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INDIANA UTILITY REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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

PETITIONER'S SUBMISSION OF PREFILED TESTIMONY AND EXHIBITS

Indianapolis Power & Light Company ("IPL"), by counsel, hereby files its prepared case-in-chief consisting of the following testimony and exhibits:

VOLUME I

1. **Kelly M. Huntington, President and CEO of IPL, including IPL Witness KMH Attachments 1 and 2:**

   Abstract: IPL requests Commission approval of an annual increase in revenues of approximately $67.8 million, which is an overall increase of 5.6%.

   IPL has consistently provided reliable electric service at rates among the lowest in the state and the country. Cost control, process improvement, and technological innovation are foundational to our ability to keep rates low. IPL's approach to cost management balances acceptable levels of customer service, equipment efficiency/reliability and compliance with regulatory and legal requirements, while incorporating best practices for managing costs. While the Company continues its work on controlling operating expenses and improving productivity, a rate increase is necessary and appropriate to allow the Company to address ongoing cost increases associated with our industry, continue membership in Midcontinent Independent System Operator ("MISO"), attract capital reliably at reasonable rates in order to make investments necessary to comply with environmental regulations and to otherwise meet our customers' ongoing need for electricity.

Even with the requested increase, IPL's monthly bill for a residential customer using 1,000 kWh per month will remain below the average Investor-owned utility rates reflected in the Commission's 2014 Annual Report.

2. **William E. Avera, Ph.D. FINCAP, INC., including IPL Witness WEA Attachments 1 through 12:**

   Abstract: Setting IPL's rates to produce an authorized net operating income of $136.167 million would result in a fair return on fair value of IPL's public utility property. This return would allow IPL to attract capital on reasonable terms, maintain its financial integrity, and compensate investors for the risk they are bearing relative to the return offered by comparable risk investments. Moreover, this recommended net operating income would not require customers to pay unreasonable rates. The fair value rate base is the current value estimated by Concentric. The fair return, adjusted for inflation, applied to IPL's current value rate base is 3.32%.

   The Company is embarking on an extensive capital expenditure program. By allowing this reasonable fair return on fair value, the IURC would benefit IPL's customers because their electricity provider could raise this new capital from a position of financial strength. The resulting capital spending will stimulate the Indiana economy and the efficient generating plant additions will have environmental advantages.

3. **Craig L. Jackson, IPL Chief Financial Officer and Director, Vice President, and Chief Financial Officer of AES U.S. Services, LLC, including IPL Witness CLJ Attachments 1 through 3:**

   Abstract: IPL's weighted average cost of capital as of June 30, 2014 is 6.91%. IPL seeks to maintain the financial strength of an investment grade utility so that the Company can deliver service at a reasonable cost to IPL's customers. Maintaining an investment grade profile is important to ensure IPL has reliable access to the credit markets at attractive interest rates during all types of economic cycles. This in turn provides IPL the ability to meet its financial obligations during periods of heavy capital expenditures. This is important because the Company is in the midst of a large construction program that is necessary for utility operations and compliance with environmental laws and regulations. Projected capital expenditures from 2015 to 2017 are in excess of $1.4 billion.

   Credit ratings are important to investors because the higher the rating, the safer the debt. Credit ratings are also important to issuers of debt because they may affect the cost of doing business and access to capital. The higher the credit rating, the less interest a company has to pay on its bonds because investors are willing to accept slightly lower interest for more safety. Also, the higher the credit rating, the more demand there is for a bond and the easier it is for a company to sell it. This is especially important to IPL during this capital intensive time, which requires IPL to be out in the debt markets more frequently than normal. The ability to issue debt at the lowest coupon possible is advantageous not only to IPL but to our customers.

Predictability, full and timely cost recovery and a regulatory environment supportive of a utility's financial strength are key credit considerations at all three credit rating agencies. A utility operating in a stable, reliable, and highly predictable regulatory environment will be scored higher than a utility that operates in an unstable, unreliable or highly unpredictable regulatory environment.

VOLUME II

4. **John J. Reed, Concentric Chairman and Chief Executive Officer, including IPL Witness JJR Attachments 1 Through 2:**

   <u>Abstract</u>: As of June 30, 2014, the current value of the IPL Generation Assets based on the DCF Approach is $1.077 billion or an average of approximately $357 per kilowatt. The IPL Generation Assets included in the valuation are used and useful and necessary in the provision of reliable electric utility service by IPL to its customers. In addition, the Company's projected investments in the generating assets, in particular Harding Street and Petersburg, will allow for the continued use of those facilities to meet customer needs in the future, and maintain compliance with environmental requirements.

5. **John P. Kelly, Concentric Executive Advisor, including IPL Witness JPK Attachments 1 Through 6:**

   <u>Abstract</u>: The current value of IPL's electric utility assets is $4.10 billion. Except for production plant, Mr. Kelly's appraisal develops the value of IPL's electric utility assets in service as of June 30, 2014, using a cost-based valuation methodology, the Replacement Cost New Less Depreciation, a Current Cost Approach. This approach values assets at the cost of replacing them today, giving consideration to physical depreciation, functional depreciation and current construction costs and technology. This approach is consistent with Commission precedent concluding that the trended cost less depreciation approach reasonably estimates the current value of the assets and the reproduction cost new depreciated calculation reasonably estimates the fair value of a petitioner's utility property. For production plant, Mr. Kelly based his appraisal on the analysis of IPL Witness Reed.

   The physical transmission and distribution system and properties in service are well designed and the properties are being maintained and operated on a coordinated and efficient basis. For the foreseeable future, the properties can continue to operate effectively for the purposes for which they have been designed and constructed.

Mr. Kelly also prepared an estimate of the value of IPL's electric utility assets using the Commission's methodology as discussed in Cause No. 44075 and other proceedings. This methodology begins with the rate base from the company's last rate case and trends the rate base using a cost inflation index, CPI. The Commission then adds net plant additions to determine the updated fair value of the plant. This analysis provides another estimate of the current value of IPL's assets. The result of this methodology is higher than and generally corroborates the valuation that is based on the income and cost methodologies presented by Concentric.

6. **Bradley D. Scott, AES U.S. Services, LLC and IPL Senior Vice President, Power Supply, including IPL Witness BDS Attachment 1:**

   Abstract: IPL's existing portfolio of generating assets provides the bulk of the supply necessary to meet customer demands. IPL also uses purchased power from the wholesale market, including renewables; and demand-side management to meet our customers' need for electricity. IPL's electric generating capacity totals approximately 3,089 Net MWs (nominally rated). 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 built or acquired three of its gas-fired combustion turbines since its last general rate case. The generating plants are well maintained, in good condition and are necessary for IPL's provision of electric service.

   IPL's filing reflects an adjustment to limestone expense. Three factors underlie this adjustment. First, IPL's least expensive limestone provider declared bankruptcy and the IPL limestone contract was rejected. This limestone supplier has been replaced under new contracts but the price per ton is higher in each of the replacement contracts. Second, the test year included a planned outage at Petersburg Unit No. 2, which is a scrubbed unit that uses limestone in the process. Third, the balance of this adjustment reflects limestone expense at the pro forma level of generation. As a result, the amount of limestone used during the test year is below what would be used in a normal year and below the level expected to be used during the twelve months ended June 30, 2015.

   An adjustment to coal combustion product ("CCP") disposal expense is also necessary. First, the Petersburg Unit No. 2 planned outage noted above means that less coal combustion byproducts were produced during the test year and thus CCP disposal expense during the test year was less than IPL will incur on a going-forward basis. The MW production of Unit 2 is expected to be normal during the twelve months ended June 30, 2015. As a result, more coal combustion byproducts will be produced and the disposal costs associated with that disposal will be greater than the amount incurred during the test year. Second, the pro forma level of generation changes the level of CCPs produced and thus, changes the disposal expense for the adjustment period.

7. **James A. Sadtler, IPL Director of Transmission Field Operations, including IPL Witness JAS Attachments 1 and 2:**

Abstract: The IPL transmission system operates as part of a larger integrated network system, commonly referred to as the Eastern Interconnection. The IPL transmission system is directly connected to the transmission systems of Duke Energy Indiana, American Electric Power, Vectren, and Hoosier Energy. Through the interconnections with these other utilities, power can flow into and out of the IPL transmission system. The distribution system consists of utility properties customarily used for such purposes, including substations, distribution circuits, towers, poles, conductors, transformers, station structures and equipment, meters, overhead and underground distribution wire and street lighting facilities. The T&D plant is well maintained, in good condition and reasonably necessary for IPL's provision of electric service.

The Commission's annual reliability report and IEEE benchmarking shows that IPL's electric system reliability is a top performer for the three key performance metrics (SAIDI, SAIFI, & CAIDI) used by Commission and IEEE.

8. **Harold D. Leitze, IPL Manager of Coal and Transportation, including IPL Witness HDL Attachments 1 Through 2:**

Abstract: IPL's coal inventory levels are reasonable. The amount of coal inventory needed at each generating plant is based upon several factors such as the quality and availability of the coal needed, whether the coal is purchased under contract or on the spot market, the predictability of the consumption at the plant, price volatility in the coal and electric power markets and the possibility for supply interruptions. These variables cause coal inventories to fluctuate up and down every month. The desired inventory targets represent levels which are adequate in order to account for the variables. The coal inventories at the end of the test year were below the desired levels due to normal fluctuations in inventory. An adjustment is made to the ending inventories as of June 30, 2014 to bring them up to the target levels.

VOLUME III

9. **Kurt A. Tornquist, Controller, AES U.S. Services LLC and IPL, including IPL Witness KAT Attachments 1 Through 6:**

Abstract: IPL's books and records are audited and follow the directives of the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts, the Financial Accounting Standards Board, Generally Accepted Accounting Principles, Sarbanes-Oxley regulations, as well as various internally-established control procedures.

For the test period in this rate proceeding, IPL used the financial results of operations from the twelve (12) months ended June 30, 2014. The test period activity was adjusted for changes that are fixed in time, known to be occurring during the twelve months following the end of the test period, and measurable in amount. IPL is proposing a number of adjustments to the historic test period financial results through the financial schedules submitted in this rate proceeding. The schedules are set forth in IPL Exhibit -

Financial Exhibit. The test period, as adjusted, presents a reasonable representation of expected investment and on-going operations required to render service to IPL's customers.

Effective December 22, 2013, AES Services began providing services to IPL including accounting, legal, human resources, information technology and other services of a similar nature in accordance with a Service Agreement filed with the Commission. AES Services is headquartered in offices at One Monument Circle, Indianapolis, Indiana and the affiliate compensates IPL for use of this facility. The goal of establishing AES Services is to increase financial operations consistency among affiliates of AES within the United States, and to take advantage of best practices and economies of scale which can be achieved over the long term. Expenses incurred by AES Services are charged at cost. There is no mark-up added to, nor profit derived from, an AES Services billing to the affiliated client company. Costs are allocated among affiliates based on the Cost Alignment and Allocation Manual filed with the Commission. Other transactions between IPL and other affiliates are governed by the 2005 Affiliate Agreement.

IPL's revenue requirement includes 1) an acquisition adjustment to reflect the purchase price for the Georgetown combustion turbine purchase approved by the Commission in Cause No. 43235; and 2) the revised depreciation and amortization rates proposed by IPL Witness Spanos.

VOLUME IV

10. John Spanos, Senior Vice President, Gannett Fleming Valuation and Rate Consultants, LLC, including IPL Witness JJS Attachment 1:

Abstract: The Depreciation Study presents the depreciation accrual rates by account for IPL. Overall, the proposed depreciation rates are determined based on the remaining life method, equal life group procedure and utilization of the life span technique. This method of depreciation aims to distribute the unrecovered cost of fixed capital assets over the estimated remaining useful life of each unit or group of assets in a systematic and rational manner. A dismantlement component has been included in the net salvage percentage for steam and other production facilities. The Company plans to convert a large portion of the Harding Street steam facility to gas and retire equipment no longer necessary after the refuel in 2016. The converted assets will have a retirement date of 2033. The remaining accumulated depreciation in each account will be transferred to the plant in service of the converted assets by account.

VOLUME V

11. Paula Guletsky, Sargent and Lundy ("S&L") Vice President and Project Director for IPL, including IPL Witness PMG Attachment 1:

<u>Abstract</u>: S&L's conceptual decommissioning cost study presents the gross demolition costs to dismantle the Eagle Valley, Harding Street, and Petersburg Generating Stations at the end of their useful generating lives. The estimated cost was prepared using standard and accepted estimating techniques and the assumptions used in the analysis are reasonable. The cost estimates are consistent with other available data and industry experience.

12. Michael L. Holtsclaw, IPL Director, Transmission & Distribution Engineering:

<u>Abstract</u>: MISO coordinates the long term planning function for the MISO transmission owners, including IPL. As constraints and potential overloads are identified, MISO works with the affected transmission owners and third party transmission developers to arrive at the most economical solution. New transmission projects deemed beneficial to the MISO footprint are approved for cost sharing through the MISO Transmission Expansion Plan ("MTEP") process. IPL customers benefit from MTEP projects through improved transmission system reliability, reduced transmission costs, and through lower generation power costs based on reduced congestion charges.

The costs from MISO Schedule 26 and Schedule 26A will vary from year to year and have been increasing each year as more transmission expansion projects have been approved by the MISO Board of Directors. The amount of MTEP 2013 project costs allocated to IPL pursuant to Schedule 26 is expected to be $15.9 million between 2015 and 2019. IPL currently expects to be allocated $91.7 million in Schedule 26A Multi-value project costs between 2015 and 2019. As a Transmission Owning member of MISO, IPL is obligated to pay its allocated portion of the MTEP cost under MISO's FERC Tariff. As explained by IPL Witness Cutshaw IPL is requesting a RTO Adjustment as part of this rate proceeding to recognize its portion of the MTEP costs.

IPL defines storms by their severity, number of customers affected, and the estimated restoration time. The storm events are described as Level 1 through Level 4, with a Level 4 storm being the most severe. There was one major storm during the test year ending June 30, 2014 and that was the Level 3 storm in January 2014. This storm event affected 70,488 IPL customers and the restoration effort was completed in 5 days. As discussed by IPL Witness Cutshaw the Company proposes to adjust storm expense and to establish a Major Storm Damage Restoration Reserve account. The Company proposes that for a storm to be included in the Major Storm Damage Reserve account it must be classified as a Level 3 or higher storm event. Level 3 and Level 4 storms happen infrequently but can have significant O&M costs associated with them when they do occur.

In 2014, IPL re-negotiated a contract with its vegetation management vendor. This resulted in a cost savings to the Company which is reflected in an adjustment made to O&M Expenses. IPL has not changed the trim cycle; it is still a three year cycle. The cost savings are the result of efficiency gains by the contractor which allowed them to reduce their costs to IPL.

13. Dennis C. Dininger, IPL Director, Commercial Operations, including IPL Witness DCD Attachment 1:

Abstract: Off System Sales ("OSS") margins are volatile and change over time based on the interaction of market forces in the competitive wholesale market and other factors. A base level of $6.324 million of OSS margins represents a reasonable, achievable level of OSS margins based on history over the past five years. IPL proposes to embed this amount in the retail revenue requirement and implement the OSS margin sharing mechanism discussed by IPL Witness Cutshaw. Per the Commission's Order in Cause No. 43740, IPL also proposes to continue to reflect OSS margins made possible because of the energy received from Lakefield Wind Park as a credit to IPL jurisdictional fuel costs through the FAC which reduces the cost of fuel for retail customers.

As a Load Serving Entity ("LSE") in MISO, IPL is obligated to have sufficient Capacity Resources to cover its forecasted peak demand plus its Planning Reserve Margin Requirement. It is necessary to adjust the level of capacity costs in the test year to reflect the cost of IPL's 100 MW capacity purchase made in August 2014 to meet IPL's capacity needs beginning June 1, 2015.

Charges for capacity are material and volatile. The cost of capacity during the test year is low relative to the need for capacity purchases in 2015. As we move beyond June 1, 2015, capacity needs and costs are expected to continue to change. IPL is retiring the Eagle Valley plant in April of 2016 and as a result must purchase additional capacity for the 2016-2017 MISO planning year. Once the EV CCGT is in-service, IPL expects to be in the position to sell capacity bilaterally or through the MISO auction. While IPL plans to have another rate case contemporaneous with the EV CCGT being placed in service, establishing the CAP Adjustment discussed by IPL Witness Cutshaw in this case will permit IPL's actual capacity costs to be timely reflected in rates and will also provide a mechanism to allow margins from bilateral capacity sales to flowed through as a rate credit for the benefit of customers.

The proposed base cost of fuel per kWh is $0.031520.

14. **Lester H. Allen, IPL Demand Side Management ("DSM") Program Development Manager, including IPL Witness LHA Attachment 1:**

Abstract: DSM costs, including lost revenue, are ongoing. Lost revenues are the contributions to fixed costs that the utility does not receive when customers participate in a utility sponsored DSM program. Rates are designed to recover both fixed and variable costs based on an adjusted test year sales level. Utility sponsored DSM programs by definition result in customers using less energy (in terms of kilowatt-hours ("kWh")) and incurring less billed demand (in terms of kilowatts ("kW")) than they otherwise would have, resulting in the Company making fewer sales. This means that the rates established in this proceeding will not recover IPL's fixed costs as designed because the revenues will be less than the amount reflected in the revenue requirement. Lost revenues are a real and calculable cost of implementing DSM programs. The Commission has typically allowed utilities to use a rate adjustment mechanism to recover lost revenues and authorized such recovery for IPL in Cause No. 44497. Consistent with the Commission's Order in Cause No. 44497 lost revenue recovery should proceed via the DSM Adjustment Rider.

15. Edward J. Kunz, IPL Manager, Retirement Services, including IPL Witness EJK Attachments 1 through 4:

Abstract: Pensions represent obligations of IPL related to providing pension benefits to employees upon retirement. Because pension expense represents appropriate pension costs related to providing service to IPL customers, this Commission has generally permitted pension costs determined in accordance with ASC 715 as allowable operating expenses when determining revenue requirements. IPL's actual pension cost for the test year has been adjusted downward to represent the net periodic benefit cost expected to be incurred in 2015. This adjustment reflects expectations based on new mortality tables that were recently released.

IPL provides a variety of benefits, including medical coverage, prescription drug coverage and life insurance benefits, to certain employees who retire from the Company. Unlike pensions, there are no ERISA or IRS requirements with respect to contributions or minimum/maximum funding levels for these Other Post Employment Benefits ("OPEBs"). IPL's test year OPEB cost has been adjusted downward to reflect the estimated impact of updated mortality tables.

IPL expects to receive the Mercer certified actuarial report which calculates annual pension and OPEB expense in February 2015 and proposes to update the pension and OPEB cost adjustment based on that report.

The Prepaid Pension Asset reflected on IPL's books is the cumulative amount of actual cash pension contributions to the pension trust fund made by IPL beyond the cumulative amount of pension cost that has been accrued to expense for IPL. The Prepaid Pension Asset recorded on IPL's balance sheet comes about by contributions made by IPL to the pension fund and/or crediting pension expense in accordance with ASC 715. Including the prepaid pension asset in rate base as proposed by IPL will allow ratemaking recognition of IPL's cost of funds on the additional cash contributions. These additional contributions also serve to control future pension costs that would otherwise need to be reflected in rates. Including the prepaid pension asset in rate base is appropriate because IPL's customers benefit from the existence of the appropriate pension funding and the resulting lower pension expense. This request is consistent with the Commission's Order in Cause 44075 which included the prepaid pension asset in rate base.

IPL's books also reflect an OPEB liability which represents the cumulative difference between the actual OPEB claims at the end of the test period and the ASC 715 calculated OPEB expense. Unlike pensions, IPL has not made contributions to a separate fund for postretirement benefits other than pensions. As a result, the postretirement benefits other than pensions are in a net liability status at the end of the test year. The Commission Order in Cause No. 39348 authorizes this amount to be reflected either as zero-cost capital or as a rate base reduction. IPL proposes that this amount be treated as a rate base deduction. This treatment is consistent with the inclusion of the prepaid pension asset in rate base described above.

16. Danielle M. Tuschong, AES U.S. Services, LLC Director, Total Rewards:

Abstract: IPL has developed a strategic approach to aligning compensation across the organization and implemented a new compensation philosophy. This new compensation program became effective in January 2014. In the new salary structure, base salary ranges were compressed (reducing the number of salary grades) and ranges were made narrower (reducing base salary maximums). The new salary structure better aligns the compensation program with the pay for performance compensation philosophy, as it places more compensation at risk. The new target for base salary is at the median of the market, with the opportunity to earn increases in cash compensation in the form of short-term compensation, which is based on the employee's performance. The realigned compensation program motivates IPL's employees to strive for high performance which, in turn, will directly benefit IPL's customers.

In IPL's proposed pro forma adjustment to test year base pay, non-bargaining employee base wages have been increased by 3.0 percent; bargaining employee base wages have been increased by 2.0 percent for the Clerical group and increased by 2.5 percent for the Physical group based on the negotiated bargaining unit employee contracts. The 3.0 percent increase in base salary is comparable to what the market is providing for 2015.

IPL's Short-Term Compensation Plan is not a pure profit sharing plan but rather incorporates operational as well as financial performance goals. IPL's Short-Term Compensation Plan does not result in pay levels beyond what is reasonably necessary to attract and retain a talented workforce. Historically, short-term compensation payouts have been at or above target. The proposed revenue requirement reflects short-term compensation at target. Above payout targets will be borne by the shareholders.

Long Term Compensation ("LTC") plans at utility and non-utility companies at Senior management levels are highly prevalent. IPL's LTC plan promotes high performance and keeps Senior management accountable for decisions that will affect IPL's performance in the long-term.

Benefit costs have continued to rise year after year and IPL has taken a number of initiatives to manage benefit costs. In 2014, IPL introduced its first High-deductible Health Plan to its physical bargaining unit employees. Effective January 1, 2015, all employees will have access to a High-deductible Health Plan and previous higher cost plans for non-union groups have been discontinued.

VOLUME VI

17. Craig A. Forestal, AES U.S. Services, LLC Director of Regulatory Accounting:

Abstract: IPL's Financial Schedules are in accordance with the accounting requirements of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases.

The IPL Financial Exhibit is explained by Mr. Forestal, including the following: Materials and Supplies inventory reflects the 13-month end of period per books balances; an adjustment has been made to remove image building advertising costs from the test year in accordance with the Commission's material benefit rule; Edison Electric Institute dues were reduced by the portion designated on the invoice as being for legislative or charitable activities; and the Indiana Electric Association dues were excluded due to legislative activities. IPL proposes a two-year amortization period for all rate case expenses, other than those for the demolition and depreciation studies. The proposed two-year amortization period for such rate case expenses reflects the period of time that the Company projects the rates fixed in this proceeding will be in effect. IPL proposes a five-year amortization period for the rate case expenses of the demolition and depreciation studies. IPL chose five years for the amortization of these expenses because it may not be necessary to have full demolition and depreciation studies in each rate case. IPL's Financial Exhibit also includes adjustments for: miscellaneous, out-of-period and other expenses; an adjustment to electric uncollectible accounts expense, derived by applying a historic write-off experience rate to total electric operating revenues; and public utility fee expense.

18. Stephen A. Allamanno, Tax Director AES U.S. Services, LLC:

Abstract: The schedules in IPL's Financial Exhibit reflect the Gross Revenue Conversion Factor and IPL's federal and state taxes, including property tax liabilities, Indiana Utility Receipts Tax liability, current and deferred income tax expense, amortization of Investment Tax Credits, Interest Synchronization and the Effective Tax Rate.

19. Yvonna K. Steadman, Senior Accountant AES U.S. Services, LLC:

Abstract: Ms. Steadman presents various pro forma adjustments made to the results of operations for the twelve (12) months ended June 30, 2014. These adjustments relate to wages and the related payroll taxes, benefits, and AES Services transactions.

20. James L. Cutshaw, IPL Revenue Requirements Manager, including IPL Witness JLC Attachments 1 through 5:

Abstract: IPL's schedules show the calculation for the revenue increase IPL has proposed in this proceeding. Projects constructed by IPL for MISO are non-jurisdictional. Therefore, IPL has proposed several pro forma adjustments to remove the rate base and operating income statement impact of the Market Efficiency Project, the Pete Auto-transformers, for which IPL files an Attachment GG annually with the MISO. Consistent with the Commission's Order in Cause No. 43526 (8/25/2010), rate base has also been adjusted to remove Asset Retirement Obligations recorded under FASB ASC 410 (formerly SFAS No. 143) because these are non-cash funded assets. IPL's rate base also includes: the unamortized portion of the Petersburg Unit 4 regulatory asset in accordance with the Order in Cause No. 39938; multiple projects based upon Commission orders in Cause Nos. 42170, 42700, and 43403 that are currently reflected in IPL's ECCRA; and the Electric Vehicle Supply Equipment ("EVSE") costs which were authorized for deferral and subsequent recovery in Cause No. 43960.

IPL is proposing an adjustment to decrease test year storm expense by $1.580 million. To address major storm costs in the future, IPL is proposing to create a Major Storm Damage Restoration Reserve account, similar to that approved by the Commission in

Cause No. 44075. IPL is proposing an adjustment to reflect an additional $14.905 million as an on-going annual level of expense for MISO Non-Fuel Costs.

IPL's revenue requirement includes MISO Non-Fuel Costs deferred in accordance with Commission's orders in Cause Nos. 42266, 42685, and 42962. IPL is proposing to amortize the costs deferred as of June 30, 2014 plus the estimated costs to be deferred for the following twelve months over a period of six years resulting in an annual amortization expense of $19.613 million.

IPL is proposing to reset the FAC and ECCRA rate adjustment riders for costs which will be reflected in the new basic rates and charges resulting from this proceeding. IPL is proposing to continue to recover all expenses for DSM and GPR in their respective rate adjustment riders. MISO fuel-like costs are currently recovered through the FAC as ordered by the Commission in Cause Nos. 42685, 43426, 43664 and IPL proposes to continue to recover these costs through the FAC.

IPL's lost revenue recovery is necessary due to decreased kilowatt-hour (kWh) consumption and kilowatt (kW) demand from DSM program measures which will continue for the weighted average life of the program measures.

When new tariff sheets are filed based upon the final order in this proceeding, IPL proposes to adjust the then current ECCRA Factor to reflect the removal of the in-service plant and related expenses as of the same effective date. The ECCRA would continue to operate in order to allow timely recovery of the MATS projects approved in Cause No. 44242 which are not reflected in this proceeding.

IPL is proposing three new rate adjustment riders: the Regional Transmission Organization ("RTO") Adjustment, the Off-System Sales ("OSS") Margin Sharing Adjustment, and the Capacity ("CAP") Cost Recovery Adjustment.

The RTO Adjustment factor is intended to timely recover the excess (or deficit) of an estimate of the net Non-Fuel Costs to be billed by MISO compared to the amount of such net costs approved to be included in the determination of basic charges for service in this proceeding. A true-up of the estimate to actual would occur in a subsequent semi-annual filing.

To the extent that annual OSS Margins exceed the base amount to be reflected in basic charges for retail electric service, IPL proposes to share that excess 50% with the retail customer through the annual OSS Adjustment and 50% would be retained by IPL. This sharing percentage is consistent with that previously approved for Duke, I&M, NIPSCO, and Vectren, and provides an incentive for IPL to pursue additional OSS which would benefit both IPL and the customer. If annual OSS Margins are less than the base amount (but greater than zero dollars), IPL proposes that 100% of that deficit would be recovered through the OSS Adjustment. This percentage is appropriate because the basic charges for service in this proceeding will have already been reduced by the base amount with the retail customer receiving 100% and IPL receiving 0% of the benefit of these expected OSS Margins. The result of IPL's proposal is that if the margins do not occur at or above the base level, then the sharing should be done at the same percentages as the base level. The estimated charge for the customer share should never be more than 100% of the base level, even if OSS Margins were less than zero dollars. A true-up of the estimate to actual would occur in a subsequent annual filing.

The annual CAP Adjustment is intended to timely recover the excess (or deficit) of an estimate of Capacity Costs (greater than zero) compared to the amount included in the determination of basic charges for service in this proceeding. 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. A true-up of the estimate to actual would occur in a subsequent annual filing.

As stated in IPL Witness Huntington's testimony, IPL ranks the lowest among the nation's twenty largest cities served by investor-owned utilities in residential rates for service and among the lowest in commercial and industrial rates for service. IPL will continue to be a low cost electric utility after this rate proceeding. The proposed monthly bill for a residential customer using 1,000 kWh per month would still be second lowest out of the five Indiana IOUs if inserted in the most recent survey completed by the Commission.

In mid-December 2014, news accounts reported that Navistar (also known as Pure Power Technologies Metal Castings Group) will be closing its Indianapolis stamping plant during the summer of 2015, with the process taking place during the first six months. This news came too late for IPL to reflect in its schedules, but adjustments to remove the annualized pro forma present rates revenues and related variable expenses for this customer is warranted. Incorporating these adjustments would increase IPL's adjusted deficiency in electric operating revenue by $2.869 million from what is shown on IPL's Financial Exhibit IPL-REVREQ, Schedule REVREQ1.

VOLUME VII

21. John D. Taylor, Concentric Project Manager, including IPL Witness JDT Attachments 1 through 3:

Abstract: The Allocated Cost of Service Study ("ACOSS") allocates IPL's overall adjusted test year revenues and costs to the various classes of service in a manner that reflects the relative costs of providing service to each class. This is accomplished through analyzing costs and assigning each customer or rate class its proportionate share of the utility's total revenues and costs within the historical test year. The results of these studies can be utilized to determine the relative cost of service for each customer class and to help determine the individual class revenue responsibility.

22. J. Stephen Gaske, Concentric Senior Vice President, including IPL Witness JSG Attachments 1 through 6:

Abstract: Three primary policy objectives were used in the development of the rates proposed in this proceeding: (1) the charge for any service rendered is reasonable and just; (2) the rates and charges should afford IPL an improved and reasonable opportunity to recover its revenue requirement and provide a fair return on its investment; (3) the rates should provide incentives for efficient usage by reflecting the manner in which costs are incurred as a result of customer usage decisions. Gradualism in the impacts of rate changes on customers was another important objective of the Company. Consequently, the Company decided to mitigate the impact of rate changes on any one class in this rate case so that the rates would be adjusted only part of the way in the direction of fully-allocated costs. To achieve that goal, the rate increases for individual classes have been mitigated so that no rate class experiences an overall rate increase greater than ten percent.

The customer charges and/or the demand charges were generally increased to a level that recovers a higher proportion of the fixed costs of service. In doing so, the proportion of the fixed costs recovered through variable energy charges was reduced. The level of customer charges for the residential and small commercial rate classes were not increased to a level that fully recovers fixed costs at this time, and the inclining block structure of their customer charges was retained, so as to mitigate the impacts on smaller customers in those rate classes.

Because the residential and small commercial customers generally do not have meters that measure their peak monthly demand and allow fixed, demand-related costs to be recovered through a demand charge, a declining block rate structure is a second-best way to recover the fixed costs that are not recovered in the customer charge. IPL's declining block rate structure for these classes helps ensure that an appropriate level of fixed costs are recovered from each customer while also reducing the amount of fixed costs loaded into the marginal energy charges of most customers. This blocking structure provides better price signals for efficient consumption and also reduces the variability of the Company's earnings associated with year-to-year fluctuations in usage.

VOLUME VIII

23. Elaine K. Chambers, IPL Manager, Rates and Regulations, including IPL Witness EKC Attachments 1 through 4:

Abstract: Adjustments were made to the actual electric rate revenue and actual sales for the test year for weather normalization, customer normalization, and out-of-period activity. IPL's proposed tariff incorporates the new rates and rate design proposed by IPL Witness Gaske and the new riders sponsored by IPL Witness Cutshaw. The proposed tariff also reflects changes to simplify, modernize, update and clarify the tariff. The updated tariff sheets should simplify reading the tariff and facilitate a better understanding of the applicable tariff rates and associated requirements. IPL also updated other customer charges to reflect current costs and to breakout other customer charges into more specific charges and added disconnect fees to certain schedules. The additions, changes and deletions and basis therefor are itemized on IPL Witness EKC Attachment 3.

VOLUME IX

24. IPL Financial Exhibit, including index of schedules.

Respectfully submitted,

By______________________

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Attorneys for INDIANAPOLIS POWER AND LIGHT COMPANY

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:

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

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