

ORIGINAL

Commissioner	Yes	No	Not Participating
Zay	√		
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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 AN ADJUSTMENT TO ITS RATES) CAUSE NO. 42170 ECR 39
 THROUGH ITS APPROVED ENVIRONMENTAL)
 COMPLIANCE COST RECOVERY ADJUSTMENT) APPROVED: MAR 04 2026
 COMMENCING WITH THE MARCH 2026)
 BILLING CYCLE.)**

ORDER OF THE COMMISSION

**Presiding Officer:
 Anthony F. Swinger, Commissioner
 Steve Henke, Administrative Law Judge**

On November 26, 2025, 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 Environmental Compliance Cost Recovery Adjustment (“ECCRA”). In support of its Petition, AES Indiana contemporaneously filed the direct testimony, attachments, and workpapers of Cory Sullivan, Manager in the Regulatory Accounting Department at AES U.S. Services, LLC.

On January 23, 2026, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the testimony of Brittany L. Baker, Utility Analyst in the OUCC’s Electric Division. On January 29, 2026, Petitioner filed its Notice of Intent Not to File Rebuttal Testimony.

The Commission held an evidentiary hearing in this Cause on February 12, 2026, at 9:30 a.m. in Room 224 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared and participated at the hearing, during which Petitioner’s and the OUCC’s exhibits were admitted into the record without objection.

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

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published by the Commission as required by law. Petitioner is a “public utility” as that term is defined in Ind. Code § 8-1-2-1 and an “energy utility” as defined in Ind. Code § 8-1-8.4-3. Under Ind. Code § 8-1-2-42 and Ind. Code ch. 8-1-8.4, the Commission has jurisdiction over a public utility’s cost recovery related to environmental compliance projects and projects necessary for compliance with federally mandated requirements. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. Petitioner’s Characteristics. AES Indiana is a corporation organized and existing under the laws of the State of Indiana, with its principal office at One Monument Circle, Indianapolis, Indiana. AES Indiana renders electric public utility service in the State of Indiana, including in Marion County, and owns and operates plant and equipment within the State of Indiana used for the production, transmission, delivery, and furnishing of such service to the public.

3. Background. Petitioner’s ECCRA and the procedures for its implementation were initially approved in the Commission’s November 14, 2002 Order in Cause No. 42170. Thereafter, the Commission issued additional Orders authorizing projects and associated cost recovery through the ECCRA.

On June 16, 2021, the Commission issued its Order in Cause No. 45493 approving ratemaking treatment for recovery of a return on AES Indiana’s investment in a solar power generation facility to be known as Hardy Hills Solar (“Hardy Hills”). The Commission subsequently approved an update to the cost estimate and project schedule for Hardy Hills in its August 16, 2023 Order in Cause No. 45493 S1.

On November 24, 2021, in Cause No. 45591, the Commission approved ratemaking treatment for recovery of a return on AES Indiana’s investment in the Petersburg Energy Center (“PEC”). The Commission subsequently approved an update to the cost estimate and project schedule for the PEC in its May 3, 2023 Order in Cause No. 45832.

In its January 17, 2024 Order in Cause No. 45920, the Commission approved ratemaking treatment, including the recovery of a return on AES Indiana’s investment, for the Pike County Battery Energy Storage System (“BESS”).

In its January 24, 2024 Order in Cause No. 45931, the Commission approved ratemaking treatment for recovery of a return on AES Indiana’s investment in a wind production facility known as the Hoosier Wind Project (“Hoosier Wind”). AES Indiana was also granted authority to recover ongoing operation and maintenance (“O&M”) expenses for Hoosier Wind through the ECCRA.

On April 17, 2024, the Commission issued its Order in AES Indiana’s general rate case, Cause No. 45911 (“45911 Order”). In the 45911 Order, the Commission approved a settlement agreement that rolled into basic rates and charges the remaining environmental compliance projects that were previously included in the ECCRA filings, namely the National Ambient Air Quality Standards (“NAAQS”)-Other Compliance Project costs approved in the 44794 Order that were not included in basic rates and charges under Cause No. 45029. The 45911 Order also authorized AES Indiana to include a \$15.523 million benchmark in its basic rates for consumables, including ammonia, coal combustion products, limestone, and other chemicals attributable to Petitioner’s retail sales. The 45911 Order also granted AES Indiana authority to track retail emission allowance costs through the environmental cost recovery (“ECR”) proceedings. There was no benchmark included in basic rates for emission allowances.

On April 9, 2025, the Commission issued its Order in Cause No. 46113 approving AES Indiana’s requested ratemaking treatment for the Crossvine solar power generating facility and BESS (“Crossvine”), including the recovery of a return on AES Indiana’s investment.

4. Relief Requested. Petitioner seeks Commission approval of revised ECCRA factors. AES Indiana further requests Commission approval of the timely recovery of carrying charges for Hardy Hills, PEC, Pike County BESS, Hoosier Wind, and Crossvine; amortization of the Hardy Hills, Pike County BESS, and PEC regulatory assets; recovery of generation-related consumables and nitrogen oxide (“NOx”) emission allowance expenses; and costs associated with Hoosier Wind, including carrying costs, depreciation expense, ongoing O&M expense, and other eligible revenue requirement amounts associated with Hoosier Wind.

AES Indiana also requests approval of an adjustment that will provide a return on its project construction and investment costs incurred through September 30, 2025 for Hardy Hills, costs through August 31, 2025 for other projects, projected O&M and depreciation costs, and the amortization of regulatory assets. The total revenue requirement to be recovered in this filing is \$113,437,270.

5. ECCRA Factors.

A. Environmental Compliance Costs. Petitioner witness Sullivan sponsored Petitioner’s Exhibit No. 1, Attachments CRS-1 through CRS-9. He explained Attachment CRS-2 for Hardy Hills, PEC, Pike County BESS, Hoosier Wind, and Crossvine sets forth Petitioner’s investment, carrying charges, amortization/depreciation amounts, and O&M expenses for the projects. Mr. Sullivan described the ratemaking and accounting treatment approved for Hardy Hills, PEC, Pike County BESS, and Crossvine. He testified that the Commission’s Orders regarding Hardy Hills and PEC included 50% cost sharing up to a 6% cost cap over the project estimate. He stated that AES Indiana was granted authority to record approximately \$5.2 million, \$4 million, \$2.8 million, and \$6.4 million of project development costs for Hardy Hills, PEC, Pike County BESS, and Crossvine, respectively, as regulatory assets without carrying charges, which will be included in a future basic rate case.

B. Depreciation, Carrying Costs, O&M Expenses, and Amortization of Deferred Costs. Mr. Sullivan testified that in the 45911 Order, the Commission granted AES Indiana authority to include a \$15.523 million benchmark in its basic rates for consumables, including ammonia, coal combustion products, limestone, and other chemicals attributable to Petitioner’s retail sales. He further testified that actual expenses related to generation consumables will be reconciled on an annual basis through the ECR. He stated the 45911 Order also granted Petitioner authority to track retail emission allowance costs through the ECR and there was no benchmark included in basic rates for emission allowances.

Mr. Sullivan testified that forecasted retail expenses above or under the \$15.523 million benchmark are included in Petitioner’s Exhibit 1, Attachment CRS-2 NOx Allowances, Generation Consumables for the billing period of March 2026 through February 2027. He stated AES Indiana has not included a forecast for retail expense related to NOx allowances at this time and explained any differences from these estimates will be reconciled and included in future ECR filings. He

testified a reconciliation between the estimate included in the prior ECR filings plus the benchmark in base rates to actuals for the period of September 2024 through August 2025 is also included, which AES Indiana proposes to amortize the reconciliation over 12 months.

Mr. Sullivan also described the ratemaking and accounting treatment approved in Cause Nos. 45493, 45591, 45920, and 46113. He stated AES Indiana was granted authority to record its investment in Hardy Hills, PEC, Pike County BESS, and Crossvine as regulatory assets along with carrying charges (using the lower of the Allowance for Funds Used During Construction or Weighted Average Cost of Capital rate) until the regulatory assets are reflected in customer rates.

Mr. Sullivan testified that once the projects are operational, the contract costs and credits will be administered with AES Indiana's quarterly fuel adjustment charge ("FAC") proceedings and any cash distributions from the projects, once operational, will also be included with the FAC proceedings. He stated the return on AES Indiana's investments in PEC and the Pike County BESS Project began in Cause No. 42170 ECR 37 ("ECR 37"), which was the first ECR filing following AES Indiana's initial investment in PEC and the Pike County BESS Project. He testified AES Indiana's recovery of the return on the investment in Crossvine will begin in this ECR filing. He stated AES Indiana's recovery of the return on its investment in Hardy Hills, PEC, Pike County BESS, and Crossvine will continue through the inclusion of the respective regulatory assets in a subsequent AES Indiana basic rate case. He provided confidential updates on the amounts of the regulatory assets for Hardy Hills as of September 30, 2025 and for other projects as of August 31, 2025, and explained how the revenue requirement was calculated and included in the overall jurisdictional revenue requirement.

Mr. Sullivan testified regarding the amortization of the regulatory asset and amortization of carrying costs included for Hardy Hills, PEC, and Pike County BESS in this proceeding. He stated 12 months of amortization of the unamortized regulatory asset balance for Hardy Hills and the unamortized carrying cost balance as of September 30, 2025 was included in this filing. These amounts are included on Petitioner's Exhibit 1, Attachment CRS-2 Hardy Hills, PEC, Pike County BESS, Hoosier, Crossvine, Line 13, Columns C and D, which is consistent with the ratemaking treatment approved by the Commission in Cause No. 45493 S1.

We find AES Indiana's estimated depreciation, carrying costs, O&M expenses, and amortization of deferred costs are reasonable, and we approve the inclusion of these expenses in the ECCRA revenue requirement.

C. Revenue Requirement. Mr. Sullivan sponsored Attachment CRS-3 to Petitioner's Exhibit 1, which calculates the ECR factors. This calculation combined the amounts from Attachment CRS-7 and variances from the reconciliation worksheets (that is, Attachments CRS-4 and CRS-9 to Petitioner's Exhibit 1). The total amount to be reconciled in this proceeding is \$7,960,270 and the total amount of ECR 39 costs to be recognized in customer rates is \$113,437,270.

Mr. Sullivan also described Attachment CRS-4 to Petitioner's Exhibit 1, which reconciles estimated expenses and actual billed revenues from part of ECR 37 (September 2024 through February 2025) and part of Cause No. 42170 ECR 38 ("ECR 38") (March through August 2025).

Mr. Sullivan stated the variance for the remainder of the ECR 38 revenue period (September 2025 through February 2026) will be included in the next ECR filing. He explained that the split over multiple ECRs is the result of the utility changing from a semi-annual filing to an annual filing beginning with the Cause No. 42170 ECR 32 filing. The resulting variance for expenses and revenues is \$7,960,270, as shown on Petitioner's Exhibit No. 1, Attachment CRS-3. He noted the higher ECR 38 variance is due to ECR 38 rates being implemented in April 2025 instead of March 2025.

OUCU witness Baker discussed the calculation of AES Indiana's overall revenue requirement, as well as the revenue requirements attributable to the amortization and depreciation of its investments, and the total revenue requirement for AES Indiana's carrying charges. Ms. Baker also noted the inclusion of costs associated with AES Indiana's Crossvine investment in this filing and described the ratemaking treatment for AES Indiana's investment in Crossvine as approved in Cause No. 46113. Ms. Baker described five changes to this filing from previous ECR filings: 1) adding the return on project construction and investment costs for Hardy Hills; 2) adding Investment Tax Credits ("ITC") included with a 12-month amortization period for Pike County BESS; 3) adding PEC's amortization of 12 months of its regulatory asset and carrying cost balances; 4) stopping the recording of carrying costs on Hoosier Wind; and 5) adding a 12-month amortization period for the reconciliation of O&M costs for Hoosier Wind. Ms. Baker also explained the use of September 30, 2025 as a cut-off for Hardy Hills was to include a refund with interest for interconnection charges that was received from the transmission owner in September 2025. Ms. Baker discussed how the Pike County BESS is eligible for the 40% ITC because it was placed in service in March 2025 and explained how AES Indiana stopped recording carrying costs in March 2025 for Hoosier Wind due to the rates reflecting carrying costs being implemented in ECR 38. Ms. Baker summarized the ratemaking and accounting treatment approved by the Commission, the revenue requirements associated with generation consumables and NOx allowances to be tracked in ECR 39, and the revenue requirement associated with the remaining items included in ECR 39.

After calculating and confirming the accuracy of AES Indiana's proposed ECR factor, Ms. Baker ultimately recommended the Commission approve AES Indiana's revised ECCRA factors.

The record shows that AES Indiana has correctly calculated its revenue requirement. Therefore, we approve AES Indiana's jurisdictional revenue requirement of \$113,437,270, as shown on Petitioner's Exhibit 1, Attachment CRS-3, Line 7.

D. Allocation of Jurisdictional Revenue Requirement. 170 IAC 4-6-15 requires AES Indiana to allocate the jurisdictional revenue requirement among the utility's customer classes in accordance with the allocation parameters established in its last general rate case. Mr. Sullivan testified that the retail allocation factor is based on the retail jurisdictional share of the 12-month average system peaks used to allocate production plant, operating expenses, and depreciation expenses respectively from AES Indiana's cost of service study, as used in AES Indiana's most recent general rate proceeding (Cause No. 45911). Mr. Sullivan also explained how the reconciled O&M and depreciation expense variances are allocated between jurisdictional and non-jurisdictional customers.

Based on the evidence presented, we find AES Indiana has complied with 170 IAC 4-6-15 and we approve AES Indiana’s allocation factors.

E. Amount of ECCRA Adjustments. As shown on Attachment CRS-3 to Petitioner’s Exhibit 1, the proposed ECCRA factors for each customer class are:

\$0.009331	per KWH for Rates RS, CW, and EVX (with associated Rate RS service)
\$0.009143	per KWH for Rates SS, SH, OES, UW, CW, and EVX (with associated Rate SS service)
\$0.007225	per KWH for Rates PL and HL
\$0.007907	per KWH for Rates SL, PH, and EVX (with associated Rate SL service)
\$0.003585	per KWH for Rates MU-1 and APL

According to Ms. Baker, a residential customer using 1,000 kWh per month will experience a decrease of \$0.15 or approximately 1.6%, relative to the ECCRA factor approved in ECR 38.

F. Approval of ECCRA Adjustments. The Commission finds that AES Indiana has complied with the rules and procedures applicable to its request, including the requirements of 170 IAC 4-6 and our subsequent Orders regarding the ECCRA. The Commission further finds that the proposed ECCRA factors are properly calculated and comply with the provisions of applicable Commission Orders. Therefore, the Commission approves the ECCRA factors set forth above and contained in Petitioner’s Exhibit No. 1, Attachment CRS-3, effective for all bills rendered for electric services beginning with the March 2026 billing cycle.

G. Net Operating Income for Fuel Adjustment Clause. 170 IAC 4-6-21, Ind. Code § 8-1-8.4-7(c)(1), and the Commission’s Orders regarding AES Indiana’s environmental compliance projects authorize AES Indiana to add the approved return on its environmental compliance investment to its net operating income authorized by the Commission for the purposes of Ind. Code § 8-1-2-42(d)(3) in all subsequent FAC proceedings. However, the Commission requires that, for purposes of computing the authorized net operating income for Ind. Code § 8-1-2-42(d)(3), the jurisdictional portion of the increased return shall be phased in over the appropriate period of time that AES Indiana’s net operating income is affected by the earnings modification resulting from the Commission’s approval of this ECCRA.

H. Confidentiality. On November 26, 2025, Petitioner filed its Motion for Protection and Nondisclosure of Confidential and Proprietary Information with a supporting affidavit asserting that certain information to be submitted to the Commission was trade secret information as defined in Ind. Code § 24-2-3-2 and should be treated as confidential in accordance with Ind. Code §§ 5-14-3-4 and 8-1-2-29. A Docket Entry was issued on December 16, 2025, through which the Presiding Officers determined the information should be held confidential on a preliminary basis, after which the information was submitted under seal. After review of the information and consideration of the affidavit, we find the information is trade secret information as defined in Ind. Code § 24-2-3-2, is exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29, and shall be held confidential and protected from public access and disclosure by the Commission.

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

1. AES Indiana's proposed rate adjustments in its ECCRA as set forth in Paragraph 5.E are approved.

2. In accordance with 170 IAC 4-6-21 and Ind. Code § 8-1-8.4-7(c)(1), and as set forth above in Paragraph 5.G, AES Indiana shall add the approved return on its environmental compliance investment to its net operating income authorized by the Commission for the purposes of Ind. Code § 8-1-2-42(d)(3) in all subsequent FAC proceedings. However, for purposes of computing the authorized net operating income for Ind. Code § 8-1-2-42(d)(3), the jurisdictional portion of the increased return shall be phased in over the appropriate period of time that AES Indiana's net operating income is affected by this earnings modification resulting from the Commission's approval of this ECCRA.

3. Prior to implementing the authorized rate adjustment, AES Indiana shall file the applicable rate schedules under this Cause for approval by the Commission's Energy Division. Such rates shall be effective on and after the date of this approval.

4. The information submitted under seal in this Cause pursuant to Petitioner's request for confidential treatment is determined to be confidential trade secret information as defined in Ind. Code § 24-2-3-2 and shall continue to be held as confidential and exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29.

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

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

APPROVED: MAR 04 2026

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

Dana Kosco
Secretary of the Commission