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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)
ENVIRONMENTAL COMPLIANCE COST)
RECOVERY ADJUSTMENT COMMENCING)
WITH THE SEPTEMBER 2014 BILLING)
CYCLE IN ACCORDANCE WITH THE)
ONGOING REVIEW PROCESS)**

CAUSE NO. 42170 ECR 23

APPROVED: AUG 27 2014

ORDER OF THE COMMISSION

**Presiding Officers:
David E. Ziegner, Commissioner
Jeffery A. Earl, Administrative Law Judge**

On June 23, 2014, 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 September 2014 billing cycle. Also on June 23, 2014, IPL prefiled the direct testimony and exhibits of the following:

- Michael J. Smith, Manager, Engineering & Project Management for IPL’s Harding Street, Petersburg, and Eagle Valley Generating Stations;
- Thomas W. Moore, Project Engineering Manager for the Mercury and Air Toxics Standards on IPL’s Environmental Compliance Construction Projects Team;
- Richard Willis, Plant Leader, Power Supply;
- Angelique Olinger, Director of Environmental Policy at AES US Services, LLC;
- Craig Forestal, Director of Regulatory Accounting at AES US Services, LLC; and
- James L. Cutshaw, Revenue Requirements Manager for IPL.

On August 4, 2014, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the testimony and exhibits of Wes R. Blakley, Senior Utility Analyst in the OUCC’s Electric Division.

On August 7, 2014, IPL filed rebuttal testimony of Mr. Cutshaw.

The Commission held an Evidentiary Hearing in this Cause at 1:30 p.m. on August 11, 2014, in Hearing Room 224, 101 W. Washington Street, Indianapolis, Indiana. IPL and the OUCC appeared and participated in the hearing. No other party or members of the public appeared.

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

1. **Commission Jurisdiction and Notice.** 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 §§ 8-1-2-6.6 and 8-1-2-6.8 and Ind. Code chs. 8-1-8.7 and 8-1-8.8, the Commission has jurisdiction over a public utility's cost recovery related to the use of clean coal technology ("CCT"). Therefore, the Commission has jurisdiction over IPL and the subject matter of this Cause.

2. **IPL'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. **Background.** In the November 14, 2002 Order in Cause No. 42170, the Commission granted IPL a certificate of public convenience and necessity ("CPCN") for its projects to comply with new environmental regulations restricting the emission of nitrogen oxides ("NO_x") from IPL's generation units. The Order also approved use of the ECCRA and procedures for implementing the ECCRA, including standardized forms for purposes of submission of information. In the February 28, 2007 Order in Cause No. 42170 ECR 8, the Commission approved modifications to IPL'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 ("SO₃") emissions and for recovery of the cost of the SBS injection system.

In the November 30, 2004 Order in Cause No. 42700, the Commission 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. In subsequent Orders in Cause Nos. 42170 ECR 5, ECR 7, and ECR 8, the Commission approved modifications to IPL's CPCN regarding IPL's cost estimates of the CCT projects. 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 Cause Nos. 42170 and 42700, and subsequent Commission orders in various ECR proceedings, concern the first step of IPL's Multi-Pollutant Plan ("MPP"). In the April 2, 2008 Order in Cause No. 43403, the Commission 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). In Cause Nos. 42170 ECR 14 and 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 the August 14, 2013 Order in Cause No. 44242 ("44242 Order"), the Commission approved a Settlement Agreement regarding IPL's proposed Mercury and Air Toxics Standards ("MATS") Rule Compliance Project. The 44242 Order

authorized IPL to recover through the ECCRA its costs during construction and operation of the MATS Compliance Project, including depreciation expense and associated operations and maintenance (“O&M”) expenses, and a return component determined utilizing the methodology authorized in Cause No. 43403.

4. **Relief Requested.** IPL seeks Commission approval of an ECCRA to earn a return on construction costs incurred through May 31, 2014, and to timely recover depreciation and O&M expenses, as approved by the Commission’s Orders in Cause Nos. 42170, 42700, 43403, and 44242.

5. **Ongoing Progress Reports.**

A. **Status of IPL’s Construction of Qualified Pollution Control Property (“QPCP”).** IPL submitted testimony regarding the status of the CCT projects. Mr. Smith provided a progress report as part of the ongoing review of IPL’s NO_x and Multi-Pollutant compliance projects approved in Cause No. 42170. He stated that all projects are in service and the SBS Injection Systems have been included as part of the proposed MATS project in Cause No. 44242.

Mr. Smith testified regarding the two MPP projects that were approved in Cause No. 42700. 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 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. Smith 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 Petersburg Unit 4 FGD Enhancements were placed into service on November 25, 2011. Mr. Smith 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 the Mercury Monitoring Systems were included in IPL’s MATS filing.

Mr. Smith sponsored Petitioner’s Exhibit MJS-2, which shows the projected in-service dates for implementation of IPL’s MPP and the estimated total project cost of compliance, by project, for each of IPL’s generating facilities where MPP projects are being installed.

B. **Status of EPA Compliance Plans.** Ms. Olinger provided an update on IPL’s compliance plan with the EPA mandated Clean Air Interstate Rule (“CAIR”) emission reduction requirements. CAIR required year round NO_x compliance as of January 1, 2009. This new requirement is in addition to the summer ozone season requirements (May 1 through September 30).

Ms. Olinger testified that IPL will meet the 2014 CAIR annual and summer ozone season requirements through the successful operation of its NO_x 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 IPL 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 SO₂ 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 SO₂ allowances on the open market to supplement its compliance plan. She testified that any NO_x or SO₂ allowance purchases would not be material at this time because the allowance markets for both NO_x and SO₂ 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 SO₂, NO_x seasonal, and NO_x 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 SO₂ and NO_x 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 the CSAPR rule. As a result, CAIR remains in effect. At this time, IPL will continue to meet the CAIR with its existing controls combined with purchases of allowances on the open market, when needed.

Ms. Olinger added that on April 29, 2014, the U.S. Supreme Court upheld CSAPR, remanding the Rule to the D.C. Circuit Court to determine if the Rule's stay should be lifted. She said many uncertainties remain related to the potential implementation of CSAPR, including timing, allocation of allowances, and market pricing. She said the U.S. Supreme Court left several issues open and thus the D.C. Circuit Court may keep the stay in place during this litigation. She said for this reason it is probable that the Rule will take effect at a date beyond January 2015. Ms. Olinger explained that while the outcome of the D.C. Circuit Court decision or the final Rule that will be implemented cannot be predicted with certainty, the expectation is that such a Rule would have a similar impact as that of CAIR or CSAPR.

Ms. Olinger also discussed IPL's plans to comply with the MATS Rule. She explained that as described in detail in IPL's case-in-chief in Cause No. 44242, IPL plans to retrofit IPL's Big Five units (Petersburg Units 1 through 4 and Harding Street Unit 7) with environmental controls to meet the MATS Rule requirements. She said these units are each equipped with flue gas desulfurization ("FGD") systems to fully scrub SO₂, and three have selective catalytic reduction technology to control NO_x. These controls also assist in the removal of MATS-regulated emissions, including acid gases, mercury and non-mercury metal hazardous air pollutants.

6. Compliance with Applicable Requirements.

A. Amount of QPCP Construction Costs. 170 IAC 4-6-12 ("Section 12") requires IPL 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), Petitioner's Exhibits MJS-3, CF-2 NO_x, CF-2 MPP, CF-2 MPP2 and CF-2 MATS set forth the construction costs as of May 31, 2014 for which IPL seeks ratemaking treatment in this Cause. 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 \$827 million, inclusive of Allowance for Funds Used During Construction ("AFUDC") and net of retirements through May 31, 2014.

Mr. Blakley of the OUCC testified regarding IPL's requested ECR factor. He stated that according to IPL, an average residential customer with monthly usage of 1,000 kWh per month will experience a decrease of \$1.03 or 1.38%. He stated that IPL included capital maintenance projects in this Cause. Importantly, the items being replaced have been in the tracker since their original installation and, as such, the items replaced come out of the tracker and the replacement items go in. He indicated the costs of these items are shown on IPL's schedules.

Mr. Blakley described the ratemaking treatment requested by IPL in this Cause and testified that, based on the Commission's finding in Cause No. 44339 that IPL shall utilize a return on equity ("ROE") of 10.2% in its AFUDC calculation for the construction approved in that proceeding, IPL should be directed to utilize a 10.2% ROE in calculating its AFUDC and carrying charge calculations on a going forward basis in subsequent ECRs. He said that this recommendation would not change the proposed ECR factors in this proceeding because the OUCC recommends the change after the issuance of an order in this Cause.

Mr. Cutshaw disagreed that the Commission's finding in Cause No. 44339 that IPL utilize a cost of equity of 10.2% in its AFUDC calculation for all construction approved in that Order should be used to calculate the AFUDC and carrying charges for projects in the ECR. He explained that neither of the projects approved in Cause No. 44339 was authorized timely recovery of costs and therefore will not be reflected in a future ECR filing. Mr. Cutshaw testified that the only project still under construction is the MATS project and, if Mr. Blakley's proposal is accepted, the result will be a different procedure for the MATS Project from that authorized in Cause No. 44242.

Mr. Cutshaw explained that in Cause No. 44242, the Commission noted that the Settlement Agreement included an ECR Rate Base Credit of \$29 million, the basis of which was, in part, a concern by the OUCC and Industrial Group as to the use of a 12.1% cost of equity. He stated that Mr. Blakley's proposal attempts to modify a single component of the 44242 Settlement Agreement and effectively ignores this rate base credit. He said the OUCC proposal that the Commission modify the 44242 Settlement Agreement and other precedent is unreasonable and should be rejected.

Based on the evidence discussed above, we find that the costs incurred through May 31, 2014, for the CCT projects used in the computation of the proposed ECCRA are reasonable and appropriate. Therefore, we approve the construction work through May 31, 2014, and the reflection of such costs in the ECCRA as proposed by IPL.

With respect to IPL's calculation of AFUDC and carrying charges, the Commission finds that IPL shall continue to use its current procedures for calculating AFUDC and carrying charges for the projects included in the ECR. This methodology is consistent with the approvals granted in Cause Nos. 44242, 43403, 42700, and 42170. The 44242 Settlement Agreement provided that

the procedures currently in place for AFUDC and post-in-service AFUDC (carrying charges) will continue to be used. This is consistent with the approvals granted by the Commission in Cause Nos. 42170, 42700, and 43403 and IPL's request in its case-in-chief in Cause No. 44242. While the Commission's Order in Cause No. 44339 did direct IPL to use a cost of equity of 10.2% for the projects approved in that Cause, those projects are not being reflected in the ECR and we did not direct IPL to alter its methodology for calculating AFUDC and carrying charges in the ECR.¹ Therefore, we approve IPL's use of a 12.1% cost of equity for purposes of calculating AFUDC and carrying charges in this ECR.

B. Rate of Return on Approved QPCP Construction Costs. Petitioner's Exhibit CF-1 NO_x reflects the calculation of IPL'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 IPL'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 reflects the calculation of IPL's Gross Revenue Conversion Factors as approved in Cause No. 43403 utilizing an allowed rate of return of 7.39% and a gross rate for borrowed funds of 2.65%. Petitioner's Exhibit CF-1 MATS reflects the calculation of IPL's Gross Revenue Conversion Factors as approved in Cause No. 44242 utilizing an allowed rate of return of 7.39% and a gross rate for borrowed funds of 2.65%.

C. Recovery of Depreciation, Capital Maintenance and O&M Expenses. Our Orders in Cause Nos. 42170, 42700, 43403 and 44242 provide for the timely recovery of depreciation and O&M expenses. Petitioner's Exhibits CF-2 NO_x and CF-2 MPP 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_x and CF-2 MPP contain items that were approved in ECR 14 through ECR 22 and that IPL is also requesting recovery of an incremental \$1,619,000 of capital maintenance items added during the six-month period ending May 31, 2014, including accumulated AFUDC. 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 testified that IPL consistently

¹ The 44339 Order allowed further consideration of the impact of the imputed cost of equity rate in the event the authorized ROE in IPL's next base rate case is materially higher. In effect, the impact of the cost of equity directive in the 44339 Order will not be reflected in retail rates before until there is further development of the record on the appropriate cost of equity.

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 testified 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_x (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_x 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 SO₂ 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 was a \$1,000 SO₂ allowance credit for the six-month period ended May 31, 2014.

Mr. Willis provided a review of the implementation of IPL’s SCR Catalyst Management Program and provided information regarding the replacement or 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 provided further details and cost estimates in Petitioner’s Exhibits RW-1 through 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 Petersburg Unit 2 completed its outage and is currently in-service. During the outage, an original layer of catalyst was removed and not re-installed. He stated IPL continues evaluating possible options to determine the best

course of action for replacing this catalyst layer. Petersburg Unit 2 has a planned outage in February 2015, at which time a layer of catalyst will be changed out to maintain removal efficiency, per the catalyst management plan. Petersburg Unit 3 completed a maintenance outage in April 2014 and changed out one catalyst layer per its catalyst plan. The layer removed from the Petersburg Unit 3 SCR will be sent out for regeneration during the summer of 2014. Both Petersburg Unit 2 and Unit 3 will perform operational tuning on the SCRs in the spring and fall of 2014. He explained that Harding Street Station Unit 7 (“HSS7”) had a planned maintenance outage beginning in March 2014 and installed two regenerated catalyst layers. The removed layers will be regenerated during the period October through December 2014.

Mr. Willis stated that HSS7 FGD unit was taken out of service in March of 2014 for a maintenance outage that coincided with the generating unit outage. Maintenance activities conducted during the outage included inspection and rebuild of two recycle pumps, repair of a broken absorber agitator shaft, and removal of 7-2 booster fan motor for off-site repairs. The HSS7 FGD was returned to service and has performed well since the outage; only preventative and corrective maintenance activities are anticipated over the next six months. Petersburg Unit 3 had a maintenance outage in April 2014, during which routine preventative and corrective maintenance was performed. Petersburg Unit 4 continues with normal operation and currently has a planned outage scheduled for the fall of 2014.

Mr. Willis stated ammonia usage for HSS7 was below projections for the period of November 2013 to February 2014 due to issues with the SBS system, which required the SCR to be operated at a reduced capacity to prevent operational issues with other plant equipment. He said the O&M estimate prepared for this filing reflects the anticipated expenditures for continued operation of these assets. He stated actual costs for Petersburg Unit 4 were below forecast in ECR-21 due to lower than expected maintenance and coal combustion product disposal costs.

Mr. Smith testified regarding the capital maintenance projects completed and/or begun in the past six month period. He identified a number of capital items that were replaced during the Petersburg Unit 3 outage in the spring of 2014. On Harding Street Station Unit 7, IPL completed lead-time purchases and began installation of the SCR inlet and outlet NO_x monitors in anticipation of installation and commissioning during the spring 2014 outage. He said permanent commissioning activity is ongoing and controls engineers are working on tuning to place the system in automatic mode by late spring.

Mr. Smith also described the capital projects IPL has planned for the next six-month period. He said IPL is evaluating the purchase of a new or regenerated SCR catalyst layer for Petersburg Unit 2. Petersburg also plans some lead-in purchases of ceramic-lined air preheater baskets for replacement during the Petersburg Unit 3 spring 2015 major outage.

D. Revenue Requirement. 170 IAC 4-6-12(5) requires IPL 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_x, CF-1 MPP, CF-1 MPP2 and CF-1 MATS provide this information. Petitioner’s Exhibits CF-2 NO_x, CF-2 MPP, CF-2 MPP2 and CF-2 MATS provide details of the construction costs that have been incurred through May 31, 2014. As explained by Mr. Forestal, CF-2 MATS (Page 2, Line 17, Column J) also reflects a \$13,448,276 credit based on the Order in Cause No.

44242. This amount was calculated by dividing \$10 million by \$29 million, and then multiplying the result by \$39 million, which follows the Commission's 44242 Order at page 36 to apply the credit in similar proportion to the proposed ECR Rate Base Credit. Based on IPL's exhibits, the total ECR-23 jurisdictional revenue requirement associated with earning a return on QPCP construction costs as of May 31, 2014 is \$30.4 million.

Mr. Forestal explained that IPL also included projected depreciation and O&M associated with the CCT controls that are now in-service for the billing period of September 2014 through February 2015. IPL's filing includes \$19.2 million of depreciation expense applicable to jurisdictional retail customers and \$10.2 million of O&M expenses applicable to jurisdictional retail customers. IPL also reconciled estimated expenses and revenues to actual for the ECR 21 period of September 2013 through February 2014, resulting in a total variance of -\$3.2 million (Petitioner's Exhibits CF-3, CF-4 and JC-4). The total jurisdictional revenue requirement applicable to ECR-23 is \$56,765,032 as reflected in Petitioner's Exhibit CF-3.

E. Net Operating Income for Fuel Adjustment Clause. Pursuant to 170 IAC 4-6-21 and Ind. Code § 8-1-8.8-11(a)(5), IPL 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 IPL's net operating income is affected by this earnings modification resulting from the Commission's approval of this ECCRA.

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. IPL's allocation factors are from IPL's most recent electric rate case (Cause No. 39938) approved August 24, 1995. Mr. Cutshaw explained that consistent with the Settlement Agreement approved in the Commission's Order in Cause No. 44242, the currently-utilized ECCRA demand allocation for the Large Commercial & Industrial rate class has been segregated into two components. Petitioner's Exhibits JC-2, JC-4 and CF-3 reflect this change.

G. Amount of ECCRA Adjustments. In Petitioner's Exhibit CF-3, the following ECCRA rate for each customer class was proposed:

- \$0.007298 per KWH for Rates RS, CW (with associated Rate RS service)
- \$0.012510 per KWH for Rates SS, SH, OES, UW, CW (with associated Rate SS service)
- \$0.007220 per KWH for Rate HL
- \$0.007867 per KWH for Rates SL, PL, PH

H. Approval of ECCRA Adjustments. The Commission finds that IPL has complied with the rules and procedures applicable to its request, including the requirements of

170 IAC 4-6 and our subsequent orders regarding the ECCRA. The Commission further finds that the proposed ECCRA Adjustments are properly calculated and comply with the provisions of the ECR 19 and 44242 Settlement Agreements. Therefore, the Commission approves the ECCRA Adjustments contained in Petitioner's Exhibit CF-3, as shown in Petitioner's Exhibit A, effective for all bills rendered for electric services beginning with the first billing cycles of the September 2014 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 May 31, 2014, are approved.

2. IPL's proposed rate adjustments in its ECCRA as set out in Paragraph 6 of this Order are approved.

3. Pursuant to 170 IAC 4-6-21 and Ind. Code § 8-1-8.8-11(a)(5), IPL 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 IPL's net operating income is affected by this earnings modification resulting from the Commission's approval of this ECCRA.

4. Prior to placing the proposed rate adjustment into effect, IPL shall file with the Electricity Division of the Commission an amendment to its tariff reflecting the approved ECCRA rate adjustments contained in Petitioner's Exhibit CF-3, as shown in Petitioner's Exhibit A.

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

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

APPROVED: AUG 27 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