

ORIGINAL



STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF INDIANAPOLIS POWER & )  
LIGHT COMPANY FOR APPROVAL OF A )  
FUEL COST CHARGE FOR ELECTRIC )  
SERVICE DURING THE MONTHS OF )  
SEPTEMBER, OCTOBER AND NOVEMBER )  
2016, IN ACCORDANCE WITH THE )  
PROVISIONS OF I.C. 8-1-2-42 AND )  
CONTINUED USE OF RATEMAKING )  
TREATMENT FOR COSTS OF WIND POWER )  
PURCHASES PURSUANT TO CAUSE NOS. )  
43485 AND 43740. )

CAUSE NO. 38703 FAC 112

APPROVED: AUG 24 2016

ORDER OF THE COMMISSION

**Presiding Officer:**  
**Lorraine L. Seyfried, Chief Administrative Law Judge**

On June 16, 2016, Indianapolis Power & Light Company (“IPL” or “Applicant”) filed its Verified Application with the Indiana Utility Regulatory Commission (“Commission”) for approval of a fuel adjustment charge (“FAC”) to be applicable during the billing cycles of September through November 2016 and for continued use of ratemaking treatment for the cost of wind power purchases. Also on June 16, 2016, IPL filed its direct testimony and attachments. IPL also filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information, which was granted by Docket Entry on July 6, 2016. The Indiana Office of Utility Consumer Counselor (“OUCC”) filed its report and direct testimony on July 21, 2016.

An evidentiary hearing in this Cause was held on August 18, 2016, at 9:30 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, IPL and the OUCC appeared and participated by counsel. No members of the public appeared.

Based upon applicable law and the evidence of record, the Commission finds as follows:

**1. Notice and Jurisdiction.** Notice of the hearing in this Cause was given and published by the Commission as required by law. IPL is a public utility as that term is defined in Ind. Code § 8-1-2-1(a). Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes to IPL’s fuel cost charge and the ratemaking treatment of its wind power purchase costs. Therefore, the Commission has jurisdiction over IPL and the subject matter of this Cause.

**2. Applicant’s Characteristics.** IPL is an electric generating utility and a corporation organized and existing under the laws of the State of Indiana, having its principal office in Indianapolis, Indiana. IPL is engaged in rendering electric public utility service in the State of Indiana and owns, operates, manages and controls, among other things, plant and

equipment within the State of Indiana used for the production, transmission, delivery and furnishing of such service to the public.

3. **Source of Fuel and Coal Decrement Pricing.** IPL must comply with the statutory requirements of Ind. Code § 8-1-2-42(d)(1) by making every reasonable effort to acquire fuel and generate or purchase power, or both, so as to provide electricity to its retail customers at the lowest fuel cost reasonably possible. As discussed below, we find IPL has satisfied these requirements.

According to IPL witness Nicholas M. Grimmer, Director, Fuel Supply, Logistics and Coal Combustion Product Management, approximately 97% of IPL's internally generated kilowatt-hours ("kWh") in 2015 were generated by coal-fired capacity. IPL currently has contracts with four coal producers and receives coal from seven different mines. Mr. Grimmer stated that IPL uses a formal competitive bidding process to award its coal contracts. He said that for some spot purchases when a formal competitive bid process might not be feasible, an informal survey of local coal providers is performed to assure that the agreed-upon price is at or below IPL's next best alternative. Mr. Grimmer explained that although IPL currently has no spot coal contracts, IPL has used spot purchases of coal in the past to: (1) provide the differential requirement between IPL's long-term contracts and its projected burn for the year; (2) test the quality and reliability of a producer to see if IPL may want to utilize the company as a long-term supplier; and (3) take advantage of occasional low price market opportunities.

Mr. Grimmer explained that IPL strives to keep a 25-50 day supply of coal in inventory across its coal-fired generation fleet. He explained that although IPL has been working closely with its coal suppliers and transportation vendors, IPL's system-wide inventory is currently beyond the 50-day maximum inventory target. He said that over the last approximately 18 months, mild weather and soft energy markets have combined to reduce IPL's coal burn below expectations. He said IPL is actively managing its inventory levels in two ways. First, all of IPL's long-term coal contracts contain some variability in the quantity of coal that IPL can take under that particular contract. He said IPL has been taking contract minimums for a significant period of time, but this will not bring IPL's coal inventory back within the target inventory levels in the near future. Second, Mr. Grimmer testified that IPL is in the midst of discussions with its suppliers to allow deferral of upcoming coal deliveries. He said IPL has entered into one coal contract amendment that defers a substantial amount of coal out of 2016 into 2018, that IPL has entered into an additional contract amendment to defer tons out of 2016 and into 2017 at no additional cost, and that IPL continues to look for additional opportunities to further improve IPL's 2016 and 2017 coal positions.

Mr. Grimmer stated that improvements were also made at IPL's Petersburg Generation Station ("Petersburg") that increase the footprint of IPL's coal pile, increasing on-site storage capacity by 200,000 to 250,000 tons. To further address the inventory issue, he said IPL is also negotiating with a number of suppliers and others in the coal industry to arrange to store coal at a temporary interim site between the point at which the coal is acquired and the final unloading point. He said these interim off-site storage options would be used until such time as the coal could be accommodated on the Petersburg coal pile and eventually burned. He said IPL is also talking to suppliers about the possibility of buying out of certain contract obligations or potentially selling excess coal on the market.

IPL witness Dennis Dininger, Director, Commercial Operations, testified that IPL implemented decrement pricing, as described in Cause No. 38703 FAC 111, on March 17, 2016, to mitigate the future costs of coal surplus. He explained that to the extent the units are dispatched, coal coming to the station is consumed, other potential costs are avoided, and customers ultimately benefit.

Mr. Dininger explained the mechanics of the decrement pricing approach and the inputs to the decrement pricing calculation. He also discussed the impact of decrement pricing on the forecast in this proceeding. He stated that the 2016 forecast includes decrement pricing.

Mr. Dininger stated that decrement pricing will be one of many options implemented to manage the coal inventory surplus, and that all options will work together to bring the inventories back into target levels. In the event that forecasted Midcontinent Independent System Operator, Inc. (“MISO”) market prices for power increase, the forecasted dispatch of IPL coal units without decrement pricing will increase, reducing the projected surplus. He said that as the projected surplus subsides, the higher cost options will be avoided and lower cost options will be used to set the decrement pricing amount. He noted that the lower decrement pricing amounts may slow IPL’s progress towards its target inventories. He said IPL will continue to update its testimony regarding its coal inventory in future FAC proceedings.

Mr. Grimmer testified that all options are being considered, and IPL is focusing on the most cost-effective solutions ranging from amending contracts to storing coal or changing offer pricing strategies. He said that coal decrement pricing is an additional tool that can be used to manage inventory and costs by decreasing IPL’s offer to reflect avoided inventory management costs. He said offering the IPL coal units in at a coal price decrement would allow IPL to burn off these excess tons and thereby avoid the cost of storing coal, buying out of a contract, or selling coal on the market at or below IPL’s cost, which benefits customers.

Mr. Grimmer explained that his Confidential Attachment NG-1 presents a “stack” of coal management options from lowest cost to highest cost, along with how many tons of coal can be addressed by each option. He said these options are used as inputs to help determine what decrement price, if any, should be used. He said that, at the request of OUCC, IPL added a column in Confidential Attachment NG-1 that converts the price per ton decrement options into \$/mmbtu. He said that IPL has updated the list of coal management options and that, each month, IPL evaluates those options against its projected coal inventory levels and the cost and projected impact of each option available to mitigate any oversupply. He said that Confidential Attachment NG-1 was updated to reflect changes in the marketplace that add or remove potential options.

Mr. Dininger sponsored and described IPL’s Confidential Attachments DD-3 and DD-4, which document the forecast of IPL’s oversupply and the marginal option used in IPL’s offers beginning on March 17, 2016 and April 19, 2016, respectively. He said these attachments supporting the coal decrement pricing were developed based on discussions with, and input from, the OUCC. He said that Confidential Attachments DD-5, DD-6, and DD-7 were also presented to assist the OUCC in understanding the mechanics of how the decrement pricing is applied to IPL’s offers.

Mr. Dininger testified that an examination of the offer prices and the real-time locational marginal prices at Petersburg clearly show that the Petersburg units are more attractive to the MISO market under decrement pricing, increasing their unit commitment and dispatch frequency which in turn increases the coal burn economically (considering the future oversupply mitigation options facing IPL). He stated that the Petersburg units loaded earlier in the day and ran at full load during more hours of the day. The increased coal burn has reduced the coal inventory, thereby avoiding costs to manage an offsite coal inventory.

OUCC witness Gregory T. Guerretaz, President of Financial Solutions Group, Inc., testified that the OUCC had a lengthy discussion with IPL centered on the excess inventory and related issues surrounding the further need for a price decrement. He stated that IPL had detail to support the decrement, and that the OUCC reviewed the confidential information provided by IPL to justify its implementation of decrement pricing. He noted that IPL also provided additional information by answering the OUCC confidential Excel data request, which was very helpful in the OUCC's review.

OUCC witness Michael D. Eckert, Senior Utility Analyst, testified that IPL implemented coal decrement pricing for its day-ahead offer price on March 17, 2016, and ended the coal decrement pricing on July 8, 2016. He noted the use of coal decrement pricing can negatively impact customers, because they can be paying for uneconomic units to run as opposed to paying the cost incurred by utilities purchasing power at a lower rate from the market. However, he said the impact of decrement pricing must be weighed against other costs incurred by a utility, such as storage fees for coal held at the mine or offsite storage fees with a third party, the impact of taking units offline, and other related expenses. He recommended that if IPL implements coal decrement pricing again, then IPL file testimony, schedules and workpapers as appropriate to justify and support the need for, and utilization of, coal decrement pricing.

The record shows that IPL has taken action to actively manage its coal inventory, including taking contract minimums, renegotiating its existing coal contracts, and entering into an additional contract amendment to defer tons out of 2016 and into 2017 at no additional cost. The evidence shows that IPL continues to look for additional opportunities to further improve IPL's 2016 and 2017 coal inventory positions. The record also shows that IPL will continue to consider all options and is focusing on the most cost-effective solutions, including the use of coal decrement pricing.

We previously approved IPL's utilization of coal decrement pricing in Cause No. 38703 FAC 111. The OUCC did not object to IPL's decrement pricing approach in this proceeding, and we have previously found in FAC proceedings involving other utilities that the utilization of coal price decrements is reasonable. *See, e.g., Northern Ind. Pub. Serv. Co.*, Cause No. 38706 FAC 111 (IURC 7/18/2016) at 6 (“[W]e find that under the circumstances described above NIPSCO's coal decrement pricing strategy is reasonable.”). The evidence presented in this case supports the same conclusion with respect to IPL's use of coal decrementing pricing. More specifically, we find that IPL has laid a reasonable foundation for the mechanics of its coal decrement pricing impacts and the associated inputs. The record shows IPL provided detailed support for its use of decrement pricing in this proceeding and has expanded the information provided based on discussions with the OUCC. IPL has also indicated it will continue to provide information to support coal decrement pricing in future FAC filings that involve such pricing.

Finally, Mr. Dininger testified regarding the operating changes occurring at IPL's Harding Street and Eagle Valley locations. He stated that Harding Street Unit 7 is now converted to burn natural gas, as approved in Cause No. 44540 and is currently being tuned as part of the start-up sequence. He said the Eagle Valley coal-fired plant is now retired.

Based upon the evidence presented, as discussed here and further below, the Commission finds that IPL's utilization of the coal price decrement is reasonable and prudent, and that IPL has made every reasonable effort to acquire fuel and generate or purchase power so as to provide electricity at the lowest fuel cost reasonably possible. The Commission further finds that IPL shall file information to support the utilization of coal decrement pricing in future FAC filings that involve such pricing, subject to appropriate protection of confidential information.

**4. MISO Market Related Activity.** Mr. Dininger testified that consistent with the Commission's Order in Cause No. 38703 FAC 97 ("FAC97 Order"), IPL has included Demand Response Resource Uplift charges from MISO into its cost of fuel in this proceeding. According to Mr. Dininger, Day Ahead and Real Time market clearing prices for Regulation, Spinning, and Supplemental Reserves appear to be at reasonable levels consistent with market conditions.

In the Commission's Order in Cause No. 38703 FAC 85 ("FAC85 Order"), the Commission authorized IPL to include credits or charges for Contingency Reserve Deployment Failure Charge Uplift Amounts for purposes of review in FAC proceedings. Mr. Dininger explained that as a result of the FAC85 Order, IPL included the credits and charges for Contingency Reserve Deployment Failure Charge Uplift Amounts into its cost of fuel in this proceeding.

In the Commission's Order in Cause No. 38703 FAC 105 ("FAC105 Order"), the Commission authorized IPL to defer Real Time Multi-Value Project ("RT MVP") Distribution charges alongside Schedule 26A charges. Mr. Dininger testified that as a result of the FAC105 Order, IPL has deferred the charges for RT MVP Distribution alongside Schedule 26A charges for the months of February and March 2016. Mr. Dininger said that due to the Commission's Order in Cause Nos. 44576/44602 ("44576 Order"), as of April 2016, a base amount of RT MVP Distribution and Schedule 26A charges are now included in IPL's base rates and charges, and any over or under-recovery will be reflected in Standard Contract Rider No. 26 (Regional Transmission Organization ("RTO") Adjustment). Because these costs will be considered as part of IPL's RTO Adjustment going forward, they will no longer be addressed in testimony in IPL's FAC proceedings.

Mr. Dininger testified that although there are no new charge types that impact the true-up period of this filing, beginning May 1, 2016, MISO implemented two new charges: Day Ahead ("DA") Ramp Capability Amount and RT Ramp Capability Amount. These charge types represent an Asset Owner's compensation for up and/or down ramp capability in the DA and RT Markets. Ramp capability products are designed to manage net load variations and uncertainties over a defined response time to maintain the real time power balance. Ramp capability is simultaneously co-optimized with energy and ancillary services so the most economical resources are selected to serve load and fulfill reserve and ramp requirements. Mr. Dininger explained that this ramp product is most like an ancillary services product as it was evaluated and determined a better option than increasing regulation and contingency reserve requirements. The

Ramp Capability Distribution charge, which funds the Day-Ahead and Real-Time Ramp Capability products, will be uplifted to the existing RT Revenue Neutrality Uplift Amount (“RT RNU”) balancing mechanism. Accordingly, IPL intends to pass the Day-Ahead and Real-Time Ramp Capability product credits through the quarterly FAC. He explained this creates a mismatch between the Asset Owner payment for the ramp product, which is recovered through IPL’s quarterly FAC filings, and the RT RNU balancing mechanism, which would otherwise be recovered through IPL’s annual RTO Adjustment filing. Mr. Dininger testified that for this reason, IPL intends to include the Ramp Capability uplift from the RT RNU balancing mechanism in future quarterly FAC filings to reflect a proper matching of revenues and expenses.

OUCG witness Eckert stated IPL’s proposed ratemaking treatment for the Ancillary Services Market (“ASM”) charge types follows the treatment ordered in the Commission’s June 30, 2009 Phase II Order in Cause No. 43426 (“Phase II Order”).

OUCG witness Guerrettaz testified that the OUCG is in the process of reviewing the generating units assigned to each off-system sale in order to give it some assurance that the highest cost generation used is being allocated to off-system sales. He said IPL has provided additional workpapers to assist the OUCG in this FAC and will do so on a going forward basis.

Based upon the evidence, the Commission finds that IPL’s treatment of the ASM charge types, Demand Response Resource Uplift charges, Contingency Reserve Deployment Failure Charge Uplift amounts and RT MVP Distribution charges is consistent with the Commission’s Phase II, FAC85, FAC97 and FAC105 Orders and that IPL complied with its commitment to provide an update on the stacking order workpaper issue in its next FAC filing.

**5. Purchased Power Costs Above Benchmark.** In its April 23, 2008 Order in Cause No. 43414 (“Purchased Power Order”), the Commission approved a “Benchmark” triggering mechanism for the judgment of the reasonableness of purchased power costs. Mr. Dininger explained that each day, a Benchmark is established based upon a generic Gas Turbine (“GT”), using a generic GT heat rate of 12,500 btu/kWh and the day ahead natural gas prices for the NYMEX Henry Hub, plus \$0.60/mmbtu gas transport charge for a generic gas-fired GT (the “Purchased Power Daily Benchmark” or “Benchmark”). Mr. Dininger explained that IPL continues to follow the guidelines and procedures established in the Purchased Power Order. He stated that purchases made in the course of MISO’s economic dispatch regime to meet jurisdictional retail load are a cost of fuel and are recoverable in the utility’s FAC up to the actual cost or the Benchmark, whichever is lower. Mr. Dininger sponsored Attachment DD-1 to Applicant’s Exhibit 3 showing the applicable Purchased Power Daily Benchmarks for the applicable accounting period.

Mr. Dininger stated IPL incurred a total of \$999,317.63 of purchased power costs over the applicable Benchmarks during February through April 2016. He opined that the purchased power costs incurred in February through April 2016 are reasonable. He said IPL makes power purchases when economical or because of unit unavailability. Mr. Dininger testified that consistent with the Commission’s Purchased Power Order, IPL has an opportunity to request recovery and justify the reasonableness of purchased power costs above the applicable Purchased Power Daily Benchmark. IPL provided Attachment DD-2 to Applicant’s Exhibit 3, which

summarizes the purchased power volumes, costs, total of hourly purchased power costs above the applicable Benchmarks for February through April 2016, and the reasons for the purchases at-risk after consideration of MISO economic dispatch. Mr. Dininger testified that utilizing the methodology approved in the Purchased Power Order, \$6,291.05 of the purchased power is non-recoverable during the applicable accounting period. Therefore, IPL seeks to recover \$993,026.58 of purchased power costs in excess of the applicable Purchased Power Daily Benchmarks for February through April 2016.

Mr. Eckert explained that the purchased power over the benchmark treatment is controlled by the Purchased Power Order, and that IPL followed the guidelines and procedures established in the Purchased Power Order. He stated that the OUCC calculated the same amount of purchased power in excess of the benchmark as IPL. Following the procedures established in Cause No. 43414, Mr. Eckert concluded that all of the purchased power cost that exceeded the benchmark is recoverable except for \$6,291.05. He therefore recommended IPL be allowed to recover \$993,026.58 in purchased power costs that exceeded the benchmark.

Based upon the evidence, the Commission finds that IPL's request for recovery of its purchased power over the Benchmark is consistent with the Commission's Purchased Power Order and should be approved.

**6. Contestable Revenue Sufficiency Guarantee ("RSG") Charges.** Mr. Dininger testified that IPL's recovery of Contestable Real-Time RSG ("RT RSG") Charges proposed in this proceeding is consistent with the Commission's June 3, 2009 Order in Cause No. 43664 ("RSG Order"), in which the Commission approved a "Benchmark" calculation to be used to determine the RSG Benchmark. Each day, a Benchmark is established based upon a generic GT, using a generic GT heat rate of 12,500 btu/kWh and the day ahead natural gas prices for the NYMEX Henry Hub, plus \$0.60/mmbtu gas transport charge for a generic GT (the "RSG Daily Benchmark"). Mr. Dininger explained any RSG First Pass Distribution amounts in excess of the RSG Daily Benchmarks are termed "Contestable RT RSG Charges." Mr. Dininger stated the RSG Daily Benchmark calculations for the period of February through April 2016 have been done in conformity with the RSG Order as shown in Applicant's Exhibit 3, Attachment DD-1.

Mr. Craig Forestal, Director of Regulatory Accounting, stated that during the applicable accounting period IPL deferred a total of \$2,248.58 of Contestable RT RSG Charges. He stated IPL was not seeking recovery of any Contestable RT RSG Charges in this proceeding. Mr. Forestal testified that in accordance with the RSG Order, IPL deferred \$324.83 of Contestable RT RSG Charges in February 2016, and \$1,923.75 of Contestable RT RSG Charges in March 2016. Due to the 44576 Rate Order, as of April 2016, a base amount of Contestable RT RSG Charges is now included in IPL's base rates and charges, and any over or under-recovery will be reflected in the RTO Adjustment. Because Contestable Real-Time RSG costs will be considered as part of IPL's RTO Adjustment going forward, they will no longer be addressed in IPL's FAC proceedings.

OUCC witness Eckert testified that IPL incurred approximately \$2,248.58 in Contestable RT RSG Charges and stated that IPL was deferring those costs, which will be included in IPL's RTO Adjustment rider. Based on the evidence presented the Commission finds that IPL's deferral of its Contestable RT RSG Charges should be approved.

7. **Operating Expenses.** Ind. Code § 8-1-2-42(d)(2) requires the Commission to find that the utility's actual increases in fuel cost through the latest month for which actual fuel costs are available since the last Commission order approving basic rates and charges of the utility have not been offset by actual decreases in other operating expenses. Applicant's Exhibit 1, Attachment CAF-2 calculates the (d)(2) test, showing that total jurisdictional operating expenses excluding fuel costs have increased. Therefore, the Commission finds that IPL's actual increases in fuel cost have not been offset by actual decreases in other operating expenses in compliance with the statutory requirements of Ind. Code § 8-1-2-42(d)(2).

8. **Return Earned.** Ind. Code § 8-1-2-42(d)(3) requires the Commission to find that the fuel adjustment charge applied for will not result in the electric utility earning a return in excess of the return authorized by the Commission in the last proceeding in which the basic rates and charges of the utility were approved.

Mr. Forestal testified that Attachment CAF-3 to Applicant's Exhibit 1 was updated in two ways to reflect the 44576 Order. First, the base amount of authorized operating income was prorated on a monthly basis such that for the 12-month net operating income period ending April 30, 2016, 11 months of the authorized operating income of \$163,000,000 as approved in Cause No. 39938 was included, as well as one month of the authorized operating income of \$124,083,000 as approved in the 44576 Order. Second, the allowed return on clean coal technology utility plant that is added to the authorized operating income was adjusted to reflect the "pre-rate case" and "post-rate case" return based on the environmental projects that rolled into IPL's base rates beginning April 1, 2016 to avoid a mismatch with the Environmental Compliance Cost Recovery Adjustment factors, which were updated to reflect the roll-in to base rates effective on a service rendered basis beginning April 1, 2016.

Mr. Forestal testified that the 44576 Order also changed how IPL determines the jurisdictional portion of net operating income. As a result, it was necessary to breakout Applicant's Exhibit 1, Attachment CAF-2 into three pages to show the previous and new methods for earnings. He stated that consistent with Ind. Code § 8-1-2-42.3, IPL reduced the number of reporting periods included in the "Earnings Test Summary" on Petitioner's Exhibit 1, Attachment CAF-4 to 60 months.

The Commission finds IPL has properly determined the authorized operating income for the 12-month period ended April 30, 2016, and properly reflected the return on its Qualified Pollution Control Property. Thus, as reflected in Attachment CAF-3 to Applicant's Exhibit 1, IPL has an authorized return of \$210,406,000 for purposes of this proceeding. Attachment CAF-2 to Applicant's Exhibit 1 calculates the (d)(3) test, which shows that IPL's actual return for the 12-month period ended April 30, 2016 was \$155,814,000. Therefore, the Commission finds that during the 12-month period ending April 30, 2016, IPL did not earn a return in excess of its authorized return in compliance with the statutory requirements of Ind. Code § 8-1-2-42(d)(3).

9. **Estimating Techniques.** Ind. Code § 8-1-2-42(d)(4) requires the Commission to find that a utility's estimate of its prospective average fuel costs for each month of the estimated three calendar months is reasonable after taking into consideration the actual fuel costs experienced and the estimated fuel costs for the three calendar months for which actual fuel costs are available. According to Applicant's Exhibit 1, Attachment CAF-1, Schedule 5, page 4 of 4,

IPL's weighted average deviation between forecast and actual fuel cost was 7.97% for the months of February through April 2016. Mr. Dininger noted the 12.40% overestimate in February and attributed the result to reduced market demand for power as a result of mild winter weather, low natural gas prices, and high wind output, which precipitated low market power prices. IPL projected its fuel costs for the billing months of September through November 2016 after taking into consideration its estimated and actual fuel cost for the reconciliation period.

OUCG witness Guerrettaz testified that IPL has reflected the projected costs going forward. Mr. Guerrettaz stated the OUCG reviewed each input in detail and had a good discussion with IPL personnel regarding the estimates and the effect of decrement pricing.

Based upon the evidence, we find that IPL's estimating techniques are reasonably accurate and that its estimate of fuel costs for September through November 2016 should be accepted.

**10. Wind Power Purchase Agreements.** Mr. Dininger testified that purchases from the Hoosier Wind Park ("Hoosier") and Lakefield Wind Park ("Lakefield") are included in IPL's actual and projected fuel costs. He discussed the amount of power received from Hoosier and Lakefield for the months of February through April 2016. Pursuant to the Order in Cause No. 43740, IPL is reflecting credits to jurisdictional fuel costs for off-system sales profits made possible because of the energy received from the Lakefield purchased power agreement ("PPA").

Mr. Dininger said Hoosier and Lakefield are both Dispatchable Intermittent Resources in the MISO market and can ramp quickly, largely avoiding negative Locational Marginal Prices; however, the curtailed power is billable when certain criteria are met.

In Cause Nos. 43485 and 43740, the Commission approved IPL's request to recover the purchased power costs incurred under the Hoosier and Lakefield PPAs over their respective full 20-year terms. Based on the evidence presented, the Commission finds that the requested costs are reasonable and approves the ratemaking treatment of the wind PPA costs.

**11. Renewable Energy Credits.** Mr. Dininger testified that included with IPL's filing are the reasonable fees associated with the Alliance for Cooperative Energy Services ("ACES") agreement, whereby ACES tracks IPL's renewable energy credit ("REC") inventory, recommends new markets and trades, and negotiates deals. He testified that IPL sold RECs during the period including February, March, and April 2016 and, in compliance with the Commission's Order in Cause No. 37803 FAC 110, IPL applied fees incurred under the ACES agreement through the date of the last sale. Mr. Dininger stated the services provided through the ACES agreement allow IPL to efficiently manage RECs and limits brokerage fees for REC sales.

Mr. Guerrettaz stated that IPL recorded sales of wind RECs from Lakefield in March and April 2016, noting the gross proceeds and cost figures assigned to the sales.

We find IPL's proposed treatment of REC proceeds and costs to be reasonable and consistent with our prior Orders in Cause Nos. 38703 FAC 90 and 38703 FAC 110. We further find IPL shall continue to discuss and support the reasonable costs associated with the ACES agreement in future FACs that involve such costs.

**12. Reconciliation and Resulting Fuel Cost Factor for Electric Service.** According to Applicant's Exhibit 1, Attachment CAF-1, Schedule 1, IPL's total estimated cost of fuel for September through November 2016 is \$109,500,794 and its total estimated sales are 3,210,067 MWh. IPL's estimated cost of fuel is \$0.034112 per kWh. The evidence of record indicates that IPL reconciled the actual fuel costs and revenues for February through April 2016. As shown on Applicant's Exhibit 1, Attachment CAF-1, Schedule 1, reconciliation of actual fuel costs and revenues results in a total variance of \$(6,099,929). Dividing this amount by the total estimated jurisdictional sales of 3,210,067 MWh results in a variance factor of \$(0.001900) per kWh. Combining the variance factor with the estimated per kWh cost of fuel, subtracting the base cost of fuel and adjusting for Indiana Utility Receipts Tax, results in a proposed fuel factor of \$0.000703 per kWh for the September through November 2016 billing cycles.

Pursuant to Ind. Code § 8-1-2-42(a), the Commission finds the factor approved herein should become effective for all bills rendered for electric services during the first full billing month following the issuance of this Order. As a result of the fuel cost factor approved herein, the typical residential customer using 1,000 kWh per month will experience an increase of \$2.70 or 2.83% on his or her base electric bill compared to the factor approved in Cause No. 38703 FAC 111.

**13. Confidential Information.** IPL filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information ("Motion") with the Affidavit of Nicholas Grimmer on June 16, 2016. The Presiding Officer granted the Motion in a July 6, 2016 Docket Entry, finding the information should be held confidential on a preliminary basis. The Affidavit of Mr. Grimmer indicates that the confidential information has actual or potential independent economic value for IPL and its ratepayers, the disclosure of the confidential information could provide IPL's competitors and suppliers an unfair advantage, and IPL has taken all reasonable steps to protect the confidential information from disclosure. Accordingly, pursuant to Ind. Code §§ 5-14-3-4(a)(4) and 8-1-2-29, we find the confidential information is trade secret and exempt from public access and disclosure by the Commission.

---

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

1. The fuel cost factor set forth at Finding Paragraph No. 12 herein is approved.
2. Prior to implementing the authorized rates, IPL shall file the applicable rate schedules under this Cause for approval by the Commission's Energy Division.
3. IPL's ratemaking treatment for the cost of wind power purchases pursuant to the Commission's Orders in Cause No. 43485 and Cause No. 43740 is approved as set forth herein.
4. The confidential information filed in this Cause contains trade secrets and is therefore excepted from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4(a)(4) and 8-1-2-29.

5. IPL shall file information to support the utilization of coal decrement pricing in future FAC filings that involve such pricing, subject to appropriate protection of confidential information.

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

**STEPHAN, HUSTON, WEBER, AND ZIEGNER CONCUR:**

**APPROVED: AUG 24 2016**

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

  
\_\_\_\_\_  
**Mary Becerra**  
**Secretary of the Commission**