

INDIANA UTILITY REGULATORY COMMISSION
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MEMORANDUM

TO: Commissioners Hardy, Hadley, Landis, Server and Ziegner
FROM: Jerry L. Webb, Director of Gas/Water/Sewer Division *Gene Stephenson for Jerry Webb*
DATE: September 7, 2006
RE: Utility Articles for Next Conference

The following Final Articles A, D and G are submitted to each of you to acquaint you with the tariffs eligible for action or acceptance on or after September 13, 2006.

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"A" Final

The following new miscellaneous items will be eligible for final consideration at the next Commission Conference and based upon a review of it by staff members of the Commission, I recommend approval.

1. Duke Energy Indiana

The Utility has filed for approval of a change in its Standard Contract Rider No. 63, Emission Allowance Adjustment, in accordance with Commission Order in Cause No. 42359, dated May 18, 2004. This Order reaffirmed Duke Energy Indiana's authorization to recover SO₂ and NO_x emission allowance costs via the Standard Contract Rider No. 63. Additionally, in Cause No. 42718, dated May 24, 2006, the Commission approved an amendment to Standard Contract Rider 63, authorizing recovery of mercury emissions (H_g) allowance costs.

The proposed emission allowance factor is (\$0.000162) per kilowatt-hour and is applicable to all retail electric rate schedules for the months of October, November and December 2006. The proposed factor will be effective upon Commission approval. This factor includes the emission allowance cost variance of (\$11,111,319) from March 2006 through May 2006. The reduction in native load SO₂ emission allowance expense resulted from the settlement of certain coal contract issues dating back to 1999. The settlement resulted in an approximate \$9.3 million credit to native load SO₂ emission allowance expense.

The tariff sheet affected by this filing is:

Sheet No. 63.

2. Indiana Michigan Power Company, d/b/a American Electric Power

The Utility has submitted for Commission review and approval, under the Commission's 30-day filing procedure and the provisions of Tariff CS-IRP (Contract Service Interruptible Power), an amendment ("the Third Amendment") to the Tariff CS-IRP Contract between Air Products & Chemicals, Inc. ("Air Products") and the Utility. The contract was approved by the Commission on April 30, 1997. Use of the Commission's 30-day filing procedure for this contract amendment is appropriate based on the Commission's Order issued August 23, 1995, in Cause No. 40201.

The Third Amendment supplants the provisions of the Capacity Reservation and Designation of Firm Service portions of the contract to reflect the additional capacity needs of Air Products.

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The Amendment negotiations were at "arm's length" resulting in the Amendment being executed by the Utility and Air Products on July 26, 2006. The principal aspects of the amendment provide as follows:

1. Air Products has requested a change in the Capacity Reservation and the Designation of Firm Service established in the First Amendment.
2. All other rates, terms and conditions, obligations and responsibilities set forth in the original contract remain unchanged.

The Utility and Air Products have also requested that the Commission treat specific terms of the Amendment as confidential and protect them from disclosure. Accordingly, an unredacted amendment was filed under seal with the requisite affidavit along with a redacted copy of the Amendment.

A review of the affidavit and supporting material indicates that the provisions concerning requests for confidentiality specified in the Commission's Order in Cause No. 40201, Tariff CS-IRP, and the Docket Entry of September 8, 1995, have been complied with and the material sought to be treated as confidential is being so treated consistent with I.C. 8-1-2-29 and I.C. 5-et seq.

The Amendment submitted for approval is entitled Third Amendment to the Contract for Electric Service Between Indiana Michigan Power Company and Air Products & Chemicals, Inc. dated March 26, 1997, consisting of a cover and two pages in redacted form and a cover and two pages in unredacted form.

3. Indianapolis Power & Light Company

The Commission rulemaking RM #05-02 became effective on April 5, 2006. The rulemaking consisted of two elements: Approval of Adoption of Rule Concerning Customer-Generator Interconnection Standards (170 IAC 4-4.3); and Approval of Amendment of Rule Concerning Cogeneration and Alternate Energy Production Facilities and Net Metering (170 IAC 4-4.1 and 170 IAC 4-4.2). Section 11 of the new rule directed all investor-owned utilities to submit, within sixty days of the effective date of the rule, generic interconnection application and interconnection agreement forms for each of the three levels of review in the rule. These forms will simplify and make more efficient the interconnection process, thereby encouraging cost-effective, safe and reliable customer-generation.

The Commission approved the forms for the Utility in the Utility Articles of July 12, 2006. The Utility now submits two revised tariff sheets to incorporate new references to 170 IAC 4-4.3.

The tariff sheets affected by this filing are:

2nd Revised No. 121
4th Revised No. 161

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“D” Final

A revision to the purchased power cost tracker for electric utilities has been reviewed by staff members of the Commission and found to be in compliance with the orders of the Commission. The requirements prescribed for these filings in Commission Order No. 34614 have been met and I recommend approval.

<u>Item</u>	<u>Utility</u>	<u>Purchased Power Cost Tracker (\$/kWh)</u>	<u>Change (\$/kWh)</u>	<u>Filing No.</u>
1.	Harrison REMC	0.010369	0.000416	0600927D

The change in Harrison REMC's rates is due to a change in Hoosier Energy's Power Cost Tracker.

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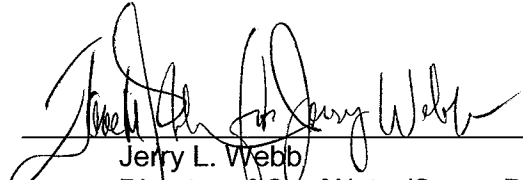
"G" Final

Revisions to the Fuel Cost Adjustment factor have been reviewed by staff members of the Commission and found to be in compliance with the orders of the Commission. The requirements prescribed for these filings in Commission Order No. 35687 have been met and I recommend approval.

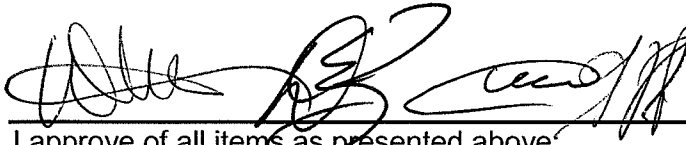
<u>Item</u>	<u>Utility</u>	<u>Change</u>	<u>Filing Number</u>
1.	Knightstown	Increase	87-06-09
2.	Straughn	Increase	111-06-09

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Please indicate your consideration and action of all the preceding items on the appropriate lines provided below.



Jerry L. Webb
Director of Gas/Water/Sewer Division



I approve of all items as presented above:

I approve of all items as presented above except:

Not participating in the following items:

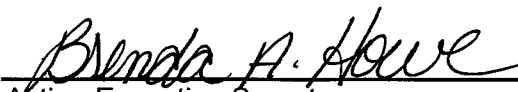
I, _____, Disapprove Items

No.

I, _____, Wish to Defer Items

No.

I hereby certify that the above is a true and correct copy of the action on the articles.



Acting Executive Secretary

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