ORIGINAL

Commissioner	Yes	No	Not Participating
Huston			√
Bennett	√		
Freeman	√		
Veleta	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY D/B/A AES INDIANA FOR APPROVAL OF PETITIONER'S 7-YEAR TRANSMISSION, DISTRIBUTION, AND STORAGE SYSTEM IMPROVEMENT CHARGE ("TDSIC") PLAN UPDATE, INCLUDING UPDATED COSTS AND FUTURE FILING SCHEDULE, PURSUANT TO IND. CODE § 8-1-39-9.	)	**CAUSE NO. 45264 TDSIC 8** **APPROVED: APR 30 2024**

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
Kristin E. Kresge, Administrative Law Judge

On December 21, 2023, Indianapolis Power & Light Company d/b/a AES Indiana ("AES Indiana" or "Petitioner") filed its Verified Petition with the Indiana Utility Regulatory Commission ("Commission"), along with its case-in-chief and supporting workpapers. On March 1, 2024, the Indiana Office of Utility Consumer Counselor ("OUCC") filed its case-in-chief. On March 5, 2024, Petitioner filed its notice of intent not to file rebuttal testimony.

The Commission set this matter for an evidentiary hearing to be held on March 25, 2024, at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC, by counsel, participated in the hearing, and the testimony and exhibits of Petitioner and the OUCC were admitted into the record without objection.

Based upon applicable law and the evidence of record, the Commission now finds as follows:

1. **Notice and Jurisdiction.** Notice of the hearing was given and published by the Commission as required by law. Petitioner is a public utility as that term is defined by Ind. Code §§ 8-1-2-1(a) and 8-1-39-4. Pursuant to Ind. Code § 8-1-39-9 (the "TDSIC Statute"), the Commission has jurisdiction over a public utility's update of its Transmission, Distribution and Storage System Improvement Charge Plan ("TDSIC Plan" or "Plan"). Therefore, the Commission has jurisdiction over AES Indiana and the subject matter of this proceeding.

2. **Petitioner's Characteristics.** AES Indiana is a corporation organized and existing under Indiana law, with its principal offices at One Monument Circle, Indianapolis, Indiana. AES Indiana is engaged in rendering electric service in Indiana and owns and operates plant, equipment, and related facilities in Indiana that are in service and used and useful in the generation, transmission, distribution, and furnishing of such service to the public.

AES Indiana is a wholly owned subsidiary of The AES Corporation. AES US Services, LLC (the "Service Company") is a wholly owned subsidiary of The AES Corporation that is located at the headquarters of AES Indiana in Indianapolis, Indiana and provides accounting, finance, legal, human resources, information technology, and other corporate services to the businesses owned by The AES Corporation in the United States, including AES Indiana.

3. Background. On March 4, 2020, the Commission issued its final order in Cause No. 45264 (the "45264 Order") approving AES Indiana's seven-year TDSIC Plan. The Commission directed AES Indiana to file semi-annual TDSIC trackers: one to update the TDSIC Plan and one to update its TDSIC rate. This is a semi-annual TDSIC Plan update filing.

4. Relief Requested. Petitioner seeks approval of its seven-year TDSIC Plan Update ("Plan Update"), including updated costs. The projects presented in this Cause are the same eligible transmission and distribution projects described in AES Indiana's TDSIC Plan and approved in the 45264 Order. Petitioner does not seek to add any new project types or individual projects not described in Petitioner's approved TDSIC Plan. Petitioner also seeks approval of its going forward filing schedule.

5. Evidence Presented.

A. Petitioner's Case-in-Chief. Carla J. Evans, Director of Transmission Distribution Investment for AES Indiana, presented the Plan Update, which reported on 1) the work that has been completed; 2) the work planned for the upcoming years; 3) the actual costs of completed projects; and 4) the updated cost estimates for the following year. The updated cost estimates refined the Class 4 cost estimates to Class 2 cost estimates for certain individual projects; upgraded the Class 4 estimates to Class 3 estimates for high volume/low complexity projects; and provided an update on the facilities targeted for improvements and cost estimates for this work (for the projects where work is based on inspection and mitigation). For projects with actual or projected costs higher than the previous estimates, Ms. Evans provided a justification for the variance. Ms. Evans also discussed intra-year changes and longer-term changes in the Plan.

Ms. Evans elaborated on how AES Indiana tracks individual projects. She said AES Indiana assigned a Project ID to each individual project in the Plan docket. In the Plan docket, there were 628 Project IDs. These Project IDs will remain assigned to the same individual projects to provide consistency in reporting actuals and updated estimates for the life of the TDSIC Plan. Ms. Evans said AES Indiana did not add any Projects to its TDSIC Plan. She explained why there are more than 628 Project IDs in this Plan Update and identified the number of active Project IDs. She included a table to help identify the active projects as a result of feedback from OUCC provided in Cause No. 45264 TDSIC 4.

Ms. Evans testified that AES Indiana remains on target to perform the work identified in its TDSIC Plan over the seven-year period. AES Indiana forecasts that the estimated total cost of the overall seven-year TDSIC Plan remains within the total cost approved by the Commission. The TDSIC Plan was approved at a total cost of $1,218,454,910, and Ms. Evans stated that the updated TDSIC Plan cost estimate associated with this Plan Update is $1,217,763,694, $691,216 lower than the original estimate.

Ms. Evans provided an update on each of the 13 Project Types in the AES Indiana TDSIC Plan and addressed the projects with actual or projected costs higher than the previous estimates. Seven Project Types had total cost estimate increases: 1) substation assets replacement; 2) cross-linked polyethylene ("XLPE") cable replacement; 3) 4kV Conversion; 4) Tap Reliability Improvement Projects ("TRIP"); 5) Central Business District ("CBD") secondary network upgrades; 6) remote end-breaker relay/upgrades; and 7) distribution automation. She explained the main reason for the increase in the substation assets replacement is due to the refinement of the estimate during the engineering effort to convert the Class 4 estimates to a Class 2 estimate. Regarding XLPE cable replacement, she explained during the engineering effort to convert the Class 4 estimates to a Class 3 estimate, field observations found additional material and/or equipment that needs to be replaced. Regarding CBD secondary network upgrades, Ms. Evans stated the main reason for the cost increase is due to the engineering effort to convert the Class 4 estimates to a Class 2 estimate. Regarding Distribution Automation, Ms. Evans stated the main driver of the cost variance in this category is due to cost estimate refinement. She explained during the detailed planning for the ADMS, it was identified that additional effort is required to document new processes, configure the system, and develop interfaces to take advantage of existing advanced applications features of managing outages. She testified additional internal labor and outside contractors will be dedicated to the OMS configuration. She added that the project requires extension into 2025 for the DERMS module and the extension is required to run the OMS in parallel with the existing OMS during testing and cutover processes. Ms. Evans explained the main drivers for the variance in substation design upgrades were global supply chain constraints, inflation, and tight labor markets. The cost of substation material and construction labor has risen significantly faster than anticipated with the original filings.

Ms. Evans also identified individual TDSIC projects that have an updated cost greater than the previously approved cost estimates. Of the 113 individual projects identified, 38 have a cost variance greater than $100,000 and greater than 20%, 23 have a cost variance greater than $100,000 and less than 20%, one had a cost variance less than $100,000 and greater than 20%, and 51 had a cost variance of less than $100,000 and less than 20%.

Ms. Evans identified and discussed the general cost factors driving individual project cost variances, including refinement of cost estimates from Class 4 to Class 2, constructability review requiring engineering re-design, and supply chain and inflation.

Ms. Evans opined that the Plan Update rests on a sound factual and analytical foundation and stated that AES Indiana's rationale for modifying and re-sequencing projects is logical and consistent with appropriate project management. She stated that the eligible improvements will serve the public convenience and necessity, and the estimated costs and benefits of the TDSIC Plan Update are consistent with the TDSIC Plan and TDSIC Statute.

Kristi L. Figg, Senior Analyst in Regulatory Affairs for AES Indiana, testified regarding the projected effects of the Plan Update on the TDSIC Rider rates over the seven-year period of the updated TDSIC Plan. Based on the updated TDSIC Plan costs, the total retail revenues compared to retail revenues from TDSIC 7, are not anticipated to change in any year by more than 2%, are estimated to average 1.2%, and are estimated to reach a highest annual increase at 1.5%. Ms. Figg noted that the increases are comparable to the rate impact from the TDSIC 7 rider rate filing. She also described an outreach meeting held with OUCC staff to provide an overview of AES Indiana's TDSIC 8 Plan Update.

Ms. Figg also discussed the impact of the Company's pending rate case, Cause No. 45911, on future TDSIC filings. She testified that in the event that an Order is issued in AES Indiana's current rate case before April 1, 2024, AES Indiana will file its TDSIC rate rider filing along with its Plan Update in December 2024 as Cause No. 45264 TDSIC 9. She stated if the rate case Order is received April 1, 2024, or after, then AES Indiana will file its next Plan Update in December 2024 as Cause No. 45264 TDSIC 9 and its next rate rider filing in June 2025, with a March 31, 2025 cutoff date as Cause No. 45264 TDSIC 10. Ms. Figg stated that the Company may consider that the filing following TDSIC 8 would be titled TDSIC 10 skipping TDSIC 9 to allow the odd and even numbers to stay consistent with the current filing naming convention: rate rider filings are odd numbered filings and Plan Update filings are even numbered filings. She testified AES Indiana will then continue its regular cadence of filing Plan Updates in December and rate rider filings in June. Ms. Figg discussed the compliance filing the Company will make once the rate case order is issued and explained how the Company would ultimately reconcile the TDSIC 7 revenue requirement as adjusted by a compliance filing.

B. <u>OUCC's Case-in-Chief</u>. Roopali Sanka, Utility Analyst in the OUCC's Electric Division, recommended the Commission approve AES Indiana's proposed Plan Update. Ms. Sanka discussed the plan update progress and cost review, Project Type level cost estimate review, and project cost components. She stated there are now 637 total individual projects in the Plan Update compared to the original 628 total individual projects in the TDSIC Plan approved in Cause No. 45264. She presented and discussed a breakdown of active, added, and cancelled projects. She explained the 637 total individual projects in the Plan Update represent the original (628 projects), added (64 new individual project IDs), cancelled (49 projects), and completed/absorbed (6 projects either completed early or moved to other project IDs) projects. She also explained how AES Indiana dispersed cancelled project funding, and stated the OUCC has no concerns regarding the dispersion of cancelled project funds. She stated the OUCC will continue to monitor the number of cancelled projects within each Plan Update as a significant increase in cancelled projects could indicate the utility is not achieving its project cost and schedule performance metrics.

Ms. Sanka stated she did not have any concerns related to the original and updated sortable lists' integrity level in this Plan Update. She testified she has no concerns regarding the Plan Update's current estimate and said the OUCC will continue working with AES Indiana's project management team to monitor movements and changes in the number of projects, and project performance in each Plan Update in future filings as part of its review.

Ms. Sanka summarized the results of her cost estimate review at the Project Type level. She reviewed the three Project Types in the Plan Update that showed notable cost estimate increases, and discussed the additional main drivers behind the Plan Update showing a variance from the prior plan update.

Ms. Sanka discussed the administrative changes proposed by AES Indiana to comply with Ind. Code § 8-1-39-9(d). She reviewed AES Indiana's presented options and found they are compliant with the statute and acceptable to the OUCC per the conditions of timing of the rate case order. She stated the OUCC case team will communicate with AES Indiana on the numbering convention before the next update is filed but does not believe it is a pressing issue to resolve before the rate case is decided.

6. Commission Discussion and Findings.

A. Ind. Code § 8-1-39-9(b) ("Section 9(b)"). Section 9(b) of the TDSIC Statute requires a utility to update its TDSIC Plan at least annually. The TDSIC Plan Update shows actual or updated cost estimates for the TDSIC Plan. The cost estimates submitted with this Plan Update were developed using the same cost estimate methodology and templates as the initial TDSIC Plan. AES Indiana has upgraded the Class 4 estimates to Class 3 and Class 2 for Plan Year 5. The TDSIC Plan Update, which includes attachments to Ms. Evans' testimony, provides details to support AES Indiana's request in this Cause. Thus, we find AES Indiana has satisfied the requirements of Section 9(b).

B. Ind. Code § 8-1-39-9(g) ("Section 9(g)"). Section 9(g) requires a utility to provide specific justification for actual capital expenditures and TDSIC costs that exceed the approved capital expenditures and TDSIC costs. Those expenditures must be specifically approved by the Commission before being authorized for recovery in customer rates. As stated above, AES Indiana's TDSIC Plan Update does not change the projects in the Plan, and the updated estimated total cost of the Plan is less than the $1.2 billion estimate approved in the 45264 Order. Ms. Evans identified and specifically justified the individual projects that have a cost greater than the previously approved project estimate or cost. For these reasons, we find that AES Indiana has provided a sufficient level of detail in support of its Plan Update, including justification for the cost variances associated with approved projects. We therefore find that the cost variances are supported by substantial evidence and have been specifically justified, and we specifically approve these cost variances.

C. Plan Update Approval. Ind. Code § 8-1-39-10 contains requirements for the approval of a TDSIC plan. While it is not controlling in this matter, the Commission uses these statutory requirements as a guide for approval of TDSIC Plan Updates.

Ind. Code § 8-1-39-10(b)(1) requires that the Commission's Order on a TDSIC Plan include "[a] finding of the best estimate of the cost of the eligible improvements included in the plan." The cost estimates submitted with this Plan Update were developed using the same cost estimate methodology and templates that were used in AES Indiana's initial TDSIC Plan. The cost estimate for the total Plan reflects that Petitioner expects to complete the Plan within the original cost estimate approved in the Plan docket. We find that the continued use of this cost-estimating process is reasonable.

Ind. Code § 8-1-39-10(b)(2) requires that an order on a TDSIC Plan include "[a] determination whether public convenience and necessity require or will require the eligible Improvements included in the plan." The TDSIC Plan approved in the 45264 Order identified what projects will be undertaken, when they will be undertaken, and why these projects are necessary and beneficial to ratepayers to meet the public convenience and necessity requirement. The Plan Update does not change the project types in the plan or discontinue the need for the TDSIC Plan.

Thus, we find that the evidence demonstrates that public convenience and necessity continue to require eligible improvements.

Ind. Code § 8-1-39-10(b)(3) requires that an order on a petition for approval of a TDSIC plan must include "[a] determination whether the estimated costs of the eligible improvements included in the plan are justified by incremental benefits attributable to the plan." AES Indiana's updated TDSIC Plan continues to align with the TDSIC Statute, as the projects are being undertaken for the purposes of safety, reliability, system modernization, and support of economic development. Therefore, we find that the evidence demonstrates that the estimated costs in AES Indiana's Plan Update are justified by the incremental benefits.

Based on the evidence presented, we find that AES Indiana's Plan Update is reasonable, and we approve it. We find AES Indiana has provided sufficient support for the updated cost estimates included in the updated seven-year Plan, as well as the projected effects of the updated seven-year Plan on retail rates and charges.

7. <u>Confidential Information</u>. On December 21, 2023, AES Indiana filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information ("Motion") in this Cause, which was supported by the Affidavit of Carla J. Evans, showing that certain information to be submitted to the Commission contained trade secret information as defined in Ind. Code § 24-2-3-2 and should be treated as confidential in accordance with Ind. Code §§ 5-14-3-4 and 8-1-2-29. The Presiding Officers issued a docket entry on January 2, 2024, finding this information should be held confidential on a preliminary basis, after which the information was submitted under seal. After reviewing the information, we find this information qualifies as confidential trade secret information pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29. This information shall be held as confidential and protected from public access and disclosure by the Commission and is exempted from the public access requirements contained in Ind. Code ch. 5-14-3 and Ind. Code § 8-1-2-29.

8. <u>Future Filings</u>. AES Indiana witness Ms. Figg discussed compliance with the requirement in Ind. Code § 8-1-39-9(d) that a public utility may not file a new petition for review and approval of revisions to TDSIC within nine months after the date on which the Commission issues an order changing the public utility's basic rates and charges. She testified that the anticipated order in the Company's pending basic rate case is expected to cause a delay in the Company's TDSIC 9 rate rider filing. Two options were presented depending on whether the Commission issues its order in AES Indiana's rate case before, or after, April 1, 2024. The OUCC stated that either option would be acceptable.

The Commission finds AES Indiana shall file the next plan update in December 2024 as Cause No. 45264 TDSIC 9 and its next Rate rider filing in June 2025 with a March 31, 2025 cutoff date as Cause No. 45264 TDSIC 10.

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

1. Petitioner's TDSIC Plan Update, including the actual and estimated capital expenditures for individual projects that exceed the previously approved individual project costs, is approved by the Commission.

2. Petitioner's proposal regarding future filings is approved.

3. The information submitted under seal in this Cause pursuant to AES Indiana's Motion is determined to be confidential trade secret information pursuant to Ind. Code §§ 5-14-3-4 and 24-2-3-2 and shall continue to be held as confidential and exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29.

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

<u>BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR; HUSTON ABSENT</u>:

APPROVED: APR 30 2024

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

Dana Kosco Digitally signed by Dana Kosco
Date: 2024.04.30 10:19:45
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Dana Kosco
Secretary of the Commission