

ORIGINAL

JA
B. Seb
SNK

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANAPOLIS POWER & LIGHT)
COMPANY ("IPL") FOR (1) AUTHORITY TO INCREASE)
RATES AND CHARGES FOR ELECTRIC UTILITY)
SERVICE, (2) APPROVAL OF REVISED DEPRECIATION)
RATES, ACCOUNTING RELIEF, INCLUDING UPDATE OF)
THE MAJOR STORM DAMAGE RESTORATION)
RESERVE ACCOUNT, APPROVAL OF A VEGETATION)
MANAGEMENT RESERVE ACCOUNT, INCLUSION IN)
BASIC RATES AND CHARGES OF THE COSTS OF)
CERTAIN PREVIOUSLY APPROVED PROJECTS,)
INCLUDING THE EAGLE VALLEY COMBINED CYCLE)
GAS TURBINE, THE NATIONAL POLLUTION)
DISCHARGE ELIMINATION SYSTEM AND COAL)
COMBUSTION RESIDUALS COMPLIANCE PROJECTS,)
RATE ADJUSTMENT MECHANISM PROPOSALS, COST)
DEFERRALS, AMORTIZATIONS, AND (3) APPROVAL OF)
NEW SCHEDULES OF RATES, RULES AND)
REGULATIONS FOR SERVICE.)

CAUSE NO. 45029

APPROVED: OCT 31 2018

ORDER OF THE COMMISSION

Presiding Officers:

Sarah E. Freeman, Commissioner

Carol Sparks Drake, Administrative Law Judge

On December 21, 2017, Indianapolis Power & Light Company ("Petitioner" or "IPL") filed a Verified Petition with the Indiana Utility Regulatory Commission ("Commission") seeking authority to increase its rates and charges for electric utility service and associated relief and requesting administrative notice of certain Commission orders and other pertinent documents.¹ On December 21, 2017, Petitioner also filed its case-in-chief, workpapers, and information required by the minimum standard filing requirements set forth at 170 IAC 1-5-1 *et seq.* That same day IPL also filed testimony and exhibits from the following witnesses:

- Ann E. Bulkley, Vice President of Concentric Energy Advisors, Inc.
- Elaine K. Chambers, IPL Manager, Rates and Regulations
- Natalie Herr Coklow, Senior Accountant in Regulatory Accounting for AES U.S. Services, LLC ("AES Services")
- James L. Cutshaw, IPL Revenue Requirements Manager
- Dennis C. Dininger, IPL Director, Commercial Operations
- Craig A. Forestal, AES Services Director of Regulatory Accounting
- Eric Fox, Director, Forecast Solutions for Itron, Inc.

¹ On November 20, 2017, IPL provided its notice of intent to file a rate case in accordance with the Commission's General Administrative Order 2013-5.

- J. Stephen Gaske, Senior Vice President of Concentric Energy Advisors, Inc.
- Nicholas M. Grimmer, IPL Director, Fuel Supply, Logistics, and Coal Combustion Project Management
- Paula Guletsky, Sargent & Lundy, L.L.C. (“S&L”) Vice President and S&L Project Director for IPL
- Michael L. Holtsclaw, IPL Director, Transmission and Distribution Engineering
- Craig L. Jackson, IPL Chief Financial Officer and Director, Vice President, and AES Services Chief Financial Officer²
- Edward J. Kunz, IPL Manager, Retirement Services
- Adrien M. McKenzie, Principal in FINCAP, Inc.
- Daniel R. Perry, Team Leader of the IPL Line Clearing Department
- John J. Reed, Chairman and Chief Executive Officer of Concentric Energy Advisors, Inc. and CE Capital Advisors, Inc. (together “Concentric”)
- Chad A. Rogers, IPL Senior Regulatory Analyst in Regulatory Affairs
- James A. Sadtler, IPL Director of Transmission Field Operations
- Frank J. Salatto, AES Services, Director, US Tax Reporting
- Rafael A. Sanchez, IPL President and Chief Executive Officer
- Bradley D. Scott, IPL Senior Vice President, Power Supply
- John J. Spanos, Senior Vice President, Gannett Fleming Valuation and Rate Consultants, LLC
- Jayme T. Stemle, IPL Manager in Regulatory Accounting
- Kurt A. Tornquist, IPL Controller and AES Services Controller.

Petitions to Intervene were subsequently filed by the IPL Industrial Group, an ad hoc group of IPL industrial customers, including: Allison Transmission, Inc., Cargill, Inc., Eli Lilly and Company, Indiana University Health, Ingredion, Inc., PepsiCo, Praxair Surface Technologies, Inc., and Vertellus Integrated Pyridines LLC (collectively “Industrial Group”); Citizens Action Coalition of Indiana, Inc. (“CAC”), Indiana Community Action Association, Inc. (“INCAA”), Indiana Coalition for Human Services (“ICHS”), and Sierra Club (“Sierra”) (collectively “Joint Intervenor Group”); The Kroger Co. (“Kroger”); Wal-Mart Stores East, LP and Sam’s East, Inc. (collectively “Walmart”); University of Indianapolis (“UIndy”); the City of Lawrence (“Lawrence”); the International Brotherhood of Electrical Workers, Local Union No. 1395 (“Local 1395”); and Rolls-Royce Corporation (“Rolls-Royce”)³. These petitions were all granted without objection. The Indiana Office of Utility Consumer Counselor (“OUCC”) also participated.

Pursuant to notice and as provided in 170 IAC 1-1.1-15, a prehearing conference was conducted in this proceeding on January 22, 2018. On January 31, 2018, the Commission issued a Prehearing Conference Order in which a procedural schedule was established, and various stipulations the parties agreed upon at the prehearing conference were approved, including an agreement that for purposes of the 300 day schedule and deadlines set forth in Ind. Code § 8-1-2-42.7, day one shall be deemed to be Thursday, February 8, 2018, and Petitioner’s case-in-chief

² Mr. Jackson’s position changed during the pendency of this matter to President and Chief Executive Officer of IPL and The Dayton Power and Light Company.

³ Rolls-Royce was originally an intervenor in this Cause by virtue of being a member of the Industrial Group that petitioned to intervene on December 27, 2017, and was granted intervention in a Docket Entry issued on January 9, 2018. On March 7, 2018, the Industrial Group amended its members for purposes of this proceeding to reflect the withdrawal of Rolls-Royce, and Rolls-Royce subsequently petitioned to intervene on May 15, 2018.

prefiled on December 21, 2017, will be amended to include the impact of the Tax Cuts and Jobs Act of 2017 (“TCJA”) signed into law on December 22, 2017. The 300 day rate schedule under General Administrative Order 2013-5 and Ind. Code § 8-1-2-42.7, therefore, commenced on February 8, 2018.

On February 16, 2018, IPL filed supplemental and revised testimony incorporating the TCJA impact. IPL’s prefiled testimony for Mr. Sanchez and Ms. Chambers was later adopted by other IPL witnesses.

At the OUCC’s request, public field hearings were held on April 23, 2018, and May 7, 2018, in Indianapolis, the largest municipality in IPL’s service area. At these field hearings, more than 60 members of the public made statements under oath to the Commission.

On May 24, 2018, the OUCC, the Industrial Group, Kroger, Walmart, the Joint Intervenor Group, Rolls-Royce, and UIndy prefiled their respective cases-in-chief and/or direct testimony. The OUCC’s prefiled case-in-chief included testimony and attachments from the following witnesses:

- Anthony A. Alvarez, OUCC Utility Analyst in the Electric Division
- Cynthia M. Armstrong, OUCC Senior Utility Analyst in the Electric Division
- Wes R. Blakley, OUCC Senior Utility Analyst
- Peter M. Boerger, PhD, OUCC Senior Utility Analyst in the Electric Division
- Michael D. Eckert, Assistant Director of the OUCC Electric Division
- Eric M. Hand, OUCC Utility Analyst in the Electric Division
- Edward R. Kaufman, Assistant Director OUCC Water-Wastewater Division
- Rohita Ramaraj, OUCC Utility Analyst in the Electric Division
- Edward T. Rutter, OUCC Chief Technical Advisor
- Margaret A. Stull, OUCC Chief Technical Advisor in the OUCC Water-Wastewater Division
- Anthony F. Swinger, OUCC Director of External Affairs
- Glenn A. Watkins, a Principal and Senior Economist with Technical Associates, Inc.
- J. Randall Woolridge, PhD, Professor of Finance and the Goldman, Sachs & Co. and Frank P. Smeal Endowed University Fellow in Business Administration at the University Park Campus of Pennsylvania State University.

The attachments that Mr. Swinger sponsored included more than 2,700 written consumer comments pertaining to this docket and the relief requested.

The Industrial Group’s pre-filing on May 24, 2018, included testimony and attachments from the following witnesses:

- Brian C. Andrews, Senior Consultant with Brubaker & Associates, Inc. (“Brubaker”)
- James R. Dauphinais, Consultant and a Managing Principal of Brubaker
- Michael P. Gorman, Consultant and a Managing Principal with Brubaker.⁴

Kroger prefiled testimony from the following witness:

⁴ Revised versions of Mr. Gorman’s testimony were filed on June 8, 2018, and July 19, 2018. At the evidentiary hearing, the Second Revised Verified Testimony of Mr. Gorman filed on July 19, 2018, was the version admitted.

- Neal Townsend, a Principal in Energy Strategies, LLC.

Walmart prefiled testimony and attachments from the following witness:

- Gregory W. Tillman, Senior Manager, Energy Regulatory Analysis for Walmart.

The Joint Intervenor Group prefiled testimony and attachments from the following witnesses:

- John Howat, a Senior Policy Analyst at the National Consumer Law Center
- Kerwin L. Olson, Executive Director of CAC
- Jonathan F. Wallach, Vice President of Resource Insight, Inc.

Rolls-Royce prefiled testimony and attachments from the following witness:

- Douglas B. Nordham, Associate Principal with Arup North America, Ltd.

UIndy prefiled testimony and attachments from the following witness:

- Michael P. Holstein, Vice President, Chief Financial Officer, and Treasurer of UIndy.

The Industrial Group on May 29, 2018, filed a motion requesting confidential treatment of what were identified as workpapers supporting Mr. Gorman and Mr. Dauphinais' direct testimony. By Docket Entry issued on June 7, 2018, confidential treatment was denied for Mr. Gorman's workpapers because some of these were filed as public documents in Cause No. 44967, and a cursory online review yielded copies of additional items listed as workpapers. It was noted it is the movant's responsibility to demonstrate information is a trade secret as defined under Ind. Code § 24-2-3-2; is declared confidential by state statute; is required to be kept confidential by federal law; or is confidential information the Commission requested. The Industrial Group was encouraged to determine the extent to which the subject workpapers include public documents and substantiate the propriety of confidential treatment if its motion was renewed.

The Industrial Group on June 11, 2018, renewed its motion for confidential treatment, this time asserting almost all of Mr. Gorman's workpapers are or are derived from material protected by federal copyright. The Industrial Group, however, cited no statute exempting copyrighted documents as confidential. A Docket Entry was issued on June 25, 2018, again denying confidential treatment because the Industrial Group presented an insufficient basis from which to find all the workpapers listed should be held as confidential on a preliminary basis. This Docket Entry was appealed to the full Commission which unanimously affirmed the June 25, 2018, Docket Entry at its July 25, 2018, public Conference.

On June 21, 2018, the Industrial Group prefiled cross-answering testimony from James R. Dauphinais. That same day Kroger prefiled cross-answering testimony from Neal Townsend, and the Joint Intervenor Group filed Jonathan Wallach's cross-reply testimony.

Also on June 21, 2018, IPL prefiled rebuttal testimony, exhibits, and workpapers for the following witnesses: Ann E. Bulkley, Natalie Herr Coklow, James L. Cutshaw, Dennis C. Dininger,

Ken Flora, IPL Director, Regulatory Affairs, Craig A. Forestal, J. Stephen Gaske, Paula M. Guletsky, Craig L. Jackson, Edward J. Kunz, Adrien M. McKenzie, Daniel R. Perry, John J. Reed, James A. Sadtler, Frank J. Salatto, Bradley D. Scott, John J. Spanos, Justin G. Sufan, IPL Director, Regulatory and Regional Transmission Organization (“RTO”) Policy, and Alan D. Felsenthal, a Certified Public Accountant and a Managing Director at PricewaterhouseCoopers LLP.

Requests for Administrative Notice were granted by Docket Entries dated January 9, February 27, April 3, and July 16, 2018.

On July 10, 2018, IPL, the OUCC, the Industrial Group, Kroger, Walmart, Lawrence, Rolls-Royce, and UIndy filed a joint motion for leave to file settlement agreement and request for settlement hearing (“July 10 Joint Motion”). In the July 10 Joint Motion the foregoing parties advised a settlement had been reached in principle resolving the revenue requirement issues in this proceeding, and efforts were ongoing to resolve the remaining cost of service and rate design issues. By Docket Entry dated July 12, 2018, the Presiding Officers revised the procedural schedule to accommodate presentation of the settlement and any contested issues. On July 16, 2018, the parties to the July 10 Joint Motion, along with the Joint Intervenor Group, filed a joint motion (“July 16 Joint Motion”) updating the Commission on their settlement negotiations and requesting the procedural schedule be modified. The July 16 Joint Motion stated that all parties except Local 1395 had reached an agreement in principle resolving all issues and were working to reduce their agreement to writing for filing with the Commission. The July 16 Joint Motion was subsequently updated to advise the Commission that while Local 1395 did not participate in the settlement, Local 1395 had no objection to the settlement or the July 16 Joint Motion.

By Docket Entry dated July 17, 2018, the Presiding Officers revised the procedural schedule consistent with the July 16 Joint Motion.

The Stipulation and Settlement Agreement (“Settlement Agreement”), including attachments, was filed on July 19, 2018. On July 23, 2018, testimony supporting the Settlement Agreement was prefiled by IPL, the OUCC, the Industrial Group, and the Joint Intervenor Group. This included settlement testimony from Messrs. Cutshaw, Dauphinais, and Olson, as well as Stacie R. Gruca, OUCC Director of the Electric Division.

On August 3, 2018, a Docket Entry (“August 2018 Docket Entry”) was issued requesting IPL and other parties having a position to respond to questions concerning IPL’s Environmental Cost Recovery (“ECR”) filing to be made in this Cause and IPL’s proposed roundup program. IPL responded on August 7, 2018.

The Commission conducted an evidentiary hearing in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana, commencing at 9:00 a.m. on August 9, 2018, at which time the Settlement Agreement and the parties’ direct, supplemental, cross-answering, rebuttal, and settlement testimony and exhibits were offered and admitted into the record without objection. Also admitted into the record were IPL’s administrative notice exhibits and its response to the August 3, 2018, Docket Entry. IPL witness Jackson and Joint Intervenor Group witness Olson were made available for and responded to Commissioners’ questions.

The Commission, based upon applicable law and the evidence, finds as follows:

1. **Notice and Jurisdiction.** Legal and timely notice of the public hearings held in this Cause was given and published as required by law. IPL is a public utility as defined in Ind. Code § 8-1-2-1(a). Under Ind. Code §§ 8-1-2-42 and 42.7, the Commission has jurisdiction over IPL's rates and charges for utility service. The Commission, therefore, has jurisdiction over Petitioner and the subject matter of this proceeding.

2. **Petitioner's Organization and Business.** IPL is a public utility with its principal place of business located at One Monument Circle, Indianapolis, Indiana. IPL renders retail electric utility service to approximately 490,000 retail customers located principally in and near Indianapolis, Indiana, and in portions of the following Indiana counties: Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Owen, Putnam, and Shelby Counties. IPL is also subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"). IPL is a member of the Midcontinent Independent System Operator, Inc. ("MISO"), an RTO operated under the FERC's authority which controls the use of IPL's transmission system and the dispatching of IPL's generating units.

IPL renders electric service by means of electric production, transmission, and distribution plant, as well as general property, equipment, and related facilities, including office buildings, service buildings, and other property, which are used and useful for the convenience of the public in the production, transmission, delivery, and furnishing of electric energy, heat, light, and power. IPL's property is classified in accordance with the Uniform System of Accounts as prescribed by the FERC and approved and adopted by the Commission.

3. **Existing Rates.** The Commission approved IPL's current base rates and charges on March 16, 2016, in its Order in Cause No. 44576 ("44576 Order"), based upon test year operating results for the 12 months ended June 30, 2014, adjusted for fixed, known, and measurable changes. The petition initiating Cause No. 44576 was filed with the Commission on December 29, 2014; consequently, in accordance with Ind. Code § 8-1-2-42(a), it has been more than 15 months since IPL filed its most recent petition for an increase in basic rates and charges and the filing of IPL's petition in this Cause.⁵

4. **Test Year and Rate Base Cutoff.** Consistent with Ind. Code § 8-1-2-42.7(d), the test period for purposes of this proceeding is the 12 months ended June 30, 2017, ("Test Year") adjusted for fixed, known, and measurable changes and appropriate normalizations and annualizations. The Test Year end, June 30, 2017, is the general rate base cutoff date. The cutoff date for the Major Projects identified in IPL's Petition was ten business days prior to the evidentiary hearing as provided in 170 IAC 1-5-5.

5. **IPL's Requested Relief.** In its Petition, IPL requested Commission approval of an overall annual increase in revenues of approximately \$124.491 million, representing an overall increase of 9.10%. After incorporating the impact of the TCJA, the overall requested annual revenue increase was reduced by approximately \$27.760 million to \$96.731 million, and the overall increase of 9.10% became approximately 7.12%. See Petitioner's Ex. 20 at p. 4. As detailed in IPL's case-in-chief, Petitioner also requested Commission approval of specific accounting and

⁵ On December 22, 2016, IPL filed a petition for an increase in basic rates which was docketed as Cause No. 44893. That proceeding was dismissed without prejudice by Commission Order dated March 15, 2017, with the Commission stating: "IPL may refile its request for rate relief without being limited by Ind. Code § 8-1-2-42(a) as a result of filing this Cause." 44893 Order at p. 2.

ratemaking relief, including new depreciation accrual rates, modifications to rate adjustment mechanisms, and IPL's proposed revenue allocation and rate design.

6. Opposition and Rebuttal. The OUCC and intervenors raised numerous challenges to Petitioner's filing, including challenging rate base, rate of return, operating and maintenance ("O&M") expenses, depreciation rates, rider proposals, cost of service allocation, and rate design. The extent to which these parties disagreed with each other is shown in their cross-answering testimony. The extent to which IPL disagreed or agreed with the OUCC and intervenors was addressed in IPL's rebuttal evidence, which evidence also further reduced Petitioner's claimed revenue deficiency to \$88.348 million or an overall revenue increase of 6.50%.

7. Settlement Agreement. The Settlement Agreement filed with the Commission on July 19, 2018, (Settling Parties' Jt. Ex. 1) presents the parties' resolution of all the issues in this Cause. The Settlement Agreement is attached to this Order and incorporated by reference. The witnesses offering settlement testimony discussed the arm's-length nature of the negotiations and the efforts undertaken to reach a balanced settlement that fairly resolves the issues. The Settlement Agreement and supporting evidence are reviewed below.

OUCC witness Gruca testified the Settlement Agreement is a product of intense negotiations, with each party offering compromise to challenging issues. Public's Ex. 1-S at p. 2. She testified the nature of compromise includes assessing the risk that the other side's case will be found more compelling. Ms. Gruca stated that while the Settlement Agreement represents a balancing of interests, given the numerous ratepayer benefits the Settlement Agreement provides, the OUCC, as the statutory representative of all ratepayers, believes the Settlement Agreement is a fair resolution and should be approved. Public's Ex. 1-S at p. 2. Among the ratepayer benefits Ms. Gruca identified is an annual basic rate revenue requirement increase of \$43.877 million, representing an approximate \$80.614 million reduction from IPL's originally requested revenue requirement increase of \$124.491 million or 9.10%. She testified that under the Settlement Agreement, IPL's system-wide revenue increase is 3.20%, and the Settlement Agreement reduces the rate impact for almost all major customer classes as compared to IPL's original proposal.

Other ratepayer benefits Ms. Gruca identified include: (1) no increase in the \$17.00 monthly residential customer charge, as opposed to IPL's originally requested \$27.00 monthly residential customer charge; (2) a 9.99% authorized return on equity ("ROE") compared to IPL's proposed increase to 10.32%; (3) elimination of IPL's additional fair value increment request of approximately \$8.079 million; (4) a \$35.9 million credit to customers via IPL's ECR; (5) resolution of all the TCJA issues; (6) \$150,000 IPL contribution to the community action program network of the INCAA to facilitate low-income weatherization in IPL's service territory; (7) IPL's implementation of a three-year low income arrearage forgiveness program pilot (not to exceed \$650,000 over the life of the project) for qualifying low income customers to catch up on their bills; and (8) implementation and funding (up to \$100,000) of a roundup program on a three-year pilot basis to address low income bill affordability. Public's Ex. 1-S at p. 3. Ms. Gruca testified the costs of the foregoing items 6 through 8 are not reflected in the agreed revenue deficiency in this Cause.

Mr. Cutshaw testified that the Settlement Agreement is the result of arm's-length negotiations by a diverse group of stakeholders with differing views on the issues. Petitioner's Ex.

20 at p. 5. He testified the Settling Parties⁶ devoted many hours to their settlement discussions, the collaborative exchange of information, and settlement negotiations. Petitioner's Ex. 20 at 5. He noted that IPL's rebuttal filing reduced the revenue deficiency to \$88.348 million, meaning the overall revenue increase was reduced to 6.5%. But under the Settlement Agreement, the revenue increase is \$43.877 million, which is a 3.2% revenue increase. Mr. Cutshaw testified that in addition to this lower revenue increase, the Settlement Agreement reflects approximately \$50.2 million in total customer benefits to be flowed through IPL's ECR mechanism and an additional \$1.2 million in beneficial customer programs, the cost of which are not in the agreed revenue deficiency. Petitioner's Ex. 20 at pp. 4-5. In his opinion, the Settlement Agreement is in the public interest and reasonably resolves all issues in this docket. Petitioner's Ex. 20 at 5.

Joint Intervenor Group witness Olson also testified in support of the Settlement Agreement. He testified that as a general matter, the testimony supporting the Settlement Agreement presents multiple perspectives upon why the Settlement Agreement should be approved. He stated the Joint Intervenor Group believes the Settlement Agreement is reasonable, in the public interest, and should be approved, noting the Joint Intervenor Group sees great value in maintaining or only slightly increasing the fixed customer charge, as agreed. He testified that from the Joint Intervenor Group's perspective, the Settlement Agreement partially preserves a rate structure that does not shift costs and creates incentives for customers to invest in energy efficiency. Mr. Olson highlighted additional Settlement Agreement provisions the Joint Intervenor Group is very pleased with, including the creation of low-income pilot programs.

In offering settlement testimony on behalf of the Industrial Group, Mr. Dauphinais testified that the class revenue allocation, rate design, including the low load factor rate, and backup and maintenance service provisions of the Settlement Agreement are reasonable in the context of the overall settlement. He recommended these be adopted as part of the Commission's approval of the Settlement Agreement and testified that when the Settlement Agreement is viewed as a complete package, it reasonably resolves the Industrial Group's issues in this rate case and results in a fair and reasonable resolution for all IPL customers.

While these witnesses testified to the reasonableness of the settlement as a whole, their respective settlement testimony also offered additional perspective on the terms of the Settlement Agreement as discussed below.

A. Expense Adjustments. As discussed by Ms. Gruca and Mr. Cutshaw, the Settling Parties agreed to adjustments to: (1) wages and benefits; (2) injuries and damages; (3) rate case expense amortization; (4) NOx emission allowances; (5) outage maintenance costs; (6) non-outage O&M costs for Mercury and Air Toxic Standards ("MATS") equipment; (7) vegetation management expense; and (8) depreciation expense. These adjustments reduce IPL's case-in-chief revenue deficiency and provide savings to ratepayers. Public's Ex. 1-S at p.6; Petitioner's Ex. 20 at pp. 6-7.

Mr. Cutshaw and Ms. Gruca testified that Section I.A.1.1 of the Settlement Agreement sets forth the agreed upon wages and benefits cost reductions to be reflected when determining IPL's

⁶ Mr. Cutshaw testified the Settling Parties are all the parties in this Cause except Local 1395. He stated Local 1395 was notified of the ongoing settlement discussions and afforded repeated opportunities to participate. While Local 1395 is not a party to the Settlement Agreement, Local 1395 has advised that it has no objection to the Settlement Agreement. Petitioner's Ex. 20 at p. 2.

revenue deficiency. Petitioner's Ex. 20 at p. 6; Public's Ex. 1-S at pp. 6-7. Mr. Cutshaw testified this amount adjusts pro forma IPL and AES employee wages and benefits including pension expense for activity after the filing of IPL's case-in-chief. Ms. Gruca and Mr. Cutshaw stated the issue was raised by OUCC witnesses Eckert and Stull, as well as Industrial Group witness Gorman. Mr. Cutshaw testified that IPL witness Coklow, in her rebuttal testimony, made corrections to the calculations and proposed a \$3.129 million reduction. He added that the IPL rebuttal amount is the amount the Settling Parties agreed upon, and this amount incorporates changes attributable to IPL's corporate restructuring after this proceeding was initiated. Petitioner's Ex. 20 at p. 6. Ms. Gruca added that the agreed adjustment also recognizes increased pension expense and other post-employment benefit ("OPEB") expense and reduced wages and benefits for open positions. Public's Ex. 1-S at pp. 6-7.

Ms. Gruca and Mr. Cutshaw testified that Section I.A.1.2 of the Settlement Agreement addresses the agreed upon injuries and damages cost for determining IPL's revenue deficiency. They explained that based on the testimony of OUCC witness Eckert and the rebuttal testimony of IPL witness Forestal, the pro forma injuries and damages expense in IPL's case-in-chief should be reduced by \$0.711 million. Mr. Cutshaw added that the IPL rebuttal amount is the amount the Settling Parties agreed upon. Petitioner's Ex. 20 at pp. 6-7. Ms. Gruca testified that from the OUCC's perspective this amount is more representative of contingent liability and the future injuries and damages expense IPL expects to incur. Public's Ex. 1-S at p. 7.

Mr. Cutshaw testified that Section I.A.1.3 of the Settlement Agreement addresses rate case expense amortization for purposes of determining IPL's revenue deficiency. Mr. Cutshaw and Ms. Gruca stated this issue was raised by OUCC witness Ramaraj, and in his rebuttal testimony IPL witness Forestal responded, updating IPL's estimates and proposing a reduction of \$0.673 million to the amount shown in IPL's initial filing. Petitioner's Ex. 20 at p. 7; Public's Ex. 1-S at p.7. Mr. Cutshaw stated the Settling Parties agreed to the amount in IPL's rebuttal filing. Petitioner's Ex. 20 at p. 7.

Mr. Cutshaw testified that IPL's case-in-chief reflected an adjustment to test year expense for NOx emission allowance expense. He stated that OUCC witness Armstrong challenged this adjustment based on newly available information, and in rebuttal, IPL witness Dininger accepted part of the OUCC's position, reducing IPL's proposed adjustment to \$0.099 million. Mr. Cutshaw and Ms. Gruca stated that for settlement purposes, IPL accepted the OUCC's position on this issue as reflected in Section I.A.1.4 of the Settlement Agreement. Petitioner's Ex. 20 at p. 7; Public's Ex. 1-S at p. 7.

Mr. Cutshaw testified that IPL witness Scott originally supported an adjustment of \$10.212 million in his direct testimony for certain outage maintenance costs. Petitioner's Ex. 20 at p. 8. OUCC witness Armstrong raised an issue with this adjustment, which IPL witness Scott continued to support in his rebuttal testimony. As noted by Ms. Gruca, Ms. Armstrong recommended reducing IPL's \$10.212 million adjustment by \$6.280 million to reflect IPL's actual normalized pro forma year outage costs of \$3.932 million. Ms. Gruca and Mr. Cutshaw testified that for settlement purposes, the adjustment was reduced by \$3.138 million to a total adjustment of \$7.074 million as shown in Section I.A.1.5 of the Settlement Agreement. Mr. Cutshaw testified this compromise supports IPL's ongoing operational needs but will require IPL to redouble its efforts to improve efficiency, *e.g.* do more with less. Petitioner's Ex. 20 at p. 8. Ms. Gruca testified this compromise

saves ratepayers \$3.138 million when compared to IPL's original \$10.212 million adjustment. Public's Ex. 1-S at p. 8.

Mr. Cutshaw also testified that IPL witness Scott supported Petitioner's original adjustment of \$2.727 million for non-outage O&M costs for MATS equipment, but OUCC witness Armstrong challenged this adjustment. Petitioner's Ex. 20 at p. 8. Ms. Gruca testified that Ms. Armstrong recommended denying this \$2.727 million adjustment. While Mr. Scott continued to support this adjustment in his rebuttal testimony, Mr. Cutshaw and Ms. Gruca testified that for settlement purposes, IPL's proposed adjustment amount was lowered by half to a total adjustment of \$1.364 million as reflected in Section I.A.1.6 of the Settlement Agreement. Petitioner's Ex. 20 at p. 8; Public's Ex. 1-S at p. 8.

Mr. Cutshaw stated that Section I.A.1.7 of the Settlement Agreement maintains IPL's proposed adjustment for O&M costs for the Environmental Compliance Projects at \$12.591 million. He testified this expense is reasonable and necessary for operation and maintenance of the National Pollutant Discharge Elimination System ("NPDES") and National Ambient Air Quality ("NAAQS") Di-Basic Acid ("DBA") System equipment. Mr. Cutshaw explained that IPL's NPDES and NAAQS projects were approved by the Commission in Cause Nos. 44540 and 44794, and these projects, including the ongoing O&M, are reflected in IPL's ECR adjustment proceedings. He testified that IPL's case-in-chief reflected an \$11.25 million adjustment for NPDES O&M and a \$1.33 million adjustment for NAAQS DBA O&M. Mr. Cutshaw stated that OUCC witness Armstrong proposed a \$1.58 million decrease in IPL's adjustment to reflect actual operating data, which included a \$1.07 million decrease in IPL's NPDES O&M and \$0.514 million decrease in IPL's NAAQS DBA adjustment. According to Mr. Cutshaw, as explained in IPL witness Scott's rebuttal testimony (Q&A 14), the NPDES project was still under construction and commissioning during the operating period the OUCC relied on. The actual operating data the OUCC relied on, therefore, includes no DBA injection on Petersburg Units 1, 2, and 4 because the new Waste Water Treatment Plant at Petersburg was being fine-tuned. Mr. Cutshaw testified that IPL will incur O&M on the NPDES project, and the DBA system will also require DBA injections to operate; consequently, Mr. Cutshaw testified that from IPL's perspective it is appropriate to normalize O&M to recognize the ongoing costs of these Commission approved projects. Mr. Cutshaw added that while IPL compromised on many aspects of its overall revenue requirement, it is important IPL retain the ability to maintain its facilities even while continuing its efforts to improve efficiency. Petitioner's Ex. 20 at p. 9.

Section I.A.1.9 of the Settlement Agreement maintains IPL's proposed adjustment to coal combustion product ("CCP") expense at \$3.157 million. Petitioner's Ex. 20 at p. 10. Mr. Cutshaw testified this expense is for the disposal of CCP. He stated the adjustment was supported by IPL witness Scott's testimony, and the amount was challenged by OUCC witness Armstrong. Mr. Cutshaw testified that in IPL witness Scott's rebuttal testimony (Q&A 17), he identified a recent U.S. Environmental Protection Agency interpretation of the Coal Combustion Residuals ("CCR") rule that requires IPL to begin disposing 100% of the generated CCP material at the mine location and, therefore, supports IPL's proposed adjustment.

B. Depreciation Rates and Expense. Section I.A.1.8 of the Settlement Agreement concerns the new depreciation rates to be approved and related depreciation expense. Mr. Cutshaw testified that IPL witness Spanos prepared a depreciation study proposing new depreciation rates by primary plant account by location, including proposed depreciation rates for the new Eagle Valley

Combined Cycle Gas Turbine (“CCGT”). Petitioner’s Ex. 20 at p. 10. Industrial Group witness Andrews contested the use of the Equal Life Group (“ELG”) methodology for the Eagle Valley CCGT accounts and, instead, proposed using the Average Life Group (“ALG”) methodology. Mr. Cutshaw testified that while IPL does not agree to the ALG methodology, IPL agreed to reduce the depreciation rates for the Eagle Valley CCGT accounts to reduce the depreciation expense reflected in its rebuttal case by \$3.441 million, as shown in IPL Financial Exhibit IPL-OPER, Schedule DEPR-S; *see also* Public’s Ex. 1-S at p. 10. Mr. Cutshaw added that the depreciation rates the Commission is asked to approve are shown on Attachment B to the Settlement Agreement, and these rates reflect the depreciation rates IPL proposed, including the updated Eagle Valley CCGT depreciation rates. Petitioner’s Ex. 20 at p. 10.

C. Cost of Capital. Ms. Gruca testified that IPL proposed a 10.32% ROE, as well as a fair value increment, and the OUCC, the Industrial Group, and other intervenors advocated for a lower ROE to be applied to IPL’s original cost rate base. Public’s Ex. 1-S at p. 4. Ms. Gruca and Mr. Cutshaw testified that Section I.A.2.1 of the Settlement Agreement removes IPL’s fair value increment from the calculation of IPL’s revenue requirement and uses an original cost rate base to calculate IPL’s net operating income in this Cause. Public’s Ex. 1-S at p. 4; Petitioner’s Ex. 20 at p. 11. From Mr. Cutshaw’s perspective, this concession is significant because IPL received a fair value increment in past cases. Petitioner’s Ex. 20 at p. 11. Ms. Gruca stated that removing the fair value increment from the calculation of IPL’s revenue requirement and use of an original cost rate base saves ratepayers approximately \$11.08 million. Public’s Ex. 1-S at p. 4.

Ms. Gruca and Mr. Cutshaw testified that Section I.A.2.2 of the Settlement Agreement reflects the Settling Parties’ compromise regarding IPL’s ROE of 9.99%, and Section I.A.2.3 of the Settlement Agreement reflects a 6.59% rate of return on IPL’s original cost rate base. Petitioner’s Ex. 20 at p. 11; Public’s Ex. 1-S at p. 4. Ms. Gruca testified that a lower ROE benefits ratepayers by reducing the return on rate base that ratepayers pay. She added that the Settlement Agreement establishes a balanced plan that is in the interest of ratepayers and shareholders. Public’s Ex. 1-S at p. 4.

Mr. Cutshaw testified that the continued inclusion of the Prepaid Pension Asset in rates was a contested issue. Petitioner’s Ex. 20 at p. 11. Mr. Cutshaw and Ms. Gruca testified that Section I.A.2.4 of the Settlement Agreement reflects a Prepaid Pension Asset (Net of OPEB) of \$95.9 million to be included in IPL’s capital structure. Petitioner’s Ex. 20 at p. 11; Public’s Ex. 1-S at p. 4. They further testified that the \$95.9 million represents the \$89.3 million asset reflected in the Industrial Group testimony modified to include the IPL supplemental employment retirement plan (“SERP”). Mr. Cutshaw testified that inclusion of the SERP is consistent with the 44576 Order. Petitioner’s Ex. 20 at p. 11. Ms. Gruca stated the agreed \$95.9 million is significantly less than the \$158.2 million net prepaid pension asset IPL originally proposed be included in the capital structure and added that the revenue requirement impact of this adjustment is a reduction (savings to ratepayers) of approximately \$3.61 million from IPL’s rebuttal position. Public’s Ex. 1-S at pp. 4-5. Mr. Cutshaw testified that IPL believes the agreed revenue requirement continues to flow to customers the cost of service reduction benefits of IPL’s investment in the prepaid pension asset and that IPL considers the Settling Parties’ agreed treatment of the prepaid pension asset and associated benefits to be reasonable in the context of the settlement package. Petitioner’s Ex. 20 at p. 12.

As set forth in Section I.A.3 of the Settlement Agreement and shown in IPL Financial Exhibit IPL-REVREQ, Schedule REVREQ1-S, IPL’s agreed authorized net operating income is

\$220.076 million. Mr. Cutshaw testified this net operating income results from the cost of capital discussed in Section I.A.2 and the Rate Base set forth in Section I.A.4. Petitioner's Ex. 20 at p. 12.

D. Rate Base. Mr. Cutshaw testified that Section I.A.4 of the Settlement Agreement identifies the Settling Parties' agreement to an IPL original cost rate base of \$3,339.565 million, which the Settling Parties agree will reflect the statutory fair value of the property for purposes of this Cause. Petitioner's Ex. 20 at p. 12.

Section I.A.4.1 of the Settlement Agreement reflects a total cost of the Eagle Valley CCGT in utility plant in service in rate base of \$700.8 million at May 31, 2018. This total, according to Mr. Cutshaw, includes \$595.2 million in construction costs, \$103.6 million of allowance for funds used during construction ("AFUDC"), and \$2.0 million of capitalized spare parts. He testified these amounts are presented on IPL Financial Exhibit IPL-OPER, Schedule RB4-R and result in a net pro forma addition to plant in service of \$676.7 million. Petitioner's Ex. 20 at p. 13.

Mr. Cutshaw and Ms. Gruca testified that the Settling Parties agreed to IPL including a total of \$35.9 million as a credit to customers in the form of a reduction in operating expenses reflected in revenue requirements over IPL's next four semi-annual ECR filings following approval of a final Order approving the Settlement Agreement. Petitioner's Ex. 20 at p. 13; Public's Ex. 1-S at p. 10. Mr. Cutshaw testified this provision resolves concerns regarding the CCGT, noting IPL's view is that Petitioner has successfully managed the construction contractor challenges and safeguarded its customers' interests. Petitioner's Ex. 20 at p. 13. He testified the Settling Parties agreed the Settlement Agreement terms concerning the Eagle Valley CCGT should be approved as full resolution of the concerns regarding its delayed in-service date.

In his direct testimony, IPL witness Scott discussed the NPDES and CCR Bottom Ash environmental compliance Major Projects. Petitioner's Ex. 20 at p. 14. OUCC witness Armstrong raised issues concerning the amount of these projects in rate base. In his rebuttal testimony, IPL witness Scott recommended an update to the OUCC's adjustment to reflect the May 31, 2018, balance net of accumulated depreciation. Petitioner's Ex. 20 at p. 14. Mr. Cutshaw testified that Section I.A.4.2 of the Settlement Agreement sets forth the Settling Parties' agreement that rate base will include the environmental compliance Major Projects as updated in IPL's rebuttal filing to the May 31, 2018, amounts. He added that these amounts reflect accumulated depreciation as of May 31, 2018. Petitioner's Ex. 20 at p. 14.

IPL witness Sadtler discussed the Harding Street Station Battery Energy Storage System ("HSS BESS") in his direct testimony. In their respective testimony, OUCC witness Alvarez and Industrial Group witness Dauphinais raised concerns with the HSS BESS being included in rate base and operating expenses. In their rebuttal testimony, IPL witnesses Sadtler, Reed, and Jackson testified the HSS BESS represents good utility practice and is necessary to deliver grid reliability and ancillary services, including peak power supply. Mr. Sadtler testified the opposition to inclusion of the HSS BESS in the revenue requirement fails to adequately comprehend the importance of protecting the IPL system and IPL's customers from the consequences of not having a properly operating power system. Petitioner's Ex. 35 (Q&A 10). Mr. Sadtler provided additional information regarding the reasonableness of the HSS BESS cost. Petitioner's Ex. 35 (Q&A 14). Mr. Cutshaw testified that in Section I.A.4.3 of the Settlement Agreement, the Settling Parties agree the HSS BESS will be included in IPL's rate base at the full amount and related costs included in the pro forma test year expenses. Petitioner's Ex. 20 at p. 15.

In his second revised testimony (p. 40), Industrial Group witness Gorman calculated additional annual depreciation expense on test year plant in service of \$128.06 million and proposed reducing IPL's accumulated depreciation reserve of approximately \$106.719 million to reflect a change in the net plant value of IPL's production plant following the historical test year. In his rebuttal testimony, Mr. Cutshaw opposed this adjustment. Petitioner's Ex. 19 (Q&As 11-15). Mr. Cutshaw in his settlement testimony stated that from IPL's perspective, Mr. Gorman's proposed adjustment was contrary to the Prehearing Conference Order which identifies the test year end as the general rate base cut-off date. Petitioner's Ex. 20 at p. 15. Mr. Cutshaw testified that IPL's rebuttal filing reflected the updated depreciation expense on the environmental compliance Major Projects but not all production plant, excluding, for example, the post-test year post-in-service depreciation expense related to the Eagle Valley CCGT. He stated it was unnecessary to reflect updated depreciation expense on the Eagle Valley CCGT because the Commission authorized IPL to defer such expense. Mr. Cutshaw testified that another reason IPL opposed Mr. Gorman's proposal was that his change was asymmetric because it recognized decreases in production plant value via ongoing depreciation but ignored increases in production plant value via plant additions since the general rate base cut-off date. Petitioner's Ex. 20 at p. 16. Mr. Cutshaw testified that during the settlement negotiations, IPL identified \$48.842 million of production plant additions over that same ten month period (July 1, 2017 – April 30, 2018). As a compromise, the Settling Parties agreed to reduce IPL's rate base in this Cause by approximately one-half of the net difference between Mr. Gorman's proposal and IPL's identified rate base additions. Petitioner's Ex. 20 at p. 16; Public's Ex. 1-S at p. 10. Mr. Cutshaw stated that Section I.A.4.4 of the Settlement Agreement reflects the Settling Parties' agreement to reduce rate base by \$28.939 million as compared to IPL's rebuttal filing. Petitioner's Ex. 20 at p. 16. Ms. Gruca noted that the revenue requirement impact of this adjustment is a reduction (savings to ratepayers) of approximately \$2.47 million. Public's Ex. 1-S at p. 10.

E. TCJA. Mr. Cutshaw testified the TCJA was passed into law after IPL filed its case-in-chief. Petitioner's Ex. 20 at p. 16. IPL, therefore, agreed to amend the rate case procedural schedule to incorporate time to address the TCJA issues and filed supplemental testimony on February 16, 2018, reflecting the TCJA's benefits to customers. IPL's TCJA proposals were challenged by other parties, prompting IPL to file the rebuttal testimony of IPL witness Salatto addressing these challenges.

Ms. Gruca testified the impacts of the TCJA lowered IPL's revenue requirement by approximately \$28.9 million. Public's Ex. 1-S at p. 5. Mr. Cutshaw stated that Section I.A.5 of the Settlement Agreement sets forth the Settling Parties' negotiated resolution of the TCJA related issues. Petitioner's Ex. 20 at p. 16. Section I.A.5.1 indicates IPL's pro forma federal income tax expense will be adjusted for the TCJA as reflected in IPL's supplemental filing. Mr. Cutshaw testified this adjustment includes the change in the gross revenue conversion factor which no party contested.

Mr. Cutshaw testified that Section I.A.5.2 of the Settlement Agreement addresses the amortization of normalized excess accumulated deferred income taxes ("ADIT") created by the TCJA. The amortization will be over the life of the assets as required by statute using the average rate assumption method ("ARAM"). Mr. Cutshaw added that until the ARAM calculation is determined, the amortization will be straight-line over 25 years. He testified that non-normalized excess ADIT created by the TCJA will be amortized over approximately seven years as opposed to

the 10-year amortization period proposed in IPL's supplemental testimony. Petitioner's Ex. 20 at p. 17.

Mr. Cutshaw testified that under Section I.A.5.2.3 of the Settlement Agreement, IPL will provide a \$14.3 million credit to customers in IPL's ECR rate adjustment mechanism over a two year period to reflect the amortization of excess ADIT in 2018, prior to when new rates go into effect. According to Mr. Cutshaw, this credit reflects the seven-year amortization period for the non-normalized excess. Mr. Cutshaw stated that any regulatory liability related to the 2018 TCJA impact will not be used to reduce rate base. However, the deferred tax liability in IPL's capital structure will reflect the amortization of the excess ADIT recorded through June 30, 2018. Petitioner's Ex. 20 at pp. 17-18.

Mr. Cutshaw testified that Section I.A.5.2.5 recognizes the amounts related to ADIT reflected in the Settlement Agreement are preliminary estimates and are subject to change. Final values will not be available until after IPL's 2017 tax return is filed; therefore, Mr. Cutshaw testified that amounts in the normalized and non-normalized categories may be revised to align with final accounting values and to avoid any normalization violations. To the extent the actual annual amortization of the normalized excess ADIT differs from the estimated amount shown in the Settlement Agreement, the amortization of the non-normalized excess ADIT will be increased or decreased to ensure that the total annual amortization of normalized and non-normalized excess ADIT is equal to \$9.262 million. He stated the Settlement Agreement, together with the settlement agreement in Cause No. 45032 S1, fully incorporate all the impacts of the TCJA and represent a complete and final settlement of the impact of the TCJA on IPL's rates. Petitioner's Ex. 20 at pp. 18-19. In Mr. Cutshaw's opinion, these two settlements reasonably resolve the disputed aspects of the TCJA issues and allow the TCJA benefits to flow to customers in a reasonable manner that will offset the cost of service increases reflected in this Cause. Petitioner's Ex. 20 at p. 19.

F. Vegetation Management. Mr. Cutshaw testified Section I.A.6 of the Settlement Agreement relates to vegetation management. He noted that IPL witness Perry reviewed the increased contract price for scheduled vegetation management work on IPL's distribution facilities by its outside contractor. He stated that Mr. Perry also testified that tree failure is the leading cause of power outages and proposed increasing overhang clearances from 10 feet to 15 feet above the conductor to reduce customer outages. Petitioner's Ex. 22 at pp. 5 and 9-10. Mr. Cutshaw noted that in his direct testimony, Mr. Cutshaw described IPL's request for Commission approval of a vegetation management reserve similar to the major storm damage restoration reserve the Commission approved in the 44576 Order. Petitioner's Ex. 20 at p. 19. IPL's vegetation proposals were challenged by other parties, including in the testimony of OUCC witnesses Hand and Blakley, Industrial Group witness Gorman, and UIndy witness Holstein. For example, Ms. Gruca testified OUCC witness Hand recommended denying IPL's proposed \$8.156 million annual increase in vegetation management costs. Public's Ex. 1-S at p. 8. OUCC witness Blakley recommended denying the vegetation management reserve, testifying that IPL management sets vegetation management budgets and decides how much, when, and where money is spent and therefore can be planned. Public's Ex. 1-S at p. 9. Ms. Gruca stated this is unlike major storm expense where management does not control when, where, and how much money will need to be spent. Ms. Gruca further stated that OUCC witness Blakley also testified that the base rate revenue requirement should provide enough resources for IPL to proactively manage this activity, and the use of asset/liability treatment on normal operating and expense accounts should only occur in extreme,

unusual circumstances, not for vegetation management which is a recurring part of IPL's operations. Public's Ex. 1-S at p. 9.

Mr. Cutshaw noted that he and IPL witness Perry filed rebuttal testimony addressing the OUCC and intervenors' concerns. Mr. Cutshaw testified the settlement discussions fostered better understanding of vegetation management on IPL's system and an acceptable compromise. In Section 6.1, the Settling Parties agreed to a \$6.896 million increase in vegetation management expense, for a total \$11.0 million embedded in base rates for vegetation management on IPL's distribution facilities by outside contractors. Ms. Gruca testified this reduction saves ratepayers \$1.260 million from IPL's originally proposed \$12.260 million embedded vegetation management expense. Public's Ex. 1-S at pp. 8-9.

Mr. Cutshaw further testified that in Section 6.1.1, the Settling Parties also agreed to modify IPL's proposal for a vegetation management reserve so that IPL will establish a mechanism to defer any shortfalls in annual expenditures for vegetation management costs on its distribution facilities relative to the amount embedded in base rates. Petitioner's Ex. 20 at p. 20; Public's Ex. 1-S at p. 9. Mr. Cutshaw and Ms. Gruca testified that this mechanism will serve as a cap, and no amounts spent above the embedded amount on a cumulative basis will be deferred. They also testified that at the time of IPL's next base rate case, the balance in this regulatory liability account will be amortized into cost of service as a credit to ratepayers. Mr. Cutshaw added that in Section 6.1.2, IPL agreed to include within its annual vegetation management report outage investigation information showing the number of outages caused by vegetation. As proposed by OUCC witness Hand, IPL also agreed to include, in IPL's future annual vegetation management reports, relevant text from 170 IAC 4-9 identifying the language of the Commission's rules relevant to consumer rights and procedures for disputes concerning vegetation management. Mr. Cutshaw opined that the Settlement Agreement is a reasonable compromise that reflects the higher cost of vegetation management contractor costs and supports increasing overhang clearances. In his view, the Settlement Agreement also recognizes that IPL works hard to resolve customer complaints informally to the customer's satisfaction. Petitioner's Ex. 20 at p. 20.

G. Off-System Sales ("OSS") Margins and Capacity Sales. Mr. Cutshaw testified Section I.A.7 of the Settlement Agreement concerns the embedded amounts and sharing percentages for IPL's OSS margins rider and the capacity sales rider. He stated that in its case-in-chief, IPL proposed continuing to embed \$6.324 million of OSS margins in basic rates and charges and to provide 100% of OSS margins to customers through its existing OSS margin adjustment mechanism. Petitioner's Ex. 20 at p. 21. He testified that UIndy witness Holstein contested both the embedded amount and sharing percentage while OUCC witness Ramaraj recommended approving IPL's proposal. Ms. Gruca and Mr. Cutshaw testified that under Sections I.A.7.1 and I.A.7.2 of the Settlement Agreement, the Settling Parties agreed to increase the embedded base rate credit for OSS margins by \$10.0 million to a \$16.324 million credit to the retail revenue requirement and for IPL to provide 100% of OSS margins (profits) that result to its ratepayers through its existing rider. Petitioner's Ex. 20 at p. 21; Public's Ex. 1-S at p. 11. Ms. Gruca testified that from the OUCC's perspective, flowing through 100% of OSS margins is an offset to ratepayers who are paying IPL's retail rates to support the O&M expenses and provide a return of and a return on the assets that support OSS. She noted that ratepayers also pay rates that reflect the MISO administrative fees that provide for MISO to administer OSS of IPL's excess generation. She stated that given IPL's participation in MISO, the OUCC believes it is no longer necessary to provide IPL an incentive to maximize its OSS. In addition, increasing the embedded OSS margin credit amount to \$16.324

million more closely reflects what IPL anticipates its OSS margins will be now that Eagle Valley is in service. Public's Ex. 1-S at p. 11. Similarly, Mr. Cutshaw testified that in its case-in-chief, IPL proposed to embed an \$11.288 million credit for capacity sales in basic rates and charges and to provide 100% of capacity sales revenues to customers through its capacity adjustment mechanism. Mr. Cutshaw testified that because no party opposed IPL's capacity adjustment proposal,⁷ the Settling Parties agreed to the amounts in IPL's proposal, as summarized in Sections I.A.7.3 and I.A.7.4 of the Settlement Agreement. Petitioner's Ex. 20 at p. 21. Ms. Gruca added that if capacity sales revenues fall below the embedded base rate amount, customers will be charged (pay back) the difference between actual capacity sales revenues that fall below the base level and the embedded amount that customers received through base rates. Public's Ex. 1-S at p. 12.

Mr. Cutshaw testified the agreements to flow all OSS margins and all capacity sales to the benefit of retail customers allow retail service rates to be reduced by IPL's efforts in the wholesale market. He stated these proposals help all IPL customers. Petitioner's Ex. 20 at p. 21. Ms. Gruca testified ratepayers benefit from receiving 100% of all capacity sales profits which helps mitigate the impact of rate increases IPL customers face in base rate cases and IPL's various tracker mechanisms. Public's Ex. 1-S at p. 12.

H. Fuel Cost Adjustment ("FAC"). Section I.A.8 of the Settlement Agreement clarifies that the Settling Parties agree to continue the existing practice in IPL's FAC proceedings that allows the OUCC and intervenors to file their testimony and report not more than 35 days after IPL files its application and testimony. Mr. Cutshaw stated this procedure has worked well, and it is reasonable to clarify the Settling Parties' intent that it be maintained. Petitioner's Ex. 20 at pp. 21-22.

I. Other. Mr. Cutshaw stated that Section I.A.9 of the Settlement Agreement clarifies that any revenue requirement matters not addressed by the Settlement Agreement will be adopted as proposed by IPL. Petitioner's Ex. 20 at p. 22.

J. Commercial and Industrial Customer Rate Design and Other Issues. Mr. Cutshaw testified that Section I.B.1 of the Settlement Agreement sets forth certain cost of service and rate design commitments related to IPL's commercial and industrial customers. Specifically, IPL agreed to commitments regarding backup, maintenance, and supplementary power; additional analysis regarding a low load factor rate class; and agreements unique to certain Settling Parties. Petitioner's Ex. 20 at p. 22.

Mr. Dauphinais and Mr. Cutshaw testified the Settlement Agreement modifies the provision of back-up and maintenance power for Rate CGS under Standard Contract Rider Nos. 10 and 11. Intervenor IG Ex. 5 at pp. 7-8; Petitioner's Ex. 20 at pp. 22-23. They testified that in Section I.B.1.1.3 the Settling Parties agreed to certain pricing terms, an IPL system limit of 55 megawatts total curtailable backup and maintenance load served under this provision, and a grandfathering provision. Mr. Dauphinais testified that when taking backup and maintenance power on a curtailable basis, the normal applicable IPL monthly demand charge and 11-month demand charge ratchet would not apply to the generation-related portion of the monthly demand charge. Instead, a pro-rated monthly generation-related demand charge applied on a daily basis to actual backup and

⁷ See Cutshaw direct testimony (Petitioner's Ex. 16) at p. 33 (explaining that if net annual capacity sales are less than the base amount (including if net capacity purchases occur), IPL proposes that 100% of that deficit will be reflected through an adjustment to the retail rates, resulting in a charge on the retail customers' monthly bill).

maintenance power demand taken would apply. Intervenor IG Ex. 5 at p. 7. Mr. Cutshaw stated the Settlement Agreement defines “curtailment” in Section 4 and requires the customer to have appropriate control system facilities in place to curtail the customer. Petitioner’s Ex. 20 at pp 22-23. He testified the Settlement Agreement in Section I.B.1.1.6 also sets forth the conditions required for IPL to curtail the load using these control system facilities. Petitioner’s Ex. 20 at p. 23. Mr. Dauphinais testified the customer must curtail its backup and maintenance power if: (1) IPL is experiencing a capacity emergency; (2) MISO has found that the calling upon of load modifying resources has not been sufficient; and (3) MISO has called upon IPL to make public appeals for voluntary customer reduction of power demand. Mr. Dauphinais testified this is Maximum Generation Event Step 2d of the MISO capacity emergency procedure. He added that, in certain situations and at the customer’s cost, a control is to be installed that will allow IPL to remotely curtail the customer’s load if the customer fails to curtail its backup and maintenance power and the capacity emergency worsens such that firm load curtailments are necessary. Mr. Dauphinais testified this occurs at Maximum Generation Event Step 5 of the MISO capacity emergency procedure. Intervenor IG Ex. 5 at p. 8.

Mr. Cutshaw testified that in Section I.B.1.1.11, IPL agreed to evaluate this rate structure, including the transmission and distribution component of the demand charge, with the Industrial Group before filing IPL’s next basic rate case. Petitioner’s Ex. 20 at p. 23. He added that the revised Rate CGS Tariff containing these modifications and revised versions of Riders 10 and 11 reflecting these changes to Rate CGS are attached to his settlement testimony as IPL Witness JLC Attachment 3S. Petitioner’s Ex. 20 at pp. 22-23.

Mr. Dauphinais testified the settlement provisions are a large stride forward toward addressing the Industrial Group’s concerns and in the context of the give and take in the Settlement Agreement, the proposed backup and maintenance service provisions are reasonable. Intervenor IG Ex. 5 at p. 8. But, he testified these provisions do not address all of the Industrial Group’s concerns regarding IPL’s current backup and maintenance service provisions. He understands IPL’s desire to gain more experience with providing backup and maintenance power to customers operating self-generation before considering additional changes to its backup and maintenance service rules. According to Mr. Dauphinais, IPL’s agreement to further evaluate the backup and maintenance service rate structure, including the monthly demand charges and the application of the demand ratchet, with the Industrial Group before filing its next rate case presents an opportunity to revisit these issues.

Mr. Cutshaw and Mr. Dauphinais testified that in Section I.B.1.2 of the Settlement Agreement, for purposes of its next rate case, IPL agreed to prepare an analysis that separately allocates costs to low load factor customers and a proposed rate structure to recover those allocated costs. Intervenor IG Ex. 5 at p. 6; Petitioner’s Ex. 20 at p. 23. IPL will also prepare an analysis which does not separately allocate costs to low load factor customers. Mr. Cutshaw testified that IPL agreed to work with the Industrial Group, Kroger, Walmart, and other interested parties to prepare these studies prior to filing its next rate case and to make the studies available to the other parties and the Commission in IPL’s next basic rate case. The Settling Parties also agreed that neither IPL nor the other parties are obligated to take a position in support of or against these rate structures in IPL’s next basic rate case. Intervenor IG Ex. 5 at p. 6; Petitioner’s Ex. 20 at p. 23. Mr. Cutshaw added that the inclusion of this provision recognizes meetings with relevant customer groups and other interested parties can facilitate understanding and resolution of complex cost of service and rate design issues. Petitioner’s Ex. 20 at p. 23.

Mr. Cutshaw and Ms. Gruca testified that under Section I.B.1.3 of the Settlement Agreement, IPL agreed to meet with Kroger quarterly for the 18 months subsequent to the Settlement Agreement to review service levels and reliability. IPL also agreed to extend the current Rate SS Agreements with Rolls-Royce for an additional three-year term consistent with Section I.B.1.4 of the Settlement Agreement. Mr. Cutshaw testified that as described more fully in Section I.B.1.6, IPL also agreed to provide Lawrence with certain geographic information system mapping data and to work together to determine the feasibility of providing Lawrence with consolidated billing and account information and the costs and feasibility of Lawrence benefitting from the bulk purchasing savings generated from IPL's LED conversion program with the City of Indianapolis. Mr. Cutshaw stated that IPL is working with municipalities in its service area who wish to convert their street lights in the near future. Petitioner's Ex. 20 at pp. 23-24. He and Ms. Gruca also testified that, as described in Section I.B.1.5, IPL agreed to work with UIndy to reach agreement on or before July 1, 2019, on a mutually-agreeable energy efficient street light conversion program. Petitioner's Ex. 20 at p. 24; Public's Ex. 1-S at p. 13.

K. Residential Rate Design. Ms. Gruca testified that IPL originally proposed a 59% or \$10.00 increase (\$17.00 to \$27.00) in the higher of IPL's two residential customer charges. Public's Ex. 1-S at p. 15. She stated the proposed increase in the residential customer charge was a recurring concern of ratepayers testifying at the field hearings and in ratepayers' written submissions; consequently, this issue was raised in the OUCC's testimony and by other intervenors. Ms. Gruca testified the residential customer charge was the subject of intense negotiations.

Mr. Olson testified the Joint Intervenor Group vehemently opposed IPL's original proposal regarding the fixed customer charge. Intervenor JI Ex. 5 at p. 4. He stated the Joint Intervenor Group asserted the appropriate cost-based, monthly fixed customer charge for residential customers, based on IPL's originally proposed revenue requirement, is \$8.15. He testified the Joint Intervenor Group opposed IPL's proposed customer charge because it inappropriately shifts recovery of load-related costs to the residential fixed charge; will lead to subsidization of high-usage residential customer costs by low-usage customers, thereby inequitably increasing bills for IPL's smallest residential customers; and dampens price signals to customers about investing in energy efficiency or distributed renewable generation. Intervenor JI Ex. 5 at p. 5. Mr. Olson testified that given Joint Intervenor Group's perspective on the impact of high fixed customer charges on low income households and its diminished incentives for energy efficiency and distributed energy resources, they still have concerns but agreed to a smaller fixed customer charge increase for usage at or below 325 kWh and no increase to the charge for usage above this level because of the comprehensive settlement package and the trend they perceive before the Commission to increase customer charges. Intervenor JI Ex. 5 at p. 5.

Mr. Cutshaw acknowledged the residential rate design issues were the subject of much testimony. He testified that while IPL has firmly held positions regarding the application of cost of service and cost recovery principles to residential rate design and believes well-established economic principles and IPL's actual customer data support its proposal, IPL also recognized the passion this issue elicited. He stated the diverse views made this issue challenging to resolve. Petitioner's Ex. 20 at p. 25. Mr. Cutshaw testified that IPL looked for and found common ground with respect to commitment to energy efficiency, pursuit of IPL's proposed roundup program, interest in learning more about the impact of arrearage management on IPL's ongoing cost of service and customer experience, and the ongoing reporting of additional details regarding certain residential service metrics. He stated IPL believes that for many customers, the ultimate rate design

selected will not materially impact their total bill, and that low income customers (whether low or high usage) have assistance programs available, including the Low Income Home Energy Assistance Program (“LIHEAP”), IPL’s energy efficiency programs, and additional consumer programs reflected in the Settlement Agreement. He testified that as reflected in the repeated references to collaboration in the Settlement Agreement, the Settling Parties will develop the details regarding the agreed pilot programs on a collaborative basis. He stated IPL has successfully collaborated with interested stakeholders in the past and added that working together has and can produce improved understanding of issues and better communication. Petitioner’s Ex. 20 at pp. 25-26.

Mr. Cutshaw testified that, ultimately, the Settling Parties agreed to modest changes to the rate design the Commission approved in IPL’s last base rate case, Cause No. 44576, coupled with commitments to the consumer programs identified in Section I.C. of the Settlement Agreement. More specifically, Mr. Cutshaw and Ms. Gruca testified the Settling Parties agreed to increase the residential customer charge for usage at or below 325 kWh per month to \$12.50. Ms. Gruca stated the effect of that increase was reduced through a reduction in the magnitude of the first block of electricity in IPL’s declining block volumetric rate structure relative to the other blocks in that structure. Public’s Ex. 1-S at p. 15. Mr. Cutshaw and Ms. Gruca testified the Settling Parties also agreed to keep the residential customer charge for usage above this level at \$17.00, which reflects the level currently in place per the 44576 Order. Mr. Cutshaw stated the Settlement Agreement moves the two charges closer together, and he believes this preserves future rate design flexibility.

Mr. Olson testified that IPL currently has declining block volumetric energy charges for residential customers, which means customers pay less for the energy they use on a per unit basis as they consume more. Intervenor JI Ex. 5 at p. 6. He opined that declining block rates do not provide correct price signals to customers, dilute incentives for efficiency and distributed generation, and shift costs from high-usage customers to those using less. He noted Joint Intervenor Group’s witness Wallach, in his direct testimony, recommended the volumetric rates for the second and third energy blocks be reduced gradually to zero over this and the next two or three rate cases, indicating it may be appropriate to phase out the third-energy block over a longer period.

Mr. Olson testified that under the Settlement Agreement, IPL will lessen the degree to which its volumetric block rates decline in this rate case. Intervenor JI Ex. 5 at p. 6. He and Mr. Cutshaw stated the Settling Parties agreed to reduce by 25% the difference between the first and second block volumetric rates, meaning the first block (usage under 500 kWh) will have a somewhat lower rate, while usage in the second block (501-1000 kWh) will cost somewhat more than it would otherwise. They testified the price differential of the third block rate, which is available to customers on the electric space heating or electric water heating tariff, will not change. Intervenor JI Ex. 5 at p. 6; Petitioner’s Ex. 20 at pp. 25-26. Mr. Cutshaw added that with the agreed residential customer charges and this modification to the block structure, the residential energy charges will be calculated to recover the remaining residential revenue requirement. Petitioner’s Ex. 20 at pp. 26-27. Mr. Olson testified that Joint Intervenor Group strongly support this provision of the Settlement Agreement which will move IPL’s residential volumetric energy charges closer to a rate design they believe provides customers with better price signals. Intervenor JI Ex. 5 at pp. 6-7.

Mr. Olson stated the Joint Intervenor Group sees great value in agreeing to maintain or only slightly increasing the fixed charge compared to what IPL initially proposed. Intervenor JI Ex. 5 at p. 5. He testified that from their perspective, the Settlement Agreement partially preserves a rate

structure that does not shift costs and creates incentives for customers to invest in energy efficiency, and the Joint Intervenor Group is pleased to have reached this settlement. Intervenor JI Ex. 5 at p. 6.

L. Cost of Service and Revenue Allocation. In his settlement testimony, Mr. Dauphinais stated the Industrial Group members take service under several rate classes including Rates SS, SH, SL, PL, and HL1, 2, and 3. He testified that these members are some of the largest IPL customers and largest employers in IPL's service area. He concluded that the agreed revenue allocation resulting from the Settlement Agreement is reasonable. Intervenor IG Ex. 5 at pp. 3, 7.

Mr. Dauphinais testified that IPL's total revenue requirement and IPL's electric rates should be based on the actual cost of providing electric service to each customer class. Additionally, he stated that certain significant operational changes have occurred at IPL since its last rate case that have impacted the appropriate cost of service methodology for the IPL electric system. Mr. Dauphinais testified that in his direct testimony he provided certain recommendations if the Commission determines no significant changes have occurred in IPL's operations since its last rate case, and the Commission adopts IPL's proposed cost allocation methodology. He testified his cross-answering testimony also addressed differences in the cost of service methodology filed by other parties. Intervenor IG Ex. 5 at p. 4. Mr. Dauphinais testified a range of cost of service methodologies were presented to the Commission by IPL, the Industrial Group, and the OUCC. To reach consensus, rather than rely on a specified cost allocation methodology, the Settlement Agreement uses a revenue allocation that takes into account the cost of service positions the various parties presented to reach a fair and reasonable result. Intervenor IG Ex. 5 at pp. 4-5.

Mr. Dauphinais and Mr. Cutshaw testified that Section I.B.3 of the Settlement Agreement sets forth the Settling Parties' agreement that rates should be designed in order to allocate the revenue requirement to and among IPL's customer classes in a fair and reasonable manner. Intervenor IG Ex. 5 at p. 5; Petitioner's Ex. 20 at p. 27.

Ms. Gruca testified that the Settling Parties spent significant time negotiating a fair and reasonable revenue class allocation to allocate the costs of service among all rate classes. Public's Ex. 20 at p. 14. She, Mr. Cutshaw, and Mr. Dauphinais each testified that for settlement purposes, the Settling Parties agree that Settlement Agreement Attachment C specifies the agreed revenue allocation. They stated this revenue allocation is determined strictly for settlement purposes and is without reference to any particular cost allocation methodology. Mr. Cutshaw added that Section I.B.3 also sets forth the demand allocators for IPL's current rate adjustment mechanisms as shown in Settlement Agreement Attachment D. Petitioner's Ex. 20 at p. 27.

Ms. Gruca testified that the OUCC concluded the Settlement Agreement is a fair compromise. Public's Ex. 1-S at p. 14. She stated the OUCC was especially concerned about revenue allocation and any resulting rate increase to residential and commercial customers. She testified it was important to the OUCC to keep customer class rate increases reasonably close to the system-wide increase of 3.20%. Public's Ex. 1-S at p. 14.

Mr. Cutshaw and Mr. Dauphinais testified that Section I.B.3.2 identifies the customer class revenue allocation factors for any future Commission-approved Transmission, Distribution, and Storage System Improvement Charge ("TDSIC") plan expenditures and costs prior to IPL's next base rate case. Petitioner's Ex. 20 at p. 28; Intervenor IG Ex. 5 at p. 5. More specifically, Section I.B.3.2 sets forth the revenue allocation among customer classes for TDSIC transmission and

distribution expenditures and costs as shown in Settlement Agreement Attachment E. Mr. Cutshaw testified the Settling Parties agree that all revenues and allocation factors on Settlement Agreement Attachment E have had interruptible load removed. Mr. Cutshaw and Mr. Dauphinais further testified that Settlement Agreement Attachment E also reflects the percentage of distribution and transmission expenditures and costs allocable to each individual Rate Code. Petitioner's Ex. 20 at p. 28; Intervenor IG Ex. 5 at p. 6.

Finally, Mr. Cutshaw and Mr. Dauphinais stated that Section I.B.3.3 affirms that all other components of IPL's filed cost allocation and rate design shall be as filed in IPL's case-in-chief. Petitioner's Ex. 20 at p. 28; Intervenor IG Ex. 5 at p. 7.

M. Consumer Programs. Ms. Gruca and Mr. Cutshaw testified that Section I.C. of the Settlement Agreement sets forth the consumer programs the Settling Parties agreed to. Public's Ex. 1-S at pp. 12-14; Petitioner's Ex. 20 at p. 28. Mr. Cutshaw stated the programs include a payment to facilitate low income weatherization, a low income arrearage forgiveness program pilot, and a roundup program pilot to address low income bill affordability. Mr. Olson testified the Joint Intervenor Group is very pleased the Settlement Agreement creates an arrearage forgiveness pilot program and a roundup pilot program to address the affordability of low income customers' bills. Intervenor JI Ex. 5 at p. 7. Mr. Cutshaw testified that IPL has also agreed to provide certain additional residential service metrics on an annual basis and to file with the Commission a report with information on the low income arrearage forgiveness program pilot. Petitioner's Ex. 20 at p. 28.

Mr. Cutshaw and Mr. Olson testified that Section I.C.1 sets forth the provision whereby IPL will make a one-time \$150,000 contribution to the community action program network of INCAA. Petitioner's Ex. 20 at p. 29; Intervenor JI Ex. 5 at pp. 9-10. Mr. Cutshaw stated this contribution is designed to facilitate low income weatherization in IPL's service territory, targeting high-usage energy assistance program customers. Mr. Cutshaw testified that IPL's revenue deficiency in this Cause will not be adjusted to include the incremental costs of this contribution. He added that this commitment complements IPL's robust energy efficiency plan the Commission approved in Cause No. 44945. Petitioner's Ex. 20 at p. 29. Mr. Olson testified the Joint Intervenor Group is a strong proponent of weatherization programs for low income customers because these improve the quality of life for low income households by reducing monthly energy bills and creating a more comfortable, healthy, and safe living environment for household members. Intervenor JI Ex. 5 at p. 10. He stated these additional funds will be targeted to high-usage low income customers to assist the households with the highest bills.

Mr. Cutshaw testified that Section I.C.2 of the Settlement Agreement describes IPL's low income arrearage forgiveness program pilot. In response to Mr. Olson's testimony, IPL will implement a three-year low income arrearage forgiveness program pilot that will afford low income customers an opportunity to catch up on their bills. Non-administrative pilot program costs for arrearage forgiveness will not exceed \$650,000 over the life of the pilot project. Mr. Cutshaw testified that once this limit is met, IPL will stop enrolling new participants for the pilot program. He stated estimated administrative costs for this program are approximately \$300,000 over the life of the pilot. Mr. Cutshaw testified that program details will be established in good faith through a collaborative process with IPL and interested stakeholders, which will commence no later than 90 days after a final Order approving the Settlement Agreement in this Cause. He testified that IPL will work in good faith to implement this program pilot within 180 days after a final Order approving

the Settlement Agreement. Mr. Cutshaw clarified that IPL's revenue deficiency in this Cause will not be adjusted to include the incremental costs of this program pilot. He testified the Settling Parties also agreed that IPL will file a report on this program pilot with the Commission that includes the number of participants, amounts awarded to participants, and other information determined by the collaborative process. Petitioner's Ex. 20 at pp. 29-30.

Mr. Cutshaw testified that Section I.C.3 of the Settlement Agreement provides for IPL's proposed roundup program to also be implemented on a three-year pilot basis to address low income affordability. He stated the program details are to be established in good faith through a collaborative process with IPL and interested stakeholders to commence no later than 90 days after a final Order is entered in this Cause approving the Settlement Agreement. Mr. Cutshaw testified that IPL will work in good faith to implement this program pilot within 180 days after a final Order approving the settlement. To help fund this program pilot, IPL will contribute \$100,000 over the life of the pilot. He testified IPL's revenue deficiency in this Cause will not be adjusted to include the incremental costs of this program pilot. Petitioner's Ex. 20 at p. 30.

In his settlement testimony, Mr. Olson stated that the need to create affordable monthly electric bills for low income households is great. He testified that if customers cannot stay current on their monthly bills, it is unreasonable to expect these households will have the means to pay past due balances. The Joint Intervenor Group, therefore, recommended developing a comprehensive low income bill payment assistance program to address not only the struggles low income households face in affording their monthly bills, but also the added challenge of overdue balances. Mr. Olson testified that although the Joint Intervenor Group prefers a specific rate class for low income households with an arrearage management program, they are happy to have a settlement which promises to address both overall bill affordability and past due balances. Intervenor JI Ex. 5 at p. 7. He added that during the collaborative process to develop the details of these programs, the Joint Intervenor Group plans to pursue their proposal that the bill roundup component use an opt-out model that enrolls all customers. Intervenor JI Ex. 5 at p. 7.

Mr. Olson testified that due to regulatory deadlines, the numerous stakeholders, and the enormous scope of the issues addressed in the Settlement Agreement, there was not time to drill down on the roundup and arrearage management program details. He testified it is critical to get it right with respect to items such as communications and outreach, eligibility and enrollment, administration, and collaboration with the multiple agencies and organizations who serve low income households. Intervenor JI Ex. 5 at p. 8. He stated the collaborative will provide a forum in which IPL, the Joint Intervenor Group, and other interested stakeholders can work together to create programs that succeed. He testified that the Joint Intervenor Group desires these pilots to transition into permanent programs to benefit all for years to come. He testified they will, therefore, commit resources to the collaborative and will work to bring to the table the expertise needed to inform the process and create the best programs. Mr. Olson testified the Joint Intervenor Group is happy the Settlement Agreement includes a collaborative process to explore and create the program details with the time and care needed for these pilot programs to succeed. Intervenor JI Ex. 5 at p. 8.

Mr. Cutshaw testified that Section I.C.4.1 sets forth IPL's agreement to amend its ongoing Performance Metrics Collaborative annual report filed with the Commission under Cause No. 44576 to include certain additional non-confidential information by month. Petitioner's Ex. 20 at pp. 30-31. This information is detailed in the Settlement Agreement and primarily consists of information related to residential unpaid accounts, collections, and service disconnections. Mr.

Cutshaw stated that IPL continues to believe ongoing reporting requirements should be balanced with the cost of compiling the information. He testified that IPL agreed to report this information for the time period specified in the Settlement Agreement to better understand ongoing customer and operational challenges. Petitioner's Ex. 20 at p. 31. Mr. Olson testified that broadly reporting monthly data on indicators of payment problems among general residential and low income customers, in addition to providing data on the low income pilot programs, can help gauge program success and identify changes needed to ensure program effectiveness. Intervenor JI Ex. 5 at pp. 8-9.

Mr. Olson testified that from the Cause No. 44576 collaborative which developed IPL's Performance Metrics Report, CAC was able to secure reporting of certain affordability data but is thrilled to have more data as a result of the Settlement Agreement. He testified that regular reporting of payment problem indicators is vital to assess the state of home energy security among IPL's residential customers and to evaluate the effectiveness of programs and policies intended to protect that security. He testified the Joint Intervenor Group plans to encourage IPL to continue to report this data past the sunset provision in the Settlement Agreement, considering how critical it is to understanding the state of affordability within IPL's service territory. Intervenor JI Ex. 5 at p. 9.

Mr. Cutshaw testified that Section I.C.5 of the Settlement Agreement contains the agreement that IPL will show the customer charge on residential customer bills within 60 days of a final Order in this Cause. Petitioner's Ex. 20 at p. 31. Mr. Cutshaw stated that Section I.C.7 includes IPL's agreement to provide its residential customers with notice and a description of any changes proposed to the fixed customer charge in IPL's next basic rate case. Mr. Cutshaw testified this was an easy commitment to make because IPL strives to effectively communicate with its customers so that IPL better understands its customers' service needs and customers better understand the challenges and costs associated with efficiently meeting these needs. Petitioner's Ex. 20 at p. 32. Mr. Olson testified that the Joint Intervenor Group is pleased to see IPL has committed to increase its informational disclosures to customers by specifying the applicable fixed customer charge on residential bills and providing customers with notice of any proposed changes to the fixed customer charge in its next general rate case. He testified these disclosures will help customers exercise more control over their bills and provide customers with the information they need to advocate for their interests before the Commission. Intervenor JI Ex. 5 at p. 9.

As noted by Mr. Olson and Ms. Gruca, Section I.C.6 of the Settlement Agreement sets forth the Settling Parties' agreement to reconvene the Local Green Power Advisory Committee for a minimum of two meetings within six months of receiving a final Order in this Cause approving the Settlement Agreement. Intervenor JI Ex. 5 at p. 10; Public's Ex. 1-S at p. 14. Mr. Olson testified that when designed properly, community solar can expand access to the direct bill-reduction benefits of distributed solar to lower-income households or customers who otherwise cannot install solar systems on their own property. He stated this is especially important considering the large percentage of IPL's customers who lease, rent, and reside in apartment buildings, condominiums, or other shared living arrangements in which they lack the ability or authority to install solar directly on the property. He added the Joint Intervenor Group believes there is a high level of interest in IPL's service territory for community solar programs and increasing customers' access to solar. Mr. Olson testified the Joint Intervenor Group supports the effort to restart discussions about a community solar pilot program that is attractive to IPL's customers. Intervenor JI Ex. 5 at p. 10.

Mr. Cutshaw testified that IPL previously established the Local Green Power Advisory Committee to discuss the potential for a local community solar program in its service territory. He

testified that as noted in the revised direct testimony of IPL President and Chief Executive Officer Craig Jackson (Q&A 13), IPL has considerable experience with solar energy. Mr. Cutshaw stated Section I.C.6 reinforces IPL's support for initiatives that provide customers with fair, yet tangible, ways to participate in energy choices. Mr. Cutshaw testified the Local Green Power Advisory Committee meetings will be open to all interested stakeholders. He added that IPL has agreed to work in good faith with the Local Green Power Advisory Committee to develop a community solar pilot proposal within one year. He testified that while these commitments do not guarantee a pilot will be pursued, IPL looks forward to exploring these matters. Petitioner's Ex. 20 at pp. 31-32.

N. Remaining Issues. Mr. Cutshaw testified that Section I.D. clarifies that any matters not addressed by the Settlement Agreement terms will be adopted as IPL proposed in its direct, supplemental, and rebuttal case. He stated the Settling Parties seek a Commission order approving the Settlement Agreement within a timeframe that allows IPL to complete the compliance filing process and be able to place new rates into effect on December 5, 2018. Petitioner's Ex. 20 at p. 33.

Mr. Cutshaw testified that Sections II and III of the Settlement Agreement address the presentation of the Settlement Agreement to the Commission and use of the Settlement Agreement. More specifically, he testified the Settlement Agreement provides that it is reflective of a negotiated settlement, and neither the making of the Settlement Agreement nor any of its provisions shall constitute an admission by any Settling Party in this or any other litigation or proceeding. He added that the Settlement Agreement is a compromise and will be null and void unless approved in its entirety without modification or further condition that is unacceptable to any Settling Party. He stated the Settlement Agreement also includes provisions supporting approval of the settlement, recognizes the confidentiality of settlement communications, and reflects other terms typically found in settlement agreements before the Commission. Petitioner's Ex. 20 at pp. 33, 35-36.

O. Residential Bill Impact. Mr. Cutshaw testified upon the impact of the Settlement Agreement for a typical residential customer using 1,000 kWh per month. He stated the monthly residential bill for a 1,000 kWh customer using the agreed rates will be \$118.14, which is an increase of \$5.18 or 4.59%. He further testified that the Commission's recently published July 1, 2018, jurisdictional residential bill survey shows IPL's current residential bill for a customer using 1,000 kWh is the lowest among the five Indiana investor-owned electric utilities. He stated the \$118.14 bill reflective of the agreed rates will still be the lowest, noting that the \$118.14 bill does not consider the Settling Parties' agreement upon the credits to be reflected in the ECR mechanism. Petitioner's Ex. 20 at pp. 34-35. Mr. Cutshaw also presented a schedule identified as IPL Witness JLC Attachment 5S containing the metered rates and lighting rates by rate code resulting from the Settlement Agreement.

Mr. Cutshaw testified that as IPL witness Jackson stated in his rebuttal testimony (Q&A 35), IPL understands the importance of controlling costs as the costs incurred to provide service must necessarily be recognized in the price IPL's customers pay for service. He testified this is demonstrated by IPL's long-standing position as a provider of low cost reliable electric service. He stated that IPL worked to reach a negotiated settlement package that balances IPL's need for a rate increase with its customers' near term and longer term interests. He testified IPL is continuing its efforts to maintain efficient operations while undertaking the work necessary to meet its customers' need for reliable service and facilities. Petitioner's Ex. 20 at p. 35.

Finally, Mr. Cutshaw testified that an updated schedule calculating the lost revenue margin rates by rate code based upon the agreed rates is provided as IPL Witness JLC Attachment 7S. Petitioner's Ex. 20 at p. 35.

P. Public Interest. Ms. Gruca testified that the OUCC recommends the Commission find the Settlement Agreement is in the public interest and approve it in its entirety. Public's Ex. 1-S at p. 15. Mr. Dauphinais testified that the Settlement Agreement, when taken as a complete package, reasonably resolves the Industrial Group's issues in this rate case and results in a fair and reasonable resolution for all of IPL's customers. Intervenor IG Ex. 5 at p. 9. He said the Settlement Agreement significantly reduces the rate increases IPL originally proposed. Mr. Cutshaw testified that in his opinion, settlement is a reasonable means of resolving a controversial proceeding in a manner that is fair and balanced to all concerned. He testified the Settlement Agreement is supported by and within the scope of the evidence the Settling Parties presented, and taken as a whole, the Settlement Agreement represents the result of extensive, good faith, arm's-length negotiations. He stated experts were involved with legal counsel, and substantial time was devoted to the settlement discussions. In Mr. Cutshaw's opinion, the Settlement Agreement is in the public interest. He testified the Settlement Agreement reasonably addresses the concerns raised in this proceeding and provides a balanced, cooperative outcome of the issues in this Cause, including the impact of the TCJA on IPL's rates and charges. He asked the Commission to issue an order approving the Settlement Agreement so new rates may be placed into effect December 5, 2018, and IPL may move forward with the various agreed initiatives. Petitioner's Ex. 20 at pp. 36-37.

Mr. Olson testified that a negotiated settlement resolving the important and complex technical issues and eliminating the uncertainties associated with litigation risk is an appropriate way for the parties and the Commission to achieve a just and reasonable result. Intervenor JI Ex. 5 at p. 11. He testified he supports the Settlement Agreement as a reasonable resolution of the disputed issues in this proceeding, and from the Joint Intervenor Group's perspective, the Settlement Agreement represents a substantial improvement over IPL's original proposal. Mr. Olson testified the Joint Intervenor Group believes approval of the Settlement Agreement is in the public interest and strongly encourages the Commission to promptly enter an order approving the Settlement Agreement. Intervenor JI Ex. 5 at pp. 3, 11.

8. Commission Discussion and Findings. As the Commission has previously discussed, settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coal. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coal.*, 664 N.E.2d at 406.

Further, any Commission decision, ruling, or order, including approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coal. v. Public Service Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's procedural rules require that settlement be supported by probative evidence. 170 IAC 1-1.1-17(d). Before the Commission can approve the Settlement Agreement, the Commission must determine whether the evidence in this Cause sufficiently supports the conclusion that the

Settlement Agreement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2 and that such agreement serves the public interest.

The Commission has before it substantial evidence from which to determine the reasonableness of the terms of the Settlement Agreement. IPL, the OUCC, and intervenors initially presented evidence supporting their respective positions. Three parties (IPL, the OUCC, and the Industrial Group) calculated a test year revenue deficiency. Thus, while the amount of the necessary increase was disputed, the Commission finds substantial evidence was presented supporting the proposition that IPL's present rates are unjust and unreasonable. Accordingly, the Commission finds it is reasonable and necessary for new rates and charges to be established.

The Settlement Agreement filed in this proceeding resolves all the issues presented. To put this in context, IPL, in its initial case-in-chief filed in December 2017, supported a revenue deficiency of \$124.491 million, reflective of an overall 9.10% revenue increase. Following enactment of the TCJA, IPL filed an updated request in February 2018 in which the amount of its annual requested increase in revenues decreased to \$96.731 million, and the overall increase was approximately 7.12%. Other updates and concessions reflected in IPL's rebuttal filing reduced the revenue deficiency to \$88.348 million, equating to an overall revenue increase of 6.50%. As shown by Settlement Agreement Attachment A, the Settling Parties have agreed to a revenue increase of \$43.877 million, which is a 3.20% revenue increase.

OUCC witness Gruca, in supporting approval of the Settlement Agreement, testified the consumer benefits from the Settlement Agreement include: (1) no increase in the \$17.00 monthly residential customer charge, as opposed to IPL's originally requested \$27.00 monthly residential customer charge; (2) a 9.99% authorized ROE compared to IPL's proposed 10.32% ROE; (3) elimination of IPL's additional fair value increment request of approximately \$8.079 million; (4) a \$35.9 million credit to customers via IPL's ECR; (5) resolution of all the TCJA issues; (6) a \$150,000 IPL contribution to the community action program network to facilitate low income weatherization in IPL's service territory; (7) implementation of a three year low income arrearage forgiveness program pilot; (8) implementation and funding of a roundup program pilot on a three year pilot basis to address low income bill affordability; and (9) additional benefits negotiated by the Settling Parties. She testified the OUCC, as the statutory representative of all ratepayers, believes the Settlement Agreement is a fair resolution, in the public interest, and should be approved.

Below, the Commission will review and address some of the specific components of the Settlement Agreement.

A. Agreed Revenue Deficiency Adjustments. The Settlement Agreement incorporates the Settling Parties' agreed resolution upon various operating expenses reasonably incurred to provide retail service, including wages and benefits, injuries and damages, rate case expense amortization, NOx emission allowance expenses, certain outage maintenance costs, certain non-outage O&M costs, certain non-labor O&M costs for the Commission-approved NPDES and NAAQS (DBA System) projects, and CCP costs. The Commission finds the terms of the Settlement Agreement and the supporting settlement testimony show the Settling Parties' agreement on these ongoing costs is reasonable and within the range of the evidence.

B. Depreciation. In his direct testimony, IPL witness Spanos presented his depreciation study and proposed annual depreciation rates. OUCC witness Rutter and Industrial Group witness Andrews challenged the overall net salvage percentage applied to generating facilities. Mr. Andrews also challenged the currently approved utilization of the ELG methodology, although he recommended a change in procedure for only the newly constructed Eagle Valley CCGT facility. IPL witness Spanos explained in rebuttal why he disagreed with the OUCC and Industrial Group positions, identifying previous Commission decisions which he testified support his proposals.

While IPL does not, in the Settlement Agreement, accept the ALG procedure, the Settlement Agreement reduces the Eagle Valley CCGT depreciation expense by \$3.441 million as reflected in Schedule DEPR-S (included with Settlement Agreement Attachment A). The Settling Parties request the Commission approve the resulting revised Eagle Valley CCGT depreciation rates and all remaining depreciation rates as proposed by IPL. We find the agreement regarding the CCGT depreciation expense recognizes this is a new unit. The revision to the depreciation expense is a means to lessen the impact of this new unit on current rates. The Commission finds the negotiated agreement regarding depreciation expense is reasonable, and the depreciation rates the Settling Parties agreed to are reasonable, supported by the evidence, and should be approved.

C. Cost of Capital Components.

1. ROE and Fair Value Increment. The Settling Parties agreed IPL's ROE will be 9.99% with no fair value increment. This reduction from IPL's initial ROE request of 10.32% and increase to the OUCC and intervenors' initial ROE proposals represents a compromise among the Settling Parties. The agreed ROE of 9.99% is within the range of ROEs the parties proposed and is, the Commission finds, reasonable and supported by the settlement testimony of Ms. Gruca and Mr. Cutshaw.

2. Prepaid Pension Asset. IPL's original proposal and the Settlement Agreement reflect inclusion of the prepaid pension asset as a component of the weighted cost of capital as shown in the table included in Finding No. 9 below. The Settlement Agreement reduces the amount of the prepaid pension asset to be reflected in the capital structure. The amount of the prepaid pension asset the Settling Parties agreed to include in the capital structure (\$95.9 million) is consistent with the calculation accepted in the Commission's 44576 Order. Based upon the testimony, the Commission finds the treatment of the prepaid pension asset is reasonable. In so finding, however, the Commission notes that while the Settlement Agreement presents the Settling Parties' agreement on the capital structure for purposes of setting IPL's base rates, it is silent as to the capital structure to be applied in future investment trackers.

The impact of including the prepaid pension asset in future investment trackers is displayed by IPL's response to the August 2018 Docket Entry. When the prepaid pension asset is included in the capital structure as a negative amount and at a zero cost it has the effect of authorizing a higher weighted average cost of capital for a given authorized cost of equity in such trackers than a capital structure absent the asset. In responding to the August 2018 Docket Entry question, IPL suggested it plans to be consistent with NIPSCO's compliance filing in Cause No. 44688. In that filing, although the rate case settlement reflected the prepaid pension asset in NIPSCO's capital structure, NIPSCO's compliance filing did not. NIPSCO's treatment would also be consistent with IPL's intent identified in the direct testimony of IPL witness Cutshaw and Section I.D. of the Settlement

Agreement which clarifies that matters not addressed by the Settlement Agreement terms will be adopted as IPL proposed in its direct, supplemental, and rebuttal case. Accordingly, IPL is directed to make its compliance filing in a manner consistent with its direct testimony and the Settlement Agreement. Further, considering the silence of the Settlement Agreement, the Commission reserves its determination regarding the appropriate capital structure to be used in future investment tracker filings until such trackers are submitted for approval. The reasonableness of the asset inclusion warrants further consideration before endorsing its inclusion in a future IPL investment tracker.⁸ The parties are encouraged to provide such evidence in the applicable proceedings.

D. Rate Base. The Settling Parties agree to an IPL original cost rate base of \$3,339.565 million, which they stipulate is the fair value under Ind. Code § 8-1-2-6 for purposes of this Cause. The record reflects each Major Project identified in IPL's Petition is in service, and the agreed amount to be reflected in rate base is less than the amount estimated in IPL's case-in-chief.

The engineering procurement and construction ("EPC") contract for the Eagle Valley CCGT established April 30, 2017, as the substantial completion date for the EPC contractor. Petitioner's Ex. 2 at p. 18. The EPC contractor did not meet this deadline. As discussed in the rebuttal testimony of IPL witness Jackson, the CCGT reached commercial operation on April 28, 2018, and at the time of the hearing was providing energy and capacity through MISO. Based on the evidence in this proceeding, the Eagle Valley CCGT was shown to be used and useful. The OUCC and the Industrial Group challenged certain AFUDC accrued during the period of delay. These parties, as well as UIndy, also raised questions regarding the late substantial completion payment provisions under the EPC contract. These matters were addressed in the rebuttal testimony of IPL witness Jackson. Among other things, Mr. Jackson reviewed the late substantial completion payment provisions under the EPC contract and discussed the steps taken by IPL to enforce the EPC contract terms and hold the contractor accountable. Petitioner's Ex. 2 at pp. 19-25. Mr. Jackson testified that at the time of the rebuttal filing, matters between IPL and the EPC contractor were unresolved. He proposed a true-up process be used to flow net late substantial completion payments to customers via IPL's ECR. Petitioner's Ex. 2 at pp. 26-28.

In his settlement testimony, Mr. Cutshaw testified that IPL has successfully managed the challenges with the construction contractor and safeguarded the interests of its customers. Petitioner's Ex. 20 at p. 13. He presented IPL's updated semi-annual progress report which stated that as of June 30, 2018, all claims and disputes between IPL and the EPC contractor had been resolved. IPL Witness JLC Attachment 1S at p. 5. Mr. Cutshaw testified that Section I.A.4 of the Settlement Agreement reflects the Settling Parties' agreement regarding IPL's Eagle Valley CCGT. Petitioner's Ex. 20 at p. 12. He reviewed the Settling Parties' agreement that the CCGT, including the disputed AFUDC, will be included in rate base. Petitioner's Ex. 20 at pp. 12-13. Mr. Cutshaw testified the Settling Parties also agreed to IPL including a total of \$35.9 million as a credit to customers in the form of a reduction in operating expenses reflected in revenue requirements over IPL's next four semi-annual ECR filings following a final Order approving the Settlement Agreement. Petitioner's Ex. 20 at p. 13. Mr. Cutshaw stated the Settlement Agreement resolves the concerns raised about the delayed in-service date of the Eagle Valley CCGT and related contractor matters. Petitioner's Ex. 20 at pp. 13-14. Based on our review of the evidence, the Commission finds the Settlement Agreement reasonably resolves the CCGT AFUDC issues and the late

⁸ See *Indiana Michigan Power Co.*, Cause No. 44967 at 26 (IURC May 30, 2018) for additional recent discussion concerning the prepaid pension asset.

substantial completion. The \$35.9 million credit to be reflected in the form of a reduction in operating expenses over IPL's next four semi-annual ECR filings following a final Order approving the Settlement Agreement will mitigate the cost of including the CCGT in IPL's rates.

As relayed above in summarizing the evidence, the OUCC and the Industrial Group challenged the inclusion of IPL's HSS BESS in the revenue requirement. The HSS BESS was discussed in the direct and rebuttal testimony of IPL witness Sadtler. IPL witnesses Reed and Jackson also presented rebuttal testimony responding to the OUCC and Industrial Group's testimony. The rebuttal testimony of IPL witnesses Sadtler and Reed explained their view that the HSS BESS represents good utility practice and is necessary to deliver grid reliability and ancillary services, including peak power supply. Mr. Sadtler also discussed the importance of protecting the IPL system and retail customers from the consequences of not having a properly operating power system and provided additional information regarding the reasonableness of the HSS BESS cost. Petitioner's Ex. 35 (Q&As 10, 14); *see* Petitioner's Ex. 20 at p. 15.

Mr. Cutshaw testified that in Section I.A.4.3 of the Settlement Agreement, the Settling Parties agreed that the HSS BESS will be included in IPL's rate base at the full amount and related costs included in the pro forma test year expenses. Petitioner's Ex. 20 at p. 15. At the evidentiary hearing, IPL witness Jackson was asked about earlier discussions with the Commission concerning this asset. The Commission finds the Settlement Agreement reasonably resolves the Settling Parties' issues regarding the HSS BESS and is reasonable in light of the Settling Parties' overall settlement package but that our approval should not be construed as weighing in upon any HSS BESS related issues that remain between MISO and IPL. Consistent with the treatment of other transmission assets reflected in the retail rate base and used in MISO, IPL will continue to reflect any net compensation received from MISO for the HSS BESS (and the services it provides) as a credit to retail rates via IPL's approved riders, as appropriate.

Finally, the Settlement Agreement provides a negotiated resolution of the Industrial Group's proposal that IPL's rate base be updated. As shown in the summary of the evidence, IPL disputed this Industrial Group proposal. Ultimately, the Settling Parties agreed to reduce IPL's rate base in this Cause by approximately one-half of the net difference between Mr. Gorman's proposal and IPL's identified rate base additions. Petitioner's Ex. 20 at p. 16; Public's Ex. 1-S at p. 10. Based upon the settlement testimony of Mr. Cutshaw and Ms. Gruca, we find this resolution is reasonable in the context of the overall settlement package.

E. TCJA. As a result of the Settlement Agreement, IPL will provide a \$14.3 million credit to customers in IPL's ECR mechanism over a period of two years to reflect the amortization of excess ADIT in 2018 prior to when new rates go into effect. This is in addition to the \$9.51 million credit agreed upon and approved in Cause No. 45032 S1. In addition to these credits, the other impacts of the TCJA, as reflected in the Settlement Agreement, serve to reduce the test year revenue deficiency. The Settling Parties' proposed treatment of the TCJA impacts is reasonable and reasonably resolves issues that would have otherwise needed to be addressed in Cause No. 45032.

F. Vegetation Management. IPL's proposals regarding vegetation management were contested. The Settlement Agreement resolves these differences by embedding \$11.0 million in base rates for vegetation management by outside contractors and establishes a mechanism to address any cumulative shortfall in annual expenditures for vegetation management costs on IPL's distribution facilities relative to the amount embedded in base rates. At the time of IPL's next base

rate case, the balance, if any, in this regulatory liability account will be amortized into pro forma operating expenses, resulting in a lower revenue requirement to ratepayers relative to what might otherwise be sought. The Settlement Agreement also includes certain ongoing reporting requirements. The Commission finds the negotiated compromise reasonably addresses the OUCC and intervenor vegetation management concerns while recognizing the need for the revenue requirement to reflect a reasonable level of vegetation management expense associated with outside contractors.

G. Off System Sales (“OSS”) Margins and Capacity Sales. In IPL’s last rate case, the Commission stated that margins and costs subject to the proposed OSS and CAP Adjustment Rider mechanisms are substantial, variable or volatile, and largely outside IPL’s control. 44576 Order at p. 79. We further stated the Commission must determine the appropriate amounts to reflect in the calculation of the revenue requirement. *Id.* In the 44576 Order, the Commission stated: “For OSS, our objective is not simply to use an historical figure. ‘[T]he offset should not be an amount that is not sustainable.’” 44576 Order at p. 79 (quoting *NIPSCO*, Cause No. 43526 Order at p. 36). The Commission approved a 50/50 sharing of OSS margins above and below the \$6.324 million amount included in base rates, with a floor of \$0 for includable margins. 44576 Order at p. 80. The Commission also approved IPL’s proposed 50/50 sharing of capacity sales. 44576 Order at pp. 78, 80.

In the instant case, IPL proposed to continue to embed a \$6.324 million credit for OSS margins in its base rates and charges and provide 100% of OSS margins to customers through its existing OSS margin adjustment mechanism. Petitioner’s Ex. 20 at p. 21. As Mr. Cutshaw stated in his direct testimony, this means customer rates ultimately reflect 100% of any OSS margins greater than \$0. Petitioner’s Ex. 16 at p. 33. UIndy witness Holstein contested both the embedded amount and sharing percentage while OUCC Witness Ramaraj recommended approving IPL’s proposal. Similarly, IPL proposed to embed an \$11.288 million credit for capacity sales in base rates and charges and provide 100% of capacity sales revenues (above and below the embedded amount) to customers through its capacity adjustment mechanism. If capacity sales revenues fall below the embedded base rate amount, customers will be charged (pay back) the difference between actual capacity sales revenues that fall below the base rate level and the embedded amount customers received through base rates. No party opposed IPL’s proposed treatment of capacity sales.

The Settlement Agreement increases the embedded level of OSS margins from a \$6.324 million credit to a \$16.324 million credit and embeds an \$11.288 million credit for capacity sales in base rates and charges. The agreement regarding OSS margins recognizes the potential for an increase in OSS margins and capacity sales due to the addition of the new Eagle Valley CCGT while also acknowledging the challenges with forecasting OSS margins and capacity sales and the potential for OSS margins and capacity sales to change over time based on the interaction of market forces in the competitive wholesale market. The Settlement Agreement flows 100% of the OSS margins and capacity sales to the benefit of retail customers. This mitigates the impact of increases IPL customers face in IPL’s base rate cases and its various tracker mechanisms. Based upon the testimony, the Commission finds the Settling Parties’ agreed treatment of OSS margins and capacity sales is reasonable and within the range of evidence presented.

H. Commercial and Industrial Rate Design and Customer Issues. IPL witness Cutshaw and Industrial Group witness Dauphinais discussed the Settlement Agreement provisions upon commercial and industrial customer rate design and related matters. Based upon their

settlement testimony, as summarized above, the Commission finds the commitments regarding backup, maintenance, and supplementary power and future analysis regarding a low load factor rate class reasonably resolve the concerns raised in Mr. Dauphinais' direct testimony, Kroger witness Townsend's direct and cross-answering testimony, Rolls-Royce witness Nordham's direct testimony, and IPL witness Gaske's rebuttal testimony. The additional commitments unique to certain Settling Parties also reasonably address the concerns discussed in the direct testimony of Mr. Nordham, Mr. Townsend, and UIndy witness Holstein and in the rebuttal testimony of IPL witnesses Flora and Gaske. Petitioner's Ex. 20 at p. 22.

I. Residential Rate Design. IPL initially proposed to increase the residential service customer charge for usage at or below 325 kWh from \$11.25 to \$16.00 and the charge for usage above 325 kWh from \$17.00 to \$27.00. Petitioner's Ex. 45 at pp. 33-34. The OUCC recommended a customer charge of \$11.25 and a gradual move from declining block energy rates for the residential rate class to a flat rate structure. Petitioner's Ex. 46 at p. 19. The Joint Intervenor Group recommended a customer charge of \$8.15 and a phase out of the declining block rate structure for the residential class over this and the next few cases. Petitioner's Ex. 46 at pp. 19-20. In his rebuttal testimony, Dr. Gaske explained why he disagreed with the OUCC and the Joint Intervenor Group proposals and positions. Petitioner's Ex. 46 at pp. 19-61.

Under the Settlement Agreement, IPL's residential customer charge will be set at \$12.50 for usage at or below 325 kWh. The charge will remain \$17.00 for all other residential service usage, and IPL's declining block rate structure will be modified through a reduction of the second block differential by 25%. The gradual movement in the fixed charge for lower usage, the maintenance of the current fixed charge for most customers, and the agreed change to IPL's declining block energy charges are within the range of the evidence and reasonably resolve these disputed issues. The Commission, therefore, finds the negotiated compromise upon the residential rate design is reasonable and should be approved.

J. FAC. The Settlement Agreement continues the procedures currently in place for IPL's fuel cost filings, including the procedural process under which the OUCC and intervenors file their testimony and report not more than 35 days after IPL's filing of its application and testimony and the purchase power benchmark process IPL witness Dinger discussed in his direct testimony. Petitioner's Ex. 14 at p. 16. These matters were not contested, and the Commission finds it is reasonable to maintain the existing procedures.

K. Consumer Programs. In their settlement testimony, Ms. Gruca and Mr. Cutshaw described consumer programs the Settling Parties agreed to in Section I.C. of the Settlement Agreement. These include an arrearage forgiveness pilot program and a roundup pilot program to address the affordability of low income customers' bills. Mr. Cutshaw testified that IPL also agreed to provide certain additional residential service metrics on an annual basis and to file a report with the Commission with information on the low income arrearage forgiveness program pilot. Contributions toward identified consumer programs were also agreed upon with IPL's revenue deficiency in this Cause not to be adjusted to include the incremental costs of these contributions. The details of the consumer programs, particularly the pilot programs, are to be worked out through a collaborative process with IPL and interested stakeholders. The Commission finds that once determined through the collaborative process, the details of each consumer pilot program shall be filed with the Commission as an informational filing under this Cause before program

implementation commences so the Commission is apprised of the results of the collaborative process.

The Settlement Agreement states the Settling Parties' agreement upon approval of IPL's proposal to implement the roundup program pilot. At the evidentiary hearing, questions were asked of Joint Intervenor Group's witness Olson by the Presiding Commissioner about the roundup program pilot and whether a key feature of the roundup program IPL proposed, i.e., opting in, could be changed during the collaborative process. While Mr. Olson testified he anticipates the Joint Intervenor Group will continue to advocate for an opt out roundup program, he agreed that changes in the consumer programs the parties may agree upon during the collaborative process should be reported to the Commission for approval. The Commission finds the consumer programs agreed upon in the Settlement Agreement, including related reporting requirements and agreed funding, are reasonable, but that if during the collaborative process changes are agreed upon in a program, such as changing a key feature (e.g., changing opting in to opting out with respect to the roundup program), such changes shall be submitted to the Commission through the 30-day filing process for Commission approval before becoming effective. While the Commission supports the collaborative process to facilitate working together to implement the programs approved, we decline to confer upon such collaborative efforts the authority to change key features of the approved programs.

9. Conclusion. The testimony supporting the Settlement Agreement addresses why the Settlement Agreement is reasonable and in the public interest. Based upon our review of the record, particularly the Settlement Agreement terms and supporting testimony and exhibits, the Commission finds the Settlement Agreement is within the range of potential outcomes and represents a just and reasonable resolution of the issues.

Consistent with the foregoing findings and our conclusion with respect to the Settlement Agreement, the Commission finds the net original cost rate base for purposes of this Cause is \$3,339.565 million and is calculated as follows:

Net Original Cost Rate Base (\$1000s)

Net Plant In Service	\$3,125,695
Materials and Supplies Inventory	\$ 78,221
Fuel Stock Inventory	\$ 32,814
Regulatory Assets	<u>\$ 102,834</u>
Total Original Cost Rate Base	\$3,339,565

Settlement Agreement Attachment A, p. 2 of 25.

After giving effect to the Settlement Agreement terms regarding cost of capital, the Commission finds that IPL's capital structure and weighted cost of capital are as follows:

Description	Total Company Capitalization (\$1000s)	Percent Of Total	Cost Rate	Weighted Cost Rate
Long Term Debt	\$ 1,694,149	49.50%	5.03%	2.49%
Preferred Stock	\$ 59,784	1.75%	5.37%	0.09%
Common Equity	\$ 1,357,890	39.67%	9.99%	3.96%
Customer Deposits	\$ 30,723	0.90%	6.00%	0.05%
Net Prepaid Pension Asset	\$ (95,900)	-2.80%	0.00%	0.00%
Deferred Income Taxes	\$ 374,402	10.94%	0.00%	0.00%
Post 1970 ITC	\$ 1,721	0.05%	7.20%	0.00%
Totals	\$ 3,422,769	100.00%		6.59%

Settlement Agreement Attachment A, p. 3 of 25.

On the basis of the evidence presented, we find Petitioner should be authorized to increase its base rates and charges to produce additional operating revenue of \$43.877 million. This revenue is reasonably estimated to afford IPL the opportunity to earn net operating income of \$220.076 million as shown on Settlement Agreement Attachment A, p. 1 of 25.

The Commission further finds and concludes that the Settlement Agreement is reasonable, supported by substantial evidence, and in the public interest. Accordingly, the Settlement Agreement is approved.

10. Effect of Settlement Agreement. Consistent with the terms of the Settlement Agreement, the Settlement Agreement is not to be used as precedent in any other proceeding or for any other purpose except to the extent necessary to implement or enforce its terms; consequently, with regard to future citation of the Settlement Agreement or of this Order, the Commission finds our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849 at 7-8 (IURC March 19, 1997).

11. Confidentiality. Petitioner filed motions for protection and nondisclosure of confidential and proprietary information on December 21, 2017, and May 31, June 14, and June 21, 2018, which were supported by affidavits showing the documents to be submitted contain trade secrets within the scope of Ind. Code § 5-14-3-4(a)(4) and (9) and § 24-2-3-2. Docket Entries were issued on January 9, June 7, June 26, and July 6, 2018, finding such information to be preliminarily confidential, after which the information was submitted under seal. Motions for confidential treatment were also filed by UIndy on May 23, 2018, and by the Industrial Group and by Rolls-Royce on May 24, 2018, each of which was granted by a Docket Entry issued on June 7, 2018. The Commission finds all such information is confidential pursuant to Ind. Code § 5-14-3-4 and § 24-2-3-2 and is exempt from public access and disclosure by the Commission.

In addition to the motion for confidential treatment filed on May 24, 2018, the Industrial Group filed a motion for confidential treatment on May 29, 2018, which was denied in part by a Docket Entry dated June 7, 2018, in which it was noted that while Michael Gorman stated in his supporting affidavit that some of the workpapers listed may be from subscription based services or copyrighted material, the Industrial Group cited no statute exempting such materials as confidential

and/or trade secrets. The Presiding Officers stated the listed documents at issue appeared to include documents that were publicly filed with the Commission in Cause No. 44967 and encouraged the Industrial Group to determine and substantiate, if its request for confidentiality was renewed, the extent to which the items listed are public documents.

On June 11, 2018, the Industrial Group filed a renewed motion for confidential treatment which was denied by Docket Entry dated June 25, 2018. The list of documents for which confidential treatment was renewed was the same list as presented with the Industrial Group's prior motion. On July 2, 2018, the Industrial Group appealed the June 25, 2018 Docket Entry to the full Commission, with the OUCC, Rolls-Royce, and UIndy joining in this filing. As memorialized in a July 25, 2018 Docket Entry, the Commission considered and voted to deny this appeal at its July 25, 2018 Conference, affirming the June 25, 2018 Docket Entry. The documents for which confidential treatment was denied were not offered into evidence at the public hearing on August 9, 2018, and no error has been claimed in the Commission's affirmance of the June 25, 2018 Docket Entry.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Settlement Agreement, a copy of which is attached to this Order, is approved.
2. Petitioner is authorized to adjust and increase its base rates and charges for electric utility service to produce an increase in total annual operating revenues of approximately \$43.877 million in accordance with the findings above, which rates and charges shall be designed to produce total annual operating revenue of \$1,413.182 million, which are expected to produce annual net operating income of \$220.076 million.
3. Prior to implementing the approved rates, Petitioner shall file its revised tariff and applicable new rate schedules under this Cause for approval by the Commission's Energy Division. Such rates shall be effective on or after the Order date subject to the Energy Division's review and agreement with the amounts reflected.
4. Petitioner is authorized to place into effect for accrual accounting purposes revised depreciation accrual rates as provided in the Settlement Agreement.
5. Petitioner is granted accounting authority to implement the Settlement Agreement.
6. Petitioner is authorized to file updated factors for its rate adjustment mechanisms in accordance with this Order, and such changes shall be effective simultaneously with approval of IPL's new basic rates.
7. IPL is directed to file all reports and information required by the Settlement Agreement as agreed, to file the consumer pilot program details resulting from the collaborative process consistent with Finding No. 8.K. above, and in the event changes are agreed upon in the consumer programs during the collaborative process, such changes shall be submitted to the Commission through the 30-day filing process consistent with Finding No. 8.K. above for Commission approval before being implemented or becoming effective.
8. The information submitted under seal in this Cause pursuant to motions for protective order and preliminarily deemed confidential as set forth in Finding No. 11 above is

exempt from public access and disclosure by Indiana law and shall be held confidential and protected from public access and disclosure by the Commission.

9. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, KREVDA, AND ZIEGNER CONCUR; OBER ABSENT:

APPROVED: OCT 31 2018

**I hereby certify that the above is a true
and correct copy of the Order as approved.**



Mary M. Becerra
Secretary of the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANAPOLIS POWER & LIGHT)
COMPANY (“IPL”) FOR (1) AUTHORITY TO INCREASE)
RATES AND CHARGES FOR ELECTRIC UTILITY)
SERVICE, (2) APPROVAL OF REVISED DEPRECIATION)
RATES, ACCOUNTING RELIEF, INCLUDING UPDATE OF)
THE MAJOR STORM DAMAGE RESTORATION)
RESERVE ACCOUNT, APPROVAL OF A VEGETATION)
MANAGEMENT RESERVE ACCOUNT, INCLUSION IN) CAUSE NO. 45029
BASIC RATES AND CHARGES OF THE COSTS OF)
CERTAIN PREVIOUSLY APPROVED PROJECTS,)
INCLUDING THE EAGLE VALLEY COMBINED CYCLE)
GAS TURBINE, THE NATIONAL POLLUTION)
DISCHARGE ELIMINATION SYSTEM AND COAL)
COMBUSTION RESIDUALS COMPLIANCE PROJECTS,)
RATE ADJUSTMENT MECHANISM PROPOSALS, COST)
DEFERRALS, AMORTIZATIONS, AND (3) APPROVAL OF)
NEW SCHEDULES OF RATES, RULES AND)
REGULATIONS FOR SERVICE.)

STIPULATION AND SETTLEMENT AGREEMENT

Indianapolis Power & Light Company (“IPL” or “Company”), the Indiana Office of Utility Consumer Counselor (“OUCC”), IPL Industrial Group (Allison Transmission, Inc., Cargill, Inc., Eli Lilly and Company, Indiana University Health, Ingredion, Inc., PepsiCo, Praxair Surface Technologies, Inc. and Vertellus Integrated Pyridines LLC), (“Industrial Group”), The Kroger Co., (“Kroger”), Wal-Mart Stores East, LP and Sam’s East, Inc. (collectively “Walmart”), Rolls-Royce Corporation (“RRC”), University of Indianapolis (“University”), City of Lawrence, and Citizens Action Coalition of Indiana, Inc. (“CAC”), Indiana Coalition for Human Services, Indiana Community Action Association, Inc., and Sierra Club (“Joint Intervenor Group”) (collectively the “Settling Parties” and individually “Settling Party”), solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts and counsel, stipulate and agree that the terms and conditions set forth below represent a fair, just and reasonable resolution of the matters set forth below, subject to their incorporation by the Indiana Utility Regulatory Commission (“Commission”) into a final, non-appealable order (“Final Order”)¹ without modification or further condition that may be unacceptable to any Settling Party. If the Commission does not approve this Stipulation and Settlement Agreement (“Settlement Agreement”), in its entirety, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

¹“Final Order” as used herein means an order issued by the Commission as to which no person has filed a Notice of Appeal within the thirty-day period after the date of the Commission order.

I. TERMS AND CONDITIONS.

A. REVENUE DEFICIENCY.² The Settling Parties agree that IPL has a revenue deficiency of \$43.877 million as stated below:

1. Agreed Revenue Deficiency Adjustments.

- 1.1. Wages And Benefits. Based on the testimonies of OUCC Witnesses Eckert and Stull, as well as Industrial Group Witness Gorman, and the rebuttal testimony of IPL Witness Coklow, wages and benefits expenses (Schedule OM17) will be reduced by \$3.129 million as reflected in Schedule OM17-R.
- 1.2. Injuries And Damages. Based on the testimony of OUCC Witness Eckert and the rebuttal testimony of IPL Witness Forestal, injuries and damages expenses will be reduced by \$0.711 million as reflected in Schedule OM19-R.
- 1.3. Rate Case Expense Amortization. In response to testimony of OUCC Witness Ramaraj, as reflected by the rebuttal testimony of IPL Witness Forestal, amortization of rate case costs will be reduced by \$0.673 million as reflected in Schedule OM20-R.
- 1.4. NOx Emission Allowances. As proposed by OUCC Witness Armstrong, IPL's NOx emission allowance expense reflected in IPL's supplemental filing will be lowered by \$0.248 million (\$149,000 of this amount is already reflected in IPL's rebuttal schedules) as reflected in Schedule OM10-S (included herewith in Settlement Agreement Attachment A).
- 1.5. Outage Maintenance Costs (O&M Adjustment No. 7). In response to OUCC Witness Armstrong, IPL outage maintenance costs related to Harding Street Station Generating Units will be lowered by \$3.138 million. As a result of this agreed modification, IPL O&M Adjustment No. 7 totals \$7.074 million as reflected in Schedule OM7-S (included herewith in Settlement Agreement Attachment A).
- 1.6. Non-Outage Operating And Maintenance Costs For The MATS Equipment (O&M Adjustment No. 9). In response to the position of OUCC Witness Armstrong, non-outage operating and maintenance costs for the MATS equipment will be lowered by \$1.364 million as reflected in Schedule OM9-S (included herewith in Settlement Agreement Attachment A).

² Settlement Agreement Attachment A updates IPL Financial Exhibit Schedules REVREQ1-R, RB2-R, CC3-T, OPINC-R, RB11, REV1-R, REV6, OM1-R, OM7, OM9, OM10-R, OM14, OM26R, OM27-R, DEPR-R, TX1-R, TX2-R, TX3-R, TX4-R, and TX6-R to reflect the Settlement Agreement. The schedules in Settlement Agreement Attachment A have a "-S" extension to indicate they were updated to reflect the Settlement Agreement.

- 1.7. Ongoing Non-Labor O&M Costs For Commission-Approved NPDES And NAAQS (DBA Systems) (O&M Adjustment No. 5). O&M Adjustment No. 5 will remain as proposed by IPL as reflected in Schedule OM5.
- 1.8. Depreciation Rates And Expense. IPL does not agree to the ALG methodology but does agree to reduce the Eagle Valley CCGT depreciation expense downward by \$3.441 million as reflected in Schedule DEPR-S (included herewith in Settlement Agreement Attachment A). The revised Eagle Valley CCGT rate will be approved. All remaining depreciation rates will remain as proposed by IPL. The depreciation rates requested to be approved under the Settlement Agreement are attached hereto as Settlement Agreement Attachment B.
- 1.9. Coal Combustion Product ("CCP") O&M. O&M Adjustment No. 6 (CCP) will remain as proposed by IPL as reflected in Schedule OM6.

2. Cost Of Capital.

- 2.1. Fair Value Increment. IPL will remove the fair value increment from the calculation of its revenue requirement and will use original cost rate base for purposes of calculating its net operating income in this Cause.
- 2.2. Return On Equity ("ROE"). As a compromise of the Settling Parties' positions, IPL's ROE will be 9.99%.
- 2.3. Overall Return On Original Cost Rate Base. The changes in Sections 2.1 and 2.2 result in a 6.59% Rate of Return on IPL's Original Cost Rate Base.
- 2.4. Prepaid Pension Asset. A Prepaid Pension Asset (Net of OPEB) of \$95.9 million will be included in the capital structure. The \$95.9 million represents the \$89.3 million reflected in the Industrial Group testimony modified to include the IPL supplemental employment retirement plan ("SERP").

3. Net Operating Income ("NOI"). IPL's authorized NOI will be \$220.076 million.

4. Rate Base. The Settling Parties agree to an IPL Original Cost Rate Base of \$3,339.565 million, which original cost is the fair value under Indiana Code § 8-1-2-6 for purposes of this Cause. The Original Cost Rate Base includes the following.

- 4.1. Eagle Valley Combined Cycle Gas Turbine ("CCGT").
 - 4.1.1. Rate Base Amount. The construction cost of the CCGT at May 31, 2018, as reflected in IPL's rebuttal is \$595.2 million, compared to \$612.7 million included in IPL's case-in-chief. As shown on IPL Schedule RB4-R, the total cost of the CCGT in Utility Plant in Service which the Settling Parties agree to include in rate base is \$700.8 million. This total includes AFUDC of \$103.6 million and capitalized spare parts of \$2.0 million. As also shown on IPL Schedule RB4-R, the Settling Parties agree that the net pro forma addition to plant in service is \$676.7 million.

- 4.1.2. ECR Credit. IPL will include a total of \$35.9 million as a credit to customers in the form of a reduction in operating expenses reflected in the revenue requirements over IPL's next four semiannual ECR filings following a Final Order approving this Settlement Agreement.
- 4.1.3. Ongoing Review. The Settling Parties stipulate and agree that these agreed terms should be accepted and approved in this docket and in the ongoing review process as full resolution of the concerns regarding the delayed in service date of the Eagle Valley CCGT and related EPC contract matters.
- 4.2. Environmental Compliance Projects – Major Additions (Schedule RB5-R). IPL will include the amount of the Major Projects incurred as of May 31, 2018, net of accumulated depreciation, in rate base.
- 4.3. HSS Battery Energy Storage System (“BESS”). The BESS will be included in rate base at the full amount and related costs included in the pro forma test year are accepted.
- 4.4. Roll Forward Of Rate Base. The Industrial Group calculated additional accumulated depreciation of \$106.719 million to IPL's production plant from July 1, 2017 to April 30, 2018. IPL identified \$48.842 million of production plant additions over the same period. The Settling Parties agree that IPL's rate base in this Cause will be decreased by \$28.939 million, which is approximately one-half of the net amount, as reflected in Schedule RB11-S (included herewith in Settlement Agreement Attachment A).

5. Tax Cuts And Jobs Act Of 2017 (“TCJA”).

- 5.1. Pro Forma Federal Income Tax Expense.
 - 5.1.1. IPL's pro forma tax expense will be adjusted to reflect the TCJA as reflected in IPL's supplemental filing.
 - 5.1.2. This adjustment includes the change in the gross revenue conversion factor and reduces IPL's adjusted test year revenue deficiency by approximately \$16.1 million, exclusive of amortization of excess Accumulated Deferred Income Taxes (“ADIT”).
- 5.2. Excess ADIT.
 - 5.2.1. Pro Forma Normalized Excess ADIT. Normalized excess ADIT created by the TCJA will be amortized over the remaining life of the assets as required by statute using the average rate assumption method (“ARAM”). Until the ARAM calculation is determined, the amortization will be straight-line over 25 years as described in the testimony of IPL Witness Salatto.

5.2.2. Pro Forma Non-Normalized Excess ADIT. Non-normalized excess ADIT created by the TCJA will be amortized over approximately 7 years, which is a decrease from the 10 year amortization period proposed in IPL's update to its case-in-chief for the TCJA filed on February 16, 2018.

5.2.2.1. This reflects a compromise on the Settling Parties' positions and the decreased amortization period reduces IPL's test year revenue deficiency by approximately \$7.3 million compared to \$6.2 million included by IPL in its case-in-chief update on February 16, 2018.

5.2.3. Additional Credit For 2018 TCJA Excess ADIT.

5.2.3.1. IPL will provide a \$14.3 million credit to customers in IPL's ECR mechanism over a period of two years to reflect the amortization of excess ADIT in 2018, prior to when new rates go into effect. This credit reflects the 7 year amortization period for the non-normalized excess ADIT, per Section 5.2.2.

5.2.3.2. Any regulatory liability related to the 2018 TCJA impact will not be used to reduce rate base.

5.2.3.3. The deferred tax liability in IPL's capital structure will continue to reflect the amortization of the excess ADIT through June 30, 2018.

5.2.4. Cause No. 45032-S1. On July 6, 2018, IPL, the OUCC, and the Indiana Industrial Group submitted a Stipulation and Settlement Agreement in IPL's Phase 1 tax subdocket, Cause No. 45032 S1 ("Phase 1 Settlement"), which address the treatment of the TCJA change in the federal income tax rate from 35% to 21% for 2018 (the "2018 Tax Expense Issue"). The Phase 1 Settlement provides that IPL will issue a \$9.51 million credit to be flowed to customers using IPL's demand allocators via IPL's ECR-31 during the six month period commencing with the September 2018 billing cycle and ending with the February 2019 billing cycle with any variance due to usage to be reconciled in ECR-33. The Phase 1 Settlement also reflects agreement that new base rates in Cause No. 45029 will be placed into effect no earlier than December 5, 2018.

5.2.5. TCJA Estimates. The Settling Parties recognize that the TCJA impacts reflected in this Settlement Agreement are preliminary estimates and are subject to change. Final values will not be available until after IPL's 2017 tax return is filed. Amounts in the normalized and non-normalized categories may be revised to align with final accounting values and to avoid any normalization violations. To the extent that the actual annual amortization of the normalized excess ADIT differs from the estimated amount reflected in the Settlement Agreement, the amortization of the

non-normalized excess ADIT will be increased or decreased to ensure that the total annual amortization of normalized and non-normalized excess ADIT is equal to \$9.262 million.

5.2.6. Final Resolution. The Settling Parties agree that the Settlement Agreement, together with approval of the requested relief sought in the Phase 1 Settlement, fully incorporate all impacts of the TCJA and represent a complete and final settlement of all issues regarding the impact of the TCJA on IPL's rates.

6. Vegetation Management.

6.1. Embedded Amount. IPL will embed \$11.0 million in base rates for vegetation management on its distribution facilities by outside contractors, as reflected in Schedule OM14-S (included herewith in Settlement Agreement Attachment A). Concerns raised by OUCC and Intervenors are further resolved as follows:

6.1.1. Cap Mechanism. IPL will establish a mechanism to defer any shortfall in annual expenditures for vegetation management costs on its distribution facilities relative to the amount embedded in basic rates per Section 6.1 above. This mechanism will serve as a cap and no amounts spent above the embedded amount on a cumulative basis will be deferred. At the time of the next basic rate case, the balance in this regulatory liability account will be amortized into cost of service.

6.1.2. Ongoing Reporting. IPL agrees to provide, within its annual vegetation management report, outage investigation information showing the number of outages caused by vegetation. In response to OUCC Witness Hand's testimony, IPL will include the text of 170 IAC 4-9 in future annual reports.

7. Off-System Sales ("OSS") Margins And Capacity Sales.

7.1. OSS Embedded Amount. In response to University of Indianapolis Witness Holstein's testimony, IPL's embedded OSS margins will be increased by \$10.0 million to be a \$16.324 million credit to the retail revenue requirement, as reflected in Schedule REV1-S (included herewith in Settlement Agreement Attachment A).

7.2. OSS Rider. IPL will provide 100% of OSS margins to customers through its Off-System Sales Margin Adjustment mechanism, as proposed by IPL.

7.3. Capacity Sales Embedded Amount. The level of IPL's embedded capacity sales will be an \$11.288 million credit to the retail revenue requirement, as proposed in IPL's case-in-chief and as reflected in Schedule REV1-S (included herewith in Settlement Agreement Attachment A).

7.4. Capacity Sales Rider. IPL will provide 100% of its capacity sales revenues to customers through its Capacity Adjustment mechanism, as proposed by IPL.

8. FAC. With respect to IPL's FAC proceedings, the Settling Parties agree to the continuation of the agreement between IPL and the OUCC that allows the OUCC and intervenors to file their testimony and report not more than 35 days after IPL files its application and testimony.

9. Other. Any revenue requirement matters not addressed by this Settlement Agreement will be as proposed by IPL in its direct, supplemental and rebuttal case.

B. COST OF SERVICE AND RATE DESIGN ISSUES.

1. Commercial & Industrial Customer Rate Design.

1.1. Back-up, Maintenance, And Supplementary Power. With respect to Back-Up Power, Maintenance Power and Supplementary Power under Rate CGS, the Settling Parties agree as follows:

1.1.1. 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 must specify in its contract with the Company the customer's: (i) maximum back-up and maintenance power demand and (ii) maximum supplementary power demand.

1.1.2. Under the back-up power and maintenance power tariffs the customer pays the Company a zero-energy charge when the customer self generates its own energy. The energy charge will default to the applicable tariff rate in the case of use of back-up, maintenance, or supplementary power.

1.1.3. A customer may receive a cost-justified reduction in their demand charge by taking back-up power or maintenance power service on a curtailable load basis subject to a limit of 55 megawatts total curtailable load served directly by customer-owned generation under this provision. Any customer taking service while the 55 MW cap is in place will be grandfathered into to the terms of this Settlement Agreement with respect to their existing curtailable load so that such customer will have a right of first refusal in the event the cap is modified in the future.

1.1.4. For purposes of this Settlement Agreement "curtailments" occur only due to issues of system reliability and not economic interruption. The customer shall be subject to curtailment by the Company for system reliability just like a firm service customer. In addition, the customer must curtail its demand down to no more than its contracted maximum supplementary power demand when notified by the Company when a Maximum Generation Event has been declared for the Company's Local Balancing Authority Area and reached MISO Market Capacity Emergency

Maximum Generation Event Step 2d. The Company maintains the right to discontinue the supply of electric energy to the customer in excess of the maximum supplementary power demand of the customer, if Maximum Generation Event 2d has been reached, and the customer fails to curtail its demand to its maximum supplementary power demand as required.

- 1.1.5. If back-up power or maintenance power service is taken on a curtailable basis, the generation component of the demand charge will be identified and the generation component will be offered on a prorated daily basis with no associated demand ratchet. For purposes of this Settlement Agreement “pro-rated” means the customer’s demand charge divided by the number of days in the month. The pro-rated demand charge will apply only to the amount of demand taken from the Company during an outage, not any demand that remains self-supplied by the customer.
- 1.1.6. If back-up power or maintenance power service is taken on a curtailable basis, and if the Company does not already have facilities in place to curtail the customer, the customer will be responsible for installing and maintaining a control system that allows the Company to remotely curtail the load served by the generator and to do so without notification if the generator is not serving load. The Company shall not use such control system to curtail the load except during a MISO Market Capacity Emergency within the Company’s Local Balancing Authority Area that has reached Maximum Generation Event Step 5.
- 1.1.7. No interruptible Capacity Credit will apply to back-up power or maintenance power service demands.
- 1.1.8. The transmission and distribution portions of the demand charge and associated ratchet will continue to be imposed for transmission and distribution costs when the customer is taking back-up and maintenance service.
- 1.1.9. 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. Back-up Power, Maintenance Power and Supplementary Power may also be provided by agreement with the Company under Rate CSC. Such agreements must be reflective of the cost of service for the service that is being provided.
- 1.1.10. The Settling Parties will work to incorporate the foregoing terms into IPL’s proposed tariff and IPL will present the revised tariffs with its settlement testimony.

- 1.1.11. Prior to filing its next basic rate case, IPL agrees to further evaluate this rate structure, including the T&D component of the demand charge, with the Industrial Group.
- 1.2. Low Load Factor Rate. For purposes of its next basic rate case, IPL will prepare two separate cost of service studies, one which separately allocates costs to low load factor customers as well as a proposed rate structure to recover those allocated costs, and one which does not separately allocate costs to low load factor customers. IPL will work with the Industrial Group, Kroger, Walmart and other interested parties to prepare the studies prior to filing, including seeking input on eligibility criteria for the low load factor rate and other related issues. The cost of service studies/rate design will be made available to the other parties and Commission in IPL's next rate case. While IPL has agreed to conduct the aforementioned analysis, the Settling Parties agree that IPL is not obligated to take a position in support of or against the rate structures, and IPL may present other cost of service models and rate design analysis as well in its next basic rate case. The Settling Parties further agree that all parties will have the opportunity to take any position with respect to the aforementioned cost of service/rate design studies as they deem appropriate in the next basic rate case and each reserves the right to present their own alternative cost of service/rate design proposals.
- 1.3. Kroger. Kroger and IPL agree to meet quarterly for the 18 months subsequent to this Settlement Agreement to review service levels and reliability. Should an outage occur at the Kroger Crossroads Farm Dairy or Indianapolis Bakery, IPL will meet with facility personnel to review and analyze the cause, upon request from Kroger. IPL is currently rebuilding the primary circuit from Ford Substation which serves the Kroger Crossroads Farm Dairy and Indianapolis Bakery, and agrees to use best efforts to complete this project by the end of 2018.
- 1.4. RRC. Rate SS provides a standard three year term and allows customers requiring in excess of 75 KW demand to be served under an agreement setting out the terms for the minimum monthly service charges. The current Rate SS Agreements between IPL and RRC extend to July 27, 2019. Neither IPL nor any other party in this Cause has sought to terminate these Agreements. IPL and RRC agree to amend and extend the terms of the two existing Rate SS Agreements between IPL and RRC for a standard three year term commencing on July 28, 2019. During the renewed term of these Agreements, IPL will meet with RRC to discuss any additional service needs RRC may have and explore options to address those needs.
- 1.5. University. IPL agrees to work with the University on a mutually-agreeable energy efficient street light conversion program for the University. As part of these discussions IPL will work with the University to identify any reductions in the ongoing cost of street lighting service that may stem from the conversion project and will seek to negotiate a mutually-agreeable treatment thereof in the rates charged to the University for street lighting service. The Company and the University will attempt to reach agreement on or before July 1, 2019. IPL and the

University will seek Commission approval of any such agreement as necessary or appropriate.

1.6. City of Lawrence.

1.6.1. Within 45 days after a final order approving this Settlement Agreement, and upon the execution of a mutually agreeable non-disclosure agreement, IPL will provide the City of Lawrence with GIS mapping data that identifies the location and type of fixture of all Company-owned streetlights located within the City of Lawrence provided that such data can be readily provided without disclosure of Critical Energy Infrastructure Information.

1.6.2. Within 45 days after a final order approving this Settlement Agreement, IPL and the City of Lawrence will work together to determine the feasibility of providing the City of Lawrence with consolidated billing and account information, including putting all streetlights onto a single consolidated bill.

1.6.3. In addition, IPL and the City of Lawrence will work together to determine the costs and feasibility of the City of Lawrence participating in the bulk purchasing savings generated from IPL's LED conversion program with the City of Indianapolis LED Conversion Project. The Company and the City of Lawrence will seek Commission approval of any such agreement as necessary or appropriate.

2. Residential Rate Design.

2.1. Residential Customer Charge. The Settling Parties agree to the following IPL residential customer charges:

kWh/mo.	Settlement
≤ 325	\$12.50
> 325	\$17.00

2.2. Residential Declining Block Rate. With respect to IPL's proposed declining block rates, the Settling Parties agree to a reduction in the second block differential of 25%, with no change to the differential to the third block applicable to RH and RC customers. With the agreed residential customer charge and this modification to the block structure, the residential energy charges will be calculated to recover the remaining residential revenue requirement. This is calculated to result in the following residential energy charges:

kWh	Settlement
First 500 kWh per month	\$0.106454
Over 500 kWh	\$0.090752
With electric heating and/or water heating over 1000 kWh	\$0.078149

3. Revenue Allocation.

- 3.1. The Settling Parties agree that rates should be designed in order to allocate the revenue requirement to and among IPL's customer classes in a fair and reasonable manner. For settlement purposes, the Settling Parties agree that Settlement Agreement Attachment C specifies the revenue allocation agreed to by all Settling Parties. This revenue allocation is determined strictly for settlement purposes and is without reference to any particular, specific cost allocation methodology. The demand allocators for IPL's current rate adjustment mechanisms are set forth in Settlement Agreement Attachment D.
- 3.2. For purposes of allocating recovery of any future, approved, TDSIC expenditures and costs pursuant to Ind. Code § 8-1-39-9(a) prior to its next base rate case, the Settling Parties agree that Settlement Agreement Attachment E presents the "customer class revenue allocation factor[s] based on firm load," as that phrase is used in IC 8-1-39-9(a)(1) for recovery of transmission-related and distribution-related costs. The Settling Parties agree that all revenues and allocation factors on Settlement Agreement Attachment E have had interruptible load removed. The Settling Parties also agree that Settlement Agreement Attachment E reflects the percentage of distribution and transmission costs allocable to each individual Rate Code.
- 3.3. All other components of IPL's filed cost allocation and rate design shall be as IPL filed in its case-in-chief.

C. CONSUMER PROGRAMS.

1. **Low Income Weatherization In IPL's Service Territory.** IPL will provide a \$150,000 contribution to the community action program network of Indiana Community Action Association to facilitate low-income weatherization in IPL's service territory targeted at high usage Energy Assistance Program customers. IPL's revenue deficiency in this Cause will not be adjusted to include the incremental costs of this contribution.
2. **Low Income Arrearage Forgiveness Program Pilot.** In response to Joint Intervenor Group Witness Olson, IPL will implement a three-year Low Income Arrearage Forgiveness Program Pilot that will provide an opportunity for low income customers to catch up on their bills. Non-administrative Pilot Program costs for arrearage forgiveness will not exceed \$650,000 over the life of the project. Once this limit is met, IPL will cease enrolling new participants for the Pilot Program. Estimated administrative costs for this program are approximately \$300,000 over the life of the pilot. IPL's revenue deficiency in this Cause will not be adjusted to include any incremental costs of this Pilot Program. To be eligible to participate, a customer must be a LIHEAP participant or a LIHEAP qualified customer who carries an overdue balance. Program details will be established in good faith through a collaborative process with IPL and interested stakeholders, which will commence no later than 90 days after a Final Order in this Cause. IPL will work in good faith to implement the program within 180 days after a

Final Order in Cause No. 45029. IPL will file with the Commission a report on the Low Income Arrearage Forgiveness Program Pilot which includes number of participants, amounts awarded to participants, and other information to be determined by the collaborative process.

3. **Roundup Program Pilot.** The Settling Parties agree to approval of IPL's proposal in Cause No. 45029 to implement a "roundup" program pilot on a three-year pilot basis to address low income bill affordability. Program details will be established in good faith through a collaborative process with IPL and interested stakeholders, which will commence no later than 90 days after a Final Order in Cause No. 45029. IPL will work in good faith to implement the program within 180 days after a Final Order in Cause No. 45029. IPL will provide \$100,000 over the life of the pilot to help fund the "roundup" program pilot. IPL's revenue deficiency in this Cause will not be adjusted to include this amount.

4. **Reporting.** IPL agrees to amend its ongoing Performance Metrics Collaborative annual report filed with the Commission pursuant to Cause No. 44576 to include, on a non-confidential basis, the following information by month, in readily accessible spreadsheet format:
 - a. **General Residential**
 1. Number of residential accounts.
 2. Total billed.
 3. Total receipts.
 4. Number of unpaid accounts 60-90 days after issuance of a bill.
 5. Dollar value of unpaid accounts 60-90 days after issuance of a bill.
 6. Number of unpaid accounts 90+ days after issuance of a bill.
 7. Dollar value of unpaid accounts 90+ days after issuance of a bill.
 8. Total number of unpaid accounts.
 9. Total dollar value of unpaid accounts.
 10. Number of accounts sent notice of disconnection for non-payment.
 11. Number of service disconnections for non-payment.
 12. Dollar value of accounts written off as uncollectible.

 - b. **Low Income Customers** (defined as participants known to be in LIHEAP or other means-tested benefit programs):
 1. Number of accounts.
 2. Total billed.
 3. Total receipts.
 4. Total receipts paid by LIHEAP.
 5. Total number of customers known to be receiving LIHEAP.
 6. Number of unpaid accounts 60-90 days after issuance of a bill.
 7. Dollar value of unpaid accounts 60-90 days after issuance of a bill.
 8. Number of unpaid accounts 90+ days after issuance of a bill.
 9. Dollar value of unpaid accounts 90+ days after issuance of a bill.
 10. Total number of unpaid accounts.
 11. Total dollar value of unpaid accounts.

12. Number of accounts sent notice of disconnection for non-payment
13. Number of service disconnections for non-payment.
14. Dollar value of accounts written off as uncollectible.

This reporting shall continue until the earlier of the filing of IPL's next basic rate case or December 31, 2021.

5. **Residential Bill Modification.** Within 60 days of a final order in Cause No. 45029, IPL will show the customer charge on residential customer bills.
6. **Community Solar.** IPL agrees to reconvene the Local Green Power Advisory Committee for a minimum of two meetings within six months of receiving a Final Order in Cause No 45029 approving this Settlement Agreement and will work in good faith with this Committee to develop a community solar pilot proposal within one year. The meetings with the Local Green Power Advisory Committee will be open to all interested stakeholders.
7. **Residential Customer Notice.** For IPL's next basic rate case, IPL shall provide its residential customers with notice and a description of any proposed change to the fixed customer charge.
- D. **REMAINING ISSUES.** Any matters not addressed by this Settlement Agreement will be adopted as proposed by IPL in its direct, supplemental and rebuttal case.

II. PRESENTATION OF THE SETTLEMENT AGREEMENT TO THE COMMISSION.

A. The Settling Parties shall support this Settlement Agreement before the Commission and request that the Commission expeditiously accept and approve the Settlement Agreement so that IPL may complete the compliance filing process and place new rates into effect December 5, 2018.

B. The Settling Parties may file testimony specifically supporting the Settlement Agreement. The Settling Parties agree to provide each other with an opportunity to review drafts of testimony supporting the Settlement Agreement and to consider the input of the other Settling Parties. Such evidence, together with the evidence previously prefiled in this Cause, will be offered into evidence without objection and the Settling Parties hereby waive cross-examination of each other's witnesses. The Settling Parties propose to submit this Settlement Agreement and evidence conditionally, and that, if the Commission fails to approve this Settlement Agreement in its entirety without any change or with condition(s) unacceptable to any Settling Party, the Settlement and supporting evidence shall be withdrawn and the Commission will continue to hear Cause No. 45029 with the proceedings resuming at the point they were suspended by the filing of this Settlement Agreement.

C. A Commission Order approving this Settlement Agreement shall be effective immediately, and the agreements contained herein shall be unconditional, effective and binding on all Settling Parties as an Order of the Commission.

III. EFFECT AND USE OF SETTLEMENT AGREEMENT.

A. It is understood that this Settlement Agreement is reflective of a negotiated settlement and neither the making of this Settlement Agreement nor any of its provisions shall constitute an admission by any Settling Party in this or any other litigation or proceeding except to the extent necessary to implement and enforce its terms. It is also understood that each and every term of this Settlement Agreement is in consideration and support of each and every other term.

B. Neither the making of this Settlement Agreement (nor the execution of any of the other documents or pleadings required to effectuate the provisions of this Settlement Agreement), nor the provisions thereof, nor the entry by the Commission of a Final Order approving this Settlement Agreement, shall establish any principles or legal precedent applicable to Commission proceedings other than those resolved herein.

C. This Settlement Agreement shall not constitute and shall not be used as precedent by any person or entity in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce this Settlement Agreement.

D. This Settlement Agreement is solely the result of compromise in the settlement process and except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any Settling Party may take with respect to any or all of the items resolved here and in any future regulatory or other proceedings.

E. The evidence in support of this Settlement Agreement constitutes substantial evidence sufficient to support this Settlement Agreement and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of this Settlement Agreement, as filed. The Settling Parties shall prepare and file an agreed proposed order with the Commission as soon as reasonably possible after the filing of this Settlement Agreement and the final evidentiary hearing.

F. The communications and discussions during the negotiations and conferences and any materials produced and exchanged concerning this Settlement Agreement all relate to offers of settlement and shall be confidential, without prejudice to the position of any Settling Party, and are not to be used in any manner in connection with any other proceeding or otherwise. Sierra Club will only be liable for monetary damages resulting from a breach of this Section if it files, submits, or otherwise publishes confidential settlement material. If any Settling Party believes that Sierra Club has violated this Section in such a way, then such Settling Party shall provide Sierra Club with written notice of the violation and describe it with sufficient information to allow Sierra Club an opportunity to cure it, and such Settling Party shall allow Sierra Club fourteen (14) business days to cure the alleged violation. Notice shall be sent to undersigned counsel for Sierra Club and to Casey Roberts, Sierra Club Senior Attorney. The other Settling Parties shall not be entitled to monetary damages for a breach of this provision by Sierra Club involving filing, submission or publication of settlement material, that is cured according to the terms of this section. "Cure" as used in this section shall mean to formally withdraw any filed or submitted statement and to publish a retraction or disavowal of any published statement (via the same media outlet through which the statement was made).

G. The undersigned Settling Parties have represented and agreed that they are fully authorized to execute the Settlement Agreement on behalf of their respective clients, and their successor and assigns, which will be bound thereby.

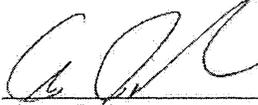
H. The Settling Parties shall not appeal or seek rehearing, reconsideration or a stay of the Commission Order approving this Settlement Agreement in its entirety and without change or condition(s) unacceptable to any Settling Party (or related orders to the extent such orders are specifically implementing the provisions of this Settlement Agreement). The Industrial Group, and any other party who wishes to join, reserve the right to seek appeal from any order denying the requested confidential treatment of certain workpapers submitted in support of the testimony of its witnesses. This includes any order denying the Joint Appeal to the Full Commission of the June 25, 2018 Docket Entry, filed with the Commission on July 2, 2018.

I. The provisions of this Settlement Agreement shall be enforceable by any Settling Party first before the Commission and thereafter in any state court of competent jurisdiction as necessary.

J. This Settlement Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ACCEPTED and AGREED as of the 18 th day of July, 2018.

INDIANAPOLIS POWER & LIGHT COMPANY



Craig L. Jackson
President and CEO of Indianapolis Power & Light Company
Indianapolis Power & Light Company
One Monument Circle
Indianapolis, Indiana 46204

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

Randall C. Helmen
Jeffrey M. Reed
Scott Franson
Indiana Office of Utility Consumer Counselor
115 West Washington Street
Suite 1500 South
Indianapolis, Indiana 46204

IPL INDUSTRIAL GROUP

Bette J. Dodd
Joseph P. Rompala
Anne E. Becker
Tabitha L. Balzer
LEWIS & KAPPES, P.C.
One American Square, Suite 2500
Indianapolis, IN 46282

ACCEPTED and AGREED as of the 18th day of July, 2018.

INDIANAPOLIS POWER & LIGHT COMPANY

Craig L. Jackson
President and CEO of Indianapolis Power & Light Company
Indianapolis Power & Light Company
One Monument Circle
Indianapolis, Indiana 46204

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



Randall C. Helmen
Jeffrey M. Reed
Scott Franson
Indiana Office of Utility Consumer Counselor
115 West Washington Street
Suite 1500 South
Indianapolis, Indiana 46204

IPL INDUSTRIAL GROUP

Bette J. Dodd
Joseph P. Rompala
Anne E. Becker
Tabitha L. Balzer
LEWIS & KAPPES, P.C.
One American Square, Suite 2500
Indianapolis, IN 46282

ACCEPTED and AGREED as of the 18th day of July, 2018.

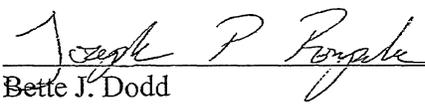
INDIANAPOLIS POWER & LIGHT COMPANY

Craig L. Jackson
President and CEO of Indianapolis Power & Light Company
Indianapolis Power & Light Company
One Monument Circle
Indianapolis, Indiana 46204

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

Randall C. Helmen
Jeffrey M. Reed
Scott Franson
Indiana Office of Utility Consumer Counselor
115 West Washington Street
Suite 1500 South
Indianapolis, Indiana 46204

IPL INDUSTRIAL GROUP


Bette J. Dodd
Joseph P. Rompala
Anne E. Becker
Tabitha L. Balzer
LEWIS & KAPPES, P.C.
One American Square, Suite 2500
Indianapolis, IN 46282

THE KROGER CO.



John P. Cook
John P. Cook & Associates
900 W. Jefferson Street
Franklin, Indiana 46131

Kurt J. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202

WAL-MART STORES EAST, LP AND SAM'S EAST, INC.

Eric E. Kinder
SPILMAN THOMAS & BATTLE, PLLC
300 Kanawha Boulevard, East
P. O. Box 273
Charleston, WV 25321

ROLLS-ROYCE CORPORATION

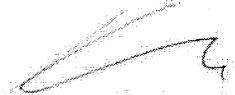
Nikki G. Shoultz
Kristina Kern Wheeler
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204

THE KROGER CO.

John P. Cook
John P. Cook & Associates
900 W. Jefferson Street
Franklin, Indiana 46131

Kurt J. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202

WAL-MART STORES EAST, LP AND SAM'S EAST, INC.



Eric E. Kinder
SPILMAN THOMAS & BATTLE, PLLC
300 Kanawha Boulevard, East
P. O. Box 273
Charleston, WV 25321

ROLLS-ROYCE CORPORATION

Nikki G. Shoultz
Kristina Kern Wheeler
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204

THE KROGER CO.

John P. Cook
John P. Cook & Associates
900 W. Jefferson Street
Franklin, Indiana 46131

Kurt J. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202

WAL-MART STORES EAST, LP AND SAM'S EAST, INC.

Eric E. Kinder
SPILMAN THOMAS & BATTLE, PLLC
300 Kanawha Boulevard, East
P. O. Box 273
Charleston, WV 25321

ROLLS-ROYCE CORPORATION



Nikki G. Shultz
Kristina Kern Wheeler
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204

UNIVERSITY OF INDIANAPOLIS



Nikki G. Shultz
Kristina Kern Wheeler
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204

CITY OF LAWRENCE, INDIANA

Brian C. Bosma
Kevin D. Koons
Ted W. Nolting
Kroger Gardis & Regas, LLP
111 Monument Circle Drive, Suite 900
Indianapolis, IN 46204-5125

CITIZENS ACTION COALITION OF
INDIANA, INC.; INDIANA COALITION
FOR HUMAN SERVICES; INDIANA
COMMUNITY ACTION ASSOCIATION,
INC.; AND SIERRA CLUB

Jennifer A. Washburn
Margo L. Tucker
Citizens Action Coalition
1915 W. 18th Street, Suite C
Indianapolis, Indiana 46202

UNIVERSITY OF INDIANAPOLIS

Nikki G. Shultz
Kristina Kern Wheeler
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204

CITY OF LAWRENCE, INDIANA



Brian C. Bosma
Kevin D. Koons
Ted W. Nolting
Kroger Gardis & Regas, LLP
111 Monument Circle Drive, Suite 900
Indianapolis, IN 46204-5125

CITIZENS ACTION COALITION OF
INDIANA, INC.; INDIANA COALITION
FOR HUMAN SERVICES; INDIANA
COMMUNITY ACTION ASSOCIATION,
INC.; AND SIERRA CLUB

Jennifer A. Washburn
Margo L. Tucker
Citizens Action Coalition
1915 W. 18th Street, Suite C
Indianapolis, Indiana 46202

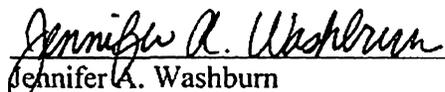
UNIVERSITY OF INDIANAPOLIS

Nikki G. Shultz
Kristina Kern Wheeler
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204

CITY OF LAWRENCE, INDIANA

Brian C. Bosma
Kevin D. Koons
Ted W. Nolting
Kroger Gardis & Regas, LLP
111 Monument Circle Drive, Suite 900
Indianapolis, IN 46204-5125

CITIZENS ACTION COALITION OF
INDIANA, INC.; INDIANA COALITION
FOR HUMAN SERVICES; INDIANA
COMMUNITY ACTION ASSOCIATION,
INC.; AND SIERRA CLUB



Jennifer A. Washburn
Margo L. Tucker
Citizens Action Coalition
1915 W. 18th Street, Suite C
Indianapolis, Indiana 46202

INDIANAPOLIS POWER & LIGHT COMPANY
Allowable Electric Operating Income Requirement
(Thousands of Dollars)

<u>Line No.</u>		(Col. 1)	Supporting IPL Financial Exhibit Reference (Col. 2)	<u>Line No.</u>
1	Original cost rate base	\$ 3,339,565	IPL-RB, Schedule RB2 Column 6, Line 10	1
2	Rate of return	<u>6.59%</u>	IPL-CC, Schedule CC3	2
3	Allowable electric operating income	220,076	Line 1 multiplied by Line 2	3
4	Less: Electric operating income pro forma at present rates	<u>188,093</u>	IPL-OPER, Schedule OPINC, Column 4, Line 13	4
5	Deficiency in electric operating income	31,983		5
6	Revenue conversion factor	<u>0.728928</u>	IPL-REVREQ, Schedule REVREQ2, Line 30	6
7	Deficiency in electric operating revenue	<u>\$ 43,877</u>	Line 5 divided by Line 6	7
8	Additional operating revenue produced by proposed rates	<u>\$ 43,877</u>	IPL-OPER, Schedule OPINC, Column 5, Line 1	8

INDIANAPOLIS POWER & LIGHT COMPANY
Original Cost Electric Rate Base
Per Books at June 30, 2017 and Pro Forma
(Thousands of Dollars)

Line No.	Description	Plant in Service (Col. 1)	Accumulated Depreciation And Amortization (Col. 2)	Materials and Supplies Inventory (Col. 3)	Fuel Stock Inventory (Col. 4)	Regulatory Assets (Col. 5)	Totals (Col. 6)	Line No.
1	Per books (Schedules RB3, RB8, RB9, RB10)	\$ 5,140,053	\$ (2,885,818)	\$ 72,168	\$ 34,276	\$ 55,370	\$ 2,416,049	1
2	Add combined cycle gas turbine (Schedule RB4) (1)	676,752	-	-	-	-	676,752	2
3	Add IURC approved environmental projects (Schedule RB5)	303,930	(8,200)	-	-	-	295,730	3
4	Remove non-jurisdictional MISO MTEP plant in service (Schedule RB6)	(16,409)	1,338	-	-	-	(15,071)	4
5	Remove net asset retirement cost (Schedule RB7)	(59,999)	18,389	-	-	-	(41,610)	5
6	Adjustment to materials & supplies inventory (Schedule RB8)	-	-	6,053	-	-	6,053	6
7	Adjustment to fuel stock inventory (Schedule RB9)	-	-	-	(1,462)	-	(1,462)	7
8	Adjustment to regulatory assets (Schedule RB10)	-	-	-	-	47,464	47,464	8
9	Miscellaneous rate base adjustments (Schedule RB11)	25,195	(69,536)	-	-	-	(44,340)	9
10	Pro forma original cost rate base (See Schedule RB1)	<u>\$ 6,069,522</u>	<u>\$ (2,943,827)</u>	<u>\$ 78,221</u>	<u>\$ 32,814</u>	<u>\$ 102,834</u>	<u>\$ 3,339,565</u>	10

(1) IPL made no reduction to pro forma rate base for Accumulated Depreciation, because IPL was granted authority to defer depreciation on the CCGT. Had IPL included the accumulated depreciation as of May 31, 2018 in accumulated depreciation, there would be an offsetting regulatory asset on RB10.

INDIANAPOLIS POWER & LIGHT COMPANY
Weighted Average Cost of Capital
(Thousands of Dollars)

Line No.	Component of Capitalization	Balance at June 30, 2017 (Col. 1)	Percent of Total (Col. 2)	Return Rate (Col. 3)	Weighted Return Rate (Col. 4)	Line No.
1	Long-Term Debt	\$ 1,694,149	49.50%	5.03%	2.49%	1
2	Preferred Stock	59,784	1.75%	5.37%	0.09%	2
3	Common Equity	1,357,890	39.67%	9.99% (2)	3.96%	3
4	Customer Deposits	30,723	0.90%	6.00%	0.05%	4
5	Prepaid Pension Asset (net of OPEB liability)	(95,900) (1)	-2.80%	0.00%	0.00%	5
6	Deferred Income Taxes	374,402 (4)	10.94%	0.00%	0.00%	6
7	Post 1970 ITC	1,721	0.05%	7.20% (3)	0.00%	7
8	Totals	\$ 3,422,769	100.00%		6.59%	8

(1) Please see IPL Witness EJK Attachment 2

(2) Provided by IPL Witness McKenzie

(3) Computed as the weighted return on investor-supplied capital:

Long-Term Debt	\$ 1,694,149	54.44%	5.03%	2.74%
Preferred Stock	59,784	1.92%	5.37%	0.10%
Common Equity	1,357,890	43.64%	9.99%	4.36%
	<u>\$ 3,111,823</u>	<u>100.00%</u>		<u>7.20%</u>

(4) A reduction to deferred income taxes for the estimated amortization of excess deferred income taxes is calculated as follows:

Description	"Normalized"	"Non-Normalized"	Total
Excess Deferred Federal Income Taxes Recorded at December 31, 2017	\$ 98,978	\$ 37,120.00	\$144,305
Proposed Reversal Period (in years)	25	7	
Estimated Annual Reversal	<u>3,959</u>	<u>5,303</u>	<u>9,262</u>
Estimated Reversal January 1, 2018 through June 30, 2018			\$ (4,631)
Deferred income taxes included in capital structure before the TCJA			395,004
Reduction of DFIT related to reduction of Prepaid Pension Asset			(15,971)
Updated Deferred Income Taxes			<u>\$374,402</u>

Note: Detail of this exhibit has been filed as IPL Workpaper -- CC3.

INDIANAPOLIS POWER & LIGHT COMPANY
Statements of Electric Operating Income for the Twelve Months Ended June 30, 2017
Per Books and Jurisdictional Pro Forma at Present and Proposed Rates
(Thousands of Dollars)

Line No.	Adjustment Support Shown on IPL Financial Exhibit IPL-OPER (Col. 1)	Twelve Months Ended June 30, 2017 Per Books (Col. 2)	At Present Rates		At Proposed Rates		Line No.	
			Adjustments (Col. 3)	Pro Forma (Col. 4)	Adjustments (Col. 5)	Pro Forma (Col. 6)		
1	Operating revenues	Schedule REV1	\$ 1,355,130	\$ 14,175	\$ 1,369,305	\$ 43,877	\$ 1,413,182	1
	Operating expenses:							
2	Operation and maintenance expenses	Schedule OM1	845,115	29,781	874,896	216	875,112	2
3	Depreciation and amortization expense	Schedule DEPR	210,680	28,719	239,399	-	239,399	3
4	Taxes-other than income taxes	Schedule OTX1	44,560	5,328	49,888	612	50,500	4
5	Total operating expenses other than income taxes		1,100,355	63,828	1,164,183	828	1,165,011	5
6	Net operating income before income taxes		254,776	(49,653)	205,122	43,049	248,171	6
	Income taxes:	Schedule TX1						
7	Federal income taxes - current		54,276	(32,415)	21,862	8,502	30,364	7
8	State income taxes - current		12,331	(2,091)	10,239	2,565	12,804	8
9	Federal income taxes - deferred		5,422	(16,697)	(11,275)	-	(11,275)	9
10	State income taxes - deferred		(989)	(1,383)	(2,372)	-	(2,372)	10
11	Income tax credit adjustments		(1,574)	149	(1,425)	-	(1,425)	11
12	Total income taxes		69,466	(52,437)	17,029	11,067	28,096	12
13	Net utility operating income		\$ 185,310	\$ 2,784	\$ 188,093	\$ 31,982	\$ 220,076	13

INDIANAPOLIS POWER & LIGHT COMPANY
Miscellaneous Rate Base Adjustments
(Thousands of Dollars)

Line No.	Description	Additional Depreciation Through Dec. 31, 2018 (Col. 1)	Reduction for Temporary Rates (1) (Col. 2)	Pro Forma Adjustment (Col. 3)	Line No.
<u>Additions to accumulated depreciation for deferred depreciation projected on RB10, lines 10 and 11</u>					
1	Depreciation of Eagle Valley CCGT deferred per May 14, 2014 IURC order in Cause No. 44339 (RB10, Line 10, columns 2 and 3, respectively)	\$ (16,960)	\$ 3,869	\$ (13,091)	1
2	Depreciation of Harding Street 5 & 6 refueling deferred per May 14, 2014 IURC order in Cause No. 44339 (RB10, Line 11, columns 2 and 3, respectively)	<u>(3,470)</u>	<u>385</u>	<u>(3,085)</u>	2
3	Net increase to accumulated depreciation (See RB2, Line 9, Column 2)	<u>\$ (20,430)</u>	<u>\$ 4,254</u>	<u>\$ (16,176)</u>	3
 <u>Other miscellaneous rate base adjustments</u>					
4	To remove a miscoded invoice from Plant in Service (2)			\$ (55)	4
5	To include capital maintenance MATS equipment (net of retirements) that was in service as of June 30, 2017, but not reflected in Utility Plant			829	5
6	1/2 Production Plant Additions July 2017 - April 2018			24,421	6
7	1/2 Estimated Accumulated Depreciation Production Plant July 2017 - April 2018			<u>(53,360)</u>	7
6	Net increase to utility plant (See RB2, Line 9, Column 1)			<u>\$ (28,164)</u>	8

(1) This reflects a reduction in projected accumulated deferred depreciation for Harding Street generating units 5 & 6 and the Eagle Valley CCGT that would be applicable if temporary rates were implemented.

(2) An invoice was erroneously miscoded to Utility Plant not Classified in June 2017.

Note: Detail of this exhibit has been filed as IPL Workpaper - RB11.

INDIANAPOLIS POWER & LIGHT COMPANY
Summary of Electric Operating Revenue for the Twelve Months Ended June 30, 2017
Per Books and Pro Forma at Present and Proposed Rates
(Thousands of Dollars)

Line No.	Description	Twelve Months Ended June 30, 2017 Per Books (Col. 1)	At Present Rates		At Proposed Rates		Line No.
			Adjustments (1) (Col. 2)	Pro Forma (Col. 3)	Adjustments (2) (Col. 4)	Pro Forma (Col. 5)	
1	Residential revenues	\$ 532,924	\$ 4,093	\$ 537,017	\$ 26,763	\$ 563,780	1
2	Small commercial & industrial revenues	203,345	146	203,491	4,043	207,534	2
3	Large commercial & industrial revenues	563,263	243	563,506	12,112	575,618	3
4	Lighting	16,641	181	16,822	959	17,781	4
5	Electric vehicle public charging stations	1	-	1	-	1	5
6	Off-system sales	16,390	(66)	16,324	-	16,324	6
7	Capacity sales	-	11,288	11,288	-	11,288	7
8	Total sales of electric energy	<u>1,332,564</u>	<u>15,885</u>	<u>1,348,449</u>	<u>43,877</u>	<u>1,392,326</u>	8
	<u>Other Electric Revenues</u>						
9	Rents	5,002	763	5,765	-	5,765	9
10	Other customer charges	9,353	-	9,353	-	9,353	10
11	Miscellaneous revenue	8,211	(2,473)	5,738	-	5,738	11
12	Total other electric revenues	<u>22,566</u>	<u>(1,710)</u>	<u>20,856</u>	<u>-</u>	<u>20,856</u>	12
13	Total electric operating revenues (See Exhibit IPL-OPER, Sch. OPINC, Line 1)	<u>\$ 1,355,130</u>	<u>\$ 14,175</u>	<u>\$ 1,369,305</u>	<u>\$ 43,877</u>	<u>\$ 1,413,182</u>	13

(1) Adjustments shown on IPL Financial Exhibit IPL-OPER, Schedule REV2
(2) Adjustments shown on IPL Financial Exhibit IPL-OPER, Schedule REV10

Note: Detail of this exhibit has been filed as IPL Workpaper -- REV1.

INDIANAPOLIS POWER & LIGHT COMPANY
Summary of Off-System Sales ("OSS")
Total Revenue Per Books and Pro Forma Net Margin at Present Rates
for the Twelve Months Ended June 30, 2017
(Thousands of Dollars)

Line No.	Description	MISO Off-System Sales				Reclassifications		Reclassified Total Margins (Col. 7)	Line No.
		Not Attributed to LWP (1) (Col. 1)	Sales Attributed to LWP Production (Col. 2)	OSS Sales Sharing Adjustment (2) (Col. 3)	Total (Col. 4)	OM2 (Col. 5)	OM4 (Col. 6)		
1	OSS revenues	\$ 12,681	\$ 4,395	\$ -	\$ 17,076	\$ (12,239)	\$ (1,543)	\$ 3,294	1
2	Fuel costs	9,011	3,228	-	12,239	\$ (12,239)	\$ -		2
3	Production costs	1,075	468	-	1,543	-	(1,543)		3
4	Total costs	10,086	3,696	-	13,782	\$ (12,239)	\$ (1,543)		4
5	Total OSS margins	2,595	699	-	3,294			\$ 3,294	5
6	LWP margins returned via FAC (1)	-	(699)		(699)			(699)	6
7	OSS margins not attributed to LWP	\$ 2,595	\$ -	\$ -	\$ 2,595			2,595	7
8	Pro forma adjustment to margins							13,729	8
9	Pro forma margins for OSS to be embedded in retail rates							\$ 16,324	9
10	<u>Breakout of total pro forma adjustment</u>								10
11	Reclassify OSS fuel against revenues				\$ (12,239)				11
12	Reclassify OSS production costs against revenues				(1,543)				12
13	Reflect sharing of LWP margin via FAC				(699)				13
14	Adjust OSS margin to pro forma level				13,729				14
15	Pro forma adjustment reflects the wholesale margin embedded in retail rates (See Schedule REV2, Column 5, Line 6)				\$ (752)				15

(1) LWP is an abbreviation for Lakefield Wind Production. In accordance with the IURC order in Cause No. 43740, IPL reduces the fuel costs charged to its jurisdictional retail customers by an amount equal to its estimated wholesale margin attributable to production from its Lakefield Wind Purchase Power Agreement.

(2) This column reflects the test year (over) or under collection of the OSS margin tracker as approved by the IURC order in Cause No. 44576. The amount for the test year was reclassified on Schedule REV-2, Column 1.

Note: Detail of this exhibit has been filed as IPL Workpaper -- REV6.

INDIANAPOLIS POWER & LIGHT COMPANY
Summary of Pro Forma Adjustments to Electric Operation and
Maintenance Expense for the Twelve Months Ended June 30, 2017
(Thousands of Dollars)

Line No.	Description	Exhibit IPL-OPER Adjustment Schedule Reference (Col. 1)	Pro Forma Adjustments		Line No.
			Total Electric At Present Rates (Col. 2)	Total Electric At Proposed Rates (Col. 3)	
1					1
2	Cost of fuel and purchased power	OM2	\$ (5,700)	\$ -	2
3	Capacity costs	OM3	(4,536)	-	3
4	Off-system sales power production costs	OM4	(1,543)	-	4
5	Operating and maintenance expense for environmental compliance projects	OM5	12,591	-	5
6	Coal combustion product (CCP) disposal costs	OM6	3,157	-	6
7	Outage maintenance costs	OM7	7,074	-	7
8	Non-outage operating and maintenance costs for IPL's Eagle Valley generating station, including the CCGT	OM8	4,792	-	8
9	Non-outage operating and maintenance costs for the IPL MATS equipment	OM9	1,364	-	9
10	Seasonal NOx emission allowance expense	OM10	-	-	10
11	Obsolete/damaged materials and supplies inventory write-offs expense	OM11	(668)	-	11
12	Non-jurisdictional MISO MTEP operating and maintenance expenses	OM12	(732)	-	12
13	Storm expenses	OM13	(387)	-	13
14	Vegetation management costs	OM14	6,896	-	14
15	MISO non-fuel costs	OM15	6,946	-	15
16	MISO deferred expense amortization	OM16	1,624	-	16
17	Wages and benefits of IPL and AES U.S. Services, LLC employees	OM17	1,833	-	17
18	Image-building advertising costs	OM18	(2,226)	-	18
19	Injuries and damages expense	OM19	525	-	19
20	Amortization of rate case expense	OM20	(818)	-	20
21	Miscellaneous expense adjustments	OM21	(946)	-	21
22	AES U.S. Services, LLC occupancy and non-labor costs	OM22	88	-	22
23	Cost Savings from the Transition of Finance Support to an AES Shared Service Center	OM23	(915)	-	23
24	Property insurance expense	OM24	1,237	-	24
25	Write off of preliminary survey and investigation charges	OM25	171	-	25
26	Uncollectable accounts expense	OM26	(383)	157	26
27	Public utility fee	OM27	338	59	27
28	Total pro forma adjustments (See Exhibit IPL-OPER, Schedule OPINC, Line 2, Columns 3 and 5, respectively)		<u>\$ 29,781</u>	<u>\$ 216</u>	28

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustment to
Outage Maintenance Costs
(Thousands of Dollars)

The following pro forma adjustment is to normalize IPL's generating unit outage maintenance costs, excluding base labor and benefits.

<u>Line No.</u>	<u>Pro Forma O & M Cost</u> (Col. 1)	<u>Generating Unit O & M Cost Per Books for the Twelve Months Ended June 30, 2017</u> (Col. 2)	<u>Pro Forma Adjustment (See Schedule OM1)</u> (Col. 3)	<u>Line No.</u>
<u>Outage maintenance costs, excluding base labor and benefits:</u>				
1	\$ 5,564	\$ 1,654	\$ 3,910	1
2	1,427	-	1,427	2
3	2,195	458	1,737	3
4	<u>\$ 9,186</u>	<u>\$ 2,112</u>	<u>\$ 7,074</u>	4

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustment to
Non-Outage Operating and Maintenance ("O&M") Costs
For the IPL MATS Equipment
(Thousands of Dollars)

The following pro forma adjustment is to adjust MATS non-outage operating and maintenance costs (excluding base labor and benefits), to expected ongoing levels, and to remove the test year regulatory deferrals.

<u>Line No.</u>	<u>Per Books (Col. 1)</u>	<u>Totals (Col. 2)</u>	<u>Line No.</u>
1	Pro forma MATS non-outage O&M Costs	\$ 13,787	1
2	MATS actual non-outage O&M costs at IPL's Petersburg Generating Station	\$ 14,337	2
3	Add: Regulatory deferrals of MATS O&M (1)	<u>(1,914)</u>	3
4	Total per books MATS O&M	<u>12,423</u>	4
5	Pro Forma Adjustment (See Schedule OM1)	<u>\$ 1,364</u>	5

(1) Represents costs that were deferred as regulatory assets from before MATS was included in rates.

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustment to
Seasonal NOx Emission Allowance Expense
(Thousands of Dollars, Except Per Allowance Pricing)

The following adjustment represents the impact of expected changes to IPL's emission allowance expense for Environmental Protection Agency ("EPA") Seasonal NOx allowances. (1)

<u>Line No.</u>		(Col. 1)	<u>Line No.</u>
1	Projected tons of seasonal NOx emissions	3,445	1
2	Less: 2017 allowances allotted from EPA at no cost	<u>3,396</u>	2
3	Projected shortfall	49	3
4	Current market pricing for 2017 NOx emissions (in \$ per ton)	<u>\$ 150.00</u>	4
5	Projected seasonal NOx emission expense	7	5
6	Less: Per books expense for the twelve months ended June 30, 2017	<u>7</u>	6
7	Pro forma adjustment to seasonal NOx expense (See Schedule OM1)	<u><u>\$ -</u></u>	7

(1) Seasonal NOx emissions are emissions from May through September of each calendar year.

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustment to Vegetation Management Costs
For the Twelve Months Ended June 30, 2017
(Thousands of Dollars)

The following pro forma adjustment reflects expected pricing and scope changes to vegetation management costs.

<u>Line No.</u>	<u>Pro Forma Costs (Col. 1)</u>	<u>Twelve Months Ended June 30, 2017 Per Books (Col. 2)</u>	<u>Pro Forma Adjustment (See Schedule OM1) (Col. 3)</u>	<u>Line No.</u>
1	\$ 11,000	\$ 4,104	\$ 6,896	1

Note: Detail of this exhibit has been filed as IPL Workpaper -- OM14.

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustments to Uncollectible Accounts Expense
(Thousands of Dollars)

The following adjustments reflect the application of the experience rate to the respective pro forma electric revenues.

Line No.		Total Electric At Present Rates (Col. 1)	Total Electric At Proposed Rates (Col. 2)	Supporting IPL Financial Exhibit Reference (Col. 3)	Line No.
1	Electric operating revenues for the twelve months ended June 30, 2017	\$ 1,369,305	\$ 1,413,182	IPL-OPER, Sch. OPINC, Line 1, Cols. 4 and 6	1
2	Less: Off-system sales	16,324	16,324	IPL-OPER, Sch. REV1, Line 6, Cols. 3 and 5	2
3	Less: Rents from electric property	5,765	5,765	IPL-OPER, Sch. REV1, Line 9, Cols. 3 and 5	3
4	Less: Capacity sales	11,288	11,288	IPL-OPER, Sch. REV1, Line 7, Cols. 3 and 5	4
5	Less: Miscellaneous electric revenue	5,738	5,738	IPL-OPER, Sch. REV1, Line 11, Cols. 3 and 5	5
6	Net	<u>\$ 1,330,190</u>	<u>\$ 1,374,067</u>		6
7	Uncollectible accounts experience rate	<u>0.3562%</u>			7
8	Pro forma uncollectible electric accounts expense	\$ 4,739	\$ 4,896		8
9	Amount charged to total electric operating expense for the twelve months ended June 30, 2017	<u>5,122</u>			9
10	Pro forma adjustment at present rates	<u>\$ (383)</u>		(See Exhibit IPL-OPER, Sch. OM1, Column 1)	10
11	Less: Pro forma electric at present rates expense		<u>4,739</u>		11
12	Pro forma adjustment at proposed rates		<u>\$ 157</u>	(See Exhibit IPL-OPER, Sch. OM1, Column 2)	12

Note: Detail of this exhibit has been filed as IPL Workpaper -- OM26.

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustments to Public Utility Fee
(Thousands of Dollars)

The following adjustments reflect the application of the public utility fee, increased by the current billing factor, to the respective pro forma electric revenues.

Line No.	Description	Total Electric At Present Rates (Col. 1)	Total Electric At Proposed Rates (Col. 2)	Supporting IPL Financial Exhibit Reference (Col. 3)	Line No.
1	Electric operating revenues for the twelve months ended June 30, 2017	\$ 1,369,305	\$ 1,413,182	IPL-OPER, Sch. OPINC, Line 1, Cols. 4 and 6	1
2	Less : Capacity Sales	11,288	11,288	IPL-OPER, Sch. REV1, Line 7, Cols. 3 and 5	2
3	Less: Off-system sales	16,324	16,324	IPL-OPER, Sch. REV1, Line 6, Cols. 3 and 5	3
4	Less: Rents	5,765	5,765	IPL-OPER, Sch. REV1, Line 9, Cols. 3 and 5	4
5	Less: Other customer charges	9,353	9,353	IPL-OPER, Sch. REV1, Line 10, Cols. 3 and 5	5
6	Less: Miscellaneous electric revenues	5,738	5,738	IPL-OPER, Sch. REV1, Line 11, Cols. 3 and 5	6
7	Less: Uncollectible accounts expense	4,739	4,896	IPL-OPER, Sch. OM26, Line 8, Cols. 1 and 2	7
8	Net electric operating revenue subject to public utility fee	<u>\$ 1,316,098</u>	<u>\$ 1,359,818</u>		8
9	Effective public utility fee rate	0.001330868			9
10	Pro forma public utility fee	\$ 1,752	\$ 1,811		10
11	Fee charged to total electric operating expense during the twelve months ended June 30, 2017	<u>1,414</u>			11
12	Pro forma adjustment at present rates	<u>\$ 338</u>		(See Exhibit IPL-OPER, Sch. OM1, Column 1)	12
13	Less: Pro forma electric at present rates expense		<u>1,752</u>		13
14	Pro forma adjustment at proposed rates		<u>\$ 59</u>	(See Exhibit IPL-OPER, Sch. OM1, Column 2)	14

Note: Detail of this exhibit has been filed as IPL Workpaper -- OM27.

INDIANAPOLIS POWER & LIGHT COMPANY

**Pro Forma Adjustment to Total Electric at Present Rates to Reflect the Annual Provision for Depreciation and Amortization Expense for the Twelve Month Period Ended June 30, 2017
Applying Proposed Depreciation and Amortization Rates to Pro Forma Original Cost Rate Base
(Thousands of Dollars)**

Line No.		Functional Classification						Line No.	
		Intangible Plant	Systems Software	Production Plant	Transmission Plant	Distribution Plant	General Plant		Total
		(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)		(Col. 7)
1	Total electric utility plant in service per books (1)	\$ 46	\$ 87,317	\$ 2,966,412	\$ 377,556	\$ 1,459,289	\$ 249,432	\$ 5,140,053	1
2	Less: Asset retirement obligation asset (2)	-	-	(59,041)	(30)	(235)	(693)	(59,999)	2
3	Less: Fully amortized system software	-	(68,582)	-	-	-	-	(68,582)	3
4	Less: Non-depreciable assets included above - land and other	(46)	-	(2,783)	(546)	(3,611)	(3,778)	(10,764)	4
5	Total depreciable assets in service per books at June 30, 2017	-	18,734	2,904,588	376,980	1,455,444	244,961	5,000,708	5
6	Less: Non-jurisdictional plant-in-service (3)	-	-	-	(16,409)	-	-	(16,409)	6
7	Less: Misc - AP invoice coding error	-	-	(55)	-	-	-	(55)	7
8	Add: MATS	-	-	829	-	-	-	829	8
9	Add: NPDES projects	-	-	255,281	-	-	50	255,331	9
10	Add: CCR (Pete Bottom Ash) (4)	-	-	46,429	-	-	31	46,460	10
11	Add: EV CCGT Plant (5)	-	-	642,691	32,050	-	-	674,741	11
11b	Less: EV CCGT Land	-	-	(1,065)	-	-	-	(1,065)	
12	Add: EV CCGT Capital Spare Parts (6)	-	-	2,012	-	-	-	2,012	12
13	Total depreciable assets	\$ -	\$ 18,734	\$ 3,850,709	\$ 392,621	\$ 1,455,444	\$ 245,043	\$ 5,962,551	13
14	Pro forma depreciation and amortization	\$ -	\$ 3,747	\$ 166,157	\$ 9,617	\$ 33,721	\$ 19,161	\$ 232,403	14
15	Add: Plant acquisition adjustment amortization (7)							15	15
16	Add: Amortization of regulatory assets on Petitioner's Exhibit IPL-RB Schedule RB10 (8)							6,837	16
17	Add: Regulatory deferrals and amortization of regulatory assets not on Petitioner's Exhibit IPL-RB, Schedule RB10							145	
18	Total pro forma depreciation and amortization expense							239,399	17
	Less: Total depreciation and amortization expense charged to								
19	O & M expense for the twelve months ended June 30, 2017 (9)							210,680	18
20	Pro forma adjustment (See Petitioner's Exhibit IPL-OPER, Schedule OPINC, Line 3, Column 3)							\$ 28,719	19

- (1) See Petitioner's Exhibit IPL-RB, Schedule RB3, Line 9
- (2) See Petitioner's Exhibit IPL-RB, Schedule RB7, Line 7
- (3) See Petitioner's Exhibit IPL-RB, Schedule RB6, Line 4
- (4) See Petitioner's Exhibit IPL-RB, Schedule RB5, Line 11. The CCR addition here is lower than the addition on Schedule RB5 due to an asset retirement resulting from the CCR project. While the retirement does not impact net rate base, it does reduce the pro forma level of depreciable assets.
- (5) See Petitioner's Exhibit IPL-RB, Schedule RB4, Column 3, Line 7 plus Line 8
- (6) See Petitioner's Exhibit IPL-RB, Schedule RB4, Line 9
- (7) Reflects a 33-year amortization period, the estimated remaining useful life of the asset at the time of the acquisition.
- (8) See Petitioner's Exhibit IPL-RB, Schedule RB10, Page 2 of 3, Line 19
- (9) See Petitioner's Exhibit IPL-OPER, Schedule OPINC, Line 3, Column 2.

Note: Detail of this exhibit has been filed as a part of Petitioner's Exhibit IPL-OPER, Schedule DEPR workpapers.

Petitioner's Exhibit IPL-OPER
IPL 2017 Basic Rates Case
Schedule DEPR-S

Indianapolis Power & Light Company
Cause No. 45029
Settlement Agreement Attachment A
Page 15 of 25

INDIANAPOLIS POWER & LIGHT COMPANY
Summary of Income Taxes for the Twelve Months Ended June 30, 2017
Per Books and Pro Forma at Present and Proposed Rates
(Thousands of Dollars)

Line No.	Adjustment Shown on IPL Financial Exhibit (Col. 1)	Total Electric Per Books (Col. 2)	Total Electric At Present Rates		Total Electric At Proposed Rates		Line No.	
			Adjustments (Col. 3)	Pro Forma (Col. 4)	Adjustments (Col. 5)	Pro Forma (Col. 6)		
1	Current - federal (See Schedule OPINC, Line 7)	Schedule TX2	\$ 54,276	\$ (32,415)	\$ 21,862	\$ 8,502	\$ 30,364	1
2	Current - state (See Schedule OPINC, Line 8)	Schedule TX3	12,331	(2,091)	10,239	2,565	12,804	2
3	Deferred - federal (See Schedule OPINC, Line 9)	Schedule TX4	5,422	(16,697)	(11,275)	-	(11,275)	3
4	Deferred - state (See Schedule OPINC Line 10)	Schedule TX4	(989)	(1,383)	(2,372)	-	(2,372)	4
5	Investment tax credit adjustments (See Schedule OPINC, Line 11)	Schedule TX5	(1,574)	149	(1,425)	-	(1,425)	5
6	Total income taxes (See Schedule OPINC, Line 12)		<u>\$ 69,466</u>	<u>\$ (52,437)</u>	<u>\$ 17,029</u>	<u>\$ 11,067</u>	<u>\$ 28,096</u>	6

Note: Detail of the TX exhibits have been filed as IPL Workpaper TX1-TX8.

Indianapolis Power & Light Company
 Cause No. 45029
 Settlement Agreement Attachment A
 Page 16 of 25

IPL Financial Exhibit IPL-OPER
IPL 2017 Basic Rates Case
Schedule TX1-S

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustment to the Computation of
Current Federal Income Tax Expense
at Present Rates and at Proposed Rates
(Thousands of Dollars)

Line No.	Per Books at June 30, 2017 (Col. 1)	Pro Forma Adjustments at Present Rates (Col. 2)	Pro Forma Federal Income Tax at Present Rates (Col. 3)	Pro Forma Adjustments at Proposed Rates (Col. 4)	Pro Forma Federal Income Tax at Proposed Rates (Col. 5)	Line No.
1	\$ 1,355,130	\$ 14,175	\$ 1,369,305	\$ 43,877	\$ 1,413,182	1
Less:						
2	845,115	29,781	874,896	216	875,112	2
3	210,680	28,719	239,399	-	239,399	3
4	44,560	5,328	49,888	612	50,500	4
5	254,776	(49,653)	205,122	43,049	248,171	5
Permanent book/tax differences:						
6	(12,032)	12,032	-	-	-	6
7	-	-	-	-	-	7
8	-	-	-	-	-	8
9	376	(15)	360	-	360	9
10	(76)	-	(76)	-	(76)	10
11	(11,733)	12,017	284	-	284	11
Temporary book/tax differences:						
12	(524)	-	(524)	-	(524)	12
13	(4,613)	1,373	(3,239)	-	(3,239)	13
14	64	-	64	-	64	14
15	42	-	42	-	42	15
16	145	-	145	-	145	16
17	(1,667)	-	(1,667)	-	(1,667)	17
18	11,643	1,584	13,228	-	13,228	18
19	266	-	266	-	266	19

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustment to the Computation of
Current Federal Income Tax Expense
at Present Rates and at Proposed Rates
(Thousands of Dollars)

Line No.	Per Books at June 30, 2017 (Col. 1)	Pro Forma Adjustments at Present Rates (Col. 2)	Pro Forma Federal Income Tax at Present Rates (Col. 3)	Pro Forma Adjustments at Proposed Rates (Col. 4)	Pro Forma Federal Income Tax at Proposed Rates (Col. 5)	Line No.
<i>(Continued from Page 1)</i>						
20	\$ -	\$ 41	\$ 41	\$ -	\$ 41	20
21	(18)	-	(18)	-	(18)	21
22	-	-	-	-	-	22
23	40	-	40	-	40	23
24	96	66	162	-	162	24
25	1,361	-	1,361	-	1,361	25
26	16	-	16	-	16	26
27	(894)	-	(894)	-	(894)	27
28	(84)	937	853	-	853	28
29	(153)	(642)	(795)	-	(795)	29
30	442	(2,559)	(2,117)	-	(2,117)	30
31	(20)	-	(20)	-	(20)	31
32	1,579	(4,150)	(2,570)	-	(2,570)	32
33	(23)	106	83	-	83	33
34	(665)	3	(662)	-	(662)	34
35	-	(97)	(97)	-	(97)	35
36	800	-	800	-	800	36
37	(5,549)	1,396	(4,153)	-	(4,153)	37
38	(3,316)	2,356	(960)	-	(960)	38
39	-	3,481	3,481	-	3,481	39
40	(698)	-	(698)	-	(698)	40
41	751	-	751	-	751	41
42	3,659	110	3,769	-	3,769	42
43	5,185	-	5,185	-	5,185	43
44	1,054	-	1,054	-	1,054	44

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustment to the Computation of
Current Federal Income Tax Expense
at Present Rates and at Proposed Rates
(Thousands of Dollars)

Line No.	Per Books at June 30, 2017 (Col. 1)	Pro Forma Adjustments at Present Rates (Col. 2)	Pro Forma Federal Income Tax at Present Rates (Col. 3)	Pro Forma Adjustments at Proposed Rates (Col. 4)	Pro Forma Federal Income Tax at Proposed Rates (Col. 5)	Line No.	
<i>(Continued from Page 2)</i>							
45	AFUDC debt	\$ (20,609)	\$ -	\$ (20,609)	\$ -	\$ (20,609)	45
46	Capitalized interest	40,011	-	40,011	-	40,011	46
47	CIAC	3,000	-	3,000	-	3,000	47
48	Tax depreciation (net of capitalized depr.)	(137,414)	(27,458)	(164,871)	-	(164,871)	48
49	Tax gain/loss & removal costs	(96,593)	84,727	(11,866)	-	(11,866)	49
50	Book depreciation (6)	214,751	17,666	232,417	-	232,417	50
51	Mixed service costs	(5,000)	(1,000)	(6,000)	-	(6,000)	51
52	Repairs	(26,130)	1,434	(24,696)	-	(24,696)	52
53	Total temporary Interest	(19,061)	79,374	60,314	-	60,314	53
54	Less: Actual / synchronized interest (2)	62,962	20,193	83,155	-	83,155	54
55	Less: Parent interest (3)	-	24,115	24,115	-	24,115	55
56	Adjusted operating income before income taxes	161,020	(2,570)	158,450	43,049	201,499	56
57	Less: State net income tax expense (4)	11,739	(1,500)	10,239	2,565	12,804	57
58	Add: Net operating loss adjustment (non-recurring)	-	-	-	-	-	58
59	Taxable federal net income	\$ 149,281	\$ (1,070)	\$ 148,211	\$ 40,484	\$ 188,695	59
60	Federal income tax rate	35.0%					60
61	Federal income tax expense @ 35%	\$ 52,248	\$ (375)	\$ 51,874	\$ 14,169	\$ 66,043	61
62	Adjust Fed income tax expense to 21% due to Tax Reform		(20,750)	\$ 31,124	8,502	39,626	62

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustment to the Computation of
Current Federal Income Tax Expense
at Present Rates and at Proposed Rates
(Thousands of Dollars)

Line No.	Per Books at June 30, 2017 (Col. 1)	Pro Forma Adjustments at Present Rates (Col. 2)	Pro Forma Federal Income Tax at Present Rates (Col. 3)	Pro Forma Adjustments at Proposed Rates (Col. 4)	Pro Forma Federal Income Tax at Proposed Rates (Col. 5)	Line No.	
<i>(Continued from Page 3)</i>							
63	Less: Rev. of Excess Def Tax Due to Tax Reform		9,262	9,262	-	9,262	63
64	Amount recorded on books for the twelve months ended June 30, 2017	54,276					64
Out-of-period adjustments:							
65	Remove 2015 tax return adjustments	<u>(2,028)</u>	<u>(2,028)</u>				65
66	Adjusted per books net federal income taxes for the twelve months ended June 30, 2017	<u>\$ 52,248</u>					66
67	Net pro forma adjustment at present rates (See Schedule TX1, Line 1, Column 3)		<u>\$ (32,415)</u>				67
68	Pro forma federal income tax at present rates		<u>\$ 21,862</u>				68
69	Pro forma adjustment at proposed rates (See Schedule TX1, Line 1, Column 5)			<u>\$ 8,502</u>			69
70	Pro forma federal income tax at proposed rates				<u>\$ 30,364</u>		70

(1) See Exhibit IPL-OPER, Schedule OPINC

(2) See Exhibit IPL-OPER, Schedule TX6

(3) See Exhibit IPL-OPER, Schedule TX7

(4) See Exhibit IPL-OPER, Schedule TX3

(5) Tax Refrom Update - Sec. 199 no longer valid after 2017 tax year

Note: Detail of the TX exhibits have been filed as IPL Workpaper TX1-TX8.

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustment to the Computation of Current State Income Tax Expense
at Present Rates and at Proposed Rates
(Thousands of Dollars)

Line No.		Per Books at June 30, 2017 (Col. 1)	Pro Forma Adjustments at Present Rates (Col. 2)	Pro Forma State Income Tax at Present Rates (Col. 3)	Pro Forma Adjustments at Proposed Rates (Col. 4)	Pro Forma State Income Tax at Proposed Rates (Col. 5)	Line No.
1	Federal taxable operating income before income taxes	\$ 161,020	\$ (2,570)	\$ 158,450	\$ 43,049	\$ 201,499	1
2	Add: Utility receipts tax (see Schedule OTX4)	18,416	133	18,549	612	19,161	2
3	Charitable contributions	-	-	-	-	-	3
4	Sec. 199: manufacturer's deduction	12,032	(12,032)	-	-	-	4
5	Less: U.S. interest	-	-	-	-	-	5
6	Bonus depreciation adjustment	2,622	79	2,701	-	2,701	6
7	State net taxable income (before adjustments)	188,846	(14,548)	174,298	43,661	217,959	7
8	Add: Net operating loss adjustment (non-recurring)	-	-	-	-	-	8
9	State net taxable income	<u>\$ 188,846</u>	<u>\$ (14,548)</u>	<u>\$ 174,298</u>	<u>\$ 43,661</u>	<u>\$ 217,959</u>	9
10	State income tax rate (blended as needed)	<u>6.2164%</u>	<u>5.8750%</u>	<u>5.8750%</u>	<u>5.8750%</u>	<u>5.8750%</u>	10
11	State net income tax expense	<u>\$ 11,739</u>	<u>\$ (855)</u>	<u>\$ 10,240</u>	<u>\$ 2,565</u>	<u>\$ 12,805</u>	11
12	Amount recorded on books for the twelve months ended June 30, 2017	\$ 12,331					12
13	Tax rate adjustment from 6.22% to 5.875%		(645)				13
14	Out-of-Period: Remove 2015 tax return adjustments	(591)	(591)				14
15	Adjusted state income taxes per books for the twelve months ended June 30, 2017	<u>\$ 11,739</u>					15
16	Net pro forma adjustment at present rates (See Schedule TX1, Line 2, Column 3)		<u>\$ (2,091)</u>				16
17	Pro forma state income tax at present rates			<u>\$ 10,239</u>			17
18	Net pro forma adjustment at proposed rates (See Schedule TX1, Line 2, Column 5)				<u>\$ 2,565</u>		18
19	Pro forma state income tax at proposed rates					<u>\$ 12,804</u>	19

Note: Detail of the TX exhibits have been filed as IPL Workpaper TX1-TX8.

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustment to Federal and State Deferred Income Tax Expense
at Present Rates and at Proposed Rates for the Twelve Months Ended June 30, 2017
(Thousands of Dollars)

Calculations are based on pro forma electric utility plant in service at June 30, 2017, and reflect scheduled differences and their associated deferred taxes, as determined by IPL's application of comprehensive inter-period tax allocation and normalization principles.

Line No.	Federal Electric Deferred Income Tax Per Books (Col.1)	State Electric Deferred Income Tax Per Books (Col. 2)	Total Electric Deferred Income Tax Per Books (Col. 3)	Federal Electric Deferred Tax Adjustment Pro Forma at Present Rates (Col. 4)	State Electric Deferred Tax Adjustment Pro Forma at Present Rates (Col. 5)	Total Electric Deferred Tax Adjustment Pro Forma at Present Rates (Col. 6)	Line No.
1 Debt discount expense	\$ 174	\$ 26	\$ 200	\$ -	\$ -	\$ -	1
2 Pension	1,714	(284)	1,430	(271)	(81)	(352)	2
3 Insurance reserve	(21)	(3)	(24)	-	-	-	3
4 NOx	(14)	(3)	(17)	-	-	-	4
5 Pete 2 precipitator NOx plan	(47)	(10)	(57)	-	-	-	5
6 Contingent liabilities	551	93	644	-	-	-	6
7 MISO	(3,723)	(1,005)	(4,729)	(313)	(93)	(406)	7
8 MPP	(85)	(23)	(108)	-	-	-	8
9 RSG	0	0	0	(8)	(2)	(10)	9
10 FAC renewable energy credit costs	6	1	7	-	-	-	10
11 Union lump sum	-	-	-	-	-	-	11
12 Reserve for uncollectible accounts	(16)	6	(10)	-	-	-	12
13 Accrued property tax	58	41	99	(13)	(4)	(17)	13
14 Early retirement of debt	(427)	(140)	(567)	-	-	-	14
15 Supplemental pension	(3)	(7)	(10)	-	-	-	15
16 Accrued vacation	288	72	360	-	-	-	16
17 Post-retirement benefits	14	44	58	(185)	(55)	(240)	17
18 Long term compensation	46	22	68	127	38	165	18
19 Performance bonus	(152)	(7)	(159)	506	150	656	19
20 Demand side management program	7	1	8	-	-	-	20
21 Rate case expenses	(521)	(91)	(612)	820	244	1,064	21
22 Electric vehicle sup equip.	9	(2)	6	(21)	(6)	(27)	22
23 NAAQS	221	33	254	-	-	-	23
24 Accrued severance	31	5	36	-	-	-	24
25 MATS	(248)	(92)	(340)	-	-	-	25
26 NPDES	1,845	277	2,122	(276)	(82)	(358)	26
27 Harding Street 5&6	1,104	160	1,265	(466)	(138)	(604)	27

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustment to Federal and State Deferred Income Tax Expense
at Present Rates and at Proposed Rates for the Twelve Months Ended June 30, 2017
(Thousands of Dollars)

Line No.	Federal Electric Deferred Income Tax Per Books (Col.1)	State Electric Deferred Income Tax Per Books (Col. 2)	Total Electric Deferred Income Tax Per Books (Col. 3)	Federal Electric Deferred Tax Adjustment Pro Forma at Present Rates (Col. 4)	State Electric Deferred Tax Adjustment Pro Forma at Present Rates (Col. 5)	Total Electric Deferred Tax Adjustment Pro Forma at Present Rates (Col. 6)	Line No.
<i>(Continued from Page 1)</i>							
28	\$ (157)	\$ (26)	\$ (183)	\$ -	\$ -	\$ -	28
29	(91)	(15)	(106)	-	-	-	29
30	(1,209)	(205)	(1,414)	(22)	(6)	(28)	30
31	-	-	-	(688)	(204)	(893)	31
32	232	35	267	-	-	-	32
33	(1,467)	(346)	(1,812)	-	-	-	33
34	(220)	(25)	(245)	-	-	-	34
35	6,915	1,133	8,048	-	-	-	35
36	(13,274)	(2,084)	(15,359)	-	-	-	36
37	(1,119)	(214)	(1,333)	-	-	-	37
38	40,917	4,489	45,406	5,427	1,613	7,040	38
39	28,762	3,155	31,918	(16,747)	(4,978)	(21,725)	39
40	(63,946)	(7,015)	(70,961)	(3,492)	(1,038)	(4,530)	40
41	1,489	163	1,652	198	59	256	41
42	7,781	854	8,634	(283)	(84)	(368)	42
43	-	-	-	-	-	-	43
44				(15,708)	(4,669)	(20,377)	44
45	5,422	(989)	4,433				45
Out-of-period adjustments:							
46	(337)	963	626	(337)	963	626	46
47	2,155	2,324	4,478	2,155	2,324	4,478	47
48	Def Tax adjustment on Per Books amounts due to Tax Reform			(2,807)	-	(2,807)	48

INDIANAPOLIS POWER & LIGHT COMPANY
Pro Forma Adjustment to Federal and State Deferred Income Tax Expense
at Present Rates and at Proposed Rates for the Twelve Months Ended June 30, 2017
(Thousands of Dollars)

Line No.	Federal Electric Deferred Income Tax Per Books (Col.1)	State Electric Deferred Income Tax Per Books (Col. 2)	Total Electric Deferred Income Tax Per Books (Col. 3)	Federal Electric Deferred Tax Adjustment Pro Forma at Present Rates (Col. 4)	State Electric Deferred Tax Adjustment Pro Forma at Present Rates (Col. 5)	Total Electric Deferred Tax Adjustment Pro Forma at Present Rates (Col. 6)	Line No.
49	Adjusted deferred tax expense for the twelve months ended June 30, 2017	\$ 7,240	\$ 2,297	\$ 9,537			49
<i>(Continued from Page 2)</i>							
50	Total pro forma adjustments to deferred federal and state income tax expense at present rates (See Schedule TX1, Column 3, Lines 3 and 4, respectively)			\$ (16,697)	\$ (1,383)	\$ (18,080)	50
51	Net operating loss adjustment at proposed rates			\$ -	\$ -	\$ -	51
52	Total pro forma adjustments to deferred federal and state income tax expense at proposed rates (See Schedule TX1, Column 5, Lines 3 and 4, respectively)			\$ -	\$ -	\$ -	52

Note: Detail of the TX exhibits have been filed as IPL Workpaper TX1-TX8.

INDIANAPOLIS POWER & LIGHT COMPANY
Determination of Interest Expense for Interest Synchronization
(Thousands of Dollars)

Line No.		Total Company Capitalization (Col. 1)	Percent of Total (Col. 2)	Cost (Col. 3)	Total Weighted Cost (Col. 4)	Original Cost Total Electric Rate Base (Col. 5)	Total Electric Synchronized Interest (Col. 6)	Line No.
1	Long-term debt	\$ 1,694,149 (1)	49.50%	5.03% (1)	2.49%	\$ 3,339,565 (4)	\$ 83,155	1
2	Preferred equity	59,784 (2)	1.75%					2
3	Common equity	1,357,890 (3)	39.67%					3
4	Prepaid Pension Asset (net)	(95,900) (3)	-2.80%					4
5	Deferred tax	374,402 (3)	10.94%					5
6	Post 1970 ITC	1,721 (3)	0.05%					6
7	Customer deposits	<u>30,723 (3)</u>	<u>0.90%</u>					7
8		<u>\$ 3,422,769</u>	<u>100.00%</u>				<u>\$ 83,155</u>	8

- (1) See IPL-CC, Schedule CC2
(2) See IPL-CC, Schedule CC1
(3) See IPL-CC, Schedule CC3
(4) See IPL-RB, Schedule RB2, Column 6, Line 10

Note: Detail of the TX exhibits have been filed as IPL Workpaper TX1-TX8.

INDIANAPOLIS POWER & LIGHT COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC PLANT AS OF JUNE 30, 2017

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)	COMPOSITE REMAINING LIFE (9)=(8)/(7)
ELECTRIC PLANT								
STEAM PRODUCTION PLANT								
311	STRUCTURES AND IMPROVEMENTS							
	HARDING STREET STATION	80-R2.5 *	52,489,773.54	34,106,097	31,506,120	2,059,643	3.92	15.3
	EAGLE VALLEY STATION	80-R2.5 *	3,589,059.88	5,383,590	0	0	-	-
	PETERSBURG STATION	80-R2.5 *	188,319,259.95	96,399,525	120,167,624	5,204,382	2.76	23.1
	TOTAL ACCOUNT 311		244,398,093.37	135,889,212	151,673,744	7,264,025	2.97	20.9
311.01	STRUCTURES AND IMPROVEMENTS - MPP							
	HARDING STREET STATION	18-SQ	2,859,876.04	1,411,253	2,183,592	270,299	9.45	8.0
	PETERSBURG STATION	18-SQ	16,201,965.02	8,263,180	10,369,080	878,867	5.41	11.8
	TOTAL ACCOUNT 311.01		19,061,841.06	9,674,433	12,532,672	1,147,166	6.02	10.9
312	BOILER PLANT EQUIPMENT							
	HARDING STREET STATION	62-R1 *	238,048,661.93	54,092,696	243,468,131	17,538,247	7.37	13.9
	EAGLE VALLEY STATION	62-R1 *	146,815.63	220,223	0	0	-	-
	PETERSBURG STATION	62-R1 *	1,006,692,270.38	428,539,622	729,156,489	37,102,740	3.69	19.7
	TOTAL ACCOUNT 312		1,244,887,747.94	482,852,541	972,624,620	54,640,987	4.39	17.8
312.01	BOILER PLANT EQUIPMENT - MPP							
	HARDING STREET STATION	18-SQ	88,547,777.84	50,049,766	60,634,956	8,847,176	9.99	6.9
	PETERSBURG STATION	18-SQ	252,891,151.55	108,982,022	181,842,802	23,472,971	9.28	7.7
	TOTAL ACCOUNT 312.01		341,438,929.39	159,031,788	242,477,758	32,320,147	9.47	7.5
312.02	BOILER PLANT EQUIPMENT - MATS							
	HARDING STREET STATION	62-R1 *	9.50	1	11	1	10.53	11.0
	EAGLE VALLEY STATION	62-R1 *	437.45	656	0	0	-	-
	PETERSBURG STATION	62-R1 *	431,976,244.83	48,834,782	447,937,900	22,403,765	5.19	20.0
	TOTAL ACCOUNT 312.02		431,976,691.78	48,835,439	447,937,911	22,403,766	5.19	20.0
312.3	ASH AND COAL HANDLING EQUIPMENT							
	HARDING STREET STATION	52-R1 *	4,785,672.85	1,715,834	4,266,257	311,813	6.51	13.7
	EAGLE VALLEY STATION	52-R1 *	499,681.82	749,523	0	0	-	-
	PETERSBURG STATION	52-R1 *	171,963,981.05	65,134,899	132,623,679	7,284,061	4.24	18.2
	TOTAL ACCOUNT 312.3		177,249,335.72	67,600,256	136,889,936	7,595,674	4.29	18.0
312.31	ASH AND COAL HANDLING EQUIPMENT - MPP							
	HARDING STREET STATION	18-SQ	229,659.39	287,074	0	0	-	-
	TOTAL ACCOUNT 312.31		229,659.39	287,074	0	0	-	-

INDIANAPOLIS POWER & LIGHT COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC PLANT AS OF JUNE 30, 2017

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (8)-(6)/(7)
						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)-(7)/(4)	
312.4	RAILROAD TRACK SYSTEM/CARS EAGLE VALLEY STATION PETERSBURG STATION	50-S1 * (50) 50-S1 * (15)	132,036.64 6,130,394.34	198,055 323,535	0 6,726,418	0 310,445	- 5.06	- 21.7
	TOTAL ACCOUNT 312.4		6,262,430.98	521,590	6,726,418	310,445	4.96	21.7
314	TURBOGENERATOR UNITS HARDING STREET STATION EAGLE VALLEY STATION PETERSBURG STATION	52-R1.5 * (25) 52-R1.5 * (50) 52-R1.5 * (15)	62,974,992.26 60,428.47 222,917,357.67	44,826,691 90,643 125,663,065	34,092,049 0 130,691,896	2,448,754 0 6,576,859	3.89 - 2.95	13.9 - 18.9
	TOTAL ACCOUNT 314		285,952,778.40	170,380,399	164,783,945	9,025,613	3.16	18.3
314.01	TURBOGENERATOR UNITS - MPP HARDING STREET STATION	18-SQ (25)	57,280.48	21,782	49,819	6,227	10.87	8.0
	TOTAL ACCOUNT 314.01		57,280.48	21,782	49,819	6,227	10.87	8.0
315	ACCESSORY ELECTRIC EQUIPMENT HARDING STREET STATION EAGLE VALLEY STATION PETERSBURG STATION	70-R2.5 * (25) 70-R2.5 * (50) 70-R2.5 * (15)	20,759,242.25 327,355.61 140,973,052.78	14,277,973 491,033 90,432,855	11,671,080 0 71,686,156	779,912 0 3,153,478	3.76 - 2.24	15.0 - 22.7
	TOTAL ACCOUNT 315		162,059,650.64	105,201,861	83,357,236	3,933,390	2.43	21.2
315.01	ACCESSORY ELECTRIC EQUIPMENT - MPP HARDING STREET STATION PETERSBURG STATION	18-SQ (25) 18-SQ (15)	25,146,467.74 27,280,147.69	10,268,863 19,661,592	21,184,222 11,710,578	2,859,594 1,169,794	11.37 4.29	7.4 10.0
	TOTAL ACCOUNT 315.01		52,426,615.43	29,930,455	32,874,800	4,029,388	7.69	8.2
316	MISCELLANEOUS POWER PLANT EQUIPMENT HARDING STREET STATION EAGLE VALLEY STATION PETERSBURG STATION	60-R1.5 * (25) 60-R1.5 * (50) 60-R1.5 * (15)	7,370,697.54 18,547.88 23,768,567.93	3,343,775 27,822 13,035,972	5,869,597 0 14,297,881	406,344 0 682,108	5.51 - 2.87	14.4 - 21.0
	TOTAL ACCOUNT 316		31,157,813.35	16,407,569	20,167,478	1,088,452	3.49	18.5
316.01	MISCELLANEOUS POWER PLANT EQUIPMENT - MPP HARDING STREET STATION PETERSBURG STATION	18-SQ (25) 18-SQ (15)	1,875,598.65 1,343,398.19	538,801 645,152	1,805,697 898,754	234,748 89,115	12.52 6.63	7.7 10.1
	TOTAL ACCOUNT 316.01		3,218,996.84	1,184,953	2,704,451	323,863	10.06	8.4
	TOTAL STEAM PRODUCTION PLANT		3,000,377,862.77	1,227,819,352	2,274,800,788	144,089,143	4.50	

INDIANAPOLIS POWER & LIGHT COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC PLANT AS OF JUNE 30, 2017

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=[7]/(4)	COMPOSITE REMAINING LIFE (9)=[6]/(7)
OTHER PRODUCTION PLANT								
341	STRUCTURES AND IMPROVEMENTS							
	HARDING STREET STATION	55-R2.5 *	7,769,820.88	6,355,835	1,724,779	109,622	1.41	15.7
	GEORGETOWN STATION	55-R2.5 *	754,447.74	522,076	315,361	14,936	1.98	21.1
	TOTAL ACCOUNT 341		8,524,268.62	6,877,911	2,040,140	124,558	1.46	16.4
342	FUEL HOLDERS, PRODUCERS AND ACCESSORIES - HANDLING AND STORAGE							
	HARDING STREET STATION	55-R4 *	4,214,647.54	2,868,954	1,494,279	90,005	2.14	16.6
	GEORGETOWN STATION	55-R4 *	1,309,939.53	835,302	618,731	28,048	2.14	22.1
	TOTAL ACCOUNT 342		5,524,587.07	3,724,256	2,113,010	118,053	2.14	17.9
343	PRIME MOVERS							
	HARDING STREET STATION	50-S2.5 *	82,995,531.82	57,769,557	28,545,796	1,783,671	2.15	16.0
	GEORGETOWN STATION	50-S2.5 *	40,072,094.95	25,537,815	18,942,210	925,383	2.31	20.5
	TOTAL ACCOUNT 343		123,067,626.77	83,307,372	47,488,006	2,709,054	2.20	17.5
344	GENERATORS							
	HARDING STREET STATION	50-S1.5 *	27,098,812.46	23,924,604	4,258,161	265,198	0.98	16.1
	PETERSBURG STATION	50-S1.5 *	925,510.69	961,478	47,329	6,037	0.65	7.8
	GEORGETOWN STATION	50-S1.5 *	9,553,790.40	5,685,060	4,919,647	248,772	2.60	19.8
	TOTAL ACCOUNT 344		37,578,113.55	30,571,142	9,225,137	520,007	1.38	17.7
345	ACCESSORY ELECTRIC EQUIPMENT							
	HARDING STREET STATION	45-S2.5 *	12,798,811.06	9,940,874	3,369,890	223,001	1.74	15.1
	GEORGETOWN STATION	45-S2.5 *	6,302,671.61	3,923,445	3,072,520	157,428	2.50	19.5
	TOTAL ACCOUNT 345		19,101,482.67	13,864,319	6,442,410	380,429	1.99	16.9
346	MISCELLANEOUS POWER PLANT EQUIPMENT							
	HARDING STREET STATION	40-S2.5 *	1,701,199.96	1,247,627	521,621	35,722	2.10	14.6
	GEORGETOWN STATION	40-S2.5 *	242,043.49	116,092	152,578	7,894	3.26	19.3
	TOTAL ACCOUNT 346		1,943,243.45	1,363,719	674,197	43,616	2.24	15.5
	TOTAL OTHER PRODUCTION PLANT		195,739,322.13	139,708,719	87,982,900	3,895,717	1.99	
TRANSMISSION PLANT								
350.5	LAND RIGHTS	80-R4	17,948,582.82	6,447,958	9,500,625	249,485	1.39	38.1
351	ENERGY STORAGE EQUIPMENT	15-S1	14,088,049.12	1,105,504	13,686,948	1,281,549	9.10	10.7
352	STRUCTURES AND IMPROVEMENTS	60-R2.5	12,955,338.54	2,284,082	13,262,324	310,378	2.40	42.7
353	STATION EQUIPMENT	55-S0	180,531,575.71	56,455,973	142,128,760	4,569,632	2.53	31.1
353.01	STATION EQUIPMENT - MPP	18-SQ	732,477.36	303,031	502,694	48,994	6.69	10.3
354	TOWERS AND FIXTURES	75-R3	46,942,620.27	39,112,593	26,607,075	841,917	1.37	41.4
355	POLES AND FIXTURES	65-R2.5	54,260,153.31	13,158,984	68,231,246	1,585,201	2.92	43.0
355.01	POLES AND FIXTURES - MPP	18-SQ	298,029.13	178,740	149,092	18,636	6.25	8.0
356	OVERHEAD CONDUCTORS AND DEVICES	60-R2	49,222,907.62	44,293,518	19,696,262	589,314	1.20	33.4
357	UNDERGROUND CONDUIT	55-R3	372.58	18	355	7	1.88	50.7
	TOTAL TRANSMISSION PLANT		376,980,106.46	165,340,401	293,765,381	9,295,113	2.47	

INDIANAPOLIS POWER & LIGHT COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC PLANT AS OF JUNE 30, 2017

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL ACCRUAL AMOUNT (7)	ACCURUAL RATE (8)=(7)/(4)	COMPOSITE REMAINING LIFE (9)=(6)/(7)	
DISTRIBUTION PLANT									
360.5	LAND RIGHTS	75-R4	0	391,443.72	304,366	87,078	2,043	0.52	42.6
361	STRUCTURES AND IMPROVEMENTS	60-R2.5	(20)	11,404,896.08	9,447,510	4,238,365	108,838	0.94	39.7
362	STATION EQUIPMENT	55-R1.5	(10)	166,357,968.05	97,223,594	85,770,171	2,676,736	1.61	32.0
364	POLES, TOWERS AND FIXTURES	52-R3	(100)	153,142,294.76	188,252,843	118,031,947	3,148,648	2.06	37.5
365	OVERHEAD CONDUCTORS AND DEVICES	46-R3	(90)	205,300,901.98	230,112,350	159,959,364	4,821,087	2.35	33.2
366	UNDERGROUND CONDUIT	55-S0.5	(15)	114,917,196.51	36,654,926	95,499,850	3,015,603	2.62	31.7
367	UNDERGROUND CONDUCTORS AND DEVICES	37-S1.5	(15)	260,596,322.44	147,544,330	152,141,441	6,641,128	2.55	22.9
368	LINE TRANSFORMERS	46-S0	0	229,315,454.56	185,856,211	41,459,244	1,478,981	0.65	28.0
369	SERVICES	44-R4	(80)	132,155,678.32	115,532,885	122,347,336	4,286,593	3.24	28.5
370	METERS	29-S0	0	54,373,116.72	26,130,506	28,242,611	2,118,577	3.90	13.3
370.01	METERS - SMART METERS	7-L3	0	24,564,885.16	3,355,993	21,208,692	4,752,967	19.35	4.5
371	INSTALLATIONS ON CUSTOMERS' PREMISES	32-R3	(50)	39,869,113.95	56,192,578	3,611,093	140,220	0.35	25.8
373	STREET LIGHTING AND SIGNAL SYSTEMS	40-S1.5	(20)	64,054,784.26	62,533,300	14,332,441	516,595	0.81	27.7
TOTAL DISTRIBUTION PLANT				1,455,443,856.51	1,160,141,192	846,929,633	33,707,016	2.32	
GENERAL PLANT									
390	STRUCTURES AND IMPROVEMENTS								
	ELECTRICAL BUILDING	80-R0.5	(25)	38,473,975.50	5,018,151	43,074,318	1,639,985	4.26	26.3
	MORRIS STRET SERVICE CENTER	80-R0.5	(25)	38,535,421.19	13,631,930	34,537,346	1,590,856	4.13	21.7
	ARLINGTON SERVICE CENTER	80-R0.5	(25)	9,495,566.22	4,224,073	7,645,385	473,068	4.98	16.2
	CUSTOMER SERVICE CENTER	80-R0.5	(25)	3,072,995.37	1,149,814	2,691,430	126,077	4.10	21.3
	OTHER STRUCTURES	45-R3	(5)	2,820,642.25	697,520	2,264,154	96,067	3.41	23.6
TOTAL ACCOUNT 390				92,398,600.53	24,721,488	90,212,633	3,926,053	4.25	
391	OFFICE FURNITURE AND EQUIPMENT	21-SQ	0	11,851,547.87	3,878,685	7,972,663	639,181	5.39	12.5
391.6	OFFICE FURNITURE AND EQUIPMENT - COMPUTER EQUIPMENT	5-SQ	0	29,679,908.21	14,830,357	14,849,551	6,488,991	21.86	2.3
392	TRANSPORTATION EQUIPMENT	11-S1	15	42,208,193.59	11,528,724	24,348,241	4,638,902	10.99	5.2
393	STORES EQUIPMENT	27-SQ	0	1,576,638.04	462,009	1,114,629	60,365	3.83	18.5
394	TOOLS, SHOP AND GARAGE EQUIPMENT	25-SQ	0	8,951,810.17	2,856,961	6,094,849	364,015	4.07	16.7
395	LABORATORY EQUIPMENT	23-SQ	0	4,768,804.28	2,070,031	2,698,773	211,586	4.44	12.8
396	POWER OPERATED EQUIPMENT	16-SQ	0	1,282,453.18	398,717	883,736	112,821	8.80	7.8
397	COMMUNICATION EQUIPMENT	18-SQ	0	23,705,362.95	6,716,468	16,988,895	1,306,223	5.51	13.0
398	MISCELLANEOUS EQUIPMENT	27-SQ	0	1,715,260.81	477,535	1,237,726	63,844	3.72	19.4
TOTAL AMORTIZED GENERAL PLANT				218,138,579.61	67,940,975	166,401,896	17,811,981	8.17	
PRE 1997 ASSETS									
391.8	OFFICE FURNITURE AND EQUIPMENT - PRE 1997	21-SQ	0	8,101,369.74	8,101,370	0	0	-	-
393.8	STORES EQUIPMENT - PRE 1997	27-SQ	0	1,338,731.44	1,082,095	258,636	88,714	6.63	2.9
394.8	TOOLS, SHOP AND GARAGE EQUIPMENT - PRE 1997	25-SQ	0	8,635,799.63	7,411,652	1,224,148	812,108	9.40	1.5
395.8	LABORATORY EQUIPMENT - PRE 1997	23-SQ	0	5,321,154.95	4,977,160	343,995	282,870	5.32	1.2
396.8	POWER OPERATED EQUIPMENT - PRE 1997	16-SQ	0	1,400,531.68	1,400,532	0	0	-	-
398.8	MISCELLANEOUS EQUIPMENT - PRE 1997	27-SQ	0	2,068,326.33	1,543,882	524,444	156,340	7.56	3.4
TOTAL PRE 1997 ASSETS				26,865,913.77	24,516,791	2,349,123	1,340,032	4.99	
TOTAL GENERAL PLANT				245,004,493.38	92,457,766	168,751,019	19,152,013	7.82	
TOTAL DEPRECIABLE PLANT				5,273,545,541.25	2,785,467,430	3,652,229,721	210,139,002	3.98	

INDIANAPOLIS POWER & LIGHT COMPANY

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO ELECTRIC PLANT AS OF JUNE 30, 2017

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (9)=(6)/(7)
						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)	
NONDEPRECIABLE PLANT AND PLANT NOT SUTDIED								
301			46,415.06					
303			87,316,743.43					
310			2,298,219.75					
350			546,176.95					
360			3,610,913.45					
389			<u>3,777,829.58</u>					
TOTAL NONDEPRECIABLE PLANT			97,596,298.22					
TOTAL ELECTRIC PLANT			5,371,141,939.47	2,785,467,430	3,652,229,721	210,139,002		

* LIFE SPAN PROCEDURE IS USED. CURVE SHOWN IS INTERIM SURVIVOR CURVE.
** NEW ADDITIONS AS OF JULY 1, 2017 IN ACCOUNTS 371 AND 373 RELATED TO LED LIGHTING WILL UTILIZE AN ANNUAL ACCRUAL RATE OF 5.89% BASED ON A 25-L2.5 LIFE ESTIMATE AND (20) NET SALVAGE

NOTE: NEW ADDITIONS FOR EAGLE VALLEY CCGT WILL HAVE ACCRUAL RATES AS FOLLOWS.

ACCOUNT	RATE
311	2.66
312	2.83
314	2.89
315	2.77
316	2.81
341	2.67
343	2.78
344	2.76
345	2.72

INDIANAPOLIS POWER AND LIGHT COMPANY
Comparison of Current and Proposed Pro Forma Revenues

Line No.	Rate Class	Rate Code	Current Revenue [1]	Unmitigated Proposed Revenue [1]	Mitigated Proposed Revenue [1]	Increase: Unmitigated - Current	Low Load Factor Rate Recovery	Increase: Mitigated [2]	Mitigated Proposed Revenue [3]	Increase: Mitigated [3]	Rebuttal Increase: Mitigated [3]	Difference: Settlement - Rebuttal
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
1	Residential Service (Rate RS) - Codes RS, RC, RH	RS	\$ 537,018,912	\$ 580,028,744	\$ 563,781,736	\$ 43,009,832	\$ -	\$ 26,762,824	563,781,736	4.98%	9.46%	-4.48%
2	Secondary Service (Small) (Rate SS)	SS	151,545,040	137,393,943	151,545,040	(14,151,097)	\$ 22,196	22,196	151,567,236	0.01%	0.01%	0.00%
3	Electric Space Conditioning-Secondary Service (Rate SH)	SH	50,304,631	57,324,964	54,310,694	7,020,333	\$ 9,486	4,015,548	54,320,180	7.98%	11.93%	-3.95%
4	Electric Space Conditioning-Schools (Rate SE)	SE	1,481,137	1,421,229	1,481,137	(59,908)	\$ 277	277	1,481,414	0.02%	2.67%	-2.65%
5	Water Heating-Controlled Service (Rate CB/CW)	CB	41,102	57,544	44,153	16,443	\$ 7	3,058	44,160	7.44%	11.93%	-4.49%
6	Water Heating-Uncontrolled Service (Rate UW)	UW	118,918	119,455	120,788	537	\$ 22	1,892	120,810	1.59%	4.25%	-2.66%
7	Secondary Service (Large) - (Rate SL)	SL	325,364,288	330,204,203	333,072,394	4,839,914	\$ 63,265	7,771,371	333,135,660	2.39%	5.68%	-3.29%
8	Primary Service (Large) - (Rate PL)	PL	95,867,672	97,049,628	97,973,842	1,181,955	\$ 20,428	2,126,597	97,994,270	2.22%	5.78%	-3.57%
9	Process Heating (Rate PH)	PH	3,305,536	3,351,178	3,382,028	45,643	\$ 643	77,134	3,382,670	2.33%	5.62%	-3.29%
10	High Load Factor (Rate HL-1) (Primary Distribution)	HL1	102,260,914	103,595,461	104,516,085	1,334,547	\$ 24,050	2,279,220	104,540,135	2.23%	5.57%	-3.34%
11	High Load Factor (Rate HL-2) (Sub transmission)	HL2	17,015,344	16,487,103	17,015,345	(528,241)	\$ 4,037	4,038	17,019,382	0.02%	0.86%	-0.83%
12	High Load Factor (Rate HL-3) (Transmission)	HL3	19,691,770	19,246,467	19,691,770	(445,303)	\$ (146,267)	(146,267)	19,545,503	-0.74%	0.78%	-1.53%
13	Automatic Protective Lighting (APL)	APL	7,453,299	8,179,032	7,884,715	725,734	\$ 808	432,224	7,885,522	5.80%	7.58%	-1.79%
14	Municipal Lighting (MU)	MU1	\$ 9,368,623	\$ 10,255,147	\$ 9,894,375	\$ 886,524	\$ 1,048	\$ 526,800	9,895,423	5.62%	7.35%	-1.73%
15	TOTAL SYSTEM		\$ 1,320,837,188	\$ 1,364,714,100	\$ 1,364,714,100	\$ 43,876,912	\$ 0	\$ 43,876,912	\$ 1,364,714,100	3.32%	6.69%	-3.37%

[1] From ACOSS.
[2] Col. (E) - (C) + (G)
[3] Includes Low Load Factor Rate Recovery.

Line No.	Rate Class	Current Revenue [1]	Unmitigated Proposed Revenue [1]	Mitigated Proposed Revenue [1]	Increase: Unmitigated - Current	Low Load Factor Rate Recovery	Increase: Mitigated [2]	Mitigated Proposed Revenue [3]
	(A)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Residential	537,018,912	580,028,744	563,781,736	\$ 43,009,832	-	\$ 26,762,824	563,781,736
2	Small C&I	203,490,829	196,317,136	207,501,811	\$ (7,173,693)	31,988	\$ 4,042,971	207,533,799
3	Large C&I	563,505,525	569,934,041	575,651,464	\$ 6,428,515	(33,844)	\$ 12,112,094	575,617,619
4	Lighting	16,821,922	18,434,180	17,779,090	\$ 1,612,258	1,856	\$ 959,024	17,780,946
5	TOTAL SYSTEM	\$ 1,320,837,188	\$ 1,364,714,100	\$ 1,364,714,100	\$ 43,876,912	\$ 0	\$ 43,876,912	\$ 1,364,714,100

[1] From ACOSS.
[2] Col. (E) - (C) + (G)
[3] Includes Low Load Factor Rate Recovery.

Indianapolis Power & Light Company

Demand Factors Used in Rate Adjustment Mechanisms

From IPL Witness JSG Workpaper 1.0C-T

ECR		
Current	Proposed	Change

Demand Allocation Factors based on 12 CP Generation in COSS

Residential	42.26%	42.48%	0.22%
Small C&I	13.52%	14.10%	0.58%
Large C&I - PL	8.23%		
Large C&I - HL	11.01%		
Large C&I - Primary	19.24%	17.62%	-1.62%
Large C&I - SL & PH	24.75%		
Large C&I - Secondary	24.75%	25.39%	0.64%
Large C&I - Total	43.99%	43.01%	-0.98%
Lighting	0.23%	0.41%	0.18%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>0.00%</u>

OSS, CAP, RTO		
Current	Proposed	Change

Demand Allocation Factors based on 12 CP Generation in COSS

Residential	42.26%	42.48%	0.22%
Small C&I	13.52%	14.10%	0.58%
Large C&I - PL	8.23%		
Large C&I - HL	11.01%		
Large C&I - Primary	19.24%	17.62%	-1.62%
Large C&I - SL & PH	24.75%		
Large C&I - Secondary	24.75%	25.39%	0.64%
Large C&I - Total	43.99%	43.01%	-0.98%
Lighting	0.23%	0.41%	0.18%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>0.00%</u>
Large C&I - SL, PL, PH	32.98%		

INDIANAPOLIS POWER AND LIGHT COMPANY

Revenue Percentages

Test Year Ended June 30, 2017

TDSIC Allocation Factors

(A) Rate Class	(B) Rate Code(s)	(C) Total Revenue Requirement	(D) Percent	(E) Class Revenue Allocation - Transmission	(F) Percent	(G) Class Revenue Allocation - Distribution	(H) Percent
Residential	RS, RC, RH	\$ 563,781,736	41.31%	\$ 34,616,249	40.50%	\$ 66,532,568	57.06%
Small C&I	SS, SH, SE, CB, UW	207,533,799	15.21%	13,000,671	15.21%	18,468,473	15.84%
Large C&I - Secondary	SL, PH	336,518,330	24.66%	22,092,383	25.85%	20,933,935	17.95%
Large C&I - Primary	PL, HL	239,099,290	17.52%	15,414,213	18.04%	9,656,712	8.28%
Lighting	APL, MU1	\$ 17,780,946	1.30%	\$ 340,597	0.40%	\$ 1,000,984	0.86%
TOTAL SYSTEM		\$ 1,364,714,100	100.00%	\$ 85,464,114	100.00%	\$ 116,592,672	100.00%

Rate Code Allocations

(A) Rate Class	(B) Rate Code	(C) Total Revenue Requirement	(D) Percent	(E) Class Revenue Allocation - Transmission	(F) Percent	(G) Class Revenue Allocation - Distribution	(H) Percent
Residential Service (Rate RS) - Codes RS, RC, RH	RS	\$ 563,781,736	41.31%	\$ 34,616,249	40.50%	\$ 66,532,568	57.06%
Secondary Service (Small) (Rate SS)	SS	151,567,236	11.11%	9,256,686	10.83%	14,192,323	12.17%
Electric Space Conditioning-Secondary Service (Rate SH)	SH	54,320,180	3.98%	3,638,403	4.26%	4,155,681	3.56%
Electric Space Conditioning-Schools (Rate SE)	SE	1,481,414	0.11%	98,817	0.12%	103,825	0.09%
Water Heating-Controlled Service (Rate CB/CW)	CB	44,160	0.00%	1,268	0.00%	5,545	0.00%
Water Heating-Uncontrolled Service (Rate UW)	UW	120,810	0.01%	5,496	0.01%	11,099	0.01%
Secondary Service (Large) - (Rate SL)	SL	333,135,660	24.41%	21,874,280	25.59%	20,668,597	17.73%
Primary Service (Large) - (Rate PL)	PL	97,994,270	7.18%	6,514,953	7.62%	4,834,150	4.15%
Process Heating (Rate PH)	PH	3,382,670	0.25%	218,103	0.26%	265,338	0.23%
High Load Factor (Rate HL-1) (Primary Distribution)	HL1	104,540,135	7.66%	6,499,381	7.60%	4,822,562	4.14%
High Load Factor (Rate HL-2) (Sub transmission)	HL2	17,019,382	1.25%	1,127,099	1.32%	-	0.00%
High Load Factor (Rate HL-3) (Transmission)	HL3	19,545,503	1.43%	1,272,780	1.49%	-	0.00%
Automatic Protective Lighting - APL	APL	7,885,522	0.58%	154,879	0.18%	460,159	0.39%
Municipal Lighting MU-1	MU1	\$ 9,895,423	0.73%	\$ 185,718	0.22%	\$ 540,825	0.46%
TOTAL SYSTEM		\$ 1,364,714,100	100.00%	\$ 85,464,114	100.00%	\$ 116,592,672	100.00%