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STATE OF INDIANA

DEC 20 2014

INDIANA UTILITY REGULATORY COMMISSION

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PETITION OF INDIANAPOLIS POWER & LIGHT )  
 COMPANY ("IPL") FOR AUTHORITY TO INCREASE )  
 RATES AND CHARGES FOR ELECTRIC UTILITY )  
 SERVICE AND FOR APPROVAL OF: (1) ACCOUNTING )  
 RELIEF, INCLUDING IMPLEMENTATION OF MAJOR )  
 STORM DAMAGE RESTORATION RESERVE ACCOUNT; )  
 (2) REVISED DEPRECIATION RATES; (3) THE )  
 INCLUSION IN BASIC RATES AND CHARGES OF THE )  
 COSTS OF CERTAIN PREVIOUSLY APPROVED )  
 QUALIFIED POLLUTION CONTROL PROPERTY; (4) )  
 IMPLEMENTATION OF NEW OR MODIFIED RATE )  
 ADJUSTMENT MECHANISMS TO TIMELY RECOGNIZE )  
 FOR RATEMAKING PURPOSES LOST REVENUES FROM )  
 DEMAND-SIDE MANAGEMENT PROGRAMS AND )  
 CHANGES IN (A) CAPACITY PURCHASE COSTS; (B) )  
 REGIONAL TRANSMISSION ORGANIZATION COSTS; )  
 AND (C) OFF SYSTEM SALES MARGINS; AND (5) NEW )  
 SCHEDULES OF RATES, RULES AND REGULATIONS )  
 FOR SERVICE. )

CAUSE NO 44576

**VERIFIED PETITION FOR GENERAL RATE INCREASE AND**  
**ASSOCIATED RELIEF UNDER IND. CODE §8-1-2-42.7, NOTICE OF PROVISION**  
**OF INFORMATION REQUIRED BY THE MINIMUM STANDARD FILING**  
**REQUIREMENTS AND REQUEST FOR ADMINISTRATIVE NOTICE**

Indianapolis Power & Light Company ("IPL") respectfully requests the Indiana Utility Regulatory Commission ("Commission") to issue an order authorizing IPL to increase its rates and charges for electric utility service; and for approval of (1) accounting relief, including implementation of a Major Storm Damage Restoration Reserve Account; (2) revised depreciation rates; (3) the inclusion in basic rates and charges of the cost of certain previously approved Qualified Pollution Control Property ("QPCP"); (4) implementation of new or revised rate adjustment mechanisms to timely recognize for ratemaking purposes Lost Revenues from Commission-approved Demand-Side Management ("DSM") Programs and changes in (A) Capacity Purchase Costs; (B) Regional Transmission Organization Costs; and (C) Off System

Sales Margins; and (5) new schedules of rates, rules and regulations for service. This filing is made pursuant to Ind. Code §8-1-2-42.7. In accordance with the Commission's General Administrative Order ("GAO") 2013-5 (Rate Case Standard Procedural Schedule and Recommended Best Practices for Rate Cases Submitted under Ind. Code §8-1-2-42.7), IPL provides notice that its filing is made in accordance with the Commission's Minimum Standard Filing Requirements ("MSFRs") (170 IAC 1-5-1 *et seq.*), which were established by the Commission to assist it in thoroughly and expeditiously reviewing a petition for a general rate change, to provide support for the rate petition and to reduce or avoid disputes. IPL also requests administrative notice to be taken of certain Commission Orders that are pertinent to this case, as identified herein. In support of this Petition, IPL shows the following:

**Petitioner's Corporate and Regulated Status.**

1. IPL is a public utility with its principal place of business located at One Monument Circle, Indianapolis, Indiana 46204.

2. IPL renders retail electric utility service to approximately 470,000 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 Counties.

**Petitioner's "Public Utility" Status.**

3. IPL is a "public utility" under Ind. Code §8-1-2-1 and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Public Service Commission Act, as amended, and other pertinent laws of the State of Indiana.

4. IPL is also subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”).

5. IPL is a member of the Midcontinent Independent System Operator, Inc. (“MISO”), a regional transmission organization (“RTO”) operated under the authority of FERC which controls the use of IPL’s transmission system and the dispatching of IPL’s generating units.

**IPL’s Electric Utility System.**

6. IPL owns, operates, manages and controls electric generating, transmission and distribution plant, property and equipment and related facilities (collectively referred to as “Utility Property”), 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. IPL’s Utility Property is classified in accordance with the Uniform System of Accounts as prescribed by the FERC and approved and adopted by this Commission.

7. IPL’s Utility Property includes generating stations at four primary locations with a net planning capacity of approximately 3,089 megawatts (“MW”) (Summer rating). This generation capacity is located at four primary sites: Georgetown (Northwest Indianapolis), Harding Street Station (Southwest Indianapolis), Eagle Valley Station (Martinsville, Indiana) and Petersburg Station (Petersburg, Indiana). IPL also engages in power purchase transactions through MISO as necessary to meet the demands of its customers.

8. IPL also owns, operates, manages and controls 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.

**IPL's Existing Rates and Rate Structure.**

9. IPL's current basic rates and charges were approved by the Commission in its Order dated August 24, 1995 in Cause No. 39938. Those basic rates and charges remain in effect today, as modified by various riders approved by the Commission from time to time.

10. As seen in the Commission's Annual Reports, IPL ranks among the lowest of utilities' residential bills in that state. In the most recent IURC Residential Bill Survey, IPL ranked second lowest among the investor-owned electric utilities – only 0.31% more per month than the utility with the lowest residential bill in the state.

11. The petition initiating Cause No. 39938 was filed with the Commission on April 8, 1994. Therefore, in accordance with Ind. Code §8-1-2-42(a), more than fifteen months have passed since the filing date of IPL's most recent request for a general increase in its basic rates and charges.

12. The Commission's Orders in Cause Nos. 42170, 42700, 43403, and 44242 approve specific depreciation accrual rates to be applied to plant and equipment approved therein. For other items of utility plant, IPL's current depreciation accrual rates were approved pursuant to the Commission's August 24, 1995 Order in Cause No. 39938.

13. IPL files a quarterly Fuel Adjustment Clause ("FAC") proceeding in accordance with Ind. Code § 8-1-2-42(d) (Standard Contract Rider No. 6) to adjust its rates to account for fluctuations in its fuel costs.

14. IPL also files adjustments to riders that recover costs associated with:

- Environmental controls approved in Cause Nos. 42170, 42700, 43403, and 44242 (Standard Contract Rider No. 20, Environmental Compliance Cost Recovery Adjustment (“ECCRA”);
- Commission-approved demand side management programs, including its Air Conditioning Load Management (Standard Contract Rider No. 22); and
- the Company’s Green Power Initiative (Standard Contract Rider No. 21).

**Petitioner’s Operating Results Under Existing Rates.**

15. Notwithstanding diligent efforts to continue to control costs, IPL’s cost of providing service has increased. IPL has and must continue to make significant capital expenditures for additions, replacements and improvements to its Utility Property, largely as a result of environmental mandates. The coal unit retirements scheduled in response to the Environmental Protection Agency’s Mercury and Air Toxics Standards will bring IPL’s system into the state of emission’s efficiency required by federal law and will also impose costs on IPL, including costs to purchase and replace capacity. IPL joined the MISO in 2002 as a Transmission Owner member. While IPL’s membership in MISO benefits customers, there are numerous costs associated with MISO membership. The Commission has directed IPL to defer certain MISO and other costs for ratemaking recognition in this rate case and IPL proposes to use a reasonable amortization period to mitigate of impact of these costs on the Company’s basic rates. Changes in the service lives of IPL’s Utility Property warrant the implementation of revised depreciation rates. It is necessary and appropriate to recognize these and other costs of providing retail electric service by establishing new rates and charges. While IPL’s ongoing implementation of DSM programs benefits customers, the reduced use of electricity that results from these programs means that IPL’s rates will not produce revenues as designed. Thus,

consistent with Commission policy it is necessary and appropriate to recognize these lost revenues through the ratemaking process.

16. Consequently, IPL's existing rates are below the level required to provide revenues adequate to cover its necessary and reasonable operating expenses and permit IPL to earn a fair return upon the fair value of its Utility Property to which IPL is lawfully entitled. A rate increase is necessary and appropriate to provide IPL an opportunity to recover its operating expenses and earn a fair rate of return on the fair value of its property used and useful in providing service to its customers. The proposed rate increase is also necessary and appropriate to provide revenues which will enable it to continue to attract capital required for additions, replacements and improvements to its Utility Property and to comply with regulatory mandates and otherwise provide adequate and reliable service at a reasonable cost, to maintain and support IPL's credit, to assure confidence in the Company's financial soundness, and to earn a return on the value of its Utility Property equal to that available on other investments of comparable risk.

**Statutory Authority for Requested Relief.**

17. This Petition is filed pursuant to Ind. Code Ind. Code § 8-1-42.7. Other provisions of the Public Service Commission Act, as amended, Ind. Code § 8-1-2-1, *et seq.* that may be applicable to the subject matter of this proceeding, include, but are not limited to: Ind. Code §§ 8-1-2-4, 6, 10, 19, 20, 21, 24, 25, 42, 61, 68 and 71.

18. In accordance with GAO 2013-5, on November 19, 2014, IPL provided its Notice of Intent to File Rate Case to the Commission. A copy thereof was provided to the Indiana Office of Utility Consumer Counselor ("OUCC"), the City of Indianapolis, Citizens Action Coalition of Indiana and counsel for the industrial customer intervenor group.

**Test Year and Rate Base Cutoff Date.**

19. IPL designates the twelve (12) months ended June 30, 2014 as the test year to be adjusted for fixed, known and measurable changes. IPL is also utilizing June 30, 2014 as the general rate base cut-off date and does not seek to update rate base during the course of this proceeding.

**Relief Requested.**

20. IPL seeks approval of an increase of its basic rates and charges for electric utility service and associated accounting relief as proposed in its evidence to be presented in this proceeding that will provide IPL with the opportunity to earn a fair rate of return on the fair value of its property. IPL's proposed package appropriately balances customer and Company interests and is detailed in its case-in-chief filed contemporaneous herewith. This proposal includes the following:

- a. Accounting Relief including implementation of a Major Storm Damage Restoration Reserve. As explained in IPL's case-in-chief, IPL seeks accounting authority to implement the relief sought in this proceeding, including the creation of a Major Storm Damage Restoration Reserve account similar to that approved for Indiana Michigan Power Company in Cause No. 44075. Under this account, actual major storm damage restoration expense would be compared on a monthly basis to the average amount included in the revenue requirement approved in this Cause. To the extent they differ, the cumulative difference will be recorded in Account 254 – Other Regulatory Liabilities or Account 182.3 – Other Regulatory Assets as the case may be. The amount in the Reserve account would then be

reconciled and amortized to increase or decrease the cost of service in IPL's next general rate case.

- b. Depreciation Rates. Depreciation expense associated with the Company's Utility Property is a necessary cost of service. IPL seeks approval to revise its depreciation accrual rates as proposed in its evidence to be presented in this proceeding.
- c. Prepaid Pension Asset. IPL has recorded a prepaid pension asset on its books in accordance with governing accounting standards. This asset reduces the pension cost that would otherwise be reflected in the revenue requirement and preserves the integrity of the pension fund. This asset should be included in rate base to recognize the opportunity cost incurred by the Company to produce these benefits.
- d. Qualified Pollution Control Property ("QPCP"). IPL has been recognizing for ratemaking purposes the cost of previously approved QPCP and associated operating expense through its Environmental Compliance Cost Recovery Rider ("ECCRA") (Standard Contract Rider No. 20). IPL proposes to reflect in its basic rates and charges capital costs and operating expenses associated with these environmental control projects previously approved by the Commission in Cause Nos. 42170, 42700, and 43403 that were completed and in service at the end of the test year and that are currently being recovered through the ECCRA. When new tariff sheets are filed based upon the order in the final order in this proceeding, IPL proposes to adjust its then current ECCRA adjustment factors to

reflect the removal of this in-service plant and related expenses as of the same effective date, subject to any necessary variance reconciliations in the ongoing ECCRA proceedings. Upon the implementation of new basic rates that reflect the capital costs and operating expenses associated with these projects, the ECCRA will continue to reflect the projects approved in Cause No. 44242 and subsequent proceedings as explained in IPL's case-in-chief.

- e. Rate Adjustment Mechanisms. IPL proposes to implement new or revised rate adjustment mechanisms to timely recognize for ratemaking purposes costs that are significant in magnitude, variable over time, and largely outside of IPL's control:
  - (i) Lost revenues incurred as a result of Commission-approved DSM programs. This adjustment would be filed semi-annually with the existing Contract Rider No. 22 (DSM) filings dockets and the ratemaking recognition of lost revenues is consistent with the Commission's DSM policy as promulgated in 170 IAC 4-8-3, 6 and the Commission's December 17, 2014 Order in Cause No. 44497.
  - (ii) Capacity Cost Recovery Adjustment (new Standard Contract Rider No. 24). This adjustment which IPL proposes to file annually will recognize for ratemaking purposes incremental changes in capacity costs and is similar to capacity cost adjustment mechanisms authorized for other electric utilities. To the extent that IPL forecasts that it will sell excess capacity, such sales would be shared 50% with the customer as a credit through this Rider with the remaining 50% retained by IPL.

- (iii) RTO Adjustment (new Standard Rider No. 26). Consistent with the relief the Commission has granted to the other MISO utilities, this adjustment, which IPL proposes to file semi-annually will be used to recognize net Non-Fuel MISO costs for ratemaking purposes; MISO fuel-like costs will continue to be recognized through the fuel cost adjustment (“FAC”) proceedings.
  
- (iv) Off-System Sales (OSS) Margin Sharing Adjustment (new Standard Contract No. 25). OSS margins are derived from the competitive wholesale market. IPL proposes to use a reasonable level of OSS margins as a credit in the retail revenue requirement for the benefit of retail customers. As explained in IPL’s case-in-chief IPL proposes to establish a rate adjustment mechanism which would be filed annually to recognize for ratemaking purposes incremental decreases in the level of OSS margins embedded as a credit in the retail revenue requirement and to share incremental increases in OSS margins above the embedded level 50% to the customer and 50% to IPL.

These proposed rate adjustment mechanisms are consistent with the provisions of Ind. Code § 8-1-2-42(a) and similar to relief previously granted by the Commission to other utilities.

- f. Regulatory Assets. IPL’s proposed revenue requirement includes certain MISO and other costs IPL has deferred in accordance with the Commission’s Orders identified in IPL’s case-in-chief.

- g. Tariff, Schedules and Terms and Conditions of Service. IPL proposes to replace its existing rate schedules governing the electric utility service rendered by it with new schedules of rates and charges and terms and conditions applicable thereto. These changes are summarized in IPL's prefiled testimony and include, without limitation, increases in other customer charges and other changes for improved clarity and administrative simplification. The proposed rate schedules and revised tariff will be included in the exhibits that IPL will offer as evidence in this proceeding.

**Submission of Case-in-Chief, MSFR and Workpapers.**

21. IPL's case-in-chief, workpapers and information required by the MSFR, GAO 2013-5, and Ind. Code §8-1-2-42.7 are being filed contemporaneous with this Petition to aid the Commission in processing this Petition. The supporting workpapers for forward-looking adjustments are also being provided in Excel format on compact disc pursuant to the best practices set forth in the Commission's GAO 2013-5.

**Confidential Information.**

22. Pursuant to 170 IAC 1-5-15(e) (2), the electronic copy of the cost of service study is to be treated as confidential and protected from disclosure to the public under IC 5-14-3-4 and IC 8-1-2-29. IPL intends to file a motion for protective order in accordance with 170 IAC 1-1.1-4 and to otherwise comply with 170 IAC 1-5-3. IPL has entered into a nondisclosure agreement with the OUCC and will work together with any intervenors to negotiate an acceptable confidentiality agreement to facilitate the production of the confidential information as appropriate.

**Request for Prehearing Conference and Preliminary Hearing.**

23. Pursuant to 170 IAC 1-1.1-15, IPL requests that a date for a prehearing conference and preliminary hearing be promptly set by the Commission to address procedural matters including setting a procedural schedule that will allow completion of the case in accordance with GAO-2013-5 and Ind. Code §8-1-2-42.7. IPL understands the attached schedule and associated terms (Exhibit A) are acceptable to the OUCC and potential intervenor Citizens Action Coalition and IPL is working with these parties and the potential intervenor Industrial Group to reduce this to a stipulation for filing with the Commission.

**Request for Administrative Notice.**

24. Pursuant to 170 IAC 1-1.1-21, IPL requests administrative notice to be taken of the following Commission Orders: Cause No. 39938 (IURC 8/24/1995), 42170 (IURC 11/14/2002), 42700 (IURC 11/30/2004), 43403 (IURC 4/2/2008), 42266 (IURC 12/11/2002), 42685 (IURC 6/1/2005), 42962 (IURC 5/4/2006 & 6/28/2006), and 44497 (IURC 12/17/2014). Copies of these orders are being submitted contemporaneous with this Petition.

**Attorneys For Petitioner.**

25. The names and addresses of IPL's duly authorized representatives, to who all correspondence and communications concerning this Petition should be sent, are as follows:

Teresa Morton Nyhart (No. 14044-49)  
Nicholas K. Kile (No. 15203-53)  
Jeffrey M. Peabody (No. 28000-53)  
BARNES & THORNBURG LLP  
11 S. Meridian Street  
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**Customer Notification.**

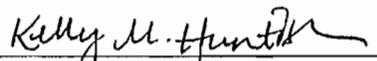
26. In accordance with Ind. Code § 8-1-2-61(a), IPL will publish notice of the filing of this Petition in a newspaper of general circulation published in each Indiana county in which IPL renders service. In accordance with 170 IAC 4-1-18(C), IPL will furnish to each residential customer within forty-five (45) days of this Petition, a notice which fairly summarizes the nature and extent of the proposed changes. These notices will be provided via bill messaging, bill inserts, or similar mailing.

WHEREFORE, Petitioner, Indianapolis Power & Light Company respectfully requests that the Indiana Utility Regulatory Commission promptly conduct a prehearing conference and preliminary hearing, make such investigation and hold such hearings as it may deem necessary or advisable, and, thereafter, make and enter an order in this Cause:

- a. finding that IPL's existing rates and charges for electric utility service are unjust, unreasonable, insufficient, confiscatory, and inadequate to provide a fair return on the fair value of IPL's Utility Property used and useful for the convenience of the public in rendering electric utility service;
- b. establishing and by order fixing increased rates and charges to be imposed, observed and followed in the future by IPL in lieu of those found to be unjust, unreasonable, insufficient and confiscatory rates;
- c. authorizing IPL to revise its depreciation accrual rates as proposed in IPL's evidence herein;

- d. authorizing IPL to implement new or revised rate adjustment mechanisms pursuant to Ind. Code § 8-1-2-42(a) that will adjust its rates for lost revenues, capacity purchase costs, RTO costs, and off-system sales margins as proposed in IPL's evidence herein;
- e. granting accounting authority to IPL to implement the rate proposals, including authority to establish IPL's proposed Major Storm Damage Restoration account;
- f. approving various changes in the IPL's Rules and Regulations of Service and others terms, conditions and provisions of IPL's Electric Service Tariff as proposed in IPL's evidence herein; and
- g. granting to IPL such other and further relief as may be appropriate and proper.

Respectfully submitted,  
INDIANAPOLIS POWER & LIGHT COMPANY

By:   
Kelly M. Huntington, President and CEO

Teresa Morton Nyhart (No. 14044-49)  
Nicholas K. Kile (No. 15203-53)  
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jpeabody@btlaw.com

**Verification**

The undersigned hereby swears and affirms under the penalties for perjury that the foregoing factual representations are true to the best of her knowledge, information and belief.

Kelly M. Huntig  
Kelly M. Huntington

**CERTIFICATE OF SERVICE**

The undersigned certifies that a copy of the foregoing was served upon the following via electronic email, hand delivery or First Class, United States Mail, postage prepaid this 29th day of December, 2014 to:

A. David Stippler  
Office of Utility Consumer Counselor  
PNC Center  
115 W. Washington St., Suite 1500 South  
Indianapolis, Indiana 46204  
infomgt@oucc.in.gov  
dstippler@oucc.in.gov

A courtesy copy was provided to the following via electronic email, hand delivery or First Class, United States Mail, postage prepaid, to:

Timothy L. Stewart,  
Lewis & Kappes,  
One American Square, Suite 2500  
Indianapolis, Indiana 46282  
TStewart@Lewis-Kappes.com

Jennifer A. Washburn  
Citizens Action Coalition of Indiana, Inc.  
603 East Washington Street, Suite 502  
Indianapolis, Indiana 46204  
jwashburn@citact.org

  
\_\_\_\_\_  
Jeffrey M. Peabody

## EXHIBIT A

### Indianapolis Power & Light Company Basic Rate Case

#### 300 Day Rate Case Schedule Estimate Under IURC GAO 2013-5 & Ind. Code § 8-1-2-42.7

Day 0	Petition & Case-in-Chief	Mon. Dec. 29, 2014
Day 28	PHC	Mon. Jan. 26
Day 77	Field Hearing	Mon. Mar. 16
Day 98	OUCC & Intervenors CIC	Mon. Apr. 6
Day 126	Petitioner files rebuttal	Mon. May 4
Day 133	Settlement Agreement and supporting testimony	Mon. May 11
	<i>3 business days before hearing</i>	
	Witness Order Submitted	Wednesday May 21
Day 147-161	Evidentiary Hearing (Memorial Day – 5/25)	Wed. May 27-Mon. June 8
Day 182	Petitioner Proposed Order	Mon. June 29
Day 203	OUCC and Intervenors Post hearing filings	Mon. July 20
Day 210	Petitioner Reply Brief	Mon. July 27
Day 268	Petitioner submits proposed Temporary rates at least 30 days before day 300	Wed. September 23
Day 300	Order within 300 days deadline	Friday, October 23, 2015 (Day 300 is Sunday 10/25)

If no order, Petitioner implements temporary  
rates at 50% of proposed rates

**Other terms:**

Technical Conference: Any request for a technical conference will be addressed separately.

Service: The parties will provide same day service of filings via email, hand delivery or large file transfer.

Discovery: Discovery is available for all parties and shall be conducted on an informal basis. Any response or objection to a discovery request shall be made within ten (10) calendar days of the receipt of such request until May 4, 2014. Thereafter, any response or objection to a discovery request shall be made within five (5) calendar days of the receipt of such request. Any discovery communication received after noon on a Friday or after 3:00 p.m. on any other business day shall be deemed to have been received on the following business day. The parties may conduct discovery through electronic means. The last discovery response due date shall be two business days before the evidentiary hearing.

Workpapers: When pre-filing technical evidence with the Commission, each party shall file copies of the work papers used to produce that evidence within two (2) business days after the pre filing of such technical evidence. Copies of same shall also be served on the other parties to this Cause. When submitting paper copies of workpapers to the Commission, two (2) copies of each document shall be filed with the Secretary of the Commission. In lieu of filing paper documents, workpapers may also be submitted on compact disc or via the Commission's electronic docket.

Objections to Prefiled Testimony and Exhibits. Any objections to the admissibility of prefiled testimony or exhibits shall be filed with the Commission and served on all parties of record not less than five (5) business days prior to the date scheduled for commencement of the hearing at which the testimony or exhibit will be offered into the record.