

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF DUKE ENERGY INDIANA,)
LLC FOR: (1) APPROVAL OF AN ADJUSTMENT TO)
ITS ELECTRIC SERVICE RATES THROUGH ITS)
TRANSMISSION, DISTRIBUTION AND STORAGE)
SYSTEM IMPROVEMENT CHARGE ("TDSIC"))
RATE SCHEDULE, STANDARD CONTRACT RIDER)
NO. 65; (2) AUTHORITY TO DEFER 20% OF THE)
APPROVED CAPITAL EXPENDITURES AND TDSIC)
COSTS FOR RECOVERY IN PETITIONER'S NEXT)
GENERAL RATE CASE; AND (3) APPROVAL OF)
PETITIONER'S UPDATED 7-YEAR ELECTRIC)
PLAN, PURSUANT TO IND. CODE § 8-1-39-9.)

CAUSE NO. 44720
TDSIC-01

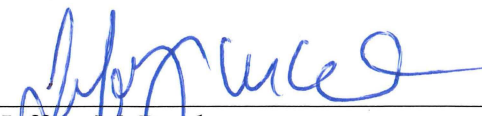
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

TESTIMONY OF

STACIE R. GRUCA – PUBLIC'S EXHIBIT NO. 1

JANUARY 11, 2017

Respectfully submitted,



Jeffrey M. Reed
Attorney No. 11651-49
Deputy Consumer Counselor

**OUCC DIRECT TESTIMONY OF STACIE R. GRUCA
CAUSE NO. 44720 TDSIC-1
DUKE ENERGY INDIANA, LLC**

I. INTRODUCTION

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

2 A: My name is Stacie R. Gruca, and my business address is 115 West Washington
3 St., Suite 1500 South, Indianapolis, Indiana 46204. I am employed by the Indiana
4 Office of Utility Consumer Counselor ("OUCC") as a Senior Utility Analyst in
5 the Electric Division. A summary of my educational and professional background
6 can be found in the Appendix at the end of my testimony.

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

8 A: I provide an overview of Duke Energy Indiana, LLC's (hereafter "DEI" or
9 "Petitioner") adjustment to its electric service rates through its Transmission,
10 Distribution, and Storage System Improvement Charge ("TDSIC") rate schedule.
11 Based on my review, DEI's calculations for its proposed Transmission and
12 Distribution Infrastructure Improvement Cost Rate Adjustment Factors appear to
13 be in compliance with the accounting and ratemaking treatment included in the
14 Settlement Agreement approved by the Indiana Utility Regulatory Commission
15 ("Commission") in its Cause No. 44720 Order dated June 29, 2016.

II. TDSIC-1 RATE SCHEDULE ADJUSTMENT

16 **Q: Please describe DEI's TDSIC-1 rate schedule adjustment.**

17 A: DEI's TDSIC-1 rate schedule adjustment is an electric rate increase resulting
18 from Senate Enrolled Act ("SEA") 560. SEA 560, Ind. Code § 8-1-39-9(a)
19 provides:

1 Subject to subsection (c), a public utility that provides electric or
2 gas utility service may file with the commission rate schedules
3 establishing a TDSIC that will allow the periodic automatic
4 adjustment of the public utility's basic rates and charges to provide
5 for timely recovery of eighty percent (80%) of approved capital
6 expenditures and TDSIC costs.

7 Additionally, SEA 560, Ind. Code § 8-1-39-9(b) provides:

8 A public utility that recovers capital expenditures and TDSIC costs
9 under subsection (a) shall defer the remaining twenty percent
10 (20%) of approved capital expenditures and TDSIC costs,
11 including depreciation, allowance for funds used during
12 construction, and post in service carrying costs, and shall recover
13 those capital expenditures and TDSIC costs as part of the next
14 general rate case that the public utility files with the commission.

15 **Q: Please discuss the evidence submitted by Petitioner to support its requested**
16 **TDSIC-1 rate schedule adjustment.**

17 A: Petitioner's TDSIC-1 rate schedule adjustment is based on an 80% tracked and
18 20% deferred recovery structure, per Ind. Code Ch. 8-1-39. As such, in its filing,
19 DEI provided its 6-month incremental revenue requirement for its TDSIC-1 to
20 recover: 1) a return on investment at 80%; 2) depreciation expense at 80%; 3)
21 operation and maintenance ("O&M") expense at 80%; 4) property tax expense at
22 80%; 5) post in-service carrying costs expense at 80%; and 6) plan development
23 costs amortization. DEI's filing provided its TDSIC costs incurred in connection
24 with its in-service TDSIC projects through June 30, 2016, as well as its forecasted
25 TDSIC costs for the January 1, 2017 through June 30, 2017 period.

26 **Q: What costs does Petitioner propose to recover in its TDSIC-1 filing?**

27 A: Petitioner proposes to recover total TDSIC-1 revenues¹ of approximately
28 \$12,519,364. This includes Petitioner's revenue requirement for transmission

¹ 80% of TDSIC costs eligible for rider recovery.

1 infrastructure improvement projects totaling \$3,434,744 and revenue requirement
2 for distribution infrastructure improvement projects of \$9,084,620.

3 **Q: What is the impact on a typical residential customers' bill as a result of DEI's**
4 **proposed TDSIC-1 rate schedule?**

5 A: According to Petitioner, as a result of its TDSIC-1 filing, a typical residential
6 customer using 1,000 kWh per month will experience an approximate \$1.51
7 increase in their monthly bill.²

8 **Q: Were you able to verify whether Petitioner's calculation of 80% of the total**
9 **TDSIC costs incurred in connection with Petitioner's transmission,**
10 **distribution, and storage system improvements to be recovered in TDSIC-1**
11 **matches the amount Petitioner proposes to recover?**

12 A: Yes. My calculation resulted in a total charge of approximately \$12,519,364 (or
13 approximately \$6,612,826 for residential customers). Based on my calculation of
14 total TDSIC costs tracked in TDSIC-1, the effect is an increase of approximately
15 \$0.001511 per kWh for residential customers.³

16 **Q: Please explain your Attachment SRG-1.**

17 A: Attachment SRG-1 summarizes the total incremental 6-month revenue
18 requirement to recover: 1) a return on investment at 80%; 2) depreciation expense
19 at 80%; 3) operation and maintenance ("O&M") expense at 80%; 4) property tax
20 expense at 80%; 5) post in-service carrying costs expense at 80%; and 6) plan
21 development costs amortization to derive the total TDSIC-1 revenues to be
22 recovered. All information was taken from Petitioner's schedules in this Cause.

² Petitioner Witness Ms. Diana L. Douglas's Testimony, Page 15, Lines 1-3. *Also See* Petitioner's Exhibit 3-C (DLD) Page 2 of 2.

³ *See* OUCC Attachment SRG-1.

1 **Q: Do you believe that Attachment SRG-1 reflects all the elements in the**
2 **formula for Petitioner's TDSIC tracker?**

3 A: Yes. Attachment SRG-1 reflects all of the monetary elements of Petitioner's
4 TDSIC-1 tracker.

5 **Q: How often does Petitioner propose to file future TDSIC rate schedule**
6 **adjustment filings?**

7 A: As indicated by DEI witness Ms. Diana L. Douglas, on page 7 of her testimony,
8 beginning with its 2017 TDSIC rates filing, Petitioner plans to make TDSIC rate
9 update filings annually, covering in-service projects through December 31st of the
10 prior calendar year, with the resulting rates planned to be billed to customers over
11 a twelve-month period. Ms. Douglas further indicated that using calendar year
12 data for ongoing filings will be administratively more efficient for all parties,
13 particularly in light of the calendar year caps that were included in the Settlement
14 Agreement approved by the Commission in its Cause No. 44720 Order.

15 **Q: Does the OUCC oppose annual TDSIC rate schedule adjustment filings**
16 **beginning with Petitioner's 2017 TDSIC rates filing?**

17 A: No. The TDSIC statute allows for no more than one filing every six months (two
18 filings annually), therefore one annual filing would still be consistent with what
19 the statute allows. Additionally, in light of the calendar year caps, reconciling on
20 a calendar year basis will likely help to simplify this part of the OUCC's review.

III. CONCLUSION AND RECOMMENDATION

21 **Q: What do you conclude and recommend regarding DEI's proposed TDSIC-1**
22 **rate schedule?**

23 A: Petitioner's proposed TDSIC tracking factor calculations appear to comport with
24 the ratemaking and accounting treatment authorized by the Commission, as a
25 result of the Settlement Agreement, in Cause No. 44720.

1 **Q: Do you have any recommendations with respect to future TDSIC tracker**
2 **filings?**

3 A: Yes. I recommend DEI include a separate schedule in future TDSIC filings that
4 provides the calculation of total 20% deferred costs it intends to recover in its next
5 base rate case as a result of each TDSIC tracker filing, as well as a running total⁴
6 of 20% of deferred costs it intends to recover in its next base rate case.

7 **Q: Does this conclude your testimony?**

8 A: Yes.

⁴ Total of all TDSIC tracker 20% deferred costs.

APPENDIX

1 **Q: Please summarize your professional background and experience.**

2 A: I graduated from Indiana University, Indianapolis, with a Bachelor of Science
3 degree in Business, majoring in Accounting, Finance, and International Studies. I
4 joined the OUCC in 2003. Since then, I have attended seminars on demand side
5 management and energy efficiency issues. I attended "Practical Skills for the
6 Changing Electric and Gas Industries," sponsored by the National Association of
7 Regulatory Utility Commissioners (NARUC) and the New Mexico State
8 University Center for Public Utilities, in Albuquerque, New Mexico. I also
9 attended the 2003 Annual Regulatory Studies Program sponsored by NARUC and
10 the Institute of Public Utilities at Michigan State University in East Lansing,
11 Michigan, and the 37th Annual Eastern NARUC Utility Rate School sponsored by
12 NARUC and the Institute of Public Utilities at Michigan State University in
13 Clearwater, Florida. I have attended various Market Subcommittee, Market
14 Settlements Work Group, and Revenue Sufficiency Guarantee (RSG) Task Force
15 meetings of the Midcontinent Independent System Operator, Inc. (MISO).

16 **Q: Please describe your duties and responsibilities at the OUCC.**

17 A: I review Indiana electric utilities' requests for regulatory relief filed with the
18 Commission. I also prepare and present testimony based on the results of my
19 analysis and make recommendations to the Commission on behalf of Indiana
20 electric utility consumers.

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

22 A: Yes.

1 **Q: Please describe the examination and analysis you conducted in order to**
2 **prepare your testimony and attachments in this Cause.**

3 A: I read and reviewed Petitioner's verified petition filed on October 24, 2016, as
4 well as Petitioner's prefiled testimony, attachments, and work papers filed on
5 October 25, 2016.

Duke Energy Indiana, LLC
Cause No. 44720 TDSIC-1
Calculation of Transmission and Distribution Infrastructure Improvement Cost Rate
Bills Beginning with the Effective Date of the Commission's Final Order

Line No.	TDSIC Components - Transmission and Distribution 80% Trackable Amounts	Total T&D (Applicable to Retail Customers)	Rate RS - % of Revenue Requirement (Cause No. 42359)	Rate RS
<u>Transmission Revenue Requirement (Including Revenue Conversion Factor)</u>				
1	6 Month Return on Investment	\$ 167,340		
2	Depreciation Expense	558,850		
3	O&M Expense	2,530,733		
4	Property Tax Expense	43,208		
5	Post In-Service Carrying Costs	57,383		
6	Plan Development Costs Amortization	<u>77,230</u>		
7	Total 6 Month Transmission Revenue Requirement	\$ 3,434,744		
8	Less: Prior Period Approved Revenue Requirements	<u>-</u>		
9	Incremental 6 Month Transmission Revenue Requirement Increase / (Decrease)	\$ 3,434,744	37.432%	\$ 1,285,695
<u>Distribution Revenue Requirement (Including Revenue Conversion Factor)</u>				
10	6 Month Return on Investment	\$ 607,136		
11	Depreciation Expense	1,083,529		
12	O&M Expense	7,022,471		
13	Property Tax Expense	58,342		
14	Post In-Service Carrying Costs	216,748		
15	Plan Development Costs Amortization	<u>96,394</u>		
16	Total 6 Month Distribution Revenue Requirement	\$ 9,084,620		
17	Less: Prior Period Approved Revenue Requirements	<u>-</u>		
18	Incremental 6 Month Distribution Revenue Requirement Increase / (Decrease)	\$ 9,084,620	58.639%	\$ 5,327,131
19	Total Incremental 6 Month T&D Revenue Requirement Increase / (Decrease)	\$ 12,519,364		\$ 6,612,826
20	kWh Sales for 6-Months Ended June 30, 2016	<u>12,884,585,166</u>		<u>4,376,158,001</u>
21	Total TDSIC-1 per kWh (Line 19 / Line 20)			\$ 0.001511
22	Current TDSIC Factor			\$ -
23	Increase/(Decrease) TDSIC Factor (Line 21 - Line 22)			\$ 0.001511
24	Dollar Increase/(Decrease) on Typical Residential Customer Bill (Line 23 x 1,000 kWh per month)			\$ 1.51

AFFIRMATION

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



Stacie R. Gruca
Senior Utility Analyst
Indiana Office of Utility Consumer Counselor

January 11, 2017

Date

Cause No. 44720 TDSIC-01
Duke Energy Indiana, LLC

CERTIFICATE OF SERVICE

This is to certify that a copy of the *Indiana Office of Utility Consumer Counselor Testimony of Stacie R. Gruca* has been served upon the following parties of record in the captioned proceeding by electronic service on January 11, 2017.


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