STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY D/B/A AES INDIANA ("AES INDIANA") FOR (1) ISSUANCE TO AES INDIANA OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE ACQUISITION AND DEVELOPMENT BY A WHOLLY OWNED AES INDIANA SUBSIDIARY OF A SOLAR POWER GENERATING FACILITY AND BATTERY ENERGY STORAGE SYSTEM PROJECT TO BE KNOWN AS THE PETERSBURG ENERGY CENTER ("THE PETERSBURG PROJECT"); (2) APPROVAL OF THE PETERSBURG PROJECT, INCLUDING A JOINT VENTURE STRUCTURE BETWEEN AN AES INDIANA SUBSIDIARY AND ONE OR MORE TAX EQUITY PARTNERS AND A CAPACITY AGREEMENT AND CONTRACT FOR DIFFERENCES BETWEEN AES INDIANA AND THE PROJECT COMPANY THAT HOLDS AND OPERATES THE SOLAR GENERATION AND STORAGE ASSETS, AS A CLEAN ENERGY PROJECT AND ASSOCIATED TIMELY COST RECOVERY UNDER IND. CODE § 8-1-8.8-11; (3) APPROVAL OF ACCOUNTING AND RATEMAKING FOR THE PETERSBURG PROJECT, INCLUDING AN ALTERNATIVE REGULATORY PLAN UNDER IND. CODE § 8-1-2.5-6 TO FACILITATE AES INDIANA'S INVESTMENT IN THE PETERSBURG PROJECT THROUGH A JOINT VENTURE; AND (4) TO THE EXTENT NECESSARY, ISSUANCE OF AN ORDER PURSUANT TO IND. CODE § 8-1-2.5-5 DECLINING TO EXERCISE JURISDICTION OVER THE JOINT VENTURE, INCLUDING THE PROJECT COMPANY, AS A PUBLIC UTILITY.	**CAUSE NO.** 45591

PETITIONER'S SUBMISSION OF DIRECT TESTIMONY OF
G. AARON COOPER

Indianapolis Power & Light Company d/b/a AES Indiana ("AES Indiana" or "Petitioner"), by counsel, hereby submits the direct testimony and attachments of G. Aaron Cooper.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing was served this 30th day of July, 2021, by electronic transmission or United States Mail, first class, postage prepaid on:

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ATTORNEYS FOR PETITIONER
INDIANAPOLIS POWER & LIGHT COMPANY
D/B/A AES INDIANA
DMS 18777024v1

VERIFIED DIRECT TESTIMONY

OF

G. AARON COOPER

ON BEHALF OF

INDIANAPOLIS POWER & LIGHT COMPANY

D/B/A AES INDIANA

SPONSORING AES INDIANA CONFIDENTIAL ATTACHMENTS GAC-1, GAC-2 AND GAC-3

VERIFIED DIRECT TESTIMONY OF G. AARON COOPER
ON BEHALF OF AES INDIANA

1. INTRODUCTION

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

A1. My name is G. Aaron Cooper. My business address is One Monument Circle, Indianapolis, Indiana 46204.

Q2. What is your position with AES Indiana?

A2. I am employed by AES US Services, LLC, as Chief Commercial Officer, US Utilities.

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 Chief Commercial Officer, US Utilities.

A4. In my current position, I am responsible for commercial strategy for the US utilities, AES Indiana and AES Ohio, and my responsibilities include managing and directing the commercial operations and resource planning departments of AES Indiana. Given my extensive commercial experience with electric generation and associated plant economics that I will further describe in Q/A 6 below, I worked with the team that developed the AES Indiana All-Source Request for Proposals ("RFP") and coordinated the evaluation of the resulting proposals received and selection of proposals. I am also a member of the due diligence and contract negotiation core team.

Q5. Please summarize your educational and professional qualifications.

A5. I received a Bachelor of Science degree, summa cum laude, from Miami University in 1991. I have over 30 years of utility experience ranging from T&D Operations to Regulatory Operations, and extensive Commercial Operations experience.

Q6. What is your previous work experience?

A6. I assumed the role of Chief Commercial Officer, US Utilities, in January 2021. Most recently I was Director, Regulatory and Financial Activities - T&D Investments, for AES US Services, LLC. For over a decade, I was the Director of Fuel Supply in Commercial Operations, first for the Dayton Power & Light Company ("DP&L") generating assets located in Ohio and subsequently for all non-AES Indiana, AES-owned solid fuel generating stations in the US, where I was responsible for fuel planning and procurement, logistics, and contract administration. I previously worked in DP&L's Regulatory Operations as Manager of Retail Pricing, as a Manager and Account Manager in DPL Inc.'s unregulated retail electric service subsidiary DPL Energy Resources, and in the DP&L distribution business in major customer account management and supervision of various operational functions including electric construction, field service, and meter reading.

Q7. Have you previously testified before a state regulatory commission?

A7. Yes. I provided testimony in AES Indiana's CPCN filing for Hardy Hills Solar, Indiana Utility Regulatory Commission ("IURC") Cause No. 45493. In Ohio, I have provided testimony supporting DP&L's Fuel Adjustment Clause before the Public Utilities Commission of Ohio in Case No. 11-5730-EL-FAC and Case No. 12-2881-EL-FAC.

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

A8. My testimony describes the RFP, the evaluation of the resulting proposals received and selection of a proposed solar generation and battery energy storage system ("BESS") facility to be known as Petersburg Energy Center ("Petersburg Project" or "Project"). I also discuss the terms of the Membership Interest Purchase and Project Development Agreement ("MIPA"), the Engineering, Procurement, and Construction Agreement ("EPC") and AES Indiana's proposed Capacity Agreement and Contract for Differences ("CfD"). I describe AES Indiana's rights to Renewable Energy Certificates ("RECs") and any other generation benefits. I also present the best estimate of the cost of the Petersburg Project.

Q9. Are you sponsoring any attachments?

A9. I am sponsoring the following attachment(s):

AES Indiana Confidential Attachment GAC-1	Membership Interest Purchase and Project Development Agreement ("MIPA")
AES Indiana Confidential Attachment GAC-2	Engineering, Procurement and Construction Agreement ("EPC")
AES Indiana Confidential Attachment GAC-3	AES Indiana's proposed Capacity Agreement and Contract for Differences ("CfD")

Q10. Were these attachments prepared or assembled by you or under your direction and supervision?

A10. Yes.

2. ALL-SOURCE REQUEST FOR PROPOSALS

Q11. Why did AES Indiana conduct an All-Source RFP?

A11. AES Indiana's All-Source RFP solicited bids from qualified third parties to competitively procure replacement electric capacity resources beginning in the 2023-2024 MISO Planning Year. As discussed by AES Indiana Witness Miller, AES Indiana's updated 2019 IRP analysis identified a need for approximately 250 MW of near-term replacement unforced capacity ("UCAP"). While the IRP modeling indicated that a combination of wind, solar, storage, and energy efficiency would be the reasonable low-cost option for the replacement capacity, the RFP allowed all generation types to participate. This approach provided a means to evaluate various generation technologies based on transactable prices and confirm the IRP Preferred Resource Portfolio Short Term Action Plan is based on the selected resource.

Q12. Please explain the process AES Indiana used to conduct the All-Source RFP.

A12. AES Indiana contracted Sargent & Lundy, LLC ("Sargent & Lundy") to manage the All-Source RFP process. Sargent & Lundy is an engineering consulting firm providing comprehensive engineering, energy business consulting, and project services for power generation and delivery systems. Sargent & Lundy acted as an independent third-party consultant on behalf of AES Indiana to execute the RFP and provide a preliminary evaluation of the proposals.

Q13. Please generally describe the All-Source RFP process.

A13. AES Indiana issued an All-Source RFP for capacity resources, preferably within or connected to, the AES Indiana service territory. The RFP solicited proposals for all or a portion of AES Indiana's forecasted capacity short position. AES Indiana estimated the UCAP for wind and solar resources based on the methodology described in the MISO Renewable Integration Impact Assessment Version 6, dated December 2018. Proposed

resources must be capable of delivering capacity to the MISO Local Resource Zone ("LRZ") 6. Proposed resources could include transfer of new or existing assets, power purchase agreements, and demand response opportunities. The All-Source RFP was issued December 20, 2019 and is further described by AES Indiana Witness Thibodeau.

Q14. What role did AES Indiana have in the All-Source RFP process?

A14. AES Indiana collaborated with Sargent & Lundy to develop the RFP, including the schedule, RFP documents and requirements, proposal scoring criteria and weighting established for initial proposal evaluation (which was provided in the RFP), and proposal data forms. In order to ensure impartiality in the evaluation and selection process, Sargent & Lundy performed all administration, response accumulation, Phase 1 evaluation, and reporting in a manner that maintained the anonymity of the RFP respondents to the AES Indiana team. When Sargent & Lundy consulted with AES Indiana on responses to respondent questions, all such communications followed a process that safeguarded the anonymity of the participants. AES Indiana did not submit a self-build proposal.

3. RFP BID EVALUATION

Q15. Please describe the process used to assess the responses to the All-Source RFP.

A15. There were three distinct phases to the evaluation of the All-Source RFP.

Phase 1 – as briefly described in response to Q/A 14 and explained in more detail in AES Indiana Witness Thibodeau's testimony, Sargent & Lundy issued and managed the RFP process and performed an independent preliminary evaluation of the proposals received, including a quantitative Levelized Cost of Energy ("LCOE") for each of the proposals and a qualitative analysis based on technical viability, development status, developer

experience and financing plan, and qualifications. The quantitative and qualitative scores were combined to rank all offers by technology and contract type.

Phase 2 – consisted of more refined quantitative, qualitative, and T&D considerations. This phase was collaboratively conducted with Sargent & Lundy, Concentric Energy Advisors ("Concentric"), and internal AES Indiana subject matter experts. This phase included production cost and revenue requirement modeling. As described by AES Indiana Witness Miller, AES Indiana relied on the same "in-house" production cost modeling tool (PowerSimm) it utilized in its 2019 IRP. AES Indiana also retained Concentric to conduct a proposal Ranking Analysis using revenue requirements modeling, as described by AES Indiana Witness Powers. As discussed below, proposals advancing from Phase 2 evaluation moved into Phase 3 for due diligence and contract negotiations.

Phase 3 – AES Indiana assembled a deal team to evaluate the commercial terms and pricing of the remaining shortlisted proposals. Prior to Phase 3, no one on the AES Indiana evaluation team had any knowledge of specific bidder identities. Concentric provided analytical services related to revenue requirement considerations in Phase 3. AES Indiana also retained 1898 & Co., a Burns & McDonnell Company ("1898 & Co."), to perform detailed interconnection and congestion evaluations of the remaining shortlisted proposals as part of the Phase 3 evaluation. The 1898 & Co. analysis is discussed by AES Indiana Witness Lind.

Q16. Please explain the results of the Sargent & Lundy Phase 1 evaluation process.

A16. As discussed by AES Indiana Witness Thibodeau, the Sargent & Lundy Phase 1 process led to the initial culling of proposals and resulted in 38 proposals, including six technology types or combinations thereof, being moved to Phase 2 for further evaluation. The initial

shortlisting deliberately advanced proposals within buckets by each technology type so that all proposal types or categories would have the opportunity for more in-depth evaluation and consideration.

Q17. Please discuss the process AES Indiana undertook to further evaluate the bids short listed by Sargent & Lundy as a result of the Phase 1 evaluation and moved forward to the Phase 2 Evaluation.

A17. As noted in response to Q/A 15 above, AES Indiana retained Sargent & Lundy and Concentric to support the Phase 2 evaluation. Deeper evaluation in Phase 2 necessarily required additional clarification as to the subject proposals. Sargent & Lundy facilitated this process to maintain the anonymity of respondents and proposals throughout Phase 2. Sargent & Lundy also refined the Phase 1 qualitative evaluation based on the 12 categories listed below:

- Technical Viability
- Development and Schedule Risk
- Permitting Risk
- Environmental Impacts
- Contract Experience
- Financing Plan and Qualifications
- T&D System Integration
- Site Control
- Community Impacts and Acceptance
- O&M Plan

- Fuel Supply Plan (as applicable)
- Exceptions to Agreements

AES Indiana Witness Thibodeau discusses the results of the Phase 2 Qualitative Evaluation and AES Indiana Witness Powers discusses the analytical services related to the revenue requirement calculation.

The Phase 2 process structure was designed to merge the quantitative revenue requirement analysis results with the qualitative factors and to explore whether additional critical factors or sub-factors needed to be considered for the determination of proposals to be advanced to Phase 3.

Q18. In addition to the quantitative Ranking Analysis, what qualitative factors were considered in selecting proposals to move forward for further analysis?

A18. As noted in the response to Q/A 17 above, AES Indiana considered additional factors beyond, or specific detailed elements within, the Sargent & Lundy Phase 2 qualitative evaluation categories. AES Indiana identified the following five features for each proposal in Phase 2; the first three rising to the level of a binary decision hurdle for proposal advancement to Phase 3.

1. The specific MISO Definitive Planning Phase ("DPP") cycle, otherwise generally addressed in the T&D System Integration, is critical to meeting AES Indiana's required timelines for replacement capacity to be in service. Therefore, only proposals that were in the 2019 DPP cycle, or earlier, were advanced to Phase 3. Proposals that may qualify

for interconnection under the MISO rules corresponding to FERC Order No. 845 were also advanced.[1]

2. Proposals that did not qualify to receive Zonal Resource Credits for MISO LRZ 6 were not advanced to Phase 3. AES Indiana's service territory and corresponding capacity obligation is in MISO LRZ 6. The RFP explicitly stated that "resources must be qualified to receive Zonal Resource Credits for MISO LRZ 6 consistent with MISO Planning Resource Auction" (p. 4).

3. Given AES Indiana's extant coal and natural gas resources in the portfolio, fuel diversity was a necessary feature for proposals to advance to Phase 3.

4. Consideration was also given to the customer price variability that would occur after the expiration of a Purchase Power Agreement ("PPA"). For example, the expected useful lives for the solar assets evaluated is 30 years. So, proposals for build transfer would provide predictable rates for customers over that same 30-year period. However, the PPA proposals received in response to the RFP had terms of 20 years or less, leaving the customer energy price unhedged for one-third of that 30-year period.

5. Finally, consideration was given to benefits that would result with AES Indiana management and control of a build transfer. AES Indiana considered the reliability benefit of direct control over day-to-day decisions and decisions on operating and maintenance expenditures, which also ensures that future cost savings resulting from lower operation and maintenance expenses will be passed on to customers through rates. AES Indiana can and will leverage the considerable experience of the AES

[1] FERC Order No. 845 resulted in a MISO Tariff change that modified the generator replacement process, permitting incumbent generators to interconnect replacement generation at existing facilities and avoid the DPP cycle.

Corporation and its subsidiaries for solar PV facility operation. AES, through its subsidiaries, owns nearly 1 GW of solar generation globally, including over 700 MW of solar in the US.

Direct control creates the option for AES Indiana to respond to unexpected changes in supply conditions, MISO rules, and regulatory environments. It creates the opportunity for AES Indiana and its customers to benefit from advancement in technology by expanding, upgrading, or modifying the Facility to include the potential addition of battery storage, extending its life through additional investment and modifying operational controls and production levels.

Q19. Please describe the process to select proposals to advance to Phase 3.

A19. As described in Q/A 17, a Ranking Analysis was performed for all Phase 2 proposals and utilized to compare among the list population on that basis. As described in Q/A 18, certain critical elements affecting proposal viability in the context of AES Indiana's requirements were used as go/no-go decision factors. The entire population of proposals in Phase 2 that met the criteria below were advanced to Phase 3:

- 2019 DPP Cycle or earlier,
- Qualify to receive Zonal Resource Credits for MISO LRZ 6,
- Create generation resource diversity in AES Indiana portfolio.

No proposals were excluded from Phase 3 based on their Phase 2 Ranking Analysis result. If a project included a separate proposal with a different deal structure, both deal structures were advanced to Phase 3 – e.g., if a project was offered as a build transfer proposal that

was selected to advance to Phase 3 and was also offered as a PPA, both proposals were advanced to Phase 3.

Q20. Please describe Phase 3.

A20. As stated above, in Phase 3 the AES Indiana team learned the bidder identities, conducted due diligence, evaluated the commercial terms and pricing of the remaining shortlisted proposals, assessed development and other risks, and began direct negotiations with bidders. Concentric provided analytical services related to Ranking Analysis in Phase 3 and 1898 & Co performed detailed interconnection and congestion evaluations. AES Indiana considered its load forecast and the capacity need beginning in 2023. As the value of the Investment Tax Credit ("ITC") is critical to the level of AES Indiana investment and corresponding effect on customer rates, diligence also focused on ITC safe harbor status.

Q21. Please discuss Concentric's role in evaluating bid results during Phase 3.

A21. As discussed by AES Indiana Witness Powers, Concentric was retained by AES Indiana to assist with the Phase 2 and 3 evaluations. Their Ranking Analysis work provided analytical services in the form of revenue requirement calculations to support the evaluation of the responses to AES Indiana's All Source RFP. This scope builds on Concentric's work in the development of AES Indiana's 2019 IRP.

Q22. Please clarify how the information regarding the Petersburg Project gained via due diligence and contract negotiations is reflected in the Phase 3 Ranking Analysis.

A22. Based on the completion of due diligence and negotiation of contract documents, AES Indiana has detailed information regarding Petersburg Energy Center. In the Ranking Analysis, certain costs and assumptions for Petersburg Energy Center are based on very

specific knowledge of the project as compared to the other proposals that are in the Phase 3 Ranking Analysis. These costs and assumptions include fully informed project costs, land lease costs, specific tax costs, decommissioning and demolition costs, and specific solar and BESS resource assessment assumptions and output modeling details. These specific project details are reflected in the Phase 3 analysis of the Petersburg Project. The same level of detail is not known for certain other proposals and consequently the costs and assumptions of these proposals in the Ranking Analysis are less certain. While the Ranking Analysis remains a reasonable tool to assess proposals, the inclusion of proposal specific details can have the effect of increasing or reducing the comparative Ranking Analysis result. While the costs for the Petersburg Project are well understood through the negotiation and due diligence process, other projects that have not similarly advanced in the negotiation process do not necessarily have comparably updated costs and may not reflect fully developed costs. This is the case for each of the proposals [redacted].

Q23. Please further describe the work completed by 1898 & Co. during Phase 3.

A23. AES Indiana retained 1898 & Co. to complete transmission system impact studies of shortlisted proposals advancing into Phase 3. For each shortlisted proposal in this Phase, this work included system impact studies and congestion analyses for the proposed interconnection. None of the subject proposals have completed DPP Phase 3, so additions, modifications, and upgrades required at or beyond the point at which the proposal would connect to the transmission system were otherwise unknown or not independently validated. These types of network upgrades can have material costs affecting proposal economics and can also expose the proposal to risk of delay.

The congestion analysis description is included in the Interconnection Reliability and Congestion Report sponsored by AES Indiana Witness Lind as AES Indiana Confidential Attachment MEL-1 at p. 26:

> Each of the short-list selections were evaluated using ABB's PROMOD IV (PROMOD) to simulate security-constrained unit commitment (SCUC) and security-constrained economic dispatch (SCED) across the MISO footprint and neighboring regions. PROMOD simulations calculate the locational marginal price (LMP) for every bus, including generator and load nodes, within the study region. Each LMP represents the marginal price of electricity at a specific location on the grid and varies hourly in PROMOD's day ahead dispatch. One component of the LMP is the congestion component, which is caused by a limitation in the transmission system to effectively deliver the most efficient and lowest cost sources of generation to load. These limitations in the transmission system can cause congestion costs, impact LMPs and effect generation assets dispatch, curtailment, and associated revenues.

Q24. Please describe the development and other risks assessed by AES Indiana in Phase 3.

A24. Development risk is important across a number of dimensions.

- AES Indiana's 2019 IRP Preferred Resource Portfolio forecasted the retirements of Petersburg Units 1 and 2. With the retirement of Petersburg Units 1 and 2, AES Indiana needs capacity beginning with the 2023-24 MISO planning year. Only proposals that were in the 2019 DPP cycle, or earlier, and proposals that may qualify for interconnection under the MISO rules corresponding to FERC Order No. 845 were advanced to Phase 3.

- As described in Q/A 20, ITC value is important to the comparative economics of solar resources compared to other resources, to the level of AES Indiana investment, and to the corresponding effect on customer rates. ITC safe harbor status is essential and the proposal being in service by a date certain affects eligibility, making development plan feasibility key to proposal efficacy. In the

due diligence process AES Indiana has confirmed the safe harbor status for Petersburg Energy Center.

- Given the impacts resulting from a proposal failing to achieve the expected commercial operation for planning and preparedness purposes, proposal control and oversight are key, and best achieved by a deal structure based on AES Indiana ownership. Contractual rights can and have been negotiated to ensure effective oversight of the project and its advancement to completion, and to create appropriate incentives for timely completion. AES Indiana has been able to negotiate the use of an "Independent Engineer" in the review of the engineering and design work and ongoing construction, providing a neutral, third-party certification that work conforms with the requirements of the EPC in connection with the achievement of Mechanical Completion, Project Substantial Completion and Final Completion, approving the final punch list of items of work to be completed and the completion by the EPC Contractor of the punch list items, and approving the Punch List Holdback.[2] The Independent Engineer also certifies that construction progress has been accomplished in line with the construction plan, including for the purposes of authorizing payment of installments of the Contract Price.[3] Additionally, AES Indiana personnel will have access for oversight of the project and interaction with the Independent Engineer.[4]

[2] AES Indiana Confidential Attachment GAC-2 EPC, Section 5.3.

[3] AES Indiana Confidential Attachment GAC-2 EPC, Sections 4.1.3, 4.1.4.

[4] AES Indiana Confidential Attachment GAC-2 EPC, Sections 2.4.4, 2.4.5, 2.6.2, 2.17, 2.18.

- Focusing on proposal execution risk reduction, AES Indiana considered the merits of contracting with two or more developers versus a single developer for multiple proposals.
- AES Indiana evaluated each Phase 3 proposal's permitting plans and any issues that may affect proposal completion and the commercial operation date ("COD"). AES Indiana is not aware of any local pushback to the Petersburg Project in Pike County, Indiana that would prevent or delay permitting or necessary approvals.

I discuss counterparty credit risk in Q/A 34.

Q25. Did AES Indiana consider purchase of power to fill its Short Term Action Plan capacity need?

A25. Yes. The All-Source RFP explicitly invited the submission of PPA proposals. The evaluation process was deliberate in each of the phases of evaluation to ensure that all proposed contracting structures – PPA, build transfer, and demand response – were included in the evaluation, including Phase 3. While AES Indiana considered qualitative factors present for build transfer proposals it has not, at this stage, rejected any PPA proposals on this basis. Phase 3 included a PPA offered as two different proposals. The proposal designations in the Phase 3 Ranking Analysis are [redacted]

[redacted]

I address the advantages of build transfer proposals relative to PPAs in Q/A 18 and Q/A 24. The IURC has a direct and extensive regulatory relationship with AES Indiana. An AES Indiana wholly-owned subsidiary will be the managing member of the Joint Venture LLC that will own the Project Company that owns the solar and solar plus BESS generation assets. AES Indiana Witness Reed also discusses the evaluation of power supply proposals that involve utility ownership arrangements against proposals to provide capacity under a PPA.

Q26. What is the status of AES Indiana's Phase 3 process?

A26. AES Indiana filed a petition and the IURC issued a certificate of public convenience and necessity for AES Indiana's acquisition and development of the Hardy Hills Project through the MIPA and the Joint Venture.[5] AES Indiana has completed negotiations in connection with one additional solar plus BESS proposal. This solar plus BESS proposal is the subject of the Petition in this Cause and is identified below. This solar plus BESS proposal represents one of the short-listed assets available to AES Indiana from the RFP and plays a role in satisfying the Company's 2019 IRP Short Term Action Plan.

Q27. Were proposals offered on an exclusive basis to AES Indiana?

A27. No. The proposals were not offered to AES Indiana on an exclusive basis. As indicated above, respondents were also in control of the pace at which they engaged in negotiations

[5] See June 16, 2021 Order in Cause No. 45493.

and responded to the due diligence process. Also, respondents could, at any time, withdraw a proposal from consideration. This has occurred with proposals offered in response to the RFP and includes proposals that were a part of the Phase 2 and Phase 3 evaluations. As an example, proposal [redacted] was initially on the Phase 2 proposal list and evaluation, and was withdrawn by the respondent because it had entered into an exclusivity agreement with another party for a PPA. Similarly, there were five proposals that advanced to the Phase 3 evaluation that were withdrawn by the respondent(s) – [redacted]. These proposals were consequently removed from the Concentric Ranking Analysis.

4. OVERVIEW OF THE PETERSBURG PROJECT

Q28. Please describe the Petersburg Project.

A28. A subsidiary of NextEra Energy Resources, LLC ("NextEra") is developing Petersburg Energy Center, through Petersburg Energy Center, LLC, a special purpose entity (also referred to as "ProjectCo").

Petersburg Energy Center is a 250 MWac, 335 MWdc, solar photovoltaic electric generation facility, coupled with a 180 MWh DC battery energy storage system (60 MW 3-hour discharge power capacity – AES Indiana expects to operate it as a 45 MW 4-hour capacity resource for MISO capacity) on an approximately 1,740 acre solar panel farm located in Pike County, Indiana. Transmission and substation facilities are planned to be located in Pike County. Since the Project will utilize the generator replacement provisions of the MISO tariff, the Project will interconnect at the existing AES Indiana Petersburg Generating Station 345 kV switchyard via a generator tie-line from the Project collector

substation. Petersburg Energy Center will contribute 168 MW of UCAP. Petersburg Energy Center is expected to have an approximate net capacity factor of 18.6 percent (including the BESS in the capacity factor calculation) and generate approximately 538 GWh in its first year of operation. The Project will utilize monofacial and bifacial solar modules with single-axis ground mount tracker racking. Petersburg Energy Center is designed to qualify for 26% ITC. The COD for the Project is the second quarter of 2024, prior to the start of the 2024-2025 MISO Planning Year.

Q29. Please describe the process by which AES Indiana selected Petersburg Energy Center.

A29. As noted above, all Phase 2 proposals meeting the criteria described in Q/A 19 advanced to Phase 3 for direct due diligence and negotiation with the developer RFP respondents. AES Indiana notified NextEra in August 2020 that one or more of its proposals were being advanced to Phase 3 and negotiations with NexEra began thereafter. Based on the results of the Phase 2 Ranking Analysis and the Sargent & Lundy Phase 2 Qualitative Evaluation, AES Indiana initially began the due diligence process with NextEra regarding two projects that were the basis for [redacted]. [redacted] based on the Petersburg Energy Center Project. During the due diligence and negotiation [redacted]. AES Indiana continued and completed due diligence and negotiation of the Petersburg Energy Center Project.

Q30. Did AES Indiana have any other consultant assess the reasonableness of the Petersburg Energy Center cost?

A30. No, that was not necessary. In the CPCN for Hardy Hills (Cause No. 45493), AES Indiana contracted Leidos to perform an analysis that compared the costs for Hardy Hills to similar projects within the market. The analysis demonstrated that, despite Hardy Hill's higher network upgrade and interconnection costs, the project's costs are still reasonable when compared to other similar projects in the market. For the Petersburg Energy Center, AES Indiana does not see a need to include the additional reasonableness analysis Leidos performed for Hardy Hills, because the network upgrade and interconnection costs are lower for the project.

Additionally, the Petersburg Energy Center is among the highest ranked Phase 3 proposals in the Ranking Analysis using the 30-yr PVRR metric. This shows this is a reasonable least-cost project for customers and a good value compared the other market finalists. As discussed by AES Indiana Witness Miller in Q/A 19 of his direct testimony, the PVRR as calculated in Ranking Analysis is an appropriate metric to use to evaluate different types of projects and resources. In the case of the Petersburg Energy Center, it appropriately captures the capacity value of the energy storage component, whereas the LCOE does not.

Q31. AES Indiana Witness Powers shows the Petersburg Project has a favorable PVRR compared to projects in the Phase 3 Ranking analysis. What other beneficial attributes does the Petersburg Project have?

A31. Good locations for solar depend on attributes such as insolation and available acreage. Such locations are not always a good match for interconnection on the existing transmission system. As renewables proliferate, finding ideal interconnections is getting, and will continue to get, more difficult. The Petersburg Project has these favorable attributes and has a very low interconnection cost since the Project will utilize the generator

replacement provisions of the MISO tariff and is interconnecting at the existing AES Indiana Petersburg Generating Station 345 kV switchyard via a generator tie-line from the Project collector substation. In addition to the low interconnection cost, the project is not reliant upon the MISO queue process nor does it require execution by third-party transmission owners to complete the interconnection, both of which create the possibility for delay – this gives control over the timing of the interconnection to AES Indiana and the EPC Contractor.

Qualitative factors also support the Petersburg Project. The AES Indiana RFP expressed a preference for Indiana resources. This preference reasonably reflects consideration of deliverability, reliability, resiliency, and Indiana energy security. Further, Petersburg Energy Center is located in Pike County, which is impacted by the retirement of Petersburg Generating Stations Units 1 and 2 – the Project will bring construction jobs and tax base to the county. Its location facilitates AES Indiana's ability, through the AES Indiana Sponsor member of the Joint Venture, to manage operations and maintenance at the Project.

Q32. How does Petersburg Energy Center fit with AES Indiana's near-term replacement UCAP need?

A32. Petersburg Energy Center's 168 MW UCAP, combined with the 97.5 MW UCAP of the recently approved Hardy Hills Solar Project fills the need for approximately 250 MW of near-term replacement UCAP. Since the Guaranteed Project Substantial Completion Date for Petersburg Energy Center is May 1, 2024, AES Indiana will need to purchase capacity for the 2023-2024 MISO Planning Year.[6]

[6] AES Indiana Witness Powers discusses how this cost is treated in the Ranking Analysis.

Q33. Please briefly describe NextEra and their experience in the renewable generation business and with solar generation in particular.

A33. NextEra Energy Resources, LLC is a wholly owned subsidiary of NextEra Energy, Inc., a Florida company. NextEra has approximately 50 GW of generating capacity and is a leading clean energy company in North America with electric generation facilities located in 36 U.S. states and four Canadian provinces. NextEra Energy Resources, LLC, together with its affiliated entities, is a leading generator of renewable energy from the wind and sun, and is a leader in battery storage. NextEra owns and operates approximately 15% of the installed base of U.S. wind power production capacity, and owns and/or operates approximately 9% of the installed base of U.S. utility-scale solar production capacity. In recent years, NextEra has also focused on developing and advancing battery technology for energy storage use. NextEra owns nearly 160 MW of energy storage projects. NextEra has a corresponding high level of development experience, procuring over $2 billion in average annual purchases and construction expertise overseeing the resultant construction projects.

Q34. Please discuss NextEra's creditworthiness.

A34. NextEra's, and more specifically NextEra's subsidiary, Petersburg Energy Center Holdings, LLC's ("Seller") and Seller's EPC affiliate, NextEra Energy Engineering & Construction, LLC's ("Contractor"), financial ability to complete development and construction of the Project and transfer it to Purchaser is important to NextEra and AES Indiana. [redacted] Further, AES Indiana's due diligence when evaluating NextEra's creditworthiness during the RFP process included collection and review of NextEra's credit

information. [redacted]

[redacted] The MIPA and EPC requires that [redacted].[7]

Q35. What is the status of Petersburg Energy Center interconnection to MISO?

A35. Petersburg Energy Center qualifies for interconnection under the provisions of Section 3.7 of Attachment X to the MISO tariff. Because the Project will involve a tax equity investor, AES Indiana applied for and received a waiver from FERC regarding the transfer restrictions detailed in Attachment X section 3.7. The Project will be submitted as a replacement request in accordance with the rules in the section detailed in Section 3.7 of Attachment X. Notably, it will interconnect at the existing AES Indiana Petersburg Generating Station 345 kV switchyard via a generator tie-line from the Project collector substation, which satisfies the requirement in subsection i of 3.7.1 regarding the point of electrical interconnection. Currently there is no expectation of delay to the Project commercial operation date based on interconnection.

Q36. Describe the need for the waiver and the waiver process.

A36. After reviewing the bid for the Project, AES Indiana staff met with MISO staff in the fall of 2020 to ascertain the feasibility of involving a tax equity investor in a generator replacement project under the MISO Tariff rules. It was ultimately determined that the Company should seek a waiver of the transfer restrictions for such a project at FERC. On February 11, 2021 AES Indiana filed a project-specific waiver request for the Project in

[7] AES Indiana Confidential Attachment GAC-1 MIPA at Section 7.1, Exhibit G-1; AES Indiana Confidential Attachment GAC-2 EPC at Section 2.21, also Exhibit K.

order to utilize the proposed ownership structure. MISO did not oppose the request. FERC granted the requested relief by order dated May 7, 2021 in docket ER21-1103-000. Through these efforts, the Company was able to achieve interconnection certainty and associated benefits with minimal impact on Project COD.

Q37. Given the need for the waiver, could AES Indiana have considered a 50 percent PPA/50 percent build transfer structure of the project proposed by NextEra?

A37. No. In the process of evaluating the project, as indicated above, AES Indiana staff consulted with MISO staff regarding MISO Tariff rules pursuant to the generator replacement process. MISO indicated that PPAs were not eligible for the replacement process. The 50/50 structure would not comport with the ownership requirements of the generator replacement process, for which the waiver was sought to involve a tax-equity investor in a wholly owned AES Indiana subsidiary. The 50/50 structure would involve a separate party that AES Indiana would not own or control, and MISO procedures require the replacement Interconnection Request to be submitted by the same entity that owns the Existing Generating Facility. NextEra is not an owner of the Existing Generating Facility so a NextEra PPA would not eligible, and therefore the 50/50 structure was not pursued further.

Q38. Did AES Indiana assess Petersburg Energy Center's ability to reach commercial operation?

A38. Yes. NextEra is an experienced and credible renewable energy developer. As discussed in Q/As 24 and 28, Petersburg Energy Center is at a relatively advanced stage of development and permitting. There is a detailed real estate plan for project leases and easements for the generator tie-line. At the time the MIPA was signed approximately

seventy-five percent of the targeted 1740 acres were under lease agreements. Easement rights are established for key properties adjacent to the AES Indiana Petersburg plant that facilitate the generator tie-line and provide flexibility to accommodate multiple approach routes. The MIPA establishes not-to-exceed amounts for Gen-Tie Line Agreements and all other Pre-Approved Real Property Agreements (other than Gen-Tie Line Agreements).[8] NextEra has demonstrated appropriate engagement with county and other necessary authorities. NextEra has a clearly identified permitting plan addressing local, state and federal permit requirements, including an optimized footprint for the project in that regard – and the suitability of the plan was confirmed during due diligence. Completion of key permits and Real Property Agreements is a condition of closing.[9] These provisions as well as the developer's substantial experience with solar projects (described in Q/A 33) mitigate the risk that a project might not achieve commercial operation. AES Indiana's investment in the Project as provided in the MIPA and EPC (discussed below) provides very direct level of oversight to mitigate the risk that the project will not reach commercial operation on time.

5. PETERSBURG ENERGY CENTER DEVELOPMENT

Q39. Has AES Indiana entered into an agreement to develop Petersburg Energy Center?

A39. AES Indiana, through a wholly owned subsidiary, AES Indiana Devco Holdings 2, LLC ("AES Indiana DevCo") has entered into a Membership Interest Purchase and Project Development Agreement ("MIPA") with Seller in respect of the sale of the membership interests in ProjectCo (the special purpose entity created by the NextEra to begin the

[8] AES Indiana Confidential Attachment GAC-1 MIPA at Section 4.1.

[9] AES Indiana Confidential Attachment GAC-1 MIPA at Sections 3.5 and 9.14.

development of Petersburg Energy Center). A copy of the MIPA is included with my testimony as AES Indiana Confidential Attachment GAC-1. Concurrent with signing of the MIPA, ProjectCo entered into an EPC with Contractor for overall Project construction management, all civil and electrical infrastructure design, and the coordination and general management of the project work, including the acquisition of all contractor permits. A copy of the EPC is included with my testimony as AES Indiana Confidential Attachment GAC-2. The Agreements are proceeding through NextEra's formal approval process which is expected to conclude in August 2021. I will update my testimony once NextEra notifies AES Indiana that this process has concluded.

Q40. Please briefly summarize the terms of the MIPA and EPC.

A40. AES Indiana, through AES Indiana DevCo, has entered into a MIPA with Seller pursuant to which Purchaser will acquire the ProjectCo once all land rights, permits, authorizations, and material contracts required for Petersburg Energy Center have been secured by ProjectCo.

Under the EPC, Contractor will manage all engineering, procurement, and construction activities for the Petersburg Project subject to a pre-agreed scope of work and minimum specifications. Contractor will put in place the necessary equipment supply and construction contracts to conform with these specifications and, in certain instances, pre-agreed forms of agreement. AES Indiana will pay for construction spend against progress milestones under the EPC. Contractor will pay liquidated damages for delays in achieving substantial completion and/or failure to achieve a minimum guaranteed capacity.

Q41. Does NextEra provide any financial assurance that it will meet its obligations under the MIPA and EPC?

A41. Yes. See Q/A 34. [redacted].[10]

Q42. Are any FERC filings and approvals required for the Petersburg Project?

A42. Yes. The Petersburg Project will be self-certified as an Exempt Wholesale Generator ("EWG").[11] As the Project nears completion, a request under Section 205 of the Federal Power Act[12] for any authorizations required to sell the electrical output from the Petersburg Energy Center facility into the wholesale market will be made to FERC.

Q43. What will happen to Petersburg Energy Center once it is developed?

A43. Once the Project nears commercial operation, AES Indiana DevCo will sell the ProjectCo to a Joint Venture between an AES Indiana subsidiary and one or more tax equity partners ("TEP").

6. JOINT VENTURE

Q44. Please describe the Joint Venture.

A44. The Joint Venture structure includes a limited liability company (the "Joint Venture, LLC") operating as a partnership that owns ProjectCo which, in turn owns the solar generation

[10] See AES Indiana Confidential Attachment GAC-1 MIPA, at Section 7.3, Exhibit G-1.

[11] 18 C.F.R. § 366.7.

[12] 16 U.S.C. § 824d.

assets. The Joint Venture, LLC will be jointly owned by the AES Indiana Sponsor member and by the TEP member. This transaction is detailed by AES Indiana Witness Salatto. His testimony also includes an illustration of the transaction structure. See AES Indiana Attachment FJS-1.

7. CAPACITY AGREEMENT AND CONTRACT FOR DIFFERENCES

Q45. What is a contract for differences?

A45. A contract for differences is a financial instrument entered into by two parties wherein the buyer agrees to settle with the seller the difference between the current value of an asset and its value at the time of the contract. At settlement, if the market price is higher than the contract for differences fixed price, the seller pays the difference to the buyer; if the market price is lower than the contract for differences fixed price, the buyer pays the difference to the seller. In energy markets, a contract for differences provides one party a fixed price for electric energy when a party is not physically transacting in the underlying commodity (i.e. electric energy).

Q46. Please describe the terms of AES Indiana's proposed Capacity Agreement and CfD.

A46. The CfD is a contract between AES Indiana and the ProjectCo. The CfD is effectively a fixed-price energy hedge equivalent to that provided by traditional AES Indiana-owned generation. The CfD establishes a fixed price for the facility energy output. ProjectCo is the market participant and sells all the energy from the facility into the MISO market. The CfD is settled between AES Indiana and the ProjectCo to provide the ProjectCo predictable cash revenue and the certainty of a fixed price for AES Indiana customers. For example, if the MISO price is greater than the CfD price, the difference is credited to AES Indiana; conversely, if the MISO price is less than the CfD price, the difference is paid by AES

Indiana to the ProjectCo. AES Indiana buys its load obligation from MISO at the LMP and the CfD settlement between AES Indiana and ProjectCo offsets the MISO purchase so that financially the corresponding purchase of energy is at the CfD fixed price.

The CfD includes a monthly Capacity Payment based on the operating capacity of the BESS, as tested, and an efficiency rate factor based on the minimum guaranteed efficiency rate for the BESS and actual efficiency.

The CfD also directly assigns the MISO LRZ 6 credits to AES Indiana, along with the RECs created by the Petersburg Project. AES Indiana is credited the net of Ancillary Services associated with the facility and any other generation benefits the ProjectCo receives under the Generator Interconnection Agreement.

AES Indiana's analysis contemplates the term of the CfD will be approximately [redacted] years.

A copy of the CfD is provided as AES Indiana Confidential Attachment GAC-3. This contract remains subject to negotiation and is expected to be completed once the TEP is known.

Q47. Why is a CfD being used for this transaction?

A47. As just discussed, the CfD is a "financial" rather than a "physical" contract. As explained by AES Indiana Witness Salatto, by utilizing the CfD, AES Indiana and TEP as partners in the Joint Venture, LLC, are able to avoid the potential negative tax implications that would exist if a Purchase Power Agreement were used, and this in turn allows AES Indiana to utilize the tax benefits of the Petersburg Project for the benefit of AES Indiana's customers.

Q48. What is the estimated pricing for the CfD for Petersburg Energy Center?

A48. The pricing for the first full year under the CfD for Petersburg Energy Center, 2025, is estimated to be approximately [redacted] per MWh for energy [redacted] and a storage capacity payment estimated to be approximately [redacted] per month, [redacted] As described in Q/A 45, the price is the result of a computation designed to achieve a targeted return on investment of the acquired Project based on each party's underlying investment profile and characteristics. The final CfD price is subject to negotiation with the tax equity investor.

Q49. How was the pricing for the CfD determined?

A49. The price of the CfD is determined by calculating, on a $/MWh and capacity payment basis, an amount that enables both the TEP and the AES Indiana Sponsor of the Joint Venture, LLC to achieve a targeted return on investment of the acquired Project based on each party's underlying investment profile and characteristics. [13] TEP's membership interests in the Joint Venture, LLC will enable the TEP to receive a specific percent of the ITCs and tax losses generated by the Project along with distributions of up to a specific percent of any excess cash generated by the Project. Once TEP has attained an internal rate of return ("IRR") as specified in the Joint Venture, LLC Limited Liability Company Operating Agreement ("Joint Venture LLCA"), the allocation of taxable income, loss, gain, and deductions changes as between AES Indiana Sponsor and TEP and the allocation of such taxable income, loss, gain, and deductions to the TEP drops. At this point, AES Indiana Sponsor member of the Joint Venture, LLC will have the option to acquire the TEP

[13] As proposed, distributions to AES Indiana from the ProjectCo will be credited to customers through the FAC.

interest for fair market value as defined in the Joint Venture LLCA. If AES Indiana Sponsor acquires the TEP interest, AES Indiana can consolidate the Project and eliminate the need for the CfD.

Q50. Is this pricing reasonable?

A50. The CfD price is considered to be market-based at a level in which the transaction will attract TEP investment. Attracting the TEP investment is a key component of all solar + storage projects, whether the project is a build transfer or a PPA.

Q51. Why did AES Indiana choose not to execute the CfD at this point?

A51. While we have a CfD that is ready to be executed including pricing, we view it as too early to execute it. Waiting to execute this agreement provides flexibility should facts or circumstances arise that could enable us to better optimize the CfD for our customers. While none are anticipated at this time, we are primarily thinking of changes in tax laws that could occur between now and when the project comes on-line.[14]

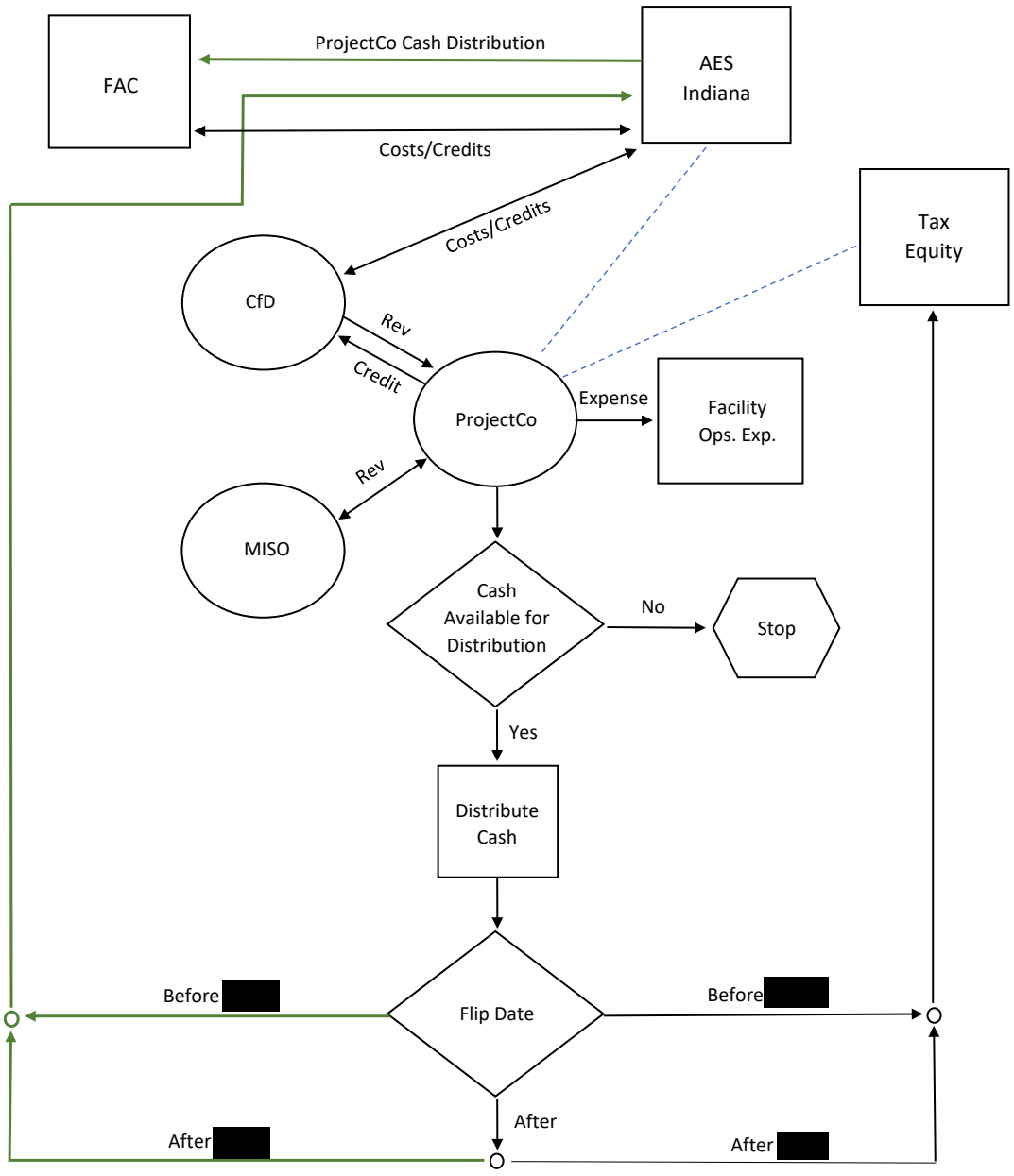
Q52. What is the cash flow for the settlements and earnings distributions under the CfD?

A52. As described in Q/A 45 and Q/A 46, AES Indiana does not take delivery of the energy from the ProjectCo under the CfD. Instead, AES Indiana financially settles each month for the difference between the CfD price and the actual LMP. AES Indiana proposes that amounts paid by AES Indiana to the ProjectCo or paid by the ProjectCo to AES Indiana will be charged or credited respectively to the Fuel Adjustment Clause ("FAC") for timely recovery or crediting to AES Indiana customers. Similarly, ProjectCo cash distributions will be timely credited to AES Indiana customers through the FAC. This is consistent with

[14] See also AES Indiana Witness Salatto Direct Testimony at Q/A 33.

the treatment approved for the Hardy Hills Project in Cause No. 45493. Figure 1 below shows how, at a high level, these charges and credits flow to AES Indiana customers.

Figure 1. Illustrative Petersburg Project Revenues and Distributable Cash Flows[15]



[15] Does not reflect intermediate holding companies. Does not reflect any tax attributes allocation between AES Indiana and TEP.

Q53. Please discuss how ProjectCo will operate.

A53. The AES Indiana Sponsor of the Joint Venture will be responsible for operations and operating decisions. Operations will be funded by a combination of two revenue sources – MISO sales and revenue from a CfD between the ProjectCo and AES Indiana. It is anticipated that O&M will be performed by AES Indiana under an intercompany O&M agreement. This approach will leverage AES Indiana's existing facility and resources efficiently for the benefit of this Project and our customers.

Q54. Please explain why the Joint Venture documents cannot be executed now.

A54. Until it is clear the project will be built and proceed, Tax Equity Partnership ("TEP") investors will not engage in detailed diligence/negotiations as they have finite resources. This will not occur until the final regulatory approval is secured, which is the initial major milestone for the project to move forward.

Prior to the Joint Venture LLCA and the Equity Capital Contribution Agreement and Membership Interest Purchase Agreement between AES Indiana DevCo and Joint Venture, LLC transferring the ProjectCo ("TEP MIPA") being negotiated and executed, parties will agree on major items through term sheet negotiations. The term sheet that AES Indiana is proposing to use, is attached to Witness Salatto's testimony as AES Indiana Confidential Attachment FJS-2. Once the term sheet is agreed, documentation of the Joint Venture LLCA will proceed.

The Investment Tax Credit ("ITC") tax benefits flow to the TEP in the year the project comes on-line. For the Petersburg Project this is 2024. TEP's are unable to provide commitments this far in advance for a 2024 project such as the Petersburg Project as they do not yet know what their respective tax positions will be for 2024 and how much tax-

equity appetite they will have. Most TEP's are rounding out their 2021 project allocations now and are looking at providing commitments for 2022 projects.

8. RECS

Q55. What are RECs?

A55. A REC is produced when a renewable energy resource generates one MWh of electricity and delivers it to the grid. For example, if a solar facility produces five MWh of electricity, it has five RECs to either keep or sell. The exchange of RECs is tracked and recorded. RECs were created as a means to track progress towards and compliance with states' Renewable Portfolio Standards. However, any corporation, business, nonprofit, or individual may purchase RECs to meet their renewable energy objectives. AES Indiana expects that the RECs produced by the Petersburg Project will be tracked through the Midwest Renewable Energy Tracking System or similar system.

Q56. How are RECs from Petersburg Energy Center treated in the transaction?

A56. As described in Q/A 46, the CfD directly assigns the RECs created by the Petersburg Project to AES Indiana.

Q57. What does AES Indiana plan to do with the RECs?

A57. AES Indiana may either retain the RECs associated with the Petersburg Project or sell them. If AES Indiana retains the RECs, AES Indiana may retire them or allow them to expire. If AES Indiana sells the RECs, the value associated with the sale would be credited to customers. AES Indiana will make a good faith effort to discuss its plans with the OUCC.

9. BEST ESTIMATE OF PETERSBURG PROJECT

Q58. What is the Company's best estimate for the cost of the Petersburg Project?

A58. The best estimate for the Petersburg Project cost is identified by component in Table 1.

Table 1. Petersburg Energy Center Best Estimate[16]

Base Purchase Price (per MIPA)	[redacted]
EPC Price (per EPC)	
Interconnection cost	
Pre-COD land lease and property tax	
Tax equity contribution	
Total	

Q59. How was the cost estimate developed?

A59. The cost for Petersburg Energy Center was determined through the competitive RFP and subsequent negotiations with NextEra. The best estimate for Petersburg Energy Center is then directly from the MIPA and EPC and associated documents. See "Base Purchase Price", Exhibit A, Definitions, in AES Indiana Confidential Attachment GAC-1, Membership Interest Purchase, Project Development. See "EPC Price" in AES Indiana Confidential Attachment GAC-2, Engineering, Procurement and Construction Agreement, at Exhibit B. The interconnection cost reflected in the best estimate is from AES Indiana Transmission Planning Engineering. AES Indiana Witness Salatto explains the basis for the estimated TEP contribution.

Q60. Is it possible that AES Indiana will make additional investment in the acquisition of the Petersburg Project beyond the best estimate of the investment discussed above?

A60. Yes. AES Indiana does not anticipate a need for additional investment beyond the best estimate of the investment discussed above. However, situations such as force majeure,

[16] Best estimate excludes carrying charges. See AES Indiana Witness Rogers Direct Testimony.

excused events, increases to transmission interconnection costs or AES Indiana-initiated change orders, could result in a need for additional investment. The costs of any such additional investment would be presented by AES Indiana to the Commission for review and approval prior to recovery through rates.

Q61. In your opinion, is the estimated cost of the Petersburg Project reasonable?

A61. Yes. The Petersburg Energy Center cost is the result of the competitive RFP process and direct negotiation.

Q62. What contractual protections are included in the MIPA and EPC agreements with NextEra to limit the possibility of project cost increases?

A62. [redacted]

[17] AES Indiana Confidential Attachment GAC-1 MIPA at Section 4.1.

[18] AES Indiana Confidential Attachment GAC-2 EPC at Section 4.1.3.

[redacted]

While the Company has taken steps to safeguard project costs, the Company does not have control over all factors that impact costs, such as project cost increases due to force

[19] AES Indiana Confidential Attachment GAC-2 EPC Section 6.2.1.

[20] AES Indiana Confidential Attachment GAC-2 EPC Section 6.1.2.

[21] AES Indiana Confidential Attachment GAC-2 EPC Section 6.3.

[22] AES Indiana Confidential Attachment GAC-2 EPC Section 6.4.2.

[23] AES Indiana Confidential Attachment GAC-2 EPC Section 6.5.2.

[24] AES Indiana Confidential Attachment GAC-2 EPC Section 6.4.

[25] AES Indiana Confidential Attachment GAC-2 EPC Sections 9.1 and 9.2.

[26] AES Indiana Confidential Attachment GAC-2 EPC Article 7.

[27] AES Indiana Confidential Attachment GAC-2 EPC Section 7.1.

majeure, including unforeseeable conditions at the site, and changes in law, including changes in tax law.

Q63. What guarantees exist for the development of the Petersburg Project facilities to assure that the Project's major facilities' operations will align with reasonable expectations of the performance, and the major equipment suppliers will honor all warranties, guarantees, and commitments to the Project?

A63. [redacted]

Q64. Did AES Indiana comply with Ind. Code § 8-1-8.5-5(e)?

A64. Yes. The Commission should find that AES Indiana has satisfied this statutory requirement or decline to exercise it.

In pertinent part, this statutory subpart provides that the Commission must find that the estimated costs of the proposed facility are, to the extent commercially practicable, the result of competitively bid engineering, procurement, or construction contracts, as

[28] AES Indiana Confidential Attachment GAC-2 EPC Article 8.

applicable. The statutory provision contains other related provisions relevant to the competitive procurement of generating facilities.

The Commission recently found that the purpose behind this statutory provision is: 1) to confirm the reasonableness and reliability of the cost estimates that form the basis for the Commission's best estimate finding; and 2) to assure that the actual costs that are incurred are, to the extent commercially practicable, based on competitive procurement.[29]

Here, the need for the renewable generation for which AES Indiana seeks approval in this filing was originally defined in AES Indiana's 2019 IRP. AES Indiana issued an All-Source RFP in December 2019. Respondents to the RFP were motivated to reply with firm and competitive bids in order to be considered for AES Indiana's investment and the negotiation of an agreement. In the case of Petersburg Energy Center, an EPC Contractor will be used as discussed above and reflected in AES Indiana Confidential Attachment GAC-2. Because AES Indiana's proposal to develop Petersburg Energy Center grew out of the competitive All-Source RFP, the estimated cost of this proposed Project stems from competitive bids from developers. It was commercially practicable to secure the estimated costs of the Petersburg Project in this manner.

In sum, the estimated cost of the Petersburg Project is reasonable and reliable because it is the product of the competitive bidding process and a negotiated and executed MIPA and EPC. The Commission should find that the requirements of Ind. Code § 8-1-8.5-5(e) have been satisfied. In the alternative, the Commission should decline to exercise jurisdiction

[29] AES Indiana, Cause No. 45493 (IURC 6/16/2021) (Hardy Hills), p. 13 citing Orders in Cause No. 45462 (Dunn's Bridge/Cavalry) at 71 and Cause No. 45194 (Rosewater) at 56 (8/7/2019).

under this section. The process used by the Company reasonably addresses the risk of cost overruns and the statutory requirements have been reasonably satisfied. Therefore, it would be unnecessary or wasteful to further exercise these statutory requirements.

10. ONGOING REVIEW

Q65. Please discuss the Company's request for ongoing Commission review?

A65. AES Indiana proposes that the Commission maintain an ongoing review of the construction of the Project as it proceeds. This process will include the reporting of information to the Commission as well as the conducting of confidential briefings to update the OUCC and Intervenors as the Company moves through the negotiation of the CfD and TEP agreements.

AES Indiana proposes to submit semi-annual progress reports to the Commission during construction, including any revisions to the cost estimates for the Project cost. The final project report will contain the following information: (a) the actual total cost of construction; (b) the total megawatt output for the Project; and (c) the actual in-service (commercial operation) date for the Project. The semi-annual progress reports would be filed in a subdocket subject to the protection of confidential information.

a. First progress report will be filed by September 30, 2022.

b. Second progress report will be filed by March 31, 2023.

c. Reports thereafter will be filed on a like schedule until project COD.

The Company proposes to work with the OUCC and any intervenors on an agreed procedural process that will allow the reports, including any cost increase requests, to be reviewed and addressed by Commission decision in 120 days.

Also, AES Indiana will offer to meet with the OUCC and intervenors at least twice as the Company moves through the negotiation of the unexecuted agreements. The purpose of the confidential briefing will be to update the OUCC and Intervenors on the status of the agreements and any changes in contract terms that result in additional costs that will impact rates or changes in how AES Indiana may manage the project. The briefing will also cover updates on expected economics for the CfD, Joint Venture LLCA, and TEP MIPA including, but not limited to:

- CfD: Pricing and term; and
- Joint Venture LLCA & TEP MIPA: TEP contribution amounts, TEP rate of return, projected flip date, Cash and Tax distribution splits.

AES Indiana contemplates that the first meeting will be in Q3 2023; the second meeting will be prior to the execution of the agreements. AES Indiana will file the executed CfD and the Joint Venture LLCA and TEP MIPA in the ongoing review process (subject to protection of confidential information).

11. CONCLUSION

Q66. What is your recommendation to the Commission?

A66. I recommend the Commission issue a Certificate of Public Convenience and Necessity and otherwise approve AES Indiana's development of Petersburg Energy Center and the associated relief sought by the Company in this proceeding.

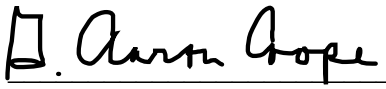
Q67. Does that conclude your prepared verified direct testimony?

A67. Yes

VERIFICATION

I, G. Aaron Cooper, AES US Services, LLC Chief Commercial Officer, US Utilities, affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

Dated July 30, 2021.



G. Aaron Cooper

MEMBERSHIP INTEREST PURCHASE AND PROJECT DEVELOPMENT AGREEMENT

BETWEEN

AES INDIANA DEVCO HOLDINGS 2, LLC

("PURCHASER")

PETERSBURG ENERGY CENTER HOLDINGS, LLC

("SELLER")

EFFECTIVE AS OF JULY 9, 2021

PETERSBURG PROJECT

AES Indiana Confidential Attachment GAC-1

(Pages 2 through 352 Confidential – Not Reproduced Herein)

AES Indiana Confidential Attachment GAC-2

Engineering, Procurement and Construction Agreement

(Confidential – Not Reproduced Herein)

AES Indiana Confidential Attachment GAC-3

AES Indiana's proposed Capacity Agreement and Contract for Differences

(Confidential – Not Reproduced Herein)