

**REVISED DIRECT TESTIMONY OF CHRISTA L. GRAFT
LEAD RATES & REGULATORY STRATEGY ANALYST
DUKE ENERGY INDIANA, LLC
BEFORE THE INDIANA UTILITY REGULATORY COMMISSION**

I. INTRODUCTION

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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,” “Petitioner,” or
“Company”) as a Lead Rates & Regulatory Strategy Analyst.

**Q. PLEASE DESCRIBE YOUR DUTIES AS A LEAD RATES & REGULATORY
STRATEGY ANALYST.**

A. As a Lead Rates & Regulatory Strategy Analyst, I am responsible for the preparation of
financial and accounting data used in Company rate filings.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
BACKGROUND.**

A. I graduated from Indiana University in May 1998 with a Bachelor of Science degree in
Business with a major in Accounting. I have been employed by the Company since June
1998 and have held various financial and accounting positions supporting the Company
and its affiliates. My first position was as an Analyst in the External Reporting
department, where my responsibilities included various quarterly and annual Securities
and Exchange Commission and Federal Energy Regulatory Commission (“FERC”)
filings. In 2000, I was promoted to a Senior Analyst position in the Accounting Research

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1 department, where I researched the appropriate accounting for various business
2 transactions and reviewed new accounting guidance for applicability to the Company.
3 Prior to assuming my current position, I was a Lead Financial Planning Analyst in the
4 Financial Planning and Analysis department, where I provided accounting and budgeting
5 support to various business operational groups. I have been in my current position as a
6 Lead Rates & Regulatory Strategy Analyst since 2010. I am a Certified Public
7 Accountant (“CPA”) and a member of the Indiana CPA Society.

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

9 A. The purpose of my testimony is to explain and support several accounting, revenue
10 requirements, and ratemaking aspects of the Company’s case. More specifically, my
11 testimony:

- 12 1. Sponsors and supports certain revenue and expense *pro forma* adjustments
13 applicable to the forward-looking (*i.e.*, forecasted) test period ending December
14 31, 2020 (“Test Period”) and a related portion of the required basic accounting
15 exhibits (“Accounting Exhibits”) required by the Minimum Standard Filing
16 Requirements (“MSFR”) to be filed with the case-in-chief pursuant to 170 IAC 1-
17 5-6;
- 18 2. Supports the continued use of and discusses proposed changes to certain of the
19 Company’s existing rate adjustment riders (also referred to as tracking
20 mechanisms or trackers) to be effective with the implementation of the
21 Company’s revised base rates; and

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1 3. Explains and supports the Company's requests for certain new deferral authority
 2 and current or future recovery of certain expense items; specifically, Customer
 3 Connect, distribution vegetation management, and environmental plan
 4 development costs.

5 **Q. WHICH OPERATING INCOME *PRO FORMA* ADJUSTMENTS ARE YOU**
 6 **SPONSORING?**

7 A. I am sponsoring the following *pro forma* adjustments applicable to the Test Period.
 8 These are attached to my testimony as Petitioner's Exhibits 6-A (CLG) through 6-E
 9 (CLG).

10

Table 1

<u>Exhibit</u>	<u><i>Pro Forma</i> Adjustments</u>
Petitioner's Exhibit 6-A (CLG)	Schedule REV2 – Remove Rider Revenues for Costs/Credits that Will Stay in Riders Schedule REV3 – Remove Unbilled Revenues
Petitioner's Exhibit 6-B (CLG)	Schedule COGS5 – Remove Rider Related Cost of Goods Sold Deferrals
Petitioner's Exhibit 6-C (CLG)	Schedule OM4 – Remove Energy Efficiency Costs to Remain in Rider Schedule OM5 – Remove TDSIC O&M to Remain in Rider Schedule OM6 – Remove Public Utility Fee for Revenues to Remain in Riders Schedule OM7 – Remove Rider Related O&M Expense Deferrals

REVISED PETITIONER'S EXHIBIT 6

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<u>Exhibit</u>	<u>Pro Forma Adjustments</u>
	<p>Schedule OM14 – Remove O&M Expenses for Customer Connect Project</p> <p>Schedule OM17 – Distribution Vegetation Management Expense</p> <p>Schedule OM19 – Annualize Uncollectible Expense</p> <p>Schedule OM20 – Add Residential Credit Card Fees</p>
<p>Petitioner's Exhibit 6-D (CLG)</p>	<p>Schedule DA2 – Remove Depreciation Deferrals</p> <p>Schedule DA11 – Remove Regulatory Asset Amortization to Remain in Riders</p>
<p>Petitioner's Exhibit 6-E (CLG)</p>	<p>Schedule OTX2 – Remove All Utility Receipts Tax Expense</p> <p>Schedule OTX3 – Remove IGCC Property Tax Benefits to Be Included in Rider</p> <p>Schedule OTX4 – Remove Rider Related Property Tax Deferrals</p> <p>Schedule OTX7 – Remove Energy Efficiency Costs to Remain in Rider</p> <p>Schedule OTX8 – Remove TDSIC Payroll Tax Expenses to Remain in Rider</p> <p>Schedule OTX13 – Remove Payroll Tax Expenses for Customer Connect Project</p>

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1 The Company's remaining operating income *pro forma* adjustments are
2 sponsored by Duke Energy Indiana witnesses Ms. Diana L. Douglas, Ms. Suzanne E.
3 Sieferman, and Mr. Roger A. Flick II.

4 **Q. WHAT PORTION OF THE ACCOUNTING EXHIBITS REQUIRED UNDER**
5 **THE MSFR ARE YOU SPONSORING?**

6 A. I sponsor Duke Energy Indiana's Gross Revenue Conversion Factors for the Test Period.
7 This is attached to my testimony as Petitioner's Exhibit 6-F (CLG) and is also included in
8 Duke Energy Indiana's MSFR.

9 **Q. WHICH EXISTING RATE ADJUSTMENT RIDERS ARE YOU ADDRESSING**
10 **IN YOUR TESTIMONY?**

11 A. The rate adjustment riders that I address include the Company's:

- 12 1. Standard Contract Rider No. 62 – Environmental Compliance Investment
13 Adjustment (“ECR Rider” or “Rider 62”)
- 14 2. Standard Contract Rider No. 63 – SO₂, NO_x and Hg Emission Allowance
15 Adjustment (“Rider 63”), which the Company is proposing to consolidate
16 with Rider 62;
- 17 3. Standard Contract Rider No. 71 – Environmental Compliance Operating
18 Cost Adjustment (“Rider 71”), which the Company is proposing to
19 consolidate with Rider 62; and
- 20 4. Standard Contract Rider No. 72 – Federally Mandated Cost Rate
21 Adjustment (“FMCA” or “Rider 72”).

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1 **Q. WHAT REQUESTS FOR NEW DEFERRAL AUTHORITY AND RATE**
2 **RECOVERY ARE YOU ADDRESSING IN YOUR TESTIMONY?**

3 A. I support the Company's requests for new deferral authority and current or future
4 recovery of certain expense items as follows:

- 5 1. Deferral for recovery in a future base rate case of operation and
6 maintenance ("O&M") and payroll tax costs associated with the
7 Company's Customer Connect project with carrying costs and deferral of
8 post-in-service carrying costs and depreciation associated with the capital
9 portion of Customer Connect;
- 10 2. Deferral and amortization over three years of incremental distribution
11 vegetation management O&M costs incurred in 2020 prior to
12 implementation of the Company's revised base rates; and
- 13 3. Deferral for future rate recovery of O&M costs associated with plan
14 development for certain environmental regulations.

15 **II. OPERATING INCOME PRO FORMA ADJUSTMENTS**
16 **AND ACCOUNTING EXHIBITS**

17 **A. Revenues**

18 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 4-E (DLD) SCHEDULE REV1.**

19 A. Schedule REV1, sponsored by Ms. Douglas, summarizes the *pro forma* adjustments
20 made to Revenues on Schedules REV2 through REV6. I am sponsoring Schedules REV2
21 and REV3 on Petitioner's Exhibit 6-A (CLG). Ms. Sieferman and Mr. Flick sponsor the
22 remaining Schedules supporting the Revenue *pro forma* adjustments.

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1 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-A (CLG) SCHEDULE REV2 –**
2 **REMOVE RIDER REVENUES FOR COSTS/CREDITS THAT WILL REMAIN**
3 **IN RIDERS.**

4 A. Schedule REV2 removes \$29,624,000 from Test Period revenues for revenues associated
5 with costs and/or credits that will be recovered via riders rather than base rates under the
6 Company's rate proposal. I discuss the costs and/or credits the Company is proposing to
7 recover via Rider 62 and Rider 72 in more detail later in my testimony. Ms. Douglas
8 discusses the costs and/or credits the Company is proposing to recover via Standard
9 Contract Rider No. 65 – Transmission and Distribution Infrastructure Improvement Cost
10 ("TDSIC") Adjustment ("Rider 65"), Standard Contract Rider No. 66 – Energy
11 Efficiency Adjustment ("Rider 66"), and Standard Contract Rider No. 67 – Credits
12 Adjustment ("Rider 67") in her testimony.

13 Revenues associated with costs and/or credits that will be recovered via riders
14 should be excluded from the development of new base rates. MSFR Workpaper REV1-
15 CLG supports the calculation of this *pro forma* adjustment.

16 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-A (CLG) SCHEDULE REV3 –**
17 **REMOVE UNBILLED REVENUES.**

18 A. Schedule REV3 removes \$28,853,000 from Test Period revenues for unbilled revenues
19 that are properly excluded from the development of new base rates. Unbilled revenues
20 represent the estimated amount of revenues associated with electric utility service the
21 Company has provided but not yet billed to customers. The Company bases the
22 calculation of the revenue deficiency in a rate case on billed revenues only.

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B. Cost of Goods Sold

Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 5-B (SES) SCHEDULE COGS1.

A. Schedule COGS1, sponsored by Ms. Sieferman, summarizes the *pro forma* adjustments made to Cost of Goods Sold on Schedules COGS2 through COGS5. I sponsor Schedule COGS5 on Petitioner's Exhibit 6-B (CLG). Ms. Sieferman sponsors the remaining Schedules supporting Cost of Goods Sold *pro forma* adjustments.

Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-B (CLG) SCHEDULE COGS5 – REMOVE RIDER-RELATED COST OF GOODS SOLD DEFERRALS.

A. Schedule COGS5 removes \$2,072,000 from Test Period operating expenses for the effect of the deferral of rider-related fuel and purchased power costs representing timing differences between when the expense is incurred versus when the expense is recovered through rider revenues.

C. O&M

Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 4-E (DLD) SCHEDULE OM2.

A. Schedule OM2, sponsored by Ms. Douglas, summarizes the *pro forma* adjustments made to O&M (excluding fuel, emission allowances, and purchased power) on Schedules OM3 through OM20. I am sponsoring Schedules OM4, OM5, OM6, OM7, OM14, OM17, OM19, and OM20 on Petitioner's Exhibit 6-C (CLG). Ms. Douglas and Ms. Sieferman sponsor the remaining Schedules supporting the O&M *pro forma* adjustments.

Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-C (CLG) SCHEDULE OM4 – REMOVE ENERGY EFFICIENCY COSTS TO REMAIN IN RIDER.

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1 A. Schedule OM4 removes \$35,115,000 from Test Period operating expenses for energy
2 efficiency O&M costs that will be recovered via Rider 66 under the Company's rate
3 proposal, as discussed in the testimony of Ms. Douglas. Costs that will be recovered via
4 riders should be excluded from the development of new base rates.

5 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-C (CLG) SCHEDULE OM5 –**
6 **REMOVE TDSIC O&M TO REMAIN IN RIDER.**

7 A. Schedule OM5 removes \$26,056,000 from Test Period operating expenses for O&M
8 costs that will be recovered via Rider 65 under the Company's rate proposal, as discussed
9 in the testimony of Ms. Douglas. Costs that will be recovered via riders should be
10 excluded from the development of new base rates.

11 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-C (CLG) SCHEDULE OM6 –**
12 **REMOVE PUBLIC UTILITY FEE FOR REVENUES TO REMAIN IN RIDERS.**

13 A. The Company converts operating expenses to a revenue requirement utilizing a revenue
14 conversion factor that includes (among other items) a provision for the public utility fee
15 assessed by the Indiana Utility Regulatory Commission. Schedule OM6 removes
16 \$38,000 from Test Period operating expenses for public utility fee costs associated with
17 the \$29,624,000 in revenues that will be recovered via riders under the Company's rate
18 proposal, as discussed in the summary of Petitioner's Exhibit 6-A (CLG) Schedule REV2
19 above. The calculation of the adjustment utilizes a forecasted public utility fee rate per
20 dollar of revenue of 0.127%. MSFR Workpaper OM1-CLG supports the calculation of
21 the forecasted public utility fee rate and the *pro forma* adjustment.

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1 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-C (CLG) SCHEDULE OM7 –**
2 **REMOVE RIDER RELATED O&M EXPENSE DEFERRALS.**

3 A. Schedule OM7 increases Test Period operating expenses by \$12,924,000 to remove the
4 effect of the deferral of O&M expenses associated with Rider 65, Rider 71, and Rider 72
5 representing timing differences between when the O&M expense is incurred versus when
6 the O&M expense is recovered through rider revenues.

7 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-C (CLG) SCHEDULE OM14 –**
8 **REMOVE O&M EXPENSES FOR CUSTOMER CONNECT PROJECT.**

9 A. Schedule OM14 removes \$5,989,000 from Test Period operating expenses for O&M
10 costs associated with the development and implementation of the core billing system
11 component of the Customer Connect project. As discussed later in my testimony, the
12 Company is requesting authority to defer O&M costs incurred from 2018 and forward,
13 with carrying costs, associated with the development and implementation of the core
14 billing system component of the Customer Connect project for recovery in a future rate
15 case.

16 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-C (CLG) SCHEDULE OM17 –**
17 **ANNUALIZE DISTRIBUTION VEGETATION MANAGEMENT EXPENSE.**

18 A. As discussed in the testimony of Duke Energy Indiana witness Mr. TK Christie, the
19 Company is increasing routine distribution vegetation management work over the next
20 three years to move to a five-year trim cycle with an expected ongoing O&M cost of
21 \$49.4 million annually. Schedule OM17 increases Test Period operating expenses by

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1 \$10,479,000 so that the amount of distribution vegetation management costs recovered
2 through base rates reflects the expected ongoing annual level of \$49.4 million.

3 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-C (CLG) SCHEDULE OM19 –**
4 **ANNUALIZE UNCOLLECTIBLE EXPENSE.**

5 A. The structure of the Company's sale of accounts receivable program requires below the
6 line accounting for what would normally be in FERC account 904 as uncollectible
7 expense. Schedule OM19 establishes a level of O&M expense of \$7,110,000 associated
8 with uncollectible accounts receivable based on revenues at present rates. The
9 calculation of the adjustment utilizes an uncollectible accounts experience factor of
10 0.280% based upon historical charge off and recovery data, as adjusted to remove
11 amounts associated with bankruptcies, provided by Duke Energy Indiana witness Ms.
12 Lesley G. Quick. MSFR Workpaper OM2-CLG supports the calculation of this *pro*
13 *forma* adjustment.

14 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-C (CLG) SCHEDULE OM20 –**
15 **ADD RESIDENTIAL CREDIT CARD FEES.**

16 A. As discussed in the testimony of Ms. Quick, the Company is proposing to eliminate
17 convenience fees for individual residential customers who use credit and debit cards to
18 pay their electric bills and instead recover these costs as part of its cost of service, which
19 is how the Company recovers the cost associated with providing other customer payment
20 options. Schedule OM20 increases Test Period operating expenses by \$4,528,000 to
21 include credit card convenience fees in the Company's cost of service. Ms. Quick
22 provided historical and projected transaction counts and an assumed average cost of

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1 \$1.50 per transaction for my use in calculating the adjustment, which is supported by
2 MSFR Workpaper OM3-CLG.

3 **D. Depreciation and Amortization**

4 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 4-E (DLD) SCHEDULES DA1**
5 **AND DA9.**

6 A. Schedules DA1 and DA9, sponsored by Ms. Douglas, summarize the *pro forma*
7 adjustments made to Depreciation on Schedules DA2 through DA8 and to Amortization
8 on Schedules DA10 through DA11, respectively. I am sponsoring Schedules DA2 and
9 DA11 on Petitioner's Exhibit 6-D (CLG). Ms. Douglas sponsors the remaining
10 Schedules supporting the Depreciation and Amortization *pro forma* adjustments.

11 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-D (CLG) SCHEDULE DA2 –**
12 **REMOVE DEPRECIATION DEFERRALS.**

13 A. Schedule DA2 increases Test Period operating expenses by \$13,999,000 to remove the
14 effect of the deferral of depreciation expenses representing timing differences between
15 when the depreciation expense is incurred versus when the depreciation expense is
16 recovered through rider revenues. This *pro forma* adjustment includes the removal of (a)
17 deferred depreciation associated with Rider 62 and Rider 65, (b) deferred depreciation
18 expense for AMI meters in accordance with Term 5(c)(i) of the Settlement Agreement
19 approved by the Commission in Cause No. 44720, and (c) amortization of non-AMI
20 meters that will not continue after the implementation of new base rates.

21 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-D (CLG) SCHEDULE DA11 –**
22 **REMOVE REGULATORY ASSET AMORTIZATION TO REMAIN IN RIDERS.**

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1 A. Schedule DA11 removes \$18,100,000 from Test Period operating expenses for regulatory
2 asset amortizations that will be recovered through riders under the Company's rate
3 proposal. I discuss the regulatory asset amortizations to remain in Rider 62 associated
4 with the Company's coal combustion residuals ("CCR") compliance plan approved in
5 Cause No. 44765 in more detail later in my testimony. Ms. Douglas discusses the
6 regulatory asset amortization the Company is proposing to recover via Rider 65. Costs
7 that will be recovered via riders should be excluded from the development of new base
8 rates.

9 **E. Other Taxes**

10 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 4-E (DLD) SCHEDULE OTX1.**

11 A. Schedule OTX1, sponsored by Ms. Douglas, summarizes the *pro forma* adjustments
12 made to Other Taxes on Schedules OTX2 through OTX14. I am sponsoring Schedules
13 OTX2, OTX3, OTX4, OTX7, OTX8, and OTX13 on Petitioner's Exhibit 6-E (CLG).
14 Ms. Douglas and Ms. Sieferman sponsor the remaining Schedules supporting the Other
15 Taxes *pro forma* adjustments.

16 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-E (CLG) SCHEDULE OTX2 –**
17 **REMOVE ALL UTILITY RECEIPTS TAX.**

18 A. As discussed by Duke Energy Indiana witness Mr. John R. Panizza, the Company is
19 subject to a tax of 1.4% on all receipts. Currently, utility receipts tax is embedded in base
20 rates or rider rates as part of the revenue conversion factor and is included in the
21 Company's cost of service. The Company is proposing to instead present utility receipts
22 tax as a separate line item on customer bills as an addition to the cost of utility services,

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1 as is done currently with sales tax, which eliminates the need for the Company to include
2 a provision for utility receipts tax in the revenue conversion factor and the need for the
3 Company to include utility receipts tax in its cost of service.

4 Petitioner's Exhibit 6-E (CLG) Schedule OTX2 removes \$25,170,000 in utility
5 receipts tax from Test Period operating expenses and the Company's cost of service.
6 This adjustment removes \$38,061,000 of utility receipts tax expense for the Test Period
7 and also removes a credit of \$12,891,000 to utility receipts tax expense associated with
8 the Indiana Coal Gasification Technology Investment Tax Credit. As discussed in the
9 testimony of Ms. Douglas, the Company qualified for an annual Coal Gasification
10 Technology Investment Tax Credit of \$15,000,000 for a 10-year period related to its
11 construction of the IGCC plant. This credit can be used to reduce the Company's income
12 tax liability or utility receipts tax liability and was applied to both types of tax in the Test
13 Period forecast. The Company has removed this credit from the Test Period cost of
14 service and is instead proposing to include it in Rider 67.

15 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-E (CLG) SCHEDULE OTX3 –**
16 **REMOVE IGCC PROPERTY TAX BENEFITS TO BE INCLUDED IN RIDER.**

17 A. The Company receives certain property tax incentives associated with the IGCC plant.
18 As discussed further in the testimony of Ms. Douglas, in order to ensure that customers
19 receive the full benefit of those property tax incentives as required by the Settlement
20 Agreement in Cause No. 43114 IGCC 4S1, the Company is proposing to include the
21 IGCC property tax incentives in Rider 67. Schedule OTX3 increases Test Period
22 expenses by \$4,586,000 to remove the IGCC property tax incentives from the

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1 development of new base rates. MSFR Workpaper OTX1-CLG supports the calculation
2 of this amount.

3 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-E (CLG) SCHEDULE OTX4 –**
4 **REMOVE RIDER RELATED PROPERTY TAX DEFERRALS.**

5 A. Schedule OTX4 increases Test Period operating expenses by \$875,000 to remove the
6 effect of the deferral of property tax expenses associated with Rider 65 representing
7 timing differences between when the property tax expense is incurred versus when the
8 property tax expense is recovered through rider revenues.

9 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-E (CLG) SCHEDULE OTX7 –**
10 **REMOVE ENERGY EFFICIENCY COSTS TO REMAIN IN RIDER.**

11 A. Schedule OTX-7 removes \$215,000 from Test Period operating expenses for energy
12 efficiency payroll tax expenses that will be recovered via Rider 66 under the Company's
13 rate proposal, as discussed in the testimony of Ms. Douglas. Costs that will be recovered
14 via riders should be excluded from the development of new base rates.

15 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-E (CLG) SCHEDULE OTX8 –**
16 **REMOVE TDSIC PAYROLL TAX EXPENSES TO REMAIN IN RIDER.**

17 A. Schedule OTX8 removes \$250,000 from Test Period operating expenses for TDSIC
18 payroll tax expenses that will be recovered via Rider 65 under the Company's rate
19 proposal, as discussed in the testimony of Ms. Douglas. Costs that will be recovered via
20 riders should be excluded from the development of new base rates.

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1 **Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 6-E (CLG) SCHEDULE OTX13 –**
2 **REMOVE PAYROLL TAX EXPENSES FOR CUSTOMER CONNECT**
3 **PROJECT.**

4 A. Schedule OTX13 removes \$154,000 from Test Period operating expenses for payroll tax
5 expenses associated with the development and implementation of the core billing system
6 component of the Customer Connect project. As discussed later in my testimony, the
7 Company is requesting authority to defer payroll tax expenses incurred from 2018 and
8 forward, with carrying costs, associated with the development and implementation of the
9 core billing system component of the Customer Connect project for recovery in a future
10 rate case.

11 **Q. YOU MENTIONED YOU ARE SPONSORING CERTAIN ACCOUNTING**
12 **EXHIBITS AS PART OF THE MSFR REQUIREMENTS. PLEASE EXPLAIN**
13 **PETITIONER'S EXHIBIT 6-F (CLG).**

14 A. Petitioner's Exhibit 6-F (CLG) is the calculation of the gross revenue conversion factor
15 for the Test Period. The conversion factor includes a provision for uncollectible accounts
16 expense (0.280%, as calculated on MSFR Workpaper OM2-CLG), public utility fee
17 (0.127%, as calculated on MSFR Workpaper OM1-CLG), state income tax (5.375%,
18 provided by Mr. Panizza and representing the average rate to be in effect for calendar
19 year 2020), and federal income tax (21%, provided by Mr. Panizza). The revenue
20 conversion factor does not include a provision for utility receipts tax. As discussed
21 previously in my testimony, the Company is proposing to collect utility receipts tax as a

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1 separate line item on customer bills rather than embedding it in base rates or rider rates as
2 part of the revenue conversion factor and the Company's cost of service.

3 **III. RATE ADJUSTMENT RIDERS**

4 **A. Rider 62, Rider 63, and Rider 71**

5 **Q. WHAT IS THE COMPANY'S PROPOSAL FOR ITS CURRENT RIDER 62?**

6 A. The Company is proposing to roll the net book value (original cost investment less
7 accumulated depreciation) of all in-service ECR plant as of the end of the Test Period
8 into base rates. In the case of CCR plant, this includes the 60% of in-service plant that is
9 eligible for rider recovery, as well as the 40% that was deferred for recovery in a
10 subsequent rate case pursuant to the Settlement Agreement approved in Cause No. 44765
11 ("CCR Settlement Agreement").¹ Any ECR plant not in-service at the end of the Test
12 Period will continue to be recovered through Rider 62.

13 The Company is also proposing to consolidate Rider 63 and Rider 71 into Rider
14 62, as discussed further below, and is proposing to reconcile all components of the
15 consolidated Rider 62 at the rate class level, including reconciliation of the return on
16 investment. Currently, the Company does not reconcile the return on investment in Rider
17 62 and reconciles Rider 63 and Rider 71 in total.

¹ In addition to the net book value of the 40% amount of in-service CCR plant, the Company is including the projected end of Test Period balances of deferred depreciation and post-in-service carrying costs on the 40% of investment, as well as the 20% of deferred O&M and associated carrying costs, in rate base. The deferrals are all consistent with Ind. Code § 8-1-8.4 ("Federal Mandates Statute") and Commission Orders in Cause No. 44765 and Cause No. 42061 ECR. See Petitioner's Exhibit 4-F (DLD) Schedule RB4 for regulatory asset balances for these items that are being included in rate base.

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1 **Q. WHAT IS THE COMPANY'S PROPOSAL FOR ITS CURRENT RIDER 63 AND**
2 **CONSOLIDATION OF RIDER 63 INTO RIDER 62?**

3 A. Ms. Sieferman supports the Company's request for a regulatory asset for its native SO₂
4 emission allowance inventory balance. Under this proposal, native SO₂ emission
5 allowance costs would no longer be tracked through Rider 63. The Company does not
6 expect to incur any additional consumption expense for native SO₂ emission allowances.
7 There is no consumption expense built into base rates for native NO_x emission
8 allowances either, but there may be future native NO_x emission allowance consumption
9 expense. The Company may also have gains or losses on the sale of native SO₂ or NO_x
10 emission allowances. The Company is proposing to discontinue the use of Rider 63
11 going forward and to instead include any native emission allowance consumption
12 expense or gains or losses on the sale of native emission allowances in the consolidated
13 Rider 62. Any final reconciliation needed associated with the current Rider 63 will be
14 included in the first consolidated Rider 62 filing following the approval of new base rates
15 in this proceeding.

16 **Q. WHAT IS THE COMPANY'S PROPOSAL FOR ITS CURRENT RIDER 71 AND**
17 **CONSOLIDATION OF RIDER 71 INTO RIDER 62?**

18 A. The Company is proposing to roll the Test Period level of depreciation expense
19 associated with the in-service ECR plant, reagent O&M, and non-reagent O&M into base
20 rates. In the case of depreciation expense for CCR plant, this includes the 60%
21 associated with in-service plant that is eligible for rider recovery, as well as the 40% that
22 was deferred for recovery in a subsequent rate case pursuant to the CCR Settlement

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1 Agreement. In the case of O&M for CCR plant, this includes the 80% associated eligible
2 for rider recovery, as well as the 20% that was deferred for recovery in a subsequent rate
3 case pursuant to the Federal Mandates Statute. Depreciation expense associated with
4 ECR plant not in-service at the end of the Test Period will be recovered through the
5 consolidated Rider 62 once such plant is placed in-service. Any final reconciliation
6 needed associated with the current Rider 71 will be included in the first consolidated
7 Rider 62 filing following the approval of new base rates in this proceeding.

8 In addition, the Company is proposing to track certain reagent costs, both above
9 and below the amount in base rates, in the consolidated Rider 62.

10 **Q. PLEASE ELABORATE ON WHY THE COMPANY IS PROPOSING TO TRACK**
11 **CERTAIN REAGENT COSTS IN THE CONSOLIDATED RIDER 62.**

12 A. As discussed in the testimony of Duke Energy Indiana witness Mr. James Michael
13 Mosley, the Company experiences variability with respect to reagent costs in many ways.
14 Mr. Mosley states that consumption of reagents varies directly with output of the
15 generating stations and with coal quality and explains that commodity prices and
16 transportation prices are also variable in nature. Given this variability, the Company is
17 proposing to track costs for the reagents listed in Mr. Mosley's Table 11, both above and
18 below the amount in base rates, in the consolidated Rider 62. This will protect customers
19 to the extent actual reagent costs are less than the amount in base rates but also protects
20 the Company in the event actual reagent costs exceed the amount in base rates.

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1 **Q. UNDER THE COMPANY'S PROPOSAL, ARE THERE ANY ITEMS INCLUDED**
2 **CURRENTLY IN RIDER 62, RIDER 63, AND RIDER 71 THAT WILL NOT BE**
3 **INCLUDED IN BASE RATES?**

4 A. Yes. The Company is proposing that the 80% portion of CCR plan development costs
5 and post-in-service carrying costs associated with the 60% of in-service CCR plant that is
6 eligible for rider recovery continue to be tracked in the consolidated Rider 62. At the end
7 of the Test Period, these items will have remaining amortization periods of one year or
8 less. Therefore, it is more administratively efficient for the Company to complete
9 recovery of these costs through the consolidated Rider 62. The consolidated Rider 62 is
10 reconciled, and when amortization is complete, the Company can simply remove these
11 costs from the tracker.

12 **Q. HOW DOES THE COMPANY'S PROPOSAL TO DISCONTINUE ITS RIDER 61**
13 **IMPACT THE CONSOLIDATED RIDER 62?**

14 A. As discussed further in the testimony of Ms. Douglas, the Company is proposing to
15 include IGCC investment and operating expenses in the development of base rates and to
16 discontinue its Rider 61 thereafter. The Settlement Agreement approved by the
17 Commission in its order in Cause No. 43114 IGCC 17 ("IGCC 17 Settlement
18 Agreement" and "IGCC 17 Order") provides for the final reconciliation of Rider 61 to be
19 included in the first practicable ECR Rider filing following the Commission's issuance of
20 an order in this base rate proceeding.

21 Additionally, Rider 61 rates currently include amortization of a regulatory asset
22 for IGCC retail jurisdictional operating costs ("IGCC Regulatory Asset"). An initial

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1 annual amortization amount of \$20 million was established in the Settlement Agreement
2 approved by the Commission in Consolidated Cause No. 43114 IGCC 15. The
3 Commission's approval of the IGCC 17 Settlement Agreement in its IGCC 17 Order
4 reduced the annual amortization amount to \$10 million for the three-year period
5 following the effective date of IGCC 17 rates (July 2019 – June 2022). The parties to the
6 IGCC 17 Settlement Agreement agreed that the Company would propose in its next base
7 rate case that base rates be set using the original \$20 million of annual amortization, with
8 a \$10 million annual credit in the ECR Rider (or \$5 million in each semi-annual
9 proceeding) to ensure that customers receive the benefit of the entire \$30 million
10 reduction in IGCC Regulatory Asset amortization (\$10 million annually for three years).

11 **Q. IS THE COMPANY'S RATEMAKING PROPOSAL FOR THE CONSOLIDATED**
12 **RIDER 62 REASONABLE?**

13 A. Yes. The Company's proposal is consistent with past practice in Indiana to subsequently
14 include in base rates in-service plant receiving construction work in progress ("CWIP")
15 ratemaking treatment via a tracker. Continuing to track any ECR plant that is not in-
16 service at the end of the Test Period and the related depreciation expense is consistent
17 with prior Commission orders allowing timely recovery of such costs. The Company's
18 proposal to track reagent O&M both above and below the amount in base rates ensures
19 that customer rates reflect actual expenses incurred for this variable cost.

20 As it relates to CCR plant, the Company's proposed treatment is in accordance
21 with the terms of the CCR Settlement Agreement and the Federal Mandates Statute. As it
22 relates to the impact of the discontinuation of IGCC Rider 61 on the consolidated Rider

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1 62, the Company's proposed treatment is in accordance with the terms of the IGCC 17
2 Settlement Agreement.

3 **Q. HOW WILL COSTS BE ALLOCATED TO RETAIL RATE GROUPS IN THE**
4 **CONSOLIDATED RIDER 62?**

5 A. Currently, the revenue requirement for Rider 62 and Rider 71 are allocated to retail rate
6 groups based upon production demand, and the revenue requirement for Rider 63 is
7 allocated to retail rate groups using a production energy allocator. Under the Company's
8 proposal for the consolidated Rider 62, return on investment, depreciation expense, and
9 post-in-service carrying costs will be allocated to retail rate groups based upon
10 production demand. O&M costs will be allocated to retail rate groups using a production
11 energy allocator.

12 **Q. HOW WILL THE COMPANY IMPLEMENT THE CHANGES TO REFLECT**
13 **THE CONSOLIDATED RIDER 62 ONCE NEW BASE RATES ARE**
14 **APPROVED?**

15 A. At the time of implementation of the new base rates resulting from this proceeding, the
16 Company will file revised rate schedules resetting the then-current rates to:

- 17 • Provide consolidated Rider 62 factors while setting Rider 63 and Rider 71
18 rates to zero;
- 19 • Remove the investment, O&M, and depreciation expense amounts included in
20 base rates;
- 21 • Include a \$10 million annual credit associated with the reduction in IGCC
22 Regulatory Asset amortization per the IGCC 17 Settlement Agreement;

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- 1 • Change the ROE used in the cost of capital calculation to the ROE approved
2 in this proceeding;
- 3 • Update the revenue conversion factors to reflect the provision for
4 uncollectible accounts expense and public utility fee approved in this
5 proceeding and remove the provision for utility receipts tax; and
- 6 • Change the allocation of costs to rate classes used in the calculation of rates to
7 use the final approved production demand and energy allocators, as
8 applicable, from this proceeding.

9 This will be done concurrently with the filing of the new base rate tariffs, with both base
10 rates and rider rate changes to be implemented on a service-rendered basis.

11 **Q. ARE YOU PROPOSING ANY OTHER CHANGES TO THE RIDER 62 TARIFF?**

12 A. Yes. In addition to the changes described above, the Company is also proposing some
13 minor cosmetic and format changes for consistency across its various rider and rate tariffs
14 and will reset the tariff numbering. Copies of the clean and red-lined revised tariff sheets
15 for the consolidated Rider 62 are attached to my testimony as Petitioner's Exhibit 6-G
16 (CLG) and 6-H (CLG). They are also included with the complete set of base rate and
17 other rider tariffs that are filed with the testimony of Mr. Flick as Petitioner's Exhibit 9-A
18 (RAF) (clean) and 9-B (RAF) (red-lined). As discussed in more detail by Ms. Douglas, a
19 complete set of all revised tariff pages will be filed for Commission approval with the
20 Step 1 Base Rate Compliance filing in mid-2020, reflecting the changes in the then-
21 current rates due to the Commission's findings related to base rates and including the use
22 of the allocation factors approved in this proceeding.

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B. Rider 72

Q. WHAT CHANGES IS THE COMPANY PROPOSING TO RIDER 72?

A. The Company is proposing to roll the net book value (original cost investment less accumulated depreciation) of all in-service FMCA plant as of the end of the Test Period into base rates, along with the associated depreciation expense. The Company is also proposing to roll the Test Period level of FMCA O&M into base rates. This includes the 80% of in-service plant and expenses that are eligible for inclusion in the FMCA rider, as well as the 20% of in-service plant and expenses that were deferred for recovery in a subsequent rate case pursuant to the Federal Mandates Statute.² Any FMCA plant not in-service at the end of the Test Period will continue to be recovered through Rider 72. Depreciation expense associated with FMCA plant not in-service at the end of the Test Period will be recovered through Rider 72 once such plant is placed in-service. Any final reconciliation needed will be included in the first Rider 72 filing following the approval of new base rates in this proceeding.

Currently, Rider 72 primarily recovers costs associated with North American Electric Reliability Corporation (“NERC”) cybersecurity requirements, which are constantly evolving and expanding. Therefore, even though the Company is moving the Test Period level of costs into base rates, it is proposing to continue Rider 72 in order to

² In addition to the net book value of the 20% amount of in-service FMCA plant, the Company is including the projected end of Test Period balances of deferred depreciation and post-in-service carrying costs on the 20% of investment, as well as the 20% of deferred O&M and associated carrying costs, in rate base. These deferrals are consistent with the Federal Mandates Statute and previous Commission Orders in Cause Nos. 44367, 44367 FMCA 1, 44367 FMCA 2, and 44367 FMCA 3. Cause No. 44367 FMCA 4 is currently pending. See Petitioner’s Exhibit 4-F (DLD) Schedule RB4 for regulatory asset balances for these items that are being included in rate base.

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1 have a ready mechanism via which to track likely future NERC cybersecurity costs, as
2 well as any other federally mandated costs.

3 **Q. UNDER THE COMPANY'S PROPOSAL, ARE THERE ANY ITEMS INCLUDED**
4 **CURRENTLY IN RIDER 72 THAT WILL NOT BE INCLUDED IN BASE**
5 **RATES?**

6 A. Yes. The Company is proposing that the post-in-service carrying costs associated with
7 the 80% of in-service FMCA plant that is eligible for rider recovery continue to be
8 recovered in the FMCA Rider rather than in base rates. In each annual FMCA filing, the
9 post-in-service carrying costs accrued in the prior year are included for recovery over the
10 one-year period the rider rates will be in effect. Post-in-service carrying costs accrued
11 vary from year to year depending on the nature of capital work completed and the
12 associated in-service dates. To ensure proper cost recovery, the Company is proposing to
13 recover these costs through Rider 72.

14 **Q. IS THE COMPANY'S RATEMAKING PROPOSAL FOR RIDER 72**
15 **REASONABLE?**

16 A. Yes. The Company's proposal is consistent with past practice in Indiana to subsequently
17 include in base rates in-service plant receiving CWIP ratemaking treatment via a tracker
18 and is in accordance with the Federal Mandates Statute. Continuing to track any FMCA
19 plant that is not in-service at the end of the Test Period and the related depreciation
20 expense is consistent with prior Commission orders allowing timely recovery of such
21 costs.

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1 **Q. HOW WILL THE COMPANY IMPLEMENT THE CHANGES TO THE FMCA**
2 **RIDER ONCE NEW BASE RATES ARE APPROVED?**

3 A. At the time of implementation of the new base rates resulting from this proceeding, the
4 Company will file revised rate schedules resetting the then-current rates to:

- 5 • Remove the investment, O&M, and depreciation expense amounts included in
6 base rates;
- 7 • Change the ROE used in the cost of capital calculation to the ROE approved
8 in this proceeding;
- 9 • Update the revenue conversion factors to reflect the provision for
10 uncollectible accounts expense and public utility fee approved in this
11 proceeding and remove the provision for utility receipts tax; and,
- 12 • Change the allocation of costs to rate classes used in the calculation of rates to
13 use the final approved retail production and transmission plant allocator from
14 this proceeding.

15 This will be done concurrently with the filing of the new base rate tariffs, with both base
16 rates and rider rate changes to be implemented on a service-rendered basis.

17 **Q. ARE YOU PROPOSING ANY CHANGES TO THE CURRENT FMCA RIDER**
18 **TARIFF?**

19 A. Yes. The Company is proposing some minor cosmetic and format changes for
20 consistency across its various rider and rate tariffs and will reset the tariff numbering.
21 Copies of the red-lined and clean revised tariff sheets for the FMCA Rider are attached to
22 my testimony as Petitioner's Exhibit 6-I (CLG) and 6-J (CLG). They are also included

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1 with the complete set of base rate and other rider tariffs that are filed with the testimony
2 of Mr. Flick as Petitioner's Exhibit 9-A (RAF) (clean) and 9-B (RAF) (red-lined). As
3 discussed in more detail by Ms. Douglas, a complete set of all revised tariff pages will be
4 filed for Commission approval with the Step 1 Base Rate Compliance filing in mid-2020,
5 reflecting the changes in the then-current rates due to the Commission's findings related
6 to base rates and including the use of the allocation factors approved in this proceeding.

7 **IV. DEFERRAL AND COST RECOVERY REQUESTS**

8 **A. Customer Connect**

9 **Q. WHAT IS THE COMPANY'S CUSTOMER CONNECT PROJECT?**

10 A. As discussed in the testimony of Duke Energy Indiana witness Ms. Retha I. Hunsicker,
11 the Company is deploying a new customer platform as part of its customer information
12 system consolidation project known as Customer Connect. Customer Connect is a multi-
13 year, multi-jurisdictional project that will allow the Company to deliver a customer
14 experience that will simplify, strengthen and advance its ability to serve customers.

15 **Q. WHAT IS THE PROJECTED COST OF THE CUSTOMER CONNECT**
16 **PROJECT TO THE COMPANY?**

17 A. As discussed by Ms. Hunsicker, the projected cost of Customer Connect to Duke Energy
18 Indiana is approximately \$90-\$95 million over the 2016-2023 time period, which is
19 comprised of approximately half capital spend and half O&M and payroll tax spend.

20 **Q. HOW DOES THE COMPANY PROPOSE TO RECOVER THE CAPITAL COSTS**
21 **FOR THE CUSTOMER CONNECT PROJECT?**

22 A. There are multiple components to the capital portion of the Customer Connect project

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1 that are being placed in-service as they are completed and functional. Capital
2 components that are in-service as of the end of the Test Period will be included in the
3 base rates proposed in this proceeding. For capital components that are not in-service as
4 of the end of the Test Period, the Company is proposing to defer depreciation expense
5 and post-in-service carrying costs at the weighted average cost of capital rate as
6 regulatory assets until these capital components are deemed to be used and useful in a
7 future rate case.

8 **Q. HOW DOES THE COMPANY PROPOSE TO RECOVER THE O&M AND**
9 **PAYROLL TAX COSTS FOR THE CUSTOMER CONNECT PROJECT?**

10 A. The Company is proposing to defer O&M and payroll tax costs incurred from 2018 and
11 forward for the development and implementation of the core billing system, with carrying
12 costs at the weighted average cost of capital rate, as a regulatory asset to be held for
13 recovery in a future rate case. The amount of O&M and payroll tax costs to be deferred,
14 excluding carrying costs, is currently estimated at approximately \$42 million. The
15 Company is not proposing any recovery for O&M and payroll tax costs incurred in 2016
16 and 2017.

17 **Q. IS THE COMPANY'S RATEMAKING PROPOSAL REASONABLE?**

18 A. Yes. The Customer Connect project is a significant investment that will benefit Duke
19 Energy Indiana customers for many years to come, and it is reasonable and prudent to
20 allow the Company to defer the associated costs for future rate case recovery.

1 **B. Distribution Vegetation Management**

2 **Q. PLEASE DESCRIBE THE COMPANY'S DEFERRAL AND COST RECOVERY**
3 **REQUEST ASSOCIATED WITH DISTRIBUTION VEGETATION**
4 **MANAGEMENT.**

5 A. As discussed in the testimony of Mr. Christie, the Company is increasing routine
6 distribution vegetation management work over the next three years in order to meet a
7 five-year trim cycle with an expected ongoing O&M cost of \$49.4 million annually. The
8 Company is requesting deferral of \$9,235,000 in forecasted distribution vegetation
9 management O&M costs in excess of the amount in current base rates for the January to
10 June 2020 period before base rates proposed in this proceeding will be effective. The
11 Company is proposing to recover this amount over a three-year period in its proposed
12 base rates.

13 **Q. IS THE COMPANY'S RATEMAKING PROPOSAL REASONABLE?**

14 A. Yes, it is reasonable to allow the Company to defer and recover these incremental
15 distribution vegetation management costs it is incurring for enhanced safety and
16 reliability of the distribution system.

17 **C. Environmental Plan Development Costs**

18 **Q. PLEASE DESCRIBE THE ENVIRONMENTAL STUDIES THE COMPANY**
19 **CURRENTLY HAS UNDERWAY.**

20 A. As discussed in the testimony of Mr. Mosley, the Company has been completing studies
21 required by the Environmental Protection Agency's 316(a) and 316(b) rules and the
22 National Pollutant Discharge Elimination System ("NPDES") program. The 316(a) and

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1 316(b) rules and NPDES program are promulgated by the federal Clean Water Act and
2 therefore meet the definition of federally mandated requirements in Indiana Code § 8-1-
3 8.4.

4 **Q. WHAT IS THE REQUIRED ACCOUNTING FOR THESE STUDY COSTS?**

5 A. Study costs are recorded to FERC account 183 – Preliminary Survey and Investigation
6 Charges. If a study results in a capital project, the cost of the study may be capitalized
7 with the cost of the resulting project. If a study does not result in a capital project, the
8 cost of the study must be expensed.

9 **Q. HAS THE COMPANY PREVIOUSLY REQUESTED AND RECEIVED**
10 **APPROVAL FOR TIMELY RECOVERY OF ENVIRONMENTAL PLAN**
11 **DEVELOPMENT COSTS?**

12 A. Yes. The Commission's Order in Cause No. 44418 approved the terms of a Settlement
13 Agreement which included "Timely recovery of future compliance plan development,
14 engineering, testing, and pre-construction costs."

15 **Q. WHAT RATEMAKING TREATMENT IS THE COMPANY REQUESTING FOR**
16 **ITS 316(a), 316(b), AND NPDES PROGRAM PLAN DEVELOPMENT COSTS**
17 **THAT MUST BE EXPENSED BECAUSE THEY DO NOT RESULT IN CAPITAL**
18 **PROJECTS?**

19 A. As allowed by the Federal Mandates Statute, the Company is requesting timely recovery
20 of the 80% of the retail portion of the 316(a), 316(b), and NPDES program study costs
21 that must be expensed through the consolidated Rider 62. The Company is requesting to
22 defer the 20% of the retail portion of the 316(a), 316(b), and NPDES program study costs

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1 that must be expensed as a regulatory asset with carrying costs at the weighted average
2 cost of capital for recovery in a future rate case.

3 **Q. IS THE COMPANY'S RATEMAKING PROPOSAL REASONABLE?**

4 A. Yes, it is reasonable to allow the Company timely recovery of costs previously approved
5 by the Commission and incurred pursuant to a federal mandate.

6 **D. Requested Accounting Treatment**

7 **Q. IS THE ACCOUNTING TREATMENT PROPOSED BY THE COMPANY FOR**
8 **POST-IN-SERVICE CARRYING COSTS, DEFERRED DEPRECIATION, AND**
9 **DEFERRED O&M IN ACCORDANCE WITH GENERALLY ACCEPTED**
10 **ACCOUNTING PRINCIPLES ("GAAP")?**

11 A. Yes. GAAP specifically discusses the accounting for a regulator's actions designed to
12 protect a utility from the effects of regulatory lag. Topic 980 of the Financial Accounting
13 Standards Board's Accounting Standards Codification ("ASC") covers the accounting
14 guidance for regulated operations formerly provided in Statement of Financial
15 Accounting Standards No. 71. Costs associated with regulatory lag can be capitalized for
16 accounting purposes, provided the provisions of ASC 980-340-25-1 are met. The
17 guidance states:

18 Rate actions of a regulator can provide reasonable assurance of the
19 existence of an asset. An entity shall capitalize all or part of an
20 incurred cost that would otherwise be charged to expense if both of
21 the following criteria are met: (a) It is probable (as defined in Topic
22 450) that future revenue in an amount at least equal to the capitalized
23 cost will result from inclusion of that cost in allowable costs for
24 ratemaking purposes and (b) Based on available evidence, the future
25 revenue will be provided to permit recovery of the previously
26 incurred cost rather than to provide for expected levels of similar

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1 future costs. If the revenue will be provided through an automatic
2 rate-adjustment clause, this criterion requires that the regulator's
3 intent clearly be to permit recovery of the previously incurred cost.
4 A cost that does not meet these asset recognition criteria at the date
5 the cost is incurred shall be recognized as a regulatory asset when it
6 does meet those criteria at a later date.

7 **Q. DO YOU HAVE AN OPINION AS TO THE APPROPRIATENESS OF AND THE**
8 **ACTION REQUIRED BY THE COMMISSION TO ALLOW FOR THE**
9 **REQUESTED ACCOUNTING TREATMENT?**

10 A. Yes. In my opinion, deferral in a regulatory asset of the retail jurisdictional portion of
11 post-in-service carrying costs, depreciation, and O&M costs (with or without carrying
12 costs) incurred for the benefit of customers until they can be included in retail base rates
13 or rider rates is appropriate from a ratemaking perspective, and such treatment will also
14 minimize the timing differences between cost recognition on the Company's books and
15 cost recovery. In addition, Indiana Code § 8-1-8.4 specifically provides for the timely
16 recovery of financing costs associated with federally mandated compliance projects,
17 which would include carrying costs on the 20% of environmental plan development costs
18 proposed for deferral until the next rate case. In order for the Company to defer the
19 Customer Connect, distribution vegetation management, and environmental plan
20 development costs as regulatory assets, it must be probable that such costs will be
21 recovered through rates in future periods. In order to satisfy the probability standard, the
22 Commission's Order in this proceeding should specifically approve the accounting and
23 ratemaking treatment proposed by Duke Energy Indiana.

1

V. CONCLUSION

2 **Q. WERE PETITIONER'S EXHIBITS 6-A (CLG) THROUGH 6-J (CLG)**

3 **PREPARED BY YOU OR UNDER YOUR SUPERVISION?**

4 A. Yes.

5 **Q. DOES THIS CONCLUDE YOUR PREPARED TESTIMONY?**

6 A. Yes.

DUKE ENERGY INDIANA, LLC
Pro Forma Adjustment to
Retail Revenue - Riders
(Thousands of Dollars)

This pro forma adjustment is to remove the revenues that will be staying in the various riders.

Line No.	Description	2020 Forecast Amount (A)	Adjusted Amount (B)	Pro Forma Adjustment ^{1/} (C) (B) - (A)	Line No.
Revenues Staying in Riders					
1	Residential	\$ 19,435	\$ -	\$ (19,435)	1
2	Commercial	6,182	-	(6,182)	2
3	Industrial	3,922	-	(3,922)	3
4	Other Public Authorities	67	-	(67)	4
5	Street Lighting	18	-	(18)	5
6	Total	\$ 29,624	\$ -	\$ (29,624)	6

References:

WP REV1-CLG
WP REV1-DLD

^{1/} To PETITIONER'S EXHIBIT 4-E (DLD) Schedule REV1.

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: 9-9-19