TESTIMONY OF DIANA L. DOUGLAS
DIRECTOR, RATES & REGULATORY PLANNING
DUKE ENERGY BUSINESS SERVICES LLC
ON BEHALF OF DUKE ENERGY INDIANA, INC.
CAUSE NO. 43955 DSM-2
BEFORE THE INDIANA UTILITY REGULATORY COMMISSION

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A1. My name is Diana L. Douglas, and my business address is 1000 East Main Street, Plainfield, Indiana 46168.

Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A2. I am employed by Duke Energy Business Services LLC, an affiliate of Duke Energy Indiana, Inc. ("Duke Energy Indiana," or "Company") as Director, Rates & Regulatory Planning. Duke Energy Indiana is a wholly owned, indirect subsidiary of Duke Energy Corporation.

Q3. PLEASE DESCRIBE YOUR DUTIES AS DIRECTOR, RATES & REGULATORY PLANNING.

A3. As Director, Rates & Regulatory Planning, I am responsible for the preparation of financial and accounting data used in Company rate filings.

Q4. STATE YOUR EDUCATIONAL AND BUSINESS EXPERIENCE.

A4. I am a graduate of Indiana University, holding a Bachelor of Science Degree in Business, with a major in Accounting, with additional post-graduate course-work within the MBA program of Indiana University. Since my employment as a permanent employee in 1980 with the Company (then known as Public Service Company of Indiana, Inc.), I have held various financial and accounting positions supporting the Company and its affiliates. My position prior to Director, Rates, was that of manager responsible for fuel and joint ownership accounting. I have also had management responsibility for emission allowance accounting, general accounting for the Commercial Business Unit, and power marketing and trading settlements and back office operations. I have also held positions in Corporate Accounting, Budgets and Forecasts, and Payroll. I am a Certified Public Accountant ("CPA") and a member of the Indiana CPA Society.

Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A5. The purpose of my testimony is to provide support for and explain the development of proposed rates under the Company's Standard Contract Rider No. 66-A, Energy Efficiency Revenue Adjustment ("EE Rider" or the "Rider") and to present for Commission approval updated tariffs for such rates, proposed to be effective for billing in 2015. Specifically, I will: 1) discuss the ratemaking treatment approved in Cause No. 43955 for the energy efficiency programs Duke Energy Indiana currently offers its customers under the EE Rider ("EE programs"); 2) explain how opt outs by qualifying customers, pursuant to Senate Enrolled Act 340 ("SEA 340") and Duke Energy Indiana's proposed implementation procedures and revised tariffs filed in pending Cause No. 44441, have been factored into the development of the proposed rates[1]; 3) explain the calculations of proposed rates, which include the development of different rates to be billed to customers based on both whether they are participating in 2015 EE programs or

[1] My testimony, rate development and proposed tariffs have assumed that the opt out guidelines, Company's proposed implementation, including the timing of opt out windows and effective dates, and the Company's revised tariff as proposed in Cause No. 44441 are approved by the Commission. The Company will file revised or supplemental testimony and exhibits if needed upon issuance of a Commission order in that proceeding

have opted out and the timing of opting out and/or opting back into participation; and 4) provide the estimated rate impacts of the proposed rates for participating customers. I will also briefly address the process and timing of the reconciliation of 2014 and 2015 costs. In addition, I will explain the methodology used to determine the lost revenue prices provided to Petitioner's witness Ms. Karen K. Holbrook which were used to develop the lost revenue amounts included in the filing.

II. RATEMAKING TREATMENT

Q6. PLEASE DESCRIBE THE RATEMAKING TREATMENT FOR THE ENERGY EFFICIENCY PROGRAMS THAT WAS APPROVED IN CAUSE NO. 43955.

A6. Duke Energy Indiana filed its portfolio of Core Plus energy efficiency ("EE") programs on September 28, 2010, in Cause No. 43955. These programs were designed to meet the energy efficiency goals established by the Commission in its Order in Cause No. 42693 S1 ("Phase II Order") and to coincide with the first compliance period established in the Phase II Order (2011-2013). On March 21, 2012, the Commission approved, with modifications, the Company's request in Cause No. 43955 ("EE Order"). Among other things, the EE Order approved the use of Rider 66-A to recover the costs of a three-year portfolio of Core and Core Plus EE programs offered through 2013 including associated lost revenues and performance incentives on Core Plus programs.[2] Through a combination of legacy energy efficiency programs, Core Programs offered by the third-party administrator and Core Plus programs, Duke Energy Indiana proposed to achieve mWh reductions that would meet the gross energy savings targets in the Phase II Order

[2] The Commission's EE Order did not approve the recovery of performance incentives on Core Plus pilot programs or demand response programs.

for the three-year compliance period ending in December 2013. The EE Order also approved cost recovery and ratemaking treatment including the following concepts:

- the development of rates using estimates, to subsequently be trued up to actual costs and energy savings achievement levels (with EM&V to be applied prospectively);
- cost assignment to residential and non-residential rate groups based on the programs offered to each group;
- cost allocation and rate development methodologies for conservation and demand response programs, which include the use of kWh sales as billing determinants for conservation programs for all rate classes and for all rate classes except HLF for demand response programs; HLF will use non-coincident peak demands for demand response programs;[3]
- inclusion of all customers in paying for the programs, including interruptible load to the extent not specifically excluded by contract language for customers with special contracts;
- use of an assumption of 100% achievement of energy savings targets in determining the estimated amount of performance incentives and lost revenues to be included in rate development;
- use of an estimated lost revenue pricing methodology that included the use of RS rates for the residential group and of LLF secondary rates as a proxy for the non-

[3] Note that, although proposed ratemaking for non-residential demand response programs was approved in Cause No. 43955, there have been no demand response programs for non-residential customers in the portfolio of EE programs which were approved by the Commission to be offered under the EE Rider, and none are included in the programs proposed for 2015.

residential group, which the Company committed to revise when the estimates were trued up to actuals and explain in testimony at that time; and

- recovery of lost revenues for conservation programs for the shorter of the first thirty-six months of program participation or the life of the measure (or until new base electric rates are implemented which reflect the energy reductions achieved).[4]

Q7. HOW DO CUSTOMERS GET CHARGED FOR EE PROGRAMS UNDER THE EE RIDER?

A7. As noted above and as approved in the EE Order, all customers and rate classes are charged for EE programs. The ratemaking model approved by the Commission in the EE Order for the EE Rider provides that residential customers as a group pay for the cost of residential programs (*i.e.*, all customers in the residential group pay the same rate per kWh) and non-residential customers as a group pay for the cost of non-residential programs (*i.e.*, all customers in the non-residential group pay the same rate per kWh).[5] The Company sets rates using estimates of the costs (including lost revenues) and performance incentives based on expected achievement levels (using an expectation of

[4] Note that in Cause No. 43955 DSM1, the Commission approved a settlement agreement between the Indiana Office of Utility Consumer Counselor and Duke Energy Indiana that provided for, among other things, lost revenue recovery for the life of the measure.

[5] Should there be non-residential demand response programs approved to be recovered in the EE Rider, the ratemaking methodology approved for such programs in the EE Order provided for a further allocation of the demand response costs among the non-residential group to the rate class level based on average monthly coincident peak demand, with rates developed at the rate class level on a per kWh basis except for the HLF rate class, which would use a rate per non-coincident peak demand kW.

100% achievement of target), and the amounts billed to customers will be reconciled or "trued-up" to actual costs and performance incentives earned.[6]

Q8. DID THE COMPANY USE THIS SAME RATEMAKING TREATMENT IN ITS EE RIDER FILING IN CAUSE NO. 43079 - DSM 6?

A8. Yes. The EE Rider rates approved by the Commission on March 21, 2013, used the same ratemaking treatment approved for use in Rider 66-A in the EE Order.

Q9. WERE THERE ANY CHANGES TO WHAT YOU JUST DESCRIBED WHICH WERE APPROVED BY THE COMMISSION IN CAUSE NO. 43955 DSM-1 ("DSM-1")?

A9. Yes. In developing the lost revenue amounts included in the DSM-1 revenue requirements, the Company refined its methodology by developing lost revenue pricing rates (*i.e.*, rates reflecting fixed costs embedded in base rates) for each rate schedule in the Residential and Non-Residential rate groups that had identified participation in 2012 and then applying the rates to the identified participation by rate schedule.[7] This revised methodology was explained in the Company's filing in DSM-1. The Commission approved the lost revenue amounts and rates on January 15, 2014.

In addition, the Commission also approved in DSM-1 the terms of a Settlement Agreement between the Company and the Indiana Office of Utility Consumer Counselor which, among other things, provided for the retrospective application of EM&V for

[6] The Company has used this same approach of including the estimated shared savings shareholder incentives, which the Company is proposing for 2015 programs instead of tiered target-based incentives, as discussed by Mr. Michael Goldenberg in his testimony, in its 2015 rates and will subsequently reconcile them to reflect actual costs and savings achieved.

[7] Participation by rate schedule was not available for Core programs at the time of the DSM-1 filing. The Core Plus rate group weighted average was used to price Core programs. The 2012 weighted averages by rate group were used to price the persisting 2012 and 2013 lost revenues and the forecasted 2014 lost revenues.

purposes of calculating lost revenues and for the recovery of lost revenues for the life of the measure (or until new base electric rates are implemented which reflect the energy reductions achieved).

Q10. IS DUKE ENERGY INDIANA PROPOSING ANY CHANGES TO THIS RATEMAKING TREATMENT FIRST APPROVED IN CAUSE NO. 43955, AS MODIFIED IN DSM-1?

A10. As discussed in more detail in the direct testimony of Mr. Michael Goldenberg, Ms. Roshena M. Ham, and Ms. Holbrook, the Company is proposing that its shareholder incentives be determined using a shared savings methodology instead of the previously approved tiered target-based performance incentive approach.

Also, as I will discuss in more detail, the enactment of SEA 340 allows qualifying customers with a load of more than one megawatt measured at a demand meter at a single site to opt out of participation. An opted-out customer will not be responsible for paying for current and future energy efficiency programs, but will be responsible for any costs (or entitled to any credits) related to programs offered up to the effective date of opt out. This will require the development of rates for multiple groups of non-residential customers based on their opt out status. The rates will be developed using the same methodology and concepts I explained, but the costs and billing determinants used will be specific to each group of customers.

Although not a ratemaking change, as discussed by Ms. Holbrook, the Company was able to obtain participation data by rate schedule for Core programs for both 2012 and 2013, so it has been able to further refine the methodology for calculating lost revenues. As noted previously, I will explain the methodology used to determine the lost revenue prices later in my testimony. Ms. Holbrook will explain in her testimony how the prices were used to develop the lost revenue amounts.

III. EFFECT OF CUSTOMERS OPTING OUT

Q11. WHAT ASSUMPTIONS HAS DUKE ENERGY INDIANA MADE REGARDING OPT OUTS IN THE DEVELOPMENT OF THE PROPOSED RATES?

A11. The Company has relied on the judgment of personnel in its large account management group and past opt out experience of its affiliate companies in the Carolinas to estimate the load that we expect to opt out for purposes of development of the proposed rates. The Company expects that approximately 65% of the approximately 11,032 GWh load associated with accounts having measured demand of over 1 MW during 2013 will opt out, comprising approximately 7,171 GWh. (As of the time of preparation of this testimony, customers representing approximately 25% of the eligible load had already provided notice of intent to opt out.) The Company has forecasted that approximately 50% of the eligible load (or 5,516 GWh) will provide notice during the first opt out window, which the Company proposed will close thirty days after the Commission's order in Cause No. 44441, which will enable customers to opt out of participation in 2014 EE programs effective April 1, 2014. The Company anticipates an additional 15% of the eligible load (or 1,655 GWh) will opt out of participation in 2015 programs in the next window, which the Company proposed would close November 15, 2014, with opt out effective January 1, 2015. The Company has used these estimates to develop rates.

Q12. WHAT IF YOU HAVE MORE OR LESS LOAD OPTING OUT THAN YOU ASSUMED IN THE RATE CALCULATIONS?

A12. As discussed previously, the Company develops its rates on an estimated basis, using the best information it has at the time, but it necessitates the use of assumptions and estimates, which will subsequently be trued up when actual amounts are known. The final amount of load opting out in each of the two windows which will close in 2014 will be reflected along with actual costs and kwh achievements in the reconciliation to be performed for 2015.

Q13. PLEASE EXPLAIN IN GENERAL WHAT COSTS CUSTOMERS WHO OPT OUT ARE RESPONSIBLE FOR.

A13. Consistent with the requirements of SEA 340, although an eligible customer who opts out is not responsible for costs of current or future EE programs, the customer remains liable for EE program costs, including lost revenues, shareholder incentives and related reconciliations, that accrued or were incurred or relate to energy efficiency investments made before the date on which the opt out is effective, regardless of the date on which the rates are actually assessed. As to the specific costs included in this filing to set 2015 rates:

- qualifying customers who opt out effective April 1, 2014, will be responsible for (or entitled to credits from) their proportionate share of the reconciliations related to 2012 and 2013 EE programs and of persisting lost revenues from EE programs offered in 2012, 2013, and in January through March 2014;

- qualifying customers who opt out effective January 1, 2015, will be responsible for the same items as the first opt out group, but also will be responsible for their proportionate share of persisting lost revenues from EE programs offered in April through December 2014;
- if any customers who opt out effective April 1, 2014, exercise the option to opt back into 2015 program participation by providing notice by November 15, 2015, they will be responsible for the same items as the first opt out group, but in addition will pay for the cost of 2015 programs.

These groups will continue to be responsible in future years for their proportionate share of persisting lost revenues related to the 2012 and 2013 EE programs and January through March 2014 EE programs (for customers opting out effective April 1, 2014) or January through December 2014 EE programs (for customers opting out effective January 1, 2015.) As noted previously, as approved by the Commission in DSM-1, the lost revenues associated with the 2012 – 2014 program years will be included in tracker rates until the measure life is expired for the individual programs or until rates are effective from a base rate case. In future years these customers will also be responsible for (or receive credits related to) their share of reconciliations associated with January – March 2014 (for customers opting out effective April 1, 2014) or January through December 2014 (for customers opting out effective January 1, 2015) EE programs and for any additional reconciliations for 2012 and 2013 which may be required due to retrospective application of EM&V.

Any qualifying customers new to our system who sign a demand contract of more than one megawatt and provide notice of opt out under the terms of the tariff will not be responsible for any EE costs (i.e., will have a zero rate).

Q14. HOW DID THE OPT OUT REQUIREMENTS AFFECT THE CALCULATION OF THE RATES PROPOSED FOR 2015?

A14. Because customers who opt out are not responsible for the same set of costs as customers who are not eligible for opt out or choose not to opt out and because eligible customers opting out at different times are responsible for different sets of costs based on the effective date of their opt out (or opt back in), it was necessary to calculate separate rates for each opt out group. The applicable costs and estimated opt out load and timing outlined above were used to develop rates for each of the following opt out groups:

- Customers who are not eligible to opt out of energy efficiency programs or who are eligible but have not chosen to opt out of 2014 and 2015 programs ("Participating Customers")
- Qualifying customers who opt out of 2014 programs effective April 1, 2014, by providing notice in the first window, closing 30 days after the Commission's Order in Cause No. 44441
- Qualifying customers who opt out of 2015 programs effective January 1, 2015, by providing notice in the second window, closing November 15, 2014
- Qualifying customers who opt out of 2014 programs effective April 1, 2014, by providing notice in the first window, but opt back in to participate in 2015 programs by providing notice in the second window

- Qualifying customers new to our system who sign a demand contract of more than one megawatt and who opt out.

IV. PROPOSED RATES AND RATE IMPACTS

Q15. WERE THE PROPOSED 2015 RATES YOU ARE SPONSORING IN THIS PROCEEDING DEVELOPED AS YOU HAVE EXPLAINED?

A15. Yes.

Q16. WHAT WAS THE SOURCE FOR THE ACTUAL AND ESTIMATED COSTS YOU HAVE INCLUDED IN YOUR RATE DEVELOPMENT?

A16. Ms. Holbrook provided me with the actual and estimated program costs, EM&V costs, lost revenues and incentive amounts for my use in developing rates. She explains her sources and the development of the amounts she provided in her testimony. The 2013 billed revenues for the 2013 reconciliation were obtained from the Company's accounting records.

Q17. PLEASE DESCRIBE PETITIONER'S EXHIBIT D-1.

A17. Petitioner's Exhibit D-1, Pages 1 – 11, represents an update of Duke Energy Indiana's Standard Contract Rider No. 66-A, Energy Efficiency Revenue Adjustment for 2015 billings conditioned upon Commission approval. Pages 1 through 4 includes information regarding the calculation of the adjustment, including definitions of the components of the formula for developing the EE Revenue Adjustment factors, and provisions regarding opting out and opting back in. This language is the same as that proposed in the pending Cause No. 44441. Page 5 shows the revenue adjustment factors by retail rate group for participating customers, based on the information contained in Petitioner's Exhibit D-2, Pages 5 and 6 of 6. Page 6 shows the revenue adjustment factors by retail rate group for qualifying customers who opt out effective April 1, 2014, based on the information contained in Petitioner's Exhibit D-2, Page 6 of 6. Page 7 shows the revenue adjustment factors by retail rate group for qualifying customers who opt out effective January 1, 2015, based on the information contained in Petitioner's Exhibit D-2, Page 6 of 6. Page 8 shows the revenue adjustment factors by retail rate group for qualifying customers who opt out effective April 1, 2014, but elect to opt back in effective January 1, 2015, based on the information contained in Petitioner's Exhibit D-2, Page 6 of 6. Page 9 shows the revenue adjustment factors by retail rate group for qualifying customers new to the system who sign a demand contract of more than one MWh who opt out and who will pay a zero rate. Page 10 of Petitioner's Exhibit D-1 shows the allocated share of adjusted system coincident peak demand (12CP) from Cause No. 42359 (the Company's last retail base rate case), which is used in cost allocations for non-residential demand response costs. (As noted previously, there are no non-residential demand response costs included in this filing.) Page 11 shows the billing cycle KWh (and non-coincident peak demands for rate class HLF) for the twelve months ended December 2013. The residential (Rate RS) KWh was used in rate development for residential customers. The total of the estimates of the KWh used in rate development for non-residential participating customers, non-residential customers opting out effective April 1, 2014, and non-residential customers opting out effective January 1, 2015, equals the total kwh for the non-residential rate classes shown on Page 11. We have added a footnote to Pages 5 through 11 to note that street-lighting customers previously billed under AL and OL rate groups have been transferred to the UOLS rate group in accordance with Cause No. 42359. We have reflected this transfer in the data shown on these tariff pages.

Q18. PLEASE DESCRIBE PETITIONER'S EXHIBIT D-2.

A18. Petitioner's Exhibit D-2, Pages 1 – 6, is a series of schedules developing the rates which are presented for Commission approval in this proceeding. Page 1 shows the estimated EE costs, by cost category, for the EE programs proposed to be offered in 2015, with separate subtotals by type of program (conservation or demand response). As shown, the total estimated cost (before conversion to revenue requirements) for 2015 EE programs is approximately $47.0 million. The 2015 costs shown on this exhibit were used in Petitioner's Exhibit D-2, Pages 5 (for Residential) and 6 (for Non-Residential) to develop the rates presented for approval by the Commission.

Page 2 shows the actual 2013 EE costs, by cost category, for the Core and Core Plus programs offered in 2013, with separate subtotals by type of program (conservation or demand response). As shown, the total estimated cost (before conversion to revenue requirements) for Core programs in 2013 is approximately $32.0 million. The total for Core Plus programs is approximately $16.6 million, for a 2013 total of approximately $48.6 million. The 2013 costs shown on this exhibit were used in Petitioner's Exhibit D-2, Page 3 to develop the reconciliation variance amount for 2013 to be included in the rates presented for approval by the Commission.

Page 3 presents the reconciliation of the actual costs from Page 2 with the actual 2013 billed revenues for Rider 66-A. As shown, there was an under-collection of approximately $1.6 million from Residential customers and an over-collection of approximately $19.5 million from Non-Residential customers, for a net over-collection of approximately $17.9 million in total. Reflected in the variance are differences in spending and participation (particularly for non-residential Core programs), performance incentive target achievement levels, and kWh sales for Core and Core Plus programs from the estimates built into the rates which were charged to customers in 2013.[8] In addition to reflecting actual participation and the available results of EM&V in determining the kWh savings amounts used in the development of the performance incentives and lost revenue amounts included in the 2013 reconciliation, the pricing and calculation of actual 2013 lost revenues used a more precise methodology than the methodology used for developing the estimates. As stated previously, the new methodology was discussed in detail in DSM-1 and will also be discussed later in my testimony and in the testimony of Ms. Holbrook.

Page 4 presents an additional reconciliation of 2012 EE program actual costs to the amount of 2012 costs included in the first 2012 reconciliation that was presented in DSM-1. This additional reconciliation was made necessary due to the approval of the Settlement Agreement in DSM-1, which requires retrospective application of EM&V for purposes of determining the amount of lost revenues to be recovered. In addition, we have incorporated into the development of the lost revenues amounts the actual participation by rate schedule for Core programs, which became available after the DSM-1 proceeding. As shown, this reconciliation results in an additional $0.1 million of costs

[8] The rates which were charged to customers in 2013 for Rider 66-A were approved by the Commission on March 21, 2013, in Cause No. 43079 DSM-6 and were based on forecasted amounts intended to enable achievement of the three-year EE Plan proposed in Cause No. 43955 over the two-year 2012 and 2013 period due to delays in the start date of implementing the programs.

to be recovered from Residential customers and a refund of an additional $0.2 million to Non-Residential customers, for a net variance amount of a credit of approximately $0.1 million in total.

Page 5 uses the 2015 estimated costs from Page 1, the 2013 reconciliation variance from Page 3, the additional 2012 reconciliation amount from Page 4, and an additional credit for Residential customers related to the final true-up of Rider 66 (which recovered the cost of the Company's previous DSM programs prior to the programs approved in Cause No. 43955) to determine the proposed 2015 EE Revenue Adjustment factor for Residential customers. A revenue conversion factor to cover revenue-related taxes and expenses was applied to all 2015 cost categories except lost revenues. (Lost revenue rates used to develop the lost revenue amounts were already at a revenue requirement level, so additional gross-up for ratemaking was not required.) The Rider 66 true-up, 2012 reconciliation true-up, and 2013 reconciliation were also already at the revenue requirement level and so did not need additional conversion to cover revenue related taxes and expenses.

Page 6 shows the rate development for Non-Residential customers, which uses the same inputs and revenue conversion as described for Residential customers, except the Rider 66 final true-up did not apply to Non-Residential customers, as will be further discussed, and the lost revenues were shown at a more granular level of detail than for Residential to facilitate the ratemaking required for opt outs. The revenue requirements for the non-residential rate group were then allocated among the three applicable opt out groups (1) the participating customer group, 2) the April 1, 2014, opt out group, and 3) the January 1, 2015 opt out group) based on what period the costs relate to and using the kWh estimates for each group which were explained previously.

The resulting revenue requirement for the costs to be recovered via the EE Rider in 2015 is approximately $30.6 million for Residential customers and a credit amount of $1.2 million for Non-Residential customers ($4.3 million for participating customers, a credit of $4.4 million for customers opting out effective April 1, 2014, and a credit of $1.1 million for customers opting out effective January 1, 2015), for a total of $29.4 million.

The proposed 2015 adjustment factors were developed on Pages 5 and 6 by dividing the revenue requirement for the residential and three non-residential opt out rate groups by the applicable twelve months ending December 2013 billing cycle kWh sales amounts. The proposed rate for any customers who opt out effective April 1, 2014, and opt back in for 2015 participation was developed on Page 6 by first calculating the revenue requirement per KWh for 2015 non-residential programs, using the costs and kwh for participating customers. This was then added to the rate developed for customers opting out effective April 1, 2014. This provides a rate for any customers opting back in that covers the costs of both 2015 programs and also the costs and credits associated with programs offered up through March 2014.

Q19. PLEASE EXPLAIN THE CREDIT PROVIDED TO RESIDENTIAL CUSTOMERS RELATED TO RIDER 66 WHICH YOU HAVE INCLUDED IN THE CALCULATION.

A19. The Company developed rates intended to complete a final reconciliation of Rider 66 in its filing in DSM-6. In my testimony at that time, I explained that we intended to monitor the bills to try to end the rider at such a time as the reconciliation amount was fully refunded. Doing so, we filed tariffs to set Rider 66 to zero effective January 7, 2014. However, when we reviewed the final January 2014 information by rate class we determined that the residential customers had not received a full refund as planned. We are therefore including a $53,995 credit in the calculation of the 2015 rates for residential customers in this rider to enable the full refund, since the same set of residential customers is included in both riders. No such credit is required for non-residential customers, as we over-refunded them by $6,887 and because a different set of customers was included in Rider 66 than in Rider 66A, the Company will voluntarily forgo collection of that amount.

Q20. PLEASE DESCRIBE PETITIONER'S EXHIBIT D-3.

A20. Petitioner's Exhibit D-3 provides information regarding the rate impact of the rate adjustment factors developed in Petitioner's Exhibit D-2. Page 1 shows that, should the Commission approve the proposed 2015 Rider 66-A rates, rates for Residential and Non-Residential customer groups will decrease from what they are paying currently under Rider 66-A and from what they will pay if the proposed revised 2014 rates are approved in Cause No. 44441for customers opting out effective April 1, 2014. Rates for any customer who opts out effective April 1, 2014, and then opts back in effective January 1, 2015, will, however, increase from the 2014 opt out rate because such customer will begin paying for the 2015 programs in which it will be eligible to participate. Page 2 shows the monthly impact on the bill of a typical residential customer using 1000 kWh of the 2014 change in the Rider 66-A rates. Such customer can expect to see a 23 cent decrease in their monthly bill. One should note that the rate impacts shown in Petitioner's Exhibit D-3 were developed without any consideration for the positive impact to customer bills from the lower energy usage that is expected to result from participation in these programs, both in absolute individual usage reductions for those who choose to participate in program offerings and in lower overall energy usage for native load customers, which will reduce fuel and other variable production costs that are included in customer rates.

Q21. WHAT AMENDMENTS TO DUKE ENERGY INDIANA'S RATE SCHEDULES ARE PROPOSED IN THIS PROCEEDING?

A21. Upon Commission approval, the Company is proposing to update its Standard Contract Rider No. 66-A, Fourth Revised Sheet No. 66-A, Pages 1 through 11 (Petitioner's Exhibit D-1, Pages 1 through 11) subject to Duke Energy Indiana's filing of the updated Rider 66-A tariff sheet with the Commission's Electricity Division and begin billing the 2015 rates effective with the later of the first billing cycle of January 2015 or for all bills rendered on or after the effective date of the Commission's Order in this proceeding.[9]

V. PLANS FOR RECONCILIATION

Q22. HOW AND WHEN WILL THE RIDER 66-A AMOUNTS CURRENTLY BEING BILLED BE RECONCILED TO ACTUAL COSTS AND REFLECT ACTUAL ENERGY SAVINGS RESULTS?

[9] The Third Revised Sheet No. 66-A is currently pending approval in Cause No. 44441.

A22. In the next EE Rider filing, planned for mid-2015, developing rates for 2016 that will be effective with the first billing cycle of 2016, we plan to reconcile 2014 EE actual costs, lost revenues and performance incentives to amounts billed for the Rider 66-A during calendar year 2014. The reconciliation is expected to include a true-up of 2014 lost revenues and performance incentives based on 2014 actual participation in the EE programs and the retrospective application of the results of applicable EM&V for lost revenue purposes. It will also reflect the actual kwh associated with the opt outs made effective April 1, 2014. See the testimony of Ms. Ham for additional information regarding the timing and application of EM&V.

Q23. HOW AND WHEN WILL THE RIDER 66-A AMOUNTS TO BE BILLED IN 2015 BE RECONCILED TO ACTUAL COSTS AND REFLECT ACTUAL ENERGY SAVINGS RESULTS?

A23. The estimated costs and impacts used to develop the 2015 rates proposed in this filing are expected to be reconciled in the Rider 66-A filing planned for mid-2016, developing rates to be billed in 2017, using actual participation and applicable EM&V and the actual kwh associated with the opt outs for both the April 1, 2014, and January 1, 2015, opt out effective dates.

VI. LOST REVENUE PRICING

Q24. PLEASE EXPLAIN THE METHOD USED TO DETERMINE THE PRICES (OR LOST REVENUE PRICING RATES) USED TO DEVELOP THE AMOUNT OF ACTUAL LOST REVENUES INCLUDED IN THIS FILING.

A24. As approved by the Commission in its EE Order, recovery of lost revenues is intended to reimburse the Company for fixed costs that will otherwise not be recovered because of the reduction in sales associated with its EE offerings. In this filing, we used the same lost revenue pricing rates (*i.e.*, rates reflecting fixed costs embedded in base rates) that were developed for each rate schedule in the Residential and Non-Residential rate groups that had identified participation in 2012 and that were used in our DSM-1 filing, and we developed rates similarly for any additional rate schedules that had identified participation.

For rate schedules designed to recover all fixed charges via a demand rate, the tariff demand rate was used to price kW savings impacts. For rate schedules designed to recover a portion of the fixed charges in the demand rate and a portion in the energy rate, the tariff demand rate was used to price kW savings impacts, and the tariff energy rate was adjusted to remove the fuel and other variable O&M included in the tariff rate and then used to price kWh savings impacts. For rate schedules designed to recover all fixed charges in the energy rate, the tariff energy rate was adjusted to remove fuel and other variable O&M and then used to price kWh savings impacts. For rate schedules designed with no demand charge and using a block energy rate structure, 2012 base rate revenues (with no rider revenues included) were adjusted to remove customer charges and the amount of fuel and variable O&M included (based on the amount per kWh that was included in base rates), then this remaining fixed charge amount was divided by 2012 kWh sales to get an average fixed charge rate realization, which was applied to kWh sales. Support for the determination of the lost revenue pricing rates used in this filing is being filed with the workpapers in this proceeding. The source of the fuel and other variable O&M adjustments was the Company's cost of service study approved in Cause No. 42359, and the source of the revenue and kWh data was the Company's billing system.

As discussed previously, the Company was able to obtain the participation by rate schedule data for both Core and Core Plus programs for both 2012 and 2013. In the few cases where rate schedule level data was not available, average lost revenue pricing rates were developed using the rate schedules most likely to be applicable to the customers served by the programs. Ms. Holbrook's testimony explains how the lost revenue pricing rates were used by her to develop the actual and estimated lost revenue amounts that were included in this filing.

Q25. WITH THIS METHODOLOGY, WILL THE LOST REVENUE RATES YOU DEVELOPED FOR USE BY MS. HOLBROOK CHANGE EVERY YEAR?

A25. The lost revenue pricing rates that were based directly on tariff rates or adjusted tariff rates will not change until new base rates are approved. The lost revenue pricing rates for the block tariff rate schedules, which used average realizations as the basis for pricing rather than tariff rates, could change year to year based on the sales at each of the tariff block levels and will also change at the time new base rates are approved. This calculation was not able to be performed using 2013 information in time for this filing. We plan to do this calculation of the lost revenue pricing rates for the block tariff rate schedules using 2013 data before next year's filing and will make any necessary true-ups to lost revenues as part of the reconciliations included in the filing at that time.

Q26. WERE THE LOST REVENUE PRICING RATES PROVIDED TO MS. HOLBROOK PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A26. Yes, they were, in consultation with other cost of service and rate design members of our Indiana Rates team.

VII. CONCLUSION

Q27. DOES THE COMPANY INTEND TO CONTINUE USING THE DEFERRAL ACCOUNTING TREATMENT DISCUSSED AND APPROVED IN CAUSE NO. 43955?

A27. Yes. The Company is requesting the Commission's approval to continue to use deferral accounting for energy efficiency expenses and revenues, as appropriate, to minimize the timing difference between cost or revenue recognition on the Company's books and actual cost recovery.

Q28. WERE PETITIONER'S EXHIBITS D-1 THROUGH AND INCLUDING D-3 PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A28. Yes, they were.

Q29. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY AT THIS TIME?

A29. Yes, it does.

VERIFICATION

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

Signed: Diana L. Douglas   Dated: 5-29-14

Diana L. Douglas

Duke Energy Indiana, Inc.
1000 East Main Street
Plainfield, Indiana 46168

STANDARD CONTRACT RIDER NO. 66-A
ENERGY EFFICIENCY REVENUE ADJUSTMENT
APPLICABLE TO RETAIL RATE SCHEDULES

The applicable charges for electric service to the Company's retail electric customers shall include an adjustment to recover or refund energy efficiency amounts as approved by the Indiana Utility Regulatory Commission. The applicable retail electric adjustment will be determined based on the following provisions:

CALCULATION OF ADJUSTMENT

The monthly billing adjustment shall be determined by multiplying the adjustment factor, as determined to the nearest 0.001 mill ($0.000001) per kilowatt-hour calculated in accordance with the following formula, by the monthly billed kilowatt-hours in the case of customers receiving metered service and by the estimated monthly billed kilowatt-hours used for rate determinations in the case of customers receiving unmetered service, except that kilowatt demands shall be used for Rate HLF for the demand response component.

Energy Efficiency Revenue Adjustment Factor =

$$\text{Residential} = \frac{(a*m)+e}{i} + \frac{(c*m)+g}{i}$$

$$\text{Non-Residential} = \frac{(b*m)+f}{j} + \frac{((d*m)+h)*k}{l}$$

where:

1. "a" is the sum of estimated residential conservation energy efficiency amounts excluding lost revenue.
2. "b" is the sum of estimated non-residential conservation energy efficiency amounts excluding lost revenue.
3. "c" is the sum of estimated residential demand response energy efficiency amounts excluding lost revenue.
4. "d" is the sum of estimated non-residential demand response energy efficiency amounts excluding lost revenue.
5. "e" is the sum of estimated residential conservation energy efficiency lost revenue.
6. "f" is the sum of estimated non-residential conservation energy efficiency lost revenue.
7. "g" is the sum of estimated residential demand response energy efficiency lost revenue.
8. "h" is the sum of estimated non-residential demand response energy efficiency lost revenue.
9. "i" is the applicable billing cycle kilowatt-hour sales for residential customers.
10. "j" is the applicable billing cycle kilowatt-hour sales for non-residential customers.
11. "k" is the individual non-residential rate schedule's production demand allocator used for allocation purposes in the cost of service study in Cause No. 42359, divided by the total for the non-residential schedules.
12. "l" is the applicable billing cycle kilowatt-hour sales for each individual non-residential rate schedule except for customers served under Rate HLF and Customer O. The revenue adjustment for customers served under Rate HLF shall be based on demands within the HLF customer schedule such that "l" shall be the sum of kilowatts billed for the applicable period. For Customer O the kilowatt-hour sales will include only their firm load.
13. "m" is the revenue conversion factor that includes the Utility Receipts Tax, Public Utility Fee and other revenue related charges.

Estimated energy efficiency amounts shall be further modified to reflect the difference between estimated amounts billed and actual amounts.

Separate billing adjustments shall be determined for Qualifying Customers who have opted out from participation in energy efficiency programs under the terms of this tariff based on the effective date of such opt out. Such billing adjustments will

STANDARD CONTRACT RIDER NO. 66-A
ENERGY EFFICIENCY REVENUE ADJUSTMENT
APPLICABLE TO RETAIL RATE SCHEDULES

contain only the energy efficiency amounts, consisting of program costs, lost revenues and shareholder incentives, and related reconciliations, applicable to periods prior to the effective date of opt out, as further defined herein.

Separate billing adjustments shall also be determined for Qualifying Customers who have opted out from participation in energy efficiency programs under the terms of this tariff, but subsequently opted back in to participation in energy efficiency programs under the terms of this tariff, based on the effective dates of such opt out and opt in. Such billing adjustments will contain only the energy efficiency amounts, consisting of program costs, lost revenues and shareholder incentives, and related reconciliations, applicable to periods prior to the effective date of opt out and subsequent to the effective date of opt in, as further defined herein.

OPT OUT PROVISIONS

In order for a Customer to qualify to opt out from participation in energy efficiency programs under the terms of this tariff, all of the following conditions must be satisfied:

1. A Qualifying Customer must receive service at a Single Site constituting more than one megawatt of electric capacity.
2. The Qualifying Customer must be able to demonstrate that at least one demand meter on its Single Site has received service of more than one megawatt of electric capacity within the previous 12 months or must be a new customer who has signed a written demand contract of greater than one megawatt for at least one meter on a Single Site.
3. If a Customer has a Single Site with Qualifying Load, it may opt out all accounts receiving service at that Single Site. Such accounts will be opted out provided the Customer identifies the accounts in the Customer's notice to the Company of its election to opt out.
4. The Qualifying Customer must provide written notice by completing a form provided by Duke Energy Indiana, Inc., or by providing written notice to Duke Energy Indiana, Inc., in substantially the same format as the form provided. A customer who provides written notice of its desire to opt out without using the form will be asked to complete the opt out form in a timely manner consistent with the terms of this tariff, but the notice date of the customer opt out will be the date of its original notice. The notice must:
    a. indicate the Customer's desire to opt out of energy efficiency programs
    b. provide a listing of all qualifying accounts for each Single Site which the Customer intends to opt out
        i. a qualifying account is either one that is demonstrated to have received service of more than one megawatt of electric capacity at a meter at a Single Site as outlined above in item 2. or an account located on contiguous property at the same site
    c. contain confirmation that the signatory has authority to make that decision for the Customer
5. Written notice for the April 1, 2014 effective date must be received by Duke Energy Indiana on or before 30 days after the date of the Commission's Order in Cause No. 44441 ("Approval Date"). The written notice must be received by Duke Energy Indiana, Inc. on or before the following dates for the opt out to take effect on the following effective dates:

Notice Must be Received On or Before:	Effective Date of Opt Out:
30 Days After Approval Date	April 1, 2014
November 15, 2014	January 1, 2015
November 15, 2015	January 1, 2016
November 15, 2016	January 1, 2017
November 15, 2017	January 1, 2018
November 15, 2018	January 1, 2019

Once qualification is determined by Duke Energy Indiana, Inc., the utility will not revoke the Qualifying Customer's qualification at a later date. Qualifying Customers do not need to provide additional notice or otherwise demonstrate continued eligibility annually in order to maintain the opt out status for future energy efficiency program years, except as outlined herein for Qualifying Customers who opted back in and then wish to opt out again.

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APPLICABLE TO RETAIL RATE SCHEDULES

As of the effective date of the opt out, the Qualifying Customer is no longer eligible to participate in any energy efficiency program for the qualified account(s) and is not eligible to receive incentive payments for energy efficiency projects previously approved but not completed as of the effective date of the opt out.

The Qualifying Customer will be billed the applicable effective opt out rate beginning with the first bill rendered after the effective date of opt out.

The Qualifying Customer remains liable for energy efficiency program costs, including lost revenues, shareholder incentives and related reconciliations, that accrued or were incurred or relate to energy efficiency investments made before the date on which the opt out is effective, regardless of the date on which the rates are actually assessed. Such costs may include costs related to evaluation, measurement and verification ("EM&V") required to be conducted after a customer opts out on projects completed under an Energy Efficiency Program while the customer was a participant. In addition, such costs may include costs required by contracts executed prior to the effective date of opt out but incurred after the date of the Qualifying Customer's opt out. However, these costs shall be limited to fixed, administrative costs, including costs related to EM&V. A Qualifying Customer shall not be responsible for any program costs such as the payment of energy efficiency rebates or incentives, incurred following the effective date of its opt out with the exception of incentives or rebates that are paid on applications that have not closed out at the effective date of its opt out.

OPT IN PROVISIONS FOR QUALIFYING CUSTOMERS

A Qualifying Customer who opts out under the terms of this tariff may opt back in to participation in energy efficiency programs by providing written notice which must be received by Duke Energy Indiana, Inc. on or before November 15 of any year for participation to be effective January 1 of the following year.

A Qualifying Customer who opts back in is required to participate in the program for at least three years and pay related program costs including lost revenues and incentives for three years after the effective date of opting back in. The Qualifying Customer will also continue to pay for energy efficiency amounts applicable to periods prior to the effective date of their opt out.

In order to opt back in to participation, the Qualifying Customer must provide written notice by completing a form provided by Duke Energy Indiana, Inc., or by providing written notice to Duke Energy Indiana, Inc., in substantially the same format as the form provided, which:

1. unequivocally indicates the Customer's desire to opt back in to energy efficiency programs
2. provides a listing of all qualifying accounts for each Single Site which the Customer intends to opt back in to the energy efficiency programs
    a. only the qualifying accounts/sites will be opted back in to the energy efficiency programs
    b. a Customer opting back in must opt back in for all accounts at a Single Site
3. contains a statement that the Customer understands that by opting in, it is required to participate in the program for at least three years and pay related costs including lost revenues and incentives
4. contains confirmation that the signatory has authority to make that decision for the Customer

Beginning with the first bill rendered after the effective date of the opt in, the Qualifying Customer will be billed the applicable effective rate applicable to the effective dates of their opt out and opt in.

A Qualifying Customer who opts back in may only opt out again effective January 1 of the year following the third year of participation by providing notice on or before November 15 of the third year of participation. In Order to opt out again, the following conditions must be satisfied:

1. A Qualifying Customer must demonstrate that at least one demand meter on its Single Site has received service of more than one megawatt of electric capacity within the previous 12 months.
2. The Qualifying Customer must provide written notice by completing a form provided by Duke Energy Indiana, Inc., or by providing written notice to Duke Energy Indiana, Inc., in substantially the same format as the form provided, which:
    a. indicates the Customer's desire to opt out of energy efficiency programs

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APPLICABLE TO RETAIL RATE SCHEDULES

b. provides a listing of all qualifying accounts for each Single Site which the Customer intends to opt out
   i. a qualifying account is either one that is demonstrated to have received service of more than one megawatt of electric capacity at a meter at a Single Site as outlined above in item 1. or an account located on contiguous property at the same site

c. contains confirmation that the signatory has authority to make that decision for the Customer

As of the effective date of the opt out, the Qualifying Customer is no longer eligible to participate in any energy efficiency program for the qualified account(s) and is not eligible to receive incentive payments for energy efficiency projects previously approved but not completed as of the effective date of the opt out.

A Qualifying Customer who elects to opt back out after the three-year period following opt in shall be responsible for energy efficiency program costs, including lost revenues, shareholder incentives and related reconciliations as outlined in the Opt Out Provisions section of this tariff for all periods other than the periods for which an opt out was effective.

Beginning with the first bill rendered after the effective date of the opt out, the Qualifying Customer will be billed the applicable effective rate applicable to the effective dates of their opt outs and opt ins.

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APPLICABLE TO RETAIL RATE SCHEDULES

The Energy Efficiency Revenue Adjustment factor applicable to retail rate schedules for customers who are not eligible to opt out or are eligible to opt out but who have not opted out under the terms of this tariff shall be as follows:

Rates for Participating Customers

Line No.	Rate Groups	Proposed Energy Efficiency Factors kWh (A)		Proposed Energy Efficiency Factors KW (B)	Line No.
1	Rate RS	$0.003352			1
2	Rates CS and FOC	$0.000374			2
3	Rate LLF	$0.000374			3
4	Rate HLF	$0.000374		$0.000000	4
5	Customer L	$0.000374			5
6	Customer D	$0.000374			6
7	Customer O - Firm	$0.000374	1/		7
8	Customer O - Interruptible	$0.000374	2/		8
9	Rate OL	$0.000000			9
10	Rate WP	$0.000374			10
11	Rate SL	$0.000374			11
12	Rate AL	$0.000000			12
13	Rate MHLS	$0.000374			13
14	Rates MOLS and UOLS 3/	$0.000374			14
15	Rates TS, FS and MS	$0.000374			15

1/ Applicable to Customer O's firm service.
2/ Applicable to Customer O's interruptible service.
3/ All customers previously billed OL and AL Rate Groups have been transferred to UOLS in accordance with Cause No. 42359.

Issued:

Effective:
Bills Rendered
January 2015 Cycle 1

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Plainfield, Indiana 46168

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ENERGY EFFICIENCY REVENUE ADJUSTMENT
APPLICABLE TO RETAIL RATE SCHEDULES

The Energy Efficiency Revenue Adjustment factor applicable to retail rate schedules for Qualifying Customers who have opted out in accordance with the terms of this tariff with an April 1, 2014 effective date shall be as follows:

Rates for Qualifying Customers Who Opt Out Effective April 1, 2014

Line No.	Rate Groups	Proposed Energy Efficiency Factors kWh (A)		Proposed Energy Efficiency Factors KW (B)	Line No.
1	Rate RS	$0.000000			1
2	Rates CS and FOC	($0.000789)			2
3	Rate LLF	($0.000789)			3
4	Rate HLF	($0.000789)		$0.000000	4
5	Customer L	($0.000789)			5
6	Customer D	($0.000789)			6
7	Customer O - Firm	($0.000789)	1/		7
8	Customer O - Interruptible	($0.000789)	2/		8
9	Rate OL	$0.000000			9
10	Rate WP	($0.000789)			10
11	Rate SL	($0.000789)			11
12	Rate AL	$0.000000			12
13	Rate MHLS	($0.000789)			13
14	Rates MOLS and UOLS 3/	($0.000789)			14
15	Rates TS, FS and MS	($0.000789)			15

1/ Applicable to Customer O's firm service.
2/ Applicable to Customer O's interruptible service.
3/ All customers previously billed OL and AL Rate Groups have been transferred to UOLS in accordance with Cause No. 42359.

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ENERGY EFFICIENCY REVENUE ADJUSTMENT
APPLICABLE TO RETAIL RATE SCHEDULES

The Energy Efficiency Revenue Adjustment factor applicable to retail rate schedules for Qualifying Customers who have opted out in accordance with the terms of this tariff with an January 1, 2015 effective date shall be as follows:

Rates for Qualifying Customers Who Opt Out Effective January 1, 2015

Line No.	Rate Groups	Proposed Energy Efficiency Factors kWh (A)		Proposed Energy Efficiency Factors KW (B)	Line No.
1	Rate RS	$0.000000			1
2	Rates CS and FOC	($0.000660)			2
3	Rate LLF	($0.000660)			3
4	Rate HLF	($0.000660)		$0.000000	4
5	Customer L	($0.000660)			5
6	Customer D	($0.000660)			6
7	Customer O - Firm	($0.000660)	1/		7
8	Customer O - Interruptible	($0.000660)	2/		8
9	Rate OL	$0.000000			9
10	Rate WP	($0.000660)			10
11	Rate SL	($0.000660)			11
12	Rate AL	$0.000000			12
13	Rate MHLS	($0.000660)			13
14	Rates MOLS and UOLS 3/	($0.000660)			14
15	Rates TS, FS and MS	($0.000660)			15

1/ Applicable to Customer O's firm service.
2/ Applicable to Customer O's interruptible service.
3/ All customers previously billed OL and AL Rate Groups have been transferred to UOLS in accordance with Cause No. 42359.

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Duke Energy Indiana, Inc.
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IURC NO. 14
Fourth Revised Sheet No. 66-A
Cancels and Supersedes
Third Revised Sheet No. 66-A

STANDARD CONTRACT RIDER NO. 66-A
ENERGY EFFICIENCY REVENUE ADJUSTMENT
APPLICABLE TO RETAIL RATE SCHEDULES

The Energy Efficiency Revenue Adjustment factor applicable to retail rate schedules for Qualifying Customers who have opted out in accordance with the terms of this tariff with an April 1, 2014 effective date and opted in according to the terms of this tariff with a January 1, 2015 effective date shall be as follows:

Rates for Qualifying Customers Who Opt Out Effective April 1, 2014
and Opt Back in Effective January 1, 2015

Line No.	Rate Groups	Proposed Energy Efficiency Factors kWh (A)		Proposed Energy Efficiency Factors KW (B)	Line No.
1	Rate RS	$0.000000			1
2	Rates CS and FOC	$0.000238			2
3	Rate LLF	$0.000238			3
4	Rate HLF	$0.000238		$0.000000	4
5	Customer L	$0.000238			5
6	Customer D	$0.000238			6
7	Customer O - Firm	$0.000238	1/		7
8	Customer O - Interruptible	$0.000238	2/		8
9	Rate OL	$0.000000			9
10	Rate WP	$0.000238			10
11	Rate SL	$0.000238			11
12	Rate AL	$0.000000			12
13	Rate MHLS	$0.000238			13
14	Rates MOLS and UOLS 3/	$0.000238			14
15	Rates TS, FS and MS	$0.000238			15

1/ Applicable to Customer O's firm service.
2/ Applicable to Customer O's interruptible service.
3/ All customers previously billed OL and AL Rate Groups have been transferred to UOLS in accordance with Cause No. 42359.

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IURC NO. 14
Fourth Revised Sheet No. 66-A
Cancels and Supersedes
Third Revised Sheet No. 66-A

STANDARD CONTRACT RIDER NO. 66-A
ENERGY EFFICIENCY REVENUE ADJUSTMENT
APPLICABLE TO RETAIL RATE SCHEDULES

The Energy Efficiency Revenue Adjustment factor applicable to Qualifying Customers new to the system who have executed a demand contract of greater than 1 MW and have opted out under the terms of this tariff shall be as follows:

Rates for New Demand Contract Qualifying Customers Who Opt Out

Line No.	Rate Groups	Proposed Energy Efficiency Factors kWh (A)		Proposed Energy Efficiency Factors KW (B)	Line No.
1	Rate RS	$0.000000			1
2	Rates CS and FOC	$0.000000			2
3	Rate LLF	$0.000000			3
4	Rate HLF	$0.000000		$0.000000	4
5	Customer L	$0.000000			5
6	Customer D	$0.000000			6
7	Customer O - Firm	$0.000000	1/		7
8	Customer O - Interruptible	$0.000000	2/		8
9	Rate OL	$0.000000			9
10	Rate WP	$0.000000			10
11	Rate SL	$0.000000			11
12	Rate AL	$0.000000			12
13	Rate MHLS	$0.000000			13
14	Rates MOLS and UOLS 3/	$0.000000			14
15	Rates TS, FS and MS	$0.000000			15

1/ Applicable to Customer O's firm service.
2/ Applicable to Customer O's interruptible service.
3/ All customers previously billed OL and AL Rate Groups have been transferred to UOLS in accordance with Cause No. 42359.

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STANDARD CONTRACT RIDER NO. 66-A
ENERGY EFFICIENCY REVENUE ADJUSTMENT
APPLICABLE TO RETAIL RATE SCHEDULES

ALLOCATED SHARE OF THE AVERAGE MONTHLY COINCIDENT SYSTEM PEAK DEMANDS (12 CP) APPLICABLE TO COMPANY'S RETAIL CUSTOMERS BY RATE SCHEDULE EXPRESSED AS A PERCENTAGE OF THE COMPANY'S ADJUSTED TOTAL RETAIL SYSTEM PEAK DEMAND DEVELOPED IN CAUSE NO. 42359

Line No.	Rate Groups	12 Month KW Share of System Coincident Peak	Percent Share Of Retail Coincident Peak	Percent Share Of Non-Residential Coincident Peak	Line No.
		(A)	(B)	(C)	
1	Rate RS	1,582,005	36.727%	N/A	1
2	Rates CS and FOC	224,244	5.206%	8.228%	2
3	Rate LLF	628,152	14.583%	23.048%	3
4	Rate HLF	1,808,886	41.994%	66.370%	4
5	Customer L	10,481	0.243%	0.385%	5
6	Customer D	7,860	0.182%	0.288%	6
7	Customer O	19,045	0.442%	0.699%	7
8	Rate OL	0	0.000%	0.000%	8
9	Rate WP	17,235	0.400%	0.632%	9
10	Rate SL	2,185	0.051%	0.080%	10
11	Rate AL	0	0.000%	0.000%	11
12	Rate MHLS	282	0.007%	0.010%	12
13	Rates MOLS and UOLS 1/	5,196	0.121%	0.191%	13
14	Rates TS, FS and MS	1,893	0.044%	0.069%	14
15	TOTAL RETAIL	4,307,464	100.000%	100.000%	15

1/ Includes KW share for OL and AL rate groups due to rate migration in accordance with Cause No. 42359.

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Fourth Revised Sheet No. 66-A
Cancels and Supersedes
Third Revised Sheet No. 66-A

STANDARD CONTRACT RIDER NO. 66-A
ENERGY EFFICIENCY REVENUE ADJUSTMENT
APPLICABLE TO RETAIL RATE SCHEDULES

BILLING CYCLE KWH SALES FOR THE COMPANY'S
RETAIL CUSTOMERS BY RATE SCHEDULE FOR
THE TWELVE MONTHS ENDED DECEMBER 31, 2013

.		Conservation	Demand Response		
Line No.	Rate Groups	Billing Cycle KWH Sales	Billing Cycle KWH Sales	Sum of Monthly Non-Coincident Peak Demands	Line No.
		(A)	(B)	(C)	
1	Rate RS	9,126,809,859	9,126,809,859		1
2	Rates CS and FOC	1,117,539,810	1,117,539,810		2
3	Rate LLF	4,330,500,779	4,330,500,779		3
4	Rate HLF	11,469,334,695	11,469,334,695	21,639,968	4
5	Customer L	136,709,235	136,709,235		5
6	Customer D	36,060,865	36,060,865		6
7	Customer O	1,137,799,924	157,678,488		7
8	Rate OL	0	0		8
9	Rate WP	137,057,944	137,057,944		9
10	Rate SL	41,761,870	41,761,870		10
11	Rate AL	0	0		11
12	Rate MHLS	5,589,810	5,589,810		12
13	Rates MOLS and UOLS 1/	111,478,658	111,478,658		13
14	Rates TS, FS and MS	9,860,114	9,860,114		14
15	TOTAL RETAIL	27,660,503,563	26,680,382,127		15

1/ Includes KWH sales for OL and AL rate groups due to rate migration in accordance with Cause No. 42359.

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Bills Rendered
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DUKE ENERGY INDIANA, INC.

ESTIMATED ENERGY EFFICIENCY COSTS FOR 2015 1/

(In Dollars)

Line No.	Description	Residential (A)	Non-Residential (B)	Total (C) (A) + (B)	Line No.
	Conservation				
1	2015 Program Costs	$9,654,111	$8,537,050	$18,191,161	1
2	2015 EM&V	402,701	356,104	758,805	2
3	2015 Shared Savings	781,060	2,153,243	2,934,303	3
4	2015 Subtotal	10,837,872	11,046,397	21,884,269	4
5	Lost Revenues - 2012	4,040,580	2,302,918	6,343,498	5
6	Lost Revenues - 2013	4,924,754	1,880,738	6,805,492	6
7	Lost Revenues - Jan - Mar 2014	1,255,828	1,056,822	2,312,650	7
8	Lost Revenues - Apr - Dec 2014	2,653,141	1,637,703	4,290,844	8
9	Lost Revenues - 2015	2,154,965	388,282	2,543,247	9
10	Lost Revenues Subtotal	15,029,268	7,266,463	22,295,731	10
11	Subtotals	25,867,140	18,312,860	44,180,000	11
	Demand Response				
12	2015 Program Costs	2,266,458	-	2,266,458	12
13	2015 EM&V	94,540	-	94,540	13
14	2015 Shared Savings	437,050	-	437,050	14
15	2015 Subtotal	2,798,048	-	2,798,048	15
16	Lost Revenues - 2012	-	-	-	16
17	Lost Revenues - 2013	-	-	-	17
18	Lost Revenues - Jan - Mar 2014	-	-	-	18
19	Lost Revenues - Apr - Dec 2014	-	-	-	19
20	Lost Revenues - 2015	-	-	-	20
21	Lost Revenues Subtotal	-	-	-	21
22	Subtotals	2,798,048	-	2,798,048	22
	Total				
23	2015 Program Costs	11,920,569	8,537,050	20,457,619	23
24	2015 EM&V	497,241	356,104	853,345	24
25	2015 Shared Savings	1,218,110	2,153,243	3,371,353	25
26	2015 Subtotal	13,635,920	11,046,397	24,682,317	26
27	Lost Revenues - 2012	4,040,580	2,302,918	6,343,498	27
28	Lost Revenues - 2013	4,924,754	1,880,738	6,805,492	28
29	Lost Revenues - Jan - Mar 2014	1,255,828	1,056,822	2,312,650	29
30	Lost Revenues - Apr - Dec 2014	2,653,141	1,637,703	4,290,844	30
31	Lost Revenues - 2015	2,154,965	388,282	2,543,247	31
32	Lost Revenues Subtotal	15,029,268	7,266,463	22,295,731	32
33	Grand Totals	$28,665,188	$18,312,860	$46,978,048	33

1/ Lost revenues estimate includes lost revenues persisting in 2015 for 2012, 2013, and 2014 program participation, as well as impacts from lost revenues forecasted to be incurred in 2015 from 2015 program participation.

DUKE ENERGY INDIANA, INC.

ACTUAL ENERGY EFFICIENCY COSTS FOR 2013
(In Dollars)

Line No.	Description	Core	Core Plus	Total	Line No.
		(A)	(B)	(C)	
	RESIDENTIAL				
	Conservation				
1	Program Costs	$15,971,726	$4,558,237	$20,529,963	1
2	EM&V	16,470	743,593	760,063	2
3	Incentives		491,324	491,324	3
4	Lost Revenues	4,365,575	2,568,958	6,934,533	4
5	Subtotals	20,353,771	8,362,112	28,715,883	5
	Demand Response				
6	Program Costs	-	2,049,741	2,049,741	6
7	EM&V	-	63,966	63,966	7
8	Incentives	-	-	-	8
9	Lost Revenues	-	-	-	9
10	Subtotals	-	2,113,707	2,113,707	10
	Total				
11	Program Costs	15,971,726	6,607,978	22,579,704	11
12	EM&V	16,470	807,559	824,029	12
13	Incentives	-	491,324	491,324	13
14	Lost Revenues	4,365,575	2,568,958	6,934,533	14
15	Total Residential	20,353,771	10,475,819	30,829,590	15
	NON-RESIDENTIAL				
	Conservation				
16	Program Costs	9,316,798	4,691,275	14,008,073	16
17	EM&V	-	207,802	207,802	17
18	Incentives	-	489,908	489,908	18
19	Lost Revenues	2,388,446	697,780	3,086,226	19
20	Subtotals	11,705,244	6,086,765	17,792,009	20
	Demand Response				
21	Program Costs	-	-	-	21
22	EM&V	-	-	-	22
23	Incentives	-	-	-	23
24	Lost Revenues	-	-	-	24
25	Subtotals	-	-	-	25
	Total				
26	Program Costs	9,316,798	4,691,275	14,008,073	26
27	EM&V	-	207,802	207,802	27
28	Incentives	-	489,908	489,908	28
29	Lost Revenues	2,388,446	697,780	3,086,226	29
30	Total Non-Residential	11,705,244	6,086,765	17,792,009	30
	Total				
	Conservation				
31	Program Costs	25,288,524	9,249,512	34,538,036	31
32	EM&V	16,470	951,395	967,865	32
33	Incentives	-	981,232	981,232	33
34	Lost Revenues	6,754,021	3,266,738	10,020,759	34
35	Subtotals	32,059,015	14,448,877	46,507,892	35
	Demand Response				
36	Program Costs	-	2,049,741	2,049,741	36
37	EM&V	-	63,966	63,966	37
38	Incentives	-	-	-	38
39	Lost Revenues	-	-	-	39
40	Subtotals	-	2,113,707	2,113,707	40
	Grand Total				
41	Program Costs	25,288,524	11,299,253	36,587,777	41
42	EM&V	16,470	1,015,361	1,031,831	42
43	Incentives	-	981,232	981,232	43
44	Lost Revenues	6,754,021	3,266,738	10,020,759	44
45	Grand Totals	$32,059,015	$16,562,584	$48,621,599	45

DUKE ENERGY INDIANA, INC.

RECONCILIATION OF 2013 RIDER 66-A REVENUES TO 2013 ACTUAL REVENUE REQUIREMENT

(In Dollars)

Line No.		2013 Actual Revenue Requirement: Costs	2013 Actual Revenue Requirement: Costs Converted to Revenue Requirement [1/]	2013 Revenues	(Over) or Under Collection of 2013 Revenue Requirement	Line No.
		(A)	(B)	(C)	(D) (B)-(C)	
	Residential:					
1	EE Cost Excluding Lost Revenue	$23,895,057	$24,403,544			1
2	Lost Revenue	6,934,533	6,934,533			2
3		30,829,590	31,338,077	$29,775,038	$1,563,039	3
	Non-Residential:					
4	Non Residential EE Cost Excluding Lost Revenue	14,705,783	15,018,722			4
5	Non Residential Lost Revenue	3,086,226	3,086,226			5
6		17,792,009	18,104,948	37,620,968	(19,516,020)	6
7	Total	$48,621,599	$49,443,025	$67,396,006	($17,952,981)	7

[1/] Reflects gross-up for revenue related taxes and expenses on residential and non-residential EE costs excluding lost revenue.
Lost Revenues do not require a conversion to cover revenue related taxes and expenses since these costs are already built into the lost revenue prices.

Components of Revenue Conversion Factor:

	Statutory Rate	Effective Rate	
Utility Receipts Tax	1.400%	1.400%	
Uncollectible Accounts Expense	0.450%	0.450%	
Public Utility Fee	0.133%	0.133%	
State Income Tax	6.750%	0.101%	1a/ and 1b/
Federal Income Tax	35.000%	0.000%	
Effective Rate		2.084%	
Complement		97.916%	
Revenue Conversion Factor			
1 ÷ Complement		1.02128	

[1a/] Indiana House Bill 1004 was enacted in 2011. Amoung other things, this Bill reduces Indiana's corporate income tax rate by 0.5% annually each July 1st from 2012-2015. The Indiana corporate income tax rate will ultimately be reduced from 8.5% prior to July 1, 2012 to 6.5% as of July 1, 2015. Further rate reductions will continue until 2022. Two state income tax rates will be applicable to the anticipated 2015 billing period of this tracker (7.0% and 6.5%); therefore, they were averaged.

[1b/] Effective tax rate for debt for state income tax reflects tax on utility receipts tax portion of revenues.

DUKE ENERGY INDIANA, INC.

RECONCILIATION OF 2012 LOST REVENUE AMOUNTS TO AMOUNTS INCLUDED IN PREVIOUSLY FILED 2012 RECONCILIATION [1/]

(In Dollars)

Line No.		2012 Revised Lost Revenues		2012 Lost Revenues from DSM-1 Filing		Additional or (Excess) Revenue Requirement	Line No.
		Costs	Revenue Requirements [2/]	Costs	Revenue Requirements [2/]	to be Collected or Refunded	
		(A)	(B)	(C)	(D)	(E) (B)-(D)	
1	Residential Lost Revenues	$1,890,194	$1,890,194	$1,761,522	$1,761,522	$128,672	1
2	Non Residential Lost Revenues	630,861	630,861	858,646	858,646	(227,785)	2
3	Total Lost Revenue	$2,521,055	$2,521,055	$2,620,168	$2,620,168	($99,113)	3

[1/] 2012 Lost Revenue amounts were revised from the amounts included in the 2012 reconciliation filed in Cause No. 43955 DSM-1 to reflect retrospective application of EM&V results and to reflect Core participation by rate schedule.

[2/] Lost Revenues do not require a conversion to cover revenue related taxes and expenses since these costs are already built into the lost revenue prices.

DUKE ENERGY INDIANA, INC.

DETERMINATION OF THE 2015 ENERGY EFFICIENCY REVENUE ADJUSTMENT FACTORS FOR THE RESIDENTIAL RATE GROUP

Line No.	Description	Costs	Conversion Factor [1/]	Revenue Requirements	Line No.
		(A)	(B)	(C)	
	Residential			(A) * (B)	
1	2015 Program Costs, EM&V and Shared Savings [2/]	$13,635,920	1.02128	$13,926,092	1
2	Lost Revenues [3/]	15,029,268	1.00000	15,029,268	2
3	Rider 66 Final Refund [4/]	(53,995)	1.00000	(53,995)	3
4	2012 Reconciliation True-up [5/]	128,672	1.00000	128,672	4
5	2013 Reconciliation to Actual [6/]	1,563,039	1.00000	1,563,039	5
6	Total	$30,302,904		$30,593,076	6
7	Billing Determinants (KWH Sales)			9,126,809,859	7
8	Adjustment Factor per KWH			$ 0.003352	8

[1/] Reflects gross-up for revenue related taxes and expenses on residential and non-residential EE costs excluding lost revenue.
Lost Revenues, Final Refund, 2012 and 2013 Reconciliations are at the revenue requirement level and do not need additional conversion to cover revenue related taxes and expenses.

Components of Revenue Conversion Factor:

	Statutory Rate	Effective Rate
Utility Receipts Tax	1.400%	1.400%
Uncollectible Accounts Expense	0.450%	0.450%
Public Utility Fee	0.133%	0.133%
State Income Tax	6.750%	0.101%
Federal Income Tax	35.000%	0.000%
Effective Rate		2.084%
Complement		97.916%
Revenue Conversion Factor		
1 ÷ Complement		1.02128

[1a/] Indiana House Bill 1004 was enacted in 2011. Amoung other things, this Bill reduces Indiana's corporate income tax rate by 0.5% annually each July 1st from 2012-2015. The Indiana corporate income tax rate will ultimately be reduced from 8.5% prior to July 1, 2012 to 6.5% as of July 1, 2015. Further rate reductions will continue until 2022. Two state income tax rates will be applicable to the anticipated 2015 billing period of this tracker (7.0% and 6.5%); therefore, they were averaged.

[2/] See Exhibit D-2 Page 1

[3/] Lost revenues estimate includes lost revenues persisting in 2015 for 2012, 2013, and 2014 program participation, as well as impacts from lost revenues forecasted to be incurred in 2015 from 2015 program participation.

[4/] See Workpaper 5

[5/] See Exhibit D-2 Page 4

[6/] See Exhibit D-2 Page 3

DUKE ENERGY INDIANA, INC.

DETERMINATION OF THE 2015 ENERGY EFFICIENCY REVENUE ADJUSTMENT FACTORS FOR THE NON-RESIDENTIAL RATE GROUPS

					% for Allocation to Customer Groups [1/]			Allocated Revenue Requirements by Customer Groups			
		Total				Customers Opting Out			Customers Opting Out		
Line No.	Description	Costs	Conversion Factor [2/]	Revenue Requirements	Participating Customers	Effective 4/1/14	Effective 1/1/15	Participating Customers	Effective 4/1/14	Effective 1/1/15	Line No.
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
	Non-Residential			(A) * (B)				(C) * (D)	(C) * (E)	(C) * (F)	
1	2015 Program Costs, EM&V and Shared Savings [3/]	$11,046,397	1.02128	$11,281,464	100%	0%	0%	11,281,464	-	-	1
2	2015 Lost Revenues [3/]	388,282	1.00000	388,282	100%	0%	0%	388,282	-	-	2
3	2012 Reconciliation True-up [4/]	(227,785)	1.02128	(232,632)	61%	30%	9%	(141,906)	(69,790)	(20,936)	3
4	2013 Reconciliation to Actual [5/]	(19,516,020)	1.00000	(19,516,020)	61%	30%	9%	(11,904,772)	(5,854,806)	(1,756,442)	4
5	2012 Through Mar. 2014 Persisting Lost Revenues [6/]	5,240,478	1.00000	5,240,478	61%	30%	9%	3,196,692	1,572,143	471,643	5
6	Apr. - Dec. 2014 Persisting Lost Revenues [3/]	1,637,703	1.00000	1,637,703	87%	0%	13%	1,424,802	-	212,901	6
7	Total	($1,430,945)		($1,200,725)				4,244,562	(4,352,453)	(1,092,834)	7
8	Billing Determinants (KWH Sales)			18,533,693,704				11,362,989,077	5,515,926,636	1,654,777,991	8
9	Adjustment Factors per KWH							$ 0.000374	$ (0.000789)	$ (0.000660)	9
10	Participant Rate per KWH for Costs Related to 2015 Programs Only [7/]							$ 0.001027			10
11	Rate per KWH for Costs for Customers Opting Out 4/14/2014 [8/]							$ (0.000789)			11
12	Adjustment Factor for Any 4/1/14 Opt Out Customers Opting Back in 1/1/15							$ 0.000238			12

[1/] Estimated KWH Used for Allocation of Non-Residential Costs and for Rate Development

	Estimated KWH [1a/]	For Pre-4/1/14 Costs	For 4/1/14 - 12/31/14 Costs	For 1/1/15 Costs
Participating Customers	11,362,989,077	61%	87%	100%
4/1/14 Opt Out Customers	5,515,926,636	30%	0%	0%
1/1/15 Opt Out Customers	1,654,777,991	9%	13%	0%
Total Non-Residential	18,533,693,704	100%	100%	100%

[1a/] Assumes 50% of the estimated 11,031,853,272 KWH eligible to opt out will do so effective 4/1/2014 and another 15% will do so effective 1/1/2015.

[2/] See Exhibit D-2, Page 5

[3/] See Exhibit D-2, Page 1

[4/] See Exhibit D-2 Page 4

[5/] See Exhibit D-2 Page 3

[6/] See Exhibit D-2 Page 1 - includes total of 2012, 2013, and Jan-Mar 2014 amounts.

[7/] Calculated by dividing the total of lines 1 and 2 in column G by line 8, column G.

[8/] Uses rate from column H, line 9.

DUKE ENERGY INDIANA, INC.

Comparison of Energy Efficiency Revenue Adjustment Factors

Line No.			2015 (A)		2014 [1/] (B)		Change (C)	Line No.
1	Residential	$	0.003352	$	0.003576	$	(0.000224)	1
	Non-Residential							
2	Participating Customers	$	0.000374	$	0.001809	$	(0.001435)	2
3	Customers Opting Out Effective 4/1/2014	$	(0.000789)	$	0.000136	$	(0.000925)	3
4	Customers Opting Out Effective 1/1/2015	$	(0.000660)	$	0.001809	$	(0.002469)	4
5	Customers Opting In Effective 1/1/2015 After Opting Out Effective 4/1/2014	$	0.000238	$	0.000136	$	0.000102	5

[1/] 2014 Rates reflect rates proposed in pending Cause No. 44441 for customers opting out effective 4/1/2014 and as approved in Cause No. 43955 DSM-1 for all other customers.

DUKE ENERGY INDIANA, INC.

Comparison of the Effect of the Change in the Energy Efficiency Revenue Adjustment on the Bill of a Typical Residential Customer Using 1,000 KWHs

Line No.	Description	Energy Efficiency Adjustment Factor (A)	Base Bill For Typical Residential Customer (B)	Energy Efficiency Adjustment For 1,000 KWHs (C)	Total Base Bill, Including Energy Efficiency Adjustment [1/] (D)	Increase/ (Decrease) In Total Bill (E)	% Increase/ (Decrease) In Total Bill (F)	Line No.
1	2015 - Proposed Rider 66-A Factor	$ 0.003352	$ 75.20	$ 3.35	$ 78.55	(0.23) [2/]	(0.29%)	1
2	2014 - Current Rider 66-A Factor	$ 0.003576	$ 75.20	$ 3.58	$ 78.78	N/A	N/A	2

1/ Excludes rate adjustment riders other than Rider 66-A.

2/ Increase/(decrease) over 2014 currently effective Rider 66-A factor.