

March 23, 2018

Received: March 23, 2018
IURC 30-Day Filing No.: 50123
Indiana Utility Regulatory Commission

Mary Becerra
Secretary of the Commission
Indiana Utility Regulatory Commission
101 West Washington Street, Suite 1500 E
Indianapolis, Indiana 46204
mbecerra@urc.in.gov
Electronically delivered

RE: IPL's 30-day filing on February 28, IURC 30-Day Filing No. 50123.

**Objection to Indianapolis Power & Light Company's 30-Day Filing on behalf of
Citizens Action Coalition and the Environmental Law & Policy Center**

Pursuant to the guidelines for submitting an objection to a 30-day filing as outlined on the Commission's website at <https://www.in.gov/iurc/2519.htm>, Citizens Action Coalition ("CAC") and the Environmental Law & Policy Center ("ELPC") (collectively "Objectors") respectfully submit this Objection to the 30-day filing made by Indianapolis Power & Light Company ("IPL") on February 28, 2018, IURC 30-Day Filing No. 50123. IPL's 30-day filing is attached as Exhibit A.

IPL's 30-day filing concerns its obligations under the Public Utility Regulatory Policies Act ("PURPA"), including PURPA's implementing regulations and Indiana's PURPA implementation. *See generally* 18 CFR § 292.101, *et seq.*; Burns Ind. Code Ann. § 8-1-2.4-1, *et seq.*; 170 IAC 4-4.1-1 *et seq.* PURPA requires electric utilities to purchase energy and capacity from qualifying facilities ("QFs"), and the rate for these mandatory purchases are based on the utility's avoided costs. *See* 18 C.F.R. §§ 292.303, 292.304.

An objection is valid if it alleges that a 30-day filing is in violation of applicable law or the filing is incomplete. *See* 170 IAC 1-6-7(b)(2)(A)(i), (b)(2)(C)(i). IPL's 30-day filing violates applicable law by failing to include a standard contract as required by 170 IAC 4-4.1-11 and by failing to include avoided cost information required by 18 C.F.R. § 292.302(b). The failure to provide this legally required information violates applicable law and constitutes an incomplete filing.

IPL's failure to provide a long-term standard contract with a fixed-rate inhibits development of QFs in Indiana and violates the state's policy to "encourage the development of alternate energy production facilities." Burns Ind. Code Ann. § 8-1-2.4-1. Increased QF development would introduce additional competition into Indiana's market by enabling private QF development at the utility's own avoided costs. Thus, PURPA is not a "subsidy" program for renewable energy. Instead, it is a cost-neutral policy that protects ratepayers by creating downward pressure on utility costs.

ELPC and CAC respectfully request that the Commission deny IPL's 30-day filing and open a statewide docket to investigate and establish modernized PURPA implementation

methodologies that will enable Indiana utilities to comply with state and federal law.

BACKGROUND ON OBJECTORS

CAC is a 501(c)(4) membership organization of organizations and more than 40,000 individual members and contributors throughout the State of Indiana. CAC initiates, facilitates, and coordinates citizen action directed at improving the quality of life of all Indiana residents through principled advocacy of public policies that, among other things, promote government accountability and protect consumers and ratepayers. CAC and its members have an interest in promoting the development and availability of renewable energy through implementation of PURPA and are likely to suffer an injury if IPL does not comply with its obligations under PURPA.

ELPC is a 501(c)(3) public interest organization that works to achieve cleaner air and water, promote renewable energy and energy efficiency resources, and preserve natural resources in Indiana and the Midwest. ELPC has an office located in Indianapolis and has members throughout the state of Indiana and the Midwest. On behalf of itself and its members, ELPC played a significant role in recent proceedings in Michigan, Iowa, and Minnesota where those states updated their implementation of PURPA. ELPC and its members have an interest in promoting the development and availability of renewable energy through implementation of PURPA and are likely to suffer an injury if IPL does not comply with its obligations under PURPA.

BACKGROUND ON PURPA

Congress enacted PURPA to “encourage the development of cogeneration and small power production facilities.” *Am. Paper Inst. v. Am. Elec. Power Serv. Corp.*, 461 U.S. 402, 405 (1983). PURPA combats an inefficient preference for utility self-generation and removes barriers for non-utility generation where such generation is cost-effective, thereby increasing competition and creating a downward pressure on power generation costs. *See In re Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities*, 75 F.E.R.C. P61,080, at § III.C (1996) (“Congress recognized that the rising costs and decreasing efficiencies of utility-owned generating facilities were increasing rates and harming the economy as a whole.”); *see also FERC v. Mississippi*, 456 U.S. 742, 750-751 (1982).

Accordingly, Indiana’s PURPA policy implementation is “to encourage the development of alternate energy production facilities, cogeneration facilities, and small hydro facilities in order to conserve our finite and expensive energy resources and to provide for their most efficient utilization.” Burns Ind. Code Ann. § 8-1-2.4-1. Indiana’s implementation contains positive requirements that could encourage QF development, such as requiring long-term contracts and the establishment of standard contracts. *See Burns Ind. Code Ann. § 8-1-2.4-4(a); 170 IAC 4-4.1-11.* However, as will be shown below, utilities in Indiana are not complying with such requirements, and therefore Indiana utilities are falling short of the state’s explicit policy to “encourage the development of alternate energy production facilities.”

PURPA is the only federal law that requires competition in states that have not restructured their electricity markets. PURPA accomplishes this through its mandatory purchase

obligation that ties the rates for purchase to a utility's avoided cost. Tying rates to avoided costs (1) ensures no subsidization occurs, (2) protects ratepayer interests, and (3) provides ratepayers the benefit of low-cost renewable generation.

State regulators and stakeholders are increasingly focused on PURPA in light of the dramatic reduction in renewable energy development costs. With the growing relevance of PURPA, other states are updating their implementation for the first time in over two decades. For instance, the Michigan Public Service Commission ("MPSC") has been conducting a process to update its PURPA implementation. Beginning in late 2015, the MPSC ordered the creation of a working group to investigate the state's implementation of PURPA and invited all utilities, developers, and other interested stakeholders to participate.¹

In 2016, the investigation culminated in the MPSC's Staff publishing a report detailing the state's implementation with recommendations on how the MPSC could modernize its PURPA implementation.² The MPSC then instituted dockets for each regulated utility to modernize its PURPA implementation and to determine, among other things, (1) the appropriate avoided cost methodology, (2) adequate term length for standard contracts, and (3) adequate procedures to encourage development of QFs.³ The MPSC ordered Michigan utilities to offer long-term contracts, and concluded that QF development could benefit ratepayers in several ways, such as offsetting or deferring the construction of large utility power plants. As the Commission recognized, "there is significant ratepayer value in deferring large, capacity additions through contracting with QFs for incremental capacity."⁴

ELPC played a key role in Michigan's update as an active participant in the investigation and as an intervenor in the subsequent dockets opened for each utility. ELPC has also participated as an intervenor in Iowa's 2017 update to its PURPA implementation⁵ and as intervenors in an ongoing complaint case between a QF and utility in Minnesota, which could result in Minnesota updating its PURPA implementation for the first time in over a decade.⁶ ELPC and CAC respectfully request that the Commission deny IPL's 30-day filing and follow the lead of other Midwestern states to ensure that Indiana utilities are in full compliance with state and federal law.

¹ See generally *In re, on the Commission's own motion, commencing an investigation into the continuing appropriateness of the Commission's current regulatory implementation of the Public Utility Regulatory Policies Act of 1978*, Case No. U-17973, Order Commencing Investigation (Oct. 27, 2015) available at <https://perma.cc/4ZVM-XFVD>.

² *Id.*, PURPA TECHNICAL ADVISORY COMMITTEE, Report on the Continued Appropriateness of the Commission's Implementation of PURPA (April 8, 2016) available at <https://perma.cc/7JFL-HWEK>.

³ See generally *In re Consumers Energy Co., et al.*, Case Nos. U-18089, U-18090, U-18091, U-18092, U-18093, U-18094, U-18095, Order (May 3, 2016) available at <https://perma.cc/B739-R7B5>.

⁴ *In re Consumers Energy Co.*, Case No. U-18090, Order at 18, (Mich. Pub. Serv. Comm'n May 31, 2017) available at <https://perma.cc/4K2Z-5WWW>.

⁵ See generally *In re Interstate Power and Light Co.*, Docket No. TF-2016-0290 (Iowa Util. Bd.); *In re MidAmerican Energy Co.*, Docket No. TF-2016-0294 (Iowa Util. Bd.).

⁶ See generally *Red Lake Falls Community Hybrid, LLC v. Otter Tail Power Co.*, Docket No. 16-1021 (Minn. Pub. Util. Comm'n).

OBJECTIONS

OBJECTION ONE: IPL's 30-Day Filing Fails to Contain a Long-Term Contract and Contract Term Length, Both of Which are Required by Indiana Law.

There are three requirements applicable to the standard contracts required in Indiana. First, Indiana law requires electric utilities to enter into “long term” contracts for the purchase of energy and capacity by PURPA QFs. Burns Ind. Code Ann. § 8-1-2.4-4(a). Second, Indiana’s PURPA regulations require electric utilities to file a standard contract that must include “[t]he term of the contract.” 170 IAC 4-4.1-11(c)(1). Third, federal law requires that long-term contracts include the ability to obtain fixed rates. 18 C.F.R. § 292.304(d)(2)(ii); *see also Winding Creek Solar LLC v. Peevey*, No. 13-04934, 2017 WL 6040012, at *9 (N.D. Cal. 2017) (finding that a standard contract violates PURPA if it fails to contain an option to obtain fixed rates). “[S]tate regulatory authorities cannot preclude a QF — even an intermittent QF — from obtaining a legally enforceable obligation with a forecasted avoided cost rate.” *Windham Solar LLC and Allco Finance Limited*, 157 F.E.R.C. P61,134, at ¶ 6 (2016).

IPL’s 30-day filing fails to contain a standard contract, as required by 170 IAC 4-4.1-11. In contrast, Duke Energy Indiana has filed its standard contract every year since 2013.⁷ In addition, Counsel for Objectors used reasonable efforts to locate IPL’s standard contract but was unsuccessful. Counsel for Objectors:

- (1) Searched on IPL’s website, including through IPL’s rate book published online, but was unable to find the standard contract on IPL’s website;
- (2) Reviewed all of IPL’s 30-day PURPA filings dating back to 2009, which the Commission archived on its website,⁸ but IPL has not filed a standard contract in any of its 30-day filings dating back to 2009; and
- (3) Contacted IPL through the contact information on its 30-day filing, but the representative was unsure whether such a standard contract existed. The representative directed Counsel for Objectors to IPL’s webpage containing its net-metering interconnection application and the sample contract for net-metering interconnection, neither of which contained a specified term length.⁹

The lack of a long-term, fixed rate standard contract has likely discouraged developers from pursuing projects in Indiana. IPL’s currently effective PURPA tariff references a written contract, but nowhere in the tariff does it indicate what the term of such a contract would be and there is no indication of whether the rate is fixed over a term or whether a longer term standard contracts exists. *See generally* Exhibit B.

The lack of a legally required, long-term contract with fixed rates in IPL’s 30-day filing

⁷ See IURC 30-Day Filing Nos. 50119 (2018), 50038 (2017), 3429 (2016), 3319 (2015), 3225 (2014), 3141 (2013).

⁸ 30-day filings from 2009 to 2018 can be found at: <https://www.in.gov/iurc/2514.htm>

⁹ Standard interconnection agreement available at <https://www.iplpower.com/content.aspx?id=313>. The interconnection agreement for 10 kW or less does not contain a term length. The interconnection agreement for over 10 kW does contain a term, but it does not have a specified length and the term can be ended with a 60-day notice by either party. See Page 3-4 of 5, ¶ 8 of the sample interconnection agreement for over 10 kW.

is important because the lack of long-term, fixed-rate contracts both violates the specific requirements of Indiana law *and* inhibits the development of QFs across Indiana, thus failing to promote Indiana’s policy of encouraging QF development. See Burns Ind. Code Ann. § 8-1-2.4-1. The Federal Energy Regulatory Commission (“FERC”), the agency delegated authority to promulgate federal regulations and enforce PURPA, recognized that long-term contracts with QFs must be “long enough to allow QFs reasonable opportunities to attract capital from potential investors.” *Windham Solar LLC and Allco Finance Limited*, 157 F.E.R.C. P61,134, at ¶ 8 (2016).

Other states recognize the link between the availability of long-term, fixed-rate contracts and the encouragement of QF development. For instance, during Michigan’s recent update to its PURPA implementation, the MPSC required utilities to offer 20-year standard contracts because it “found persuasive the claim that longer contracts would benefit both QFs and the [utility] by allowing better access to investment and financing. . .”¹⁰ The Oregon Public Utility Commission (“OPUC”), in setting standard contract terms at 20 years, concluded that such a term length was necessary “to ensure the terms of the standard contract facilitate appropriate financing for a QF project.”¹¹ The Wyoming Public Service Commission concluded that long-term standard contracts are necessary for financing and that 20-year contract terms are “adequate for obtaining a QF project financing.”¹²

Short-term contracts do not encourage QF development because short-term contracts make financing QFs prohibitively difficult. To illustrate, compare the number of PacifiCorp’s QF contracts in Washington, which has 5-year terms¹³, to other states in which PacifiCorp operates. In Oregon and Wyoming where 20-year contract terms are required, PacifiCorp has **twenty-eight QF contracts** and **eight QF contracts**, respectively.¹⁴ In Utah where 15-year contract terms are required, PacifiCorp has **twenty-six QF contracts**.¹⁵ In contrast, the company has **only three QF contracts in Washington**, which again only allows for 5-year terms in its standard contract.¹⁶

Long-term contracts are vitally important to promoting QF development and furthering the policy goals of PURPA. IPL’s failure to include a standard contract renders its 30-day filing in violation of applicable Indiana law requiring long-term standard contracts and a defined term length. Burns Ind. Code Ann. § 8-1-2.4-4(a); 170 IAC 4-4.1-11(c)(1).

¹⁰ *In re Consumers Energy Co.*, Case No. U-18090, Order at 22-23, (Mich. Pub. Serv. Comm’n May 31, 2017) available at <https://perma.cc/4K2Z-5WWW>.

¹¹ *In re Investigation Relating to Electric Utility Purchases from QFs*, OPUC Docket No. UM 1129, Order No. 05-584 at 19 (Ore. Pub. Util. Comm’n May 13, 2005) available at <https://perma.cc/C5YX-R3GG>. In 2014, the OPUC reaffirmed the 20-year standard contract term length. *In re Investigation into QF Contracting*, OPUC Docket No. UM 1610, Order No. 14-058 (Feb. 24, 2014) available at <https://perma.cc/HL76-YJUG>.

¹² *In re the Application of RMP to Implement a Permanent Avoided Cost Methodology for Customers that do Not Qualify for Tariff Schedule 37 – Avoided Cost Purchases from QFs*, WPSC Docket No. 20000-388-EA-11, Record No. 12750, Order No. 20416 at 19 (Wyo. Pub. Serv. Comm’n Nov. 4, 2011) available at <https://perma.cc/EC8Q-FE4L>.

¹³ See PacifiCorp, dba Pacific Power & Light Co., Schedule 37, Sheet No. 37.2 available at <https://perma.cc/97YD-LWKX>.

¹⁴ See PacifiCorp 2017 Integrated Resource Plan at 78-79, available at <https://perma.cc/2JVR-U7SQ>.

¹⁵ *Id.*

¹⁶ *Id.*

OBJECTION TWO: IPL's 30-Day Filing Fails to Contain Avoided Cost Information Required by 18 C.F.R. § 292.302(b).

Federal regulations require electric utilities to biennially file three categories of avoided cost information with the Commission and utilities must maintain this information for “public inspection.” 18 C.F.R. 292.302(b). First, utilities are required to submit 5-year estimates of their avoided energy costs. § 292.302(b)(1). Second, utilities are required to submit planned capacity additions over the next 10 years. § 292.302(b)(2). Third, utilities are required to submit the cost estimates for such capacity additions. § 292.302(b)(3).

IPL's 30-day filing at issue in this Objection does not contain the avoided cost information required by 18 C.F.R. § 292.302, and neither does IPL's 2017 30-day filing, IURC 30-Day Filing No. 50036. In contrast, Indiana Michigan Power Company has filed the information required by 18 C.F.R. § 292.302(b)(1) in the last two years¹⁷—but they too have not filed the information required by 292.302(b)(2) or (b)(3) in compliance with the biennial requirement.

In addition, Objectors are not aware of IPL filing this required avoided cost information with the Commission in any other docket. Therefore, IPL's 30-day filing at issue in this docket fails to comply with applicable federal law by not containing the required biennial avoided cost information.

CONCLUSION

Objectors respectfully request the Commission:

(1) Find that this Objection complies with 170 IAC 1-6-7, and that IPL's 30-day filing, IURC 30-Day Filing No. 50125, not be presented to the full Commission for consideration under the 30-day administrative filing rule until these deficiencies are rectified;

(2) Require IPL to file a standard contract with a defined term of sufficient length and the ability to fix rates over the term of the contract;

(3) Open a statewide docket to investigate PURPA implementation in Indiana. This investigation could examine and establish sufficient standard contract term lengths, whether the current avoided cost methodology adequately represents IPL's avoided costs, and any other issues the Commission deems desirable.

(signatures below)

¹⁷ See IURC 30-Day Filing Nos. 50125 (2018) and 50037 (2017).

Dated March 23, 2018

Respectfully submitted,



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Via Electronic Filing

February 28, 2018

Secretary of the Commission and
Director of Electricity Division
Indiana Utility Regulatory Commission
101 W. Washington St., Suite 1500E
Indianapolis, IN 46204

RE: Annual IPL Cogeneration Filing

Under 170 IAC 1-6, the Thirty-Day Administrative Filing Procedures and Guidelines Rule, Indianapolis Power & Light Company (IPL) submits herewith for filing a revision to our Tariff No. E-17 entitled:

Rate CGS - Cogeneration and Small Power Production
3rd Revised No. 122

IPL is filing this tariff revision pursuant to 170 IAC 4-4.1, the Cogeneration and Alternate Energy Production Facilities Rule. Specifically, Section 10 requires that on or before February 28 of each year a generating electric utility shall file with the Commission a standard offer for purchase of energy and capacity at rates derived from the appropriate sections of this rule.

This tariff revision supersedes the 2nd Revised No. 122 included with IPL's annual cogeneration filing made February 28, 2017 and approved April 05, 2017. The Company's standard offer and form contract for the purchase of energy and capacity from cogeneration and alternate energy production facilities operating within IPL's service territory has not been revised since the last filing.

Only the affected tariff sheet is submitted for approval in this filing. All other tariff sheets of Rate CGS and the riders for maintenance, back-up and supplementary power remain unchanged from those previously approved.

This filing also includes a mark-up of the existing tariff sheet, and supporting documentation and assumptions consistent with prior Annual IPL Cogeneration Filings. In addition, this filing contains the Determination of Average System Losses for the Twelve Months Ended December 31, 2017, a Verified Statement by IPL concerning notification of customers regarding the proposed revision of Rate CGS, a copy of such notification, and proof of publication.

If you have any questions, please feel free to contact me at 317-261-5341, at the address on the letterhead, or at Jim.Cutshaw@aes.com

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James L. Cutshaw". The signature is fluid and cursive, with the first name "James" and last name "Cutshaw" clearly distinguishable.

James L. Cutshaw
Revenue Requirements Manager

Enclosures

xc: Office of the Utility Consumer Counselor (via email)

Indianapolis Power & Light Company
One Monument Circle
Indianapolis, Indiana

I.U.R.C. No. E-17

~~2nd~~-~~3rd~~ Revised No. 122

Superseding

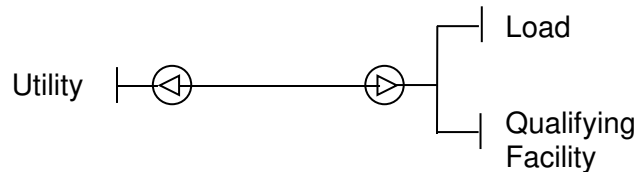
~~1st~~-~~2nd~~ Revised No. 122

RATE CGS (Continued)

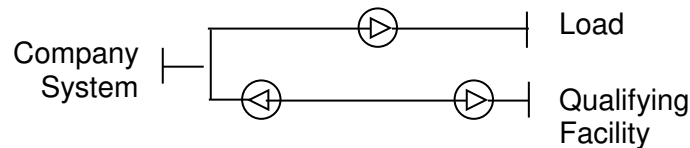
INTERCONNECTION CONDITIONS AND COSTS: (Continued)

(f) (Continued)

- (1) Where purchases are intended to be less than 1000 kilowatthours per month, and the Company and Qualifying Facility mutually agree, a single bidirectional meter may be placed between, at one side, the Company system and, on the other side, the Qualifying Facility and any load associated with it.
- (2) Where such measurement is appropriate for measurement of energy, the circuit shall include at minimum two monodirectional meters in a series arrangement between, at one side, the Company system and, on the other side, the Qualifying Facility and any load associated with it:



- (3) Where such is appropriate for measurement of energy, the circuit shall include a monodirectional meter between the on-site load and the Company and, in a series arrangement, two monodirectional meters between the Qualifying Facility and the Company system:



- (4) The meter measuring purchases by the Company shall be of a design to record time periods, and shall be capable of electronically transmitting instantaneous readings.
- (5) Other metering arrangements shall be the subject of negotiations between the Company and the Qualifying Facility.

RATE FOR PURCHASE:

The rate the Company will pay each Qualifying Facility for energy and capacity purchased will be established in advance by written contract with the Company as filed and approved by the Commission and will be based on the RATE FOR PURCHASE on file from time to time with the Commission, adjusted as outlined in the remaining parts of this section. Unless otherwise agreed the RATES FOR PURCHASE shall be:

- | | | |
|-----|----------------------|--|
| (1) | Capacity | \$7.276.20 per KW per month |
| (2) | Energy - Peak Period | 3.753.09 ¢ per KWH |
| | - Off Peak Period | 2.732.66 ¢ per KWH |

Effective

Indianapolis Power & Light Company
One Monument Circle
Indianapolis, Indiana

I.U.R.C. No. E-17

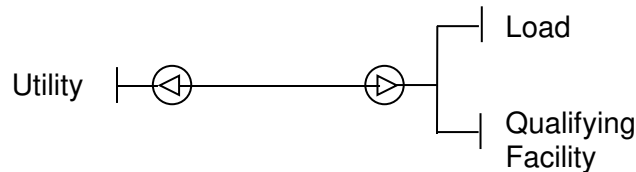
3rd Revised No. 122
Superseding
2nd Revised No. 122

RATE CGS (Continued)

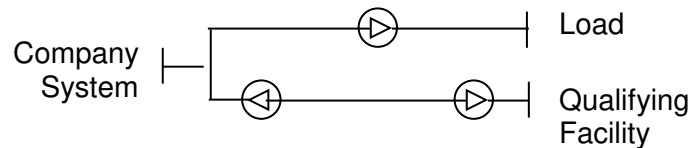
INTERCONNECTION CONDITIONS AND COSTS: (Continued)

(f) (Continued)

- (1) Where purchases are intended to be less than 1000 kilowatthours per month, and the Company and Qualifying Facility mutually agree, a single bidirectional meter may be placed between, at one side, the Company system and, on the other side, the Qualifying Facility and any load associated with it.
- (2) Where such measurement is appropriate for measurement of energy, the circuit shall include at minimum two monodirectional meters in a series arrangement between, at one side, the Company system and, on the other side, the Qualifying Facility and any load associated with it:



- (3) Where such is appropriate for measurement of energy, the circuit shall include a monodirectional meter between the on-site load and the Company and, in a series arrangement, two monodirectional meters between the Qualifying Facility and the Company system:



- (4) The meter measuring purchases by the Company shall be of a design to record time periods, and shall be capable of electronically transmitting instantaneous readings.
- (5) Other metering arrangements shall be the subject of negotiations between the Company and the Qualifying Facility.

RATE FOR PURCHASE:

The rate the Company will pay each Qualifying Facility for energy and capacity purchased will be established in advance by written contract with the Company as filed and approved by the Commission and will be based on the RATE FOR PURCHASE on file from time to time with the Commission, adjusted as outlined in the remaining parts of this section. Unless otherwise agreed the RATES FOR PURCHASE shall be:

- | | | |
|-----|----------------------|-------------------------|
| (1) | Capacity | \$6.20 per KW per month |
| (2) | Energy - Peak Period | 3.09¢ per KWH |
| | - Off Peak Period | 2.66¢ per KWH |

Effective

INDIANAPOLIS POWER & LIGHT COMPANY

RATES FOR PURCHASE OF CAPACITY

C	unadjusted monthly capacity payment per kW	\$ 6.20
C _a	adjusted monthly capacity payment	\$ 6.20
D	present value carrying charges \$1 investment	\$ 1.28
V	investment avoidable unit \$ per kW	\$ 700
n	expected life avoidable unit (years)	30
i _p	annual escalation rate for avoidable unit	2.5%
i _o	annual escalation rate O & M expense	2.5%
r	cost of capital	7.14%
O	annual O&M expense per kW avoidable unit	\$ 20.50
L	line losses	5.10%
t	year of the contract	1
f	carrying charge rate	10.48%
tu	in-service year avoidable unit	2018
tq	in-service year QF	2018
Y	year of capacity payment	2018

INDIANAPOLIS POWER & LIGHT COMPANY

CARRYING CHARGE RATE CALCULATION

r	rate of return	7.14%
A	Ad Valorem tax rate	1.13%
P	insurance rate	0.15%
d	sinking fund depreciation rate	1.03%

$$d = \frac{r}{(1 + r)^n - 1}$$

T	federal and state composite income tax rate	25.641%
D	book depreciation rate	3.33%
b	marginal interest rate on debt capital	5.03%
L	debt ratio	54.30%
n	service life of the deferrable unit	30

$$\text{carrying charge rate} = r + A + P + d + (T / (1-T)) * (r + d - D) * ((r-bL) / r) = \underline{10.48\%}$$

INDIANAPOLIS POWER & LIGHT COMPANY

RATE OF RETURN CALCULATION

December 31, 2017

Type of <u>Capital</u>	Amount <u>(000)</u>	Percentage of <u>Capital Structure</u>	Marginal Cost <u>of Capital</u>	Weighted <u>Cost</u>
Long Term Debt	\$ 1,694,513	54.30%	5.03%	2.73%
Preferred Equity	\$ 59,784	1.92%	5.37%	0.10%
Common Equity	<u>\$ 1,366,476</u>	<u>43.78%</u>	9.85%	<u>4.31%</u>
	<u>\$ 3,120,773</u>	<u>100.00%</u>		<u>7.14%</u>

INDIANAPOLIS POWER & LIGHT COMPANY

ESTIMATED INVESTMENT AND O&M EXPENSES

Estimated Investment Cost per kW for Avoidable Unit

Plant Capital Cost	160 MW CT
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Total Capital Requirement (includes AFUDC)	\$ 700 per kW
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Annual O&M Expenses per kW for Avoidable Unit

Fixed	\$ 17.00 per kW/yr
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Variable	\$ 3.50 per kW/yr
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Total \$/kW/yr	\$ 20.50
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INDIANAPOLIS POWER & LIGHT COMPANY

AVOIDED ENERGY COST CALCULATION BASED ON MIDAS GOLD PRODUCTION RUN

		On Peak Period	Off Peak Period
Avoided Cost per Midas	Per kWh	\$ 0.03010	\$ 0.02594
Average System Losses for Year Ended December 31, 2017		5.101%	5.101%
Line losses factor	$1 / (1 - (\text{losses}/2))$	1.02617	1.02617
Avoided Cost adjusted for line losses	Per kWh	\$ 0.0309	\$ 0.0266

INDIANAPOLIS POWER & LIGHT COMPANY

Determination of Average System Losses Based on Twelve Months Ended December 31, 2017

Line No.	Description	KWH	Line No.
<u>Sources of Energy</u>			
Generation (Excludes Station Use)			
1	Coal	9,338,718,000	1
2	Gas	1,278,962,000	2
3	Other	0	3
4	Total Net Generation	10,617,680,000	4
5	Interchanges (Net)	3,110,924,000	5
6	Other	70,499,000	6
7	Transmission for/by Others - Wheeling (Net)	0	7
8	Total KWH Available	13,799,103,000	8
9	Purchases (Net) Solar	139,265,000	9
10	Citizens Purchase Power	13,124,000	10
11	Grand Total KWH Available	13,951,492,000	11
<u>Disposition of Energy</u>			
12	Billed & Unbilled Sales to Retail Customer	13,216,392,653	12
13	Bilateral Contracts (REMC)	0	13
14	Company Use (Office, Maintenance Bldgs., etc.)	23,372,512	14
15	Total KWH Accounted for	13,239,765,165	15
16	Total Energy Losses (Line 12 less Line 16)	711,726,835	16
17	Average System Losses (17 Divided by 12 in %)	5.101%	17

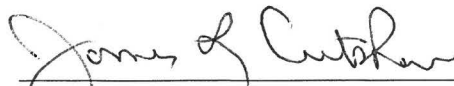
Verified Statement of Indianapolis Power & Light Company (IPL)
Concerning Notification of Customers Affected by the Revision of Rate CGS
In the Annual IPL Cogeneration Filing

Indianapolis Power & Light Company complied with the Notice Requirements under 170 IAC 1-6-6 in the following manner:

- beginning on February 20, 2018 and continuing through the filing date, the attached notice was posted in the Customer Service Office at 2102 N. Illinois Street
- beginning on February 20, 2018 and continuing through the filing date, the same notice was posted on IPL's website under the Pending section of the Rates, Rules and Regulations area
- a legal notice placed in the Indianapolis Star on February 20, 2018 as evidenced by the attached Publishers Affidavit; and
- beginning on the filing date, a copy of the Annual IPL Cogeneration filing will be included on IPL's website under the Pending section of the Rates, Rules and Regulations area

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

Dated this 28th day of February, 2018



James L. Cutshaw
Revenue Requirements Manager

LEGAL NOTICE

Notice is hereby given that on or about February 28, 2018, Indianapolis Power & Light Company expects to submit a revision to its Tariff No. E-17 entitled Rate CGS - Cogeneration and Small Power Production, 3rd Revised No. 122 ("Rate CGS"). The revision to Rate CGS will affect any customer taking electric service under the Company's standard offer and form contract for the purchase of energy and capacity from cogeneration and alternate energy production facilities operating within IPL's service territory. IPL expects approval of the filing on or about April 4, 2018.

This notice is provided to the public pursuant to 170 IAC 1-6-6. The contact information, to which an objection should be made, is as follows:

Secretary
Indiana Utility Regulatory Commission
101 W. Washington Street, Suite 1500 East
Indianapolis, Indiana 46204
Telephone: (317) 232-2700
Fax: (317) 232-6758
Email: info@urc.in.gov

Office of Utility Consumer Counselor
115 W. Washington Street, Suite 1500 South
Indianapolis, Indiana 46204
Telephone: (317) 232-2484
Toll Free: 1-888-441-2494
Fax: (317) 232-5923
Email: uccinfo@oucc.in.gov

Dated February 20, 2018

The Indianapolis Star

130 South Meridian Street
 Indianapolis, IN 46225
 Marion County, Indiana

Federal Id: 06-1032273

INDPLS POWER & LIGHT

Account #:INI-46410
 Order #:0002738781
 Total Amount of Claim:\$600.70

INDPLS POWER & LIGHT
 ATTN KARLA IVES
 1 MONUMENT CIR
 INDIANAPOLIS, IN 46204

PUBLISHER'S AFFIDAVIT

STATE OF INDIANA,
County Of Marion

} **SS:**

Personally appeared before me, a notary public in and for said county and state, the undersigned

I, being duly sworn, say that I am a clerk for THE INDIANAPOLIS NEWSPAPERS a DAILY STAR newspaper of general circulation printed and published in the English language in the city of INDIANAPOLIS in state and county aforesaid, and that the printed matter attached hereto is a true copy, which was duly published in said paper for 1 times., the dates of publication being as follows:

The insertion being on the 02/20/2018

Newspaper has a website and this public notice was posted in the same day as it was published in the newspaper.

Pursuant to the provisions and penalties of Ch. 155, Acts 1953,

I hereby certify that the foregoing account is just and correct, that the amount claimed is legally due, after allowing all just credits, and that no part of the same has been paid.

Connetely

Date: 2-20, 2018 Title: Clerk

Subscribed and sworn to before me this 20 day of February, 2018

Diane S Yager
 Notary Public



Form Prescribed by Statist Board of Accountis
(Rev. 2002)

General Form N09P

(Governmental Unit)

To: INDIANAPOLIS STAR

County Indiana

Indianapolis, IN

PUBLISHER'S CLAIM

COMPUTATION OF CHARGES

45 lines, 2 columns wide equals 90 equivalent
lines at \$6.54 per line @ 1 days, \$588.20

Acct #: INI-46410
Ad #: 0002738781

Website Publication \$0

Charge for proof(s) of publication \$0.00

TOTAL AMOUNT OF CLAIM \$600.70

DATA FOR COMPUTING COST

Width of single column 9.5 ems

Number of insertions 1

Size of type 7 point

Claim No. _____ Warrant No. _____

IN FAVOR OF

The Indianapolis Star

Indianapolis, IN

Marion County

130 S. Meridian St. Indianapolis, IN 46225

I have examined the within claim and hereby certify
as follows:

That it is in proper form.

This it is duly authenticated as required by law.

That it is based upon statutory authority.

That it is apparently (correct)
(incorrect)

\$ _____
On Account of Appropriation For

FED. ID
#06-1032273

Allowed _____, 20____

In the sum of \$ _____

I certify that the within claim is true and correct; that the services
there-in itemized and for which charge is made were ordered by me
and were necessary to the public business.

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Dated February 20, 2018

S - 2/20/18 - 0002738781)

hspaxlp

Indianapolis Power & Light Company
One Monument Circle
Indianapolis, Indiana

I.U.R.C. No. E-17

Original No. 120

RATE CGS COGENERATION & SMALL POWER PRODUCTION

AVAILABILITY:

Available to any Customer of Indianapolis Power & Light Company (the "Company") that operates within the Company's service territory a Qualifying Cogeneration Facility or a Qualifying Small Power Production Facility subject to the Company's rules and regulations and, any terms, conditions and restrictions imposed by any valid and applicable law or regulation. This tariff is submitted pursuant to the requirements of the Commission's regulations and shall cease to be effective if such regulations are set aside, withdrawn or for any reason cease to be applicable to the Company. An Existing Qualifying Facility is not subject to, or entitled to the benefits of this Rate CGS except as otherwise expressly provided by law.

DEFINITIONS:

- (a) Qualifying Facility is either a Cogeneration Facility or Small Power Production Facility, but does not include any facility substantial construction of which was not begun on or after November 9, 1978, or any facility not meeting applicable ownership requirements.
- (b) Existing Qualifying Facility means a Qualifying Facility which was in operation before July 1, 1983.
- (c) Cogeneration Facility means a facility that simultaneously generates electricity and useful thermal energy; and meets the energy efficiency standards established for cogeneration facilities by the FERC pursuant to 16 U.S.C. 824a-3.
- (d) Small Power Production Facility means an arrangement of equipment for the production of electricity with capacity no greater than eighty megawatts, all of which equipment is located within a site one mile in radius from the generating equipment or, for hydroelectric facilities, at the same impoundment of water, and which equipment must be powered at least seventy-five percent (75%) by biomass, waste, renewable resources, geothermal resources, or any combination thereof, and not more than twenty-five percent (25%) by oil, natural gas, and coal or any combination thereof.
- (e) Purchase means the purchase of electric energy or capacity or both from a Qualifying Facility by the Company.
- (f) Sale means the sale of electric energy or capacity or both by the Company to a Qualifying Facility.
- (g) Avoided Costs means the incremental costs to the Company of electric energy or capacity or both which, but for the purchase from a Qualifying Facility or Facilities, the Company would generate itself or purchase from another source.
- (h) Interconnection Costs means the reasonable costs of connection, switching, metering, transmission, distribution, safety provisions, and administrative costs incurred by the Company directly related to the installation and maintenance of the physical facilities necessary to permit interconnected operations with a Qualifying Facility, to the extent such costs are in excess of the corresponding costs which the Company would have incurred if it had not engaged in interconnected operations, but instead generated an equivalent amount of electric energy itself or purchased an equivalent amount of electric energy or capacity from other sources. Interconnection Costs do not include any costs included in the calculation of Avoided Costs.
- (i) Supplementary Power means electric energy or capacity supplied by the Company, regularly used by a Qualifying Facility in addition to that which the facility generates itself.
- (j) Back-up Power means electric energy or capacity supplied by the Company to replace energy ordinarily generated by a facility's own generation equipment during an unscheduled outage of the facility.
- (k) Interruptible Power means electric energy or capacity supplied by the Company subject to interruption by the Company under specified conditions.
- (l) Maintenance Power means electric energy or capacity supplied by the Company during scheduled outages of the Qualifying Facility.

Effective March 31, 2016

Indianapolis Power & Light Company
One Monument Circle
Indianapolis, Indiana

I.U.R.C. No. E-17

Original No. 121

RATE CGS (Continued)

DEFINITIONS: (Continued)

- (m) System Emergency means a condition on the Company's system which is liable to result in imminent significant disruption of service to Customers or in substantial deviation from normal service standards or which is imminently liable to endanger life or property.
- (n) Commission means the Indiana Utility Regulatory Commission.
- (o) FERC means the Federal Energy Regulatory Commission.
- (p) Peak Period means the time between 6 a.m. and 10 p.m. (April through September) or between 7 a.m. and 11 p.m. (October through March) on all days except Saturdays and Sundays, which daily time period will be subject to change from time to time at the Company's option. This change would occur after no less than ten (10) days notice has been given to all Customers who would be affected, and to the Commission.
- (q) Off Peak Period means the time not included in the Peak Period.

PURCHASE AND SALE:

The Company shall purchase energy or capacity which is made available by a Qualifying Facility and shall sell energy or capacity to a Qualifying Facility only in accordance with the terms and conditions set forth herein, but subject to all applicable requirements of Federal law or regulation, court decisions or orders from courts of competent jurisdiction and the continuing jurisdiction of the Commission and FERC. A written contract shall be required between the Company and each Qualifying Facility incorporating specific provisions governing the interconnection and each purchase and sale.

Purchases and sales shall also be subject to the following general terms and conditions:

- (a) Purchases and sales may occur simultaneously.
- (b) The Company need not purchase or sell at the time of a System Emergency.

INTERCONNECTION CONDITIONS AND COSTS:

- (a) The Company, subject to prior compliance by the Qualifying Facility with all applicable Federal and State laws and regulations, shall make parallel interconnection with the Qualifying Facility in such a way as to accomplish purchases and sales as described in Sections (b) through (f).
- (b) The Qualifying Facility shall comply with the National Electrical Safety Code, as supplemented, the applicable requirements of 170 IAC 4-4.3, and the Company's rules and regulations for electric service.
- (c) Interconnection Costs from the Qualifying Facility to the Company's distribution or transmission system, including those costs of (d) and (e) below, shall be borne by the Qualifying Facility. There shall be no obligation on the Company to finance such interconnection.
- (d) The Qualifying Facility shall install, operate, and maintain in good order such relays, locks and seals, breakers, automatic synchronizer, and other control and protective apparatus as shall be designated by the Company for operation parallel to its system. The Qualifying Facility shall bear full responsibility for the installation and safe operation of this equipment.
- (e) Breakers capable of isolating the Qualifying Facility from the Company shall at all times be immediately accessible to the Company. The Company may isolate the Qualifying Facility at its own discretion if the Company believes continued parallel operation with the Qualifying Facility creates or contributes to a System Emergency. System Emergencies causing discontinuance of parallel operation are subject to verification by the Commission.
- (f) To properly record numbers of kilowatthours for, respectively, purchase and sale, the following configurations shall be the basis for metering:

Effective March 31, 2016

Indianapolis Power & Light Company
One Monument Circle
Indianapolis, Indiana

I.U.R.C. No. E-17

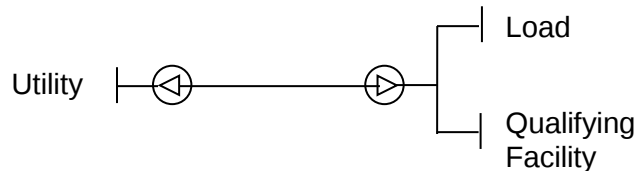
2nd Revised No. 122
Superseding
1st Revised No. 122

RATE CGS (Continued)

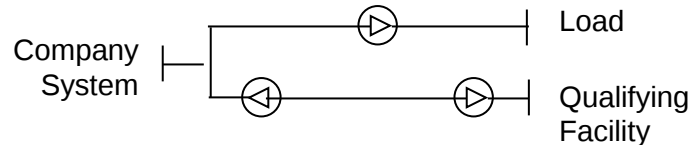
INTERCONNECTION CONDITIONS AND COSTS: (Continued)

(f) (Continued)

- (1) Where purchases are intended to be less than 1000 kilowatthours per month, and the Company and Qualifying Facility mutually agree, a single bidirectional meter may be placed between, at one side, the Company system and, on the other side, the Qualifying Facility and any load associated with it.
- (2) Where such measurement is appropriate for measurement of energy, the circuit shall include at minimum two monodirectional meters in a series arrangement between, at one side, the Company system and, on the other side, the Qualifying Facility and any load associated with it:



- (3) Where such is appropriate for measurement of energy, the circuit shall include a monodirectional meter between the on-site load and the Company and, in a series arrangement, two monodirectional meters between the Qualifying Facility and the Company system:



- (4) The meter measuring purchases by the Company shall be of a design to record time periods, and shall be capable of electronically transmitting instantaneous readings.
- (5) Other metering arrangements shall be the subject of negotiations between the Company and the Qualifying Facility.

RATE FOR PURCHASE:

The rate the Company will pay each Qualifying Facility for energy and capacity purchased will be established in advance by written contract with the Company as filed and approved by the Commission and will be based on the RATE FOR PURCHASE on file from time to time with the Commission, adjusted as outlined in the remaining parts of this section. Unless otherwise agreed the RATES FOR PURCHASE shall be:

- | | | |
|-----|----------------------|-------------------------|
| (1) | Capacity | \$7.27 per KW per month |
| (2) | Energy - Peak Period | 3.75¢ per KWH |
| | - Off Peak Period | 2.73¢ per KWH |

Indianapolis Power & Light Company
One Monument Circle
Indianapolis, Indiana

I.U.R.C. No. E-17

Original No. 123

RATE CGS (Continued)

RATE FOR PURCHASE: (Continued)

In the event of an impasse in negotiations concerning RATES FOR PURCHASE of energy or capacity, either party may petition the Commission for a determination naming the other party as respondent.

The monthly capacity payment shall be adjusted by the following factor:

$$F = \frac{E_p}{(K) (T_p)}$$

Where: F = Capacity payment adjustment factor.
 E_p = Kilowatt-hours delivered to the Company during the Peak Period.
 K = Kilowatts of capacity the Qualifying Facility contracts to provide.
 T_p = Number of hours in the peak period.

The KW capacity available and the kilowatthours in the peak period shall be determined by a suitable recording type instrument.

For intended purchases of 72,000 kilowatthours or more per month of energy from a Qualifying Facility, the Company and the Qualifying Facility may agree to increase or decrease the rate in recognition of the following factors:

- (1) The extent to which scheduled outages of the Qualifying Facility can be usefully coordinated with scheduled outages of the Company's generation facilities;
- (2) The relationship of the availability of energy from the Qualifying Facility to the ability of the Company to avoid costs, particularly as is evidenced by the Company's ability to dispatch the Qualifying Facility;
- (3) The usefulness of energy from the Qualifying Facility during System Emergencies, including the ability of the Qualifying Facility to separate its load from its generation.

The Company and a Qualifying Facility may negotiate a rate for energy or capacity purchase which differs from the filed rate of Rate CGS.

RATES FOR SALE BY COMPANY:

Back-up Power shall be provided under Standard Contract Rider No. 10. Maintenance Power shall be provided under Standard Contract Rider No. 11. Supplementary Power shall be provided under Standard Contract Rider No. 12. A Customer may not simultaneously qualify for Rate CGS, Rate REP Renewable Energy Production, Standard Contract Rider No. 9 Net Metering, and Standard Contract Rider No. 8 for off-peak service.

STANDARD CONTRACT RIDERS APPLICABLE:

No. 1	Customer Load Characteristics	see Page 150
No. 10	Back-up Power	see Page 162
No. 11	Maintenance Power	see Page 163
No. 12	Supplementary Power	see Page 164