

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

SUBDOCKET FOR REVIEW OF)
INDIANAPOLIS POWER & LIGHT)
COMPANY D/B/A AES INDIANA'S 2021) CAUSE NO. 38703 FAC 133 S1
EXTENDED FORCED OUTAGE AT EAGLE)
VALLEY AND ITS RELATED IMPACT ON)
FUEL PROCUREMENT AND FUEL COSTS.)

SUBMISSION OF SETTLEMENT TESTIMONY OF
CHAD A. ROGERS

Indianapolis Power & Light Company d/b/a AES Indiana ("AES Indiana", "IPL", or
"Company"), by counsel, hereby submits the settlement testimony and attachment of Chad A.
Rogers.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 4th day of November, 2022, by email transmission, hand delivery or United States Mail, first class, postage prepaid to:

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VERIFIED SETTLEMENT TESTIMONY

OF

CHAD A. ROGERS

ON BEHALF OF

AES INDIANA

CO-SPONSORING SETTLING PARTIES' JOINT EXHIBIT 1

**VERIFIED SETTLEMENT TESTIMONY OF CHAD A. ROGERS
ON BEHALF OF 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”, “AES Indiana”, or “Company”), whose business address is
4 One Monument Circle, Indianapolis, Indiana 46204.

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

6 A2. I am Director Regulatory Affairs, AES Indiana.

7 **Q3. Please describe your duties as Director Regulatory Affairs.**

8 A3. As Director Regulatory Affairs, I lead a team responsible for developing and maintaining
9 AES Indiana’s rates, rules, and regulations for electric service. I oversee the Company’s
10 regulatory and periodic rate filings.

11 **Q4. Please summarize your educational and professional qualifications.**

12 A4. I hold a Bachelor of Science Degree in Accounting and Finance from the Kelley School
13 of Business at Indiana University. I also hold a Master of Business Administration
14 Degree from the Lacy School of Business at Butler University. I received my Certified
15 Public Accountant (“CPA”) license for the State of Indiana and have fulfilled the
16 necessary educational requirements to allow use of the CPA designation. I have also
17 attended various regulated utility training courses such as Edison Electric Institute
18 (“EEI”) Utilities Accounting Courses (Intro and Advanced), EEI Electric Rates
19 Advanced Course, and PWC Rate Case Experience Course. I also am a member of the
20 Society of Utility and Regulatory Financial Analysts (“SURFA”).

1 **Q5. What is your previous work experience?**

2 A5. I have been an employee of AES Indiana since April 5, 2006, initially as a Senior
3 Accountant and later as a Section Leader in the accounting and external reporting team.
4 From June 2009 to September 2013, I worked as a Senior Analyst and later as a Section
5 Leader in Financial Planning and Analysis. I have been in Regulatory Affairs since
6 September 2013 where I was a Senior Analyst until becoming a Senior Program Manager
7 in 2018, Senior Manager in 2021, and then Director in 2022.

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

11 From January 2001 to January 2004, I was employed by KPMG LLP as a Senior
12 Associate in assurance services. In that position, I was responsible for audits, reviews,
13 compilations, and control assessments for clients spread over a wide range of industries.

14 **Q6. Have you previously testified before this Commission?**

15 A6. Yes, I have previously testified before the Indiana Utility Regulatory Commission
16 ("Commission"). I most recently provided testimony in AES Indiana's Petersburg Units 1
17 and 2 retirement accounting filing, Cause No. 45502. I provided testimony in AES
18 Indiana's Transmission, Distribution, and Storage System Improvement Charge
19 ("TDSIC") Plan Filing and TDSIC 1, 2, and 3 filings in IURC Cause No. 45264. I
20 provided testimony in AES Indiana's Hardy Hills Solar Project Certificate of Public
21 Convenience and Necessity ("CPCN") filing in IURC Cause No. 45493. I have also
22 provided testimony in AES Indiana's Environmental Compliance Cost Recovery

Adjustment proceedings, beginning in IURC Cause No. 42170-ECR-28. I also provided testimony in AES Indiana's electric rate case, IURC Cause No. 45029 ("AES Indiana's most recent rate case").

Q7. Have you submitted any workpapers?

A7. Yes. I have submitted Excel workpapers AES Indiana Witness Rogers Workpapers 1S through 4S which support the calculation of foregone carrying charges and the FAC factor impacts of Settlement Agreement. These workpapers were prepared under my direction and supervision.

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

A8. My testimony supports the Settlement Agreement reached among AES Indiana, the Indiana Office of Utility Consumer Counselor ("OUCC"), Citizens Action Coalition of Indiana, Inc. ("CAC"), and the AESI Industrial Group ("Industrial Group") (collectively the "Settling Parties" and individually "Settling Party") which was filed in this Cause on October 25, 2022. I will explain the Settlement Agreement and describe from AES Indiana's perspective why the Settlement Agreement is in the public interest and should be approved by the Commission.¹

Q9. Have all parties joined the Settlement Agreement?

A9. Yes. This is a settlement of all the issues among all the parties in this Cause.

Q10. On whose behalf are you testifying?

¹ Herein, I also refer to the OUCC and Intervenors collectively as "Consumer Parties."

1 A10. I am testifying on behalf of AES Indiana. From the Company's perspective, the
2 Settlement Agreement as a whole represents a reasonable resolution of the issues in this
3 Cause. Approval of the Settlement Agreement is in the public interest. I, along with the
4 other Settling Parties, strongly encourage the Commission, after considering the evidence
5 in support of the Settlement Agreement, to find the Settlement Agreement to be
6 reasonable and in the public interest and promptly enter an order approving the
7 Settlement Agreement in its entirety.

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

9 A11. Yes. Together with OUCC witness Eckert and Industrial Group witness Gorman, I co-
10 sponsor Settling Parties' Joint Exhibit 1, which is a copy of the Settlement Agreement.

11 **Q12. Were the attachments you are sponsoring prepared or assembled by you or under**
12 **your direction or supervision?**

13 A12. Yes.

14 **Q13. Please generally describe the Settlement Agreement.**

15 A13. The Settlement Agreement resolves all issues related to the Eagle Valley CCGT forced
16 outage in this and in other possible and prospective proceedings (e.g. Off System Sales
17 Margin Sharing Adjustment, Capacity Adjustment, and rate cases). As shown by the
18 Settlement Agreement (Settling Parties' Joint Exhibit 1), Section A, and as further
19 discussed below, under this comprehensive settlement, AES Indiana agrees not to recover
20 \$21.0 million of previously deferred costs and to credit an additional \$6.8 million to
21 customers in future rates.

1 Reaching a Settlement Agreement in this case among all parties was challenging due to
2 the complexity of the many issues associated with the Outage, the various views held by
3 the different parties on the scope of the proceeding, and differing opinions regarding the
4 assessment of the Incidents.

5 Settling Party experts, including myself, were involved with legal counsel in the
6 development of both the conceptual framework and the details of the Settlement
7 Agreement. Many hours were devoted by the Settling Parties to discussions, the
8 collaborative exchange of information, and settlement negotiations. Ultimately, the
9 efforts of the Settling Parties allowed us to reach an uncontested and balanced Settlement
10 Agreement that fairly resolves all the issues in this case. The Company views the
11 comprehensive settlement package as a reasonable resolution of the issues in this Cause,
12 allowing AES Indiana to recover a portion of its deferred fuel and purchased power costs
13 and resolving Consumer Parties' concerns while mitigating rate impact to customers.

14 **Q14. Is the Settlement Agreement within the range of evidence presented by the parties in**
15 **this Cause?**

16 A14. Yes. To put this in context, the Company's initial case-in-chief filed May 31, 2022,
17 requested authority to recover \$41,518,476 of deferred fuel and purchased power costs
18 related to the Eagle Valley CCGT forced outage that occurred April 25, 2021 to March
19 18, 2022 ("Outage"). AES Indiana deferred the fuel and purchased power costs based on
20 Commission Orders in FAC 133 through 136, which authorized the factors as interim and
21 subject to refund/reconciliation and true-up pending the resolution of this subdocket. The
22 OUCC, CAC, and the Industrial Group took issue with the requested cost recovery

1 associated with the Outage. The OUCC and CAC argued that the entire deferral should
2 be disallowed and the Industrial Group recommended the Commission order the
3 Company to provide a refund to customers in the amount of \$70.9 million plus interest.
4 The Company's rebuttal testimony disagreed with the Industrial Group's analysis and
5 provided additional testimony on that point. See AES Indiana witness Cooper Rebuttal
6 QA 19 (discussing corrected analysis); AES Indiana witness Coklow Rebuttal QA 9
7 (clarification that refund would not be appropriate because amounts had been deferred).

8 The settlement negotiations, while challenging, provided an opportunity for the Settling
9 Parties to delve into the concerns and technical issues. The Company endeavored to
10 understand the perspectives and objectives of the other Settling Parties and appreciates
11 the time the other Settling Parties devoted to understanding the Company's perspectives.

12 Taken as a whole, the Settlement Agreement represents the result of arm's-length
13 negotiations amongst the stakeholders. It is my opinion the Settlement Agreement is in
14 the public interest and reasonably resolves all issues in this docket and other future
15 proceedings, as described in Section A.10. of the Settlement Agreement, without further
16 expenditure of the time and resources of the Commission and the parties in the litigation
17 of these matters.

18 **Q15. How is the Settlement Agreement organized?**

19 A15. As mentioned above, a copy of the Settlement Agreement is provided as Settling Parties'
20 Joint Exhibit 1. The Settlement Agreement is presented as a complete negotiated package
21 of terms that, taken as a whole, reflects compromise and the give and take of
22 negotiations.

1 Section A.1. of the Settlement Agreement sets forth that AES Indiana agrees not
2 to seek nor recover from customers through rates certain costs associated with the
3 Outage.

4
5 Section A.2. describes AES Indiana's agreement to offset future costs in the
6 amount of \$6.8 million.

7
8 Section A.3. addresses how AES Indiana will implement the offset described in
9 Section A.2.

10
11 Section A.4. provides what AES Indiana will be authorized to recover through the
12 FAC associated with the Outage with no carrying charges.

13
14 Section A.5. addresses rights, claims and causes of action the Company may have
15 against other entities.

16
17 Section A.6. sets forth the agreed terms for cost recovery starting with the
18 Company's first base rate proceeding.

19
20 Section A.7. provides for the treatment of any Net Recovery remaining after
21 implementation of Sections A.5a., A.5b. and A.6.

22
23 Section A.8. provides for the removal of the interim and subject to
24 refund/reconciliation and true-up basis ordered in Cause No. 38703 FAC 133
25 through FAC 136.

26
27 Section A.9. sets forth the Company's IURC reporting requirements.

28
29 Section A.10. describes the Settling Parties' agreement that the Settlement
30 Agreement and Order in this Cause shall resolve and settle all issues related to the
31 Outage and its associated costs and ratemaking including the FAC, Off-System
32 Sales ("OSS") margins and Capacity trackers and base rate proceedings.

33 I discuss each section below.

34 **Q16. Please discuss Section A.1. of the Settlement Agreement.**

35 A16. Section A.1. of the Settlement Agreement sets forth the Company's agreement not to
36 seek or recover from customers through rates the following:

37 a. \$21.0 million of previously deferred costs.

38 b. \$5.8 million of carrying charges which does not include any gross-up for
39 income taxes.

- 1 c. \$3.7 million of Incident 1A O&M related to outage repairs, wiring
2 verification, RCA (net of \$0.3 million of estimated insurance recovery).
- 3 d. \$4.0 million of Incident 1B O&M related to outage repairs, controls review,
4 RCA (net of \$2.1 million of estimated insurance recovery).
- 5 e. Any O&M related to Incident 1A and 1B including, but not limited to, outage
6 repairs, controls review, wiring verification, and RCA cost not identified in
7 AES Indiana's case in chief filing, which totals \$7.7 million (net of estimated
8 insurance recovery) as set forth in subparagraphs c and d above.

9 Thus, under Section A.1 of the Settlement Agreement, AES Indiana will forego recovery
10 of approximately \$34.5 million of costs related to the Outage (sum of the above items) to
11 reasonably resolve the issues related to the Outage.

12 The \$21.0 million of deferred fuel and purchased power costs that AES Indiana will not
13 recover is more than half of the \$41,518,476 of deferred fuel and purchased power costs
14 relating to the Outage at issue in the subdocket. This \$21.0 million will be recorded to
15 expense on AES Indiana's Statement of Income.

16 **Q17. Please explain how the foregone carrying charge amount was calculated.**

17 A17. Carrying charges represent the cost of financing funds for the deferred fuel and purchased
18 power costs over the period that those costs were deferred. AES Indiana has not
19 requested or recorded recovery of carrying charges on the deferral. The carrying charge
20 amount of \$5.8 million was calculated using the same methodology discussed in AES
21 Indiana witness Coklow's rebuttal testimony (QA11). My workpaper AES Indiana
22 Witness Rogers Workpaper 1S presents the calculation. The \$5.8 million of foregone
23 carrying charges in the Settlement agreement reflects the agreed decrease in the
24 recoverable fuel and purchased power costs and the longer recovery period (eight FAC
25 periods (two years) as compared to four FAC periods (one year) in AES Indiana witness

Coklow's rebuttal testimony) and does not include a gross-up for income taxes. The foregone recovery of carrying charges and elongated recovery period mitigate customer rate impact and are responsive to concerns raised by the Consumer Parties.

Q18. Please elaborate on the Section A.1. provisions addressed to Outage O&M.

A18. As noted above, AES Indiana agrees not to seek recovery of \$7.7 million O&M costs for the repairs, controls review, wiring verification and conducting the RCAs related to the Outage Incidents 1A and 1B. The amounts identified in the Settlement Agreement are net of estimated insurance recoveries totaling \$2.4 million. Because the final costs may vary from the amounts identified in the Company's testimony in this subdocket, Section A.1.e sets forth the agreement that AES Indiana will not recover any additional O&M costs related to Incidents 1A and 1B above this amount. AES Indiana has recorded these costs to expense and will continue to expense any future similar costs in accordance with the Settlement Agreement. This section is in the public interest as it provides a significant rate mitigation for customers.

Q19. Please discuss Sections A.2. and A.3. of the Settlement Agreement.

A19. Section A.2. of the Settlement Agreement provides that AES Indiana will offset future costs in the amount of \$6.8 million. Section A.3. of the Settlement Agreement sets forth the implementation of the cost offset from Section A.2. As stated in the Settlement Agreement this offset was agreed to for purposes of settlement to resolve issues raised by the Consumer Parties. From the Company's perspective, these issues related to the impact of the Outage on potential off-system sales and capacity costs.

1 This offset will be implemented through a credit in the calculation of the FAC factor in
2 the first FAC filed after issuance of a final Commission order approving this Settlement
3 Agreement. The Company anticipates the first FAC after issuance of an order may be
4 FAC 139. This approach is administratively efficient and mitigates near term rate impact
5 for customers.

6 As supported by my workpaper AES Indiana Witness Rogers Workpaper 2S, this rate
7 mitigation is estimated to impact the factors by approximately (\$1.80) per MWh in FAC
8 139 which will be filed in March 2023 and in effect from June 2023 through August 2023
9 billing periods. While the agreement to forego recovery of the outage O&M costs also
10 mitigates rates for the benefit of customers, my estimate does not reflect the foregone
11 O&M cost recovery because such costs are not included in the FAC.

12 **Q20. Please discuss Section A.4. of the Settlement Agreement.**

13 A20. Section A.4. of the Settlement Agreement sets forth the amounts AES Indiana is
14 permitted to recover. The Settling Parties agree AES Indiana shall be authorized to
15 recover through the FAC the remaining previously authorized deferred costs in the
16 amount of \$20,518,476 to be amortized over eight FAC periods (two years) instead of
17 four FAC periods as proposed by AES Indiana, with no carrying charges.

18 This cost recovery will commence with the first FAC filed after issuance of a final Order
19 approving this Settlement Agreement (anticipated to be FAC 139). AES Indiana will
20 include this cost recovery in the future FAC filings as an adjustment on FAC Schedule
21 NHC-1. These FAC filings will be subject to the normal reconciliation process that is
22 performed for each FAC filing.

1 This agreement reasonably allows for the recovery through rates of the remaining
2 \$20,518,476 of deferred fuel and purchased power costs relating to the Outage and
3 mitigates rate impact to customers by spreading the recovery over eight FAC periods, or
4 two years (without carrying charges). This equates to \$2,564,809 per FAC and is
5 estimated to impact the FAC 139 through FAC 146 factors by approximately \$0.78 per
6 MWh which will be in effect from June 2023 through May 2025. My workpaper AES
7 Indiana Witness Rogers Workpaper 3S presents the calculation. The Settlement
8 Agreement results in savings to customers of \$0.80 per MWh in FAC 139 through FAC
9 146 factors, as compared to full recovery of the \$41,518,476 of deferred fuel and
10 purchased power costs related to the Outage. My workpaper AES Indiana Witness
11 Rogers Workpaper 4S presents the calculation.

12 **Q21. Please discuss Section A.5. of the Settlement Agreement.**

13 A21. As stated in the direct testimony of OUCC witness Eckert, (pp. 16-17), AES Indiana has
14 made insurance and warranty claims and is evaluating other claims against contractors.
15 See also rebuttal testimony of Company witness Bigalbal (QA11).

16 Section A.5. of the Settlement Agreement recognizes that AES Indiana may have rights,
17 claims, and causes of action against Toshiba, Emerson, CB&I, GE or other vendors or
18 contractors with respect to the Eagle Valley CCGT Outage. The Settling Parties agree
19 that any amounts received from these companies as well as other vendors or contractors
20 net of all reasonable legal and other costs associated with pursuing said causes of action
21 and any other reasonable costs, including any insurance deductibles, that AES Indiana
22 might incur as part of its resolution of claims with respect to the Outage (“Net

1 Recovery”) may be retained by AES Indiana subject to certain conditions. The Settlement
2 Agreement addresses “Net Recovery” to recognize that the Company will incur costs as a
3 result of such actions. Any Net Recovery of O&M costs greater than the O&M amounts
4 set forth in Section A, Paragraph 1 of the Settlement Agreement will be credited to retail
5 customers via the FAC. Any Net Recovery by AES Indiana for claims for capital costs
6 related to the Outage will be used to reduce the amount recorded to Utility Plant In
7 Service (“UPIS”) (as required by GAAP). Any Net Recovery will also be subject to
8 Section A.6.e. and A.7.

9 Section A.6.e provides that any Net Recovery of claims for capital costs greater than the
10 Outage Capital Investment identified in the Company’s testimony (\$12,357,339) will be
11 shared with customers via the FAC proceeding, subject to a 50/50 split. Section A.7.
12 provides that in the event that there is any Net Recovery remaining after implementation
13 of A.5.a., A.5.b. and A.6., which exceeds, in the aggregate, \$47,857,339 (\$21,000,000 +
14 \$3,700,000 + \$4,000,000 + \$6,800,000 + \$12,357,339) then the remaining Net Recovery
15 will be provided on an 80/20 basis to the Indiana Utility Rate Payer Trust (80%) and to
16 fund the community action program network of Indiana Community Action Association
17 to facilitate low-income weatherization in AES Indiana’s service territory (20%).

18 This provision reasonably addresses the potential that the Company might recover costs
19 from third parties. It provides the Company an opportunity to recoup costs disallowed
20 from the ratemaking process together with the costs incurred to pursue such actions and
21 directs that any net excess will go to the benefit of customers either directly through rates
22 or indirectly through the organizations identified above.

1 **Q22. Please discuss Section A.6. of the Settlement Agreement.**

2 A22. Section A.6. of the Settlement Agreement addresses any capital investment incurred to
3 repair and replace equipment as a result of the Outage (“Outage Capital Investment”). As
4 a general matter a utility is permitted to earn a return “of” and “on” invested capital
5 through the ratemaking process. The Settlement Agreement provides that the Company
6 shall not seek, nor be permitted to earn, a return “on” the Outage Capital Investment. In
7 other words, the Settling Parties agree that the intent of this section is to allow AES
8 Indiana a return “of” but no return “on” the Outage Capital Investment in future AES
9 Indiana base rate cases.

10 **Q23. Please discuss the implementation of Section A.6. of the Settlement Agreement.**

11 A23. Section A.6. provides that this agreement will be implemented starting with the
12 Company’s first base rate proceeding following approval of this Settlement Agreement.
13 For purposes of determining the retail revenue requirement in the rate case, a reduction
14 will be made to AES Indiana’s retail jurisdictional UPIS for the Eagle Valley CCGT in
15 the amount of \$12,357,339 as identified in AES Indiana’s direct testimony in this Cause,
16 net of: (i) accumulated depreciation on the Outage Capital Investment; and (ii) any
17 reduction made pursuant to Section A, Paragraph 5b of the Settlement Agreement. The
18 reduction in retail jurisdictional UPIS computed in accordance with Section A, Paragraph
19 6b will be recorded in a regulatory asset. The regulatory asset will be amortized through
20 retail rates without carrying charges over twenty-five years.

21 The effect of this treatment is that AES Indiana will be able to recover the Outage Capital
22 Investment costs through future base rates but will not include the amounts in rate base

1 for purposes of calculating a regulated weighted average cost of capital return “on” in
2 future rate cases. AES Indiana considers this a compromise and reasonable resolution that
3 benefits the public by mitigating rate impact.

4 The Settlement Agreement provides that no other capital expense related to the repair and
5 replacement of equipment as a result of the Outage has been incurred except for those
6 costs identified in AES Indiana witnesses Bigalbal’s and Halter’s direct testimony; and
7 AES Indiana will not seek recovery of, or on, through retail rates of any amounts in
8 excess of \$12,357,339. Similar to the O&M provision I discussed above, this provision
9 recognizes that while the final actual costs incurred by the Company for the Outage
10 Capital Investment may vary from the amounts reflected in the Company’s direct
11 testimony, any such excess will not be reflected in rates.²

12 **Q24. Have you already addressed Section A.7. of the Settlement Agreement?**

13 A24. Yes, see QA 21 above.

14 **Q25. Please explain Section A.8. of the Settlement Agreement.**

15 A25. Section A.8. states the interim and subject to refund/reconciliation and true-up basis
16 ordered in Cause No. 38703 FAC 133 through FAC 136 shall be removed and the FAC
17 factors approved therein shall be finalized. The Settling Parties agree that no other FAC
18 filing should be made interim and subject to refund/reconciliation and true-up as a result
19 of the Outage and this Settlement Agreement. As this Settlement Agreement is intended

² See direct testimony of Company witness Bigalbal at Table JB-1 p. 11 and of Company witness Halter at Table AKH-1 p. 8.

1 to resolve and settle all issues related to the Outage and its associated costs and
2 ratemaking, the past and future FAC factors should no longer be interim and subject to
3 refund/reconciliation and true-up basis pending this subdocket.

4 **Q26. Please explain Section A.9. of the Settlement Agreement.**

5 A26. Section A.9. describes AES Indiana's commitment to notify the Commission and the
6 Settling Parties of the completion of the two remaining RCA recommendations
7 (identified in AES Indiana witness Bigalbal's direct testimony, p. 17 (lines 7-16). This
8 section further describes AES Indiana's commitment to also notify the Commission and
9 the Settling Parties of the resolution of any claims made under A.5. The Settlement
10 Agreement establishes that these notices shall be made via a compliance filing in this
11 subdocket subject to the protection of confidential information. The remaining two RCA
12 recommendations are:

- 13 • *OEM review of the incident details to consider installing provisions in the AVR*
14 *(Automatic Voltage Regulator) logic to detect and alert operators of a*
15 *discrepancy in the generator (52G Breaker) and field (41E Breaker) breaker*
16 *status – Toshiba is reviewing, and we are awaiting a response. The Company has*
17 *designed and implemented logic to trip the 5A Breaker (Excitation Transformer*
18 *Breaker) in the event the lockout relays activate and the 41E Breaker does not*
19 *open after a short period of time.*
- 20 • *Perform an audit of all wiring diagrams for accuracy of generator protection*
21 *systems and document the findings and develop a plan to correct discrepancies –*
22 *this inspection and a redline markup of the drawings are complete, and the*
23 *drawings are being updated.*

24
25
26 Reporting on the outstanding two RCA recommendations and resolution of claims via
27 compliance filings in this subdocket is administratively efficient and in the public
28 interest.

1 **Q27. Please explain Section A.10. of the Settlement Agreement.**

2 A27. Section A.10. provides that the Settlement Agreement is a comprehensive package
3 resolution. This Section states the Settlement Agreement and Order in this Cause shall
4 resolve and settle all issues related to the Outage and its associated costs and ratemaking
5 including the FAC, OSS margins and Capacity trackers, and base rate proceedings. The
6 package resolution of all impact of the Outage is reasonable and administratively
7 efficient. It allows for the Outage to be considered in this one docket rather than
8 piecemeal over several dockets and allows all parties to move on from the ongoing
9 litigation of the issues.

10 **Q28. What other provisions does the Settlement Agreement contain?**

11 A28. Section B. of the Settlement Agreement addresses the presentation of the Settlement
12 Agreement to the Commission. Section C. addresses the effect and use of the Settlement
13 Agreement. More specifically, the Settlement Agreement provides that it is reflective of a
14 negotiated settlement and neither the making of the Settlement Agreement nor any of its
15 provisions shall constitute an admission by any Settling Party in this or any other
16 litigation or proceeding. The Settlement Agreement is a compromise and will be null and
17 void unless approved in its entirety without modification or further condition that is
18 unacceptable to any Settling Party. The Settlement Agreement recognizes substantial
19 evidence in the record supports approval of the Settlement Agreement, includes
20 provisions addressed to the confidentiality of settlement communications, and reflects
21 other terms typically found in settlement agreements before this Commission.

1 **Q29. In your opinion, is Commission approval of the Settlement Agreement in the public**
2 **interest?**

3 A29. Yes. The Company presented two RCAs as well as the comprehensive controls reports
4 and discussed this hindsight analysis with the Commission and Consumer Parties at
5 technical conferences. This transparency was intended by the Company to facilitate the
6 Commission's and Consumer Parties' knowledge of the incidents. The Company's
7 testimony presents its view that the Company has made changes to the controls to
8 reasonably safeguard against a recurrence and took appropriate steps to mitigate the
9 duration and costs of the Outage.

10 The testimony of Company's witnesses explains that the Company was not aware of the
11 latent deficiencies in the control systems and protective schemes and discusses the
12 Company's views regarding the Company's actions based on the information that it had
13 at the time. The testimony filed by the Consumer Parties, reflects differing views as to the
14 issues related to the Outage, including the causes, responsibility and costs.

15 As noted above, the Settling Parties engaged in substantial discussions of these matters
16 and ultimately negotiated a comprehensive package resolution. It is my opinion the
17 Settlement Agreement is in the public interest. Settlement is a reasonable means of
18 resolving a controversial proceeding in a manner that is fair and balanced to all
19 concerned. The Settlement Agreement is supported by and within the scope of the
20 evidence presented by the Settling Parties. Taken as a whole, the Settlement Agreement
21 represents the result of extensive, good faith, arm's-length negotiations of the conceptual

1 framework and details of the Settlement Agreement. Experts were involved with legal
2 counsel and substantial time was devoted to the settlement discussions.

3 The negotiated resolution reasonably addresses the concerns raised in this proceeding and
4 provides a balanced, cooperative outcome of the issues related to the Outage. AES
5 Indiana asks the Commission to issue an order approving the Settlement Agreement in its
6 entirety.

7 **Q30. Does this conclude your prepared verified settlement testimony?**

8 A30. Yes.

VERIFICATION

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

Dated: November 4, 2022



Chad A. Rogers

Settling Parties Joint Exhibit 1

[Settlement Agreement – Not Duplicated Herein]