively efficient and reasonable way by providing for a planned end to the tracking of Edwardsport investment and operating expenses in the IGCC Rider. After an additional approximately 0.51% reduction in rates anticipated to occur in April 2019 upon approval of the Settlement Agreement and the proposed IGCC-17 Step 2 rates, customers will benefit from rate certainty for the IGCC Rider until it is discontinued in the Company's next base rate case, with new base rates anticipated to be implemented during mid-2020.

Customers are further protected from later rate volatility related to the final reconciliation of the IGCC Rider that will occur after the new base rates are implemented by the O&M caps for the 2018 and 2019 O&M that will be included in the final IGCC Rider reconciliation and the annual caps on the amount of final IGCC Rider reconciliation that can be included in the ECR filings. In addition, the 2018 Settlement Agreement's consideration in the development of the final IGCC-17 Step 2 rates of the anticipated timing that both the IGCC-17 Step 1 and Step 2 rates will be billed to customers will serve to minimize the amount of the final IGCC Rider reconciliation.

The 2018 Settlement Agreement also provides for an additional $30 million in operating costs already incurred by the Company and deferred in the Regulatory Asset to be borne by the Company's shareholders instead of customers. This permanent benefit to customers also provides a near-term rate benefit to customers of $10 million annually for the three years following implementation of the IGCC-17 Step 2 rates.

In addition, customers will benefit from the work of the OUCC and the Company to provide $1.7 million (or more) of shareholder funding for low income assistance and clean energy-related projects/programs. The Commission, IURC staff, OUCC, other non-Settling Parties and the Company will also benefit administratively from the planned discontinuation of the IGCC Rider filings, both for what would have been the IGCC-18 and IGCC-19 annual filings in 2019 and 2020, and after a review and inclusion of Edwardsport costs in the Company's next base rate case.

V. CONCLUSION

Q. WERE PETITIONER'S EXHIBITS 3-B THROUGH 3-D PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes, they were.

Q. DOES THIS CONCLUDE YOUR PREFILED SETTLEMENT TESTIMONY?

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: Diana L. Douglas   Dated: 9-20-18

Diana L. Douglas

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. <u>Supplemental Filing</u>.

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. <u>Reservation of Rights</u>.

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

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For the Indiana Office of Utility Consumer Counselor:

RCHeL

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

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For Nucor Steel-Indiana:

Anne E. Becker
Attorney for Nucor Steel-Indiana

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For the Duke Energy Indiana Industrial Group

Tabitha Balzer
Attorney for Duke Energy Indiana Industrial Group

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Duke Energy Indiana, LLC
1000 East Main Street
Plainfield, Indiana 46168

STANDARD CONTRACT RIDER NO. 61
INTEGRATED COAL GASIFICATION
COMBINED CYCLE GENERATING
FACILITY REVENUE ADJUSTMENT
APPLICABLE TO RETAIL RATE GROUPS

The applicable charges for electric service to the Company's retail customers shall be increased or decreased to the nearest 0.001 mill ($.000001) per kWh to reflect recovery of costs applicable to the Edwardsport integrated coal gasification combined cycle generating project ("IGCC Project") including costs applicable to related transmission property and other associated facilities in accordance with Ind. Code 8-1-8.8. The revenue adjustment applicable to the Company's charges for electric service, which shall be updated from time to time upon Commission approval, will be determined based on the following provisions:

IGCC Revenue Adjustment Factor by Rate Group =

$$\frac{([([(a+b+c+d+e) \times (f)] + (g)) \times (h)] + i) \times (j)}{k}$$

Where:

1. "a" is the annual return on invested capital applicable to the IGCC Project (including invested capital applicable to related transmission and other associated facilities). The return on invested capital shall reflect the value of IGCC Project capital expenditures, net of accumulated depreciation at applicable cutoff dates, as recorded on Duke Energy Indiana's books of account in accordance with the Uniform System of Accounts prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act and subject to limits approved by the Commission in Cause No. 43114 IGCC-4S1 and Cause No. 43114 IGCC-15. The net book value of the IGCC Project investment shall be multiplied by Duke Energy Indiana's weighted average cost of capital calculated in accordance with Commission rule 170 IAC 4-6-14 as of the valuation date of the net IGCC Project investment. The after-tax return on net original cost investment shall be converted to before-income-tax revenue requirement by multiplying the after-tax return on net investment by a revenue conversion factor that reflects current federal and state income tax rates.

2. "b" is the annual forecasted depreciation expense applicable to the IGCC Project using Commission-approved depreciation rates.

3. "c" is the sum of the annual forecasted operating expenses applicable to the IGCC Project which shall include operation and maintenance expenses, property insurance expenses, payroll taxes, and employee benefit costs subject to limits approved by the Commission in Cause No. 43114 IGCC-15. Forecasted operating expenses shall be reduced by $5,756,000 on an annual basis, to reflect costs applicable to the Edwardsport steam generating facility included in the cost of service approved in Duke Energy Indiana's last general rate case.

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**STANDARD CONTRACT RIDER NO. 61
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APPLICABLE TO RETAIL RATE GROUPS**

4. "d" is the annual forecasted real estate and personal property taxes applicable to the IGCC Project subject to limits approved by the Commission in Cause No. 43114 IGCC-15.

5. "e" is the annual federal and state income tax credits applicable to the IGCC Project converted to the revenue requirement excluding revenue related taxes and charges included in "h" below.

6. "f" is the total retail jurisdictional production demand expressed as a percentage of the total system demand from the cost of service study last approved by the IURC.

7. "g" is the amortization amount of external costs associated with the development of retail jurisdictional regulatory filings associated with the IGCC Project and actual costs incurred for Black and Veatch oversight of the project, both as approved by the Commission in Cause No. 43114 IGCC-1, actual external costs incurred for preparation and presentation of an IGCC demolition study, and other amortizations and costs approved by the Commission.

8. "h" is the revenue conversion factor that includes the Utility Receipts Tax, Public Utility Fee and other revenue related charges.

9. "i" is a $35,175,000 annual retail revenue requirement credit amount to be credited to retail customers to reflect the change in depreciation rates approved by the Commission in Cause No. 43114 IGCC-4S1.

10. "j" is the individual rate group's jurisdictional production demand allocator used for allocation purposes in the cost of service study last approved by the IURC, as adjusted for rate migrations between HLF and LLF rate classes and migrations of AL and OL rate classes to the UOLS rate class.

11. "k" is the individual retail rate group's adjusted billing cycle kilowatt-hour sales for the applicable twelve-month period for all retail rate groups other than industrial customers served under Rate HLF. The revenue adjustment for industrial customers served under Rate HLF shall be based on demands within the HLF customer group such that "k" shall be the sum of kilowatts billed for the applicable twelve-month period.

The factor shall be further modified to reflect the difference between estimated incremental operating costs billed and incremental operating costs actually incurred subject to limits for those costs that are recovered on a projected basis and to reflect the difference between costs actually incurred subject to limits and costs collected from customers for costs that are recovered on an actual basis.

The IGCC revenue adjustment factor applicable to retail rate groups shall be as follows:

DUKE ENERGY INDIANA, LLC
1000 East Main Street
Plainfield, Indiana 46168

IURC No. 14
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STANDARD CONTRACT RIDER NO. 61
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APPLICABLE TO RETAIL RATE GROUPS

Line No.	Retail Rate Group	IGCC Cost Recovery Adjustment Factor Per KWH (A)	IGCC Cost Recovery Adjustment Factor Per Non-Coincident KW (B)	Line No.
1	Rate RS	$0.014277		1
2	Rates CS and FOC	$0.016775		2
3	Rate LLF	$0.011806		3
4	Rate HLF		$6.367439	4
5	Customer L	$0.007035		5
6	Customer D	$0.000000		6
7	Customer O	$0.009319		7
8	Rate WP	$0.009039		8
9	Rate SL	$0.004275		9
10	Rate MHLS	$0.004136		10
11	Rates MOLS and UOLS	$0.003668		11
12	Rates TS, FS and MS	$0.015223		12

Issued:

Effective: First Bill Cycle 1 Following Final Commission Order in this Cause

DUKE ENERGY INDIANA, LLC
1000 East Main Street
Plainfield, Indiana 46168

IURC No. 14
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STANDARD CONTRACT RIDER NO. 61
INTEGRATED COAL GASIFICATION
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FACILITY REVENUE ADJUSTMENT
APPLICABLE TO RETAIL RATE GROUPS

ALLOCATED SHARE OF ADJUSTED SYSTEM PEAK DEMAND FOR RETAIL CUSTOMERS BY RATE GROUP EXPRESSED AS A PERCENTAGE OF THE COMPANY'S ADJUSTED TOTAL RETAIL SYSTEM PEAK DEMAND AS DEVELOPED FOR COST OF SERVICE PURPOSES IN CAUSE NO. 42359, AS REVISED FOR RATE MIGRATIONS

Line No.	Rate Groups	KW Share of System Peak (12CP) Per Cause No. 42359 (A)	Percent Share Of System Peak (B)	Rate Migrations (C)	Revised KW Share of System Peak (12CP) (D)	Revised Percent Share Of System Peak (E)	Line No.
1	Rate RS	1,582,005	36.727%	-	1,582,005	36.727%	1
2	Rates CS and FOC	224,244	5.206%	-	224,244	5.206%	2
3	Rate LLF 1/	628,152	14.583%	120,719	748,871	17.385%	3
4	Rate HLF	1,808,886	41.994%	(112,859)	1,696,027	39.374%	4
5	Customer L	10,481	0.243%	-	10,481	0.243%	5
6	Customer D 1/	7,860	0.182%	(7,860)	-	0.000%	6
7	Customer O	19,045	0.442%	-	19,045	0.442%	7
8	Rate WP	17,235	0.400%	-	17,235	0.400%	8
9	Rate SL	2,185	0.051%	-	2,185	0.051%	9
10	Rate MHLS	282	0.007%	-	282	0.007%	10
11	Rates MOLS and UOLS	5,196	0.121%	-	5,196	0.121%	11
12	Rates TS, FS and MS	1,893	0.044%	-	1,893	0.044%	12
13	TOTAL RETAIL	4,307,464	100.000%	-	4,307,464	100.000%	13

1/ Reflects Customer D move to LLF effective July 31, 2017.

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1000 East Main Street
Plainfield, Indiana 46168

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STANDARD CONTRACT RIDER NO. 61
INTEGRATED COAL GASIFICATION
COMBINED CYCLE GENERATING
FACILITY REVENUE ADJUSTMENT
APPLICABLE TO RETAIL RATE GROUPS

BILLING CYCLE KWH SALES AND NON-COINCIDENT
PEAK DEMANDS FOR THE COMPANY'S
RETAIL CUSTOMERS BY RATE GROUP BASED ON THE
TWELVE MONTHS ENDED DECEMBER 31, 2017

Line No.	Rate Groups	Billing Cycle KWH Sales (A)	Sum Of Monthly Non-Coincident Peak Demands (B)	Line No.
1	Rate RS	8,550,451,791		1
2	Rates CS and FOC	1,031,535,953		2
3	Rate LLF 1/	4,894,460,675		3
4	Rate HLF	10,906,590,756	20,597,913	4
5	Customer L	114,806,810		5
6	Customer D 1/	-		6
7	Customer O	157,645,853		7
8	Rate WP	147,089,202		8
9	Rate SL	39,648,920		9
10	Rate MHLS	5,624,930		10
11	Rates MOLS and UOLS	109,646,147		11
12	Rates TS, FS and MS	9,607,314		12
13	TOTAL RETAIL	25,967,108,351		13

1/ Reflects Customer D move to LLF effective July 31, 2017.

Issued:

Effective: First Bill Cycle 1 Following Final Commission Order in this Cause

DUKE ENERGY INDIANA, LLC

DETERMINATION OF THE IGCC GENERATING FACILITY REVENUE ADJUSTMENT FACTORS BY RATE SCHEDULE TO BE APPLIED TO CUSTOMERS' BILLS BEGINNING WITH THE EFFECTIVE DATE OF THE COMMISSION'S FINAL ORDER

Line No.	Description	Allocated Percentage Share of Average Kilowatt Coincidental Peak Demand Used for Allocation Purposes in IURC Cause No. 42359 1/	Revenue Requirement for Operating Expenses, Depreciation Expense, Amortizations, and Tax Credits	IGCC CWIP Revenue Requirement: Prior Revenue Requirement 2/	IGCC CWIP Revenue Requirement: Current Additional Revenue Requirement	IGCC CWIP Revenue Requirement: Total IGCC CWIP Revenue Requirement	Reconciliation for Items Other Than HLF Credit 3/	HLF Credit Reconciliation 4/	Revenue Requirement	Kilowatt-Hour Sales for the Twelve Months Ended December 31, 2017	IGCC Generating Facility Cost Recovery Adjustment Factors Per KWH by Rate Schedule	Sum of Monthly Non-Coincident Peak Demands for the Twelve Months Ended December 31, 2017	IGCC Generating Facility Cost Recovery Adjustment Non-Coincident Factor Per KW for Rate HLF	Line No.
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	
1	Rate RS	36.727%	$61,631,833	$71,701,754	($12,706,072)	$58,995,682	$1,446,856	$0	$122,074,371	8,550,451,791	$0.014277			1
2	Rates CS and FOC	5.206%	8,736,225	10,163,622	(1,801,068)	8,362,554	205,090	0	17,303,869	1,031,535,953	$0.016775			2
3	Rate LLF	17.385%	29,173,889	33,460,299	(5,534,252)	27,926,047	684,881	0	57,784,817	4,894,460,675	$0.011806			3
4	Rate HLF	39.374%	66,073,783	77,349,730	(14,102,093)	63,247,637	1,551,136	283,392	131,155,948	10,906,590,756		20,597,913	$6.367439	4
5	Customer L	0.243%	407,780	474,406	(84,068)	390,338	9,573	0	807,691	114,806,810	$0.007035			5
6	Customer D	0.000%	0	0	0	0	0	0	0	0	$0.000000			6
7	Customer O	0.442%	741,723	862,912	(152,914)	709,998	17,413	0	1,469,134	157,645,853	$0.009319			7
8	Rate WP	0.400%	671,243	780,916	(138,384)	642,532	15,758	0	1,329,533	147,089,202	$0.009039			8
9	Rate SL	0.051%	85,583	99,567	(17,644)	81,923	2,009	0	169,515	39,648,920	$0.004275			9
10	Rate MHLS	0.007%	11,747	13,666	(2,422)	11,244	276	0	23,267	5,624,930	$0.004136			10
11	Rates MOLS and UOLS	0.121%	203,051	236,227	(41,861)	194,366	4,767	0	402,184	109,646,147	$0.003668			11
12	Rates TS, FS and MS	0.044%	73,837	85,901	(15,222)	70,679	1,733	0	146,249	9,607,314	$0.015223			12
13	Total Retail	100.000%	$167,810,694	$195,229,000	($34,596,000)	$160,633,000	$ 3,939,492	$283,392	$332,666,578	25,967,108,351				13
14	IGCC 17 Step 1 Revenue Requirements 5/								$345,467,759					14
15	Difference (Line 13 - Line 14)								($12,801,181)					15
16	Retail 2017 Billed Revenues								$2,525,252,086					16
17	Percent Decrease from 2017 Billed Revenues (Line 15 / Line 16)								-0.51%					17

1/ As adjusted for rate migrations between HLF and LLF rate classes, migrations of AL and OL rate classes to UOLS rate class, and Customer D move to LLF effective July 31, 2017.

2/ Equal to amounts per Exhibit 2-B (DLD), page 1, column E in Consolidated Cause No. 43114 IGCC 16.

3/ Amount per Exhibit 3-C (DLD), page 3, line 27.

4/ Amount per Workpaper 3-D (DLD).

5/ Amount per IGCC 17 Exhibit 2-B (DLD), page 1, line 13, column H.

DUKE ENERGY INDIANA, LLC

DETERMINATION OF THE ESTIMATED NET JURISDICTIONAL OPERATING EXPENSES, DEPRECIATION EXPENSE, TAX CREDITS, AND AMORTIZATIONS APPLICABLE TO THE IGCC PROJECT TO BE RECOVERED FROM RETAIL JURISDICTIONAL CUSTOMERS

Line No.	Description	Amounts Applicable To Retail (A)	(B)	(C)	(D)	Line No.
	Operating Expenses					
1	2019 Estimated Net Retail Jurisdictional Other Operating Expenses (Exhibit 2-B, page 6)			$ 96,035,784		1
2	Revenue Conversion Factor 1/			1.02110		2
3	Total Amount to Be Recovered from Retail Customers in IGCC 17 for Operating Expenses				$ 98,062,139	3
	Depreciation Expense - Original Project		All Other	Applicable to Equity AFUDC		
			90.98%	9.02%		
4	2019 Estimated Retail Jurisdictional Depreciation Expense (Exhibit 2-B, page 6)	$ 97,172,388	$ 88,407,439	$ 8,764,949		4
5	Revenue Conversion Factor 1/		1.02110	1.36956		5
6	Revenue Requirement for Estimated Retail Jurisdictional Depreciation Expense		$ 90,272,836	$ 12,004,124	102,276,960	6
7	Credit for Effect of New Depreciation Rates Effective January 1, 2013 2/				(35,175,000)	7
8	Total Amount to Be Recovered from Retail Customers in IGCC 17 for Depreciation Expense, Net of Credit				67,101,960	8
	Depreciation Expense - Post-in-Service Ongoing Capital Projects		All Other	Applicable to Equity AFUDC		
			98.85%	1.15%		
9	2019 Estimated Retail Jurisdictional Depreciation Expense (Exhibit 2-B, page 6)	$ 7,043,989	$ 6,962,983	$ 81,006		9
10	Revenue Conversion Factor 1/		1.02110	1.36956		10
11	Revenue Requirement for Estimated Retail Jurisdictional Depreciation Expense		$ 7,109,902	$ 110,943	7,220,845	11
	Tax Credits					
12	Indiana Coal Gasification Technology Investment Tax Credit 3/			$ (13,768,500)		12
13	Revenue Conversion Factor 1/			1.08196		13
14	Total Amount to Be Refunded to Retail Customers in IGCC 17 Resulting from Tax Credits				(14,896,966)	14
	Amortizations		Applicable to Regulatory Asset	Applicable to Regulatory Liability 4/		
15	Net Amortization of Settlement Agreement Regulatory Asset and Commission-Ordered Regulatory Liability		$ 10,000,000	$ 7,114,002	17,114,002	15
16	Amortization of Post-in-Service AFUDC 5/				3,018,344	16
17	Total Amount to Be Collected from Retail Customers in IGCC 17 Resulting from Amortizations				20,132,346	17
18	Refund of IGCC Federal Income Tax Regulatory Liability Per Settlement Agreement in Cause No. 45032-S2 6/				(9,809,630)	18
19	Net Amount to Be Recovered from Retail Customers in IGCC 17				$ 167,810,694	19

1/ Components Of Revenue Conversion Factor:

	Statutory	Effective Rate for Other Operating Expenses and Non-Equity AFUDC Portion of Depreciation Expense	Effective Rate for Equity AFUDC Portion of Depreciation Expense	Effective Rate for State Tax Credit	
Utility Receipts Tax	1.400%	1.400%	1.400%	1.400%	
Uncollectible Accounts Expense	0.450%	0.450%	0.450%	0.450%	
Public Utility Fee	0.133%	0.133%	0.133%	0.133%	
State Income Tax	5.625%	0.083%	5.592%	5.592%	(A)
Federal Income Tax	21.000%	0.000%	19.409%	0.000%	(B)
Total Effective Rate		2.066%	26.984%	7.575%	
Complement (1-Effective Rate)		97.934%	73.016%	92.425%	
Revenue Conversion Factor (1 ÷ Complement)		1.02110	1.36956	1.08196	

(A) Effective tax rate for non-equity AFUDC portion of depreciation expense and other operating expenses for state income tax reflects tax on utility receipts tax portion of revenues. Effective tax rate for equity AFUDC portion of depreciation expense for state income tax reflects deductibility of uncollectible accounts expense and public utility fee. Effective tax rate for state income tax for state tax credit reflects deductibility of uncollectible accounts expense and public utility fee.

(B) Effective tax rate for equity AFUDC portion of depreciation expense for federal income tax reflects deductibility of utility receipts tax, uncollectible accounts expense, public utility fee and state income tax.

2/ Depreciation credit (per Cause No. 43114-IGCC 4S1 Settlement Agreement term 5A) is $35.175 million on an annual retail jurisdictional basis beginning in January 2013 after Commission approval of new depreciation rates in Cause No. 43114-IGCC 4S1 which were effective January 1, 2013.

3/ Reflects the retail jurisdictional portion of the estimated $15 million annual credit to be received for ten years beginning in 2013 (year of in-service for accounting purposes).

4/ Amount per Workpaper 3-A (DLD).

5/ Amount per Workpaper 3-B (DLD).

6/ Amount per Workpaper 3-C (DLD).

DUKE ENERGY INDIANA, LLC

DETERMINATION OF REVENUE REQUIREMENTS ASSOCIATED WITH 2017 NET RETAIL JURISDICTIONAL OPERATING EXPENSES, DEPRECIATION EXPENSE, TAX CREDITS, AND AMORTIZATIONS SUBJECT TO RECONCILIATION ASSOCIATED WITH THE IGCC PROJECT

Line No.	Description	Amounts Applicable To Retail					Line No.
		(A)	(B)	(C)	(D)	(E)	
	Operating Expenses						
1	2017 Net Retail Jurisdictional Other Operating Expenses (Exhibit 2-B, page 6)			$ 76,800,000			1
2	Revenue Conversion Factor 1/			1.02099			2
3	Revenue Requirement for Net Retail Jurisdictional Operating Expenses				$ 78,412,032		3
	Depreciation Expense - Original Project		All Other	Applicable to Equity AFUDC			
			90.98%	9.02%			
4	2017 Actual Retail Jurisdictional Depreciation Expense (Exhibit 2-B, page 6)	$ 97,259,973	$ 88,487,123	$ 8,772,850			4
5	Revenue Conversion Factor 1/		1.02099	1.67101			5
6	Revenue Requirement for Actual Retail Jurisdictional Depreciation Expense		$ 90,344,468	$ 14,659,520	105,003,988		6
7	Credit for Effect of New Depreciation Rates Effective January 1, 2013 2/				(35,175,000)		7
8	Total Revenue Requirement for Retail Jurisdictional Depreciation Expense, Net of Credit				69,828,988		8
	Depreciation Expense - Post-in-Service Ongoing Capital Projects		All Other	Applicable to Equity AFUDC			
			99.27%	0.73%			
9	2017 Actual Retail Jurisdictional Depreciation Expense (Exhibit 2-B, page 6)	$ 6,543,670	$ 6,495,901	$ 47,769			9
10	Revenue Conversion Factor 1/		1.02099	1.67101			10
11	Revenue Requirement for Actual Retail Jurisdictional Depreciation Expense		$ 6,632,250	$ 79,822	6,712,072		11
	Tax Credits						
12	Indiana Coal Gasification Technology Investment Tax Credit 3/			$ (13,768,500)			12
13	Revenue Conversion Factor 1/			1.08617			13
14	Revenue Requirement for Tax Credits				(14,954,932)		14
	Amortizations		Applicable to Regulatory Asset	Applicable to Regulatory Liability			
15	Net Amortization of Settlement Agreement Regulatory Asset and Commission-Ordered Regulatory Liability		$ 20,000,000	$ (13,358,572)	6,641,428		15
16	Amortization of Post-in-Service AFUDC				2,448,808		16
17	Total Revenue Requirement for Amortizations				9,090,236		17
18	2017 Expenses Subject to Reconciliation					149,088,396	18
19	2017 Billed Revenues Applicable to Rider 61 Items Other than Return on Investment					139,509,442	19
20	2017 Reconciliation Amount					9,578,954	20
21	Amount Expected to Be Collected through IGCC 17 Step 1 Rates 4/					8,221,936	21
22	Amount to Be Collected through IGCC 17 Step 2 Rates (Line 20 - Line 21)					1,357,018	22
23	Number of Months IGCC 17 Step 2 Rates Expected to Be Effective					15	23
24	Monthly Revenue Requirement for 2017 Reconciliation (Line 22 / Line 23)					90,468	24
25	Annual Revenue Requirement for 2017 Reconciliation (Line 24 x 12)					1,085,616	25
26	Uncollected IGCC 16 Reconciliation Amount 5/					2,853,876	26
27	Total Reconciliation Amount to Be Recovered from All Customers in IGCC 17 Rates 6/					$ 3,939,492	27

1/ Components Of Revenue Conversion Factor (per IGCC 16 filing, Exhibit 2-B, page 5)

	Statutory	Effective Rate for Other Operating Expenses and Non-Equity AFUDC Portion of Depreciation Expense	Effective Rate for Equity AFUDC Portion of Depreciation Expense	Effective Rate for State Tax Credit	
Utility Receipts Tax	1.400%	1.400%	1.400%	1.400%	
Uncollectible Accounts Expense	0.450%	0.450%	0.450%	0.450%	
Public Utility Fee	0.117%	0.117%	0.117%	0.117%	
State Income Tax	6.000%	0.089%	5.966%	5.966%	(A)
Federal Income Tax	35.000%	0.000%	32.223%	0.000%	(B)
Total Effective Rate		2.056%	40.156%	7.933%	
Complement (1-Effective Rate)		97.944%	59.844%	92.067%	
Revenue Conversion Factor (1 ÷ Complement)		1.02099	1.67101	1.08617	

(A) Effective tax rate for non-equity AFUDC portion of depreciation expense and other operating expenses for state income tax reflects tax on utility receipts tax portion of revenues. Effective tax rate for equity AFUDC portion of depreciation expense for state income tax reflects deductibility of uncollectible accounts expense and public utility fee. Effective tax rate for state income tax for state tax credit reflects deductibility of uncollectible accounts expense and public utility fee.

(B) Effective tax rate for equity AFUDC portion of depreciation expense for federal income tax reflects deductibility of utility receipts tax, uncollectible accounts expense, public utility fee and state income tax.

2/ Depreciation credit (per Cause No. 43114-IGCC 4S1 Settlement Agreement term 5A) is $35.175 million on an annual retail jurisdictional basis beginning in January 2013 after Commission approval of new depreciation rates in Cause No. 43114-IGCC 4S1 which were effective January 1, 2013.

3/ Reflects the retail jurisdictional portion of the estimated $15 million annual credit to be received for ten years beginning in 2013 (year of in-service for accounting purposes).

4/ Assumes IGCC 17 Step 1 rates are effective from May 24, 2018 through March 31, 2019. Amount equal to $9,578,954/12 months * 10.3 months.

5/ Amount per Workpaper 3-D (DLD).

6/ To be allocated based on coincidental peak demand from Cause No. 42359, as adjusted for certain lighting and LLF/HLF rate class migrations previously approved by the Commission.

DUKE ENERGY INDIANA, LLC

Comparison of the Effect of a Change in the Integrated Coal Gasification Combined Cycle Generating Facility Revenue Adjustment Factor (Rider No. 61) on the Total Bill of a Typical Residential Customer Using 1,000 KWHs

Line No.	Description	Revenue Adjustment Factor for IGCC Rider No. 61	Base Bill for Typical Residential Customer 1/	All Other Riders Excluding IGCC as of September 1, 2018	Total Bill for Typical Residential Customer Excluding IGCC	IGCC Rider No. 61 Revenue Adjustment for 1,000 KWHs	Total Bill Including IGCC Rider No. 61 Revenue Adjustment	Increase/ (Decrease) in Total Bill From Current Factor	% Increase/ (Decrease) in Total Bill From Current Factor	Line No.
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
	Step 2 Implementation:									
1	Proposed Factor IGCC 17 - Step 2	$0.014277	$72.10	$30.85	$102.95	$14.28	$117.23	($0.53) 2/	-0.5% 3/	1
2	Current Factor IGCC 17 - Step 1	$0.014814	$72.10	$30.85	$102.95	$14.81	$117.76	N/A	N/A	2

1/ Reflects rates approved in Cause No. 42359 as adjusted for federal income tax rate changes implemented per the Commission's Order in Cause No. 45032-S2.

2/ Line 1, Column E less Line 2, Column E.

3/ Line 1, Column G divided by Line 2, Column F.