

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 MULTI-STEP RATE IMPLEMENTATION)
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)
REVISED ELECTRIC DEPRECIATION RATES)
APPLICABLE TO ITS ELECTRIC PLANT IN SERVICE,)
AND APPROVAL OF REGULATORY ASSET)
TREATMENT UPON RETIREMENT OF THE)
COMPANY'S LAST COAL-FIRED STEAM GENERATION)
PLANT; (4) APPROVAL OF AN ADJUSTMENT TO THE)
COMPANY'S FAC RIDER TO TRACK COAL)
INVENTORY BALANCES; AND (5) APPROVAL OF)
NECESSARY AND APPROPRIATE ACCOUNTING)
RELIEF, INCLUDING AUTHORITY TO: (A) DEFER TO A)
REGULATORY ASSET EXPENSES ASSOCIATED WITH)
THE EDWARDSPORT CARBON CAPTURE AND)
SEQUESTRATION STUDY, (B) DEFER TO A)
REGULATORY ASSET COSTS INCURRED TO ACHIEVE)
ORGANIZATIONAL SAVINGS, AND (C) DEFER TO A)
REGULATORY ASSET OR LIABILITY, AS APPLICABLE,)
ALL CALCULATED INCOME TAX DIFFERENCES)
RESULTING FROM FUTURE CHANGES IN INCOME)
TAX RATES.)

CAUSE NO. 46038

**DUKE ENERGY INDIANA, LLC'S RESPONSE TO NUCOR'S
MOTION FOR CLARIFICATION AND RECONSIDERATION**

Duke Energy Indiana, LLC ("Duke Energy Indiana" or "Company"), by counsel, hereby
responds to Nucor Steel-Indiana's, a division of Nucor Corporation ("Nucor"), February 18,
2025 Motion for Clarification and Reconsideration (the "Motion") as follows:

1. In its Motion, Nucor seeks to clarify certain Commission determinations related to revenue allocation and mitigation. Nucor also asks for clarification regarding whether the Company's Step 1 Compliance Filing submission shall be based upon the evidence of record.

2. As Nucor also quotes, the Commission's Final Order in this Cause found that "a 25% subsidy reduction, constrained such that no specific rate class experiences an increase that is more than 25% higher than the overall increase, is reasonable and shall be reflected in compliance filings submitted in this proceeding." Final Order at 101.

3. Nucor's Motion would like the Commission to make clear that it intended to include Nucor's special contract in its subsidy reduction language. However, it would be reasonable for the Commission to clarify in response that it intended that language to apply only to customer classes like RS, CS, LLF and HLF, especially given how parties tend to refer to special contract customers separately from rate classes. For example, Nucor's witness Zarnikau recommended to "Cap the rate increase for any retail customer class *or special contract* at 20%." Nucor Ex. 1 at 18 (emphasis added), at least implying that special contract customers are not always included in the definition of rate class.

Indeed, applying this particular rate mitigation to Nucor's special contract is difficult, if not impossible, to reconcile with the other provision of this same Order wherein the Commission finds that a historical subsidy for Nucor should be removed. Final Order at 55. Regardless, whether the Commission intended this specific mitigation provision to apply to Nucor's special contract or not, the rates provided in Duke Energy Indiana's Compliance Filing accurately reflect this provision. As described further below and as shown in Confidential Attachment B, Confidential Workpaper COSS-11 MTD of the Step 1 Compliance Filing, the Company did apply the provision, and its application had no effect on the final allocation to Nucor.

4. In the Step 1 Compliance filing, the Company performed the following steps as it related to the Commission's rate mitigation finding and Nucor: First, Duke Energy Indiana removed the subsidy to Nucor from the Test Period operating revenues in accordance with the provision in the special contract approved in Cause No. 45934¹ and the Commission's finding at page 55 of the Final Order in this Cause, which stated that Duke Energy Indiana would charge Nucor its rate of return equal to the total retail rate of return in the next base rate case proceeding.

Thereafter, Duke Energy Indiana applied a subsidy reduction of 6.53% given the limitation that no specific rate class should experience an increase that is more than 25% higher than the overall increase as ordered by the Commission, knowing that further mitigation could occur in rate design to ensure the 25% greater than system average constraint was achieved for the rate classes, including Nucor.

Then, Duke Energy Indiana evaluated Nucor's total estimated bill in its rate impact comparison for the 25% greater than system average constraint, and <BEGIN

CONFIDENTIAL> [REDACTED]

[REDACTED]

[REDACTED] <END CONFIDENTIAL>

This evaluation determined that no change was required for Nucor's allocation as the rate impact was not 25% greater for Nucor's total estimated bill. Therefore, Duke Energy Indiana applied the mitigation evaluation to Nucor, but it was not triggered. There is no clarification needed in the Commission's Order regarding whether or not it intended Nucor to be included.

¹ Direct Testimony of Maria T. Diaz, Pet. Ex. 6 at 42-43.

Whether Nucor is considered a rate class or not for the purposes of this rate mitigation provision, the mitigation had no effect on their rate allocation.

5. Nucor also argues that the Commission should clarify that the Step 1 Compliance Filing be based upon the evidence of record. Any clarification to the Commission's Order on this point is similarly unnecessary as the Step 1 Compliance Filing is based upon the evidence of record. As indicated above, Duke Energy Indiana applied the mitigation evaluation to Nucor's entire bill, which includes a portion that is subject to Rate HLF and a portion that is under an alternative arrangement. To the extent Nucor believes the rate mitigation should only be applied to the Rate HLF portion of their bill, Duke Energy Indiana submits there is no evidence of record to support that presumption. The Commission's finding clearly relates to the total bill for rate classes, not some discrete component of it.

To the extent Nucor's argument is that Duke Energy Indiana used an incorrect assumption for the alternative arrangement component of their bill, Duke Energy Indiana provides the following confidential discussion of the assumptions it made and why they are reasonable.

6. <BEGIN CONFIDENTIAL>

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7. [REDACTED]

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[REDACTED]

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[REDACTED]

8. [REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

² [REDACTED]

³ [REDACTED]

[REDACTED]

[REDACTED] <END CONFIDENTIAL>

9. Between the 2019 rate case and today, Nucor and Duke Energy Indiana negotiated and executed a new special contract. *See* Cause No. 45934. The record in that Cause shows that negotiations were conducted in good faith over an extended period. Within that special contract, there were certain charges/prices negotiated by the parties, and an alternative arrangement agreed to for a component of their bill.⁴ Given that there was no similar provision in the previous contract, comparing current rates for Nucor to previous rates for Nucor, set under an entirely different contract structure is complicated – and could be different enough that it is like comparing apples to oranges. From Duke Energy Indiana’s perspective, while the Commission’s Final Order intends to ensure that “no specific rate class experiences an increase that is more than 25% higher than the overall increase,” which Duke Energy Indiana has done, even for Nucor, it did not intend to inadvertently shield Nucor from or limit its exposure to its special contract alternative arrangement.

10. The effect of Nucor’s request for clarification would be the shifting of fixed costs from Nucor’s “rate class” to all other rate classes, increasing the subsidy provided by those customer classes to Nucor. Duke Energy Indiana does not reasonably believe that such a result was intended by the Commission’s Final Order. Indeed, the Commission explicitly rejected Nucor’s contention that a subsidy to Nucor remain in rates, citing the Commission’s approval of Nucor’s new special contract in Cause No 45934. Final Order at 55. The

⁴ See Cause No. 46038 Confidential Diaz Rebuttal at 7-8 (“Substantially lower revenues (and costs) are subject to pricing via the cost of service study mechanism while the benefits of <BEGIN CONFIDENTIAL> [REDACTED] <END CONFIDENTIAL> for the amounts not considered firm, which are not part of the cost of service study. Mathematically, because lesser Nucor revenues and costs remain subject to the calculations in the cost of service study, the impact of the rate increase reported in the cost of service study is magnified on a percentage basis. It is important to delineate, the amounts Nucor believes are excessive relate only to a small portion of their entire special contract only”).

Commission's Final Order does not require clarification on this point. As explained above, Duke Energy Indiana applied the subsidy reduction with the specified limitation to Nucor in accordance with the special contract terms which were previously approved by the Commission, using evidence of record. And, even if the Commission did not intend to apply this specific rate mitigation to Nucor as a rate class, the rates provided in Duke Energy Indiana's Step 1 Compliance Filing are accurate and in accordance with all the Commission's findings.

Therefore, Duke Energy Indiana requests that the Commission deny Nucor's Motion and remove the subject to refund provision from the tariffs it approved in the Step 1 Compliance Filing.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was electronically delivered this 28th day of February, 2025 to the following:

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