

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS )  
 POWER & LIGHT COMPANY FOR )  
 APPROVAL OF AN ADJUSTMENT TO ITS )  
 RATES THROUGH ITS APPROVED ) CAUSE NO. 42170 ECR 20  
 ENVIRONMENTAL COMPLIANCE COST )  
 RECOVERY ADJUSTMENT COMMENCING ) APPROVED: FEB 27 2013  
 WITH THE MARCH 2013 BILLING CYCLE )  
 IN ACCORDANCE WITH THE ONGOING )  
 REVIEW PROCESS )

ORDER OF THE COMMISSION

**Presiding Officers:**

**Carolene Mays, Commissioner**  
**Jeffery A. Earl, Administrative Law Judge**

On December 21, 2012, Indianapolis Power & Light Company (“IPL” or “Petitioner”) filed its petition for approval of an adjustment to its environmental compliance cost recovery adjustment (“ECCRA”) commencing with the March 2013 billing cycle. Also on December 21, 2012, Petitioner prefiled the direct testimony and exhibits of David Kehres, Richard J. Willis, Michael J. Smith, Nysa Hogue, Craig Forestal, and James Cutshaw.<sup>1</sup> On February 5, 2013, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and exhibits of Wes R. Blakley.

Pursuant to notice given and published as required by law, proof of which was incorporated into the record by reference, the Commission held an Evidentiary Hearing in this Cause at 1:30 p.m. on February 12, 2013, in Hearing Room 224, 101 W. Washington Street, Indianapolis, Indiana. At the hearing Petitioner and the OUCC appeared by counsel and offered their prefiled testimony and exhibits, which were admitted into evidence without objection. No other party or members of the general public appeared.

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

**1. Commission Jurisdiction and Notice.** Proper notice of the hearing in this Cause was given as required by law. IPL is a public utility as that term is defined in Ind. Code § 8-1-2-1(a) and is an eligible business as that term is defined in Ind. Code § 8-1-8.8-6. In Cause No. 42170, the Commission granted IPL a certificate of public convenience and necessity (“CPCN”) for clean coal technology (“CCT”) projects and approved the use of CCT as qualified pollution control property (“QPCP”). The Commission also authorized IPL to use the ratemaking treatment for construction costs provided in Ind. Code § 8-1-2-6.6 and 170 IAC 4-6-9 through 23. Therefore, the Commission has jurisdiction over IPL and the subject matter of this Cause.

<sup>1</sup> Ms. Hogue’s testimony was adopted by Angelique Oligier on January 14, 2013.

2. **Petitioner's Characteristics.** IPL is a corporation organized and existing under the laws of the State of Indiana with its principal office at One Monument Circle, 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. **Proposed Rider Adjustment.** The Commission's November 14, 2002 Order in Cause No. 42170 ("November 14 Order") granted Petitioner a CPCN for its projects to comply with new environmental regulations restricting the emission of nitrogen oxides ("NO<sub>x</sub>") from Petitioner's generation units. The November 14 Order also approved use of the ECCRA and procedures for implementing the ECCRA, including standardized forms for purposes of submission of information. On February 28, 2007, in Cause No. 42170 ECR 8, the Commission approved modifications to Petitioner's CPCN to include the installation of a sodium bisulfite ("SBS") injection system for the Selective Catalytic Reduction ("SCR") projects for Petersburg Units 2 and 3 to mitigate sulfur trioxide ("SO<sub>3</sub>") emissions and for recovery of the cost of the SBS injection system.

The Commission's November 30, 2004 Order in Cause No. 42700 ("November 30 Order") approved modifications to the CPCN to construct a Flue Gas Desulfurization ("FGD") system at Harding Street Unit 7 and FGD Enhancements on Petersburg Unit 3. On August 31, 2005, in Cause No. 42170 ECR 5, on August 16, 2006, in Cause No. 42170 ECR 7 and on February 28, 2007, in Cause No. 42170 ECR 8, the Commission approved modifications to IPL's CPCN regarding IPL's cost estimates of the CCT projects. On September 13, 2007, in Cause No. 42170 ECR 9, the Commission found that the catalyst replacement and refurbishment expenditures incident to the operation of IPL's SCR equipment are an ongoing cost appropriate for recovery in IPL's semi-annual ECR proceedings.

The projects approved in the November 14 and November 30 Orders and our subsequent orders in various ECR proceedings, concern the first step of IPL's Multi-Pollutant Plan ("MPP"). The Commission's April 2, 2008 Order in Cause No. 43403 ("April 2 Order") approved a modification to the CPCN to construct FGD Enhancements on Petersburg Unit 4 and to install mercury monitors to allow IPL to reliably and economically achieve compliance with the U.S. Environmental Protection Agency's ("EPA") air emission regulations (the second step of IPL's MPP). On February 24, 2010, in Cause No. 42170 ECR 14 and on July 7, 2011, in Cause No. 42170 ECR 16 S1, the Commission approved modifications to IPL's CPCN regarding IPL's cost estimates of the MPP projects. In Cause No. 42170 ECR 19, IPL requested modifications to its CPCN regarding IPL's cost estimates of the Petersburg Unit 4 FGD Enhancements project, which were addressed in a Settlement Agreement approved by the Commission's November 21, 2012 Order. In this Cause, Petitioner seeks Commission approval of an ECCRA to earn a return on construction costs incurred through November 30, 2012, and to timely recover depreciation and operation and maintenance ("O&M") expenses.

4. **Status of Petitioner's Construction of Qualified Pollution Control Property ("QPCP").** Petitioner submitted testimony regarding the status of the CCT projects. Mr. Kehres provided a progress report as part of the ongoing review of IPL's NO<sub>x</sub> and Multi-Pollutant compliance projects approved in Cause No. 42170. He also stated that all projects are in service and the SBS Injection Systems remain suspended pending further evaluation. The completion date for the SBS Injection Systems has not been determined as these projects have been suspended, and the final costs for those projects will be reported once they are completed and placed into service.

Mr. Kehres testified regarding the two MPP projects that were approved in the November 30 Order. The first, an enhancement to the existing FGD system on Petersburg Unit 3, has been completed, and the project entered service on June 24, 2006. The performance of the upgraded scrubber has exceeded the original design emission target of 0.4 lbs SO<sub>2</sub>/MMBtu as the current emissions from Unit 3 are less than 0.2 lbs SO<sub>2</sub>/MMBtu. This better than expected performance will likely result in lower future SO<sub>2</sub> compliance costs as fewer SO<sub>2</sub> emissions allowances will be consumed on Unit 3. The second MPP project, a new FGD system for Harding Street Unit 7, went into service on September 17, 2007, and all construction completion activities have been completed.

Mr. Kehres also provided an update on the two MPP projects approved in Cause No. 43403, the Petersburg Unit 4 FGD Enhancements and the Mercury Monitoring Systems. He stated that the Petersburg Unit 4 turbine overhaul has been completed, and the Unit 4 FGD Enhancements were placed into service on November 25, 2011. Start up activities, initial tuning, and performance testing have been completed. Mr. Kehres reported that the FGD Enhancements project met all of the required performance guarantees during the Baseline Test. He stated the average SO<sub>2</sub> removal during the test was 95.5%. Mr. Kehres testified that, as explained in the ECR 14 proceeding, IPL previously delayed the Mercury Monitoring System projects due to the uncertainty surrounding the Clean Air Mercury Rule ("CAMR"), which was vacated by the courts. He said IPL filed its Mercury and Air Toxics Standards ("MATS") compliance plan on August 31, 2012, and the Mercury Monitoring Systems were addressed in that filing.

Mr. Kehres provided an update on the estimated cost of the Petersburg Unit 4 FGD Enhancements project, explaining that IPL has completed its investigation of issues arising under a contract related to work performed on the Pete 4 FGD Enhancements project and has reached a settlement with the contractor. He summarized the various adjustments made to the project costs. Mr. Kehres reiterated that pursuant to the Settlement Agreement approved in Cause No. 42170 ECR 19 ("ECR 19 Settlement Agreement"), IPL has agreed not to seek recovery through the ECR tracker filings for construction costs related to the Pete 4 FGD upgrade over \$128 million (the CPCN amount as approved in ECR 16 S1) less actual removal/demolition costs of \$3,364,169.

Ms. Olinger provided an update on Petitioner's compliance plan with the EPA mandated Clean Air Interstate Rule ("CAIR") emission reduction requirements. CAIR required year round NO<sub>x</sub> compliance as of January 1, 2009. This new requirement is in addition to the summer ozone season requirements (May 1 through October 31), which have been in effect since the NO<sub>x</sub> SIP Call. Ms. Olinger stated that IPL met the 2012 CAIR summer ozone season requirements through the successful operation of its NO<sub>x</sub> pollution control equipment and the existing SCR catalyst management plan for Petersburg Unit 2, Petersburg Unit 3, and Harding Street Unit 7. She said that during 2012, IPL was not required to supplement its compliance plan with the purchase of NO<sub>x</sub> ozone season allowances on the open market.

Ms. Olinger testified that IPL will meet the 2012 CAIR annual emission reduction requirements in the same manner as IPL has done over the last several years. First and foremost, IPL will meet the requirements primarily through the successful operation of its NO<sub>x</sub> pollution control equipment and the existing SCR catalyst management plan for Petersburg Unit 2, Petersburg Unit 3, and Harding Street Unit 7. She said that as IPL has done in the past, it may have to supplement its compliance plan with the purchase of allowances on the open market.

Ms. Olinger testified that IPL will meet the CAIR SO<sub>2</sub> emission reduction requirements primarily through the successful operation of IPL's existing pollution control equipment, which includes scrubbers on all of IPL's Big Five units. In addition, IPL may be required to purchase SO<sub>2</sub> allowances on the open market to supplement its compliance plan. She testified that any NO<sub>x</sub> or SO<sub>2</sub> allowance purchases would not be material at this time because the allowance markets for both NO<sub>x</sub> and SO<sub>2</sub> collapsed following the court-ordered stay of the Cross State Air Pollution Rule ("CSAPR"). She added that at this time, the vintage allowance markets for SO<sub>2</sub>, NO<sub>x</sub> season, and NO<sub>x</sub> annual continue to trade at historical lows.

Ms. Olinger explained the CAIR was promulgated in 2005, but was vacated by the D.C. Circuit Court. On appeal, the Court ruled that CAIR would remain in effect until such time as EPA promulgated a replacement rule. In August 2010, the EPA issued a proposed replacement rule, known as CSAPR, which was subsequently finalized in July 2011. The CSAPR mandated additional cuts in SO<sub>2</sub> and NO<sub>x</sub> emissions in two phases in 2012 and 2014. Further, it was a modified cap and trade rule with unlimited trading of allowances within individual states but limited interstate trading. However, prior to CSAPR becoming effective, the Court granted a request for stay and instructed EPA to implement CAIR during the stay. On August 21, 2012, the Court vacated and remanded back the CSAPR rule. As a result, CAIR remains in effect. IPL will continue to meet the CAIR with its existing controls combined with purchases of allowances on the open market, when needed.

Mr. Forestal testified that as explained by Mr. Cutshaw in supplemental testimony filed in the ECR 19 proceeding, the ECR 19 Settlement Agreement provides that IPL will not seek recovery, through the ECR tracker filings, for construction costs related to the Pete 4 FGD upgrade over \$128 million less actual removal/demolition costs of \$3,364,169. Accordingly, the amount requested in this proceeding for recovery of the Pete 4 FGD upgrade has been limited to \$124,635,831.

Mr. Blakely of the OUCC testified that IPL complied with the terms of the ECR 19 Settlement Agreement. He noted that IPL has increased the total cost estimate of the Petersburg Unit 4 FGD Enhancements project to \$130,984,679, which is \$1,575,335 beyond the revised CPCN amount approved in ECR 19. He said the OUCC intends to review the prudence and reasonableness of the additional costs for this project in IPL's next general rate case, consistent with the terms of the ECR 19 Settlement Agreement. Mr. Blakely described the ratemaking treatment requested by Petitioner in this Cause and testified that nothing came to his attention that would indicate that IPL's calculation of estimated ECR adjustment factors for the relevant period is unreasonable.

Based on the evidence discussed above, we find that the costs incurred through November 30, 2012, for the CCT projects used in the computation of the proposed ECCRA are reasonable and appropriate. Therefore, we approve the construction work through November 30, 2012, and the reflection of such costs in the ECCRA as proposed by Petitioner. This Order does not address the Petersburg Unit 4 FGD Enhancements project cost estimate increase. Consistent with the approved ECR 19 Settlement Agreement, any proposed modification of this CPCN to increase the currently approved cost estimate will be addressed in IPL's next general rate case.

## 5. Compliance with Applicable Requirements.

A. Amount of QPCP Construction Costs. 170 IAC 4-6-12 (“Section 12”) requires Petitioner to make certain submissions as part of its prefiled written testimony and exhibits in support of its request for ratemaking treatment for its QPCP construction costs. Pursuant to Section 12(1), Mr. Forestal sponsored Petitioner’s Exhibits CF-2 NO<sub>x</sub>, CF-2 MPP and CF-2 MPP2, which set forth the construction costs as of November 30, 2012 for which Petitioner seeks ratemaking treatment in this Cause. This ECCRA includes recovery of costs approved in this Commission’s November 14, November 30, and April 2 Orders. Mr. Forestal testified that the CCT projects for which IPL is seeking recovery have been under construction for at least six months.

B. Rate of Return on Approved QPCP Construction Costs. Petitioner’s Exhibit CF-1 NO<sub>x</sub> reflects the calculation of Petitioner’s Gross Revenue Conversion Factors as approved in Cause No. 42170 utilizing an allowed rate of return of 8.00% and a gross rate for borrowed funds of 3.27%. Petitioner’s Exhibit CF-1 MPP reflects the calculation of Petitioner’s Gross Revenue Conversion Factors as approved in Cause No. 42700 utilizing an allowed rate of return of 7.70% and a gross rate for borrowed funds of 3.65%. Petitioner’s Exhibit CF-1 MPP2 (Revised) reflects the calculation of Petitioner’s Gross Revenue Conversion Factors as approved in Cause No. 43403 utilizing an allowed rate of return of 7.44% and a gross rate for borrowed funds of 2.76%.

C. Recovery of Depreciation, Capital Maintenance and O&M Expenses. Our November 14, November 30, and April 2 Orders provide for the timely recovery of depreciation and O&M expenses. Petitioner’s Exhibits CF-2 NO<sub>x</sub>, Exhibit CF-2 MPP, and CF-2 MPP2 included prospective depreciation and O&M expenses. Mr. Forestal testified that the estimated O&M expenses were for ammonia and urea costs that will be consumed for the operation of the SCRs and selective non-catalytic reduction (“SNCR”) systems, limestone, chemicals, and labor costs (including benefits) for the operation of the FGDs, as well as for maintenance of the equipment.

Mr. Forestal stated Petitioner’s Exhibit CF-2 NO<sub>x</sub> and Petitioner’s Exhibit CF-2 MPP contain items that were approved in ECR 14 through ECR 19 and that IPL is also requesting recovery of an incremental \$1.1 million of capital maintenance items added during the period ending November 30, 2012, including accumulated Allowance for Funds Used During Construction (“AFUDC”), as discussed by Mr. Smith. Mr. Forestal provided additional support for IPL’s treatment of capital maintenance items as substantial additions. He explained that IPL uses the term capital maintenance to refer to items installed in its pollution control equipment which replace equipment that (i) was capitalized and is included in IPL’s utility plant balance, (ii) was included in the original CPCN granted for pollution control equipment, (iii) has since failed or been damaged, (iv) was determined to be a unit of property when it was originally installed and (v) is not considered a substantial betterment compared to the original equipment being replaced. He stated that replacement of items that were originally capitalized but not considered to be units of property are expensed as maintenance and that IPL uses the term “unit of property” to be synonymous with the term “retirement unit.” Mr. Forestal stated that IPL consistently capitalizes items that replace failed or damaged equipment that was designated to be a unit of property regardless of whether or not the original equipment was included in the CPCN and eligible for timely recovery. He stated that this practice is required by the Uniform System of Accounts (“USOA”) (CFR Part 101, Section 10) and Federal Energy Regulatory Commission (“FERC”) Order No. 598 issued on February 5,

1998. Mr. Forestal stated that IPL's financial practices and procedures are established to ensure proper compliance with the USOA's treatment of asset acquisition, depreciation, transfer and disposition.

Mr. Forestal stated that while FERC does not provide a definition for the term "unit of property" or "retirement unit," the Edison Electric Institute defines units of property as, "[a]n assemblage of equipment consisting of individual items usually considered as a whole for determining the accounting treatment for replacement of the equipment." He stated that based on this guidance, the items included in this filing as capital maintenance were determined to be units of property by IPL accounting personnel years ago independent of the regulatory tracker process.

Mr. Forestal explained that capital maintenance costs are recovered in the same manner as Utility Plant included in the CPCN, which is over the estimated useful life of the item and including a return. He explained that both the estimated useful life (18 years) and the return were agreed upon in the applicable Stipulation and Settlement Agreements for the NO<sub>x</sub> (Cause No. 42170) and MPP (Cause No. 42700) programs. Conversely, maintenance expenses are recovered by IPL over a six-month period without a return.

Mr. Forestal stated that Petitioner's Exhibit CF-2 NO<sub>x</sub> and Petitioner's Exhibit CF-2 MPP reflect retirements related to the capital maintenance items replaced. He stated that to reflect the recorded retirement entries, the original cost of the retired assets has been shown separately as a reduction from clean coal technology utility plant, and accumulated depreciation was reduced. Additionally, the forecasts for depreciation have been adjusted to remove depreciation for the items replaced.

Mr. Forestal testified that in the Order in Cause No. 43403, the Commission required IPL to include in each ECCRA filing the actual amount of SO<sub>2</sub> allowances consumed in the sale of off-system power from the jurisdictional portion of the Petersburg Unit 4 FGD Enhancements project. Mr. Forestal indicated there were \$324 worth of SO<sub>2</sub> allowances consumed for the period ended November 30, 2012.

Mr. Willis provided a review of the implementation of IPL's SCR Catalyst Management Program and provided information regarding the replacement and refurbishment expenditures that will be incurred incident to operation of IPL's SCR systems at Petersburg Units 2 and 3 and Harding Street Unit 7 for which recovery will be sought in future proceedings. Mr. Willis also presented cumulative performance data and the graphical presentation of the catalyst replacement schedule for Petersburg Units 2 and 3 and Harding Street Unit 7. He said one notable update is the projected need to replace two catalyst layers for Unit 2 during the next scheduled unit outage in the fall of 2013. He explained this is necessitated by the reduced cumulative DeNO<sub>x</sub> Potential for the three catalyst layers. He provided further details and cost estimates in Petitioner's Exhibits RW-1 and RW-4.

Mr. Willis described the ongoing capital maintenance projects and IPL's projected O&M expenses related to IPL's emissions control equipment. He stated that the catalyst layer that was removed from Petersburg Unit 2 in the spring of 2012 has been regenerated and is ready for installation. This layer will be used during the Petersburg Unit 2 outage in the fall of 2013. Petersburg Unit 3 had one layer of regenerated catalyst installed during the October 2012 unit outage. The catalyst layer that was removed from Petersburg Unit 3 will have the regeneration

completed in December 2012. He said the next outage on Petersburg Unit 3 is scheduled for the spring of 2014. The process of regeneration of the catalyst for Harding Street Station Unit 7 that was removed from service during the spring 2012 outage will begin in January 2013 and will be completed by May 2013. He said Harding Street Station Unit 7's next planned outage is currently scheduled for the spring of 2014.

Mr. Willis also identified the capital maintenance projects planned for the next 6 month period. He stated that the Harding Street Unit 7 FGD belt filters had substantial preventative maintenance work completed in October of 2012 to maintain their operational reliability. The Harding Street Unit 7 FGD Reagent Feed Piping is failing frequently due to internal erosion of the fiberglass reinforced plastic piping. As failures occur, patching and replacement of minor sections are being conducted as an O&M expense to maintain FGD operations. During the October Petersburg Unit 3 planned outage, inspections and routine repairs were conducted on the FGD system that included nozzle replacements to address erosion, flue gas duct patching, and duct work expansion joint replacements.

Finally, Mr. Willis testified that IPL has worked with its plant personnel to adjust the O&M estimate prepared for this filing to reflect any known changes from the most recent annual budget. He stated an opportunity was identified and implemented to sell additional gypsum from Harding Street Station Unit 7 FGD, resulting in lower future gypsum disposal costs. He stated a Petersburg Station Unit 4 FGD Ball Mill overhaul was budgeted for early 2012 and was completed in fall 2012. Finally, funds originally allocated for a spring 2012 Petersburg Station Unit 2 SCR outage were reallocated to a fall 2012 Petersburg Station Unit 3 SCR outage.

Mr. Smith testified regarding ongoing capital maintenance projects for IPL's Petersburg, Harding Street, and Eagle Valley Generating Stations emissions control equipment, including a description of anticipated capital maintenance for which IPL is seeking recovery of costs in this proceeding. He stated that there were three Petersburg Unit 3 FGD projects completed during the Fall 2012 outage, including replacement of the Unit 3 FGD mist eliminator packing in A and B modules, replacement of all of the Unit 3 recycle slurry header nozzle attachments and completion of the last iteration of the Unit 3 stack liner alloy bulging repairs.

Mr. Smith testified that normal, routine outage inspections on the Unit 3 SCR valves, sonic horns and insulation revealed little to no damage, and further capital repair work was not required as predicted in the ECR 19 testimony. He said any needed Unit 3 SCR work was completed under outage maintenance requirements without capital outlay. The Unit 2 SCR ammonia vaporizer that recently failed was replaced in fall 2012 and was not capitalized. He said that while IPL does not have any planned capital maintenance projects for the next six month period, the potential for miscellaneous capital maintenance projects always exists with emission control assets operating in severe conditions.

**D. Revenue Requirement.** Section 12(5) requires Petitioner to submit evidence regarding the derivation of its revenue requirement, including tax calculations, associated with the ratemaking treatment for the QPCP construction costs. Petitioner's Exhibits CF-1 NO<sub>x</sub>, CF-1 MPP, and CF-1 MPP2 (Revised) provide this information. Petitioner's Exhibits CF-2 NO<sub>x</sub>, CF-2 MPP, and CF-2 MPP2 (Revised) provide details of the construction costs that have been incurred through November 30, 2012. Mr. Forestal stated that the CCT projects for which IPL is seeking recovery have been under construction at least six months, at a cost of \$619 million, inclusive of AFUDC and

net of retirements through November 30, 2012. Petitioner's Exhibits CF-2 NO<sub>x</sub>, CF-2 MPP, and CF-2 MPP2 (Revised) indicate that the total ECR 20 revenue requirement associated with QPCP construction costs as of November 30, 2012, is \$23.053 Million.

Mr. Forestal explained that IPL included projected depreciation and O&M associated with the CCT controls that are now in-service for the billing period of March through August 2013.

IPL reconciled estimated expenses and revenues to actual for the ECR 18 period of March through August 2012, resulting in a total variance of negative \$705,835 (Petitioner's Exhibits CF-3 (Revised), CF-4 and JC-4). Petitioner's filing includes \$19.1 million of depreciation expense applicable to jurisdictional retail customers and \$7.7 million of O&M expenses applicable to jurisdictional retail customers. The total jurisdictional revenue requirement applicable to ECR-20 is \$49,435,165 as reflected in Petitioner's Exhibit CF-3 (Revised).

**E. Net Operating Income for Fuel Adjustment Clause.** Pursuant to 170 IAC 4-6-21, Petitioner shall add the approved return on its QPCP to its net operating income authorized by the Commission for the purposes of Ind. Code §§ 8-1-2-42(d)(2) and 8-1-2-42(d)(3) in all subsequent Fuel Adjustment Charge proceedings. However, the Commission requires that, for purposes of computing the authorized net operating income for Ind. Code §§ 8-1-2-42(d)(2) and 8-1-2-42(d)(3), the jurisdictional portion of the increased return shall be phased-in over the appropriate period of time that the Petitioner's net operating income is affected by this earnings modification resulting from the Commission's approval of this QPCP Construction Cost Rider.

**F. Allocation of Jurisdictional Revenue Requirement.** 170 IAC 4-6-15 provides that a utility's QPCP jurisdictional revenue requirement should be allocated among the utility's customer classes in accordance with the allocation parameters established in the utility's last general rate case. In accordance with Section 12(6), Petitioner's Exhibit JC-2 demonstrates the allocation of the QPCP construction cost revenue requirement among the utility's customer classes. Petitioner's allocation factors are from Petitioner's most recent electric rate case (Cause No. 39938) approved August 24, 1995.

**G. Amount of Rider Adjustment.** In Petitioner's Exhibit CF-3 (Revised), the following ECCRA rate for each customer class was proposed:

\$0.007553 per KWH for Rates RS, CW (with associated Rate RS service)

\$0.011112 per KWH for Rates SS, SH, OES, UW, CW (with associated Rate SS service)

\$0.005779 per KWH for Rates SL, PL, PH, HL

**H. Approval of Rider Adjustments.** The Commission finds that Petitioner has complied with the rules and procedures applicable to its request, including the requirements of 170 IAC 4-6, the November 14 Order, the November 30 Order, the April 2 Order, and our subsequent orders regarding the Rider. The Commission further finds that the proposed Rider Adjustments are properly calculated and comply with the provisions of the ECR 19 Settlement Agreement. Therefore, the Commission approves the Rider Adjustments contained in Petitioner's Exhibit CF-3 (Revised), as shown in Petitioner's Exhibit A (Revised) effective for all bills rendered for electric services beginning with the first billing cycles of the March 2013 billing month.

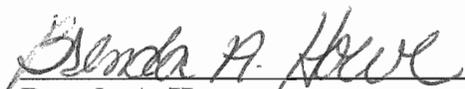
**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:**

1. The CCT Projects construction work and construction costs used in the computation of the proposed ECCRA, incurred as of November 30, 2012, are approved.
2. Petitioner's proposed rate adjustments in its ECCRA as set out in Paragraph 5 of this Order are approved.
3. Pursuant to 170 IAC 4-6-21, Petitioner shall add the approved return on its QPCP to its net operating income authorized by the Commission for the purposes of Ind. Code §§ 8-1-2-42(d)(2) and 8-1-2-42(d)(3) in all subsequent Fuel Adjustment Charge proceedings. However, for purposes of computing the authorized net operating income for Ind. Code §§ 8-1-2-42(d)(2) and 8-1-2-42(d)(3), the jurisdictional portion of the increased return shall be phased-in over the appropriate period of time that Petitioner's net operating income is affected by this earnings modification resulting from the Commission's approval of this QPCP Construction Cost Rider.
4. Prior to placing the proposed rate adjustment into effect, Petitioner shall file with the Electricity Division of the Commission an amendment to its tariff reflecting the approved QPCP Construction Cost Rider rate adjustments contained in Petitioner's Exhibit CF-3 (Revised), as shown in Petitioner's Exhibit A (Revised).
5. This Order shall be effective on and after the date of its approval.

**ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:**

**APPROVED: FEB 27 2013**

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

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