

FILED
December 04, 2019
**INDIANA UTILITY
REGULATORY COMMISSION**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF DUKE ENERGY INDIANA, LLC FOR)
APPROVAL OF (1) AN ADJUSTMENT TO ITS RATES)
THROUGH ITS STANDARD CONTRACT RIDER NO.)
66-A FOR DEMAND SIDE MANAGEMENT AND)
ENERGY EFFICIENCY PROGRAM COST)
RECOVERY, INCLUDING RECONCILIATION OF)
COSTS IN ACCORDANCE WITH THE FINAL)
ORDERS IN CAUSE NOS. 43955, 43955 DSM-1, 43955)
DSM-2, 43955 DSM-3, 43955 DSM-4, 43955 DSM-5 AND)
43955 DSM-6)**

**CAUSE NO. 43955
DSM 07**

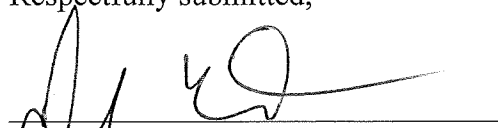
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

TESTIMONY OF

CALEB R. LOVEMAN - PUBLIC'S EXHIBIT NO. 2

DECEMBER 4, 2019

Respectfully submitted,



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

TESTIMONY OF OUCC WITNESS CALEB R. LOVEMAN
CAUSE NO. 43955 DSM-07
DUKE ENERGY INDIANA, LLC

I. INTRODUCTION

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

2 A: My name is Caleb R. Loveman, and my business address is 115 W. Washington
3 St., Suite 1500 South, Indianapolis, Indiana 46204. I am employed as a Utility
4 Analyst in the Indiana Office of Utility Consumer Counselor's ("OUCC") Electric
5 Division. A summary of my educational background and experience is included in
6 Appendix A attached to 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 retail electric rates through its Standard Contract
10 Rider No. 66A Demand Side Management ("DSM") Adjustment Factor. I verified
11 the accuracy of the calculation methodology DEI used to derive its proposed DSM
12 Adjustment Factors. Although I verified the methodology used and the
13 mathematical accuracy of DEI's calculations, OUCC witness Mr. John E. Haselden
14 challenges some of the values DEI uses to calculate its proposed DSM Adjustment
15 Factor for calendar year 2020. Mr. Haselden's testimony does not include a specific
16 dollar value to use in place of DEI's proposed DSM Adjustment Factor. Rather, he
17 asks the Indiana Utility Regulatory Commission ("Commission") to require DEI to
18 re-run its proprietary cost model, changing certain values identified and discussed
19 in Mr. Haselden's testimony. I defer to Mr. Haselden to explain his recommended

1 changes. I also have an additional recommendation concerning the projected costs
2 used in 2020.

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

5 A: I reviewed DEI's petition, testimony, exhibits, workpapers, and previous filings in
6 DSM-06, DSM-05, and DSM-04. I met with DEI representatives on November 18,
7 2019, to address questions concerning this filing. I also had informal discussions
8 with OUCC staff to discuss pertinent issues.

II. RELIEF REQUESTED

9 **Q: What is Petitioner requesting?**

10 A: Petitioner requests approval of its DSM adjustment factors for 2020. The proposed
11 factors include:

- 12 • Projected 2019 program costs, 2019 Evaluation, Measurement & Verification
13 ("EM&V") costs, incentives for 2019;
- 14 • Reconciled actual costs and revenues for January 2018 through December
15 2018;
- 16 • Reconciled lost revenues for January 2018 through December 2018;
- 17 • An adjustment to certain costs recorded in 2018 that relate to 2015, 2016 and
18 2017 programs to ensure the costs are assigned to the appropriate non-
19 residential opt-out groups¹;
- 20 • Re-reconciliations for the application of additional EM&V results to 2015,
21 2016 and 2017 lost revenues; and

¹ Direct Testimony of Karen K. Holbrook, Page 5, Lines 18-20.

- 1 • Reconciled January through August 2018 EE Rider benefits of the federal
2 income tax reduction under the 2017 Tax Cuts and Jobs Act (“TCJA”).

3 **Q: Why are 2019 forecasted costs, rather than 2020 forecasted costs, used in this**
4 **filing?**

5 A: At the time of its filing, DEI did not have approved projected costs for program
6 year 2020. DEI’s current plan expires on December 31, 2019. In pending Cause
7 No. 43955 DSM-08, DEI proposed interim authority for program year 2020. DEI,
8 the OUCC, and the Citizens Action Coalition (“CAC”) are having discussions
9 regarding DEI’s proposed interim authority for program year 2020. The 2019
10 approved rates are being used in place of 2020 rates until an agreement is met and/or
11 a ruling is made on the matter.

12 **Q: Please describe the 2019 forecasted costs.**

13 A: In Cause No. 43955 DSM-07, DEI forecasted total residential costs of \$38,005,781
14 and total non-residential costs of \$31,680,405 for the January through December
15 2019 period. The total residential and non-residential costs include: 2019 program
16 costs, 2019 EM&V costs, incentives for 2019, and lost revenues for 2012 through
17 2019.²

18 **Q: Please explain the reconciliation process in this proceeding.**

19 A: In the current proceeding, DEI’s DSM variance is a reconciliation of the actual
20 energy efficiency costs with the amounts billed during calendar year 2018. The
21 variance amount for the reconciliation period included in this proceeding is an over-

² Petitioner's Exhibit 2-B (KCL), Page 1.

1 collection of \$13,268,890³ for residential customers and an under-collection of
2 \$12,970,659⁴ for non-residential customers.

3 **Q: Please explain the re-reconciliation of 2015, 2016, and 2017 lost revenues.**

4 A: In Cause No. 43955 DSM-07, lost revenue amounts were revised from the amounts
5 included in the 2015, 2016, and 2017 reconciliation filed in Cause No. 43955 DSM-
6 06, to reflect retrospective application of additional EM&V results. For the
7 residential rate group, the revenue requirement to be refunded is (\$3,872) for 2015,⁵
8 (\$651,907) for 2016,⁶ and (\$1,521,482) for 2017.⁷

9 **Q: What is the total amount of DSM charges that Petitioner proposes to recover**
10 **in this filing?**

11 A: DEI proposes to recover a total of \$23,062,317⁸ for residential customers and
12 \$44,150,434⁹ for non-residential customers.

13 **Q: As proposed by DEI, what impact will the DSM-07 adjustment factor have on**
14 **a typical residential customer's monthly bill?**

15 A: Petitioner's proposed DSM adjustment factor results in a \$2.40 bill impact for a
16 residential customer using 1,000 kWh per month. This is a \$2.16 bill decrease in
17 comparison to the factor approved in Cause No. 43955 DSM-06 (\$2.40 vs. \$4.56).¹⁰

18 **Q: Please explain your Attachment CRL-1 in this Cause.**

19 A: Attachment CRL-1 uses information provided in Petitioner's exhibits to arrive at
20 the DSM adjustment factor. My calculations match Petitioner's calculation of a

³ Petitioner's Exhibit 2-B (KCL), Page 3, Column E, Line 7.

⁴ *Id.* at Page 4, Column C, Line 22.

⁵ *Id.* at Page 6, Column E, Line 8.

⁶ *Id.* at Page 7, Column E, Line 1.

⁷ *Id.* at Page 8, Column E, Line 1.

⁸ *Id.* at Page 10, Column C, Line 8.

⁹ *Id.* at Page 11, Column C, Line 15.

¹⁰ Petitioner's Exhibit 2-C (KCL), Page 2 of 2, Column E, Lines 1 and 2.

1 \$2.16 bill decrease for the DSM adjustment factor on Petitioner's Exhibit 2-C
2 (KCL), Page 2 of 2, Column G, Line 1 for residential customers.

III. TCJA

3 **Q: How does the TCJA affect this filing?**

4 A: The TCJA that lowered the corporate tax rate to 21% was effective as of January 1,
5 2018. As a result, Petitioner updated its revenue conversion factor to reflect the
6 21% federal income tax rate in the previous DSM-06 filing. In this filing, Petitioner
7 calculated a residential refund of (\$739,695)¹¹ and a non-residential refund of
8 (\$356,552)¹² for the period January through August 2018.

9 **Q: When will rates proposed in this proceeding become effective?**

10 A: The retail rates proposed in this proceeding will become effective during the first
11 billing cycle after the Commission issues a final order.¹³ The proposed billing
12 factors shall remain in effect until replaced by different factors approved in a
13 subsequent filing.

¹¹ Petitioner's Exhibit 2-B (KCL), Page 3, Column E, Line 8.

¹² *Id.* at Page 4, Column C, Line 21.

¹³ Per Petition, Page 5.

IV. RECOMMENDATION

1 **Q: What are your recommendations regarding Petitioner's proposed 2020 DSM**
2 **Adjustment Factors?**

3 A: During my review of Petitioner's exhibits and workpapers, nothing came to my
4 attention that would indicate DEI's calculation (based on its current proposal) is
5 incorrect.

6 Although I found no mathematical errors in DEI's calculations, the OUCC's
7 ultimate recommendation is to modify DEI's proposed 2020 DSM Adjustment
8 Factor to reflect the impact of Mr. Haselden's recommended changes. These
9 changes relate to values assigned to certain variables used to calculate the total net
10 variance DEI would be authorized to recover during the reconciliation period. I also
11 recommend that Petitioner update its schedules based on any future agreement
12 and/or ruling regarding projected costs used in 2020.

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

14 A: Yes, it does.

APPENDIX A
QUALIFICATIONS OF CALEB R. LOVEMAN

1 **Q: Please summarize your educational background and experiences.**

2 A: I graduated from Franklin University in 2015 with a Bachelor of Science in Accounting.
3 From 2016 to 2019, I owned and operated an E-commerce business. During this time I also
4 worked as a Staff Accountant for Legacy Administration Services, LLC and as a Financial
5 Analyst for Cummins, Inc. to gain additional accounting experience. I began my career
6 with the OUCC in July 2019 as a Utility Analyst in the Electric Division. I review Indiana
7 utilities' requests for regulatory relief filed with the Commission. I also prepare and present
8 testimony based on my analyses, and make recommendations to the Commission on behalf
9 of Indiana utility consumers. I attended "The Basics" Practical Regulatory Training for the
10 Electric Industry, sponsored by the National Association of Regulatory Utility
11 Commissioners ("NARUC") and the New Mexico State University Center for Public
12 Utilities, in Albuquerque, New Mexico. I have also attended the 2019 IEA Energy
13 Conference and the 2019 Indiana Energy Conference.

14 **Q: Have you previously filed testimony in other Commission proceedings?**

15 A: Yes.

Duke Energy Indiana, LLC
Cause No. 43955 DSM-07

Impact of the 2020-Proposed Rider 66-A Factor on the Bill of a Typical Residential Customer Using 1,000 kWh per month

Line No.	Description:	Revenue Requirements	Residential Customers
1	Total Residential kWh Sales for 2018		<u>9,623,170,072</u>
2	2020 Program Costs, EM&V, and Incentives	\$24,371,967 (1)	
3	2020 Lost Revenues	14,136,501	
4	2015 Reconciliation True-up	(3,872)	
5	2016 Reconciliation True-up	(651,907)	
6	2017 Reconciliation True-up	(1,521,482)	
7	2018 Reconciliation to Actual	<u>(13,268,890) (2)</u>	
8	Total	<u>\$23,062,317</u>	
9	2020 - Proposed Rider 66-A Factor per kWh (Line 7/Line 1)		\$ 0.002397
10	2019- Rider 66-A Factor per kWh adjusted for Tax Act		<u>0.004557</u>
11	Increase/(Decrease) in Rider 66-A Factor (Line 8 - Line 9)		<u>\$ (0.002160)</u>
12	Dollar Increase/(Decrease) on Typical Residential Customer Bill (Line 10 x 1,000 kWh per month)		<u>\$ (2.16)</u>

(1) This total has been adjusted to reflect the gross conversion factor.

(2) This total includes the refund amount due to the TCJA.

AFFIRMATION

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



By: Caleb R. Loveman
Cause No. 43955 DSM-7
Indiana Office of
Utility Consumer Counselor

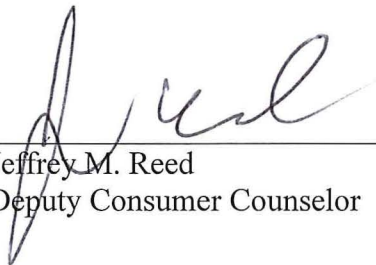
12/4/2019

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the *OUCC TESTIMONY OF CALEB R. LOVEMAN* has been served upon the following parties of record in the captioned proceeding by electronic service on December 4, 2019.

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