

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, INCLUSION IN BASIC RATES AND )  
CHARGES OF THE COSTS OF CERTAIN PREVIOUSLY )  
APPROVED QUALIFIED POLLUTION CONTROL )  
PROPERTY AND OTHER INVESTMENT INCLUDING THE )  
EAGLE VALLEY COMBINED CYCLE GENERATION )  
TURBINE, RATE ADJUSTMENT MECHANISM )  
PROPOSALS, COST DEFERRALS, AMORTIZATIONS AND )  
(3) APPROVAL OF NEW SCHEDULES OF RATES, RULES )  
AND REGULATIONS FOR SERVICE. )

CAUSE NO. 44893

**PETITIONER’S UNOPPOSED VERIFIED MOTION TO WITHDRAW OR AMEND  
FILING WITHOUT PREJUDICE**

Petitioner Indianapolis Power & Light Company, by counsel, and in accordance with 170 I.A.C. 1-1.1-8 and 12, hereby requests the Commission enter an order granting IPL leave to withdraw the Petition and filing without prejudice as stated below. This relief is in lieu of IPL seeking leave to amend the Company’s Petition and filing to update the designated test year and adjustment period and to revise the supporting case-in-chief for the reasons stated below. To the extent necessary or appropriate IPL asks in the alternative that the Commission grant IPL leave to amend its Petition and case-in-chief filing as stated below. In support of this Motion, IPL states as follows:

1. IPL’s current basic rates and charges were established by Commission Orders in Cause No. 44576/44602 and were effective on March 31, 2016. At that time, IPL was authorized to increase its basic rates and charges for electric service to produce 2.56% additional operating revenue.

2. On December 22, 2016, IPL filed the instant Petition to increase its basic rates and charges to provide an overall annual increase in revenue of 6.95%. On December 22, 2016, IPL also filed its supporting case-in-chief.

3. No procedural schedule has been established and the other parties have not yet filed their respective cases-in-chief or other response to IPL's Petition.

4. The rate filing was driven by the need to reflect the Company's investment in the 671 MW Eagle Valley Combined Cycle Gas Turbine ("CCGT") in the Company's retail rates in a timely manner. The CCGT project was approved in Cause No. 44339 and is currently under construction. This ongoing investment is not currently included in a capital tracker or otherwise reflected in IPL's current rates for electric service. The project is subject to ongoing review in Cause No 42170 ECR-X and the Company's semi-annual progress reports for the CCGT project are available on the Commission's electronic docket in Cause No. 44339.

5. At the time of the Company's filing, the Company expected the CCGT to be completed by approximately April 30, 2017.

6. IPL's Petition designated the twelve (12) months ended June 30, 2016 as the test year to be adjusted for fixed, known and measurable changes and appropriate normalizations and annualizations. IPL's filing also utilized June 30, 2016 as the general rate base cut-off date and sought to update rate base during the course of this proceeding to reflect the addition of one "major project" -- namely the Eagle Valley CCGT project.

7. Since the filing of this case, IPL has learned that the CCGT will not be completed by April 30, 2017. A copy of IPL's November 30, 2016 ongoing review report and additional information provided to the Commission in Cause No. 42170-ECR 28 regarding the status of the

CCGT project are attached herein as Exhibits A and B, respectively. As explained therein, the contractor has fallen behind schedule.

8. IPL has previously advised the other parties and presiding administrative law judge of the delay in the CCGT completion and has discussed with the other parties the impact thereof on the pending docket.

9. IPL has been working with the engineering procurement and construction (“EPC”) contractor to establish a new schedule with a revised completion date. IPL initially thought that, while delayed, the CCGT could be completed within a time frame that would allow the instant proceeding to go forward. However, IPL is concerned that the EPC contractor’s progress on the construction is insufficient to allow completion of the CCGT within the time frames applicable to this proceeding. A new completion date has not yet been established. IPL currently expects the EPC contract requirements of Substantial Completion/Transfer of Possession to be satisfied in the first half of 2018. As a result, the major project addition to rate base will not occur within the test year adjustment period which ends June 30, 2017. This delay changes the relationship between the adjusted test period reflected in IPL’s filing and the major project rate base update.

10. Under the standard times frames set forth in Ind. Code § 8-1-2-42.7 (“Section 42.7”) and the Commission’s General Administrative Order 2013-5 (Rate Case Standard Procedural Schedule and Recommended Best Practices for Rate Cases Submitted under Ind. Code § 8-1-2-42.7) (“GAO 2013-5”), a decision in this case would be expected within 300 days (*i.e.* October 18, 2017) unless extended by the Commission for up to 60 days (December 17, 2017). As a result of the change in the CCGT completion date, IPL is concerned that it will not be able to certify the new CCGT is used and useful within the time frame applicable to this case. While Section 42.7 allows a utility to seek an extension of the procedural schedule, IPL is not able to identify with reasonable

confidence a date by which the CCGT will be used and useful; and therefore is filing this Motion in lieu of seeking to establish a procedural schedule.

11. If the CCGT investment cannot be reflected in the rates to be established in this case, there is no need to proceed with the filing.

12. Consequently, IPL requests the Commission to enter an order allowing IPL to withdraw the instant Petition and supporting case-in-chief without prejudice under the “15 month rule” set forth in Ind. Code § 8-1-2-42(a). This would allow IPL to better facilitate the timely processing of a rate case contemporaneous with the completion of the CCGT. Approval of this request would save the limited resources of the Commission. Approval of this request is also consistent with the underlying purpose of the 15 month rule because the instant case would not be processed and no rate change would be implemented.

13. Further, the coming on-line of a major new generating facility by an electric utility is a significant event which necessitates timely rate relief in order to avoid adversely affecting the utility’s financial integrity.

14. The withdrawal of the Petition and filing is in lieu of filing an amended petition and case-in-chief. This latter approach would be another means of addressing the current situation. To the extent necessary or appropriate, IPL asks in the alternative, that the Commission hold this case in abeyance pending the filing by IPL of an amended petition and supporting case-in-chief. This would stay discovery and all other activity in this docket until such time as the amended filing is made. IPL expects that the amended petition would update the historical test period and would seek to update rate base during the course of the proceeding to include the Eagle Valley CCGT project upon completion. The 300 day timeline under Section 42.7 would start anew upon IPL’s filing of the amended petition and case in chief. IPL is willing to file notice of its intent to file the updated case

at least 30 days in advance of the amended filing (as well as a new filing if that relief is approved). The Commission could direct IPL to file the amended petition and supporting case-in-chief under a new Cause number if doing so would facilitate the efficient administration of the Commission's docket.

15. IPL proposes that any Intervenor authorized to participate in the instant docket at the date the proceeding is withdrawn or held in abeyance be allowed to participate under the new Cause number for the rate case without the need to file a new petition to intervene. Such Intervenors would remain parties unless they notify the Commission of their intention to no longer participate in the proceeding.

16. The relief sought by the Motion is not prejudicial to any other existing party or potential new parties.

17. The CCGT construction is already subject to ongoing review. The matters underlying the need for this Motion are and will continue to develop. IPL understands that the Commission and stakeholders will have questions regarding the CCGT and IPL commits to keep the Commission and stakeholders informed of the project status but asks the Commission and stakeholders to recognize that in the near term, the Company must necessarily focus its efforts on moving the CCGT to completion. IPL is scheduled to file its next semi-annual report to the Commission in May 2017 and will include therein a detailed discussion of the CCGT schedule and progress. Therefore, the existing regulatory framework already provides a means to update the Commission as the construction work proceeds and to allow the Commission to investigate these matters as necessary or appropriate. Consequently, there is no need to maintain the instant docket for that purpose.

18. IPL has discussed and shared a copy of this Motion with other parties. To further promote opportunities to resolve their respective rate case issues of interest, the OUCC and the

Intervenors Industrial Group, CAC, Kroger and City of Indianapolis have each authorized undersigned counsel to represent that under the unique facts and specific circumstances of this case, and their interest to resolve these matters amicably, they each do not object to the Commission allowing IPL to withdraw or dismiss its current Petition without prejudice and refile thereafter as sought in this Motion, including the filing by IPL of an updated case within less than 15 months of the filing of the Petition that initiated the instant docket.

19. To the extent the Commission has questions or concerns about granting the relief sought herein and authorizing IPL to file another case without being constrained by the 15 month rule, IPL proposes the Commission convene an attorneys' conference so that these matters may be discussed and an alternative path forward considered as necessary or appropriate.

WHEREFORE, IPL respectfully requests that this Motion promptly be granted by Commission Order a) authorizing IPL to withdraw the instant Petition and filing without prejudice to enable the Company to file a new petition within 15 months of this filing of the instant Petition as necessary or appropriate; or b) granting the alternative relief sought herein so as to alleviate any concern under the 15 month rule; and c) granting such other relief as may be reasonable and appropriate in the premises.

Respectfully submitted,

By 

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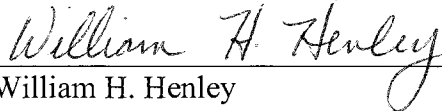
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Attorneys for INDIANAPOLIS POWER AND  
LIGHT COMPANY

**Verification**

I, William H. Henley, Vice President, Regulatory and Government Affairs for 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: February 24, 2017

  
\_\_\_\_\_  
William H. Henley



**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing has been served, this 24th day of February 2017, by electronic mail, hand-delivery, or U.S. Postal Service, First Class mail, to:

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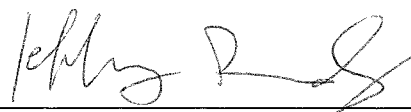
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# **Indianapolis Power & Light Company**

**Cause No 44339**

## **Eagle Valley CCGT Construction Project And Harding Street Units 5 & 6 Refueling Construction Project**

**Semi-Annual Update | November 2016**

## Eagle Valley Combined Cycle Gas Turbine (CCGT) Construction Project Semi-Annual Update | November 2016

### 1.0 Safety<sup>1</sup>

<b>Total cumulative Site Work-Hours</b>	<b>1,579,805</b>
<b>Lost Time Incident Rate</b>	<b>0.00</b>
<b>Days with no Lost Time Incident</b>	<b>213</b>
<b>OSHA Recordable Rate</b>	<b>0.50</b>
<b>Fatal Injury Rate</b>	<b>0.16</b>

Since the last Semi-Annual Report update, the project experienced two recordable injuries. In the first recordable injury, a craft worker cut two fingers while attempting to grab a spiral chip from a millhog (pipe machine facing tool) with gloved hands. The treatment included same day surgery and stitches. The second recordable injury occurred when a craft worker had a grinder kick back and cut his bicep. He was treated offsite and returned to work the same day.

Each year, AES businesses undergo an Environmental, Health, and Safety Audit conducted by experienced professionals from other AES subsidiaries and sometimes outside safety professionals. In October 2016, the project was audited and received a “World Class” Safety designation and a “World Class” environmental designation.

### 2.0 Scope

The Eagle Valley CCGT (combined cycle gas turbine) Project began construction with CB&I Stone & Webster (CB&I) as the EPC Contractor (Engineer, Procure, and Construct). The EPC Agreement was executed on June 12, 2014 and notice to proceed was issued on June 20, 2014. CB&I has been working on engineering, procurement, and construction activities since that date. CB&I mobilized on March 17, 2015, and began on site construction. On December 31, 2015, the parent company of CB&I Stone & Webster sold the rights to the name “Stone & Webster”. Therefore, the parent company novated the EPC contract to CBI Services, Inc. No material changes to engineering, procurement, or construction personnel took place because of the name change.

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<sup>1</sup> Safety data is from February 9, 2015 to September 25, 2016.

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The current Project cost estimate for the CCGT remains \$590.0 million, including both the work done by CBI and the related owner’s costs. The current cost estimate is below the \$612.7 million figure approved by the Commission<sup>2</sup> (both figures exclude AFUDC).

The table below summarizes the information on the Eagle Valley CCGT and its key components:

<b>Key Project Information</b>		
EPC Contractor	CB&I Services, Inc.	
EPC Contract Execution Date	June 12, 2014	
Date of Notice to Proceed	June 20, 2014	
Commercial Operations Date	April 30, 2017	
Guaranteed Max Capacity (at 88.6 °F)	671 MW	
<b>Key Project Equipment Purchases from inception to March 2015</b>		
Equipment	Manufacturer	Model/Details
Combustion Turbines (2)	General Electric	7FA.05
Steam Turbine	Toshiba	TDCF-40”
HRSG (2)	Nooter Eriksen	Triple pressure with reheat
Condenser	Thermal Engineering International	Deaerating surface condenser
Boiler Feed Pumps (4)	Sulzer Pumps	Pumps, motors and variable speed couplings
Circ. Water Pumps (2)	Xylem Inc.	Pumps and motors
<b>Key Project Equipment Purchases from April 2015 to September 2015</b>		
Main (3) & Aux.(2) Transformers	Fortune Electric Co., LTD	Transformers
Condensate Pumps (2)	ITT Goulds Pumps Inc.	Pumps and motors
Distributed Control System	Emerson Process Mgmt.	DCS
Air Compressors (2)	Atlas Copco	Air compressors and dryer skids
<b>Key Project Equipment Purchases from October 2015 to March 2016</b>		
Balance of Plant Valves	Power House Supply Inc.	Valves
Wire & Cable	Anixter	Wire, Cable, Fiber
Balance of Plant Fabricated Pipe	CB&I Clearfield, Inc.	Pipes
High Energy Pipe Fabrication	CB&I Clearfield, Inc.	High Energy Pipe Fabrication
Standby Diesel Generator	Carolina Power Systems	Diesel Engine and Generator

There were no additional Key Project Equipment purchases from April 2016 through September 2016.

<sup>2</sup> Re: Indianapolis Power & Light Company, Cause No. 44339, at 40 (IURC 5/14/2014) (Ordering Paragraph 2).

IPL has signed a contract with Vectren to build, own and operate the lateral between the two interstate pipelines and the CCGT in Martinsville, IN. This contract was approved by the IURC on January 14, 2015 in Cause Number 44502.

The Vectren lateral connects the Project to the Texas Gas and Rockies Express pipelines, which will allow access to natural-gas commodity from western, eastern, and southern supply basins. IPL has secured 100% firm transportation on Texas Gas with access to Rockies Express on an interruptible basis. In August, Vectren completed the pipeline from both interconnection points to the gas yard.

### 3.0 Cost Management

(In \$Million)	Project Budget <sup>3</sup>	Current Cost Estimate	Budget Project to Date	Actual Project to Date <sup>4</sup>	Variance Project to Date	Forecast to Complete <sup>5</sup>
EPC Contract						
Owner's Costs						
Contingency						
	\$612.7	\$590.0	\$555.9	\$548.1	\$7.8	\$41.9

Project costs remain within the forecasted completion costs.

#### Project to Date Costs

EPC Contract Project to date costs are lower than budget by approximately \$5.4 million due to the contractor missing two milestones and two change orders. Owner's Project to date costs are lower than budget by approximately \$2.4 million. This is primarily due to slower Start-Up/Commissioning (\$ million), delayed hiring of operations team (\$ million), timing of tax increment financing (TIF) proceeds (\$ million), timing of insurance expense (\$ million), compensation cost savings (\$ million), slower contract management team mobilization (\$ million), timing of T&D mobilization (-\$ million), additional security requirements (-\$ million) and other (\$ million).

#### Future Costs

The IPL Major Construction Executive Council approved two change orders that decreased the contingency balance, but improved the safety and operability of the plant. The first change order for the period, Change Order #8, included relocating and rearranging the hydrogen

<sup>3</sup> The Commission approved a \$612.7 million budget in aggregate and not specific line-items. For ease of comparison, we have provided the approximate breakdown on the three items within this \$612.7 million total.

<sup>4</sup> Budget and Actual numbers are all as of September 2016.

<sup>5</sup> "Current Cost Estimate" - "Actual Project to Date" = "Forecast to Complete"

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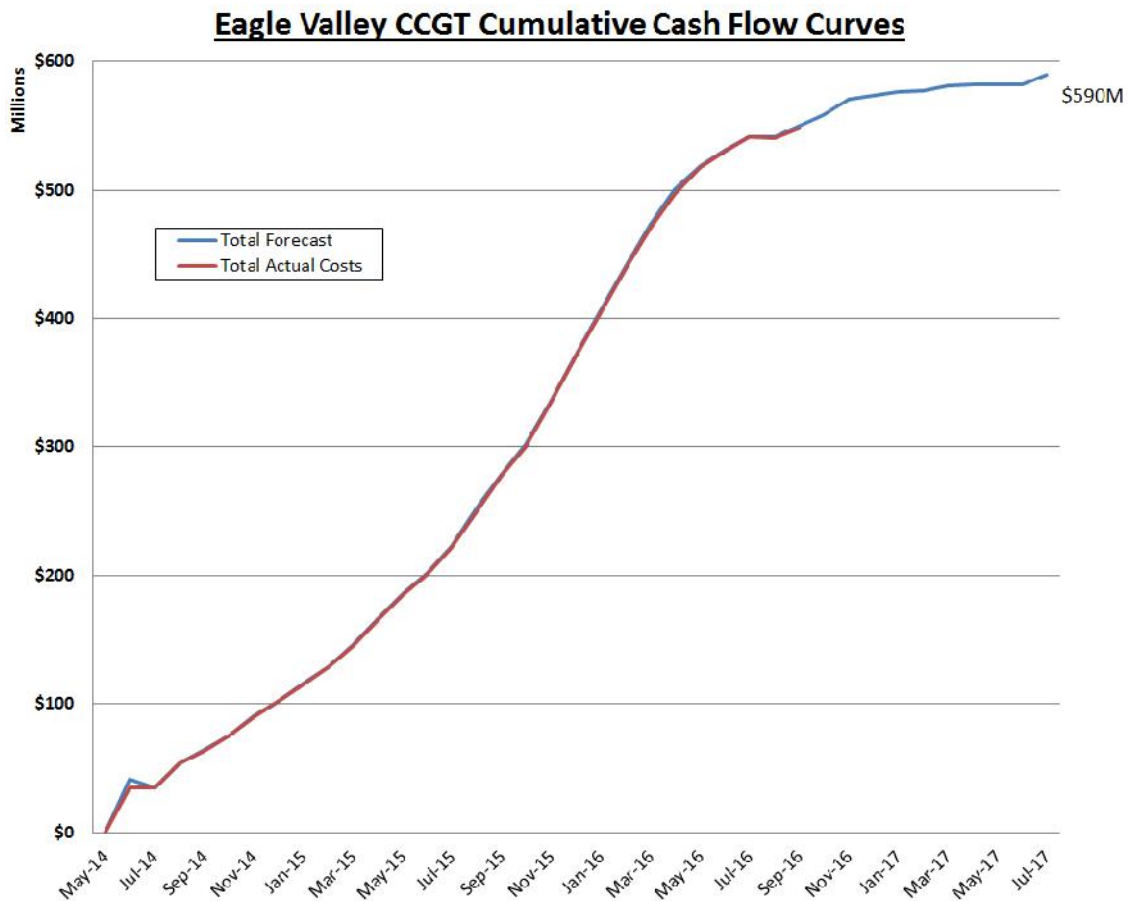
storage area, moving the brine tank from the retired coal plant to the new plant and altering roadway access to the Water Treatment Building. Change Order #10<sup>6</sup> is to replace the original lube oil for T25 lube oil, which will be longer life, more environmentally friendly and less maintenance intensive.

**Contingency Bridge (in millions)**

<b>March 31, 2016 Contingency Balance</b>	<b>6.7</b>
Change Order #8 Operational/Safety Betterments	█
Savings due to delayed hiring	█
Change Order #10 T25 Lube Oil	█
<b>September 30, 2016 Contingency Balance</b>	<b>7.5</b>

**Cash Flow Curve**

As indicated in the Cash Flow Curve below, the overall Project Current Cost Estimate remains \$590 million after these changes. This estimate is based upon the current risk assessment.



<sup>6</sup> Change Order #9 is pending. Change Order #9 is for additional Field Non-Manual personnel, but this has not yet been executed.

#### **4.0 Project Progress and Schedule**

The EPC contract established April 30, 2017 as the completion date for the EPC Contractor. As of September 30, 2016, the Project continues to meet the milestones set in the EPC contract except one milestone in July 2016 and one in August 2016. Since the March 2016 report, the Project made progress on multiple fronts. The Project management is concerned with schedule slip related to CB&I pipe deliveries, pipe installation and electrical installation. CB&I has been put on notice for the development and execution of a recovery plan which is expected to be delivered in November.

Vectren received notice to proceed on June 23, 2014 to construct the 13-mile natural-gas lateral. Since that time, Vectren has acquired all 61 parcels and obtained all environmental permits, performed land surveys, felled trees and installed the entire pipeline from both interconnection points (Texas Gas Transmission and Rockies Express) to the plant gas yard. In addition, Vectren has connected the gas yard to the plant site, cleaned and tested the pipeline. IPL has purchased gas to “pack” the pipeline from the interconnection points to the gas yard.

IPL Transmission has installed new transmission towers and IPL Transmission has hung cable to connect the plant to the electric grid.

The Project installed multiple items related to the Heat Recovery Steam Generator (HRSG). Risers, downcomers, inlet duct, ammonia injection grid and CO catalyst have been installed and work commenced on large bore and small bore piping. Both HRSG stacks were installed as well as four boiler feed pumps (two for each HRSG).

Although both gas combustion turbines and generators were set in place during the last reporting period, General Electric later indicated there was a design issue related to generator to turbine location and required both generators be moved slightly north. The move was completed and the Project commenced installation of CTG piping afterward. In addition, CTG accessory modules and ancillary equipment were installed.

Significant progress was made on the Rankine cycle system. The team completed the build out of the condenser and set it on its pedestals. In addition, all three sections of the steam turbine were installed and aligned with the generator. Finally, the steam turbine generator, exciter foundation, Q-deck and lube oil areas were placed.

The gas insulated switchyard (GIS) building is complete and all related infrastructure including: towers, duct bank, cable installation, terminations and relay testing were completed.

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The plant has three main site fabricated water tanks: the condensate storage tank, demineralized water tank and fire water tank. All of these tanks have been erected, painted, tested and are ready for operations.

Water treatment and warehouse buildings were completed, and building fit out work continues on each. Construction continues on the cooling tower and administration/control room building. In addition, the power distribution center for the cooling tower, HRSG1 & HRSG2, water treatment building and the main PDC were placed. Finally, the CTG building structural steel was installed.

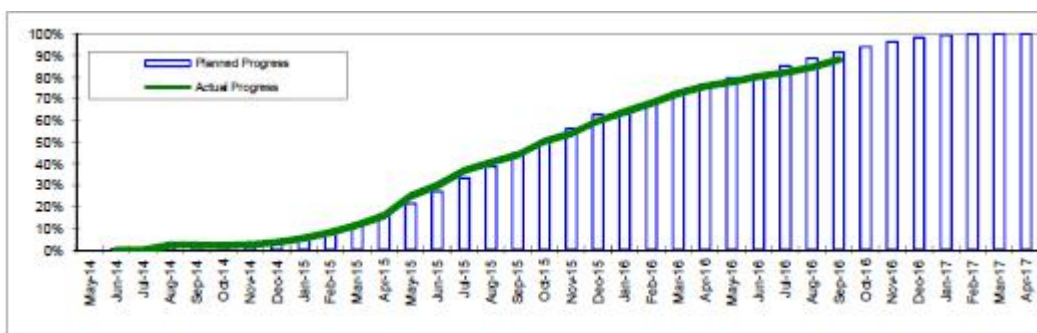
During the period, the team set the two auxiliary transformers and the generator step-up transformers for CTG1, CTG2 and the STG. These were then filled with oil per specifications.

**Change Orders**

Change Order #	Description	Date	Amount (\$)
8	Operational/Safety Betterment Improvements	8/4/2016	█
<b>Total</b>	<b>Value of all Change Orders</b>		█

As of September 30, 2016, the Project stands at 88.8% complete and, as seen below in the overall progress curve, the Project is on schedule. The Project continues to progress on time and on budget; however, a plan is being executed in an attempt to overcome certain delays due to piping and electrical issues.

**Project Progress Curve<sup>7</sup>**



<sup>7</sup> As of March 31, 2016.



**5.0 Project Pictures**



**Overview photo at end of March 2016**



**Overview photo at end of September 2016**



**Gas Pipeline Installation on Site**



**Cooling Tower Erection**



**HRSG 2 Stack Top Section**



**Setting High Pressure/Intermediate Pressure Turbine**



**Low Pressure Diaphragm Setting**



**STG Inner Upper Install**



**Main PDC**



## Harding Street Units 5 & 6 Refueling Construction Project Semi-Annual Update | November 2016

### 1.0 Safety<sup>1</sup>

<b>Total EPC Man-Hours</b>	<b>888,530</b>
<b>Lost Time Incident Rate</b>	<b>0.00</b>
<b>Days with No Lost Time Incident</b>	<b>592</b>
<b>OSHA Recordable Rate</b>	<b>0.23</b>

### 2.0 Scope

The project converted Harding Street Station Units 5 & 6 from pulverized coal as the primary fuel and from oil as the start-up fuel, to 100% natural gas firing for both start-up and load generation with the purpose of reducing NOx and CO emissions, in compliance with US EPA Mercury and Air Toxics Standards (MATS).

A new underground line within the plant property was installed to supply the units with natural gas. The boilers were equipped with new low NOx natural gas burners and igniters, flame detection, cooling air blowers and flue gas recirculation systems. Controls systems were upgraded including modifications to the existing combustion control system logics, burner management system logics, upgrades to the DCS, and CEMS/DAS upgrades.

IPL used a competitive bidding process to procure the major contracts for the refueling project. The scope of the Harding Street Station refueling work was expanded to include refueling of Harding Street Station Unit 7 (approved by the Commission in Cause No. 44540). The refueling of the three units at Harding Street Station was done consecutively and in a short time frame. Because a high degree of coordination was necessary, consolidating this work with one contractor was more efficient and resulted in less conflicts between multiple contractors that otherwise would be working in a congested site.

As explained in IPL's previous reports, IPL explored the potential use of a firm price Engineering Procurement and Construction (EPC) contract for the refueling work for all three units. Through a competitive RFP process, IPL selected Indiana Water Partners (IWP), a joint venture between Bowen Engineering and Burns & McDonnell, as an EPC Contractor with a scope of work that included

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<sup>1</sup> Safety data is through September 30, 2016 and includes the Harding Street Station Unit 7 Refueling.

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construction of the boiler modifications and other work needed to refuel HSS-7 as well as HSS-5 and HSS-6. IPL has had good experience using the EPC method of contracting. Although unforeseen conditions and events can arise, this approach lessened the risks inherent in a multiple contract strategy on a large aggregate project.

A full notice-to-proceed was issued for both Harding Street Station Units 5 & 6 and Harding Street Station Unit 7. The refueled Harding Street Units 5 & 6 were placed in service on December 17 & 18, 2015, respectively. There is some remaining work that will not be installed until the fall of 2016 due to equipment deliveries and on-going design work. Subsequent to this reporting period, this work was completed.

The EPC contractor has finished the Harding Street Station Unit 7 work and this unit returned to service in June 2016. There is some trailing work which will be completed in 2017.

In Cause No. 42170 ECR 26, the Commission recognized that the estimated cost of the refueling is assigned to the individual refueling projects in a manner that differs from the cost estimates presented in the Cause No. 44339 (Harding Street Station Units 5 & 6 Refueling) and Cause No. 44540 (Harding Street Station Unit 7 Refueling). In ECR 26, the Commission approved a total estimated cost for the refueling projects approved in Cause Nos. 44339 and 44540 in the amount of \$106.4M (excluding AFUDC which is accrued in accordance with the Commission’s Orders).

**3.0 Cost Management**

(In \$Million)	IURC Cost Estimate Approved in ECR 26 <sup>2</sup>	Current Cost Estimate	Budget Project to Date	Actual Project to Date <sup>3</sup>	Variance Project to Date	Forecast to Complete
Alstom Costs						
EPC Contractor						
Owner’s Costs						
Contingency						
<b>Total</b>	<b>42.10</b>	<b>42.10</b>	<b>42.10</b>	<b>39.87</b>	<b>2.23</b>	<b>2.23</b>

Consistent with previous reports, this table represents an EPC approach.

<sup>2</sup> See Direct Testimony of IPL Witness Scott p. 16 QA 25 Table 3 in Cause No. 42170 ECR 26.

<sup>3</sup> Budget and Actual numbers are all as of September 30, 2016.

**4.0 HSS 5 & 6 Project Progress and Schedule**

<b>Activity</b>	<b>Start</b>	<b>Finish</b>
Pre-outage Construction Activities	05/11/15	09/18/15
Unit 5 & 6 Outage Construction	09/19/15	11/19/15
Testing and Commissioning	11/20/15	12/17/15
Unit 5 & 6 Return to Commercial Operation		12/18/2015

The EPC contractor’s planned versus actual progress is as shown below.

	<b>Planned</b>	<b>Actual</b>
	<b>%</b>	<b>%</b>
Engineering	100.0	100.0
Procurement	93.0	100.0
Construction	96.7	98.1

Engineering studies to predict planned boiler performance and emissions have been completed. Majority of the engineering and design activities are complete. A contract has been executed with Alstom for the procurement of the burners, Flue Gas Recirculation System and igniter equipment and all material has been delivered and installed. Alstom is the Original Equipment Manufacturer and was the low evaluated bid.

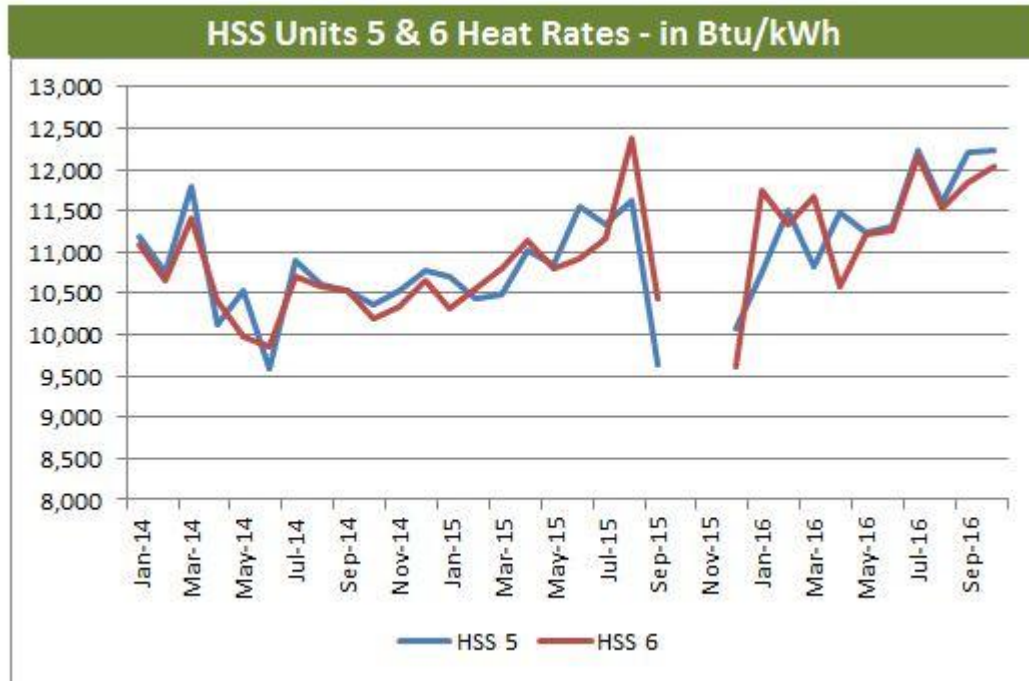
The air permit for conversion of Harding Street Station Units 5 & 6 was previously approved by the Indiana Department of Environmental Management (IDEM); IDEM also approved the air permit for the conversion of Harding Street Station Unit 7. In Cause Number 44552 the IURC approved the September 24, 2014 Amended and Restated Gas Transportation Agreement (the "Proposed Amendment") with Citizens Gas and IPL, which will allow for firm natural gas transportation service for the Harding Street plant beginning April of 2016. Citizens Gas has completed the work necessary for the conversion projects. IPL also contracted with Texas Gas Transmission for firm interstate natural gas transportation service to Citizens Gas beginning in April of 2016.

Harding Street Station Units 5 & 6 have been released for commercial operation since December of 2015 and there have not been derates or outages associated with the conversions to date. The Induced Fan (ID) motor change out was scheduled for October 2016. Subsequent to this reporting period, this work was completed. This concludes all major construction on this project. Punch list items continue to be finished and removed from list.

NOx emissions have been 0.038 lbs/mmbtu which is 54% of the contracted value of 0.070 lbs/mmbtu, and represents a significant improvement. Harding Street Station Units 5 & 6 each had a two (2) MW increase in their net output to the grid.

**INDIANAPOLIS POWER & LIGHT COMPANY**  
**CAUSE NO. 44339**

Preliminary data indicates that the heat rates for the converted Units 5&6 are similar to pre-conversion heat rates as noted in the table below. This is significant since the units were designed to burn coal and the expectation was that firing natural-gas might be less efficient. In addition, the heat rates shown for burning coal reflect base load operation, whereas those for natural gas as cyclic operation (cyclic operations increases heat rate which is a negative affect).



The discontinuity on this graph represents the conversion outage for the Units.

More significantly, IPL is now able to run the units at a minimum load of 25% capacity rather than 50% previously when firing coal. To be fully operational during the day and other periods of high prices, the units must sometimes be run at night when prices are lower. Being able to run the units at a lower level at night and then return to full operation during the day on natural-gas is more cost effective.

STATE OF INDIANA

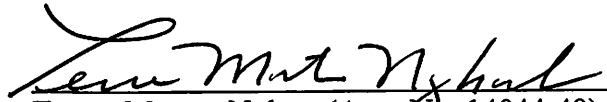
INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS )  
POWER & LIGHT COMPANY FOR )  
APPROVAL OF: (1) AN ADJUSTMENT TO )  
ITS RATES THROUGH ITS APPROVED )  
ENVIRONMENTAL COMPLIANCE COST ) CAUSE NO. 42170-ECR-28  
RECOVERY ADJUSTMENT COMMENCING )  
WITH THE MARCH 2017 BILLING CYCLE; )  
AND (2) ONGOING REVIEW REPORTS, )  
CONSTRUCTION AND ASSOCIATED COSTS. )

**INDIANAPOLIS POWER & LIGHT COMPANY'S RESPONSE TO  
IURC DOCKET ENTRY REQUEST DATED FEBRUARY 6, 2017**

Indianapolis Power & Light Company ("IPL"), by counsel, hereby submits the attached response to the IURC Docket Entry request to IPL dated February 6, 2017.

Respectfully submitted,



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ATTORNEYS FOR PETITIONER  
INDIANAPOLIS POWER & LIGHT COMPANY

**CERTIFICATE OF SERVICE**

The undersigned certifies that a copy of the foregoing was served this 7th day of  
February, 2017, via email transmission to:

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Teresa Morton Nyhart

**IPL Response to Docket Entry Dated February 6, 2017**

- 1) Mr. Scott's revised testimony indicates that IPL does not believe the EPC contractor will meet the April 30, 2017 completion date in the contract. Please indicate whether IPL has established a new completion date and if so, provide the new date. If not, please indicate when IPL expects to establish a new completion date.**

**IPL Response:**

IPL has not yet established a new completion date of the Eagle Valley Combined Cycle Gas Turbine ("CCGT"). We believe that the EPC contractor overestimated the productivity levels of the electrical cable installation (e.g. linear feet of cable installed and terminated per week) and is not meeting these productivity levels. The contractor fell behind its original schedule as well as its recovery plan schedule. IPL is currently working with the EPC contractor to establish a new schedule with a revised completion date.

IPL would like to see three weeks of progress against the recovery plan schedule to ensure the EPC contractor is meeting the expected productivity before it communicates a new completion date to various stakeholders. There is a similar concern with pipe installation. However, electrical cable is the critical path activity at this time. IPL expects to establish a new completion date based on the progress against the revised schedule.

- 2) **Mr. Scott's Attachment BDS-2 (at page 6) provides that, "Project management is concerned with schedule slip related to CB&I pipe deliveries, pipe installation and electrical installation. CB&I has been put on notice for the development and execution of a recovery plan which is expected to be delivered in November." Please indicate whether a recovery plan has been delivered to, and accepted by IPL. If not, please explain why not. In addition, please identify any additional costs that IPL will incur as a result of the recovery plan.**

**IPL Response:**

On October 31, 2016 IPL met with its EPC contractor to discuss concerns regarding the current status of construction activities and the EPC contractor's revised construction and commissioning schedule. On November 4, 2016 IPL formally requested a recovery plan per the requirements contained in the No-Lien Lump Sum, Turnkey, Engineering, Procurement and Construction Contract between IPL and the contractor. IPL filed its semiannual report for this project on November 30, 2016. Thereafter, there were approximately three weeks of lost productivity due to a fatality at the site, inclement weather, and the holiday period.

IPL received an initial recovery plan in early January and rejected it because it contained inaccuracies. The EPC contractor has issued a revision to the recovery plan. IPL has yet to accept a final version due to continued concerns with the items mentioned in Attachment BDS-2. Some have been rectified; however, there are still concerns with electrical cable and piping installation.

IPL does not anticipate any increase in the EPC portion of the project cost due to the lump sum structure of the EPC contract. There will be increases in Owners Costs as the duration of the internal resources required will be longer than anticipated. IPL does not anticipate these costs would cause the project to exceed the Commission approved amount for the project. AFUDC will continue to be accrued.



- 3) **At page 6 of IPL's November 1, 2016 integrated resource plan, IPL includes Eagle Valley in its list of thermal resources and describes it as follows: "The Eagle Valley Generating Station in Martinsville, Indiana, is the location where IPL is constructing a 671 MW Combined Cycle Gas Turbine which is scheduled to be operational in Spring 2017." Please describe IPL's plan to replace the Eagle Valley CCGT output if it is not available for summer 2017 load.**

**IPL Response:**

IPL is currently in the process of securing bilateral contracts to purchase capacity to satisfy its capacity short position for the MISO Planning Year June 2017 – May 2018.

Any energy retail load that would have been served by the CCGT in the summer 2017 will be provided through existing IPL generation or MISO energy purchases based on economic dispatch.

IPL will be in the same position as last summer with regard to its generating resources. In addition, IPL has upgraded its Transmission and Distribution ("T&D") system, including a new static VAR compensator ("SVC") and Hanna Substation upgrades, to enhance voltage stability and additional import capability. The CCGT will be generating energy beginning in May 2017 per the revised schedule. Commissioning will require 80-120 days in order to meet the EPC contract requirements of Substantial Completion/Transfer of Possession.