

ORIGINAL

Commissioner	Yes	No	Not Participating
Zay	√		
Deig	√		
Swinger	√		
Veleta	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF INDIANAPOLIS)
POWER & LIGHT COMPANY D/B/A AES)
INDIANA FOR APPROVAL OF (1) CAPACITY)
(“CAP”) ADJUSTMENT FACTORS; AND (2)) CAUSE NO. 44795 OSS 10
OFF-SYSTEM SALES (“OSS”) MARGIN)
ADJUSTMENT FACTORS FOR ELECTRIC) APPROVED: MAY 27 2026
SERVICE FOR THE BILLING MONTHS OF)
JUNE 2026 THROUGH MAY 2027.)**

ORDER OF THE COMMISSION

**Presiding Officers:
Bob Deig, Commissioner
Kristin E Kresge, Administrative Law Judge**

On February 20, 2026, Indianapolis Power & Light Company d/b/a AES Indiana (“AES Indiana,” or “Petitioner”) filed its verified petition with the Indiana Utility Regulatory Commission (“Commission”) for approval of (1) a rate adjustment to be reflected in its Capacity (“CAP”) Adjustment; and (2) a rate adjustment to be reflected in its Off-System Sales (“OSS”) Margin Adjustment, both to be made effective commencing with the June 2026 billing cycle (which begins May 31, 2026) or the first full billing cycle following the Commission’s Order. Contemporaneously, AES Indiana prefiled the verified testimony and attachments of Caleb Steiner, Director, Regulated Operations and Term Management, US Utilities, and Cory Sullivan, Manager in Regulatory Accounting for AES U.S. Services, LLC. On March 25, 2026, Ray Hoffman, Manager, Commercial Operations, US Utilities was substituted to replaced Mr. Steiner, and related revisions to Mr. Sullivan’s direct testimony were also filed.¹

On April 23, 2026, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony of Kaleb G. Lantrip, Senior Utility Analyst in the OUCC’s Electric Division.

An evidentiary hearing was held at 10:30 a.m. on May 18, 2026, in Room 222, PNC Center, 101 West Washington Street, Indianapolis, Indiana. AES Indiana and the OUCC appeared and participated in the evidentiary hearing by counsel. The testimony and exhibits of Petitioner and the OUCC were admitted without objection.

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

1. Notice and Jurisdiction. Due, legal, and timely notice of the public hearing in this Cause was given and published as required by law. AES Indiana is a public utility as defined in Ind. Code § 8-1-2-1(a). Pursuant to Ind. Code § 8-1-2-42, the Commission has jurisdiction over

¹ AES Indiana filed revisions to Mr. Sullivan’s testimony on April 6, 2026.

AES Indiana’s rates and charges for utility service, including its CAP and OSS Margin Adjustments. Therefore, the Commission has jurisdiction over AES Indiana and the subject matter of this proceeding.

2. Petitioner’s Characteristics. AES Indiana is a public utility corporation organized and existing under the laws of Indiana with its principal office and place of business at One Monument Circle, Indianapolis, Indiana. AES Indiana renders retail electric utility service to more than 529,000 retail customers located principally in and near the City of Indianapolis, Indiana, and in portions of the following Indiana counties: Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Owen, Putnam, and Shelby. AES Indiana owns and operates electric generating, transmission and distribution plant, property and equipment, and related facilities, which are used and useful for the convenience of the public in the production, transmission, delivery, and furnishing of electric energy, heat, light, and power.

3. Background and Relief Requested. In Cause No. 45911, the Commission approved revisions to AES Indiana’s Standard Contract Rider No. 24 (“CAP Adjustment”). *Re Indianapolis Power & Light Co.*, Cause No. 45911 at 15-16, 33 (IURC Apr. 17, 2024) (“45911 Order”). The 45911 Order authorizes AES Indiana’s use of the CAP Adjustment to allow full allocation of an estimate of net capacity expense above and below the \$19.030 million of net capacity expenses included in the determination of basic charges for service in that proceeding. In 45911 Order, the Commission also approved revisions to AES Indiana’s Standard Contract Rider No. 25 (“OSS Margin Adjustment”) to allow full allocation of OSS margins (with a floor of \$0 for includable margins) above and below the \$28.612 million in OSS margins included in the determination of basic charges for service in that proceeding.

AES Indiana requests Commission approval of revised CAP and OSS Margin Adjustment factors for the billing months of June 2026 through May 2027. The revised CAP Adjustment factors are based on forecasted capacity costs and sales for the June 1, 2026 through May 31, 2027 Midcontinent Independent System Operator (“MISO”) planning year (“2026-2027 MISO Planning Year” or “Forecast Period”). The revised OSS Margin Adjustment factors requested to be approved in this proceeding are based on forecasted OSS margins for the 2026-2027 MISO Planning Year. The revised CAP and OSS Margin Adjustment factors also include reconciliations of actual capacity costs/revenues and actual OSS margins/revenues experienced during the 12 months of June 2024 through May 2025 (the “Reconciliation Period”).

4. Evidence.

A. AES Indiana’s Case-in-Chief.

1. CAP Adjustment. Mr. Hoffman reviewed the method by which the CAP Adjustment is calculated. He testified that, as a Load Serving Entity in MISO, AES Indiana is obligated to have sufficient capacity resources to cover its forecast peak demand plus its Planning Reserve Margin (“PRM”) to create a Planning Reserve Margin Requirement for each of the four planning seasons or acquire additional capacity through bilateral transactions with other market participants or by bidding on capacity in MISO’s annual Planning Resource Auction (“PRA”). He explained that if AES Indiana has more than enough capacity resources to cover its

forecast peak demand and PRM in any season, AES Indiana may sell capacity through bilateral transactions or may offer its additional capacity in MISO's PRA.

Mr. Hoffman discussed the current design of the MISO capacity market and how it creates variability in the AES Indiana capacity position. He noted the shifting PRM and uncertain capacity accreditation during a small number of hours each season creates significant variability in AES Indiana's capacity position. He discussed the change in the PRM from the 2025-2026 PRA to the upcoming 2026-2027 PRA and further discussed the impact of the Reliability Based Demand Curve ("RBDC") on the 2025-2026 PRA. He stated the 2025-2026 PRA was the first auction using the new RBDC, which replaced the previous vertical demand curve that sets the auction clearing price. He stated that the RBDC aims to clear more capacity each season than previously to send the proper economic signals to support reliability in the MISO footprint. He stated overall the RBDC increased cleared capacity in every season in excess of the published PRM. He testified the RBDC increases uncertainty around the total cleared capacity in each season, complicating position management before the auction.

He testified that AES Indiana is forecasting both capacity expense and revenues for the 2026-2027 MISO Planning Year and is expected to have long and short positions depending on the seasonal period. He explained to arrive at the forecasted capacity expenses or revenues, the position in each season is first multiplied by the forecasted PRA clearing price for that corresponding season. The sum of the capacity expense or revenue for each season plus the expense of bilateral purchases is included in the forecasted capacity expense. He stated the forecasted capacity expense is less than the base net capacity expense approved in the 45911 Order due to improved accreditation of AES Indiana assets, lower PRM in certain seasons, and the addition of the Petersburg Energy Center to AES Indiana capacity resource portfolio in this planning year.

Mr. Hoffman testified that AES Indiana's forecasted level of net capacity expense for the 12 months ending May 31, 2027 is \$1.8 million, which was derived by subtracting forecasted capacity revenue of \$6.9 million from the forecasted capacity purchases of \$5.2 million for the 2026-2027 MISO Planning Year. He stated the capacity purchase cost is inclusive of any broker fees incurred in bi-lateral transactions. Mr. Hoffman concluded the forecasted level of capacity expense/revenue is reasonable. He noted the overall capacity expense is largely locked in place through bi-lateral transactions. He stated AES Indiana selected and executed bi-lateral transactions at the reasonable lowest cost to reduce customer risk in the PRA auction. He stated the revenue and expense in the PRA of the resulting long or short position each season, valued by multiplying a clearing price by the position for each season, is informed by a third-party forecast as well as market intelligence from bilateral negotiations.

Mr. Sullivan testified concerning AES Indiana's determination of the revised CAP Adjustment factors. He explained that Petitioner's Exhibit No. 2, Attachment CRS-1, Schedule 1 summarizes the calculation details and presents the proposed CAP Adjustment factors by customer classification. Mr. Sullivan explained that Petitioner's Exhibit No. 2, Attachment CRS-1, Schedule 2 presents the forecasted capacity purchase costs for each of the 12 months of the Forecast Period. He noted the base cost of capacity purchases included in the basic rates approved in the 45911

Order is \$19,030,000. As a result, he testified line 18 shows that there is a credit of \$(13,869,741) to be applied to customers for capacity purchases as part of the CAP factor.

With respect to forecasted capacity sales revenue, Mr. Sullivan testified that Petitioner's Exhibit No. 2, Attachment CRS-1, Schedule 3 compares the forecasted revenue of \$6,911,125 to the base amount included in the basic rates approved in the 45911 Order of zero, resulting in a net credit of \$6,911,125. He explained that these amounts are allocated to customer classes by applying demand allocation factors from the cost-of-service study approved in the 45911 Order.

Mr. Sullivan also discussed the reconciliation of CAP costs and revenues for the Reconciliation Period, as shown on Petitioner's Ex. No. 2, Attachment CRS-1, Schedules 5 through 8. He noted that Petitioner's Ex. No. 2 Attachment CRS-1, Schedule 4 presents the forecasted program costs, customer incentive costs, and administrative costs for AES Indiana's Interruptible Demand Response ("IDR") Program for the Forecast Period, as well as the computation of the customer charge or credit resulting from these forecasts. He stated the inclusion of these forecasted costs is consistent with the Commission's Order in Cause No. 46268, and that in accordance with that order, IDR financial incentives are not included in the forecast but will be calculated based on actual savings and included in the reconciliation in a future CAP/OSS filing.

2. OSS Margin Adjustment. Mr. Hoffman reviewed the way the OSS Margin Adjustment is calculated and described the methodology used to develop AES Indiana's forecasted OSS margins for the 2026-2027 MISO Planning Year.

Mr. Hoffman testified that AES Indiana forecasts the volume of OSS margins and assigns the OSS margins to generating units based on a ranking of units from highest production cost to lowest production costs to ensure that the lowest cost generation is assigned to AES Indiana's retail load. He stated this is the same methodology that is followed in the FAC process in assigning forecast fuel costs to OSS margins. Mr. Hoffman explained that revenues are assigned to those units based on forecast Locational Marginal Prices and that OSS margins are the revenues from those units less the fuel and production costs for those units. Mr. Hoffman stated that as approved in the 45911 Order, the OSS margins from Lakefield Wind Production ("LWP") will be included in the OSS sales and margins because there is no longer be an adjustment for LWP in the FAC. He testified the total OSS margin is allocated to the retail customer at 100% after considering the amount embedded in basic rates.

Mr. Hoffman testified that the forecast net OSS margins for the 12 months ending May 31, 2027 are \$14.7 million as shown on Petitioner's Ex. No. 2, Attachment CRS-2, Schedule 2. He testified the forecasted OSS margins for the period ending May 31, 2027 are lower than the base OSS margins approved in the 45911 Order, primarily because of the Petersburg Unit 4 conversion outage. He noted the outage will temporarily remove 520 MW of generation from the portfolio until its scheduled return to service. In addition, changes in forward power prices reduced the overall margin of generating units in the forecast period on a \$/MWh basis compared to the benchmark. He concluded the OSS margins forecasted for the 2026-2027 MISO Planning Year are reasonable.

Mr. Sullivan testified about the methodology AES Indiana used to determine the OSS Margin Adjustment. He explained the forecasted net OSS margins are compared to the \$28,612,000 OSS margin included in the basic rates approved in the 45911 Order. He explained Petitioner's Ex. No. 2 Attachment CRS-2, Schedule 2 shows the net customer share charge/credit for the Forecast Period; presents the demand allocation factors from the cost-of-service study approved in the 45911 Order; and shows the final result of the net customer sharing allocated to customer classes based upon the demand allocation factors. He stated the resulting amounts are carried to Petitioner's Ex. No. 2, Att. CRS-2, Schedule 1. Mr. Sullivan also discussed the calculation of the proposed OSS Margin Adjustment factors by customer classification.

Mr. Sullivan also presented the reconciliation of OSS margins for the Reconciliation Period, as shown on Petitioner's Ex. No. 2, Attachment CRS-2, Schedules 3 through 5.

3. Additional Filing Information. Mr. Sullivan provided clean and redline versions of the OSS and CAP Riders, depicting the CAP Adjustment and OSS Margin Adjustment tariffs updated to reflect the proposed factors, respectively.

Mr. Sullivan testified that upon implementation of the proposed CAP Adjustment and OSS Margin Adjustment factors, residential customers using 1,000 kWh of electricity per month will experience a CAP Adjustment credit of \$0.70 and an OSS Margin Adjustment charge of \$5.14 for the billing period of June 2026 through May 2027. In relation to the factors currently in effect, he stated a residential customer using 1,000 kWh per month will experience a CAP Adjustment factor decrease of \$0.18 and an OSS Margin Adjustment factor increase of \$1.02. Mr. Sullivan stated this amounts to a net increase of \$0.84 or 0.59% for a residential customer using 1,000 kWh of electricity per month including the current CAP Adjustment factor and current OSS Margin Adjustment factor.

B. OUCC's Case-in-Chief. Mr. Lantrip discussed AES Indiana's support for its CAP and OSS Margin Adjustment factors and concluded that AES Indiana's proposed factors comply with the ratemaking and accounting treatment authorized by the Commission in Cause No. 45911.

Mr. Lantrip testified that AES Indiana is proposing to track total capacity credits of \$(6,967,324). He stated this amount includes AES Indiana's forecasted capacity purchase expense of \$5,160,259, embedded base rate capacity net costs of \$19,030,000, forecasted capacity sales revenues of \$6,911,125, \$1,854,222 of forecasted total IDR charges, plus \$11,959,320, which is the under-recovery balance to be included in the current proceeding. He discussed the MISO capacity market construct and described how AES Indiana's forecasted and historical capacity purchase expenses and sales revenues were calculated. He noted AES Indiana included forecasted program costs, customer incentive costs, and administrative costs for the IDR program in this filing.

Mr. Lantrip testified that AES Indiana proposes to track \$64,342,145 in total OSS margin customer charge through its OSS Margin Adjustment. He stated this includes forecasted OSS margins of \$13,898,880 plus the under-recovered variance from the prior period reconciliation of

\$50,443,265. He discussed the calculation of the OSS margin forecast and variance, as well as the reconciliation of AES Indiana's actual OSS margins net of the impact of base rates.

Mr. Lantrip concluded based on his analysis that AES Indiana's proposed factors comply with the ratemaking and accounting treatment authorized by the Commission in the 45911 Order and does not oppose the proposed factors.

5. Commission Discussion and Findings. As discussed in greater detail below, we find that AES Indiana's requested rate adjustments reflected in its CAP Adjustment and its OSS Margin Adjustment were properly calculated and are reasonable. We therefore approve the CAP Adjustment and OSS Margin Adjustment factors as requested by AES Indiana.

A. CAP Adjustment Factors. As shown in Petitioner's Ex. No. 2 Attachment CRS-1, Sch. 3, AES Indiana has forecasted capacity sales revenue of \$6,911,125 for the twelve months ended May 31, 2027. After adjusting for the level of capacity expense embedded in base rates per the 45911 Order, AES Indiana's resulting customer credit for its forecasted capacity sales revenue is \$(6,911,125).

As shown in Petitioner's Ex. No. 2, Attachment CRS-1, Sch. 2, AES Indiana has forecasted capacity purchase expense of \$5,160,259 for the twelve months ended May 31, 2027. After adjusting for the base capacity net cost of \$19,030,000 approved in the 45911 Order, AES Indiana's resulting customer credit for its forecasted capacity purchase is \$(13,869,741). We find AES Indiana's forecasted capacity expenses and sales are reasonable based on the projected results of the MISO PRA and AES Indiana's evidence that its forecast was based on AES Indiana's fundamental forecast and complete bilateral transactions.

As shown in Petitioner's Ex. No. 2 Attachment CRS-1, Sch. 4, AES Indiana forecasts total IDR program costs, customer incentives, and administrative costs of \$1,854,222 for the 12 months ended May 31, 2027. We find the forecast and inclusion of these costs is reasonable and consistent with the Commission's Order in Cause No. 46268. We further find AES Indiana shall calculate the IDR financial incentives based on actual savings and include such financial incentives in the reconciliation in a future CAP/OSS filing. As shown in Petitioner's Ex. No. 2 Attachment CRS-1, Sch. 6, AES Indiana incurred net capacity expense for the period of June 1, 2024 through May 31, 2025 of \$(11,181,492). As shown on Petitioner's Ex. No. 2, Attachment CRS-1, Sch. 5, this amount is then reconciled with the under-recovery balance from the prior filing of \$6,847,686, the Petitioner's Ex. No. 2, Attachment CRS-1, Sch. 7 net CAP rider rate revenues received for the same 12 month period of \$(978,251) and net capacity revenues over-recovery balance in this filing of \$17,271,377, resulting in an under-recovery balance of \$11,959,320 to be included in the current CAP factor determination. As shown in Petitioner's Ex. No. 2, Attachment CRS-1, Sch. 1, when the customer share of forecasted capacity sales and expense of \$(20,780,866) is combined with the forecasted IDR costs of \$1,854,222 and total under-recovery balance of \$11,959,320 to be included in the current CAP determination, the resulting grand total net customer share is a credit of \$(6,967,324). We find AES Indiana has properly calculated its proposed CAP Adjustment factors. In accordance with the Order approved by the Commission in the 45911 Order, we find AES Indiana should be authorized to apply its requested CAP Adjustment factors for all bills rendered

for electric service beginning with the first billing cycle of the June 2026 billing month. Such factors shall remain in effect until superseded by subsequent factors.

B. OSS Margin Sharing Adjustment Factors. As shown in Petitioner's Ex. No. 2, Attachment CRS-2, Sch. 2, AES Indiana has forecasted OSS margins of \$14,713,120 for the 12 months ended May 31, 2026. After taking into consideration the level of OSS margin embedded in base rates, the resulting customer share is a charge of \$13,898,880. The record shows that AES Indiana forecasts the volume of OSS margins and assigns the OSS margins to generating units based on a ranking of units from highest production cost to lowest production costs to ensure that the lowest cost generation is assigned to AES Indiana's retail load. The record further shows this is the same methodology that is followed in the FAC process in assigning forecasted fuel costs to OSS margin. We find AES Indiana's forecasted OSS margins and fuel cost assignment methodology to be reasonable.

As shown in Petitioner's Ex. No. 2, Attachment CRS-2, Sch. 4, AES Indiana received net OSS margins for the Reconciliation Period of \$14,496,723. After subtracting the base rate OSS margins credit of \$28,612,000, the total resulting net margin revenue under the base amount is \$(14,115,277). As shown in Petitioner's Ex. No. 2, Attachment CRS-2, Sch. 3, the amount on Petitioner's Ex. No. 2, Attachment CRS-2, Sch. 4 is then reconciled with the under-recovery balance from the prior filing of \$42,169,063, and Petitioner's Ex. No. 2, Attachment CRS-2, Sch. 5 actual net OSS factor revenue received for the same twelve-month period of \$(5,841,075), resulting in a total under-recovery balance in this filing of \$50,443,265. As shown in Petitioner's Ex. No. 2, Attachment CRS-2, Sch. 1, when the customer share of forecasted OSS margins is combined with the total under-recovery balance of \$50,443,265, the resulting grand total net customer share is a charge of \$64,342,145. We find AES Indiana has properly calculated its proposed OSS Margin Sharing Adjustment factors. In accordance with the Order approved by the Commission in Cause No. 45911, we find AES Indiana should be authorized to apply its requested OSS Margin Sharing Adjustment factors for all bills rendered for electric service beginning with the first billing cycle of the June 2026 billing month. Such factors shall remain in effect until superseded by subsequent factors.

C. Effect on Customers. Netting the CAP and OSS Margin Sharing factors will result in a residential customer using 1,000 kWh per month experiencing a monthly rate increase of \$0.84 (or 0.59%) on their electric bill compared to the present CAP Adjustment and the OSS Margin Sharing Adjustment factors.

6. Confidentiality. AES Indiana filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information ("Motion") with the Affidavit of Caleb Steiner on February 20, 2026. Mr. Steiner's Affidavit and a review of the submitted documents indicate that the confidential information has actual or potential independent economic value for AES Indiana and its ratepayers, the disclosure of the confidential information could provide AES Indiana's competitors and suppliers an unfair advantage, and AES Indiana has taken all reasonable steps to protect the confidential information from disclosure. Accordingly, pursuant to Ind. Code §§ 5-14-3-4(a)(4) and 8-1-2-29, we find the confidential information is trade secret and exempt from public access and disclosure by the Commission.

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

1. AES Indiana is authorized to implement its requested CAP Adjustment and the OSS Margin Sharing Adjustment factors, as set forth herein, to be effective with the first billing cycle of the June 2026 billing month for Regular Billing District 41 and Special Billing District 01. The CAP and OSS Margin Sharing Adjustment factors approved herein, upon becoming effective, shall remain in effect until new revised rates are approved.

2. AES Indiana shall file with the Energy Division of the Commission under this Cause the revised tariff sheets of AES Indiana's Tariff for Electric Service reflecting the changes to the CAP and OSS Margin Sharing Adjustments and may place the revised rates into effect upon approval by the Energy Division.

3. The confidential information filed in this Cause contains trade secrets and is therefore excepted from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4(a)(4) and 8-1-2-29.

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

ZAY, DEIG, SWINGER, VELETA, AND ZIEGNER CONCUR:

APPROVED: MAY 27 2026

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

_____ on behalf of
Dana Kosco
Secretary of the Commission