

**DIRECT 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**

I. INTRODUCTION

1

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. WHAT ARE YOUR RESPONSIBILITIES WITH DUKE ENERGY**
10 **INDIANA?**

11 A. As Manager Rates and Regulatory Strategy, I am responsible for the preparation and
12 oversight of financial and accounting data used in various Company rate filings.

13 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
14 **BACKGROUND.**

15 A. I am a graduate of Indiana University, holding a Bachelor of Science Degree in
16 Business, with a major in Accounting. I am a Certified Public Accountant ("CPA")
17 and a member of the Indiana CPA Society. Since my employment with the
18 Company in 1990, I have held various financial and accounting positions supporting

1 the Company and its affiliates. My position prior to Manager Rates and Regulatory
2 Strategy was that of Lead Rates Analyst. I have also held positions in Benefits
3 Accounting, Corporate Accounting, Business Unit Financial Reporting and External
4 Reporting.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. The purpose of my Testimony is to explain the relief requested in this proceeding
8 and discuss the requested ratemaking treatment.

9 **Q. WHAT RELIEF IS DUKE ENERGY INDIANA REQUESTING FROM THE**
10 **INDIANA UTILITY REGULATORY COMMISSION (“COMMISSION”) IN**
11 **THIS CASE?**

12 A. Duke Energy Indiana is seeking approval from the Commission of: (1) four (4)
13 solar energy Purchased Power Agreements (“PPAs”) for five (5) MWs each for a
14 total of twenty (20) MWs of solar energy to be in commercial operation no later
15 than March 31, 2016; (2) full and certain recovery of the retail jurisdictional portion
16 of the purchased power costs under the PPAs from retail customers in conjunction
17 with Duke Energy Indiana’s Fuel Cost Adjustment Standard Contract Rider No. 60
18 (“Rider 60” or “FAC”), or successor mechanism proceedings, for the entire twenty
19 (20) year terms of these PPAs; and (3) ability to sell the Renewable Energy Credits
20 (“RECs”) associated with the four (4) solar energy PPAs at market price to the
21 Indiana GoGreen program or an affiliate company, on equal footing with sales to

1 third parties on the open marketplace and flow the proceeds from those sales
2 through to customers via the FAC proceeding.

3 **II. REQUESTED REGULATORY APPROVALS**

4 **Q. WHAT APPROVALS FROM THE COMMISSION IS DUKE ENERGY**
5 **INDIANA SEEKING WITH RESPECT TO THIS PPA?**

6 A. Duke Energy Indiana is seeking a Commission determination that the proposed
7 PPAs are reasonable and necessary and the retail jurisdictional portion of the costs
8 incurred by Duke Energy Indiana, pursuant to the PPAs, will be recovered on a
9 timely basis through retail rates over the full term of the contracts. Specifically,
10 Duke Energy Indiana is proposing that the retail portion of the PPA charges be
11 recovered in connection with Duke Energy Indiana's quarterly FAC proceedings, as
12 described more fully below. Additionally, we are requesting that the Commission
13 issue an Order containing these determinations no later than the end of July 2015.
14 We are seeking this relief pursuant to Ind. Code § 8-1-8.8 *et seq.*¹ and Ind. Code §
15 8-1-42(a).² We are also seeking approval for the inclusion of the net retail
16 jurisdictional portion of any proceeds from the sales of the solar RECs through the
17 FAC process. Further, the Company requests the authority to sell solar RECs to the
18 Indiana GoGreen program or an affiliate company at market price, as well as,

¹ Ind. Code § 8-1-8.8 *et seq.* encourages the development of renewable energy resources, including solar projects by, among other things, authorizing financial incentives including timely recovery of costs for clean energy projects.

² Ind. Code § 8-1-2-42(a) authorizes tracking mechanisms, as approved by the Commission and for recovery of costs of purchased electricity.

1 engage in third party sales, with the proceeds being flowed through to customers via
2 the FAC proceedings.

3 **Q. WHAT RETAIL RATE COST RECOVERY DOES DUKE ENERGY**
4 **INDIANA PROPOSE WITH REGARD TO THE SOLAR PPAS?**

5 A. A long-term power purchase commitment is critical to each of the solar developers'
6 ability to finance and construct these projects. Assurance of timely cost recovery of
7 the full costs for the full term of these PPAs is available relief under Indiana law for
8 clean energy projects, such as these. Duke Energy Indiana is therefore proposing
9 cost recovery for the full terms of these Agreements for the retail portion of the
10 costs associated with our commitment under these PPAs to purchase for use by
11 native load customers approximately twenty (20) MW of solar power for a twenty
12 (20) year period. Duke Energy Indiana is proposing the timely retail cost recovery
13 be accomplished through the tracking provision of Ind. Code § 8-1-2-42(a) by
14 including the costs of the solar power purchases incurred by the Company pursuant
15 to these PPAs as a component of the quarterly FAC factor to be administered via
16 Rider 60 or a successor mechanism.

17 **Q. HOW IS THIS PROPOSED RECOVERY SIMILAR TO OR DIFFERENT**
18 **FROM THAT OF OTHER PURCHASED POWER COSTS INCLUDED AS A**
19 **COMPONENT OF RECOVERABLE FUEL IN THE QUARTERLY FAC?**

20 A. We are proposing that the full cost of the solar power purchases be included as a
21 recoverable native load fuel cost, not subject to application of the purchased power
22 benchmark. This is identical to the Commission-approved treatment of the

1 Company's existing PPAs with the Benton County Wind Farm and Purdue Energy
 2 Park in Cause Nos. 43097 and 44444, respectively. These solar PPAs provide for a
 3 single \$/MWH rate to be paid based on actual generation levels. As such, full
 4 recovery through the FAC process is appropriate.

5 **Q. WOULD APPLICATION OF AN FAC PURCHASED POWER**
 6 **BENCHMARK OR ECONOMIC STACKING OF THE PURCHASED**
 7 **POWER COST FROM THESE PPAS BE APPROPRIATE OR**
 8 **NECESSARY?**

9 A. No. The price of this purchased solar energy is set by contract for the full term of
 10 the PPAs. The only way this solar energy and its associated environmental,
 11 economic and other benefits will be available to Duke Energy Indiana is through the
 12 terms of the long-term contract. Comparing the long-term contractual prices of
 13 these solar power purchases to benchmarks designed to set the cost of fuel for short-
 14 term economy purchases from traditional sources of energy is not appropriate. As
 15 discussed in the Testimony of Petitioner's witness Mr. James Northrup, the solar
 16 PPAs were evaluated as a whole over their entire twenty (20) year lives and not
 17 evaluated as to whether they would be economic for each and every hour of the
 18 term. Subjecting a solar power purchase to hourly economic evaluation ignores the
 19 unique nature of this renewable energy technology and the environmental, economic
 20 development and societal benefits associated with the solar energy projects.

21 As determined by the Commission in Cause No. 41363, utilities are
 22 permitted under Ind. Code § 8-1-2-42 to recover above-benchmark purchases only

1 following a determination by the Commission that such purchases are reasonable.
2 Duke Energy Indiana is requesting that this determination of reasonableness be
3 made by the Commission, in this proceeding, for the solar power purchases for the
4 entire term of each contract due to the unique nature of the solar power, rather than
5 making the determination in each future FAC proceeding, making application of the
6 benchmark to these purchases in future proceedings unnecessary.

7 Duke Energy Indiana proposes to treat the purchased power costs associated
8 with these PPAs as a designated native load resource by placing them at the bottom
9 of the hourly economic stacking of generating resources and purchased power.
10 Because solar resources are non-dispatchable and operate continuously during
11 daylight periods, solar resources are treated in a similar fashion as other non-
12 dispatchable generation facilities that are first in line to serve designated native
13 loads.

14 **Q. HOW DO YOU PROPOSE RECOVERY OF THESE PPA COSTS BE**
15 **ADMINISTERED?**

16 A. The calculation of the quarterly recovery of these PPA costs will follow standard
17 FAC methodology. The costs incurred under the PPAs will be included in
18 developing the fuel cost factor to be applied to retail sales and will be reconciled in
19 future periods to actual retail sales as a part of the standard FAC reconciliation.

20 **Q. WILL THESE SOLAR PPA COSTS BE ALLOCATED BETWEEN RETAIL**
21 **AND WHOLESALE JURISDICTIONAL SALES?**

1 A. Yes. The costs will be allocated between retail and native wholesale jurisdictional
2 sales using the same methodology as is used for the other costs included in the FAC
3 (*i.e.*, developing a factor using total sales, then applying the factor to billed retail
4 sales).

5 **Q. PLEASE DESCRIBE HOW DUKE ENERGY INDIANA INTENDS TO PASS**
6 **THE VALUE OF RECS FROM THESE SOLAR PPAS BACK TO**
7 **CUSTOMERS.**

8 A. Under these solar PPAs, Duke Energy Indiana receives all the RECs produced by
9 the net output of the projects. As opportunities arise, it is currently the Company's
10 intent to monetize these RECs, either through sales on the open market or through
11 sales to the Indiana GoGreen program or an affiliate company at market prices. The
12 net proceeds from the sales of RECs obtained through these PPAs will be used to
13 reduce the fuel cost, including the cost of these solar PPAs, to be included in the
14 FAC calculation. The net proceeds from the sales will be shown on a separate line
15 (along with any proceeds from the sale of wind RECs) in Duke Energy Indiana's
16 quarterly FAC filings as a credit reducing the total fuel cost to be included. In the
17 future, if Duke Energy Indiana becomes subject to a renewable portfolio standard,
18 the RECs will be maintained and should count toward Duke Energy Indiana's
19 required renewable energy percentage.

20 **Q. WILL THE CUSTOMER BENEFITS OF ANY SALES OF THESE SOLAR**
21 **RECS BE REDUCED IN THE FAC IF THE SALE IS DIRECTLY TO THE**

1 **INDIANA GOGREEN PROGRAM OR AN AFFILIATE COMPANY**
2 **RATHER THAN ON THE OPEN MARKET?**

3 A. No. In fact, the benefits to customers through the FAC could actually be increased
4 as a result of lower administrative fees. Any sales of the solar RECS to the Indiana
5 GoGreen program or an affiliate company would be at prevailing market prices,
6 identical to a third party sale on the open market. However, sales to the Indiana
7 GoGreen program or an affiliate company would not require the additional
8 administrative fees associated with utilizing a broker to sell the RECs on the open
9 market. As a result, the net proceeds to flow back to customers would be increased
10 by the amount of the avoided broker fees. In any case, the Company will include
11 the net proceeds from any sales as a reduction to native fuel cost in its FAC filings.

12 **Q. WILL YOUR PROPOSED TREATMENT OF THESE SOLAR PPA COSTS**
13 **BE A BURDEN UPON OR SLOW THE PROCESSING OF THE**
14 **QUARTERLY FAC?**

15 A. It should not. Duke Energy Indiana will pay for the purchased power on a monthly
16 basis based on invoices rendered to Duke Energy Indiana. Those invoices will be
17 provided to the Office of Utility Consumer Counselor's ("OUCC's") auditor, as are
18 other fuel and purchased power invoices that are chosen as part of the audit sample.
19 If solar RECs received as a part of these PPAs are sold, any associated
20 documentation (which may include third party invoices, journal entries, published
21 market prices, etc.) will also be provided to the OUCC for auditing. As discussed

1 earlier, confidential treatment is being requested for the pricing associated with
2 these PPAs.

3 **Q. WHAT IS THE ESTIMATED ANNUAL COST ASSOCIATED WITH THESE**
4 **SOLAR PPAS?**

5 A. The annual cost to native load customers for these purchases, without consideration
6 of any net proceeds from the sale of the associated solar RECs, is expected to be in
7 the range of approximately <CONFIDENTIAL> [REDACTED]
8 <CONFIDENTIAL> per year. The portion applicable to retail customers is
9 expected to range from approximately ninety percent (90%) of this, or
10 <CONFIDENTIAL> [REDACTED] <CONFIDENTIAL>.

11 However, it should be noted that this is not an incremental cost to native
12 customers, as the purchases under these four (4) solar PPAs will displace the cost of
13 the highest cost generation or purchase resource at the top of the native stack which
14 otherwise would have served native load. The difference between the cost of these
15 PPAs and the displaced cost will be the impact on the fuel costs that will be subject
16 to the FAC. Depending on the hour, the displaced cost may be greater than the cost
17 of these PPAs, such as when natural gas peaking units will be displaced, or may be
18 less than the cost of the PPAs.

19 **Q. WHY ARE YOU PROPOSING THIS TREATMENT RATHER THAN**
20 **TREATING THIS AS ANY OTHER POWER PURCHASE?**

21 A. The legislature has provided for certain incentives to encourage the development of
22 renewable energy projects, such as these solar projects. Duke Energy Indiana is not

1 asking for any special incentives related to these power purchases, only for the
2 opportunity to recover the retail jurisdictional costs associated with these power
3 purchases in a timely manner. Subjecting these approximately twenty (20) MW of
4 long-term solar PPAs, with their unique characteristics and benefits, to the same
5 standards as spot energy purchases from more traditional resources, such as
6 requiring the power purchase price to be below a benchmark, or economically
7 stacking the power on an hour-by-hour basis, does not provide the appropriate
8 incentives the legislature intended and inappropriately shifts more risk to the utility.

9 **IV. CONCLUSION**

10 **Q. IN YOUR OPINION, ARE THE SOLAR PPAS REASONABLE AND**
11 **NECESSARY?**

12 A. Yes. These solar PPAs will provide customers with clean energy that is
13 economical.

14 **Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY AT**
15 **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: 2-19-15