DIRECT TESTIMONY OF MARIA T. DIAZ
DIRECTOR, RATES & REGULATORY PLANNING
ON BEHALF OF DUKE ENERGY INDIANA, LLC
CAUSE NO. 42061 ECR 35
BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Maria T. Diaz, and my business address is 1000 East Main Street, Plainfield, Indiana.

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

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

Q. PLEASE DESCRIBE YOUR DUTIES AS DIRECTOR, RATES & REGULATORY PLANNING.

A. I have responsibility for certain regulated rate matters involving Duke Energy Indiana, including cost of service studies, rate administration including wholesale filings, and retail rate tracker filings. I also administer rate issues for the Company's jointly owned facilities.

Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I am a graduate of the University of Indianapolis, holding a Bachelor of Arts Degree in Accounting. I also have a Master's in Business Administration from Butler University. I am a Certified Public Accountant in the State of Indiana. I was hired by the Company in 1997 as Supervisor of Fuels, Joint Ownership, and Trading

Accounting. In 2000, I became Manager of Energy Trading Accounting. During 2005, I held the position of SEC Reporting Manager. Following the April 3, 2006 merger of Cinergy and Duke Energy, I assumed my current rates position with the Company.

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

A. The purpose of my testimony is to: 1) calculate the revenue requirement at the applicable cut-off dates, which will continue to be tracked in this Rider 62 proceeding, per the retail rate case order in Cause No. 45253 and 2) perform a reconciliation at the applicable cut-off dates since the last environmental compliance rider ("ECR") filing approved on February 10, 2021 (ECR 34).

II. <u>TARIFF AND RATES</u>

Q. PLEASE IDENTIFY THE DOCUMENT THAT HAS BEEN MARKED AS PETITIONER'S EXHIBIT 3-A.

A. Petitioner's Exhibit 3-A represents an update of Standard Contract Rider No. 62, the rates of which were most recently approved by the Commission on February 10, 2021 in ECR 34.

Q. PLEASE EXPLAIN WHAT IS SHOWN IN PETITIONER'S EXHIBIT 3-A.

A. Pages 1 and 2 include definitions of the various components of the formula that are used to develop the Environmental Compliance Adjustment Factors in accordance with provisions of Indiana law. Page 3 includes the proposed Environmental Compliance Adjustment factors by retail rate group. Pages 4 and 5 are the listing of retail allocation factors used to allocate the applicable retail jurisdictional revenue requirement to various rate groups as approved in the Company's retail rate case in Cause No. 45253. Page 6 shows the billing cycle kWh and non-coincident peak demands as applicable, used to develop the proposed Environmental Compliance Adjustment factors.

Q. WHAT AMENDMENTS TO THE RATE SCHEDULES ARE BEING PROPOSED TO REFLECT THE RATEMAKING TREATMENT REQUESTED IN THIS PROCEEDING?

A. The Company is proposing to update IURC No. 15, First Revision Sheet No. 62, Pages 1 through 6. Upon approval and upon the Company's filing of the updated Rider with the Commission's Electricity Division, the proposed factors will be billed to customers as set forth in the verified application in this proceeding.

III. RETAIL RATE CASE BACKGROUND

Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF THE COMPANY'S PROPOSAL FOR THE ENVIRONMENTAL RATE ADJUSTMENT RIDERS IN CAUSE NO. 45253 AS APPLICABLE TO ECR MATTERS.

A. In Cause No. 45253, the Company proposed the following updates related to the environmental riders:

1) Roll the net book value (original cost investment less accumulated depreciation) of in-service environmental compliance projects as of the end of calendar-year 2020 test period into base rates, including the federally-mandated coal combustion residuals ("CCR") plant, which included the 60%

that was eligible for rider recovery and the 40% deferred pursuant to the Settlement Agreement in Cause No. 44765.

2) Environmental compliance plant not in-service at the end of the rate case test period would continue to be recovered in Rider 62.
3) Consolidate Rider 63 (Emission Allowance Adjustment) and Rider 71 (Environmental Compliance Operating Cost Adjustment) into Rider 62.
4) Reconcile the components of the consolidated Rider 62 at the class level.
5) Reconcile the consolidated Rider 62 to revenue collections.
6) The Company agreed that native emission allowance costs would no longer be tracked in Rider 63; however, the Company reserved the right to seek tracking of EAs in future proceedings. Gains or losses on the sale of native emission allowances would be included in Rider 62 and the Company would prepare a final reconciliation for Rider 63 in the first consolidated Rider 62 filing.
7) Roll the following environmental compliance project Rider 71 expenses into base rates: test period depreciation expense of in-service environmental compliance projects and reagent and non-reagent O&M. For CCR depreciation expenses, it included the 60% eligible for rider recovery and 40% deferred per Cause No. 44765. For CCR-related expenditures, it included the 80% eligible for rider recovery and 20% deferred pursuant to the Federal Mandates Statute.

8) Depreciation expense for environmental compliance plant not in-service at the end of the rate case test period would continue to be recovered in Rider 62 once the plant is placed in-service.

9) Prepare a final reconciliation for Rider 71 in the first consolidated Rider 62 filing.

10) Track certain reagent costs compared to amounts in base rates in Rider 62.

11) Track the 80% of CCR plan development costs and post-in-service carrying costs associated with the 60% of in-service CCR plant in Rider 62.

12) Allocate return on investment, depreciation expense, and post-in-service carrying costs on production demand; allocate O&M costs based on the production energy allocator.

13) Timely recovery of the 80% of the retail portion of Clean Water Act 316(a), 316(b), and National Pollutant Discharge Elimination System ("NPDES") program study costs expensed through Rider 62, with deferral of the remaining 20%.

14) Rider 62 Tariff format changes and changes from Commission's findings and approved allocation factors would be filed in a base rate compliance filing in mid-2020, which was subsequently completed on July 30, 2020.

15) Removal of Post-In-Service Carrying Costs for Phase 1 environmental compliance projects, which was moved to base rates.

16) Include a $10 million annual credit ("IGCC settlement amount") associated with the reduction in the IGCC regulatory asset amortization per the 2018 IGCC Settlement Agreement through June of 2022.

Q. PLEASE BRIEFLY EXPLAIN YOUR UNDERSTANDING OF THE COMMISSION'S JUNE 29, 2020 ORDER IN CAUSE NO. 45253 SPECIFIC TO ECR MATTERS INCLUDING THE IGCC SETTLEMENT AMOUNT.

A. The Commission authorized the Company to implement the changes proposed by the Company for the environmental riders (Riders 62, 63 and 71) and affirmed the Company is bound by the provisions of the 2018 IGCC Settlement Agreement (which as it pertains to this proceeding, requires the inclusion of the IGCC settlement credit amount in ECR). The Commission authorized the Company to place into effect the base rates of the operating revenues authorized in two-steps by way of a Compliance filing. (Cause No. 45253 Order at 173-174).

Specifically, the Commission's environmental findings included the following approvals: 1) tracking of reagent costs and the Commission agreed it was historic practice for projects included in riders to be rolled into rate base at the time of a base rate case (Order at 140); 2) discontinuation of tracking native emission allowance consumption expense upon implementation of new base rates (Order at 141); 3) the recovery of deferred SO_2 emission allowance costs (Order at 174); 4) the discontinuation and consolidation of Rider 63 and 71 as proposed by the Company (Order at 143); 5) Clean Water Act 316(a), 316(b), and NPDES study costs deferrals were federally mandated costs and would be reviewed as they are presented in ECR proceedings (Order at 161).

IV. <u>REVENUE REQUIREMENT EXHIBITS</u>

Q. WHAT RATEMAKING TREATMENT IS THE COMPANY REQUESTING FOR THE RETURN ON THE INVESTMENT IN ENVIRONMENTAL COMPLIANCE PROJECTS AS SHOWN ON THE PETITIONER'S EXHIBIT 3-B, PAGE 1 OF 10?

A. The Company is requesting that the Commission approve the amount of CCR plan development costs and CCR post-in-service carrying costs as of the cut-off date of December 31, 2020 for which the Company is authorized to earn a return, and that Rider 62 be adjusted, to include the revenue effect of the investments in accordance with the Order in Cause No. 45253.

Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 3-B, PAGE 1 OF 10.

A. The Company continues to track unamortized regulatory asset balances which were not included in the setting of base rates in the recent rate case. Included in the jurisdictional revenue requirements are 80% of previously approved CCR Plan Development Costs on Line 1 of $500,338 as of December 31, 2020. There is no forecasted amortization for the period of July through December 2021 shown on Exhibit 3-B, Page 2 of 10 because the remaining amortization expense was previously included in ECR-34. These types of costs were initially approved as federally mandated costs subject to timely rider recovery at the 80% level, with 20% deferral until the next rate case in the Commission's Order in Cause No. 44765.

Also included is 60% of the CCR post-in-service carrying costs and the related amortization over 3 years. Recovery of these costs was initially approved in Cause

No. 44765. The unamortized post-in-service balance as of December 31, 2020 of $2,403,530 is included on Line 2 and the 3-year amortization is included in Exhibit 3-B, Page 2 of 10.

Q. PLEASE CONTINUE DESCRIBING THE RESULTING CALCULATION OF THE RETAIL JURISDICTIONAL REVENUE REQUIREMENT ON PETITIONER'S EXHIBIT 3-B, PAGE 1 OF 10.

A. The combined retail jurisdictional investment of $2,903,868 is shown on line 3 is then multiplied by the Company's overall weighted average cost of capital of 5.70% as of December 31, 2020, and converted to revenue requirements using the applicable revenue conversion factors on line 6, resulting in an annual revenue requirement amount of $205,468 to be recovered from retail customers. (The prior revenue requirements from ECR 34 were $349,091 resulting in a decrease of $143,623.)

Q. PLEASE EXPLAIN THE WEIGHTED AVERAGE COST OF CAPITAL DERIVED ON PETITIONER'S EXHIBIT 3-B, PAGE 10 OF 10, AS IT IS USED ON PETITIONER'S EXHIBIT 3-B, PAGE 1 OF 10.

A. The weighted average cost of capital has been calculated in accordance with 170 I.A.C. 4-6-14. This rule provides that the utility's weighted average cost of capital shall be based on the amount, ratio, and cost rates of the utility's long-term debt and preferred equity capital; the amount, ratio, and cost rates of the utility's common equity capital, with the stipulation that the cost rate for common equity capital shall be the cost rate last approved by the Commission in the utility's most recent general retail rate case (*i.e.*, Cause No. 45253 of 9.70%); and the amount, ratio, and cost rates for deferred income taxes, customer deposits of 2.00% and components of investment tax credits.

The Company adjusted the accumulated deferred income tax balances to remove deferred taxes associated with impairments taken by the Company for accounting books purposes, but which are not used for tax purposes. As approved by the Commission in its IGCC-4S1 Order, the Company has excluded deferred income taxes associated with the amount of the IGCC capital investment in excess of the Hard Cost Cap for the IGCC Project, plus Additional AFUDC. The rate of return and revenue conversion factors shown on Page 10 were used on lines 4 and 6, respectively, of the revenue requirements calculation shown on Page 1.

We included the balance of the excess deferred income tax regulatory liability amount shown on line 5, page 10 as a zero-cost source of capital. This shows that our customers will continue to get the benefits for return calculation purposes in this rider of this excess deferred income tax regulatory liability resulting from the tax rate changes from the Tax Cuts and Jobs Act of 2017 until the excess deferred income taxes are returned to customers per the Commission's order in Cause No. 45032-S2 and Cause No. 45253.

Q. PLEASE DESCRIBE THE DETERMINATION OF THE REVENUE CONVERSION FACTORS ON PETITIONER'S EXHIBIT 3-B, PAGE 1 OF 10.

A. Separate revenue conversion factors are developed for the debt and equity components of the after-tax return to reflect the different tax treatments for each component. An effective rate is included for applicable state and federal taxes, public utility fees, and uncollectible accounts expense. The determination of the revenue conversion factors is presented at the bottom of Page 1.

Q. WHAT RATEMAKING TREATMENT IS THE COMPANY REQUESTING FOR PETITIONER'S EXHIBIT 3-B, PAGE 2 OF 10?

A. The Company is requesting that the Commission approve the recovery of the following: 1) estimated amortizations for the period from July through December 2021 of 60% for CCR post-in-service carrying costs over a 3-year period, recovery of which was approved in Cause No. 44765 per the federal mandate statute; 2.) 80% of 316(b) plan development costs; 3) IGCC settlement amount for the period for July through December 2021; 4) estimated incremental O&M expenses for the period July through December 2021 such that Rider 62 be adjusted, to include the revenue effect of these net expenses in accordance with the Order in Cause No. 45253.

Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 3-B, PAGE 2 OF 10.

A. The Company continues to track expenses which were not included in the setting of base rates in the recent rate case. Included in the jurisdictional revenue requirements are:

$762,172 for the equity component and $283,896 for the debt component for the estimated amortization of CCR post-in-service carrying costs over a 3 year period for the 6 months ended December of 2021 (amounts shown on Line 2) before the application of the revenue conversion factors.

Line 5 is 316(b) plan development costs requested for recovery of $205,257 before the application of the revenue conversion factor. Witness Pope explains the 316(b) plan development costs in her testimony.

Line 9 is the IGCC Settlement amount of ($5,000,000) based on the six months of the annual $10,000,000 amount.

Line 10 includes the related incremental, estimated operating expenses sourced from Page 3 of 10.

Q. PLEASE CONTINUE EXPLAINING THE CONVERSION OF AMORTIZATIONS TO REVENUE REQUIREMENTS ON PETITIONER'S EXHIBIT 3-B, PAGE 2 OF 10, PER THE TREATMENT PREVIOUSLY APPROVED IN CAUSE NO. 42061-ECR22.

A. The operating expenses and 316(b) plan development costs were converted to revenue requirements using the revenue conversion factor shown in the "Debt" column (1.00481) from footnote 1 in Exhibit 3-B, Page 1, the calculation of which assumes the expenses are deductible for both state and federal income tax purposes. Amortization of post-in-service carrying costs were separated into two components before converting to revenue requirements: (1) the portion related to equity costs and (2) the portion related to all other costs comprising the investment being depreciated or amortized. The portion of post-in-service carrying cost amortization applicable to equity costs was converted to revenue requirements using the revenue conversion factor shown from footnote 1 in Exhibit 3-B Page 1 in the "Equity" column (1.33126), the calculation of which includes a provision for both state and federal income taxes, reflecting that under current income tax regulations, the equity component of amortization expense is not a deductible item when computing income taxes; therefore, utility revenues representing the recovery of the equity component of amortization expense are not offset by a deductible expense item, which causes the utility to incur an income tax liability. The remainder of the post-in-service amortization expense was converted to revenue requirements using the same revenue conversion factor as for operating expenses (1.00481), because these costs are assumed to be deductible for state and federal income tax purposes. A workpaper is filed supporting the separation of the amortization of the post-in-service carrying costs into the equity cost component and all the other components for use in developing revenue requirements.

After application of the respective revenue conversion factors, the total of the revenue requirements for net expenses for this filing is ($6,789,259) on Line 13.

As approved in the Company's retail rate case in Cause No. 45253, for consolidated Rider 62, the items related to the environmental investment (for this particular filing, the related amortization on Line 4 of Exhibit 3-B, Page 2) as well as the 316(b) and IGCC, were allocated to retail rate groups based on production demand. The result of the production demand allocation is subsequently shown in Columns B and C of Petitioner's Exhibit 3-B, Page 7. Also as approved in the Cause No. 45253, the application of the production energy allocator is used for Operating costs. The result of the production energy allocator is subsequently shown in Column B of Petitioner's Exhibit 3-B, Page 8.

Q. PLEASE EXPLAIN THE INFORMATION INCLUDED ON PETITIONER'S EXHIBIT 3-B, PAGE 3 OF 10.

A. Page 3 shows the calculation of estimated jurisdictional revenue requirements for operating expenses for July through December 2021, related to certain environmental reagents compared to approved amounts in the recent retail rate case. The amount included for recovery is ($3,279,639) shown on line 2.

Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 3-B, PAGE 4 OF 10.

A. Page 4 calculates the actual expenses for the August through December 2020 timeframe[1] and the IGCC settlement amount. Page 4 also includes the final reconciliation for emission allowances as discussed later in Section VI of my testimony.

Specifically, $1,268,675 for the amortization of CCR Plan Development Costs including financing costs at 80% over 3 years for the 5 months ended December 2020 (shown on line 1) before the application of the revenue conversion factor and $405,925 for the equity component and $169,885 for the debt component for the amortization of CCR post-in-service carrying costs over a 3 year period for the 5 months ended December 2020 (amounts shown on line 2).

Line 5 is the IGCC settlement amount for the 5 months ended December 2020 of ($4,166,667); the credit for July of 2020 was previously included and netted in ECR-34 in Exhibit 3-B, page 3, Line 17, Column B.

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[1] The July 2020 period for actual expenses is in the ECR-35A schedules and workpapers.

Line 7 is reagent expenses for the 5 months ended December 2020 of $11,423,314 compared to the total Company amount used in establishing base rates for 5 months, or ($8.801,269) before the application of the retail allocation and revenue conversion factors.

Line 13 is the reconciliation of the retail emission allowances totaling $92,294.

Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 3-B, PAGE 5 OF 10.

A. Next, Page 5 calculates the revenue requirement to be reconciled in this proceeding by rate group compared to the revenues collected for August through December 2020 with the difference representing the reconciliation amounts starting on line 25. Column B is the net expenses sourced from Page 4 and allocated to the rate groups based on the allocation factors in Column A from Cause No. 45253. Column D is the net expenses sourced from Page 4 and allocated to the rate groups based on the allocation factors in Column C from Cause No. 45253. Column E is the return on investment from the Compliance filing in Cause No. 45253 for the 5 months ended December 2020.

Q. PLEASE EXPLAIN PETITIONER'S EXHIBIT 3-B, PAGE 6 OF 10.

A. Page 6 shows the calculation of the Environmental Compliance Adjustment factors by retail rate group for the return on investment portion of Rider No. 62 sourced from Page 1. The revenue requirement of $205,468 in Column D was allocated to the retail rate groups based on the allocation factors in Column A approved in Cause No. 45253. The Rate HLF adjustment factor used the non-coincident peak demands for the applicable period to arrive at the factor. The total revenue requirement for the other rate groups was divided by actual kilowatt-hour (KWH) sales for the 12-month period ended December of 2020 to arrive at the adjustment factors per KWH.

Q. PLEASE EXPLAIN THE INFORMATION INCLUDED ON PETITIONER'S EXHIBIT 3-B, PAGE 7 OF 10.

A. Page 7 shows the calculation of the Environmental Compliance Adjustment factors by retail rate group for the expenses allocated on a demand basis, including the IGCC settlement amount. Columns B and C of the revenue requirement in the upper half of the exhibit were sourced from Page 2 and allocated to the retail rate groups based on the demand allocation factors in Column A approved in Cause No. 45253. Column D of the revenue requirement in the upper half of the exhibit represents the July 2020 reconciliation of the former Rider 71 as shown in Footnote 1, Column C in the lower half of the exhibit. A series of workpapers will be filed supporting the former Rider 71 reconciliation amounts and are discussed in Section V. of my testimony. Column E of the revenue requirement is the sum of the reconciliation amounts from Page 5, Columns K and M. The summarization in the upper half of the exhibit of the revenue requirement in Column F of $(11,270,175) when divided by actual kilowatt-hour sales for the six-month period ending December of 2020, results in the factors for each rate group. The Rate HLF adjustment factor used the non-coincident peak demands for the applicable period to arrive at the factor.

Q. PLEASE EXPLAIN THE INFORMATION INCLUDED ON PETITIONER'S EXHIBIT 3-B, PAGE 8 OF 10.

A. Page 8 shows the calculation of the Environmental Compliance Adjustment factors by retail rate group for the rest of the expenses which are allocated on an energy basis. Column B of the revenue requirement is sourced from Page 2 , Line 12 and allocated to the retail rate group based on the energy allocation factors in Column A approved in Cause No. 45253. Column E of the revenue requirement is sourced from Page 4, Line 13 and allocated to the retail rate group based on the energy allocation percentages shown in Columns C and D from Cause No. 42359. Column F of the revenue requirement is sourced from Page 5, Line 36, Column L by rate group. The total revenue requirement in Column G of ($11,357,409) divided by actual kilowatt-hour sales for the 6-month period ended December of 2020, results in the factors for each rate group. The Rate HLF adjustment factor used the non-coincident peak demands for the applicable period to arrive at the factor.

Q. PLEASE EXPLAIN PAGE 9 OF 10 OF EXHIBIT 3-B.

A. Page 9 compiles the adjustment factors from the preceding Pages 6, 7, 8 for Columns A, B, and C, respectively, to derive a Total Rate Adjustment factor by rate group.

V. <u>RECONCILIATION FOR THE FORMER RIDER 71</u>

Q. PLEASE EXPLAIN THE PURPOSE OF THE FORMER RIDER 71 RECONCILIATION INCLUDED IN FOOTNOTE 1 OF EXHIBIT 3-B, PAGE 7 OF 10.

A. In compliance with the Order in Cause No. 45253, a reconciliation for Rider 71 was performed and was included in the consolidated Rider 62 with a cut-off date as of June 2020 in ECR-34. This proceeding reconciles July of 2020.

Q. PLEASE EXPLAIN HOW THE OVER COLLECTION WAS DERIVED.

A. The over collection was calculated based on the actual expenses incurred for the month of July and allocated based on the standard Cause No. 42359 allocators (as adjusted for HLF and LLF migrations) compared to collections by retail group.

Q. WHAT SPECIFIC RATEMAKING TREATMENT IS THE COMPANY REQUESTING FOR THE JULY MONTH PERIOD IN THE RECONCILIATION?

A. The Company is requesting that the Commission approve the reconciliation of the following retail jurisdictional expenses incurred compared to the revenues collected: 1) incremental expenditures for NOx, Phase 1, Phase 2, Phase 3, Gallagher DSI and 80% for CCR compliance per the federal mandate statute; 2) actual depreciation for NOx, Phase 1, Phase 2, Phase 3, Capital Maintenance, Gallagher DSI, and 60% of CCR equipment per Cause No. 44765, net of the impact of the depreciation credit for the Gibson precipitator refurbishments, per Settlement Agreement approved in Cause No. 44418; 3) amortization of 80% of CCR plan development costs over 3 years, recovery of which was approved in Cause No. 44765; 4) amortization of post-in-service carrying costs for the Phase 1 projects over 20 years per the Settlement Agreement approved in Cause No. 42622/42718; and 5) amortization of 60% of post-in-service carrying costs for the CCR projects over 3 years per Cause No. 44765.

The Company also requests approval of the reconciliation of credits to customers of the amount of incremental demand revenues compared to collections under a contract with Nucor in accordance with the Order in Cause No. 42061-ECR 15 and

Cause No. 44932 and International Paper in accordance with the approval in the International Paper Order Cause No. 44087.

Ms. Pope's testimony addresses operation and maintenance expenses in more detail for the reconciliation period.

Q. HAVE THERE BEEN ANY CHANGES TO THE CONTENT AND FORMAT CONTAINED IN THE JULY MONTH RECONCILIATION?

A. The only content change was the removal of the forward-looking estimated portion of the former Rider 71, which is no longer needed as the data presented is historical. The calculations for the reconciliations were filed as workpapers, Workpapers 35A (MTD) Schedules.

Q. WHAT OTHER RECURRING ADJUSTMENTS WERE MADE IN THE RECONCILIATION?

A. For actual O&M expenses, the Company continued reductions for amounts in base rates per Cause No. 42359 and reductions for Gallagher precipitators in accordance with the 2006 Settlement agreement. The retail allocation percentages from Cause No. 42359 continued to be used in the calculations.

Q. PLEASE SUMMARIZE THE DEPRECIATION RATES AND METHODS USED IN THE RECONCILIATION, WHICH ARE THE SAME AS USED IN THE PRIOR RIDER 71 FILINGS.

A. The Company's NOx projects were depreciated on an 18-year recovery period per Orders in Cause Nos. 42359 and 42061. Phase 1 projects were depreciated on a 20-year recovery period based on the 2006 Settlement Agreement. Depreciation expense for NOx and Phase 1 projects at Gallagher Units 1 and 3 were amortized over 14-year recovery period based on Order in Cause No. 43956. Gallagher Station baghouses were limited to a $98 million investment in accordance with the 2006 settlement agreement. Phase 2 and 3 projects were depreciated on a 20-year recovery period per Cause Nos. 44217 and 44418. Depreciation for Gibson Units 3, 4, 5 precipitator refurbishments were reduced per Cause No. 44418 to reflect the retired investment in the original Gibson precipitators. Capital maintenance projects, Gallagher DSI projects, and CCR projects were depreciated per the depreciation rates in the Commission's IGCC 4S1 Order.

Depreciation was adjusted for retirements to investments that occurred in the reconciliation period. The retail allocation percentages from Cause No. 42359 continued to be used in the depreciation calculations.

Q. PLEASE SUMMARIZE THE REVENUE CONVERSION METHODS USED IN THE RECONCILIATION APPLIED TO THE EXPENSES, WHICH USE THE SAME METHODS FROM PRIOR RIDER 71 FILINGS.

A. Schedule 1 of the workpapers for ECR-35A convert: 1) O&M expenses and CCR plan development costs to revenue requirements using the debt conversion factor, which recognizes that the expenses are deductible for state and federal income tax, and 2) convert the depreciation and amortization of post-in-service carrying costs to revenue requirements using both equity and debt conversion factors, which recognizes that the equity cost component of depreciation and amortizations are not deductible for income taxes. Depreciation and amortizations were first separated into the equity portion and all other costs relating to the investment portion prior to the application of the respective conversion factors; a workpaper was filed supporting this separation. This revenue conversion treatment was previously approved in ECR-22.

Q. WHAT WAS THE FINAL REVENUE REQUIREMENT SHOWN IN THE JULY RECONCILIATION?

A. After the reconciliations for Nucor and International Paper were performed and for which supporting workpapers were also filed and the removal of the utility receipts tax, the revenue requirement for the former Rider 71 was ($7,288,864) reported in Column D of Exhibit 3-B, Page 7 of 10.

VI. <u>RECONCILIATION FOR THE FORMER RIDER 63</u>

Q. PLEASE EXPLAIN THE PURPOSE OF THE FORMER RIDER 63 RECONCILIATION, WHICH RESULTED IN THE EMISSION ALLOWANCE AMOUNT REPORTED ON PETITIONER'S EXHIBIT 3-B, PAGE 4 OF 10 .

A. In compliance with the Order in Cause No. 45253, final reconciliations for Rider 63 were performed and were included in the consolidated Rider 62 with a cut-off period as of June 2020 in ECR-34 which covered the May 2020 timeframe due to recording emission allowances on a one month lag by the Company. The reconciliation in this proceeding closes out the remaining months of June and July. The Company has filed the standard set of schedules that show the calculation of the factor per kWh by month. The schedules calculate the actual EA net costs incurred, summarize the billings, and the results are combined to include in the consolidated Rider 62 revenue requirement.

Q. DOES THIS REVENUE REQUIREMENT INCLUDE ANY CHARGES OR CREDITS ASSOCIATED WITH EA SALES?

A. No, there were no EA sales in the periods covered in this filing.

Q. WHAT SPECIFIC RATEMAKING TREATMENT AND REVENUE REQUIREMENT IS THE COMPANY REQUESTING FOR THE MONTHS IN THIS PROCEEDING?

A. The Company is requesting that the Commission approve the reconciliation of SO_2 and NOx net emission allowance expenses billed to retail jurisdictional customers versus the net expenses actually incurred, which resulted in $92,294 charge for this proceeding.

Q. HAVE THERE BEEN ANY CHANGES TO THE CONTENT AND FORMAT CONTAINED IN THE RESPECTIVE MONTHLY RECONCILIATIONS?

A. The only content change was the removal of the forward-looking estimated portion of the former Rider 63, which is no longer needed as the data presented is historical. The calculations for the reconciliations were filed as the 35B workpapers.

Q. WERE THERE ANY UNUSUAL ADJUSTMENTS INCLUDED IN THE EA COSTS BEING REQUESTED FOR RECOVERY IN THIS PROCEEDING?

A. I am not aware of any unusual adjustments impacting emission allowance costs included in this proceeding.

Q. DID THE COMPANY INCLUDE IN THE COSTS REQUESTED FOR RECOVERY IN THIS PROCEEDING ANY COSTS FOR SURRENDER OF

ADDITIONAL SO_2 EMISSION ALLOWANCES RELATED TO ITS NSR LITIGATION?

A. No. The Commission's December 28, 2011 order in Cause No. 43956 denied the Company's request to recover costs associated with the surrender of additional SO_2 emission allowances pursuant to its Gallagher Consent Decree. Accordingly, we have excluded such costs in this proceeding.

Q. DID THE COMPANY REFLECT ANY IMPACTS REGARDING THE JANUARY 1, 2015 IMPLEMENTATION OF CSAPR IN THIS PROCEEDING?

A. Yes. The implementation of CSAPR, including the reversion to a one-for-one ratio for SO_2 compliance, along with the termination of the CAIR annual and seasonal NOx programs, has been reflected in the actual expense included in this filing.

VII. RATE IMPACT AND CONCLUSION

Q. PLEASE DESCRIBE PETITIONER'S EXHIBIT 3-C.

A. Exhibit 3-C shows the impact of the proposed ratemaking treatment on the monthly bill of a typical residential customer using 1,000 kilowatt-hours, including the effect of various rate adjustment components in the rider. The bill of a residential customer using 1,000 kilowatt-hours will decrease by ($0.46) or approximately (0.4%), when compared to the last approved factor, exclusive of utility receipts taxes and state taxes, if this filing is approved. A detailed workpaper was filed supporting the changes for residential and other customers.

Q. WERE PETITIONER'S EXHIBITS 3-A THROUGH 3-C INCLUDING ALL PAGES THEREIN PREPARED UNDER YOUR SUPERVISION?

A. Yes, they were.

Q. DOES THIS CONCLUDE YOUR PREPARED TESTIMONY IN THIS PROCEEDING?

A. Yes, it does.

Duke Energy Indiana, LLC
1000 East Main Street
Plainfield, IN 46168

STANDARD CONTRACT RIDER NO. 62 –
ENVIRONMENTAL COMPLIANCE ADJUSTMENT

The applicable charges for electric service to the Company's retail electric customers shall be increased or decreased to reflect rate base treatment for environmental compliance projects, defined as qualified pollution control property, clean energy projects, and other federally-mandated environmental compliance projects in accordance with I.C. 8-1-2-6.6, I.C. 8-1-2-6.8, I.C 8-1-8.4, I.C. 8-1-8.8 and 170 IAC 4-6, and to reflect recovery of clean energy and other federally-mandated environmental compliance project operating costs, including the cost of environmental reagents and emission allowances applicable to native load customers net of realized gains and losses from sales, in accordance with Ind. Code 8-1-8.8 and Ind. Code 8-1-8.4. The revenue adjustment to the applicable charges for electric service will be determined under the following provision:

Calculation of Adjustment

The Environmental Compliance Adjustment shall be determined no more often than every six months by multiplying the Environmental Compliance Adjustment Factor, as determined to the nearest 0.001 mill ($0.000001) per kilowatt-hour in accordance with the following formula, by the monthly billed kilowatt-hours for the billing cycle months in the case of customers receiving metered service and by the estimated monthly kilowatt-hours used for rate determination in the case of customers receiving unmetered service.

Environmental Compliance Adjustment Factor =

$$\frac{(a \times b \times c \times h)}{i} + \frac{((d + e + f) \times g)) \times j}{k}$$

where:

1. "a" is the jurisdictional cost of the Company's net invested capital applicable to environmental compliance projects and the net balance of post-in-service carrying costs, if any. For purposes of determining the value of such capital projects for this rate mechanism, the Company's costs as recorded in its books of account in accordance with the Uniform System of Accounts prescribed for Public Utilities and Licensees subject to the provisions of the Federal Power Act shall be used.

2. "b" is the Company's weighted cost of capital as of the date of valuation of the environmental compliance projects.

3. "c" is the revenue conversion factor to be used to convert return to operating revenues.

4. "d" is the Company's forecasted incremental jurisdictional operation and maintenance expense applicable to environmental compliance projects, including the cost of environmental reagents and emission allowances applicable to native load customers net of realized gains and losses from sales.

5. "e" is the Company's forecasted jurisdictional depreciation expense applicable to the investment in environmental compliance projects.

**STANDARD CONTRACT RIDER NO. 62 –
ENVIRONMENTAL COMPLIANCE ADJUSTMENT**

6. "f" is the Company's other incremental jurisdictional expense applicable to environmental compliance projects such as plan development costs, amortization of post-in-service carrying costs, and other costs or credits approved by the Commission for inclusion in this rider.

7. "g" is the revenue conversion factor used to convert operating expenses to operating revenues.

8. "h" is the individual retail rate group's production demand allocator used for allocation purposes in the cost of service study last approved by the Commission as adjusted for migrations approved by the Commission.

9. "i" is the individual retail rate group's adjusted billing cycle kilowatt-hour sales for the twelve months ending as of the date of valuation of the environmental compliance projects for all retail rate groups other than industrial customers served under Rate HLF. The revenue adjustment for industrial customers served under Rate HLF shall be based on demands within the HLF customer group such that "i" shall be the sum of kilowatts billed for the applicable twelve month period.

10. "j" is the individual retail rate group's kilowatt-hour sales allocator used for allocation purposes in the cost of service study last approved by the Commission as adjusted for migrations approved by the Commission.

11. "k" is the individual retail rate group's adjusted billing cycle kilowatt-hour sales for the applicable six month period for all retail rate groups other than industrial customers served under Rate HLF. The revenue adjustment for retail customers served under Rate HLF shall be based on demands within the HLF customer group such that "k" shall be the sum of kilowatts billed for the applicable six month period.

This factor shall be further modified to reflect the difference between estimated costs billed and costs actually experienced during the period such estimated costs were billed.

The Environmental Compliance Adjustment factor applicable to retail rate groups is as follows:

Duke Energy Indiana, LLC
1000 East Main Street
Plainfield, Indiana 46168

IURC No. 15
Second Revision Sheet No. 62
Cancels and Supersedes
First Revision Sheet No. 62

STANDARD CONTRACT RIDER NO. 62 - ENVIRONMENTAL COMPLIANCE ADJUSTMENT FACTOR APPLICABLE TO RETAIL RATE GROUPS

Line No.	Retail Rate Group	Environmental Compliance Adjustment Factor Per KWH (A)	Environmental Compliance Adjustment Factor Per Non-Coincident KW (B)	Line No.
1	Rate RS	($0.001786)		1
2	Rates CS and FOC	(0.001987)		2
3	Rate LLF	(0.001605)		3
4	Rate HLF		($0.910773)	4
5	Customer L	(0.003297)		5
6	Customer O	(0.006477)		6
7	Rate WP	(0.001373)		7
8	Rate SL	(0.001087)		8
9	Rate MHLS	(0.001056)		9
10	Rates MOLS and UOLS	(0.001144)		10
11	Rates TS, FS and MS	(0.001648)		11

Issued:

Effective:

Duke Energy Indiana, LLC
1000 East Main Street
Plainfield, Indiana 46168

STANDARD CONTRACT RIDER NO. 62 - ENVIRONMENTAL COMPLIANCE ADJUSTMENT FACTOR APPLICABLE TO RETAIL RATE GROUPS

ALLOCATED SHARE OF SYSTEM PEAK DEMAND FOR RETAIL CUSTOMERS BY RATE GROUP EXPRESSED AS A PERCENTAGE OF THE COMPANY'S TOTAL RETAIL SYSTEM PEAK DEMAND AS DEVELOPED FOR COST OF SERVICE PURPOSES IN CAUSE NO. 45253

Line No.	Rate Groups	KW Share of System Peak (4CP) Per Cause No. 45253 (A)	Percent Share Of System Peak (B)	Line No.
1	Rate RS	2,102,591	42.114%	1
2	Rates CS and FOC	258,053	5.169%	2
3	Rate LLF	1,034,546	20.722%	3
4	Rate HLF	1,536,449	30.774%	4
5	Customer L	14,800	0.296%	5
6	Customer O	18,584	0.372%	6
7	Rate WP	20,717	0.415%	7
8	Rate SL	79	0.002%	8
9	Rate MHLS	15	0.000%	9
10	Rates MOLS and UOLS	5,633	0.113%	10
11	Rates TS, FS and MS	1,141	0.023%	11
12	TOTAL RETAIL	4,992,608	100.000%	12

Issued: **Effective:**

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Plainfield, Indiana 46168

IURC No. 15
Second Revision Sheet No. 62 Cancels and
Supersedes First Revision
Sheet No. 62 Page 5 of 6

STANDARD CONTRACT RIDER NO. 62 - ENVIRONMENTAL COMPLIANCE ADJUSTMENT FACTOR APPLICABLE TO RETAIL RATE GROUPS

ALLOCATED SHARE OF MWH PLANT OUTPUT FOR RETAIL CUSTOMERS BY RATE GROUP EXPRESSED AS A PERCENTAGE OF THE COMPANY'S TOTAL RETAIL AS DEVELOPED FOR COST OF SERVICE PURPOSES IN CAUSE NO. 45253

Line No.	Rate Groups	MWH Plant Output Cause No. 45253 (A)	Percent Share Of System Peak (B)	Line No.
1	Rate RS	10,075,608	33.840%	1
2	Rates CS and FOC	1,163,496	3.908%	2
3	Rate LLF	5,429,725	18.237%	3
4	Rate HLF	11,448,504	38.452%	4
5	Customer L	119,082	0.400%	5
6	Customer O	1,197,276	4.021%	6
7	Rate WP	162,351	0.545%	7
8	Rate SL	42,814	0.144%	8
9	Rate MHLS	6,095	0.020%	9
10	Rates MOLS and UOLS	118,444	0.398%	10
11	Rates TS, FS and MS	10,457	0.035%	11
12	TOTAL RETAIL	29,773,852	100.000%	12

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1000 East Main Street
Plainfield, Indiana 46168

STANDARD CONTRACT RIDER NO. 62 - ENVIRONMENTAL COMPLIANCE ADJUSTMENT FACTOR APPLICABLE TO RETAIL RATE GROUPS

BILLING CYCLE KWH SALES FOR THE COMPANY'S RETAIL CUSTOMERS BY RATE GROUP BASED ON PERIOD ENDED DECEMBER 31, 2020

Line No.	Rate Groups	Twelve Months Ended Billing Cycle KWH Sales (A)	Twelve Months Sum Of Monthly Non-Coincident Peak Demands (B)	Six Months Ended Billing Cycle KWH Sales (C)	Six Months Sum Of Monthly Non-Coincident Peak Demands (D)	Line No.
1	Rate RS	8,995,191,855		4,526,454,087		1
2	Rates CS and FOC	985,073,010		511,534,159		2
3	Rate LLF	4,834,468,553		2,586,088,129		3
4	Rate HLF	9,558,951,419	18,093,950	5,021,996,616	9,329,126	4
5	Customer L	70,713,118		22,560,720		5
6	Customer O	156,668,642		77,612,642		6
7	Rate WP	152,268,418		76,940,100		7
8	Rate SL	37,210,364		18,504,130		8
9	Rate MHLS	5,474,557		2,630,871		9
10	Rates MOLS and UOLS	103,003,067		51,132,786		10
11	Rates TS, FS and MS	9,645,219		4,829,088		11
12	TOTAL RETAIL	24,908,668,222		12,900,283,328		12

Issued:

Effective:

DUKE ENERGY INDIANA, LLC

CALCULATION OF REVENUE REQUIREMENTS APPLICABLE TO RETURN ON INVESTMENT IN ENVIRONMENTAL COMPLIANCE PROJECTS AS OF DECEMBER 31, 2020

Line No.		Rate Of Return Debt	Rate Of Return Equity		Amount	Line No.
		(A)	(B)	(C)	(D)	
1	Unamortized CCR Plan Development - 80% [2/]			500,338		1
2	Unamortized CCR Post In Service Carrying Costs - 60% [3/]			2,403,530		2
3	Retail Investment				$ 2,903,868	3
4	Rate of Return [4/]	1.57%	4.13%		5.70%	4
5	Annual Return on Investment				165,520	5
6	Revenue Conversion Factor [1/]	1.00481	1.33126		1.24135	6
7	Jurisdictional Revenue Requirements (Line 5 x Line 6)				205,468	7
8	Less: Prior Requested Revenue Requirements from ECR 34				349,091	8
9	Incremental Revenue Requirement Increase/(Decrease)				$ (143,623)	9

1/ Components of Revenue Conversion Factor:

	Statutory Rate	Effective Rate Debt	Effective Rate Equity	
Utility Receipts Tax	1.400%	1.400%	1.400%	
Uncollectible Accounts Expense	0.280%	0.280%	0.280%	
Public Utility Fee	0.127%	0.127%	0.127%	
State Income Tax c/	4.900%	0.072%	4.880%	a/
Federal Income Tax	21.000%	0.000%	19.596%	b/
Subtotal		1.879%	26.283%	
Less Utility Receipts Tax	1.400%	1.400%	1.400%	
Effective Rate		0.479%	24.883%	
Complement (1 - Effective Rate)		99.521%	75.117%	
Revenue Conversion Factor 1 ÷ Complement		1.00481	1.33126	

a/ Effective tax rate for debt for state income tax reflects tax on utility receipts tax portion of revenues. Effective tax rate for equity for state income tax reflects deductibility of uncollectible accounts expense and public utility fee.

b/ Effective tax rate for equity for federal income tax reflects deductibility of utility receipts tax, uncollectible accounts expense, public utility fee and state income tax.

c/ Statutory rate for state income tax reflects the rate in effect for July 2021.

2/ See Workpaper ECR35 Schedule 1
3/ See Workpaper ECR35 Schedule 2
4/ See Page 10

DUKE ENERGY INDIANA, LLC

DETERMINATION OF THE REVENUE REQUIREMENTS APPLICABLE TO ESTIMATED EXPENSES ASSOCIATED WITH THE ENVIRONMENTAL COMPLIANCE, INCLUDING IGCC

Line No.		Amounts Applicable To Retail			Line No.
		(A)	(B)	(C)	
	Production Demand Allocator	Applicable to Equity AFUDC	All Other		
	Amortizations (July - December 2021)				
1	Estimated Retail Jurisdictional Amortization of CCR Plan Development - 80% [1/]		-		1
2	Estimated Retail Jurisdictional Amortization of CCR Post-In-Service Carrying Costs 60% [2/]	762,172	283,896		2
3	Revenue Conversion Factor applicable to lines 1 and 2 (Reference Page 1)	1.33126	1.00481		3
4	Subtotal	1,014,649	285,262	1,299,911	4
	316(b)				
5	Retail Jurisdictional 316(b) Plan Development - 80% [3/]		205,257		5
6	Revenue Conversion Factor applicable to line 5 (Reference Page 1)		1.00481		6
7	Subtotal			206,244	7
8				1,506,155	8
	IGCC				
9	Revenue Requirement for IGCC Settlement (July - December 2021)			(5,000,000)	9
	Production Energy Allocator				
	Operating Expenses (July - December 2021)				
10	Estimated Retail Jurisdictional Operating Expenses (Page 3)		(3,279,639)		10
11	Revenue Conversion Factor (Reference Page 1)		1.00481		11
12	Subtotal			(3,295,414)	12
13	Total Amount to Be Recovered from Retail Customers			$ (6,789,259)	13

1/ Balance was fully amortized in February of 2021
2/ See Workpaper ECR35 Schedule 2
3/ See Workpaper ECR35 Schedule 12

DUKE ENERGY INDIANA, LLC

ESTIMATED EXPENSES APPLICABLE TO ENVIRONMENTAL COMPLIANCE PROJECTS

Line No.		Total Expenses (A)	Retail Total (B)	Retail 6 months Amount in Base Rate (C)	Retail Amount for Current Recovery (D) = (B)-(C)	Line No.
	Operation and Maintenance Expense [1/]					
1	Reagents (July - December 2021)	$ 20,712,408	$ 19,096,840	$ 22,376,479	$ (3,279,639)	1
2	Total	$ 20,712,408	$ 19,096,840	$ 22,376,479	$ (3,279,639)	2

1/ Retail allocation percentage per Cause No. 45253:
Production Energy Allocator 92.20%

DUKE ENERGY INDIANA, LLC

DETERMINATION OF THE REVENUE REQUIREMENTS APPLICABLE TO ACTUAL EXPENSES ASSOCIATED WITH THE ENVIRONMENTAL COMPLIANCE, INCLUDING IGCC AND EMISSION ALLOWANCES

Line No.		Amounts Applicable To Retail (A)	(B)	(C)	Line No.
	Production Demand Allocator				
	Amortizations (August - December 2020)				
		Applicable to Equity AFUDC	All Other		
1	Retail Jurisdictional Amortization of CCR Plan Development - 80% [1/]		1,268,675		1
2	Retail Jurisdictional Amortization of CCR Post-In-Service Carrying Costs 60% [2/]	405,925	169,885		2
3	Revenue Conversion Factor applicable to lines 1 and 2 [3/]	1.33615	1.00487		3
4	Subtotal	542,377	1,445,566	1,987,943	4
	IGCC				
5	Revenue Requirement for IGCC Settlement (August - December 2020)			(4,166,667)	5
6	Subtotal - Demand Allocation			(2,178,724)	6
	Production Energy Allocator				
	Operating Expenses (August - December 2020)				
7	Reagents Expenses [4/]		11,423,314		7
8	Reagents in Base Rates - 5 months		20,224,583		8
9	Subtotal - Actual Reagents over/(under) Base Rates		(8,801,269)		9
10	Retail Allocation from Cause No. 45253		92.2%		10
11	Revenue Conversion Factor [3/]		1.00487		11
12	Subtotal - Energy Allocation			(8,154,289)	12
13	Reconciliation of Emission Allowances [5/]			92,294	13
14	Total Amount to Be Recovered from Retail Customers			$ (10,240,719)	14

1/ See Workpaper ECR35 Schedule 1
2/ See Workpaper ECR35 Schedule 2

3/ Components of Revenue Conversion Factor:

	Statutory Rate	Effective Rate Debt	Equity	
Utility Receipts Tax	1.400%	1.400%	1.400%	
Uncollectible Accounts Expense	0.280%	0.280%	0.280%	
Public Utility Fee	0.127%	0.127%	0.127%	
State Income Tax c/	5.250%	0.078%	5.229%	a/
Federal Income Tax	21.000%	0.000%	19.522%	b/
Subtotal		1.885%	26.558%	
Less Utility Receipts Tax	1.400%	1.400%	1.400%	
Effective Rate		0.485%	25.158%	
Complement (1 - Effective Rate)		99.515%	74.842%	
Revenue Conversion Factor				
1 ÷ Complement		1.00487	1.33615	

DUKE ENERGY INDIANA, LLC

DETERMINATION OF RECONCILIATION AMOUNTS BY RATE SCHEDULE

Line No.	Description	Coincidental Production Peak Demand Allocators from Cause No. 45253	Actual Amortization and IGCC Settlement Revenue Requirement	Production Energy Allocators from Cause No. 45253	Actual Operating Expenses Revenue Requirement	5 months of ECR Compliance Filing Revenue Requirement for Return on Investment 1/	Total Revenue Requirement to be Reconciled	Line No.
		(A)	(B)	(C)	(D)	(E)	(F) (B) + (D) + (E)	
1	Rate RS	42.114%	$ (917,547)	33.840%	$ (2,759,411)	$ 133,537	$ (3,543,421)	1
2	Rate CS	5.169%	(112,618)	3.908%	(318,670)	16,390	(414,898)	2
3	Rate LLF	20.722%	(451,475)	18.237%	(1,487,098)	65,706	(1,872,867)	3
4	Rate HLF	30.774%	(670,481)	38.452%	(3,135,487)	97,579	(3,708,389)	4
5	Customer L	0.296%	(6,449)	0.400%	(32,617)	939	(38,127)	5
6	Customer O	0.372%	(8,105)	4.021%	(327,884)	1,180	(334,809)	6
7	Rate WP	0.415%	(9,042)	0.545%	(44,441)	1,316	(52,167)	7
8	Rate SL	0.002%	(44)	0.144%	(11,742)	6	(11,780)	8
9	Rate MHLS	0.000%	-	0.020%	(1,631)	-	(1,631)	9
10	Rates MOLS and UOLS	0.113%	(2,462)	0.398%	(32,454)	358	(34,558)	10
11	Rates TS, FS and MS	0.023%	(501)	0.035%	(2,854)	73	(3,282)	11
12	Total Retail	100.000%	$ (2,178,724)	100.000%	$ (8,154,289)	$ 317,084	$ (10,015,929)	12
			(Page 4)		(Page 4)			

1/ Per Attachment G, Compliance Filing for Cause No. 45253. This is 5 months of the annual revenue requirement - $761,000/12*5=317,084

Line No.	Description	Allocated Revenues - based on Compliance Filing Return Of 2/	Allocated Revenues - based on Compliance Filing Return Of	Allocated Revenues - based on Compliance Filing Return On 2/	Total Revenues Collected from ECR Rider August - December	Line No.
		(G)	(H)	(I)	(J)	
13	Rate RS	(761,150)	0	110,778	(650,372)	13
14	Rate CS	(90,334)	0	13,147	(77,187)	14
15	Rate LLF	(370,070)	0	53,860	(316,210)	15
16	Rate HLF	(364,175)	0	53,002	(311,173)	16
17	Customer L	(5,258)	0	765	(4,493)	17
18	Customer O	(6,528)	0	950	(5,578)	18
19	Rate WP	(8,512)	0	1,239	(7,273)	19
20	Rate SL	(46)	0	7	(39)	20
21	Rate MHLS	0	0	0		21
22	Rates MOLS and UOLS	(1,681)	0	245	(1,436)	22
23	Rates TS, FS and MS	(483)	0	70	(413)	23
24	Total Retail	(1,608,237)	0	234,063	(1,374,174)	24
					(Workpaper Schedule 14)	

2/ Allocate Revenue Requirement between categories - for only 5 months

Return on from Compliance	761,000	317,084	-17.033%
Return of from Compliance	(2,614,468)	(2,178,723)	117.033%
	(1,853,468)	(1,861,639)	

Line No.	Description	(Demand) Reconciliation (Over)/Under Collected	(Energy) Reconciliation (Over)/Under Collected	(Demand) Reconciliation (Over)/Under Collected	Line No.
		(K) = (B)-(G)	(L) = (D)-(H)	(M) = (E)-(I)	
25	Rate RS	(156,397)	(2,759,411)	22,759	25
26	Rate CS	(22,284)	(318,670)	3,243	26
27	Rate LLF	(81,405)	(1,487,098)	11,846	27
28	Rate HLF	(306,306)	(3,135,487)	44,577	28
29	Customer L	(1,191)	(32,617)	174	29
30	Customer O	(1,577)	(327,884)	230	30
31	Rate WP	(530)	(44,441)	77	31
32	Rate SL	2	(11,742)	(1)	32
33	Rate MHLS	0	(1,631)	0	33
34	Rates MOLS and UOLS	(781)	(32,454)	113	34
35	Rates TS, FS and MS	(18)	(2,854)	3	35
36	Total Retail	(570,487)	(8,154,289)	83,021	36

DUKE ENERGY INDIANA, LLC

DETERMINATION OF ENVIRONMENTAL COMPLIANCE ADJUSTMENT FACTORS BY RATE SCHEDULE FOR RETURN ON INVESTMENT

Line No.	Description	Coincidental Production Peak Demand Allocators from Cause No. 45253	Revenue Requirement for Return on Investment: Prior Revenue Requirement	Revenue Requirement for Return on Investment: Current Additional Revenue Requirement	Revenue Requirement for Return on Investment: Total Revenue Requirement for Return on Investment	Kilowatt-Hour Sales for the Twelve Months Ended December 31, 2020	Environmental Compliance Rate Adjustment Factors Per KWH by Rate Schedule	Sum of Monthly Non-Coincident Peak Demands for the Twelve Months Ended December 31, 2020	Environmental Compliance Rate Adjustment Factor Per KW for Rate HLF	Line No.
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
1	Rate RS	42.114%	$ 147,016	$ (60,485)	$ 86,531	8,995,191,855	$0.000010			1
2	Rate CS	5.169%	18,045	(7,424)	10,621	985,073,010	$0.000011			2
3	Rate LLF	20.722%	72,339	(29,762)	42,577	4,834,468,553	$0.000009			3
4	Rate HLF	30.774%	107,429	(44,198)	63,231	9,558,951,419		18,093,950	$0.003495	4
5	Customer L	0.296%	1,033	(425)	608	70,713,118	$0.000009			5
6	Customer O	0.372%	1,299	(535)	764	156,668,642	$0.000005			6
7	Rate WP	0.415%	1,449	(596)	853	152,268,418	$0.000006			7
8	Rate SL	0.002%	7	(3)	4	37,210,364	$0.000000			8
9	Rate MHLS	0.000%	-	-	-	5,474,557	$0.000000			9
10	Rates MOLS and UOLS	0.113%	394	(162)	232	103,003,067	$0.000002			10
11	Rates TS, FS and MS	0.023%	80	(33)	47	9,645,219	$0.000005			11
12	Total Retail	100.000%	$ 349,091	$ (143,623)	$ 205,468	24,908,668,222				12
			(ECR 34 PAGE 4)		(Page 1)	(WP Schedule 3)		(WP Schedule 4)		

DUKE ENERGY INDIANA, LLC

DETERMINATION OF ENVIRONMENTAL COMPLIANCE ADJUSTMENT FACTORS BY RATE SCHEDULE
FOR EXPENSES INCLUDING IGCC

Line No.	Description	Coincidental Production Peak Demand Allocators from Cause No. 45253		Revenue Requirement for Estimated Amortization and Plan Development		Total Revenue Requirement for IGCC Settlement		July 2020 Reconciliation Footnote 1		August thru December (Over)/Under Billed Revenue Requirement		Total Revenue Requirement	Kilowatt-Hour Sales for the Six Months Ended December 31, 2020	Environmental Compliance Rate Adjustment Factors Per KWH by Rate Schedule	Sum of Monthly Non-Coincident Peak Demands for the Six Months Ended December 31, 2020	Environmental Compliance Rate Adjustment Factor Per KW for Rate HLF	Line No.
		(A)		(B)		(C)		(D)		(E)		(F) = (B)+(C)+(D)+(E)	(G)	(H) = (F)/(G)	(I)	(J) = (F)/(I)	
1	Rate RS	42.114%	$	634,303	$	(2,105,700)		($2,676,981)		($133,638)	$	(4,282,016)	4,526,454,087	($0.000946)			1
2	Rate CS	5.169%		77,853		(258,450)		(379,458)		(19,041)		(579,096)	511,534,159	($0.001132)			2
3	Rate LLF	20.722%		312,105		(1,036,100)		(1,304,487)		(69,559)		(2,098,041)	2,586,088,129	($0.000811)			3
4	Rate HLF	30.774%		463,504		(1,538,700)		(2,832,598)		(261,729)		(4,169,523)	5,021,996,616		9,329,126	($0.446936)	4
5	Customer L	0.296%		4,458		(14,800)		(17,712)		(1,017)		(29,071)	22,560,720	($0.001289)			5
6	Customer O	0.372%		5,603		(18,600)		(32,217)		(1,347)		(46,561)	77,612,642	($0.000600)			6
7	Rate WP	0.415%		6,251		(20,750)		(29,155)		(453)		(44,107)	76,940,100	($0.000573)			7
8	Rate SL	0.002%		30		(100)		(3,718)		1		(3,787)	18,504,130	($0.000205)			8
9	Rate MHLS	0.000%		-		-		(511)		-		(511)	2,630,871	($0.000194)			9
10	Rates MOLS and UOLS	0.113%		1,702		(5,650)		(8,820)		(668)		(13,436)	51,132,786	($0.000263)			10
11	Rates TS, FS and MS	0.023%		346		(1,150)		(3,207)		(15)		(4,026)	4,829,088	($0.000834)			11
12	Total Retail	100.000%	$	1,506,155	$	(5,000,000)	$	(7,288,864)	$	(487,466)	$	(11,270,175)	12,900,283,328				12
				(Page 2)		(Page 2)		(Column C Below)		(Page 5)			(WP Schedule 3)		(WP Schedule 4)		

Footnote 1

Line No.	Description		July 2020 Rider 71 Workpaper ECR 35A Schedule 5 (Over)/Under Billed Revenue Requirement		Removal of Utility Receipts Tax (URT)		Total Reconciliation Rev. Require. (excluding URT)	Line No.
			(A)		(B) = (C) - (A)		(C) = (A) / 1.0142	
1	Rate RS	$	(2,714,994)	$	38,013	$	(2,676,981)	1
2	Rates CS and FOC		(384,846)		5,388		(379,458)	2
3	Rate LLF		(1,323,011)		18,524		(1,304,487)	3
4	Rate HLF		(2,872,821)		40,223		(2,832,598)	4
5	Customer L		(17,964)		252		(17,712)	5
6	Customer O		(32,674)		457		(32,217)	6
7	Rate WP		(29,569)		414		(29,155)	7
8	Rate SL		(3,771)		53		(3,718)	8
9	Rate MHLS		(518)		7		(511)	9
10	Rates MOLS and UOLS		(8,945)		125		(8,820)	10
11	Rates TS, FS and MS		(3,253)		46		(3,207)	11
12	Total Retail	$	(7,392,366)	$	103,502	$	(7,288,864)	12

URT Adjustment 1.0142

DUKE ENERGY INDIANA, LLC

DETERMINATION OF ENVIRONMENTAL COMPLIANCE ADJUSTMENT FACTORS BY RATE SCHEDULE

Line No.	Description	Production Energy Allocators from Cause No. 45253	Revenue Requirement for Estimated Operating Expenses	MWH Plant Output Cause No. 42359	Production Energy Allocators from Cause No. 42359	Reconciliation Emission Allowances	Reconciliation Operating Expenses	Total Revenue Requirement	Kilowatt-Hour Sales for the Six Months Ended December 31, 2020	Environmental Compliance Rate Adjustment Factors Per KWH by Rate Schedule	Sum of Monthly Non-Coincident Peak Demands for the Six Months Ended December 31, 2020	Environmental Compliance Rate Adjustment Factor Per KW for Rate HLF	Line No.
		(A)	(B)	(C)	(D)	(E)	(F)	(G) = (B) + (E) + (F)	(H)	(I)= (G)/(H)	(J)	(K) = (G)/(J)	
1	Rate RS	33.840%	$ (1,115,167)	8,941,195	31.321%	$ 28,907	$ (2,759,411)	$ (3,845,671)	4,526,454,087	($0.000850)			1
2	Rate CS	3.908%	(128,785)	1,306,126	4.575%	4,222	(318,670)	(443,233)	511,534,159	($0.000866)			2
3	Rate LLF	18.237%	(600,985)	3,433,917	12.028%	11,101	(1,487,098)	(2,076,982)	2,586,088,129	($0.000803)			3
4	Rate HLF	38.452%	(1,267,153)	13,252,305	46.420%	42,843	(3,135,487)	(4,359,797)	5,021,996,616		9,329,126	($0.467332)	4
5	Customer L	0.400%	(13,182)	89,102	0.312%	288	(32,617)	(45,511)	22,560,720	($0.002017)			5
6	Customer O	4.021%	(132,509)	1,193,990	4.182%	3,860	(327,884)	(456,533)	77,612,642	($0.005882)			6
7	Rate WP	0.545%	(17,960)	130,895	0.459%	424	(44,441)	(61,977)	76,940,100	($0.000806)			7
8	Rate SL	0.144%	(4,745)	52,518	0.184%	170	(11,742)	(16,317)	18,504,130	($0.000882)			8
9	Rate MHLS	0.020%	(659)	7,261	0.025%	23	(1,631)	(2,267)	2,630,871	($0.000862)			9
10	Rates MOLS and UOLS	0.398%	(13,116)	125,168	0.438%	404	(32,454)	(45,166)	51,132,786	($0.000883)			10
11	Rates TS, FS and MS	0.035%	(1,153)	16,050	0.056%	52	(2,854)	(3,955)	4,829,088	($0.000819)			11
12	Total Retail	100.000%	$ (3,295,414)	28,548,527	100.000%	$ 92,294	$ (8,154,289)	$ (11,357,409)	12,900,283,328				12
			(Page 2)			(Page 4)	(Page 5)		(WP Schedule 3)		(WP Schedule 4)		

DUKE ENERGY INDIANA, LLC

ENVIRONMENTAL COMPLIANCE ADJUSTMENT COMBINED FACTORS BY RATE SCHEDULE

Line No.	Description	Environmental Compliance Rate Adjustment Factors Per KWH/KW by Rate Schedule For Investment	Environmental Compliance Rate Adjustment Factors Per KWH/KW by Rate Schedule For Expenses (Demand)	Environmental Compliance Rate Adjustment Factors Per KWH/KW by Rate Schedule For Expenses (Energy)	Total Rate Adjustment Factor	Line No.
		(A)	(B)	(C)	(E)	
1	Rate RS	$0.000010	($0.000946)	($0.000850)	($0.001786)	1
2	Rate CS	$0.000011	($0.001132)	($0.000866)	($0.001987)	2
3	Rate LLF	$0.000009	($0.000811)	($0.000803)	($0.001605)	3
4	Rate HLF 1/	$0.003495	($0.446936)	($0.467332)	($0.910773)	4
5	Customer L	$0.000009	($0.001289)	($0.002017)	($0.003297)	5
6	Customer O	$0.000005	($0.000600)	($0.005882)	($0.006477)	6
7	Rate WP	$0.000006	($0.000573)	($0.000806)	($0.001373)	7
8	Rate SL	$0.000000	($0.000205)	($0.000882)	($0.001087)	8
9	Rate MHLS	$0.000000	($0.000194)	($0.000862)	($0.001056)	9
10	Rates MOLS and UOLS	$0.000002	($0.000263)	($0.000883)	($0.001144)	10
11	Rates TS, FS and MS	$0.000005	($0.000834)	($0.000819)	($0.001648)	11
		(Page 6)	(Page 7)	(Page 8)		

1/ Factor for HLF is $ / KW.

DUKE ENERGY INDIANA, LLC

WEIGHTED COST OF CAPITAL AS OF DECEMBER 31, 2020
REFLECTING THE 9.70% RETURN ON COMMON
EQUITY APPROVED IN IURC CAUSE NO. 45253
(DOLLARS IN THOUSANDS)

Line No.		Capitalization	Capital Structure Ratio: Financial Concept	Capital Structure Ratio: Regulatory Concept	Cost Rate	Weighted Cost Rate: Financial Concept	Weighted Cost Rate: Regulatory Concept	Weighted Cost Rate: Synch. Interest	Line No.
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	
1	Common Equity	$4,768,735	54.03%	41.62%	9.70%	5.24%	4.04%		1
2	Preferred Stock	0	0.00%	0.00%	0.00%	0.00%	0.00%		2
3	Long-Term Debt	4,057,653	45.97%	35.41%	4.37%	2.01%	1.55%	1.57%	3
4	Total Financial Capitalization	8,826,388	100.00%	77.03%		7.25%			4
5	Deferred Income Taxes Including Excess Deferred Taxes 1/	2,428,573		21.18%	0.00%		0.00%		5
6	Unamortized ITC - Crane Solar	11,231		0.10%	7.25%		0.01%		6
7	Unamortized ITC - 1971 & Later	1,997		0.02%	7.25%		0.00%		7
8	Unamortized ITC - Markland Hydro	20,735		0.18%	7.25%		0.01%		8
9	Unamortized ITC - Camp Atterbury Solar	231		0.00%	7.25%		0.00%		9
10	Unamortized ITC - Advanced Coal (IGCC)	133,500		1.17%	7.25%		0.08%		10
11	Customer Deposits	36,306		0.32%	2.00%		0.01%		11
12	Total Regulatory Capitalization	$11,458,961		100.00%			5.70%	1.57%	12

Revenue Requirement Conversion Factor

	Weighted Cost Rate		Revenue Conversion Factor
Debt	1.57%	1.00481	1.5776%
Equity	4.13%	1.33126	5.4981%
Total	5.70%	1.24135	7.0757%

1/ Excess deferred taxes are recorded as a regulatory asset/liability.

DUKE ENERGY INDIANA, LLC

Comparison of the Effect of a Change in the Environmental Compliance Adjustment Factor (Rider No. 62) on the Bill of a Typical Residential Customer Using 1,000 KWHs

Line No.	Description	Revenue Adjustment Factor for Rider No. 62	Base Bill for Typical Residential Customer 1/	All Other Riders Excluding Rider 62 as of March 31, 2021	Total Bill for Typical Residential Customer Excluding Rider 62	Rider No. 62 Revenue Adjustment for 1,000 KWHs	Total Bill Including Rider No. 62 Revenue Adjustment	Increase/ (Decrease) in Total Bill from Current Factor	% Increase/ (Decrease) in Total Bill from Current Factor	Line No.
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
1	Proposed Factor	($0.001786)	$130.99	($1.49)	$129.50	($1.79)	$127.71	($0.46)	-0.4%	1
2	Current Factor	($0.001329)	$130.99	($1.49)	$129.50	($1.33)	$128.17	N/A	N/A	2

1/ Reflects rates approved in Cause No. 45253.

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: Maria Teresa Diaz
Maria Teresa Diaz

Dated: 3-31-21