

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF DUKE ENERGY INDIANA, LLC)
PURSUANT TO IND. CODE §§ 8-1-2-42.7 AND 8-1-2-61,)
FOR (1) AUTHORITY TO MODIFY ITS RATES AND)
CHARGES FOR ELECTRIC UTILITY SERVICE)
THROUGH A STEP-IN OF NEW RATES AND CHARGES)
USING A FORECASTED TEST PERIOD; (2) APPROVAL)
OF NEW SCHEDULES OF RATES AND CHARGES,)
GENERAL RULES AND REGULATIONS, AND RIDERS;)
(3) APPROVAL OF A FEDERAL MANDATE)
CERTIFICATE UNDER IND. CODE § 8-1-8.4-1; (4))
APPROVAL OF REVISED ELECTRIC DEPRECIATION)
RATES APPLICABLE TO ITS ELECTRIC PLANT IN)
SERVICE; (5) APPROVAL OF NECESSARY AND)
APPROPRIATE ACCOUNTING DEFERRAL RELIEF;)
AND (6) APPROVAL OF A REVENUE DECOUPLING)
MECHANISM FOR CERTAIN CUSTOMER CLASSES)

CAUSE NO. 45253

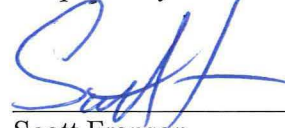
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

TESTIMONY OF

WES R. BLAKLEY – PUBLIC'S EXHIBIT NO. 4

OCTOBER 30, 2019

Respectfully submitted,



Scott Franson

Attorney No. 27839-49

Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS WES R. BLAKLEY
CAUSE NO. 45253
DUKE ENERGY INDIANA, LLC

I. INTRODUCTION

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

2 A: My name is Wes R. Blakley and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am a Senior Utility Analyst in the Electric Division for the Office of Utility
6 Consumer Counselor ("OUCC"). My educational background is described in
7 Appendix A to my testimony.

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

9 A: The purpose of my testimony is to provide analyses and make recommendations
10 on several proposals Duke Energy Indiana, LLC ("DEI") made in its case-in-
11 chief. Specifically I address DEI's proposals: (1) Step 2 of its two-step phase-in
12 rates; (2) tracking of reagent expense in its Environmental Cost Rider ("ECR");
13 (3) treatment of Excess Accumulated Deferred Federal Income Tax ("EADFIT");
14 and (4) treatment of Indiana State Excess Accumulated Deferred Income Taxes
15 ("EADIT"). Ultimately, I recommend:

16 (1) Permanent rates be approved on actual used and useful property plant at
17 December 31, 2020 with evidence from a compliance filing and
18 permitting all intervenors 60 days from the date of verification to
19 object;

20 (2) Denial of DEI's proposal to continue tracking reagent expense in its
21 ECR or, in the alternative, use DEI's existing Rider 67 Credits Rider to
22 recalculate DEI's return on its embedded pollution control investment
23 as a means to help balance the effect of tracking reagents as a single

1 isolated expense associated with the embedded pollution control
2 investment;

3 (3) An alternative treatment for DEI's Excess Accumulated Deferred
4 Federal Income Tax ("EADFIT") credit that passes back the credit over
5 three years, which is the expected life of the rates; and

6 (4) Indiana State Excess Accumulated Deferred Income Taxes ("EADIT")
7 be passed back to ratepayers over eight years, which is the period of the
8 current state corporate tax reduction.

9 **Q: Please describe the review and analysis you conducted in order to prepare**
10 **your testimony.**

11 A: I read DEI's prefiled testimony and reviewed its exhibits, schedules, workpapers
12 and responses to certain data requests. Additionally, I reviewed certain testimony
13 and exhibits filed in DEI's last rate case Cause No. 42359 and the Indiana Utility
14 Regulatory Commission's ("Commission" or "IURC") Order dated May 18,
15 2004. I also reviewed prior requests for approval of Clean Energy Projects under
16 Ind. Code ch. 8-1-8.8. I reviewed prior settlements relating to the Integrated
17 Gasification Combined Cycle ("IGCC") plant and participated in a phone call
18 with DEI staff to discuss issues related to that plant. I also reviewed the settlement
19 between the OUCC and DEI relating to the Tax Cuts and Jobs Act of 2017
20 ("TCJA") in Cause No. 45032 S2.

21 **Q: To the extent you do not address a specific item or adjustment, does this**
22 **mean you agree with those portions of Petitioner's proposal?**

23 A: No. Excluding any specific adjustments or amounts DEI proposes does not
24 indicate my approval of those adjustments or amounts. Rather, the scope of my
25 testimony is limited to the specific items addressed herein.

II. STEP 2 PHASE-IN RATES

1 **Q: Is DEI's two-step phase-in rate adjustment methodology proposal similar to**
2 **other approved phase-in rate proposals for forward looking test years?**

3 **A:** Yes. DEI witness Diana L. Douglas explains DEI's Step 2 of its two-step phase-in
4 rate methodology and the treatment of actual December 31, 2020 rate base values,
5 once known:

6 The same calculation and comparison will be done as for
7 calculation of Step 1 Credits Rider rate adjustment except the
8 Company will compare the actual December 31, 2020 net plant
9 amounts to the forecasted December 31, 2020 values included in
10 the Commission approved base rates. So long as the total revenue
11 requirement amounts using actual December 31, 2020 net plant
12 and property, depreciation and capital structure and cost of capital
13 amounts don't exceed the forecasted 2020 values that were
14 included in the Commission approved rates, the Step 1 Credits
15 Rider rate adjustment will be modified to reflect the revenue
16 requirements using the actual December 31, 2020 plant and
17 property values. But if the revenue requirements using the actual
18 December 31, 2020 plant and property values are higher than the
19 revenue requirements the Commission approved in base rates, no
20 ongoing credit adjustment to base rates will be required, and the
21 Step 1 Rate Adjustment component of the Credits Rider will be
22 adjusted to zero following a compliance filing.¹

23 The OUCC agrees with DEI's proposed Step 2 methodology to use actual
24 December 31, 2020 plant and property values if they are lower than DEI's
25 forecasted amounts, but with the additional requirement that the OUCC and
26 intervenors will have 60 days from the date of verification of actual used and
27 useful property to state objections to DEI's verified actual test-year end net plant.
28 If there are objections, the Commission should establish a hearing to determine
29 DEI's actual test-year end net-plant.

¹Cause No. 45253, DEI Direct Testimony of Diana L. Douglas, (Revised), Petitioner's Exhibit No. 4 page 20 through page 21 at line 12.

III. REAGENT EXPENSE

1 **Q: What are reagents?**

2 A: Reagents, as explained on page 31 of DEI witness James Michael Mosley's
3 testimony, are basically chemicals used in environmental control equipment to
4 reduce NO_x and SO₂, amongst other things. A list of these reagents is shown as
5 Table 11 on page 32 of Mr. Mosley's testimony, and include:

Reagent	Use
Limestone	SO ₂ removal in scrubbers
Pulverized Limestone	Additive for arsenic mitigation of SCR catalyst
Lime (or quicklime)	Scrubber and fly ash waste fixation
Hydrated Lime	SO ₂ removal (Gallagher) or sulfuric acid mist mitigation (Cayuga)
Sodium Bisulfate/Soda Ash	Sulfuric acid mist mitigation (Gibson)
Ammonia	NO _x removal in SCRs
Sodium Formate or "DBA"	Scrubber additive for SO ₂ removal (Gibson 5)
Mercury Reemission Chemical	Scrubber additive for mercury re-emission mitigation
Mercury Oxidation Chemical	Additive for enhanced mercury oxidation

6 **Q: What is the approximate value of the pollution control assets DEI requests to**
7 **include in base rates?**

8 A: The Commission's Cause No. 42061 ECR-33 Order, dated August 21, 2019,
9 showed net pollution control investment of approximately \$1 billion for DEI,
10 which DEI proposes to place in base rates.

1 **Q: How does DEI currently recover its pollution control property investment**
2 **costs, including reagent operation and maintenance (“O&M”) expense?**

3 A: DEI’s pollution control property investment costs are recovered in two Riders.
4 The capital costs recovery of a return “on” the investment is recovered through
5 Rider 62, and the associated O&M expense and depreciation expense through
6 Rider 71. These Riders plus Rider 63, which DEI uses to recover its emission
7 allowance costs, are included in DEI’s Environmental Costs Recovery tracker
8 known as the ECR.

9 **Q: How does DEI propose to treat costs associated with in-service ECR plant,**
10 **including reagent expense, in this Cause?**

11 A: As explained by DEI witness Christa L. Graft, “The Company is proposing to roll
12 the net book value (original cost investment less accumulated depreciation) of all
13 in-service ECR plant as of the end of the Test Period into base rates.”² Ms. Graft
14 further explains that any ECR plant investment not in service at the end of the
15 forecasted test year will continue to be recovered through Rider 62. With regard
16 to depreciation expense and O&M expenses including reagents, Ms. Graft states,
17 “The Company is proposing to roll the Test Period level of depreciation expense
18 associated with the in service ECR plant, reagent O&M, and non-reagent O&M
19 into base rates.”³ DEI is also proposing to consolidate Rider 63 and Rider 71 into
20 Rider 62 and reconcile all revenue requirement elements within Rider 62 going
21 forward. With reference to reagents, Ms. Graft states, “In addition, the Company

² Cause No. 45253, DEI Direct Testimony of Christa L. Graft, (Revised), Petitioner’s Exhibit No. 6 page 17 at line 19.

³ Cause No. 45253, DEI Direct Testimony of Christa L. Graft, (Revised), Petitioner’s Exhibit No. 6 page 19 at line 8.

1 is proposing to track certain reagent costs, both above and below the amount in
2 base rates, in the consolidated Rider 62.”⁴

3 **Q: What is DEI’s reasoning for continued tracking of reagent expense above**
4 **and below an embedded base rate amount?**

5 A: Mr. Mosley states in his testimony, “Just like fuel costs, environmental control
6 reagents consumption varies directly with generation output of the units.”⁵
7 Further, Ms. Graft states in her testimony, “Given this variability, the Company is
8 proposing to track costs for the reagents listed in Mr. Mosley’s Table 11, both
9 above and below the amount in base rates, in consolidated Rider 62.”⁶

10 **Q: What is the pro forma amount of reagent expense DEI is requesting to**
11 **embed in base rates?**

12 A: In response to OUCC Data Request 21.1⁷, DEI indicated the 2020 forecast for
13 reagent expense is \$48,539,000. DEI is proposing to embed this amount in base
14 rates and track up and down based on actual annual expenses, with the variance
15 collected through Rider 62.

16 **Q: Does the OUCC have an issue with setting aside and tracking a single O&M**
17 **expense outside of base rates?**

18 A: In general, yes. The practice results in “piecemeal ratemaking.”

19 **Q: Has the Commission denied requests for continued tracking of O&M**
20 **expenses when associated pollution control equipment is rolled into base**
21 **rates?**

22 A: Yes. In Vectren South Electric Cause No. 43839, the OUCC opposed Vectren’s
23 request to track environmental chemical expense and other chemical expenses

⁴ Cause No. 45253, DEI Direct Testimony of Christa L. Graft, (Revised), Petitioner’s Exhibit No. 6 page 19 at line 20.

⁵ Cause No. 45253, DEI Direct Testimony of James Michael Mosley (Revised), Petitioner’s Exhibit No. 19 page 31 at line 16.

⁶ Cause No. 45253, DEI Direct Testimony of Christa L. Graft, (Revised), Petitioner’s Exhibit No. 6 page 20 at line 7.

⁷ See Attachment WRB-1

1 after plant investment associated with the chemical expense was included in base
2 rates. As DEI argued in this case, Vectren asserted ongoing tracking of its
3 chemical costs was appropriate because those costs were volatile and significant.
4 The OUCC argued against this "piecemeal ratemaking," as that term was used by
5 the Commission in its Final Order in Cause No. 40402, which states:

6 Piecemeal ratemaking is when discrete components of a utility's
7 operations are treated singularly, rather than as a part of that
8 utility's larger financial picture. Such treatment is disfavored
9 because, while costs may have increased in one aspect of
10 operations, they may be offset by decreased costs elsewhere, or by
11 increased income.⁸

12 In denying Vectren's request, the Commission stated in its findings:

13 In considering whether to approve a new cost tracking mechanism,
14 we not only review whether a specific type of cost qualifies as
15 material, volatile and difficult to control, but also, from a broader
16 perspective, we review the utility's risks related to its operating
17 costs and the other tracking mechanisms it has in place. In general,
18 tracking of costs should remain limited in nature so the Company
19 is responsible for managing its overall operating costs. Typically,
20 utilities track operation & maintenance expenses, such as those
21 proposed to be included in the VPC tracker, only while a QPCP
22 construction project is in progress. Once a QPCP project is
23 complete and a rate case is filed, the maintenance and operation
24 expenses are included in base rates along with the capital value of
25 the project. All of the company's pollution control property is
26 operating and in service at this time, and the property and its
27 associated operating expenses have been rolled into Vectren
28 South's rate base in this Cause. This Commission has previously
29 allowed trackers for several types of expenses. These include the
30 previously mentioned F AC process, environmental cost recovery
31 trackers, demand side management ("DSM") trackers, and MISO
32 cost trackers. Vectren South believes that the chemical and catalyst
33 costs that it has incurred are volatile, substantial, and largely
34 outside of the control of the utility. These three qualities for an
35 expense to be tracked, are basic guidelines to follow, they are not
36 rigid principles requiring the creation of a tracker. We believe the

⁸ See Cause No. 40402, Northwest Indiana Water Company, Final Order dated September 19, 1996, Paragraph 8(a).

1 causes for determining if an expense or revenue is appropriate for
2 tracking are often times situational. While we have approved a
3 number of trackers in the past, we acknowledge Dr. Dismukes's
4 warnings. Revenue or cost trackers tend to make utilities less
5 accountable for their actions because they are less incented to
6 streamline costs or operations. We are also concerned that the
7 proliferation of trackers in the electric industry may result in
8 utilities unreasonably extending the time between rate cases. If
9 they can recover the majority of their variable costs through
10 trackers, they have no incentive to come before the Commission
11 and account for other, non-tracked, decreasing costs or increasing
12 revenues.

13 Based upon the discussion above, we do not find Vectren South's
14 VPC tracker proposal to be reasonable. While we acknowledge the
15 possibility that chemical and catalyst costs may be volatile in the
16 future, we find it is reasonable to confirm that possibility before
17 moving toward tracking such costs. As Vectren South has
18 embedded an amount for this expense into its base rates it will
19 receive timely recovery of a representative level of costs. We do
20 not foreclose the future consideration of such a tracker should the
21 potential volatility be realized and established with evidence.⁹

22 **Q: Has the Commission ever authorized a utility to continue to track an**
23 **individual operating expense after the associated plant investment has been**
24 **placed into base rates?**

25 A: No. I am not aware of a case where the Commission has authorized tracking of an
26 operating expense after the associated plant has been placed into base rates.
27 Traditionally, O&M expenses related to plant investment are placed into base
28 rates at the same time the associated plant investment is placed into rate base
29 during a rate case.

30 **Q: Should DEI's reagent expense be included in base rates since the related**
31 **capital projects are included in rate base?**

32 A: Yes. Indiana's Clean Coal Technology statutes and rules provide electric utilities
33 cost recovery on very expensive pollution control equipment. Based on my
34 experience, Indiana's five large investor-owned electric utilities, including DEI,

⁹ Cause No. 43839, Vectren South, Final Order dated April 27, 2011, page 94.

1 have benefited from these statutes and rules, through which billions of dollars of
2 investments have been recovered from customers through tracker recovery
3 mechanisms. These mechanisms have provided utilities with an opportunity to
4 timely recover a return “on” and a return “of” in the form of depreciation expense
5 plus associated O&M expenses from customers. These cost recoveries have
6 occurred outside of a base rate case. When a utility requests a base rate increase,
7 the completed pollution control equipment, along with its associated costs, will be
8 included in base rates. It would be inappropriate to permit an individual operating
9 expense to continue to be tracked after the associated plant investment has been
10 rolled into base rates. This proposed process would deviate from long-standing
11 ratemaking principles. Therefore, the OUCC recommends the appropriate amount
12 of reagent expense determined and approved by the Commission be included in
13 base rates, along with the associated capital project(s), with no tracking of
14 incremental reagent expense.

15 **Q: Does the OUCC have an alternative recommendation that would help**
16 **balance the effect of DEI's proposed “piecemeal ratemaking,” should the**
17 **Commission allow DEI to track incremental reagent expense outside of base**
18 **rates?**

19 **A:** Yes. As mentioned previously in my testimony, the Commission, in its Final
20 Order in Cause No. 40402, expressed concern about “piecemeal ratemaking”
21 indicating this treatment is disfavored because, even though costs may have
22 increased in one aspect of operations, these increased costs may be offset by
23 decreased costs or by increased income elsewhere. However, should the
24 Commission allow DEI to track incremental reagent expense outside of base rates,
25 the OUCC recommends the Commission require DEI to recalculate its return on

1 its embedded pollution control investment to reflect the depreciated value and use
2 its existing Rider 67 Credits Rider to pass back the difference as a credit to
3 ratepayers. This recommendation would help balance the effect of DEI's
4 proposed "piecemeal ratemaking" by allowing incremental reagent expense to be
5 tracked and recovered through DEI's Rider 62 ECA tracker, while adjusting and
6 crediting ratepayers through DEI's Rider 67 Credits Rider the difference between
7 the return on the pollution control investment included in rate base and the
8 recalculated return on depreciated pollution control investment – the investment
9 of which the reagent expense is associated. It is the OUCC's position that no
10 capital maintenance, repair costs, or special accounting treatment be included in
11 DEI's Rider 67 Credits Rider, nor for investments embedded in base rates be
12 included in its Rider 62.

IV. EADFIT REFUND RESULTING FROM THE TCJA

13 **Q: Please explain how EADFIT credits are passed back to customers through**
14 **DEI's Rider 67 Credits Rider.**

15 A: DEI's Rider 67 currently includes an annual amortization of \$7 million of
16 unprotected EADFIT, which is being passed back to customers pursuant to the
17 Settlement Agreement approved by the Commission in its Final Order in Cause
18 No. 45032 S2, dated August 22, 2018 ("TCJA Settlement Agreement"). DEI's
19 unprotected EADFIT is being passed back to customers over a ten year period.
20 Starting in 2022, the unprotected EADFIT annual amortization included in DEI's
21 Rider 67 will increase to \$35 million until the amount is fully refunded.

1 Also pursuant to the TCJA Settlement Agreement, DEI will include a one-
2 time credit of \$1.9 million in Rider 67 in January 2020. Amortization of protected
3 EADFIT will also begin in January 2020, in which time Rider 67 will include an
4 annual amortization of protected EADFIT based on the period determined by the
5 Average Rate Assumption Method ("ARAM"), which was estimated in the TCJA
6 Settlement Agreement to be 25.8 years.

7 The TCJA Settlement provides that DEI's 2018 and 2019 amortizations of
8 protected EADFIT (which were estimated to total approximately \$59.4 million)
9 were accounted for as deferred regulatory liabilities, with the repayment of those
10 amounts to be addressed in DEI's next base rate case.¹⁰ In this Cause, Ms.
11 Douglas explains DEI's proposal for the 2018 and 2019 protected EADFIT
12 amortizations:

13 The Company proposes to include this amortization of the deferred
14 amount in the Credits Rider with the additional protected EADFIT
15 amortization, over the same remaining lives of the assets using the
16 Internal Revenue Code Average Rate Assumption Method
17 ("ARAM"), also discussed by Mr. Panizza.¹¹

18 DEI has estimated, using ARAM, the remaining life of its assets in this Cause as
19 approximately "twenty-year-plus".¹²

20 **Q: How much protected EADFIT has DEI booked as a regulatory liability for**
21 **years 2018 and 2019?**

22 **A:** DEI's Data Response to IG 12.1¹³ states that the total deferred retail jurisdictional
23 portion of protected EADFIT is \$23,867,803 as of July 2019. With six months left

¹⁰ IURC Investigation into Impacts of the Tax Cuts and Jobs Act of 2017, Cause No. 45032 S2 Order Dated August 22, 2018. Petitioners Exhibit 3-A (BPD) Stipulation and Settlement Agreement C (ii).

¹¹ Cause No. 45253, DEI Direct Testimony of Diana L. Douglas, (Revised), Petitioner's Exhibit No. 4 page 92 at line 15.

¹² Cause No. 45253, DEI Direct Testimony of Diana L. Douglas, (Revised), Petitioner's Exhibit No. 4 page 76 at line 16.

1 in the year, the amount of the regulatory liability could be approximately \$30
2 million.

3 **Q: Does the OUCC agree with DEI's proposal to pass back the 2018 and 2019**
4 **protected EADFIT deferrals using ARAM, which is estimated to be over**
5 **twenty years?**

6 A: No. There is no requirement that the 2018 and 2019 protected EADFIT
7 amortizations be returned using ARAM. In fact, without the TCJA Settlement
8 Agreement, DEI's customers would have been entitled to receive immediate
9 refunds of the 2018 and 2019 protected EADFIT amortizations. Instead, the TCJA
10 Settlement Agreement states that the amortization of DEI's 2018 and 2019
11 protected EADFIT will be addressed in its next rate case. Considering the delay
12 that has already occurred, it would be unreasonable to extend the refund of those
13 monies to DEI's customers over a period of more than twenty years. As such, the
14 OUCC recommends the 2018 and 2019 protected EADFIT regulatory liability be
15 passed back to customers over the life of the rates set in this Cause, which is three
16 years.¹⁴ Subject to the final balance, using a three-year period results in a \$10
17 million per year refund to customers.

V. EADIT FOR INDIANA CORPORATE INCOME TAX

18 **Q: Are customers owed a refund for EADIT for Indiana corporate income tax?**

19 A: Yes. Since 2012, the Indiana corporate income tax rate has been reduced almost
20 every year - from 8.5% in 2012 to 5.25% in 2020). Even though DEI's actual state
21 income tax expense was reduced during this period, because it has not filed a base

¹³ See Attachment WRB-2.

¹⁴ Cause No. 45253, DEI Direct Testimony of Diana L. Douglas, (Revised), Petitioner's Exhibit No. 4 page 60 at line 8.

1 rate case in over ten years, DEI's customers have continued to pay utility rates
2 that reflect an outdated 8.5% corporate income tax rate since its final order in its
3 last base rate case in Cause No. 42539 order dated May 18, 2004. As such,
4 customers are owed a refund based on the difference between DEI's actual
5 corporate income tax expense and the corporate income tax expense revenue
6 requirement included in its base rates during this period. Unlike federal excess
7 deferred taxes, which result from a utility's election of accelerated tax
8 depreciation, DEI's state corporate excess deferred taxes are not related to
9 depreciation and therefore are not categorized as either protected or unprotected
10 for purposes of IRS normalization rules. DEI's total accumulated Indiana
11 corporate EADIT as of 12/31/20, including gross-up, is \$38,074,638.¹⁵ The
12 OUCC recommends this amount be passed back to customers, through DEI's
13 Rider 67 Credits Rider, over the period of the current state corporate income tax
14 reduction of eight years.

VI. RECOMMENDATIONS

15 **Q: What do you recommend in this proceeding?**

16 **A:** Based on my analysis, I recommend:

¹⁵ Duke Energy Indiana, LLC Cause No. 45253 DEI response to IG Data Request 5.5 (f). See Attachment WRB-3

1) For Step 2 rates:

a. The approved permanent rate be approved on actual used and useful test-year end net-plant at December 31, 2020;

b. Net plant should not exceed the lesser of (a) DEI's forecasted test-year-end net plant or (b) DEI's verified used and useful test-year-end net plant at December 31, 2020; and

c. DEI be required to serve the OUCC and other Intervening Parties with verification of its actual, used and useful test-year end net-plant at December 31, 2020, and allow the OUCC and intervenors 60 days from the date verification is served to state objections to DEI's verified test-year-end net plant. If there are objections, a hearing should be held to determine DEI's actual test-year-end net plant, and rates be trued-up (with carrying charges) retroactive to January 1, 2021 (regardless of when Step 2 rates go into effect).

2) DEI's proposal to track incremental reagent expense through its Rider 62 ECA tracker be denied, and the amount determined and approved by the Commission for reagent expense be embedded in base rates. In the alternative, I recommend using DEI's existing Rider 67 Credits Rider to recalculate DEI's return on its embedded pollution control investment and credit ratepayers accordingly as a means to help balance the effect of tracking reagents as a single isolated expense associated with the embedded pollution control investment;

3) DEI pass back the balance of the protected EADFIT accumulated in a regulatory asset for 2018 and 2019 to ratepayers over the life of the rates (three years); and

4) The forecasted balance of Indiana corporate EADIT as of December 31, 2020 be passed back through DEI's Rider 67 Credit Rider, over the period of the current state corporate income tax reduction of eight years.

Q: Does this conclude your testimony?

A: Yes.

APPENDIX A

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

2 A: I received a Bachelor of Science Degree in Business with a major in Accounting
3 from Eastern Illinois University in 1987 and worked for Illinois Consolidated
4 Telephone Company until joining the OUCC in April 1991 as a staff accountant.
5 Since that time I have reviewed and testified in hundreds of tracker, rate cases and
6 other proceedings before the Commission. I have attended the Annual Regulatory
7 Studies Program sponsored by NARUC at Michigan State University in East
8 Lansing, Michigan as well as the Wisconsin Public Utility Institute at the
9 University of Wisconsin-Madison Energy Basics Program.

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

11 A: Yes.

OUCC
IURC Cause No. 45253
Data Request Set No. 21
Received: September 9, 2019

OUCC 21.1

Request:

Referring to the testimony of James Mosley, on page 32, line 7 Mr. Mosley states: "The Company is proposing to build in to its base rates a representative level of the following reagents, based on the types and quantities included in 2020 forecast." The reagents are displayed on page 32 Table 11:

1. Limestone
2. Pulverized limestone
3. Lime (or quicklime)
4. Hydrated lime
5. Sodium bi-sulfate/Soda ash
6. Ammonia
7. Sodium format "DBA"
8. Mercury re-emission chemical
9. Mercury oxidation chemical

Please provide the cost of each item for 2018, forecasted 2019 and forecasted 2020. Please indicate how Ms. Dianna Douglas reflects each of these amounts in her 2020 schedule.

Objection:

Duke Energy Indiana objects to this request as vague and ambiguous, particularly its use of the term "her 2020 schedule."

Response:

Subject to and without waiving or limiting its objections, Duke Energy Indiana responds as follows:

Duke Energy Indiana, LLC

\$ in Thousands

	2018	Forecast 2019	Forecast 2020
1 Limestone	15,905	18,820	17,625
2 Pulverized Limestone	0	0	0
3 Lime - Quicklime	2,206	7,549	6,814
4 Hydrated Lime	2,523	1,914	2,107
5 Sodium Bisulfate- Soda Ash	8,849	10,480	10,615
6 Ammonia	5,301	5,256	5,668
7 Sodium formate "DBA"	1,451	1,892	2,086
Mercury re-emission			
8 chemical	1,858	2,343	2,550
9 Mercury oxidation chemical	1,062	1,040	1,075
	<u>39,157</u>	<u>49,294</u>	<u>48,539</u>

As discussed in the Direct Testimony of Ms. Christa L. Graft in Section III. Rate Adjustment Riders on page 19, the Company has included the forecasted test period amount for these reagents, in addition to the cost of other reagents, in its proposed base rates and is proposing to track these specific reagent costs, both above and below the amount embedded in base rates, in the consolidated Rider 62. As such, these forecasted reagent costs are included in the Other Production O&M amounts included in the development of the as adjusted forecasted 2020 Net Utility Operating Income in Ms. Douglas's Petitioner's Exhibit 4-E (DLD), Schedule OPIN3.

Witness: Diana L. Douglas

IG
IURC Cause No. 45253
Data Request Set No. 12
Received: August 20, 2019

IG 12.1

Request:

Please refer to page 87 of Ms. Douglas's testimony. Please identify the total amount of the deferral for the 2018 and 2019 amounts of protected EDIT.

Response:

The amount deferred for the retail jurisdictional portion of protected EDIT amortization through July 2019 is as follows:

2018	\$15,069,216
Year to Date July 2019	8,798,587
Total Deferred as of July 2019	\$23,867,803

Witness: John R. Panizza

IG
IURC Cause No. 45253
Data Request Set No. 5
Received: July 26, 2019

IG 5.5

Request:

Please refer to Mr. Panizza's Direct Testimony at page 4, lines 3-9.

- a. Please identify the Indiana corporate income tax rate used to calculate base rates in Cause 42359.
- b. Since issuance of the final order in Cause 42359 on May 18, 2004, has Duke adjusted the amount identified in subpart (a) above included in base rates for Indiana corporate income taxes to reflect the reduction in the state tax rate pursuant to I.C. § 6-3-2-1?
- c. Please identify the amount of accumulated deferred income taxes ("ADIT") that Duke had for Indiana corporate income taxes as of December 31, 2018.
- d. Please identify the amount of ADIT that Duke estimates it will have for Indiana corporate income taxes as of:
 - i. December 31, 2020; and
 - ii. December 31, 2021.
- e. Please identify the amount of excess deferred income taxes ("EDIT") that Duke had for Indiana corporate income taxes as of December 31, 2018.
- f. Please identify the amount of EDIT that Duke estimates it will have for Indiana corporate income taxes as of:
 - i. December 31, 2020; and
 - ii. December 31, 2021.

Response:

- a. Per Charles J. Winger's testimony in Cause 42359 (page 8, line 15 – page 9, line 3), the historical test year state tax rate was 4.5%. However due to recent tax law changes at the time, a proforma was included to increase the state tax rate to 8.5%.
- b. Duke Energy Indiana has reflected for accounting and tax purposes the applicable annual state tax rate reductions which began in July 2012 (adjusting rates from 8.5% to the current rate of 5.5% effective July 2019 with further reductions to occur in July 2020 and July

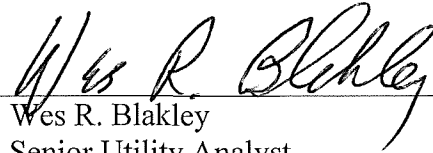
2021 to an ultimate rate of 4.9%). The Company has not adjusted its current base rates for the decreases that have occurred. However, the Company has incorporated the applicable reductions in the base rates proposed in this proceeding, as explained in Mr. Panizza's Direct Testimony at page 4, lines 6 – 8. In addition, Duke Energy Indiana has used the applicable lower state income tax rates in its rider filings beginning in 2012 and has included in its capital structure used for calculation of return in its capital riders the deferred income tax balances per accounting books that reflected the applicable state income tax reductions.

- c. Indiana ADIT as of 12/31/18 is \$201,143,232.
- d.
 - i. Indiana ADIT as of 12/31/20 is forecasted to be \$246,129,297.
 - ii. Indiana ADIT as of 12/31/21 is forecasted to be \$267,361,935.
- e. Indiana base EDIT as of 12/31/18 is \$28,629,063. The gross-up amount is \$9,477,478. The total Indiana EDIT, including gross-up, is \$38,106,541.
- f.
 - i. Indiana base EDIT as of 12/31/20 is forecasted to be \$28,605,095. The gross-up amount is forecasted to be \$9,469,543. The total forecasted Indiana EDIT, including gross-up, is \$38,074,638.
 - ii. Indiana base EDIT as of 12/31/21 is forecasted to be \$28,593,111. The gross-up amount is forecasted to be \$9,465,576. The total forecasted Indiana EDIT, including gross-up, is \$38,058,687.

Witnesses: John Panizza (a-c, f) / Diana Douglas (b)

AFFIRMATION

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

A handwritten signature in black ink, reading "Wes R. Blakley", is written over a horizontal line.

Wes R. Blakley

Senior Utility Analyst

Indiana Office of Utility Consumer Counselor

Cause No. 45253

Duke Energy Indiana, LLC

October 30, 2019

Date

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served by electronic mail this 30th day of October to the following:

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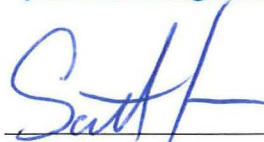
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