

FILED
June 28, 2023
INDIANA UTILITY
REGULATORY COMMISSION

VERIFIED DIRECT TESTIMONY
OF
KRISTINA LUND
ON BEHALF OF
INDIANAPOLIS POWER & LIGHT COMPANY
D/B/A AES INDIANA
Cause No. 45911

SPONSORING AES INDIANA ATTACHMENT KL-1

VERIFIED DIRECT TESTIMONY OF KRISTINA LUND
ON BEHALF OF AES INDIANA

1. INTRODUCTION

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

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

Q2. What is your position with AES Services?

A2. I am President and Chief Executive Officer (“CEO”) of AES, US Utilities. In that role, I serve as President and CEO of: AES Indiana; AES Indiana’s parent company, IPALCO Enterprises, Inc. (“IPALCO”); IPALCO’s parent company, AES U.S. Investments; The Dayton Power and Light Company d/b/a AES Ohio (“AES Ohio”); and of AES Ohio’s parent company, DPL, Inc.

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 President and CEO.

A4. As the President and CEO, I lead the team responsible for ensuring that the Company’s customers have access to safe, reliable, and affordable electric service. I also engage in external efforts relating to governmental and regulatory affairs and interact with state and community leaders and other stakeholders on matters relevant to AES Indiana’s business

1 in Indiana. My responsibilities include managing and directing the following departments
2 of AES Indiana: transmission and distribution operations, power generation operations,
3 construction, regulatory, legal, finance, human resources, customer operations,
4 commercial, and public relations.

5 **Q5. Please summarize your education and professional qualifications.**

6 A5. I have a bachelor's degree in Economics from Wellesley College and a Master's in
7 Business Administration from Harvard Business School.

8 **Q6. Please summarize your prior work experience.**

9 A6. I have more than 15 years of experience with the AES Corporation. I assumed the role of
10 President, US Utilities, in October 2020. Prior to this role, I developed innovative
11 renewable energy products as Chief Product Officer, Carbon Free Energy, for AES. From
12 2018 to 2020, I was Chief Financial Officer ("CFO") of the Mexico, Central America, and
13 Caribbean ("MCAC") business unit of AES where I was responsible for leading and
14 managing all financial matters for the MCAC business unit. From 2017 to 2018, I was the
15 CFO of AES's Eurasia business unit, covering AES's operations in eight countries from
16 Vietnam to the United Kingdom. Previously, I served as the Vice President of the AES
17 Corporate Strategy and Investment group. In this role, I facilitated AES's Investment
18 Committee, which sets the Company's strategy and approves investments into AES's
19 growth projects around the world. I have held positions in several groups in AES's finance
20 organization, including mergers and acquisitions, financial planning and analysis, and
21 investor relations.

22 **Q7. Have you testified previously before the Indiana Utility Regulatory Commission**

1 **(“Commission”) or any other regulatory agency?**

2 A7. Yes. I filed direct testimony before this Commission in Cause No. 45493 (Hardy Hills
3 Solar Project) and Cause No. 45591 (Petersburg Energy Center Project). In 2019, I filed
4 direct testimony on behalf of intervenor AES Puerto Rico, L.P. in Case No. CEPR-AP-
5 2018-0001 before the Commonwealth of Puerto Rico Public Service Regulatory Board
6 Puerto Rico Energy Bureau. Additionally, in 2020 and 2022, respectively, I filed direct
7 testimony on behalf of AES Ohio in Case No. 20-1651-EL-AIR (Distribution Rate Case)
8 and No. 22-0900-EL-SSO (Electric Security Plan) before the Public Utilities Commission
9 of Ohio.

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

11 A8. My testimony provides an overview of AES Indiana and provision of service in Central
12 Indiana. I summarize the Company’s overall request, explain why this rate review is
13 necessary, and describe the Company’s effort to secure grant funding to offset the cost of
14 needed investments and contribute to the Company’s ongoing effort to maintain the
15 affordability of the electric service we provide. I also explain this rate review filing is
16 consistent with the considerations enumerated in House Enrolled Act (“HEA”) 1007
17 (2023).

18 **Q9. Are you sponsoring or co-sponsoring any financial exhibits or attachments?**

19 A9. Yes. I sponsor or co-sponsor the following attachment:

- 20 • AES Indiana Attachment KL-1 - Verified Petition

21 **Q10. Did you submit any workpapers?**

22 A10. No.

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

4 A11. Yes.

5 **Q12. Are you familiar with the Petition in this proceeding and the relief that it seeks?**

6 A12. Yes.

7 **2. COMPANY OVERVIEW**

8 **Q13. Please describe AES Indiana’s relationship with The AES Corporation and CDPQ.**

9 A13. AES is a US-based energy company with global operations. AES’ generation businesses
10 have a combined generation capacity of 32.3 GW. AES also owns and operates six utilities,
11 two in the United States (AES Indiana and AES Ohio) and four in El Salvador. These
12 utilities provide service to approximately 2.6 million customers. In addition to AES’
13 ownership, CDP Infrastructures Fund L.P., a wholly-owned subsidiary of La Caisse de
14 depot et placement du Quebec (“CDPQ”), also owns a minority equity interest in IPALCO,
15 AES Indiana’s immediate parent company. AES US Services, LLC, which is the service
16 company that supports AES Indiana and other AES affiliates, is headquartered in
17 Indianapolis, Indiana.

18 **Q14. Please generally describe AES Indiana, its service territory and provision of retail**
19 **electric service in Central Indiana.**

20 A14. AES Indiana provides retail electric service in ten counties in Central Indiana, including
21 Marion County and parts of nine adjoining counties. As of December 31, 2022, AES

1 Indiana supplies retail electric service to approximately 519,000 residential, commercial,
2 and industrial customers.

3 Our mission at AES and AES Indiana is accelerating the future of energy, together. To
4 achieve that mission, AES Indiana is guided by three core values. First, we put safety first
5 for our people, contractors and communities. Second, we act with the highest standards,
6 which is at the core of all we do and how we conduct ourselves and interact with all of our
7 stakeholders. Third, we work all together, as one team moving with vision, speed, and
8 flexibility to adapt to our dynamic and rapidly changing world.

9 AES Indiana works to provide reliable service and invest in sustainable and innovative
10 energy solutions to provide value to customers while keeping our price for service
11 comparatively low. In this case, AES Indiana witness Barbarisi discusses the Company's
12 work to modernize and optimize the Company's customer information and data/operations
13 management systems through the AES Customer Ecosystem or "ACE Project". The ACE
14 Project will replace obsolete technology. The Project updates and integrates the customer
15 information system ("CIS"), meter data management ("MDM"), field services
16 management ("FSM"), and customer service management ("CSM") components. The
17 ACE Project will enhance our operations, provide greater technical flexibility, billing
18 efficiencies and otherwise improve the customer experience.

19 Since the last rate case (IURC CN 45029) AES Indiana has successfully retired two coal
20 fired generating units at Petersburg Station ("Petersburg") and is engaged in the
21 development of renewable generation projects to meet its need for replacement capacity
22 consistent with our Integrated Resource Plan and state policy related to environmental

1 sustainability. As a result of AES Indiana’s Transmission, Distribution, and Storage
2 System Improvement Charge (“TDSIC”) Plan, AES Indiana has placed in service \$341
3 million in transmission and distribution investment as of December 31, 2022.¹ This
4 investment is being rolled into base rates in this proceeding. These investments include
5 circuit rebuilds, substation upgrades and asset replacement, distribution automation,
6 Automated Distribution Management System (“ADMS”), and AMI meter replacement.

7 The Company’s capital investments support our efforts to adapt to market, technological,
8 regulatory and other changes as we continue our work to improve the customer experience
9 and meet the ongoing and changing energy needs of the future. As shown by AES Indiana
10 witness Baker, the Company’s rates have been and will remain comparatively low if the
11 Company’s proposals in this case are approved.

12 **3. AES INDIANA’S REQUESTED RATE RELIEF**

13 **Q15. When were AES Indiana’s current basic rates and charges established?**

14 A15. AES Indiana’s current basic rates and charges were established by a Commission Order
15 approving a settlement agreement in Cause No. 45029 and were effective on December 5,
16 2018. The adjusted test year in that proceeding was the twelve months ended June 30,
17 2017. AES Indiana’s rates were adjusted to reflect the repeal of Indiana Utility Receipts
18 Tax via a 30 Day Filing in Cause No. 50543, with rates effective for the July 2022 billing
19 period. It has been more than 15 months since AES Indiana filed its petition docketed as

¹ Workpaper REV5-WP8, for AES Indiana Financial Exhibit AESI-REV, Schedule REV5.

1 Cause No. 45029.² This petition is also filed before the expiration of the seven-year TDSIC
2 Plan approved in Cause No. 46264.³

3 **Q16. What is the annual revenue increase being sought by AES Indiana in this proceeding?**

4 A16. In this proceeding, AES Indiana requests Commission approval of an annual increase in
5 revenues of approximately \$134 million, which is an overall increase of approximately
6 9%.⁴ The amount is based on a test year ended December 31, 2022, with adjustments for
7 fixed, known and measurable changes and appropriate normalizations and annualizations.
8 The Company's proposals are supported by the testimony of numerous subject matter
9 experts and an index of the filing is provided as part of the petition included with my
10 testimony as AES Indiana Attachment KL-1.

11 **Q17. Why is the requested rate review necessary?**

12 A17. This rate review proceeding is necessary to comply with the TDSIC statutory requirement
13 and to address the impact of the current inflationary operating environment, which drives
14 increases in our labor and other operating costs. The Company's actual non-fuel operating
15 costs for the test year in this case (twelve months ended December 31, 2022) were
16 approximately \$83 million greater than the operating costs reflected in our existing base
17 rates.⁵

² This rule, commonly referred to as the 15 month test, is found in Indiana Code § 8-1-2-42(a). See AES Indiana Attachment KL-1 (Verified Petition), ¶ 16.

³ The seven-year requirement is found in Indiana Code 8-1-39-9(e), "A public utility that implements a TDSIC plan under this chapter shall, before the expiration of the public utility's approved TDSIC plan, petition the commission for review and approval of the public utility's basic rates and charges with respect to the same type of utility service."

⁴ AES Indiana witness Rimal Direct Testimony.

⁵ The \$83 million amount reflects the (d)(2) test from the Company's FAC 139, which represents the operating expenses excluding fuel costs in excess of the expenses included in Cause No. 45029. This value is representative of the twelve months ended January 31, 2023.

1 This rate review also reflects the cost of operational needs, such as capacity costs,
2 vegetation management, consumables, insurance, and economic development. This filing
3 also updates our depreciation rates to better align depreciation expense with the period in
4 which the generation plants provide service to customers. In this filing, the Company is
5 also removing from rates the operational costs of the retired Petersburg units.

6 This filing is also necessary to reflect in rate base the Company's significant capital
7 additions, such as the ACE Project and the previously approved TDSIC Plan projects, and
8 to provide a fair return on the Company's rate base. This enables the Company to protect
9 its credit rating, attract new capital in both the debt and equity markets on reasonable terms,
10 and finance system improvements at a reasonable cost for the benefit of our customers.

11 This rate review package presented to the Commission also reflects an updated cost of
12 service study, updated rate design and proposed tariff changes as supported by AES Indiana
13 witnesses Rimal and Baker.

14 **Q18. Did you consider the impact of AES Indiana's request on customers?**

15 A18. Yes. AES Indiana provides service that is vital to the health and prosperity of the
16 community. The Company works to provide service at a price that is affordable and
17 competitive across our residential, commercial and industrial customer classes. The
18 Company has consistently provided reliable electric service at rates among the lowest in
19 the state. We keep to the front of our minds that how we manage our business ultimately
20 impacts our customers. The operating costs in the proposed revenue requirement are
21 reasonable and necessary to fulfill our obligation to provide reliable service to our
22 customers.

1 Per AES Indiana witness Rimal, the monthly bill of a residential customer using 1,000
2 kWh per month would increase by approximately \$17, which is an increase of
3 approximately 13%.⁶ As AES Indiana witness Baker explains, if the Company’s proposal
4 in this proceeding is approved, AES Indiana’s monthly bill for a residential customer using
5 1,000 kWh per month would remain one of the lowest out of the five Investor Owned
6 Utilities (“IOUs”).⁷ This comparison is based on the Commission’s most recent bill survey
7 (the July 2022 Residential Bill Survey) and thus assumes no other IOU rates increase.

8 AES Indiana offers energy efficiency programs to help customers manage their energy
9 consumption and lower their energy bills, including a home weatherization program that
10 we’ve offered to our income qualified customers for almost 30 years.⁸ The Company works
11 with the Low Income Home Energy Assistance Program (“LIHEAP”). In October 2022,
12 we joined in a program with Citizens Energy Group to educate Central Indiana residents
13 about energy assistance programs and resources available to customers in preparation for
14 winter-heating bills. We understand that a segment of our customers face economic
15 challenges and have difficulty paying their bills. AES Indiana offers a preferred billing
16 date if a particular time of the month is more convenient for a customer. Budget billing is
17 also offered to help reduce volatility in monthly bills. We also work individually with
18 customers who fall behind on bill payments to work out a plan to get their account current.
19 Finally, as discussed below, the Company is pursuing grants for projects to offset the cost
20 of needed investments and contribute to the Company’s ongoing effort to maintain the
21 affordability of the electric service we provide.

⁶ AES Indiana witness Rimal, Direct Testimony, Q/A 78.

⁷ AES Indiana witness Baker, Direct Testimony, Q/A 45.

⁸ IURC Cause No. 39672, Order dated September 8, 1993.

1 **Q19. Is AES Indiana taking steps to communicate with its residential customers regarding**
2 **this case?**

3 A19. Yes. AES Indiana has a proactive plan to reach all customer classes to discuss this rate
4 review application and its potential impacts. This will include direct mail, email, website,
5 social media and community meetings. AES Indiana will provide customer notice of this
6 case to our residential customers consistent with and in accordance with the Commission's
7 rules. AES Indiana's website makes additional information available to customers and
8 provides customers the ability to assess their individual bill impact with a bill calculator.
9 After the filing of this case, AES Indiana will continue to meet with customers via
10 neighborhood meetings to explain and discuss the filing. AES Indiana will also use other
11 channels to communicate information to its customers about the case.

12 AES Indiana commits to continue our efforts to engage in a respectful dialogue with all
13 our stakeholders about the costs that drive the price for electric service and the distribution
14 of those costs among the various customer groups.

15 **Q20. Please describe need for ongoing AES Indiana investment to provide service.**

16 A20. To meet the needs for service, AES Indiana needs to invest in its generation, transmission,
17 and distribution over the next several years. As evident in the IPALCO Enterprises Inc.
18 2022 Form 10-K, based on needs in our service area, AES Indiana plans to make \$2 billion
19 in investment over the next three years.⁹ These investments include efforts to enhance the
20 environmental sustainability and stability of its operations through the transition of our

⁹ IPALCO Enterprises Inc. 2022 Form 10-K, p. 50.

1 generation fleet. Access to capital markets will be required to meet this capital expenditure
2 forecast.

3 **Q21. Please elaborate on the Company's efforts to pursue grant funding to offset costs and**
4 **otherwise benefit customers.**

5 A21. AES Indiana is actively pursuing federal funding opportunities. The federal funding
6 available from the Bipartisan Infrastructure Law ("BIL"), also known as the Infrastructure
7 Investment and Jobs Act ("IIJA"), provides \$550 billion over the five-year period (2022-
8 2026) in new federal funds to support infrastructure investment. AES Indiana is working
9 with a consultant to review available funding and match with appropriate potential utility
10 projects.

11 In late 2022, the Company applied for Department of Energy (DOE) Office of Energy
12 Efficiency & Renewable Energy (EERE) Solar and Wind Grid Services and Reliability
13 Demonstration Funding Program Topic 2: Protection of Bulk Power Systems with High
14 Contribution from Inverter-Based Resources Funding Opportunity Announcement (FOA)
15 2745. AES Indiana's application was not selected, but the University of Illinois – Chicago
16 (UofI-C) project was and DOE and UofI-C reached out for the AES Indiana team to
17 contribute. This project totals \$500,000 with 50% cost share. AES Indiana has \$250,000 in
18 cost share responsibility for this project. In spring 2023, the Company partnered with the
19 other Indiana utilities and the State of Indiana Office of Energy Development (OED) Grid
20 Resilience and Innovation Partnerships (GRIP) Program FOA 2470 proposal submitted to
21 DOE Grid Deployment Office (GDO) on May 19, 2023. AES Indiana's portion of the
22 project has a total project cost of \$6 million with 50% cost share. Therefore, the Company
23 would have \$3 million in cost share responsibility for this project would it be awarded in

1 final stage to OED by DOE. In addition, AES Indiana has engaged with the DOE Loan
2 Program Office (LPO) regarding a potential loan or loans for AES Indiana new generation
3 projects and submitted a Letter of Support to the City of Indianapolis Office of
4 Sustainability's application for Charging Fueling Infrastructure (CFI) funding.

5 By identifying and securing grant funding the Company may be able to reduce the costs of
6 infrastructure investment and thereby reduce the cost of our ongoing efforts to strengthen
7 and modernize the facilities needed to provide service, maintain reliability and resiliency
8 and otherwise provide benefits for our customers.

9 **Q22. Are you familiar with HEA 1007 (2023) codified as Ind. Code § 8-1-2-0.6?**

10 A22. Yes. In HEA 1007, effective July 1, 2023, the Indiana General Assembly declares that it
11 is the continuing policy of the state that decisions concerning Indiana's electric generation
12 resource mix, energy infrastructure, and electric service ratemaking constructs must
13 consider each of five attributes of electric utility service enumerated in the statute, namely:
14 Reliability, Affordability: Resiliency, Stability; and Environmental Sustainability. These
15 attributes are consistent with the "Five Pillars" of utility service recommended in the
16 August 14, 2020 Report of the Indiana 21st Century Energy Policy Development Task
17 Force. AES Indiana understands the importance of each attribute. The Company
18 considered the Five Pillars in the development of the Company's Integrated Resource
19 Planning. The Company considered the five attributes in HEA 1007 (2023) in the
20 preparation of this rate review request as well as in the Company's general planning and
21 decisions. I discuss each attribute below, touching on recent other dockets for continuity,
22 as well as describing how the proposals in this rate review proceeding reflect the HEA
23 1007 considerations.

1 I discuss the Company's ongoing effort to maintain the affordability of our service above
2 and Company witness Rimal also discusses our efforts in this proceeding related to cost
3 allocation and rate design, to recognize the importance of this attribute. In addition, the
4 Company has and continues to use incentive tax credits to reduce the cost of new renewable
5 resources, to select its IRP Preferred Resource Portfolio by targeting a low present value
6 revenue requirement, to use renewable energy certificate sales to reduce the cost of service,
7 and to flow all off system sales margins from the wholesale market as a credit to reasonably
8 reduce the retail cost of service for the benefit of our customers. The Company also offers
9 energy efficiency and demand-side programs in accordance with its DSM Plan approved
10 in a separate proceeding to help customers use energy efficiency and reduce the cost of
11 electric service.

12 Reliability¹⁰, resiliency¹¹ and stability¹² considerations are supported by the Company's
13 ongoing investment in our production plant, and transmission and distribution systems.
14 This includes the investment we have and continue to make pursuant to our Commission
15 approved TDSIC Plan, investment in the ACE Project, and ongoing investment in our
16 generation facilities, including the new renewable capacity additions we have presented in
17 separate proceedings to address reliability by ensuring the Company's capacity
18 requirement is met. The Company's development of renewable energy provides a more
19 environmentally sustainable and diverse generation mix for customers, consistent with
20 state policy. The development of these resources, which has been reviewed and approved

¹⁰ This attribute is further supported by the direct testimonies of AES Indiana witnesses Bigalbal, Bocook, Holtsclaw, and Steiner.

¹¹ This attribute is further supported by the direct testimony of AES Indiana witness Holtsclaw.

¹² This attribute is further supported by the direct testimonies of AES Indiana witnesses Bocook, Dickerson, Holtsclaw, and Steiner.

1 by the Commission, benefits the environment and is consistent with current and potential
2 customers' interest in solar energy as a generating resource. Safe, reliable, affordable and
3 sustainable energy can be a competitive advantage for Indianapolis and Indiana in
4 attracting new investment. In addition, maintaining and growing the business community
5 is beneficial because it provides a larger base over which to spread the fixed costs of
6 providing retail electric service. While the Company strives to control the cost of providing
7 service, it is important to maintain and grow load as a means of keeping our rates
8 reasonably low and competitive. Retaining and attracting new customers, who are
9 increasingly interested in being served by green energy resources, is an important part of
10 our effort to keep rates comparatively low. AES Indiana witness Staton discusses the
11 importance of the Company's proposed Economic Development Rider to the Company's
12 ongoing effort to help attract businesses and industries to our service area.

13 **4. SUMMARY AND RECOMMENDATIONS**

14 **Q23. Please summarize your testimony and recommendations.**

15 A23. AES Indiana provides retail electric service in ten counties in Central Indiana, including
16 Marion County and parts of nine adjoining counties. AES Indiana works to control its costs
17 and provide reliable service and invest in sustainable and innovative energy solutions to
18 provide value to customers while keeping our price for service comparatively low. As of
19 December 31, 2022, AES Indiana supplies retail electric service to approximately 519,000
20 residential, commercial, and industrial customers.

21 In this proceeding, AES Indiana requests Commission approval of an annual increase in
22 revenues of approximately \$134 million, which is an overall increase of approximately

1 9%.¹³ The amount is based on a test year ended December 31, 2022, with adjustments for
2 fixed, known and measurable changes and appropriate normalizations and annualizations.
3 The Company's rates have been and will remain comparatively low if the Company's
4 proposals in this case are approved.

5 This rate review proceeding is necessary to comply with the TDSIC statutory requirement
6 and to address the impact of the current inflationary operating environment, which drives
7 increases in our labor and other operating costs. This rate review reflects operational needs
8 and updates our depreciation rates to better align depreciation expense with the period in
9 which the generation plants provide service to customers. In this filing, the Company is
10 also removing from rates the operational costs of the retired Petersburg units.

11 This filing is also necessary to reflect in rate base the Company's significant capital
12 additions, such as the ACE Project and the previously approved TDSIC Plan projects, and
13 to provide a fair return on the Company's rate base. The ACE Project replaces obsolete
14 technology with a modern customer information and data/operations management system.
15 The ACE Project enhances our operations, provides greater technical flexibility, billing
16 efficiencies and otherwise improves the customer experience.

17 AES Indiana is actively pursuing federal funding opportunities. By identifying and
18 securing grant funding the Company may be able to reduce the costs of infrastructure
19 investment and thereby reduce the cost of our ongoing efforts to strengthen and modernize
20 the facilities needed to provide service, maintain reliability and resiliency and otherwise
21 provide benefits for our customers.

¹³ AES Indiana witness Rimal Direct Testimony.

1 The Company rate filing reasonably considers each of the five attributes of electric utility
2 service enumerated in the HEA 1007, effective July 1, 2023, namely: Reliability,
3 Affordability; Resiliency, Stability; and Environmental Sustainability.

4 **Q24. Does this conclude your verified pre-filed direct testimony?**

5 A24. Yes.

VERIFICATION

I, Kristina Lund, President and CEO of AES Indiana, affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read "Kristina Lund", written in black ink.

Kristina Lund

Dated: June 28, 2023

Attachment KL-1

[Verified Petition – Not Duplicated Herein]