ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Bennett	√		
Freeman	√		
Veleta	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF DUKE ENERGY INDIANA, LLC FOR APPROVAL OF PETITIONER'S UPDATED 6-YEAR ELECTRIC PLAN, PURSUANT TO IND. CODE § 8-1-39-9, AND APPROVAL OF A TARGETED ECONOMIC DEVELOPMENT PROJECT AND RECOVERY OF COSTS ASSOCIATED WITH THE PROJECT, PURSUANT TO IND. CODE §8-1-39-9(b)(1).	)	**CAUSE NO. 45647 TDSIC 2** **APPROVED: MAY 22 2024**

ORDER OF THE COMMISSION

Presiding Officers:
David E. Veleta, Commissioner
Kristin E. Kresge, Administrative Law Judge

On October 30, 2023, Duke Energy Indiana, LLC ("Duke Energy Indiana" or "Petitioner") filed a Verified Petition with the Indiana Utility Regulatory Commission ("Commission") requesting approval of its updated six-year plan for eligible transmission, distribution, and storage system improvements ("Updated 2.0 Plan"), pursuant to Ind. Code § 8-1-39-9, and approval of a targeted economic development ("TED") project, pursuant to Ind. Code § 8-1-39-9(b)(1). On October 30, 2023, Duke Energy Indiana prefiled the direct testimony of the following witnesses:

- Jeremy K. Lewis, Director of Customer Delivery Project Management at Duke Energy Business Services, LLC ("DEBS");
- Martin D. Dickey, Vice President, Transmission Construction and Maintenance at Duke Energy Business Services, LLC;
- Erin Schneider, Managing Director of Economic Development at Duke Energy Indiana; and
- Cheryl L. Dunchak, Manager, Rates & Regulatory Strategy at Duke Energy Indiana.

On October 30, 2023, Duke Energy Indiana filed a motion for protection of confidential and proprietary information. On November 21, 2023, the Presiding Officers granted Petitioner's motion.

On November 8, 2023, a docket entry was issued creating a subdocket for the purpose of reviewing the proposed StarPlus Energy Project, to be located in Kokomo, Indiana, as a TED project. On December 27, 2023, the Commission approved the StarPlus Energy Project in the subdocket as a TED project for inclusion in Duke Energy Indiana's TDSIC 2.0 Plan.

On January 30, 2024, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled the direct testimony of Roopali Sanka and Kaleb G. Lantrip, Utility Analysts in its Electric Division.

On February 20, 2024, Duke Energy Indiana prefiled the rebuttal testimony of Gabe Seibel, Director, Transmission Project Management, DEBS, and Ms. Dunchak.

An evidentiary hearing was held in this Cause commencing at 1:00 p.m. on March 4, 2024, in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC, by counsel, participated in the hearing, and the evidence of Duke Energy Indiana and the OUCC was admitted without objection.

Based upon the applicable law and the evidence presented, the Commission finds:

1. Notice and Jurisdiction. Notice of the hearing was given and published by the Commission as required by law. Duke Energy Indiana is a public utility as defined in Ind. Code §§ 8-1-2-1(a) and 8-1-39-4. Under Ind. Code §§ 8-1-39-10 and -11, the Commission has jurisdiction over Petitioner's Updated 2.0 Plan, including TED Projects. Under Ind. Code ch. 8-1-39 and Ind. Code § 8-1-2-42, the Commission also has authority over certain changes to Duke Energy Indiana's rates and charges; therefore, the Commission has jurisdiction over Duke Energy Indiana and the subject matter of this proceeding.

2. Petitioner's Characteristics. Duke Energy Indiana is a public utility corporation organized under Indiana law with its principal office at 1000 East Main Street in Plainfield, Indiana. Petitioner is a wholly-owned subsidiary of Duke Energy Indiana Holdco, LLC and has corporate power and authority to supply electric utility service to the public within Indiana. Duke Energy Indiana owns, operates, manages, and controls plant, property, and equipment for the production, transmission, distribution, and furnishing of electric service and directly supplies electric energy to approximately 870,000 customers located in 69 Indiana counties, including West Lafayette. Petitioner also sells electric energy for resale to other public utilities that, in turn, supply electric utility service to customers in areas Petitioner does not directly serve.

3. Background to this Proceeding. Duke Energy Indiana's six-year TDSIC 2.0 plan, which consists of various projects to improve safety, reliability, or modernize Petitioner's transmission, distribution, and storage systems ("TDSIC 2.0 Plan"), was approved on June 15, 2022, in the Commission's Order in Cause No. 45647 ("45647 Order"). The relief approved in the 45647 Order included authorizing Petitioner to recover 80% of its TDSIC 2.0 Plan costs through Standard Contract Rider No. 65 (the "TDSIC Rider"), to defer 20% of eligible and approved capital expenditures and TDSIC costs with carrying costs under Ind. Code § 8-1-39-9(b), and recovery of the deferred post-in-service TDSIC 2.0 Plan costs as part of Petitioner's next general rate case.

The Commission approved the River Ridge Commerce Center Project and the Rolls-Royce West Lafayette Project as TED projects for inclusion in Duke Energy Indiana's TDSIC 2.0 Plan in Cause Nos. 45647 S1 and 45647 TDSIC 1, respectively. On December 27, 2023, in Cause No. 45647 TDSIC 2 S1, the Commission approved the StarPlus Energy Project as a TED project for inclusion in Duke Energy Indiana's TDSIC 2.0 Plan.

4. Relief Requested. Duke Energy requests approval of its Updated TDSIC 2.0 Plan, including previously approved TED project costs and associated ratemaking treatment.

5. Petitioner's Case-in-Chief.

A. Jeremy K. Lewis Testimony. Mr. Lewis testified Duke Energy Indiana's filing in this Cause is limited to providing the Updated 2.0 Plan for the remainder of 2023 through 2028 and does not include a request for rate recovery. He stated Duke Energy Indiana's spring filing is for rate recovery of project costs placed in service during the prior calendar year. Mr. Lewis testified that Duke Energy Indiana's Updated 2.0 Plan, excluding TED projects, continues to reflect the $1,851,443,166 capital investment per the Final Order in Cause No. 45647. He testified that after the first eight months of TDSIC 2.0 Plan, Duke Energy Indiana is on track to deliver the proposed objectives at the cost approved by the Commission. The Updated 2.0 Plan includes an updated forecast for the remainder of the TDSIC 2.0 Plan. Regarding Petitioner's TED projects, this update reflects a total investment of $371,565,943.

Mr. Lewis testified that each of the projects identified in the Updated 2.0 Plan are for the purpose of safety, reliability, or system modernization, and have not previously been included in Duke Energy Indiana's rate base. He described Duke Energy Indiana's management structure for the TDSIC program and explained the difference between the five discrete program categories included in the Updated 2.0 Plan and the inspection or assessment-based program categories.

Mr. Lewis testified Duke Energy Indiana is executing the TDSIC 2.0 Plan within scope, schedule, and cost. Petitioner's updated forecast shows Duke Energy Indiana intends to complete most of the transmission and distribution scope of work identified through 2023 within $11.9 million of the approved TDSIC 2.0 Plan, excluding contingency, which is approximately a 7% variance. Cost fluctuations associated primarily with labor and material have impacted cost estimates and scope. As the projects are elaborated into a better class of cost estimate, the scope of the projects becomes more defined, providing additional customer value. Mr. Lewis stated that while the exact scope and cost identified in the original TDSIC 2.0 Plan may not be achieved, the overall value to Petitioner's customers for the dollars spent is projected to be equivalent. Mr. Lewis testified that with the Updated 2.0 Plan there has been the conventional movement of projects between years and to or from the Alternate List due to factors such as managing schedules impacted by material availability and lead times, planned outages, storm response, and standards changes. He testified these changes have been incorporated into the Updated 2.0 Plan, and Petitioner is confident in its ability to achieve the Updated 2.0 Plan by the end of 2028. He testified that at this time, only projects within the Distribution Circuit Improvement Plan have been moved from the approved Alternate List to the active Plan, typically as the result of projects progressing through scope review, engineering, and execution. Overall, projects remain in alignment within the approved six-year plan scope. Mr. Lewis testified Duke Energy Indiana continues to execute the TDSIC 2.0 Plan as approved, estimate a benefit to cost ratio of 2.7 after the six years.

Mr. Lewis testified no projects or categories were added to the distribution circuit projects in the Updated 2.0 Plan. For 2023, the overall project scopes for Distribution Circuit Improvement Plan remained largely the same, with some individual work orders within the projects moving in and out of the plan. Mr. Lewis stated movement of work orders between years is expected due to emerging system priorities, and unit counts remain in tolerance with the six-year TDSIC 2.0 Plan scope.

Mr. Lewis provided an updated cost estimate for the distribution circuit improvement projects in the Updated 2.0 Plan. He testified no known individual factors impacted the overall financial forecast for the full six-year distribution circuit improvement plan. However, two factors have impacted the 2023 financial forecast within the distribution circuit improvement plan. First, supply chain material cost increases impacted select items utilized within specific projects. Second, Duke Energy Indiana is negotiating its external labor agreements. Although the extent of the impact is unknown, the estimates have not been modified beyond Petitioner's standard 3% escalation to account for anticipated labor rate adjustments.

In describing factors that have driven Distribution Circuit Improvement Plan variances for 2023, Mr. Lewis testified the TDSIC 2.0 Plan forecasted the Distribution Circuit Improvement Plan in 2023 to be $86.1 million, and Duke Energy Indiana is currently projecting this to be $86.7 million, a 1% variance. He explained the standard changes to the Ground Line Treatment ("GLT") program to enhance its existing wood pole treatment to include supplemental ground line treatment as well as removal of existing ground line decay. He testified that starting in 2024, costs will increase for the GLT program due to an increase in pole replacements throughout the first cycle. In addition, the cost of pole treatment will be an incremental capital cost to the program along with a projected reduction in pole inspection costs. Mr. Lewis testified the new GLT standard enhancement resulted in an 8% cost increase. He testified Petitioner has implemented a new recloser standard taking effect in 2025, which will reduce the risk of environmental oil leak hazards, improving public safety by reducing the potential of oil discharge, and leveraging new technology. He stated with a phased implementation and updated unit estimates, the overall financial impact is minimal.

Mr. Lewis testified Petitioner's methodology for recoverable operation and maintenance ("O&M") expenditures in the TDSIC 2.0 Plan has not changed in the Updated 2.0 Plan. Compared to the TDSIC 2.0 Plan, Petitioner's forecasted six-year O&M cost in the Updated 2.0 Plan has decreased from $108.3 million to $62.6 million, which Mr. Lewis testified is due to the updated historical O&M and retirement rates for several programs being significantly lower than the rates used in the approved TDSIC 2.0 Plan, as well as the reduction of GLT inspection costs of approximately $3.3 million due to the GLT standards enhancement beginning in 2024.

Mr. Lewis testified transmission and distribution combined six-year total indirect projections have decreased 4.1%, while distribution indirect costs for TDSIC projects are a 3.9% decrease in overall six-year projections.

Mr. Lewis testified that Petitioner provided a comprehensive list of each project in the updated Distribution Circuit Improvement Plan and a detailed forecast update for the 2023 distribution circuit projects that includes an update for the remainder of 2023 and for the remaining five years of the Updated 2.0 Plan. He testified Petitioner remains 100% engineered for 2024, as originally filed, and 94% of the 2025 estimates now reflect Class 2 estimates with the remaining years of the Updated 2.0 Plan at Class 4. He opined the public convenience and necessity require the distribution circuit improvements included in Petitioner's Updated 2.0 Plan, and he testified the estimated costs and benefits are consistent with the approved plan and justified by the incremental benefits attributable to the plan.

B. Martin D. Dickey Testimony. Mr. Dickey testified that the transmission substation, distribution substation, and transmission line portions of the Updated 2.0 Plan are being executed within the scope and schedule identified in Cause No. 45647. Individual project schedules continue to be adjusted based upon material lead times and changes in scheduled outages. He testified Petitioner is projecting $927,121,588 in transmission capital additions in the six-year Updated 2.0 Plan, within 6% of the approved cost estimate in Cause No. 45647. Petitioner forecasted that by the end of 2023, $91,872,696 in transmission substation, distribution substation, and transmission line capital projects will be placed into service.

Mr. Dickey testified Petitioner has continued to refine project scopes and costs to reflect material lead time requirements. For 2023 projects, engineering is complete, outage schedules have been defined, material has been delivered or is on order with projected delivery dates, and labor estimates from internal or contract crews are final. As adjustments were made to ensure alignment with the work outlined in Cause No. 45647, the schedules from 2024 through 2028 were updated. As projects continue to push to 2025 and beyond, due to material lead time and cost of materials, Petitioner will manage available outages causing construction schedules to adjust as Petitioner works through material, supply chain and outage constraints. He testified the estimates of these projects range from Class 3 to Class 4 until further refined through the development, engineering, and outage process.

Mr. Dickey reviewed the notable changes in project scope and cost in the Transmission Line Programs. He testified that although the Wood Pole Replacement Program scope of 554 poles per year and 3,323 poles through the six-year TDSIC 2.0 Plan has not changed, Ground Line Inspections for 2023 resulted in a higher than anticipated rate of replacement (7.5% rather than 4.5%), but no change in scope is being made at this time. Petitioner will continue to review and update the rate of replacement in future filings. Mr. Dickey testified the Crossarm Replacement Program will see notable changes starting in planning year 2024 to identify individual defective crossarms during the same transmission line inspections which inspect the poles and other line components. When such a defect is reported, a determination will be made whether to replace only the crossarm or the entire pole with a steel pole. Mr. Dickey testified the 2024 dollars for the Transmission Lattice Tower Replacement Program have been shifted to 2028, since no lattice towers were identified in 2023 for replacement in 2024. He testified that 10 of the 33 projects supporting the Transmission Line Switch Replacement Program were moved to the Alternate List due to: (i) the asset being already bundled in another TDSIC 2.0 project or outside of TDSIC 2.0; (ii) substation retirements or the asset no longer being required; or (iii) the asset already being replaced.

Mr. Dickey testified that over the past two years, Duke Energy Indiana has seen historic changes in material lead times and supplier delays resulting in increased project costs and delayed construction and outage schedules. Projects could be delayed two or three years to accommodate extended material lead times. He testified that the flow of raw materials has delayed equipment deliveries from Petitioner's suppliers. Raw material and labor are also affecting commodities such as steel transmission poles and substation steel structures. He testified inflation, soaring demand, and a nationwide spike in infrastructure improvement has impacted project costs. Mr. Dickey testified changes in transmission timing, scope, and cost are reflected in the Updated 2.0 Plan. To mitigate costs associated with the rapidly changing material lead times, Mr. Dickey testified

Petitioner has implemented a new process and technology tool to proactively extract lead times from vendors so orders can be placed at the right time. Petitioner identified material and vendors that provide high quality material to provide long-term value for Duke Energy Indiana's customers. Forward ordering helps get orders to vendors earlier to claim valuable manufacturing space.

Mr. Dickey testified that no new Transmission Substation, Distribution Substation, or Transmission Line projects have been added to the Updated 2.0 Plan. Petitioner estimates a benefit to cost ratio of 3.0 after completing the six-year TDSIC 2.0 Plan. He stated the Updated 2.0 Plan costs continue to be justified by the incremental benefits. He testified no transmission improvement projects were moved into the Updated 2.0 Plan from the Alternate List; however, 10 projects were moved out of the TDSIC 2.0 Plan to the Alternate List due to: (i) the projects being bundled in another TDSIC 2.0 Plan project or in a project outside of TDSIC; (ii) substation retirement or no longer required; or (iii) the project was previously completed. Seven transmission improvement projects were moved from 2023 to later years due to material long lead times or other projects impacting planned construction start.

Mr. Dickey identified the 2023 in-service projects with variances forecasted to be greater than 20% as compared to the TDSIC 2.0 Plan approved in Cause No. 45647, noting Petitioner is not requesting rate recovery of these projects in this Cause. The capital costs of the projects in the Updated 2.0 Plan are $10.6 million greater than the TDSIC 2.0 Plan forecast. Mr. Dickey testified Duke Energy Indiana will provide more detailed explanations for any projects that go over by more than 20% in future TDSIC 2.0 proceedings.

Mr. Dickey stated Petitioner is continually improving estimates and processes and forecasts the Updated 2.0 Plan staying under the capital cost approved in Cause No. 45647. He testified there has been a reduction in the overall amount of O&M included for transmission line, transmission substation, and distribution substation projects, with O&M decreasing $2.0 million. He testified Petitioner has provided the best estimate of the costs of the eligible transmission improvements, public convenience and necessity require each component of the Updated 2.0 Plan, and the estimated costs justify the incremental benefits of the Updated 2.0 Plan.

C. Erin Schneider Testimony. Ms. Schneider testified that the StarPlus Energy Project supports the joint venture between Samsung SDI and Stellantis N.V. ("Stellantis") to build a $2.5 billion electric vehicle battery manufacturing facility ("EV Battery Plant") in Kokomo, Indiana. The facility will supply battery modules for a range of electric vehicles produced at Stellantis' North American assembly plants.

Ms. Schneider described the facilities that will be installed to expand available service for the project. To support the EV Battery Plant site, Duke Energy Indiana will build a 230/69/34.5kV substation ("Kokomo Industrial Substation"), which is designed to be expanded in stepwise fashion to accommodate future industrial growth for suppliers and commercial and residential growth in the surrounding area. The Kokomo Industrial Substation will accommodate connections of both 230kV and 69kV transmission lines to not only allow for potential network expansions, but to also allow potential customers to take service at either the 230kV or 69kV level. A second 230/69kV bank will be installed at the Kokomo Webster Street Substation to meet StarPlus

Energy's load ramp requirements. This bank will remain permanently installed, enabling the 69kV system to provide reserving capability for the Kokomo Industrial Substation, and adding to overall system resiliency. She testified Duke Energy Indiana will add a new 69/12kV station, which will be located on the site and directly sourced off the 69kV system at the Kokomo Industrial Substation. This new substation will serve StarPlus Energy local suppliers requesting distribution services other than 34.5kV and support local area growth.

Ms. Schneider testified Petitioner will meet the EV Battery Plant's load ramp requirements prior to the Kokomo Industrial Substation providing service via a temporary substation. The temporary substation will be composed of temporary line switches and a 69/34.5kV transformation. A series of upgrades will be made to accommodate the temporary substation, including a permanent second 230/69kV bank installation at the Webster Street Substation, which will be on the Kokomo Industrial Substation site and initially fed by a 69kV line from the Kokomo East Substation. She testified a portion of the 69kV from Kokomo Webster Street Substation is being rebuilt to the Kokomo Industrial Substation. Once built, the temporary substation will be served off the newly built line, allowing the higher load levels of the customer load ramp to be met.

Ms. Schneider testified Samsung SDI and Stellantis will invest $2.5 billion in the EV Battery Plant and create an estimated 1,400 new jobs. Additional suppliers have committed to locations near the EV Battery Plant and are estimated to invest a total of $83 million and will create more than 175 jobs. StarPlus Energy announced plans to build a second EV battery plant in Kokomo adjacent to the previously announced plant, investing an additional $3.2 billion and creating 1,400 jobs. Ms. Schneider testified the high wages from these jobs will positively impact the region, and the capital investment will increase the tax base and overall economy within the region and Indiana. She stated it will attract more economic development and capital investment to the area. Ms. Schneider stated expanding the battery technology and clean energy industry in Indiana will continue to attract similar companies to collaborate and grow together, aligning directly with the Indiana Economic Development Corporation's goal and mission to grow an economy of the future and aggressively pursue opportunities at a state and local level for Hoosier jobs. She testified that the proposed StarPlus Energy Project will allow Petitioner to work with local partners to achieve their economic goals and grow a stronger, more resilient community.

Ms. Schneider testified Petitioner's estimated cost for the StarPlus Energy Project is approximately $115 million. The StarPlus Energy Project will provide more than 230 MW of transmission capacity, which will serve the EV Battery Plant and future customers in the Kokomo area. Ms. Schneider testified that Petitioner's estimated costs associated with the StarPlus Energy Project are justified by the incremental benefits, including the creation of jobs and capital investments.

Ms. Schneider provided an update of the River Ridge Commerce Center TED Project, approved in Cause No. 45647 S1. She testified Petitioner's plan to build 200 MW in additional transmission capacity has been severely impacted by supply chain constraints and increased costs due to inflation and growing customer needs. To provide 200 MW that will serve as additional capacity to support continued growth at River Ridge, Duke Energy Indiana will construct a new transmission substation and rebuild a 138 kV transmission line. To support anticipated growth

beyond 200 MW, Petitioner will need to rebuild the 345 kV transmission line and construct two additional 345 kV transmission lines with River Ridge Commerce Center. Ms. Schneider testified the updated scope and $82 million cost of the River Ridge Commerce Center TED are included in this plan update and could create more than 5,000 jobs and bring more than $5 billion in capital investment. She testified the additional River Ridge Commerce Center TED scope and costs continue to be justified by the incremental benefits and will continue to positively impact the area by facilitating a large economic effect on the local region, Indiana, and Duke Energy Indiana customers.

Ms. Schneider provided an updated cost estimate for the Rolls-Royce TED Project, approved in Cause No. 45647 TDSIC-1, stating that construction of the infrastructure is underway with the timing of the project to be completed as planned. She testified it is very likely additional TED projects will be needed during the next six years of the Updated 2.0 Plan. Any requests for approval of new TED projects, as well as updates or additions to the previously approved TED projects, will be included in Duke Energy Indiana's future update proceedings.

D. Cheryl L. Dunchak Testimony. Ms. Dunchak testified Petitioner is requesting approval of a change in ratemaking for its TED projects from the current in-service ratemaking treatment, which includes expenditures for projects in-service at the time of the annual cut-off dates, to the construction work in progress ("CWIP") method. She testified the proposed CWIP method would reduce overall financing costs to Duke Energy Indiana customers. She stated TED projects have materially higher cost estimates per project and span over longer construction periods, making these projects more impacted by the delay between CWIP recovery versus in-service recovery. With the proposed CWIP method, Allowance of Funds Used During Construction ("AFUDC") would cease at the time such TED costs receive CWIP treatment or the date the TED project is placed in service, whichever comes first, and begin earning a return via Petitioner's rates. Ms. Dunchak testified Petitioner is requesting CWIP ratemaking for approved TED projects incurred at the end of each cut-off period. She explained that the TED projects' CWIP value would be added to the other TDSIC in-service investments for which Petitioner is authorized to earn a return, and retail electric rates would be adjusted via Rider 65 to include the revenue effect of such investments. She testified the ratemaking request is in accordance with Ind. Code §§ 8-1-39-7 and 8-1-39-12(c) and will allow Petitioner to efficiently finance and execute its large and time-sensitive economic development projects.

Ms. Dunchak confirmed Petitioner is not seeking updated TDSIC Rider rates in this proceeding. She testified such a rate adjustment will be requested in Duke Energy Indiana's spring 2024 filing under Cause No. 45647, which will include rate impacts applicable to both the 1.0 Plan approved in Cause No. 44720 and the Updated 2.0 Plan, filed in a single proposed tariff using Rider 65. Each plan will continue to be tracked and presented separately in the annual filing until the remaining 1.0 Plan projects are included in base rates. She stated that based on the Updated 2.0 Plan costs, estimated post-in-service carrying costs, and estimated depreciation expense, and subject to the statutory 2% revenue cap, the average annual total rate impact compared to retail revenue for the 12 months ended June 30, 2023, is estimated to be 0.78% or less over the six-year plan period. When factoring in the approved and proposed TED projects, the average annual total retail rate impact is estimated to be 0.98% or less over the six-year plan period. Ms. Dunchak noted the rate impact will vary based on a number of variables, including the following: (i) the actual

AFUDC and the actual AFUDC rates applied to the approved projects; (ii) the actual capital structure, cost of capital rates, and revenue conversion factors in effect for the Rider 65 filings; (iii) the timing of the Updated 2.0 Plan projects, cash flows, and approvals under the TDSIC Rider; (iv) the final costs of the Updated 2.0 Plan; and (v) the actual depreciation lives of the investments. Ms. Dunchak testified costs related to wholesale customers were not allocated transmission and distribution costs in Cause No. 45253; consequently, the retail costs reflect 100% allocation to retail in the rate impact estimates. She stated costs related to joint owners have been excluded for purposes of the rate impact estimates. Ms. Dunchak testified when taking the anticipated growth associated with the proposed StarPlus Energy TED Project into account, remaining retail customers are expected to benefit from lower rates realized through spreading Petitioner's fixed costs over the increased load from the TED project.

6. OUCC's Direct Evidence.

A. Roopali Sanka Testimony. Ms. Sanka testified the OUCC has concerns with the variance in cost updates of Petitioner's previously approved TED projects. She testified that the approximate 86% updated capital cost increase of the River Ridge Commerce Center TED Project could jeopardize the economic viability of the project. She stated that if the expected benefits and returns do not align with the escalated costs, the River Ridge Commerce Center TED Project may not be considered a financially sound investment by the in-service date of 2025 if there are additional cost increases in the future. She confirmed Petitioner's costs and design updates to the Rolls-Royce TED Project represent a decrease from the original filing. Ms. Sanka acknowledged the inherent challenges in accurately forecasting costs, but emphasized the need for robust mechanisms to address and mitigate unforeseen variances in the approved TED projects as precise cost estimations are crucial for effective project planning and financial management. She testified that the significant discrepancies in Petitioner's TED projects suggests room for improvement in the project's planning phase, where crucial elements may not have been adequately accounted for contributing to the overall cost or variance. Ms. Sanka recommended approval of the proposed StarPlus Energy TED Project. Although not explicitly suggesting a change or endorsing a specific course of action, Ms. Sanka recommended the Commission maintain vigilant oversight of future cost updates to promote improved accuracy in Petitioner's cost projections.

B. Kaleb Lantrip Testimony. Mr. Lantrip testified the OUCC has concerns about the affordability of Petitioner's Updated 2.0 Plan, considering there have been two significant changes since the TDSIC 2.0 Plan was approved. The first is the addition of Ind. Code § 8-1-2-0.6, requiring consideration of the Five Pillars, including affordability. The second is Petitioner's addition of TED projects in its Updated 2.0 Plan. Mr. Lantrip testified the approval of multiple TED projects is significant since the TDSIC statute's 2% limitation on total retail revenues specifically excludes TDSIC revenues associated with TED projects from the calculation of a utility's total retail revenues. Petitioner's current forecasted impact including TED projects, both approved and proposed, on TDSIC revenues is 0.98% of total revenues.

Mr. Lantrip recommended the Commission deny Petitioner's request to change its accounting treatment from in-service to CWIP because: (i) Petitioner has not sufficiently supported the benefits to ratepayers; (ii) the current in-service methodology will further incentivize Petitioner

to ensure cost containment and effectiveness; and (iii) the current in-service methodology will be more affordable to ratepayers in the short term. Mr. Lantrip's analysis of the annual difference between the two estimated forecasts shows a net cumulative benefit to residential customers for the years 2024-2027 of $11.35 when using the in-service method. He testified that the lower bill impacts from the reduced financing costs in 2028 and 2029 does not justify switching to the CWIP method. The net cumulative benefit when using in-service treatment is $9.48 to annual residential customers with monthly 1,000 kWh use bills.

Mr. Lantrip recommended approval of Petitioner's proposed reporting of the TDSIC 1.0 Plan and the Updated 2.0 Plan in its spring filings.

7. Duke Energy Indiana's Rebuttal Evidence. Mr. Gabe Seibel testified in rebuttal that the forecasted spend for the Rolls-Royce TED Project decreased primarily due to a change in structure type that was identified during the detailed design/engineering of the project. The traditional labor intensive custom engineered steel structures with deep reinforced concrete pier foundations were replaced with a new structure type consisting of pre-manufactured concrete base and steel top, which is not always feasible and requires more detailed design after the planning phase to determine if it can be used. He testified the overall scope of the River Ridge Commerce Center TED Project increased to meet specific demands of a planned data center and additional economic development activity at River Ridge, which contributed to the increased capital cost from the original Class 4 estimate. Mr. Seibel testified that Petitioner's TED projects have scope directly tied to customer electric load growth and the network upgrades required to meet the TED customers' capacity and transmission connectivity. These third party-driven scope requirements can evolve as the project discussions progress. Customers may commit to more electric load growth within the same area of the network that results in additional scope to meet the additional capacity needs. As the planning process continues, Petitioner will look for cost saving opportunities to offset scope change, if possible.

Ms. Dunchak testified that since the TED projects have materially higher cost estimates and span over longer construction periods, the CWIP methodology will benefit ratepayers by providing gradual increases related to the TED projects over the life of the TDSIC 2.0 Plan rather than larger increases at the time the TED projects are placed into service. AFUDC would cease accruing at the time the project receives CWIP treatment, avoiding the negative impacts of compounding AFUDC. She testified that a ratemaking methodology is not the driver for cost containment and cost-effectiveness. She stated Commission approval of the TDSIC 2.0 Plan and pre-approval of the TED projects prior to execution is the "measuring stick" for cost containment and cost-effectiveness. Ms. Dunchak testified Petitioner strives to attain a balance throughout the entire six-year TDSIC 2.0 Plan between customer rate impacts and the value of the projects to both customers and Duke Energy Indiana. The CWIP methodology will assist Petitioner in securing efficient financing for the TED projects, which are high priorities for the State of Indiana and can require significant investment to meet time sensitive customer-specific construction deadlines. Ms. Dunchak testified the TDSIC statute allows for CWIP in ratemaking and other Indiana utilities currently use CWIP in their TDSIC ratemaking process. She testified that affordability under Ind. Code § 8-1-2-0.6(2) must be read in conjunction with Indiana's policy to encourage utilities to invest in eligible transmission, distribution, and storage system improvements. While the TED projects are excluded from the 2% limitation on total retail revenues in a 12-month period,

Petitioner's total estimated impact (including its TED projects), was approximately 0.98%, well below the 2% limitation. She testified affordability and rate competitiveness are critical metrics for Petitioner as it is focused on attracting and maintaining customers in its service territory.

8. Commission Discussion and Findings. Duke Energy Indiana submitted its Verified Petition and supporting testimony to demonstrate compliance with the requirements of Ind. Code § 8-1-39-9 ("TDSIC Statute") and the Order in Cause No. 45647.

Section 9(b) of the TDSIC Statute requires a public utility to update its TDSIC plan at least annually. The Updated 2.0 Plan shows actual or updated cost estimates for the TDSIC 2.0 Plan. The updated cost estimates were developed using the same methodology as the initial TDSIC 2.0 Plan. The Updated 2.0 Plan presented by Petitioner provides details to support Duke Energy Indiana's request in this Cause. Thus, we find Duke Energy Indiana has satisfied the requirements of Section 9(b). We encourage Duke Energy Indiana and the OUCC to continue to work together to further refine Duke Energy Indiana's estimation processes, when and where needed.

As described in the testimony and attachments of Mr. Lewis and Mr. Dickey and incorporated into Duke Energy Indiana's petition by reference, in this Cause Petitioner presented its Updated 2.0 Plan. This testimony confirmed the overall scope and intent of the Updated 2.0 Plan has not changed from the currently approved TDSIC 2.0 Plan. No new transmission or distribution projects were added to the Updated 2.0 Plan, and project moves between years were consistent with the 45647 Order. Petitioner's updated estimated total cost of the Plan, excluding TED projects, is the same $1,851,443,166 capital investment estimate approved in the 45647 Order. The Commission finds Petitioner is executing its TDSIC 2.0 Plan consistent with the 45647 Order and that the Updated 2.0 Plan is reasonable, meets the requirements of Ind. Code § 8-1-39-9, and should be approved.

Ms. Dunchak testified that Duke Energy Indiana requests CWIP ratemaking for approved TED projects incurred at the end of each cut-off period, rather than the current in-service method. Ms. Dunchak testified this change in methodology would benefit Duke Energy Indiana's ratepayers by providing gradual increases related to the TED projects over the life of the Updated TDSIC 2.0 Plan, rather than larger increases at the time the TED projects are placed into service and would also reduce overall financing costs. Ind. Code § 8-1-39-7 allows for costs with respect to eligible TDIC improvements, including TED projects, to be incurred while improvements are under construction and post-in-service. CWIP has been approved by the Commission in other TDSIC cases. CWIP will allow Duke to efficiently finance and execute large and time sensitive TED projects. For these reasons, the Commission finds Petitioner's request reasonable and in accordance with Ind. Code §§ 8-1-39-7 and 8-1-39-12(c).

9. Confidential Information. On October 30, 2023, Petitioner filed a motion requesting protection of confidential and proprietary information along with supporting affidavits showing the documents to be submitted to the Commission contained confidential, proprietary, competitively sensitive, and/or trade secrets as defined under Ind. Code §§ 23-2-3-2 and 5-14-3-4. On November 21, 2023, the Presiding Officers preliminarily determined that trade secret information should be subject to confidential procedures, as supported by Petitioner's affidavits.

The Commission finds all such information preliminarily granted confidential treatment is confidential pursuant to Ind. Code §§ 5-14-3-4 and 24-2-3-2, is exempt from public access and disclosure by Indiana law, and should be held by the Commission as confidential and protected from public access and disclosure.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. Petitioner's Updated 2.0 Plan is approved.

2. Duke Energy Indiana's request for CWIP ratemaking for approved TED projects is approved.

3. The confidential information filed in this Cause is trade secrets as defined by Ind. Code § 24-2-3-2 and exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29.

4. This Order shall be effective on and after the date of its approval.

HUSTON, BENNETT, FREEMAN, VELETA AND ZIEGNER CONCUR:

APPROVED: MAY 22 2024

I hereby certify that the above is a true and correct copy of the Order as approved.

Dana Kosco
Digitally signed by Dana Kosco
Date: 2024.05.22 10:12:23 -04'00'

Dana Kosco
Secretary of the Commission