

**VERIFIED REBUTTAL TESTIMONY**

**OF**

**CHAD A. ROGERS**

**ON BEHALF OF**

**INDIANAPOLIS POWER & LIGHT COMPANY**

**D/B/A AES INDIANA**

**CAUSE NO. 45493**

**FILED**  
April 23, 2021  
**INDIANA UTILITY  
REGULATORY COMMISSION**

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INDIANAPOLIS POWER & LIGHT COMPANY D/B/A AES INDIANA**

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

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

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

6   A2.   I am Senior Manager, AES Indiana Regulatory and RTO Policy.

7   **Q3.   Are you the same Chad Rogers that filed direct testimony on behalf of AES Indiana**  
8           **in this Cause?**

9   A3.   Yes.

10   **Q4.   What is the purpose of your rebuttal testimony?**

11   A4.   The purpose of my rebuttal testimony is two-fold. First, I respond to certain issues in the  
12           testimony of the Office of Utility Consumer Counselor (“OUCC”) and the AES Indiana  
13           Industrial Group (“Industrial Group”).<sup>1</sup> Second, I present certain modifications to the  
14           Company’s proposals which the Company agrees to in response to the concerns raised by  
15           the OUCC and Industrial Group witnesses and I explain why the proposed resolution is  
16           reasonable. These proposals are set forth in IPL Attachment CAR-1R and are co-sponsored  
17           by AES Indiana Witnesses Cooper and Salatto.<sup>2</sup> In particular, Mr. Cooper addresses IPL

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<sup>1</sup> Absence of a response to every issue raised in the OUCC’s and Industrial Group’s testimony does not mean I agree with the OUCC and Industrial Group on those issues.

<sup>2</sup> For ease of reference, I refer to this attachment herein as IPL Attachment CAR-1R even though the filing includes both a confidential and public version.

1        Attachment CAR-1R Sections 1-3. Mr. Salatto addresses IPL Attachment CAR-1R  
2        Section 4. I address IPL Attachment CAR-1R Sections 5-10.

3        **Q5. Are you sponsoring any attachments?**

4        A5. Yes. I am sponsoring IPL Attachment CAR-1R and 1R-C described above.

5        **Q6. Are you sponsoring any workpapers?**

6        A6. Yes. I submitted workpapers in support of the estimated rate impact discussed below.

7        **Q7. How was IPL Attachment CAR-1R developed?**

8        A7. As mentioned in the OUCC testimony, the Company and the OUCC had multiple of “tech-  
9        to-tech” and other discussions prior to the filing of the OUCC’s case-in-chief. Following  
10       the intervention by the Industrial Group and the filing of the OUCC and Intervenor  
11       testimony, these discussions were continued and broadened to include all parties. I  
12       participated in these discussions as did other members of the AES Indiana team. These  
13       meetings facilitated the parties’ understanding the issues and concerns and ultimately  
14       resulted in the compromises set forth in IPL Attachment CAR-1R. My understanding is  
15       with these proposed modifications, the other parties either support or do not object to  
16       Commission approval of the relief sought by the Company in this docket.

17       **Q8. How is the Company’s rebuttal testimony organized?**

18       A8. In addition to my testimony, four other Company witnesses present rebuttal testimony: G.  
19       Aaron Cooper, Erik K. Miller, Frank J. Salatto, and Danielle S. Powers. Our rebuttal  
20       clarifies the Company filing, explains how our views differ from that presented by the  
21       OUCC and Industrial Group witnesses, and in doing so, shows why from the Company’s  
22       perspective our proposed modifications are a reasonable means of addressing the OUCC  
23       and Industrial Group concerns. The rebuttal testimony also presents the additional

1 information sought by these parties. We provided the other parties the opportunity to  
2 review and comment on the Company's rebuttal testimony prior to its filing. I note that  
3 the other parties may not agree with all opinions and explanations contained in the  
4 Company's rebuttal testimony, but I understand that the Company's proposed  
5 modifications as set forth in IPL Attachment CAR-1R resolve their concerns. My  
6 understanding is that the other parties will advise the Commission of this at and/or before  
7 the evidentiary hearing in this Cause and subsequently confirm their position on the record.

8 **Q9. Which ratemaking topics in OUCC testimony do you respond to?**

9 A9. I respond to OUCC Witness Aguilar's recommendation that the Commission impose  
10 reporting requirements on AES Indiana. I also address Witness Blakley's: 1)  
11 recommendation to permit only a long-term debt rate rather than the Company's total  
12 weighted average cost of capital ("WACC") in its calculation and accrual of carrying  
13 charges on the Hardy Hills regulatory asset; and 2) recommendation regarding the period  
14 over which the Company may accrue and defer carrying charges on the Hardy Hills  
15 regulatory asset.

16 **Q10. Which ratemaking topics in Industrial Group Witness Gorman's testimony do you**  
17 **respond to?**

18 A10. I address Witness Gorman's:

19 1.) Recommendation that carrying charges before the commercial operation date of the  
20 project be calculated and accrued at the Company's short-term debt cost.

21 2.) Opposition to the Company's use of a declining balance recovery of the return on the  
22 proposed regulatory asset used in the customer rate impact estimate in my direct  
23 testimony.

3.) Assertion that the Company is seeking recovery the ProjectCo O&M via the FAC proceeding and his challenge to such recovery.

## 1. REGULATORY POLICY

**Q11. Before you move on to respond to Mr. Gorman's and Mr. Blakley's testimony, do you have any overall comments on the Industrial Group and OUCC testimony?**

A11. Yes. I have a few comments from a regulatory policy perspective. My understanding is that the Commission looks at whether a proposal is “*a*” reasonable least cost option, not “*the*” lowest cost option. Qualitative factors are appropriately considered in the selection of resources. When AES Indiana last came to the Commission for a CPCN under Chapter 8.5, the Commission’s Order explained as follows:

We have indicated in previous CPCN cases that ‘least-cost planning’ is an essential component of our [CPCN] law.” *Joint Petition of PSI Energy, Inc. and CINCAP VII, LLC*, Cause No. 42145, at 4 (IURC Dec. 29, 2002), quoting *Southern Indiana Gas & Electric Co.*, Cause No. 38738, at 5 (IURC Oct. 25, 1989). “We have defined ‘least-cost planning’ as a ‘planning approach’ which will find the set of options most likely to provide utility services at the lowest cost once appropriate service and reliability levels are determined.” *Id.* “However, we have emphasized that the [CPCN] statute does not require the utility to automatically select the least cost alternative. Nor does the statute require the utility to ignore its obligation to provide reliable service or to disregard its exercise of reasonable judgment as to how best to meet its obligation to serve.” *Id.* As this Commission has previously ruled: “[i]f an Indiana utility reasonably considers and evaluates the statutorily required options for providing reliable, efficient, and economic service, then the utility should, in recognition that it bears the service obligations of IC 8-1-2-4, be given some discretion to exercise its reasonable judgment in selecting the option or options to implement which minimize the cost of providing such service.” *PSI Energy, Inc.*, Cause No. 39175, at 14 (IURC May 13, 1992); see also *Joint Petition of PSI Energy, Inc. and CINCAP VII, LLC*, Cause No. 42145, at 4.

*Indianapolis Power & Light Company*, Cause No. 44339 (IURC 5/14/2014) at 20.

As is the case here, in Cause No. 44339, the Company’s quantitative assessment used a comparative Present Value Revenue Requirements (“PVRR”) analysis to confirm the

1 selection of the proposed project as part of a reasonable least cost plan for meeting future  
2 supply resource requirements in the light of current and future environmental regulations  
3 and other qualitative factors.<sup>3</sup> My point is that a more favorable PVRR or a lower LCOE  
4 for other RFP proposals does not automatically equate that those projects are a better  
5 choice, there are many other considerations.<sup>4</sup> Nor does a more favorable PVRR or lower  
6 LCOE for other RFP proposals invalidate the analysis demonstrating the Hardy Hills  
7 Project is a reasonable least cost choice.<sup>5</sup> All that said, and as further discussed below, I  
8 also recognize that compromise can reduce controversy and this too can serve the public  
9 interest.

10 **Q12. Company Witnesses Cooper and Salatto presented the proposed Capacity Agreement**  
11 **and Contract for Differences (“CfD”) as well as the structure and terms for the**  
12 **Limited Liability Company Operating Agreement between the TEP and IPL Sponsor**  
13 **(“Joint Venture LLCA”). OUCC Witness Agular (pp. 3-4) notes these agreements**  
14 **are not executed. She contends the OUCC and the Commission will lose the**  
15 **opportunity to evaluate the final terms and the effects on ratepayers (p. 4). Would**  
16 **you comment on this contention from a regulatory policy perspective?**

17 A12. Yes. I would like to clarify that the regulatory process has not previously required all  
18 contracts to be executed before the CPCN is issued. The pre-approval process necessarily  
19 requires a balancing of the need for a proposed project to be developed to a point that will  
20 allow it be assessed with the risk that the cost incurred to do so may not be recoverable if  
21 the project is not approved. Projects costs are assessed based on a best estimate and the

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<sup>3</sup> Company Witness Lund Direct Testimony, Q/A 24.

<sup>4</sup> See Company Witness Cooper Direct Testimony, Q/A 15.

<sup>5</sup> *Id.*

1 other criteria set forth in the CPCN statute and the Clean Energy Project statute. AES  
2 Indiana has endeavored to solidify details and move the project forward in a reasonable  
3 manner so as to allow for Commission review consistent with the statutory framework.<sup>6,7</sup>

## 4 **2. REPORTING REQUIREMENTS**

5 **Q13. Have you reviewed OUCC witness Aguilar's recommendation (pp. 9-10) that the**  
6 **Commission impose reporting requirements on AES Indiana?**

7 A13. Yes. Ms. Aguilar recommends:

8 the Commission require IPL to file reports with the Commission and the OUCC  
9 describing any changes to the unexecuted agreements that may result in additional  
10 costs or changes in how IPL may manage the project. As negotiations can occur at  
11 a varying pace, the OUCC requests these reports be filed at least 45 days before  
12 executing the agreements. Reports every time a change occurs is unneeded. One  
13 report per agreement is satisfactory so long as no additional changes are made after  
14 submission of the report. If additional changes are made after a report, IPL shall  
15 submit another report five (5) business days after the change.

16 **Q14. Is the OUCC recommendation acceptable to AES Indiana?**

17 A14. As an initial matter, I would like to reiterate that AES Indiana, through its subsidiary, will  
18 be and will remain the managing member of the Joint Venture.<sup>8</sup> This should address Ms.  
19 Aguilar's concern that the final agreement could change how the Company will manage

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<sup>6</sup> See direct testimony of AES Indiana Witness Cooper Q/A 53 (explaining the Company has firmed up the project cost estimate by negotiating the MIPA based on a competitive solicitation and by having 1898 & Co. analyze the interconnection and network upgrade cost); also rebuttal testimony of AES Indiana Witness Cooper Q/As 19 and 21 (discussing development of the Contract for Differences).

<sup>7</sup> The Commission's CPCN Order for the Company's Eagle Valley CCGT recognized that that the EPC solicitation and contract award would follow the order. *Indianapolis Power & Light Company*, Cause No. 44339 (IURC 514/2014), pp. 6-7 (this decision also approved the Harding Street Refueling with procurement of major contracts through a competitive bidding process to follow); see also *Duke Energy Indiana*, Cause No. 45002 (IURC 5/30/2018), p. 5 (following a competitive procurement process, Duke Energy Indiana intends to contract with EPC firm and procure the major solar and battery equipment directly from suppliers.), p. 10 (noting petitioner's intent to contract with an EPC firm). In Cause No. 44242, where circumstances were such that the Company was able to execute a firm price EPC contract prior to project approval, the Company was accused by an intervenor of treating the Commission as a mere "rubber stamp." See *Indianapolis Power & Light Company*, Cause No. 44242 Post-Hearing Brief of Joint Intervenors, p. 2.

<sup>8</sup> See Company Witness Salatto Direct Testimony, Q/A 18.

1 the project. That being said, the concept of ongoing reporting is consistent with the  
2 Company's request for ongoing review.<sup>9</sup> However, the OUCC's specific recommendation  
3 raises some concerns. The Company has a general plan and timeline for the negotiations  
4 and execution of the CfD and Joint Venture LLCA. The precise date for the execution of  
5 these agreements is not currently known and attempting to "hard code" such a date into the  
6 process would unduly constrain the process. Thus, AES Indiana would prefer not to link  
7 a reporting requirement to a currently unknown contract execution date. My understanding  
8 is that once terms are agreed to, the agreements will be executed within a matter of days or  
9 weeks, not months. The process could be adversely affected if final terms are agreed and  
10 the product must be placed on a shelf for a period of 45 days.

11 As shown in IPL Attachment CAR-1R (Sections 8-10), AES Indiana proposes a modified  
12 process to address the OUCC's desire for additional information. This process will include  
13 the reporting of information to the Commission as well as the conducting of confidential  
14 briefings to update the OUCC and Intervenors as the Company moves through the  
15 negotiation of the CfD and TEP agreements. AES Indiana will file the executed CfD and  
16 the TEP Jt. Venture LLCA and MIPA in the ongoing review process (subject to protection  
17 of confidential information). Finally, I would add that the proposed modified process is  
18 also designed to address the Industrial Group's desire for additional information regarding  
19 the CfD and agreements with the TEP.

### 20 **3. CALCULATION OF CARRYING CHARGES RATE**

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<sup>9</sup> See Company Witness Lund Direct Testimony, Q/A 28.



1 **Q15. Please comment on OUCC Witness Blakley's recommendation (p. 7) that AES**  
2 **Indiana be ordered to use its long-term debt rate only for the calculation of carrying**  
3 **charges for the Hardy Hills Project regulatory asset.**

4 A15. The Company's carrying charge proposal reflects the capital structure of the utility that  
5 will be used to fund the investment. AES Indiana is making an investment in the project  
6 which will ultimately be held in accordance the Joint Venture structure described in  
7 Company Witness Salatto's direct testimony. AES Indiana's source of the capital  
8 investment, though not specifically for the identified Hardy Hills Project is the overall  
9 capital structure of the Company. The Project acquisition structure whereby investment  
10 contributions are made over time as milestones are met is not unusual.<sup>10</sup> This is typical for  
11 an investment in a large construction project or entity that holds a large construction  
12 project.

13 **Q16. Do you agree with OUCC Witness Blakley (p. 4) that the capital source and financial**  
14 **situation of the development company should determine the appropriate carrying**  
15 **charge rate to be applied to AES Indiana's investment in the Hardy Hills Project?**

16 A16. No. Whether the development company issues debt, equity or uses internal funds to  
17 support its working capital needs has no bearing on AES Indiana's cost of capital. It is the  
18 Company's financial wherewithal that enables the Company to undertake the development  
19 of Project. That wherewithal includes both the debt and equity portions of the capital  
20 structure.

21 In its determination of the sources to support its overall capital needs during the period of  
22 investment, AES Indiana may determine it necessary to issue long-term debt, short-term

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<sup>10</sup> See IPL Confidential Attachment GAC-1, Section 2.4, Exhibit Y.

1 debt, infuse equity from its equity owners, or utilize internally generated cash. The optimal  
2 mix of the capital utilized to support the investment needs of the overall utility is captured  
3 in the overall capital structure and WACC and AFUDC rate.

4 **Q17. Do you agree with Witness Gorman's proposal (p. 16) that "a more reasonable**  
5 **carrying charge during pre-COD should be the Company's cost of short-term debt"?**

6 A17. No. It would not be appropriate for the carrying charge to reflect only the cost of short-  
7 term debt. This contention seeks to determine carrying costs based on the premise that the  
8 Company will or should use project specific financing for the Hardy Hills Project. While I  
9 disagree with Mr. Gorman's contention, as discussed below, the parties have reached a  
10 compromise to address this issue.

11 **Q18. Will the contribution of the TEP eventually reduce AES Indiana's capital**  
12 **contributions to the Project as stated by Witness Gorman (p. 18)?**

13 A18. Yes. At mechanical completion and commercial operation date, AES Indiana will receive  
14 the TEP capital contributions, offsetting some of the capital contributions made by AES  
15 Indiana. This does not mean, however, that the project specific financing will or should be  
16 used for the Hardy Hills Project.

17 **Q19. Please respond to Mr. Gorman's statement (p. 18) that: "if long-term capital is used**  
18 **to fund the temporary pre-COD spending, IPL will be locked into a long-term capital**  
19 **source and will not be able to retire this long-term capital when the TEP reimburses**  
20 **IPL for the development pre-COD capital spending."**

21 A19. This contention does not adequately acknowledge that AES Indiana will fund this capital  
22 need along with the other capital needs of the utility through a combination of capital  
23 resources. As explained above, AES Indiana will consider its capital needs at the time the

1 investment contributions are necessary and determine the optimal method for supporting  
2 the capital needs of the utility. AES Indiana's funding may be through issuing short-term  
3 or long-term debt. AES Indiana may receive equity contribution from its owners, use  
4 internally generated cash, or a combination of these options. It is possible that long-term  
5 debt could be issued during the construction period or that the capital contributed toward  
6 the project by the TEP could be used to fulfill other capital needs of the utility. As  
7 previously discussed, AES Indiana utilizes its overall capital structure to fund the overall  
8 capital needs for the Company during the period of investment.

9 **Q20. Which capital component costs are included in AES Indiana's WACC calculation?**

10 A20. The WACC capital structure components include long-term debt, preferred equity,  
11 common equity, prepaid pension asset, deferred income taxes, and customer deposits. The  
12 Company's cost of short-term debt is not included in the WACC calculation. The  
13 Company's WACC calculated as of December 31, 2020 is 6.52%.

14 **Q21. Mr. Gorman states (p. 18-19) that the FERC AFUDC rate "normally tracks deferred**  
15 **construction period carrying charges on Construction Work in Progress ('CWIP')."**  
16 **He adds that "[t]he workings of the FERC AFUDC rate is to assume that the CWIP**  
17 **balance is financed first with short-term debt and portions of short term debt are**  
18 **financed with long-term capital as the project nears it COD." Please respond.**

19 A21. I recognize that the FERC AFUDC formula is used for CWIP and that this formula includes  
20 the cost of short-term debt. AES Indiana calculates its AFUDC rate in accordance with the  
21 FERC Uniform System of Accounts on a quarterly basis and updates the rate to be utilized  
22 in calculating AFUDC on CWIP projects when there is a material change in that rate. This  
23 rate is not limited to the cost of short-term debt. Rather, this rate formula utilizes the

externally sourced capital components (short-term and long-term debt, preferred stock, and common equity). The calculation of AFUDC uses a 13-month average forecast of short-term debt balances to calculate a short-term debt cost component of the carrying charge. The Company's AFUDC rate calculated as of December 31, 2020 is 5.93%.

**Q22. Over recent history, how has the WACC compared to the AFUDC rate?**

A22. See the following Table 1:

**Table 1: Historic Carrying Charge Rates**

	AFUDC Rate	WACC
Dec-20	5.93%	6.52%
Sep-20	7.03%	6.48%
Jun-20	7.03%	6.57%
Mar-20	6.94%	6.57%
Dec-19	6.46%	6.57%
Sep-19	7.13%	6.59%
Jun-19	6.80%	6.58%
Mar-19	6.80%	6.58%
Dec-18	6.80%	6.60%

Typically, but not in every instance, the AFUDC rate has exceeded the WACC. In the December 2020 AFUDC calculation, increased short-term debt and a decreasing short-term debt rate resulted in a lower AFUDC rate.

**Q23. Will the Company's investment in Hardy Hills be recorded as CWIP?**

A23. No. The investment in Hardy Hills will not be recorded as utility plant in service or CWIP on AES Indiana's books as it is not directly owned by the utility. Therefore, the investment is not eligible for AFUDC accruals on CWIP.

1 **Q24. What is AES Indiana's recommendation with respect to OUCC Witness Blakley's**  
2 **and Industrial Group Witness Gorman's proposals regarding the rate to be applied**  
3 **to pre- and post-COD carrying costs for the Hardy Hills Project development?**

4 A24. In an effort to mitigate controversy, AES Indiana proposes the matter be resolved by  
5 calculating the carrying charges at the lower of the AFUDC Rate or the WACC rate as set  
6 forth in IPL Attachment CAR-1R (Section 5). If implemented as of the date of the prefiling  
7 of this testimony, the initial carrying charge would be at the AFUDC rate. If in a future  
8 period, the WACC rate becomes lower than the AFUDC rate, the WACC rate will be the  
9 carrying charge rate. These rates will be computed and compared quarterly and any change  
10 will be implemented on a prospective basis.

11 While some portion of the carrying charges will be accrued based on the AFUDC rate  
12 formula, it is being used as a convenience, since it already exists and captures the  
13 components that the parties to this Cause agree are important to include. To be clear, and  
14 to avoid any confusion on the carrying charges, these amounts are not AFUDC.

15 **4. ACCRUAL OF CARRYING CHARGES AFTER COD**

16 **Q25. Please respond to OUCC Witness Blakley's recommendation (p. 6) to limit carrying**  
17 **costs up to 10 months after the Hardy Hills Project's COD.**

18 A25. From the time that AES Indiana makes the investment in the Hardy Hills Project until it is  
19 included in rates resulting from inclusion in rate base in a general rate case proceeding,  
20 there is an associated cost of the capital invested in the project. While the precise timing  
21 of future new rates that result from a future rate proceeding that includes the Hardy Hills  
22 regulatory asset in rate base is not yet known, the post COD deferral period is not unlimited.

AES Indiana is required to file a rate case before the end of its seven-year TDSIC Plan period, 2026.

Furthermore, a general rate case is a large undertaking. In planning the timing of its next rate case, the Company will consider the COD for the Hardy Hills Project as well as other factors, such as the COD or in-service dates for other investments, the progress of the TDSIC Plan, and the impact of the 15-month rule on the filing of future basic rate cases.<sup>11</sup>

A ten-month constraint does not provide adequate flexibility in the timing of the Company's next general rate case.

**Q26. What does AES Indiana propose to address the OUCC concern regarding the accrual of carrying charges on the Hardy Hills investment regulatory asset until the Company includes the regulatory asset in rate base in AES Indiana's next rate case?**

A26. In order to reduce the carrying charges deferred until AES Indiana's next rate case AES Indiana proposes that pre-COD and post-COD carrying charges will accrue and be included for full timely recovery in AES Indiana's existing annual ECR rider filings as set forth in IPL Attachment CAR-1R (Section 6).

The timely recovery of carrying charges along with using the lower carrying charge rate would reduce the amount of carrying charges accrued to the Hardy Hills investment regulatory asset at the time it is included in rate base in AES Indiana's next rate case. For example, as proposed in my direct testimony, carrying charges as of COD were estimated to be [REDACTED]. An additional 10 months would increase this amount to approximately [REDACTED]. The proposed modifications in IPL Attachment CAR-1R (Section 6) reduce

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<sup>11</sup> See Ind. Code § 8-1-2-42(a).

1 this estimate to approximately [REDACTED]. The impact of the carrying charges being  
2 included and timely recovered in the ECR filings is also reasonable. For a Residential  
3 customer using 1,000 kWh each month the impact of recovering carrying charges through  
4 the ECR rider is estimated to be 0.2% initially; this is estimated to increase to 1.2% impact  
5 per month and remain at this level until the regulatory asset is rolled into rate base in the  
6 Company's next basic rate case. As a result of the proposed tracking of carrying charges,  
7 in the Company's next basic rate case the estimated amount of the regulatory asset will be  
8 lower than the amount present in my direct testimony.

9 **5. OTHER MATTERS**

10 **Q27. IG Witness Gorman (p. 20 footnote 22) states: "The tax conversion rate used by Mr.**  
11 **Rogers in his CAR-3 is different than the validated tax conversion factor used by IPL**  
12 **witness Powers identified at page 10 of her testimony." Please respond.**

13 **A27.** While I agree there is a difference, I would like to clarify that the difference is not a mistake.  
14 Furthermore, the difference does not relate to federal taxes as suggested by Mr. Gorman's  
15 testimony (p. 20). In IPL Attachment CAR-3(C), the calculation of the estimated rate  
16 impact uses the revenue conversion factor from AES Indiana's previously filed ECR-34  
17 rider filing. That filing utilized a state tax rate of 5.075% (10 months at the 2021 and 2  
18 months at the 2022 rate). IPL Witness Powers used the 4.9% state tax rate that is in effect  
19 in 2022 and thereafter. The calculations used to estimate the rate impact discussed above  
20 and in Table 2 is based on a conversion factor using the 4.9% state tax rate also. The impact  
21 of changing the revenue conversion rate from 5.075% to 4.9% is minimal and results in a  
22 slight reduction to the rate impact. In future rate proceedings related to Hardy Hills, AES

1 Indiana will continue to use the revenue conversion factors based on tax rates in effect at  
2 the time of the rate factors.

3 **Q28. Please respond to Witness Gorman's recommendation (pp. 3, 16-17, 21-23) that a**  
4 **levelized cost recovery of the regulatory asset "may be more economic" and "may**  
5 **produce more benefits to all generations of IPL customers."**

6 A28. In my direct testimony, I explained that AES Indiana seeks authority in this case to create  
7 a regulatory asset to record its investment in the Hardy Hills Project and to include this  
8 regulatory asset in rate base the Company's next rate case. The Company did not specify  
9 the exact recovery method it would seek in the next rate case, but I contemplated a  
10 traditional straight-line amortization of the regulatory asset in the calculation of rate impact  
11 in my direct testimony.

12 I disagree with his contention that a levelized return on the asset over the life of the  
13 regulatory asset should be used and his contention that a levelized recovery would be more  
14 economic for all generations of customers (p. 22). That being said, the parties have reached  
15 a compromise to allow this issue to be addressed in the Company's next rate case.

16 **Q29. Mr. Gorman (p. 23 lines 3-7) states that the Commission recently approved a levelized**  
17 **cost recovery methodology for a solar investment. Are you aware of that?**

18 A29. While I was not involved with the proceeding, I am aware that the CenterPoint Energy  
19 decision Mr. Gorman refers to is non-precedential because it resulted from a settlement  
20 agreement. I am not privy to the give and take reflected in that negotiated agreement but  
21 that the Order indicates the agreed "levelized rate" per kWh is subject to change for the  
22 reasons identified in the referenced order, including changes to the utility's authorized  
23 ROE, state and federal income tax rates, the potential receipt of liquidated damages and



1 variations from the assumed facility production and future customer specific contracts.<sup>12</sup>

2 While I appreciate this agreement being called to my attention, I do not see this decision  
3 as a reason for the Commission to decide this question in this case.

4 **Q30. Does AES Indiana have a recommendation as to how to resolve this issue?**

5 A30. Yes. The Company proposes that the matter be resolved in the Company's next general  
6 rate case as reflected in IPL Attachment CAR-1R (Section 7). Under this proposal AES  
7 Indiana will begin to amortize the regulatory asset once it is reflected in customer rates in  
8 AES Indiana's next basic rate case. The parties to the rate case will be free to make  
9 proposals as to whether a straight-line declining balance or levelized approach to  
10 amortization of the regulatory asset should be adopted. This approach will allow the  
11 Commission to consider and decide the issue in the context of the entire revenue  
12 requirement.

13 **Q31. Do you have a clarification to make in response to Witness Gorman's statement (p.**  
14 **24) that the "IPL distribution share of the O&M expenses would flow through the**  
15 **FAC filing"?**

16 A31. Yes. Witness Gorman's statement that the O&M costs of the ProjectCo will flow through  
17 the FAC does not accurately reflect the Company's proposed ratemaking. AES Indiana  
18 has proposed to recover 1) the CfD costs net of credits and 2) cash distributions from the  
19 Joint Venture to AES Indiana through AES Indiana's FAC proceedings. AES Indiana will  
20 pay through the CfD the difference between the MISO market price of energy and the CfD  
21 fixed price to the Hardy Hills ProjectCo. It is contemplated that the ProjectCo will make  
22 periodic cash distributions to its owners, including IPL. I estimated the 2024 rate impact

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<sup>12</sup> *Southern Indiana Gas and Electric Company*, Cause No. 45086 (IURC 3/20/2019) at 13-14

1 on IPL Attachment CAR-3(C). The “Fixed O&M” on pg 2, line 51 of IPL Attachment  
2 CAR-3(C) is used to estimate the ProjectCo distributable cash from that year. The Fixed  
3 O&M is one of the expenses that is subtracted from the ProjectCo revenues to determine  
4 EBITDA or cash available for distribution. The sources of cash or revenues of the  
5 ProjectCo come from both Market energy sales and the CfD payments. The CfD is not  
6 recovery of O&M. Therefore, it is not the case that AES Indiana is recovering O&M  
7 through the FAC. AES Indiana also flows other PPA costs (Lakefield and Hoosier Wind  
8 Parks) through its FAC. It is appropriate to facilitate the cash distributions of the ProjectCo  
9 in a similar manner (timing and allocation method) as the CfD costs since CfD payments  
10 are recognized as revenues at the ProjectCo and can result in cash distributions to IPL.

11 **Q32. Are the proposed modifications to the relief sought by the Company in this Cause**  
12 **reasonable?**

13 A32. The Company’s case-in-chief set forth the Company request for approval of the Hardy  
14 Hills Project and associated accounting and ratemaking relief. These proposals were  
15 challenged in certain respects by the OUCC and Industrial Group witnesses. While the  
16 Company filed rebuttal testimony explaining why it disagrees with the position of these  
17 parties, the Company also recognizes that compromise is a reasonable means of resolving  
18 controversy. The proposed modifications to the relief sought by the Company set forth in  
19 IPL Attachment CAR-1R resulted from discussions among the parties. Experts were  
20 involved with legal counsel and substantial time was devoted to discussing the various  
21 issues. IPL Attachment CAR-1R reasonably addresses the concerns raised in this  
22 proceeding and provides a balanced, cooperative outcome of the issues in this Cause. I ask

1 the Commission to approve the Company's request as modified by IPL Attachment CAR-  
2 1R.

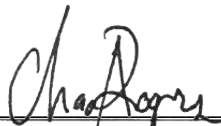
3 **Q33. Does this conclude your pre-filed rebuttal testimony?**

4 A33. Yes.

## **VERIFICATION**

I, Chad A. Rogers, Senior Manager, AES Indiana Regulatory and RTO Policy affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

Dated: April 23, 2021

  
Chad A. Rogers

## **Hardy Hills Solar Proposal Modifications**

### **April 23, 2021**

Consumer Parties will support or not oppose approval of AES Indiana's Hardy Hills Project and associated relief as proposed by AES Indiana with following modifications:

#### **Capital Cost Recovery:**

1. Net Project Capital Cost Increases:
  - a. Up to \$ [REDACTED] million (calculated as [REDACTED] over Best Estimate of \$ [REDACTED] Net AES Indiana Investment excluding Carrying Charges): will be recoverable through rates with AES Indiana splitting the cost 50%/50% except as provided in Section 2. The 50% of recoverable costs under this Section will be added to the regulatory asset created for AES Indiana's investment in the Hardy Hills Project.
  - b. Over \$ [REDACTED] million (calculated as [REDACTED] over Best Estimate of \$ [REDACTED] Net AES Indiana Investment excluding Carrying Charges): AES Indiana will not seek to recover Net Project Capital Cost Increases except as provided in Section 2.
2. Project cost increases due to force majeure, including unforeseeable conditions at the site, and changes in law, including changes in tax law, net of any insurance proceeds or other offsets, may be presented to the Commission as part of the ongoing review process for determination whether cost recovery shall be allowed. The OUCC and Intervenors reserve the right to oppose any proposed cost increases sought under this Section. Cost increases under this Section approved for recovery by the Commission will be added to the regulatory asset created for AES Indiana's investment in the Hardy Hills Project.
3. AES Indiana will offer to meet with OUCC and Intervenors prior to any filing to present the cost increases and the cause(s).

4. To allow AES Indiana's customers to benefit from any increase in value associated with a change in corporate income tax rates, the Joint Venture LLCA will include a change in tax law provision comparable to the proposed term included in IPL Confidential Attachment FJS-2. Any incremental value received by AES Indiana as a result of such a change in tax law will be used to reduce costs for the benefit of customers, such as by reducing the Hardy Hills Regulatory asset or as otherwise approved by the Commission.

**Carrying Charges authorized as proposed by AES Indiana as modified below:**

5. AES Indiana will calculate the carrying charges at the lower of the AFUDC Rate or the WACC rate. The current WACC rate is approximately 6.52% and the current AFUDC rate is approximately 5.93%. If implemented today, the initial carrying charge thus will be at the AFUDC rate. If in a future period, the WACC rate becomes lower than the AFUDC rate, the WACC rate will be the carrying charge rate. These rates will be computed and compared on a quarterly basis and any change implemented on a prospective basis.
6. In an effort to reduce the amount of deferred carrying charges until AES Indiana's next rate, pre-COD and post-COD carrying charges will accrue and be included for full timely recovery in AES Indiana's existing ECR tracker filings. With the exception of the carrying charge rate, which will be computed with Section 5, the carrying charges for the regulatory asset will be treated in the same manner as carrying charges for projects in the ECR tracker. Tracking of the carrying charges will begin with the first ECR filing following AES Indiana's initial investment in the Hardy Hills Project and will continue through the inclusion of the Hardy Hills Project regulatory asset in rate base in a subsequent AES Indiana rate case.
7. AES Indiana will begin to amortize the regulatory asset once the regulatory asset is reflected in customer rates in AES Indiana's next basic rate case. No party shall be precluded from proposing an approach to the amortization of the regulatory asset in the Company's next basic rate case when the treatment of this regulatory asset will be considered in the context of the entire revenue requirement.

**Periodic Reporting:**

8. As part of the ongoing review process, AES Indiana proposed 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 Dec. 31, 2021.
  - b. Second progress report will be filed by June 30, 2022.
  - c. Reports thereafter will be filed on a like schedule until project COD.
  - d. OUCC, Intervenors and AES Indiana will agree to a procedural process that will allow the reports, including any cost increase requests under Section 2, to be reviewed and addressed by Commission decision in 120 days.
9. AES Indiana will offer to meet with the OUCC and Intervenors at least twice as the Company moves through the negotiation of these 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 and TEP Jt. Venture LLCA and MIPA including, but not limited to:
  - CfD: Pricing and term
  - TEP Jt. Venture LLCA & MIPA: TEP contribution amounts, TEP rate of return, projected flip date, Cash and Tax distribution splits
  - a. AES Indiana contemplates that the first meeting will be in Q3 2022;
  - b. the second meeting will be prior to the execution of the agreements.

10. AES Indiana will file the executed CfD and the TEP Jt. Venture LLCA and MIPA in the ongoing review process (subject to protection of confidential information).