

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

Verified Remand Settlement Testimony of

Michael P. Gorman

On behalf of

The Duke Industrial Group

February 3, 2023



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1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q ARE YOU THE SAME MICHAEL P. GORMAN WHO PREVIOUSLY FILED**
5 **TESTIMONY IN THIS CAUSE?**

6 A Yes.

7 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

8 A The Duke Industrial Group ("Industrial Group"). Industrial Group members purchase
9 substantial quantities of electricity from Duke Energy Indiana, LLC ("Duke" or
10 "Company").

1 **Q ARE YOU FAMILIAR WITH THE SETTLEMENT AGREEMENT REACHED**
2 **BETWEEN DUKE, THE OUCC, AND THE INDUSTRIAL GROUP?**

3 A Yes, I am.

4 **Q HOW DO THE TERMS OF THE SETTLEMENT AGREEMENT RESOLVE THE**
5 **ISSUES RAISED IN THE REMAND PROCEEDING?**

6 A Under the Settlement Agreement, the prospective rate adjustment will be a
7 \$23.2 million annual revenue reduction, as all parties proposed. The total refunds will
8 be \$70.25 million, and will be distributed to customers over a period of 12 months. Both
9 the prospective rate adjustment and the refunds will be implemented through Rider 67.

10 **Q DO YOU BELIEVE THE TERMS OF THE SETTLEMENT AGREEMENT ARE**
11 **REASONABLE AND IN THE PUBLIC INTEREST?**

12 A Yes. It is my opinion that the Settlement Agreement provides a reasonable resolution
13 to the issues presented in this case and provides substantial value to ratepayers.

14 **Q PLEASE EXPLAIN WHY YOU BELIEVE THE SETTLEMENT AGREEMENT**
15 **PROVIDES A REASONABLE RESOLUTION OF THE ISSUES AND SUBSTANTIAL**
16 **VALUE TO RATEPAYERS.**

17 A Following approval of the Settlement Agreement, Duke will provide a \$70.25 million
18 credit to customers through Rider 67 over a 12-month period. Given the inherent
19 uncertainty of litigation, the refund amount provided in the Settlement Agreement
20 represents a reasonable resolution of the issues, and will provide very substantial value

1 to Duke customers in connection with the coal ash deferral costs Duke has collected in
2 retail rates between August 2020 and May 2023.

3 Furthermore, the Settlement Agreement provides for an additional credit of
4 \$23.2 million in rates going forward, which reflects the write-off of the regulatory asset
5 and removal of the coal ash regulatory asset from rates. This additional amount will
6 continue to be credited to customers until new rates are established in Duke's next rate
7 case, and will provide significant continuing value to Duke's customers on an ongoing
8 basis into the future. Upon the issuance of a Commission Order approving the
9 settlement, the previously estimated impairment of the regulatory asset will be deemed
10 final.

11 **Q HOW DOES THE SETTLEMENT AGREEMENT ADDRESS PAYMENT OF FEES**
12 **AND EXPENSES?**

13 A Both the OUCC and Industrial Group expended considerable effort and worked
14 together in raising the underlying issue in the rate case and on appeal, ultimately
15 achieving success at the Indiana Supreme Court. Under the Settlement Agreement,
16 Duke will pay the Industrial Group \$2.5 million for legal fees and expenses associated
17 with its work in this proceeding. That payment will be borne by Duke shareholders.
18 Consequently, Duke customers will receive the full benefits of the \$70.25 million refund
19 and the prospective annual reduction of \$23.2 million from base rates, without any
20 deduction to cover an award of fees and expenses.

21 **Q CAN YOU SUMMARIZE YOUR SETTLEMENT TESTIMONY?**

22 A Yes. I support the Settlement Agreement reached between Duke, the OUCC, and the
23 Industrial Group. In my opinion, the Settlement Agreement represents a result that is

1 reasonable and in the public interest, is well within the range of potential litigated
2 outcomes, and provides substantial value to Duke customers. I recommend that the
3 Commission approve the Settlement Agreement.

4 **Q DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?**

5 **A** Yes, it does.

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Verification

I, Michael P. Gorman, a Managing Principal of Brubaker & Associates, Inc., affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.



Michael P. Gorman
February 3, 2023