

## STIPULATION AND SETTLEMENT AGREEMENT

Duke Energy Indiana, LLC (“Duke”), the Indiana Office of Utility Consumer Counselor (“OUCC”), the Indiana Industrial Group (“IG”), and Nucor Steel – Indiana, a division of Nucor Corporation (“Nucor”), (collectively, the Settling “Parties”), for purposes of comprehensively resolving all of Duke’s Phase 1 and Phase 2 tax issues in Indiana Utility Regulatory Commission’s (“Commission”) Cause No. 45032-S2, agree to the following settlement terms:

1. Presentation of the Settlement Agreement.
  - A. The Settling Parties will jointly move the Commission for approval of the Settlement Agreement (“Agreement”) in its entirety.
  - B. If the Final Order of the Commission in this proceeding modifies or conditions this Agreement, only the Settling Parties to this Agreement may decide to accept or reject such modification or condition. If the Settling Parties do not unanimously accept the modified Agreement, then upon notice in writing by any Settling Party within fifteen (15) business days after the date of the Final Order that any modifications made by the Commission are unacceptable to such party, this Settlement Agreement shall become void in its entirety and have no effect. In the event the Agreement is withdrawn, the Settling Parties will request that an Attorneys’ Conference be convened to establish a procedural schedule for the continued litigation of this proceeding. If the Agreement is not approved in its entirety by the Commission, the Settling Parties agree that the terms herein shall not be admissible in evidence or discussed by any party in a subsequent proceeding.

2. Effect and Use of Agreement.
  - A. The terms of this Agreement, including the substantive terms in Paragraph 3 of this document, represent a fair, just and reasonable resolution by negotiation and compromise for the purpose of settlement, and is agreed upon without prejudice to the ability of any party to propose a different term, condition, amount, methodology or exclusion in future proceedings. As set forth in the order in *Re Petition of Richmond Power & Light*, Cause No. 40434, p. 10, the Settling Parties agree and ask the Commission to incorporate as part of its Final Order that this Agreement, or the Order approving it, not be cited as precedent by any person or deemed an admission by any party in any other proceeding except as necessary to enforce its terms before the Commission, or any court of competent jurisdiction on these particular issues. This Agreement, including the substantive terms in Paragraph 3, is solely the result of compromise in the settlement process. Nothing contained herein is to be construed or deemed an admission, liability or wrongdoing on the part of the Settling Parties. Each of the Settling Parties hereto has entered into this Agreement solely to avoid further disputes and litigation with the attendant inconvenience and expenses.
  - B. The evidence presented by the Settling Parties in this Cause constitutes substantial evidence sufficient to this Agreement and provides an adequate evidentiary basis upon which the Commission can make findings of fact and conclusions of law necessary for the approval of this Agreement, as filed. The Settling Parties agree to the admission into the evidentiary record of this Agreement, along with testimony supporting it, without objection.

- C. The undersigned represent and agree that they are fully authorized to execute this Agreement on behalf of their designated clients who will be bound thereby.
- D. The Settling Parties shall not appeal the agreed Final Order or any subsequent Commission's order to the extent such order is specifically implementing, without modification or with approved modification, the provisions of the Agreement and the Settling Parties shall not support any appeal of any such order by a person not a party to this Agreement.
- E. The provisions of this Agreement shall be enforceable by any Settling Party at the Commission or any court of competent jurisdiction, whichever is applicable.
- F. The communications and discussions during the negotiations and conferences that produced this Agreement have been conducted on the explicit understanding that they are or relate to offers of settlement and shall therefore be privileged and nondisclosable.

3. Substantive Settlement Terms.

A. Tracker Charges:

The Settling Parties agree that all of Duke's applicable tracker charges shall be reduced to reflect the 21% corporate income tax rate, as those trackers are filed with the Commission in 2018.

B. Base Rates:

The Settling Parties agree to implementation of reduced base rates and any riders impacted by base rate reductions (*i.e.*, Rider 66A (lost revenues only), and certain credits in Riders 62 and 71) via a revised 30-day filing submitted such that approval and implementation could be made no later than 9/1/18. The Settling

Parties agree that Duke's revised 30-day filing is inextricably linked with and part and parcel of the terms and commitments reflected below, incorporated into this comprehensive Settlement Agreement.

C. Tax Cut and Jobs Act of 2017 ("TCJA") Regulatory Liability:

- i. Upon issuance of a Final Order in Cause No. 45032-S2 approving the Settlement Agreement, Duke will make the necessary accounting entries to offset approximately \$36M (prior to gross-up) of regulatory assets that have carrying costs (IGCC Carbon Capture Study approx. \$26.3M and NOx AFUDC Continuation Environmental Plant – Retail After Rate Case Cut-off approx. \$9.8M) with the TCJA regulatory liability related to the statutory federal rate change from 35% to 21% associated with Duke's base rates as of the effective date of the order in this proceeding. Any remainder between the regulatory liability associated with the over-collection of federal income tax through base rates and the regulatory assets identified above shall be deferred, without carrying costs, until Duke's next general base rate case.
- ii. Pursuant to Paragraph 3D(i) below, the Settling Parties agreed that Duke would delay the initiation of the refund of excess protected ADIT until 1/1/2020. As such, Duke will defer the amortizations of protected ADIT from January 1, 2018 through December 31, 2019 as a regulatory liability until Duke's next general base rate case. Amortization of this regulatory liability will be addressed/determined in the next general base rate case.

- iii. Duke commits to supplement its case-in-chief in IGCC-17 to provide the necessary evidence showing how the TCJA regulatory liability associated with the statutory federal rate change from 35% to 21% and included in Duke's IGCC tracker will be refunded to customers as those rates become effective, which is expected to be by February 2019.
- iv. For Duke's remaining trackers that are affected by the statutory tax rate change (*i.e.*, Rider 62 – Environmental Compliance Investment, Rider 71 – Environmental Compliance Operating Cost, Rider 73 – Renewable Energy; Rider 72 – Federally Mandated Costs; Rider 65 – Transmission and Distribution Infrastructure Improvement, and; Rider 66-A – Energy Efficiency), a request to refund the TCJA regulatory liability associated with each rider will be incorporated into Duke's case-in-chief testimony as those trackers are filed, such that a complete refund of the TCJA regulatory liability in each tracker will be expected to be fully refunded to ratepayers by December 2020.

D. Excess Accumulated Deferred Income Taxes ("ADIT"):

- i. The excess protected ADIT allocated to retail customers is \$766M and will be refunded to customers starting 1/1/2020 using ARAM, which Duke currently estimates to be over approximately 25.8 years. The amortizations of excess protected ADIT for the years 2018 and 2019 shall be addressed as set forth in Paragraph 3C(ii) and will not be included in balance of excess protected ADIT to be refunded starting

1/1/2020. Nothing in this Agreement is to be construed to cause Duke Energy to be in noncompliance with all IRS normalization requirements.

- ii. The unprotected excess ADIT allocated to retail customers is \$210M and will be amortized and refunded to customers beginning with the Final Order in this Cause over a 10-year period. For the first five years, the amortization amount shall be \$7M annually. For the last five years, commencing on September 1, 2023 the amortization amount shall be \$35M annually.

To the extent an item that is classified as protected by IRS guidance is subsequently reclassified due to a change in IRS guidance as unprotected or vice versa, upon validation of any change by the Non-Duke Settling Parties, the \$35 million annual amortization will continue until the remaining unprotected excess ADIT balance is zero.

- iii. Until otherwise ordered by the Commission following a general base rate case, Duke will make an annual 30-day filing reducing its rates to reflect the excess ADIT amortization amounts set forth in Paragraph 3D(i) and (ii) in order to effectuate the amortization of excess ADIT (protected and unprotected) pursuant to the above terms. Such filings will be made via the Commission's 30-day filing process using Rider 67 to implement the reduction, renamed the Tax and Merger Credit. These amortizations will be allocated using the Retail Original Cost Depreciated Rate Base from Cause No 42359. The allocation method

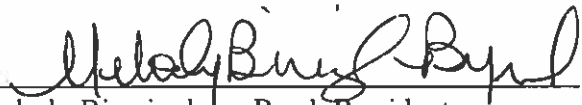
for the merger credit contained in Rider 67 shall remain the same.

Allocation factors for the excess ADIT amounts will be updated in the next general base rate case proceeding.

E. Additional Rate Credit:

While no party filed testimony in response to Duke Energy's case-in-chief in this Cause, the terms of this Settlement Agreement reflect all of the Settling Parties' compromises on key issues, including the timing of when benefits from the TCJA will be refunded to ratepayers. In consideration of these terms, Duke Energy Indiana commits to provide a one-time rate credit of \$1.9 million to retail electric customers, to commence on January 1, 2020, using Rider 67 discussed in Paragraph 3D(iii) above.

**For Duke Energy Indiana, LLC**



Melody Birmingham-Byrd, President  
Duke Energy Indiana, LLC



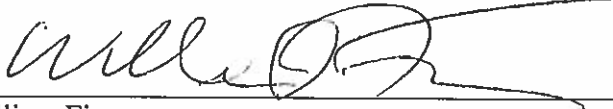
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Duke Energy Indiana, LLC

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**For the Indiana Office of Utility Consumer Counselor:**

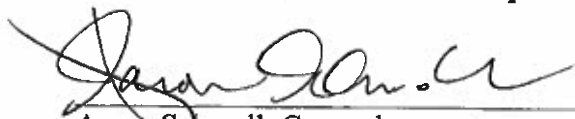
A handwritten signature in black ink, appearing to read 'William Fine', written over a horizontal line.

William Fine  
Indiana Office of Utility Consumer Counselor

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**For the Indiana Industrial Group:**



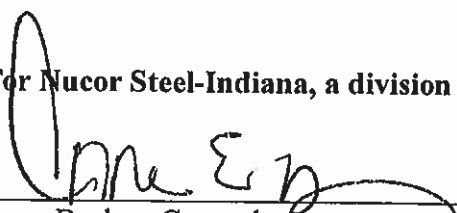
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Aaron Schmoll, Counsel  
Indiana Industrial Group

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**For Nucor Steel-Indiana, a division of Nucor Corporation:**

  
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Anne Becker, Counsel  
Nucor Steel-Indiana, a division of Nucor Corporation

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**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: Brian P. Davey  
Brian P. Davey

Dated: 6/27/18