

REBUTTAL TESTIMONY OF
OF CHRISTA L. GRAFT
LEAD RATES & REGULATORY STRATEGY ANALYST
DUKE ENERGY INDIANA, LLC
CAUSE NO. 44367 FMCA 4 BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

IURC
PETITIONER'S
EXHIBIT NO. 10
DATE 5-22-19 REPORTER AT

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Christa L. Graft, 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" or "Company") as
a Lead Rates & Regulatory Strategy Analyst.

**Q. ARE YOU THE SAME CHRISTA L. GRAFT THAT PRESENTED DIRECT
TESTIMONY IN THIS CAUSE, IDENTIFIED AS PETITIONER'S EXHIBIT 7?**

A. Yes.

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

A. The primary purpose of my Rebuttal Testimony is to discuss and respond to ratemaking
issues raised in the direct testimonies of Indiana Office of Utility Consumer Counselor
("OUCC") witnesses Mr. Eric M. Hand and Mr. Kaleb G. Lantrip. Specifically, I will (1)
respond to their arguments that Duke Energy Indiana should not be allowed to request a
new certificate of public convenience and necessity ("CPCN") for the FAC-003 and
FERC Order 825 costs within the FMCA 4 proceeding; (2) discuss why the
Commission's Orders in Cause Nos. 42736 RTO-31 and RTO-4 are not applicable to the

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FAC-003 and FERC Order 825 costs for which the Company is seeking a CPCN in this proceeding; and (3) explain why the Company cannot seek recovery of the FERC Order 825 costs in its next base rate case. I will not be addressing the portions of the OUCC's testimony regarding substantive concerns with the costs. Mr. Bill Moore and Mr. Tim Abbott will address the factual arguments in their rebuttal testimonies.

II. RESPONSE TO THE OUCC

Q. PLEASE EXPLAIN MR. HAND'S ARGUMENT AS TO WHY THE INCLUSION OF COSTS INCURRED AS A RESULT OF COMPLIANCE WITH FAC-003 IS INAPPROPRIATE.

A. As I read Mr. Hand's testimony, he has two major concerns as it relates to whether these are permissible costs to be recovered under Ind. Code. § 8-1-8.4-1 *et seq.* ("Federal Mandates Statute"). His first argument is that because Duke Energy Indiana requested recovery of NERC-related transmission line costs in another tracker and was denied, it is precluded from requesting recovery of the FAC-003 costs in this proceeding. His second argument is that this is a tracker proceeding and not appropriate for a new CPCN request. I will address both of these issues below.

Q. HOW DO YOU RESPOND TO MR. HAND'S ARGUMENT THAT DUKE ENERGY INDIANA IS PRECLUDED FROM SEEKING RECOVERY OF FAC-003 COSTS BECAUSE THE COMMISSION DENIED RECOVERY OF NERC-RELATED TRANSMISSION LINE COSTS IN CAUSE NO. 42736 RTO-31?

A. Mr. Hand quotes only part of the order in Cause No. 42736 RTO-31 denying recovery of NERC-related transmission line costs. Significantly, he omits the language where the

Commission states that “if Petitioner seeks to pursue recovery of these costs pursuant to Indiana Code § 8-1-8.4, it should file its request under a separate Cause.” *Order in Cause No 42736 RTO-31*, p. 9 (Sept. 26, 2012). In the RTO-31 order, the Commission denied recovery of the NERC-related transmission line costs because that Rider was limited to recovery of pass-through costs from MISO and was a summary proceeding filed every three months. As I stated above, the Commission suggested that Duke Energy Indiana file for recovery of those costs in a separate Cause under the federal mandates statute, which is what we did in this instance.

Q. ON PAGE 4 OF HIS DIRECT TESTIMONY, MR. HAND STATES THAT “A TRACKER IS NOT THE “APPROPRIATE TYPE OF PROCEEDING TO REQUEST APPROVAL OF A CPCN FOR NEW PROJECTS.” MR. LANTRIP STATES ON PAGE 5 OF HIS DIRECT TESTIMONY THAT “AN EXPEDITED TRACKER PROCEEDING IS NOT THE APPROPRIATE AVENUE FOR A CPCN REQUEST.” DO YOU AGREE?

A. No, I do not for several reasons. First and foremost, to refer to this as a tracker proceeding misreads the caption and testimony in this case. The caption clearly states that Duke Energy Indiana is requesting “(5) A Certificate of Public Convenience and Necessity for Phase IV Federally Mandated Compliance Projects and Costs.” Throughout the Petition and testimony, it is clear that Duke Energy Indiana is requesting a CPCN for the FAC-003 and FERC Order 825 costs.

Next, Duke Energy Indiana has requested and the OUC has not objected to similar CPCN requests in past FMCA proceedings, where the Commission approved both

1 cost updates and granted a new CPCN. For example, in FMCA-1, the Commission
2 granted a CPCN for costs incurred to comply with MOD 26 and MOD 27. Similarly, in
3 FMCA-2, Duke Energy Indiana requested and the Commission approved cost updates
4 and a CPCN for costs incurred to comply with CIP v.6 requirements. In both of these
5 proceedings, Duke Energy Indiana was seeking a CPCN for costs not previously
6 approved by the Commission. Mr. Hand's statement that "only updates and
7 modifications to the CIP CPCN have been included in the FMCA" (*Hand direct*
8 *testimony*, p. 4) is simply incorrect.

9 To refer to the federal mandates filings as "truncated" (*Hand direct testimony*, p.
10 4) or "expedited" (*Lantrip direct testimony*, p. 5) misrepresents the nature of this
11 proceeding. Duke Energy Indiana filed this case on January 24, 2019 and worked with
12 the OUCC on an agreed procedural schedule after the OUCC had an opportunity to
13 review the petition and testimony. If the OUCC wanted additional time to review the
14 filing, it could have requested it before they agreed to the procedural schedule. Unlike
15 the then quarterly RTO proceedings cited in his testimony, this proceeding is not
16 expedited or summary in nature.

17 **Q. HOW DO YOU RESPOND TO MR. HAND'S STATEMENT THAT THE "THE**
18 **FMCA SHOULD NOT BE A "CATCH ALL" FOR ANY COSTS JUST BECAUSE**
19 **THERE IS A TIE TO A FEDERAL RULE . . .". (HAND DIRECT, P. 4)?**

20 **A.** Although I am not a lawyer, I believe that Mr. Hand is expressing an opinion that is
21 contrary to the Federal Mandates Statute. Specifically, the statute states that an energy
22 utility may recover costs incurred pursuant to a federally mandated requirement that is

1 imposed by any number of federal agencies including: Any other law, order, or
2 regulation administered or issued by the United States Environmental Protection Agency,
3 the United States Department of Transportation, *the Federal Energy Regulatory*
4 *Commission*, or the United States Department of Energy.” (Ind. Code § 8-1-8.4-5 (7)
5 (emphasis added)).

6 **Q. HOW DO YOU RESPOND TO MR. LANTRIP'S DISCUSSION OF SIMILAR**
7 **SOFTWARE AND SYSTEM REDESIGN COSTS THAT WERE DENIED BY**
8 **THE COMMISSION IN CAUSE NO. 42736 RTO-4?**

9 A. The Order in Cause No. 42736 RTO-4 is not applicable to this proceeding simply
10 because the FERC Order 825 costs in this proceeding are similar in nature to the software
11 and system redesign costs denied in Cause No. 42736 RTO-4. Additionally, since the
12 time of the proceeding in Cause No. 42736 RTO-4, the Federal Mandates Statute became
13 law, providing statutory support for requesting and receiving recovery of the FERC Order
14 825 costs.

15 **Q. MR. LANTRIP INSTEAD RECOMMENDS THAT DUKE ENERGY INDIANA**
16 **SEEK RECOVERY OF THE FERC ORDER 825 COSTS IN ITS NEXT BASE**
17 **RATE CASE FILING. HOW DO YOU RESPOND?**

18 A. Duke Energy Indiana is planning a rate case that will use a forecasted test period of 2020;
19 however, the costs for compliance with FERC Order 825 were operation and
20 maintenance (“O&M”) expense incurred in 2017 and 2018 that by definition would not
21 be in rate case test period O&M. The only way for the FERC Order 825 costs to be

1 recovered in Duke Energy Indiana's next base rate case would be if the Commission were
2 to authorize deferral and future recovery of these costs in the base rate case.

3 **III. CONCLUSION**

4 **Q. DO YOU HAVE ANY FINAL THOUGHTS?**

5 A. In summary, I disagree with the OUCC's arguments against Duke Energy Indiana's
6 request for a new CPCN for FAC-003 and FERC Order 825 costs. The Federal Mandates
7 statute provides for the recovery of 80% of the FAC-003 and FERC Order 825 costs
8 through its FMCA filings and for deferral of 20% of the FAC-003 and FERC Order 825
9 costs for recovery in its next base rate case.

10 **Q. DOES THIS CONCLUDE YOUR PREPARED REBUTTAL TESTIMONY?**

11 A. Yes.

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: Christa L. Graft
Christa L. Graft

Dated: 5-1-2019