

# Exhibit B

FILED

OCT 03 2014

INDIANA UTILITY  
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS )  
POWER & LIGHT COMPANY (“IPL”), AN )  
INDIANA CORPORATION, FOR (1) ISSUANCE )  
OF CERTIFICATES OF PUBLIC CONVENIENCE )  
AND NECESSITY AND APPROVAL OF )  
PROJECTS TO COMPLY WITH FEDERALLY )  
MANDATED REQUIREMENTS, INCLUDING )  
THE CONSTRUCTION OF WATER )  
TREATMENT TECHNOLOGIES, )  
OPERATIONAL CHANGES AND USE OF )  
MODIFIED STORMWATER MANAGEMENT )  
PRACTICES AT PETERSBURG AND HARDING )  
STREET GENERATING STATIONS, AND )  
REFUELING OF HARDING STREET STATION )  
UNIT 7 (“COMPLIANCE PROJECT”); (2) FOR )  
ONGOING REVIEW; AND (3) APPROVAL OF )  
ASSOCIATED RATEMAKING AND )  
ACCOUNTING TREATMENT, INCLUDING )  
COST RECOVERY IN ACCORDANCE WITH )  
IND. CODE § 8-1-8.4-7 AND AUTHORITY TO )  
DEFER COSTS UNTIL SUCH COSTS ARE )  
REFLECTED IN RATES

CAUSE NO. 44540

VERIFIED PETITION AND REQUEST FOR ADMINISTRATIVE NOTICE

Indianapolis Power & Light Company (“Petitioner”, “IPL” or the “Company”) respectfully petitions the Indiana Utility Regulatory Commission (“Commission”) for issuance of certificates of public convenience and necessity (“CPCN”) and approval of a project to comply with Federally Mandated Requirements, including the construction of water treatment technologies, operational changes and use of modified Stormwater management practices at IPL’s Petersburg and Harding Street Generating Stations and refueling of Harding Street Station Unit 7 (“Compliance Project”), for ongoing review, and for approval of associated ratemaking and accounting treatment, including cost recovery in accordance with Ind. Code § 8-1-8.4-7 and authority to defer costs until such costs are reflected in rates. IPL also requests the Commission

to take administrative notice of the documents identified below. In support of this Petition, IPL provides the following information:

**Petitioner’s Corporate and Regulated Statute**

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

2. IPL renders retail electric utility service to approximately 470,000 retail customers located principally in and near the City of Indianapolis, Indiana, and in portions of the following Indiana counties: Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Owen, Putnam and Shelby Counties. IPL owns, operates, manages and controls electric generating, transmission and distribution plant, property and equipment and related facilities, which are used and useful for the convenience of the public in the production, transmission, delivery and furnishing of electric energy, heat, light and power.

**Petitioner’s “Public Utility” Status**

3. IPL is a “public utility” under Ind. Code §§ 8-1-2-1 and 8-1-8.5-1, an “energy utility” under Ind. Code § 8-1-8.4-3, and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Public Service Commission Act, as amended, and other pertinent laws of the State of Indiana.

4. IPL is also subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”).

### **IPL Is a Member of MISO**

5. IPL is a member of the Midcontinent Independent Transmission System Operator, Inc. (“MISO”). MISO has functional control over IPL’s transmission lines.

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

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

### **Description of the Federally Mandated Requirements**

8. IPL and the electric utility industry are subject to federal environmental laws and federal and state rules promulgated by, among others, the United States Environmental Protection Agency (“EPA”). These laws and regulations establish environmental compliance standards applicable to IPL’s generating stations and facilities. These environmental laws and regulations include the National Pollutant Discharge Elimination System (“NPDES”) permit requirements, which regulate and authorize specific wastewater and Stormwater discharges to the waters of the United States under Section 402 of the Clean Water Act (“CWA”). The CWA is also known as the Federal Water Pollution Control Act, 33 U.S.C.1251 *et seq.* The

environmental laws and regulations also include the EPA's Mercury and Air Toxics Standards ("MATS Rule"). The MATS Rule imposes stringent limits on the emissions of hazardous air pollutants ("HAPS") (including mercury, acid gases and non-mercury metals) from coal fired electric generating units. As explained in greater detail by IPL witness Olinger there are several EPA regulatory initiatives in various stages of development that, once finalized, may also necessitate compliance actions by IPL.

9. The NPDES permit system, which requires permits for the direct discharge of pollutants to the waters of the U.S., is administered in Indiana by the Indiana Department of Environmental Management ("IDEM").

10. On August 28, 2012, IDEM issued NPDES permit renewals to IPL's Petersburg and Harding Street Generating Stations. These permits contain new Water Quality Based Effluent Limits ("WQBELs") and Technology-Based Effluent Limits ("TBELs") for the regulated facility NPDES discharges with a compliance date of October 1, 2015 for the new WQBELs. This compliance date was extended to September 29, 2017 through Agreed Orders issued by IDEM for the Petersburg and Harding Street Generating Stations, respectively. Pollutants and other parameters limited by the NPDES permits include Boron, Cadmium, Chromium, Copper, Iron, Lead, Mercury, Nickel, oil and grease, pH, Selenium, Sulfate, total residual Chlorine, total residual oxidants, total suspended solids, and Zinc.

11. IPL cannot continue to operate the Petersburg and Harding Street Generating Stations through the end of their useful lives without investing in compliance projects to reduce effluents and emissions to a level that complies with federal environmental regulation, including the NPDES permit limits and the MATS Rule.

### **Proposed Compliance Project**

12. The Compliance Project includes 1) the refueling of Harding Street Station Unit 7 from coal to natural gas; 2) the installation of new water treatment technology and operational changes at Harding Street and Petersburg Generating Stations; and 3) modified Stormwater management practices at these two stations.

13. The Compliance Project will allow IPL to comply directly or indirectly with one or more Federally Mandated Requirements, including the NPDES permit limits and requirements imposed pursuant to the federal CWA and the MATS Rule.

14. The estimated cost of the Compliance Project is reasonable and will be detailed in the evidence to be filed by IPL in this proceeding.

15. The proposed Compliance Project is necessary for IPL to economically comply with the federal environmental regulations, including the NPDES requirements and the MATS Rule. The public interest will be served by the Compliance Project. Therefore, IPL should be granted a CPCN and all other necessary Commission approvals in order to proceed with the Compliance Project.

### **Harding Street Station Unit 7 Refueling**

16. As noted above, the proposed Compliance Project includes the refueling of Harding Street Station Unit 7 to operate on natural gas.

17. In its August 14, 2013 Order in Cause No. 44242, the Commission found IPL's plan to retrofit Harding Street Station Unit 7 to permit the unit to continue to operate in compliance with the MATS Rule was a reasonable and necessary Clean Energy Project and

authorized certain ratemaking and accounting in accordance with Ind. Code § 8-1-8.8-11. IPL's analysis in Cause No. 44242 was based on preliminary analysis because the cost and method of NPDES compliance was in the early phase of review at the time of that proceeding. Following issuance of the Order in Cause No. 44242, IPL further developed NPDES compliance costs.

18. As explained in the testimony of IPL Witness Ayers, IPL has determined that installation of the necessary wastewater treatment technologies in addition to the retrofit of the unit to comply with the MATS Rule as described in IPL's case-in-chief Cause No. 44242 is no longer the reasonable least cost method of compliance. Due to this change in circumstances, IPL's Compliance Project includes the refueling of Harding Street Unit 7.

19. The Compliance Project is consistent with IPL's integrated resource planning.

### **Relief Sought**

20. IPL requests the Commission approve the Compliance Project and grant to IPL a CPCN pursuant to Ind. Code § 8-1-8.4-6. IPL also requests the Commission grant IPL a CPCN pursuant to Ind. Code § 8-1-8.5-1 *et seq.* to convert Harding Street Station Unit 7 to natural gas and to install the pipes and other facilities necessary to supply natural gas to the refueled Unit 7.

21. IPL requests the Commission maintain ongoing review of the Harding Street Station Unit 7 refueling as the work proceeds in accordance with Ind. Code § 8-1-8.5.6.

22. To meet the compliance deadlines, as well as to conduct the construction activities in a manner that allows, to the maximum extent possible, the continued provision of reliable service, IPL has begun incurring pre-construction costs, and will continue to incur other

costs through the regulatory review, design, construction and operation of the Compliance Project.

23. IPL also requests the Commission approve the Federally Mandated Costs, including IPL's best estimate for the Harding Street Unit 7 Refueling. IPL's compliance costs include costs prudently incurred to preserve the MATS compliance option authorized in Cause No. 44242 and IPL seeks recovery of these costs.

24. IPL requests the Commission authorize necessary ratemaking and accounting to proceed with cost recovery pursuant to Ind. Code § 8-1-8.4-7(c), including the timely recovery of 80% of the costs implemented via IPL's Environmental Compliance Cost Recovery Adjustment ("ECCRA") and the associated accounting and ratemaking procedures, including reconciliation and over/under recovery accounting. IPL is also requesting authority to create a regulatory asset for the remaining twenty percent (20%) of the capital, operating, maintenance, depreciation, tax and financing costs (revenue requirement) for the Compliance Project not timely recovered through the ECCRA, with carrying costs pursuant to IC 8-1-8.4-7(c)(2), until such costs are reflected in the Company's retail electric rates.

25. As part of the cost recovery, IPL requests the Commission authorize IPL: to continue the accrual of Allowance For Funds Used During Construction ("AFUDC") (both debt and equity) and to defer the accrual of depreciation and Operating and Maintenance ("O&M") expense on the Compliance Project from its in-service date(s) until the date of a Commission order authorizing recovery of a return and including depreciation expense and O&M in IPL's recoverable operating expenses; to record such post-in-service AFUDC (both debt and equity) and deferred depreciation and deferred O&M as regulatory assets in Account 182.3 Other



Regulatory Assets; to amortize such regulatory assets as a recoverable expense for ratemaking purposes commencing on the date of the order authorizing recovery of a return on the Compliance Project and including depreciation and O&M expense in IPL's recoverable operating expenses; and to include the unamortized portion of the regulatory assets in IPL's rate base upon which it is permitted to earn a return.

26. These matters will be further detailed in the evidence to be presented by IPL in this Cause.

### **Governing Statutes**

27. IPL considers the provisions of the Public Service Commission Act, as amended, including Ind. Code §§ 8-1-8.4-1 *et seq.* and 8-1-8.5-1 *et seq.* to be applicable to this proceeding. The accounting and ratemaking treatment IPL seeks is also consistent with the Commission's authority under Ind. Code §§ 8-1-2-10, 14, 23 and 42.

### **Public Convenience and Necessity**

28. The construction, installation and use of the Compliance Project will enable IPL to ensure the future use of the Petersburg and Harding Street Stations to provide clean, safe and reliable electric service while complying with environmental regulations. The proposed Compliance Project is compatible with IPL's provision of reliable electric service and projects fit appropriately from an operational standpoint within IPL's electric generating portfolio. IPL has examined other options and determined that the proposed Compliance Project constitutes the reasonable, least cost option available to IPL to comply with the Federally Mandated Requirements. Thus, IPL represents that the public convenience and necessity will be served by the Compliance Project.

### **Request for Administrative Notice**

29. Pursuant to 170 IAC 1-1.1-21(f) and (h), IPL requests the Commission to take administrative notice of:

- a) IPL's Integrated Resource Plan filed with the Commission in December 2011;<sup>1</sup>
- b) Indiana Electricity Projections: The 2013 Forecast, prepared by the State Utility Forecasting Group (December 2013); and
- c) Once filed, IPL's Integrated Resource Plan which IPL expects to file with the Commission on or about November 2, 2014.

A copy of each of the foregoing documents will be filed in this docket.

### **Service**

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

Teresa Morton Nyhart (Atty. No. 14044-49)  
Jeffrey M. Peabody (Atty. No. 28000-53)  
Barnes & Thornburg LLP  
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### **Prehearing Conference**

31. Timely Commission approval of the Compliance Project is reasonable and necessary so that IPL may continue to meet its customers need for reliable, low-cost electricity.

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<sup>1</sup> IPL initially filed this IRP with the Commission on October 28, 2011. A revised version was submitted in December 2011 to reflect a change in the scope of information considered confidential.

32. IPL plans to prefile its case-in-chief testimony and attachments on or about October 15, 2014. To facilitate IPL's ability to proceed with the Compliance Project in a timely manner, IPL requests the Commission promptly conduct a prehearing conference to establish a procedural schedule in this Cause so as to permit an order to be issued in this Cause by July 31, 2015 (approximately nine months after the filing of IPL's case-in-chief) so that the Harding Street Station refueling may be completed in time for the summer 2016. This request is made in accordance with 170 IAC 1-1.1-15(b). In accordance with 170 IAC 1-1.1-15(e), IPL will seek to enter into a stipulation with the Indiana Office of Utility Consumer Counselor regarding a procedural schedule in lieu of a prehearing conference.

**Relief Requested**

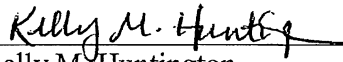
WHEREFORE, IPL respectfully requests that the Commission:

- (a) establish a procedural schedule in this Cause and hold a public evidentiary hearing in this matter; and
- (b) thereafter enter an order:
  - i. finding that the public convenience and necessity will be served by the proposed Compliance Project;
  - ii. finding that the proposed Compliance Project will allow IPL to comply directly or indirectly with one or more Federally Mandated Requirements;
  - iii. entering the findings under the Powerplant Construction Act for the Harding Street Unit 7 Refueling;

- iv. issuing Certificates of Public Convenience and Necessity for the Compliance Project pursuant to Ind. Code §§ 8-1-8.4 and 8-1-8.5 as proposed herein;
- v. approving the cost estimate for the Compliance Project;
- vi. approving the accounting and ratemaking treatment as proposed herein and further detailed in IPL's case-in-chief;
- vii. providing for ongoing review; and
- viii. granting to IPL such further relief as may be appropriate.

Respectfully submitted,

INDIANAPOLIS POWER & LIGHT COMPANY

By:   
Kelly M. Huntington  
President and CEO

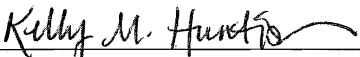
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Attorneys for INDIANAPOLIS POWER & LIGHT COMPANY

VERIFICATION

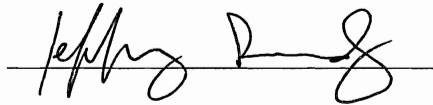
I, Kelly M. Huntington, President and CEO of Indianapolis Power & Light Company affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

Date: October 3, 2014.

  
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Kelly M. Huntington

**CERTIFICATE OF SERVICE**

The undersigned certifies that two copies of the foregoing Verified Petition were served this 3rd day of October, 2014, via hand delivery, on the Indiana Office of Utility Consumer Counselor, PNC Center, Suite 1500 South, 115 W. Washington St., Indianapolis, Indiana 46204.

A handwritten signature in black ink, appearing to read "Jeffrey M. Peabody", is written over a horizontal line.

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