ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA MICHIGAN POWER COMPANY (I&M), AN INDIANA CORPORATION, FOR APPROVAL OF A CLEAN ENERGY PROJECT AND QUALIFIED POLLUTION CONTROL PROPERTY AND FOR ISSUANCE OF CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY FOR USE OF CLEAN COAL TECHNOLOGY AND COMPLIANCE WITH FEDERALLY MANDATED REQUIREMENT (PROJECT); FOR ONGOING REVIEW; FOR APPROVAL OF ACCOUNTING AND RATEMAKING, INCLUDING THE TIMELY RECOVERY OF COSTS INCURRED DURING CONSTRUCTION AND OPERATION OF SUCH PROJECT THROUGH I&M'S CLEAN COAL TECHNOLOGY RIDER; FOR APPROVAL OF DEPRECIATION PROPOSAL FOR SUCH PROJECT; AND FOR AUTHORITY TO DEFER COSTS INCURRED DURING CONSTRUCTION AND OPERATION, INCLUDING CARRYING COSTS, DEPRECIATION, TAXES, OPERATION AND MAINTENANCE AND ALLOCATED COSTS, UNTIL SUCH COSTS ARE REFLECTED IN THE CLEAN COAL TECHNOLOGY RIDER OR OTHERWISE REFLECTED IN I&M'S BASIC RATES AND CHARGES.	)	CAUSE NO. 44523 APPROVED: MAY 13 2015

ORDER OF THE COMMISSION

Presiding Officers:
David E. Zeigner, Commissioner
Gregory R. Ellis, Administrative Law Judge

On August 14, 2014, Indiana Michigan Power Company ("Petitioner" or "I&M") filed its Verified Petition ("Petition") in this Cause. On August 15, 2014, Petitioner filed its verified direct testimony and exhibits and on August 18, 2014, Petitioner filed supporting workpapers. Petitions to intervene were filed on September 3 and 24, 2014, by Citizens Action Coalition of Indiana, Inc. ("CAC"), Sierra Club, Hoosier Chapter ("Sierra Club"), and Valley Watch, Inc. ("Valley Watch"), (collectively "Non-Settling Parties"). On September 29, 2014, the I&M Industrial Group ("Industrial Group") filed its Petition to Intervene. Each petition to intervene was granted by the Presiding Officers.

The Commission held a Prehearing Conference ("PHC") in this matter on September 16, 2014 at 1:30 p.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. On September 24, 2014, the Commission issued a PHC Order which, among other things, adopted the procedural schedule in this Cause. On December 3, 2014, the Indiana Office of Utility Consumer Counselor ("OUCC") and Industrial Group filed their respective direct testimony and exhibits. On December 19, 2014, I&M filed its rebuttal testimony and exhibits. On January 8, 2015, I&M, OUCC and the Industrial Group filed a Joint Motion for Leave to File Settlement Agreement and Request for Settlement Hearing, which motion and request were subsequently granted. On January 9, 2015, I&M and the OUCC filed testimony and exhibits in support of the Settlement Agreement.

The Commission held an Evidentiary Hearing in this Cause at 9:30 a.m. on January 16, 2015, in Room 222, PNC Center, 101 West Washington Street, Indianapolis, Indiana. I&M, the OUCC, the Industrial Group, and the Non-Settling Parties were present and participated. The testimony and exhibits of I&M, the Industrial Group, and the OUCC were admitted into the record without objection. No members of the general public appeared or sought to testify at the hearing.

Based upon the applicable law and evidence presented, the Commission finds:

1. Notice and Jurisdiction. Notice of the hearings in this Cause was given and published as required by law. I&M is a public utility as defined in Ind. Code § 8-1-2-1(a) and Ind. Code § 8-1-8.7-2, an eligible business as defined in Ind. Code § 8-1-8.8-6, and an energy utility as defined in Ind. Code § 8-1-8.4-3. Under Ind. Code chs. 8-1-8.7 and 8-1-8.8, the Commission has authority to approve the construction of and cost recovery for clean coal technology ("CCT") projects. Under Ind. Code ch. 8-1-8.4, the Commission has jurisdiction over the issuance of a certificate of public convenience and necessity ("CPCN") and cost recovery for federally mandated requirements. Therefore, the Commission has jurisdiction over I&M and the subject matter of this proceeding.

2. Petitioner's Characteristics. I&M, a wholly owned subsidiary of American Electric Power Company, Inc. ("AEP"), is a corporation organized and existing under the laws of the State of Indiana, with its principal offices at One Summit Square, Fort Wayne, Indiana. I&M renders electric service in the State of Indiana, and owns, operates, manages, and controls, among other properties, plant and equipment within the State of Indiana that are in service and used in the generation, transmission, delivery, and furnishing of electric service to the public. In Indiana, I&M provides retail electric service to approximately 458,000 customers in the following counties: Adams, Allen, Blackford, DeKalb, Delaware, Elkhart, Grant, Hamilton, Henry, Howard, Huntington, Jay, LaPorte, Madison, Marshall, Miami, Noble, Randolph, St. Joseph, Steuben, Tipton, Wabash, Wells and Whitley. I&M's electric system is an integrated and interconnected entity that is operated within Indiana and Michigan as a single utility.

3. Background. I&M's operations are subject to federal environmental and state environmental laws and rules promulgated by, among others, the United States Environmental Protection Agency ("EPA"). Such rules establish environmental compliance standards that govern emissions from I&M's electric generating units. These environmental laws and

regulations include requirements to directly or indirectly reduce or avoid emissions of nitrogen oxides ("NO_x") from coal-fired generating units and the federal Prevention of Significant Deterioration and Nonattainment New Source Review ("NSR") provisions, which are part of the federal Clean Air Act. As part of the federal Clean Air Act and related NSR Consent Decree ("Consent Decree") executed with the Department of Justice ("DOJ"), the EPA and other parties, I&M must retrofit Unit 1 of the Rockport Plant ("Rockport Unit 1") with Selective Catalytic Reduction ("SCR") technology by December 31, 2017, to continue operation of this unit. There are also several EPA regulatory initiatives in various stages of development that may also necessitate installation of SCR at Rockport Unit 1.

4. **Rockport Unit 1.** The Rockport Plant is a cornerstone of I&M's generation fleet. It is located in Spencer County, Indiana and consists of Rockport Unit 1 and Unit 2 that have a net capacity of 2600 MW. Rockport Unit 1 was placed in service in 1984. I&M jointly owns the two units with AEP Generating Company ("AEG"), which is a subsidiary of AEP. I&M owns 50% of Rockport Unit 1 ("I&M's Ownership Share"). AEG sells 70% of its 50% share to I&M under a unit power agreement ("UPA") approved by the Federal Energy Regulatory Commission ("FERC") and the remaining 30% is sold to Kentucky Power Company, an operating company affiliate of I&M. I&M ultimately owns or purchases 85% of the capacity and energy of the Rockport Plant, which amounts to 2210 MWs of the 2600 MWs ("I&M's Allocated Share"). For 2014, 2210 MWs represent approximately 41% of I&M's total generating capacity.

5. **Relief Sought.** I&M requests approval of the Settlement Agreement entered into between I&M, the OUCC, and the Industrial Group. The Settlement Agreement proposes that I&M's CCT project to construct, install, and operate SCR technology on I&M's Rockport Unit 1 ("SCR Project") be approved and that I&M be issued a CPCN for the SCR Project. I&M requests recovery of I&M's Ownership Share via a clean coal technology rider ("CCTR") as a Clean Energy Project, as defined in Ind. Code § 8-1-8.8-2(1)(B, and Qualified Pollution Control Property ("QPCP"). The Settlement Agreement also proposes, under the terms of Ind. Code ch. 8-1-8.4, that I&M be allowed to recover I&M's Allocated Share of the SCR Project. I&M also requests authorization to depreciate I&M's Ownership Share of the SCR Project over a period of 10 years. Finally, I&M requests ongoing review of the SCR Project in accordance with Ind. Code § 8-1-8.7-7.

6. **Petitioner's Direct Evidence.**

A. **Overview.** Paul Chodak III, I&M President and Chief Operating Officer, provided an overview of I&M's request, described the reasons why installing a SCR on Rockport Unit 1 makes sense for I&M and its customers and explained how the installation fits within the long term strategy of I&M to comply with federally mandated requirements and environmental regulations. Mr. Chodak also described the important role that the Rockport Plant serves in maintaining the low cost structure of I&M's generation resource portfolio and explained I&M's decision and rationale for the requested CPCN and ratemaking treatment. Mr. Chodak also explained that it is appropriate to depreciate I&M's Ownership Share of the SCR Project over 10 years because doing so conforms to the policy of encouraging investment in CCT in the State of Indiana and more closely synchronizes the end of the depreciable life of the SCR Project with the other environmental control investments being made on the unit. He added that the 10-year

period is also appropriate given the risk that additional environmental regulations could shorten the SCR Project's asset lives. Mr. Chodak testified that the SCR Project is a cost-effective means of maintaining the availability of relatively low cost, coal-fired generation that complies with environmental regulations, allows the plant to continue to serve customer needs, provide jobs and taxes to the community and does so in a manner that mitigates the rate impact on customers. He concluded that the SCR Project is the best option to permit the Rockport Plant to continue to provide generation needed to serve the needs of I&M's customers while maintaining affordable rates.

B. Environmental Laws and Regulations. John C. Hendricks, Director Air Quality Services within the Environmental Services Division of the American Electric Power Service Corporation ("AEPSC") discussed the regulation of NO_x emissions, the Consent Decree, future environmental regulations including those that could further necessitate the need for SCR technology on Rockport Unit 1, and the permits necessary to support the proposed retrofit. Mr. Hendricks and Robert L. Walton, AEPSC Managing Director of Projects, explained that the SCR retrofit will directly reduce emissions of NO_x by reacting NO_x with ammonia on the surface of a catalyst. Mr. Hendricks addressed the impacts of NO_x emissions to the atmosphere and discussed the regulation of NO_x emissions under the Clean Air Act. He identified several EPA regulatory initiatives in various stages of development that may necessitate installation of SCR technology at the Rockport Plant and discussed the federal environmental mandates that currently require the SCR retrofit at the Rockport Plant. He explained that as part of the Clean Air Act and the Consent Decree, I&M must retrofit Unit 1 of the Rockport Plant with SCR technology by December 31, 2017, to continue operation of this unit. Mr. Hendricks testified that Rockport Unit 1 would not be able to operate past December 31, 2017, without the SCR Project as it would be in violation of the Consent Decree. Finally, Mr. Hendricks described the other environmental regulations not related to emissions of NO_x that were considered in I&M's economic modeling effort.

C. Economic Evaluation of Resource Alternatives. Scott C. Weaver, AEPSC Managing Director-Resource Planning and Operational Analysis, described his evaluation of the cost and feasibility of an option to retire and replace Rockport Unit 1. He also described the modeling process undertaken to evaluate the relative economics of the alternative Rockport Unit 1 disposition options, including a discussion around the major input parameters and key drivers. Chief among them the anticipated long-term price of natural gas and energy as well as carbon dioxide ("CO_2") that could impact the Rockport Unit 1 dispatch priority. He discussed the results of these economic modeling analyses and the determination that a decision in the near-term to retrofit Rockport Unit 1 by December 31, 2017, with SCR technology and associated equipment for the reduction of NO_x would further a long-term course of action around this unit that could ultimately save I&M and its customers more than $800 million versus retirement/replacement alternatives.

Mr. Weaver explained the resource planning-related criteria that are necessarily introduced and considered as part of this evaluation of alternative options surrounding Rockport Unit 1 and focused on the economic evaluations performed that led to I&M's conclusions and recommendations in this Cause. Mr. Weaver's testimony addressed the Rockport Unit 1 disposition options, the December 31, 2017 disposition date, the long-term evaluation process

undertaken to assess potential "down-stream" retrofit requirements and costs and the sensitivity analysis. He discussed the potential cost and performance risk concerns associated with the retire and replacement disposition option and I&M's evaluation of demand-side/energy efficiency, demand response, and renewable resources in determining the least-cost alternative to meet its long term obligations. He also explained that natural gas pricing is one of the key drivers in this analytical process and provided an overview of the forecasted fundamental commodity pricing in the Rockport Unit 1 disposition analyses and discussed the CO_2 Pricing Scenarios used to assess the impact of potential carbon legislation or regulation. He presented the modeling results and explained that the analyses shows that the continued operation of Rockport Unit 1 beginning with the SCR Project in 2017 has the lowest cumulative present worth of net utility generation costs over the long term period analyzed versus all other alternatives under all of the pricing scenarios he described. He observed that the proposed SCR Project solution effectively preserves an option for I&M and its customers to consider, in the future, additional possible retrofitting of Rockport Unit 1 with dry flue gas desulfurization ("FGD") technology as set forth under the Modified Consent Decree. He explained that in addition to price risk around natural gas and energy, another major variable in the disposition analyses would be construction cost and performance risk surrounding the available resource alternatives and discussed the efforts undertaken by I&M to assess construction risk and the EPA's proposed Clean Power Plan. He discussed the optionality afforded by the SCR Project and elaborated on the economic advantage of an SCR-retrofitted Rockport Unit 1 versus alternative options. Mr. Weaver concluded that the unit disposition economic analyses point to the nearer-term retrofitting of Rockport Unit 1 with SCR technology by December 31, 2017, as being the most reasonable and least-cost solution.

D. SCR Project and Cost Estimates. Mr. Chodak stated that the SCR Project will install a SCR system that is an advanced technology designed to reduce NO_x emissions associated with the combustion of coal. Mr. Walton described the SCR system and explained that SCR is a proven, reliable technology used by AEP and others throughout the electric utility industry to reduce NO_x emissions. Mr. Walton also provided an overview of the current project plan for the SCR Project and discussed the major benefits derived from the AEP's phased approach to construction projects. Mr. Walton generally described the AEP process for selecting technology, the original equipment manufacturer vendor, and the construction contractor. He also discussed the steps AEP takes to ensure that project costs are reasonable and necessary. Mr. Walton described AEP's processes to manage project cost, schedule, procurement/contract, risk, safety, and quality.

Both Mr. Chodak and Mr. Walton explained that the cost of the SCR Project in total is estimated to be $234 million excluding allowance for funds used during construction ("AFUDC"). Mr. Walton explained that this cost estimate includes the installation of the SCR and other associated upgrades to existing plant equipment as well as the AEP allocation cost for support of the SCR Project. He discussed how the cost estimate was developed, discussed its accuracy, and explained how the cost estimate will be further refined as the phased development process proceeds. Mr. Walton also discussed the methods I&M employs to mitigate the risk of cost escalation. He concluded that the cost estimate for the SCR Project is reasonable considering the development basis and the degree of site-specific engineering and design work to date. He also explained that aside from the capital cost of the SCR Project, there will be fixed

and variable operation and maintenance ("O&M") costs associated with the operation of the Rockport Unit 1 SCR.

Mr. Walton testified that this technology was not in general commercial use at the same or greater scale in the United States as of January 1, 1989. He added that SCR systems are used to reduce emissions of NO_x, but do not affect the plant's ability to consume higher sulfur fuels, with higher sulfur being a general characteristic of Indiana coal. Mr. Walton also testified that the existing activated carbon injection system and the Dry Sorbent Injection ("DSI") currently being constructed will be used with the SCR. He added that the installation of the SCR control technology will allow Rockport Unit 1 to continue operations beyond December 31, 2017, while also positioning the facility for compliance with future environmental regulations. As a result, Rockport will continue to provide value to I&M's customers. Mr. Walton concluded that the installation of a SCR system at Rockport is necessary for continued operation of Rockport Unit 1 as a low-cost source of energy for I&M's customers.

E. Accounting and Ratemaking. Andrew J. Williamson, I&M Director of Regulatory Services, explained I&M's requested accounting and ratemaking treatment and discussed the difference between the proposed treatment of I&M's Ownership Share and I&M's Allocated Share of the SCR Project costs. He also explained I&M's request for ongoing review of the construction of the SCR Project to be conducted annually as part of I&M's CCTR proceedings and provided an estimate of the overall rate impact of the SCR Project to I&M's customers.

Mr. Williamson testified that I&M seeks timely cost recovery via a CCTR of the following costs associated with I&M's Ownership Share: carrying costs including all applicable federal and state income taxes; depreciation; associated O&M expense; associated consumable expense; and associated property tax expense. He stated that consistent with I&M's previous CCTR filings within Cause No. 43636 ECR-X, I&M requests approval to establish rates using the forecasted costs associated with the period in which the associated rates are expected to be in effect. He stated that I&M requests to implement construction work in progress ("CWIP") ratemaking treatment for I&M's Ownership Share of the SCR Project costs. He added that I&M also requests approval to remove federal accumulated deferred income tax ("ADIT") from the weighted average cost of capital ("WACC") and instead reflect the ADIT benefit specific to the SCR Project as a reduction to rate base for purposes of calculating a return on the SCR Project.

Regarding the proposed accounting treatment for I&M's Ownership Share, Mr. Williamson explained that I&M seeks authority to: depreciate I&M's Ownership Share over a 10-year period once the assets are in-service; defer and record as a regulatory asset the associated depreciation, carrying costs, O&M, and the consumable and property tax expenses until such time as these costs receive ratemaking treatment through the CCTR or are otherwise reflected in basic rates; and utilize, via the CCTR, traditional over/under recovery accounting for the annual true-up of rider revenues to actual costs consistent with I&M's past CCTR tracker reconciliations.

Mr. Williamson explained how the SCR Project costs are segregated and recorded, and how I&M's Ownership Share of the SCR Project will be accounted for. He stated that I&M

proposes to begin CWIP recovery for I&M's Ownership Share of the SCR Project's capital costs once the SCR Project has been under construction for at least six months and that I&M will record AFUDC on CWIP balances in accordance with 170 IAC 4-6-13 as defined and prescribed in the FERC Uniform System of Accounts, until CWIP ratemaking treatment begins or the associated assets are placed in-service. He testified that I&M proposes to include I&M's Ownership Share of the SCR Project's associated O&M expense, including the cost of consumables, in its CCTR and requests the Commission authorize I&M to defer O&M and consumable expenses incurred during the operation of the SCR Project until such time as these costs are reflected in the CCTR.

Mr. Williamson explained how I&M will account for and determine incremental O&M expenses related to the SCR Project, discussed how I&M is proposing to depreciate the SCR Project capital investment and explained I&M's proposal regarding property tax expense related to I&M's Ownership Share of the SCR Project. He explained that I&M proposes to compute the revenue requirement for I&M's Ownership Share in accordance with 170 IAC 4-6-14 using the return on equity ("ROE") approved by the Commission in Cause No. 44075, I&M's most recent base rate case proceeding.

Mr. Williamson described the UPA between I&M and AEG, explained how these costs have been treated for ratemaking purposes, discussed how I&M is billed under the UPA and explained how I&M accounts for AEG costs associated with the UPA. He also discussed how the SCR Project will affect the monthly power bill I&M will receive from AEG under the UPA.

Mr. Williamson identified the costs associated with I&M's proposed accounting and ratemaking for I&M's Allocated Share costs. He explained that I&M proposes to include the recovery of 80% of I&M's Allocated Share costs in the CCTR filings, along with I&M's Ownership Share. He stated that consistent with I&M's previous CCTR filings in Cause No. 43636 ECR-X, I&M requests approval to establish rates using forecasted costs associated with the period in which the associated rates are expected to be in effect. He explained that I&M requests authority to defer costs and to forecast the incremental increase in I&M's AEG power bill related to the SCR Project. Mr. Williamson discussed how AEG's capitalized cost of the SCR Project differs from I&M's due to AFUDC, explained the depreciation rate that will be used by AEG to calculate depreciation expense for the SCR Project, and discussed how AEG will record and segregate construction costs associated with its share of the SCR Project. He explained that I&M proposes to defer as a regulatory asset 20% of I&M's Allocated Share costs associated with the SCR Project for recovery as part of I&M's next general rate case. He indicated I&M proposes to record ongoing carrying costs based on the overall cost of capital approved by the Commission in Cause No. 44075, or subsequent general rate case, on the deferred balances until included for recovery in I&M's base rates in its next general rate case. He discussed how I&M's Allocated Share will be incorporated into I&M's CCTR and explained how AEG's actual project costs will be determined for purposes of I&M's monthly over/under accounting and reconciliation of CCTR rates.

Mr. Williamson concluded that this SCR Project is one single and significant investment for I&M both as an owner and as a purchaser. He testified that the request for authority to recover I&M's Allocated Share of the SCR Project costs is reasonable and necessary to insure

timely recovery as allowed by law. He indicated that the statutory and regulatory framework applicable to this proceeding recognize this and was established to avoid the adverse financial impact that could otherwise occur during the interim period between the SCR Project in-service date and the inclusion of the SCR Project costs related to I&M's Allocated Share in I&M's basic rates. He stated that allowing I&M to recover these costs through the federal mandate statute also avoids the unnecessary cost and time commitment associated with filing a base rate case.

F. Ongoing Review and Annual CCTR Filings. Mr. Williamson also explained I&M's request for ongoing review of the construction of the SCR Project to be conducted annually as part of I&M's proposed CCTR proceedings and discussed how the ratemaking treatment will be effectuated. He stated that I&M will include progress reports of construction, updated cost estimates, and any revisions to cost estimates for the SCR Project in an annual CCTR filing.

G. Estimated Rate Impact. Mr. Williamson explained that I&M estimates the overall annual rate impact of both I&M's Ownership Share and I&M's Allocated Share for the Indiana retail jurisdiction for all rate classes to be 2.4% upon completion of the SCR Project. He added that the rate impact associated with I&M's Ownership Share is 1.7%; the rate impact associated with I&M's Allocated Share is 0.8%.

7. <u>OUCC's Evidence</u>.

A. Project Evaluation and OUCC Recommendations. Susann M. Brown, Utility Analyst in the OUCC Resource Planning and Communications Division, discussed the SCR Project and estimated cost and briefly described the future EPA regulations that may require SCR installation on this Unit as well as other pending environmental regulations that are expected to effect the Rockport Plant. Ms. Brown also discussed I&M's consideration of alternative approaches and the carbon price proxy used in I&M's analysis, which she concluded is reasonable. Ms. Brown explained that retiring coal-fired power plants and replacing them with new natural gas-fired power plants is not necessarily the best alternative and added that other issues, such as economic considerations, should be considered in this and future cases. Ms. Brown concluded that at this time, investment in SCR technology for Rockport Unit 1 appears to be in the best interest of ratepayers. She said the next decade may bring significant changes to the power generation landscape due to pending environmental regulations, particularly due to the provisions of the EPA's proposed Clean Power Plan. She said the evaluation of future environmental projects at Rockport Units 1 and 2 will require careful assessment and risk analysis to calculate the likelihood these generation resources can be relied upon until the end of their useful life. She stated that the Commission should approve the associated rate making recommendations regarding I&M's Ownership and I&M's Allocated Shares of the Rockport Unit as described by OUCC witnesses Michael Eckert and Wes Blakley.

Ms. Brown stated the OUCC recommends the Commission: approve the installation of the SCR on Unit 1 of the Rockport Plant; order I&M to provide information to the Commission, OUCC, and all parties on the remaining Unit 1 and Unit 2 projects as soon as cost estimates become available; order I&M to provide future analyses showing the start of carbon proxy pricing at the beginning of the proposed Clean Power Plan compliance period; and approve the

specific ratemaking recommendations as described by OUCC witnesses Michael D. Eckert and Wes R. Blakley.

B. Accounting and Ratemaking – I&M's Ownership Share. Mr. Blakley reviewed I&M's proposed accounting and ratemaking for the SCR Project and discussed the proposed tracking of I&M's Ownership Share. He explained that in Cause No. 44331 ECR 1, the OUCC disagreed with I&M's proposal to forecast future construction costs and use that forecast to calculate current return. He noted that I&M's filing also forecasted depreciation and O&M associated with the forecasted construction. He testified that the Commission has not previously approved forecasted construction costs for recovery in ECRs. However, the Commission has approved estimated O&M and depreciation expenses when those expenses were associated with completed used and useful projects, not forecasted construction costs. He noted that the Commission had not issued an order in Cause No. 44331 ECR 1 as of the date of the pre-filing of his written testimony and added that the OUCC believes that these same rules apply to any cost recovery for projects associated with I&M's Ownership Share of the SCR Project. Mr. Blakley also raised concerns about I&M's proposed capital structure and explained why he believed the Commission's rule attempts to replicate the capital structure that is used in calculating a return on rate base in Indiana. He therefore recommended that the Commission order I&M to include its deferred income taxes in its capital structure when calculating the weighted cost of capital in tracker proceedings. He stated that I&M's proposal would exclude nearly a billion dollars in zero cost capital from its capital structure. He said this is the long-standing regulatory practice in this state when setting rates and has been applied to all ECR trackers since the beginning of ECR trackers in Indiana. He discussed two previous cases where this issue was addressed, including the recent NIPSCO proceeding in Cause No. 44371 where a similar request was denied.

Mr. Blakley recommended that the Commission deny I&M's request to use forecasted construction costs to calculate ECR factors and require I&M to calculate WACC in a manner consistent with its last rate case and ECR proceedings, which includes zero cost deferred income taxes in its capital structure.

C. Accounting and Ratemaking – I&M's Allocated Share. Mr. Eckert, Senior Utility Analyst in the OUCC's Electric Division, addressed I&M's ratemaking requests regarding I&M's Allocated Share. He reviewed the Rockport Plant ownership, obligation, and commitments, the types of costs I&M seeks to recover for I&M's Allocated Share; and the statutory authority underlying I&M's request. He testified that I&M is not responsible for costs incurred on a plant owned by AEG. Mr. Eckert discussed the AEG Rate Schedule and tariff provisions regarding the power bill for Rockport Unit 1. Mr. Eckert stated I&M's requested ratemaking treatment for I&M's Allocated Share is not appropriate; I&M's purchased power costs are treated like any other fuel costs and any incremental amount not already embedded in base rates is passed through the Fuel Adjustment Charge ("FAC") subject to verification by the OUCC and approval by the Commission, and are recovered through a monthly charge on I&M's customers' bills. He stated that the OUCC opposes I&M's proposed ratemaking and accounting requests related to I&M's Allocated Share of the SCR Project for four reasons: 1) I&M purchases power and pays AEG through the UPA for I&M's Allocated Share of the unit's cost and all those costs run through the FAC and therefore the CCTR mechanism is inapplicable to

costs I&M pays via the UPA; 2) I&M needs no additional Commission authority to recover purchased power costs through the FAC; 3) as I&M does not own the entire plant, seeking recovery of AEG's post in-service carrying costs through the CCTR is inappropriate because any recovery of AEG's costs must be through a FERC-approved tariff; and 4) because purchased power costs under the UPA run through the FAC as a fuel expense, the request to treat a portion of those costs as deferred assets on I&M's books is inappropriate.

Mr. Eckert stated that the OUCC recommends the Commission deny I&M's proposed accounting and ratemaking treatment for I&M's Allocated Share of the SCR Project. He said the FAC process allows I&M to pass through costs it pays AEG for purchased power. He added that to the extent that AEG needs relief for costs related to the SCR Project, it must seek such relief from FERC. He said the OUCC further recommends that the Commission deny I&M's request for 80/20 recovery of I&M's Allocated Share through the CCTR. He stated that because purchased power costs under the UPA are treated as a fuel expense, those costs should not be treated as deferred assets subject to recovery in a rate case.

8. **Industrial Group Evidence.** Nicholas Phillips, Jr., a Managing Principal of Brubaker and Associates, Inc. reviewed the SCR Project and requested ratemaking treatment. Mr. Phillips discussed significant elements of I&M's requested ratemaking treatment and raised concerns about the proposal.

A. I&M's Allocated Share. Mr. Phillips stated that I&M is requesting a higher cost of capital and a shorter depreciation period for I&M's Ownership Share, as compared to I&M's Allocated Share. He stated that I&M proposed to recover most of I&M's Allocated Share costs without filing a general rate case and that with I&M's recent filing of a Transmission, Distribution and Storage System Improvement Charge ("TDSIC") case, I&M may not be required to file a general rate case for seven years. He stated that in his opinion, it is not appropriate to use a tracker for an extended period to recover fixed, known, and measurable costs, including when, as here, those costs should be and traditionally are embedded in base rates. He testified that he did not believe I&M's Allocated Share costs meet the definition of a federally mandated cost because AEG, not I&M, is incurring the costs and undertaking the SCR Project. He did not believe it is appropriate to authorize I&M to track these costs and recommended the Commission deny this request.

B. Depreciation Period. Mr. Phillips opined that I&M's request to depreciate the SCR Project over 10 years is at odds with I&M's depreciation case recently filed in Indiana, Cause No. 44555, on October 31, 2014. He explained that the Rockport Plant is expected to run an extended period of time and serve as a backbone of I&M's generation fleet. He recommended that a reasonable depreciation period for the SCR Project would be 20 years to more closely match the expected life of the Rockport facility.

C. Cost of Capital. Mr. Phillips recognized that Mr. Williamson explained that I&M will use the ROE as provided in the Settlement Agreement in Cause No. 43774 PJM 4, if approved, but pointed out that Mr. Williamson's calculation used the ROE approved in Cause No. 44075. Mr. Phillips stated that the ROE authorized in this proceeding should be 9.95% which is consistent with the approved Settlement Agreement in Cause No. 43774 PJM 4.

D. Capital Structure. Mr. Phillips explained that I&M proposes a different treatment for zero cost capital than authorized in Cause No. 44075. He stated the Commission rejected a similar NIPSCO proposal in Cause Nos. 44370 and 44371. He testified that, consistent with those decisions, I&M should not be allowed to change the treatment of zero cost capital found appropriate in Cause No. 44075, I&M's most recent base rate case.

E. Fixed Cost Allocation. Mr. Phillips testified that the appropriate method to allocate costs for both I&M's Ownership Share and I&M's Allocated Share, if the Commission approves I&M's requests, is the allocation method used to allocate fixed production costs to classes as approved by the Commission in I&M's most recent base rate case. He said the method approved by the Commission in Cause No. 44075 to allocate fixed production cost to classes is the six coincident peak ("6 CP") method. He explained why this method is appropriate for allocation of fixed production investment in the CCTR because it is consistent with the Commission's rules and the Commission's prior approval of the use of the 6 CP method. He testified that if the Commission allows I&M to include AEG cost increases in the CCTR, those costs should be allocated to customer classes in the same manner as the Indiana jurisdictional SCR costs.

9. <u>Petitioner's Rebuttal Evidence</u>.

A. Overview. Mr. Chodak presented I&M's general reply to the OUCC's and Industrial Group's recommendations. He stated that I&M appreciates that the OUCC and the Industrial Group support the need for and reasonableness of the SCR Project and appear to recognize that the SCR Project is a cost-effective means of maintaining the availability of relatively low cost, coal-fired generation. He noted in particular that OUCC witness Brown, after her consideration of the SCR Project, correctly identifies several benefits to I&M customers that the SCR Project will produce. Mr. Chodak disagreed with the OUCC and Industrial Group witness proposals to deny or prolong I&M's recovery of the SCR Project costs. Mr. Chodak testified that timely recovery of environmental compliance costs is the goal of the public policy established by the Legislature and I&M should be authorized by the Commission to advance that goal, notwithstanding the positions of the OUCC and Industrial Group.

B. Accounting and Ratemaking – I&M's Ownership Share Costs.

(i) <u>100% Timely Cost Recovery</u>. Mr. Williamson indicated he reviewed I&M's proposal and disagreed with Mr. Blakley's position that I&M's Ownership Share of the SCR Project costs is subject to the 80/20 split in recovery agreed to in the settlement agreement regarding the DSI system approved in Cause No. 44331. Mr. Williamson explained that the Commission has previously approved 100% timely recovery of CCT project costs via I&M's CCTR. He recommended the Commission approve I&M's request for timely cost recovery of 100% through the CCTR.

Mr. Williamson also addressed Mr. Phillips' concern that I&M's customers will begin paying rates that reflect substantial costs related to I&M's Ownership Share prior to completion of the SCR Project. He clarified that customers will only pay the portion of costs authorized for

recovery by the statute. He explained that upon approval to utilize CWIP ratemaking treatment and up to the date of in-service, Indiana customer rates would reflect only the cost of the pretax return on CWIP. He explained that the alternative would be for I&M to accrue AFUDC to the Project construction cost balance during this period. He explained that the CWIP ratemaking treatment, particularly for major projects that require a significant investment and in which construction spans several years, benefits customers by avoiding compounding AFUDC.

(ii) Depreciation Period. Mr. Chodak and Mr. Williamson explained that when evaluating the range of years set by the Legislature over which to depreciate assets such as the SCR Project, the circumstances surrounding the potential life of the asset should be considered. Mr. Chodak explained that in the case of the SCR Project, the circumstances support the front end of the range, rather than the back end as proposed by the Industrial Group. He stated that it is not clear that the SCR Project's life will last 20 years given the potential for further environmental regulations and noted Ms. Brown testified that the next decade may bring significant changes to the power generation landscape due to pending environmental regulations, particularly the proposed Clean Power Plan. He added that while I&M believes the Rockport Plant will likely remain viable going forward, the reality is not certain given the potential for additional environmental regulations. He stated that the reasonable decision is to depreciate the SCR Project over a shorter period of time to synchronize its life with the critical decision of whether or not to move forward with installing additional FGD controls. He also noted that Ms. Brown recognized the Rockport Plant could be at risk in the future for early retirement. Mr. Chodak explained that the 10-year depreciation will reduce the potential impact should future environmental regulations make the retirement of Rockport Unit 1 more reasonable than installing a FGD system. He added that if the decision is to seek authority to install further controls, a 10-year depreciable life of the SCR Project and other assets can be increased accordingly. He stated however, that if a 20-year life is set now and the decision is to close the Rockport Plant, shortening the life of the Plant would impose significant costs on customers. Accordingly, Mr. Chodak concluded that a 10-year depreciable life is sensible because it allows I&M to guard against future environmental requirements that may shorten the expected remaining life of the unit and the resulting adverse consequences on rates and customers. Finally, Mr. Chodak explained why I&M's proposal is not at odds with its request to revise the depreciation rates in Cause No. 44555. Mr. Williamson added that the filing in Cause No. 44555 is focused on revising depreciation to address the retirement of the Tanners Creek Plant and that filing utilizes the depreciation rates that were approved in Cause No. 44075. This filing is specific to a new and incremental capital addition to the Rockport Plant. He stated that approving a 10-year depreciation rate for the SCR Project makes sense as it aligns the ratemaking recognition of the SCR Project with the period over which it is reasonably known it will operate.

(iii) Use of Forecasted Costs. Mr. Williamson explained that he disagreed with Mr. Blakley's assertion that 170 IAC 4-6-1 precludes I&M from establishing the requested ratemaking treatment for I&M's Ownership Share of the SCR Project costs on a forecasted basis. He indicated that I&M requested ratemaking and accounting treatment for I&M's Ownership Share of the SCR Project costs under the Ind. Code ch. 8-1-8.8. I&M's request includes approval to establish rates using the forecasted costs associated with the period in which the associated rates are expected to be in effect, authorization to use traditional over/under accounting and CWIP ratemaking treatment. Mr. Williamson explained for purposes

of accounting and ratemaking, he does not see anything in 170 IAC 4-6-14 that would require the use of a historical date of valuation as Mr. Blakley suggests. He opined that it is reasonable to establish factors in periodic rate adjustments based on a forecast of the applicable costs approved for recovery because the practice best aligns customer rates with the actual cost of service during the period the respective rates will be in effect and helps prevent unnecessarily large true-ups or reconciliations which can contribute to rate volatility. The use of forecasted data helps eliminate the need to defer and subsequently amortize O&M and depreciation expense as such costs can be reflected in the revenue requirement when incurred. He recommended the Commission approve I&M's proposal.

(iv) **Capital Structure.** Mr. Williamson disagreed with Mr. Blakely that I&M is required to reflect ADIT in the WACC. He explained that I&M's proposal does not exclude $1 Billion of zero cost capital and that the ratemaking treatment of reflecting the benefit of ADIT as a component of rate base rather than a component of WACC is widely used method. He noted the FERC-approved UPA reflects ADIT as a reduction to rate base as opposed to including it in AEG's authorized capital structure.

(v) **Cost of Capital.** Mr. Williamson explained that I&M is requesting the actual cost of capital it would incur as a result of the SCR Project and opined that Mr. Phillips' testimony merely recognizes the difference in the cost of capital for I&M's Ownership Share and I&M's Allocated Share. Mr. Williamson stated that while it is true that the WACC applied to I&M's Ownership Share is higher than that applied to I&M's Allocated Share the difference is directly attributable to differences in I&M's authorized ROE in Cause No. 44075 and cost of debt as of June 30, 2014, as compared to AEG's FERC-approved ROE and its cost of debt as of June 30, 2014. He agreed with Mr. Phillips that the Order in Cause No. 43774 PJM 4 requires I&M to apply a 9.95% ROE to I&M's Ownership Share of the SCR Project during the period beginning January 1, 2015, and ending December 31, 2017.

C. Accounting and Ratemaking - I&M's Allocated Share Costs.

(i) **Ind. Code ch. 8-1-8.4.** Mr. Chodak responded to Mr. Eckert's and Mr. Phillips' suggestion that I&M's Allocated Share costs are not incurred in connection with a compliance project undertaken by I&M. He explained the OUCC and Industrial Group positions do not accurately reflect I&M's request or the structure of agreements governing the output of the Rockport Plant. Mr. Chodak testified that I&M is responsible for the operation of the Rockport Station and for 85% of the overall costs of Rockport Unit 1, including operating and capital costs. Mr. Chodak discussed the Commission's previous review and approval of this operating structure.

Mr. Chodak testified that Indiana's regulatory framework has long encouraged utility investment in technology that reduces air emissions subject to regulation. He stated that this policy is found in Ind. Code chs. 8-1-8.7 and 8.8. Chapter 8.8, which is the more recent of these two statutes, expressly recognizes that SCR technology is one kind of project the statute was designed to encourage through complete and timely cost recovery. He added that more recently, the Legislature adopted Ind. Code ch. 8-1-8.4, which addresses a wider array of federally mandated requirements and costs, including costs incurred by an energy utility in connection

with a compliance project that are allocated to the utility under a FERC tariff, schedule, or agreement. He testified that this later enactment addresses a gap left by the earlier enactment and thus completes the regulatory framework necessary to support the necessary and beneficial investment presented in this proceeding. Mr. Chodak also explained that I&M is the energy utility undertaking a single compliance project to meet the needs of its customers. He indicated that under the UPA, I&M is responsible for 85% of the SCR Project to be entitled to take 85% the output of Rockport Unit 1. He concluded that because of I&M's obligations and responsibilities under the UPA, I&M is the energy utility that is incurring the costs of the SCR Project and I&M's Ownership Share and I&M's Allocated Share of the costs should be authorized to be recovered as proposed by I&M.

Mr. Williamson also explained why I&M is financially responsible for I&M's Allocated Share costs. He stated that Mr. Eckert may confuse these costs as AEG's costs when they are really I&M's costs related to the installation of the mandated environmental control. Mr. Williamson explained that substantively these costs are no different than purchase power capacity and energy costs I&M would be billed by any other party under a purchase power contract. He stated that what makes this situation unique is the costs I&M is incurring from AEG under the UPA are borne from the same exact project and associated operating costs I&M incurs as a result of its ownership in Rockport Unit 1.

(ii) Indiana Policy. Mr. Chodak and Mr. Williamson testified that Indiana's policy makers have clearly recognized that trackers are an appropriate alternative that allows for timely recovery of costs incurred serving customers. Mr. Chodak urged the Commission to decline Mr. Phillips' invitation to administratively rewrite the statute. Mr. Williamson pointed out that absent the TDSIC filing docketed as Cause No. 44542 there is currently no timing requirement for I&M to file a base rate case. Thus, if Mr. Phillips was concerned that a basic rate case is needed at some point, then this is a good development as the Commission is assured that I&M will be in for case within seven years. Mr. Williamson clarified that the timely recovery of 80% of I&M's Allocated Share costs and deferral of 20% of these costs would not occur until the in-service date of the SCR Project because I&M is not receiving the charges for these compliance costs until this time.

(iii) Recovery of I&M's Allocated Share Costs Through FAC. Mr. Williamson explained the difference between the UPA, which requires I&M to be responsible for a percentage of costs associated with the operation of the plant or facility, and a purchase power agreement that only requires the purchaser to be responsible for a set rate. He testified that the UPA costs are real costs incurred by I&M as a result of this relationship and the SCR Project will directly and incrementally increase I&M's expense under the UPA. Mr. Williamson explained the accounting for the monthly AEG bill under the UPA and stated that as currently authorized, I&M only recovers the fuel cost portion of the UPA bill through the Indiana FAC. Mr. Williamson appreciated Mr. Eckert's suggestion to timely recover I&M's Allocated Share through the FAC, but given the current configuration of the FAC, recommended the Commission approve recovery of I&M's Allocated Share costs as proposed by I&M.

D. Cost Allocation. Mr. Williamson agreed that costs in the CCTR should be allocated in a manner consistent with the allocation methods approved in Cause No. 44075.

He explained that, as discussed in Witness Phillips' testimony, the method approved by the Commission in Cause No. 44075 to allocate fixed production costs to classes is the 6 CP method. He said the 6 CP demand allocation factor was also utilized in previous CCTR filings to allocate fixed production costs to customer classes. He added that consistent with previous CCTR filings, costs associated with consumables will be allocated utilizing the energy allocation factor.

E. Brown Recommendation Regarding Future Rockport Project Cost Estimates and Analysis of Future Carbon Proxy Pricing as of 2020. Mr. Chodak disagreed with Ms. Brown's request that the Commission order I&M to provide cost estimates of the remaining Unit 1 and Unit 2 projects as soon as they become available and order I&M to provide an analysis of future carbon proxy pricing as of 2020. He disagreed, not because I&M is unwilling to discuss these matters with the OUCC and other interested parties, but because creating additional regulatory reporting requirements on utilities is burdensome and may not be the most effective means of discussing the matter raised by the OUCC. Mr. Chodak stated that I&M will be conducting further analysis if the proposed rules become more clear and certain and will incorporate any such modeling, including the prospect of a potential 2020 interim target start date, within its Integrated Resource Planning ("IRP") filings with the Commission. He stated that the OUCC will be part of that process and taking that approach, rather than ordering further reports at this time, would recognize the natural progression of known or more up-to-date assumptions around the Clean Power Plan. Mr. Chodak concluded that I&M is committed to openly communicating with the Commission, the OUCC, and other interested parties, as it has done in the past, once plans become more firm and foreseeable, either in a briefing on the plans or through the IRP stakeholder process.

10. <u>Overview of Settlement Agreement and Supporting Testimony</u>. The Settlement Agreement entered into by and among I&M, the Industrial Group and the OUCC ("Settling Parties") is attached to this Order. The Non-Settling Parties did not join the Settlement Agreement but presented no testimony in opposition to either it or I&M's original proposal. Marc E. Lewis, I&M Vice President, Regulatory & External Affairs and OUCC Witness Blakley each provided an overview of the Settlement Agreement, discussed its terms and explained why he believes the Settlement Agreement is in the public interest and should be approved.

Mr. Lewis testified that Section A(1) of the Settlement Agreement clarifies the Settling Parties are in agreement that the Commission should approve I&M's request for a CPCN under Ind. Code ch. 8-1-8.7 and associated ratemaking and accounting treatment under Ind. Code ch. 8-1-8.8 as outlined in I&M's filings unless modified by the Settlement Agreement. Mr. Blakley testified that I&M's Ownership Share of the SCR Project will be treated as CCT in accordance with Ind. Code § 8-1-8.8-11 and the ratemaking treatment in Ind. Code §§ 8-1-2-6.1, 6.7, 6.8, and 8.7, and the rules that govern the recovery of QPCP under 170 IAC 4-6-1. Mr. Lewis testified that there are aspects of I&M's proposal that are not modified by the Settlement Agreement. He stated that the Agreement enumerates the modifications to the relief requested by I&M and added that the issues not enumerated in the Settlement Agreement are governed by I&M's filings in the case.

Mr. Lewis testified that Section A(2) of the Settlement Agreement establishes that the Settling Parties agree not to object to the reasonableness of the SCR Project in this or future

proceedings. He noted that this section of the Settlement Agreement also establishes that the Settling Parties are not waiving any right to challenge increases to I&M's Ownership Share cost estimates set forth in I&M's testimony.

Mr. Lewis explained that Section A(3) of the Settlement Agreement addresses the timely recovery of I&M's Ownership Share of the SCR Project and the agreement for settlement purposes to defer Commission consideration of I&M's request for timely cost recovery of I&M's Allocated Share to a later time. Mr. Blakley stated that I&M has withdrawn its request for cost recovery for I&M's Allocated Share of the Rockport Unit 1 SCR in this Cause. He added that the Settlement establishes that I&M shall have the right to seek recovery for I&M's Allocated Share costs any time after January 1, 2016, and will not request recovery of I&M's Allocated Share of Rockport Unit I SCR to begin until after the SCR Project is in service and billed to I&M by AEG. He said I&M's deferral of its original request for authority to seek cost recovery for I&M's Allocated Share does not prevent it from seeking recovery of any costs should a basic rate case be filed prior to that time.

Mr. Lewis explained that Section A(4) of the Settlement Agreement provides for the treatment of ADIT as considered in the WACC. Mr. Blakley also explained that I&M agreed to include the ADIT in its calculations as a zero-cost capital item. Mr. Lewis and Mr. Blakley also testified that Section A (5) of the Settlement Agreement provides for the consideration of carbon pricing as part of its IRP process. He also presented the estimated rate impact upon the SCR Project's in-service date and a CCTR tariff sheet, both updated to reflect the terms of the Settlement Agreement.

11. <u>Commission Discussion and Findings</u>. Settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coalition v. PSI Energy*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coalition*, 664 N.E.2d at 406. Furthermore, any Commission decision, ruling, or order - including the approval of a settlement - must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition v. Pub. Serv. Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). While the CAC, Sierra Club and Valley Watch are not parties to the Settlement Agreement, this is not unusual as settlements in regulatory matters are not always agreed to by all the parties.

The Commission's procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports the relief requested and the conclusions that the Settlement Agreement is reasonable, just, and that such agreement serves the public interest. Furthermore, we must carefully consider a settlement that has been entered by the OUCC, the statutory representative of all customer classes. *American Suburban Utils.*, Cause No. 41254, at 4-5 (IURC 4/14/99).

As set forth below, the Commission finds that the Settlement Agreement is reasonable and in the public interest and the authority and obligations proposed therein should be approved.

A. CPCN. The Settlement Agreement provides that the Settling Parties agree to Commission approval of a CPCN for the SCR Project and the associated ratemaking and accounting treatment as set forth in I&M's Petition as supported by its case-in-chief and rebuttal testimony and as further modified by the enumerated terms included in the Settlement Agreement. As recognized in the Settlement Agreement, in its Petition I&M sought a CPCN for I&M's Ownership Share of the SCR Project under Ind. Code ch. 8-1-8.7 and accounting and ratemaking in accordance with Ind. Code ch. 8-1-8.8 and related statutes and rules.

(i) Indiana Code ch. 8-1-8.7 - CPCN. CCT is defined in Ind. Code § 8-1-8.7-1 as:

> [A] technology (including precombustion treatment of coal): (1) That is used in a new or existing electric generating facility and directly or indirectly reduces airborne emissions of sulfur or nitrogen based pollutants associated with the combustion or use of coal; and (2) That either: (A) Is not in general commercial use at the same or greater scale in new or existing facilities in the United States as of January 1, 1989; or (B) Has been selected by the United States Department of Energy for funding under its Innovative Clean Coal Technology program and is finally approved for such funding on or after January 1, 1989.

Mr. Walton and Mr. Chodak explained that SCR is a proven, reliable technology used by AEP and others throughout the electric utility industry to directly reduce NO_x emissions from coal-fired generating units. Ms. Brown also recognized that the SCR technology reduces NO_x emissions. Mr. Walton testified that this technology was not in general commercial use at the same or greater scale in the United States as of January 1, 1989. The Commission's Order in *Southern Indiana Gas and Electric*, Cause No. 41864 (IURC 8/29/2001) reached the same conclusion, noting that SCR technology was selected by the U.S. Department of Energy for funding under its Innovative Clean Coal Technology Program and was finally approved for such funding on or after January 1, 1989. In Cause No. 41864, the Commission found that SCRs reduce airborne emissions of nitrogen-based pollutants associated with the combustion of coal and concluded that SCR technology constitutes CCT as defined in Ind. Code §§ 8-1-2-6.6 and 8-1-8.7-3. The record here and the Settlement Agreement support the same conclusion. Accordingly, we find that the SCR Project constitutes CCT pursuant to Ind. Code § 8-1-8.7-1.

Under Ind. Code § 8-1-8.7-4(b), in order to issue a CPCN, the Commission must make the following findings:

> (1) Public convenience and necessity will be served by the construction, implementation, and use of CCT;
> (2) Approve the estimated costs;
> (3) The facility where the CCT is employed:
> A. Utilizes and will continue to utilize Indiana coal as its primary fuel sources; or

B. Is justified, because of economic considerations or governmental requirements, in utilizing non-Indiana coal; after the technology is in place; and (4) Make a finding on each of the factors described in Ind. Code § 8-1-8.7-3 (b), including the dispatching priority of the facility to the utility.

(a) Factors of Ind. Code § 8-1-8.7-3(b). Ind. Code § 8-1-8.7-3(b) sets forth nine factors, each of which we will consider.

1. The cost of constructing, implementing, and using the CCT compared to conventional emission reduction facilities. Mr. Walton explained that the SCR Project technology was not in general use in the United States in 1990. I&M performed an analysis showing that the SCR Project will enable I&M to reduce NO_x emissions. Mr. Weaver's analysis showed that the SCR Project is a cost-effective compliance option. The OUCC also presented testimony supporting the use of the SCR technology and the Settlement Agreement provides for issuance of a CPCN. Mr. Hendricks discussed the benefits of this choice of CCT and we find it is reasonable compared to conventional emission reduction facilities.

2. Whether the CCT will also extend the useful life of existing generating facilities. The record reflects that I&M would be forced to shut down the Rockport Unit 1 absent the proposed retrofit. The record reflects that the installation of the CCT will preserve the remaining life of this unit. Therefore, we find that the proposed SCR Project will also extend the useful economic life of Rockport Unit 1.

3. The potential reduction of sulfur and nitrogen based pollutants achieved by the proposed CCT system. The evidence demonstrates that the SCR technology will allow I&M to reduce its NO_x emissions. Mr. Walton said I&M anticipates that the SCR will achieve an annual average NO_x emissions rate of 0.15 lb/MBtu or less based on the current coal supply and air flow configuration of Rockport Unit 1. This performance is based on operation with catalyst installed in two or more layers and reconfigured air heater baskets, but no changes to the fan capacity of the unit. Mr. Walton explained that installing induced draft fans as part of the SCR Project would be wasteful, because if FGD systems are later added to the unit, those fans would need to be removed and replaced as part of the FGD installation. Accordingly, we find that the NO_x emissions reductions are reasonable and I&M's proposal preserves flexibility to adjust to additional compliance requirements as they may unfold in the future.

4. The reduction of sulfur and nitrogen based pollutants that can be achieved by conventional pollution control equipment. The evidence demonstrates that reduction of air emissions through conventional technology would be insufficient to bring I&M into compliance with the Consent Decree and the several EPA regulatory initiatives in various stages of development discussed by Mr. Hendricks. We find that conventional pollution control equipment cannot provide the equivalent beneficial reduction of NO_x emissions.

5. Federal sulfur and nitrogen based pollutant emission standards. As explained by Mr. Hendricks NO_x emissions are regulated under the Clean Air Act. Additionally, as discussed by Ms. Brown and Mr. Hendricks, further NO_x

emission requirements are anticipated to be part of various pending EPA regulatory initiatives. Accordingly, we find that federal emission standards have been appropriately taken into consideration.

6. The likelihood of success of the SCR Project. Mr. Walton explained that AEPSC has successfully managed the installation of SCR systems on five other 1300 MW generating units, with operational experience reaching back to 2002. He testified that AEPSC has a proven track record of successfully managing the design and construction of many major environmental retrofit projects and it is expected that the SCR installation at Rockport will be another success. No party challenged this evidence. Consequently, we find the likelihood of success of the proposed SCR Project is high.

7. The cost and feasibility of the retirement of an existing generating facility. As discussed by Mr. Weaver, I&M has set forth the relative cost and feasibility of a Rockport Unit 1 retirement option and demonstrated that the cost of that alternative would likely significantly exceed that of the proposed SCR Project. This analysis was not challenged by the other witnesses. Accordingly, we find the record reflects that I&M considered retrofit and retirement options and the retirement of Rockport Unit 1 is not a reasonable or cost effective means of providing low cost environmentally reasonable power to its customers.

8. The dispatching priority for the facility utilizing the CCT. In accordance with § 8-1-8.7-3(b)(8) and as discussed by Mr. Weaver, I&M has set forth that the dispatch priority of this proposed NO_x-controlled Rockport Unit 1 will not be adversely impacted based on the resulting variable cost profiles within the economic analyses previously described. Mr. Weaver stated it would be anticipated that the unit's annual capacity factor will not be significantly different from levels had this SCR retrofit not been installed. This evidence was not challenged. We find the record shows that the SCR Project is not expected to significantly change the dispatching order of the units.

9. Any other factors the Commission considers relevant. Other factors supporting approval of the SCR Project are discussed above and below.

(b) Factors of Ind. Code § 8-1-8.7-4(b). We now address the four required findings in Ind. Code § 8-1-8.7-4(b).

1. Public Convenience and Necessity. The public convenience and necessity criterion is common in public utility matters and generally concerns whether the proposal is fitted or suited to the public need. Put another way, the Commission must be satisfied that there is a reasonable and apparent need for the SCR Project. The record shows that the SCR Project will reduce NO_x emissions and this benefits the environment and furthers the public interest. The SCR Project is also required by the Consent Decree and consistent with anticipated environmental regulations. Based on our review of the evidence and consideration of the other statutory factors, we find the public convenience and necessity will be served by the construction, implementation, and use of the SCR Project in accordance with the Settlement Agreement.

2. **Approval of Cost Estimate.** The Settling Parties have agreed not to object to the reasonableness of the cost estimate presented in this case. This agreement is supported by substantial record evidence, including the testimony of Mr. Walton who provided the cost estimate, explained how it was developed, and discussed I&M's cost management process. The Settlement does not constitute a waiver of any right to challenge increases to cost estimates related to I&M's Ownership Share under Ind. Code ch. 8-1-8.7 and other statutes as may be applicable in future proceedings. Based upon the record evidence, we find the estimated cost of the SCR Project is reasonable and approve the cost estimate.

3. **Use/Non-Use of Indiana Coal.** Rockport Unit 1 does not burn Indiana coal and the evidence shows the SCR Project is economically justified. The provisions of the state environmental statutes providing favorable regulatory treatment to projects using Indiana or Illinois Basin coal have been held to be an unconstitutional interference with interstate commerce, but severable from the rest of the statutes which remain valid. *General Motors Corp. v. Indianapolis Power & Light Co.*, 654 N.E.2d 752, 763 (Ind. Ct. App. 1995); *Alliance For Clean Coal v. Bayh*, 72 F.3d 556 (7th Cir. 1995); see also *S. Ind. Gas and Electric Co.*, Cause No. 41864, at 7 (Aug. 29, 2001); *N. Ind. Pub. Serv. Co.*, Cause No. 42150, at 5 n.3 (Nov. 26, 2002); *Indianapolis Power and Light Co.*, Cause No. 42170, at 5 n.1 (Nov. 14, 2002); *Indianapolis Power and Light Co.*, Cause No. 44242, at 30 n. 2 (Aug. 14, 2013). We will accordingly not rely upon such statutory provisions as a prerequisite for approval.

4. **Ind. Code § 8-1-8.7-3(b).** Our findings on each of the factors described in Ind. Code § 8-1-8.7-3(b) are set forth above.

(ii) Ongoing Review. The Settlement Agreement provides for ongoing review of I&M's implementation of the SCR Project. We find this provision is reasonable and in accordance with the Settlement Agreement. I&M should report on its progress as proposed by Mr. Williamson.

B. Ind. Code ch. 8-1-8.8.

(i) Clean Energy Project. Ind. Code § 8-1-8.8-2(1)(B) defines "Clean Energy Projects" as projects "to provide advanced technologies that reduce regulated air emissions from existing energy generating plants that are fueled primarily by coal . . . . " This statute expressly provides that the term "Clean Energy Project" includes SCR equipment. As discussed above, Mr. Walton explained that the SCR technology will reduce regulated air emissions from Rockport Unit 1 and will allow I&M to continue to utilize this coal-fired generating asset. None of the other witnesses challenged this testimony. Accordingly, we find that the SCR Project is a Clean Energy Project.

(ii) Timely Cost Recovery. Ind. Code § 8-1-8.8-11 provides that the Commission shall encourage Clean Energy Projects by creating financial incentives designated in the statute if the SCR Project is found to be reasonable and necessary. Our discussion above concluded that a CPCN under Ind. Code ch. 8-1-8.7 should be issued and thus demonstrates that the SCR Project is reasonable and necessary. Ind. Code § 8-1-8.8-11 identifies the timely

recovery of costs and expenses incurred during construction and operation of a Clean Energy Project as one type of financial incentive that shall be used to encourage a Clean Energy Project. The Settlement Agreement provides for such timely cost recovery.

As stated in the Settlement Agreement, I&M requested timely recovery of I&M's Ownership Share via annual CCTR filings as a Clean Energy Project and QPCP. The OUCC recommended approval of the SCR Project but challenged certain aspects of the accounting and ratemaking relief sought by I&M. The Industrial Group also challenged certain aspects of I&M's accounting and ratemaking proposals. Section A(1) of the Settlement Agreement clarifies that the Settling Parties agree to Commission approval of I&M's request for a CPCN under Ind. Code ch. 8-1-8.7 and associated ratemaking and accounting treatment under Ind. Code ch. 8-1-8.8 as outlined in I&M's filings unless modified by the Settlement Agreement. Section A of the Settlement Agreement resolves the concerns raised by the OUCC and Industrial Group witnesses. For example, the Settling Parties agreed to not reduce rate base for ADIT and instead to include ADIT (as well as customer deposits and deferred Investment Tax Credits) in the determination of the WACC applied to I&M's Ownership Share of the SCR Project. As discussed in the testimony of Mr. Chodak and Mr. Williamson, I&M's Ownership Share of the SCR Project will be depreciated over a 10-year period. I&M will be allowed to forecast the capital as discussed in the testimony of Mr. Williamson. The cost of capital applied to I&M's Ownership Share will receive a 9.95% ROE in accordance with the Order in Cause No. 43774 PJM 4. The Settlement Agreement provides that I&M's request governs the outcome of the case except as specifically changed in the Settlement Agreement.

Our discussion and findings above support the conclusion that the SCR Project constitutes CCT and QPCP as those terms are defined in Ind. Code § 8-1-2-6.8. The depreciation proposal is consistent with this statutory provision. The use of forecasted capital costs in the CCTR is consistent with the Commission's Order in *Indiana Michigan Power Company*, Cause No. 44331 ECR 1 (IURC 12/30/2014), the treatment of ADIT as zero cost capital is consistent with the capital structure established by the Commission in Cause No. 44075, and the settlement compromise avoids the need for litigation of this issue. The allocation of costs in the CCTR is supported by the testimony of Mr. Phillips and Mr. Williamson. Mr. Lewis estimates the rate impact of the Settlement Agreement upon the SCR Project's in-service date is 1.5%, which is a reduction from I&M's original proposal. Further, substantial record evidence, including the settlement testimony of Mr. Lewis and Mr. Blakley, demonstrates, and we find, that the proposed accounting and ratemaking treatment agreed to in the Settlement Agreement, including the allocation of fixed costs using a 6 CP method, is reasonable and should be approved.

C. Ind. Code ch. 8-1-8.4. Ind. Code ch. 8-1-8.4 provides the ability for an energy utility such as I&M to request a CPCN for a SCR Project undertaken by the energy utility related to the direct or indirect compliance with one or more Federally Mandated Requirements. Originally, I&M sought accounting ratemaking treatment for I&M's Allocated Share costs in accordance with Ind. Code ch. 8-1-8.4. The OUCC and Industrial Group challenged this proposal and I&M filed rebuttal testimony replying to their concerns. In the Settlement Agreement, the Settling Parties agreed to withdraw this issue from the instant proceeding without prejudice. We find this approach is reasonable. Therefore, we need not address this issue now and will defer consideration of this matter in accordance with the Settlement Agreement.

D. Conclusion. Having considered the evidence in this Cause, we find that the SCR Project is reasonable and necessary as set forth above. We further find the resolution of the pending matter as set forth in the Settlement Agreement is within the scope of the evidence, and is consistent with the applicable legal framework. We find and conclude that the Settlement Agreement represents a just and reasonable compromise of the disputed issues. The record establishes that the Settlement Agreement is the result of significant negotiations with the Parties considering various options and evaluating the issues. Given the issues raised in the prefiled testimony, it is likely that continuing litigation would be costly and time consuming. Our decision to approve the settlement provides a more efficient process.

In conclusion, the record shows and we find that Settlement Agreement presents a balanced and comprehensive resolution of the issues in this case. Our decision permits I&M to move forward with the SCR Project. Approval of this SCR Project in accordance with the Settlement Agreement will allow this unit to continue to serve customer needs. Therefore, the Commission finds that the Settlement Agreement is reasonable and in the public interest, and should be approved. With regard to future citation of this Order, we find that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434 (IURC March 19, 1997).

12. Confidentiality Findings. I&M filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information on August 15, 2014, which was supported by affidavit showing documents to be submitted to the Commission were trade secret information within the scope of Ind. Code §§ 5-14-3-4(a)(4) and (9) and Ind. Code § 24-2-3-2. The Presiding Officers issued a Docket Entry on August 26, 2014, finding such information to be preliminarily confidential, after which such information was submitted under seal. There was no disagreement among the parties as to the confidential and proprietary nature of the information submitted under seal in this proceeding. We find all such information is confidential pursuant to Ind. Code §§ 5-14-3-4 and 24-2-3-2, is exempt from public access and disclosure by Indiana law, and shall be held confidential and protected from public access and disclosure by the Commission.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Settlement Agreement is approved.

2. Applicant is granted a CPCN for the construction, installation, and use of the SCR Project pursuant to Ind. Code ch. 8-1-8.7-1 *et seq*. This Order constitutes the Certificate.

3. Applicant's cost estimate for the SCR Project is reasonable and approved in accordance with the Settlement Agreement.

4. The SCR Project is determined to constitute a "Clean Energy Project" under Ind. Code ch. 8-1-8.8 and the timely recovery of costs and expenses through I&M's

annual CCTR and in accordance with the Settlement Agreement is approved. The annual CCTR filings shall be docketed as Cause No. 44523 ECR [X].

5. I&M is authorized to add to the value of I&M's property for ratemaking purposes the value of the SCR Project in accordance with the Settlement Agreement. I&M shall add the approved return to its net operating income authorized by the Commission for purposes of Ind. Code § 8-1-2-42(d)(3) in all subsequent FAC proceedings.

6. I&M is authorized to depreciate the SCR Project over a period of 10 years.

7. I&M is granted accounting authority to implement its proposed ratemaking for I&M's Ownership Share as discussed above and in accordance with the Settlement Agreement.

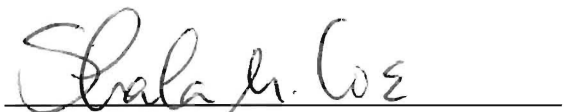
8. The information filed in this Cause pursuant to motion for protective order is deemed confidential pursuant to Ind. Code §§ 5-14-3-4 and 24-2-3-2, is exempt from public access and disclosure by Indiana law, and shall be held confidential and protected from public access and disclosure by the Commission.

9. This Order shall be effective on and after the date of its approval.

STEPHAN, HUSTON, AND MAYS-MEDLEY CONCUR; WEBER AND ZIEGNER ABSENT:

APPROVED: MAY 13 2015

I hereby certify that the above is a true and correct copy of the Order as approved.



Shala M. Coe
Acting Secretary to the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA MICHIGAN POWER COMPANY (I&M), AN INDIANA CORPORATION, FOR APPROVAL OF A CLEAN ENERGY PROJECT AND QUALIFIED POLLUTION CONTROL PROPERTY AND FOR ISSUANCE OF CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY FOR USE OF CLEAN COAL TECHNOLOGY AND COMPLIANCE WITH FEDERALLY MANDATED REQUIREMENT (PROJECT); FOR ONGOING REVIEW; FOR APPROVAL OF ACCOUNTING AND RATEMAKING, INCLUDING THE TIMELY RECOVERY OF COSTS INCURRED DURING CONSTRUCTION AND OPERATION OF SUCH PROJECT THROUGH I&M'S CLEAN COAL TECHNOLOGY RIDER; FOR APPROVAL OF DEPRECIATION PROPOSAL FOR SUCH PROJECT; AND FOR AUTHORITY TO DEFER COSTS INCURRED DURING CONSTRUCTION AND OPERATION, INCLUDING CARRYING COSTS, DEPRECIATION, TAXES, OPERATION AND MAINTENANCE AND ALLOCATED COSTS, UNTIL SUCH COSTS ARE REFLECTED IN THE CLEAN COAL TECHNOLOGY RIDER OR OTHERWISE REFLECTED IN I&M'S BASIC RATES AND CHARGES.	)	**CAUSE NO. 44523**

<u>STIPULATION AND SETTLEMENT AGREEMENT</u>

Indiana Michigan Power Company ("I&M" or "Company"), Intervenor Industrial Group ("Industrials"), and the Indiana Office of Utility Consumer Counselor ("OUCC"), (collectively the "Parties" or "Settling Parties" and individually "Party" or "Settling Party") solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts and counsel, stipulate and agree that the terms and

conditions set forth below represent a fair, just and reasonable resolution of all matters pending before the Commission in this Cause subject to their incorporation without modification or further condition that may be unacceptable to any Party into an order issued by the Indiana Utility Regulatory Commission ("Commission") as to which no person has filed a Notice of Appeal within a thirty day period after the date of the Commission order ("Final Order"):

:

A. TERMS AND CONDITIONS

The Settling Parties stipulate and agree that the terms of this Settlement Agreement are intended to address the issues indicated in the case caption. The full description of the request can be found in I&M's Application and supporting testimony. In short, the filing seeks approval to construct, install and operate Selective Catalytic Reduction (SCR) technology on I&M's Rockport Plant Unit 1 by December 31, 2017 ("Compliance Project"). I&M seeks to establish the cost recovery mechanisms and ongoing review to recover the costs related to the Compliance Project. I&M has a direct 50% ownership share in Rockport Unit 1 ("Ownership Share") and another 35% share of the costs under a FERC Unit Power Agreement ("Allocated Share"). As included in the I&M Application and supporting testimony, I&M requests timely recovery of the Ownership Share via a Clean Coal Technology Rider as a Clean Energy Project and Qualified Pollution Control Property pursuant to Indiana Code §§ 8-1-2-6.1, 8-1-2-6.7, 8-1-2-6.8, 8-1-8.7, 8-1-8.8-3, 8-1-8.8-11 and 170 Ind. Admin. Code 4-6-1 et seq. I&M also requests recovery of its Allocated Share of the Compliance Project under Indiana Code 8-1-8.4, commonly referred to as the Federal Mandate Statute.

1. For purposes of settlement, the Parties agree to Commission approval of I&M's request for a certificate of public convenience and necessity and associated ratemaking and accounting treatment as set forth in I&M's Application as supported by its case-in-chief and rebuttal testimony and as further modified by the enumerated terms included in this Settlement Agreement.

2. The Parties will not object to the reasonableness of the Rockport Unit 1 SCR Compliance Project in this proceeding or in future proceedings. This Settlement Agreement does not constitute a waiver of any right to challenge increases to cost estimates related to the Ownership Share under Indiana Code §8-1-8.7, and other statutes as may be applicable, in future proceedings.

3. The Parties agree that the Compliance Project associated with I&M's Ownership Share will be timely recovered under the traditional Clean Coal Technology method, as requested by I&M in its filings in this case. The Parties agree that I&M will withdraw, without prejudice, its request for recovery of the cost of the Compliance Project associated with I&M's Allocated Share from this case, as an agreed settlement term. The Parties further agree that I&M shall have the right to seek recovery of the Allocated Share of the Compliance Project according to the Federal Mandate statute any time on or after January 1, 2016. Such filing, on or after January 1, 2016, will not request the recovery of I&M's Allocated Share of the Compliance Project to begin until after the Project is in service and billed to I&M by AEG. The Parties also agree that this agreement to defer the request for authority to recover the I&M Allocated Share of the Compliance Project according to the Federal Mandate statute does not preclude I&M from seeking recovery of

any costs should a basic rate case be filed prior to that time. This Settlement Agreement does not constitute a waiver of any right a party may have to contest the cost recovery in any proceeding initiated by I&M to implement recovery of the Allocated Share of the Compliance Project

4. The Parties agree that I&M will not remove accumulated deferred income taxes (ADIT) from the weighted average cost of capital (WACC) and offset rate base as I&M had sought in its request.

5. The Parties agree that I&M will consider carbon pricing as part of its Integrated Resource Planning process and share its analysis with the stakeholders in that process.

B. PRESENTATION OF THE SETTLEMENT TO THE COMMISSION

1. The Settling Parties shall support this Settlement Agreement before the Commission and request that the Commission expeditiously accept and approve the Settlement Agreement. The concurrence of the Settling Parties with the terms of this Settlement Agreement is expressly predicated upon the Commission's approval of the Settlement Agreement in its entirety without any modification or any condition that may be unacceptable to any Settling Party.

2. The Settling Parties shall jointly move for leave to file this Settlement Agreement and supporting evidence, all of which will be offered into evidence without objection and the Settling Parties agree to waive cross-examination. The Settling Parties propose to submit this Settlement Agreement and evidence conditionally, and, if the Commission fails to approve this Settlement Agreement in its entirety without any change or with condition(s) unacceptable to any Settling Party, the

Settlement Agreement and all supporting evidence shall be deemed withdrawn and the Settling Parties agree that the proceeding will return to the same status as prior to the filing of the Settlement Agreement.

3. The Settling Parties shall jointly agree on the form, wording and timing of public/media announcement (if any) of this Settlement Agreement and the terms thereof.

C. EFFECT AND USE OF SETTLEMENT

1. It is understood that this Settlement Agreement is reflective of a negotiated settlement and neither the making of this Settlement Agreement nor any of its provisions shall constitute an admission by any Party to this Settlement Agreement in this or any other litigation or proceeding unless otherwise indicated. It is also understood that each and every term of this Settlement Agreement is in consideration and support of each and every other term.
2. This Settlement Agreement shall not constitute and shall not be used as precedent by any person in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce the terms of this Settlement Agreement.
3. This Settlement Agreement is solely the result of compromise and except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Parties may take with respect to any or all of the items resolved here and in any future regulatory or other proceedings.
4. The Parties agree that the evidence of record and the additional evidence offered in support of this Settlement Agreement constitutes substantial evidence

sufficient to support this Settlement Agreement and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of this Settlement Agreement, as filed. The Parties shall prepare and file an agreed proposed order with the Commission as soon as reasonably possible.

5. The communications and discussions during the negotiations and conferences and any materials produced and exchanged concerning this Settlement Agreement all relate to offers of settlement and shall be privileged and confidential, without prejudice to the position of any Party, and are not to be used in any manner in connection with any other proceeding or otherwise.

6. The undersigned Parties have represented and agreed that they are fully authorized to execute the Settlement Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby.

7. The Parties shall not appeal or seek rehearing, reconsideration or a stay of the Final Order approving this Settlement Agreement in its entirety and without change or condition(s) unacceptable to any Party. The Parties shall support or not oppose this Settlement Agreement in the event of any appeal or a request for a stay by a person not a party to this Settlement Agreement or if this Settlement Agreement is the subject matter of any other state or federal proceeding. The provisions of this Settlement Agreement shall be enforceable by any Party before the Commission and thereafter in any state court of competent jurisdiction as necessary.

8. This Settlement Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ACCEPTED and AGREED as of the 8th day of January, 2015

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Vice President Regulatory and External Affairs
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Indiana Michigan Power Company

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jrompala@lewis-kappes.com
Attorney for I&M Industrial Group

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