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 7** **APPROVED:** DEC 27 2012

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
David E. Veleta, Administrative Law Judge

On May 31, 2011, 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").

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 August 6-8, 2012, at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Duke, the Sierra Club, Citizens Action Coalition of Indiana, Save the Valley, and Valley Watch (collectively "Joint Intervenors"), the Duke Energy Indiana Industrial Group ("Industrial Group"), Nucor Steel-Indiana, a division of Nucor Corporation ("Nucor"), and the Indiana Office of Utility Consumer Counselor (the "OUCC") appeared and participated. No members of the general public were present or sought to testify.

At the evidentiary hearing, Petitioner presented the case-in-chief and supplemental testimony and exhibits of Ms. Diana L. Douglas, Director of Rates for Duke Energy Indiana and the case-in-chief and exhibits of W. Michael Womack, Vice President, Edwardsport IGCC Project for Duke Energy Business Service, LLC, in support of its petition. Petitioner also presented the 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. Joint Intervenors presented the testimony and exhibits of Mr. Kerwin L. Olson, Program Director for the Citizens Action Coalition, which were also admitted into evidence without objection. For its rebuttal case, Duke presented the testimony and exhibits of Ms. Diana L. Douglas.

On December 18, 2012, Joint Intervenors filed *Joint Intervenors' Objection To Participation of Chief Administrative Law Judge Loraine Seyfried In All Commission Deliberations In This and Related Proceedings.*[1] The Commission has not conducted any Executive Sessions in the IGCC-7 proceeding. Furthermore, with the issuance of this Order, any further discussion of this matter in the IGCC-7 proceeding is unnecessary.

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

1. <u>Notice and Jurisdiction</u>. 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. <u>Petitioner's Characteristics</u>. 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. <u>Relief Requested</u>. 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, 2011, and authority to recover the financing costs and its other applicable related costs through its IGCC Rider. However, as discussed in more detail below, due to a Settlement Agreement entered into in Cause No. 43114 IGCC-4S1 ("Subdocket"), the Company and the other settling parties now request that, if the Commission approves the Settlement Agreement, the Commission should also issue contemporaneous orders in the IGCC-5, IGCC-6, IGCC-7, and IGCC-8 Rider proceedings. In such case, the Company and the other settling parties suggest that the most efficient course of action would be to review and approve the IGCC-7 (and IGCC-5 and IGCC-6) costs

[1] It is a practice of the Commission for the Chief Administrative Law Judge to attend Executive Sessions regardless of whether they are the assigned Administrative Law Judge. *See Northern Indiana Public Service Company*, Cause No. 43969, 2011 Ind. PUC LEXIS 369 (IURC December 21, 2011), *Indiana Finance Authority*, Cause No. 43976, 2011 Ind. PUC LEXIS 345 (IURC November 22, 2011), *Duke Energy Indiana, Inc.*, Cause No. 43743, 2011 Ind. PUC LEXIS 300 (IURC October 19, 2011), *Northern Indiana Public Service Company*, Cause No. 38706 FAC 80 S2, 2010 Ind. PUC LEXIS 326 (IURC September 22, 2010).

and rates, but implement only the more recent proposed rates in IGCC-8, up to the Settlement Agreement's Hard Cost Cap.

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 cost recovery 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 Subdocket.

On June 2, 2010, Petitioner filed its fifth semi-annual IGCC Rider and ongoing review progress report proceeding, designated as Cause No. 43114 IGCC-5. 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 March 31, 2010, and for certain other applicable related costs.

On November 5, 2010, Petitioner filed its sixth semi-annual IGCC Rider and ongoing review progress report proceeding, designated as Cause No. 43114 IGCC-6 and requesting approval of: (1) the Company's updated ongoing progress report for the IGCC Project; and (2) recovery under the IGCC Rider of the additional actual costs of the IGCC Project through September 30, 2010, and certain other applicable related costs.

5. Ongoing Review Progress Report of IGCC Project.

A. Petitioner's Testimony on this Issue. Mr. Womack testified that, as of the end of March 2011, the engineering work for the IGCC Project was complete, procurement progress was approximately 99% complete, construction was 73% complete, and start-up was approximately 2% complete. Taking all of these phases of the IGCC Project into account, the Project overall was approximately 85% complete as the end of March 2011.

As of March 2011, the concrete work at the IGCC Project site was over 99% complete and structural steel erection was 98% complete; both had only non-essential, non-critical work remaining. Mr. Womack explained that concrete foundations and structural steel provide the framework for support of the IGCC Project's equipment and the connecting piping and wiring. This framework was essentially complete as of March 2011, as the foregoing indicates, and with the framework in place, virtually all major equipment had been set.

Mr. Womack further explained that, with the equipment set, good progress had been made connecting the equipment. As of March 2011, the above ground piping was approximately 73% complete and electrical work was approximately 50% complete. With these primary work types advanced to a high level of completion, secondary work types were beginning to gain momentum as of the end of March 2011. Fire protections systems were 40% complete, insulation of the equipment was 63% complete and roofing and siding of the buildings was 83% complete. Viewing the IGCC Project by functional areas rather than by work type, Mr. Womack explained that as of March 2011, the gasification area was 72% complete, the power block was 65% complete, the water treatment area was 78% complete, the air separation unit was 83% complete, the coal handling area was 61% complete, the grey water treatment area was 55% complete, and the rail spur was 54% complete.

Mr. Womack's testimony indicated that, at the end of March 2011, the IGCC Project master schedule projected an in-service date of September 2012, and a substantial completion date of late December 2012. He explained that the in-service date is the date by which the IGCC Project will begin routinely providing electric utility service to customers, while the substantial completion date is the date defined in the General Electric Company ("GE")/Duke contract as the date that both parties have fully met their contractual commitments. Mr. Womack explained that the most important issues affecting the schedule involved adverse weather. The 2010/2011 winter was the most severe in recent years, and frequent significant ice and snow storms slowed production. Weather continued to be challenging in the spring of 2011, with April being one of the wettest months on record, which

disrupted construction activity.

The primary construction issue facing the IGCC Project at the time of the IGCC-7 filing was the ability to achieve, on a sustained basis, the needed installation rate for the IGCC Project commodities, particularly piping, insulation, and electrical wire and cable. Mr. Womack testified that when the weather allowed, the IGCC Project was generally able to meet or even exceed the installation objectives, and sustaining these levels of installation would be important to maintaining the scheduled in-service date.

As of May 2011, Mr. Womack testified that the current IGCC Project cost estimate was $2.818 billion in construction costs. Mr. Womack explained that the primary cost pressures continued to be labor productivity, testing and start up risks, and continued accrual of AFUDC, due primarily to the timing and implementation of CWIP rate adjustment riders. Despite these cost pressures, the Company did not request an increase in the IGCC Project cost estimate in the IGCC-7 proceeding. Mr. Womack indicated that cancellation costs for the IGCC Project at that point totaled approximately $2.37 billion.

Mr. Womack testified as to how the Company was managing and controlling IGCC Project costs. Mr. Womack explained that the Company had renegotiated contracts with major construction providers in order to allocate more risk and/or put in place fixed fee arrangements, was actively fending off unmerited contractor cost claims, was pursuing backcharges against vendors and contracts where legitimate, had shaved a portion of heat tracing and insulation work from the piping scope, and had aggressively pursued asset recovery.

With regard to the grey water disposal system, Mr. Womack testified that as of March 2011, the design of the system was complete, and construction was 55% complete. Despite the delay occasioned from the switch from deep well injection to zero liquid discharge technology, this area of the IGCC Project had caught up and was at a level of completion on par with other areas of the IGCC Project.

With regard to engineering progress, Mr. Womack testified that as of March 2011, all design engineering, including electrical heat tracing design, was essentially complete, although all areas would continue to need engineering support during construction in order to answer contractor questions and solve problems encountered during construction.

With regard to procurement, Mr. Womack testified that purchasing of equipment, materials, and construction contracts was essentially complete as of March 2011. Only small amounts of make-up orders for materials were yet to be issued.

With regard to construction, Mr. Womack testified that overall, as of March 2011, construction at the IGCC Project was about 73% complete, and was progressing at a rate of about 4% to 5% per month. As of March 2011, the IGCC Project was in peak construction mode, and this level of intensity was expected to continue for only another 3 to 4 months. More specifically, in the gasification area, installation of pre-fabricated piping spools in the pipe racks and gasification tower had been at a consistently high level for many months; piping work, including welding, was over 80% complete; cable tray installation, important for facilitating electrical wire and cable installation, was nearly 100% complete; major equipment erection in the gasification tower and in the surrounding gasification areas was complete; and fireproofing, fire protection, painting, siding and roofing, equipment insulation and other activities which follow piping were advancing well. The biggest concern was the installation of

electrical heat tracing and pipe insulation; these areas could not be pursued as vigorously as desired until hydro-testing of piping (filling the pipes with water and pressurizing them in order to find and repair leaks) was complete on any given system. As of the end of April 2011, approximately 32% of the piping had been hydro-tested.

In the power block area, the erection of the heat recovery steam generators ("HRSGs") was complete as of March 2011. Hydro-testing of the HRSGs and condensers was planned for May and June 2011. The syngas CTs, generator sets, and main step-up transformers were set and aligned. The generators and transformers had been electrically connected, and since December 2010, power had been backfed through the transformers into the IGCC Project's electrical systems. Additionally, the steam turbine and steam turbine generator sets had been set, the rotors had been installed, the outer shells replaced, and final alignment achieved. Cooling tower installation was complete, as well.

With regard to start-up and testing, Mr. Womack testified that as of March 2011, that work was gaining momentum and would continue to do so through the summer of 2011, with the peak of test and start-up work expected in the fall of 2011, culminating in the "first fire" of a gas turbine in the winter of 2011/2012. As of the end of April 2011, about 35 of 217 systems had been turned over from contractors to the IGCC Project start-up group. Included among the systems that had been turned over for start-up were transformers, power distribution centers, fire protection systems, collector wells, air compressors, circulating water systems, the filtered water system, the instrument air system, and the cooling tower.

Mr. Womack testified that all transmission and substation work for the IGCC Project was complete as of March 2011.

With regard to the rail spur for the IGCC Project, Mr. Womack testified that the acquisition of right-of-way was nearly complete as of March 2011, earthwork to support the rail installation had begun, preparation of the road bed had progressed and was about 60% complete, three of the largest water crossing bridges were under construction, and the rail work was on schedule to support the planned IGCC Project operation dates.

With regard to environmental permitting, Mr. Womack stated that the administrative appeal of the air permit remained pending before the Indiana Office of Environmental Adjudication, and that the Indiana Department of Environmental Management had released the final NPDES permit for the IGCC Project in November 2010.

6. <u>Testimony on Proposed Ratemaking Treatment</u>.

A. <u>Petitioner's Testimony</u>. On behalf of Duke, Ms. Diana Douglas requested that the Commission approve the following: (1) the value of the IGCC Project (as of March 2011) 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, 2011; (3) recovery of amortized regulatory filing expenses (related to the IGCC CPCN proceeding); (4) recovery of incremental fees and expenses of Black & Veatch Corporation (the Commission's independent engineering firm for the IGCC Project, paid for by the Company), incurred by the Company from October 2010 through March 2011; (5) reconciliation of actual depreciation expense incurred from October 2010 through March 2011 to the estimated depreciation expense amount previously included in IGCC-5 on the portion of the IGCC Project that has been placed into service (certain IGCC Project-related transmission facilities); (6)

recovery of estimated depreciation expense from October 2011 through March 2012 on the portion of the Project that has been placed in service (certain IGCC Project-related transmission facilities); (7) reconciliation of revenue requirements for operating expenses pending approval for recovery in Cause No. 43114 IGCC-5 to actual collections from October 2010 through March 2011; (8) the inclusion of a voluntary credit to HLF customers to correct for a clerical error in the development of IGCC-4 rates; and (9) adjustment of Petitioner's retail electric rates, via the IGCC Rider, to reflect the revenue effect of such investment and cost recovery. The Company also specifically requested approval of Petitioner's Exhibit B-1 (or, alternatively, B-4, which reflects the terms of the Settlement Agreement), consisting of its updated Rider 61.

Ms. Douglas' testimony provided an overview of Rider 61, and identified proposed changes to the Company's Rider 61 which were made to reflect the terms of the rate mitigations in the Settlement Agreement. Her testimony explained that Petitioner's Exhibit B-1 include definitions of the components of the formula used to develop the IGCC Revenue 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 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, 2011; IGCC Project expenditures applicable to the Company's wholesale jurisdictional customers; retail IGCC facility investment as of March 31, 2011; and the amount of retail allowance for funds used during construction ("AFUDC") included in the cost of the IGCC Project as of March 31, 2011.

Ms. Douglas testified that the jurisdictional balance of the Company's investment in the IGCC Project subject to CWIP ratemaking treatment per the Company's accounting books and records was $2,258,083,000 as of March 31, 2011.

Ms. Douglas also explained the proposed ratemaking treatment for the costs of four IGCC Project-related transmission projects, which are in-service and were included in the Commission-approved IGCC Project estimate and listed on Petitioner's Exhibit B-2, page 1. Ms. Douglas explained that for the two transmission projects that qualify as part of the Midwest Independent Transmission System Operator's ("MISO") transmission expansion plan and are recognized by the MISO as Regional Expansion and Criteria Benefit ("RECB") projects, the Company will first seek cost recovery for such projects 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. If and to the extent that costs for an IGCC-related transmission project are not eligible for recovery through Rider No. 68 and Schedule 26, then the Company will seek cost recovery for such project (or portion of a project) through the IGCC Rider. The Company expects a 50% reimbursement for such RECB projects; therefore, the Company has included 50% of the value of the projects in its IGCC Project valuation for CWIP ratemaking purposes (representing the 50% of the projects that are not expected to receive MISO RECB reimbursement). Accordingly, Page 1 of Petitioner's Exhibit B-2 shows the expenditures for the two RECB projects, including the reduction in IGCC Project expenses by the 50% amount for which the

Company expects to be reimbursed by MISO through the RECB process. The retail jurisdictional IGCC Project investment at March 31, 2011 (before netting of accumulated depreciation) was $2,258,083,000, 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, 2011, 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, 2011, 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 four transmission projects. The retail jurisdictional accumulated depreciation applicable to the jurisdictional IGCC Project investment as of March 31, 2011, was $303,668, which reflects the reduction due to the anticipated 50% MISO RECB reimbursement amount. The net retail jurisdictional IGCC Project investment at March 31, 2011 was, therefore $2,257,779,000.

Ms. Douglas noted that the CPCN Order (ordering paragraph 9, on page 63) provided an incentive ratemaking treatment in regards to deferred income taxes, requiring that deferred taxes be excluded from the capital structure used in the IGCC rider and that the deferred tax balance related to the IGCC Project be included as an IGCC rate base offset. The IGCC-1 Order reaffirmed this treatment, but limited application of this deferred tax incentive to $1.985 billion of IGCC Project expenditures. As of March 31, 2011, the IGCC Project expenditures exceeded the $1.985 billion level. Accordingly, page 3 of Petitioner's Exhibit B-2 determined the percentage of IGCC Project expenditures that are eligible for incentive ratemaking treatment with regards to deferred income taxes and applied this percentage to the retail jurisdictional investment, accumulated depreciation, and IGCC-specific accumulated deferred income taxes to determine the retail jurisdictional values that are eligible for the deferred income tax incentive. Page 3 also computed the retail plant not eligible for deferred income tax incentive ratemaking treatment and the retail accumulated depreciation allocable to the ineligible plant.

Ms. Douglas explained that in order to determine the appropriate portion of the net retail jurisdictional IGCC Project applicable to the deferred tax incentive, the percentage that $1,985,000,000 represents of total IGCC Project expenditures was computed on Page 3 of Petitioner's Exhibit B-2. This percentage, 81.10% as of March 31, 2011, was applied to the retail CWIP investment as of March 31, 2011, to obtain the amount of retail plant expenditures applicable to the deferred income tax incentive -- $1,831,305,000. The remainder of the retail expenditures, $426,778,000, is not eligible for the incentive treatment. This percentage was also applied to the retail accumulated depreciation and deferred income tax amounts.

Page 4 of Petitioner's Exhibit B-2 shows the calculation of the jurisdictional revenue requirement for the return on the net jurisdictional IGCC Project investment. The $1,831,305,000 of retail plant expenditures, to which the deferred income tax incentive applies, was reduced by $247,000 of retail accumulated depreciation allocable to the plant eligible for incentive treatment and by the allocated IGCC specific deferred income tax rate base deduction of $227,000. The resulting net plant amount of $1,830,831,000 was multiplied by the Company's overall weighted average cost of capital of 7.82% as of March 31, 2011, which was computed in accordance with the Commission's IGCC-1 Order by excluding deferred income taxes, resulting in a six-month after tax return in the amount of $71,586,000. After application of the revenue conversion factor, the amount of jurisdictional revenue requirements for the portion of the IGCC net book value to which the deferred income tax incentive applies is $103,827,000.

The $426,778,000 of jurisdictional net investment to which the deferred income tax incentive does not apply, was reduced by the retail accumulated depreciation allocable to the retail net plant not eligible for the deferred income tax incentive, to obtain the retail net plant not eligible for the deferred income tax incentive as of March 31, 2011. This value, $426,721,000, was multiplied by the Company's overall weighted average cost of capital of 6.98% as of March 31, 2011, which was computed by including deferred income taxes. This resulted in a six-month after-tax return of $14,893,000. After application of the revenue conversion factors, the amount of jurisdictional revenue for the portion of the IGCC net book value to which the deferred income tax incentive does not apply is $21,607,000. The six-month jurisdictional revenue requirements for both the portion of the IGCC net book value to which the deferred income tax incentive applies, and the portion to which it does not apply, equals $125,434,000.

Ms. Douglas discussed the derivation of the Company's weighted average cost of capital as of March 31, 2011, as shown on Petitioner's Exhibit B-2, pages 9 and 10. 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. Page 9 shows the derivation of the weighted average cost of capital applicable to the retail portion of the first $1.985 billion of plant investment. This calculation excludes deferred income taxes. Page 10 shows the derivation of the weighted average cost of capital applicable to the remainder of the retail investment that is not eligible for the deferred income tax incentive treatment. This calculation includes deferred income taxes, and amounts not used to reduce IGCC rate base have been valued as a zero cost source of funds in the calculation.

Ms. Douglas also summarized AFUDC applied to the IGCC Project for the period October 2010 through March 2011, as shown on page 11 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 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 2010 through March 2011, for services by Black & Veatch for IGCC Project oversight, totaled $378,863.

Ms. Douglas stated that actual retail jurisdictional depreciation expense during the October 2010 through March 2011 period totaled $102,904. This amount was reconciled with the estimated amount of depreciation for the same period that was included in IGCC-5 ($29,989), and the variance of $72,915 was included in this filing.

Ms. Douglas testified that the estimated depreciation expense for the October 2011 through March 2012 six-month forecast period was $102,914.

The total of all these operating expense items, $633,766, 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 $647,354.

Next, Ms. Douglas explained that she had reconciled the retail jurisdictional revenue requirements pending approval for recovery in IGCC-5 applicable to operating expenses, to actual collections through retail rates received from October 2010 through March 31, 2011. This reconciliation resulted in an over collection of $134,864, which amount has also been included in the development of the IGCC rider factors proposed in the current proceeding.

Finally, Ms. Douglas explained the Company's voluntary credit adjustment to revenue requirements in the amount of $851,880, reducing the proposed rate for HLF customers, to correct for a tracker administration clerical error. This error affected the rates that were proposed, approved, and billed to HLF customers beginning in July 2010. The error stemmed from the use of an incorrect value for the kW billing determinants used to establish the rates approved in IGCC-4. The billing determinant used was understated, which caused the IGCC-4 factor to be overstated. Accordingly, the Company proposed in this proceeding to provide the HLF customer class with a credit for the amount of the difference between what they were billed under IGCC-4 rates through March 2011 and what they would have been billed had the error not occurred. Ms. Douglas stated that the kW billing determinants for HLF have been computed correcting for this error in this 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 $0.75 or approximately 0.9%, over the factor proposed in IGCC-6.

Ms. Douglas' testimony also presented alternative IGCC-7 Rider calculations reflecting incorporation of the Company's proposed rate mitigation measures presented in the Subdocket case prior to the Settlement Agreement reached in that case. Ms. Douglas identified proposed changes to the Company's Rider 61 to reflect the proposed rate mitigations. These proposed rate mitigation measures included: the prospective elimination of the deferred income tax incentive treatment; a reference to limits in terms of total IGCC Project cost recovery; and the inclusion of a $35.175 million annual credit to reflect a change in depreciation rates. Under these alternative calculations, the $2,258,083,000 of retail jurisdictional IGCC Project expenditures would be reduced by $304,000 of retail accumulated depreciation, with a resulting net plant amount of $2,257,779,000. This net plant

amount would be multiplied by the Company's overall weighted cost of capital of 6.98% as of March 31, 2011 (which includes deferred income taxes in the capital structure), resulting in a six-month after-tax return in the amount of $78,797,000. After revenue conversion, the total jurisdictional revenue requirement for this six-month filing would be $114,318,000. Using these alternative calculations, including the $35.175 million annual depreciation credit, the monthly bill of a residential customer using 1,000 kilowatt-hours would decrease by $1.38 or approximately 1.6%, from the factor proposed in IGCC-6.

Prior to the evidentiary hearing in this case, Petitioner prefiled supplemental testimony of Ms. Douglas. The purpose of Ms. Douglas' supplemental testimony was to clarify the impact of the terms of the Subdocket Settlement Agreement on the rates proposed in this proceeding. Ms. Douglas explained that the Settlement Agreement does not require any modifications to the rates proposed by the Company in this IGCC 7 proceeding. Ms. Douglas reiterated that she originally developed rates under two different scenarios: (1) using the currently approved ratemaking for the IGCC Project, as approved by the Commission in its orders in Cause Nos. 43114 and 43114-S1, 43114 IGCC-1 and subsequent semi-annual update filings, including most recently on an interim basis on July 28, 2010, in Cause No. 43114 IGCC-4 ("Current Ratemaking"); and (2) reflecting the rate mitigation measures set forth in the Supplemental Testimony of Mr. Kent K. Freeman filed March 10, 2011, in the Subdocket ("Subdocket Scenario"). She presented exhibits under both scenarios and discussed each set of calculations in her testimony in this proceeding. The Subdocket Scenario reflected two rate mitigations ("Rate Mitigations") proposed by the Company: (1) to eliminate, on a prospective basis, the approved incentive deferred income tax ratemaking treatment by including accumulated deferred income taxes as a zero cost source of funds in the capital structure for the entire cost of the IGCC Project; and (2) to include a $35.175 million (on an annual basis) reduction to the retail revenue requirement to reflect a reduction in depreciation expense resulting from the implementation of new depreciation rates from a new depreciation study for in-service plant ("Subdocket Depreciation Proposal"). Petitioner's Exhibits B-4 through B-7 comprise the IGCC-7 exhibits filed under the Subdocket Scenario in Ms. Douglas' pre-filed direct testimony.

Ms. Douglas further testified that, as explained by Mr. Freeman in his Subdocket settlement testimony, the Settlement Agreement contains these same two rate mitigations. In addition, it contains a "Hard Cost Cap" provision limiting project costs to $2.595 billion, plus Additional AFUDC that may be accrued on the Hard Cost Cap amount after June 30, 2012, as described in the Settlement Agreement. Because the exhibits Ms. Douglas had filed under the Subdocket Scenario in this proceeding already contained the two Rate Mitigations and because the total project expenditures as of March 31, 2011 were under the Hard Cost Cap ($2.448 billion, as shown on Petitioner's Redacted Exhibit B-6, Page 1 of 9, in column G, line 10), it was not necessary to revise any of the exhibits or proposed rates due to the Subdocket Settlement Agreement. Finally, Ms. Douglas confirmed that Petitioner's Exhibits B- 4 through B-7 filed in this IGCC-7 proceeding reflect the proposed ratemaking treatment including the terms of the Settlement Agreement.

B. <u>OUCC's Testimony</u>. OUCC witness Mr. Wes Blakley, Senior Utility Analyst for the OUCC, testified that the purpose of his testimony was to review, and provide accounting-related recommendations, regarding Petitioner's request for recovery of costs related to the IGCC Project. Mr. Blakley's testimony indicated his calculations concerning the rate adjustment requested by the Company agreed with the Company's calculations. However, in his prefiled testimony (which predated the Settlement Agreement reached in the Subdocket), Mr. Blakley emphasized that if and when the IGCC-5 and IGCC-6 Riders are implemented, at minimum, the factors should reflect the

inclusion of the zero cost deferred income taxes in the capital structure. He also emphasized that the approval of the requested IGCC-7 Rider factor would nearly double the revenue requirement to be charged customers even with Petitioner's proposed rate mitigations. Because of this, he emphasized the need to make any relief granted in this Cause interim, subject to refund, pending the Commission's ultimate findings regarding Edwardsport in the Subdocket.

Mr. Blakley also testified that there were numerous issues and controversies pending with regard to Petitioner's Edwardsport project. Because of this, to the extent the Commission decides to revise the IGCC Rider, then he recommend that the Commission: (1) adopt Petitioner's calculation of the weighted cost of capital that includes zero cost deferred income taxes in the capital structure and, on an interim basis, accept the inclusion of the new total company reduction in depreciation expense as a credit when computing revenue requirements (with a subsequent true-up as necessary to reflect the Commission's ultimate findings on the proposed depreciation rates); (2) make clear in its order that acceptance of the rate mitigations in this Cause does not preclude other mitigations that may arise out of the Subdocket; and (3) make this IGCC-7 order subject to refund depending on the outcome of the Subdocket.

C. Joint Intervenors' Testimony. Mr. Olson testified that it is the position of Joint Intervenors that Duke is not entitled to recovery through rates of a current cash return on the costs of the additional construction work in progress investment made by the Company during the six-month ongoing review period covered by this proceeding, unless and until the Commission affirmatively finds in the Subdocket case that the IGCC Project still is needed and that the costs incurred were prudent and unaffected by fraud, concealment and gross mismanagement. As of the date of the prefiling of Mr. Olson's testimony, the Commission had not made those findings. In addition, according to Mr. Olson, Joint Intervenors believe CWIP is inappropriate in this instance.

Mr. Olson emphasized that he was not offering any opinions on the prudency of the costs at issue, or whether those costs have been affected by fraud, concealment, or gross mismanagement. Rather, consistent with the legal position and testimony filed by Joint Intervenors in the IGCC-5 and IGCC-6 cases, the issue of prudence relating to the Company's decisions, actions and expenditures with respect to the IGCC Project during the six-month ongoing review period covered by this proceeding should be contingent upon the results of the investigation in the Subdocket.

Mr. Olson emphasized his belief that Joint Intervenors, OUCC, and the Industrial Group filed compelling evidence in both Phase I and Phase II of the Subdocket that Duke has been imprudent, and that its conduct constituted concealment and gross mismanagement. In particular, according to Mr. Olson, Joint Intervenors filed testimony that the Company imprudently failed to update its economic analysis after April 1, 2009, in a reasonable and timely manner after it recognized that the IGCC Project was going to cost more than the $2.35 billion that the Commission had approved in the IGCC-1 case. In addition, Mr. Olson noted that both the OUCC and the Industrial Group also filed testimony arguing for significant cost disallowances. Furthermore, Joint Intervenors and others have filed testimony in the Subdocket alleging fraud, concealment and gross mismanagement.

According to Mr. Olson, the cost recovery being sought in this proceeding would be inconsistent with the Commission making either or both of those findings. Likewise, the cost recovery requested in this proceeding would also be inconsistent with the Commission making a finding adopting the recommendation opposing CWIP that Mr. Olson made in his supplemental testimony in the IGCC-5 case.

D. Petitioner's Rebuttal Testimony. With respect to Mr. Blakley's testimony, Ms. Douglas emphasized that the Company's proposal in the Subdocket regarding rate mitigation mechanisms, was that such mechanisms should be implemented on a prospective basis. As support for a prospective implementation, Ms. Douglas explained that the Commission's CPCN and IGCC-1 Orders provided incentive treatment pursuant to Indiana Code § 8-1-8.8-11 for deferred income taxes. This treatment allowed the Company to remove deferred income taxes from the capital structure for the first $1.985 billion of plant for IGCC tracker purposes, and instead required that the IGCC rate base included in the tracker be reduced by IGCC-specific deferred taxes. In compliance with the Commission's Orders, the Company computed the rates in both IGCC-5 and IGCC-6 (as well as in other prior IGCC Rider proceedings) in accordance with those Orders, and applied the incentive treatment for deferred income taxes only to the retail portion of the $1.985 billion amount of the initial estimate approved in the CPCN order.

Ms. Douglas also pointed out that the Commission was addressing the issue of the increased cost estimate in the Subdocket. The Commission's Order in IGCC-4, which was issued while the Subdocket was pending, approved rates that the Company had calculated in accordance with its decision in IGCC-1, subject to refund pending its order in the Subdocket. In Ms. Douglas' view, the same practice should apply in this proceeding and the IGCC-5 and IGCC-6 proceedings, should the Commission issue an order in this and the IGCC-5 and IGCC-6 proceedings prior to issuing an order in the Subdocket. Ms. Douglas opined that such an approach makes more sense than to presume now, in the absence of any order, that the Commission intends to reverse its IGCC-1 decision. The Commission can decide in its order in the Subdocket what changes, if any, should be made prospectively and which of those changes should apply to IGCC-4, IGCC-5, IGCC-6 and/or IGCC-7, at which time any required refunds can be computed and refunded to customers in the next IGCC tracker proceeding or as otherwise ordered by the Commission. Ms. Douglas noted that Mr. Blakley was in agreement that any relief granted in this proceeding should be interim, subject to refund, pending the Commission's ultimate findings in the Subdocket.

With regard to Mr. Blakely's comments regarding the "nearly double" IGCC-7 revenue requirements (as compared to the IGCC rates currently being billed to customers under IGCC-4), Ms. Douglas explained that rates currently billed to customers were developed in IGCC-4 using Project balances as of September 30, 2009, whereas the rates proposed in this IGCC-7 proceeding reflected IGCC Project balances as of March 31, 2011, an eighteen-month period in which the IGCC Project progressed from approximately 41% complete to 85% complete. The Company's proposed tracking of the costs of the IGCC construction and its proposals to continue to track the costs while the cost increase was separately litigated in the Subdocket would have phased in this increase to customers over eighteen months through three steps, had the rates proposed in IGCC-5 and IGCC-6 been implemented as initially anticipated.

In response to Mr. Olson's testimony that CWIP ratemaking treatment is inappropriate for the costs of the IGCC Project, Ms. Douglas noted that, as she had discussed in her rebuttal testimony in IGCC-6, there are valid arguments in favor of CWIP ratemaking treatment, notably that such treatment provides for a more gradual phase-in of rate increases and is supportive of utility credit quality which translates into lower debt financing costs in customer rates. In addition, Ms. Douglas testified that the Indiana legislature has already made the decision that "clean coal and energy projects" and "eligible businesses" building "new energy producing and generating facilities" should be eligible for CWIP ratemaking treatment, citing Indiana Code Chapter 8-1-8.8. The Commission previously determined

that the IGCC Project meets the statutory definitions set forth in that statute, and as such, appropriately approved CWIP ratemaking treatment for the IGCC Project, in Cause Nos. 43114 and 43114-S1 and in subsequent IGCC Rider proceedings. According to Ms. Douglas, the proper forum for Mr. Olson's argument continues to be the Indiana General Assembly, rather than this Commission.

7. **Commission Discussion and Findings.**

A. The Commission's Order in the Subdocket. On April 30, 2012, Duke, the OUCC, the Duke Energy Indiana Industrial Group, and Nucor Steel-Indiana, a division of Nucor Corporation, presented a settlement agreement to the Commission in the Subdocket (the "Settlement Agreement"). The 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-7 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, then the Commission should promptly "restart" the IGCC Riders, consistent with the Settlement Agreement.

Given the timing of the hearings in the Subdocket and this IGCC-7 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 7 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-7 proceeding, the Company's filing reflects the following depreciation and O&M expenses: $102,904 in depreciation expenses (related to transmission investments) for the six months ended March 2011 (retail jurisdictional portion); $79,074 in amortization of regulatory filing expenses (retail jurisdictional portion); and $378,863 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 Subdocket approving the Settlement Agreement subject to some modifications, and IGCC-5, 6, and 8. Accordingly, we consider the ongoing review progress report for IGCC-7 and certain operating expense items for the reporting period, but the factors as proposed in IGCC-7 will not be implemented.

B. Ongoing Review Progress Report for IGCC-7. Mr. Womack was cross-examined concerning IGCC Project monthly progress report and issues relating to start-up and testing activities. In particular, counsel for Joint Intervenors questioned Mr. Womack about the critical path and schedule delays resulting from the increase in bulk commodity quantities, an audit report examining the IGCC Project scheduling and costing, disagreements or disputes between the Company and GE and

Bechtel Corporation ("Bechtel"), and the schedule for start-up and testing. The Company provided information to satisfy the information reporting requirements to the Commission as specified in our Orders in Cause Nos. 43114 IGCC-1 and 43114 IGCC-2. Furthermore, Mr. Womack was cross-examined concerning start-up and testing.

In the Subdocket, we extensively explored the issues underlying the commodity increases that had impacted the IGCC Project up through the September 30, 2010, time period. During the Evidentiary Hearing in this proceeding, Mr. Womack testified how the increased commodity quantities had directly resulted in numerous schedule delays. Further, the increased commodity quantities required more labor to install, which lowered anticipated productivity. Additionally, certain of the commodities had to be installed first, which held up installation of other commodities. Thus, the facts explored in the Subdocket that resulted in increased commodity quantities clearly continue to have an impact on the IGCC Project through the ongoing review period of this proceeding.

Joint Intervenors argue that Duke "is not entitled to recovery through rates of a current cash return on the costs of the additional construction work in progress investment made by the Company during the six-month ongoing review period covered by this proceeding unless and until the Commission affirmatively finds in Cause Number 43114 IGCC-4S1 that the project is needed and that the costs incurred were prudent and unaffected by fraud, concealment and gross mismanagement." In the Commission's Order in Cause No. 43114 IGCC-4S1 ("IGCC-4S1 Order"), we found a continuing need for the IGCC Project, but determined that Duke had not met its burden of showing that the management of its contractors, GE and Bechtel, was prudent. Additionally, we found that Duke's decision to continue with the deep well injection option for grey water disposal after learning that the grey water would likely be hazardous was imprudent. One issue addressed in this ongoing review relates to the schedule for the IGCC Project. Clearly, the schedule was impacted by the necessity for increased commodity quantities. The IGCC-4S1 Order concluded that the Settlement Agreement provided a reasonable outcome in light of a fact set that is not materially different than the fact set presented herein. We find that the information provided by the Company in its submitted testimony and the extensive cross-examination of Joint Intervenors satisfactorily presents the ongoing progress of the IGCC Project. In conjunction with the bargain implemented by the Settlement Agreement, we find it reasonable to approve the Ongoing Review Progress Report for IGCC-7.

C. Ratemaking Issues. Joint Intervenors extensively 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 that Duke's IGCC Rider, as sponsored by the testimony of Ms. Douglas, accurately reflects the net retail jurisdictional IGCC Project investment as of March 31, 2011and the net retail jurisdictional amount of operating expenses incurred with respect to the IGCC Project from the period from October 1, 2010 through March 31, 2011.

The parties to the Settlement Agreement have suggested that we approve the costs presented in this IGCC-7 case, but implement only the more recent requested IGCC-8 Rider rates. Accordingly, in light of our contemporaneous Order approving the requested IGCC-8 Rider rates, the implementation of the IGCC-7 Rider rates is unnecessary. To the extent required, we find the requested IGCC-7 cost calculations for the transmission project-related depreciation expenses and the other O&M costs identified in testimony to be reasonable and approved for ratemaking purposes.

8. **Petitioner's Request for Confidential Treatment.** On June 27, 2011, Petitioner filed a Motion for Protection of Confidential and Proprietary Information ("Motion") in this Cause. In its Motion, Duke requested that certain details of various pricing and operating characteristic information for the IGCC Project (*e.g.* project cost estimates, details of forecasted operations and maintenance expenses of the IGCC Project, the detailed project schedules, operations staffing and training schedules, safety training, test and startup plans and procedures, quality control information, commodity curves), confidential information provided to Duke by its two primary contractors, GE and Bechtel, and confidential information provided to Duke by other IGCC contractors and vendors, be treated as confidential and a trade secret and not subject to public disclosure (collectively referred to as "Confidential Information"). In support of its Motion, the Petitioner included sworn Affidavits supporting the Petitioner's request for confidential treatment from W. Michael Womack. Duke reaffirmed its position for treatment of Confidential Information in its June 5, 2012, and June 20, 2012 "Motion[s] for Protection of Confidential and Proprietary Information."

In a July 19, 2011 Docket Entry, and again in June 8, 2012 and June 21, 2012 Docket Entries, the Presiding Officers made preliminary findings that the Confidential Information should be subject to confidential treatment. Pursuant to Indiana Code § 5-14-3-4(a)(4), we find that the Confidential Information submitted in this Cause is a "trade secret" and should continue to be held as confidential by the Commission.

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

1. The ongoing review progress report for the IGCC Project is hereby approved by the Commission based on the evidence of record.

2. The costs 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, 2011, are hereby approved as reasonable.

3. Petitioner's Confidential Exhibits and Joint Intervenors' Confidential Cross-Examination Exhibits presented in this proceeding are found to be confidential and a trade secret, excepted from public access, and will continue to be held as confidential by the Commission.

4. This Order shall be effective on an 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

Brenda Howe
Secretary to the Commission