TESTIMONY OF SUZANNE E. SIEFERMAN, MANAGER RATES AND REGULATORY STRATEGY ON BEHALF OF DUKE ENERGY INDIANA, LLC CAUSE NO. 44734 BEFORE THE INDIANA UTILITY REGULATORY COMMISSION

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

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

A. I am employed by Duke Energy Business Services LLC, an affiliate of Duke Energy Indiana, LLC ("Duke Energy Indiana" or "Company") as Manager Rates and Regulatory Strategy. Duke Energy Indiana is a wholly owned, indirect subsidiary of Duke Energy Corporation.

Q. PLEASE DESCRIBE YOUR DUTIES AS MANAGER RATES AND REGULATORY STRATEGY.

A. As Manager Rates and Regulatory Strategy, I am responsible for the preparation of financial and accounting data used in Company rate filings and petitions for changes in fuel cost adjustment factors and other tracking mechanisms.

Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I am a graduate of Indiana University, holding a Bachelor of Science Degree in Business, with a major in Accounting. I am a Certified Public Accountant ("CPA") and a member of the Indiana CPA Society. Since my employment with

the Company in 1990, I have held various financial and accounting positions supporting the Company and its affiliates. My position prior to Manager Rates and Regulatory Strategy was that of Lead Rates Analyst. I have also held positions in Benefits Accounting, Corporate Accounting, Business Unit Financial Reporting and External Reporting.

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

A. My testimony will explain the Company's proposed accounting and rate treatment related to constructing, owning and operating a 17 MW_{ac}/24 MW_{dc} solar powered generating facility on land leased to Duke Energy Indiana by the Naval Support Activity ("NSA") Crane Solar Facility ("Crane Solar Facility"). I will provide an estimate of the retail jurisdictional portion of the costs the Company proposes to recover under Standard Contract Rider No. 62 – Qualified Pollution Control Property Revenue Adjustment ("Rider 62") and Standard Contract Rider No. 71 – Clean Coal Operating Cost Revenue Adjustment ("Rider 71"). I will also discuss the proposed treatment of the Renewable Energy Credits ("RECs") associated with the Crane Solar Facility. Lastly, I will provide an estimate of the associated rate impacts.

II. REQUESTED RATEMAKING AND ACCOUNTING TREATMENT RELATED TO THE COMPANY'S CONSTRUCTION OF THE CRANE SOLAR FACILITY

Q. PLEASE SUMMARIZE THE RATEMAKING AND ACCOUNTING TREATMENT DUKE ENERGY INDIANA IS REQUESTING FOR THE

CRANE SOLAR FACILITY.

A. The Company is requesting authority from the Commission to recover the retail jurisdictional portion of the actual costs of constructing, owning, and operating the Crane Solar Facility through Riders 62 and 71. As explained by Duke Energy Indiana witness, Ms. Melody Birmingham-Byrd, the Company is requesting that the Commission approve the Crane Solar Facility as a "clean energy project" under Indiana Code 8-1-8.8. The Commission has previously approved the use of the Company's Riders 62 and 71 to recover the retail jurisdictional portion of the costs for certain environmental compliance projects, most of which were approved by the Commission as "clean energy projects" under Indiana Code 8-1-8.8. The Company is also requesting authority from the Commission to accrue a regulatory asset for post-in-service carrying costs at rates equal to Duke Energy Indiana's allowance for funds used during construction ("AFUDC") rates on the retail jurisdictional portion of the capital project expenditures for the solar project once it is placed in service until the costs are included in retail rates.

Q. PLEASE BRIEFLY DESCRIBE THE COMPANY'S CURRENT RIDER 62.

A. Rider 62 provides for construction work in progress ("CWIP") ratemaking treatment for investments in qualified pollution control property and clean energy projects. The Company's Rider 62 was most recently approved by the Commission on July 29, 2015, in Cause No. 42061 ECR 25.

Q. WHAT IS CWIP RATEMAKING TREATMENT?

A. CWIP ratemaking treatment allows a utility to recover financing costs (*i.e.*, earn a

cash return) attributable to qualifying plant investments that are not included in the utility's "used and useful" rate base established in a prior general rate proceeding. Under CWIP ratemaking, financing costs are recovered as incurred and/or paid out, and the utility is able to avoid the negative effects of regulatory lag, including negative cash flows and earnings erosion. Indiana Code 8-1-8.8 specifically provides for the "timely recovery of costs and expenses incurred during construction and operation of . . . renewable energy projects," such as the Crane Solar Facility.

Q. WHAT IS THE COMPANY PROPOSING IN THIS PROCEEDING WITH RESPECT TO CWIP RATEMAKING TREATMENT?

A. Upon Commission approval of the Crane Solar Facility as a "clean energy project" eligible for financial incentives, Duke Energy Indiana is proposing to commence CWIP ratemaking treatment for the project via Rider 62. 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 and charges.

Q. WILL THE ENVIRONMENTAL PROJECTS CURRENTLY IN RIDER 62 CONTINUE IN RIDER 62?

A. Yes. Until the environmental compliance investments currently in Rider 62 are moved into rate base in a retail base rate case proceeding, those investments will remain in Rider 62. Because the majority of the environmental compliance investments currently in Rider 62 and the proposed Crane Solar Facility would be

clean energy projects under Indiana Code 8-1-8.8, it would be administratively convenient for the Commission and interested parties to review all such projects in one regulatory proceeding, rather than having separate proceedings.

Q. PLEASE EXPLAIN THE COMPANY'S ACCOUNTING POLICIES AND PROCEDURES RELATING TO CWIP RATEMAKING TREATMENT.

A. The Company's accounting policies and procedures relating to CWIP ratemaking treatment are designed primarily to ensure that AFUDC is discontinued, as appropriate, when expenditures begin recovering their financing costs through Rider 62.

Q. UNDER THE COMPANY'S PROPOSAL, WHEN WILL CWIP RATEMAKING TREATMENT CEASE?

A. Consistent with the Commission's prior precedent, projects will be deemed to be under construction and the Company will continue to collect revenues under Rider 62 until the Commission determines that such projects are used and useful in a proceeding that involves the establishment of the Company's base retail electric rates and charges.

Q. WOULD YOU EXPLAIN AFUDC?

A. AFUDC reflects the cost of borrowed or invested funds (*i.e.*, debt and equity) used to finance utility plant during the construction phase of a project. These costs are recorded and capitalized as part of the total cost of the project. The Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts, which has been adopted by the Commission, includes accounting guidance,

instructions, and specific formulas for calculating, determining, and applying the AFUDC rate. The FERC rules and guidance were put in place to ensure consistency between utilities as to the method of calculating AFUDC and were clarified by FERC's Accounting Release #13 to provide guidance for situations involving use-restricted long-term debt held in trust or other special funds. Duke Energy Indiana was granted permission from FERC on August 12, 1996, to determine its AFUDC rate on a monthly basis, rather than on an annual basis, as specified in the Uniform System of Accounts instructions.

Q. TO WHAT EXTENT WILL POST-IN-SERVICE CARRYING COSTS BE ACCRUED?

A. The Company proposes accrual as a regulatory asset of post-in-service carrying costs 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, including accrual on previously computed AFUDC or post-in-service carrying cost amounts, until such expenditures and post-in-service carrying costs are recovered in the Company's retail rates.

Q. IS THE ACCOUNTING TREATMENT PROPOSED BY THE COMPANY FOR POST-IN-SERVICE CARRYING COSTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP")?

A. Yes. GAAP specifically discusses the accounting for a regulator's actions designed to protect a utility from the effects of regulatory lag. Topic 980 of the Financial Accounting Standards Board's Accounting Standards Codification

("ASC") covers the accounting guidance for regulated operations formerly provided in Statement of Financial Accounting Standards No. 71. Costs associated with regulatory lag can be capitalized for accounting purposes, provided the provisions of ASC 980-340-25-1 are met. The guidance states:

> Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An entity shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met: (a) It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for ratemaking purposes and (b) Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost. A cost that does not meet these asset recognition criteria at the date the cost is incurred shall be recognized as a regulatory asset when it does meet those criteria at a later date.

Q. DO YOU HAVE AN OPINION AS TO THE APPROPRIATENESS OF, AND THE ACTION REQUIRED BY, THE COMMISSION TO ALLOW FOR THE REQUESTED ACCOUNTING TREATMENT FOR POST-IN-SERVICE CARRYING COSTS?

A. Yes. In my opinion, deferral as a regulatory asset of the retail jurisdictional portion of the post-in-service carrying costs on the capital costs of the Crane Solar Facility until it can be included in rates is appropriate from a ratemaking perspective, and such treatment will minimize the timing differences between cost recognition on the Company's books and cost recovery. In addition, Indiana Code 8-1-8.8 specifically provides for the recovery of the costs associated with

the construction and operation of a project approved by the Commission as a "clean energy project" – which includes any post-in-service carrying costs as those are costs associated with operating a clean energy project. In order for the Company to defer the post-in-service carrying costs as a regulatory asset, it must be probable that such costs will be recovered through rates in future periods. In order to satisfy the probability standard, the Commission's Order in this proceeding should specifically approve the accounting and ratemaking treatment proposed by Duke Energy Indiana.

Q. PLEASE BRIEFLY DESCRIBE THE COMPANY'S CURRENT RIDER 71.

A. Rider 71 provides for the recovery of depreciation and operation and maintenance ("O&M") expenses incurred on clean energy projects, such as the Crane Solar Facility proposed by the Company in this filing. Among other matters, Indiana Code 8-1-8.8 allows utilities to recover costs associated with constructing and operating clean energy projects on a timely basis and also provides for financial incentives. As a "renewable energy resource" specifically listed under Indiana Code § 8-1-37-4(a)(2), the proposed Crane Solar Facility fits the definition of a "clean energy project" as defined in Indiana Code § 8-1-8.8-2(2).

Rider 71 is updated on a semi-annual basis using estimated costs. The estimated costs are subsequently reconciled to actual costs, and any difference is collected from or credited to customers as appropriate. The Company's Rider 71 was most recently approved by the Commission on July 29, 2015, in Cause No. 42061 ECR 25.

Q. WHAT IS THE COMPANY REQUESTING IN THIS PROCEEDING RELATED TO ITS RIDER 71?

A. The Company is requesting approval to include the retail jurisdictional portion of operating expenses, including depreciation, O&M, payroll taxes, property taxes and property insurance associated with the Crane Solar Facility in Rider 71. The Company currently anticipates that the operating expenses associated with the Crane Solar Facility will include labor and expenses for maintenance activities on the panels and inverters, remote monitoring of the Crane Solar Facility's output and performance, and vegetation management, among other activities, as discussed in more detail in the testimony of Mr. Vann K. Stephenson. The Company also requests that the Commission approve the deferral of operating expenses associated with the Crane Solar Facility on an interim basis until such costs are recovered in Rider 71. This treatment has been approved by the Commission in similar causes in the past and enables the Company to match revenue with the associated expenses that the revenues are intended to recover.

Q. HOW DOES THE COMPANY PROPOSE TO RECOVER COSTS ASSOCIATED WITH THE FEASIBILITY STUDY AND INSTALLATION OF A REMOTE OPERABLE SWITCH WHICH DUKE ENERGY INDIANA IS PROVIDING IN EXCHANGE FOR LEASING THE LAND WHERE THE CRANE SOLAR FACILITY WILL BE SITED?

A. As discussed in the testimony of Ms. Melody Birmingham-Byrd, Duke Energy Indiana has agreed to (1) install a remote operable switch on the transmission line

serving NSA Crane and (2) conduct a feasibility study related to future grid-tied energy storage technologies in lieu of making cash payments to NSA Crane to lease the land for the proposed Crane Solar Facility. The Company intends to include amounts related to these items in Rider 71 as the costs are incurred.

Q. WILL THE COSTS CURRENTLY INCLUDED IN RIDER 71 STILL BE INCLUDED FOR RECOVERY IN RIDER 71?

A. Yes. Consistent with my previous description of Rider 62, until the amounts currently included in Rider 71 are moved to base rates in a retail base rate case proceeding, recovery of these costs will remain in Rider 71.

Q. HOW ARE THE AMOUNTS IN RIDER NOS. 62 AND 71 ALLOCATED TO CUSTOMERS?

A. The revenue requirement amounts in both Rider Nos. 62 and 71 are allocated to customers using the same demand allocation method adopted for production plant-related costs in the Company's last rate case. The Company is not proposing any changes to this allocation methodology as a result of the ratemaking proposal in the current proceeding.

Q. PLEASE DESCRIBE HOW DUKE ENERGY INDIANA INTENDS TO PASS THE VALUE OF RECS RECEIVED FOR THE CRANE SOLAR FACILITY BACK TO CUSTOMERS?

A. Duke Energy Indiana will be receiving RECs based on the net output of the Crane Solar Facility. As opportunities arise, it is currently the Company's intent to monetize these RECs through open market sales. Specifically, the Company

proposes to include the net proceeds resulting from monetization of any Crane Solar RECs within the Company's FAC filings. Any net proceeds from the REC sales will be shown on a separate line (along with any net proceeds from the sale of Benton County Wind RECs or Solar PPA RECs) in Duke Energy Indiana's quarterly FAC filings as a credit, reducing the total fuel cost to be included. In the future, if Duke Energy Indiana becomes subject to a renewable portfolio standard or other regulatory requirement, the RECs may be maintained and counted toward Duke Energy Indiana's requirement.

Q. WHY IS THE COMPANY PROPOSING TO INCLUDE ANY NET PROCEEDS FROM THE SALE OF RECS FROM THE CRANE SOLAR PROJECT IN THE FAC FILING?

A. There are two primary reasons for proposing this treatment. First, Duke Energy Indiana will be receiving the RECs for the Crane Solar facility as energy is generated (*i.e.* RECs are not tied to capacity), thus it is appropriate to allocate the benefits of any net REC proceeds to customers based on an energy allocator. Second, this approach is consistent with how all Duke Energy Indiana RECs (regardless of source) are treated for ratemaking purposes. From an administrative standpoint, consistency is beneficial to the Duke Energy Indiana departments responsible for accounting for and monetizing the RECs, as well as, for the Office of Utility Consumer Counselor's auditor responsible for reviewing the REC sales and confirming the net proceeds have been reflected appropriately in the Company's filings.

Q. DOES THE COMPANY'S PROPOSAL TO INCLUDE THESE NET PROCEEDS IN THE FAC PROCEEDINGS RATHER THAN IN RIDER 62 NEGATIVELY IMPACT CUSTOMERS?

A. No. Regardless of which mechanism is used to flow through any net REC proceeds, Duke Energy Indiana customers are still receiving the benefit of those proceeds. Inclusion in the FAC mechanism will result in flowing through benefits of any REC sales to customers sooner than if they were included in Rider 62, simply due to the FAC filings being quarterly versus the Rider 62 filings being done semi-annually. Also, there will be a somewhat different allocation of the proceeds to each customer class depending on the mechanism used, as amounts included in the FAC will be allocated to customer classes based on an energy allocator versus amounts in Rider 62 are allocated based on a demand allocator. Given that the RECs will be granted based on the actual energy generated at the Crane Solar Facility, the Company believes that the use of an energy allocator for the RECs is more appropriate.

Q. WILL DUKE ENERGY INDIANA'S CUSTOMERS BENEFIT FROM THE FEDERAL INVESTMENT TAX CREDIT ("ITC") MENTIONED IN THE TESTIMONY OF MS. BIRMINGHAM-BYRD?

A. Yes. Federal tax law allows utilities, among others, to claim a 30% ITC for investments in certain renewable technologies such as solar. Any ITC value that Duke Energy Indiana receives from its investment in the Crane Solar Facility will benefit customers by reducing the revenue requirement over the depreciable life

of the solar property in accordance with federal tax laws.

Q. PLEASE EXPLAIN HOW THE COMPANY PROPOSES TO REFLECT THE ITC BENEFIT IN THE RIDER?

A. Duke Energy Indiana proposes to include the ITC benefit associated with the Crane Solar Facility in Rider 71 (reducing the customer impact of the Rider) over the life of the plant beginning as soon as the Company is able to utilize the credit per the tax normalization rules.

Q. WHAT IS THE EXPECTED USEFUL LIFE OF THE CRANE SOLAR FACILITY AND DO YOU PROPOSE TO BASE THE DEPRECIATION RATE FOR THE FACILITY ON THIS LIFE?

A. The expected life of the proposed Crane Solar Facility is thirty (30) years and the company proposes the depreciation rate for the facility be based on this expected useful life. Because there are no similar generating facilities included in the Company's most recently approved depreciation study, the Company requests the Commission's specific approval of a new depreciation rate of 3.33%, based on the expected thirty (30) year life, to be used for the Crane Solar Facility.

Q. DOES THE PROPOSED DEPRECIATION RATE INCLUDE ANYTHING FOR NET NEGATIVE SALVAGE OR DISMANTLING?

A. No. The proposed rate is simply based on the thirty year useful life. At such time as a new depreciation study is completed, the depreciation rate will be updated to reflect any estimated net negative salvage or dismantling costs associated with the Crane Solar Facility.

III. RATE IMPACTS

Q. PLEASE SUMMARIZE THE ESTIMATED RATE IMPACTS OF THE CRANE SOLAR FACILITY.

A. Petitioner's Exhibit 4-A shows the estimated rate impacts, which were calculated using data provided by Mr. Vann K. Stephenson. The average retail rate impact at its peak in year 2 is estimated to be a 0.3% increase over total retail revenues for the twelve months ended June 30, 2015. For purposes of this estimation, the Company has taken a conservative approach and not included anything in the first five (5) years for monetization of solar RECs or for flow through of ITC benefits. The actual rate impact will vary based on a number of variables such as:

- The final construction costs of the Crane Solar Facility;
- The actual AFUDC rate;
- The actual capital structure, cost of capital rates, and revenue conversion factors in effect for the Rider filings;
- Timing of the project expenditures and approvals under the Rider filings;
- Actual operating expenses incurred, including O&M, property taxes and property insurance; and
- Final amount of ITC and timing of utilization.

Q. IS THERE ANYTHING ELSE YOU WOULD LIKE TO BRING TO THE ATTENTION OF THE COMMISSION?

A. Yes. In order to more clearly reflect the ongoing nature of costs included in Standard Riders No. 62 and 71, the Company is proposing to modify the names of

Rider No. 62 and Rider No. 71 to "Clean Energy Investment Adjustment" and "Clean Energy Operating Cost Adjustment," respectively. See Petitioner's Exhibits 4-B and 4-C for red-lined versions of these Tariffs reflecting the name changes. Also attached as Petitioner's Exhibit 4-D and 4-E are updated versions of the Table of Contents and Appendix A, respectively to the Company's retail rate Tariff, reflecting the proposed name changes to these Riders.

IV. CONCLUSION

Q. WERE PETITIONER'S EXHIBITS 4-A THROUGH 4-E PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes.

Q. DOES THIS CONCLUDE YOUR PREPARED TESTIMONY?

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: _____ Dated: Jan. 14, 2016
Suzanne E. Sieferman

Duke Energy Indiana, LLC

Estimated Retail Revenue Increase Attributable To
Duke Energy Indiana's Proposed Crane Solar Facility
(Dollars In Thousands)

Line No.	Description	2017	2018	2019	2020	2021	Line No.
		(C)	(D)	(E)	(E)	(E)	
	Rider 62						
1	CWIP	$ 1,892	$ 3,475	$ 3,356	$ 3,238	$ 3,119	1
	Rider 71						
2	O&M	480	635	501	508	516	2
3	Depreciation	655	1,316	1,316	1,316	1,316	3
4	PISCC	-	898	915	17	-	4
5	Reconciliation	-	1,044	(137)	3	4	5
6	Subtotal	1,135	3,893	2,595	1,844	1,836	6
7	Annual Retail Revenue Requirement	$ 3,027	$ 7,368	$ 5,951	$ 5,082	$ 4,955	7

Duke Energy Indiana, LLC

Estimated Retail Revenue Increase Attributable To
Duke Energy Indiana's Proposed Crane Solar Facility
(Dollars In Thousands)

Line No.	Rate Group	Retail Allocation Percentage (1)	Retail Revenues (2)	2017	2018	2019	2020	2021	Line No.
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	
1	RS	36.727%		$ 1,112	$ 2,706	$ 2,185	$ 1,866	$ 1,820	1
2	CS	5.206%		158	384	310	265	258	2
3	LLF	16.957%		513	1,249	1,009	862	840	3
4	HLF	39.620%		1,199	2,919	2,358	2,013	1,963	4
5	Other	1.490%		45	110	89	76	74	5
6	Total	100.000%		$ 3,027	$ 7,368	$ 5,951	$ 5,082	$ 4,955	6
	Percentage Rate Increase by Retail Rate Group								
7	RS		$ 1,047,174	0.1%	0.3%	0.2%	0.2%	0.2%	7
8	CS		123,764	0.1%	0.3%	0.3%	0.2%	0.2%	8
9	LLF		458,237	0.1%	0.3%	0.2%	0.2%	0.2%	9
10	HLF		891,450	0.1%	0.3%	0.3%	0.2%	0.2%	10
11	Other		112,527	0.0%	0.1%	0.1%	0.1%	0.1%	11
12	Total		$ 2,633,152	0.1%	0.3%	0.2%	0.2%	0.2%	12

(1) As approved by the Commission in Cause No. 42359, as updated for the impact of a rate migration adjustment.
(2) Total revenues billed for the twelve months ended June 30, 2015.

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1000 East Main Street
Plainfield, Indiana 46168

IURC NO. 14
Twenty-~~Fourth~~ Fifth Revised Sheet No. 62
Cancels and Supersedes
Twenty-~~Third~~ Fourth Revised Sheet No. 62
Page 1 of 4

STANDARD CONTRACT RIDER NO. 62
~~QUALIFIED POLLUTION CONTROL~~
CLEAN ENERGY INVESTMENT ~~PROPERTY REVENUE~~ ADJUSTMENT
APPLICABLE TO RETAIL RATE GROUPS

The applicable charges for electric service to the Company's retail customers, to the extent so served, shall include a charge to reflect rate base treatment for qualified pollution control property and clean energy projects in accordance with I.C. 8-1-2-6.6, I.C. 8-1-2-6.8, I.C. 8-1-8.8 and 170 IAC 4-6. The revenue adjustment applicable to the Company's charges for electric service will be determined under the following provision:

The ~~Qualified Pollution Control Property Revenue~~Clean Energy Investment Adjustment by Rate Group per billing cycle month shall be determined by multiplying the ~~Qualified Pollution Control Property Revenue~~Clean Energy Investment Adjustment Factor, as determined to the nearest 0.001 mill ($0.000001) per kilowatt-hour 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 kilowatt-hours used for rate determination in the case of customers receiving unmetered service.

~~Qualified Pollution Control Property~~
~~Revenue~~Clean Energy Investment Adjustment Factor by Rate Group =

a x b x c x de

where:

1. "a" is the jurisdictional cost of the Company's cumulative net investment in qualified pollution control property and clean energy projects, including costs of completed capital projects or parts of capital projects. For purposes of determining the value of such capital projects for this rate mechanism, the Company's costs as recorded in its books of account in accordance with the Uniform System of Accounts prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act shall be used.

2. "b" is the Company's weighted average cost of capital as of the date of valuation of the qualified pollution control property and clean energy projects.

3. "c" is the revenue conversion factor (after interest expense synchronization) used to convert return to operating revenues.

4. "d" is the individual retail rate group's production demand allocator used for allocation purposes in the cost of service study in Cause No. 42359, as adjusted for migrations between HLF and LLF rate classes and migrations of AL and OL rate classes to the UOLS rate class.

5. "e" is the individual retail rate group's adjusted billing cycle kilowatt-hour sales for the twelve months ending as of the date of valuation of the qualified pollution control property and clean energy projects for all retail rate groups other than industrial customers served under Rate HLF. The revenue adjustment for industrial customers served under Rate HLF shall be based on demands within the HLF customer group such that "e" shall be the sum of kilowatts billed for the applicable twelve month period.

6. The ~~Qualified Pollution Control Property Revenue Adjustment~~Clean Energy Investment Factor by Rate Group is as follows:

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Twenty-~~Third~~Fourth Revised Sheet No. 62
Page 2 of 4

STANDARD CONTRACT RIDER NO. 62
~~QUALIFIED POLLUTION CONTROL PROPERTY~~
CLEAN ENERGY INVESTMENT ~~REVENUE~~ ADJUSTMENT FACTOR
APPLICABLE TO RETAIL RATE GROUPS

Line No.	Retail Rate Group	~~Qualified Pollution~~Clean Energy Investment~~Control Property Revenue~~ Adjustment Factor Per KWH (A)	~~Qualified Pollution~~Clean Energy Investment ~~Control Property Revenue~~ Adjustment Factor Per Non-Coincident KW (B)	Line No.
1	Rate RS	$0.003741		1
2	Rates CS and FOC	0.004377		2
3	Rate LLF	0.003325		3
4	Rate HLF		$1.725358	4
5	Customer L	0.001684		5
6	Customer D	0.003951		6
7	Customer O	0.002581		7
8	Rate WP	0.002490		8
9	Rate SL	0.001140		9
10	Rate MHLS	0.001123		10
11	Rates MOLS and UOLS	0.001012		11
12	Rates TS, FS and MS	0.004284		12

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Page 3 of 4

STANDARD CONTRACT RIDER NO. 62
~~QUALIFIED POLLUTION CONTROL PROPERTY~~
CLEAN ENERGY INVESTMENT ~~REVENUE~~ ADJUSTMENT FACTOR
APPLICABLE TO RETAIL RATE GROUPS

ALLOCATED SHARE OF ADJUSTED SYSTEM PEAK DEMAND FOR RETAIL CUSTOMERS BY RATE GROUP EXPRESSED AS A PERCENTAGE OF THE COMPANY'S ADJUSTED TOTAL RETAIL SYSTEM PEAK DEMAND AS DEVELOPED FOR COST OF SERVICE PURPOSES IN CAUSE NO. 42359, AS REVISED FOR RATE MIGRATIONS

Line No.	Rate Groups	KW Share of System Peak (12CP) Per Cause No. 42359 (A)	Percent Share Of System Peak (B)	Rate Migrations (C)	Revised KW Share of System Peak (12CP) (D)	Revised Percent Share Of System Peak (E)	Line No.
1	Rate RS	1,582,005	36.727%	-	1,582,005	36.727%	1
2	Rates CS and FOC	224,244	5.206%	-	224,244	5.206%	2
3	Rate LLF	628,152	14.583%	102,250	730,402	16.957%	3
4	Rate HLF	1,808,886	41.994%	(102,250)	1,706,636	39.620%	4
5	Customer L	10,481	0.243%	-	10,481	0.243%	5
6	Customer D	7,860	0.182%	-	7,860	0.182%	6
7	Customer O	19,045	0.442%	-	19,045	0.442%	7
8	Rate WP	17,235	0.400%	-	17,235	0.400%	8
9	Rate SL	2,185	0.051%	-	2,185	0.051%	9
10	Rate MHLS	282	0.007%	-	282	0.007%	10
11	Rates MOLS and UOLS [1/]	5,196	0.121%	-	5,196	0.121%	11
12	Rates TS, FS and MS	1,893	0.044%	-	1,893	0.044%	12
13	TOTAL RETAIL	4,307,464	100.000%	-	4,307,464	100.000%	13

[1/] Includes OL and AL rate groups due to rate migration reflected in ECR 23.

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Page 4 of 4

STANDARD CONTRACT RIDER NO. 62
~~QUALIFIED POLLUTION CONTROL PROPERTY~~
CLEAN ENERGY INVESTMENT ~~REVENUE~~ ADJUSTMENT FACTOR
APPLICABLE TO RETAIL RATE GROUPS

BILLING CYCLE KWH SALES FOR THE COMPANY'S
RETAIL CUSTOMERS BY RATE GROUP BASED
ON THE TWELVE MONTH PERIOD ENDED JUNE 30, 2015

Line No.	Rate Groups	Billing Cycle KWH Sales (A)	Sum Of Monthly Non-Coincident Peak Demands (B)	Line No.
1	Rate RS	9,032,100,563		1
2	Rates CS and FOC	1,094,279,973		2
3	Rate LLF	4,692,366,532		3
4	Rate HLF	11,304,456,117	21,126,278	4
5	Customer L	132,794,097		5
6	Customer D	42,379,264		6
7	Customer O	157,580,048		7
8	Rate WP	147,815,075		8
9	Rate SL	41,167,302		9
10	Rate MHLS	5,734,627		10
11	Rates MOLS and UOLS [1/]	110,035,390		11
12	Rates TS, FS and MS	9,448,627		12
13	TOTAL RETAIL	26,770,157,615		13

1/ Includes KWH sales for OL and AL rate groups due to rate migration reflected in ECR 23.

Issued: Pending **Effective:**

Duke Energy Indiana, LLC
1000 East Main Street
Plainfield, Indiana 46168

IURC NO. 14
Twenty-~~Fourth~~ Fifth Revised Sheet No. 71
Cancels and Supersedes
Twenty-~~Third~~ Fourth Revised Sheet No. 71
Page 1 of 4

STANDARD CONTRACT RIDER NO. 71
CLEAN ~~COAL~~ ENERGY OPERATING COST
~~REVENUE~~ ADJUSTMENT
APPLICABLE TO RETAIL RATE GROUPS

The applicable charges for electric service to the Company's retail customers, shall be increased or decreased to the nearest 0.001 mill ($.000001) per kWh to reflect recovery of clean energy project operating costs (depreciation and operation and maintenance expenses) in accordance with Ind. Code 8-1-8.8. The revenue adjustment applicable to the Company's charges for electric service, which shall be updated and reconciled to actual costs by the Company no more often than every six months, will be determined based on the following provisions:

Clean ~~Coal~~ Energy Operating Cost
~~Revenue~~ Adjustment Factor by Rate Group =

$$\frac{[(a+b) \times c] \times d}{e}$$

Where:

1. "a" is the forecasted depreciation expense applicable to investments in clean energy projects that comply with provisions of Ind. Code 8-1-8.8. For purposes of determining the value of depreciation expense, the clean energy projects shall reflect the recovery of depreciation expense ~~over a period of eighteen or twenty years~~ beginning with the month following the in-service date of the applicable clean energy projects ~~or~~ using rates ~~as otherwise~~ approved by the Commission.

2. "b" is the forecasted operating expenses of the Company's clean energy projects (specifically, incremental operation and maintenance expense not reflected in base rates), associated with clean energy projects that comply with provisions of Ind. Code 8-1-8.8 and that have been approved by the Commission pursuant to Ind. Code 8-1-8.8. For purposes of determining the value of such operating expenses for this rate mechanism, the Company shall use costs as recorded in its books of account in accordance with the Uniform System of Accounts prescribed for Public Utilities and Licensees by the Federal Energy Regulatory Commission.

3. "c" is the revenue conversion factor used to convert the applicable operating expenses to operating revenues.

4. "d" is the individual rate group's jurisdictional production demand allocator used for allocation purposes in the cost of service study last approved by the IURC, as adjusted for migrations between HLF and LLF rate classes and migrations of AL and OL rate classes to the UOLS rate class.

5. "e" is the individual retail rate group's adjusted billing cycle kilowatt-hour sales for the applicable six month period for all retail rate groups other than industrial customers served under Rate HLF. The revenue adjustment for retail customers served under Rate HLF shall be based on demands within the HLF customer group such that "e" shall be the sum of kilowatts billed for the applicable six month period.

The factor shall be further modified to reflect the difference between estimated incremental operating costs billed and incremental operating costs actually experienced during the period such estimated operating costs were billed.

The Clean ~~Coal~~ Energy Operating Cost ~~Revenue~~ Adjustment Factor applicable to retail rate groups shall be as follows:

Duke Energy Indiana, LLC
1000 East Main Street
Plainfield, Indiana 46168

IURC No. 14
Twenty-~~Fourth~~ Fifth Revised Sheet No. 71
Cancels and Supersedes
Twenty-~~Third~~ Fourth Revised Sheet No. 71
Page 2 of 4

STANDARD CONTRACT RIDER NO. 71
CLEAN ENERGY ~~COAL~~ OPERATING COST
~~REVENUE~~ ADJUSTMENT
APPLICABLE TO RETAIL RATE GROUPS

Line No.	Retail Rate Group	Clean Energy ~~Coal~~ Operating Cost ~~Revenue~~ Adjustment Factor Per KWH (A)	Clean Energy ~~Coal~~ Operating Cost ~~Revenue~~ Adjustment Factor Per Non-Coincident KW (B)	Line No.
1	Rate RS	$0.005862		1
2	Rates CS and FOC	0.007242		2
3	Rate LLF	0.005599		3
4	Rate HLF		$2.951875	4
5	Customer L	0.002974		5
6	Customer D	0.006398		6
7	Customer O	0.004308		7
8	Rate WP	0.004029		8
9	Rate SL	0.001898		9
10	Rate MHLS	0.001830		10
11	Rates MOLS and UOLS	0.001685		11
12	Rates TS, FS and MS	0.007112		12

Issued: Pending

Effective:

Duke Energy Indiana, LLC
1000 East Main Street
Plainfield, Indiana 46168

IURC No. 14
Twenty-~~Fourth~~ Fifth Revised Sheet No. 71
Cancels and Supersedes
Twenty-~~Third~~ Fourth Revised Sheet No. 71
Page 3 of 4

STANDARD CONTRACT RIDER NO. 71
CLEAN ENERGY ~~COAL~~ OPERATING COST
~~REVENUE~~ ADJUSTMENT
APPLICABLE TO RETAIL RATE GROUPS

ALLOCATED SHARE OF ADJUSTED SYSTEM PEAK DEMAND FOR RETAIL CUSTOMERS BY RATE GROUP EXPRESSED AS A PERCENTAGE OF THE COMPANY'S ADJUSTED TOTAL RETAIL SYSTEM PEAK DEMAND AS DEVELOPED FOR COST OF SERVICE PURPOSES IN CAUSE NO. 42359, AS REVISED FOR RATE MIGRATIONS

Line No.	Rate Groups	KW Share of System Peak (A)	Percent Share Of System Peak (B)	Rate Migrations (C)	Revised KW Share of System Peak (12CP) (D)	Revised Percent Share Of System Peak (E)	Line No.
1	Rate RS	1,582,005	36.727%	-	1,582,005	36.727%	1
2	Rates CS and FOC	224,244	5.206%	-	224,244	5.206%	2
3	Rate LLF	628,152	14.583%	102,250	730,402	16.957%	3
4	Rate HLF	1,808,886	41.994%	(102,250)	1,706,636	39.620%	4
5	Customer L	10,481	0.243%	-	10,481	0.243%	5
6	Customer D	7,860	0.182%	-	7,860	0.182%	6
7	Customer O	19,045	0.442%	-	19,045	0.442%	7
8	Rate WP	17,235	0.400%	-	17,235	0.400%	8
9	Rate SL	2,185	0.051%	-	2,185	0.051%	9
10	Rate MHLS	282	0.007%	-	282	0.007%	10
11	Rates MOLS and UOLS [1/]	5,196	0.121%	-	5,196	0.121%	11
12	Rates TS, FS and MS	1,893	0.044%	-	1,893	0.044%	12
13	TOTAL RETAIL	4,307,464	100.000%	-	4,307,464	100.000%	13

1/ Includes OL and AL rate groups due to rate migration reflected in ECR 23

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Duke Energy Indiana, LLC
1000 East Main Street
Plainfield, Indiana 46168

Twenty-~~Fourth~~ Fifth Revised Sheet No. 71
Cancels and Supersedes
Twenty-~~Third~~ Fourth Revised Sheet No. 71
Page 4 of 4

STANDARD CONTRACT RIDER NO. 71
CLEAN ENERGY ~~COAL~~ OPERATING COST
~~REVENUE~~ ADJUSTMENT
APPLICABLE TO RETAIL RATE GROUPS

BILLING CYCLE KWH SALES FOR THE COMPANY'S RETAIL CUSTOMERS BY RATE GROUP BASED ON THE SIX MONTH PERIOD ENDED JUNE 30, 2015

Line No.	Rate Groups	Billing Cycle KWH Sales (A)	Sum Of Monthly Non-Coincident Peak Demands (B)	Line No.
1	Rate RS	4,796,521,250		1
2	Rates CS and FOC	550,281,032		2
3	Rate LLF	2,318,266,458		3
4	Rate HLF	5,493,343,219	10,274,816	4
5	Customer L	62,550,506		5
6	Customer D	21,777,115		6
7	Customer O	78,536,277		7
8	Rate WP	75,995,855		8
9	Rate SL	20,569,126		9
10	Rate MHLS	2,928,137		10
11	Rates MOLS and UOLS [1/]	54,988,261		11
12	Rates TS, FS and MS	4,736,235		12
13	TOTAL RETAIL	13,480,493,471		13

[1/] Includes KWH sales for OL and AL rate groups due to rate migration.

Issued: Pending **Effective:**

Duke Energy Indiana, LLC
1000 East Main Street
Plainfield, Indiana 46168

IURC No. 14
Sheet No. 2
Cancels and Supersedes
~~Seventh~~ Eighth Revised Sheet No. 2
~~Eighth~~ Ninth Revised Page 1 of 2

SECTION ONE

TABLE OF CONTENTS

RATES, TERMS, AND CONDITIONS OF SERVICE

[1/] Rates OL & AL transitioned to UOLS, effective May 1, 2014

Issued: Pending **Effective:**

Duke Energy Indiana, LLC
1000 East Main Street
Plainfield, Indiana 46168

IURC No. 14
Sheet No. 2
Cancels and Supersedes
~~Seventh~~ Eighth Revised Sheet No. 2
~~Eighth~~ Ninth Revised Page 2 of 2

SECTION ONE

TABLE OF CONTENTS

RATES, TERMS, AND CONDITIONS OF SERVICE

Issued: Pending **Effective:**

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

IURC No. 14
Sheet No. A1
Cancels and Supersedes
~~Second~~ Third Revised Sheet No. A1
~~Third~~ Fourth Revised Page 1 of 1

APPENDIX A–LIST OF APPLICABLE RATE ADJUSTMENT RIDERS

The following rate adjustment riders are applicable to rate schedules: RS, CS, LLF, HLF, WP, SL, TS, FS, MHLS, UOLS, MOLS, and MS.[1/]

[1/] Rates OL & AL transitioned to UOLS, effective May 1, 2014

Standard Contract Rider No. 60	–	Fuel Cost Adjustment
Standard Contract Rider No. 61	–	Integrated Coal Gasification Combined Cycle Generating Facility Revenue Adjustment
Standard Contract Rider No. 62	–	~~Qualified Pollution Control Property Revenue~~Clean Energy Investment Adjustment
Standard Contract Rider No. 63	–	SO_2 and, NOx and Hg Emission Allowance Adjustment
Standard Contract Rider No. 66-A	–	Energy Efficiency Revenue Adjustment
Standard Contract Rider No. 67	–	Credits to Remove Annual Amortization of Cinergy Merger Costs
Standard Contract Rider No. 68	–	Midwest ISO MISO Management Costs and Revenue Adjustment
Standard Contract Rider No. 70	–	Reliability Adjustment
Standard Contract Rider No. 71	–	Clean ~~Coal~~ Energy Operating Cost ~~Revenue~~ Adjustment
Standard Contract Rider No. 72	–	Federally Mandated Cost Rate Adjustment