ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Bennett	√		
Freeman	√		
Veleta	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY D/B/A AES INDIANA FOR APPROVAL OF REGIONAL TRANSMISSION ORGANIZATION ("RTO") ADJUSTMENT FACTORS FOR ELECTRIC SERVICE FOR THE BILLING MONTHS OF OCTOBER 2023 THROUGH SEPTEMBER 2024.	)	**CAUSE NO. 44808 RTO 7** **APPROVED: SEP 27 2023**

ORDER OF THE COMMISSION

Presiding Officers:
Sarah E. Freeman, Commissioner
Kristin Kresge, Administrative Law Judge

On June 30, 2023, 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 a rate adjustment to be reflected in its Standard Contract Rider No. 26 (Regional Transmission Organization ("RTO") Adjustment) to be made effective commencing with the October 2023 billing cycle or the first full billing cycle following the Commission's Order.

Also on June 30, 2023, AES Indiana filed its case-in-chief with the Commission, which consisted of the verified testimony and attachments of Matthew Fields, Senior Manager, Federal Regulatory and RTO Policy, for AES Indiana, and Cory Sullivan, Senior Accountant in the Regulatory Accounting department at AES U.S. Services, LLC.

The Indiana Office of Utility Consumer Counselor ("OUCC") filed its case-in-chief on August 22, 2023, which consisted of the testimony of Kaleb G. Lantrip, Utility Analyst in the OUCC's Electric Division.

The Commission set this matter for an evidentiary hearing to be held on September 18, 2023, at 10:00 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC participated in the evidentiary hearing, by counsel, at which the testimony and exhibits of Petitioner and the OUCC were admitted into the record without objection.

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

1. **<u>Notice and Jurisdiction</u>.** Notice of the hearing in this Cause was given and published as required by law. AES Indiana is a public utility as that term is defined by Ind. Code § 8-1-2-1(a) and an energy utility as defined in Ind. Code § 8-1-8.4-3. Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes to AES Indiana's rates and charges for utility service, including its RTO 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 Indiana law with its principal office and place of business at One Monument Circle, Indianapolis, Indiana. AES Indiana renders retail electric utility service to approximately 519,000 retail customers located principally in and near Indianapolis, 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 the Order in Cause No. 44576 ("44576 Order"), the Commission approved AES Indiana's proposed Standard Contract Rider No. 26 (RTO Adjustment). The 44576 Order authorized AES Indiana's use of the RTO Adjustment to timely recover the excess or deficit of an estimate of Midcontinent Independent System Operator, Inc. ("MISO") non-fuel costs and credits ("NFC"), net of revenues, which are billed pursuant to MISO tariffs, compared to the $14.228 million of net NFC embedded in base rates.

In the Order in Cause No. 45029 ("45029 Order"), the Commission approved two modifications to the RTO Adjustment. The first modification changed the base amount of MISO NFC and revenues used to calculate the RTO charge or credit on the tariff to $35.424 million and $4.645 million. The second modification, based upon the cost of service study, is that one factor would be calculated for those Large Commercial and Industrial ("C&I") customers taking service at secondary voltage (Rates SL and PH) and another for those Large C&I customers taking service at primary voltage or higher (Rates PL and HL). Prior to that modification, one factor was calculated for Rate HL and another was calculated for the remaining Large C&I rates.

In this proceeding, Petitioner requests Commission approval of revised RTO Adjustment factors for the billing months of October 2023 through September 2024. AES Indiana is seeking to recover: (1) its estimated MISO NFC, net of revenues, which exceed amounts included in base rates for the billing cycles of October 2023 through September 2024; and (2) a reconciliation of actual MISO NFC, net of revenues, for the period of May 2022 through April 2023.

4. Commission Discussion and Findings.

A. Charges Recovered through the RTO Adjustment. Mr. Fields explained that recoverable MISO NFC include but are not limited to the following:

Description	FERC Account
Schedule 10 – ISO Cost Recovery Adder and Schedule 10-FERC annual charges recovery, or any successor provisions, of the Open Access Transmission and Energy Markets Tariff for the MISO ("MISO TEMT"), or any successor tariff	565

Schedule 16 – Financial Transmission Rights Administrative Service Cost Recovery Adder, or successor provision, of the MISO TEMT, or any successor tariff	575.3
Schedule 17 – Energy and Operating Reserve Markets Market Support Administrative Cost Recovery Adder, or successor provision, of the MISO TEMT, or any successor tariff	575.2
Schedule 24 – Control Area Operator Cost Recovery, or successor provision, of the MISO TEMT, or any successor tariff	561.2
Schedule 26 – Network Upgrade Charge from MISO Transmission Expansion Plan, or any successor tariff	566
Schedule 26-A – Real-Time MVP Distribution Amount, or any successor tariff	566
Costs that are not otherwise recovered by MISO through other charges and are socialized for recovery from all market participants including Company ("uplift costs"), including the Real-Time Revenue Neutrality Uplift Amount, and Real-Time Miscellaneous Amount billed by MISO	557 561.4
Contestable Revenue Sufficiency Guarantee over the benchmark	557
Schedule 2 & 11 transmission expenses	565
Schedule 10-FERC - MISO FERC fees	928
Real-Time Schedule 49 cost distribution	557
Jurisdictional MISO transmission revenues (which exclude Schedule 26 revenues deemed non-jurisdictional).	456
Schedule 24 Balancing Authority credits	456

Mr. Fields also testified regarding a January 27, 2023 FERC order that accepted the MISO Transmission Owners' filing to eliminate compensation for reactive power capability. He said the approved tariff revisions were effective December 1, 2022, and the related Schedule 2 of the MISO tariff has been a part of the non-fuel charges forecast since Cause No. 44808 RTO-1.

Mr. Lantrip testified AES Indiana followed the Revenue Sufficiency Guarantee Benchmark methodologies as approved in Cause No. 43664. Mr. Lantrip further stated that AES Indiana provided workpapers supporting its calculation of actual and forecasted Schedule 26 charges for projects approved by MISO. He also indicated additional MISO Transmission Expansion Program ("MTEP") project information was provided by AES Indiana for the in-service projects for which AES Indiana has received approval from MISO.

Mr. Lantrip testified regarding AES Indiana's Targeted Market Efficiency Project ("TMEP") project and said revenues related to the project are expected to be billed starting in June 2023. He explained that AES Indiana proposes to treat Schedule 26-C TMEP revenues it receives as non-jurisdictional, consistent with other cost-shared MISO projects.

Based on the evidence of record, we find AES Indiana's accounting and ratemaking treatment of Schedule 26-C TMEP projects is reasonable. Accordingly, we find the costs and revenues identified by Mr. Fields for recovery through the RTO Adjustment are reasonable and appropriate for recovery through the RTO Adjustment.

B. <u>Forecasted RTO Costs and Revenues</u>. Mr. Fields testified regarding the process used to determine budgeted and forecasted information. He explained that, for Schedule 26 and 26-A charges, the estimates are based on data found in the MTEP for charges by other market participants applicable to AES Indiana, plus estimates of the portion of AES Indiana's MTEP cost-shared projects that are allocable to AES Indiana. He stated that for the remaining charges, credits, and revenues, AES Indiana looks at historical information and prior forecasts and incorporates known or expected changes in developing the annual budget. He explained that during the calendar year, AES Indiana reviews current activity to determine if changes need to be made to the budgeted and forecasted amounts. Based on updated information provided by MISO, AES Indiana updated the budgeted amounts for the MTEP charges billed under Schedules 26 and 26-A.

Mr. Fields described the two MISO MTEP cost-shared projects for which AES Indiana receives non-jurisdictional Schedule 26 revenues. He stated AES Indiana does not have any cost-shared Multi Value Projects, and therefore, does not receive any Schedule 26-A revenues. He explained AES Indiana has one MISO MTEP cost-shared project that receives Schedule 26-C TMEP revenues. Mr. Fields said in MTEP 18, MISO approved a project to upgrade terminal equipment for the Gibson-Petersburg 345 kV line, which was completed in June 2021 at a total cost of $4.5 million. He stated that revenues related to this project are expected be billed starting in June 2023 and that AES Indiana will treat such revenues as non-jurisdictional, consistent with its other cost-shared MISO projects and consistent with the Company's decision in Cause No. 44156 RTO 13. Mr. Fields noted that plant additions and associated costs for MISO cost-shared projects determined to be non-jurisdictional will continue to be excluded from the jurisdictional revenue requirement in AES Indiana's general rate cases.

The amount of forecasted net NFC included in this proceeding is $31,936,377 ($35,559,062 MISO NFC Forecast offset by $3,622,718 in Net MISO Jurisdictional Revenues after reduction for Indiana Utility Receipts Tax), as shown on Petitioner's Exhibit 1, Attachment CRS-1, Schedule 2, Line 13 and Schedule 3, Line 13, respectively. The evidence of record reflects that the total net NFC costs for the forecast period are $135,062, and total forecasted under-collected net MISO jurisdictional revenues are $1,022,282. These amounts are netted against the $3,356,064 over-collection in the reconciliation period to arrive at a total net RTO credit of $2,198,720. Thus, based on the evidence of record, we find Petitioner's forecasted net NFC and net MISO jurisdictional revenues are reasonable and should be included in the RTO Adjustment factors during the billing months of October 2023 through September 2024.

C. <u>Reconciliation of Prior Periods</u>. Mr. Sullivan explained that this proceeding includes the reconciliation of actual MISO NFC, net of revenues, for the 12-month period ended April 30, 2023. Mr. Sullivan discussed in detail the calculation of the current under/over recovery balance to be included in the current RTO determination. As shown on Petitioner's Exhibit 1, Attachment CMS-1, Schedule 4, the prior period variance included in this proceeding is an over-collection of $3,356,064. The OUCC did not dispute this calculation.

Based on the evidence of record, we find that Petitioner properly included an over-recovery from prior periods of $3,356,064 for reimbursement to customers through the RTO Adjustment factors during the billing months of October 2022 through September 2023.

D. Allocation of Costs. Mr. Fields testified the rate schedule allocation percentages are utilized to determine the portion of the RTO Adjustment applicable to each Rate Schedule. He explained the percentage for each Rate Schedule applicable for MISO NFC on and after December 5, 2018, is based upon the demand allocators developed in the cost-of-service study in Cause No. 45029. Based on the record of evidence, we find that Petitioner used the appropriate allocation percentages for the RTO Adjustment factors applicable during the billing months of October 2023 through September 2024.

E. Resulting RTO Adjustment Factors. Petitioner's Exhibit 1, Attachment CRS-1, Schedule 1 shows that the RTO revenue requirement, after consideration of the prior period reconciliation, is ($2,198,720) ($1,157,344 forecasted Net MISO Revenues and Charges, net of the amount included in AES Indiana's base rates, plus the $(3,356,064) prior period variance). Mr. Lantrip testified that the OUCC recommends the Commission approve AES Indiana's RTO factors for the billing period of October 2023 through September 2024, and that AES Indiana's proposed RTO tracking factors comply with the ratemaking and accounting treatment authorized by the Commission in Cause No. 45029.

Based on the evidence presented and our discussion above, we find that Petitioner has properly calculated its proposed RTO Adjustment factors. We further find that Petitioner's proposed RTO Adjustment factors are reasonable and are therefore approved. Petitioner's Exhibit 1, Attachment CMS-1, Schedule 1 sets forth the proposed RTO Adjustment Factors for each customer class as follows:

RTO Adjustment Factors

	Residential	**C&I – Small**	**C&I – Large**	**C&I - Large**	**Lighting**
Rate Schedule	RS, CW, EVX	SS, SH, OES, UW, CW, EVX	PL, HL	SL, PH, EVX	MU-1, APL
RTO Adjustment Factor per kWh	$(0.000177)	$(0.000175)	$(0.000137)	$(0.000159)	$(0.000166)

In accordance with the methodology approved by the Commission in the 45029 Order, we find AES Indiana is authorized to apply its requested RTO Adjustment factors for all bills rendered for electric service beginning with the first billing cycles of the October 2023 billing month. Such factors shall remain in effect until superseded by subsequent factors.

F. Effect on Customers. The average residential customer using 1,000 kWh per month will experience a monthly RTO adjustment of $(0.18), which is a 0.4% decrease in such bill relative to the basic rates and charges in effect. In relation to the RTO 6 factor a residential customer using 1,000 kWh per month will experience a $0.46 decrease.

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

1. AES Indiana is authorized to implement its requested RTO Adjustment factors.

2. Prior to implementing the rates, AES Indiana shall file the tariff and applicable rate schedules under this Cause for approval by the Commission's Energy Division. Such rates shall be effective on or after the order date subject to Energy Division review and agreement with the amounts reflected.

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

HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR:

APPROVED: SEP 27 2023

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

Dana Kosco Digitally signed by Dana Kosco
Date: 2023.09.27 10:14:26
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Dana Kosco
Secretary of the Commission