

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS)
POWER & LIGHT COMPANY FOR)
MODIFICATION OF ITS CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY) CAUSE NO. 42170-ECR-19
TO USE CLEAN COAL TECHNOLOGY AND)
QUALIFIED POLLUTION CONTROL)
PROPERTY AND FOR APPROVAL OF AN)
ADJUSTMENT TO ITS RATES THROUGH)
ITS APPROVED ENVIRONMENTAL)
COMPLIANCE COST RECOVERY)
ADJUSTMENT COMMENCING WITH THE)
SEPTEMBER 2012 BILLING CYCLE IN)
ACCORDANCE WITH THE ONGOING)
REVIEW PROCESS)

SUBMISSION OF SETTLEMENT TESTIMONY AND EXHIBITS

Indianapolis Power & Light Company (“IPL” or “Petitioner”), by counsel, hereby submits the settlement testimony and exhibits of James L. Cutshaw, Craig Forestal and Bradley Scott.

Respectfully submitted,



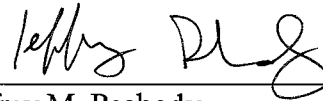
Teresa E. Morton (No. 14044-49)
Jeffrey M. Peabody (No. 28000-53)
Barnes & Thornburg LLP
11 South Meridian Street
Indianapolis, Indiana 46204
Morton Telephone: (317) 231-7716
Peabody Telephone: (317) 231-6465
Facsimile: (317) 231-7433
Morton Email: tmorton@btlaw.com
Peabody Email: jpeabody@btlaw.com

Attorneys for Petitioner

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on October 5, 2012, a copy of the foregoing Submission of Settlement Testimony and Exhibits was served on the following via electronic mail:

Randy Helmen
Scott Franson
Indiana Office of Utility Consumer Counselor
PNC Center
115 W. Washington Street, Suite 1500 South
Indianapolis, IN 46204
rhelmen@oucc.in.gov
sfranson@oucc.in.gov



Jeffrey M. Peabody

CAUSE NO. 42170 ECR-19

VERIFIED SETTLEMENT TESTIMONY

OF

JAMES L. CUTSHAW

ON BEHALF OF

INDIANAPOLIS POWER & LIGHT COMPANY

IN SUPPORT OF SETTLEMENT AGREEMENT

**VERIFIED SETTLEMENT TESTIMONY OF JAMES L. CUTSHAW
IN SUPPORT OF SETTLEMENT AGREEMENT
CAUSE NO. 42170-ECR-19**

1 **Q1. Please state your name, employer, and business address.**

2 A1. My name is James L. Cutshaw. I am employed by Indianapolis Power & Light Company
3 (“IPL”), One Monument Circle, Indianapolis, Indiana 46204.

4 **Q2. What is your position with IPL?**

5 A2. I am the Revenue Requirements Manager. In that capacity, I participated as a member of
6 IPL’s team that met with the Indiana Office of Utility Consumer Counselor (“OUCC”)
7 and participated in the discussions that lead to the Stipulation and Settlement Agreement
8 (“Settlement Agreement”) filed in this Cause on September 28, 2012.

9 **Q3. Are you the same James L. Cutshaw who previously prefiled direct testimony in this**
10 **proceeding?**

11 A3. Yes.

12 **Q4. What is the purpose of your testimony in support of the Settlement Agreement?**

13 A4. The purpose of my testimony is to provide an overview of the Settlement Agreement
14 reached between IPL and the OUCC (collectively, the “Parties”) and to explain from
15 IPL’s perspective why approval of the Settlement Agreement is in the public interest and
16 should be approved by the Commission. In addition, I address certain issues raised in the
17 OUCC Direct Testimony of Witnesses Wes Blakley, Cynthia Armstrong, and Maclean
18 Eke.

1 **Q5. Are you sponsoring any exhibits?**

2 A5. Yes. Together with OUCC witness Cynthia Armstrong, I sponsor Settling Parties'
3 Exhibit 1, which is a copy of the Settlement Agreement. This exhibit was separately filed
4 with the Commission and is not attached to the prefiled copy of my written testimony but
5 will be offered into evidence at the hearing in this Cause.

6 **Q6. Please summarize the Settlement Agreement.**

7 A6. As further discussed below, the Settlement Agreement resolves all matters pending
8 before the Commission in this proceeding. More specifically, the Settlement Agreement
9 addresses: (1) cost recovery through the ECR tracker of construction costs related to the
10 Petersburg Unit 4 FGD Enhancements project ("Pete 4 FGD upgrade"); (2) revision of
11 the proposed ECR factor; (3) an increase of \$1.6 million in the Certificate of Public
12 Convenience and Necessity ("CPCN") for the Pete 4 FGD upgrade; (4) treatment of
13 amounts (if any) related to the Pete 4 FGD upgrade over the \$1.6 million modification to
14 the CPCN in IPL's rate base at the time of IPL's next base rate case; and (5) credits for
15 any reduced charges or concessions received from contractors involved in the Pete 4
16 upgrade toward the final cost of the project.

17 **Q7. Is the Settlement Agreement the product of serious bargaining among capable and**
18 **knowledgeable parties?**

19 A7. Yes. The Settlement Agreement is the result of serious negotiations and bargaining, with
20 the Parties considering various options, evaluating the issues and ultimately reaching a
21 settlement in the public interest to resolve the issues pending before the Commission in
22 this proceeding.

1 **Q8. In your opinion, is Commission approval of the Settlement Agreement in the public**
2 **interest?**

3 A8. Yes. The Settlement Agreement reflects compromise and resolves the disputed issues in
4 this proceeding without further expenditure of the time and resources of the Commission
5 and the Parties in litigating the contested issues to a conclusion. In addition, the
6 Settlement Agreement reasonably responds to concerns raised by the OUCC in this
7 proceeding. As explained in greater detail by IPL Witness Bradley Scott, IPL disagrees
8 that there was any mismanagement of the Pete 4 FGD upgrade and believes that IPL's
9 request in this proceeding is consistent with the ongoing review process. That said, the
10 Settlement Agreement mitigates controversy and reasonably addresses the OUCC's
11 desire that no further changes in the Commission-approved cost estimate be sought in the
12 ECR proceedings, but that such costs should be treated as rate base additions in IPL's
13 next general rate case. IPL believes that the terms of the Settlement Agreement are
14 reasonable and approval of the Settlement Agreement serves the public interest.

15 **Q9. Please explain the Settlement Agreement provision regarding recovery through the**
16 **ECR tracker of costs related to the Pete 4 FGD upgrade.**

17 A9. The Settlement Agreement provides that IPL will not seek recovery through the ECR
18 tracker filings for construction costs related to the Pete 4 FGD upgrade over \$128 million
19 (the CPCN amount as approved in ECR-16-S1) less actual removal/demolition costs of
20 \$3,364,169. Settlement Agreement, at ¶A1. Although IPL believes it has provided
21 significant evidence justifying the requested increase in the CPCN to \$129.6 million
22 through its direct testimony and exhibits and data request responses, it has agreed to
23 utilize a "soft cap" based on the currently approved project cost for the Pete 4 FGD

1 upgrade for the purposes of calculating its ECR factors. The agreed upon "soft cap" is
2 slightly different from that proposed by OUCC Witnesses Armstrong and Blakley in that
3 it utilizes actual removal costs as a deduction from the \$128 million instead of estimated
4 removal costs, as discussed below.

5 **Q10. Does the Settlement Agreement provide for revised ECR factors from those initially**
6 **filed by IPL in this proceeding?**

7 A10. Yes. The Settlement Agreement provides that IPL will file modified accounting
8 schedules in ECR-19 to reflect the removal of \$1,129,000 (from Exhibit CF-2 MPP2
9 page 2) related to the amount over \$124,635,831, which is the previously approved
10 amount of \$128 million less actual removal costs of \$3,364,169 (per Exhibit CF-6).
11 Settlement Agreement, at ¶A2. The modified accounting schedules and revised ECR
12 factors are discussed in further detail by IPL Witness Craig Forestal.

13 **Q11. On page 3 of his testimony, OUCC Witness Blakley states that the construction cost**
14 **approved in ECR-16 S1 for the Pete 4 FGD is \$124,535,848. Do you agree that this**
15 **specific amount was approved in that proceeding?**

16 A11. No. Mr. Blakley determined that amount by deducting *estimated* removal costs (shown
17 in the ECR-18 and ECR-19 filings) from the \$128 million CPCN amount. Actual
18 removal costs were \$3,364,169, as shown on Petitioner's Exhibit CF-6. These costs have
19 not been included in the amounts IPL submitted for ECR recovery in any of the filings
20 since they began to be incurred in ECR-16. As noted above, in the Settlement
21 Agreement, IPL and the OUCC agree that a "soft cap" of \$124,635,831 (determined by
22 deducting actual demolition costs from \$128 million) will be the maximum amount
23 recoverable through the ECR filings.

1 **Q12. Do you agree with OUCC Witness Eke's characterization (at 9) of Removal Costs as**
2 **a "cushion" to maintain the overall cost estimate level?**

3 A12. No. As noted above, removal costs have always been included in the overall cost
4 estimate level, but it was not until ECR-18 that these costs began to be separately
5 identified on Petitioner's Exhibit DK-4. This was explained by Witness Kehres in Q&A
6 14 of his direct testimony in ECR-18:

7 "We have broken out the removal/demolition costs from
8 the other project construction costs and we have updated
9 the projected construction costs in Petitioner's Exhibit DK-
10 4 with the latest cost information available to the project
11 team. In previous ECR filings, the removal costs have been
12 included in the various construction subcontract line items
13 and were not broken out separately. These removal costs
14 have always included in the total project cost estimates.
15 However, as these removal costs are recovered through
16 depreciation and net salvage value and not through the
17 ECR we are now showing these costs separately. The
18 removal costs are now estimated to be \$3.64 million. We
19 have also provided a breakdown of the removal costs
20 associated with each major construction subcontract."

21 **Q13. Returning to the Settlement Agreement, please explain what it provides regarding**
22 **IPL's request for an increase in its CPCN for the Pete 4 FGD upgrade.**

23 A13. The Settlement Agreement provides that the OUCC agrees to support the increase to the
24 CPCN for the Pete 4 FGD upgrade by \$1.6 million to a new total of \$129.6 million,
25 understanding that IPL will not seek recovery of the additional \$1.6 million in the ECR
26 tracker filings but will include these costs in rate base in its next basic rate case.
27 Settlement Agreement, at ¶A3. The OUCC will not challenge these costs (*i.e.* the
28 additional \$1.6 million) for recovery during IPL's next rate case. The Settlement
29 Agreement further provides that there will be no special accounting treatment (such as
30 post-in service Allowance for Funds Used During Construction ("AFUDC") or other

1 carrying charges or deferred depreciation) for amounts not recovered through the ECR
2 tracker filings. *Id.*

3 **Q14. Please explain how the Settlement Agreement addresses amounts related to the Pete**
4 **4 FGD upgrade over the \$1.6 million modification (if any) to the CPCN.**

5 A14. The Settlement Agreement provides that IPL may include amounts (if any) related to the
6 Pete 4 FGD upgrade over the \$1.6 million modification to the CPCN in its proposed rate
7 base at the time of its next rate case. However, all of the OUCC's rights will be
8 preserved to review and potentially challenge the reasonableness of any costs in excess of
9 the \$129.6 million CPCN amount at the time of the next base rate case. Settlement
10 Agreement, at ¶A4. At this time, the only known additional project costs that are not
11 included in the \$129.6 million updated cost estimate relate to on-going negotiations with
12 a contractor for work performed on the Pete 4 FGD upgrade. This item was discussed in
13 the Direct Testimony of IPL Witness Kehres (at 12) and in further detail in the Settlement
14 Testimony of IPL Witness Scott. Although IPL believes such costs would be
15 appropriately recoverable through the ECR filings once resolved, it is willing to abide by
16 the agreed upon "soft cap" and wait until its next rate case to begin recovery.

17 **Q15. What does the Settlement Agreement provide regarding reduced charges or**
18 **concessions received from contractors involved in the Pete 4 FGD upgrade?**

19 A15. The Settlement Agreement states that IPL will credit any reduced charges or concessions
20 received from contractors involved in the Pete 4 FGD upgrade toward the final cost of the
21 project. Settlement Agreement, at ¶A5. This provision memorializes what IPL would
22 have done of its own accord, and is consistent with the OUCC's stated desire of ensuring
23 that IPL is holding contractors accountable for their performance. At this time, the only

1 outstanding item is the replacement of 193 failing slurry valves estimated at \$191,000 to
2 be backcharged to the contractor as discussed in the Direct Testimony of IPL Witness
3 Kehres (at 10).

4 **Q16. Has IPL taken steps to keep the Commission and other parties informed as to the**
5 **status of the Unit 4 upgrade?**

6 A16. Yes. IPL has maintained an open and transparent approach to communicating potential
7 cost increases associated with the Unit 4 upgrade. In ECR-15, IPL worked with the
8 OUCC to improve the future flow of cost information between IPL, the OUCC and the
9 Commission. Among other things, IPL agreed that it would informally communicate to
10 the OUCC and the Commission any potential significant cost increases for a particular
11 project if such information is known before a future filing (subject to any *ex parte*
12 restrictions). IPL further agreed that it would file a customized construction progress
13 report on the Unit 4 upgrade in future ECR filings. These steps enhanced our ability to
14 keep the OUCC and the Commission informed of the project's status, not only with
15 regard to completed work but also with regard to ongoing and emerging issues.

16 **Q17. Please provide some examples of the specific actions taken by IPL to keep the**
17 **Commission and other parties informed about the Unit 4 upgrade.**

18 A17. Prior to filing ECR-16, IPL informally communicated to the OUCC and Commission that
19 the estimated costs for the project was expected to increase. IPL also provided a table
20 identifying the drivers for the increase in the cost estimate. In its ECR-16 testimony, IPL
21 provided further detail regarding the revised cost estimate. In ECR-18, although IPL did
22 not propose to revise the cost estimate, IPL provided testimony explaining that project
23 activities and costs could ultimately result in the total cost of the project exceeding the

1 then-current cost estimate. IPL identified specific issues that could increase the total
2 project cost, including additional stiffening of the booster fan foundation, initial ball
3 charge for the new limestone ball mill, and issues arising under a contract with one of
4 IPL's contractors. Kehres Direct, at 6-7. Prior to filing ECR-19, IPL again provided an
5 informal communication to both the OUCC and Commission identifying specific items
6 that resulted in a need to increase the cost estimate.

7 **Q18. Has IPL taken other steps to keep the OUCC informed as to the ongoing progress of**
8 **the project?**

9 A18. Yes. In ECR-16, ECR-18, and ECR-19, IPL technical staff met with OUCC staff to
10 discuss IPL's cost estimates and the construction progress on the project. IPL has also
11 responded to substantial discovery, both formal and informal, regarding the progress of
12 the Unit 4 upgrade.

13 **Q19. In your opinion, does the Settlement Agreement reflect a fair and reasonable**
14 **resolution of the contested cost estimate issues?**

15 A19. Yes, it does.


16 **Q20. Does this conclude your prefiled verified settlement testimony?**

17 A20. Yes.

Verification

I affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

Dated this 5th day of October, 2012.


James L. Cutshaw

CAUSE NO. 42170 ECR-19

VERIFIED REBUTTAL/SETTLEMENT TESTIMONY

OF

BRADLEY SCOTT

ON BEHALF OF

INDIANAPOLIS POWER & LIGHT COMPANY

IN SUPPORT OF SETTLEMENT AGREEMENT

**VERIFIED REBUTTAL/SETTLEMENT TESTIMONY OF BRADLEY SCOTT
ON BEHALF OF
INDIANAPOLIS POWER & LIGHT COMPANY
IN SUPPORT OF SETTLEMENT AGREEMENT**

1 **Q1. Please state your name, employer and business address.**

2 A1. My name is Bradley Scott. I am employed by Indianapolis Power & Light Company
3 (“IPL” or “Company”). My business address is 6925 North State Road 57, Petersburg,
4 IN 47567.

5 **Q2. What is your position with IPL?**

6 A2. I am Senior Director, Plant Operations.

7 **Q3. Please describe your duties as Senior Director, Plant Operations.**

8 A3. As Senior Director of Plant Operations, I am responsible for the overall clean, safe and
9 reliable operation of IPL’s generating fleet. This consists of the Petersburg, Harding
10 Street and Eagle Valley Generating Stations (primarily coal based) as well as the
11 Georgetown location consisting of four simple cycle gas turbines.

12 **Q4. Please summarize your previous work experience with IPL.**

13 A4. I have been an employee of IPL since January 3, 2011. During my tenure with the
14 Company, I have worked almost exclusively as the Plant Manager of the Petersburg
15 Generating Station, and was promoted to my current role on August 1, 2012. As Plant
16 Manager, I was responsible for all aspects of day-to-day operations at the plant.
17 Additionally, I was responsible for ensuring that any projects that were being managed
18 external to the plant were completed in a manner that minimized interference or
19 additional risk to plant operations.

1 **Q5. Please briefly describe your educational and business experience.**

2 A5. I hold a Bachelor's Degree from Rochester Institute of Technology. I have worked in the
3 power generation field for approximately 23 years working for companies like
4 Commonwealth Electric, The Southern Company, Dominion and Mirant. I worked for
5 IPL's parent company AES since 2003. Within AES I served as Plant Manager at three
6 of its facilities, AES Redondo Beach, AES Placerita and AES Deepwater, as well as
7 various other positions within the corporate headquarters, including Project Manager,
8 Director of Plant Performance and SAP Project Director.

9 **Q6. Have you previously testified before the Commission?**

10 A6. No.

11 **Q7. Are you familiar with IPL's Petition in this proceeding and the relief that it seeks?**

12 A7. Yes, I am.

13 **Q8. Please summarize IPL's request regarding the cost of the Pete Unit 4 upgrade.**

14 A8. As explained in IPL's ECR-18 proceeding and in IPL's Petition and direct testimony in
15 this ECR-19 proceeding, the Unit 4 FGD upgrade was placed in service on November 25,
16 2011. Subsequent to being placed in service, start-up activities, initial tuning and
17 performance testing were conducted and additional necessary work was identified. As a
18 result, IPL is requesting approval of a revised cost estimate of \$129.6 million, an increase
19 of \$1.6 million from the cost estimate approved by the Commission in the ECR-16
20 proceeding. See Petition, Para. 16; Petitioner's Exhibit DK, at 6-12.

1 **Q9. What is the purpose of your testimony in support of the Settlement Agreement in**
2 **this proceeding?**

3 A9. My testimony supports the Settlement Agreement between IPL and the OUCC in this
4 Cause. More specifically I address certain issues raised in the OUCC Direct Testimony
5 of witnesses Cynthia Armstrong and Maclean Eke and in doing so show that the
6 resolution of the pending issues set forth in the Settlement Agreement is reasonable and
7 in the public interest.

8 **Q10. What is your involvement with the Unit 4 upgrade?**

9 A10. I became Plant Manager of the Petersburg facility approximately 8 months prior to the
10 beginning of the outage on Unit 4 to upgrade the flue gas desulfurization ("FGD"). I was
11 closely involved with the activities that took place during the outage period in order to
12 ensure it would meet our operational needs. I also worked closely with the project team
13 prior to the outage to determine the most effective way to minimize the risk to the
14 operation of the unit (there were a number of construction activities taking place while
15 the unit was still in service) as well as minimizing the possibility of any impact to the
16 outage duration and scope. Because the FGD upgrade was scheduled to be completed
17 during a planned outage it was important to coordinate the upgrade work with the
18 substantial work being performed during the planned Unit 4 outage (e.g. turbine
19 overhaul, a new cooling tower, controls system upgrade, boiler component replacement,
20 etc.).

21 **Q11. Do the parties agree that the Unit 4 upgrade project is necessary?**

22 A11. Yes. The Unit 4 upgrade was placed in service in November 2011. As OUCC Witness
23 Armstrong explains (Public's Exhibit CMA at 7-10) the Unit 4 upgrade will significantly

1 reduce IPL's SO₂ emissions and assist IPL in complying with various environmental
2 regulations.

3 **Q12. Do the parties agree that many of the additional project items are necessary to**
4 **complete the Unit 4 upgrade?**

5 A12. Yes. OUCC Witness Armstrong states (at 4) that the OUCC agrees that many of the
6 additional project items are necessary to complete the Unit 4 upgrade. The OUCC's
7 position is that while these items may be necessary to complete the project, they should
8 not be recovered through IPL's Environmental Compliance Cost Recovery Adjustment
9 ("ECCRA") mechanism. The only cost item specifically identified in Ms. Armstrong's
10 testimony relates to the productivity loss associated with the "lock-out/tag-out"
11 ("LOTO") safety program.

12 **Q13. What is the OUCC's position?**

13 A13. Although the OUCC testimony reflects agreement that many of the additional project
14 items reflected in IPL's filing are necessary to complete the project, Ms. Armstrong
15 explains the OUCC does "not believe that these additional cost overruns should be
16 recovered through IPL's ECCRA." *Id.* They contend that the additional costs and
17 project adders appear to stem from IPL's failure to properly define the scope of the
18 project and its contracts. *Id.* The OUCC recommends that the Commission set a "soft
19 cap" for the Unit 4 Upgrade costs. *Id.* at 10. The OUCC explains that if adopted this
20 "soft cap" recommendation would cap the amount of costs IPL could include for
21 purposes of calculating its ECCRA. *Id.* at 10. IPL could "seek recovery of any costs it
22 incurs above this cap in a general rate case, if it shows that these costs were reasonable
23 and prudent to incur." *Id.* at 10. In its prefiled testimony the OUCC argued that this

1 approach should be adopted 1) due to the history of cost control problems; and 2) the
2 alleged mismanagement of the project budget. *Id.* at 10.

3 **Q14. Does the Settlement Agreement address the OUCC's "soft cap" recommendation?**

4 A14. Yes. This provision of the Settlement Agreement is explained by IPL Witness Cutshaw.

5 **Q15. In your opinion is the resolution of the "soft cap" recommendation set forth in the
6 Settlement Agreement reasonable?**

7 A15. Yes. From IPL's perspective, this resolution reflects that there is no significant dispute
8 that the \$1.6 million costs presented for Commission review in this proceeding were
9 necessary. In its testimony the OUCC raised some concerns but did not show that the
10 costs were excessive or unreasonable. Below, I explain why these costs are prudently
11 incurred and reasonable.

12 The resolution of the "soft cap" recommendation set forth in the Settlement Agreement
13 recognizes that the \$1.6 million in costs presented during the ongoing review process are
14 reasonable and necessary, mitigates controversy and reasonably addresses the OUCC
15 desire that no further changes in the Commission approved cost estimate be sought in the
16 ECR proceedings. The Settlement Agreement recognizes that such costs should be
17 treated as rate base additions in the Company's next general rate case and subject to
18 challenge at that time.

19 **Q16. Ms. Armstrong (at 11) suggests that the project has now exceeded its original cost
20 estimate by more than 40%. Please explain why the Settlement Agreement is
21 reasonable given this concern.**

22 A16. The 40% reference warrants clarification and must be viewed in context. The original
23 cost estimate approved by the Commission was lower than the cost estimate IPL

1 presented in the initial CPCN proceeding for this particular project which was \$98.49
2 million. Cause No. 43403, Petitioner's Exhibit DK-2. IPL agreed to Commission
3 approval of a \$90 million cost estimate based on the express understanding that IPL could
4 seek approval of additional costs through the ongoing review process as the project
5 continued. The Company's rebuttal testimony in the original CPCN proceeding
6 explained that "Both the OUCC and IPL recognize that the final actual cost of the project
7 can not be determined with certainty at this time and the parties have provided their
8 estimates in good faith, with the understanding that the Commission may consider
9 revisions to the cost estimates for the construction as part of its periodic review,
10 consistent with the requirements of IC 8-1-8.7-7." Petitioner's Exhibit KF-R, at 7. I
11 explain below why changes in the cost are reasonable for a project of this nature.

12 Furthermore, the cost study IPL presented in the CPCN proceeding explained that while
13 an escalation rate was included, due to volatile market conditions with respect to
14 materials, equipment and the labor market, the pricing summary should be used with
15 caution. Petitioner's Exhibit TM - 1, at 51. In other words, costs can and have increased
16 due to the passage of time and market conditions.

17 The passage of time is relevant here because the Pete 4 FGD upgrade was reasonably
18 postponed due to the uncertainty associated with the federal Clean Air Interstate Rule
19 ("CAIR"). As explained in IPL's ECR 12 and subsequent ECR proceedings, the project
20 was postponed for approximately 18 months to allow time for the D.C. Circuit Court to
21 render a final decision regarding the vacatur of CAIR. The postponement of the project
22 was disclosed to the Commission and the OUCC and undertaken without objection.
23 While we ended up moving forward with the Pete 4 FGD upgrade, the postponement was

1 reasonable because it preserved the option to change course or eliminate this project and
2 its associated cost for the benefit of customers in the event of a change in the underlying
3 regulation.

4 **Q17. OUCC Witness Eke (Public's Exhibit MOE at 4) contends that IPL failed to ensure**
5 **that the project includes all work required, and only the work required, to complete**
6 **the project successfully. Please explain why the Settlement Agreement is reasonable**
7 **given this concern.**

8 A17. Witness Eke's assertion was made without benefit of a detailed knowledge of IPL plant
9 operations and the limitations that are created when design decisions are required to be
10 made without the ability to physically inspect many of the components that need to be
11 modified. In order for IPL to have completely scoped the project in advance the unit
12 would have been required to be out of service for an extended period of time to allow for
13 such an analysis of the systems, their condition and current operating environment.

14 Unit 4 is currently one of the lowest cost producers of electricity in IPL's fleet and also
15 one of its largest. Removing it from service for an extended period would have increased
16 the cost of power to our customers. Additionally, incurring an extended outage to
17 perform an advance analysis would not have changed the overall project cost. Regardless
18 of when the requirements were added to the scope, the overall scope is still what was
19 required to complete the upgrade. The timing had very little impact to total cost.

20 I would also point out that the project team looked into other ways to gain further insight
21 into the requirements and challenges that could occur during the outage. For example, an
22 analysis of the cost of removing one of the absorber towers early and taking a 100 MW

1 derate on Unit 4 was performed. However, the cost to IPL (and ultimately our
2 customers) for replacement generation would have been approximately \$800,000.
3 Because of this potential cost, the benefits of pursuing this analysis were outweighed by
4 the cost. Thus, because the economics did not justify it, this option was not pursued.

5 **Q18. In your opinion, did IPL management properly control the scope of the project?**

6 A18. Yes. I believe, given the circumstances and difficulty of trying to scope an upgrade
7 project on a generating unit that is in service, IPL controlled the scope of the project as
8 well as can be expected. Had this been a new construction project or even an additional
9 piece of equipment that was to be added to the unit, one could expect better control of the
10 scope. However, this was a complete modification of an existing system.

11 In IPL's perspective the contention that IPL has not controlled supplier and vendor scope
12 does not properly characterize the situation. Total material purchases were
13 approximately \$44 million, of which one item, the initial ball charge for the ball mill, was
14 inadvertently omitted from the cost estimate submitted during ECR 17. The cost of this
15 item was \$125,849. While the original contractor submitted a bid that reflected both the
16 ball mill and the initial ball mill charge, the original purchase order was limited to the
17 ball mill because of the long lead time delivery for this item. The initial ball charge is an
18 essential component of the ball mill and this cost is properly capitalized to the project.

19 Total field labor contracts for this project are approximately \$58 million. Of this total
20 amount, the one item not included in the vendor scope concerned a coating application in
21 the modified trench in the pump house. The mechanical contractor took exception during
22 the bid process on handling the coating work so IPL assigned this work to another

1 contractor to perform the coating. The team had identified coating in the new limestone
2 building extension and the dewatering building extension, including the outside storage
3 tanks, but did not capture the pump house trench work, which cost \$33,852.

4 In sum, only \$159,701 out of approximately \$102 million in materials and labor costs
5 (.16%) was not reflected in the original scope for the vendor and suppliers. This small
6 amount is not a material change and does not give rise to mismanagement. Even if these
7 costs had been identified and tracked earlier, the same project costs would have occurred
8 for both items and both were required for safe and effective operation of the upgraded
9 FGD.

10 **Q19. Do you agree with the OUCC contention that IPL mismanaged the Unit 4 Upgrade?**

11 A19. No. I believe that IPL managed the project very well given the requirements of its
12 various stakeholders. IPL first and foremost attempted to continue to provide low cost
13 electricity to its customers by keeping Unit 4 in-service whenever possible. The
14 Company also tried to minimize the cost of the project by developing many of the design
15 requirements while the unit was in-service. The Company also attempted to perform as
16 much of the construction as possible without removing the unit from service. This was a
17 difficult balance to maintain and still have a successful project. Furthermore, we should
18 not lose sight of the fact that some parts of the project were completed at less than their
19 estimated cost. These matters are described in Witness Kehres' direct testimony at pages
20 9-10. This discussion shows that IPL has worked to manage and control costs.

1 **Q20. OUCC Witness Eke (at 5-6) suggests that IPL's repeated requests for increases in**
2 **the approved cost estimate are cause for concern. Please explain why the Settlement**
3 **Agreement is reasonable given this concern.**

4 A20. As discussed earlier, regardless of when the scope was ultimately defined, the overall
5 cost of the project would not have changed. None of the cost increases were for frivolous
6 or unwarranted components. While it is always preferable to have a fully defined scope,
7 that goal is not reasonably possible for the reasons discussed above. Furthermore,
8 upgrade projects always carry a significant level of uncertainty that cannot be mitigated
9 ahead of time. However, having good technical resources available to the project team
10 minimizes the impact of these unknowns.

11 As noted previously, at the time the project was first approved it was subject to the
12 understanding that IPL would use the ongoing review process to present additional costs
13 for review as the project proceeded through engineering, construction, and installation.
14 The presentation of additional costs in the ongoing review process is reasonable given the
15 size and complexity of the project and is consistent with the nature of large, complex
16 projects like this one.

17 **Q21. How has IPL worked to control costs and quality with regard to the Unit 4**
18 **upgrade?**

19 A21. All field work was competitively bid and awarded to the contractor with the best
20 qualified price. Project field engineers oversaw the field work and managed any extra
21 work, which included daily time sheets with field engineer signoff. The field engineers
22 also oversaw quality assurance/quality control ("QAQC") activities. Plant personnel

1 provided input to the project team if they observed or questioned the quality of any work
2 installed by the contractor. Individual testing of all components, once successfully
3 completed, also helped confirm the quality of work. Extra work was priced and reviewed
4 by the project team before work would be allowed to start. Where appropriate the
5 reasonableness of the pricing for this work was also assessed by the Company's
6 engineering department or through the use of competitive pricing.

7 Finally, in ECR-18, OUCC Witness Armstrong testified regarding a number of the items
8 that are included in the revised cost estimate submitted in this Cause. Based on her
9 review of IPL's discovery responses and after discussing these matters in person with
10 IPL's engineering staff, Ms. Armstrong concluded that "the OUCC is confident that IPL
11 is adequately pursuing contractors for errors and questioning contractor's requests for
12 additional funding, at least for the situations that the OUCC identified in this filing."
13 Armstrong Direct, at 5. Since ECR 18, IPL's project management has continued its
14 efforts to pursue contractors for errors and to question requests for additional funding.
15 As further discussed below we have one remaining contractor issue which is being
16 pursued. As discussed by Witness Cutshaw the impact of this one remaining issue is
17 addressed in the Settlement Agreement provision that provides that amounts (if any)
18 related to the Pete 4 FGD upgrade over the \$1.6 million modification of the CPCN may
19 be included in IPL's proposed rate base at the time of its next rate case and shall be
20 subject to challenge at that time.

1 **Q22. You noted above that the one questionable cost specifically identified by Ms.**
2 **Armstrong (at 4-5) concerns the productivity loss associated with the LOTO Safety**
3 **program. What is the LOTO productivity loss?**

4 A22. The LOTO productivity loss relates to compliance with the LOTO process, which exists
5 to protect worker safety. The \$1.6 million underlying IPL's request for Commission
6 approval of an increase in the approved cost estimate for the Unit 4 Upgrade reflects
7 \$72,000 in costs IPL actually incurred for the LOTO Safety program. Kehres Direct
8 Testimony, at 4. Much of this cost is associated with the complexity of trying to turn
9 over completed equipment to the plant to allow them to begin commissioning activities.
10 This requires changes to the existing LOTO clearances in place to maintain a safe work
11 environment for the worker still installing other components in the general vicinity.
12 The IPL LOTO Safety program requires that each craftsman has his own personal safety
13 lock that he must attach to a LOTO lockbox before he can begin work on components
14 that are under a LOTO permit. When a safety boundary is being changed, all craftsmen
15 have to leave the affected work zone, each craftsmen has to remove his lock, the new
16 safety boundary is walked down by craftsmen supervision and once confirmed, the
17 worker attaches his personal safety lock on the new LOTO lockbox and then he can
18 return back to work. This is common industry practice and its cost is difficult to estimate
19 with precision in advance of the actual work being performed. In my opinion, the fact
20 that the actual cost for this safety program does not match the estimated cost is not an
21 indicator that the safety program or its associated cost is unreasonable.

1 **Q23. Ms. Armstrong (at 5) suggests that IPL is currently in negotiations with a contractor**
2 **over this LOTO issue. Is this correct?**

3 A23. No. The claim for additional compensation that IPL is currently negotiating with one of
4 its contractors does not involve LOTO activities.

5 **Q24. Do you agree with OUCC Witness Armstrong's assertion (at 5-6) that "[t]here is**
6 **little incentive for IPL to curb project costs if the utility knows that it will receive**
7 **rate relief for increased project spending within 6 to 10 months"?**

8 A24. No. IPL has affordable rates for its customers. We have an incentive to manage costs
9 and keep them as low as possible for customers. Ms. Armstrong's characterization of the
10 ongoing review process is not consistent with my understanding of the regulatory
11 framework. In particular, I disagree with the suggestion that "the utility *knows* that it will
12 receive rate relief for increased project spending." (emphasis added).

13 If the cost of the project exceeds the Commission approved estimate, the utility does not
14 know that it will receive approval of the additional costs. Rather, the utility must seek
15 and obtain approval of an increase in the project costs as part of the ongoing review
16 process. The utility request will be scrutinized and may be challenged, as occurred in this
17 proceeding. Because IPL does not have assurance that the cost increases will be
18 approved, the incentive to manage costs is not affected by the ongoing review process.
19 Rather, this need is heightened by the process because IPL knows that it must report to
20 the Commission and the OUCC on the project status on a regular basis.

21 Furthermore, as noted above, IPL was able to complete some of the individual
22 components of the overall project at a cost that was lower than the estimate. This tells me

1 that IPL has worked to manage and control costs and has not adopted a view that cost
2 recovery is assured.

3 Moreover, I would also like to explain that if the Commission were to adopt the view that
4 a mere change in cost signals something is wrong, I am concerned that it could
5 inadvertently send the signal that approved cost estimates should remain unchanged even
6 though this may not be the reasonable choice in the long run. The better approach is to
7 structure the ongoing review process in such a way that supports changes that are
8 reasonable, efficient and consistent with good utility practice. In this regard the
9 Settlement Agreement reflects a reasonable compromise.

10 **Q25. You indicated above that the \$129.6 million cost estimate which IPL seeks approval**
11 **of in this case does not include an estimated impact from the ongoing negotiations**
12 **with a contractor related to work performed on the Unit 4 upgrade. Does the**
13 **existence of such negotiations reflect a cause for concern or evidence that the \$1.6**
14 **million of costs presented in this review proceeding are somehow unreasonable?**

15 A25. No. In a May 21, 2012 informal communication to the Commission and the OUCC in
16 ECR 18, and in Witness Kehres' direct testimony in this proceeding, IPL explained that
17 IPL is investigating issues arising under a contracted related to work performed on the
18 Pete 4 FGD upgrade. These costs are not included in the request to modify the CPCN
19 cost estimate because the matter is still under investigation and negotiations with the
20 contractor are ongoing. As explained by IPL Witness Cutshaw, and noted above, these
21 potential costs are addressed in Section A, Paragraph 4 of the Settlement Agreement.
22 This provision states that IPL may include amounts (if any) related to the Pete 4 FGD

1 upgrade over the \$1.6 million modification to the CPCN in its proposed rate base at the
2 time of its next rate case. The Settlement Agreement clarifies that the OUCC's rights
3 will be preserved to review and potentially challenge the reasonableness of any costs in
4 excess of the \$129.6 million CPCN amount at the time of the next base rate case. In my
5 opinion, this provision reasonably addresses the OUCC's concern.

6 As explained above, my view is that the ongoing review process is supposed to be used
7 for the review of costs incurred as the project moves along. The mere existence of, or
8 potential for, additional costs is not evidence that something has gone awry, but is the
9 reason the ongoing review process exists. Because the costs of the contractor claim are
10 not included in the \$1.6 million, it would be unreasonable to conclude that the existence
11 of ongoing vendor discussions casts a shadow of doubt on the costs reflected in the
12 request for approval of the \$1.6 million increase to the approved cost estimate.

13 Furthermore, the mere existence of a claim for additional compensation by a contractor
14 does not demonstrate that the costs incurred are unreasonable or that the project was
15 mismanaged. Many of the claims that are contained in the contractor's request for
16 additional compensation are subjective in nature. For example, the contractor is
17 requesting compensation for delays caused by IPL's safety requirements associated with
18 lifting and setting of loads with cranes and the need to keep workers safe. From a
19 contract enforcement perspective, this issue requires an interpretation of the OSHA
20 Standards for General Industry (29 CFR PART 1910) and its requirements. There are
21 other portions of the pending claim that are easier to determine but we continue to
22 challenge the contractor's assumption of who is responsible for these costs.

1 Because a wide gap continues to exist between IPL and the contractor, we are continuing
2 to negotiate this issue with the contractor. In my opinion, the treatment of this issue in
3 the Settlement Agreement recognizes that a) it is reasonable for IPL and its contractor to
4 try to resolve this contract issue on a business to business basis; b) because the
5 discussions are ongoing, these matters cannot be discussed in detail at the time because
6 doing so could adversely affect the negotiations; and c) IPL continues to work to control
7 its costs and to hold its vendors accountable.

8 **Q26. OUCC Witness Eke (at 4-5) states that some of the cost and scope increases IPL**
9 **identified as new are actually "Project Adders" included in ECR-18 and ECR-16**
10 **work items. Please explain why the Settlement Agreement is reasonable given this**
11 **concern.**

12 A26. My investigation suggests that this is a matter of semantics and stems from the
13 Company's desire to provide increased transparency during the review and reporting
14 process. It is my understanding that the term "Project Adder" was used by IPL in a
15 generic sense to track a specific cost item. It was not used to indicate that the item was a
16 new addition to the project. The costs identified as "Project Adders" were items included
17 in other line items that were pulled out and given specific line items in order to better
18 track their costs. It appears this approach was intended to improve track-ability of
19 specific costs for the ECR review process and has inadvertently resulted in confusion.

20
21 For example, during the course of the project there was a concern that we may not have
22 enough seal water capacity at the dewatering area to handle the new equipment being
23 installed. Seal water is needed to keep rotating equipment cool and clean to avoid

1 equipment failure. It took a year or so to reach an acceptable resolution of this concern.
2 During the ECR 16 discovery process, the OUCC asked about any pending issues that
3 could increase the project cost. Seal water was identified and thus became a separate line
4 item for the ECR review process with an initial rough cost estimate of \$350,000. This
5 rough estimate changed to \$566,000 as the engineering design evolved and vendor
6 pricing for the work was obtained. The additional costs reflect the need for a new power
7 supply to be run to the seal water building. The rough estimate assumed that a spare
8 breaker would be available but that turned out not to be the case. While the Company's
9 reporting of these line items may have caused confusion in the ongoing review process,
10 the fact remains that from an operational perspective the work needed to be done to allow
11 for the safe and efficient operation of the system.

12 **Q27. Is the Settlement Agreement reasonable given OUCC Witness Eke's comments**
13 **regarding Petitioner's Exhibits DK-3 and DK-4?**

14 A27. Yes. These exhibits reflect a snapshot of the project at given points in time and were
15 prepared for use by the Project Manager and IPL's internal project management. These
16 documents are "tools", not formal reports. The two items of the report prepared to
17 provide a high level snapshot to IPL senior management are the project "forecast at
18 completion" and the Major Issues/Concerns section of the report. These sections were
19 used by the Project Manager to identify or explain any major issues or concerns that were
20 or could affect the project cost or schedule. As long as the pre-outage work was
21 completed prior to start of the outage, it did not impact overall project cost. Other parts
22 of the documents were used for other purposes, such as tracking developing issues. For
23 example, the spreadsheet was revised over time to reflect schedule changes, such as pre-

1 outage work being done earlier in the schedule and items originally scheduled to be done
2 during the outage being accomplished as pre-outage work. The original data reflected the
3 Project Manager's best estimate of the work schedule but was prepared before many of
4 the larger contracts were awarded. After the award of additional contracts, the contractors
5 provided further and better input on when they anticipated performing the work. The
6 Project Manager updated this spreadsheet tool to reflect this. Similarly, some items were
7 moved around in the spreadsheet by the Project Manager to assist his ongoing
8 management of the project. For example, scaffolding cost was pulled out of the pump
9 house steel forecast and identified as a separate line item because it was assigned to a
10 different contractor.

11 Simply put, this is a living document that was under constant review and updating,
12 sometimes daily, sometimes a couple times a week or no change over multiple weeks to
13 reflect latest information that was available to the Project Manager, which he then
14 utilized for forecasting total project costs. While one can understand why an outside
15 reviewer might prefer the data on the charts to have been a little clearer or changes to the
16 document to have been fewer in number or better documented, the fact remains that this
17 document was intended to be used as an IPL project management tool, not as a formal
18 report to an outside third party. In order to have maintained a document as a formal
19 report for outside review, it would have been necessary to engage a full time project cost
20 engineer for the project. In an effort to minimize expenses and control costs, a conscious
21 decision was made by the Project Manager to handle this reporting himself while
22 maintaining his other duties. The data provided met the needs of the Project Manager

1 and senior management in their overview of the project and reflected the best anticipated
2 cost expectations for the project during the implementation of the field work.

3 During the course of the ECR proceedings, IPL agreed to share a copy of this tool with
4 the OUCC in an effort of transparency but in doing so, IPL did not intend to change the
5 nature of this tool into something it is not. Thus, the concerns about the monthly
6 updating of this spreadsheet do not reflect on the overall project management for the Unit
7 4 Upgrade because this spreadsheet was intended to be used solely as a high level
8 snapshot.

9 **Q28. Please respond to OUCC Witness Eke's statement (at 8-9) that there seems to be**
10 **some ambiguity in the way IPL has treated "Removal Costs" line items throughout**
11 **the columns in Petitioner's Exhibit DK-4.**

12 A28. My comments above regarding the overall nature of this living project management tool
13 apply to this concern too. I would add two additional comments. Once, at first glance a
14 specific review of the formulas in the spreadsheet generating Petitioner's Exhibit DK-4
15 (which contain a combination of manual inputs and cell references) may lead one to
16 believe that some ambiguity exists in the treatment of removal costs throughout the
17 columns. However, when one looks at the exhibit itself, specifically the lines for
18 Mechanical (near the top) and Removal Costs –Mechanical (near the bottom), one can
19 see that costs have been reflected consistently in accordance with Witness Kehres'
20 testimony. Second, in reviewing Petitioner's Exhibit DK-4 used in the ECR proceedings,
21 we identified an error in the formula for the ECR 18 submittal. In the document used for
22 ECR 16, 17 and 19, for both the mechanical and electrical contracts, a formula was used

1 to deduct the removal cost for line 94 and 96 from the mechanical total cost and removal
2 cost for line 97 from the electrical cost. For the ECR 18 column, this formula somehow
3 was mistakenly deleted. The substructure removal cost was properly calculated in ECR
4 18. All costs are properly calculated in the updated spreadsheet shared in ECR 19.

5 **Q29. In your opinion, is it reasonable for the approved cost estimate for the Unit 4**
6 **upgrade to be increased to \$129.6 million?**

7 A29. Yes. At the end of the day, this work needed to be performed in order to upgrade Unit
8 4's FGD to perform at a level necessary to achieve compliance with the various
9 requirements accurately described in Witness Cynthia Armstrong's testimony on the
10 CAIR and the One-hour National Ambient Air Quality Standard ("NAAQS") for SO₂.

11 **Q30. How is the Pete Unit 4 FGD performing following its upgrade?**

12 A30. The FGD on Unit 4 has been operating very well. Scrubbing efficiency is running in the
13 95% to 97% range and gypsum quality has been excellent allowing it to be utilized in the
14 production of wallboard, which reduces disposal costs. In my opinion, this performance
15 illustrates that the scope of the FGD upgrade was reasonable and appropriate and has
16 allowed the unit to achieve compliance with the CAIR and NAAQS requirements. This
17 allows IPL to continue to provide low cost electricity to its customers from the output of
18 Petersburg Unit 4.

19 **Q31. In your opinion does the Settlement Agreement reflect a fair and reasonable**
20 **resolution of the contested cost estimate issues?**

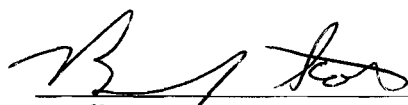
21 A31. Yes, it does.

22 **Q32. Does this conclude your prepared rebuttal testimony?**

23 A32. Yes, at this time.

VERIFICATION

I, Bradley Scott, Senior Director, Plant Operations of 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.



Bradley Scott

Dated: October 5, 2012

CAUSE NO. 42170 ECR-19

VERIFIED SETTLEMENT TESTIMONY

OF

CRAIG FORESTAL

ON BEHALF OF

INDIANAPOLIS POWER & LIGHT COMPANY

IN SUPPORT OF SETTLEMENT AGREEMENT

**VERIFIED SETTLEMENT TESTIMONY OF CRAIG FORESTAL
IN SUPPORT OF SETTLEMENT AGREEMENT
CAUSE NO. 42170-ECR-19**

1 **Q1. Please state your name and business address.**

2 A1. Craig Forestal, One Monument Circle, Indianapolis, Indiana 46204.

3 **Q2. Are you the Craig Forestal that prefiled direct testimony in this Cause on**
4 **June 22, 2012?**

5 A2. Yes.

6 **Q3. What is the purpose of your testimony?**

7 A3. The purpose of my testimony is to sponsor modified accounting schedules that I
8 prepared to reflect changes discussed in the Stipulation and Settlement Agreement
9 filed in this Cause by and among Indianapolis Power & Light Company ("IPL" or
10 "Company") and the Indiana Office of Utility Consumer Counselor ("OUCC"). I
11 am also sponsoring a revised tariff sheet which was prepared under my direction.

12 **Q4. Please explain which schedules have been modified and how they have**
13 **changed.**

14 A4. In accordance with the Stipulation and Settlement Agreement, Revised Exhibit
15 CF-2 MPP2 page 1, Line 1, column C (Incremental Clean Coal Technology
16 Utility Plant) has been reduced by \$1,129,000. This amount represents the excess
17 costs over \$124,635,831, which is the previously approved amount of \$128
18 million, less actual removal costs of \$3,364,169. This schedule has also been
19 modified to reflect the corresponding reductions to Carrying Charges and

1 Depreciation Expense. The changes on Revised Exhibit CF-2 MPP2 Page 1 are
2 then reflected in the Tracker Balances on Revised Exhibit CF-2 MPP2 page 2.
3 The Revenue Requirements are carried over to Revised Exhibit JC-1 and
4 allocated by Rate Class on Revised Exhibit JC-2. The allocations by Rate Class
5 on Revised Exhibit JC-2 are carried over to Revised Exhibit CF-3 which reflects
6 the modified rates on line 7.

7 **Q5. After taking into consideration the changes proposed in these revised**
8 **Exhibits, what effect would the proposed ECCRA factor have on an average**
9 **residential customer using 1,000 kWh per month?**

10 A5. An average residential customer using 1,000 kWh per month will experience an
11 increase of \$0.222 or 0.301% of such bill, relative to the ECCRA factor and basic
12 rates and charges currently in effect.

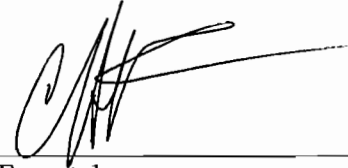
13 **Q6. Does this conclude your prefiled settlement testimony?**

14 A6. Yes.

Verification

I affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

Dated this 5th day of October, 2012.



Craig Forestal

Indianapolis Power & Light Company

**Clean Coal Technology Utility Plant And Associated Expenses To Be Reflected
In The Environmental Compliance Cost Rate Adjustment Tracker (\$ x 1000)
For the period ending 31-May-12**

Line No.	CCT Project	Estimated Cost of Completed Project	In-Service Date (P) Planned	Prior ECR Amounts		Incremental Changes For Rate Making Purposes - ECR-19					Line No.		
				CCT Utility Plant	AFUDC	CCT Utility Plant	AFUDC	Carrying Charges at AFUDC Rate (1)	Amortization of Carrying Charges (2)	Operation & Maintenance Expense		Depreciation Expense	SO2 Allowance Credit
Column				(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
Petersburg Station													
1	Unit 4 Flue Gas Desulfurization (FGD) Enhancements	129,600	11/25/2011	121,457	8,457	3,179	(97)	1,345	39	661	4,130	-	1
2	Subtotals	129,600		121,457	8,457	3,179	(97)	1,345	39	661	4,130	-	2
3	Retirements			-	-	-	-	-	-	-	-	-	3
4	Total Balances	129,600		121,457	8,457	3,179	(97)	1,345	39	661	4,130	-	4

Reference: Petitioner's Exhibit DK-2 for In-Service Dates and Estimated Capital Costs. These estimates are before AFUDC; Reference Petitioner's Exhibit CF-1 MPP2 for Revenue Conversion Factors.
Note: Return is expressed on an annualized basis in referenced exhibits.

(1) Total unamortized portion of carrying charges thru ECR-19

(2) Total carrying charges thru ECR-19 amortized over 18 years

(3) Excludes costs associated with demolition of existing FGD shown on Petitioner's Exhibit CF-6

Indianapolis Power & Light Company

**Clean Coal Technology Utility Plant And Associated Expenses To Be Reflected
In The Environmental Compliance Cost Rate Adjustment Tracker (\$ x 1000)
For the period ending 31-May-12**

Line No.	CCT Project	Estimated Cost of Completed Project	In-Service Date (P) Planned	Current Tracker Balances And Revenue Requirements After Approval For Rate Making Purposes - ECR-19							Line No.
				CCT Utility Plant	AFUDC	Carrying Charges at AFUDC Rate (1)	Amortization of Carrying Charges (2)	Operation & Maintenance Expense	Depreciation Expense	SO2 Allowance Credit	
Column				(J) = (A) + (C)	(K) = (B) + (D)	(L) = (E)	(M) = (F)	(N) = (G)	(O) = (H)	(P) = (I)	
Petersburg Station											
1	Unit 4 Flue Gas Desulfurization (FGD) Enhancements	129,600	11/25/2011	124,636	8,360	1,345	39	661	4,130	-	1
2	Subtotals	129,600		124,636	8,360	1,345	39	661	4,130	-	2
3	Retirements			-	-	-	-	-	-	-	3
4	Total Balances	129,600		124,636	8,360	1,345	39	661	4,130	-	4
5	CCT and AFUDC Inception to Date (J + K)			132,996							5
6	Carrying Charges at AFUDC Rate (L)			1,345							6
7	Less: Accumulated Depreciation through ECR-18 (3)			<u>(4,034)</u>							7
8	Total CCT to be reflected in ECR-19			130,307							8
9	Allowed Rate of Return on CCT Utility Plant			7.38%							9
10	Allowed Return on CCT Utility Plant			<u>9,617</u>							10
11	Revenue Conversion Factors			1.45015			1.01998	1.01998	1.01998	1.01998	11
12	Adjusted For Revenue Conversion Factor - Annual Revenue Requirement			13,946			40	674	4,213	-	12
13	L. 12 Revenue Adjusted to ECCRA Six Month Revenue Requirement			<u>6,973</u>			40	674	4,213	-	13

Reference: Petitioner's Exhibit DK-2 for In-Service Dates and Estimated Capital Costs. These estimates are before AFUDC; Reference Petitioner's Exhibit CF-1 MPP2 for Revenue Conversion Factors.
Note: Return is expressed on an annualized basis in referenced exhibits.

(1) Total unamortized portion of carrying charges thru ECR-19

(2) Total carrying charges thru ECR-19 amortized over 18 years

(3) Excludes costs associated with demolition of existing FGD shown on Petitioner's Exhibit CF-6

**Jurisdictional Revenue Requirement
ECR 19**

Line No.	Per Books For The Period Ended 31-May-12						Reference	Line No.	
	Total Electric (\$ x 1000)				Allocation Percentages	Applicable to Jurisdictional Retail Customers (\$ x 1000)			
	NOx	MPP	MPP2	Total					
Column	(A)	(B)	(C)	(D)	(E)	(F)			
1	Return On CCT Property	7,437	9,646	6,973	24,056	99.85%	24,020	Exhibit CF-2 NOx, L. 39; Col. (K) Exhibit CF-2 MPP, L. 16; Col. (J) Exhibit CF-2 MPP2, L. 13; Col. (J)	1
2	Amortization of Carrying Charges	49	115	40	204	99.85%	204	Exhibit CF-2 NOx, L. 39; Col. (N) Exhibit CF-2 MPP, L. 16; Col. (M) Exhibit CF-2 MPP2, L. 13; Col. (M)	2
3	Regulatory Asset Amortization In-Service Precipitator Modifications	74	N/A	N/A	74	99.85%	74	Exhibit CF-2 NOx, L. 39; Col. (O)	3
4	Operation and Maintenance Expenses In-Service CCT Property	3,570	5,234	674	9,478	99.83%	9,462	Exhibit CF-2 NOx, L. 39; Col. (P) Exhibit CF-2 MPP, L. 16; Col. (N) Exhibit CF-2 MPP2, L. 13; Col. (N)	4
5	Depreciation Expense In-Service CCT Property	7,056	7,881	4,213	19,150	99.85%	19,121	Exhibit CF-2 NOx, L. 39; Col. (Q) Exhibit CF-2 MPP, L. 16; Col. (O) Exhibit CF-2 MPP2, L. 13; Col. (O)	5
6	Cost of NOx Emission Allowances	2	N/A	N/A	2	99.83%	2	Exhibit CF-2 NOx, L. 39; Col. (R)	6
7	SO2 Emission Allowance Credit	N/A	-	-	-	99.83%	0	Exhibit CF-2 MPP, L. 16; Col. (P) Exhibit CF-2 MPP2, L. 13; Col. (P)	7
8	Total Costs Applicable to ECR-19						52,883		8

Reference: Allocation percentages are from IPL's last general rate case, Cause No. 39938, as approved by the Commission on August 24, 1995.

**Jurisdictional Revenue Requirement Allocated By Class
ECR 19**

Line No.	For The Six Month Period Beginning September, 2012		Reference	Line No.	
	% Of Responsibility Allocation Percentages	Applicable to Jurisdictional Retail Customers (\$ x 1000)			
Column	(A)	(B)			
1	Total Revenue Requirements Applicable to ECR-19		52,883	Exhibit JC-1, L. 8	1
2	Residential	37.01%	19,572		2
3	Small Commercial & Industrial	20.29%	10,730		3
4	Large Commercial & Industrial	42.70%	22,581		4

Reference: Allocation percentages are from IPL's last general rate case, Cause No. 39938, as approved by the Commission on August 24, 1995.

INDIANAPOLIS POWER & LIGHT COMPANY
Determination of ECR-19 Adjustment Factor
For Billing Period of September, 2012 Through February, 2013

Line No.	Description (A)	Rate Class			Total (E)	Reference	Line No.
		Residential (B)	Small C & I (C)	Large C & I (D)			
1	Estimated Retail Sales Subject to Clause Adjustment Months of:						1
1a	September, 2012	333,027	152,273	608,564	1,093,864		1a
1b	October, 2012	330,455	144,719	584,460	1,059,634		1b
1c	November, 2012	410,565	144,622	553,691	1,108,878		1c
1d	December, 2012	546,719	166,666	566,425	1,279,810		1d
1e	January, 2013	584,900	186,716	570,045	1,341,661		1e
1f	February, 2013	479,564	168,819	532,470	1,180,853		1f
1g	Six Month Total (MWH)	<u>2,685,230</u>	<u>963,815</u>	<u>3,415,655</u>	<u>7,064,700</u>		1g
2	Calculated ECR-19 Costs For Billing Period	\$ <u>19,572,000</u>	\$ <u>10,730,000</u>	\$ <u>22,581,000</u>	\$ <u>52,883,000</u>	Exhibit JC-2 Lines 2, 3, 4	2
3	Months to be Reconciled: (1)						3
3a	September, 2011	(560,054)	(91,217)	(157,155)	(808,426)	Exhibit CF-4, Line 3	3a
3b	October, 2011	221,295	152,001	128,906	502,202	Exhibit CF-4, Line 6	3b
3c	November, 2011	468,675	183,496	191,928	844,099	Exhibit CF-4, Line 9	3c
3d	December, 2011	608,631	199,736	(18,796)	789,571	Exhibit CF-4, Line 12	3d
3e	January, 2012	331,261	173,136	(134,725)	369,672	Exhibit CF-4, Line 15	3e
3f	February, 2012	85,078	99,438	62,249	246,765	Exhibit CF-4, Line 18	3f
4	Reconciliation of ECR-17 Expenses	<u>(489,637)</u>	<u>(268,434)</u>	<u>(564,914)</u>	<u>(1,322,985)</u>	Exhibit JC-4 Lines 2, 3, 4	4
5	Total Reconciliation for ECR-19 (Lines 3 and 4)	<u>665,249</u>	<u>448,156</u>	<u>(492,507)</u>	<u>620,898</u>		5
6	Total ECR-19 Costs To Collect (Lines 2, 5)	\$ <u>20,237,249</u>	\$ <u>11,178,156</u>	\$ <u>22,088,493</u>	\$ <u>53,503,898</u>		6
7	ECR-19 Adjustment Factors (Mills per KWH) (Line 6 divided by Line 1g)	<u>7.537</u>	<u>11.598</u>	<u>6.467</u>			7

(1) Reconciliation of estimated and actual billed revenues