STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF DUKE ENERGY INDIANA, INC. FOR APPROVAL OF A CHANGE IN ITS MIDWEST INDEPENDENT SYSTEM OPERATOR MANAGEMENT COST AND REVENUE ADJUSTMENT FACTOR UNDER ITS STANDARD CONTRACT RIDER NO. 68 AND SHOULD THE COMMISSION REQUIRE, ISSUANCE OF A CERTIFICATE UNDER IND. CODE § 8-1-8.4-7	)	CAUSE NO. 42736 RTO 31 APPROVED: SEP 26 2012

ORDER OF THE COMMISSION

Presiding Officers:
Carolene Mays, Commissioner
Aaron A. Schmoll, Senior Administrative Law Judge

On August 1, 2012, Duke Energy Indiana, Inc. ("Duke Energy Indiana," "Petitioner" or "Company") filed its Verified Application requesting that the Indiana Utility Regulatory Commission ("Commission") approve a change in the adjustment factor under Duke Energy Indiana's Standard Contract Rider No. 68 entitled Midwest Independent System Operator Management Cost And Revenue Adjustment ("Rider No. 68") to be used for Duke Energy Indiana's October, November and December 2012 retail electric billing cycles, and approve recovery of costs incurred as a result of the Company's compliance with the North American Electric Reliability Corporation's ("NERC") recommendation.

Also on August 1, 2012, Petitioner filed its case-in-chief with the Commission, which consisted of the testimony and exhibits of Ms. Maria Teresa Diaz, Duke Energy Business Services LLC's Director, Rate Services, Indiana Rate Department, Mr. John D. Swez, Duke Energy Business Services LLC's Director, Bulk Power Marketing and Trading, and Mr. Stephen B. Reising, Duke Energy Business Services LLC's Manager, Midwest Transmission Engineering. The Indiana Office of Utility Consumer Counselor ("OUCC") filed its case-in-chief with the Commission on September 5, 2012, which consisted of the testimony and exhibits of Wes R. Blakely, a Senior Utility Analyst for the OUCC. Petitioner filed the rebuttal testimony of Ms. Diaz on September 10, 2012.

Pursuant to proper notice of hearing, published as required by law, proof of which was incorporated into the record by reference, a public Evidentiary Hearing was held in this Cause on September 12, 2012 at 10:00 a.m., in Room 224, 101 West Washington Street, Indianapolis, Indiana. Duke Energy Indiana and the OUCC appeared and participated at the hearing. All evidence and exhibits were admitted into the record without objection. No members of the general public appeared or participated at the Hearing.

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

1. **Notice and Jurisdiction.** Due, legal and timely notice of the Evidentiary Hearing in this Cause was given as required by law. Duke Energy Indiana is a public utility within the meaning of Ind. Code § 8-1-2-1, as amended, and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the laws of the State of Indiana. The Commission has jurisdiction over Duke Energy Indiana and the subject matter of this Cause.

2. **Duke Energy Indiana's Characteristics.** Duke Energy Indiana is a public utility corporation organized and existing under the laws of the State of Indiana with its principal office in the Town of Plainfield, Indiana, and is a second tier wholly-owned subsidiary of Duke Energy Corporation. Duke Energy Indiana is engaged in rendering retail electric 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 and Relief Requested in this Cause.** In its most recent rate case, *PSI Energy, Inc.,* 2004 Ind. PUC LEXIS 150, Cause No. 42359 (IURC, May 18, 2004), Duke Energy Indiana proposed, among other matters, Rider No. 68 to track for recovery from, or credit to, its retail electric customers certain Company costs and transmission revenues related to Duke Energy Indiana's participation in the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO" or "MISO").

Under Rider No. 68, Duke Energy Indiana tracks for recovery from, or credit to, Duke Energy Indiana's retail electric customers, the following on a quarterly reconciled basis:

(i) MISO management costs billed to Duke Energy Indiana (or a designee of the Company) by MISO under Schedules 10 (ISO Cost Recovery Adder) and 10-FERC (FERC Annual Charges Recovery), or a successor provision of either, of the MISO Open Access Transmission and Energy Markets Tariff (now known as Open Access Transmission and Energy and Operating Reserve Markets Tariff and hereinafter "MISO Tariff"), or any successor tariff of MISO, which are allocable to Duke Energy Indiana's retail electric customers;

(ii) MISO management costs billed to Duke Energy Indiana (or a designee of the Company) by MISO under Schedule 16 (Financial Transmission Rights ("FTR") Administrative Service Cost Recovery Adder), or a successor provision, of the MISO Tariff, or any successor tariff of MISO, which are allocable to Duke Energy Indiana's retail electric customers;

(iii) MISO management costs billed to Duke Energy Indiana (or a designee of the Company) by MISO under Schedule 17 (Energy and Operating Reserve Markets Market Support Administrative Service Cost Recovery Adder), or a successor provision, of the MISO Tariff, or any successor tariff of MISO, which are allocable to Duke Energy Indiana's retail electric customers;

(iv) costs billed to Duke Energy Indiana (or a designee of the Company) by MISO under the MISO Tariff, or any successor tariff of MISO, for standard market design

("SMD") which are allocable to Duke Energy Indiana's retail electric customers (including charges under Schedule 26, as authorized by the December 19, 2007 Order and June 25, 2008 Orders, and Schedule 26-A, as authorized by the June 27, 2012 Order);

(v) other government mandated transmission costs Duke Energy Indiana is required to pay on behalf of its retail electric customers; and

(vi) certain MISO transmission revenues assigned to Duke Energy Indiana (or a designee of the Company), collected by MISO under the MISO Tariff, or any successor tariff of MISO, and which are allocable to Duke Energy Indiana's retail electric customers.

(Petitioner's Exhibit A, pp. 11-12.)

The Commission's June 30, 2009 Order in Cause No. 43426 ("Ancillary Services Market (ASM) Final Order"), authorized Petitioner to recover through retail electric rates the jurisdictional costs incurred by Duke Energy Indiana in connection with its participation in the MISO ASM. The ASM Final Order authorized rate treatment for various ASM credits and charges (or modified charge types) pursuant to either Duke Energy Indiana's fuel adjustment proceedings or Rider No. 68 proceedings. This authorization is in addition to recovery of MISO costs previously authorized by the Commission. As a result of the ASM Final Order, Duke Energy Indiana is required to include Day Ahead Revenue Sufficiency Guarantee ("RSG") Distribution Amounts and Real Time RSG First Pass Distribution Amounts in future fuel cost recovery proceedings rather than under Rider No. 68. (Petitioner's Exhibit A, pp. 8-9.)

Proposed Rider No. 68 adjustment factors are presented to this Commission on a quarterly basis. The current proposed Rider No. 68 adjustment factors would apply to Duke Energy Indiana's October, November and December 2012 retail electric billing cycles. (Petitioner's Exhibit A, p. 2.)

Duke Energy Indiana included in its Verified Application in this Cause a request to recover the incremental costs associated with NERC's recommendation to transmission owners to review the current facility ratings methodology for their solely and jointly owned transmission lines to verify that the methodology used to determine facility ratings is based on actual field conditions (the "NERC Recommendation"). In the alternative, if the Commission determines that the existing language of the Company's Standard Contract Rider No. 68 is insufficient to allow recovery of NERC Recommendation costs, the Company requests that the NERC Recommendation be considered a "federally mandated requirement" under Indiana Code § 8-1-8.4-5 and issue a certificate under Indiana Code § 8-1-8.4-7.

4. <u>Testimony Presented Regarding Proposed Rider No. 68 Adjustment Factors</u>. Duke Energy Indiana presented information relative to adjustments for Duke Energy Indiana's October, November and December 2012 Retail Electric Billing Cycles:

Duke Energy Indiana's Proposed Rider No. 68
Adjustment Factor Formula Inputs

Charge Category	Amount
a) MISO Management Cost Adder – Schedules 10 & 10-FERC	$1,585,996
b) MISO Management Cost, FTR – Schedule 16	$71,533
c) MISO Management Cost Energy and Operating Reserve Markets - Schedule 17	$1,583,994
d) MISO SMD or other Govt. mandated transmission costs	$3,562,981
e) MISO Transmission Revenue	$1,143,749
f) Individual retail rate group's allocated share of retail peak demand	Petitioner's Exhibit A-1, page 3 of 4 (Rate group specific)
g) Individual retail rate group's kWh sales	Petitioner's Exhibit A-2 (Rate group specific)
h) Revenue Conversion Factor	1.02137

Ms. Diaz sponsored Petitioner's Exhibit A-1, which is Duke Energy Indiana's proposed revised Standard Contract Rider No. 68. Page 3 of this exhibit shows the Percent Share of Retail Peak developed for cost of service purposes in Cause No. 42359 based on the twelve-month period ended September 30, 2002, which is used to allocate cost to each retail group.

Ms. Diaz testified that Petitioner's Exhibit A-2 shows the individual retail rate group's billing cycle kilowatt-hour ("kWh") amount used to develop the respective proposed Rider No. 68 adjustment factors for Duke Energy Indiana's October, November and December 2012 retail electric billing cycles. The kWh amounts are based on the Company's actual sales to each retail rate group for the months of October, November and December 2011. (Petitioner's Exhibit A, p. 15.)

Ms. Diaz testified that as a result of the ASM Final Order in Cause No. 43426, charges for Day Ahead RSG Distribution Amounts and Real Time RSG First Pass Distribution Amounts are to be recovered in future fuel cost proceedings rather than under Rider No. 68. Specifically, amounts for the aforementioned charge types were not included in this Rider No. 68 proceeding. Also, as a result of the ASM Final Order, the Company tracks credits associated with the Contingency Reserve Deployment Failure Uplift Amount ("CRDFUA"), in fuel costs recovery proceedings. ASM charges the Company seeks to recover in this proceeding are the Real Time Revenue Neutrality Uplift Amount, exclusive of credits associated with the CRDFUA, the Day Ahead Market Administration Amount, and the Real Time Market Administration Amount. (Petitioner's Exhibit A, pp. 8-10). Ms. Diaz testified that there was no single adjustment in excess of $3 million in this filing. (Petitioner's Exhibit A, p. 18.)

Ms. Diaz testified that Petitioner's Exhibit A-3 shows the actual booked costs and transmission revenues covered by Rider No. 68 for the months of March, April and May 2012. Ms. Diaz explained that Petitioner's Exhibit A-3 also compares the actual net amount of the "a", "b", "c", "d" and "e" factors of the Rider No. 68 formula for the quarter (i.e., a charge amount of

$5,660,755) to the quarterly level built into Duke Energy Indiana's base retail electric rates (*i.e.,* a credit amount of $1,337,000) as calculated on page 1 of Petitioner's Exhibit A-1. Ms. Diaz further explained that the difference in these amounts (i.e., a charge amount of $6,997,755) is then increased by the applicable revenue conversion factor (i.e., 1.02137) and allocated to the respective retail rate groups by the percentage allocators shown on page 3 of Petitioner's Exhibit A-1. Ms. Diaz concluded that the result is a total retail current charge amount of $7,147,297 to be collected from Duke Energy Indiana's retail electric customers through the Rider No. 68 adjustment factors for its October, November and December 2012 billing cycles. (Petitioner's Exhibit A, pp. 18-19.)

Ms. Diaz indicated that Petitioner's Exhibit A-4 shows the calculation of the proposed Rider No. 68 adjustment factors by retail rate group, including the March, April and May 2012 reconciliation total under-collection of $416,042, as developed on Petitioner's Exhibit A-5. Therefore, the total amount to be recovered through the Rider No. 68 adjustment factors for the October, November and December 2012 billing cycles is $7,563,339. Ms. Diaz testified that Petitioner's Exhibit A-6 compares the bill of a typical residential customer using 1,000 kWhs per month based upon the proposed Rider No. 68 adjustment factor to the bill of a typical residential customer using 1,000 kWhs per month based upon the approved factor from the most recent quarter. Ms. Diaz stated that under the proposed Rider No. 68 adjustment a typical residential customer will experience an increase of $0.74 on his or her base electric bill when compared to the previous quarter's base bill (excluding the effect of various "tracking mechanisms" as noted on Petitioner's Exhibit A-6). (Petitioner's Exhibit A, pp. 20-22.)

Ms. Diaz testified that Petitioner's Exhibit A-7 provides information relating to Company-owned Regional Expansion Criteria and Benefits ("RECB") projects and provides an estimate of Schedule 26 costs to be allocated to the Company. Ms. Diaz testified that the Company is seeking recovery in this proceeding for three RECB projects now in service: the first phase of a baseline reliability transmission line project spanning approximately 4 miles (MISO Project 852) completed by the Company in 2009; the second being the Edwardsport 345 kV substation and line project (MISO Project 1263) completed in 2010; and the third being the Dresser substation and transformer project (MISO Project 2050) completed in 2011. Ms. Diaz stated that the annual revenue requirement submitted to MISO for these projects totaled $3,140,923, for which the Company began receiving revenue on this requirement June 1, 2012. Ms. Diaz stated that the Company has retained this revenue, pursuant to the June 25, 2008 Order, and Rider No. 68 costs were not offset by the revenues from these projects. She also testified that the Company excluded the revenues and expenses related to these projects from the FAC earnings test. (Petitioner's Exhibit A, pp. 6-8, 22)

Ms. Diaz testified that the same allocation methods used in Cause Nos. 42736 RTO 3 and 42736 RTO 5 have been used in this filing to distribute the same types of costs between Duke Energy Indiana and Duke Energy Ohio, Inc. (Petitioner's Exhibit A, pp. 22-23).

Mr. Swez provided an overview of MISO's energy markets and the Company's participation in those markets. Mr. Swez also testified as to the types of energy markets costs billed by MISO to the Company pursuant to MISO's Tariff. Mr. Swez testified that in his

opinion the Company's incurrence of the enumerated administrative charges and other MISO Tariff charges and credits included in this filing with the Commission is reasonable.

The testimony of OUCC witness Wes R. Blakley confirmed Duke Energy Indiana's calculation of the amount to be recovered under the proposed Rider No. 68 adjustment factors for Duke Energy Indiana's October, November and December 2012 retail electric billing cycles, minus the NERC costs as discussed below. (Public's Exhibit No. 1).

5. **Proposed Recovery of Incremental Costs Associated with NERC Recommendation.** Mr. Reising testified that NERC's Recommendation requires transmission owners to survey their transmission lines to verify whether the actual field conditions conform to the design tolerances in accordance with their Facility Ratings Methodology. Mr. Reising testified that the NERC Recommendation fits within the language of Duke Energy Indiana's Standard Contract Rider No. 68. He explained that in the Company's last rate case, Cause 42359, the Company proposed and was granted approval of Rider No. 68 to track recovery from (or credit to) Duke Energy Indiana's retail electric customers certain Company costs and transmission revenues, specifically, in relevant part: "other government mandated transmission costs [Duke Energy Indiana] is required to pay on behalf of its retail electric customers." Cause No. 42359 Order at 119. In addition, he stated that when the Company established Rider No. 68 in Cause No. 42736, the Company explained that "to the extent that any costs to be recovered pursuant to Rider No. 68 are not billed by the Midwest ISO to [Duke Energy Indiana] . . . [the Company] will demonstrate in its applicable quarterly filing the amount and reasonableness of such costs." Cause No. 42736 Order at 3. (Petitioner's Exhibit C, p.2). Mr. Reising testified that the costs associated with the NERC Recommendation are mandated by NERC, acting on behalf of FERC, and as such, are government mandated transmission costs Duke Energy Indiana is required to pay on behalf of its retail electric customers.

Mr. Reising testified that as an alternative form of relief should the Commission find it necessary, the Company requests approval to recover costs associated with the NERC Recommendation under Indiana Code ch. 8-1-8.4, which allows for recovery of costs associated with "federally mandated requirements." A federally mandated requirement is defined, in relevant part, as "a requirement that the commission determines is imposed on an energy utility by the federal government in connection with . . . any. . . law, order, or regulation administered or issued by . . . the Federal Energy Regulatory Commission." Indiana Code § 8-1-8.4-5. Mr. Reising testified that the Recommendation has been imposed by NERC, which has been granted the legal authority by the FERC to enforce reliability standards. (Petitioner's Exhibit C, p. 3).

Mr. Reising testified as to the Company's plan to comply with the Recommendation by assessing its 3,127 miles of transmission circuit facilities to verify whether the actual field conditions conform to its design tolerances. He explained that the Company has contracted with Burns & McDonnell to aerially survey Duke Energy Indiana's entire transmission system over a three-year period. The information is then entered into a software system (PLS-CADD) to create an actual three dimensional model of the Company's transmission system, reflecting the current state of the transmission system, including the terrain, structures, and conductor sags. Mr. Reising testified that the model is then used to determine whether clearance issues exist between the conductors and other objects (such as the ground, buildings, other conductors, etc.). Duke

Energy Indiana is required to report back to NERC on its assessment and to provide an expected timeline for remediation to correct the conditions or modify the facility ratings where clearance issues exist. Mr. Reising testified that as part of this project, Duke Energy Indiana has located clearance issues that had previously gone undetected. (Petitioner's Exhibit C, pp. 4-5).

Mr. Reising testified that the Company is seeking in Rider No. 68 just the incremental costs associated with the NERC Recommendation, which go above and beyond the costs associated with general NERC standards. General compliance with NERC standards would presumably be built into the Company's base rates. Mr. Reising testified that the Company seeks to recover costs associated with the aerial survey, PLS-CADD modeling and materials and supplies for remediation. Mr. Reising testified that, in his opinion, the Company's actions to comply with the NERC Recommendation are reasonable and necessary. (Petitioner's Exhibit C, pp. 5-6).

Ms. Diaz testified that the retail portion of the Company incremental costs that are a result of the NERC transmission clearance "mandate" and for which the Company requested recovery for the period applicable to March 2012 through May 2012 is $284,368. She explained that the majority of the costs consist of payments made to outside contractors, such as Burns and McDonnell, who are rendering engineering professional services in support of the transmission clearance mandate. Ms. Diaz testified that there are also direct payments made to impacted REMC's as a result of this mandate for right-of-way clearance. Ms. Diaz testified that the Company has been conservative in its inclusion of costs associated with this mandate and has not included internal labor costs or related overheads, employee expenses, and vehicle costs, as presumably a base or representative amount would have been included in the Company's last retail electric rate case in Cause No. 42359. (Petitioner's Exhibit A, pp. 17-18).

OUCC witness Mr. Blakley testified that the NERC costs should not be recovered in this expedited RTO tracker proceeding. He stated that the RTO tracker is not approved by a specific statute, but is a mechanism that has been approved by the Commission for the limited purpose of recovering direct costs from MISO. He recommended that if the Company desires to recover non-RTO costs, which may fall under SEA 251, it may seek relief for the NERC costs in a separate proceeding. (Public's Exhibit No. 1).

In rebuttal, Ms. Diaz testified that in the Company's last rate case, Cause No. 42359, the Company was granted authority to track recovery from (or credit to) Duke Energy Indiana's retail electric customers certain Company costs and transmission revenues, specifically, in relevant part: "other government mandated transmission costs [Duke Energy Indiana] is required to pay on behalf of its retail electric customers." Cause No. 42359 Order at 119. Mr. Reising explained in his direct testimony, when setting up Rider No. 68 in Cause No. 42736, Mr. Kent Freeman explained that "to the extent that any costs to be recovered pursuant to Rider No. 68 are not billed by the Midwest ISO to [Duke Energy Indiana]...[the Company] will demonstrate in its applicable quarterly filing the amount and reasonableness of such costs." Cause No. 42736 Order at 3. Ms. Diaz testified that the costs associated with the NERC Recommendation are "other government mandated transmission costs [the Company] is required to pay on behalf of its retail electric customers." As explained in Mr. Reising's direct testimony, the FERC granted NERC the legal authority to enforce reliability standards with all users, owners, and operators of

the bulk power system in the United States, and made compliance with those standards mandatory and enforceable. The NERC Recommendation requires transmission owners to survey their transmission lines to verify whether the actual field conditions conform to the design tolerances in accordance with their Facility Ratings Methodology. (Petitioner's Exhibit D, pp. 1-2).

Ms. Diaz testified that the $284,368 in incremental costs consists of payments made to outside contractors who are rendering engineering professional services in support of the transmission recommendation and direct payments made to impacted REMC's as a result of this mandate for right-of-way clearance. Ms. Diaz testified that the costs are supported by external invoices, enable the Company to comply with the NERC Recommendation, and were reasonable and necessary costs incurred on behalf of retail electric customers. Ms. Diaz testified that the Company's proposal to include the incremental, external costs is reasonable and should not be considered an inappropriate expansion of Duke Energy Indiana's existing Rider No. 68. She stated that recovery of such "other government mandated transmission costs" is explicitly contemplated by the language of the tracker as was originally approved by the Commission in 2004. (Petitioner's Exhibit D, p. 3).

6. <u>Commission Findings</u>. Based on the evidence presented in this Cause, the Commission finds that Duke Energy Indiana has adequately explained the proposed Rider No. 68 adjustment factors for its October, November and December 2012 retail electric billing cycles, with the exception of the costs associated with the NERC Recommendation.

In Cause No. 42359, the Commission's Order recites the costs proposed by Petitioner (then d/b/a PSI Energy, Inc.) to be included under its Midwest ISO Rider (i.e., Rider No. 68), as set forth below:

> PSI also requested approval of a new Midwest ISO Management Cost And Revenue Adjustment Standard Contract Rider ("Midwest ISO Rider") to track, for recovery or credit, changes in the amount of PSI's Midwest ISO Management Costs and Revenues included in base rates as a result of this proceeding. PSI is proposing to track (i) costs *billed* to PSI by the Midwest ISO under Schedule 10 (ISO Cost Recovery Adder), or a successor provision (including Schedule lO-FERC), of the Midwest OATT, or any successor Tariff for the Midwest ISO; (ii) costs *billed* to PSI by the Midwest ISO under Schedule 16 (Financial Transmission Rights Administrative Service Cost Recovery Adder), or a successor provision, of the Midwest OATT, or any successor Tariff for the Midwest ISO; (iii) costs *billed* to PSI by the Midwest ISO under Schedule 17 (Energy Market Support Administrative Service Cost Recovery Adder), or a successor provision, of the Midwest ISO OATT, or any successor Tariff for the Midwest ISO; (iv) costs *billed* to PSI by the Midwest ISO for standard market design or other government mandated transmission costs PSI is required to pay on behalf of its Indiana retail electric customers; and (v) certain Midwest ISO transmission revenues *assigned* to PSI by the Midwest ISO. Pet. Ex. Z, pp. 30-31; and Pet. Ex.. RR, pp. 13-14....To the extent that any costs to be recovered under the Midwest ISO Rider are *not billed by the Midwest ISO to PSI pursuant to*

> *Midwest ISO Schedules 10, 16 or 17*, PSI will demonstrate in its quarterly filing the amount and reasonableness of such costs. Pet. Ex. Z, pp. 31-33.

Order at 118-19 (emphasis added). Ultimately, the Commission approved the implementation of the Midwest ISO Rider, to track Midwest ISO related costs. *Id.* at 120. Similarly, in Cause No. 42736, Petitioner indicated that it would seek to recover under Rider No. 68:

> other government mandated transmission costs PSI is required to pay on behalf of its retail electric customers. . . . Mr. Freeman further testified that, to the extent that any costs to be recovered pursuant to Rider No. 68 are not billed by the Midwest ISO to PSI (or a designee of PSI) *pursuant to Schedules 10, 16 or 17* of the Midwest ISO OATT, or any successor tariff of the Midwest ISO, PSI will demonstrate in its applicable quarterly filing the amount and reasonableness of such costs.

Order at 3 (emphasis added).

Having reviewed our prior Orders and the evidence submitted in this Cause, the Commission does not find that costs incurred based upon the NERC Recommendation are appropriate for inclusion under Rider No. 68. First and foremost, the costs at issue are not costs that were billed by MISO (or, it appears, costs even related to Petitioner's participation in MISO), but rather were costs that were incurred by Petitioner in response to the NERC Recommendation. In approving Rider No. 68, the fundamental element discussed was approval of the pass-through of costs billed by MISO to the utility (or crediting revenues received). To extend cost recovery to incremental costs not billed by MISO would increase the scope of recovery under the RTO mechanism and would present complexities requiring a careful review of the internal operations of Petitioner, beyond what is reasonable for an expedited proceeding.

Petitioner indicated that to the extent Rider No. 68 does not provide for recovery of the costs incurred based on the NERC Recommendation, Petitioner requested that the Commission issue a certificate under Indiana Code § 8-1-8.4-7. Given the expedited nature of this proceeding, the Commission finds that, given our exclusion of the costs associated with the NERC Recommendation in Rider 68, that if Petitioner seeks to pursue recovery of these costs pursuant to Indiana Code § 8-1-8.4, it should file its request under a separate Cause. The Commission agrees with the OUCC that this expedited proceeding is not the appropriate type of proceeding in which to rule on cost recovery pursuant to Indiana Code § 8-1-8.4.

Accordingly, we hereby approve the adjustment factors that exclude costs incurred based upon the NERC Recommendation, and direct Duke Energy Indiana to exclude those costs in the adjustment factors in the Rider No. 68 filed with this Commission in compliance with this Order.

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

1. Duke Energy Indiana's Rider No. 68 adjustment factors for its October, November and December 2012 retail electric billing cycles, as described herein, are approved,

including charges and credits under ASM in accordance with the Commission's September 24, 2008 Order in Cause No. 42736 RTO 15 and the Commission's June 30, 2009 Order in Cause No. 43426. Duke Energy Indiana's proposal to recover the incremental costs associated with the NERC Recommendation through its Rider 68 is denied.

2. Prior to placing in effect the Rider No. 68 adjustment factors approved herein, Duke Energy Indiana shall file with the Electricity Division of this Commission a separate amendment to its rate schedules, with clear reference therein that such Rider No. 68 adjustment factors are applicable to the rate schedules reflected on the amendment.

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

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: SEP 26 2012

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

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission