Cause No. 46193

On Behalf of Petitioner,
DUKE ENERGY INDIANA, LLC

VERIFIED DIRECT TESTIMONY OF JUSTIN G. SUFAN

Petitioner's Exhibit 7

February 13, 2025

DIRECT TESTIMONY OF JUSTIN G. SUFAN
VICE PRESIDENT, RATES & REGULATORY STRATEGY
DUKE ENERGY INDIANA, LLC
BEFORE THE INDIANA UTILITY REGULATORY COMMISSION

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Justin G. Sufan, 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 Vice President, Rates & Regulatory Strategy.

Q. PLEASE DESCRIBE YOUR DUTIES AS VICE PRESIDENT, RATES & REGULATORY STRATEGY.

A. As Vice President, Rates & Regulatory Strategy, I am responsible for regulated rate matters, including the Company's periodic regulatory and rider filings.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I hold a Bachelor of Science Degree from Purdue University Indianapolis, a Master of Business Administration Degree from the Kelley School of Business at Indiana University, and a Master of Science Degree from The Johns Hopkins University. I have completed the Leadership Development Program at the University of Virginia's Darden School of Business and have attended various regulated utility courses through the Edison Electric Institute, The Institute of Public Utilities at Michigan State University, and The Center for Public Utilities at New Mexico State University. I assumed my

current role at Duke Energy Indiana, LLC in April 2024. Previously, I was employed by Indianapolis Power & Light Company, now AES Indiana, beginning in 2005, where I held roles of increasing responsibility until joining their Regulatory Affairs department in 2012, initially as a Project Manager. I was promoted to Manager, Regulatory Services in 2015, and later to Director, Regulatory and RTO Policy from 2018 to 2021. In February 2021, I was promoted to Senior Director, Regulatory and New Products within AES US Services, LLC, a role I held until accepting my current position.

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

A. The purpose of my direct testimony is to support the proposed ratemaking related to Duke Energy Indiana's request for a Certificate of Public Convenience and Necessity ("CPCN") to construct a combined cycle gas turbine plant (the "Cayuga CC Project" or "Project") on the site of the to-be-retired Cayuga Generating Station. As described in more detail in the testimony of Company witness Smith, the Cayuga CC Project consists of two 1x1 advanced class combined cycle gas turbines. The first combined cycle gas turbine ("CC 1") is currently projected to be in-service in September 2029, and the second ("CC 2") in May 2030. In addition to CC 1 and CC 2, the Project includes new design and upgrades required for the transmission interconnection, expected to be in-service in December 2028, and required transmission network upgrades, expected to be in-service coincident with CC 2.

Specifically, I support Duke Energy Indiana's request for authorization for financial incentives for the Cayuga CC Project as a clean energy project, including timely cost recovery through construction work in progress ("CWIP") ratemaking, under Ind.

Code § 8-1-8.8-11 ("Section 11"). I also support Duke Energy Indiana's request to establish and implement a Generation Cost Adjustment ("GCA") tracker mechanism to timely recover costs associated with Duke Energy Indiana's Cayuga CC Project.

I provide:

(1) the requested ratemaking and accounting treatment related to the Company's construction and operation of the Cayuga CC Project;

(2) a calculation of estimated gross financing cost savings associated with the Company's proposed ratemaking treatment;

(3) an overview of the proposed GCA tracker mechanism;

(4) the proposed timeline for Duke Energy Indiana's initial and future GCA tracker mechanism filings;

(5) Duke Energy Indiana's requested ratemaking for plan development costs related to this Project;

(6) a description of the resulting changes to Duke Energy Indiana's electric service tariff; and

(7) an estimated retail rate impact related to this project.

Q. ARE YOU SPONSORING ATTACHMENTS TO YOUR DIRECT TESTIMONY IN THIS CAUSE?

A. Yes. I am sponsoring Attachment 7-A (JGS) through Attachment 7-D (JGS):

- Attachment 7-A –Calculation of Estimated Gross Financing Cost Savings Resulting from the Company's CWIP Ratemaking Proposal

- Attachment 7-B – Illustrative Schedules for Proposed GCA Tracker Mechanism
- Attachment 7-C – Proposed Tariff Changes
- Attachment 7-D – Overall Estimated Retail Rate Impact

II. REQUESTED RATEMAKING AND ACCOUNTING TREATMENT RELATED TO DUKE ENERGY INDIANA'S CONSTRUCTION AND OPERATION OF THE CAYUGA CC PROJECT

Q. PLEASE DESCRIBE THE RATEMAKING TREATMENT DUKE ENERGY INDIANA IS REQUESTING RELATED TO THE CAYUGA CC PROJECT.

A. As explained by Company witness Karn, the Company is requesting that the Commission approve the Cayuga CC Project as a clean energy project eligible for certain financial incentives under Indiana Code 8-1-8.8. As such, the Company is requesting to recover on a timely basis its capital, operation and maintenance ("O&M"), depreciation, tax, and financing costs incurred during the development, construction, and operation of the Cayuga CC Project and the use of forward-looking CWIP ratemaking treatment through the proposed GCA tracker mechanism.[1]

Q. WHAT IS CWIP RATEMAKING TREATMENT?

[1] As set forth in the Verified Petition in this Cause, Duke Energy Indiana seeks relief in the alternative under Section 11(a) to accrue post-in-service carrying costs and to defer O&M and depreciation from the date the Cayuga CC Project is placed in service until the cost of the Cayuga CC Project is reflected in Duke Energy Indiana's rates either through the GCA Mechanism or in a general rate case. The request for alternative relief would trigger in the event the proposed GCA is not approved as proposed, which could be either the denial of the GCA or rejection of the forward-looking nature of the GCA. Either of these changes to Duke Energy Indiana's proposal would result in post-in-service carrying costs and the commencement of depreciation before rate recovery has commenced.

A. CWIP ratemaking treatment allows a utility to recover financing costs (*i.e.*, earn a cash return) attributable to qualifying plant investments that are under construction and not yet in service or included in the utility's established rate base.

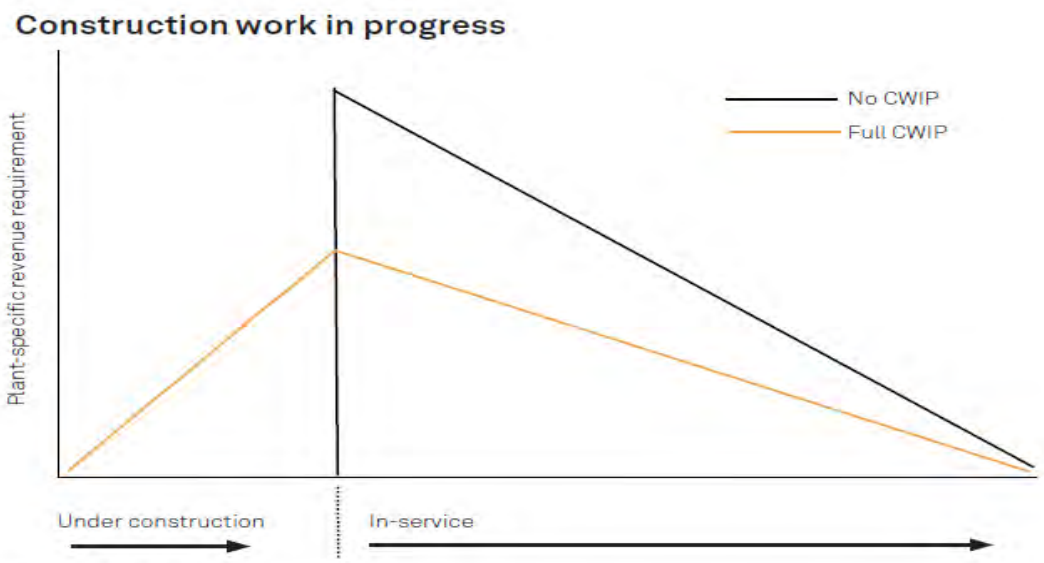
Q. WHAT IS THE BENEFIT OF UTILIZING CWIP RATEMAKING TREATMENT?

A. Recovering financing costs during project development and construction allows the Company to lower the total project costs by reducing capitalized financing costs. This benefits both our customers and the Company. CWIP ratemaking treatment mitigates the negative impact to the Company's credit metrics by improving near term cash flow during a potentially lengthy construction period and by minimizing the amount of additional debt taken on to construct the project. Also, spreading the recovery of costs over time avoids lumpy rate increases when projects are completed. Customers benefit from gradual, rather than abrupt, rate adjustments.

Q. PLEASE FURTHER EXPLAIN HOW GRANTING DUKE ENERGY INDIANA CWIP RATEMAKING TREATMENT BENEFITS CUSTOMERS.

A. Under traditional ratemaking, the Company would accrue financing costs in the form of allowance for funds used during construction ("AFUDC") on the capital expenditures not yet reflected in customer rates. At in-service, the accrued AFUDC is capitalized as part of the overall asset cost. With a significant project such as this, once the asset is placed in-service, post-in-service carrying costs ("PISCC") are accrued as a regulatory asset until the asset is fully reflected in rates. The PISCC regulatory asset is included in rate base and amortized, producing a result that is very similar to the effect of accruing AFUDC

(increasing the cost of the asset reflected in rate base). Therefore, accruing AFUDC and PISCC until the asset is fully reflected in rates results in a higher amount of capitalized financing costs, higher total project cost, and a higher rate base amount when compared to allowing CWIP ratemaking treatment for recovery of financing costs. Regulatory Research Associates, a group within S&P Global Commodity Insights, has demonstrated this graphically:



Data as of Aug. 9, 2024.
CWIP = construction work in progress.
Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.

Q. HOW DOES THE USE OF CWIP RATEMAKING TREATMENT IMPACT THE REVENUE REQUIREMENT?

A. CWIP ratemaking treatment allows for more timely recovery of financing costs. It does not change the amount of direct construction costs, but it does reduce or eliminate the compounding of carrying costs (both AFUDC and PISCC), thereby producing a lower

rate base which results in a lower annual revenue requirement to customers after the capital project is ultimately placed in service. Permitting an earlier cash flow than would otherwise be produced by the accrual of AFUDC and PISCC under a traditional ratemaking model reduces customer rates over the life of the Cayuga CC Project.

Q. PLEASE DESCRIBE THE ACCOUNTING TREATMENT ASSOCIATED WITH CWIP RATEMAKING.

A. A utility must discontinue the capitalization of AFUDC once it begins to recover a return on CWIP investment in its rates. Under the Company's proposal, and except for the AFUDC currently being accrued and continuing to accrue until recovery begins of a return on CWIP investment through the proposed GCA tracker, Duke Energy Indiana will not accrue incremental AFUDC in *FERC Account 107, Construction Work in Progress* for the Cayuga CC Project. Moreover, the Company will use its *PowerPlan* fixed asset system to maintain its accounting records for the Cayuga CC Project, both during construction and after it is placed in-service. The Company's *PowerPlan* system has the capability to identify specific projects that should not accrue or capitalize AFUDC once rate recovery of a return on CWIP investment commences.

Timely processing of the GCA tracker filings is key to maximizing benefits of CWIP ratemaking treatment to customers. If GCA proceedings are extended, then additional AFUDC may accrue because the Company would not be timely collecting the appropriate amount of financing costs through customer rates to keep pace with ongoing construction costs.

Q. HOW WILL CWIP RATEMAKING TREATMENT WORK UNDER DUKE ENERGY INDIANA'S PROPOSAL?

A. The Company proposes to implement CWIP ratemaking treatment for the recovery of financing costs during the construction of the Cayuga CC Project in the GCA tracker mechanism. Under the Company's proposal, the financing costs under CWIP ratemaking would be calculated at Duke Energy Indiana's weighted average cost of capital ("WACC") and recovered on a forward-looking basis.[2]

Q. WHY IS DUKE ENERGY INDIANA'S PROPOSED CWIP RATEMAKING TREATMENT FORWARD LOOKING?

A. A forward-looking basis produces greater gross financing cost savings, is more advantageous to customers, and is therefore more just and reasonable. In connection with an approved forward-looking CWIP ratemaking proposal, the Company will cease accruing AFUDC on the date such expenditures begin receiving CWIP ratemaking treatment. If the Commission approves the GCA mechanism, the Company proposes to reflect the CWIP financing costs projected to occur over the respective six-month billing periods in each tracker filing. Under this proposal, the only AFUDC reflected in the total cost of the Cayuga CC Project will be the amounts accrued until the first GCA tracker rates are effective (currently estimated to be effective in April 2026). If the tracker were backward-looking and reflected the recovery of construction financing costs based on a historical CWIP balance, the overall gross financing savings would be reduced resulting

[2] At the time of this filing, Duke Energy Indiana's WACC is less than its AFUDC rate.

in higher long-term rates for customers. Although recovery of CWIP financing costs on a backward-looking basis would still produce gross financing savings over the life of the Cayuga CC Project (versus traditional AFUDC alone), the savings would be lower than the Company's forward-looking CWIP proposal and result in higher costs for customers.

Q. PLEASE DESCRIBE THE STATUTORY REQUIREMENTS RELATED TO THE APPROVAL OF FINANCIAL INCENTIVES ASSOCIATED WITH CONSTRUCTION FINANCING COSTS FOR A CLEAN ENERGY PROJECT.

A. Ind. Code 8-1-8.8-11(a) provides:

> The commission may not approve a financial incentive under this subdivision unless the commission finds that the eligible business has demonstrated that the timely recovery of costs and expenses incurred during the construction and operation of the project: (A) is just and reasonable; and (B) in the case of construction financing costs, will result in a gross financing costs savings over the life of the project.

Duke Energy Indiana's proposal satisfies both requirements.

Q. WILL THE PROPOSED CWIP RATEMAKING TREATMENT RESULT IN GROSS FINANCING COST SAVINGS OVER THE LIFE OF THE PROJECT AS REQUIRED BY THE CLEAN ENERGY PROJECT STATUTE?

A. Yes. Pages 1-3 of Attachment 7-A (JGS) calculate the gross financing costs under three scenarios: (1) the Company's forward-looking CWIP proposal; (2) traditional rate case recovery; and (3) backward-looking CWIP recovery. It illustrates that the proposed forward-looking CWIP ratemaking treatment will result in the greatest gross financing cost savings over the life of the project, compared to the other scenarios.

Q. PLEASE SUMMARIZE THE ASSUMPTIONS USED TO CALCULATE THE GROSS FINANCING COST SAVINGS OVER THE LIFE OF THE PROJECT FOR EACH SCENARIO.

A. The key assumptions for calculating gross financing costs under all three scenarios are detailed on Page 4 of Attachment 7-A (JGS). Financing costs are calculated at the 12/31/2025 forecasted WACC as approved in Cause No. 46038, as shown on Page 5 of the same Attachment. The general rate case test year is optimized per scenario.[3] From that point forward, the rate case frequency under all scenarios is the same since the Cayuga CC Project will have rolled into base rates. As I will further discuss below, the alternative scenarios result in higher rate base (and therefore higher returns and higher depreciation and amortization expense) produced by the accrual of AFUDC, in addition to the accrual of PISCC as a regulatory asset.

Q. PLEASE DESCRIBE THE FIRST SCENARIO IN ATTACHMENT 7-A (JGS), CWIP – FORWARD-LOOKING.

A. Lines 1-6 of Attachment 7-A (JGS) show gross financing costs using the proposed forward-looking CWIP ratemaking treatment until the Cayuga CC Project is reflected as being in service, and then ultimately in base rates. The Company anticipates putting rates in effect under the GCA, for all retail customers, including the applicable portion of special contracts, on a bills rendered basis commencing in April 2026. The assumed general rate case uses calendar year 2031 as the forward-looking test-period, with new

[3] Rate case assumptions used for this analysis are demonstrative and for scenario comparison purposes only.

base rates (Step 1) assumed to be placed into effect as of April 1, 2031. At that date, the costs for the Cayuga CC Project cease flowing through the GCA tracker in the analysis, transitioning to traditional declining balance base rate case treatment for the remaining life of the assets.

Q. PLEASE DESCRIBE THE SECOND SCENARIO IN ATTACHMENT 7-A (JGS), TRADITIONAL RATE CASE RECOVERY.

A. Lines 7-12 of Attachment 7-A (JGS) assume the ongoing accrual of AFUDC until each part of the project is in-service, along with the accrual of PISCC between in-service and inclusion in new base rates. In this scenario, to minimize the accumulation of PISCC, the general rate case uses calendar year 2030 as the forward-looking test-period. New base rates (Step 1) are assumed to be placed into effect as of March 1, 2030, including the costs for CC 1. Step 2 rates are assumed to be effective January 1, 2031 to capture the costs of CC 2 and the required transmission network upgrades. Similar to the first scenario, the analysis then transitions to simple declining balance base rate case treatment for the remaining life of the assets.

Q. PLEASE DESCRIBE THE THIRD SCENARIO IN ATTACHMENT 7-A (JGS), CWIP – BACKWARD-LOOKING.

A. Lines 19-24 of Attachment 7-A (JGS) assume the ongoing accrual of AFUDC until each part of the project is in-service, along with the accrual of PISCC between in-service and inclusion in the GCA tracker or new base rates. In this scenario, however, the accumulation of AFUDC and PISCC is reduced by backward-looking CWIP treatment, wherein a historical portion of capital costs as of a cutoff date earn a return in the GCA

tracker. With the existence of the GCA, the rate case assumptions are the same in this scenario as in the forward-looking CWIP scenario.

Q. WHAT IS THE CONCLUSION OF YOUR ANALYSIS?

A. The total gross financing costs over the life of the Cayuga CC Project are set forth in the Total Financing Costs line item for each scenario in Attachment 7-A (JGS).[4] Under the Company's forward-looking CWIP scenario, the total gross financing costs over the life are estimated at $5,303,888,000. Under the traditional general rate case scenario, the total gross financing costs over the life are estimated at $6,116,222,000. The difference between these two amounts of $812,334,000 is the estimated gross financing cost savings over the life of the Cayuga CC Project. Under the backward-looking CWIP ratemaking scenario, the total gross financing costs over the life are estimated at $5,556,834,000. This scenario still produces an estimated gross financing cost savings of $559,388,000 over the life of the Cayuga CC project when compared to the traditional general rate case scenario, but not as much cost savings as the forward-looking CWIP scenario.

Q. IS DUKE ENERGY INDIANA'S PROPOSED FINANCIAL INCENTIVE OF FORWARD-LOOKING CWIP RATEMAKING JUST AND REASONABLE?

A. Yes. In accordance with Ind. Code 8-1-8.8-11, the forward-looking CWIP ratemaking produces the largest gross financing cost savings and lowest rates for customers over the

[4] The analysis extends through calendar year 2066, capturing the 35-year as-modeled operating life of the production plant. Some cash flow remains after 2066, given the as-modeled 50-year operating life of the transmission plant, but is relatively small, and is truncated from the analysis.

life of the Project. Also, the Company's proposal improves its cash flows, supporting the Company's credit metrics, while avoiding rate shock to customers.

III. PROPOSED GCA MECHANISM

Q. PLEASE DESCRIBE DUKE ENERGY INDIANA'S GCA MECHANISM REQUEST.

A. The Company requests to establish and implement a GCA mechanism to recover costs associated with developing, constructing, and operating the Cayuga CC Project. As described below, the Company proposes to initially recover costs associated with CWIP until each part of the Project is in-service. At in-service, the Company would transition to recovering Project costs in the GCA until reflected in new base rates, including return on the net plant in-service balance, return on any capital maintenance additions (net of any in-service retirements), carrying cost of new plant materials and supplies ("M&S") inventory, depreciation expense, and O&M expense (including property tax and insurance costs).

Q. HAS DUKE ENERGY INDIANA INCURRED COSTS RELATED TO THE PLANNING AND PREPARATION OF THIS PROJECT?

A. Yes. The Company has incurred incremental costs related to its integrated resource plan and request for proposal processes. Just as the Company was approved to recover a portion of those costs in the Speedway Solar PPA proceeding in Cause No. 45907, it is seeking recovery of similar costs in this proceeding. We also expect to incur costs associated with external support related to potential property tax incentives for the Project. The Company is proposing to recover these costs as a regulatory asset over a

two-year amortization period, beginning with the implementation of the first GCA rates in April 2026. In addition, the Company is requesting approval to defer and recover future new generation-related plan development, preliminary engineering, testing and pre-construction costs via the GCA.

Q. PLEASE DESCRIBE THE PROPOSED TIMELINE FOR THE INITIAL AND FUTURE GCA TRACKER FILINGS.

A. The Company anticipates GCA tracker filings will be made by November 15 (reflecting the forward-looking period of April through September) and May 15 (reflecting the forward-looking period of October through March) of each year. The initial GCA mechanism filing will include costs for the forecasted six-month period of April 2026 through September 2026, with rates effective as of April 1, 2026. The Company anticipates a 120-day procedural schedule from filing to Commission order, with subsequent rate implementation on a bills rendered basis. Any variance from the forecasted tracker revenue requirement and the amounts collected to the actual revenue requirement based on the final books and records would be captured in a reconciliation within each tracker filing as historical actual periods are available for each tracker filing. Attachment 7-B (JGS) is an illustrative example of the tracker schedules.

Q. HOW DOES DUKE ENERGY INDIANA PROPOSE TO RECOVER THE RETURN ON INVESTMENT AND OTHER APPROPRIATE COSTS DURING CONSTRUCTION?

The Company proposes to recover these costs during construction in the semi-annual forecasted GCA tracker until such time each part of the Project is in service. It would

include the CWIP return based on the forecasted six-month average cumulative capital spend, including seven forecasted balances from March 31, 2026 through September 30, 2026. The intervals would then proceed forward each six months, with the second GCA tracker effective October 1, 2026, utilizing the seven updated forecasted balances from September 30, 2026, through March 31, 2027; and so on, until each part of the Project is in-service.

Q. HOW DOES DUKE ENERGY INDIANA PROPOSE TO RECOVER THE RETURN ON INVESTMENT AFTER THE CAYUGA CC PROJECT IS PLACED IN SERVICE BUT BEFORE INCLUSION IN BASE RATES?

A. The Company proposes to recover these costs in the semi-annual forecasted GCA tracker until such time they are included in base rates. The return on investment will be calculated based on the forecasted net plant of each part of the Project as it goes in-service. Such filing would likely contain a prorated amount of CWIP along with a prorated amount of return on net plant in-service. It is anticipated that this recovery will occur in the GCA tracker during the first six-month period after each part of the Project is in-service.

Q. PLEASE DESCRIBE IN MORE DETAIL HOW THE CAPITAL COSTS ASSOCIATED WITH THE CAYUGA CC PROJECT WILL BE INCORPORATED INTO THE GCA.

A. The revenue requirement for capital costs included in the GCA will be calculated by first computing the monthly average CWIP, or net plant in service when appropriate, over the forecasted seven balances for the applicable six-month forecast period. To calculate the

annual return on investment, the Company would then multiply the monthly average for the forecasted billing period by Duke Energy Indiana's WACC which incorporates the Commission approved return on common equity. These capital costs will be grossed up for all applicable taxes. This annual amount will be divided in half to reflect that the rates will be effective for a six-month period, utilizing six months of billing determinants.

Q. PLEASE DESCRIBE HOW ALL OTHER COSTS, INCLUDING O&M, DEPRECIATION, AND PROPERTY TAX EXPENSES ASSOCIATED WITH THE CAYUGA CC PROJECT, WILL BE INCORPORATED INTO THE GCA.

A. Until and to the extent the Cayuga CC Project is placed in service, there would be no O&M or depreciation expense, and property taxes will be capitalized. When and to the extent a completed individual part of the Cayuga CC Project is projected to be placed in-service in a forecast period, the GCA will commence recovery of the operating expenses, including depreciation, O&M, and property tax expenses, that will be reconciled to actual expenses incurred.

Q. PLEASE DESCRIBE THE ALLOCATION FACTORS DUKE ENERGY INDIANA PROPOSES TO USE TO ALLOCATE COSTS IN THE GCA MECHANISM.

A. The Company proposes to allocate the costs associated with the Cayuga CC Project based on Duke Energy Indiana's demand allocators approved by the Commission in Cause No. 46038, as shown on Page 5 of Attachment 7-B (JGS).

Q. PLEASE DESCRIBE THE DEPRECIATION RATES THAT WILL APPLY TO THE CAYUGA CC PROJECT.

A. For purposes of calculating the estimated gross financing cost savings and estimated rate impact, the Company assumed an expected useful life of 35 years for production plant, which results in a 2.86% annual depreciation rate. Likewise, for transmission plant, the Company assumed an expected useful life of 50 years, which results in a 2.00% annual depreciation rate. These are the depreciation rates that we initially propose for the Cayuga CC Project, absent a formal depreciation study for the Cayuga CC Project at this time. Actual depreciation rates will vary based on future depreciation and demolition studies. Additionally, once the Network Upgrade scope and charges are more fully known, its depreciation rate will be updated.

Q. HOW DOES DUKE ENERGY INDIANA PROPOSE TO TREAT THE OPERATING INCOME ASSOCIATED WITH THE CAPITAL COSTS RELATED TO THE CAYUGA CC PROJECT FOR PURPOSES OF THE EARNINGS TEST IN DUKE ENERGY INDIANA FUEL ADJUSTMENT CLAUSE ("FAC") PROCEEDINGS?

A. As part of the Section 11 financial incentive, the Company proposes to increase its authorized return for purposes of the Ind. Code § 8-1-2-42(d)(3) earnings test to include the operating income associated with the GCA mechanism. This is also consistent with the treatment of earnings associated with Duke Energy Indiana's Tracker No. 62 – Environmental Cost Adjustment filed in Cause No. 42061, Tracker No. 65 – Transmission and Distribution Infrastructure Improvement Cost Adjustment filed in Cause No. 45647, and Tracker No. 73 – Renewable Energy Project Adjustment filed in Cause No. 44932.

Q. PLEASE DESCRIBE DUKE ENERGY INDIANA'S PROPOSED TIMELINE FOR FUTURE GCA FILINGS.

A. Based on the Company's assumption that an order will be issued in this Cause in October 2025, consistent with the 240-day period provided for Commission review under Ind. Code § 8-1-8.5-5(b), Duke Energy Indiana proposes to file its petition and case-in-chief by November 15 and May 15 each year with new rates becoming effective for bills rendered starting on April 1 and October 1, respectively. The petition filed on November 15 will be based on a forecast of the upcoming period of April through September. The petition filed on May 15 will be based on a forecast of the upcoming period October through March. A reconciliation of actual to forecasted expenses will be completed on a 12-month lag (i.e., forecasted expenses from the GCA-1 tracker filing will be reconciled to actual expenses in the GCA-3 tracker filing).

Q. DID DUKE ENERGY INDIANA INCLUDE ANY ACTUAL OR FORECASTED COSTS FOR RECOVERY AS PART OF THIS CPCN FILING?

A. No. Attachment 7-B (JGS) only contains illustrative schedules. As discussed, the Company is proposing to file its first tracker petition in November 2025 or within 30 days of a final order in this Cause. At that time, the Company will include average projected CWIP balances from March 2026 through September 2026, which will include a projection of AFUDC through March 2026.[5] The Company is proposing the first GCA factors to become effective for bills rendered by Duke Energy Indiana during the billing

[5] Duke Energy Indiana anticipates AFUDC will cease to be accrued upon the first GCA going into effect in April 2026.

cycles of April 2026 through September 2026, or until replaced by different GCA factors that are approved in a subsequent filing. As noted above, these costs will be reconciled in Duke Energy Indiana's GCA-3 tracker filing.

Q. PLEASE EXPLAIN THE PROPOSED CHANGES TO DUKE ENERGY INDIANA'S ELECTRIC SERVICE TARIFF RELATING TO THE PROPOSED GCA MECHANISM.

A. As shown in Attachment 7-C (JGS), the Company proposes the following changes to its electric service tariff relating to the proposed GCA Mechanism: (1) addition of Tariff No. 75 – Generation Cost Adjustment Tracker; (2) update to Appendix A to include Tariff No. 75; and (3) update to the Table of Contents to add Tariff No. 75. Specifically, Duke Energy Indiana requests approval of the tariff pages attached hereto as Attachment 7-C (JGS). Attachment 7-C (JGS) includes a clean version followed by the redlined changes to Appendix A and the Table of Contents.[6]

IV. ESTIMATED RATE IMPACT

Q. PLEASE SUMMARIZE THE ESTIMATED RATE IMPACT OF THE CAYUGA CC PROJECT.

A. Page 1 of Attachment 7-D (JGS) shows the estimated average retail rate impact of the Project during construction and initial in-service periods from April 2026 through March 2031, as compared to Duke Energy Indiana's base rates approved in Cause No. 46038.[7]

[6] Appendix A and Table of Contents reflect changes to what has been submitted with the Company's February 7, 2025, Step 1 compliance filing in Cause No. 46038.
[7] Per the Company's February 7, 2025, Step 1 compliance filing in Cause No. 46038.

This period reflects the impacts of CWIP during construction through each part of the Project going in-service until being reflected in new base rates in April 2031. This estimated average retail rate impact of approximately 5.4% was calculated using project cash flows provided by Company witness Smith. The exact rate impact at any given time during this period will be dependent upon several different factors, including but not limited to the following:

- The final construction costs and in-service dates of the Cayuga CC Project;
- Actual AFUDC rates;
- Actual depreciation rates;
- The actual allocation of plant to FERC functions for retail/wholesale allocation and depreciation purposes;
- The actual capital structure, cost of capital rates, and revenue conversion factors in effect for the GCA Tracker filings;
- Timing of the project expenditures and approvals under the GCA Tracker filings;
- Occurrence and timing of any future rate cases;
- Post-in-service, actual costs for fuel, net of any Midcontinent Independent System Operator ("MISO") revenues from operation (capacity, energy, and ancillary services), which are not included in the gross financing cost savings analysis;
- Actual costs incurred for operation, maintenance (whether expensed or

capitalized), property tax, property insurance, payroll tax, employee benefit costs, etc., which are not included in the gross financing cost savings analysis; and

- Other changes in customer rates that may occur in this period that are not directly related to the Cayuga CC Project.

However, assuming issuance of a CPCN for the Cayuga CC Project and approval of the proposed GCA Mechanism as described herein, the Company currently estimates that costs in the first GCA Tracker filing after approval would result in an incremental charge of approximately $1.87 for a typical residential customer using 1,000 kWh per month, as calculated in Page 2 of Attachment 7-D (JGS).

V. RETIREMENT OF CAYUGA COAL GENERATING STATION

Q. WHAT RETIREMENTS WILL OCCUR AS A RESULT OF THE CAYUGA CC PROJECT?

A. As discussed by Company witness Smith, the existing coal-fired generating units at Cayuga will retire coincident with the in-service dates of the respective two new combined cycle units. The Cayuga Unit 3a-d diesel generators are also planned to be retired with the in-service of the second new combined cycle unit.

Q. HOW WILL DUKE ENERGY INDIANA ACCOUNT FOR THESE RETIREMENTS?

A. These retirements will be accounted for as normal retirements. When the Company retires a regulated plant under a normal retirement, the original cost plus the cost of

removal, less salvage value, is charged to accumulated depreciation, consistent with regulated ratemaking practices.

VI. CONCLUSION

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. I have discussed and supported the Company's request for authorization for financial incentives for the Cayuga CC Project as a clean energy project, including timely cost recovery through forward-looking CWIP ratemaking treatment, along with authorization to amortize for recovery certain related plan development costs. I have discussed the requested ratemaking and accounting treatment related to the Project and demonstrated that this proposed treatment minimizes the gross financing costs to customers over the life of the Project. I have also supported the Company's request to establish and implement a GCA tracker mechanism (including associated tariff modifications) to timely recover costs associated with the Project. Overall, my testimony clearly demonstrates that the Company's proposed ratemaking treatment for the Cayuga CC Project is just and reasonable, and in the best interests of customers.

Q. WERE ATTACHMENTS 7-A (JGS) THROUGH 7-D (JGS) PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes.

Q. DOES THIS CONCLUDE YOUR PREPARED TESTIMONY?

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: _____ Dated: 02/13/2025

Justin Sufan

Duke Energy Indiana, LLC

1000 East Main Street
Plainfield, IN 46168

IURC No. 16
Original Tariff No. 75

TARIFF NO. 75 – GENERATION COST ADJUSTMENT

The applicable charges for electric service to the Company's retail electric customers shall be increased or decreased to reflect rate base treatment for generation projects, defined as clean energy projects in accordance with I.C. 8-1-8.8, and to reflect recovery of clean energy project operating costs. The revenue adjustment to the applicable charges for electric service will be determined under the following provision:

Calculation of Adjustment

The adjustment shall be determined no more often than every six months by multiplying the Generation Cost Adjustment Factor, as determined to the nearest 0.001 mill ($0.000001) per kilowatt-hour in accordance with the following formula, by the monthly billed kilowatt-hours for the billing cycle months in the case of customers receiving metered service and by the estimated monthly kilowatt-hours used for rate determination in the case of customers receiving unmetered service.

Generation Cost Adjustment Factor =

$$\frac{(a \times b \times c \times h)}{i} + \frac{(((d + e + f) \times g)*h)}{i}$$

where:

1. "a" is the jurisdictional cost of the Company's 7-month average forecasted capital applicable to generation projects and the net balance of post-in-service carrying costs, if any.

2. "b" is the Company's weighted cost of capital as of the date of valuation of the generation projects.

3. "c" is the revenue conversion factor to be used to convert return to operating revenues.

4. "d" is the Company's forecasted incremental jurisdictional operation and maintenance expense applicable to the generation projects.

5. "e" is the Company's forecasted jurisdictional depreciation expense applicable to the investment in generation projects.

6. "f" is the Company's other incremental jurisdictional expense applicable to the generation projects such as property tax expense, plan development costs, amortization of post-in-service carrying costs, and other costs or credits approved by the Commission for inclusion in this rider.

7. "g" is the revenue conversion factor used to convert operating expenses to operating revenues.

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8. "h" is the individual retail rate group's production demand allocator used for allocation purposes in the cost of service study last approved by the Commission as adjusted for migrations approved by the Commission.

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

This factor shall be further modified to reflect the difference between estimated costs billed and costs actually experienced during the period such estimated costs were billed.

The Generation Cost Adjustment factor applicable to retail rate groups is as follows:

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TARIFF NO. 75 -
GENERATION COST
ADJUSTMENT FACTOR
APPLICABLE TO RETAIL RATE GROUPS

Line No.	Retail Rate Group	Generation Cost Adjustment Factor Per KWH (A)	Generation Cost Adjustment Factor Per Non-Coincident KW (B)	Line No.
1	Rate RS	$0.000000		1
2	Rates CS and FOC	0.000000		2
3	Rate LLF	0.000000		3
4	Rate HLF		$0.000000	4
5	Customer L	0.000000		5
6	Customer O	0.000000		6
7	Rate WP	0.000000		7
8	Rate SL	0.000000		8
9	Rate MHLS	0.000000		9
10	Rates MOLS and UOLS	0.000000		10
11	Rates TS, FS and MS	0.000000		11

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TARIFF NO. 75 -
GENERATION COST
ADJUSTMENT FACTOR
APPLICABLE TO RETAIL RATE GROUPS

ALLOCATED SHARE OF SYSTEM PEAK DEMAND FOR RETAIL CUSTOMERS BY RATE GROUP EXPRESSED AS A PERCENTAGE OF THE COMPANY'S TOTAL RETAIL SYSTEM PEAK DEMAND AS DEVELOPED FOR COST OF SERVICE PURPOSES IN CAUSE NO. 46038

Line No.	Rate Groups	KW Share of System Peak (12CP) Per Cause No. 46038 (A)	Percent Share Of System Peak (B)	Line No.
1	Rate RS	1,915,283	44.697%	1
2	Rates CS and FOC	237,833	5.550%	2
3	Rate LLF	915,302	21.360%	3
4	Rate HLF	1,156,042	26.978%	4
5	Customer L	11,937	0.279%	5
6	Customer O	18,516	0.432%	6
7	Rate WP	20,804	0.485%	7
8	Rate SL	1,336	0.031%	8
9	Rate MHLS	158	0.004%	9
10	Rates MOLS and UOLS	7,170	0.167%	10
11	Rates TS, FS and MS	746	0.017%	11
12	TOTAL RETAIL	4,285,127	100.000%	12

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TARIFF NO. 75 -
GENERATION COST
ADJUSTMENT FACTOR
APPLICABLE TO RETAIL RATE GROUPS

BILLING CYCLE KWH SALES FOR THE COMPANY'S RETAIL CUSTOMERS BY RATE GROUP BASED ON THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2025

Line No.	Rate Groups	Six Months Ended Billing Cycle KWH Sales (C)	Six Months Sum Of Monthly Non-Coincident Peak Demands (D)	Line No.
1	Rate RS	0		1
2	Rates CS and FOC	0		2
3	Rate LLF	0		3
4	Rate HLF		0	4
5	Customer L	0		5
6	Customer O	0		6
7	Rate WP	0		7
8	Rate SL	0		8
9	Rate MHLS	0		9
10	Rates MOLS and UOLS	0		10
11	Rates TS, FS and MS	0		11
12	TOTAL RETAIL	0		12

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APPENDIX A–LIST OF APPLICABLE RATE ADJUSTMENT RIDERS

The following rate adjustment trackers are applicable to rate schedules: RS, CS, LLF, HLF, WP, SL, MHLS, UOLS, MOLS, LED, MS, and USFL.

Tariff No. 60	– Fuel Cost Adjustment
Tariff No. 62	– Environmental Compliance Adjustment
Tariff No. 65	– Transmission and Distribution Infrastructure Improvement Cost Adjustment
Tariff No. 66	– Energy Efficiency Adjustment
Tariff No. 67	– Credits Adjustment
Tariff No. 68	– Regional Transmission Operator “RTO” Non-Fuel Costs and Revenue Adjustment
Tariff No. 70	– Reliability Adjustment
Tariff No. 72	– Federally Mandated Cost Adjustment
Tariff No. 73	– Renewable Energy Project Adjustment
Tariff No. 74	– Load Control Adjustment
Tariff No. 75	– Generation Cost Adjustment

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APPENDIX A–LIST OF APPLICABLE RATE ADJUSTMENT RIDERS

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~~Standard Contract Rider~~ Tariff No. 62	–	Environmental Compliance Adjustment
~~Standard Contract Rider~~ Tariff No. 65	–	Transmission and Distribution Infrastructure Improvement Cost Adjustment
~~Standard Contract Rider~~Tariff No. 66	–	Energy Efficiency Adjustment
~~Standard Contract Rider~~Tariff No. 67	–	Credits Adjustment
~~Standard Contract Rider~~Tariff No. 68	–	Regional Transmission Operator “RTO” Non-Fuel Costs and Revenue Adjustment
~~Standard Contract Rider~~Tariff No. 70	–	Reliability Adjustment
~~Standard Contract Rider~~Tariff No. 72	–	Federally Mandated Cost Adjustment
~~Standard Contract Rider~~Tariff No. 73	–	Renewable Energy Project Adjustment
~~Standard Contract Rider~~Tariff No. 74	–	Load Control Adjustment
Tariff No. 75	–	Generation Cost Adjustment