

REBUTTAL TESTIMONY OF
SUZANNE E. SIEFERMAN
MANAGER RATES AND REGULATORY STRATEGY
DUKE ENERGY BUSINESS SERVICES LLC
ON BEHALF OF DUKE ENERGY INDIANA, INC.
CAUSE NO. 44578 BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

1

I. INTRODUCTION

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Suzanne E. Sieferman and my business address is 1000 East Main
4 Street, Plainfield, Indiana 46168.

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

6 A. I am employed by Duke Energy Business Services LLC as Manager, Rates and
7 Regulatory Strategy. Duke Energy Business Services LLC is a service company
8 affiliate of Duke Energy Indiana, Inc. ("Duke Energy Indiana" or "Company").

9 **Q. ARE YOU THE SAME SUZANNE E. SIEFERMAN THAT PRESENTED**
10 **DIRECT TESTIMONY IN THIS CAUSE, IDENTIFIED AS PETITIONER'S**
11 **EXHIBIT C?**

12 A. Yes, I am.

13 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
14 **PROCEEDING?**

15 A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony filed
16 in this Cause on behalf of the Duke Energy Indiana Industrial Group ("Industrial
17 Group") and the Indiana Office of Utility Consumer Counselor ("OUCC") regarding

SUZANNE E. SIEFERMAN

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1 Duke Energy Indiana's request for approval of four (4) solar Power Purchase
2 Agreements ("PPAs") and associated cost recovery. Specifically, I am rebutting (1)
3 the Industrial Group's contention that the Company should not be allowed to
4 include additional costs in tracking mechanisms because there are numerous
5 trackers in use currently; (2) the Industrial Group's position that the per MWh costs
6 for these solar PPAs is all capacity and should not be allowed in the fuel cost
7 tracker; and (3) the Industrial Group's suggestion that, if the Commission approves
8 recovery through a tracking mechanism, the cost should be allocated to the rate
9 classes based on a demand factor and that the Company should be required to
10 update its demand allocation factors to support this allocation. In addition, I will
11 respond to the OUCC's request regarding maintaining adequate records to support
12 that customers have received the full benefit of the solar Renewable Energy Credits
13 ("RECs") and address the OUCC's concerns regarding Duke Energy Indiana's
14 transfer of solar RECs to either the GoGreen program or an affiliate company.

15 **II. REBUTTAL TO THE INDUSTRIAL GROUP'S TESTIMONY**

16 **Q. THE INDUSTRIAL GROUP HAS EXPRESSED CONCERN THAT DUKE**
17 **ENERGY INDIANA'S RATEPAYERS ARE CURRENTLY SUBJECT TO**
18 **NUMEROUS TRACKERS, AND THEREFORE THE COMPANY SHOULD**
19 **NOT BE ALLOWED TO CHARGE ADDITIONAL COSTS THROUGH**
20 **TRACKING MECHANISMS. HOW DO YOU RESPOND TO THIS**
21 **CONCERN?**

1 A. The Company is not requesting approval of an additional tracker in this proceeding.
2 Instead, the Company is asking that reasonable and appropriate new costs associated
3 with renewable purchased power agreements be included in the existing Fuel
4 Adjustment Clause (“FAC”) tracker proceeding. Further, there is statutory support
5 for the timely recovery of renewable energy costs proposed by the Company in this
6 proceeding.

7 **Q. THE INDUSTRIAL GROUP TESTIFIED THAT SOLAR CAPACITY**
8 **COSTS SHOULD NOT BE ALLOWED IN THE FUEL COST TRACKER AS**
9 **SOLAR IS NOT FUEL, VOLATILE, OR NECESSARY TO SERVE**
10 **CUSTOMERS AND MAY COMPLICATE THE FAC PROCEEDINGS WITH**
11 **REGARDS TO EXCESS COAL INVENTORIES. HOW DO YOU**
12 **RESPOND?**

13 A. The Company’s FAC proceedings reflect multiple generation sources, including
14 steam, hydro, natural gas, and wind. The actual fuel commodity cost associated
15 with hydro and wind generation is zero; however, these generation sources are still
16 reflected in the Company’s FAC proceedings as part of the Company’s generation
17 portfolio. The same should be true for generation sourced from solar, which is
18 simply another component in a diversified generation portfolio. In addition to
19 Company-owned generation, the FAC filings also include electricity obtained
20 through PPAs. The request in this proceeding, to include the full cost of the solar
21 purchases associated with the four (4) solar PPAs as a recoverable native load fuel
22 cost within the FAC proceeding, is consistent with the Commission-approved

1 treatment of the Company's existing wind generation PPAs with the Benton County
2 Wind Farm and Purdue Energy Park in Cause Nos. 43097 and 44444, respectively.
3 The pricing for these four (4) solar PPAs is fixed over the term of each contract and
4 provides for a single \$/MWH rate to be paid based on actual energy produced.
5 There is no associated demand charge that is payable whether the solar projects
6 produce power or not. As such, full recovery through the FAC process is
7 appropriate.

8 **Q. HOW DO YOU RESPOND TO THE INDUSTRIAL GROUP'S CONCERN**
9 **REGARDING COMPLICATIONS THAT COULD ARISE IN REGARDS TO**
10 **ANY EXCESS COAL INVENTORY?**

11 A. The addition of these solar resources will not directly impact the Company's coal
12 inventory levels. With Duke Energy Indiana's participation in the Midcontinent
13 Independent System Operator, Inc. ("MISO") energy market, the Company submits
14 offers for all of its generation resources to MISO and MISO chooses how to commit
15 and dispatch those resources regardless of the Company's load. Therefore, the
16 commitment and dispatch of the Company's coal-fired units is not directly impacted
17 by a reduction in the Company's load as a result of any behind-the-meter generation
18 produced by these four (4) solar projects.

19 **Q. THE INDUSTRIAL GROUP TESTIFIED THAT IF THE COMMISSION**
20 **GRANTS SOLAR CAPACITY COST RECOVERY THROUGH A**
21 **TRACKING MECHANISM, THE COST SHOULD BE ALLOCATED TO**
22 **CLASSES ON A DEMAND FACTOR. HOW DO YOU RESPOND?**

1 A. It is consistent with past Commission practice to include long-term renewable PPA
2 generation and costs within the FAC tracker, allocated on an energy basis. The
3 solar PPA costs are variable costs to the Company, as they are payable based
4 specifically on actual generation at these facilities. Because of these reasons and
5 also for administrative ease, the Company believes it is appropriate to allocate the
6 costs for these small PPAs associated with the four (4) proposed solar projects based
7 on current kWh sales, as is the practice within the Company's FAC proceedings.

8 **Q. THE INDUSTRIAL GROUP NOTED IN TESTIMONY THAT THE**
9 **COMMISSION HAD RECENTLY APPROVED A DEMAND ALLOCATION**
10 **FOR I&M'S SOLAR PILOT PROJECT IN CAUSE NO. 44511. HOW DO**
11 **YOU RESPOND?**

12 A. The structure of I&M's proposed solar pilot project is different from what Duke
13 Energy Indiana is proposing in this proceeding. I&M requested authorization from
14 the Commission to construct, own and operate the solar facilities rather than
15 entering into long-term PPAs with third party project developers, as is the case in
16 this current proceeding. As a matter of practice, the Commission has approved
17 similar rate recovery to what Duke Energy Indiana is requesting in several other
18 proceedings related to the procurement of wind and/or solar renewable generation,
19 including the recovery granted to Northern Indiana Public Service Company in
20 Cause Nos. 43393, 43922, and 44393; Indianapolis Power & Light Company in
21 Cause Nos. 43485 and 43740; to Southern Indiana Gas and Electric Company d/b/a

1 Vectren Energy Delivery of Indiana, Inc. in Cause No. 43097; and Indiana

2 Michigan Power Company in Cause No. 43328.

3 **Q. THE INDUSTRIAL GROUP REQUESTED THAT THE COMMISSION**
4 **REQUIRE DUKE ENERGY INDIANA TO UPDATE ITS DEMAND**
5 **ALLOCATION FACTORS AS THEY WERE DEVELOPED BASED ON 2002**
6 **DATA THAT THEY CLAIM IS NO LONGER REFLECTIVE OF CURRENT**
7 **USAGE CHARACTERISTICS OF CERTAIN CUSTOMER CLASSES,**
8 **SUCH AS THE HIGH LOAD FACTOR (“HLF”) CLASS. HOW DO YOU**
9 **RESPOND?**

10 A. The Company’s request in this proceeding is to include the costs associated with the
11 four (4) solar PPAs in the FAC tracker proceedings allocated on an energy basis.
12 The FAC tracker allocations are based on current usage and therefore do not
13 necessitate an update of the demand allocators.

14 **III. RESPONSE TO OUCC TESTIMONY**

15 **Q. THE OUCC REQUESTS THAT THE COMMISSION REQUIRE DUKE**
16 **ENERGY INDIANA TO KEEP ADEQUATE RECORDS AND FILE**
17 **SUFFICIENT INFORMATION IN FUTURE RIDER 60 ADJUSTMENT**
18 **FILINGS TO VERIFY THAT FAC CUSTOMERS HAVE RECEIVED THE**
19 **FULL BENEFIT OF RECS ASSOCIATED WITH THE FOUR (4) SOLAR**
20 **PPAS OUTLINED IN ITS TESTIMONY. HOW DO YOU RESPOND?**

21 A. The Company appreciates the OUCC’s support for FAC cost recovery for the four
22 (4) solar PPAs. The Company is agreeable to this recommendation and commits to

1 working with the OUCC to ensure their information needs related to these solar
2 RECs are met. The Company has been working cooperatively with the OUCC over
3 the past several years to provide similar information related to the sale of Benton
4 County RECs in ongoing FAC proceedings.

5 **Q. THE OUCC TESTIFIED THAT IT IS CONCERNED ABOUT THE**
6 **FAIRNESS AND ACCURACY OF THE PROXY MARKET PRICE USED**
7 **TO DOCUMENT INTRA-COMPANY TRANSFERS (FOR DUKE ENERGY**
8 **INDIANA'S GOGREEN PROGRAM) AND INTER-COMPANY**
9 **(AFFILIATE) TRANSFERS OF RECS. CAN YOU PLEASE EXPLAIN**
10 **WHAT DUKE ENERGY INDIANA'S PROXY WOULD BE FOR THE**
11 **MARKET PRICES?**

12 A. It is Duke Energy Indiana's intent to maximize the value of these RECs for the
13 benefit of its jurisdictional customers. In order to ensure the best value for the solar
14 RECs associated with these projects, the Company will study the current markets
15 for solar RECs and work with the solar project developers to ensure that the
16 requirements are met to be able to register the RECs in the market(s) with the most
17 favorable pricing. The PPA contract language for each solar project specifically
18 requires that the project owners will take the necessary steps to register with, pay all
19 fees required by, and comply with all reporting and other requirements of the
20 Generation Information System ("GIS") relating to the facilities or RECs. The
21 specific GIS has not yet been determined, but could be M-RETS, PJM-GATS, or
22 another state or regional registry for accounting for and transferring RECs with

1 respect to generation from the proposed solar facilities. Any REC sales would be
2 conducted at the prevailing market prices that exist at the time transactions are
3 executed. Price discovery for market prices will be gathered from broker quotes,
4 publications that regularly report on solar REC prices, and electronic means such as
5 Intercontinental Exchange. The same process would be used to determine market
6 pricing regardless of whether the REC sale was to an unrelated third party versus
7 transferring RECs to the GoGreen program or an Affiliate Company, and
8 documentation of such pricing would be provided to the OUCC in any FAC
9 proceeding where sales occurred. In the event RECs are transferred to the GoGreen
10 program or an Affiliate Company, FAC customers would benefit through increased
11 net proceeds, as compared to third party sales, due to the avoidance of broker fees
12 associated with open market sales.

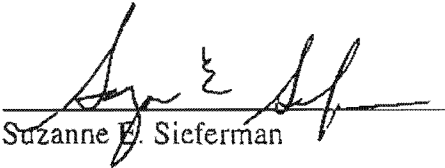
13 **IV. CONCLUSION**

14 **Q. DOES THIS CONCLUDE YOUR PREPARED REBUTTAL TESTIMONY**
15 **AT THIS TIME?**

16 **A.** 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: 
Suzanne E. Sieferman

Dated: 4/30/15