

DIRECT TESTIMONY OF
SUZANNE E. SIEFERMAN
DIRECTOR, RATES AND REGULATORY PLANNING
DUKE ENERGY INDIANA, LLC
CAUSE NO. 45907 BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

IURC
PETITIONER'S

EXHIBIT NO. 4
DATE 9-11-23 REPORTER AT

I. INTRODUCTION

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Suzanne E. Sieferman and my business address is 1000 East Main
3 Street, Plainfield, Indiana 46168.

4 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

5 A. I am employed by Duke Energy Indiana, LLC ("Duke Energy Indiana" or
6 "Company") as Director, Rates and Regulatory Planning.

7 Q. PLEASE DESCRIBE YOUR DUTIES AS DIRECTOR, RATES AND
8 REGULATORY PLANNING – INDIANA.

9 A. I am responsible for the preparation of financial and accounting data used in
10 Company rate filings and petitions for changes in various tracking mechanisms.

11 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS
12 COMMISSION?

13 A. Yes. I have filed testimony in several proceedings before the Commission, including
14 the Company's quarterly fuel adjustment proceedings, its annual Rider 70
15 proceedings, and its annual Renewable Rider 73 proceedings. In addition, I testified
16 in: Cause No. 44578, in which the Company requested approval and recovery of
17 four solar purchased power agreements ("PPAs"); Cause No. 44953, requesting
18

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1 approval and recovery of a solar PPA for Staunton Solar; and Cause No. 44734,
2 where I provided rates support for the Company's request to construct, own, and
3 operate the Crane Solar Facility. I also provided testimony in the Company's most
4 recent retail base rate proceeding in Cause No. 45253.

5 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
6 **BACKGROUND.**

7 A. I am a graduate of Indiana University, holding a Bachelor of Science Degree in
8 Business, with a major in accounting. I am a Certified Public Accountant ("CPA")
9 and a member of the Indiana CPA Society. Since my employment with the
10 Company in 1990, I have held various financial and accounting positions supporting
11 the Company and its affiliates. Prior to my move to the Rates and Regulatory
12 Planning Department in 2008, I held positions in Benefits Accounting, Corporate
13 Accounting, Business Unit Financial Reporting, and External Reporting groups.

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
15 **PROCEEDING?**

16 A. The purpose of my testimony is to explain the Company's proposed accounting and
17 ratemaking treatment related to the power purchase agreement for a 199 MWac
18 solar facility located in Shelby County in Indiana known as Speedway Solar
19 ("Speedway Solar PPA").

II. REQUESTED RATEMAKING AND ACCOUNTING TREATMENT FOR THE
SPEEDWAY SOLAR PPA

Q. WHAT APPROVALS FROM THE COMMISSION IS DUKE ENERGY INDIANA SEEKING WITH RESPECT TO THIS PPA?

A. Duke Energy Indiana is seeking a Commission determination that the proposed Speedway Solar PPA and associated requested cost recovery is just and reasonable and that the retail jurisdictional portion of the costs incurred by Duke Energy Indiana, pursuant to the Speedway Solar PPA, will be recovered on a timely basis through retail rates over the full term of the agreement. The Speedway Solar PPA provides that the Company will purchase solar capacity and energy generated from the Speedway Solar facility at a fixed rate over the twenty year term of the agreement and gives Duke Energy Indiana ownership of all renewable energy credits ("RECs") produced by the facility, as more fully discussed in the testimony of Company witness Mr. Scott E. Tharp. Specifically, Duke Energy Indiana is proposing that the retail portion of the charges for the Speedway Solar PPA be recovered in connection with Duke Energy Indiana's quarterly fuel adjustment clause ("FAC") proceedings. Additionally, the Company is requesting that the Commission issue an Order containing these determinations as soon as practicable, and no later than November 1, 2023. The Company is seeking this relief pursuant to Ind. Code § 8-1-8.8 *et seq.*¹ and Ind. Code § 8-1-42(a).² The Company intends to use

¹ Ind. Code § 8-1-8.8 *et seq.* encourages the development of renewable energy resources, including solar projects by, among other things, authorizing financial incentives including timely recovery of costs for clean energy projects.

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1 the associated solar RECs for current or future customer renewable programs, as
2 well as engage in third party sales, with the retail jurisdictional portion of any net
3 proceeds from the sales of the solar RECs flowing back to customers through the
4 FAC process. The Company also intends to retire the RECs if that approach better
5 aligns with the Company's environmental goals. Lastly, the Company seeks to
6 recover the expenses associated with entering into the Speedway Solar PPA,
7 including incremental costs incurred for the Integrated Resource Plan ("IRP")
8 planning process and the Requests for Proposal ("RFP") process (discussed in the
9 testimony of witness Mr. Robert J. Lee), through a newly created regulatory asset.

10 **Q. WHAT RETAIL RATE COST RECOVERY DOES DUKE ENERGY**
11 **INDIANA PROPOSE WITH REGARD TO THE SPEEDWAY SOLAR PPA?**

12 A. A long-term power purchase commitment was necessary to finance and construct
13 this solar project. Assurance of timely cost recovery of the full costs for the full term
14 of the Speedway Solar PPA is available relief under Indiana law for clean energy
15 projects, such as this. Duke Energy Indiana is therefore proposing cost recovery for
16 the full term of the Speedway Solar PPA for the retail portion of the costs associated
17 with the Company's commitment under the PPA to purchase for use by native load
18 customers the entire output of the 199 MWac Speedway Solar project, or
19 approximately 426,000 MWh per contract year of net output and associated capacity
20 and RECs for a twenty year period. Duke Energy Indiana is proposing the timely

² Ind. Code § 8-1-2-42(a) authorizes tracking mechanisms, as approved by the Commission and for recovery of costs of purchased electricity.

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1 retail cost recovery be accomplished through the tracking provision of Ind. Code §
2 8-1-2-42(a) by including the costs of the solar power purchases incurred by the
3 Company pursuant to the Speedway Solar PPA as a component of the quarterly
4 FAC factor to be administered via Standard Contract Rider No. 60 or a successor
5 mechanism.

6 **Q. HOW IS THIS PROPOSED RECOVERY SIMILAR TO OR DIFFERENT**
7 **FROM THAT OF OTHER PURCHASED POWER COSTS INCLUDED AS A**
8 **COMPONENT OF RECOVERABLE FUEL IN THE QUARTERLY FAC?**

9 A. The Company is proposing that the full cost of the Speedway Solar PPA be included
10 as a recoverable native load fuel cost. This is in line with the Commission-approved
11 treatment of the Company's existing PPAs with the Benton County Wind Farm
12 (approved in Cause No. 43097) and four solar PPA projects (approved in Cause No.
13 44578). Those PPAs were structured with a single \$/MWH rate to be paid based on
14 actual generation levels and, therefore, full recovery through the FAC process was
15 appropriate. For the Staunton PPA (approved in Cause No. 44953), the contract
16 reflects separate pricing for energy vs. capacity; therefore the Company requested to
17 include the capacity costs in the Rider 70 filings to align with the existing
18 ratemaking for the associated capacity revenues and with the energy costs reflected
19 in FAC.

1 **Q. HOW DO YOU PROPOSE RECOVERY OF THE SPEEDWAY SOLAR PPA**
2 **COSTS BE ADMINISTERED?**

3 A. Duke Energy Indiana proposes to treat the purchased power costs associated with
4 the Speedway Solar PPA as a designated native load resource by placing it at the
5 bottom of the hourly economic stacking of generating resources and purchased
6 power. Because solar resources operate continuously during daylight periods, solar
7 resources are treated in a similar fashion as other non-dispatchable generation
8 facilities that are first in line to serve designated native loads.

9 The calculation of the quarterly recovery of the Speedway Solar PPA costs
10 will follow standard FAC methodology. The costs incurred under the Speedway
11 Solar PPA will be included in the fuel forecast used to develop the quarterly fuel
12 cost factor and will be included in the reconciliation of actual to forecasted costs as
13 a part of the standard FAC reconciliation.

14 **Q. WILL THE SPEEDWAY SOLAR PPA COSTS BE ALLOCATED BETWEEN**
15 **RETAIL AND WHOLESALE JURISDICTIONAL SALES?**

16 A. Yes. The costs will be allocated between retail and native wholesale jurisdictional
17 sales using the same methodology as is used for other solar PPA costs included in
18 the FAC.

1 **Q. PLEASE DESCRIBE HOW DUKE ENERGY INDIANA INTENDS TO PASS**
2 **THE VALUE OF RECS FROM THE SPEEDWAY SOLAR PPA BACK TO**
3 **CUSTOMERS.**

4 A. Under the Speedway Solar PPA, Duke Energy Indiana receives all the RECs
5 produced by the net output of the project. As opportunities arise, it is currently the
6 Company's intent to monetize these RECs either through use in Company-
7 sponsored customer renewable programs or through sales to third parties. The net
8 proceeds from the sales of RECs obtained through the Speedway Solar PPA will be
9 used to reduce the fuel cost, including the cost of the Speedway Solar PPA, to be
10 included in the FAC calculation. The net proceeds from the sales will be shown on a
11 separate line (along with any proceeds from the sale of RECs associated with wind
12 or other solar PPAs) in Duke Energy Indiana's quarterly FAC filings as a credit
13 reducing the total fuel cost to be recovered. Duke Energy Indiana may also choose
14 to hold and retire the RECs should that approach better align with the Company's
15 environmental objectives.

16 **Q. WILL YOUR PROPOSED TREATMENT OF THE SPEEDWAY SOLAR**
17 **PPA COSTS BE A BURDEN UPON OR SLOW THE PROCESSING OF THE**
18 **FAC FILINGS?**

19 A. No. Duke Energy Indiana will pay for the purchased power monthly based on
20 invoices rendered to Duke Energy Indiana. Those invoices will be provided to the
21 Office of Utility Consumer Counselor's ("OUCC") auditor, as are other fuel and
22 purchased power invoices that are chosen as part of the audit sample. Further, if

1 solar RECs received as a part of the Speedway Solar PPA are sold, any associated
2 documentation (which may include third party invoices, journal entries, published
3 market prices, etc.) will also be provided to the OUCC for auditing. Confidential
4 treatment is being requested for the pricing associated with the Speedway Solar
5 PPA.

6 **Q. WHAT IS THE ESTIMATED ANNUAL COST ASSOCIATED WITH THE**
7 **SPEEDWAY SOLAR PPA?**

8 A. The annual cost to native load customers for these purchases, without consideration
9 of any net proceeds from the sale of the associated solar RECs, is expected to be
10 approximately <BEGIN CONFIDENTIAL> [REDACTED] <END
11 CONFIDENTIAL> per year. The portion applicable to retail customers is expected
12 to be approximately ninety percent (90%) of this, or <BEGIN CONFIDENTIAL>
13 [REDACTED] <END CONFIDENTIAL>.

14 However, it should be noted that this is not an incremental cost to native
15 customers, as the purchases under the Speedway Solar PPA will displace the cost of
16 the highest cost generation or purchase resource at the top of the native stack which
17 otherwise would have served native load. The difference between the cost of the
18 Speedway Solar PPA and the displaced cost will be the impact on the fuel costs that
19 will be subject to the FAC. Depending on the hour, the displaced cost may be
20 greater than the cost of the Speedway Solar PPA, such as when natural gas peaking
21 units or higher priced MISO purchases will be displaced, or it may be less than the
22 cost of the Speedway Solar PPA.

1 **Q. WHY ARE YOU PROPOSING THIS TREATMENT RATHER THAN**
2 **TREATING THIS AS ANY OTHER POWER PURCHASE?**

3 A. The legislature has provided for certain incentives to encourage the development of
4 renewable energy projects, such as this solar project. Subjecting this 199 MWac
5 long-term solar PPA, with its unique characteristics and benefits, to the same
6 standards as spot energy purchases from more traditional resources, such as
7 economically stacking the power on an hour-by-hour basis, does not provide the
8 appropriate incentives the legislature intended and inappropriately shifts more risk
9 to the utility.

10 **III. REGULATORY ASSET**

11 **Q. IS THE COMPANY PROPOSING TO RECOVER, IN A REGULATORY**
12 **ASSET, COSTS INCURRED ASSOCIATED WITH THE RFP AND THE**
13 **SPEEDWAY SOLAR PPA?**

14 A. Yes, the Company is proposing to recover, in a newly created regulatory asset, the
15 incremental costs incurred for the Company's 2021 IRP, its updated modeling, and
16 the RFP associated with new generation (including identification of this PPA
17 opportunity).

18 **Q. WHAT IS THE AUTHORITY SUPPORTING SUCH A REQUEST?**

19 A. Clean energy projects are specifically encouraged by Ind. Code ch. 8-1-8.8, and Ind.
20 Code § 8-1-8.8-11 authorizes the Commission to create financial incentives for the
21 development of alternative resources. These incremental costs associated with the
22 Speedway Solar PPA are a necessary and prudent expense that would otherwise not

1 be recovered through the current level of ongoing operations and maintenance
2 expenses set in the Company's last base rate case (Cause No. 45253). It is
3 reasonable and appropriate for the Commission to approve recovery of the
4 incremental costs associated with the development of the Speedway Solar PPA as
5 either a financial incentive "for projects to develop alternative energy sources,
6 including renewable energy projects" or as an "other financial incentive" should the
7 Commission consider it appropriate. Base rates do not include incremental costs
8 associated with entering into contracts for new generation projects. Absent seeking
9 recovery of these incremental costs in this proceeding, the Company would not have
10 a mechanism for future recovery.

11 **Q. WHAT IS THE ESTIMATED AMOUNT OF THIS REGULATORY ASSET**
12 **AND HOW WOULD IT BE RECOVERED FROM CUSTOMERS?**

13 A. The actual costs incurred to date related to the Company's 2021 IRP, the updated
14 modeling and the associated RFP is \$1,068,963. Allocating this amount across the
15 clean energy projects the Company is currently planning to pursue, results in an
16 amount of \$129,024 associated with the Speedway Solar PPA. The Company
17 requests that this amount be amortized over a three-year period and recovered
18 through the quarterly FAC proceedings along with the direct costs of the Speedway
19 Solar PPA. The proposed three-year amortization period is consistent with the time
20 period used for amortization of plan development costs in the Company's
21 environmental compliance proceedings.

1 **IV. CONCLUSION**

2 **Q. IN YOUR OPINION, IS THE COMPANY'S PROPOSAL RELATED TO**
3 **THE SPEEDWAY SOLAR PPA REASONABLE AND NECESSARY?**


4 **A.** Yes. This purchase will provide customers with clean energy that is consistent with
5 the most recent IRP.

6 **Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY AT**
7 **THIS TIME?**

8 **A.** Yes, it does.

VERIFICATION

I hereby verify under the penalties of perjury that the foregoing representations are true to the best of my knowledge, information and belief.

Signed: 
Suzanne E. Sieferman

Dated: June 15, 2023