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APW

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)
DECEMBER 2014 AND JANUARY AND)
FEBRUARY 2015, 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 105

APPROVED: NOV 25 2014

ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

Loraine L. Seyfried, Chief Administrative Law Judge

On September 12, 2014, Indianapolis Power & Light Company (“IPL” or “Applicant”) filed its Verified Application with the Indiana Utility Regulatory Commission (“Commission”) for approval of a fuel cost adjustment to be applicable during the billing cycles of December 2014 through February 2015 and for continued use of ratemaking treatment for cost of wind power purchases. Also on September 12, 2014, Applicant filed its direct testimony and exhibits. On September 23, 2014, the IPL Industrial Group (“IIG”) filed a Petition to Intervene, which was granted by a Docket Entry dated September 29, 2014. On October 1, 2014, IPL filed supplemental direct testimony. The Indiana Office of Utility Consumer Counselor (“OUCC”) filed its report and direct testimony on October 24, 2014. On October 31, 2014, the Presiding Officers issued a docket entry, to which IPL replied on the same day.

An evidentiary hearing in this Cause was held on November 6, 2014, at 9:30 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Applicant, IIG and the OUCC appeared and participated by counsel. No members of the public appeared.

Based upon the applicable law and the evidence of record, the Commission now 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. Applicant 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 Applicant’s fuel cost charge and the ratemaking treatment of its wind power purchase costs. Therefore, the Commission has jurisdiction over Applicant 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. 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. According to IPL witness Nicholas M. Grimmer, approximately 99% of IPL's internally generated kilowatt-hours on an annual basis are generated by coal-fired capacity. IPL currently has long-term contracts with five coal producers. The remainder of IPL's coal requirement is met through spot purchases. Mr. Grimmer explained that IPL uses spot purchases of coal 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 one-off low price market opportunities when IPL's projected inventory levels allow.

Mr. Grimmer explained that IPL strives to keep a 25-50 day supply of coal in inventory across its coal-fired generation fleet and that, through working closely with IPL's coal suppliers and transportation vendors, IPL has managed to keep inventories within the target levels. He said IPL manages its coal inventory levels in a number of ways. He said all of IPL's long-term coal contracts contain some variability in the quantity of coal that IPL can take under that particular contract. However, transportation disruptions due to weather, road or track repairs, train delays or truck shortages provide on-going challenges. He said IPL has addressed these challenges through extending delivery hours at times to maximize truck deliveries and worked with railroads to shorten turnaround times to cycle trains more frequently.

Mr. Grimmer stated that there has been some recent acquisition activity in the local coal industry, but these activities have only modestly affected IPL's supply diversity. He explained that a recent consolidation will reduce the number of IPL long-term coal suppliers to five, but IPL's coal supply remains balanced among the remaining vendors and IPL is not overly dependent upon any one coal producer. Mr. Grimmer also testified that natural gas is purchased on a daily basis and that natural gas transportation services are provided under long-term agreements.

Based upon the evidence presented, as discussed here and further below, the Commission finds that IPL is endeavoring to acquire fuel and generate or purchase power so as to provide electricity at the lowest fuel cost reasonably possible.

4. Midcontinent Independent System Operator, Inc. ("MISO") Market Related Activity. IPL witness Dennis 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.

OUCG witness Michael D. 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").

In the Commission's Order in Cause No. 38703 FAC 85 ("FAC85 Order"), the Commission found that IPL is authorized to include credits or charges for Contingency Reserve Deployment Failure Charge Uplift Amounts for purposes of review in the 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.

Mr. Dininger testified that MISO has implemented a new charge in the Real Time Market called the RT MVP Distribution, which is effective as of the s7 statement for June 30, 2014. He said Multi-Value Projects ("MVP") are transmission upgrades that have been paid for through Schedule 26A charges and are billed through the Transmission Settlement Statement. He said the MVPs create Auction Revenue Rights that MISO nominates and allocates in the annual auction to the benefit of Asset Owners. He explained that IPL, as an Asset Owner, is distributed funds on the s7 statement for the last operating day of the month to the Asset Owners with the same load ratio share that is used in the Schedule 26A calculations for charging the MVP projects. He explained that since the RT MVP Distribution is a credit offsetting the Schedule 26A charges, IPL is deferring this new charge alongside the Schedule 26A charges.

Mr. Dininger also testified that because of a Stipulation and Consent Agreement, the Federal Energy Regulatory Commission ordered IPL on July 3, 2014 to pay \$301,000 to MISO, of which \$286,000 restores previously received day-ahead margin assurance payments (credits), \$15,000 represents avoided Revenue Sufficiency Guarantee ("RSG") charges, and \$32,500 for a penalty. Mr. Dininger stated these credits, which were recovered in FAC97, were calculated by MISO as a result of inaccurate offers by IPL. He stated IPL has included these charges – with the exception of the penalty – in this proceeding since costs have been restored to what would have been charged.

In response to an October 31, 2014 Docket Entry, IPL explained its understanding of how FERC and MISO determined the \$15,000 in avoided RSG charges. Although IPL did not indicate its agreement with the reasonableness of the calculation, we understand how the amount was determined and note that no party took issue with its reasonableness.

Based upon the evidence, the Commission finds that IPL's treatment of the ASM charge types, Demand Response Resource Uplift charges and Contingency Reserve Deployment Failure Charge Uplift amounts are consistent with the Commission's Phase II, FAC85 and FAC97 Orders and should be approved. The Commission further approves IPL's treatment of the RT MVP Distribution and the reversal of the MISO credits and avoided RSG charges.

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 the Purchased Power Daily Benchmark is applicable to purchases beginning May 1, 2008 and ending April 30, 2016, with automatic two-year renewals. He stated that purchases made in the course of the 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 Purchased Power Daily 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 \$416,165 of purchased power costs over the applicable Purchased Power Daily Benchmarks during May, June and July 2014. 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 Purchased Power Daily Benchmarks for May, June and July 2014, and the reasons for the purchases at-risk after consideration of MISO economic dispatch. Mr. Dininger indicated that utilizing the methodology approved in the Purchased Power Order, all of the purchased power is recoverable during the applicable accounting period. Therefore, IPL seeks to recover \$416,165 of purchased power costs in excess of the applicable Purchased Power Daily Benchmarks for May, June and July 2014.

He opined that the purchased power costs are reasonable and added that IPL is providing its jurisdictional retail customers with the lowest fuel cost reasonably possible while maintaining a reliable supply.

OUC witness Mr. Eckert explained that the purchased power over the benchmark treatment is controlled by the Purchased Power Order, and that Applicant followed the guidelines and procedures established in the Purchased Power Order. He stated that according to his calculations, all of the purchased power cost that exceeded the Benchmark is recoverable and that Applicant should be allowed to recover the entire \$416,165.

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 Charges. Mr. Dininger testified that IPL's recovery of Contestable 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 RSG." Mr. Dininger stated the RSG Daily Benchmark calculations for the period of May through July 2014 have been done in conformity with the RSG Order as shown in Attachment DD-1 to Applicant's Exhibit 3.

IPL witness Craig Forestal stated that during the applicable accounting period IPL incurred a total of \$8,938.30 of Contestable RSG Charges. He stated IPL was not seeking recovery of any Contestable RSG Charges in this proceeding. In accordance with the RSG Order, Mr. Forestal testified that IPL deferred \$7,185.83 of Contestable RSG Charges in May 2014, \$834.16 of Contestable RSG Charges in June 2014 and \$918.31 of Contestable RSG Charges in July 2014.

OUCC witness Mr. Eckert recommended that Applicant be allowed to defer its Contestable RSG Charges. Based on the evidence presented and given that no party objected to the deferral of its Contestable RSG Charges, the Commission finds that IPL's deferral 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. Attachment CAF-2 to Applicant's Exhibit 1 calculates the (d)(2) test (comparing the twelve-month period ending July 31, 2014 with the Commission's August 23, 1995 Order in Cause No. 39938), and shows 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. In Cause No. 39938, the Commission established an authorized return of \$163,000,000 for Step 2 of a two-step increase in IPL's basic rates and charges. In accordance with 170 IAC 4-6-21 and the Commission's Order in Cause No. 42170, IPL added \$34,414,000 to its authorized operating income representing 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 \$197,414,000 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 twelve-month period ended July 31, 2014 was \$153,894,000. Therefore, the Commission finds that during the twelve month period ending July 31, 2014, 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 Attachment CAF-1 to Applicant's Exhibit 1, Schedule 5, page 4 of 4, IPL's weighted average deviation between forecast and actual fuel cost was -1.07%. IPL projected its fuel costs for the billing months of December 2014 through February 2015 after taking into consideration its estimated and actual fuel cost for the reconciliation period.

OUCC witness Mr. Guerrettaz testified that IPL has reflected the projected costs going forward. Mr. Guerrettaz stated the OUCC reviewed each input in detail and had a good discussion with IPL personnel regarding the estimates. He said that the OUCC's detailed review of the forecast model includes the incorporation of solar power megawatts and the cost associated with that purchased power.

Based upon the evidence, we find that IPL's estimating techniques are reasonably accurate and that its estimate of fuel costs for December 2014 through February 2015 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 noted that pursuant to the approval received in Cause No. 43485, Applicant began receiving power from Hoosier on November 1, 2009. Mr. Dininger stated that for the months of May, June and July 2014, IPL received from Hoosier 4,533 MWhs, 4,702 MWhs, and 6,897 MWhs, respectively. Mr. Dininger also testified that pursuant to the approval received in Cause No. 43740, IPL began receiving power from Lakefield on October 4, 2011. For the months of May, June and July 2014, IPL received from Lakefield 33,980 MWhs, 25,339 MWhs, and 30,809 MWhs, respectively. 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 Lakefield and Hoosier are both Dispatchable Intermittent Resources in the MISO market and can curtail (“dispatch down”) quickly to avoid negative Locational Marginal Prices. Mr. Dininger said the level of curtailments measured as a percentage of full theoretical production at Lakefield for the FAC 105 period is lower than the level experienced during the time period covered by FAC 104 and increased compared to the level of curtailment experienced a year ago. For Hoosier, the level of curtailment during the FAC 105 period is similar to the level of curtailments during the FAC 104 period and the level of curtailment experienced a year ago in FAC 101.

In supplemental testimony, Mr. Dininger provided an update regarding the arbitration between IPL and Hoosier. He explained that the PPA with Hoosier obligates IPL to pay Hoosier for certain curtailments and IPL disputed a portion of the curtailment invoices received from Hoosier beginning in March 2013. He said the PPA required IPL to pay the undisputed portion of the invoices but this amount could not be determined with precision due to the nature of the dispute. Thus, he said, IPL paid Hoosier based on what was estimated to be the undisputed portion. IPL initiated an arbitration under the PPA to resolve the parties’ dispute and to determine the amount IPL owed Hoosier. Mr. Dininger identified the portion of the curtailment invoices paid by IPL and the estimate of the amount that remained in dispute pending arbitration.

Mr. Dininger testified the arbitrator issued his initial decision on July 1, 2014, which was binding under the PPA and resolved the parties’ dispute regarding IPL’s obligation to pay for curtailed energy. He said the arbitration process then entered a second phase, which entailed developing the methodology to effectuate that decision and true-up the amount due to or from Hoosier. He explained IPL and Hoosier ultimately agreed on a methodology and executed a Settlement Agreement dated September 19, 2014, resolving the amount IPL owed Hoosier for curtailments during March 2013 through June 2014 and providing an agreed methodology for payment of energy curtailed in the future. He also said the curtailment invoice for July 2014 will be recalculated and a true-up payment will be made based on the agreed methodology. Mr. Dininger said the Settlement Agreement is subject to approval by the Commission, Hoosier’s Board of Directors, and Hoosier’s lenders.

Mr. Dininger explained that IPL requests approval of the Settlement Agreement in this proceeding because the settlement payment and future payments provided for in the Settlement Agreement will flow through the FAC. Therefore, he said IPL requests the Commission approve the Settlement Agreement and further find the settlement payment and any payment pertaining to the reconciliation of the July 2014 curtailment invoice and other invoices going forward are recoverable through the FAC process. He stated the Settlement Agreement is consistent with the Commission’s Order in Cause No. 38703 FAC 100 and the Commission’s Order approving the

PPA in Cause No. 43485. He said if the Commission approves the Settlement Agreement, IPL will make the payment to Hoosier and reflect the payment and the settlement cost recovery in a future FAC filing. He said IPL has estimated the impact of the payment on the FAC factor and does not believe it will materially change the charge for a typical residential customer using 1,000 kWh per month.

Mr. Dininger also noted there is another, unrelated issue to be resolved in the arbitration, and a decision on that issue is expected by the end of November 2014. He said if IPL prevails on this dispute, IPL will flow the benefit through to its customers. He said because this dispute is still ongoing, IPL will provide an update in its next FAC filing.

Mr. Dininger discussed the benefits of the arbitration and Settlement Agreement, explaining that the Settlement Agreement details a methodology that reflects the arbitrator's decision for the true-up period and afterward. He also explained how the settlement of the true-up dispute benefits customers and why the Settlement Agreement is reasonable and in the public interest. He explained that the arbitration and Settlement Agreement favorably resolve a lengthy and complex arbitration brought by IPL on behalf of its customers. He noted that IPL expended considerable time and effort to pursue this matter and incurred significant legal fees, expert witness and arbitration costs (approximately \$1.2 million) to achieve this benefit for IPL's customers. He said these legal fees and costs are not recovered through the FAC or any other tracking mechanism. In addition, he said the Settlement Agreement resolves the second phase dispute with greater speed and certainty and less drain on resources than if the parties continued to arbitrate and mitigates the risk of loss in the event that the arbitrator's decision in the second phase was not as favorable. He therefore recommended the Commission approve the Settlement Agreement.

OUCG witness Mr. Eckert stated that the OUCG has participated in at least three meetings with representatives of IPL regarding this issue. He said the OUCG has reviewed the curtailment calculation methodology in the Settlement Agreement and it appears to be a reasonable way to calculate the curtailment charges. He recommended IPL be allowed to recover: (1) the May 2014 through July 2014 wind invoice amounts for energy received; (2) the portion of the May through July 2014 wind invoice amounts for curtailed energy billed that IPL has paid; and (3) the March 2013 through June 2014 true-up payment provided for in the Settlement Agreement once IPL has made the payment. He further recommended that IPL be allowed to recalculate the curtailment invoice for July 2014 with the new agreed methodology and make any necessary true-up payment. Finally, he recommended that IPL report to the Commission any updates to the Hoosier situation.

Mr. Guerrettaz testified that the OUCG reviewed 8,927 lines of computation for general applicability of the Settlement Agreement to a requested recalculation of July 2014 actual Wind and a recalculation of a certain day in the month of June. He said the recalculation for July contains both logical and numerical calculations. He said the OUCG understands the workpaper reviewed will be the format utilized for wind invoices going forward. Therefore, given his detailed review of July 2014 and his assumption that these calculations will be used on a going forward basis, he agreed with Mr. Eckert's recommendations.

IPL requests Commission approval of the Settlement Agreement between IPL and Hoosier and authority to recover through the FAC the settlement payment provided for in the Settlement Agreement, which resolves the dispute between IPL and Hoosier regarding the curtailed invoices from March 2013 through June 2014. IPL also seeks authority to recover any

true-up payment resulting from the recalculation of the July 2014 invoice based on the methodology provided for in the Settlement Agreement.

In the Commission's Order in Cause No. 38703 FAC 100 ("FAC 100 Order"), we found that IPL shall be permitted to include a true-up in a subsequent FAC factor to reflect the final outcome of the disputed invoices. IPL's testimony indicates that this dispute has been resolved through the arbitrator's decision and the Settlement Agreement. While the arbitrator's decision is binding per the terms of the PPA, the Settlement Agreement requires Commission approval so that IPL may make the settlement payment and true-up payments provided for in the Settlement Agreement. As discussed below, we find the Settlement Agreement is reasonable and should be approved.

The record reflects that IPL raised this arbitration claim on behalf of its customers and, as a result, obtained a binding arbitration decision that resolved much of the dispute between IPL and Hoosier and achieved benefits for IPL's customers. IPL expended considerable time and effort to pursue this matter and incurred significant legal fees, expert witness and arbitration costs to achieve these benefits for its customers. These legal fees and costs are not recovered through the FAC or any other tracking mechanism. IPL would not have achieved these customer benefits had IPL not taken the initiative to dispute the curtailment invoices received from Hoosier. We have previously recognized that a utility's pursuit of lower fuel costs through litigation and arbitration is commendable and should be encouraged. *PSI Energy, Inc.*, Cause No. 40003, at 77 (IURC 9/27/1996); *Southern Indiana Gas & Electric Company*, Cause No. 39871, at 58 (IURC 6/21/1995).

IPL then negotiated the Settlement Agreement, which implements the arbitrator's decision, resolves the disputed curtailment invoice issue for the period of March 2013 through June 2014, and provides a methodology to be applied going forward. The OUCG conducted a detailed review of this methodology, discussed these matters with IPL, and concluded that the Settlement Agreement provides a reasonable way to calculate the curtailment charges. We find approval of the Settlement Agreement is reasonable and consistent with Commission policy. We have recognized that Indiana law favors settlement as a means of resolving contested proceedings. *Complaint of Arcelormittal*, Cause No. 44432, at 5 (IURC 4/9/2014). IPL was able to resolve a lengthy and complex arbitration on behalf of its customers with greater speed and certainty and less drain on resources than if the parties continued to arbitrate. The Settlement Agreement also mitigates the risk of loss in the event that the arbitrator's decision in the second phase was not as favorable to IPL. Finally, the Settlement Agreement helps preserve IPL's continued use of wind energy via this PPA.

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 twenty-year terms. We find IPL's treatment of the Hoosier wind invoices is consistent with our determination in the FAC 100 Order. We further find that the Settlement Agreement is reasonable, in the public interest, and should be approved. Based on the evidence presented in this Cause, the Commission finds that the requested costs are reasonable and approves the ratemaking treatment of the wind PPA costs described above. IPL shall include a true-up in a subsequent FAC factor to reflect the settlement payment required by the Settlement Agreement and any true-up payments related to the recalculation of the July 2014 invoice. The Commission further directs IPL to provide an update regarding the Lakefield and Hoosier situations, specifically the arbitration process with Hoosier, in its next FAC filing.

11. 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 December 2014 through February 2015 is \$120,456,251 and its total estimated sales are 3,755,916 MWh. IPL's estimated cost of fuel is \$0.032071 per kWh. The evidence of record indicates that IPL reconciled the actual fuel costs and revenues for May, June and July 2014. 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 \$2,286,195. Dividing this amount by the total estimated jurisdictional sales of 3,755,916 MWh results in a variance factor of \$0.000609 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 \$0.020533 per kWh for the December 2014 through February 2015 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 a decrease of \$1.34 or 1.52% on his or her base electric bill compared to the factor approved in Cause No. 38703 FAC 104 (excluding various tracking mechanisms and sales tax).

12. Confidentiality. Petitioner filed a motion for protective order regarding portions of the prefiled supplemental testimony and attachments that contained information designated as confidential trade secret information ("Confidential Information"). By Docket Entry dated October 6, 2014, the Presiding Officers made a preliminary finding of confidentiality and determined that the Confidential Information should be exempt from public disclosure and the un-redacted version of the evidence was submitted and admitted into the record 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 Ind. Code § 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 fuel cost factor set forth at Finding Paragraph No. 11 herein is approved.
2. IPL shall file with the Electricity Division of the Commission prior to placing in effect the fuel cost factor approved in this Order, a separate amendment to its rate schedules clearly reflecting that such factor is applicable to the rate schedules reflected on the amendment, as shown in Attachment CAF-1-A to Applicant's Exhibit 1.
3. The Settlement Agreement between IPL and Hoosier is approved.
4. 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. IPL shall include a true-up in a subsequent FAC factor to reflect the settlement payment made per the Settlement Agreement and any true-up payment resulting from the recalculation of the July 2014 Hoosier invoice. IPL shall provide an update regarding the Lakefield and Hoosier situations, specifically the arbitration process with Hoosier, in its next FAC filing.

5. The information filed in this Cause pursuant to Applicant's motion for protective order is deemed confidential pursuant to Ind. Code § 5-14-3-4 and Ind. Code § 24-2-3-2, and therefore excepted from public access.

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

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

APPROVED:

NOV 25 2014

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



**Brenda A. Howe,
Secretary to the Commission**