FILED
October 30, 2019
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF DUKE ENERGY INDIANA, LLC PURSUANT TO IND. CODE §§ 8-1-2-42.7 AND 8-1-2-61, FOR (1) AUTHORITY TO MODIFY ITS RATES AND CHARGES FOR ELECTRIC UTILITY SERVICE THROUGH A STEP-IN OF NEW RATES AND CHARGES USING A FORECASTED TEST PERIOD; (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES, GENERAL RULES AND REGULATIONS, AND RIDERS; (3) APPROVAL OF A FEDERAL MANDATE CERTIFICATE UNDER IND. CODE § 8-1-8.4-1; (4) APPROVAL OF REVISED ELECTRIC DEPRECIATION RATES APPLICABLE TO ITS ELECTRIC PLANT IN SERVICE; (5) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING DEFERRAL RELIEF; AND (6) APPROVAL OF A REVENUE DECOUPLING MECHANISM FOR CERTAIN CUSTOMER CLASSES	)	CAUSE NO. 45253

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

TESTIMONY OF

MICHAEL D. ECKERT – PUBLIC'S EXHIBIT NO. 1

OCTOBER 30, 2019

Respectfully submitted,

Scott Franson
Attorney No. 27839-49
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS MICHAEL D. ECKERT
CAUSE NO. 45253
DUKE ENERGY INDIANA, LLC

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Michael D. Eckert, and my business address is 115 W. Washington St., Suite 1500 South Tower, Indianapolis, Indiana 46204.

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

A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as an Assistant Director of the Electric Division. For a summary of my educational and professional experience, and my preparations for this case, please see Appendix A attached to my testimony.

Q: Did the OUCC find significant omissions and inconsistencies in certain DEI testimony?

A: Yes. As pointed out in the Joint Motion To Amend Procedural Schedule (which was joined by OUCC, CAC, Environmental Working Group, Indiana Community Action Association, Indiana Laborers District Council, The Kroger Co., Sierra Club and Walmart; and by separate joinders filed by Duke Industrial Group and Nucor Steel Indiana), prompt, thorough and consistent attempts were made through formal and informal data requests, as well as many phone and office meetings, to clarify noted inconsistencies and omissions that appeared on the face and through deeper and more informed examination of certain DEI testimony. While the OUCC and intervenors diligently attempted to comply with the already extended case filing schedule, these repeated efforts were necessary to address defective testimony. DEI's delays in providing some answers and the complete omission of other key data made it difficult and sometimes impossible for analysts to complete a thorough review of key DEI evidence. An on-site visit to DEI would not have satisfactorily addressed or resolved the issues with tying revenue requirement to rate design. Because the DEI case-in-chief is deficient, the testimony of the OUCC (and possibly other intervenors) is still therefore unfortunately incomplete.

Q. **Does the OUCC have overarching concerns about DEI's rate request in this Cause?**

A. Yes. Individual OUCC witnesses have put forth testimony and recommendations regarding specific issues or requests contained in DEI's case-in-chief. Many of DEI's requests are optional or have discretionary components. The OUCC and hundreds of DEI's ratepayers who submitted comments are extremely concerned about the immediate financial impact these high-dollar requests will have on their monthly utility bills. It has been 15 years since its last base rate case and DEI has incurred increases in O&M expenses and made large capital expenditures on which DEI expects to reap significant returns. However, the Indiana General Assembly established a policy specifically recognizing utility service affordability for Indiana citizens' present and future generations.[1]

The Commission is tasked with balancing the interests of utilities with those of ratepayers. The OUCC wants financially sound utilities that can provide quality services at reasonable prices. However, even though DEI received its last

[1] I.C. § 8-1-2-.05.

rate increase in Cause No. 42359, Order date May 18, 2004, it is significant that DEI has been able to increase its rates and earnings over this period through its various trackers/ riders. As of October 2, 2019, a customer using 1,000 kWh per month pays $72.10 in base charges and $47.84 in tracker charges. In Cause No. 42539, the Commission authorized DEI to earn $267.5 million through its various trackers, which increased its authorized earnings level to $476.1 million.[2] Also in Cause No. 42359, DEI received a basic rate increase of $122.46 million[3] and is now requesting an increase of $394.57 million.[4] At some point, it becomes crucial to review whether the scales have become imbalanced and weigh too heavily in the utilities' favor. In its case-in-chief, the OUCC requests the Commission examine various components of DEI's requests and determine if they are necessary and prudent now or whether some expenditures should be implemented gradually. OUCC testimony demonstrates DEI has not presented sufficient evidence for the Commission to approve its entire request now.

This should under no circumstances be considered a standard base rate case. DEI's case is replete with requests that will reduce Duke's and its shareholders' risks; yet there is no acknowledgment of that reduced risk that would enure to the benefit of ratepayers such as a recognition of the reduced risk in a lower ROE. The Commission has an opportunity to review DEI's massive, complex and, in some cases, convoluted requests in whole, to say "no," to some,

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[2] Cause No. 38707 FAC-121, Testimony of Suzanne E. Sieferman, Exhibit 5-B (SES), p. 2, c. X. l. 17.

[3] *In re PSI Energy Inc.*, Cause No. 42359, 2004 WL 1493966, Final Order, p. 99 -100, (Ind. Util. Regulatory Comm'n May 18, 2004) ($1,406,596,000 - $1,284,140,000 = $122,456,000).

[4] Cause No. 45253. Revised Petitioner's Exhibit 4, Direct Testimony of Diana L. Douglas, p. 27, l. 10.

and to limit others while making clear the standards DEI should meet. In order for the Commission to maintain the flexibility and optionality it articulated in the Cause No. 45052 Vectren Order,[5] the OUCC respectfully suggests the Commission hit a "pause" button on several requests presented in this Cause. For example, as outlined in OUCC witness Alvarez's testimony, DEI is proposing significant increases to its production O&M expenses that are inconsistent with the data provided in its 2018 IRP filing. In this Cause, the Commission should not reward DEI by increasing its O&M expenses over the amounts included in its IRP. DEI's IRP was submitted two days prior to its filing of this rate case.

Another example is DEI's proposed depreciation expense. DEI calculated its proposed depreciation rates using the Equal Life group ("ELG") procedure, which results in higher depreciation rates in the earlier years. The Average Life Group ("ALG") procedure OUCC witness David Garrett utilizes results in the same depreciation rate each year and lower depreciation rates, reducing costs to ratepayers.

Additionally, DEI has over-reached on its request regarding the forecasted test year amounts for O&M expense, net plant investment and deferred cost recovery. OUCC witness David Dismukes completed a benchmarking analysis showing a number of DEI's plant investments and O&M expenses are not in line with historical expenditures and, in many instances, exceed historical expenditures. OUCC witness Lane Kollen discusses several of DEI's deferred

[5] *In re S. Ind. Gas & Elec. Co.,* Cause No. 45052, Final Order, p. 26 (Ind. Util. Regulatory Comm'n April 24, 2019).

cost recovery proposals (e.g. Customer Connect project and retired generating units).

The OUCC urges the Commission to maintain flexibility and require utilities to submit sufficient evidence – especially in light of Indiana's new focus on its emerging energy policy. The Commission should only approve requests that are necessary and reasonable for DEI to provide quality electric service at reasonable prices.

Q: What is the specific purpose of your testimony?

A: I introduce OUCC witnesses and provide an overview of their testimony. I also address certain Duke Energy Indiana, LLC ("DEI" or "Company") proposals with regard to: Fuel Cost Adjustment ("FAC"); purchase power over the benchmark; PJM costs and revenues related to the Madison Generating Station; Credits Rider; Transmission, Distribution and Storage System Improvement Charge ("TDSIC") Rider; and other rider (also known as tracker) changes. Ultimately, I recommend the Indiana Utility Regulatory Commission ("IURC" or "Commission"):

1) Approve DEI's proposal to include PJM costs and revenues associated with energy from the Madison Generating Station in its FAC Rider, RTO Rider, and Rider 70 proceedings;

2) Approve DEI's request to waive the generic purchased power procedures established in Cause No. 41363 as of the effective date of an Order in this Cause, with the condition DEI include the following additional information in its audit package: 1) all internal, external, and root cause analyses for any forced outages greater than seventy-two (72) hours, and 2) day-ahead offers and the real-time awards for the test days the OUCC requests;

3) Approve continuation of the agreement between DEI and the OUCC allowing the OUCC 35 days to complete its FAC review and file its testimony and report after DEI files its application and testimony;

4) Approve DEI's requests to eliminate/discontinue, combine, rename or renumber certain current riders, with the condition that the combining of DEI's Rider 62 - Environmental Compliance Investment Adjustment, Rider 63 - SO2, NOX, and Hg Emission Allowance Adjustment, and Rider 71 - Environmental Compliance Operating Cost Adjustment into one rider and renaming it as Rider 62 - Environmental Compliance Adjustment be subject to the recommendations of OUCC witnesses Cynthia M. Armstrong and Wes R. Blakley;

5) Accept DEI's proposal for a 30-Day filing for its Rider 67 – Credits Adjustment and require DEI to:

   a. Provide a draft of its filing at least 30 days in advance of the file date;

   b. Provide its workpapers at least 30-days in advance of its filing;

   c. Schedule a technical conference with the OUCC to explain its filing and workpapers prior to filing its 30-Day filing; and

   d. In the alternative, deny DEI's request for a 30-day filing and implement a tracker proceeding.

Q: To the extent you do not address a specific item or adjustment, should that be construed to mean you agree with DEI's proposal for that item?

A: No. Any exclusions of specific adjustments or amounts DEI proposes from my or any other OUCC witness's testimony is not an indication of approval. Rather, the scope of my and other OUCC witnesses' testimony is limited to the specific items addressed.

Q: Who are the OUCC's witnesses in this Cause?

A: The following OUCC witnesses provide testimony in this Cause:

<u>Mr. Lane Kollen</u> testifies regarding certain revenue requirements adjustments and sponsors the OUCC's overall revenue requirements recommendation for DEI. Mr. Kollen incorporated the impact of the other OUCC witnesses' recommendations in his revenue requirements calculations. He recommends adjustments to rate base and to DEI's operating revenues and expenses. Mr. Kollen also addresses various modifications to the Credits Rider (Rider 67) to reflect reductions in the revenue requirement as regulatory assets become fully amortized and the effects of reductions in the Indiana state corporate income tax rate. (Public's Exhibit No. 2)

Ms. Cynthia M. Armstrong testifies regarding DEI's request to obtain a Certificate of Public Necessity and Convenience ("CPCN") for costs related to the closure and remediation of ash impoundments and other coal combustion residuals ("CCR") units. She recommends the closure costs incurred prior to filing this rate case (July 2, 2019) and any costs related to Agreed Orders between DEI and the Indiana Department of Environmental Management ("IDEM") be denied. She offers an alternative option for the recovery of these costs should the Commission approve a CPCN for the costs under the Federally Mandated Requirements statute, and recommends the Commission deny DEI's request for a CPCN for future ash closure costs at this time. She also addresses DEI's request to track 316(a) and 316(b) Rule costs as "federally mandated" costs in the ECR tracker. Finally, she recommends emission allowance costs no longer be tracked through the ECR (Rider No. 62), and emission allowance sales continue to be credited as DEI is recovering the SO_2 allowance inventory costs through a regulatory asset. (Public's Exhibit No. 3)

Mr. Wes R. Blakley provides analysis and recommends 1) the Commission deny DEI's proposal to continue tracking reagent expense in its Environmental Cost Rider ("ECR"). In the an alternative Mr. Blakley recommends DEI use Rider 67 Credits Rider to recalculate its return on its embedded pollution control investment as a means to help balance the effect of tracking reagents as a single isolated expense associated with the embedded pollution control investment; 2) proposes alternative treatment for DEI's Excess Accumulated Deferred Federal Income Tax ("EADFIT") credit that passes back the credit over the life of the rates (three years); 3) proposes Indiana corporate Excess Accumulated Deferred Income Tax ("EADIT") be passed back over eight years, which is the period of the current state tax reduction; and 4) the Commission approve DEI's basic methodology for its Step Two rate proposal but include a process to verify its actual used and useful test-year end net-plant and allow 60 days from the date the verification is provided to the OUCC and intervenors to file any objections. (Public's Exhibit No. 4)

Mr. Anthony Alvarez addresses DEI's proposals for: 1) Operation and Maintenance ("O&M") expenses of DEI's generating fleet (except Edwardsport); 2) Edwardsport Integrated Gasification Combined Cycle ("IGCC") O&M and capital expenditures including costs associated with the IGCC's major maintenance outage in 2020; 3) Integration and planned in-service of the NSA Crane microgrid and battery energy storage system ("BESS") projects in 2020; and 4) Major storm costs and reserves. (Public's Exhibit No. 5)

Mr. Eric Hand testifies regarding DEI's proposed vegetation management initiatives and the excessive vegetation management costs DEI is requesting. (Public's Exhibit No. 6)

Mr. John Haselden testifies regarding DEI's proposed Demand Side Management (“DSM”)/Energy Efficiency (“EE”) Rider treatment, Tippecanoe Solar Power Plant, and the B-Line Heights Solar Plant. (Public’s Exhibit No. 7)

Ms. Lauren Aguilar presents the OUCC’s analysis of DEI’s proposals related to 1) Electric Transportation (“ET”) Pilot program, 2) fee-free payments, and 3) tampering fees. (Public’s Exhibit No. 8)

Dr. Peter Boerger addresses a number of issues pertaining to crediting revenues and allocating costs related to DEI’s non-native sales, and provides the OUCC’s perspective on DEI’s proposed experimental rates for the Low Load Factor (“LLF”) and High Load Factor (“HLF”) rate classes. (Public’s Exhibit No. 9)

Mr. David Dismukes recommends the Commission deny DEI’s proposed Revenue Decoupling Mechanism and testifies that the Company’s forecasted test year plant expenditures are not in line with, and in many instances exceed historical expenditures. (Public’s Exhibit No. 10)

Mr. David Garrett employed a depreciation system using actuarial plant analysis to statistically analyze the Company’s depreciable assets and develop reasonable depreciation rates and annual accruals. Mr. Garret's primary recommendation to the IURC is to calculate depreciation rates under the Average Life Group (“ALG”) procedure, along with reasonable adjustments to the Company’s proposed terminal net salvage rates and mass property service lives. In addition, Mr. Garrett recommends a return on equity of 9.0% and a cost of debt of 4.66% for the Company. (Public’s Exhibit No. 11 (ROE) and 12 (Depreciation))

Mr. Glenn Watkins identifies that DEI’s forecasted KWH sales and attendant revenues for Residential customers used for ratemaking purposes are significantly understated. In addition to identifying the effect of that issue on revenues and fuel expenses, he explains the effect of this understatement on residential rates, with a more reasonable forecast of sales resulting in an approximate $7.70 reduction in 1,000 kWh monthly bills compared to DEI’s proposal. Regarding cost allocation, he explains the flaws of a 4-CP methodology, but identifies that the OUCC is prevented from opposing the use of that methodology in this case as a result of a previous settlement agreement. Finally, he finds that DEI’s residential customer charge should remain unchanged and he also discusses the difficulty in obtaining needed information from DEI and its impact on his analysis. (Public’s Exhibit No. 13)

II. OUCC'S AND DEI'S REQUESTED REVENUE REQUIREMENT

Q: Does the OUCC's review indicate that DEI needs additional revenue?

A: No. The OUCC recommends DEI's revenue be decreased by at least $130,361,000 as shown in Mr. Kollen's testimony.

Q: What rate relief does DEI seek in this Cause?

A: DEI seeks an overall increase in revenue of $394,570,000,[6] based on an adjusted Original Cost Rate Base of $10,189,404,000.[7] DEI is seeking a base rate revenue requirement of $2,912,522,000.[8]

Q: What base rate revenue requirement was approved in DEI's last electric rate case?

A: The Commission's Order in Cause No. 42359, dated May 18, 2004, authorized a base rate revenue requirement of $1,406,596,000.[9]

III. CURRENT RIDER IMPACT

Q: Have you performed a calculation to show how DEI's current trackers impact an Indiana residential customer's monthly bill based on 1,000 kWh per month usage?

A: Yes. Table 1 below illustrates the impact of trackers on a monthly bill for a DEI residential customer using 1,000 kWh per month. The current base rate portion of the monthly bill totals $72.10. The total monthly bill, including trackers, equals $119.94. Therefore, 39.89% of a typical DEI residential customer's monthly bill is currently associated with DEI's numerous trackers.

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[6] Cause No. 45253, DEI's Exhibit 4-D (DLD), Schedule RR1, l. 7.
[7] Cause No. 45253, DEI's Exhibit 4-D (DLD), Schedule RR1, l. 1.
[8] Cause No. 45253, DEI's Exhibit 4-E (DLD), Schedule OPIN1, col. C, l. 1)
[9] *In re PSI Energy, Inc.*, Cause No. 42359, 2004 WL 1493966, Final Order, p. 100 (Ind. Util. Regulatory Comm'n May 18, 2004).

Table 1: Customer Bill (1,000 kWh) Calculation as of October 2, 2019

Description:	Rate	$	% of Bill
Base Rate			
Residential Customer Charge		$9.01	7.51%
Residential First 300 kWh	$0.089116	26.73	22.29%
Residential Next 700 kWh	$0.051948	36.36	30.32%
Tracker Adjustments			
Integrated Coal Gasification Combined Generating Facility Revenue Adjustment	$0.014277	14.28	11.91%
Environmental Compliance Investment Adjustment	$0.002885	2.89	2.41%
SO2,NOX, and Hg Emission Allowance Adjustment	$0.000012	(0.01)	(0.01%)
Transmission and Distribution Infrastructure Improvement Cost Rate Adjustment	$0.003667	3.67	3.06%
Energy Efficiency Revenue Adjustment	$0.004557	4.56	3.80%
Credits to Remove Annual Amortization of Cinergy Merger Costs	($0.000804)	(0.80)	(0.67%)
Midcontinent ISO Management Cost and Revenue Adjustment	$0.003800	3.80	3.17%
Reliability Adjustment	$0.000577	0.58	0.48%
Environmental Compliance Operating Cost Adjustment	$0.006409	6.41	5.34%
Federally Mandated Cost rate Adjustment	$0.000149	0.15	0.13%
Renewable Energy Project Revenue Adjustment	$0.000382	0.38	0.32%
Sub-Total		108.01	90.06%
Fuel Cost Adjustment Charge	$0.011927	11.93	9.94%
Total Billing Amount		$119.94	100.00%
Summary			
Base and Energy Charge		72.10	60.12%
Trackers (Excluding FAC)		35.91	29.94%
FAC		11.93	9.94%
Total		$119.94	100.00%

IV. RIDERS

Q: Does DEI propose to eliminate, combine, rename, and/or renumber any of its current riders?

A: Yes. Currently, DEI has 12 established riders, but is requesting only nine (9) riders to continue and/or result from this proceeding. As provided in Table 2 below:

1) DEI proposes to eliminate its Rider 61 - Integrated Coal Gasification Combined Generating Facility Revenue Adjustment;

2) DEI proposes to combine its Rider 62 - Environmental Compliance Investment Adjustment, Rider 63 - SO2, NOX, and Hg Emission Allowance Adjustment, and Rider 71 - Environmental Compliance Operating Cost Adjustment into one rider and rename it as Rider 62 - Environmental Compliance Adjustment;

3) DEI proposes to rename its Rider 67 from "Credits to Remove Annual Amortization of Cinergy Merger Costs" to "Credits Adjustment";

4) DEI proposes to rename and renumber its DSM/EE Rider from Rider 66-A - Energy Efficiency Revenue Adjustment to Rider 66 - Energy Efficiency Adjustment; and

5) DEI proposes to rename its Rider 68 from "Midcontinent ISO Management Cost and Revenue Adjustment" to "Regional Transmission Operator Non-Fuel Costs and Revenue Adjustment."

Table 2: DEI's Current ("Old") Rider and Proposed ("New") Riders

Line No.	Old Rider	Old Tariff Number		New Rider	New Tariff Number
1	Fuel Cost Adjustment Charge ("FAC")	60		Fuel Cost Adjustment Charge	60
2	Integrated Coal Gasification Combined Generating Facility Revenue Adjustment ("IGCC")	61		**VACANT**	**61**
3	Environmental Compliance Investment Adjustment ("ECR")	62		Environmental Compliance Adjustment	62
4	SO2,NOX, and Hg Emission Allowance Adjustment ("ECR")	63		**Merged into 62 and left VACANT**	**63**
5	**VACANT**	**64**		**VACANT**	**64**
6	Transmission and Distribution Infrastructure Improvement Cost Rate Adjustment ("TDSIC")	65		Transmission and Distribution Infrastructure Improvement Cost Rate Adjustment	65
7	**VACANT**	**66**		Energy Efficiency Adjustment	66
8	Energy Efficiency Revenue Adjustment ("DSM")	66-A		**Renumbered to Rider 66 and left VACANT**	**66-A**
9	Credits to Remove Annual Amortization of Cinergy Merger Costs	67		Credits Adjustment	67

10	Midcontinent ISO Management Cost and Revenue Adjustment ("RTO")	68		Regional Transmission Operator Non-Fuel Costs and Revenue Adjustment	68
11	**VACANT**	**69**		**VACANT**	**69**
12	Reliability Adjustment ("SRA")	70		Reliability Adjustment	70
13	Environmental Compliance Operating Cost Adjustment ("ECR")	71		**Merged into 62 and left VACANT**	**71**
14	Federally Mandated Cost Rate Adjustment ("FMCA")	72		Federally Mandated Cost Rate Adjustment	72
15	Renewable Energy Project Revenue Adjustment ("REP")	73		Renewable Energy Project Adjustment	73

Q: Does the OUCC oppose DEI's proposal to eliminate/discontinue, combine, rename or renumber any of its current riders?

A: No. However, the combining of DEI's Rider 62 - Environmental Compliance Investment Adjustment, Rider 63 - SO2, NOX, and Hg Emission Allowance Adjustment, and Rider 71 - Environmental Compliance Operating Cost Adjustment into one rider and renaming it as Rider 62 - Environmental Compliance Adjustment should be subject to the recommendations of Ms. Armstrong and Mr. Blakley.

Q: Will the numbers of some of DEI's riders/tariffs remain in place, even though the riders/tariffs will be discontinued? ?

A: Yes. DEI proposes to keep rider/tariff numbers 61, 63, 64, 69, and 71 in place, even though these riders/tariffs will be vacant. At this time, no current or future costs or revenues will be assigned to them.

Q: Does the OUCC oppose DEI's proposal to keep certain discontinued rider/tariff numbers in place?

A: No. The OUCC does not oppose keeping these rider/tariff numbers in place, as DEI is not proposing to continue these riders/tariff and will have no current or future costs/revenues assigned to them. However, the OUCC is not in favor of riders not currently in use being "shelved" for future use. Therefore, should DEI propose to utilize these riders/tariffs for future cost recovery, the OUCC recommends the Commission require DEI make a formal request through a docketed proceeding and receive Commission approval to do so.

V. FUEL COST ADJUSTMENT

Q: Does the OUCC have any recommendations regarding the FAC?

A: Yes. Currently, DEI and the OUCC have an agreement[10] allowing the OUCC 35 days (instead of 20 days, per the FAC statute) to complete its review and file its testimony and report after DEI files its application and testimony. The OUCC recommends the Commission authorize continuation of that agreement.

VI. TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE IMPROVEMENT COST RATE ADJUSTMENT

Q: What does the OUCC recommend regarding DEI's cost allocation factors for DEI's Transmission, Distribution and Storage System Improvement Charge ("TDSIC")?

A: Indiana Code § 8-1-39-9(a) requires a TDSIC petition to "use the customer class revenue allocation factor based on firm load approved in the public utility's most recent retail base rate case order." The interpretation of this provision was the subject of several TDSIC cases and related appellate proceedings. The OUCC recommends that the Commission apply the revenue allocation factor for firm load that it approves in this case to future DEI TDSIC proceedings.

[10] The Commission Order in Cause No. 38707 FAC76, dated June 25, 2008, approved an Agreement on Synchronization of FAC and RTO Proceedings in which Duke Energy Indiana agreed to extend the time the OUCC has to file its audit report and/or other testimony from the statutory 20 days to 35 days from the date Duke Energy Indiana files its testimony.

VII. CREDITS ADJUSTMENT RIDER

Q: Is DEI proposing changes to its Rider 67 - Credits to Remove Annual Amortization of Cinergy Merger Costs?

A: Yes. DEI is proposing to continue its Rider 67 as a 30-day filing and to rename it from "Credits to Remove Annual Amortization of Cinergy Merger Costs" to "Credits Adjustment Rider." Additionally, DEI is proposing to remove the credit associated with the Cinergy Merger, leave in the Tax Cuts and Jobs Act of 2017 credit, and add several new credits identified by DEI witness Diana L Douglas.[11]

Q: Will DEI's newly proposed Rider 67 use different allocation methods?

A: Yes. The current Rider 67 uses two different allocation methods, whereas DEI's proposed Rider 67 will use at least three allocation methods.

Q: Do any OUCC witnesses propose adding additional components to DEI's proposed Rider 67 to flow back credits to customers?

A: Yes. Messrs. Kollen, Blakley, and Hand discuss and recommend additional components to be added to DEI's proposed Credits Rider.

Q: Does the OUCC have concerns with continuing Rider 67 as a 30-Day filing?

A: Yes. The OUCC is concerned with the limited amount of time it will have to review the DEI's proposed Rider 67 filing. The proposed Rider 67 will track at least nine items that use three allocation methodologies as compared to the current Rider 67 that tracks two items and uses two allocation methodologies. Should DEI's and/or the OUCC's proposed changes to Rider 67 receive Commission approval, the current 30-Day filing process will not allow the OUCC enough time to review the filing.

[11] Cause No. 45253, DEI Revised Testimony of Diana L. Douglas, pp. 91- 95.

Q: What does the OUCC recommend regarding the 30-Day filing process for Rider 67?

A: The OUCC recommends the Commission accept DEI's proposal for a 30-Day filing, but require DEI to:

1) Provide a draft of its filing at least 60 days in advance of the file date;
2) Provide its workpapers at least 60-days in advance of its filing; and
3) Schedule a technical conference with the OUCC to explain its filing and workpapers prior to filing its 30-Day filing.

In the alternative, the OUCC recommends the Commission deny DEI's request for a 30-day filing and implement a tracker proceeding to allow sufficient time for the OUCC to conduct its review of DEI's filing.

VIII. PURCHASED POWER OVER THE BENCHMARK

Q: Is DEI subject to the purchased power benchmark established in the Commission's Cause No. 41363 Order, dated August 18, 1999?

A: Yes. DEI is subject to the conditions and procedures for purchased power over the benchmark as required in Cause No. 41363.

Q: Do you agree with DEI witness John A. Verderame's testimony describing DEI's purchased power over the benchmark?

A: Yes. I generally agree with his opinions regarding the establishment of the purchased power over the benchmark. In addition, DEI offers all its generation into the MISO market and MISO controls the dispatch of DEI's generation. In essence, MISO controls the dispatch of DEI's generation, while DEI controls the generation availability and the day-ahead offer price.

Q: Does the OUCC oppose DEI's request for the Commission to waive the generic purchased power procedures established in Cause No. 41363 as of the effective date of the Commission's Order in this Cause?

A: No. DEI's purchase power costs will continue to remain subject to OUCC review and Commission approval in DEI's FAC filings. However, the OUCC requests DEI provide as part of its FAC audit package all internal, external, and root cause analyses for any forced outages greater than seventy-two (72) hours. Additionally, DEI should provide in its FAC audit package its day-ahead offers and the real-time awards for the test days the OUCC requests.

IX. PJM CHARGES - MADISON GENERATING STATION

Q: Please describe the location and nature of DEI's Madison Generating Station.

A: The Madison Generating Station consists of eight (8) simple cycle combustion turbines for a total output of 704 MW. The station is physically located in the State of Ohio, inside PJM's Territory, and is connected to the PJM transmission grid. The energy from the Madison Generating Station is transferred to MISO using firm transmission service through a pseudo-tie.[12] From an energy perspective, the Madison Generating Station is treated like all other DEI units inside the MISO geographic footprint. DEI receives a settlement statement from PJM for the energy Madison Generating Station injects into the PJM grid that DEI expects to receive (Madison energy) from MISO through the PJM system.

[12] "A pseudo-tie is a means of delivering energy produced by a generation resource located within one balancing authority (the Native Balancing Authority) to load in another balancing authority (the Attaining Balancing Authority), in real time. When a pseudo-tie has been implemented, the Attaining Balancing Authority controls and dispatches the resource in the Native Balancing Authority." *PJM Interconnection L.L.C.*, 167 FERC ¶ 61,069 (Order April 23, 2019), *citing PJM Interconnection L.L.C.*, 162 FERC ¶ 61,086 (2018) (February 2018 Order).

Q: What ratemaking treatment does DEI propose regarding PJM charges related to the Madison Generating Station?

A: DEI is proposing all PJM charges and credits related to the Madison Generating Station be recovered through its FAC Rider, RTO Rider, and/or Rider 70. Since 2012, DEI has made all payments and received all credits from the PJM settlement statements it received (charges and credits were not passed onto ratepayers).

Q: Why does DEI believe this treatment is appropriate?

A: The Madison Generating Station is operated and dispatched for DEI's customers, thus DEI believes its customers should be allocated the appropriate revenues and costs.

Q: Does the OUCC oppose DEI's proposed treatment?

A: No.

X. RECOMMENDATIONS

Q: What do you recommend in this proceeding?

A: I recommend the Commission:

1) Approve DEI's proposal to include PJM costs and revenues associated with energy from the Madison Generating Station in its FAC Rider, RTO Rider, and Rider 70 proceedings;

2) Approve DEI's request to waive the generic purchased power procedures established in Cause No. 41363 as of the effective date of an Order in this Cause and as a condition include the following additional information in its audit package 1) All internal, external, and root cause analyses for any forced outages greater than seventy-two (72) hours, and 2) day-ahead offers and the real-time awards for the test days the OUCC requests;

3) Approve continuation of the agreement between DEI and the OUCC allowing the OUCC 35 days to complete its FAC review and file its testimony and report after DEI files its application and testimony;

4) Approve DEI's requests to eliminate/discontinue, combine, rename or renumber certain current riders, with the condition that the combining of DEI's Rider 62 - Environmental Compliance Investment Adjustment, Rider 63 - SO2, NOX, and Hg Emission Allowance Adjustment, and Rider 71 - Environmental Compliance Operating Cost Adjustment into one rider and renaming it as Rider 62 - Environmental Compliance Adjustment be subject to the recommendations of Ms. Armstrong and Mr. Blakley; and

5) Accept DEI's proposal for a 30-Day filing for its Rider 67 – Credits Adjustment subject to DEI:

   a. Providing a draft of its filing at least 60 days in advance of the file date;

   b. Providing its workpapers at least 60-days in advance of its filing; and

   c. Scheduling a technical conference with the OUCC to explain its filing and workpapers prior to filing its 30-Day filing.

In the alternative, the OUCC recommends that the Commission deny DEI's request for a 30-day filing and implement a tracker proceeding.

Q: Does this conclude your testimony?

A: Yes.

APPENDIX A

Q: Please describe your educational background and experience.

A: I graduated from Purdue University in West Lafayette, Indiana in December 1986, with a Bachelor of Science degree, majoring in Accounting. I am licensed in the State of Indiana as a Certified Public Accountant. Upon graduation, I worked as a Field Auditor with the Audit Bureau of Circulation in Schaumburg, Illinois until October 1987. In December 1987, I accepted a position as a Staff Accountant with the OUCC. In May 1995, I was promoted to Principal Accountant and in December 1997, I was promoted to Assistant Chief Accountant. As part of the OUCC's reorganization, I accepted the position of Assistant Director of its Telecommunications Division in July 1999. From January 2000 through May 2000, I was the Acting Director of the Telecommunications Division. As part of an OUCC reorganization, I accepted a position as a Senior Utility Analyst. In September 2017, I accepted the position of Assistant Director in the Electric Division. As part of my continuing education, I have attended the National Association of Regulatory Utility Commissioner's ("NARUC") two-week seminar in Lansing, Michigan. I attended NARUC's spring 1993 and 1996 seminar on system of accounts. In addition, I attended several CPA sponsored courses and the Institute of Public Utilities Annual Conference in December 1994 and December 2000.

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

A: I read DEI's Petition and prefiled testimony in this proceeding, as well as relevant Commission Orders. I have reviewed DEI's workpapers and its Minimum Standard Filing Requirements ("MSFR") filing. I participated in numerous internal meetings with various members of the OUCC staff regarding this proceeding. In addition, I participated in the preparation of discovery questions, both formal and informal, and reviewed DEI's responses to various questions of the OUCC and Intervenors (Industrial Group-DEI, Citizens Action Coalition of Indiana, LaPorte County, Indiana, NLMK-Indiana/Beta Steel Corporation, Praxair, United States Steel Corporation, United Steel Workers, Wal-Mart, Indiana Municipal Utility Group) data requests.

Q: Have you previously testified before the Commission?

A: Yes.

AFFIRMATION

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

Michael D. Eckert

Michael D. Eckert
Assistant Director in the Electric Division
Indiana Office of Utility Consumer Counselor
Cause No. 45253
Duke Energy Indiana, LLC

October 30, 2019
Date

CERTIFICATE OF SERVICE

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

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