

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF INDIANAPOLIS)
POWER & LIGHT COMPANY D/B/A AES)
INDIANA (“AES INDIANA”) FOR (1) ISSUANCE)
OF CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO REPOWER PETERSBURG)
GENERATING UNITS 3 & 4 TO OPERATE ON)
NATURAL GAS (“PETERSBURG REPOWERING)
PROJECT”); (2) APPROVAL OF PETERSBURG)
REPOWERING PROJECT AS A CLEAN ENERGY) **CAUSE NO. 46022**
PROJECT; AND (3) ASSOCIATED ACCOUNTING)
AND RATEMAKING, INCLUDING RECOVERY)
OF PROJECT COSTS, PROJECT)
DEVELOPMENT COSTS, FGD DEWATERING)
AND RELATED COSTS, THE REMAINING NET)
BOOK VALUE OF PETERSBURG UNITS 3 AND 4)
RETIRED ASSETS, AND CERTAIN MATERIALS)
AND SUPPLIES INVENTORY.)**

**PETITIONER’S SUBMISSION OF DIRECT TESTIMONY OF
CHAD A. ROGERS**

Indianapolis Power & Light Company d/b/a AES Indiana (“AES Indiana” or “Petitioner”), by counsel, hereby submits the direct testimony and attachments of Chad A. Rogers.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 11th day of March, 2024, by email transmission, hand delivery or United States Mail, first class, postage prepaid to:

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ATTORNEYS FOR PETITIONER

VERIFIED DIRECT TESTIMONY

OF

CHAD A. ROGERS

ON BEHALF OF

INDIANAPOLIS POWER & LIGHT COMPANY

D/B/A AES INDIANA

SPONSORING AES INDIANA ATTACHMENTS CAR-1, CAR-2 & CAR-2(C), CAR-3 & CAR-3(C)

**VERIFIED DIRECT TESTIMONY OF CHAD A. ROGERS
ON BEHALF OF AES INDIANA**

1. INTRODUCTION

1

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

3 A1. My name is Chad A. Rogers. I am employed by Indianapolis Power & Light Company
4 d/b/a AES Indiana (“IPL”, “AES Indiana”, or “Company”), whose business address is One
5 Monument Circle, Indianapolis, 46204.

6 **Q2. What is your position with AES Indiana?**

7 A2. I am Director, Regulatory Affairs.

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

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

10 **Q4. Please describe your duties as Director, Regulatory Affairs.**

11 A4. As Director, Regulatory Affairs, I lead a team responsible for developing and maintaining
12 AES Indiana’s rates, rules, and regulations for electric service. I oversee the Company’s
13 regulatory and periodic rate filings.

14 **Q5. Please summarize your educational and professional qualifications.**

15 A5. I hold a Bachelor of Science Degree in Accounting and Finance from the Kelley School of
16 Business at Indiana University. I also hold a Master of Business Administration Degree
17 from the Lacy School of Business at Butler University. I received my Certified Public
18 Accountant (“CPA”) license for the State of Indiana and have fulfilled the necessary
19 educational requirements to allow use of the CPA designation. I have also attended various
20 regulated utility training courses such as Edison Electric Institute (“EEI”) Utilities

1 Accounting Courses (Intro and Advanced), EEI Electric Rates Advanced Course, and PWC
2 Rate Case Experience Course. I am a graduate of the Stanley K. Lacy Executive Leadership
3 Series and serve on the Board of Big Brothers Big Sisters of Central Indiana. I am also a
4 member of the Society of Utility and Regulatory Financial Analysts (“SURFA”).

5 **Q6. What is your previous work experience?**

6 A6. I have been an employee of AES Indiana since April 5, 2006, initially as a Senior
7 Accountant and later as a Section Leader in the accounting and external reporting team.
8 From June 2009 to September 2013, I worked as a Senior Analyst and later as a Section
9 Leader in Financial Planning and Analysis. I have been in Regulatory Affairs since
10 September 2013 where I was a Senior Analyst until becoming a Senior Program Manager
11 in 2018, Senior Manager in 2021, and then Director in 2022.

12 From February 2004 to April 2006, I was employed by Cinergy Corporation (now Duke
13 Energy). At Cinergy, I held a Senior Accountant role and was responsible for various
14 accounting, financial analysis, and financial reporting duties.

15 From January 2001 to January 2004, I was employed by KPMG LLP as a Senior Associate
16 in Assurance Services. In that position, I was responsible for audits, reviews, compilations,
17 and control assessments for clients spread over a wide range of industries.

18 **Q7. Have you previously testified before this Commission?**

19 A7. Yes, I have previously testified before the Indiana Utility Regulatory Commission
20 (“Commission”). I provided testimony in AES Indiana’s Hardy Hills Solar Certificate of
21 Public Convenience and Necessity (“CPCN”) filing in IURC Cause No. 45493, including
22 the Hardy Hills Solar revised schedule and cost filing in IURC Cause No. 45493 S1, and

1 Petersburg Energy Center CPCN filings in IURC Cause No. 45591, including the
2 Petersburg Energy Center revised schedule and cost filing in IURC Cause No. 45832. I
3 provided testimony in AES Indiana’s Pike County Battery Energy Storage System Clean
4 Energy Project filing in IURC Cause No. 45920. I provided settlement testimony in AES
5 Indiana’s Fuel Adjustment Clause (“FAC”) 133 S1, Cause No. 38703. I provided testimony
6 in AES Indiana’s Transmission, Distribution, and Storage System Improvement Charge
7 (“TDSIC”) Plan Filing and TDSIC 1, 2, and 3 filings in IURC Cause No. 45264. I have
8 also provided testimony in AES Indiana’s Environmental Compliance Cost Recovery
9 Adjustment proceedings, in IURC Cause No. 42170-ECR-28 through ECR-35. I also
10 provided testimony in AES Indiana’s electric rate cases, IURC Cause No. 45029 (“AES
11 Indiana’s most recently approved rate case”) and settlement testimony in IURC Cause No.
12 45911 (“AES Indiana’s Pending Rate Case”).

13 **Q8. Are you familiar with AES Indiana’s proposal to convert or repower Petersburg**
14 **Generating Station Units 3 and 4 to operate using natural gas (“Petersburg**
15 **Repowering Project” or “Project”)?¹**

16 A8. Yes, I am generally familiar with the Project. AES Indiana witness Bigalbal describes the
17 Project in detail in his testimony.

18 **Q9. Are you familiar with AES Indiana’s petition in this proceeding and the relief that it**
19 **seeks?**

20 A9. Yes. A copy of the petition will be offered into evidence with my testimony as AES Indiana
21 Attachment CAR-1.

¹ For the purposes of my testimony, I use the terms “repower” and “convert” interchangeably.

1 **Q10. What is the purpose of your testimony in this proceeding?**

2 A10. My testimony provides an overview of the accounting and ratemaking proposals in this
3 case. I focus on the following:

4 - the proposed creation of a regulatory asset to defer depreciation expense,
5 incremental property tax expense, and post in-service carrying charges associated
6 with the Project until the recovery of such costs is reflected in basic rates pursuant
7 to an Order in a future rate case.

8 - the proposed accounting and ratemaking for costs to remove, treat, and dispose of
9 flue-gas desulfurization (“FGD”) water in the Petersburg Units 3 and 4 FGDs and
10 related costs associated with the Petersburg Repowering Project.

11 - the proposed accounting and ratemaking treatment for coal-related materials and
12 supplies inventory that will no longer be necessary for the operation of Units 3 and
13 4 on natural gas.

14 - the request for authority to create a regulatory asset for the prudently incurred
15 Project Development Costs, in the event that the Commission does not approve
16 AES Indiana’s proposed conversion Project.

17 - the estimated customer rate impact of AES Indiana’s proposed accounting and
18 ratemaking treatment.

19 Finally, I testify that the proposed accounting and ratemaking reasonably considers
20 affordability and is consistent with HEA 1007 (codified at Ind. Code § 8-1-2-0.6).

21 **Q11. Are you sponsoring any attachments?**

22 A11. Yes. I am sponsoring the following attachments:

1 AES Indiana Attachment CAR-1 – Verified Petition

2 AES Indiana Attachment CAR-2 and CAR-2(C) – Project Estimated Rate Impact –
3 Petersburg Units 3 and 4 Repowering.

4 AES Indiana Attachment CAR-3 and CAR-3(C) – Project Estimated Rate Impact –
5 Project Development Costs.

6 **Q12. Were these attachments prepared or assembled by you or under your direction and**
7 **supervision?**

8 A12. Yes.

9 **Q13. Did you submit any workpapers?**

10 A13. Yes. I have submitted workpapers which support my attachments and an electronic version
11 of my attachments in their native format and other workpapers which support amounts used
12 in calculations in my attachments.

13 **2. OVERVIEW OF ACCOUNTING AND RATEMAKING RELIEF SOUGHT IN**
14 **THIS CASE**

15 **Q14. Please summarize AES Indiana’s proposed accounting and ratemaking treatment.**

16 A14. AES Indiana requests the following:

- 17 • Approval of and cost recovery for the Project costs and associated agreements.
- 18 • Authority to defer the depreciation expense, post in-service carrying charges, and
19 incremental property taxes associated with the Project to a regulatory asset to be
20 recovered in a future basic rate case.
- 21 • Commission approval of the decommissioning cost accounting for the FGD
22 dewatering and related costs associated with the Petersburg Repowering Project.

1 • Authority to defer for subsequent recovery through rates net material and supplies
2 inventory that will no longer be used as result of the Petersburg Repowering
3 Project.

4 • Authority to defer the Project Development Costs the Company incurs prior to the
5 issuance of a final Commission Order in this Cause if the Commission does not
6 approve AES Indiana’s proposed Repowering Project.

7 Company witnesses Bigalbal and Cooper discuss the Project costs and associated
8 agreements. I support the other items listed above. AES Indiana witness Donlon discusses
9 the Company’s proposed accounting and ratemaking treatment for the assets at Petersburg
10 Generating Station that will be retired following the repowering of Petersburg Units 3 and
11 4.

12 **Q15. Are AES Indiana’s books kept in accordance with the Uniform System of Accounts**
13 **(“USOA”)?**

14 A15. Yes. AES Indiana’s books and records are maintained according to the USOA as prescribed
15 by the Federal Energy Regulation Commission (“FERC”) and adopted by the Commission
16 at 170 IAC § 4-2-1.1.

17 **Q16. What process does AES Indiana use to record and segregate construction costs?**

18 A16. A project number in AES Indiana’s project cost accounting system is assigned to
19 accumulate all capital costs associated with the construction of a project. The assignment
20 and use of this specific project number for the construction costs ensures the proper
21 segregation of these costs.

1 **Q17. In what FERC plant account are construction costs recorded?**

2 A17. As the construction costs are incurred, they will be recorded in Account 107 Construction
3 Work in Progress. Once a project is placed in-service, these costs will be reclassified to
4 Account 101 Utility Plant.

5 **Q18. What is Allowance for Funds Used During Construction (“AFUDC”)?**

6 A18. AFUDC represents the cost of funds used to finance utility plant during the construction
7 phase of a project. These costs are recorded and capitalized as a part of the total cost of the
8 project. AFUDC is defined in the USOA, which has a specific formula for calculating and
9 determining the AFUDC rate.

10 **Q19. What procedures exist regarding the accounting for AFUDC and depreciation as of**
11 **the in-service date of a construction project?**

12 A19. Unless special authorization is obtained, when plant or a portion thereof previously under
13 construction is placed in service, the accrual of AFUDC on such property ceases. Also, the
14 recording of depreciation expense begins on the in-service date and continues over the
15 anticipated life of the plant. I further discuss this below.

16 **3. ACCOUNTING AND RATEMAKING FOR CONVERSION PROJECT**
17 **DEPRECIATION EXPENSE, POST IN-SERVICE CARRYING CHARGES, AND**
18 **INCREMENTAL PROPERTY TAXES**

19 **Q20. You stated above that the Company proposes to defer costs associated with the**
20 **Project for future recovery. Please explain AES Indiana’s proposal regarding**
21 **depreciation on the Project.**

22 A20. AES Indiana proposes to depreciate the new investment using the depreciation rates set
23 forth in the Settlement Agreement in AES Indiana’s pending basic rate case (Cause No.

1 45911). AES Indiana proposes to defer this depreciation expense with carrying charges in
2 a regulatory asset for recovery in a future basic rate case. A three-year amortization period
3 was used in the analysis included in AES Indiana Witness CAR Confidential Workpaper
4 1, however, AES Indiana proposes to address the amortization period for the recovery of
5 the regulatory asset in a future basic rate case.

6 **Q21. Please explain AES Indiana's request regarding post in-service carrying charges on**
7 **its investment in the Project.**

8 A21. As stated above, AES Indiana will record AFUDC on its investments in the Project during
9 the construction period in accordance with the FERC USOA. Once construction is
10 completed, AES Indiana proposes to defer post in-service carrying charges on the Project
11 until the Project is reflected in base rates in a future rate case. AES Indiana proposes to use
12 the lower of the Company's weighted average cost of capital ("WACC") or AFUDC rate
13 in the calculation of post in-service carrying charges.

14 **Q22. Please explain the Company's request regarding the incremental property taxes it**
15 **will incur due to the completion of the Project.**

16 A22. Due to the additional equipment installed as part of the conversion Project, AES Indiana
17 will experience increased incremental property tax expense. This incremental expense is
18 not included in basic rates and charges set forth in the Settlement Agreement in AES
19 Indiana's pending basic rate case (Cause No. 45911). AES Indiana proposes to defer this
20 incremental property tax expense with carrying charges in a regulatory asset for recovery
21 in a future basic rate case. A three-year amortization period was used in the analysis
22 included in AES Indiana Witness CAR Confidential Workpaper 1, however, AES Indiana

1 proposes to address the amortization period for the recovery of the regulatory asset in a
2 future basic rate case.

3 **Q23. Is the Company's proposed accounting and ratemaking for depreciation expense,**
4 **incremental property taxes, and post in-service carrying charges reasonable?**

5 A23. Yes. Deferral of these costs for recovery through rates is consistent with the cost recovery
6 afforded to clean energy projects under Ind. Code § 8-1-8.8-11. Carrying charges,
7 including post in-service carrying charges enables AES Indiana to recover a return on the
8 investment which represents the cost of capital needed to fund the investment in and
9 construction of the Project. Depreciation expense and property tax expense are prudently
10 and necessarily incurred for the conversion project in order for AES Indiana to own and
11 operate the project for the benefit of customers.

12 **Q24. Why has the Company proposed to defer recovery of the Petersburg Repowering**
13 **Project costs to a future rate case rather than implement cost recovery via the**
14 **Company's ECR tracker mechanism?**

15 A24. The Project's in-service date aligns well with the Company's expected filing of its next
16 basis rate case, and therefore, the Company has proposed the deferral approach. As
17 discussed by AES Indiana witness Bigalbal (Q/A 50), AES Indiana anticipates Petersburg
18 Units 3 and 4 to be in service in June and December 2026, respectively. While the precise
19 timing of the Company's next basic rate is difficult to predict, my analysis assumes that
20 rates reflecting the repowering of Petersburg Units 3 and 4 will be placed into effect in
21 2027.

1 If AES Indiana were instead to recover the costs associated with the Petersburg
2 Repowering Project through the ECR tracker mechanism, the first filing that the Project
3 would be eligible for recovery would be ECR 40.² Under AES Indiana's current ECR
4 tracker filing cadence, the ECR 40 rates would be effective in March 2027. This timing is
5 similar to what would happen if the deferred costs were reflected in rates in a future basic
6 rate case. Additionally, given the expected rate case timing, the customer rate impact is
7 similar under either approach.

8 **Q25. Is the Company's proposed accounting and ratemaking reasonable?**

9 A25. Yes. The Company's proposed accounting and ratemaking treatment provides it with a
10 reasonable opportunity to earn a return on its investment and to recover the investment
11 through rates over time. This is consistent with the Clean Energy Project statute (Ind. Code
12 8-1-8.8-11) directive that financial incentives be authorized for approved projects.

13 **4. COST OF REMOVAL, FGD DEWATERING AND RELATED COSTS**

14 **Q26. AES Indiana witness Bigalbal (Q/A 47) testifies that the conversion Project requires**
15 **the removal of certain facilities. How is the cost of removal reflected in the Best**
16 **Estimate of the cost of the conversion Project?**

17 A26. As shown in Table 2 of AES Indiana witness Bigalbal's testimony (Q/A 39), AES Indiana's
18 Best Estimate for the Project does not include costs associated with removing or
19 demolishing existing equipment and facilities at Petersburg Generating Station. These
20 costs are not included in the Best Estimate because an estimate for these costs is already

² AES Indiana has authority from the Commission to use its ECR tracker mechanism to timely recover project costs associated with Hardy Hills Solar (Cause Nos. 45493 and 45493 S1) and carrying charges associated with Hardy Hills Solar, Petersburg Energy Center (Cause Nos. 45591 and 45832), and Pike County Battery Energy Storage System (Cause No. 45911).

1 included in AES Indiana's basic rates and charges. In AES Indiana's most recent rate case
2 (Cause No. 45911), an estimate of these costs was also made in the Decommissioning
3 Study which was then used in the Depreciation Study to set depreciation rates and
4 determine depreciation expense to be included in rates.

5 **Q27. Please discuss the Company's proposed treatment of FGD dewatering and related**
6 **costs.**

7 A27. As discussed by AES Indiana witness Bigalbal, the conversion Project requires the removal
8 of the water from the FGD and cleanup of the residual FGD tanks and stormwater areas.
9 The estimated cost of this work is [REDACTED] million. The Company seeks approval to use
10 decommissioning accounting treatment for the FGD dewatering and related costs.

11 **Q28. Please explain decommissioning accounting.**

12 A28. AES Indiana includes an estimate of future demolition and decommissioning cost in its
13 basic rates set in a rate case by including these costs as part of depreciation rates. The
14 Company records depreciation expense monthly by debiting Depreciation Expense and
15 crediting Accumulated Depreciation. Upon incurring the costs to perform the
16 demolition/decommissioning (crediting cash), the Company will debit Accumulated
17 Depreciation. This accounting allows the Company to recover future decommissioning
18 costs through recovery of depreciation expense over the life of the assets. The Company
19 proposes to use this accounting for FGD dewatering and related costs identified by
20 Company witness Bigalbal.

21 **Q29. Is the Company's proposed accounting and ratemaking treatment for the FGD**
22 **dewatering and related costs reasonable?**

1 A29. Yes. These costs are necessarily incurred for the conversion Project. By recording these
2 costs as a debit to Accumulated Depreciation, it will allow the Company to recover these
3 costs through future depreciation rates set in a Depreciation Study in AES Indiana’s rate
4 case following the completion of the Project.

5 **Q30. Are these costs otherwise reflected in the Company’s current or pending basic rates?**

6 A30. No. As part of AES Indiana’s rate case proceeding, the Company performed a Depreciation
7 Study and a Decommissioning Study. The Decommissioning Study presented in the
8 Company’s basic rate case did not include the FGD Dewatering and related costs as these
9 costs were identified during the engineering phase of the conversion Project.

10 **5. MATERIALS AND SUPPLIES INVENTORY**

11 **Q31. Please describe the Company’s proposed accounting and ratemaking treatment for**
12 **materials and supply inventory that will no longer be necessary due to the repowering**
13 **of Petersburg Units 3 and 4.**

14 A31. AES Indiana witness Bigalbal testifies (Q/A 48), that AES Indiana will have an estimated
15 net balance of \$20 million of materials and supplies inventory that will no longer be needed
16 following the repowering of Petersburg Units 3 and 4. AES Indiana requests Commission
17 approval to defer this balance to a regulatory asset for recovery in a future basic rate case.

18 **Q32. Is this proposal reasonable?**

19 A32. Yes. These materials and supplies costs were prudently incurred for use in the provision of
20 retail service for the operation of the Petersburg Units on coal. The Commission has long
21 allowed recovery through the ratemaking process of the cost associated with investments
22 that were once “used and useful.” Amortization of costs associated with retired facilities

1 encourages a utility to improve the efficiency of its system by removing obsolete or
2 inefficient property from service. While this concept is often considered in the context of
3 the cost of prematurely retired electric plant in service, the principle is the same for
4 inventory.

5 **Q33. Are the materials and supplies inventory costs the Company proposes to defer**
6 **reflected in the Company’s basic rates?**

7 A33. No. When materials and supplies inventory is included as a component of rate base in a
8 general rate case, that treatment provides the utility the return “on” the investment, but not
9 the return “of” the investment. The Company’s proposed accounting and ratemaking for
10 this inventory here will provide the return “of” this investment and avoid penalizing the
11 Company for making the economic decision to convert Units 3 and 4.

12 **6. PROJECT DEVELOPMENT COSTS**

13 **Q34. Please describe the accounting and ratemaking treatment AES Indiana is requesting**
14 **regarding the Project Development Costs.**

15 A34. As described by AES Indiana witness Bigalbal (Q/A 52), AES Indiana estimates to incur
16 approximately \$21.3 million of costs (approximately \$22.0 million including AFUDC)
17 prior to an expected entry of a Commission Order in this Cause.³ In the event the
18 Commission does not approve the repowering of Petersburg Units 3 and 4 as proposed by
19 the Company, AES Indiana requests the Commission authorize the deferral of the Project
20 Development Costs and accrue carrying charges in a regulatory asset for future recovery
21 via amortization in a future basic rate case. AES Indiana proposes to use the lower of the

³ At the time of a Final Order (30 days after IURC Order or end of November 2024), this amount is estimated to be \$25.8 million excluding AFUDC (see AES Indiana witness Bigalbal testimony, Table 4 in Q/A 52).

1 Company's WACC or AFUDC rate in the calculation of carrying charges. These costs are
2 being incurred prudently to preserve the option to repower these units and develop the
3 Project to a point where it may be reviewed by the Commission and implemented in a
4 timely manner. Therefore, the recovery of these prudently incurred costs as proposed by
5 the Company is reasonable. The annual revenue requirement impact of this deferral
6 includes the return on the regulatory asset and recovery of the amortization over three
7 years. See AES Indiana Attachment CAR-3 and CAR-3(C) for the rate impact by customer
8 class on a per MWh basis. This estimated revenue requirement impact equates to
9 approximately \$0.73 per month for a residential customer using 1,000 kWh each month,
10 which is an increase over current base rates of approximately 0.5%.

11 **Q35. How are the Project Development Costs treated if the Company's proposed**
12 **Conversion Project is approved by the Commission?**

13 A35. If the Project is approved by the Commission, AES Indiana will capitalize the Project
14 Development Costs along with all Project capital costs to the Construction Work in
15 Progress account during construction which will be transferred to Utility Plant in Service
16 upon completion of the Project.

17 **7. RESIDENTIAL CUSTOMER BILL IMPACT**

18 **Q36. Has AES Indiana calculated the estimated residential customer bill impact of AES**
19 **Indiana's requested accounting and ratemaking treatment for the Project?**

20 A36. Yes. I calculated the estimated bill impact for the residential customer using 1,000 kWh
21 each month. As described by AES Indiana witness Bigalbal (Q/A 50), AES Indiana plans
22 to complete the Petersburg Repowering Project by repowering Unit 3 with an in-service
23 date of June 2026 and repowering Unit 4 with an in-service date of December 2026. In

1 order to assess the bill impact residential customers will experience related to the Project,
2 AES Indiana calculated the rate impact related to 1) the repowering of the units using the
3 Best Estimate described by AES Indiana witness Bigalbal including the deferral of
4 depreciation, post in-service carrying charges and incremental property taxes; 2) the
5 decommissioning cost treatment of the FGD dewatering and related costs; and 3) deferral
6 of and future recovery of materials & supplies inventory that will no longer be used
7 following the conversion. As discussed above, I separately calculated the rate impact of the
8 deferral of and future recovery of Project Development Costs in the event that the project
9 is not approved. I will explain the estimated rate impact if the Project is approved below.

10 For the calculations of carrying charges and the amortization period, AES Indiana has made
11 an illustrative assumption that the Project will be reflected in base rates in 2027,
12 immediately following the date it is placed in-service. As there is not perfect timing of
13 aligning the date it is placed in-service with a future rate case, there would be additional
14 costs that would accrue to the Project beyond what is captured in the rate impact calculation
15 if a rate case uses a different regulatory balance based on a different rate base cut-off date.

16 **Q37. Please describe the residential customer bill impact related to the repowering of both**
17 **Petersburg Units 3 and 4.**

18 A37. In AES Indiana Attachment CAR-2 and CAR-2(C), I calculate the impact of the accounting
19 and ratemaking proposed for the conversion Project. AES Indiana has estimated the
20 approximate bill impact of AES Indiana's investment in the overall Project (i.e.,
21 repowering of Petersburg Units 3 and 4) including AFUDC and carrying charges (██████████)

1 million).⁴ Under AES Indiana’s proposal, carrying charges of approximately [REDACTED] million
2 are estimated to accrue to the Project.⁵ After including accumulated depreciation, the net
3 amount of Utility plant in-service included in rate base for the Project is \$ [REDACTED] million.⁶
4 Other amounts included in rate base are the Deferred Depreciation Expense Regulatory
5 Asset, the Deferred Incremental Property Tax Regulatory Asset, and the FGD Dewatering
6 and Related Costs resulting from the conversion Project.⁷ Rate base also reflects a decrease
7 of coal fuel inventory of approximately \$25.9 million set forth in the Settlement Agreement
8 in AES Indiana’s pending basic rate case (Cause No. 45911).⁸ The total rate base resulting
9 from the conversion Project totals approximately \$ [REDACTED] million.⁹

10 The bill impact calculation also included approximately \$ [REDACTED] million¹⁰ of recovery of
11 incremental depreciation expense on the conversion Project and approximately \$ [REDACTED]
12 million¹¹ of amortization of the regulatory assets proposed on the conversion Project.
13 Offsetting these additional costs, the calculation includes an estimate of annual operating
14 margin benefit of approximately \$ [REDACTED] million which includes the impacts of energy value,
15 operating costs, and net of additional property tax expense.¹²

⁴ See AES Indiana Witness CAR Confidential Workpaper 2, Line 55, Column J.

⁵ *Id.* at Line 53, Columns L and P.

⁶ *Id.* at Line 52, Column R.

⁷ See AES Indiana Witness CAR Confidential Workpaper 1, Lines 4 through 6.

⁸ *Id.* at Column B, Line 3.

⁹ *Id.* at Column B, Line 7.

¹⁰ *Id.* at Column B, Line 19.

¹¹ *Id.* at Column B, Line 27.

¹² *Id.* at Column B, Line 32.

1 The resulting net impact of the requested ratemaking treatment for the Project is estimated
2 to result in a revenue requirement impact of approximately \$4.6 million for the first year.
3 The Project costs are reflected in base rates. See AES Indiana Attachment CAR-2 and
4 CAR-2(C) for the rate impact by customer class on a per MWh basis. This estimated
5 revenue requirement impact equates to approximately \$0.37 per month for a residential
6 customer using 1,000 kWh each month, which is an increase over base rates to be
7 implemented if approved in AES Indiana’s pending rate case (Cause No. 45911) of
8 approximately 0.3%.

9 **8. IND. CODE § 8-1-2-0.6**

10 **Q38. Are you familiar with Ind. Code § 8-1-2-0.6?**

11 A38. Yes. This enactment is described in AES Indiana witness Bigalbal’s testimony. Mr.
12 Bigalbal also presents the index required by the Commission’s related General
13 Administrative Order (“GAO”) 2023-04.

14 **Q39. How does the Project reasonably consider the Affordability Pillar?**

15 A39. AES Indiana understands that the cost of providing service is necessarily reflected in the
16 price charged for service. As discussed by AES Indiana witnesses Miller, the Company’s
17 analysis “demonstrates that the implementation of the conversion of Petersburg Units 3
18 and 4 from coal to natural gas is a reasonable least cost, reliable, and sustainable option for
19 customers that is consistent with the 2022 IRP” (AES Indiana witness Miller’s direct
20 testimony at Q/A 15).

21 In the context of resource planning, the way in which affordability and customer rate
22 impact are considered is through the economic analysis of projects as compared to

1 alternatives. AES Indiana considers affordability by analyzing the economics of projects
2 through the Integrated Resource Plan (“IRP”), through the issuance of Request for
3 Proposals (“RFP”), and in the selection of projects for which to request Commission
4 approval. The objective of AES Indiana’s IRP is to identify a preferred resource portfolio
5 that provides safe, reliable, sustainable, and reasonable least cost electricity service to AES
6 Indiana customers, giving due consideration to potential risks and stakeholder input. The
7 recently codified “affordability” pillar is one of five pillars enumerated in the state energy
8 policy. This policy supports resource planning and the use of ratemaking constructs to
9 mitigate bill impact.

10 As discussed above, the monthly impact of the Project per month for a residential customer
11 using 1,000 kWh per month is an approximate \$0.37 or 0.3% increase over base rates to be
12 implemented if approved in AES Indiana’s pending rate case (Cause No. 45911). The
13 customer rate impact of the Project and the PVRR analysis are consistent with the
14 affordability pillar in Ind. Code § 8-1-2-0.6. The PVRR analysis and rate impact calculation
15 demonstrate that the proposed accounting and ratemaking reasonably considers
16 affordability. As such the ratemaking proposed by the Company results in retail electric
17 utility service that is competitive across residential, commercial, and industrial customer
18 classes. This approach is consistent with the affordability pillar.

19 **9. CONCLUSION**

20 **Q40. In your opinion, is the requested accounting and ratemaking relief as proposed above**
21 **reasonable?**

22 A40. Yes. AES Indiana’s requests are reasonable and necessary to execute the conversion of
23 Petersburg Units 3 and 4 from coal to natural gas while providing AES Indiana appropriate

1 financial incentives afforded by Ind. Code § 8-1-8.8-11 and the Commission's authority
2 over utility accounting. In addition to being consistent with Ind. Code § 8-1-2-0.6, the
3 accounting and ratemaking relief allows for AES Indiana to recover the cost of its
4 investment plus a fair return on the investment and allows for the reasonable deferral of
5 depreciation, carrying charges, and incremental property tax expense for recovery in a
6 future rate case. The accounting ratemaking relief proposed also allows for AES Indiana
7 to recover prudently incurred costs to execute the Project that were necessary to be invested
8 before approval, in the event the project is not approved by the Commission.

9 AES Indiana has calculated a reasonable impact on customers' bills of the conversion
10 Project which provides benefits to customers. Approval of AES Indiana's conversion
11 Project and related accounting and ratemaking allows customers to benefit from the
12 conversion of Petersburg Units 3 and 4 to natural gas. The conversion Project allows the
13 Company to utilize reliable existing equipment to continue to generate electricity and
14 provide needed capacity for years to come in an environmentally sustainable and affordable
15 way.

16 **Q41. Does that conclude your prepared verified direct testimony?**

17 A41. Yes.

VERIFICATION

I, Chad A. Rogers, Director, Regulatory Affairs, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

Dated March 11, 2024

A handwritten signature in cursive script, appearing to read "Chad Rogers", positioned above a horizontal line.

Chad A. Rogers

AES Indiana Attachment CAR-1

Verified Petition

(Not Reproduced Herein)

AES Indiana
 Petersburg Units 3 & 4 Repowering Project Estimated Rate Impact

Line	Estimated Impact of Capital Project (a)	Amount (b)	Reference (c)
1	Allowed Return on Rate Base		
2	Petersburg Units 3 & 4 Repowering Project Balance		WP2 - Utility Plant Calc (Utility Plant in Service Asset Balance, net of depr)
3	Rate Base Reduction due to No Coal Inventory	\$ (25,883,000)	Cause No. 45911 Financial Exhibit AESI RB-RB8, Line 9, Column 3
4	Deferred Depreciation Expense Regulatory Asset including Carrying Charges		WP2 - Utility Plant Calc (Depreciation Expense Total)
5	Deferred Incremental Property Tax Regulatory Asset including Carrying Charges		WP3 - Property Tax Summary (Accrual Yrs 2024, 2025, 2026)
6	FGD Dewatering and Related Costs		See AES Indiana Witness Bigalbal
7	Rate Base Impact		Sum Lines 2 through 6
8	AES Indiana Weighted Average Cost of Capital (Cause No. 45911)	6.85%	WP4 - WACC, Column 4, Line 8
9	Annual Allowed Return on Rate Base		Line 7 * Line 8
10	Revenue Conversion Factor	1.22077	WP5 - Rev Conv Factors, Line 5
11	Adjusted For Revenue Conversion Factor - Annual Allowed Return on Rate Base		Line 9 * Line 10
12	Depreciation and Amortization Expense		
13	Petersburg Units 3 & 4 Repowering Project Balance including AFUDC and Post In-Service Carrying Charges		WP2 - Utility Plant Calc (Capitalized Asset Total)
14	FGD Dewatering and Related Costs		Line 6
15	Petersburg Units 3 & 4 Repowering Project Depreciable Balance		Line 13 + Line 14
16	Estimated Depreciation Rate	4%	WP2 - Utility Plant Calc (Depreciation Rate)
17	Annual Depreciation Expense		Line 15 * Line 16
18	Revenue Conversion Factor	1.00531	WP5 - Rev Conv Factors, Line 4h
19	Adjusted For Revenue Conversion Factor - Annual Depreciation Expense		Line 17 * Line 18
20	Deferred Depreciation Expense Regulatory Asset including Carrying Charges		Line 4
21	Deferred Incremental Property Tax Expense Regulatory Asset including Carrying Charges		Line 5
22	Balance of Obsolete Inventory Costs Regulatory Asset	\$ 20,000,000	See AES Indiana Witness Bigalbal
23	Total Regulatory Asset Items		Sum Lines 20 through 22
24	Estimated Amortization Period - Years	3	
25	Annual Amortization Expense		Line 23 / Line 24
26	Revenue Conversion Factor	1.00531	Line 18
27	Adjusted For Revenue Conversion Factor - Annual Amortization Expense		Line 25 * Line 26
28	Total Annual Increase in Depreciation and Amortization Expense		Line 19 + Line 27
29	Annual Other Net Operating Income Costs Net Impact		
30	Annual Incremental Property Tax Expense (isolated to Pete 3 & 4 impact)		WP3 - Property Tax Summary (Accrual Yr 2027)
31	Annual Incremental Fixed Costs and Energy Margin (isolated to Pete 3 & 4 impact) ⁽¹⁾		WP6 - Energy Value and FOM (Estimated Cost Savings)
32	Total Other Net Operating Income Cost Items		Sum Lines 30 through 31
33	Revenue Conversion Factor	1.00531	Line 18
34	Adjusted For Revenue Conversion Factor - Annual O&M Costs Net Impact		Line 32 * Line 33
35	Project Impact - Annual Revenue Requirement		Line 11 + Line 28 + Line 34
36	Customer Class Allocation		
37	Residential	44.00%	Cause No. 45911
38	Small Commercial & Industrial	14.39%	Cause No. 45911
39	Large Commercial & Industrial Secondary Rate (Other)	24.06%	Cause No. 45911
40	Large Commercial & Industrial Primary Rate (PL, HL)	17.31%	Cause No. 45911
41	Lighting	0.24%	Cause No. 45911
42	Total	100.00%	Sum Lines 37 through 41
43	Annual Revenue Requirement by Class		
44	Residential		Line 35 * Line 37
45	Small Commercial & Industrial		Line 35 * Line 38
46	Large Commercial & Industrial Secondary Rate (Other)		Line 35 * Line 39
47	Large Commercial & Industrial Primary Rate (PL, HL)		Line 35 * Line 40
48	Lighting		Line 35 * Line 41
49	Total		Sum Lines 44 through 48
50	Annual Forecasted Usage Volume (MWh) by Class (Jan 2027 - Dec 2027)		
51	Residential		WP7 - 12 ME 2027 (Total Residential Sales)
52	Small Commercial & Industrial		WP7 - 12 ME 2027 (Total Small C&I Sales)
53	Large Commercial & Industrial Secondary Rate (Other)		WP7 - 12 ME 2027 (Total Large C&I Secondary Sales)
54	Large Commercial & Industrial Primary Rate (PL, HL)		WP7 - 12 ME 2027 (Total Large C&I Primary Sales)
55	Lighting		WP7 - 12 ME 2027 (Total Lighting Sales)
56	Total		Sum Lines 51 through 55
57	Forecasted Rate Impact per MWh by Class		
58	Residential	\$ 0.366	Line 44 / Line 51
59	Small Commercial & Industrial	\$ 0.368	Line 45 / Line 52
60	Large Commercial & Industrial Secondary Rate (Other)	\$ 0.327	Line 46 / Line 53
61	Large Commercial & Industrial Primary Rate (PL, HL)	\$ 0.289	Line 47 / Line 54
62	Lighting	\$ 0.200	Line 48 / Line 55
63	Total	\$ 0.340	Line 49 / Line 56
64	Residential Typical Bill Including Riders from Cause No. 45911	\$ 139.36	Cause No. 45911
65	Percent Impact of Project on Monthly Residential Bill for 1,000 kWh	0.3%	Line 58 / Line 64

