

**STANDARD CONTRACT RIDER NO. 61
INTEGRATED COAL GASIFICATION
COMBINED CYCLE GENERATING
FACILITY REVENUE ADJUSTMENT
APPLICABLE TO RETAIL RATE GROUPS**

The applicable charges for electric service to the Company's retail customers shall be increased or decreased to the nearest 0.001 mill (\$.000001) per kWh to reflect recovery of costs applicable to the Edwardsport integrated coal gasification combined cycle generating project ("IGCC Project") including costs applicable to related transmission property and other associated facilities in accordance with Ind. Code 8-1-8.8. The revenue adjustment applicable to the Company's charges for electric service, which shall be updated no more often than every six months, will be determined based on the following provisions:

IGCC Revenue Adjustment Factor by Rate Group =

$$\frac{[(a+b+c+d+e) \times (f)] + (g) \times (h)}{j} \times (i)$$

Where:

1. "a" is the six-month return on invested capital applicable to the IGCC Project (including invested capital applicable to related transmission and other associated facilities). The return on invested capital shall reflect the value of IGCC Project capital expenditures, net of accumulated depreciation at applicable cutoff dates, as recorded on Duke Energy Indiana's books of account in accordance with the Uniform System of Accounts prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act. The net book value of the IGCC Project investment up to the amount of \$1.985 billion shall be multiplied by Duke Energy Indiana's weighted average cost of capital calculated in accordance with Commission rule 170 IAC 4-6-14 as adjusted to exclude deferred income taxes in accordance with the Commission's Orders in Cause Nos. 43114 and 43114-S1 and in Cause No. 43114 IGCC-1, as of the valuation date of the net IGCC Project investment. The net book value of the IGCC Project investment in excess of \$1.985 billion shall be multiplied by Duke Energy Indiana's weighted average cost of capital calculated in accordance with Commission rule 170 IAC 4-6-14 in accordance with the Commission's Order in Cause No. 43114 IGCC-1, as of the valuation date of the net IGCC Project investment. The after-tax return on net original cost investment shall be converted to before-income-tax revenue requirement by multiplying the after-tax return on net investment by a revenue conversion factor that reflects current federal and state income tax rates.
2. "b" is the six-month forecasted depreciation expense applicable to the IGCC Project based on a 30-year recovery period.
3. "c" is the sum of the six-month forecasted operating expenses applicable to the IGCC Project which shall include operation and maintenance expenses, property insurance expenses, payroll taxes, and employee benefit costs. Forecasted operating expenses shall be reduced by \$5,756,000 on an annual basis, to reflect costs applicable to the Edwardsport steam generating facility included in the cost of service approved in Duke Energy Indiana's last general rate case.
4. "d" is the six-month forecasted real estate and personal property taxes applicable to the IGCC Project.

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5. "e" is the six-month forecasted federal and state income tax credits applicable to the IGCC Project converted to the revenue requirement excluding revenue related taxes and charges included in "h" below.
6. "f" is the total retail jurisdictional production demand expressed as a percentage of the total system demand from the cost of service study last approved by the IURC.
7. "g" is the six-month forecasted amortization amount of external costs associated with the development of retail jurisdictional regulatory filings associated with the IGCC Project as approved by the Commission in Cause No. 43114 IGCC-1 and the six-month actual costs incurred for Black and Veatch oversight of the project, as ordered by the Commission in its docket entry in Cause No. 43114 IGCC-1.
8. "h" is the revenue conversion factor that includes the Utility Receipts Tax, Public Utility Fee and other revenue related charges.
9. "i" is the individual rate group's jurisdictional production demand allocator used for allocation purposes in the cost of service study last approved by the IURC.
10. "j" is the individual retail rate group's adjusted billing cycle kilowatt-hour sales for the applicable six-month period for all retail rate groups other than industrial customers served under Rate HLF. The revenue adjustment for industrial customers served under Rate HLF shall be based on demands within the HLF customer group such that "j" shall be the sum of kilowatts billed for the applicable six-month period.

The factor shall be further modified to reflect the difference between estimated incremental operating costs billed and incremental operating costs actually incurred for those costs that are recovered on a projected basis and to reflect the difference between costs actually incurred for Black and Veatch oversight and costs collected from customers.

The IGCC revenue adjustment factor applicable to retail rate groups shall be as follows:

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DUKE ENERGY INDIANA, INC.

1000 East Main Street
Plainfield, Indiana 46168

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Second Revised Sheet No. 61

Cancels and Supersedes

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**STANDARD CONTRACT RIDER NO. 61
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<u>Line No.</u>	<u>Retail Rate Group</u>	<u>IGCC Cost Recovery Adjustment Factor Per KWH (A)</u>	<u>IGCC Cost Recovery Adjustment Factor Per Non-Coincident KW (B)</u>	<u>Line No.</u>
1	Rate RS	\$0.002009		1
2	Rates CS and FOC	\$0.002373		2
3	Rate LLF	\$0.002156		3
4	Rate HLF		\$1.019274	4
5	Purdue-Supplemental	\$0.000874		5
6	Impact/Net Forge	\$0.004442		6
7	Nucor	\$0.001568		7
8	CSN	\$0.000000		8
9	Rate OL	\$0.000687		9
10	Rate WP	\$0.001761		10
11	Rate SL	\$0.000659		11
12	Rate AL	\$0.000552		12
13	Rate MHLS	\$0.000528		13
14	Rates MOLS and UOLS	\$0.000055		14
15	Rates TS, FS and MS	\$0.002083		15

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**STANDARD CONTRACT RIDER NO. 61
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FACILITY COST RECOVERY ADJUSTMENT
APPLICABLE TO RETAIL RATE GROUPS****ALLOCATED SHARE OF ADJUSTED SYSTEM PEAK DEMAND FOR
RETAIL CUSTOMERS BY RATE GROUP EXPRESSED
AS A PERCENTAGE OF THE COMPANY'S ADJUSTED TOTAL RETAIL SYSTEM PEAK
DEMAND AS DEVELOPED FOR COST OF SERVICE PURPOSES IN CAUSE NO. 42359**

<u>Line No.</u>	<u>Rate Groups</u>	<u>KW Share of System Peak (12CP)</u> (A)	<u>Percent Share Of System Peak</u> (B)	<u>Line No.</u>
1	Rate RS	1,582,005	36.727%	1
2	Rates CS and FOC	224,244	5.206%	2
3	Rate LLF	628,152	14.583%	3
4	Rate HLF	1,808,886	41.994%	4
5	Purdue-Supplemental	10,481	0.243%	5
6	Impact/Net Forge	7,860	0.182%	6
7	Nucor	19,045	0.442%	7
8	CSN	0	0.000%	8
9	Rate OL	4,855	0.113%	9
10	Rate WP	17,235	0.400%	10
11	Rate SL	2,185	0.051%	11
12	Rate AL	272	0.006%	12
13	Rate MHLS	282	0.007%	13
14	Rates MOLS and UOLS	69	0.002%	14
15	Rates TS, FS and MS	1,893	0.044%	15
16	TOTAL RETAIL	<u>4,307,464</u>	<u>100.000%</u>	16

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BILLING CYCLE KWH SALES AND NON-COINCIDENT
PEAK DEMANDS FOR THE COMPANY'S
RETAIL CUSTOMERS BY RATE GROUP BASED
ON THE SIX-MONTH PERIOD ENDED MARCH 31, 2009

<u>Line No.</u>	<u>Rate Groups</u>	<u>Billing Cycle KWH Sales (A)</u>	<u>Sum Of Monthly Non-Coincident Peak Demands (B)</u>	<u>Line No.</u>
1	Rate RS	5,057,067,011		1
2	Rates CS and FOC	606,896,262		2
3	Rate LLF	1,870,838,977		3
4	Rate HLF	5,622,082,943	11,397,255	4
5	Purdue-Supplemental	76,911,934		5
6	Impact/Net Forge	11,334,424		6
7	Nucor	77,980,567		7
8	CSN	0		8
9	Rate OL	45,490,312		9
10	Rate WP	62,821,042		10
11	Rate SL	21,420,272		11
12	Rate AL	3,006,018		12
13	Rate MHLS	3,670,043		13
14	Rates MOLS and UOLS	10,043,524		14
15	Rates TS, FS and MS	5,843,292		15
16	TOTAL RETAIL	<u>13,475,406,621</u>		16

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