

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF DUKE ENERGY INDIANA, )  
INC. FOR APPROVAL OF A CHANGE IN ITS )  
FUEL COST ADJUSTMENT FOR ELECTRIC )  
SERVICE, FOR APPROVAL OF A CHANGE )  
IN ITS FUEL COST ADJUSTMENT FOR )  
HIGH PRESSURE STEAM SERVICE, AND TO )  
UPDATE MONTHLY BENCHMARKS FOR )  
CALCULATION OF PURCHASED POWER )  
COSTS IN ACCORDANCE WITH INDIANA )  
CODE 8-1-2-42, INDIANA CODE 8-1-2-42.3 )  
AND VARIOUS ORDERS OF THE INDIANA )  
UTILITY REGULATORY COMMISSION )

CAUSE NO. 38707 FAC 92

TESTIMONY OF

GREGORY T. GUERRETTAZ, CPA – PUBLIC'S EXHIBIT NO. 1

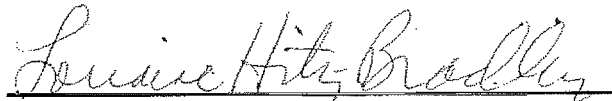
MICHAEL D. ECKERT – PUBLIC'S EXHIBIT NO. 2

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

JUNE 5, 2012

Respectfully Submitted,

  
Lorraine Hitz-Bradley, Attorney No. 18006-29  
Deputy Consumer Counselor

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the **OUC**C Testimony of Gregory T. Guerrettaz and Michael D. Eckert has been served upon the following parties of record in the captioned proceeding by electronic mail on June 5, 2012.

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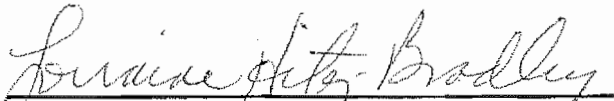
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**DUKE ENERGY INDIANA, INC.**

Report of the Indiana Office of  
Utility Consumer Counselor

**Application for Change in Fuel Cost Adjustment**

Cause No. 38707-FAC92

June 5, 2012

*Gregory T. Guerrettaz, CPA*

Wholly Owned by

**Financial Solutions Group, Inc.**

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**PRE-FILED TESTIMONY**  
**OF**  
**GREGORY T. GUERRETTAZ, CPA**

OFFICE OF UTILITY CONSUMER COUNSELOR  
REVIEW OF FUEL COST ADJUSTMENT

DUKE ENERGY INDIANA, INC.

Cause No. 38707-FAC92

Pre-Filed Testimony of Gregory T. Guerrettaz, CPA

1. Q - Please state your name, title and business address.

A - My name is Gregory T. Guerrettaz. I am a CPA. My business address is 2680 East Main Street, Suite 223, Plainfield, Indiana 46168.

2. Q - By who are you employed and what is your position?

A - Gregory T. Guerrettaz, CPA is a wholly owned subsidiary of Financial Solutions Group, Inc. which is registered with the Security and Exchange Commission (SEC), effective January 1, 2011. I am employed as President of Financial Solutions Group, Inc. ("FSG Corp."), a public finance and utility rate consulting firm. FSG Corp. has been providing rate and financial services to various types of utility companies and governmental agencies since 1998.

3. Q - Please summarize your educational and professional qualifications.

A - I received a Bachelor's degree in Accounting from Indiana University. During my employment, I have attended and spoken at numerous seminars on governmental accounting and finance throughout the United States. I continue to maintain all requirements under Continuing Professional Education. This consists of over 40 hours of instruction, per year, in areas of finance and accounting.

4. Q - How long have you been employed by FSG Corp., and in what capacities?

A - I founded FSG Corp. in 1998 and am employed as the President of the company. FSG Corp.'s practice is split about 50% utility and 50% finance related. I have been responsible for numerous projects, including utility rate engagements, cost of capital analyses and rate of return, utility financial analyses, utility business valuations, other projects related to a variety of utility issues and preparation of electric trackers for utilities in the State of Indiana.

I have pre-filed written, and given oral, testimony to the Indiana Utility Regulatory Commission on a variety of issues over the years including, but not limited to, revenue requirement calculations, accounting methodology and related areas, utility historical and pro-forma financial information, cost of capital analysis, rate structure and cost of service issues, issuance of both long and short-term debt, utility operating information, utility trackers and a variety of other utility related issues.

I prepare activity-based budgets and assist communities in the preparation of both short and long-range plans for all types of entities. I have served as Financial Advisor for over Two Billion Dollars of tax-exempt and taxable securities and am currently registered with the SEC.

5. Q - Please state your experience prior to joining FSG Corp.

A - I was employed for 8 years with a national accounting firm in Indianapolis. I was a partner in that firm for 4 years and, for 4 years was a partner in a partnership between that firm and Municipal Consultants, Inc. Prior to that, Municipal Consultants, Inc. employed me for 7 years (4 of those as a shareholder) until the partnership and eventual merger with the national accounting firm. While at Municipal Consultants,

Inc., I reviewed, prepared and analyzed over 800 FAC filings by various electric utilities. I also testified numerous times, over the seven years, regarding the earnings and return tests. Preceding my time with Municipal Consultants, Inc., I worked for 3 years as a Staff Accountant for the Accounting Department of the Public Service Commission of Indiana, now known as the Indiana Utility Regulatory Commission. In this position, I prepared and presented testimony in major electric and water cases. I have performed utility reviews since 1981. I have also performed a variety of feasibility and cost-of-service studies, for cities and counties throughout Indiana. I have assisted many clients by developing and implementing a variety of financial alternatives for all types of bonds, such as creating a multi-jurisdictional, public holding corporation and performing analyses of revenue streams.

I am a Certified Public Accountant, licensed in the State of Indiana, and am a member of the American Institute of Certified Public Accountants and the Indiana CPA Society. I am an Associate Member of the Association of Indiana Counties and the Indiana Association of Cities and Towns. I have served as the Chairman of the Indiana CPA Utilities Committee.

6. Q - What is the purpose of your testimony in this Cause?

A - The purpose of my testimony in this Cause is to give an opinion concerning Duke Energy Indiana, Inc.'s (the "Utility") Petition for Approval of Fuel Cost Charge and testimony. Duke Energy Indiana, Inc.'s testimony was filed on April 30, 2012. My testimony will discuss:

(a) Whether the Utility has calculated the fuel cost element of the proposed fuel cost adjustment in conformity with the requirements of Indiana Code Section 8-1-2-42

and relevant Commission Orders;

- (b) Whether the Utility has calculated the fuel cost adjustment, applicable to its rendering of steam service, in conformity with the requirements of Indiana Code Section 8-1-2-42 and the Commission's Order in Cause No. 39483;
- (c) Whether the fuel cost paid by the Utility, when compared to fuel costs recovered by the Utility for the quarter ended February 29, 2012, resulted in a variance which was used to calculate the fuel cost adjustment for the quarter ending September 30, 2012, in conformity with the requirements of Indiana Code Section 8-1-2-42;
- (d) Whether the level of net operating income experienced by the Utility, for the twelve months ended February 29, 2012, was greater than that granted in the Utility's last general rate proceeding, as adjusted by relevant Orders; and
- (e) Whether the fuel cost adjustment factor, for the quarter ended February 29, 2012, has been properly applied.

7. Q - Please explain Schedule A.

A - Schedule A presents the various components that comprise the Utility's proposed fuel cost adjustment factor for electric service and shows how the components are used in the calculation. The fuel cost element of the proposed fuel cost adjustment has been calculated in conformity with Indiana Code Section 8-1-2-42 and the numerous Commission Orders affecting this filing. For example, this calculation includes certain costs of the Utility's power purchases and MISO related costs associated with the Commission's Order in Cause No. 42685.

Schedule A also demonstrates that the fuel cost paid by the Utility, when compared to the fuel costs recovered from the Utility's customers for the quarter ended



February 29, 2012, resulted in a variance which was used to calculate the fuel cost adjustment for the quarter ending September 30, 2012. Again, as in prior reports, we have presented Schedule J which sets forth the total amount of LMP, gas hedging, adjustment for WVPA and the Wholesale Formula Rates ASM. Like in other areas, we have the current period hedging amount and prior period reconciliation for hedging activities.

Furthermore, Schedule A shows the proposed fuel cost adjustment factor adjusted for Indiana Utility Receipts Tax ("IURT") as it applies to April, May and June 2012.

8. Q - How is the cost of fuel determined in this filing?

A - Effective with the combined dispatching, Duke Energy Indiana, Inc. uses a model known as PACE to determine the fuel cost for Duke Energy Indiana, Inc. Native Load (found on their Exhibit A, Schedule 8).

9. Q - Have you reviewed the model's output?

A - Yes. I have reviewed the output of the model and have queried the model in multiple ways for various cost and revenue items, for the months of December 2011, January and February 2012, as well as the MISO Charges/Credits Allocated to Duke Energy Indiana, Inc. Native Load, which are included in this filing. My audit in this FAC consisted of spot analyzing the prior period information. I would note that adjustments, both positive and negative, have occurred. In fact, I am currently using Schedule K to set forth the multiple prior period adjustments affecting this filing. For the current period, I selected random hours, reviewing each amount, either purchased

or generated, for the hour selected, for each month, for the months of December 2011, January and February 2012.

10. Q - Please explain Schedule B.

A - Schedule B presents the various components that comprise the Utility's calculation of proposed fuel cost adjustment factor for steam service. The Utility provides steam service to one customer, Premier Boxboard Limited, LLC. In order to allocate the appropriate amount of fuel recovered through the provision of steam service, a factor of .1084 kWh (updated per the Commission's Order in Cause No. 44087) per 1,000 pounds of steam generated is used to compute the equivalent number of kWh generated. The amount of equivalent kWh times the average fuel cost equals the fuel costs recovered through the sales of steam. That figure is used to reduce the cost allocated to the sale of electricity. In addition, a base cost of fuel for steam sales, similar to that for the sale of electricity, of \$1.5890079 per 1,000 pounds of steam, is used as approved by the Commission in Cause No. 39483, resulting in a final factor of 1.5615131 per 1,000 pounds of steam.

11. Q - Please explain Schedules C and C-1.

A - Schedule C compares the Utility's actual net electric operating income applicable to retail sales, for the twelve months ended February 29, 2012, with the Utility's authorized net operating income per Cause No. 42359 and other relevant Orders. Schedule C-1 depicts the Utility's cumulative over or under earnings for each fuel cost adjustment for the relevant period calculated.

12. Q - Has the Utility earned a level of net operating income greater than that granted in their last proceeding?

A - No. As shown on Schedule C, the Utility did not have net operating income, for the twelve months ended February 29, 2012, greater than that granted in their last general rate proceeding in Cause No. 42359 and other relevant Orders.

13. Q - Is the sum of the differentials included in your report?

A - Yes. This schedule is included on Page 14. Since Duke Energy Indiana, Inc. was not in an over-earning position, this schedule was only provided for informational purposes.

14. Q - Please explain Schedule D.

A - Schedule D compares the Utility's pro-forma operating expenses approved by the Commission in Cause No. 42359 and other relevant Orders with the actual operating expenses incurred by the Utility, for the twelve months ended February 29, 2012. The purpose of this calculation is to determine whether the Utility had actual decreases in other operating expenses which could be used to offset increases in the Utility's fuel cost. As can be seen on Schedule D, the Utility did not have decreases in other operating costs that could be used to offset fuel cost increase.

15. Q - Please explain Schedules E and F.

A - Schedule E sets forth the total fuel cost, in mills, for the period of January 2008 through February 2012. Schedule F graphically depicts the results of Schedule E, for the period January 2008 through February 2012.

16. Q - Has the fuel cost adjustment for the quarter ended February 29, 2012 been properly applied?

A - Yes.

17. Q - Did the Utility request recovery of purchased power costs that exceeded its monthly benchmarks?

A - No. The Utility did not have purchases in excess of the benchmarks found on Exhibit A, Schedule 8, as noted in Scott A. Burnside's testimony, Pages 6 and 7.

18. Q - Do you have an opinion regarding the figures used by the Utility in its application in this Cause?

A - Yes. The figures used in the application for change in fuel cost adjustment, including the actual and estimated fuel expense and sales data for the quarter ended February 29, 2012, were supported by the books and records, "PACE" and source documentation of the Utility for the period reviewed.

19. Q - Do you have an opinion regarding the reasonableness of the projections used by the Utility, for fuel costs and sales of power, for the quarter ending September 30, 2012?

A - Yes. Nothing came to my attention that would indicate that the projections used by the Utility for fuel costs and sales of power were unreasonable, considering a comparison of prior quarter actual and forecast fuel costs and sales figures, as shown on Schedule G.

20. Q - Please explain Schedule H.

A - Schedule H is a listing of the proposed fuel cost adjustment factors adjusted for Indiana Utility Receipts Tax for this FAC and the past twenty (20) FACs.

21. Q - Please explain Schedule I.

A - Schedule I is a schedule setting forth the MISO Charges/Credits Allocated to Duke Energy Indiana, Inc. Native Load through the PACE process.

22. Q - Is there any additional information you feel is important relating to certain costs contained within the filing?

A - Yes. Mr. Michael Eckert will be providing testimony on additional items such as (1) purchased power over the benchmark, (2) ASM Order, (3) Hedging Transactions, (4) Monthly Average Regulation, Spinning, and Supplemental Reserves, (5) Coal Inventory, (6) Bill Analysis, (7) Actual Cost of Fuel (Mills/kWh) Comparison; and (8) Decrement Pricing.

23. Q - How have you accounted for the issues arising with hedging?

A - I reviewed, on a summary basis, information associated with electric and/or gas hedging.

24. Q - What additional work do you do in regards to estimations?

A - Since early 2010, I have stepped up my review of data supporting the estimate. I receive the forecast (by station) report output, each filing, and input their data into my model. I review and analyze each element of cost supporting Exhibit A, Schedule 1. In

addition, I review MWhs of output, by plant, and their related costs by MWh. The next step I take is to review the estimated sales, to each customer class, and the associated losses. I will continue to review both megawatt hours and cost per megawatt hour by generating unit, in an effort to apprise the Commission of various factors impacting the projected costs.

25. Q - Are there any additional items for the Commission?

A - One additional item to point out is the accounting adjustment impacting this filing for the annual aerial fuel stockpile survey. I reviewed the \$4.4 Million adjustment work paper and the amounts tie back to the books and records for the numbers used in this filing.

26. Q - Is there any information outstanding?

A - No. We have received formal responses to all of our data requests.

27. Q - Does this conclude your pre-filed testimony?

A - Yes, it does.

**OFFICE OF UTILITY CONSUMER COUNSELOR  
REVIEW OF FUEL COST ADJUSTMENT**

Duke Energy Indiana, Inc.  
Cause No. 38707-FAC92

**Calculation of Proposed Fuel Cost Adjustment Factor**

	<u>Mills/KWH</u>
Average projected fuel cost for quarter including July, August and September 2012	<u>29.471</u>
Fuel cost variance for quarter including December 2011, January and February 2012	<u>(0.858)</u>
Remaining FAC 91 Reconciliation Amount	<u>-</u>
Projected fuel cost adjusted for variances	<u>28.613</u>
Less: Base cost of fuel per Cause No. 42359	<u>14.484</u>
Proposed fuel cost adjustment factor	14.129
Provision for Indiana Utility Receipts Tax	<u>0.218</u>
Proposed fuel cost adjustment factor adjusted for Indiana Utility Receipts Tax	<u><u>14.347</u></u>

**OFFICE OF UTILITY CONSUMER COUNSELOR  
REVIEW OF FUEL COST ADJUSTMENT**

Duke Energy Indiana, Inc.  
Cause No. 38707-FAC92

**Calculation of Proposed Fuel Cost Adjustment Factor  
for Steam Service**

Average projected fuel cost for quarter including July, August and September 2012 (MILLS/KWH)	<u>28.8448892</u>
Equivalent costs per 1,000 lbs. steam	<u>\$ 3.1267860</u>
Less: Base cost of fuel per Cause No. 39483	<u>\$ 1.5890079</u>
Proposed fuel cost adjustment factor (per 1,000 lbs. steam)	<u>\$ 1.5377781</u>
Provision for Indiana Utility Receipts Tax	<u>\$ 0.0237350</u>
Proposed fuel cost adjustment factor adjusted for Indiana Utility Receipts Tax (per 1,000 lbs. steam)	<u><u>\$ 1.5615131</u></u>



**OFFICE OF UTILITY CONSUMER COUNSELOR  
REVIEW OF FUEL COST ADJUSTMENT**

Duke Energy Indiana, Inc.

Cause No. 38707-FAC92

**Comparison of Authorized Return  
with Actual Net Operating Income  
(000's Omitted)**

Actual Twelve Months Ending February 29, 2012

Jurisdictional Operating Revenue	\$ 2,240,508
Jurisdictional Operating Expense	<u>1,969,601</u>
Jurisdictional Net Operating Income	<u>\$ 270,907</u>

Per Cause No. 42359 and Applicable Adjustments for CWIP & IGCC Project Orders (1)

Jurisdictional Operating Revenue	\$ 1,606,621
Jurisdictional Operating Expense	<u>1,200,911</u>
Jurisdictional Net Operating Income	<u>\$ 405,710</u>

Over (Under)	<u>\$ (134,803)</u>
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(1) As adjusted by other relevant Orders

**OFFICE OF UTILITY CONSUMER COUNSELOR  
REVIEW OF FUEL COST ADJUSTMENT**

Duke Energy Indiana, Inc.

Cause No. 38707-FAC92

**Excess (Under) Earnings for Relevant Period  
(000's Omitted)**

Quarter	FAC No.	Reported Earnings Period	Determined Return	Authorized Return (2)	Differential
1	92	2/2012	\$ 270,907	\$ 405,710	\$ (134,803)
2	91	11/2011	257,687	406,624	(148,937)
3	90	8/2011	287,143	407,338	(120,195)
4	89	5/2011	277,277	402,756	(125,479)
5	88	2/2011	286,507	395,103	(108,596)
6	87	11/2010	299,538	388,270	(88,732)
7	86	8/2010	283,914	378,386	(94,472)
8	85	5/2010	251,236	373,127	(121,891)
9	84	2/2010	242,345	367,939	(125,594)
10	83	11/2009	209,391	360,275	(150,884)
11	82	8/2009	214,088	353,525	(139,437)
12	81	5/2009	218,207	345,309	(127,102)
13	80	2/2009	230,262	339,006	(108,744)
14	79	11/2008	234,672	333,017	(98,345)
15	78	8/2008	242,632	328,100	(85,468)
16	77	5/2008	254,335	323,808	(69,473)
17	76	2/2008	253,683	318,486	(64,803)
18	75	11/2007	250,348	313,688	(63,340)
19	74	8/2007	239,888	307,283	(67,395)
20	73	5/2007	234,800	300,604	(65,804)
21	72	2/2007	220,826	293,452	(72,626)
22	71	11/2006	215,848	287,801	(71,953)
23	70	8/2006	221,395 (1)	283,646	(62,251)
24	69	5/2006	257,837 (1)	280,366	(22,529)
25	68	2/2006	278,662 (1)	279,057	(395)
26	67	11/2005	258,083 (1)	277,378	(19,295)
27	67	8/2005	276,891	275,838	1,053
28	66	5/2005	227,391	274,367	(46,976)
29	65	2/2005	238,223	262,551	(24,328)
30	64	11/2004	240,164	249,240	(9,076)
31	63	8/2004	223,198	236,662	(13,464)
Sum of Differential for Relevant Period					<u>\$ (2,451,334)</u>

(1) As adjusted by applicable CWIP and IGCC Project Orders

(2) Restated for the tax affected correction of \$10,596 due to the error found in the calculations of the expense and return tests

**OFFICE OF UTILITY CONSUMER COUNSELOR  
REVIEW OF FUEL COST ADJUSTMENT**

Duke Energy Indiana, Inc.  
Cause No. 38707-FAC92

**Comparison of Pro-Forma Operating Expense  
with Actual Operating Expense  
(000's Omitted)**

Actual Twelve Months Ending February 29, 2012

Total Operating Expense	\$ 1,969,601
Less: Fuel Cost	
Native Load	\$ 832,010
Deferred Fuel	<u>2,530</u>
Operating Expense excluding Fuel Cost	<u>\$ 1,135,061</u>

Per Causes No. 42359 and Other Relevant Orders

Total Operating Expense	\$ 1,200,911
Less: Fuel Cost	
Native Load	\$ 385,527
Purchased Power Fuel	<u>                    </u>
Operating Expense excluding Fuel Cost	<u>\$ 815,384</u>

Over (Under)	<u><u>\$ 319,677</u></u>
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**OFFICE OF UTILITY CONSUMER COUNSELOR  
REVIEW OF FUEL COST ADJUSTMENT  
Duke Energy Indiana, Inc.  
Cause No. 38707-FAC92**

**Cost of Fuel to Generate Electricity and  
the Cost of Fuel Included in the Cost of Purchased Power**

Line No.	Description	January 2008	February 2008	March 2008	April 2008	May 2008	June 2008	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008
<b>KWH Source (000's):</b>													
1.	Sales:	2,886,253	2,897,186	2,702,615	2,415,469	2,368,908	2,788,423	2,931,963	2,895,188	2,600,768	2,418,549	2,358,723	2,817,038
<b>Fuel Cost \$</b>													
2.	Native load Fuel, Including Virtual Energy Amts	\$ 65,520,100	\$ 68,679,238	\$ 79,377,798	\$ 68,219,863	\$ 48,333,148	\$ 84,428,218	\$ 73,885,155	\$ 72,801,013	\$ 63,473,492	\$ 60,762,383	\$ 62,633,317	\$ 67,418,283
3.	Amortization of Coal Contract Buy-out Costs	-	-	-	-	-	-	-	-	-	-	-	-
4.	CG&B Generation for PSI Native Load	-	-	-	-	-	-	-	-	-	-	-	-
5.	Subtotal Generation Fuel Costs	\$ 65,520,100	\$ 68,679,238	\$ 79,377,798	\$ 68,219,863	\$ 48,333,148	\$ 84,428,218	\$ 73,885,155	\$ 72,801,013	\$ 63,473,492	\$ 60,762,383	\$ 62,633,317	\$ 67,418,283
6.	Purchased Power	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7.	Less: Costs not Subject to Recovery via the Fuel Adjustment Clause	-	-	-	-	-	-	-	-	-	-	-	-
8.	Purchased Power Costs Subject to Recovery via the Fuel Adjustment Charge	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
9.	Estimated Adjustment for Joint Dispatch	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10.	Gas Hedging Amounts	-	-	-	-	-	-	-	-	-	-	-	-
11.	LMP Hedging Amount	130,950	(231,488)	(198,292)	18,075	625	23,145	79,076	1,162,995	1,384,694	(81,627)	823,900	10,947
12.	Prior Period Hedging	-	-	-	-	-	-	-	-	-	108	-	-
13.	Above Benchmark Purchase Amounts	-	-	-	-	-	-	-	-	-	-	-	-
14.	Other Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
15.	Miscellaneous Fuel Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
16.	Prior Period Cost Adjustment	(2,308,329)	(2,007,996)	1,086,315	(184,804)	(820,073)	-	253,285	523,818	68,466	(1,316,365)	(1,052,555)	-
17.	Total Fuel Costs	\$ 63,342,761	\$ 66,439,734	\$ 80,265,821	\$ 58,035,134	\$ 47,513,700	\$ 84,451,363	\$ 74,167,616	\$ 74,487,826	\$ 64,926,652	\$ 59,364,499	\$ 62,404,662	\$ 67,429,230
18.	Fuel Cost per KWH (Mills)	\$ 21.946	\$ 22.933	\$ 29.699	\$ 24.034	\$ 20.159	\$ 30.286	\$ 25.296	\$ 25.728	\$ 24.964	\$ 24.546	\$ 24.389	\$ 23.936

(1) Duke Energy Indiana, Inc. discontinued this in their filing.

**OFFICE OF UTILITY CONSUMER COUNSELOR  
REVIEW OF FUEL COST ADJUSTMENT  
Duke Energy Indiana, Inc.  
Cause No. 38707-FAC92**

**Cost of Fuel to Generate Electricity and  
the Cost of Fuel Included in the Cost of Purchased Power**

Line No.	Description	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009
<b>KWH Source (000's):</b>													
1.	Sales:	2,816,263	2,574,888	2,443,123	2,256,113	2,331,190	2,242,725	2,198,720	2,503,424	2,113,734	2,072,991	2,150,903	2,444,308
<b>Fuel Cost \$:</b>													
2.	Native load Fuel, Including Virtual Energy Amts	\$ 77,652,459	\$ 63,962,108	\$ 59,729,204	\$ 55,908,771	\$ 56,829,664	\$ 58,122,702	\$ 54,569,298	\$ 59,396,249	\$ 48,705,437	\$ 51,095,936	\$ 50,324,874	\$ 61,440,798
3.	Amortization of Coal Contract Buy-out Costs	-	-	-	-	-	-	-	-	-	-	-	-
4.	CG&E Generation for PSI Native Load	-	-	-	-	-	-	-	-	-	-	-	-
5.	Subtotal Generation Fuel Costs	\$ 77,652,459	\$ 63,962,108	\$ 59,729,204	\$ 55,908,771	\$ 56,829,664	\$ 58,122,702	\$ 54,569,298	\$ 59,396,249	\$ 48,705,437	\$ 51,095,936	\$ 50,324,874	\$ 61,440,798
6.	Purchased Power	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7.	Less: Costs not Subject to Recovery via the Fuel Adjustment Clause	-	-	-	-	-	-	-	-	-	-	-	-
8.	Purchased Power Costs Subject to Recovery via the Fuel Adjustment Charge	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
9.	Estimated Adjustment for Joint Dispatch	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10.	Gas Hedging Amounts	-	-	-	-	-	-	-	-	-	-	-	-
11.	LMP Hedging Amount	240,546	179,972	127,092	63,576	601,176	1,566,179	3,238,355	3,223,085	\$ 393,580	\$ 10,716	\$ (6,943)	\$ (202,598)
12.	Prior Period Hedging	-	-	-	-	-	3,073	-	-	-	-	-	2,367
13.	Above Benchmark Purchase Amounts	-	-	-	-	-	-	-	-	-	-	-	-
14.	Other Adjustments	-	-	-	50,915	-	250,523	-	-	-	-	-	(12,188,374)
15.	Miscellaneous Fuel Adjustment	-	-	-	-	-	(65,712)	(5,663)	(19,872)	2,592	(34,017)	2,598	(151,733)
16.	Prior Period Cost Adjustment	(593,615)	(582,873)	-	(164,791)	(4,943,222)	1,304,615	-	-	(572,450)	-	-	(295,402)
17.	Total Fuel Costs	\$ 77,299,390	\$ 63,559,207	\$ 59,856,296	\$ 55,838,471	\$ 52,517,618	\$ 61,181,410	\$ 57,802,190	\$ 62,999,462	\$ 48,529,159	\$ 51,072,635	\$ 50,320,529	\$ 48,605,038
18.	Fuel Cost per KWH (Mills)	\$ 27.418	\$ 24.684	\$ 24.500	\$ 24.759	\$ 22.499	\$ 27.280	\$ 26.289	\$ 25.006	\$ 22.959	\$ 24.637	\$ 23.395	\$ 19.885

(1) Duke Energy Indiana, Inc. discontinued this in their filing.

SCHEDULE E  
(Continued)

**OFFICE OF UTILITY CONSUMER COUNSELOR  
REVIEW OF FUEL COST ADJUSTMENT  
Duke Energy Indiana, Inc.  
Cause No. 38707-FAC92**

**Cost of Fuel to Generate Electricity and  
the Cost of Fuel Included in the Cost of Purchased Power**

Line No.	Description	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010
<b>KWH Source (000's):</b>													
1.	Sales:	2,587,435	2,249,872	2,360,823	1,973,747	2,220,592	2,490,473	2,740,797	2,761,527	2,274,322	2,062,515	2,125,162	2,647,916
<b>Fuel Cost \$</b>													
2.	Native Load Fuel, Including Virtual Energy Amts	\$ 67,205,541	\$ 57,869,469	\$ 58,475,407	\$ 51,050,527	\$ 55,843,444	\$ 68,712,150	\$ 72,896,267	\$ 75,472,974	\$ 56,479,171	\$ 54,255,407	\$ 56,540,462	\$ 73,675,799
3.	Amortization of Coal Contract Buy-out Costs	-	-	-	-	-	-	-	-	-	-	-	-
4.	CG&E Generation for PSI Native Load	-	-	-	-	-	-	-	-	-	-	-	-
5.	Subtotal Generation Fuel Costs	\$ 67,205,541	\$ 57,869,469	\$ 58,475,407	\$ 51,050,527	\$ 55,843,444	\$ 68,712,150	\$ 72,896,267	\$ 75,472,974	\$ 56,479,171	\$ 54,255,407	\$ 56,540,462	\$ 73,675,799
6.	Purchased Power	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7.	Less: Costs not Subject to Recovery via the Fuel Adjustment Clause	-	-	-	-	-	-	-	-	-	-	-	-
8.	Purchased Power Costs Subject to Recovery via the Fuel Adjustment Charge	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
9.	Estimated Adjustment for Joint Dispatch	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10.	Gas Hedging Amounts	-	-	-	-	-	-	-	-	-	-	-	-
11.	LMP Hedging Amount	(21,935)	12,899	(12,345)	70,756	(195,761)	(937,913)	(487,985)	(329,440)	206,418	188,660	(291,976)	(1,817,369)
12.	Prior Period Hedging	-	-	(7)	-	-	-	-	-	5,270	-	-	4,625
13.	Above Benchmark Purchase Amounts	-	-	-	-	-	-	-	-	-	-	-	-
14.	Other Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
15.	Miscellaneous Fuel Adjustment	348	347	(49,298)	(28,644)	-407	20,564	20,703	20,724	20,755	21,148	20,493	18,452
16.	Prior Period Cost Adjustment	-	-	(287,439)	-	-	(929,463)	-	-	124,022	-	-	(329,424)
17.	Total Fuel Costs	\$ 67,183,954	\$ 57,881,915	\$ 58,126,318	\$ 51,092,639	\$ 55,647,090	\$ 66,865,338	\$ 72,128,985	\$ 75,164,258	\$ 56,835,636	\$ 54,465,215	\$ 56,668,979	\$ 71,552,083
18.	Fuel Cost per KWH (Mills)	\$ 25.965	\$ 25.727	\$ 24.621	\$ 25.886	\$ 25.060	\$ 26.848	\$ 26.317	\$ 27.218	\$ 24.990	\$ 26.407	\$ 26.666	\$ 27.022

(1) Duke Energy Indiana, Inc. discontinued this in their filing.

OFFICE OF UTILITY CONSUMER COUNSELOR  
 REVIEW OF FUEL COST ADJUSTMENT  
 Duke Energy Indiana, Inc.  
 Cause No. 38707-FAC92

Cost of Fuel to Generate Electricity and  
 the Cost of Fuel Included in the Cost of Purchased Power

Line No.	Description	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	July 2011	August 2011	September 2011	October 2011	November 2011
<b>KWH Source (000's):</b>												
1.	Sales:	2,556,047	2,333,422	2,221,916	2,030,030	2,201,733	2,395,680	2,836,253	2,698,139	2,124,676	2,131,641	2,118,666
<b>Fuel Cost \$:</b>												
2.	Native load fuel, including Virtual Energy Amts	\$ 74,913,463	\$ 60,715,156	\$ 64,906,669	\$ 60,728,686	\$ 62,409,193	\$ 66,905,069	\$ 90,104,673	\$ 78,111,934	\$ 59,315,237	\$ 58,714,294	\$ 60,778,484
3.	Amortization of Coal Contract Buy-out Costs	-	-	-	-	-	-	-	-	-	-	-
4.	CG&E Generation for P51 Native Load	-	-	-	-	-	-	-	-	-	-	-
5.	Subtotal Generation Fuel Costs	\$ 74,913,463	\$ 60,715,156	\$ 64,906,669	\$ 60,728,686	\$ 62,409,193	\$ 66,905,069	\$ 90,104,673	\$ 78,111,934	\$ 59,315,237	\$ 58,714,294	\$ 60,778,484
6.	Purchased Power	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7.	Less: Costs not Subject to Recovery via the Fuel Adjustment Clause	-	-	-	-	-	-	-	-	-	-	-
8.	Purchased Power Costs Subject to Recovery via the Fuel Adjustment Charge	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
9.	Estimated Adjustment for Joint Dispatch	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10.	Gas Hedging Amounts	(465,094)	(167,869)	(313,930)	(1,135,040)	(164,073)	77,676	(939,673)	(37,687)	(19,539)	(1,548)	135,725
11.	LMP Hedging Amount	-	-	4,196	-	-	89	-	-	1,743	-	-
12.	Prior Period Hedging	-	-	-	-	-	-	-	-	-	-	-
13.	Above Benchmark Purchase Amounts	-	-	-	-	-	-	-	-	-	-	-
14.	Other Adjustments	-	-	-	-	-	-	-	-	-	-	-
15.	Miscellaneous Fuel Adjustment	23,489	23,672	19,881	(35,494)	(46,750)	36,583	37,907	33,688	31,210	30,919	30,940
16.	Prior Period Cost Adjustment	-	-	-	-	-	(343,205)	-	-	1,028,171	-	-
17.	Total Fuel Costs	\$ 74,471,858	\$ 60,570,959	\$ 64,616,816	\$ 59,558,152	\$ 62,198,370	\$ 66,676,212	\$ 89,202,907	\$ 78,107,935	\$ 60,356,822	\$ 58,743,665	\$ 60,945,149
18.	Fuel Cost per KWH (Mills)	\$ 29.136	\$ 25.938	\$ 29.082	\$ 29.339	\$ 28.250	\$ 27.832	\$ 31.451	\$ 28.949	\$ 28.408	\$ 27.558	\$ 28.766

(1) Duke Energy Indiana, Inc. discontinued this in their filing.

OFFICE OF UTILITY CONSUMER COUNSELOR  
REVIEW OF FUEL COST ADJUSTMENT  
Duke Energy Indiana, Inc.  
Cause No. 38707-FAC92

Cost of Fuel to Generate Electricity and  
the Cost of Fuel Included in the Cost of Purchased Power

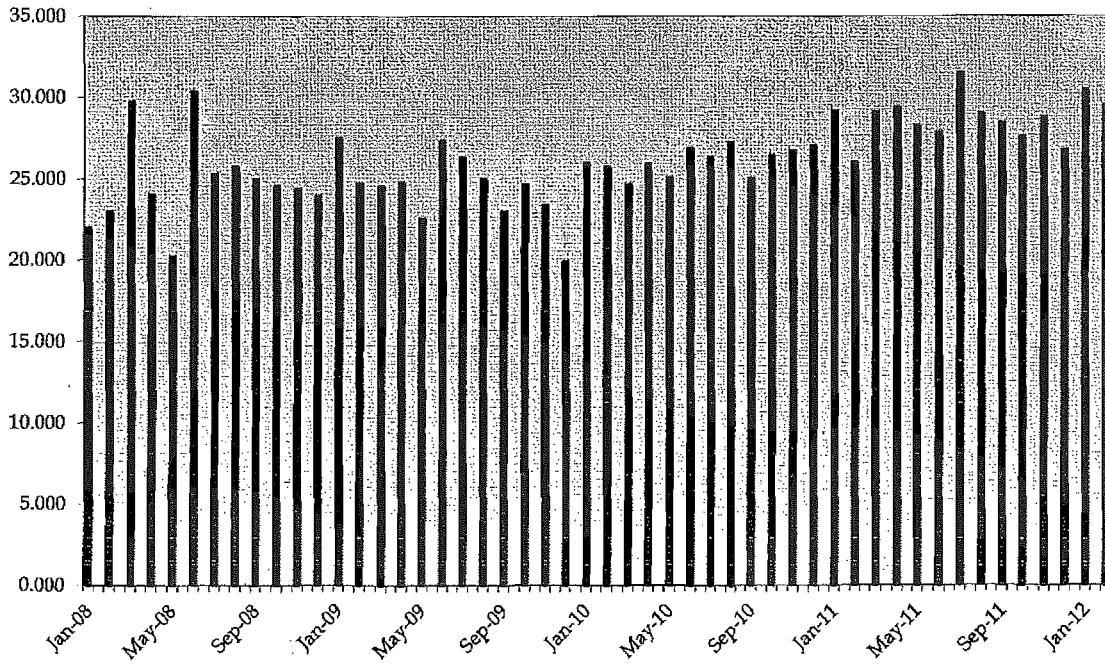
Line No.	Description	December 2011	January 2012	February 2012
<b>KWH Source (000's) :</b>				
1.	Sales :	<u>2,375,529</u>	<u>2,529,560</u>	<u>2,307,376</u>
<b>Fuel Cost \$:</b>				
2.	Native load Fuel, including Virtual Energy Amts	\$ 63,532,921	\$ 75,130,130	\$ 65,917,549
3.	Amortization of Coal Contract Buy-out Costs	-	-	-
4.	CG&E Generation for PSI Native Load	-	-	-
5.	Subtotal Generation Fuel Costs	<u>\$ 63,532,921</u>	<u>\$ 75,130,130</u>	<u>\$ 65,917,549</u>
6.	Purchased Power	\$ -	\$ -	\$ -
7.	Less: Costs not Subject to Recovery via the Fuel Adjustment Clause	-	-	-
8.	Purchased Power Costs Subject to Recovery via the Fuel Adjustment Charge	(1)	(1)	(1)
9.	Wabash River	\$ 25,989	\$ 26,097	\$ 28,944
10.	Gas Hedging Amounts	-	-	-
11.	LMP Hedging Amount	97,746	1,727,416	2,033,848
12.	Prior Period Hedging	1,950	-	-
13.	Above Benchmark Purchase Amounts	-	-	-
14.	REC	9,421	-	-
15.	Miscellaneous Fuel Adjustment	-	-	-
16.	Prior Period Cost Adjustment	<u>(263,969)</u>	-	-
17.	Total Fuel Costs	<u>\$ 63,404,058</u>	<u>\$ 76,883,643</u>	<u>\$ 67,980,341</u>
18.	Fuel Cost per KWH (Mills)	<u>\$ 26.691</u>	<u>\$ 30.394</u>	<u>\$ 29.462</u>

(1) Duke Energy Indiana, Inc. discontinued this in their filing.



OFFICE OF UTILITY CONSUMER COUNSELOR  
 REVIEW OF FUEL COST ADJUSTMENT  
 Duke Energy Indiana, Inc.  
 Cause No. 38707-FAC92  
 Fuel Cost (in mills) for  
 January 2008 through February 2012

-21-



SCHEDULE F

OFFICE OF UTILITY CONSUMER COUNSELOR  
 REVIEW OF FUEL COST ADJUSTMENT  
 Duke Energy Indiana, Inc.  
 Cause No. 38707-FAC92

Comparison of Actual and Estimated Cost of Fuel for Months of  
 December 2011, January and February 2012

Month	Actual Sales	Actual Fuel Cost	Average Actual Fuel Cost	Forecast Sales	Forecast Fuel Cost	Average Forecast Fuel Cost	Weighted Average Error (1)
December 2011	2,704,425	\$ 71,702,427		2,839,043	\$ 76,207,000		28.733 29.951
January 2012	2,857,268	86,474,378		3,014,168	95,814,845		(1.218)
February 2012	2,614,640	76,755,924		2,662,798	83,044,638		
Total	8,176,333	\$234,932,729	\$ 28.733	8,516,009	\$ 255,066,483	\$ 29.951	-4.07%

(1) Based on the percentage of actual over (under) estimated amount after prior period adjustments

OFFICE OF UTILITY CONSUMER COUNSELOR  
 REVIEW OF FUEL COST ADJUSTMENT  
 Duke Energy Indiana, Inc.  
 Cause No. 38707-FAC92

**List of Proposed and Prior Trackers**

<u>Cause No.</u>	<u>Proposed fuel cost adjustment factor adjusted for Indiana Utility Receipts Tax</u>
38707-FAC92	14.347 (Proposed Herein)
38707-FAC91	19.649
38707-FAC90	18.375
38707-FAC89	15.216
38707-FAC88	14.207
38707-FAC87	12.517
38707-FAC86	13.881
38707-FAC85	11.246
38707-FAC84	10.184
38707-FAC83	7.737
38707-FAC82	9.451
38707-FAC81	9.136
38707-FAC80	12.904
38707-FAC79	11.258
38707-FAC78	13.777
38707-FAC77	13.944
38707-FAC76	13.520
38707-FAC75	6.717
38707-FAC74	6.656
38707-FAC73	3.354
38707-FAC72	7.006
38707-FAC71	4.720

OFFICE OF UTILITY CONSUMER COUNSELOR  
 REVIEW OF FUEL COST ADJUSTMENT  
 Duke Energy Indiana, Inc.  
 Cause No. 38707-FAC92

MISO - COST FLOW THROUGH IN THIS FAC  
 April 2005 - December 2007

Month	Net MISO Other Charges due Duke Energy Indiana, Inc.
April 2005	\$ (6,194,977)
May 2005	(4,686,440)
June 2005	(7,508,701)
July 2005	(6,983,167)
August 2005	(5,412,787)
September 2005	(7,998,565)
October 2005	(18,773,690)
November 2005	(10,795,642)
December 2005	(18,883,293)
January 2006	(6,027,230)
February 2006	(3,114,803)
March 2006	(3,260,023)
April 2006	(10,284,642)
May 2006	(1,967,106)
June 2006	(2,434,440)
July 2006	(5,460,828)
August 2006	(5,438,085)
September 2006	(1,533,906)
October 2006	(2,174,478)
November 2006	(2,730,654)
December 2006	(2,097,907)
January 2007	(2,076,824)
February 2007	(4,654,043)
March 2007	(4,355,528)
April 2007	(2,919,127)
May 2007	(5,811,654)
June 2007	(2,710,091)
July 2007	(6,245,729)
August 2007	(10,644,364)
September 2007	(2,400,754)
October 2007	(11,188,307)
November 2007	(6,388,271)
December 2007	(7,422,795)

OFFICE OF UTILITY CONSUMER COUNSELOR  
REVIEW OF FUEL COST ADJUSTMENT

Duke Energy Indiana, Inc.  
Cause No. 38707-FAC92

MISO - COST FLOW THROUGH IN THIS FAC  
January 2008 - May 2011

Month	Net MISO Other Charges due Duke Energy Indiana, Inc.
January 2008	\$ (2,451,780)
February 2008	(8,703,844)
March 2008	(1,868,268)
April 2008	(1,738,374)
May 2008	(4,927,959)
June 2008	(7,120,906)
July 2008	(4,656,696)
August 2008	(2,621,975)
September 2008	(1,188,241)
October 2008	(1,090,243)
November 2008	(3,234,674)
December 2008	(1,033,169)
January 2009	(2,688,025)
February 2009	(2,186,384)
March 2009	(2,242,266)
April 2009	(1,486,089)
May 2009	(2,131,999)
June 2009	(4,204,237)
July 2009	(3,586,280)
August 2009	(3,954,148)
September 2009	(2,218,415)
October 2009	(3,392,664)
November 2009	(4,021,647)
December 2009	(4,271,586)
January 2010	(3,417,346)
February 2010	(2,301,043)
March 2010	(3,288,948)
April 2010	(2,175,467)
May 2010	(4,399,473)
June 2010	(5,374,163)
July 2010	(5,081,639)
August 2010	(3,767,178)
September 2010	(2,888,993)
October 2010	(1,831,796)
November 2010	(2,600,264)
December 2010	(4,444,156)
January 2011	(3,151,085)
February 2011	(4,315,396)
March 2011	(2,660,499)
April 2011	(1,850,227)
May 2011	(4,928,739)

OFFICE OF UTILITY CONSUMER COUNSELOR  
REVIEW OF FUEL COST ADJUSTMENT

Duke Energy Indiana, Inc.  
Cause No. 38707-FAC92

MISO - COST FLOW THROUGH IN THIS FAC  
June 2011 - February 2012

<u>Month</u>	<u>Net MISO Other Charges due Duke Energy Indiana, Inc.</u>
June 2011	\$ (8,918,056)
July 2011	(5,011,566)
August 2011	(5,038,525)
September 2011	(4,044,850)
October 2011	(4,529,116)
November 2011	(5,303,368)
December 2011	(5,099,855)
January 2012	(4,391,286)
February 2012	(4,029,524)

OFFICE OF UTILITY CONSUMER COUNSELOR  
 REVIEW OF FUEL COST ADJUSTMENT

Duke Energy Indiana, Inc.  
 Cause No. 38707-FAC92

Hedging for Current FAC

<u>Current Period</u>	<u>LMP</u>	<u>Gas</u>	<u>Adj. for WVPA</u>	<u>Wholesale Formula Rates ASM</u>	<u>Total</u>
December 2011	\$ 111,279	\$ -	\$ 1,820	\$ 11,713	\$ 97,746
January 2012	1,951,205	-	29,159	194,630	1,727,416
February 2012	1,749,989	554,698	34,676	236,163	2,033,848

**OFFICE OF UTILITY CONSUMER COUNSELOR  
REVIEW OF FUEL COST ADJUSTMENT**

Duke Energy Indiana, Inc.

Cause No. 38707-FAC92

**Prior Period Adjustments**

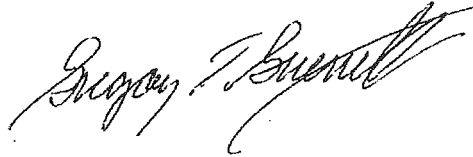
<u>Current Period</u>	<u>Prior Period</u>	<u>Prior Period Adj.</u>	<u>WVPA</u>	<u>Wholesale Formula Rates ASM</u>	<u>Adjusted Actual</u>
<b>December 2011</b>					
	Sept. 11 S105	\$ (67,377)	\$ 399	\$ (6,966)	
	Oct. 11 S105	(205,908)	(322)	(29,094)	
	Nov. 11 S105	(46,822)	(420)	(19,735)	
	Subtotal	<u>(320,107)</u>	<u>(343)</u>	<u>(55,795)</u>	<u>\$ (263,969)</u>
<b>January 2012</b>					
	Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>February 2012</b>					
	Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Grand Total	<u>\$ (320,107)</u>	<u>\$ (343)</u>	<u>\$ (55,795)</u>	<u>\$ (263,969)</u>

*Source: Notes on Exhibit A, Schedule 7, Pages 1, 2 and 3 of 3, all months; also, supporting work papers*



AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



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By:  
Indiana Office of  
Utility Consumer Counselor

June 5, 2012  
Date

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF DUKE ENERGY INDIANA, )  
INC. FOR APPROVAL OF A CHANGE IN ITS )  
FUEL COST ADJUSTMENT FOR ELECTRIC )  
SERVICE, FOR APPROVAL OF A CHANGE )  
IN ITS FUEL COST ADJUSTMENT FOR )  
HIGH PRESSURE STEAM SERVICE, AND TO )  
UPDATE MONTHLY BENCHMARKS FOR )  
CALCULATION OF PURCHASED POWER )  
COSTS IN ACCORDANCE WITH INDIANA )  
CODE 8-1-2-42, INDIANA CODE 8-1-2-42.3 )  
AND VARIOUS ORDERS OF THE INDIANA )  
UTILITY REGULATORY COMMISSION )

CAUSE NO. 38707 FAC 91

TESTIMONY OF

MICHAEL D. ECKERT- PUBLIC'S EXHIBIT NO. 2

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

**TESTIMONY OF OUCC WITNESS MICHAEL D. ECKERT**  
**CAUSE NO. 38707 FAC-92**  
**DUKE ENERGY INDIANA**

**I. INTRODUCTION**

1 **Q: Please state your name and business address.**

2 A: My name is Michael D. Eckert and my business address is 115 W. Washington St.,  
3 Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as a  
6 Senior Utility Analyst in the Electric Division.

7 **Q: Please describe your educational background and experience.**

8 A: I graduated from Purdue University in West Lafayette, Indiana in December  
9 1986, with a Bachelor of Science degree, majoring in Accounting. I am licensed  
10 in the State of Indiana as a Certified Public Accountant. Upon graduation, I  
11 worked as a Field Auditor with the Audit Bureau of Circulation in Schaumburg,  
12 Illinois until October 1987. In December 1987, I accepted a position as a Staff  
13 Accountant with the OUCC. In May 1995, I was promoted to Principal  
14 Accountant and in December 1997, I was promoted to Assistant Chief  
15 Accountant. As part of the OUCC's reorganization, I accepted the position of  
16 Assistant Director of its Telecommunications Division in July 1999. From  
17 January 2000 through May 2000, I was the Acting Director of the  
18 Telecommunication Division. As part of an OUCC reorganization, I accepted a

1 position as a Senior Utility Analyst. As part of my continuing education, I have  
2 attended the National Association of Regulatory Utility Commissioner's  
3 ("NARUC") two-week seminar in Lansing, Michigan. I attended NARUC's  
4 Spring 1993 and 1996 seminar on system of accounts. In addition, I attended  
5 several CPA sponsored courses and the Institute of Public Utilities Annual  
6 Conference in December 1994 and December 2000.

7 **Q: What is the purpose of your testimony?**

8 A: I will address Applicant's: (1) purchased power over the benchmark; (2) ASM  
9 Order; (3) Hedging Transactions; (4) monthly average Regulation, Spinning, and  
10 Supplemental Reserves; (5) Coal Inventory; (6) Bill Analysis; (7) Actual Cost of  
11 Fuel (Mills/kWh) Comparison; and (8) Duke's acquisition of the merchant plant  
12 from Duke Energy Vermillion and retirements of Gallagher Units 1 and 3.

13 **Q: Have you previously testified before the Indiana Utility Regulatory**  
14 **Commission ("Commission")?**

15 A: Yes.

16 **Q: Please describe the review and analysis you conducted in order to prepare**  
17 **your testimony.**

18 A: I read Duke Energy Indiana's (hereafter "Applicant" or "Duke") prefiled  
19 testimony and prefiled application in this proceeding, as well as relevant  
20 Commission Orders. I reviewed Applicant's workpapers and participated in a  
21 teleconference call. I also reviewed Applicant's responses to OUCC data requests  
22 and pertinent sections of Title 8 of Indiana Code and Title 170 of the Indiana  
23 Administrative Code. Additionally, I attended the OUCC field audit in Plainfield  
24 on Monday May 21 and Tuesday May 22. I participated in meetings with other

1 OUCC staff members and company personnel in developing issues identified in  
2 this Cause.

**II. PURCHASED POWER OVER THE BENCHMARK**

3 **Q: Did Applicant purchase any power that exceeded the benchmark?**

4 A. No. It did not.

**III. ANCILLARY SERVICES MARKET (ASM)**

5 **Q: Does Applicant's treatment of ASM charges follow the treatment ordered by**  
6 **the Commission in its Phase II Order in Cause No. 43426, dated June 30,**  
7 **2009?**

8 A: Yes.

**IV. GENERATING UNITS**

9 **Q: Did Applicant update the Commission on the status of the New Source**  
10 **Review related to Applicant's Gallagher Units 1 and 3 and Duke's purchase**  
11 **of a portion of Duke Energy Vermillion II, LLC?**

12 A: Yes. Applicant's Witness Mr. John Swez provides testimony<sup>1</sup> on this issue.

13 **Q: Did Duke inform the Commission of what it plans to do with the two retired**  
14 **generating units at Gallagher Station (1 and 3)?**

15 A: Yes<sup>2</sup>.

**V. HEDGING TRANSACTIONS**

16 **Q: Are there any issues related to Hedging Transactions in this FAC?**

17 A: There are no major issues relating to hedging in this cause. The OUCC issued a  
18 data request regarding Duke's concentrated purchasing activity. Duke's  
19 concentrated purchasing activity could lock Duke and its customers into a  
20 potential narrow range of prevailing prices. If Duke spread its purchases out over

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<sup>1</sup> See Applicant's Witness Mr. John Swez's testimony, pages 16 through 17.

<sup>2</sup> See Applicant's Witness Mr. John Swez's testimony, pages 16 through 17.

1 time, it could reduce the volatility in the average price of its purchased power  
2 portfolio. The OUCC will discuss this issue further with representatives of Duke  
3 prior to the next FAC.

**VI. REGULATION, SPINNING, AND SUPPLEMENTAL RESERVES CHARGES**

4 **Q: Did Applicant report the monthly average ASM Cost Distribution Amounts**  
5 **for Regulation, Spinning, and Supplemental Reserves paid by the utility for**  
6 **each of the ancillary service products?**

7 **A:** Yes. Per the Commission's Order,<sup>3</sup> Applicant has reported<sup>4</sup> the average monthly  
8 distribution costs of Regulation, Spinning, and Supplemental Reserves charge  
9 types.

**VII. BENTON COUNTY WIND FARM**

10 **Q: Did Duke provide the Commission with information on Locational Marginal**  
11 **Prices ("LMPs") at Benton County Wind Farm?**

12 **A:** No.

13 **Q: Did you review the LMP situation regarding Benton County Wind Farm**  
14 **with Duke Personnel?**

15 **A:** Yes. The OUCC reviewed the Benton County Wind Farm situation and the  
16 volatile real-time LMP issues that were occurring at Benton County. In addition,  
17 the OUCC participated in a meeting with representatives of Duke to discuss the  
18 issue.

19 **Q: What is the issue regarding Benton County Wind Farm?**

20 **A:** In certain situations when Benton County Wind Farm is experiencing negative  
21 LMPs, Duke is purchasing wind power from Benton County Wind Farm and

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<sup>3</sup> See the Commission's Order in Cause No. 43426 Phase II, page 41.

<sup>4</sup> See Applicant's Witness Scott Burnside's testimony page 8.

1 paying the negative LMP associated with that power, which is more expensive  
2 than purchasing power from the MISO market.

3 **Q: Does the Wind PPA require Duke to take and pay for the power that was**  
4 **produced at the Benton County Wind Farm?**

5 **A:** Yes. Per its Wind PPA that was approved by the Commission in Cause No.  
6 43097, Duke must purchase all the power that Benton County Wind Farm is  
7 producing at the cost per MWh established in the Wind PPA. Duke has no other  
8 option at this time. Duke recovers this cost through the FAC. Paragraph 4.1 of  
9 the Wind PPA states:

10 During the term of this Agreement, Seller shall deliver and sell to  
11 Buyer and Buyer shall accept and purchase from Seller (a) Electrical  
12 Output of the Plant; and (b) any Credits associated with, and to the  
13 extent available from, such Electrical Output purchased by Buyer.

14 Paragraph 7 D. of the Commission's Order in Cause No. 43097<sup>5</sup> states:

15 Through this Order, the Commission has found that the Wind  
16 PPA and its costs are reasonable and should be recovered  
17 through the full term of the 20 year contract. It seems  
18 incongruent to have the Wind PPA subjected to a quarterly FAC  
19 review statutorily designed to determine whether or not the  
20 utility has made every reasonable effort to obtain fuel or  
21 purchase power at the lowest cost reasonably possible. That  
22 finding of reasonableness is already made in this Order for the  
23 Wind PPA for the term of the contract. Administering this  
24 Order's finding that the wind PPA is reasonable and its cost  
25 should be recovered through the Section 42(a) tracking  
26 provision should minimize any potential for unnecessary FAC  
27 controversy in the future.

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<sup>5</sup> See Indiana Utility Regulatory Commission Order, dated January 27, 2010, page 25.

1 **Q: Is Duke looking into various ways to mitigate the negative LMP situation**  
2 **with Benton County Wind Farm?**

3 A: Yes. Duke is looking at several different ways to mitigate the situation. Duke has  
4 had discussions with representatives of Benton County Wind Farm and MISO.

### VIII. COAL INVENTORY

5 **Q: Are there any issues associated with Duke's Coal inventory since its last**  
6 **application?**

7 A: Yes. Duke Witness Elliott Batson Jr. testified that Duke's coal inventories had  
8 grown to approximately 3,800,000 tons as of February 15, 2012. As of April 15,  
9 2012, the coal inventories had decreased to approximately 3,600,000 tons due to  
10 the implementation of the coal price decrement on February 24, 2012 and reduced  
11 coal shipments. In addition, Duke's latest forecast for coal inventory shows  
12 Duke's coal inventories continuing to increase during the remainder of 2012 and  
13 2013.<sup>6</sup>

14 **Q: Is Duke looking at other options to resolve this issue?**

15 A: Duke has met with its suppliers, determined maximum storage at its facilities, and  
16 is exploring the option to resell surplus coal, potential coal contract buyouts, and  
17 decrement coal pricing.

18 **Q: Is Duke going to continue its implementation of its coal decrement pricing?**

19 A: Yes. As I understand it, this strategy involves bidding units into the MISO market  
20 at below cost in order to assure their dispatch to mitigate the accumulation of coal  
21 inventory. This approach seems, at best, like a short-term solution and certainly  
22 not a long-term competitive response to low LMP price. If this practice persists,

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<sup>6</sup> See Applicant's Witness Mr. Elliott Batson Jr.'s testimony, pages 7, lines 9-20.



1 the OUCC reserves all of its rights in future FACs or other proceedings with  
2 respect to this below cost bidding strategy, and its impact on customers.

3 **Q: Should Applicant continue to update the Commission on its coal inventory?**

4 A: Yes, including the development of alternatives to its below cost bidding approach  
5 (i.e. decrement pricing).

### IX. BILL ANALYSIS

6 **Q: Have you calculated the bill impact on a typical Residential Customer's bill**  
7 **using 500, 1,000, 1,500, and 2,000 kWhs at the proposed rate and compared**  
8 **that to the same typical customer's bill using the currently approved rate?**

9 A: Yes I did, as reflected in the table below.

	Proposed	Current	Dollar	% Increase
	Bill at	Bill at	Inc/(Dec)	/(Decrease)
<u>Consumption</u>	<u>FAC</u>	<u>FAC</u>		
13 500	\$55.29	\$57.94	(\$2.65)	(4.57%)
14 1,000	\$89.55	\$94.85	(\$5.30)	(5.59%)
15 1,500	\$118.96	\$126.91	(\$7.95)	(6.26%)
16 2,000	\$148.36	\$158.97	(\$10.61)	(6.67%)

17 **Q: What assumptions did you make in this calculation?**

18 A: In making this calculation, I did not include any amount for other trackers nor did  
19 I include taxes. Therefore, this calculation reflects only the proposed change to  
20 the FAC factor and Applicant's base rates.

### X. ACTUAL COST OF FUEL (MILLS/KWH) COMPARISON

21 **Q: Did you do a comparison of the actual monthly cost of fuel (Mills/kWh) for**  
22 **the five large investor owned utilities?**

23 A: Yes. I did. Duke's actual monthly cost of fuel (mills/kWh) is among the lowest  
24 in the State of Indiana (See Attachment MDE-1).

### XI. COAL CONTRACT TIMELINE

25 **Q: Did you prepare a schedule that shows the timelines associated with each of**

1 **Duke's coal contracts?**

2 A: Yes. I did. However, I did not file the schedule in this FAC at this time. Even  
3 though the OUCC does not agree with the position taken by Applicant's Witness  
4 Mr. Batson, the OUCC has chosen not to file the Coal Contract Timeline Exhibit  
5 in this FAC due to the issues raised by Witness Batson.

**XII. OUCC RECOMMENDATIONS**

6 **Q: Please summarize your recommendations to the Commission in this cause.**

7 A: The OUCC recommends the Commission require Duke to provide the following  
8 information in its next FAC:

- 9 1) Update the Commission on the Applicant's current Coal  
10 Inventory situation; and  
11 2) Report to the Commission any updates and resolutions to the  
12 Benton County Wind Park LMP situation.

13 **Q: Does this conclude your testimony?**

14 A: Yes, it does.

Duke Energy Indiana  
Cause No. 38707 FAC-92

Actual Cost of Fuel (Mills/kWh) Comparison

Month	Year	Duke Energy	FAC #	Indiana Michigan Power	FAC #	Indianapolis Power & Light	FAC #	NIPSCO	FAC #	Vectren South	FAC #
January	2007	18.974	72	12.337	59	16.730	75	26.497	75	23.258	
February	2007	20.526	72	11.853	59	18.388	76	33.278	75	22.609	
March	2007	16.663	73	11.358	59	18.436	76	26.336	75	25.221	76
April	2007	20.748	73	12.022	59	17.626	76	25.958	76	23.808	76
May	2007	21.021	73	11.225	59	17.807	77	30.934	76	22.858	76
June	2007	17.418	74	11.088	60	15.589	77	32.563	76	18.872	77
July	2007	21.455	74	11.943	60	17.772	77	35.423	77	24.456	77
August	2007	26.428	74	12.454	60	21.676	78	35.433	77	29.769	77
August	2007									28.097	77
September	2007	18.147	75	13.895	60	18.446	78	26.007	77	22.298	78
October	2007	21.620	75	14.564	60	21.142	78	24.308	78	25.574	78
November	2007	16.620	75	13.773	60	17.260	79	24.781	78	19.199	78
December	2007	18.545	76	11.834	61	17.212	79	40.363	78	23.509	79
January	2008	21.946	76	12.156	61	18.146	79	28.307	79	23.349	79
February	2008	22.933	76	13.413	61	18.902	80	32.597	79	25.213	79
March	2008	29.699	77	14.311	61	19.380	80	33.271	79	27.944	80
April	2008	24.034	77	16.399	61	18.572	80	28.639	80	27.651	80
May	2008	20.159	77	14.082	61	16.300	81	28.679	80	21.578	80
June	2008	30.286	78	15.185	62	23.130	81	33.815	80	32.326	81
July	2008	25.296	78	15.569	62	24.171	81	32.511	81	26.389	81
August	2008	25.728	78	17.520	62	20.897	82	28.751	81	23.701	81
September	2008	24.964	79	16.509	62	20.028	82	28.292	81	25.788	82
October	2008	24.546	79	20.783	62	20.981	82	26.998	82	29.726	82
November	2008	24.389	79	20.375	62	19.596	83	23.261	82	22.083	82
December	2008	23.936	80	18.698	63	19.337	83	25.457	82	31.687	83
January	2009	27.448	80	17.482	63	20.815	83	30.202	83	30.813	83
February	2009	24.684	80	17.523	63	19.347	84	29.775	83	28.921	83
March	2009	24.500	81	15.505	63	18.589	84	27.307	83	31.381	84
April	2009	24.759	81	19.811	63	18.739	84	29.287	84	34.001	84
May	2009	22.499	81	16.054	63	20.030	85	27.833	84	30.723	84
June	2009	27.280	82	16.643	64	18.840	85	29.152	84	31.368	85
July	2009	26.289	82	15.337	64	18.466	85	27.687	85	33.710	85
August	2009	25.006	82	15.682	64	18.198	86	27.712	85	29.665	85
September	2009	22.959	83	14.044	64	18.897	86	26.006	85	32.274	86
October	2009	24.637	83	14.412	64	17.674	86	26.106	86	33.583	86
November	2009	23.395	83	14.699	64	18.699	87	26.635	86	29.872	86
December	2009	19.885	84	16.357	65	18.259	87	30.148	86	33.634	87
January	2010	25.965	84	16.738	65	19.873	87	28.790	87	39.151	87
February	2010	25.727	84	16.056	65	21.275	88	28.178	87	31.902	87
March	2010	24.621	85	18.985	65	22.269	88	26.411	87	33.092	88
April	2010	25.886	85	17.165	65	22.762	88	31.716	88	39.423	88
May	2010	25.060	85	16.887	65	25.530	89	32.805	88	32.517	88
June	2010	26.848	86	17.196	66	25.690	89	31.756	88	35.331	89
July	2010	26.317	86	18.178	66	25.909	89	31.182	89	39.798	89
August	2010	27.218	86	18.703	66	26.035	90	28.523	89	31.924	89
September	2010	24.990	87	19.171	66	24.232	90	24.429	89	35.523	90
October	2010	26.407	87	20.662	66	24.893	90	27.117	90	37.109	90
November	2010	26.666	87	21.777	66	25.345	91	29.378	90	34.065	90
December	2010	27.022	88	19.573	67	25.683	91	29.331	90	38.433	91
January	2011	29.136	88	16.798	67	27.062	91	28.619	91	40.515	91
February	2011	25.958	88	16.740	67	27.910	92	28.461	91	34.433	91
March	2011	29.082	89	17.181	67	26.976	92	30.975	91	36.973	92
April	2011	29.339	89	15.747	67	26.946	92	30.774	92	43.978	92
May	2011	28.250	89	16.369	67	24.905	93	31.881	92	34.593	92
June	2011	27.832	90	17.305	68	29.536	93	31.557	92	36.617	93
July	2011	31.451	90	17.568	68	29.255	93	36.825	93	37.800	93
August	2011	28.949	90	17.986	68	28.442	94	31.232	93	35.610	93
September	2011	28.408	91	18.269	68	27.791	94	27.128	93	35.023	94
October	2011	27.558	91	20.142	68	28.766	94	30.278	94	34.156	94
November	2011	28.766	91	19.616	68			28.628	94	34.967	94
December	2011							29.004	94		