

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF DUKE ENERGY INDIANA, )  
 INC. SEEKING (1) APPROVAL TO REFLECT )  
 COSTS INCURRED FOR THE EDWARDSPOINT )  
 INTEGRATED GASIFICATION COMBINED CYCLE )  
 GENERATING FACILITY PROPERTY UNDER )  
 CONSTRUCTION, INCLUDING THE COST OF )  
 POST-IN-SERVICE NORMAL CAPITALIZED )  
 REPAIRS AND MAINTENANCE EXPENDITURES, )  
 IN ITS RATES AND TO REFLECT APPLICABLE )  
 RELATED COSTS AND CREDITS, INCLUDING )  
 OPERATING EXPENSES, DEPRECIATION, AND )  
 TAX CREDITS, THROUGH ITS INTEGRATED )  
 COAL GASIFICATION COMBINED CYCLE )  
 GENERATING FACILITY COST RECOVERY )  
 ADJUSTMENT, STANDARD CONTRACT RIDER )  
 NO. 61 PURSUANT TO INDIANA §§CODE 8-1-8.8-11 ) CAUSE NO. 43114 IGCC-15  
 AND -12; (2) APPROVAL OF AMORTIZATION )  
 AMOUNTS INCLUDED FOR RECOVERY IN RIDER )  
 NO. 61 FOR POST-IN-SERVICE AFUDC, THE 2012 )  
 SETTLEMENT AGREEMENT REGULATORY )  
 ASSET, AND COMMISSION-ORDERED )  
 REGULATORY LIABILITY; (3) APPROVAL OF )  
 ONGOING REVIEW PROGRESS REPORTS )  
 PURSUANT TO IND. CODE §8-1-8.5 AND §8-1-8.7; (4) )  
 APPROVAL TO REFLECT A CHANGE DUE TO )  
 MIGRATION BETWEEN TWO RATE CLASSES AND )  
 BETWEEN CERTAIN LIGHTING RATE CLASSES; )  
 (5) APPROVAL OF A CHANGE IN ITS FUEL COST )  
 ADJUSTMENT FOR ELECTRIC SERVICE, (6) FOR )  
 APPROVAL OF A CHANGE IN ITS FUEL COST )  
 ADJUSTMENT FOR HIGH PRESSURE STEAM )  
 SERVICE, AND (7) TO UPDATE MONTHLY )  
 BENCHMARKS FOR CALCULATION OF )  
 PURCHASED POWER COSTS IN ACCORDANCE )  
 WITH INDIANA CODE §8-1-2-42, INDIANA CODE )  
 §8-1-2-42.3 AND VARIOUS ORDERS OF THE )  
 INDIANA UTILITY REGULATORY COMMISSION )

NOTICE OF SUBMISSION OF SETTLEMENT AGREEMENT

Duke Energy Indiana, LLC (“Duke Energy Indiana”), by counsel, hereby respectfully submits to the Indiana Utility Regulatory Commission (“Commission”) a Settlement Agreement (“2016 Settlement Agreement”) entered into by and among Duke Energy Indiana, Nucor Steel-Indiana, the Duke Energy Indiana Industrial Group (“Industrial Group”), the Indiana Office of Utility Consumer Counselor (“OUCC”), and Joint Intervenors (comprised of the Citizens Action Coalition of Indiana, Inc., Sierra Club, Save the Valley, and Valley Watch) (collectively referred to herein as “Settling Parties”) on January 14, 2015. The 2016 Settlement Agreement supersedes and replaces entirely the previous September 2015 Settlement Agreement entered into by and among Duke Energy Indiana, Nucor Steel-Indiana, the Industrial Group, and the OUCC, filed with the Commission on September 18, 2015 in its *Joint Motion to Consolidate and for Attorneys’ Conference to Establish New Procedural Schedule*.

**DUKE ENERGY INDIANA, LLC**

By:   
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**CERTIFICATE OF SERVICE**

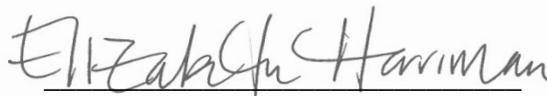
The undersigned hereby certifies that copies of the foregoing submission was electronically delivered this 15<sup>th</sup> day of January, 2016 to the following:

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## **2016 Edwardsport Settlement Agreement**

### **1. Introduction**

This Settlement Agreement (“Settlement” or “2016 Edwardsport Settlement”) is entered into by and between Duke Energy Indiana, LLC (and its successors), the Indiana Office of Utility Consumer Counselor (“OUCC”), the Duke Energy Indiana Industrial Group, Joint Intervenors (comprised of the Citizens Action Coalition of Indiana, Inc., Sierra Club, Save the Valley and Valley Watch), and Nucor Steel-Indiana (collectively, the “Settling Parties”) solely for purposes of compromise and settlement. The 2016 Edwardsport Settlement amends, supersedes and replaces in its entirety the 2015 Edwardsport Settlement entered into by Duke Energy Indiana, Inc., the OUCC, Duke Energy Indiana Industrial Group and Nucor Steel-Indiana dated September 18, 2015. The Settling Parties agree that this Settlement resolves all disputes, claims and issues from the following Indiana Utility Regulatory Commission (“Commission”) proceedings regarding Duke Energy Indiana’s Edwardsport IGCC Generating Facility: Commission Cause Nos. 43114 IGCC-11 through IGCC-15, the FAC subdocket (Cause No. 38707 FAC 99-S1) and the Duke Energy Indiana FAC cases for which rates were approved on an interim basis pending the outcome of Cause No. 43114 IGCC-12/IGCC-13 (specifically, Cause Nos. 38707 FAC 99, 100 and 101).

Included in this Settlement is an \$87.5 million reduction in recoverable previously incurred operating and maintenance expenses (as defined for purposes of the Settlement to include operating and maintenance expenses, payroll taxes, property taxes, property insurance and net of the credit for old Edwardsport operating expenses (but not fuel and depreciation), hereinafter referred to as “O&M”), a \$5.5 million shareholder funded commitment for attorney fees, trusts and programs, as detailed herein, a cap on recoverable O&M incurred through calendar year 2017, a cap on recoverable post-in-service ongoing capital expenditures incurred through calendar year 2017, and an extended amortization period for the regulatory asset established for post-in-service Edwardsport operating expenses under the terms of the 2012 Settlement Agreement<sup>1</sup> and the Commission’s Cause No. 43114 IGCC-4S1 Order (“Regulatory Asset”) from three years (as was agreed to in the 2012 Settlement Agreement) to eight years. The jurisdictional portion of the \$87.5 million reduction in O&M expenses will be credited to customers via a reduction of the Regulatory Asset. In consideration of the above commitments, the Settling Parties agree that the in-service date of the Edwardsport Generating Facility shall be June 7, 2013 for accounting and ratemaking purposes.

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<sup>1</sup> The IURC Cause No. 43114 IGCC-4S1 Phase I and Phase II Settlement Agreement, approved by the Commission on December 27, 2012 – referred to herein as the “2012 Settlement Agreement.”

The Settling Parties desire to fully settle all disputes, claims and issues among them arising out of or relating to these proceedings, and do so, among other reasons, to avoid the continued time and expense of further proceedings and the inherent uncertainties and potential outcomes associated with such proceedings. The Settling Parties agree that the rates that will result from approval and implementation of this Settlement are just, reasonable and necessary. The Settling Parties further agree that this Settlement is a reasonable compromise and that each Settling Party that filed testimony previously in the resolved proceedings will file testimony with the Commission in support of this Settlement, and in such testimony, each such party will explain to the Commission how, in that Settling Party's view, the Settlement is just and reasonable and in the public interest, based on substantial evidence of record.

The Settling Parties agree to work together to achieve approval of this Settlement by April 1, 2016.

## 2. IGCC Rider Filing Schedule and Rate Implementation

Duke Energy Indiana will file its next IGCC Rider filing in the first quarter of 2017 and annually (*instead of every six months*) thereafter until the Commission issues an order in Duke Energy Indiana's next retail base rate case. Upon approval, the rates established pursuant to this Settlement will be implemented and will remain in effect until rates from the first subsequent annual filing (the 2017 filing) are implemented.

The annual filings will be made in the first quarter of each year beginning in 2017. The 2017 filing would address Edwardsport's operations from April 1, 2015 through December 31, 2016. Subsequent annual filings will cover Edwardsport's operations during the prior calendar year (*i.e.*, the filing made in the first quarter of 2018 would address Edwardsport's operations during calendar year 2017).

The actual kwh for the twelve months ended March 31, 2015, divided by two, will be used to develop the rates, as reflected on Petitioner's Exhibit B-2 page 10 in IGCC-14 and D-2 page 10 in IGCC-15. This reflects an annual period consistent with how the rates will be billed rather than the six month period originally used in IGCC-15. Subsequent filings will use the sales for the 12 months ended December 31 of the prior calendar year to develop rates and use twelve months of revenue requirements. IGCC Rider reconciliations will be performed pursuant to the IGCC Rider, as in previous IGCC Rider proceedings.

The investment on which a return is earned will be updated in each annual filing to include the most recent December 31 balance of plant (subject to the post-in-service ongoing capital cap provisions in Section 3. C.), and of accumulated depreciation.

If the Settlement order is not issued before July 1, 2016, the O&M cap will be effective on July 1, 2016 and will apply to expenses incurred after that date. The difference between O&M expenses that are included in rates and the lower of the O&M cap or actual O&M expenses will be deferred into the Regulatory Asset. In addition, in the event that an order from the Commission is not obtained in time for new IGCC Rider rates to go into effect by July 1, 2016, Duke Energy Indiana will reduce the Regulatory Asset account balance by the difference in the revenue requirement associated with the return under this Settlement and the currently-in-effect IGCC-10 return revenue requirement. This would be a reduction of approximately \$2.46 million/month (on a pro rata basis) until rates are in effect after an order approving this Settlement Agreement. This Regulatory Asset balance currently includes deferred O&M expenses and deferred depreciation expenses, and the Settlement proposes that the Regulatory Asset is to be amortized in the amount of \$20,000,000 per year over approximately eight years.

If Duke Energy Indiana's IGCC Rider filing in either 2017 or 2018 has a lower revenue requirement than in the rates currently in effect at that time, Duke Energy Indiana will file within a week of the 2017 or 2018 IGCC Rider filing with the Electricity Division of the Commission for its approval of an updated tariff to implement these lower rates. These rates, once approved, will be interim and subject to adjustment based on the Commission's final order in that proceeding. As part of this Settlement, the Settling Parties request that the Commission authorize the interim approval of these lower rates at the time of their filing.

### 3. IGCC Rider Recovery – Rates to be Established Pursuant to this Settlement

The basis for the rates to be approved under this Settlement are the revenue requirements included in Duke Energy Indiana's June 2015 IGCC-15 filing, as adjusted for:

- The lower Regulatory Asset amortization amount of \$20 million per year as set forth in this Settlement, including the impacts of the retail jurisdictional share of \$87.5 million shareholder funding of O&M expenses;
- A change in amortization schedule for the Regulatory Asset from three to approximately eight years;
- Implementing the capped level of O&M expenses by using the actual retail jurisdictional portion of Edwardsport O&M expenses for the twelve months ended March 31, 2015 and increasing it by \$3.5 million each year (approximately \$67.2 million (actual O&M expenses for the twelve months ended March 31, 2015) plus \$2.6 million (for the 9 months of 2015 following March 31, 2015) plus \$3.5 million (for calendar year 2016), resulting in a capped retail jurisdictional level of O&M expenses of \$73.3 million). For the period after the issuance of the Commission's order approving this Settlement, O&M expenses includable in the IGCC Rider are

capped at the lower of Duke Energy Indiana's actual O&M expenses or the cap amount, as detailed below; and

- Post-in-service ongoing capital projects and retirements as of the March 31, 2015 cut off period in IGCC-15 will be included in the rates implemented under this Settlement (approximately \$25 million in such ongoing capital investments and accumulated depreciation). For the period of April 2015 through December 2017, post-in-service ongoing capital project amounts includable in the rider are capped at the lower of Duke Energy Indiana's actual post-in-service ongoing capital project amounts or the cap amounts, as detailed below.

A. Regulatory Asset. In resolution of these issues, Duke Energy Indiana agrees that Duke Energy shareholders will fully fund \$87.5 million of total Company O&M expenses it has incurred at Edwardsport from its June 7, 2013 in-service date through the implementation of new rates under the terms of this Settlement and will not seek recovery of those costs from its customers.

Retail customers will be credited with the retail jurisdictional share of the shareholder funded \$87.5 million of O&M expenses (*i.e.*, \$80.3 million) by reducing the balance of deferred O&M expenses that have been accumulated in the Regulatory Asset. Reducing the balance of the Regulatory Asset will reduce the amounts retail customers will pay over time as the amortization of these deferred costs are included in rates.

Duke Energy Indiana will continue to defer in the Regulatory Asset actual O&M and depreciation not already in rates until the implementation of rates established pursuant to this Settlement (subject to Section 2 above). The Regulatory Asset balance as of the time of the Commission's order approving this Settlement will be amortized and recovered through rates over approximately eight years (rather than the three years originally agreed to under the 2012 Settlement Agreement). The actual amortization period may vary depending on factors such as the Commission's order date, the actual Regulatory Asset amount at the time rates are implemented pursuant to this Settlement, and actual sales.

The Settling Parties recognize Joint Intervenors' contribution to achieving the reduction in the Regulatory Asset in lieu of a later in-service date and interest on the Commission-ordered Regulatory Liability. The Settling Parties also recognize that because IGCC-10 rates have remained in effect for an extended period of time, the IGCC Rider's revenue requirements have not been put into effect to reflect accumulated depreciation and the related lower capital cost revenue requirements, as Duke Energy Indiana has proposed in its IGCC-11, 12, 13, 14 and 15 filings. The Settling Parties acknowledge that this matter was evaluated in concept and/or

quantitatively by each Party in arriving at the agreed-upon amount of reduction to the Regulatory Asset balance noted above.

Duke Energy Indiana will amortize the Commission-ordered Regulatory Liability<sup>2</sup> over two years and net it against the Regulatory Asset amortization. The Commission’s Cause No. 43114 IGCC-4S1 order (modified in the Cause No. 43114 IGCC-10 order) has ordered a three year amortization. However, in lieu of the Joint Intervenors’ request that the Commission order Duke Energy Indiana to add 8% interest to the Regulatory Liability amount, Duke Energy Indiana has agreed to shorten the amortization period from three to two years. No carrying costs will be added to either the Commission-ordered Regulatory Liability or the Regulatory Asset.

The Settling Parties agree that they will not challenge or otherwise oppose Duke Energy Indiana’s amortization and recovery through rates of the actual balance of the recoverable Regulatory Asset as of the date of the Commission order approving this Settlement and the implementation of rates pursuant to the Settlement. The recoverable Regulatory Asset is net of the retail jurisdictional share of the shareholder funded \$87.5 million of O&M expenses (*i.e.*, \$80.3 million). As described in the above paragraph, the agreed upon two-year amortization of the Commission-ordered Regulatory Liability will be netted against the amortization of the Regulatory Asset.

B. O&M Cap. The beginning basis of the O&M cap is Edwardsport’s actual O&M expenses for the twelve months ended March 31, 2015. It is the total of amounts reflected on Petitioner’s Exhibit B-2 page 8 in IGCC-14 and D-2 page 8 in IGCC-15 (\$67.2 million), plus an escalator of \$3.5 million annually. The Settling Parties agree that Duke Energy Indiana shall be entitled to recover the lower of its actual O&M expenses or the applicable O&M cap from the date of the Commission order approving this Settlement Agreement through 2017. The specific cap amounts to be included in the subsequent annual IGCC Rider filings are as follows:

<b>Period</b>	<b>Base O&amp;M Amount (Retail)</b>	<b>Cap Amount (Retail)</b>	<b>Amount to be Recovered (Retail)</b>
12 Months Ended 3/31/15	\$67.2 million		
Calendar Year 2016 (beginning with the		\$73.3 million <sup>3</sup>	Lower of retail portion of 2016 actual or cap

<sup>2</sup> As ordered by the Commission in Cause No. 43114 IGCC-4S1 at p. 120.

<sup>3</sup> The cap for 2016 will be prorated based on number of months remaining in 2016 after Commission approval of the Settlement Agreement and implementation of new revenue requirements. For example, if the Commission approves the Settlement on April 1, 2016, the 2016 cap would be approximately \$73.3 million/12 months x 9

issuance of a Commission order approving the Settlement or July 1, 2016, whichever occurs earlier)			amount
Calendar Year 2017		\$76.8 million	Lower of retail portion of 2017 actual or cap amount

Upon approval of this Settlement, Duke Energy Indiana will use the \$73.3 million O&M cap amount set forth above to set rates for the remainder of 2016. Duke Energy Indiana's first quarter 2017 IGCC Rider filing will use the 2017 cap amount from the table above (*i.e.*, \$76.8 million) to set rates. However, only actual O&M expenses up to the cap applicable to each calendar year are recoverable (*i.e.*, customers will not pay more than actual expenses). Differences between the calendar year cap amount used to set rates in the annual filings and the actual expenditures for the calendar year will be reconciled in a subsequent filing.

The O&M expense cap level increases in 2017 to the 2017 O&M cap amount, regardless of whether Duke Energy Indiana's actual O&M expenses are less than the capped amount in 2016 (as prorated).

To the extent that the Commission's order approving this Settlement is delayed beyond June 2016, the Settling Parties agree that regardless of whether an order has been issued or not, the O&M cap will be effective on July 1, 2016.

The Settling Parties agree that they will not challenge or otherwise oppose Duke Energy Indiana's recovery of O&M expenditures in 2016 and 2017 up to the applicable cap amount, as set forth in this Settlement. In consideration of this Settlement's imposition of O&M expense and post-in-service ongoing capital caps through calendar year 2017 and the reduction in the Regulatory Asset, the non-Duke Settling Parties agree that they will only challenge or raise issues with Edwardsport's operations through December 31, 2017 to the extent its performance is substantially different than the historical Edwardsport performance over the twelve months ended August 2015. However, the non-Duke Settling Parties have not waived their rights to raise issues concerning Edwardsport's operations for the period after December 31, 2017.

The Settling Parties agree the 2016 and 2017 agreed-upon cap amounts are for the term of this Settlement only and that Duke Energy Indiana may request recovery of actual reasonable and necessary O&M expenses in its 2018 IGCC Rider filing (and subsequent annual

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months = approximately \$54.97 million, which would be compared to actual expenditures from April through December 2016.

IGCC Rider filings) and in its next general base rate case. Duke Energy Indiana will not seek recovery of O&M expenses above the Settlement cap amounts set forth herein. The non-Duke Settling Parties shall retain all rights to make arguments related to Duke Energy Indiana’s recovery of Edwardsport O&M starting with the 2018 IGCC Rider filing and afterwards.

The only exceptions to application of these caps shall be for force majeure events beyond the control and without the fault or negligence of Duke Energy Indiana, such as, by way of example, the following: acts of God, the public enemy, or any governmental or military entity. In such case, Duke Energy Indiana may only propose to recover O&M expenditures above the caps set in this Settlement for the periods of time covered by this Settlement in the event of such a force majeure event. To the extent Duke Energy Indiana proposes to recover O&M expenditures over the caps due to a force majeure event, the non-Duke Settling Parties reserve all rights to make arguments in response to Duke Energy Indiana’s request.

C. Post-In-Service Ongoing Capital Cap. Upon approval of this Settlement, Duke Energy Indiana will use its actual post-in-service ongoing capital project amounts and accumulated depreciation, as reflected on Petitioner’s Exhibits D-2 page 5, as filed in IGCC-15, to set rates for 2016. For April 1, 2015 through December 31, 2015, calendar year 2016 and calendar year 2017, Duke Energy Indiana is entitled to recover the lower of its actual ongoing capital expenditures or the cap amounts. Assuming Duke Energy Indiana spends at or more than the applicable annual ongoing capital caps, the specific cap amounts for use in the 2017 and 2018 annual IGCC Rider filings would be as follows:

<b>Period</b>	<b>Cap Amount of Ongoing Capital Additions (Retail)</b>	<b>Incremental Ongoing Capital Additions to be Recovered (Retail)</b>
Balance at 3/31/15 (to be implemented upon approval of the Settlement)		\$24.6 million
4/1/15 through Calendar Year 2016	\$36.1 million <sup>4</sup>	Lower of retail portion of 2015/2016 actual expenditures or cap amount for 2017 filing
Calendar Year 2017	\$16.9 million	Lower of retail portion of 2017 actual expenditures or cap amount for 2018 filing

<sup>4</sup> Note that this amount includes ongoing capital additions from April 1, 2015 through December 31, 2016.

Because Duke Energy Indiana's IGCC Rider does not use forecasted ongoing capital expenditures, in the 2017 annual IGCC Rider filing, Duke Energy Indiana will propose rates based on the actual ongoing capital expenditures from April 1, 2015 through December 31, 2016 (or the cap amount if lower) being added to the March 31, 2015 balance. In Duke Energy Indiana's 2018 annual IGCC Rider filing, Duke Energy Indiana will propose rates based on the actual ongoing capital expenditures from January 1, 2017 through December 31, 2017 (or the cap amount if lower) being added to the December 31, 2016 balance.

The Settling Parties agree that they will not challenge or otherwise oppose Duke Energy Indiana's recovery of ongoing capital expenditures incurred in 2016 and 2017 up to the applicable cap amount, as set forth in this Settlement. The Settling Parties agree the 2015, 2016 and 2017 agreed-upon cap amounts are for the term of this Settlement only and that Duke Energy Indiana may request recovery of actual reasonable and necessary ongoing capital expenditures from calendar year 2018 in its 2019 IGCC Rider filing (and subsequent annual IGCC Rider filings) and in its next general base rate case. Duke Energy Indiana will not seek recovery of ongoing capital expenses above the Settlement cap amounts set forth herein. The non-Duke Settling Parties shall retain all rights to make arguments related to Duke Energy Indiana's recovery of Edwardsport ongoing capital expenditures starting with the 2019 IGCC Rider filing and afterwards.

The only exceptions to application of these caps shall be for force majeure events beyond the control and without the fault or negligence of Duke Energy Indiana, such as, by way of example, the following: acts of God, the public enemy, or any governmental or military entity. In such case, Duke Energy Indiana may only propose to recover ongoing capital expenditures above the caps set in this Settlement for the term of this Settlement in event of such a force majeure event. To the extent Duke Energy Indiana proposes to recover ongoing capital expenditures over the caps due to a force majeure event, the non-Duke Settling Parties reserve all rights to make arguments in response to Duke Energy Indiana's request.

4. Notice of Payments. Duke Energy Indiana agrees to make the following payments, out of shareholders' funds, for attorneys' fees, litigation expenses, and other funding commitments, within 30 days of a Commission order approving this Settlement (unless this Settlement is voided in its entirety pursuant to section 5 below):

A. A payment to the attorneys representing the Duke Energy Indiana Industrial Group of attorneys' fees in the amount of \$2.5 million and expenses in the amount of \$41,000 incurred for the consolidated causes, with implementation details in a separate Attorneys' Fees and Expenses Implementation Agreement.

B. A payment to Nucor Steel-Indiana of \$100,000 for certain fees and expenses incurred for the consolidated causes, with implementation details in a separate Attorneys' Fees and Expenses Implementation Agreement.

C. The OUCC and Duke Energy Indiana will cooperate to use \$1.859 million as follows:

- \$1.009 million retail rate credit to Duke Energy Indiana residential customers to be reflected in Duke Energy Indiana's next regional transmission organization rider ("RTO") filed after the Commission's order approving this settlement.
- \$250,000 to fund OUCC staff development, consultants, and experts in the areas of power hedging and other matters of current interest in the industry.
- \$500,000 contribution to the Battery Innovation Center to further develop battery storage systems in Duke Energy Indiana's service territory. Details will be agreed upon by the OUCC and Duke Energy Indiana.
- \$100,000 contribution to the Indiana Low Income Home Energy Assistance Program ("LIHEAP") fund to be used solely for Duke Energy Indiana retail customers (*i.e.*, the Helping Hand Fund).

D. The Joint Intervenors and Duke Energy Indiana will cooperate to use \$1 million as follows:

- \$500,000 contribution to the Indiana LIHEAP fund to be used solely for Duke Energy Indiana retail customers (*i.e.*, the Helping Hand Fund).
- \$500,000 contribution to the SUN solar energy grant program to develop solar energy projects for Duke Energy Indiana customers in Duke Energy Indiana's service territory. Joint Intervenors will be the lead contact to the grant administrator, the Indiana Association for Community Economic Development, and will determine the guidelines for participation in the grant program in conjunction with Duke Energy Indiana. Generally, the guidelines will include solar grant funding for installations of less than 0.5 MW for community, educational, religious, and non-profit organizations and/or low income residential customers in Duke Energy Indiana's service territory.

The OUCC, Joint Intervenors and Duke Energy Indiana acknowledge that the programs and contributions identified in Term 4 (C) and (D) may take longer than thirty days to set up and fund.

5. Other.

A. Duke Energy Indiana agrees not to oppose and the OUCC, Industrial Group and Nucor agree to support Joint Intervenors' efforts to seek between \$750,000 and \$1.25 million in attorney fees and expenses from the common fund created by this Settlement Agreement. This includes all attorneys who represented Joint Intervenors in any of the subject proceedings, and precludes further requests for fees and expenses relating to the Settlement Agreement and subject proceedings. The fees and expense award will be in the form of a supplemental settlement between Joint Intervenors, their attorneys, the OUCC, Duke Energy Indiana Industrial Group and Nucor Steel-Indiana. \$500,000 of the fees and expense award will be provided to the Indiana Utility Ratepayer Trust, which would include any amounts owed by Joint Intervenors to reimburse the Indiana Utility Ratepayer Trust for grants received.

B. The Settling Parties agree that any subject to refund designations or similar language in the orders in Duke Energy Indiana's FAC proceedings (IURC Cause Nos. 38707 FAC 99, FAC 100, FAC 101) should be removed once this Settlement is approved and effective. The Settling Parties also agree that this Settlement Agreement resolves all issues reserved for consideration in the pending FAC subdocket, Cause No. 38707 FAC 99-S1.

C. Duke Energy Indiana agrees to retire or cease burning coal at Gallagher Station Units 2 and 4 by December 31, 2022. Ratemaking for the retirement of Gallagher Station Units 2 and 4 will be consistent with normal retirement accounting. Non-Duke Settling Parties may take any position regarding the Gallagher Station Units 2 and 4 retirement accounting in Duke Energy Indiana's next retail base rate case or other proceeding that addresses such retirement to the extent one is filed. The Non-Duke Settling Parties also reserve the right to take any position regarding any issues associated with a decision to convert Gallagher Station Units 2 and 4 from coal to gas-fired. The obligations outlined in this provision shall be subject to the force majeure provisions attached hereto as Exhibit A.

D. Starting in March 2016, Duke Energy Indiana agrees to provide to the Settling Parties information related to Gallagher Units 2 and 4, including plant balances, accumulated depreciation, depreciation expense, tons of coal burned, and expected capital expenditures at Gallagher Station annually through the date that Gallagher Station Units 2 and/or 4 retire or cease burning coal. To the extent confidential information is reviewed, it would be provided only under a non-disclosure agreement.

E. Duke Energy Indiana agrees to provide the following information in its annual IGCC Rider proceedings: (1) planned outage O&M and ongoing capital expenditures; (2) information on causes and costs for major forced outages /derates.

F. Duke Energy Indiana agrees to report the non-confidential monthly low income and residential customers' aggregated data set forth in Exhibit B to this Settlement on an annual basis to the Settling Parties and to the public, in readily accessible spreadsheet format.

G. The Settling Parties agree to work collaboratively for the two years following the date of a final order from the Commission approving the Settlement to consider programs or options to assist low income customers and for increasing solar-powered generating facilities in Duke Energy Indiana's service territory. The Settling Parties will meet at least quarterly to discuss these issues. An attendee shall take detailed minutes at any meeting. The minutes will be provided within two weeks of any meeting to all Settling Parties.

H. The Settling Parties agree that the evidence to be submitted in support of this Settlement, along with the evidence of record previously submitted in Cause Nos. 43114 IGCC-11 through IGCC-15 and the applicable FAC dockets, together constitute substantial evidence to support this Settlement and provide a sufficient evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of this Settlement. The Settling Parties shall prepare and file with the Commission as soon as reasonably possible, testimony and proposed order(s) in support of and consistent with this Settlement. The Settling Parties agree that all pending motions before the Commission related to the relevant proceedings are hereby withdrawn and resolved by this Settlement.

I. This Settlement is a complete and interrelated package that is intended to resolve all issues related to Edwardsport's operations from April 1, 2013 through March 31, 2015 that were or could have been raised, including Duke Energy Indiana's determination of Edwardsport's In-Service date of June 7, 2013. The Settling Parties agree to oppose or not support any attempt to create additional proceedings or phases of Commission proceedings to further examine Edwardsport operations from April 1, 2013 through March 31, 2015 and related expenditures.

J. The Settling Parties will not appeal or seek rehearing, reconsideration or a stay of a Final Order approving this Settlement in its entirety or without change or condition(s) unacceptable to any adversely affected Party (or related orders to the extent such orders are specifically implementing the provisions of this Settlement).

K. The Settling Parties agree to support in good faith the terms of this Settlement before the Commission and further agree not to take any positions adverse to or inconsistent with the Settlement or any adverse positions against each other with respect to the Settlement before any appellate courts, or on rehearing, reconsideration, remand or subsequent or additional related proceedings before the Commission.

L. The Settling Parties also agree to support or not oppose this Settlement in the

event of any request for a stay by a person not a party to this Settlement or if this Settlement is the subject matter of any other state proceeding.

M. The Settling Parties shall remain bound by the terms of this Settlement Agreement and shall continue to support or not oppose all the terms of the Settlement on appeal, remand, reconsideration, etc., even if the Commission rejects the Settlement. However, in the event that the Settlement is rejected by the Commission and such rejection is ultimately upheld on rehearing, reconsideration, and/or appeal, at the point when all such proceedings and appeals are complete, this Settlement Agreement shall become void and of no further effect (except for provisions which have already been fully implemented or which are explicitly stated herein to survive termination/voiding).

N. If the Commission approves the Settlement in its entirety, or approves the Settlement with modifications that are not unacceptable to affected Settling Parties, and such Commission approval is ultimately vacated or reversed on appeal, the Settling Parties agree to support or not oppose the terms of this Settlement in any additional proceedings before the Commission (as well as any subsequent appeals). In such situation, the Settling Parties agree not to take any positions adverse to or inconsistent with the Settlement or any adverse positions against each other with respect to the Settlement or the subject matters herein, on remand or in additional related proceedings before the Commission. To the extent that the Commission and/or appellate courts ultimately and finally reject this Settlement, any provisions of this Settlement that remain to be implemented will then become void and of no further effect, unless explicitly stated herein.

O. The positions taken by the Settling Parties in this Settlement shall not be deemed to be admissions by any of the Settling Parties and shall not be used as precedent, except as necessary to implement the terms of this Settlement. This provision shall survive termination/voiding of this Agreement.

P. It is understood that this Settlement is reflective of a good faith negotiated settlement and neither the making of the Settlement nor any of its provisions shall constitute an admission by any Settling Party in this or any other litigation or proceeding except as necessary to implement or enforce this Settlement Agreement. It is also understood that each and every term of the Settlement Agreement is in consideration and support of each and every other term.

Q. The Settling Parties will support this Settlement before the Commission and request that the Commission expeditiously accept and approve the Settlement. This Settlement is a complete, interrelated package and is not severable, and shall be accepted or rejected in its entirety without modification or further condition(s) that may be unacceptable to

any Settling Party.

R. The Settling Parties will file this Settlement and testimony in support of this Settlement. Such supportive testimony will be agreed-upon by the Settling Parties and offered into evidence without objection by any Settling Party and the Settling Parties hereby waive cross-examination of each other's witnesses. The Settling Parties propose to submit this Settlement and evidence conditionally, and if the Commission fails to approve this Settlement in its entirety without any change or with condition(s) unacceptable to any adversely affected Settling Party, the Settlement and supporting evidence may be withdrawn and the Commission will continue to proceed to decision in the affected proceedings, without regard to the filing of this Settlement.

S. The communications and discussions during the negotiations and conferences and any materials produced and exchanged concerning this Settlement all relate to offers of settlement and shall be privileged and confidential, without prejudice to the position of any Settling Party, and are not to be used in any manner in connection with any other proceeding or otherwise. This provision shall survive termination/voiding of this Agreement.

T. The undersigned Settling Parties have represented and agreed that they are fully authorized to execute the Settlement on behalf of their designated clients, and their successors and assigns, who will be bound thereby.

U. The provisions of this Settlement shall be enforceable by any Settling Party before the Commission and thereafter in any state court of competent jurisdiction as necessary. The obligations outlined in this Settlement shall be subject to the Remedies provision attached hereto in Exhibit A.

V. This Settlement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ACCEPTED AND AGREED TO THIS 14<sup>th</sup> DAY of JANUARY 2016:

[signature pages to follow]

For Duke Energy Indiana, LLC

A handwritten signature in cursive script, reading "Melody Birmingham-Byrd", written over a horizontal line.

Melody Birmingham-Byrd, President  
Duke Energy Indiana, LLC

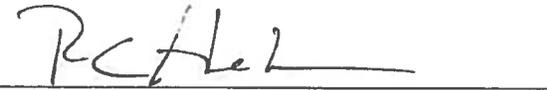
A handwritten signature in cursive script, reading "Kelley A. Karn", written over a horizontal line.  
Kelley A. Karn, Deputy General Counsel  
Attorney for Duke Energy Indiana

[This is a signature page for the 2016 Edwardsport Settlement before the Indiana Utility  
Regulatory Commission. Remainder of page intentionally left blank.]

For the Indiana Office of Utility Consumer Counselor:



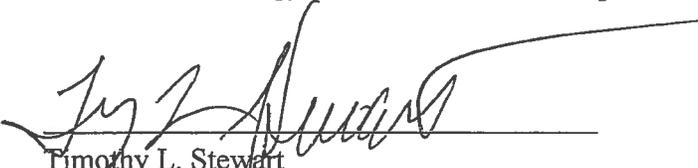
A. David Stippler, Consumer Counselor  
Indiana Office of Utility Consumer Counselor



Randall C. Helmen, Chief Deputy Consumer Counselor  
Indiana Office of Utility Consumer Counselor

[This is a signature page for the 2016 Edwardsport Settlement before the Indiana Utility  
Regulatory Commission. Remainder of page intentionally left blank.]

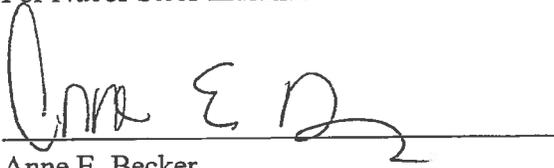
For the Duke Energy Indiana Industrial Group:



Timothy L. Stewart  
Attorney for Duke Energy Indiana Industrial Group

[This is a signature page for the 2016 Edwardsport Settlement before the Indiana Utility  
Regulatory Commission. Remainder of page intentionally left blank.]

For Nucor Steel-Indiana:

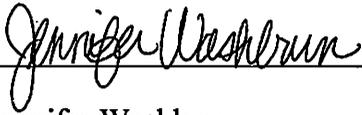
A handwritten signature in black ink, appearing to read "Anne E. Becker", is written over a horizontal line.

Anne E. Becker

Attorney for Nucor Steel-Indiana

[This is a signature page for the 2016 Edwardsport Settlement before the Indiana Utility  
Regulatory Commission. Remainder of page intentionally left blank.]

For Joint Intervenors:



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Jennifer Washburn

Attorney for Joint Intervenors

[This is a signature page for the 2016 Edwardsport Settlement before the Indiana Utility Regulatory Commission. Remainder of page intentionally left blank.]

### Remedies

1. The Settling Parties agree that any obligation(s) to support or not oppose an approval or other action referred to in this Settlement is limited to the specified proceedings before the Commission, except that, in addition, the Settling Parties have also agreed that no Party will appeal or oppose this Settlement on any appeal of a final Commission order that approves this Settlement to Indiana state court.
2. The Settling Parties acknowledge and agree that specific performance (including the payments required under this Settlement) and injunction are the only appropriate remedies for any alleged breach of any obligation in this Settlement, and under no circumstances shall monetary damages be allowed for any breach of any obligation in this Settlement. In addition, no legal action for specific performance or injunction related to any obligation in this Settlement shall be brought or maintained until: (a) the non-breaching Party provides written notice to the breaching Party which explains with particularity the nature of the claimed breach; and (b) within thirty (30) days after receipt of said notice, the breaching Party fails to cure the claimed breach or, in the case of a claimed breach which cannot be reasonably remedied within a thirty (30) day period, the breaching Party fails to commence to cure the claimed breach within such thirty (30) day period, and thereafter diligently complete the activities necessary to remedy the claimed breach. Acceptance of cure shall not be unreasonably withheld. In the event any action should be necessary to enforce the terms and conditions of this Settlement, each Party shall bear their own attorneys' fees and costs, including the fees and costs of enforcing any judgment.

### Force Majeure

3. Definition. For purposes of Term 5(C) of this Settlement, a "Force Majeure Event" shall mean an event that has been or will be caused by circumstances beyond the control Duke Energy of one or more of its contractors, or any entity controlled by Duke Energy, that delays or prevents the performance of any obligation under Term 5(C) or otherwise causes a violation of Term 5(C) despite Duke Energy's best efforts to fulfill the obligation. "Best efforts to fulfill the obligation" include using best efforts to anticipate any potential Force Majeure Event and to address the effects of any such event: (a) as it is occurring; and (b) after it has occurred, such that the delay and/or violation are minimized to the greatest extent possible and the emissions during such event are minimized to the greatest extent possible.
4. Notice of Force Majeure Events. If any event occurs or has occurred that may delay or prevent compliance with or otherwise cause a violation of Duke Energy's obligation under Term 5(C), as to which Duke Energy intends to assert a claim of Force Majeure, Duke Energy shall notify the Settling Parties in writing as soon as practicable, but in no event later than fourteen (14) business days following the date Duke Energy first knew, or by the exercise of due diligence should have known, that the event caused or may cause such delay or violation. In this notice, Duke Energy shall reference

this exhibit of the Settlement and describe the anticipated length of time that the delay or violation may persist, the cause or causes of the Force Majeure Event, all measures taken or to be taken by Duke Energy to prevent or minimize the delay or violation, the schedule by which Duke Energy proposes to implement those measures, and Duke Energy's rationale for attributing the failure, delay or violation to a Force Majeure Event. A copy of this Notice shall be sent electronically, as soon as practicable, to the Settling Parties. Duke Energy shall adopt all reasonable measures to avoid or minimize such failures, delays, or violations. Duke Energy shall be deemed to know of any circumstance which it, its contractors, or any entity controlled by Duke Energy, knew or should have known.

5. Failure to Give Notice. If Duke Energy fails to comply with the notice requirements of this Exhibit, the Settling Parties may seek to void such claim for Force Majeure as to the specific event for which Duke Energy failed to comply with such notice requirement.

6. Settling Parties' Response. The Settling Parties shall notify Duke Energy in writing of their response regarding any claim of Force Majeure as soon as reasonably practicable. If Settling Parties agree that a delay in performance has been or will be caused by a Force Majeure Event, the Settling Parties and Duke Energy shall stipulate to an extension of deadline(s) for performance of Term 5(C) by a period equal to the delay actually caused by the event, in which case the delay at issue shall be deemed not to be a violation of Term 5(C) of this Settlement. In such circumstances, an appropriate modification shall be made in a written document that is signed by all Parties and that makes specific reference to this Settlement.

7. Disagreement. If the Settling Parties do not agree with Duke Energy's claim of Force Majeure, or if the Settling Parties and Duke Energy cannot agree on the length of the delay actually caused by the Force Majeure Event, the matter shall be resolved in accordance with Paragraph 2 of this Exhibit.

8. Burden of Proof. In any dispute regarding Force Majeure, Duke Energy shall bear the burden of proving by a preponderance of the evidence that any delay in performance, or any other violation of Term 5(C) of this Settlement, was caused by or will be caused by a Force Majeure Event. Duke Energy shall also bear the burden of proving by a preponderance of the evidence that it gave the notice required by this Exhibit and the anticipated duration and extent of any failure, delay, or violation(s) attributable to a Force Majeure Event. An extension of one compliance date may, but will not necessarily, result in an extension of a subsequent compliance date.

9. Events Excluded. Unanticipated or increased costs or expenses associated with the performance of Duke Energy's obligations under Term 5(C) shall not constitute a Force Majeure Event.

10. Potential Force Majeure Events. The Parties agree that, depending upon the circumstances related to an event and Duke Energy's response to such circumstances, the kinds of events listed below are among those that could qualify as Force Majeure Events within the meaning of this Exhibit: construction, labor, or equipment delays; acts of God; acts of war or

terrorism; and orders by a government official, government agency, other regulatory authority, or a regional transmission organization (*e.g.*, the MISO), acting under and authorized by applicable law or tariff as accepted by the Federal Energy Regulatory Commission, that directs Duke Energy to supply electricity so long as such order is a response to a state-wide or regional emergency or is necessary to preserve the reliability of the bulk power system. Depending upon the circumstances and Duke Energy's response to such circumstances, failure of a permitting authority or the Indiana Utility Regulatory Commission to issue any necessary permit or order with sufficient time for Duke Energy to achieve compliance with Term 5(C) of this Settlement may constitute a Force Majeure Event where the failure of the authority to act is beyond the control of Duke Energy and Duke Energy has taken all reasonable steps available to it to obtain the necessary permit or order, including, but not limited to: submitting a complete permit application or request; responding to requests for additional information by the authority in a timely fashion; and accepting lawful permit terms and conditions after expeditiously exhausting any legal rights to appeal terms and conditions imposed by the authority.

**Duke Energy Indiana Residential and Low Income Eligible Customer Reporting**

The report will be run annually in the month of July. First report to be provided to the Settling Parties by July 31, 2016 or 30 days after an IURC order in this proceeding, whichever occurs first.

Report will include monthly, aggregated low income eligible and residential customer data for the prior 12 months beginning March (*i.e.*, the first report will cover the twelve months ended March 31, 2016). Report will be made available to the public, in readily accessible spreadsheet format.

IEAP customers are those customers eligible for winter disconnect moratorium as provided to Duke Energy Indiana by Community Action Agencies (*e.g.*, Indiana Energy Assistance Program (IEAP) coded customers).

**Reporting Metrics:**

**General Residential Customers**

1. Total Number of Accounts
2. Total Number of Customers Receiving Assistance from Helping Hand
3. Number of Accounts Sent Notice of Disconnection for Nonpayment
4. Number of Service Disconnections for Nonpayment
5. Number of Service Restorations after Disconnection for Nonpayment
6. Number of New Payment Agreements (deferred payment arrangements)
7. Number of Defaulted Payment Agreements (deferred payment agreements)
8. Number of Accounts Written Off as Uncollectible
9. Number of New Budget Billing Plans
10. Number of unpaid accounts 60 days plus in arrears
11. Dollar value of unpaid accounts 60 days plus in arrears

**IEAP Customers**

1. Total Number of Accounts
2. Total Number of Customers Receiving Assistance from Helping Hand
3. Number of Accounts Sent Notice of Disconnection for Nonpayment
4. Number of Service Disconnections for Nonpayment
5. Number of Service Restorations after Disconnection for Nonpayment
6. Number of New Payment Agreements (deferred payment agreements)
7. Number of Defaulted Payment Agreements (deferred payment agreements)

8. Number of Accounts Written Off as Uncollectible
9. Number of New Budget Billing Plans
10. Number of unpaid accounts 60 days plus in arrears
11. Dollar value of unpaid accounts 60 days plus in arrears