

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)
COMBINED HEAT AND POWER FACILITY TO BE)
LOCATED ON THE PURDUE UNIVERSITY CAMPUS)
("PURDUE CHP FACILITY"); APPROVAL TO DEFER)
COSTS ASSOCIATED WITH THE PURDUE CHP)
FACILITY UNTIL SUCH COSTS ARE REFLECTED IN)
DUKE ENERGY INDIANA, LLC'S RATES AND)
CHARGES; APPROVAL OF A NEW DEPRECIATION)
RATE SPECIFIC TO THE PROPOSED PURDUE CHP)
FACILITY; AND APPROVAL OF A STEAM)
PURCHASE AND SALE AGREEMENT WITH PURDUE)
UNIVERSITY UNDER INDIANA CODE §§ 8-1-2-24)
AND 25.)**

CAUSE NO. 45276

VERIFIED PETITION

TO THE INDIANA UTILITY REGULATORY COMMISSION:

Duke Energy Indiana, LLC ("Duke Energy Indiana" or the "Company"), respectfully petitions the Indiana Utility Regulatory Commission ("Commission") for: (1) issuance of a Certificate of Public Convenience and Necessity ("CPCN") under Indiana Code 8-1-8.5 for a 16 MW combined heat and power facility (the "Purdue CHP Facility") to be located on land leased to Duke Energy Indiana by Purdue University ("Purdue"); (2) authorization to defer costs associated with the Purdue CHP Facility, including post-in-service continuation of allowance for funds used during construction ("AFUDC"), O&M, and depreciation, until such costs are reflected in Duke Energy Indiana's retail electric base rates and charges; (3) approval of a new depreciation rate specific to the proposed Purdue CHP Facility; and (4) approval of the Steam Purchase and Sale Agreement ("Steam Agreement"), between Purdue and Duke Energy Indiana,

under Indiana Code §§ 8-1-2-24 and 25. In support of this Petition, Duke Energy Indiana provides the following information:

1. **Petitioner’s Corporate and Regulated Status.** Petitioner is an Indiana limited liability company with its principal office in the Town of Plainfield, Hendricks County, Indiana. Its address is 1000 East Main Street, Plainfield, Indiana 46168. It has the corporate power and authority, among others, to engage, and it is engaged, in the business of supplying electric utility service to the public in the State of Indiana. Accordingly, Petitioner is a “public utility” within the meaning of that term as used in the Indiana Public Service Commission Act, as amended, and is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana. Petitioner is a second tier wholly-owned subsidiary of Duke Energy Corporation.

2. **Petitioner’s Electric Utility Service.** Petitioner owns, operates, manages and controls plants, properties and equipment used and useful for the production, transmission, distribution and furnishing of electric utility service to the public in the State of Indiana. Duke Energy Indiana directly supplies electric energy to approximately 840,000 customers located in 69 counties in the central, north central and southern parts of the State of Indiana. Petitioner also sells electric energy for resale to municipal utilities, Wabash Valley Power Alliance, Inc., Indiana Municipal Power Agency, Hoosier Energy, and to other electric utilities that in turn supply electric utility service to numerous customers in areas not served directly by Petitioner.

3. **The Purdue CHP Facility.** The proposed Purdue CHP Facility will be approximately 16 MW of generation and will be located on land leased to Duke Energy Indiana from Purdue in West Lafayette, Indiana. The Purdue CHP Facility will serve as a base load steam supply resource for Purdue and base load grid-tied power supply for Duke Energy Indiana

customers. It will consist of a single industrial-sized natural gas fired gas turbine generator with a single heat recovery steam generator and a duct burner, capable of providing addition steam at Purdue's discretion. The Purdue CHP Facility will be designed to provide (1) steam to Purdue (to complement the University's existing Wade Utility Plant, which currently provides for the campus' entire thermal energy requirements) and (2) backup electric service, if a system outage occurs. Duke Energy Indiana and Purdue will execute a 35-year Steam Agreement for the thermal energy provided by the Purdue CHP Facility. Purdue will pay for the steam per volume delivered as provided in the Steam Agreement. Revenues from the steam sale will initially flow back to Duke Energy Indiana customers through the fuel clause until they are included as a revenue credit in a future retail base rate case. Purdue will pay for the equipment required to provide backup power via Standard Contract Rider No. 53 "Excess Facilities". Natural gas for the Purdue CHP Facility will be supplied by Vectren Energy Delivery of Indiana via a dedicated lateral to a new metering station on the Purdue campus installed within close proximity of the Purdue CHP Facility. The Purdue CHP Facility will interconnect to Duke Energy Indiana's existing distribution level substation adjacent to the Wade Utility plant. Duke Energy Indiana will own, operate, and maintain the proposed Purdue CHP Facility.

4. Public Convenience and Necessity. The proposed Purdue CHP Facility is compatible with Duke Energy Indiana's provision of reliable electric utility service and is consistent with Duke Energy Indiana's 2018 Integrated Resource Plan, submitted to the Commission on July 1, 2019. It is a reasonable step toward the diversification of Duke Energy Indiana's electric generating portfolio with cleaner-burning electricity produced from natural gas, particularly considering the strong potential for a carbon-constrained future. Distributed assets such as the Purdue CHP can be deployed quickly and in smaller increments as cleaner and

reliable electricity is needed for Duke Energy Indiana customers. In addition, by owning and maintaining the proposed facility, the Company will gain valuable insight and experience on reliably and safely operating resources of this type and size in conjunction with our large customers. Duke Energy Indiana will sell Purdue the steam produced by the Purdue CHP Facility produces, and revenues from the steam sale will directly benefit Duke Energy Indiana customers. The Purdue CHP Facility will also improve the stability and reliability of the electrical grid serving the Lafayette/West Lafayette area by having another, closer source of electric generation. Thus, the public convenience and necessity would be served by the issuance of a CPCN approving the construction of the Purdue CHP Facility. In addition, Duke Energy Indiana seeks Commission ongoing review of the construction of the Purdue CHP Facility under Indiana Code § 8-1-8.5-6.

5. Ratemaking and Accounting. In accordance with Indiana Code § 8-1-8.5-6.5, Duke Energy Indiana requests the Commission approve the Purdue CHP Facility as reasonable and necessary, and authorize deferral of the depreciation and O&M costs associated with the Purdue CHP Facility, including post-in-service AFUDC continuation, until such costs are reflected in Duke Energy Indiana's retail electric base rates and charges. Duke Energy Indiana proposes to provide semi-annual construction and operational updates regarding the Purdue CHP Facility through the Company's semi-annual Environmental Cost Recovery filings.

Duke Energy Indiana also requests the Commission authorize the Company to defer any costs associated with the Purdue CHP Facility incurred prior to the time that the Commission issues an order providing for recovery of such costs. Duke Energy Indiana submits that such ratemaking and accounting treatment should be authorized for any costs associated with this Petition and continue until such costs are timely recovered by Duke Energy Indiana through its

base rates and charges. Lastly, the Company requests approval of a depreciation rate specific to the Purdue CHP Facility.

6. **Steam Agreement.** Petitioner's steam service to Purdue in accordance with the provisions of the proposed Steam Agreement will not adversely affect the adequacy or reliability of service to any of Petitioner's other customers. The Steam Agreement has been subject to arms-length negotiations.

Approval of the proposed Steam Agreement will not alter any of Petitioner's other existing rates or contracts. Therefore, Commission approval of the Steam Agreement is reasonable, consistent with the public interest, practical and advantageous to the parties, and not inconsistent with the purposes of the Public Service Commission Act.

7. **Request for Confidential Treatment.** Petitioner respectfully requests that the Commission make a determination that the detailed pricing and other proprietary terms of the cost estimate, the Steam Agreement, and other contractual arrangements for the Purdue CHP Facility constitute confidential trade secrets and be excepted from public disclosure.

Concurrently with the filing of its case-in-chief testimony, Petitioner will be filing a Motion for Protection for Confidential Material and supporting Affidavit.

8. **Applicable Statutes and Regulations.** Duke Energy Indiana requests that the Commission issue a CPCN to construct the Purdue CHP facility under Indiana Code 8-1-8.5 and approve the Steam Agreement under Indiana Code §§ 8-1-2-24 and 25. Petitioner considers that Indiana Code 8-1-8.5 and Indiana Code §§ 8-1-2-19 through 8-1-2-25, among others, are or may be applicable to the subject matter of this proceeding.

9. **Petitioner's Counsel.** Elizabeth A. Herriman and Andrew J. Wells at 1000 East Main Street, Plainfield, Indiana 46168 are counsel for Petitioner in this matter and are duly authorized to accept service of papers in this Cause on behalf of Petitioner.

10. **Request for Prehearing Conference and Preliminary Hearing.** In accordance with 170 Ind. Admin. Code. § 1-1.1-15(b) of the Commission's Rules of Practice and Procedure, Petitioner requests that the Commission schedule a prehearing conference and preliminary hearing for the purpose of fixing a procedural schedule in this proceeding and considering other procedural matters.

11. **Relief Requested and Timing Considerations.** Petitioner respectfully requests that the Commission promptly make such investigation and hold such hearings as it may deem necessary and advisable in this Cause, and thereafter make and enter an order granting Duke Energy Indiana a CPCN for the construction of the Purdue CHP Facility, approving the depreciation rate requested for the Purdue CHP Facility, approving the proposed deferral of costs associated with the Purdue CHP Facility, including O&M and post-in-service AFUDC continuation, until such costs are reflected in Duke Energy Indiana's base rates and charges, approving the Steam Agreement, and for other just and reasonable relief. In addition, Duke Energy Indiana respectfully requests that the Commission complete its review and consideration of this request and issue an order granting the Company a CPCN by March 31, 2020 to help facilitate a planned in-service date for the Purdue CHP Facility of April 30, 2022. Duke Energy Indiana commits to working with the OUCC and any other interested parties to help expedite the Commission's review of this proposal to ensure that Duke Energy Indiana is able to meet contractual obligations associated with the construction of this project.

Respectfully submitted,

DUKE ENERGY INDIANA, LLC

By:



Counsel for Duke Energy Indiana, LLC

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VERIFICATION

I, Stan Pinegar, President of Duke Energy Indiana, LLC affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

Dated: August 7, 2019



Stan Pinegar

CERTIFICATE OF SERVICE

The undersigned hereby certifies that copies of the foregoing Verified Petition was delivered electronically this 8th day of August, 2019, to the following:

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