

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF INDIANAPOLIS POWER)
& LIGHT COMPANY FOR APPROVAL OF A)
FUEL COST CHARGE FOR ELECTRIC)
SERVICE DURING THE MONTHS OF JUNE,)
JULY AND AUGUST 2016, IN ACCORDANCE)
WITH THE PROVISIONS OF I.C. 8-1-2-42)
AND CONTINUED USE OF RATEMAKING)
TREATMENT FOR COSTS OF WIND)
POWER PURCHASES PURSUANT TO)
CAUSE NOS. 43485 AND 43740.)

CAUSE NO. 38703 FAC 111

APPROVED: MAY 25 2016

ORDER OF THE COMMISSION

Presiding Officer:
Loraine L. Seyfried, Chief Administrative Law Judge

On March 17, 2016, Indianapolis Power & Light Company (“IPL” or “Applicant”) filed its Verified Application with the Indiana Utility Regulatory Commission (“Commission”) for approval of a fuel adjustment charge (“FAC”) to be applicable during the billing cycles of June through August 2016 and for continued use of ratemaking treatment for the cost of wind power purchases. Also on March 17, 2016, IPL filed its direct testimony and attachments. IPL also filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information, which was granted by Docket Entry on April 14, 2016. The Indiana Office of Utility Consumer Counselor (“OUCC”) filed its report and direct testimony on April 21, 2016. On May 2, 2016, IPL filed its rebuttal testimony.

An evidentiary hearing in this Cause was held on May 17, 2016, at 9:30 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, IPL and the OUCC appeared and participated by counsel. No members of the public appeared.

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

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published by the Commission as required by law. IPL is a public utility as that term is defined in Ind. Code § 8-1-2-1(a). Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes to IPL’s fuel cost charge and the ratemaking treatment of its wind power purchase costs. Therefore, the Commission has jurisdiction over IPL and the subject matter of this Cause.

2. Applicant’s Characteristics. IPL is an electric generating utility and a corporation organized and existing under the laws of the State of Indiana, having its principal office in Indianapolis, Indiana. IPL is engaged in rendering electric public utility service in the State of Indiana and owns, operates, manages and controls, among other things, plant and

equipment within the State of Indiana used for the production, transmission, delivery and furnishing of such service to the public.

3. Source of Fuel and Coal Decrement Pricing. IPL must comply with the statutory requirements of Ind. Code § 8-1-2-42(d)(1) by making every reasonable effort to acquire fuel and generate or purchase power, or both, so as to provide electricity to its retail customers at the lowest fuel cost reasonably possible. As discussed below, we find IPL has satisfied these requirements.

According to IPL witness Nicholas M. Grimmer, Director, Fuel Supply, Logistics and Coal Combustion Product Management, approximately 97% of IPL's internally generated kilowatt-hours ("kWh") in 2015 were generated by coal-fired capacity. He said IPL currently has contracts with four coal producers and receives coal from seven different mines. Mr. Grimmer stated that IPL uses a formal competitive bidding process to award its coal contracts. He said that for some spot purchases when a formal competitive bid process might not be feasible, an informal survey of local coal providers is performed to assure that the agreed-upon price is at or below IPL's next best alternative. Mr. Grimmer explained that although IPL currently has no spot coal contracts, IPL has used spot purchases of coal in the past to: (1) provide the differential requirement between IPL's long-term contracts and its projected burn for the year; (2) test the quality and reliability of a producer to see if IPL may want to utilize the company as a long-term supplier; and (3) take advantage of occasional low price market opportunities.

Mr. Grimmer explained that long-term contracts provide coal producers with certainty and the ability to most economically allocate their resources, thereby reducing their overall production costs and allowing producers to sell at a lower cost. He said even though most long-term contracts contain some volumetric flexibility, this flexibility may not be enough to absorb the volatility seen in most recent markets. He explained that over-reliance on the spot market presents a number of risks.

Mr. Grimmer explained that IPL strives to keep a 25- to 50-day supply of coal in inventory across its coal-fired generation fleet. He explained that although IPL has been working closely with its coal suppliers and transportation vendors, IPL's system-wide inventory is currently beyond the 50-day maximum inventory target. He said mild weather and soft energy markets have combined to reduce IPL's coal burn below expectations. He said IPL is actively managing its inventory levels in two ways. He said all of IPL's long-term coal contracts contain some variability in the quantity of coal that IPL can take under that particular contract. He said IPL has been taking contract minimums for a significant period of time, but this will not bring IPL's coal inventory back within the target inventory levels in the near future. Mr. Grimmer testified that IPL is in the midst of discussions with its suppliers to allow deferral of upcoming coal deliveries. He said IPL has entered into one coal contract amendment that defers a substantial amount of coal out of 2016 into 2018, and that IPL believes it will soon have amendments with other suppliers that will significantly improve IPL's 2016 position.

Mr. Grimmer stated that improvements were also made at IPL's Petersburg Generation Station that increase the footprint of IPL's coal pile, increasing on-site storage capacity by 200,000 to 250,000 tons. To further address the inventory issue, he said IPL is also negotiating with a number of suppliers and others in the coal industry to arrange to store coal at a temporary

interim site between the point at which the coal is acquired and the final unloading point. He said these interim off-site storage options would be used until such time as the coal could be accommodated on the Petersburg coal pile and eventually burned. He said IPL is also talking to suppliers about the possibility of buying out of certain contract obligations or potentially selling excess coal on the market.

IPL witness Dennis Dininger, Director, Commercial Operations, testified regarding the operating changes occurring at IPL's Harding Street and Eagle Valley locations. He stated that Harding Street Unit 7 is currently in its outage to install the equipment to enable the burning of natural gas for generation, as approved in Cause No. 44540. He said that the Eagle Valley coal-fired plant will retire in April 2016 as previously determined in Cause No. 44242. He said the coal burn is being managed at Eagle Valley to minimize the cost of the coal inventory to the fleet. He said that all generating units to support the reliability of IPL's 138kV system will be fired by natural gas as a result of these events. He also explained that beginning in December 2015 IPL is now buying power from Citizens Thermal under a power purchase agreement approved in Cause No. 44635.

Mr. Dininger testified that IPL's coal units are experiencing periods of economic shutdown and reduced dispatch due to a lower priced Midcontinent Independent System Operator, Inc. ("MISO") power market. He said the MISO power market prices declined nearly 30% from the same FAC period last year, commensurate with lower natural gas prices. He explained this low-price power market environment is expected to continue, causing IPL to now project an oversupply of coal to its units. He explained that IPL has determined that instituting a practice of decrement pricing in the offer of the coal units to the MISO Energy and Operating Reserves Market ("MISO EOR") will assist in mitigating the costs of oversupply.

Mr. Dininger explained that decrement pricing is a process by which the cost of coal is reduced in the offer to the MISO EOR equivalent to the cost of the option required to manage the oversupply. He said that, in other words, the price decrement represents the avoided cost associated with implementing a more expensive option to avoid or reduce surplus coal inventories, such as buying out of a coal contract, temporarily storing the coal, or taking some other form of action. He explained that to the extent the units are dispatched, coal coming to the station is consumed, other potential costs are avoided, and customers ultimately benefit. He added that decrement pricing is compliant with MISO Independent Market Monitor rules.

Mr. Dininger explained the mechanics of the decrement pricing approach and the inputs to the decrement pricing calculation. He also discussed the impact of decrement pricing on the forecast in this proceeding. He stated that compared to a forecast without decrement pricing, the addition of decrement pricing increases Coal Generation and, as a result, decreased the volume of Non-Wind PPA Market Purchases and increased the volume of Inter-System Sales through MISO. He said the forecasted fuel cost charge with decrement pricing is lower than the forecasted fuel cost charge without decrement pricing, due to the coal units running at a higher capacity factor, which results in lower forecasted fuel costs than forward power prices.

Mr. Dininger stated that decrement pricing will be one of many options implemented to manage the coal inventory surplus, and that all options will work together to bring the inventories back into target levels. He said that as the surplus subsides, the higher cost options

will be avoided and lower cost options will be used to set the decrement pricing amount. He noted that the lower decrement pricing amounts may slow IPL's progress towards its target inventories. He added that IPL is investigating additional ways to mitigate the difference between current coal inventory costs, coal commitments, and low market power prices. He said IPL will continue to update its testimony regarding its coal inventory in future FAC proceedings.

Mr. Grimmer testified that all options are being considered, and IPL is focusing on the most cost-effective solutions ranging from amending contracts to storing coal or changing offer pricing strategies. He said that coal decrement pricing is an additional tool that can be used to manage inventory and costs by decreasing IPL's offer to reflect avoided inventory management costs. He said offering the IPL coal units in at a coal price decrement would allow IPL to burn off these excess tons and thereby avoid the cost of storing coal, buying out of a contract, or selling coal on the market at or below IPL's cost, which benefits customers.

Mr. Grimmer explained that his Confidential Attachment NG-1 presents a "stack" of coal management options from lowest cost to highest cost, along with how many tons of coal can be addressed by each option. He said these options are used as inputs to help determine what decrement price, if any, should be used. He said that IPL will update the list of coal management options and will evaluate those options against its projected coal inventory levels and the cost and projected impact of each option available to mitigate any oversupply.

OUCC witness Gregory T. Guerrettaz, President of Financial Solutions Group, Inc., testified that the OUCC had a lengthy discussion with IPL centered on the excess inventory and related issues surrounding the need for a price decrement. He stated that IPL had detail to support the decrement, and that the OUCC reviewed the confidential information provided by IPL to justify the decrement and the way IPL is proposing it. He noted that the customer benefit from decrement pricing will develop over a period of time and will be offset by the use of the actual cost during the reconciliation process. He also stated that he disagreed with Mr. Dininger's statement that decrement pricing is compliant with MISO Independent Market Monitor rules because it was the OUCC's position that there is really no rule covering it.

OUCC witness Michael D. Eckert, Senior Utility Analyst, testified that the use of coal decrement pricing can negatively impact customers, because they can be paying for uneconomic units to run as opposed to paying the cost incurred by utilities purchasing power at a lower rate from the market. However, he said the impact of decrement pricing must be weighed against other costs incurred by a utility, such as storage fees for coal held at the mine or offsite storage fees with a third party, the impact of taking units offline, and other related expenses. He recommended that IPL file testimony, schedules, and workpapers as appropriate to justify and support the need for and utilization of coal decrement pricing.

In response to the OUCC's testimony, Mr. Dininger testified IPL plans to provide information to support coal decrement pricing in future FAC filings that involve such pricing, and that IPL is willing to work with the OUCC to address their information needs. He explained that in this case, IPL has supplied detailed information and data supporting the coal decrement pricing. In particular, he stated that as part of IPL's filing in this FAC, IPL provided Confidential Attachment NG-1, which presents a "stack" of coal management options, and confidential workpapers supporting the coal management options discussed in IPL's testimony. He noted that

IPL also provided information to the OUCC through the discovery process. He said IPL commits to continuing to provide similar information in subsequent FAC filings that involve coal decrement pricing, subject to appropriate protection of any confidential information.

Mr. Dininger also responded to Mr. Guerretaz' testimony regarding whether any MISO rules covered decrement pricing. He noted that both Duke and Vectren have employed coal decrement pricing, so this pricing approach is not uncommon in the MISO or Indiana markets. He said Duke has used coal decrement pricing since February 2012, and Vectren began implementing coal decrement pricing in February of this year. He explained that in discovery, IPL pointed to certain sections of the MISO tariff that set forth thresholds for identifying economic withholding. He said MISO Tariff, Module D, Sections 64.1.2 and 64.1.3 identify circumstances in which offers may be subject to mitigation measures so as to avoid distorting the market. He stated IPL's decrement pricing does not exceed those thresholds and thus complies with the MISO tariff. Further, he stated that if coal decrement pricing was a prohibited market activity, then it would be reasonable to expect that the Independent Market Monitor would mitigate IPL offers and/or would bring an enforcement action claiming such a pricing approach was prohibited. He said he was not aware of any such actions, nor any indication from MISO, suggesting that coal decrement pricing is prohibited by the MISO tariff. Thus, Mr. Dininger concluded that decrement pricing is compliant with MISO Independent Market Monitor rules.

Mr. Grimmer clarified Mr. Eckert's testimony and explained IPL currently has five active coal contracts with four coal suppliers. He stated two of these contracts run through 2018 and one runs through 2019. He also provided a corrected version of Mr. Eckert's timeline of coal contracts.

The record shows that IPL's coal inventory is above target levels and that it has already taken significant actions to actively manage the inventory, including taking contract minimums and renegotiating its existing coal contracts. The evidence shows that IPL expects these actions to significantly improve IPL's 2016 position. The record also shows that IPL will continue to consider all options and is focusing on the most cost-effective solutions, including the use of coal decrement pricing.

The OUCC did not recommend rejection of IPL's decrement pricing approach. While the OUCC raised a question as to whether any MISO rule covered decrement pricing, the record shows that coal decrement pricing has been utilized before in the MISO market. For example, both Duke and Vectren have engaged in coal decrement pricing. *See, e.g., Southern Ind. Gas & Elec. Co.*, Cause No. 38708 FAC 110 (IURC 4/20/2016); *Duke Energy Indiana, Inc.*, Cause No. 38707 FAC 102 (IURC 12/30/2014). Further, we have previously found in several FAC proceedings involving Duke Energy Indiana that the utilization of coal price decrements is reasonable. *See, e.g., Duke Energy Indiana, Inc.*, Cause Nos. 38707 FAC 92 at 7 (IURC 6/27/2012) (“[W]e find Duke Energy Indiana’s participation in the [MISO] Energy and Ancillary Services Markets and utilization of the coal price decrement constituted reasonable efforts to generate or purchase power, or both, to serve its retail customers at the lowest fuel cost reasonably possible.”); 38707 FAC 96 at 9 (IURC 10/30/2013) (same); 38707 FAC 102 at 7 (IURC 12/30/2014) (same). The evidence presented in this case supports the same conclusion with respect to IPL's use of coal decrementing pricing. More specifically, we find that IPL has laid a reasonable foundation for the mechanics of its coal decrement pricing impacts and the

associated inputs. As recognized by OUCC witness Guerrettaz, IPL provided detailed support for its use of decrement pricing in this proceeding. IPL has also indicated it will provide information to support coal decrement pricing in future FAC filings that involve such pricing, and that IPL is willing to work with the OUCC to address their information needs.

Based upon the evidence presented, as discussed here and further below, the Commission finds that IPL's utilization of the coal price decrement strategy is reasonable, and that in this proceeding IPL has made every reasonable effort to acquire fuel and generate or purchase power so as to provide electricity at the lowest fuel cost reasonably possible. As noted by IPL's witnesses, the inputs used to determine an appropriate coal price decrement will change over time. Accordingly, the Commission further finds that IPL shall file information to support the utilization of coal decrement pricing in future FAC filings that involve such pricing, subject to appropriate protection of confidential information.

4. MISO Market Related Activity. Mr. Dininger testified that consistent with the Commission's Order in Cause No. 38703 FAC 97 ("FAC97 Order"), IPL has included Demand Response Resource Uplift charges from MISO into its cost of fuel in this proceeding. According to Mr. Dininger, Day Ahead and Real Time market clearing prices for Regulation, Spinning, and Supplemental Reserves appear to be at reasonable levels consistent with market conditions.

In the Commission's Order in Cause No. 38703 FAC 85 ("FAC85 Order"), the Commission authorized IPL to include credits or charges for Contingency Reserve Deployment Failure Charge Uplift Amounts for purposes of review in FAC proceedings. Mr. Dininger explained that as a result of the FAC85 Order, IPL included the credits and charges for Contingency Reserve Deployment Failure Charge Uplift Amounts into its cost of fuel in this proceeding.

In the Commission's Order in Cause No. 38703 FAC 105 ("FAC105 Order"), the Commission authorized IPL to defer Real Time Multi-Value Project ("RT MVP") Distribution charges alongside Schedule 26A charges. Mr. Dininger testified that as a result of the FAC105 Order, IPL has deferred the charges for RT MVP Distribution alongside Schedule 26A charges.

OUCC witness Eckert stated IPL's proposed ratemaking treatment for the Ancillary Services Market ("ASM") Charge types follows the treatment ordered in the Commission's June 30, 2009 Phase II Order in Cause No. 43426 ("Phase II Order"). Pub. Ex. 2 at 3.

OUCC witness Guerrettaz testified that the OUCC is in the process of reviewing the generating units assigned to each off-system sale in order to give it some assurance that the highest cost generation used is being allocated to off-system sales. He said IPL is updating some (if not all) of its workpapers and that the stacking order used to price off-system sales should be part of the new workpapers.

In rebuttal, Mr. Dininger explained that IPL already provides the OUCC with wholesale sales by hour for the entire review period. He said IPL also provides the OUCC with stacking order information on a monthly basis. He explained the data requested by Mr. Guerrettaz is available, but it is voluminous given that there are over 2,100 individual hours in a given three-month period. Because IPL's stacking order remains relatively static on a monthly basis, he said

it is not entirely clear what benefit the hourly data would provide. That said, Mr. Dininger stated IPL previously discussed this issue with the OUCC and is working to schedule a meeting with OUCC staff to reach a mutually beneficial understanding of the type of data that is available so as to permit information to be provided in an efficient manner. He proposed that IPL provide an update on this issue in the next FAC filing.

Based upon the evidence, the Commission finds that IPL's treatment of the ASM charge types, Demand Response Resource Uplift charges, Contingency Reserve Deployment Failure Charge Uplift amounts, and RT MVP Distribution charges is consistent with the Commission's Phase II, FAC85, FAC97 and FAC105 Orders and should be approved. IPL shall provide an update on the stacking order workpaper issue in its next FAC filing.

5. Purchased Power Costs Above Benchmark. In its April 23, 2008 Order in Cause No. 43414 ("Purchased Power Order"), the Commission approved a "Benchmark" triggering mechanism for the judgment of the reasonableness of purchased power costs. Mr. Dininger explained that each day, a Benchmark is established based upon a generic Gas Turbine ("GT"), using a generic GT heat rate of 12,500 btu/kWh and the day ahead natural gas prices for the NYMEX Henry Hub, plus \$0.60/mmbtu gas transport charge for a generic gas-fired GT (the "Purchased Power Daily Benchmark" or "Benchmark"). Mr. Dininger explained that the Purchased Power Daily Benchmark is applicable to purchases beginning May 1, 2008 and ending April 30, 2018, with automatic two-year renewals. He stated that purchases made in the course of MISO's economic dispatch regime to meet jurisdictional retail load are a cost of fuel and are recoverable in the utility's FAC up to the actual cost or the Purchased Power Daily Benchmark, whichever is lower. Mr. Dininger sponsored Attachment DD-1 to Applicant's Exhibit 3 showing the applicable Purchased Power Daily Benchmarks for the applicable accounting period.

Mr. Dininger stated IPL incurred a total of \$765,111 of purchased power costs over the applicable Purchased Power Daily Benchmarks during November 2015 through January 2016. He opined that the purchased power costs incurred in November 2015 through January 2016 are reasonable. He said IPL makes power purchases when economical or because of unit unavailability. Mr. Dininger testified that consistent with the Commission's Purchased Power Order, IPL has an opportunity to request recovery and justify the reasonableness of purchased power costs above the applicable Purchased Power Daily Benchmark. IPL provided Attachment DD-2 to Applicant's Exhibit 3, which summarizes the purchased power volumes, costs, total of hourly purchased power costs above the applicable Purchased Power Daily Benchmarks for November 2015 through January 2016, and the reasons for the purchases at-risk after consideration of MISO economic dispatch. Mr. Dininger testified that utilizing the methodology approved in the Purchased Power Order, none of the purchased power is non-recoverable during the applicable accounting period. Therefore, IPL seeks to recover \$765,111 of purchased power costs in excess of the applicable Purchased Power Daily Benchmarks for November 2015 through January 2016.

Mr. Eckert explained that the purchased power over the benchmark treatment is controlled by the Purchased Power Order, and that IPL followed the guidelines and procedures established in the Purchased Power Order. He stated that the OUCC calculated the same amount of purchased power in excess of the benchmark as IPL. Following the procedures established in Cause No. 43414, Mr. Eckert concluded that all of the purchased power costs that exceeded the

benchmark are recoverable. He therefore recommended IPL be allowed to recover \$765,111 in purchased power costs that exceeded the benchmark.

Based upon the evidence, the Commission finds that IPL's request for recovery of its purchased power over the Benchmark is consistent with the Commission's Purchased Power Order and should be approved.

6. Contestable Revenue Sufficiency Guarantee ("RSG") Charges. Mr. Dininger testified that IPL's recovery of Contestable Real-Time RSG ("RT RSG") Charges proposed in this proceeding is consistent with the Commission's June 3, 2009 Order in Cause No. 43664 ("RSG Order"), in which the Commission approved a "Benchmark" calculation to be used to determine the RSG Benchmark. Each day, a Benchmark is established based upon a generic GT, using a generic GT heat rate of 12,500 btu/kWh and the day ahead natural gas prices for the NYMEX Henry Hub, plus \$0.60/mmbtu gas transport charge for a generic GT (the "RSG Daily Benchmark"). Mr. Dininger explained any RSG First Pass Distribution amounts in excess of the RSG Daily Benchmarks are termed "Contestable RT RSG Charges." Mr. Dininger stated the RSG Daily Benchmark calculations for the period of November 2015 through January 2016 have been done in conformity with the RSG Order as shown in Applicant's Exhibit 3, Attachment DD-1.

IPL witness Craig Forestal, Director of Regulatory Accounting, stated that during the applicable accounting period IPL incurred a total of \$3,013 of Contestable RT RSG Charges. He stated IPL was not seeking recovery of any Contestable RT RSG Charges in this proceeding. Mr. Forestal testified that in accordance with the RSG Order, IPL deferred \$2,237.22 of Contestable RT RSG Charges in November 2015, \$129.78 of Contestable RT RSG Charges in December 2015 and \$646.00 of Contestable RT RSG Charges in January 2016.

OUCG witness Eckert recommended that IPL be allowed to defer its Contestable RT RSG Charges.

Based on the evidence presented the Commission finds that IPL's deferral of its Contestable RT RSG Charges should be approved.

7. Operating Expenses. Ind. Code § 8-1-2-42(d)(2) requires the Commission to find that the utility's actual increases in fuel cost through the latest month for which actual fuel costs are available since the last Commission order approving basic rates and charges of the utility have not been offset by actual decreases in other operating expenses. Applicant's Exhibit 1, Attachment CAF-2 calculates the (d)(2) test (comparing the 12-month period ending January 31, 2016 with the Commission's August 24, 1995 Order in Cause No. 39938), and shows that total jurisdictional operating expenses excluding fuel costs have increased. Therefore, the Commission finds that IPL's actual increases in fuel cost have not been offset by actual decreases in other operating expenses in compliance with the statutory requirements of Ind. Code § 8-1-2-42(d)(2).

8. Return Earned. Ind. Code § 8-1-2-42(d)(3) requires the Commission to find that the fuel adjustment charge applied for will not result in the electric utility earning a return in excess of the return authorized by the Commission in the last proceeding in which the basic rates

and charges of the utility were approved. In Cause No. 39938, the Commission established an authorized return of \$163,000,000 for Step 2 of a two-step increase in IPL's basic rates and charges. In accordance with 170 IAC 4-6-21 and the Commission's Order in Cause No. 42170, IPL added \$48,712,000 to its authorized operating income representing the return on its Qualified Pollution Control Property. Thus, as reflected in Attachment CAF-3 to Applicant's Exhibit 1, IPL has an authorized return of \$211,712,000 for purposes of this proceeding. Attachment CAF-2 to Applicant's Exhibit 1 calculates the (d)(3) test, which shows that IPL's actual return for the 12-month period ended January 31, 2016 was \$146,073,000. Therefore, the Commission finds that during the 12-month period ending January 31, 2016, IPL did not earn a return in excess of its authorized return in compliance with the statutory requirements of Ind. Code § 8-1-2-42(d)(3).

9. Estimating Techniques. Ind. Code § 8-1-2-42(d)(4) requires the Commission to find that a utility's estimate of its prospective average fuel costs for each month of the estimated three calendar months is reasonable after taking into consideration the actual fuel costs experienced and the estimated fuel costs for the three calendar months for which actual fuel costs are available. According to Applicant's Exhibit 1, Attachment CAF-1, Schedule 5, page 4 of 4, IPL's weighted average deviation between forecast and actual fuel cost was 0.64% for the months of November 2015 through January 2016. IPL projected its fuel costs for the billing months of June through August 2016 after taking into consideration its estimated and actual fuel cost for the reconciliation period.

OUCC witness Guerrettaz testified that IPL has reflected the projected costs going forward at the non-decremented cost. Mr. Guerrettaz stated the OUCC reviewed each input in detail and had a good discussion with IPL personnel regarding the estimates and the effect of decrement pricing.

Based upon the evidence, we find that IPL's estimating techniques are reasonably accurate and that its estimate of fuel costs for June through August 2016 should be accepted.

10. Wind Power Purchase Agreements. Mr. Dninger testified that purchases from the Hoosier Wind Park ("Hoosier") and Lakefield Wind Park ("Lakefield") are included in IPL's actual and projected fuel costs. He discussed the amount of power received from Hoosier and Lakefield for the months of November 2015 through January 2016. Pursuant to the Order in Cause No. 43740, IPL is reflecting credits to jurisdictional fuel costs for off-system sales profits made possible because of the energy received from the Lakefield purchased power agreement ("PPA").

Mr. Dninger said Hoosier and Lakefield are both Dispatchable Intermittent Resources in the MISO market and can ramp quickly, largely avoiding negative Locational Marginal Prices; however, the curtailed power is billable when certain criteria are met.

In Cause Nos. 43485 and 43740, the Commission approved IPL's request to recover the purchased power costs incurred under the Hoosier and Lakefield PPAs over their respective full 20-year terms. Based on the evidence presented, the Commission finds that the requested costs are reasonable and approves the ratemaking treatment of the wind PPA costs.

11. Renewable Energy Credits. Mr. Guerrettaz stated that IPL recorded sales of Wind renewable energy credits (“RECs”) from Hoosier and sales of Solar RECs from Rate REP customers in January 2015. He explained that it is not apparent at this time if the involvement by Alliance for Cooperative Energy Services (“ACES”) has benefited the customer. He stated IPL should provide a cost justification in future FACs.

In rebuttal, Mr. Dininger testified that, as he explained in FAC 110, IPL has contracted with ACES to more efficiently manage IPL’s RECs. He explained that ACES tracks IPL’s REC inventory, recommends new markets and trades, and negotiates deals. He said IPL’s decision to engage ACES was based on costs to manage and market RECs in 2014 and expected costs for 2015. Mr. Dininger testified that prior to engaging ACES, IPL met with the OUCC and provided a decision analysis that reviewed several options and ultimately recommended the ACES relationship. He said that IPL will continue to discuss and support the reasonable costs associated with the ACES agreement in future FACs.

The record shows that IPL has met with the OUCC to discuss the ACES engagement and provided an analysis recommending the ACES relationship. We note the OUCC did not challenge any specific costs associated with ACES at this time. We find IPL shall continue to discuss and support the reasonable costs associated with the ACES agreement in future FACs that involve such costs.

12. Reconciliation and Resulting Fuel Cost Factor for Electric Service. According to Applicant’s Exhibit 1, Attachment CAF-1, Schedule 1, IPL’s total estimated cost of fuel for June through August 2016 is \$114,921,677 and its total estimated sales are 3,808,722 MWh. IPL’s estimated cost of fuel is \$0.030173 per kWh. The evidence of record indicates that IPL reconciled the actual fuel costs and revenues for November 2015 through January 2016. As shown on Applicant’s Exhibit 1, Attachment CAF-1, Schedule 1, reconciliation of actual fuel costs and revenues results in a total variance of \$(2,370,168). Dividing this amount by the total estimated jurisdictional sales of 3,808,722 MWh results in a variance factor of \$(0.000622) per kWh. Combining the variance factor with the estimated per kWh cost of fuel, subtracting the base cost of fuel and adjusting for Indiana Utility Receipts Tax, results in a proposed fuel factor of \$(0.001999) per kWh for the June through August 2016 billing cycles.

Pursuant to Ind. Code § 8-1-2-42(a), the Commission finds the factor approved herein should become effective for all bills rendered for electric services during the first full billing month following the issuance of this Order. As a result of the fuel cost factor approved herein, the typical residential customer using 1,000 kWh per month will experience a decrease of \$4.73 or 5.34% on his or her base electric bill compared to the factor approved in Cause No. 38703 FAC 110 (excluding various tracking mechanisms and sales tax).

13. Confidential Information. IPL filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information (“Motion”) with the Affidavit of Nicholas Grimmer on March 17, 2016. The Presiding Officer granted the Motion in an April 14, 2016 Docket Entry, finding the information should be held confidential on a preliminary basis.

The Affidavit of Mr. Grimmer indicates that the confidential information has actual or potential independent economic value for IPL and its ratepayers, the disclosure of the

confidential information could provide IPL's competitors and suppliers an unfair advantage, and IPL 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. The fuel cost factor set forth at Finding Paragraph No. 12 above is approved.
2. Prior to implementing the authorized rates, IPL shall file the applicable rate schedules under this Cause for approval by the Commission's Energy Division.
3. IPL's ratemaking treatment for the cost of wind power purchases pursuant to the Commission's Orders in Cause No. 43485 and Cause No. 43740 is approved as set forth herein.
4. 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.
5. IPL shall file information to support the utilization of coal decrement pricing in future FAC filings that involve such pricing, subject to appropriate protection of confidential information.
6. IPL shall provide an update in its next FAC filing regarding the inclusion of hourly stacking order information in its workpapers.
7. This Order shall be effective on and after the date of its approval.

STEPHAN, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED:

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



Mary M. Becerra
Secretary of the Commission