

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF DUKE ENERGY INDIANA,)
INC. SEEKING (1) APPROVAL OF AN ONGOING)
REVIEW PROGRESS REPORT PURSUANT TO IND.)
CODE §§8-1-8.5 AND 8-1-8.7; AND (2) AUTHORITY)
TO REFLECT COSTS INCURRED FOR THE)
EDWARDSPORT INTEGRATED GASIFICATION)
COMBINED CYCLE GENERATING FACILITY)
("IGCC PROJECT") PROPERTY UNDER)
CONSTRUCTION IN ITS RATES AND AUTHORITY)
TO RECOVER APPLICABLE RELATED COSTS)
THROUGH ITS INTEGRATED COAL)
GASIFICATION COMBINED CYCLE GENERATING)
FACILITY COST RECOVERY ADJUSTMENT,)
STANDARD CONTRACT RIDER NO. 61 PURSUANT)
TO IND. CODE §§ 8-1-8.8-11 AND -12.)

CAUSE NO. 43114 IGCC 5

APPROVED:

DEC 27 2012

ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

David E. Veleta, Administrative Law Judge

On June 2, 2010, Duke Energy Indiana, Inc. ("Duke", "Petitioner" or "Company") filed its Verified Petition with the Indiana Utility Regulatory Commission ("Commission") in this Cause. In its Petition, Duke requested: (1) approval of an ongoing review progress report; and (2) authority to reflect costs incurred for the Edwardsport Integrated Gasification Combined Cycle Generating Facility ("IGCC Project") property under construction in its retail electric rates, and authority to recover certain other applicable related costs through its Integrated Coal Gasification Combined Cycle Generating Facility Cost Recovery Adjustment, Standard Contract Rider No. 61 ("Rider 61" or "IGCC Rider").

On March 7, 2011, the Presiding Officers issued a Docket Entry providing that the Commission's review of the progress report submitted in this proceeding should be considered in Phase I of Cause No. 43114 IGCC-4S1 ("IGCC-4S1"), and its review of any allegations of fraud, concealment and/or gross mismanagement relative to the ongoing review progress report presented in IGCC-5 shall be considered in Phase II of IGCC-4S1.

Pursuant to notice as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, an evidentiary hearing was held in this Cause on April 24, 2012, at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Duke and the Sierra Club, Citizens Action Coalition of Indiana, Save the Valley, and Valley Watch (collectively "Joint

Intervenors”), and the Indiana Office of Utility Consumer Counselor (the “OUCC”) appeared and participated.

At the evidentiary hearing, Petitioner presented the testimony and exhibits of Ms. Diana L. Douglas, Director of Rates for Duke Energy Indiana for its case-in-chief. Petitioner also presented the Company’s Verified Petition in this Cause. The testimony and exhibits offered by the Petitioner were admitted into evidence without objection. The OUCC presented the testimony of Mr. Wes R. Blakley, Senior Utility Analyst, which was admitted into evidence without objection. No members of the general public were present or sought to testify.

Based upon applicable law and the evidence presented herein, the Commission finds as follows:

1. **Notice and Jurisdiction.** Due, legal, and timely notice of the evidentiary hearing in this Cause was given and published by the Commission as required by law. Duke is a public utility as defined by Indiana Code § 8-1-2-1, and is subject to regulation by the Commission to the extent provided for in the Public Service Commission Act, as amended. Accordingly, the Commission has jurisdiction over Duke and the subject matter of this proceeding.

2. **Petitioner’s Characteristics.** Duke is an Indiana corporation with its principal office located at 1000 East Main Street, Plainfield, Indiana. Duke is engaged in the business of supplying electric utility service to the public in the State of Indiana. The Company owns, operates, manages and controls plant, property and equipment used and useful for the production, transmission, distribution and furnishing of electric utility service to the public in the State of Indiana. Duke directly supplies electric energy to approximately 780,000 customers located in 69 counties in the central, north central and southern parts of the State of Indiana. The Company also sells electric energy for resale to municipal utilities, Wabash Valley Power Association, Inc., Indiana Municipal Power Agency, and to other public utilities that in turn supply electric utility service to numerous customers in areas not served directly by Duke.

3. **Relief Requested.** In its Verified Petition, Duke requested: (1) approval of an ongoing review progress report pursuant to Indiana Code §§ 8-1-8.5-6 and 8-1-8.7-7; and (2) authority to add to the valuation of its utility property for ratemaking purposes the actual IGCC Project costs incurred through March 31, 2010, and authority to recover the financing costs and its other applicable related costs through its IGCC Rider. However, pursuant to the Presiding Officers’ March 7, 2011 Docket Entry, the review of the Company’s ongoing review progress report submitted in this proceeding was conducted as a component of the IGCC-4S1 proceeding. Further, the timing of the IGCC-4S1 and subsequent IGCC Rider proceedings have rendered the implementation of an IGCC Rider factor in this proceeding moot.

4. **Prior Proceedings.** In its November 2007 Order in Cause Nos. 43114 and 43114 S1 (the “CPCN Order”), the Commission issued certificates of public convenience and necessity and clean coal technology (“CPCNs”) authorizing Petitioner to construct the 630 megawatt IGCC plant in Knox County, Indiana near the location of the Company’s existing Edwardsport generation station. The CPCN Order approved Petitioner’s estimated construction cost for the

IGCC Project of \$1.985 billion and Petitioner's proposed IGCC Rider, which provides for the timely recovery of costs incurred in connection with the IGCC Project. The Commission also directed Petitioner to file semi-annual IGCC Rider and ongoing review progress report proceedings.

On May 1, 2008, Petitioner filed its first semi-annual IGCC Rider and ongoing review progress report proceeding related to the IGCC Project, designated as Cause No. 43114 IGCC-1. In addition to the ongoing review process approved by the Commission in its CPCN Order, the first semi-annual IGCC filing also included a request by the Company to revise the cost estimate of the IGCC Project from \$1.985 billion to \$2.350 billion, and a request for approval to undertake studies related to carbon capture at the IGCC Project and for cost recovery for such studies. On January 7, 2009, the Commission issued its order in Cause No. 43114 IGCC-1 (the "IGCC-1 Order"), in which it approved Petitioner's revised construction cost estimate for the IGCC Project of \$2.350 billion and its ongoing review progress report. In the IGCC-1 Order, the Commission also approved the timely recovery of construction and operating costs through the IGCC Rider reflecting actual expenditures through February 28, 2008. Finally, the Commission approved the Company's request for authority to undertake studies related to carbon capture at the IGCC Project and deferral of reasonable and prudent costs for such studies.

On November 3, 2008, Petitioner filed its second semi-annual IGCC Rider and ongoing review progress report proceeding related to the IGCC Project, designated as Cause No. 43114 IGCC-2. On May 13, 2009, the Commission issued its order in Cause No. 43114 IGCC-2 (the "IGCC-2 Order"), in which it approved the Company's updated ongoing progress report for the IGCC Project, as well as the Company's request for recovery under the IGCC Rider of the additional actual costs of the IGCC Project through September 30, 2008, and certain external costs related to the IGCC Project.

On May 1, 2009, Petitioner filed its third semi-annual IGCC Rider and ongoing review progress report proceeding related to the IGCC Project, designated as Cause No. 43114 IGCC-3. On December 2, 2009, the Commission issued its order in Cause No. 43114 IGCC-3 (the "IGCC-3 Order"), in which it approved the Company's updated ongoing progress report for the IGCC Project, as well as the Company's request for recovery under the IGCC Rider of the additional actual costs of the IGCC Project through March 31, 2009, and for certain external costs related to the IGCC Project.

On November 24, 2009, Petitioner filed its fourth semi-annual IGCC Rider and ongoing review progress report proceeding, designated as Cause No. 43114 IGCC-4. In that proceeding, Petitioner requested approval of: (1) the Company's updated ongoing progress report for the IGCC Project; (2) recovery under the IGCC Rider of the additional actual costs of the IGCC Project through September 30, 2009, and for certain other applicable related costs; and (3) the establishment of a subdocket proceeding to provide a further review of the cost estimate for the IGCC Project. On July 28, 2010, the Commission issued its interim order in Cause No. 43114 IGCC-4 (the "IGCC-4 Order") in which it approved the requested relief on an interim and subject to refund basis, pending the outcome of the IGCC-4S1 proceeding. As requested by the Company, the Commission also approved the Company's request for a subdocket to review the cost estimate.

5. Ratemaking Issues Presented in this Cause.

A. Petitioner's Testimony on this Issue. On behalf of Duke, Ms. Diana Douglas requested that the Commission approve the following: (1) the value of the IGCC Project (as of March 2010) upon which the Company is requesting authorization to earn a return; (2) the amount of Duke's expenditures for the IGCC facility incurred through March 31, 2010; (3) recovery of amortized regulatory filing expenses (related to the IGCC CPCN proceeding); (4) recovery of incremental fees and expenses of Black & Veatch, incurred by the Company from October 2009 through March 2010; (5) reconciliation of actual depreciation expense incurred from October 2009 through March 2010 to the estimated depreciation amount previously included in IGCC-3 on the portion of the IGCC Project that has been placed into service (certain IGCC Project-related transmission facilities); (6) recovery of estimated depreciation from October 2010 through March 2011 on the portion of the IGCC Project that has been placed in-service (certain IGCC Project-related transmission facilities); (7) reconciliation of revenue requirements for operating expenses approved for collection in Cause No. 43114 IGCC-3 to actual collections from October 2009 through March 2010; and (8) adjustment of Petitioner's retail electric rates, via the IGCC Rider ("Rider 61"), to reflect the revenue effect of such investment and cost recovery. The Company also specifically requested approval of Petitioner's Exhibit B-1, consisting of its updated Rider 61.

Ms. Douglas' testimony explained that Petitioner's Exhibit B-1 included definitions of the components of the formula used to develop the IGCC Cost Recovery Adjustment Factors, a formulaic representation of the calculations used in developing the factors, revenue adjustment factors by retail rate group, a listing of retail allocation factors (based on the allocation factors approved in the Company's last general retail electric base rate case), and the billing cycle kilowatt hour ("kWh") and/or non-coincident peak demands used to develop the proposed IGCC Cost Recovery Adjustment.

In addition, Ms. Douglas' testimony explained Petitioner's Exhibit B-2, indicating that this exhibit sets forth schedules for the IGCC Project and includes the following data, consistent with the requirements of 170 IAC 4-6-12 and the Commission's Orders in Cause Nos. 43114, 43114-S1 and 43114 IGCC-1: the estimated cost of completing the IGCC Project; the construction start date; the current stage of completion; the estimated or actual in-service date; total expenditures for the IGCC Project as of March 31, 2010; IGCC Project expenditures applicable to Petitioner's wholesale jurisdictional customers; retail IGCC facility investment as of March 31, 2010; and the amount of retail allowance for funds used during construction ("AFUDC") included in the cost of the IGCC Project as of March 31, 2010.

Ms. Douglas testified that the jurisdictional balance of the Company's investment in the IGCC Project subject to Construction Work in Progress ("CWIP") ratemaking treatment per the Company's accounting books and records was \$1,423,427,000 as of March 31, 2010.

Ms. Douglas also provided an update on the costs of four transmission projects, which are included in the Commission-approved IGCC Project estimate and listed on separate lines on Petitioner's Exhibit B-2, page 1. Ms. Douglas explained that two of the transmission projects

should qualify as part of the Midwest Independent Transmission System Operator's ("MISO") transmission expansion plan and should be recognized by the MISO as Regional Expansion and Criteria Benefit ("RECB") projects. For these two projects, the Company will first seek cost recovery pursuant to its Rider No. 68 and the MISO's Schedule 26, consistent with the Commission's June 25, 2008 Order in Cause No 42736-RTO14. To ensure the Company's financing costs are included as a part of the RECB reimbursement, the Company will accrue AFUDC on these capital projects during the period of construction, rather than include these transmission project costs in the value of the IGCC Project expenditures which will receive CWIP rate-making treatment. Line 9 of Page 1 of Petitioner's Exhibit B-2 shows the reduction in IGCC Project investment by the value of such RECB transmission project expenditures as of March 31, 2010. If and to the extent that costs for an IGCC-related transmission project are ultimately not eligible for recovery through Rider No. 68 and Schedule 26, then the Company will seek cost recovery for such project (or portion of such project) through the IGCC Rider. The retail jurisdictional IGCC Project investment at March 31, 2010 (before netting of accumulated depreciation) was \$1,423,427,000, as shown on Petitioner's Ex. B-2, page 3.

Ms. Douglas' testimony presented the calculation of the jurisdictional revenue requirement applicable to the IGCC Project investment through March 31, 2010, net of accumulated depreciation. Ms. Douglas explained that page 2 of Petitioner's Ex. B-2 shows the amount of accumulated depreciation as of March 31, 2010, applicable to the IGCC Project investment. Currently, the only portions of the IGCC Project that have been placed in-service and are being depreciated are the transmission line relocation projects. The total retail jurisdictional accumulated depreciation applicable to the jurisdictional IGCC Project investment as of March 31, 2010, was \$110,105. As shown on Petitioner's Ex. B-2, page 3, the net retail jurisdictional IGCC Project investment at March 31, 2010 was, therefore, \$1,423,317,000.

According to Ms. Douglas, the net jurisdictional investment of \$1,423,317,000 was further reduced for two items. First, the Company had recorded IGCC-specific deferred income taxes related to depreciation of the transmission projects that are in service. The amount of \$53,000, representing the IGCC-specific deferred income taxes related to depreciation of the transmission projects in service as of March 31, 2010, was deducted as an IGCC rate base offset in accordance with the Commission's previous orders.

Second, Ms. Douglas testified that an additional adjustment was made to further reduce the net jurisdictional investment on the Company's books, which investment had been previously included for CWIP ratemaking treatment, to reflect a May 2010 correction of two accounting errors that impacted the IGCC Project balance and thus affected the application of AFUDC to the IGCC Project. Together, these errors reduce the May 31, 2010 cumulative net IGCC Project balance by approximately \$6.5 million, and reduce the retail IGCC Project investment balance by \$5,406,000 as of March 31, 2010.

Ms. Douglas described the two errors that gave rise to the accrued AFUDC adjustments. The first involved several work orders which had been established to accumulate costs for reporting and management, but which had not received any recent charges. The asset accounting system was designed with a system control that prevented the accrual of AFUDC on projects which appear to have stopped receiving new charges and therefore may have been put in-service.

In the case of these IGCC work orders, however, while these components of the IGCC Project had not received any new charges, the IGCC Project itself was actually not yet in-service. This system control thus prevented AFUDC from accruing on those IGCC Project components when it should have continued to accrue. The under-accrual of retail jurisdictional AFUDC from January 2009 through April 2010 on these work orders totaled approximately \$16.1 million, before retail CWIP ratemaking considerations. The cumulative retail jurisdictional impact of this error through March 31, 2010, was approximately \$14.0 million. The second error involved an over-accrual of AFUDC on IGCC Project costs that were already receiving CWIP treatment pursuant to IGCC-2 and IGCC-3. This caused an over-accrual of retail jurisdictional AFUDC from May 2009 through April 2010 of approximately \$22.6 million. The cumulative retail jurisdictional impact of this error through March 31, 2010, was approximately \$19.4 million.

Ms. Douglas explained that the net impact of these two errors to the IGCC Project balance as of March 31, 2010, was an overstatement of the balance (*i.e.*, too much AFUDC was accrued as of that date) by approximately \$5.4 million. She testified that this amount, along with the correction of the errors from April 2010 activity, was corrected in May 2010, so that the amount per the Company's books will be correct going forward. Ms. Douglas further testified that the current processes and controls in the AFUDC application were reviewed as a result of the discovery of these errors, resulting in a system configuration change and additional communication, reporting and review processes.

Ms. Douglas discussed the derivation of the Company's weighted average cost of capital as of March 31, 2010, as shown on Petitioner's Exhibit B-2, page 8. Ms. Douglas stated that the weighted average cost of capital has been calculated consistent with the Commission's administrative rules, the Commission's CPCN Order, and the Commission's IGCC-1 Order. Based on the Commission's CPCN Order and its IGCC-1 Order, because the IGCC Project expenditures as of March 31, 2010, did not exceed \$1.985 billion, deferred taxes were excluded from the capital structure for purposes of the IGCC revenue requirements calculation.

Ms. Douglas explained that the capital structure used to derive the weighted average cost of capital used in Petitioner's Exhibit B-2 also includes an amount of unamortized federal Advanced Coal Investment Tax Credit ("ITC"), which the Company determined could be claimed on its federal income taxes. Originally the Company did not believe it was eligible to receive this ITC until the IGCC Project was placed in-service, but the Company has now become aware that it is entitled to pro rata credit as IGCC Project progress expenditures are made. Consequently, the Company reflected the credit in its tax accruals on the accounting books and records in late 2009. However, the IRS does not allow for the amortization and flow through to customers of the credit until a project goes into service. Therefore, once the IGCC Project is in-service and the Company is able to utilize the credit on its tax return, the Company will amortize this credit ratably over the remaining thirty-year regulatory life of the IGCC plant and will pass the retail jurisdictional portion of this credit through to retail customers through the IGCC Rider. Ms. Douglas explained that until that time, the Company will include the unamortized balance in its capital structure calculations at the weighted financial concept cost rate, as it does for its other post-1970 ITC, and it will exclude the credit from calculation of interest for income tax purposes for ratemaking in its interest synchronization calculation, as it does for its other ITC balances.

Ms. Douglas also summarized AFUDC applied to the IGCC Project for the period October 2009 through March 2010, as shown on page 9 of Petitioner's Exhibit B-2. Ms. Douglas said that AFUDC is accrued on the IGCC Project expenditures, including previously computed AFUDC amounts, until such expenditures and AFUDC amounts begin earning a return through Rider 61 or through base rates. Ms. Douglas noted that the errors in the Company's AFUDC rates, discussed above, were detected and corrected.

The net jurisdictional investment (after the above-described adjustments) of \$1,417,858,000 multiplied by the Company's overall weighted average cost of capital of 7.80% as of March 31, 2010, results in a six-month after-tax return in the amount of \$55,297,000. After application of revenue conversion factors, the retail jurisdictional revenue requirement requested for a CWIP ratemaking return in this six-month filing, based on the qualified investment at March 31, 2010, is \$80,209,000.

Ms. Douglas noted that consistent with 170 IAC 4-6-22 and in accordance with the Commission's CPCN Order, the IGCC Project will be deemed to be under construction, and Duke will continue to receive revenues through Rider 61, until the Commission determines that the IGCC Project is used and useful in a proceeding that involves the establishment or investigation of Duke's retail electric base rates and charges.

Ms. Douglas explained the calculation of the jurisdictional revenue requirement applicable to IGCC Project-related operating expenses. These operating expenses included: external costs associated with the IGCC CPCN retail regulatory filing; fees and expenses incurred by the Company for services by Black & Veatch relating to IGCC Project oversight for the Commission; actual depreciation expense, reconciled against forecasted depreciation expense; and forecasted depreciation expense.

The Company's external costs associated with the IGCC CPCN retail regulatory filing, excluding employee expenses, through December 31, 2007, totaled \$632,571. The Commission's CPCN and IGCC-1 Orders authorize the Company to amortize and recover these external costs over a 48-month amortization period. Ms. Douglas' testimony demonstrated that six months' worth of amortization of this amount over the amortization period of 48 months totaled \$79,074.

Ms. Douglas' testimony also demonstrated that the fees and expenses incurred by the Company from October 2009 through March 2010, for services by Black & Veatch for IGCC Project oversight, totaled \$423,782.

Ms. Douglas stated that actual retail jurisdictional depreciation expense during the October 2009 through March 2010 period totaled \$29,989. This amount was reconciled with the estimated amount of depreciation for the same period that was included in IGCC-3 (\$27,694), and the variance of \$2,295 was included in this filing.

Ms. Douglas testified that the estimated depreciation expense for the October 2010 through March 2011 six-month forecast period was \$29,989.

The total of all these operating expense items, \$535,140, was included in the calculation of the total revenue to be recovered from retail customers. After application of the revenue conversion factor, the total retail jurisdictional amount to be recovered for operating expenses in this filing is \$546,544.

Finally, Ms. Douglas explained that she had reconciled the retail jurisdictional revenue requirements approved for recovery in IGCC-3 applicable to operating expenses, to actual collections through retail rates received from October 2009 through March 31, 2010. This reconciliation resulted in an under collection of \$172,478, which amount has also been included in the development of the IGCC Rider factors proposed in the current proceeding.

Ms. Douglas also described the impact of the proposed IGCC Project ratemaking treatment on the monthly bill of a typical residential customer using 1,000 kilowatt-hours. If the factor proposed in this proceeding were approved, the monthly bill of a residential customer using 1,000 kilowatt-hours would increase by \$1.42 or approximately 1.8% over the IGCC-4 factor and \$3.96 or approximately 5.1% over the IGCC-3 factor.

B. OUC's Evidence. Wes Blakley, Senior Utility Analyst for the OUC, testified that the OUC found the figures used in the calculation of the IGCC Rider supported by the exhibits filed by the Company. Mr. Blakley explained that the weighted average cost of capital utilized by the Company in this filing (7.80%) was calculated by excluding approximately \$724 million of zero cost deferred income taxes from the capital structure. Mr. Blakley reported that the Company excluded zero cost deferred income taxes from its capital structure consistent with the Commission's IGCC-1 order. However, Mr. Blakley's testimony calculated three different capital structure scenarios, and concluded that a capital structure that excludes deferred taxes effectively results in a premium equity return of 12.32%, when using the Company's overall rate of return of 7.80%, compared to the traditional ratemaking practice of including deferred income taxes in the capital structure. According to Mr. Blakley, this effective "incentive" return on equity is 182 basis points on top of the cost of equity approved in the Company's last rate case (10.5%,) and equates to an increased revenue requirement of \$8,432,130 in this six month period.

6. The Commission's Order in the IGCC-4S1 Proceeding. On April 30, 2012, Duke, the OUC, the Duke Industrial Group, and Nucor Steel-Indiana, a division of Nucor Corporation, presented a settlement agreement to the Commission in the IGCC-4S1 proceeding (the "Settlement Agreement"). The Sierra Club, Citizens Action Coalition of Indiana, Save the Valley, and Valley Watch (collectively "Joint Intervenors") did not join in this Settlement Agreement, and in fact opposed the Settlement Agreement at the July 16-19, 2012, evidentiary hearing held on the Settlement Agreement.

With regard to this IGCC-5 proceeding, the Settlement Agreement contemplates that, if the Commission approves the Settlement Agreement, and if the Commission finds that the IGCC Project costs incurred and presented in the IGCC Rider proceedings – up to the Hard Cost Cap as defined therein are reasonable and necessary in light of the Settlement Agreement's Hard Cost Cap, then the Commission should promptly "restart" the IGCC Riders, consistent with the Settlement Agreement.

Given the timing of the hearings in the IGCC-4S1 proceeding and this IGCC-5 proceeding, the parties to the Settlement Agreement have suggested that the simplest and most efficient approach for restarting the IGCC Riders would be for the Commission to issue orders in the IGCC-5 through IGCC-8 Rider proceedings contemporaneously with approval of the Settlement Agreement. Under this proposal, as a practical matter, although orders would be issued in IGCC-5, IGCC-6 and IGCC-7, the proposed rates in those three rider proceedings would not be implemented. Rather, only the relatively more recent proposed rates in IGCC-8 would be implemented as defined therein.

However, it should be noted that the IGCC Rider 5 proposed rates contain operating expense items, such as depreciation expenses related to the Edwardsport transmission line projects and other Operations and Maintenance (“O&M”) expenses, that the Company believes should be approved (and ultimately recovered through the Rider reconciliation process in future Rider proceedings). For example, in this IGCC-5 proceeding, the Company’s filing reflects the following depreciation and O&M expenses: \$29,989 in depreciation expenses (related to transmission investments) for the six months ended March 2010 (retail jurisdictional portion); \$79,074 in amortization of regulatory filing expenses (retail jurisdictional portion); and \$423,782 in Black & Veatch expenses (retail jurisdictional portion). We note that no party has opposed the reasonableness or ultimate recovery of these depreciation and O&M expenses.

Contemporaneous with the issuance of this Order, we are issuing an Order in the IGCC-4S1 proceeding approving the Settlement Agreement subject to some modifications, and IGCC-6, 7 and 8. Accordingly, the factors as proposed in IGCC-5 will not be implemented. Additionally, in the IGCC-4S1 Order, we among other things, approve the ongoing review progress report for IGCC-5.

7. Commission Discussion and Findings on Ratemaking Issues. Joint Intervenors cross-examined Ms. Douglas as to the implementation of the updated IGCC Rider and the associated calculations and assumptions contained in that Rider. However, Joint Intervenors did not present evidence of any miscalculations or propose any alternative calculations. The OUCC found the figures used in the calculation of the Rider to be supported by the exhibits of the Company.

Based on our review of the evidence presented on this issue, we find the testimony of Ms. Douglas accurately reflects the net retail jurisdictional IGCC Project investment as of March 31, 2010 and the net retail jurisdictional amount of operating expenses incurred with respect to the IGCC Project from the period from October 1, 2009 through March 31, 2010.

However, in light of our contemporaneous Order approving the requested IGCC-8 Rider rates, the implementation of the IGCC-5 Rider rates is unnecessary. To the extent required, we find the requested IGCC-5 cost calculations for the transmission project-related depreciation expenses and the other O&M costs identified the testimony to be reasonable and approved for ratemaking purposes.

8. Petitioner's Request for Confidential Treatment. On June 2, 2010, Petitioner filed a Motion for Protection of Confidential and Proprietary Information ("Motion"), supported by the affidavit of Mr. W. Michael Womack, Vice President Edwardsport IGCC Project. The affidavit indicates that such confidential information ("Confidential Information") constitutes a trade secret and that Petitioner has taken all reasonable steps to protect the confidential information from disclosure. On September 21, 2010, the Presiding Officers issued a Docket Entry granting confidential treatment to the Confidential Information on a preliminary basis.

Based on the foregoing, pursuant to Indiana Code § 5-14-3-4(a)(4), we find that the IGCC Project cost and cost estimate information set forth in Petitioner's Confidential Exhibit B-2 presented in this proceeding constitute a "trade secret" and should be afforded confidential treatment. Accordingly, this information is exempted from public disclosure and will be held as confidential by the Commission.

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

1. The costs and rates as reflected in the exhibits and testimony of Ms. Douglas and consistent with our findings above, including the actual IGCC Project costs incurred through March 31, 2010, are hereby approved. However, due to our contemporaneous approval of the proposed rates in the Company's IGCC-8 Rider filing (up to the Settlement Agreement Hard Cost Cap), we decline to authorize the implementation of the proposed IGCC-5 Rider 61 rates.

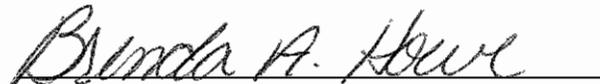
2. Petitioner's Confidential Exhibit B-2, pp. 1, 2, and 5, presented in this proceeding, along with the Confidential Cross-Examination Exhibits, are found to be confidential and a trade secret, excepted from public access, and will continue to be held as confidential by the Commission.

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

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED: DEC 27 2012

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


Brenda A. Howe
Secretary to the Commission