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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

INDIANA UTILITY
REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS POWER &)
LIGHT COMPANY ("IPL"), AN INDIANA)
CORPORATION, FOR (1) ISSUANCE OF A)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY FOR THE CONSTRUCTION OF A)
COMBINED CYCLE GAS TURBINE GENERATION)
FACILITY ("CCGT"); (2) ISSUANCE OF A)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY TO CONVERT COAL FIRED)
GENERATING FACILITIES TO GAS; (3) APPROVAL)
OF THE CONSTRUCTION OF TRANSMISSION,)
PIPELINE AND OTHER FACILITIES; (4))
APPROVAL OF ASSOCIATED RATEMAKING AND)
ACCOUNTING TREATMENT; (5) AUTHORITY TO)
TIMELY RECOVER 80% OF THE COSTS)
INCURRED DURING CONSTRUCTION AND)
OPERATION OF THE GAS REFUELING PROJECT)
THROUGH IPL'S ENVIRONMENTAL)
COMPLIANCE COST RECOVERY ADJUSTMENT;)
(6) AUTHORITY TO CREATE REGULATORY)
ASSETS TO RECORD (A) 20% OF THE REVENUE)
REQUIREMENT FOR COSTS, INCLUDING,)
CAPITAL, OPERATING, MAINTENANCE,)
DEPRECIATION TAX AND FINANCING COSTS ON)
THE REFUELING PROJECT WITH CARRYING)
COSTS AND (B) POST-IN-SERVICE ALLOWANCE)
FOR FUNDS USED DURING CONSTRUCTION,)
BOTH DEBT AND EQUITY, AND DEFERRED)
DEPRECIATION ASSOCIATED WITH THE)
PROJECTS UNTIL SUCH COSTS ARE REFLECTED)
IN RETAIL ELECTRIC RATES; AND (7) ISSUANCE)
OF A NECESSITY CERTIFICATE TO TRANSPORT)
NATURAL GAS IN INDIANA)

CAUSE NO. 44339

VERIFIED PETITION

Indianapolis Power & Light Company ("Petitioner", "IPL" or the "Company")
respectfully petitions the Indiana Utility Regulatory Commission ("Commission") for issuance of
a certificate of public convenience and necessity ("CPCN") for the construction of a combined

cycle gas turbine generation facility (“CCGT”); (2) issuance of a CPCN to convert coal fired generating facilities to gas; (3) approval of the construction of transmission, pipeline and other facilities; (4) approval of associated ratemaking and accounting treatment; (5) authority to timely recover 80% of the costs incurred during construction and operation of the gas refueling project through IPL’s Environmental Compliance Cost Recovery Adjustment (“ECCRA”); (6) authority to create regulatory assets to record (a) 20% of the revenue requirement for costs, including capital, operating, maintenance, depreciation tax and financing costs on the refueling project with carrying costs and (b) post-in-service allowance for funds used during construction, both debt and equity, and deferred depreciation associated with the projects until such costs are reflected in retail electric rates; and (7) issuance of a necessity certificate to transport natural gas in Indiana. In support of this Petition, IPL provides the following information:

Petitioner’s Corporate and Regulated Status

1. IPL is a public utility corporation organized and existing under the laws of the State of Indiana with its principal office and place of business at One Monument Circle, Indianapolis, Indiana. Petitioner is engaged in rendering electric utility service in the State of Indiana.

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. IPL 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.

Petitioner's "Public Utility" Status

3. IPL is a "public utility" under Ind. Code §§ 8-1-2-1 and 8-1-8.5-1, an energy utility under Ind. Code § 8-1-8.4-3 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 Midwest Independent Transmission System Operator, Inc. ("MISO").¹

IPL's Existing Electric Generating Facilities

6. IPL has a total owned electric generating capacity of approximately 3,316 Net 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, IN) and Petersburg Station (Petersburg, IN). Distributed among these sites are twenty-eight (28) individual generating units. This includes IPL's eleven (11) coal-fired generating units, which account for the majority of the total energy produced in recent years. IPL also has four oil-fired steam units, which are all over 60 years old.

7. IPL has about 300 MW of wind generation secured under long term Power Purchase Agreements ("PPA") approved by the Commission. In addition to this wind energy, IPL has recently contracted to purchase about 100 MW of energy from solar facilities located throughout its service territory pursuant to its Rate REP Tariff.

¹ MISO changes its name to the Midcontinent Independent System Operator, Inc. on April 23, 2013. Due to the timing of this change, IPL's Petition and Case-in-Chief refers to MISO by its prior name.

8. IPL has and continues to use demand-side management and energy efficiency resources to meet the need for electricity within its service area.

IPL Is a Member of MISO

9. Electricity is delivered to IPL customers over a network of transmission and distribution lines. The IPL transmission system consists of 345 kilovolt (“kV”) and 138 kV lines and substation facilities in and around Indianapolis with additional transmission lines from Indianapolis to the Petersburg Generating Station in Petersburg, Indiana and to the Eagle Valley Generating Station in Martinsville, Indiana, as well as interconnecting lines to other utilities. MISO has functional control over IPL’s transmission lines because IPL is a member of and follows the rules of MISO.

10. Working together and individually, the North American Electric Reliability Corporation (“NERC”), Reliability First Corporation (“RFC”) and MISO have all developed mandatory requirements to be met by IPL to insure access to deliverable, reliable and adequate Planning Resources to meet peak demand requirements on the MISO operated transmission system.

Environmental Regulation

11. IPL’s operations are subject to federal, state and local rules promulgated by, among others, the federal Environmental Protection Agency (“EPA”), the Indiana Department of Environmental Management (“IDEM”) and by the Environmental Rules Board of the State of Indiana. Such rules establish environmental compliance standards that govern emissions from IPL’s electric generating units.

12. IPL and the electric utility industry are subject to federal environmental law and regulation, including the EPA’s Mercury and Air Toxics Standard or “MATS” rule. This regulation imposes stringent limits on the emissions of hazardous air pollutants (“HAPS”)

(including mercury, acid gases and non-mercury metals) from coal- and oil-fired electric generating plants.

13. The projects proposed herein are appropriate for IPL to economically comply with the MATS rule, a federal mandate promulgated by the EPA.

14. IPL cannot continue to operate Units 5 and 6 at its Harding Street Station through the end of their useful lives without investing in compliance projects to reduce emissions at this facility to a level that complies with the MATS rule.

IPL's Integrated Resource Plan

15. IPL provided its current Integrated Resource Plan to the Commission on October 28, 2011. A revised version was submitted in December 2011 to reflect a change in the scope of information considered confidential. As shown therein, IPL's existing facilities, in addition to its current and potential arrangements for the interchange of power, the pooling of facilities, the purchase of power, the joint ownership of facilities, and other methods for providing reliable, efficient and economical electric service, including but not limited to demand-side management, refurbishment of existing facilities, load management and renewable energy sources are insufficient to meet the current and forecasted need for electricity within IPL's service area.

16. IPL's integrated resource planning analysis shows that IPL reasonably requires additional generating capacity of approximately 744 MW by 2016 growing to 797 MW by 2020.

State Utility Forecasting Group ("SUFG")

17. The proposed generation facilities are consistent with the results of the SUFG forecast and IPL proposes its plan for the generating facilities be incorporated into the Commission's analysis and be made a part of the Commission's plan to meet the future requirements of electricity in Indiana.

Relief Sought

18. IPL requests the Commission:

(a) grant to IPL a CPCN pursuant to I.C. 8-1-8.5-1 *et seq.* to construct a 550-725 MW CCGT at IPL's Eagle Valley Generating Station located in Morgan County Indiana (the "Eagle Valley CCGT");

(b) grant to IPL a CPCN pursuant to I.C. 8-1-8.5-1 *et seq.* to convert Generating Units 5 and 6 at the Harding Street Generation Station located in Marion County Indiana (the "Harding Street 5 & 6 Refueling") to natural gas;

(c) approve the construction of transmission, pipeline and other facilities associated with the Eagle Valley CCGT and Harding Street 5 & 6 Refueling pursuant to Ind. Code § 8-1-2-23.

(d) grant to IPL a necessity certificate to engage in the transportation of gas within Indiana for use by IPL in the operation of the CCGT pursuant to Ind. Code § 8-1-2-87.5;

(e) maintain ongoing review of the construction of the facilities as they proceed in accordance with Ind. Code § 8-1-8.5-6;

(f) authorize IPL to timely recover eighty percent (80%) of the costs, including capital, operating, maintenance, depreciation, tax and financing costs incurred as a result of the Harding Street 5 & 6 Refueling in accordance with Ind. Code § 8-1-8.4-7(c)(1) through the Company's ECCRA;

(g) authorize IPL to create a regulatory asset to record, with carrying costs, the twenty percent (20%) of the revenue requirement for the costs, including capital, operating, maintenance, depreciation, tax and financing costs incurred as a result of the Harding Street 5 &

6 Refueling until such costs are reflected in IPL's retail electric rates pursuant to I.C. 8-1-8.4-7(c)(2), and

(h) authorize IPL to create regulatory assets to record post-in-service allowance for funds used during construction, both debt and equity, and deferred depreciation associated with the Eagle Valley CCGT and the Harding Street 5 & 6 Refueling (to the extent Harding Street 5 & 6 Refueling costs are not recovered pursuant to I.C. 8-1-8.4-7(c)) until such costs are reflected in IPL's retail electric rates.

Governing Statutes

19. IPL considers the provisions of Public Service Commission Act, as amended, including I.C. 8-1-2-23, 8-1-2-87.5, 8-1-8.4-1 *et seq.* and 8-1-8.5-1 *et seq.* to be applicable to this proceeding.

Public Convenience and Necessity

20. The proposed Eagle Valley CCGT and Harding Street 5 & 6 Refueling projects are generating assets with characteristics that are compatible with IPL's provision of reliable electric utility service. These projects fit appropriately from an operational standpoint within IPL's electric generating portfolio, particularly when compared to other supply-side and demand-side options available to IPL. The projects will help IPL provide generating capacity and system reliability on an efficient and economical basis. IPL has examined other options and determined that the proposed Eagle Valley CCGT and Harding Street 5 & 6 Refueling constitute the reasonable, least cost option available to IPL at the present time to meet the need for electricity within its service area. Thus, IPL represents that the public convenience and necessity require or will require the issuance of the CPCNs approving the construction of the proposed Eagle Valley CCGT and Harding Street 5 & 6 Refueling.

21. IPL cannot continue to operate Units 5 and 6 at its Harding Street station beyond April 16, 2016 without investments to enable the emissions to comply with the MATS Rule. The Harding Street 5 & 6 Refueling is necessary for these Units to operate in compliance with MATS and other applicable environmental regulations after April 16, 2016.²

22. IPL's employees and management include experts in the areas of finance, engineering, economics and marketing. IPL has the managerial and technical expertise to construct the proposed Eagle Valley CCGT and Harding Street 5 & 6 Refueling. The public convenience and necessity require and will require the construction of the Eagle Valley CCGT and Harding Street 5 & 6 Refueling as proposed herein.

Petitioner's Counsel

23. IPL's duly authorized representatives to whom all correspondence and communications in this Cause should be sent are:

Teresa Morton Nyhart (Atty. No. 14044-49)
P. Jason Stephenson (Atty No. 21839-49)
Jeffrey M. Peabody (Atty. No. 28000-53)
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² The Environmental Protection Agency may allow operation of reliability critical units through April 16, 2017. IPL is currently working with MISO to determine if Units 5 and 6 at the Harding Street Station are critical to reliability.

Prehearing Conference

24. IPL requests that the Commission promptly conduct a prehearing conference to establish a procedural schedule in this Cause. This will facilitate IPL's ability to proceed with the construction of the generating facilities in a timely manner.

Relief Requested

WHEREFORE, IPL respectfully requests that the Commission:

- (a) establish a procedural schedule in this Cause and hold a public evidentiary hearing in this matter; and
- (b) thereafter to enter an order:
 - i.* making a finding as to the best estimate for the construction of the proposed Eagle Valley CCGT and Harding Street 5 & 6 Refueling;
 - ii.* finding that the construction of the Eagle Valley CCGT and Harding Street 5 & 6 Refueling are consistent with the Commission's plan for expansion of electric generating capacity;
 - iii.* finding that the construction of the Eagle Valley CCGT and Harding Street 5 & 6 Refueling are consistent with the IPL's Integrated Resource Plan;
 - iv.* finding that the public convenience and necessity require or will require the construction of the Eagle Valley CCGT and Harding Street 5 & 6 Refueling as proposed herein;
 - v.* issuing a Certificate of Public Convenience and Necessity for the Eagle Valley CCGT and Harding Street 5 & 6 Refueling as proposed herein;
 - vi.* issuing a Necessity Certificate to transport natural gas to the Eagle Valley CCGT;

vii. providing for ongoing review pursuant to Ind. Code § 8-1-8.5-6;

viii. approving the construction of transmission, pipeline and other facilities associated with the Eagle Valley CCGT and Harding Street 5 & 6 Refueling pursuant to I.C. 8-1-2-23.

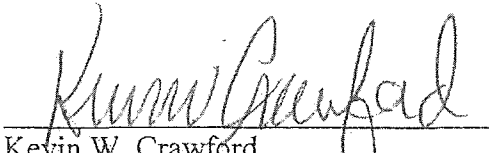
ix. approving the accounting and ratemaking treatment as proposed herein;
and

x. granting to IPL such further relief as may be appropriate.

Respectfully submitted,

INDIANAPOLIS POWER & LIGHT COMPANY

By:


Kevin W. Crawford
Senior Vice President, Power Supply

Teresa Morton Nyhart (Atty. No. 14044-49)

P. Jason Stephenson (Atty No. 21839-49)

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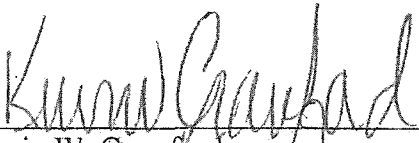
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Attorneys for INDIANAPOLIS POWER & LIGHT
COMPANY

VERIFICATION

I, Kevin W. Crawford, Senior Vice President, Power Supply, for Indianapolis Power & Light Company affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

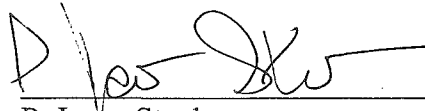
Dated: April 29, 2013.



Kevin W. Crawford
Senior Vice President, Power Supply

CERTIFICATE OF SERVICE

The undersigned certifies that two copies of the foregoing Verified Petition was served this 29th day of April, 2013, via hand delivery, on the Office of Utility Consumer Counselor, PNC Center, Suite 1500 South, 115 W. Washington St., Indianapolis, Indiana 46204.


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