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State utility consumer advocate says Duke Energy's \$1.87 billion infrastructure plan should be rejected

The Indiana Office of Utility Consumer Counselor (OUCC) is recommending denial of Duke Energy's request to implement a new \$1.87 billion infrastructure improvement plan, including recovery of the costs through rates over the next seven years.

In testimony filed late Friday with the Indiana Utility Regulatory Commission (IURC), the OUCC states that Duke Energy's testimony and exhibits do not include either adequate cost estimates or project scope details that are necessary for a meaningful evaluation.

Duke Energy is seeking approval of its seven-year plan, with accompanying rate increases, under a 2013 Indiana law. The law allows utilities to adjust rates every six months, with OUCC review and IURC approval, while the project costs are being incurred. It also requires the IURC to issue an order within 210 days of the filing of the initial long-term plan.

"The information we found in Duke Energy's filings does not meet the statute's requirements, while also falling short of the standards established in previous cases involving the approval of other utilities' plans," said Indiana Utility Consumer Counselor David Stippler. "The statute does not remove the obligation the OUCC and IURC have to review these plans. At the same time, it does not promise rate increases to utilities that fail to provide adequate evidence."

The OUCC's testimony notes that:

- The scope of projects and large amounts of ratepayer money that are at stake in seven-year plan cases, combined with the expedited timeframes required in the statute for such cases, make it crucial for utilities to provide adequate information when the cases are filed. Data needed for a meaningful OUCC evaluation were neither included in Duke Energy's case-in-chief nor in the utility's responses to numerous discovery requests from OUCC attorneys.
- IURC orders on similar requests by Northern Indiana Public Service Co. (NIPSCO) and Vectren Energy Delivery afforded Duke Energy plenty of opportunity to be aware of the type of data the Commission has declared necessary for a meaningful review, including the need to provide detailed project estimates and to demonstrate that the utility is focusing on replacing aging assets (such as aging poles, lines, transformers, etc.) that face the most risk throughout its transmission and distribution system.

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- Numerous items in Duke Energy's seven-year plan are beyond the statutory scope of what is allowed in the accompanying rate recovery mechanism, including vegetation management projects, replacement of existing radio communications systems, operation center upgrades that include a combination of remodeling and security improvements, and a proposed \$3 million energy learning center.
- Due to the absence of any comprehensive business plan, the OUCC cannot determine the feasibility of Duke Energy's proposal to replace existing customer meters with advanced metering infrastructure (AMI) devices - commonly known as "smart meters." No other Indiana utility has sought AMI implementation in similar cases.
- Duke Energy received a \$107 million increase in its last base rate case in 2004. Since then, the monthly bill for a Duke Energy residential customer using 1,000 kilowatt hours has risen by more than 65 percent through various rate adjustment mechanisms, or trackers.

Duke Energy has until December 5, 2014 to file rebuttal testimony with an IURC evidentiary hearing scheduled to start December 18, 2014 in Indianapolis. By law, the IURC must issue an order in this case by March 27, 2015.

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(IURC Cause No. 44526)

The Indiana Office of Utility Consumer Counselor (OUCC) represents Indiana consumer interests before state and federal bodies that regulate utilities. As a state agency, the OUCC's mission is to represent all Indiana consumers to ensure quality, reliable utility services at the most reasonable prices possible through dedicated advocacy, consumer education, and creative problem solving.

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