VERIFIED DIRECT TESTIMONY

OF

DAVID C. PETERS

ON BEHALF OF

INDIANAPOLIS POWER & LIGHT COMPANY

D/B/A AES INDIANA

Cause No. 46258

SPONSORING AES INDIANA ATTACHMENTS DCP-1 THROUGH DCP-6 AND AES INDIANA CONFIDENTIAL ATTACHMENTS DCP-3 AND DCP-6

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ON BEHALF OF AES INDIANA

1. INTRODUCTION

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

A1. My name is David C. Peters. I am employed by AES US Services, LLC ("AES Services", also "Service Company"), which is the service company that serves Indianapolis Power & Light Company d/b/a AES Indiana ("AES Indiana" or "the Company"). The Service Company is located at One Monument Circle, Indianapolis, Indiana, 46204.

Q2. What is your position with AES Services?

A2. I am Senior Director of Financial Planning and Analysis ("FP&A") and Transactions.

Q3. On whose behalf are you submitting this direct testimony?

A3. I am submitting this testimony on behalf of AES Indiana.

Q4. Please describe your duties as Senior Director of FP&A and Transactions.

A4. As Senior Director of FP&A and Transactions, I am ultimately responsible for AES Indiana's monthly forecasting and long-term budget planning processes. I am also responsible for helping manage our request for proposals ("RFP") for new generation, business development opportunities and large transactions for AES' US utilities.

Q5. Please summarize your education and professional qualifications.

A5. I have a Bachelor of Business Administration degree in Finance from Ohio University.

Q6. Please summarize your prior work experience.

A6. I joined AES Services in March 2023 as Director of FP&A and was promoted to Senior Director of FP&A and Transactions in August 2024. Prior to working for AES Services, I worked at Wolfe Research, LLC as an Equity Research Analyst covering regulated utility and clean energy stocks. I also worked at Ultimus Fund Solutions, LLC as a mutual fund accountant.

Q7. Have you testified previously before the Indiana Utility Regulatory Commission ("Commission") or any other regulatory agency?

A7. No.

Q8. What is the purpose of your testimony in this proceeding?

A8. My testimony explains and supports the use of AES Indiana's financial forecast to develop the forward-looking test period ("Test Year") in this case. I explain the forecasting approach and describe the Company's forecast and assumptions incorporated therein. I compare the Company's Test Year forecast to the Historical Base Period. I also support the ratemaking schedules identified below.

Q9. Are you sponsoring or co-sponsoring any financial exhibits, schedules, or attachments?

A9. Yes. I sponsor or co-sponsor the following financial exhibit schedules:

Company Financial Statements

- AES Indiana Financial Exhibit AESI-FS, Schedules FS1 through FS4.

Rate Base

- AES Indiana Financial Exhibit AESI-RB, Schedule RB1 – Original Cost Electric Rate Base.
- AES Indiana Financial Exhibit AESI-RB, Schedule RB2 – Total Utility Plant In Service.
- AES Indiana Financial Exhibit AESI-RB, Schedule RB6 – Electric Materials and Supplies Inventory. I sponsor the framework of this Schedule, while AES Indiana witnesses Ellis and Holtsclaw support the reasonableness of the adjustments to power supply, transmission, and distribution related inventory values.

Operating Income

- AES Indiana Financial Exhibit AESI-OPER, Schedule OPINC – Statements of Electric Operating Income.

Revenues

- AES Indiana Financial Exhibit AESI-OPER, Schedule REV1 – Summary of Electric Operating Revenue.
- AES Indiana Financial Exhibit AESI-OPER, Schedule REV2 – Summary of Electric Operating Revenue Adjustments.
- AES Indiana Financial Exhibit AESI-OPER, Schedule REV7 – Summary of Electric Rent Revenue.

Operating Expenses

- AES Indiana Financial Exhibit AESI-OPER, Schedule OM1 – Electric Operation and Maintenance Expense.
- AES Indiana Financial Exhibit AESI-OPER, Schedule OM9 – Obsolete/Damaged Materials and Supplies Inventory Write-Off Expense.
- AES Indiana Financial Exhibit AESI-OPER, Schedule OM19 – Miscellaneous Adjustments.
- AES Indiana Financial Exhibit AESI-OPER, Schedule OM20 – Injuries and Damages Expense.
- AES Indiana Financial Exhibit AESI-OPER, Schedule OM21 – Amortization of Rate Case Expense.
- AES Indiana Financial Exhibit AESI-OPER, Schedule OM23 – AES U.S. Services, LLC (AES Services) Non-Labor Costs.
- AES Indiana Financial Exhibit AESI-OPER, Schedule OM25 – Uncollectible Accounts Expense.
- AES Indiana Financial Exhibit AESI-OPER, Schedule OM26 – Public Utility Fee.

- AES Indiana Financial Exhibit AESI-OPER, Schedule DEPR – Depreciation and Amortization Expense.

Attachments

- AES Indiana Attachment DCP-1 – 2023 and 2024 Actual Total AES Indiana Utility Plant In Service Summary.
- AES Indiana Attachment DCP-2 – 2023 and 2024 Actual Digital and Other ("Other Investments") Utility Plant In Service Summary.
- AES Indiana Attachment DCP-3 and AES Indiana Confidential Attachment DCP-3 – public and confidential 2024 Actual Other Investments Utility Plant In Service Project Detail.
- AES Indiana Attachment DCP-4 – 2025 and 2026 Forecasted Total AES Indiana Utility Plant In Service Summary.
- AES Indiana Attachment DCP-5 – 2025 and 2026 Forecasted Other Investments Utility Plant In Service Summary.
- AES Indiana Attachment DCP-6 and AES Indiana Confidential Attachment DCP-6 – public and confidential 2025 and 2026 Forecasted Other Investments Utility Plant In Service Project Detail.

Q10. Did you submit any workpapers?

A10. Yes. AES Indiana is submitting workpapers in electronic format that support the basic rate case schedules. I am sponsoring the workpapers that support the financial statements and schedules that I sponsor. I also sponsor AES Indiana Confidential Workpapers DCP-1 and DCP-2 which are the Excel versions of the Historical Base Period, Linking Period, and Adjusted Test Year capital project costs.

Q11. Were these exhibits, attachments, or workpapers, or portions thereof, that you are sponsoring or co-sponsoring prepared or assembled by you or under your direction and supervision?

A11. Yes.

Q12. Did AES Indiana provide the workpapers and other information required by the Minimum Standard Filing Requirements ("MSFR")?

A12. Yes. This information was submitted to the Commission and the parties contemporaneous with our Case-in-Chief filing.

Q13. For ease of reference, please summarize the key terms utilized in the Company's filing.

A13. The calendar year 2026 is referred to as the "Test Year." To distinguish the terms, the Company refers to the 2026 forecast as the "Unadjusted Test Year". The Company's proposed rates are based on what is referred to in the filing as the "Adjusted Test Year". The calendar year 2025 is referred to as the "Linking Period". Finally, the Company's filing refers to the calendar year 2024 as the "Historical Base Period."

2. FINANCIAL BUDGETING PROCESS

Q14. What is the purpose of a forecast?

A14. The forecasting process is used to provide a picture of future events (in this case, the calendar year 2026) so as to allow the Company to make informed decisions, control costs, plan its operations, and manage risks.

Q15. Please describe AES Indiana's forecasting process.

A15. AES Indiana's Financial Planning and Analysis ("FP&A") group manages an annual, bottoms-up budgeting process of financial projections for an ensuing five-year period that includes input from several groups across the organization. A kick-off meeting is typically held each year in May, where FP&A provides overall spending guidance and a timeline for deliverables. Revenue and variable costs projections are provided by the Commercial

Operations group. Individual functional teams provide forecasts for operations and maintenance ("O&M") work and capital projects, which can be prioritized by business objectives and resource availability. The approved capital expenditure forecast is administered and tracked by the Asset Management team. Labor and headcount planning projections are developed with the support of the Human Resources group. FP&A also works with other groups to update key financial assumptions such as interest rates, property taxes, among other items. As part of a standard validation process once information is received, FP&A works to identify changes in trends of costs. We review the trend of the current projections and identify the major variance drivers on a year-over-year basis. In addition to this review, we compare projections with recent historical data. Once we identify the major drivers of changes, we validate them with the budget owners to ensure that those changes are prudent and reasonable. All of the information is consolidated into an AES Indiana projection and then reviewed by various levels of management. Last, as we progress through the current business year, we track and monitor actual results compared to the forecast. Based on actual results combined with potential changes in business and market conditions, the forecast is adjusted as needed.

Q16. Please describe the AES Indiana load forecast development process.

A16. As discussed further by AES Indiana witness Russo, AES Indiana uses Itron's Statistically Adjusted End Use load forecasting methodology to project baseline sales and revenue for the residential, small, and large commercial classes. This regression-based approach projects customer sales or average use using a comprehensive set of independent variables as the forecast drivers, which include economics (Moody's), organically occurring equipment efficiency (Energy Information Administration), Company energy efficiency

program savings, utility price forecast, weather, and historical sales and customers. Industrial, lighting, water heating, and process heat customer class models use regression based econometric models with weather and monthly or seasonal binary variables. The Company forecasts each customer class independently in order to capture their unique load characteristics.

Q17. Please describe the AES Indiana expense forecast development process.

A17. O&M expenses are forecasted by, and reviewed with, all of the business areas within the Company. Underlying the O&M forecast are projections for various items such as projected compensation increases and inflationary factors. Each area's O&M forecast includes staffing plans, labor costs, and other operational costs necessary to perform the functions of the specific area. For better control of costs, O&M is not managed or reviewed by O&M Federal Energy Regulatory Commission ("FERC") account, but rather by cost center. Therefore, in order to create an accurate O&M forecast by FERC account, the budgeted O&M is allocated to FERC accounts consistent with the distribution of O&M expenses reported in our most recent FERC Form 1s to create the forecasted O&M by account.

Q18. Please describe how O&M is prioritized during the forecast development process.

A18. In the forecast development process, O&M prioritization is an important step to ensure AES Indiana's resources are allocated efficiently and effectively to maintain reliable service while managing costs. The process begins with an assessment of historical O&M trends (*e.g.,* actual expenditures and system performance). This analysis establishes a baseline for identifying essential maintenance activities and operational needs.

Functional teams then evaluate the condition of our infrastructure assets. Certain assets are prioritized based on factors such as age, condition, and the potential impact on system reliability. This approach allows the Company to consider risk of failure/consequence of failure. We also consider compliance with regulatory and safety standards.

Internal stakeholder feedback is gathered to refine identified O&M priorities. This allows emerging needs, such as storm hardening, vegetation management, or technology upgrades, to be addressed alongside routine maintenance tasks. Finally, O&M activities are sequenced to optimize resource use while meeting service obligations.

Q19. Please describe the AES Indiana capital forecast development process.

A19. As with O&M expense, capital expenditures are forecasted by, and reviewed with, all of the relevant business areas within the Company. A substantial portion of the forecast is driven by the Company's operational groups: Generation, Transmission, and Distribution. The operational groups develop work plans and a list of capital projects and the costs for said projects. Several factors are considered when deciding which projects to prioritize; these include but are not limited to – system reliability, regulatory compliance, customer experience, and environmental impact. Please see the testimony of AES Indiana witnesses Ellis and Holtsclaw for additional detail regarding the development and reasonableness of the capital forecast for Generation, Transmission and Distribution.[1] Below, I discuss the capital forecast for the capital projects that do not fall into those categories. The forecast includes specific projects with estimated in service dates as well as dollars allocated to fund

[1] See AES Indiana witness Ellis (Section 6) and AES Indiana witness Holtsclaw (Section 4).

projects under a blanket capital budget.[2] The capital expenditures and related in service dates are used to estimate book depreciation, tax depreciation, and capitalized interest.

Q20. Please describe how capital expenditures are prioritized during the forecast development process.

A20. Capital expenditures are prioritized to align with the AES Indiana's strategic objectives of reliability, safety/compliance, and long-term value for all stakeholders. The prioritization begins with an evaluation of the AES Indiana's existing infrastructure, leveraging data on asset age and performance history. This assessment helps identify areas where capital investment is necessary to maintain or enhance system integrity. Projects that address high-risk assets, support load growth, or enable compliance with evolving standards and/or customer preference (*e.g.*, grid modernization) are given priority.

Once potential projects are identified, internal stakeholder feedback is gathered to refine capital investment priorities. Finally, capital investment activities are sequenced to optimize resource use while meeting service and regulatory obligations.

3. FINANCIAL STATEMENTS

Q21. Please explain AES Indiana Financial Exhibit AESI-FS, Schedules FS1 through FS4.

A21. AES Indiana Financial Exhibit AESI-FS, Schedules FS1 and FS2 present AES Indiana's Comparative Balance Sheets in accordance with the accounting requirements of FERC as set forth in its applicable Uniform System of Accounts ("USOA"). This information is provided as of the end of the forward-looking test period (December 31, 2026), the Linking

[2] Blanket capital includes recurring categories of investment for things like new customer services, public improvement projects, primary line extensions, distribution transformer purchases, and meter purchases.

Period (December 31, 2025), and the Historical Base Period (December 31, 2024). The schedules include assets held, liabilities owed or accrued, and owner's equity, and are prepared on the accrual basis of accounting. These schedules were prepared using exported data from AES Indiana's financial systems that are a product of the forecast process described above.

AES Indiana Financial Exhibit AESI-FS, Schedule FS3 presents AES Indiana's operating results and net income for the twelve-months ended December 31, 2026 (forward-looking test period), December 31, 2025 (Linking Period), and December 31, 2024 (Historical Base Period). It is prepared on an accrual basis of accounting in accordance with the accounting requirements of FERC.

AES Indiana Financial Exhibit AESI-FS, Schedule FS4 presents the projected net change in cash and cash equivalents as of the end of the forward-looking test period (December 31, 2026), and the Linking Period (December 31, 2025). In accordance with the accounting requirements of FERC, it is segregated into three categories: operating activities, investing activities, and financing activities. Cash inflows and outflows as part of operating and investing activities dictate the extent of which debt and equity funding are needed to operate the business. It also states the amount of cash and cash equivalents at the end of the forward-looking test period, December 31, 2026.

Q22. Does AES Indiana's forecasted balance sheet fairly and reasonably reflect the account balances expected for the Company during the Adjusted Test Year?

A22. Yes. The forecasted balance sheet is based on capital expenditures, operating costs, and capital structure that is reasonably necessary for the going forward operation of the utility.

The forecasted balance sheet contains the components of rate base as shown on AES Indiana Financial Exhibit AESI- RB, Schedule RB-1.

4. FORWARD-LOOKING TEST YEAR

Q23. What forward-looking Test Year has the Company proposed for setting rates in this proceeding?

A23. The Company proposes rates based on the forward-looking calendar year January 1, 2026 through December 31, 2026 Test Year. This includes both base (also referred to as "basic") rates and rider rates.

Q24. Is AES Indiana's Test Year reasonable and appropriate?

A24. Yes. Under Indiana Code §§ 8-1-2-42.7(d) and (d)(1), in a petition "to change basic rates and charges, a utility may designate a test period for the Commission to use." Furthermore, the Commission "shall approve a test period that is one (1) of the following: . . . A forward looking test period determined on the basis of projected data for the twelve-month period beginning not later than twenty-four (24) months after the date on which the utility petitions the commission for a change in its basic rates and charges." The Test Year AES Indiana has designated for this case meets these statutory criteria and thus is reasonable and appropriate.

Q25. How has AES Indiana organized its Financial Exhibit?

A25. AES Indiana Exhibit 1 – Financial Exhibit consolidates the data supporting AES Indiana's projected costs and revenues for the Test Year. This Financial Exhibit is organized by subject (e.g., financial schedules, cost of capital, rate base, revenue, etc) as shown in the exhibit index. AES Indiana's documentation in support of its filing includes workpapers

that provide further detail for the Test Year, as well as the Linking Period and Historical Base Period as defined above.

Q26. Do you have any other comments on the organization of the Company's case-in-chief and supporting documentation?

A26. Yes. As recognized in the Commission's General Administrative Order ("GAO") 2013-5, the MSFRs currently contemplate a historical test period. As a result, the documentation requirements are not a precise match for a forward-looking test period. With that in mind, the Company used the MSFRs as guidance as to the categories of information to include. The Company's witnesses have provided various attachments and workpapers, many in executable electronic format, that support and document the Test Year. As noted above, data for the Historical Base Period and the Linking Period is also provided in the Company's workpapers and/or MSFR responses. While the Company has provided supporting documentation and calculations, the Company has deviated from the GAO guidance to provide documentation in the form of "individual adjustments" to the Historical Base Period. As discussed herein, the Company used its most recent annual forecast to develop the Adjusted Test Year as this process is better aligned with the manner in which the Company plans for and conducts its business. Also, because the Company proposes to use the Phase-in Rate Adjustment described in AES Indiana witness Aliff's testimony, it was not necessary to use an average monthly rate base as indicated in GAO 2013-5.

Q27. What period has AES Indiana used as a Historical Base Period?

A27. For the Historical Base Period, AES Indiana used the most recent calendar year for which audited financial statements were available at the time this filing was being prepared, which

is the 2024 calendar year. The Company has provided the Historical Base Period data in its workpapers and, where appropriate, in its response to the MSFRs.

Q28. How was the Test Year developed?

A28. The Test Year is based on the forecast that was prepared during the last annual forecast development process described above. The adjustments are described by the Company's witnesses and, where applicable, supported by the workpapers as shown on the index to AES Indiana Exhibit 1 - Financial Exhibit. As explained by these witnesses, adjustments to the forecast are necessary for various reasons including normalization of certain costs for ratemaking purposes, and incorporation of information received after the initial forecast was prepared.

Q29. What are the major components of the Test Year forecast?

A29. The major components of the forecast reflected in the Test Year are:

1) Operating revenue;
2) Load;
3) Generation;
4) O&M;
5) Depreciation and amortization expense;
6) Taxes; and
7) Capital expenditures.

While I generally discuss these components below, additional detail is offered by various AES Indiana witnesses as identified in my testimony and the Financial Exhibit Index.

A. Operating Revenues

Q30. Please describe the major components of AES Indiana's operating revenues.

A30. AES Indiana Financial Exhibit AESI-OPER, Schedule REV1 provides a summary of the electric operating revenue at present and proposed rates. As shown on that schedule, the major components of AES Indiana's operating revenues are retail sales, electric vehicle ("EV") charging station sales, off-system sales ("OSS"), capacity sales, and other electric revenues. AES Indiana witness Russo discusses the 2026 projected Test Year sales.

Q31. What is included in retail sales and EV charging station sales?

A31. The overwhelming majority of retail sales consists of residential revenues, small commercial and industrial ("C&I") revenues, and large C&I revenues. We distinguish between "small" and "large" commercial and industrial revenues based on the size of customer demand (minimum of 50 kilowatts of demand to be considered a "large" C&I customer). EV charging station sales reflect revenues from customers charging their electric vehicles at certain public charging facilities located within the Company's assigned utility service area.

Q32. Please provide an overview of OSS and capacity sales.

A32. An OSS reflects the sale of power when the amount of AES Indiana generation for an hour exceeds the amount of system power consumed by its retail customers. As further discussed by AES Indiana witness Steiner, the Company proposes to update the benchmark of OSS margins embedded in the retail revenue requirement and continue to provide 100% of OSS margin to retail customers as a reduction in the cost of service.[3]

[3] See AES Indiana witness Steiner Q/As 19 and 20.

With respect to capacity sales, if AES Indiana has more than enough capacity resources to cover its forecasted peak demand and Planning Reserve Margin ("PRM"), AES Indiana may sell capacity through bilateral transactions with other market participants or may offer capacity in MISO's annual Planning Resource Auction ("PRA"), which generates a reduction in the cost of service for customers via the Company's Capacity Adjustment Rider.[4]

AES Indiana witness Steiner provides a comparison of Adjusted Test Year OSS margins and capacity sales to those in the Historical Base Period.[5]

Q33. What is included in other electric revenues?

A33. Other electric revenues include other customer charges (*e.g.,* collection charges, disconnect/reconnect fees, and other non-recurring charges), miscellaneous revenue (*e.g.,* MISO transmission revenues), and rents (*e.g.,* lease revenue, pole contact rentals, *etc.*). AES Indiana Financial Exhibit AESI-OPER, Schedule REV1. Please note that revenue related to late fees is not reflected in the Historical Base Period because the Company was not assessing late fees during the implementation of its new billing system. Revenue related to late fees is forecasted for the Adjusted Test Year based on recent historical data. Similarly, as discussed below, rent revenue included in the Adjusted Test Year is based on historical amounts and was not contemplated in the Unadjusted Test Year given the small size relative to AES Indiana's total electric operating revenues.

[4] See AES Indiana witness Steiner Q/A 24.
[5] See AES Indiana witness Steiner Q/As 21 and 27.

Q34. How do the forecasted Adjusted Test Year revenues compare to the revenues for the Historical Base Period?

A34. As shown on AES Indiana Financial Exhibit AESI-OPER, Schedule REV1, revenues at proposed rates are projected to be $2,110.6 million for the Adjusted Test Year. In the Historical Base Period, actual revenues were $1,633.9 million, as shown on AES Indiana Financial Exhibit AESI-FS, Schedule FS3. The projected revenue increase of $476.7 million mainly reflects the return of and on new assets that are projected to be placed in service, higher operating costs (O&M and property taxes), and higher debt financing costs.

Q35. Please further describe AES Indiana Financial Exhibit AESI-OPER, Schedule REV1.

A35. This schedule summarizes the Unadjusted Test Year amounts of revenue, and the adjustments made to the forecast that are necessary for ratemaking purposes. Taking the adjustments into account, we arrive at the proposed rates for the Adjusted Test Year as shown in column 5.

The total electric operating revenue increase shown on line 13 of column 4 agrees with the increase calculated on AES Indiana Financial Exhibit AESI-REVREQ, Schedule REVREQ1, line 7. The distribution of that increase to the various customer classes is supported by AES Indiana witness Rimal.

Q36. Have you prepared a summary of the adjustments made to the Unadjusted Test Year operating revenues to arrive at the proposed Adjusted Test Year operating revenues?

A36. Yes. AES Indiana Financial Exhibit AESI-OPER, Schedule REV2 summarizes the adjustments to the Unadjusted Test Year required to arrive at Adjusted Test Year total electric operating revenues at present rates. The details supporting each adjustment are

included on the schedules named at the top of each column 1 through 7 of this schedule. These adjustments are necessary to reflect annual increases or decreases in revenues that are expected to occur that were not contemplated in the Unadjusted Test Year. Column 8 is a total of these adjustments.

Q37. What is shown in AES Indiana Financial Exhibit AESI-OPER, Schedules REV3 through REV10?

A37. AES Indiana Financial Exhibit AESI-OPER, Schedules REV3 through REV10 provide additional detail regarding the adjustments made to the Unadjusted Test Year to arrive at the Adjusted Test Year level of operating revenues proposed in this proceeding. Various AES Indiana witnesses support these adjustments as shown in the index to AES Indiana Exhibit 1 - Financial Exhibit. These adjustments are reasonable and necessary in order to determine the level of operating revenue reasonably expected for the Test Year.

Q38. Please explain AES Indiana Financial Exhibit AESI-OPER, Schedule REV7, Summary of Electric Rent Revenue.

A38. AES Indiana Financial Exhibit AESI-OPER, Schedule REV7 reflects an adjustment to include rental revenues that were not accounted for in the Unadjusted Test Year. These adjustments are for known and measurable items that were reflected in the Historical Base Period. The first adjustment, which is on line 1, adjusts for rental revenue at our Georgetown Units. This revenue is for payment from Indiana Municipal Power Agency ("IMPA") for storing equipment at our Georgetown site. On line 2, we adjust for pole contact rental revenue from various attaching companies (*e.g.*, telecom providers). The next adjustment on line 3 reflects an increase for the most recent rental agreements for the various leases, with the largest portion of lease rent revenue being attributable to leasing

out portions of the headquarters building at One Monument Circle in Indianapolis. These revenues were not specifically forecasted in the Unadjusted Test Year given the relatively small magnitude. To reflect the revenues in the Adjusted Test Year, the revenue was forecasted based on historical data.

Q39. Is the level of operating revenues included in the forecast reasonable and representative of AES Indiana's Test Year?

A39. Yes. The operating revenues presented by AES Indiana are reasonable and necessary for the Test Year.

B. Load Forecast

Q40. Which AES Indiana witness presents the load forecast?

A40. The load forecast is presented by AES Indiana witness Russo. I generally describe the load forecast above.

C. Generation Forecast

Q41. Please discuss the components of the Generation forecast.

A41. AES Indiana's generation forecast is developed using the EnCompass generation dispatch model, which runs a detailed simulation of AES Indiana's system using a retail load forecast, expected generation performance, and forecasted commodity prices. The same model is used to prepare the Company's fuel adjustment clause ("FAC") forecasts. AES Indiana witness Steiner provides further detail on the generation forecast.[6]

[6] See AES Indiana witness Steiner Section 2 (EnCompass Dispatch Model).

Q42. What level of fuel and purchased power expense is included in the Adjusted Test Year and what are the major components of that amount?

A42. The total fuel and purchased power expense included in the Adjusted Test Year is $597.4 million after considering inter-system sales through MISO and transmission losses as shown on AES Indiana Financial Exhibit AESI-OPER, Schedule OM2, line 22. A major component of the total cost is fuel used in our gas-fired generation facilities ($530.5 million). The remainder of the cost is largely for purchased power. The Adjusted Test Year amount includes a downward adjustment to coal/fuel oil of $43.4 million and an upward adjustment to gas of $97.9 million. These adjustments are largely due to the repowering of Petersburg Units 3 and 4 from burning coal to natural gas as discussed in greater detail by AES Indiana witness Dickerson (Q/A 24).

Q43. How does the level of fuel and purchased power expense included in the Adjusted Test Year compare to the level in the Historical Base Period?

A43. Fuel and purchased power expense included in the Historical Base Period totaled $450.7 million.[7] The Adjusted Test Year fuel and purchased power expense is $146.7 million higher than the Historical Base Period due to economic and market conditions further discussed by witness Dickerson (Q/A 26).

Q44. Is the level of fuel and purchased power expense included in the Adjusted Test Year reasonable and representative of AES Indiana's Test Year?

A44. Yes. The forecasted fuel and purchased power expense presented by AES Indiana is reasonable for the Adjusted Test Year.

[7] AES Indiana Financial Exhibit AESI-OPER, Schedule OM2-WP2.

D. O&M Forecast

Q45. Please provide describe Table DCP-1.

A45. Table DCP-1 shows Test Year O&M by FERC function compared to the Historical Base Period. This comparison does not include labor costs. AES Indiana witness Dalton discusses labor costs.

Total O&M expense in the Adjusted Test Year is $987.2 million compared to the Historical Base Period of $828.2 million, which is an increase of $159.0 million. When excluding fuel costs from this variance, the Adjusted Test Year is higher than the Historical Base Period by $0.2 million. Higher costs for vegetation management and storms (included in distribution expenses), non-fuel power production expenses, transmission expenses, and customer service expenses are partially offset by lower regional market expenses, uncollectible accounts (included in customer accounts expenses), and benefits and contractor expense (included in administrative and general expenses).

Table DCP-1: Non-Labor O&M by FERC Function
(dollars in millions)

	Historical Base Period (2024 Actuals)	Adjusted Test Year (2026 Forecast)	Increase/ (Decrease)
Fuel Expenses	492.4	651.2	158.8
Non-Fuel Power Production Expenses	70.2	82.6	12.4
Transmission Expenses	32.5	37.4	4.9
Regional Market Expenses	5.6	0.2	(5.4)
Distribution Expenses	61.3	92.2	30.9
Customer Accounts Expenses	33.2	14.8	(18.4)
Customer Service and Informational Expenses	4.5	4.9	0.4
Sales Expenses	-	-	-
Administrative and General Expenses	128.5	103.9	(24.6)
Operations and Maintenance Expense Total	**828.2**	**987.2**	**159.0**
Non-Fuel Operations and Maintenance Expense Total	**335.8**	**336.0**	**0.2**

Q46. What are the major assumptions reflected in the Company's Test Year O&M forecast?

A46. The forecast for non-labor expenses is completed in coordination with functional teams across the organization. The forecast is underpinned by our historical experience for materials, services, and other operational expenses. Escalation factors (*e.g.*, digital services, maintenance agreements) and normalization adjustments (*e.g.*, expense levels post the repowering of Petersburg Units 3 & 4) are made, as necessary. As it relates to labor expense, the forecast is provided by the Company's Human Resources department and presented by AES Indiana witness Dalton. These costs include Total Direct Compensation and payroll taxes. As discussed by AES Indiana witness Dalton, Test Year compensation increases range from 3.5% to 4.5%. Forecasted pension and OPEB expense is discussed by AES Indiana witness Roach.

Q47. Have you prepared a summary of the adjustments made to develop the Adjusted Test Year level of O&M expense?

A47. Yes. I sponsor AES Indiana Financial Exhibit AESI-OPER, Schedule OM1, which summarizes the adjustments made to the Unadjusted Test Year O&M forecast to arrive at the Adjusted Test Year level of O&M expense. This schedule lists the various adjustments to operation and maintenance expenses that are necessary to arrive at operating and maintenance expenses at present rates and proposed rates. The adjustments to the Unadjusted Test Year are necessary increases and decreases in operation and maintenance expenses that are expected to occur. The following questions and answers focus on the operations and maintenance expense adjustments I sponsor.

Q48. Please describe AES Indiana Financial Exhibit AESI-OPER, Schedule OM9 – Obsolete/Damaged Materials and Supplies Inventory Write-Offs Expense.

A48. AES Indiana Financial Exhibit AESI-OPER, Schedule OM9 adjusts the Unadjusted Test Year operating expense to include the impact of materials and supplies inventory obsolescence write-offs. The schedule includes inventory obsolescence expenses incurred for each of the two years ending December 31, 2023 and December 31, 2024, and calculates an average expense for the two-year period. The Unadjusted Test Year operating expense increased by $0.5 million to include the average expenses for the two-year period. This adjustment is reflected on AES Indiana Financial Exhibit AESI-OPER, Schedule OM1, line 9, column 2.

Q49. Please discuss AES Indiana Financial Exhibit AESI-OPER, Schedule OM19 – Miscellaneous Expense.

A49. AES Indiana Financial Exhibit AESI-OPER, Schedule OM19 adjusts the Unadjusted Test Year operating expense to remove certain lobbying, government and related communication, image building advertising and other costs that are anticipated to be incurred as a part of normal course operations. Consistent with past precedent from the Commission, this adjustment is to reflect these costs solely as a shareholder expense and not costs that should be reflected in rates for service. The Unadjusted Test Year operating expense decreased by $2.2 million to reflect this update. This adjustment is reflected on AES Indiana Financial Exhibit AESI-OPER, Schedule OM1, line 19, column 2.

Q50. Please describe AES Indiana Financial Exhibit AESI-OPER, Schedule OM20 – Injuries and Damages Expense.

A50. AES Indiana Financial Exhibit AESI-OPER, Schedule OM20 adjusts the Unadjusted Test Year operating expense to include injuries and damages expense consistent with levels experienced in recent actual results. The schedule includes injuries and damages expense incurred for each of the last three years ending December 31, 2022, December 31, 2023, and December 31, 2024, and calculates an average expense for the three-year period. The Unadjusted Test Year operating expense increased by $1.2 million to reflect this update. This adjustment is reflected on AES Indiana Financial Exhibit AESI-OPER, Schedule OM1, line 20, column 2.

Q51. Please discuss AES Indiana Financial Exhibit AESI-OPER, Schedule OM21 – Amortization of Rate Case Expense.

A51. AES Indiana Financial Exhibit AESI-OPER, Schedule OM21 adjusts the Unadjusted Test Year operating expense to update the annual amortization amount for rate case expenses. The schedule shows costs will be incurred in the preparation and presentation of AES Indiana's current Petition to the Commission. The total projected 2025 rate case preparation expense is $4.5 million, which includes, among other things, costs for legal services, rate design, and expert studies, as detailed in the schedule. These costs were estimated using purchase order estimates from each vendor plus additional costs for other anticipated post-filing rate case consulting work. The amortization period is discussed by AES Indiana witness Aliff (Q/A 29). The Unadjusted Test Year operating expense increased by $1.0 million to reflect this update. This adjustment is reflected on AES Indiana Financial Exhibit AESI-OPER, Schedule OM1, line 21, column 2.

Q52. Please discuss AES Indiana Financial Exhibit AESI-OPER, Schedule OM23 – AES U.S. Services, LLC (AES Services) Non-Labor Costs.

A52. AES Indiana Financial Exhibit AESI-OPER, Schedule OM23 adjusts the Unadjusted Test Year operating expense to update AES Services costs (other than wages and benefits), which benefit AES Indiana and are necessary to conduct business operations. These non-labor allocations predominantly consist of IT-software/SaaS and digital infrastructure costs. Generally speaking, it is appropriate for AES Indiana to bear its proportional amount of non-labor costs of operations that AES Services incurs in the performance of work for the benefit of AES Indiana. To forecast these costs, input is gathered from groups overseeing these areas on what is necessary to perform the functions or their work. As an example, certain levels of software licenses are tied to the headcount that support AES Indiana. The allocation methodology used in the Adjusted Test Year follows what is reflected in the Historical Base Period, which uses a Work Breakdown Structure ("WBS") for specific cost centers based on their scope of work. The Unadjusted Test Year operating expense is decreased by $3.9 million to reflect this update. This adjustment is reflected on AES Indiana Financial Exhibit AESI-OPER, Schedule OM1, line 23, column 2.

Q53. Please discuss AES Indiana Financial Exhibit AESI-OPER, Schedule OM25 – Uncollectible Accounts Expense.

A53. AES Indiana Financial Exhibit AESI-OPER, Schedule OM25 adjusts the Unadjusted Test Year operating expense to update uncollectible accounts expense to a level consistent with recent actual results. As shown in the schedule, uncollectible account expense is forecasted using a historical percentage applied against forecasted electric operating revenues during the Test Year at *present rates* as shown in line 7, column 1. AES Indiana considers

0.3994% a reasonable percentage with which to calculate future uncollectible accounts expense as it is the average of recent actual periods (*e.g.,* 2013-2024). 2020 and 2023 were excluded as they had the lowest and highest net write-offs in the sample, respectively, to adjust for any outlying circumstances. We perform the same exercise but calculate the uncollectible accounts expense using AES Indiana's *proposed rates* as shown in line 7, column 2. The Unadjusted Test Year operating expense increased by $0.8 million at *proposed rates* vs *current rates* to reflect this update. This adjustment is reflected on AES Indiana Financial Exhibit AESI-OPER, Schedule OM1, line 25, column 3.

Q54. Please discuss AES Indiana Financial Exhibit AESI-OPER, Schedule OM26 – Public Utility Fee.

A54. AES Indiana Financial Exhibit AESI-OPER, Schedule OM26 increases the Test Year Public Utility Fee by $0.3 million to reflect what the fee would be at using AES Indiana's *proposed* rates rather than *current* rates. The increase is a result of the public utility fee rate (0.1750%) being applied to a higher level of electric operating revenues using the proposed rates. The rate applied is consistent with the current IURC fee rate in Section 9 of Indiana Code § 8-1-6-4, as amended by House Enrolled Act 1001 (signed into law on May 6, 2025 and effective as of January 1, 2025). This adjustment is reflected on AES Indiana Financial Exhibit AESI-OPER, Schedule OM1, line 26, column 3.

Q55. Have you reviewed the Adjusted Test Year level of projected O&M expenses for reasonableness?

A55. Yes. I evaluated the O&M included in the Adjusted Test Year and compared this to Historical Base Period actuals. As shown on Table DCP-1 above, non-fuel, non-labor O&M is $0.2 million (0.1%) higher in the Adjusted Test Year compared to the Historical

Base Period. The relatively flat O&M demonstrates reasonable and sound management of costs that are under the Company's control despite inflationary pressures and growth in rate base during the period. The two areas with material cost increases in the Adjusted Test Year are vegetation management and storms. AES Indiana witness Flint discusses the vegetation management cost in detail. Higher storm expense is reflective of recent actuals as discussed by AES Indiana witnesses Holtsclaw and Aliff. AES Indiana Financial Exhibit AESI-FS, Schedule FS3-WP2 provides a summary of O&M for the Historical Base Period and the Adjusted Test Year. AES Indiana Financial Exhibit AESI-FS, Schedule FS3-WP3 includes O&M for the Historical Base Period and the Adjusted Test Year by FERC account. The Company's witnesses, including witnesses Aliff, Baillie, Dalton, Dickerson, Ellis, Flint, Holtsclaw, Roach, and Steiner, provide further support for the projected level of O&M.

Q56. Is the level of O&M expenses included in the Adjusted Test Year reasonable and representative of AES Indiana's going forward costs?

A56. Yes. The Adjusted Test Year level of O&M expense is reasonable and representative of AES Indiana's going forward cost of providing service. Adjustments to the forecasted level of O&M expense and the reasonableness of those adjustments are also addressed by other AES Indiana witnesses in their respective testimony.

E. Depreciation and Amortization

Q57. How is depreciation and amortization expense reflected in the Adjusted Test Year?

A57. Depreciation & amortization expense for existing and new plant is forecasted by applying depreciation and amortization rates provided by witness Spanos to the original cost of

current and projected plant additions. For existing plant, the Fixed Asset Accounting Team reviews our schedules to ensure they reflect current conditions and asset usage; adjustments are made, as necessary. For projected plant additions, the cost and estimated placed in service dates are pulled in from functional groups' capital expenditure plans. These projects are assigned a depreciation or amortization rate consistent with rates for similar, existing plant investments. Asset retirements are also taken into consideration and removed from the depreciation and amortization expense projection.

Q58. What is the level of depreciation and amortization expense included in the Adjusted Test Year?

A58. AES Indiana's depreciation and amortization expense in the Adjusted Test Year is $440.2 million. Included in this amount is $356.7 million of depreciation and amortization expense tied to utility plant and software, and $83.5 million of amortization expense tied to regulatory assets. AES Indiana's plant balances by functional class and the corresponding depreciation and amortization are shown on AES Indiana's Financial Exhibit AESI-OPER, Schedule DEPR. A detailed list of AES Indiana's forecasted regulatory asset balances as of the end of the Linking Period and Test Year are shown on AES Indiana Financial Exhibit AESI-RB, Schedule RB8. The calculation methodology for both depreciation and amortization expense reflected in the Adjusted Test Year is discussed in detail by AES Indiana witnesses Spanos (for plant depreciation) and Aliff (for regulatory asset amortization). This is the same methodology used for the Linking Period.

Q59. How does the level of depreciation and amortization expense included in the Adjusted Test Year compare to the level in the Historical Base Period?

A59. Adjusted Test Year depreciation and amortization is forecasted to be $440.2 million versus $322.2 million recorded in the Historical Base Period. The $118.0 million increase is attributable to four factors – 1) depreciation expense on capital investment additions;[8] 2) amortization expense on renewable projects listed as regulatory assets (*e.g.*, Hardy Hills, Pike Battery, and Petersburg Energy Center);[9] 3) updated decommissioning cost studies;[10] and 4) using the equal life group ("ELG") procedure for depreciation, which AES Indiana witness Spanos recommends, instead of the continued use of the average life group ("ALG") procedure agreed to in settlement in last rate case.

Q60. Is the level of depreciation and amortization expenses included in the Adjusted Test Year reasonable and representative of AES Indiana's going forward costs?

A60. Yes. The Adjusted Test Year level of depreciation and amortization expense is reasonable and representative of AES Indiana's cost of providing service.

F. Taxes

Q61. What are the major components of tax expense included in the Adjusted Test Year?

A61. The major components of tax expense are federal, state, and local income tax, deferred federal and state tax, and taxes other than income taxes. These expenses are supported and discussed in further detail by AES Indiana witness Miller.

[8] I further discuss the capital forecast below. AES Indiana witness Spanos supports the depreciation study.
[9] Please see AES Indiana witness Aliff Q/A 18.
[10] AES Indiana witnesses Barrie and Guletsky discuss decommissioning costs.

Q62. What are the major components of Income Taxes that are included in the Adjusted Test Year?

A62. The major components of Income Taxes Included in the Adjusted Test Year are federal and state *current* taxes and federal and state *deferred* taxes. As shown in AES Indiana's Financial Exhibit AESI-OPER, Schedule TX-1, column 6, current federal taxes are $56.4 million, current state taxes are $13.8 million, deferred federal taxes are $4.9 million and deferred state taxes are $2.1 million. Details behind these amounts are found in AES Indiana Financial Exhibit AESI-OPER, Schedules TX-2 through TX-4.

Q63. What is the level of Income Taxes included in the Adjusted Test Year?

A63. AES Indiana's income tax expense in 2026 is forecasted to be $77.1 million. This is an increase of $37.5 million compared to the Historical Base Period and is primarily driven by a higher taxable income at AES Indiana's proposed rates. Please see the testimony of AES Indiana witness Miller for additional information regarding the calculation of income tax expense.

Q64. What are the major components of Taxes Other than Income Taxes that are included in the Adjusted Test Year?

A64. The major components are real estate and personal property taxes, payroll taxes, and other miscellaneous tax expense.

Q65. What is the level of Taxes Other than Income Taxes included in the Adjusted Test Year?

A65. The Adjusted Test Year includes $46.8 million in total for taxes other than income. $37.3 million is for real estate and personal property tax, $8.9 million is for payroll taxes, and the

remaining is attributable to miscellaneous activities. This is an increase of $7.9 million compared to the Historical Base Period and is primarily driven by higher real estate and personal property taxes due to higher utility plant balances.

Q66. Is the level of tax expense included in the Adjusted Test Year reasonable and representative of AES Indiana's going forward costs?

A66. Yes. The Adjusted Test Year level of tax expense is reasonable and representative of AES Indiana's cost of providing service.

G. Capital Expenditures

Q67. Have you reviewed the level of capital costs included in this filing for reasonableness?

A67. Yes. I have evaluated the capital included in the Linking Period and Test Year period and compared this to actual capital expenditures in previous years, including the Historical Base Period.

Q68. Please summarize the forecasted capital expenditures in this filing and how they compare to recent actual periods.

A68. As shown on AES Indiana Attachment DCP-4, AES Indiana's forecasted capital additions expected to be placed in service are $952.9 million and $957.3 million in 2025 and 2026, respectively for a total of $1,910.2 million. Approximately 66% of the 2025 and 2026 forecasted capital additions are from projects previously approved by the Commission.[11] A

[11] Cause No. 45264 (TDSIC), Cause Nos. 45591 and 45832 (Petersburg Energy Center), and Cause No. 46022 (Petersburg Repowering Project).

comparison of the Company's forecasted capital additions and recent actual periods are shown in Table DCP-2 below.[12]

Table DCP-2: Capital Additions (including AFUDC)
(dollars in millions)

	2023 Actuals	2024 Actuals	Linking Period (2025 Forecast)*	Adjusted (2026 Forecast)*
Generation	121.4	309.3	557.9	457.1
Transmission	11.6	4.3	36.0	40.9
Distribution	172.4	200.6	178.3	168.3
TDSIC	159.4	142.9	159.8	271.8
Digital	122.1	21.5	17.1	13.9
Other	5.2	7.0	3.9	5.3
Total	**592.2**	**685.7**	**952.9**	**957.3**

*Note: 2025 Forecast ($952.9 million) and 2026 Forecast ($957.3 million) do not include the Pike County BESS project that went into service on March 3, 2025 in the amount of $365.8 million. The Pike County Bess project is included on AES Indiana Financial Exhibit AESI-OPER, Schedule RB8 (Regulatory Assets).

The main drivers of the forecasted increases in the Linking Period (2025) and Adjusted Test Year (2026) vs. recent actuals are as follows –

- Generation: the addition of Petersburg Energy Center in 2025; the 2026 increase is largely due to the repowering of Petersburg Units 3 & 4 from coal to natural gas.[13]
- Transmission: tower equipment in 2025 because of recent tornado activity in Bartholomew County; 2026 is mostly normal course station equipment (e.g., 138 and 345kV improvements).
- TDSIC: reflects the project plan for Commission approved TDSIC plan.

[12] 2023 and 2024 actual capital expenditures are shown on AES Indiana Attachment DCP-1.
[13] As noted in Table DCP-2, Pike County BESS went into service on March 3, 2025 and is included in AES Indiana Financial Exhibit AESI-OPER, Schedule RB8 (Regulatory Assets).

- Digital: 2023 was higher than normal, reflecting the roll-in of the major project from the prior basic rate case; 2024 through 2026 are indicative of a run-rate level of capital investment for Digital.[14]

As a result of this review, I find that the Adjusted Test Year level of capital investments proposed in this case, as compared to prior years, and particularly taking into consideration inflation and certain growth investments, to be reasonable, necessary, and representative of AES Indiana's cost of providing service as addressed herein and supported by AES Indiana's other witnesses.

Q69. Has AES Indiana provided project level details that support the forecasted capital expenditures reflected through the Adjusted Test Year?

A69. Yes. AES Indiana Confidential Workpaper DCP-2 contains a list of in service capital projects during the Linking Period and Adjusted Test Year. All information is broken down by function (generation, transmission, distribution, *etc.*). AES Indiana witnesses Ellis and Holtsclaw discuss additional details for generation, transmission, and distribution capital investments. I provide additional details for digital and other capital investments below.

Q70. How were the Adjusted Test Year Other Investments determined?

A70. The Company's projected Other Investments include two forecasted periods -- the Linking Period (2025) and the Adjusted Test Year (2026). The forecasted Other Investments included in the Company's filings are based on the current forecast of new projects or

[14] AES Indiana Attachment DCP-2 provides a summary of 2023 and 2024 Digital and Other capital expenditures. AES Indiana Confidential Attachment DCP-3 provides project level detail for 2024 Digital and Other capital expenditures.

enhancements that are scheduled to be placed in service by the end of the Adjusted Test Year. Investments in this category are mostly digital or security projects.

Q71. What is the amount of Other Investments is forecasted to be in service by the end of the Linking Period and the Adjusted Test Year?

A71. As shown on AES Indiana Attachment DCP-5, the Company forecasts approximately $40.2 million in Other Investments to be placed in service by the end of the Adjusted Test Year. Approximately $21.0 million of this capital investment is forecasted to be in service by the end of the Linking Period. Approximately $19.2 million of this capital investment is forecasted to be in service by the end of the Adjusted Test Year.

Q72. What is shown in Table DCP-3 below?

A72. Table DCP-3 lists the projects included in the forecasted Other Investments with an estimated cost of at least $1.0 million.

Table DCP-3: Other Investments Capital Projects
Greater Than or Equal to $1.0 Million
(dollars in millions)

Project	Year I/S	Capital
Data Center Environmental Refresh	2026	[redacted]
Contact Center Agent Interface	2026	
CIS Enhancements	2025	
CIS Enhancements	2026	
Website / Mobile App Platform	2026	
Control SOX Reports ABAP	2025	
SAP ISU HOC Regulatory Reporting	2025	
PowerPlan Enhancement	2025	
Compute Infrastructure Modernization	2026	
IVR / Telephony Platform	2025	

Q73. Please discuss the projects set forth in Table DCP-3 above.

A73. The projects listed in Table DCP-3 cover a variety of digital projects and are necessary to support and enhance AES Indiana customers' experience. Details on each of these projects are as follows –

- Data Center Environmental Refresh: This project will replace aging air-conditioning and uninterruptible power supply ("UPS") units in the Company's data center to mitigate the risk of failure and ensure optimal performance.
- Contract Center Agent Interface: This project will enhance the screens agents use to interact with customers. Benefits include – faster service, improved accuracy, and more personalized interactions.
- CIS Enhancements (2025): This project will include various enhancements to the billing experience (*e.g.*, rate comparison screen).
- CIS Enhancements (2026): This project will include improvements to provide billing accuracy during periods of change (*e.g.*, implementation of regulatory changes, roll out of new customer communication channels).
- Website/Mobile App Platform: This project will modernize online customer contact and self-service channels to enhance strategic, operational, and customer-focused benefits.
- Control SOX reports ABAP: This project will leverage a data-mart solution for revenue, finance control, and regulatory reporting. This will provide better visibility to billing reversals, month end reconciliations, aging accounts receivables, among others.

- SAP ISU ADHOC Regulatory Reporting: This project will update the Company's customer information data archive. This will include the ability to automate meter testing reports to comply with IURC requirements.
- PowerPlan Enhancement: These enhancements will include streamlining taxing locations between SAP and PowerPlan, developing mass data load scripts for PowerPlan's Data Mover (helps check accuracy of AFUDC values), reconfiguring auto-unitization procedures for projects, and other updates to better integrate data flows between SAP and PowerPlan.
- Compute Infrastructure Modernization: This project will modernize aging, end-of-life compute, backup, and storage infrastructure with a modern hyperconverged solution.
- IVR / Telephony Platform: This project will modernize telephony-based customer contact and self-service channels to enhance strategic, operational, and customer-focused benefits.

Q74. Please discuss the projects not included in Table DCP-3 above.

A74. As discussed above, Table DCP-3 compiles projects greater than $1.0 million. Projects less than this amount are identified in AES Indiana Confidential Attachment DCP-6. Largely, this group consists of various digital and security projects with the intent of maintaining/securing data and improving customer experience for AES Indiana customers.

Q75. Is the forecasted level of Other Investments capital expenditures reasonable and necessary?

A75. Yes. The forecasted level of Other Investments capital expenditures is reasonable and necessary for the ongoing provision of retail electric service to AES Indiana's customers.

Q76. Please describe the major components of AES Indiana's forecasted Adjusted Test Year rate base.

A76. As shown on AES Indiana Financial Exhibit AESI-RB, Schedule RB1, AES Indiana's forecast Adjusted Test Year rate base is $5,547.9 million. Major components of the Company's rate base are utility net plant in service (production plant, distribution plant, etc.), materials and supplies inventory ("M&S"), fuel stock inventory and certain regulatory assets.

Q77. Please describe the balance of Plant in Service included in the Adjusted Test Year.

A77. The major components of Adjusted Test Year net utility plant in service include Production Plant, Distribution Plant, Transmission Plant, Systems Software, and General Plant, less accumulated depreciation and amortization. The specific amounts are shown on AES Indiana Financial Exhibit AESI-RB-Schedule RB2, column 5.

Gross utility plant in service was forecasted using the June 30, 2024 actual balance plus forecasted additions and retirements from July 2024 through December 2026. Accumulated depreciation was forecasted using the June 30, 2024 actual balance including retirement work in progress ("RWIP") plus forecasted depreciation expense calculated by AES Indiana witness Spanos.

A $17.3 million adjustment for investment needed to repair transmission towers as a result of recent tornado activity in Bartholomew County in March 2025 was made after the forecast was prepared. See AES Indiana witness Holtsclaw's testimony for more detail on this event.

Q78. Is the projected Plant in Service balance in the forecast reasonable?

A78. Yes. The Adjusted Test Year plant in service balance is reasonable and representative of AES Indiana's going forward cost of providing service.

Q79. How is the forecast of construction work in progress developed, and what is its significance in this case?

A79. The forecasted balance of CWIP in any given month is developed by starting with the beginning balance, adding in capital expenditures, adding AFUDC accruals, and deducting transfers to plant in service. The transfers to plant in service occur upon a project's forecasted completion or in service date. Then the project's total forecasted balance of CWIP, including AFUDC, is transferred into plant in service. While CWIP is not a component of rate base, these calculations determine the size and timing of total transfers to plant in service.

H. Materials and Supplies Inventory

Q80. What is shown on AES Indiana Financial Exhibit AESI-RB, Schedule RB6 – electric materials and supplies inventory?

A80. AES Indiana Financial Exhibit AESI-RB, Schedule RB6 – calculates a 13-month average of forecasted generation, transmission, and distribution materials and supplies inventory from December 2025 through December 2026 for the Adjusted Test Year. The Adjusted

Test Year is $118.3 million, a decrease of $4.0 million when compared to the Unadjusted Test Year of $122.3 million. AES Indiana witnesses Ellis and Holtsclaw provide additional detail on generation, transmission, and distribution materials and supplies inventory.

Q81. Do the Company's workpapers include the materials and supplies inventory for the Historical Base Period?

A81. Yes, the historical material and supplies inventory for 2024 is included in AES Indiana Financial Exhibit AESI-OPER, Schedule RB6-WP-1 (12/31/24 column, row 36).

Q82. What is the difference between materials and supplies inventory for the Historical Base Period and the Adjusted Test Year?

A82. The materials and supplies inventory for the Historical Base Period is $111.6 million. The Adjusted Test Year is $6.7 million higher than the Historical Base Period mainly due to increased generation cost of materials and supplies, partially offset by lower transmission and distribution inventory levels due to material lead times returning to more reasonable historical levels as discussed by AES Indiana witnesses Ellis and Holtsclaw.

5. OPERATING INCOME

Q83. Please explain AES Indiana Financial Exhibit AESI-OPER, Schedule OPINC.

A83. This schedule is a summary statement showing AES Indiana's Unadjusted Test Year and Adjusted Test Year operating revenue, operating expenses (including operation and maintenance expenses, depreciation and amortization expenses, and taxes), and the resulting electric operating income based upon the electric rates now in effect and upon the electric rates proposed by AES Indiana for this Cause. This schedule does not include anticipated revenues from the following sources: (i) non-jurisdictional transmission plant

assets recovered by AES Indiana through MISO transmission cost sharing and (ii) shared savings incentives AES Indiana receives for successful implementation of demand side management ("DSM") programs. Such revenues are not based on AES Indiana's forecasted rate base or adjusted operating expenses included in this filing, and, therefore, are not included in the revenue requirement AES Indiana seeks through basic rates and charges in this proceeding.

The return and expense recovery related to the Hardy Hills Solar Project, Pike County Battery Project, Petersburg Energy Center, and the Hoosier Wind Project are included in this case because these projects are currently in service or projected to be as of December 31, 2026, and AES Indiana proposes to move these projects from the environmental rider into basic rates through this proceeding. In addition, the return, expense recovery and expenses related to TDSIC projects placed in service as of December 31, 2026, are also included in this case because AES Indiana proposes to move this portion of TDSIC projects from the TDSIC rider into basic rates through this proceeding.

Q84. Please explain the general nature of the adjustments at present rates, as summarized in column 2 of <u>AES Indiana Financial Exhibit AESI-OPER, Schedule OPINC</u>.

A84. The adjustments made in column 2 are necessary in order to reflect on a normalized and annualized basis, operating conditions on AES Indiana's electric system which are not fully reflected in Unadjusted Test Year, as shown in column 1. These adjustments reflect changes which are representative of utility operations expected to occur during the Test Year. Consequently, it is necessary to give effect to those adjustments in order to properly determine the projected electric operating revenues, operating expenses, and operating

income at present rates, as shown in column 3 before proceeding to reflect the additional adjustments needed to determine these amounts at proposed rates in column 5.

Q85. Please explain the general nature of the adjustments at proposed rates, as summarized in column 4 of AES Indiana Financial Exhibit AESI-OPER, Schedule OPINC.

A85. These adjustments are necessary to reflect the additional operating revenues produced by proposed rates, as sponsored by AES Indiana witness Rimal, and the related additional operating expenses and taxes resulting from such additional revenues. When these amounts are added to the Adjusted Test Year revenues, operating expenses, and income taxes at present rates (column 3), the result is revenues, operating expenses, and income taxes at proposed rates (column 5).

Q86. In your opinion, does AES Indiana Financial Exhibit AESI-OPER, Schedule OPINC fairly present the estimated operating results of AES Indiana's electric business on an annualized and normalized basis under present and proposed rates?

A86. Yes, the forecasted test period data is reasonable and representative of AES Indiana's operations during the period rates will be in effect. My testimony provides the relevant assumptions in the forecast and reflects a comprehensive effort of work across many functional teams at AES Indiana to establish a forecast that is reasonable and accurate. Therefore, the Adjusted Test Year results reflected in AES Indiana Financial Exhibit AESI-OPER, Schedule OPINC provide a sound basis for setting new rates.

6. CONCLUSION

Q87. Does that conclude your verified pre-filed direct testimony?

A87. Yes, it does.

VERIFICATION

I, David C. Peters, Senior Director, FP&A and Transactions for AES US Services, LLC, affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

David C. Peters
Dated: May 30, 2025

AES Indiana - Total

2023 and 2024 Utility Plant In Service (Including AFUDC)

(dollars in thousands)

	2023 Actuals	2024 Actuals	Total
Generation	121,424	309,287	430,711
Transmission	11,617	4,309	15,925
Distribution	172,393	200,589	372,982
TDSIC	159,401	142,924	302,325
Digital	122,105	21,500	143,604
Other	5,245	7,044	12,290
Total	**592,185**	**685,652**	**1,277,837**

AES Indiana - Digital & Other Summary

2023 and 2024 In Service Capital (Including AFUDC)

(dollars in thousands)

Digital and Other	2023 Actuals	2024 Actuals	Total
Digital	122,105	21,500	143,604
Other (Primarily Security)	5,245	7,044	12,290
Total Digital and Other	**127,350**	**28,544**	**155,894**

AES Indiana - Digital & Other Project Detail

2024 Utility Plant In Service (Including AFUDC)

(dollars in thousands)

Digital	2024 Actuals
AES IND ADMS Control Center Relocat	[redacted]
ACE Post Launch Capital 2023	
2022 JMUX to MPLS Migration	
ACE-IPL CIS Replacement	
PC Refresh 2024 Indiana	
MIMS Decoupling	
Anaplan US22	
IPL Network Tech refresh Hard	
AES IN - Satelytics 2022	
IPL EMS ADMS S&M Year 1 Term	
2024 - 2027 Motorola Handhelds	
Process Optimizations	
Other Digital Projects (less than $500k)	
Total Digital	**21,500**

Other	2024 Actuals
AES IN 2024 ISOC REMODEL EB - EVANS	[redacted]
Fire Wall - Morris Street & Arlingt	
MS BUILDING B ROOF REPLACE	
MS 2ND FLOOR RENOVATIONS	
ARL Lobby Canopy	
AES IN Eagle Valley Security Traile	
AESI DOOR LOCK/KEY PROJECT	
AES IN 2024 ISOC REMODEL EB - EVANS	
MORRIS ST WINDOW REPLACEMENTS	
AES IN iSOC Remodel - 7th Floor EB	
MS Locker Room Ejector Pump Replace	
Backup Generator Implementation	
Other Projects (less than $100k)	
Total Other	**7,044**
TOTAL	**28,544**

AES Indiana - Total

2025 and 2026 Utility Plant In Service Forecast (Including AFUDC)

(dollars in thousands)

	Linking Period (2025 Forecast)	Adjusted Test Year (2026 Forecast)	Total
Generation	557,859	457,132	1,014,991
Transmission	36,004	40,875	76,879
Distribution	178,285	168,307	346,593
TDSIC	159,791	271,808	431,600
Digital	17,067	13,908	30,975
Other	3,927	5,296	9,223
Total	**952,934**	**957,327**	**1,910,260**

AES Indiana - Digital & Other Summary

2025 and 2026 Utility Plant In Service Forecast (Including AFUDC)

(dollars in thousands)

Digital and Other	Linking Period (2025 Forecast)	Adjusted Test Year (2026 Forecast)	Total
Digital	17,067	13,908	30,975
Other (Primarily Security)	3,927	5,296	9,223
Total Digital and Other	**20,994**	**19,204**	**40,198**

AES Indiana - Digital & Other Project Detail

2025 and 2026 Utility Plant In Service Forecast (Including AFUDC)

(dollars in thousands)

Digital	Linking Period (2025 Forecast)	Adjusted Test Year (2026 Forecast)	Total
DIGIT25 - IN IPL Data Center Environmental Refresh	[redacted]		
DIGIT25-IN Contact Center Agent Interface LTF			
DIGIT25-IN CIS Enhancements			
DIGIT25-IN CIS Enhancements - LTF			
DIGIT25-IN Website / Mobile App Platform (NEW) LTF			
DIGIT25-IN Control SOX Reports ABAP			
DIGIT25-IN SAP ISU HOC Regulatory Reporting			
DIGIT25-IN PowerPlan Replacement			
DIGIT25 - IN IPL Compute Infrastructure Modernization			
DIGIT25-IN IVR / Telephony Platform (NEW)			
DIGIT25-IN PC Refresh			
DIGIT25-IN PC Refresh - LTF			
DIGIT25 - IN Network Tech Refresh IPL			
DIGIT25-CIS Enhancements/IRUC - OH			
DIGIT25-CIS Enhancements/IRUC - OH LTF			
DIGIT25-IN Energy Efficiency Portal			
DIGIT25-IN Website / Mobile App Platform (NEW)			
DIGIT25-IPL Disaster Recovery Program			
DIGIT25-IN Energy Efficiency Portal			
DIGIT25-IN Revenue Assurance Tool.			
DIGIT25-IN EB 1033/1035/1037			
DIGIT25-IN GIS Improvements - Network Devices			
DIGIT25-IN GIS Improvements - Network Devices LTF			
DIGIT25-IN Uplight Changes			
DIGIT25-IN FCS Upgrade for Indiana			
DIGIT25-IN FCS Upgrade for Indiana LTF			
DIGIT25 - IN Petersburg Tech Refresh & Modernization			
DIGIT25-IN Mobile App			
DIGIT25-IN IVR Genesys Cloud Enhancements - IN LTF			
DIGIT25-IN IVR Genesys Cloud Enhancements - IN			
DIGIT25-IN Contact Center RPA			
DIGIT25-IN Contact Center RPA LTF			
DIGIT25-IN Asset Anomaly Detection Platform			
DIGIT25 - IN IPL Data Center Consolidation and Clean Up			

AES Indiana - Digital & Other Project Detail

2025 and 2026 Utility Plant In Service Forecast (Including AFUDC)

(dollars in thousands)

DIGIT25-IN ESB Integration Expansion - Indiana			
DIGIT25-IN ESB Integration Expansion - Indiana - LTF			
Other Digital Projects (less than $200k)			
Total Digital	**17,067**	**13,908**	**30,975**

Other	**Linking Period (2025 Forecast)**	**Adjusted Test Year (2026 Forecast)**	**Total**
2026SECIN iSOC Equipment			
2025INSECIN Substations - Intrusion Detection transition (over 3 years w/labor, same for OH)			
2025SECIN ISOC Weytech (Cinemassive Replacement)-EB*			
2026INSECIN Substations - Intrusion Detection transition (over 3 years w/labor, same for OH)			
2026SECIN Security Projects HS/Pete			
2025INSECIN MS Guardhouse Project			
2026SECIN Corp New Comm Equipment			
2026SECIN Security Projects EB/MS			
2025SECIN ISOC Morris Street Remodel			
2026SECIN Kantech/ExacqVision updates			
2026SECIN ExacqVision Replacement 2026			
2025SECIN Lifecycle Firewalls & Switches			
2025SECIN IN Substations - New Corp Cameras - 20 Thermal Cameras			
2026INSECIN Substations - New Corp Cameras - 20 Thermal Cameras			
2026SECIN Cameras Plant & Subs			
2026SECIN iSOC Software			
2025SECIN Firewalls & Switches (CORP/CIP) - Pete/HS/EV			
2025SECIN New Firewalls & Switches			
2025SECIN New PACS Equipment - 4 EB muster readers			
2026INSEC ESXi Hardware ISM (IPL)			
2025SECIN New Security Gate Install's - Pete/HS			
2025SECIN Add Security Fencing - Pete/HS/EV			
2026INSECAdd Security Fencing - Pete/HS/EV			

AES Indiana - Digital & Other Project Detail

2025 and 2026 Utility Plant In Service Forecast (Including AFUDC)

(dollars in thousands)

2026SECIN Security Projects EV	[redacted]		
2025INSEC NVR's - Pete/HS/EV			
2026INSEC Cisco Firewalls/Switches (IPL-ISM)			
2026INSECIN Corp - New PACS Equipment - 300			
2026SECIN Cisco Firewalls/Switches (IPL-ISM)			
Other Projects (less than $100k)			
Total Other	**3,927**	**5,296**	**9,223**
TOTAL	**20,994**	**19,204**	**40,198**