

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF DUKE ENERGY INDIANA,)
LLC FOR ISSUANCE OF A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY UNDER INDIANA)
CODE 8-1-8.5 FOR THE CONSTRUCTION OF A)
SOLAR-POWERED GENERATING FACILITY TO BE)
LOCATED AT NSA CRANE (“CRANE SOLAR)
FACILITY”); APPROVAL OF THE CRANE SOLAR) CAUSE NO. 44734
FACILITY AS A CLEAN ENERGY PROJECT UNDER)
INDIANA CODE 8-1-8.8; AUTHORIZATION FOR)
TIMELY RECOVERY OF THE ASSOCIATED)
CONSTRUCTION AND OPERATING EXPENSES)
THROUGH THE COMPANY’S EXISTING STANDARD)
CONTRACT RIDER NOS. 62 AND 71; APPROVAL TO)
DEFER COSTS ASSOCIATED WITH THE CRANE)
SOLAR FACILITY UNTIL SUCH COSTS ARE)
REFLECTED IN DUKE ENERGY INDIANA, LLC’S)
RATES AND CHARGES; AND APPROVAL OF A NEW)
DEPRECIATION RATE SPECIFIC TO THE PROPOSED)
CRANE SOLAR FACILITY.)**

JOINT STIPULATION AND SETTLEMENT AGREEMENT

The Indiana Office of Utility Consumer Counselor (“OUCC”) and Duke Energy Indiana, LLC (“Duke Energy Indiana” or “Company”) (collectively, the “Settling Parties”) enter into this Joint Stipulation and Settlement Agreement among less than all parties (“Agreement”), agreeing to the following terms and conditions:

A. Agreements on Requested CPCN

1. The Settling Parties agree that Duke Energy Indiana should be granted a certificate of public convenience and necessity (“CPCN”) for a new 17 MW_{AC}/24 MW_{DC} solar generation project to be located at the Naval Support Activity – Crane (“NSA Crane”) (referred to herein as the “Crane Solar Facility”), as described in Duke Energy Indiana’s direct testimony in this Cause. The Crane Solar Facility will be interconnected at 69 kV transmission voltage. The planned interconnection to Duke Energy Indiana transmission facilities is currently awaiting required approval from the Midcontinent Independent System Operator (“MISO”). The Settling Parties

further agree that the proposed 17 MW_{AC}/24 MW_{DC} is part of the 20 MW_{AC} new renewable energy generation capacity planned for 2017, as included in the Company's most recent Integrated Resource Plan ("IRP"), submitted to the Commission on or about November 1, 2015.

2. The Settling Parties agree that the Company's cost estimate of \$41.3 million, including a contingency of approximately four per cent (4%) of the total project cost, exclusive of AFUDC and post-in-service carrying costs, constitutes a reasonable estimate of the Company's construction costs for the Crane Solar Facility referenced above and described in Duke Energy Indiana's direct testimony in this Cause. Duke Energy Indiana agrees not to seek cost recovery from its customers for project costs in excess of \$41.3 million, plus its actual, accrued AFUDC and post-in-service carrying costs. However, to the extent MISO requires additional, unexpected transmission upgrades as part of Duke Energy Indiana's interconnection application for the Crane Solar Facility, the Company may seek to recover those expenses through a subsequent proceeding under a new utility-owned renewable energy generation project rider. Duke Energy Indiana agrees to file an update in this docket once MISO provides the interconnection agreement, stating the projected cost of any additional system improvements MISO required to approve the Company's interconnection with the Crane Solar Facility. Duke Energy Indiana agrees to provide supporting documentation and workpapers to the OUCG before seeking recovery of those expenses in a subsequent proceeding under the new utility-owned renewable energy generation project rider if the additional MISO-required interconnection costs exceed \$1 Million. Approved project costs will be recovered as provided in section B of this Agreement.
3. Based on the Company's direct testimony in this Cause, the Settling Parties agree that the Crane Solar Facility is a "clean energy project" as defined in Indiana Code § 8-1-8.8-2.
4. In lieu of cash payments for the fair market value of the site lease for use of NSA Crane land where Duke Energy Indiana's solar generation and related facilities will be located, the Settling Parties agree that Duke Energy Indiana should be permitted to:
 - a. Install a remote operable switch on the 69 kV line that serves NSA Crane, allowing isolation of the Crane Solar Facility from the Company's transmission network under certain limited circumstances, and
 - b. Study the feasibility of incorporating future grid-tied energy storage technologies to maintain electric services for critical loads during a significant regional outage event.

Duke Energy Indiana agrees not to seek recovery from its customers of amounts in excess of \$ 400,000 for the items listed in sub-sections (a) and (b) above. This amount is not included in the cost cap of \$41.3 million listed in A2 above. To the extent Duke Energy Indiana makes additional investment arising from or related to the feasibility study in subsection (b) above, that investment may be the subject of a future regulatory proceeding.

5. The Settling Parties agree that Duke Energy Indiana can include amounts related to the above items in a new annual rider specific to utility-owned renewable energy generation projects, using cost recovery methodology that mirrors the methodology currently used under the Company's existing Standard Contract Rider Nos. 62 and 71. The initial filing for this new utility-owned renewable energy generation project rider will take place within 90 days after the Crane Solar Facility is declared in-service. Thereafter, the annual filing will be filed no later than January 31 of each year with a cut-off for financial data as of September 30 of each year, until the Indiana Utility Regulatory Commission ("Commission") determines the Crane Solar Facility is used and useful in a proceeding that involves the establishment of Duke Energy Indiana's base retail electric rates. To the extent the new rider for utility-owned renewable energy generation projects includes expenses associated with other Commission approved utility-owned renewable energy generation projects other than the Crane Solar Facility that are not reflected in the Company's base retail electric rates, the annual utility-owned renewable energy generation project rider filings may continue, as needed, at a project-based level of granularity.
6. The Settling Parties agree that Duke Energy Indiana may install a remote operable switch for the Company's exclusive use, the activation of which could allow NSA Crane to purchase all of the solar power generated by the Crane Solar Facility in the event of a catastrophic grid failure in the region during which Duke Energy Indiana is unable to energize the transmission line to which the Crane Solar Facility is connected and NSA Crane does not have access to any other public utility for back-up power. Further, the referenced remote operable switch may only be activated to allow energy from the Crane Solar Facility to be purchased by NSA Crane if and to the extent that:
 - a. NSA Crane has the technical ability to take delivery of the energy from the Crane Solar Facility;
 - b. Such action does not adversely affect service or cost of service to other Duke Energy Indiana customers;
 - c. Such action is consistent with MISO and other applicable regulatory requirements; and

- d. Any power thus taken is purchased at the Company's published tariff rates.
7. In December 2016, Duke Energy Indiana agrees to file a written report in this Cause on the status of construction and construction costs incurred during the previous twelve (12) months. The Company agrees to notify the Commission of project completion within sixty (60) days of the in-service date. Thereafter, Duke Energy Indiana agrees to provide written annual updates as part of its annual utility-owned renewable energy generation project rider proceedings, beginning with its 2017 filing. The testimony shall contain the following information: generation output of the solar generation system (with monthly detail), the actual revenue requirement during the twelve (12) months covered by the report ("reporting period"), the cost per kWh of electricity generated by the Crane Solar Facility during the reporting period, the total renewable energy credit ("REC") proceeds (in U.S. dollars) associated with Duke Energy Indiana's solar generation at NSA Crane, and the average annual billing impact on all customer classes. Each annual report should also indicate whether NSA Crane has purchased energy directly from the Crane Solar Facility at any time during the reporting period and, if so, the amount of generation (in kWh) NSA Crane purchased from Duke Energy Indiana's Crane Solar Facility during each isolation event, along with the starting date and time and the ending date and time of each such event. The OUCC or the Commission may request information and meetings concerning the frequency, timing and duration of events involving regional grid failures of Duke Energy Indiana's transmission network serving the Crane Solar Facility.
 8. Duke Energy Indiana agrees to provide to the OUCC a copy of the final report on the feasibility study assessing energy security options at NSA Crane, including possible integration of new and existing distributed energy resources, control and communications equipment, and other facilities or equipment at the site. Within sixty (60) days of submitting that report, Duke also agrees to meet with the OUCC to discuss the results of the feasibility study, unless the OUCC determines that such a meeting is not required, after reviewing the Company's final report.

B. Agreed Ratemaking Terms

1. The Settling Parties agree that upon Commission approval of the Crane Solar Facility as a "clean energy project," Duke Energy Indiana will be allowed to commence construction work in progress ("CWIP") ratemaking treatment for the retail jurisdictional portion of the Crane Solar Facility project via a new annual utility-owned renewable energy generation project rider dedicated to renewable energy projects owned by the Company. The methodology used to compute that new rider will be consistent with the methodology currently used to compute Riders 62 and 71.

The Settling Parties' agreed new utility-owned renewable energy generation project rider will be included in testimony supporting this Agreement.

2. For the new utility-owned renewable energy generation project rider, CWIP will be calculated in a manner consistent with the methodology currently used to compute Rider 62.
3. The Settling Parties agree that the costs of the projects described in term A.4. can be deferred for future recovery via the new utility-owned renewable energy generation project rider dedicated to renewable energy projects based on a five (5) year amortization period, without carrying charges, until the unamortized balance is included in the Company's base retail electric rates.
4. The Settling Parties agree to the Company's request for accrual as a regulatory asset of post-in-service carrying costs (including accrual on previously computed post-in-service carrying costs, compounded monthly) on the retail jurisdictional portion of the Crane Solar Facility's capital expenditures at the Company's AFUDC rates once the project is placed in service until such expenditures and post-in-service carrying costs are recovered in the Company's retail rates. The retail post-in-service carrying costs balance (net of amortizations) will be added to the retail net plant investment to determine the basis for calculating the return component of the revenue requirements. The Settling Parties agree that post-in-service carrying costs (accrued at the AFUDC rate) will be amortized over the life of the asset (30 years).
5. The Settling Parties agree that the retail jurisdictional portion of O&M expenses, depreciation, payroll taxes, property taxes, and property insurance costs associated with the Crane Solar Facility can be deferred and recovered in the new utility-owned renewable energy generation project rider discussed above until such expenses are included in the Company's base retail electric rates .
6. Duke Energy Indiana agrees to include the full Investment Tax Credit ("ITC") benefit associated with the Crane Solar Facility in the new utility-owned renewable energy generation project rider discussed above (reducing the customer impact of that rider by the full amount of the Investment Tax Credit) over the life of the new utility-owned renewable energy generation facilities, with that offset to the impact of that rider beginning as soon as the Company is able to utilize the credit under applicable tax normalization rules, until such benefit is included in the Company's base retail electric rates.
7. In each new utility-owned renewable energy generation project rider proceeding after the in-service date for the Facility, the Company will provide testimony as to the status of the Company's ability to utilize ITC credits in the relevant recovery period

and the then-current estimated timing for utilization going forward. After the Crane Solar Facility is included in base retail electric rates, that status update no longer needs to be reported so long as the ITC credits associated with the Crane Solar Facility are also included as an offset to revenue requirement in base retail electric rates.

8. Duke Energy Indiana agrees to monetize the solar renewable energy credits (“RECs”) received as a result of solar generation at the Crane Solar Facility as opportunities arise through open market sales. The net proceeds resulting from the sale of any Crane Solar Facility RECs will be used as an offset to revenue requirements and returned to Customers through the new utility-owned renewable energy generation project rider created for renewable energy projects. The Settling Parties agree that, in the future, should Duke Energy Indiana become subject to a renewable portfolio standard or other renewable energy regulatory requirements, then Duke Energy Indiana may request that RECs from solar generation from the Crane Solar Facility will be maintained by the Company and counted toward Duke Energy Indiana’s renewable generation requirement. In proceedings regarding cost recovery for the Crane Solar Facility, the Company will prefile testimony as to the status of the REC market and its attempts to maximize the benefits of the RECs for Duke Energy Indiana’s customers. The parties further agree that, Duke Energy Indiana may not use RECs from generation at that facility for the Company’s below-the-line Green Power Program.
9. The Settling Parties agree that the expected life of the proposed Crane Solar Facility is thirty (30) years and the Company should be entitled to recover the cost of the facility via depreciation (up to the agreed capitalized cost cap) based on the expected useful life. The Settling Parties further agree that a depreciation rate of 3.33%, based on the expected thirty (30) year life is appropriate for the Crane Solar Facility, until such time as a new depreciation rate supported by a depreciation study is approved by the Commission in a future proceeding.
10. All Duke Energy Indiana electric customers must receive an allocation of net revenue requirement (net after applicable credits) under the new utility-owned renewable energy generation project rider, in a manner consistent with current allocation of the revenue requirements in Riders 62 and 71. Revenue credits will be provided to customers via Rider No. 71, as described in the testimony of Kent K. Freeman in Cause No. 42061 ECR 15. The revenue credits associated with this new utility-owned renewable energy project rider will be described in Duke Energy Indiana’s testimony in the rider proceeding. The Settling Parties further agree that the Company will continue this ratemaking treatment until the Commission determines

this project is used and useful in a proceeding that involves the establishment of the Company's base retail electric rates, or longer if ordered by the Commission.

C. **Procedural Stipulations Regarding the Agreement**

1. The Settling Parties acknowledge that a significant motivation to enter into this Agreement is the expectation that, if the Commission finds this Agreement is reasonable and in the public interest, an order granting the requested CPCN will be granted sooner than would be possible in a fully litigated proceeding, permitting Duke Energy Indiana to begin construction of the Crane Solar Facility within the time originally requested by NSA Crane. The Settling Parties have spent valuable time reviewing data and negotiating this Agreement in an effort to eliminate time consuming and costly litigation. The Settling Parties agree to request that the Commission review the Agreement on an expedited basis and, if it finds the Agreement is reasonable and in the public interest, to approve this Agreement without any material changes by May 25, 2016 (or the last Commission Weekly Conference conducted in May, 2016).
2. The Settling Parties agree to jointly present this Agreement to the Commission for its approval in this proceeding, and agree to assist and cooperate in the preparation and presentation of supplemental testimony as necessary to provide an appropriate factual basis for such approval.
3. If the Agreement is not approved in its entirety by the Commission, the Settling Parties agree that the terms of this Agreement shall not be admissible in evidence or discussed by any party in a subsequent proceeding. Moreover, the concurrence of the Settling Parties with the terms of this Agreement is expressly predicated upon the Commission's approval of the Agreement in its entirety without any material modification or any material condition deemed unacceptable by any Party. If the Commission does not approve the Agreement in its entirety, the Agreement shall be null and void and deemed withdrawn, upon notice in writing by any Settling Party within fifteen (15) business days after the date of the Final Order that any modifications made by the Commission are unacceptable to it. In the event the Agreement is withdrawn, the Settling Parties will request that an Attorneys' Conference be convened to establish a procedural schedule for the continued litigation of this proceeding.
4. The Settling Parties agree that the terms of this Agreement reflect a fair, just and reasonable resolution and compromise for the purpose of settlement under the unique facts presented in this case, and is agreed upon without prejudice to the ability of any Settling Party to propose different terms or conditions in future proceedings. As set forth in the Order in *Re Petition of Richmond Power & Light*, Cause No. 40434, p.

- 10, the Settling Parties in that case agreed and asked the Commission to incorporate as part of its Final Order confirmation that the Agreement and the Order approving it not be cited as precedent by any person or deemed an admission by any party in any other proceeding except as necessary to enforce its terms before the Commission or a court of competent jurisdiction on these particular issues. This Agreement is solely the result of compromise in the settlement process. Each of the Settling Parties hereto has entered into this Agreement solely to avoid further disputes and litigation with the attendant inconvenience and expense.
5. The Settling Parties stipulate that the evidence of record presented in this Cause constitutes substantial evidence sufficient to support this Agreement and provide an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of this Agreement, as filed. The Settling Parties agree to the admission of this Agreement and supporting testimony into the evidentiary record for this proceeding, along with testimony supporting this Agreement, without objection.
 6. The issuance of a Final Order by the Commission approving this Agreement without any material modification or further condition not accepted by the Settling Parties shall terminate all proceedings in this Cause.
 7. The Settling Parties also will work cooperatively on future news releases or other announcements to the public about this Settlement Agreement. The Settling Parties may respond individually to questions from the public or media, provided such responses are consistent with the Agreement.
 8. The undersigneds represent and agree that they are fully authorized to execute this Agreement on behalf of their designated clients, who will be bound thereby.
 9. The Settling Parties shall not appeal the agreed Final Order or any subsequent Commission order as to any portion of such order that is specifically implementing, without modification, the provisions of this Agreement, and the Settling Parties shall not support any appeal of a portion of such order by a person not a party to this Agreement.
 10. The provisions of this Agreement shall be enforceable by any Settling Party before the Commission or in any court of competent jurisdiction.
 11. The communications and discussions during the negotiations and conferences which produced this Agreement have been conducted on the explicit understanding that they are or relate to offers of settlement and are, therefore, privileged.

STIPULATED AND AGREED this 15th day of April, 2016.

[signature pages to follow]

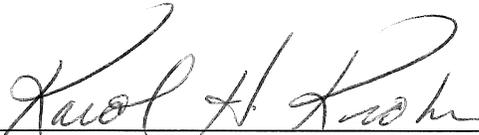
For Duke Energy Indiana, LLC

A handwritten signature in black ink, reading "Melody Birmingham-Byrd". The signature is written in a cursive, flowing style.

Melody Birmingham-Byrd, President
Duke Energy Indiana , LLC

[This is a signature page for the 2016 Duke Energy Indiana Crane Settlement before the Indiana Utility Regulatory Commission (Cause No. 44734). Remainder of page intentionally left blank.]

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

By:  _____

Karol H. Krohn (Indiana Attorney No. 5566-82)

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing ***JOINT STIPULATION AND SETTLEMENT AGREEMENT*** has been electronically served upon the following counsel of record via e-mail, the agreed method of service for this proceeding, on April 15, 2016:

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