FILED
June 28, 2023
INDIANA UTILITY
REGULATORY COMMISSION

VERIFIED DIRECT TESTIMONY

OF

KIMBERLY ALIFF

ON BEHALF OF

INDIANAPOLIS POWER & LIGHT COMPANY

D/B/A AES INDIANA

Cause No. 45911

SPONSORING AES INDIANA ATTACHMENT KA-1

VERIFIED DIRECT TESTIMONY OF KIMBERLY ALIFF

ON BEHALF OF AES INDIANA

1. INTRODUCTION

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

A1. My name is Kimberly Aliff. I am employed by Indianapolis Power & Light Company d/b/a AES Indiana ("AES Indiana", "IPL", or "the Company"). My business address is One Monument Circle, Indianapolis, IN 46204.

Q2. What is your position with AES Indiana?

A2. I am a Revenue Requirements Manager in Regulatory Affairs.

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 Revenue Requirements Manager.

A4. As a Revenue Requirements Manager, I provide financial, technical, and regulatory analysis and I manage or am involved with filings to support various regulatory projects and rate recovery mechanisms. Additionally, I am involved with the planning, development, and analysis of Demand Side Management ("DSM") Programs, as well as tracking and reporting program results. I am a member of AES Indiana's DSM Oversight Board ("OSB").

Q5. Please summarize your education and professional qualifications.

A5. I have a Bachelor of Science Degree in Accounting and Computer Information Systems from Indiana University and a Master of Business Administration from the University of

Indianapolis. I have also attended various regulated utility training courses such as Edison Electric Institute ("EEI") Utilities Accounting Courses and EEI Electric Rates Courses as well as planning, implementation, and evaluation of DSM programs.

Q6. Please summarize your prior work experience.

A6. I have been an employee of the Company since April 25, 2005. During my tenure with the Company, I worked in various accounting staff roles until 2010, when I transferred to Regulatory Affairs as a Research Analyst and later as a Senior Regulatory Analyst and most recently my current position of Revenue Requirements Manager.

Q7. Have you testified previously before the Indiana Utility Regulatory Commission ("Commission") or any other regulatory agency?

A7. Yes, I have previously testified before the Commission regarding accounting and ratemaking treatment for the Company's Electric Vehicle Sharing Program in Cause No. 44478, and in the Company's requests for a portfolio of Electric Vehicle offerings in Cause Nos. 45509 and 45843. I have also testified regarding cost recovery and cost allocation for AES Indiana's DSM Plans in Cause Nos. 44328, 44497, 44792, 44945, 45370, and 45898. I have been a witness in the Company's prior Demand Side Management Adjustment (Cause No. 43623-DSM-XX) proceedings beginning with DSM-10 and in the Company's RTO Adjustment proceedings (Cause No. 44808 RTO-4 and RTO-5).

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

A8. My testimony explains AES Indiana's revenue requirement. I also support certain test year adjustments to rate base, revenues, and operating expenses, including:

- The addition to rate base as a Major Project of the AES Customer Ecosystem (“ACE”) Project, supported by AES Indiana witness Barbarisi.

- The removal of certain capital costs, revenues, and costs for non-jurisdictional Midcontinent Independent System Operator (“MISO”) Transmission Expansion Plan (“MTEP”) projects, supported by AES Indiana witness Holtsclaw.

- Regulatory assets includable in rate base, and certain revenue adjustments.

- Major Storm Damage Restoration Reserve account, the proposal to continue the Vegetation Management Reserve methodology established in Cause No. 45029, and the ongoing amortization of AES Indiana’s MISO Non-Fuel costs regulatory asset, which reflects costs deferred in accordance with the prior Commission Orders identified below.

- Continuation of existing riders, and AES Indiana’s proposed changes to these riders.

- Addition of new tariffs for Metered Municipal Device (Small) and LED Streetlighting with Contribution in Aid of Construction Paid Rates.

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

A9. Yes. I sponsor or co-sponsor the following financial exhibits or attachments:

<u>Revenue Requirement</u>

1. <u>AES Indiana Financial Exhibit AESI-REVREQ, Schedule REVREQ1</u> – Allowable Electric Operating Income Requirement.

Rate Base

2. AES Indiana Financial Exhibit AESI-RB, Schedule RB3 – Pro Forma Adjustment to Include Addition of ACE Project.

3. AES Indiana Financial Exhibit AESI-RB, Schedule RB4 – Pro Forma Adjustment to Remove Eagle Valley Outage Capital Costs and Petersburg Unit 2 and Unit 1 & 2 Shared Assets.

4. AES Indiana Financial Exhibit AESI-RB, Schedule RB5 – Pro Forma Adjustment to Remove Per Books Non-Jurisdictional MISO MTEP Plant in Service.

5. AES Indiana Financial Exhibit AESI-RB, Schedule RB9 – Regulatory Assets Includable as Electric Rate Base.

Revenue Adjustments

6. AES Indiana Financial Exhibit AESI-OPER, Schedule REV5 – Summary of Electric Operating Revenue Adjustments Adding Back Pro Forma Rider Revenues to Achieve Total Electric Retail Revenue.

7. AES Indiana Financial Exhibit AESI-OPER, Schedule REV8 – Summary of Miscellaneous Electric Revenue.

Operating Expenses

8. AES Indiana Financial Exhibit AESI-OPER, Schedule OM10 – Pro Forma Adjustment to Remove Non-Jurisdictional MISO MTEP Operations and Maintenance ("O&M") Expenses.

9. AES Indiana Financial Exhibit AESI-OPER, Schedule OM11 – Pro Forma Adjustment to Storm Expenses.

10. AES Indiana Financial Exhibit AESI-OPER, Schedule OM13 – Pro Forma Adjustment to MISO Non-Fuel Costs (Post-Deferral).

11. AES Indiana Financial Exhibit AESI-OPER. Schedule OM14 – Pro Forma Adjustment for MISO Deferred Expense Amortization.

12. AES Indiana Financial Exhibit AESI-OPER Schedule OM24 – Remove Items Recovered via Trackers Which Have Not Already Been Eliminated via other Pro Forma Adjustments.

Rates & Tariffs

13. AES Indiana witness AJB Attachments 1 & 2 AES Indiana's proposed new Tariff (clean and redline):

a. Certain changes to the text of existing riders: Standard Contract Rider No. 6 Fuel Cost Adjustment ("FAC"), Standard Contract Rider No. 24 Capacity ("CAP") Cost Recovery Adjustment, Standard Contract Rider No. 25 Off-System Sales ("OSS") Margin Adjustment, and Standard Contract Rider No. 26 Regional Transmission Organization ("RTO") Adjustment.

b. Municipal LED Streetlight Rates with Contribution in Aid of Construction ("CIAC").

c. Metered Municipal Device (Small) rate ("Rate MD").

14. AES Indiana Attachment KA-1, which shows the determination of lost revenue margin rates.

Q10. Did you submit any workpapers?

A10. Yes. AES Indiana is submitting workpapers in electronic format that support the basic rate case schedules. I am sponsoring the workpapers that support the schedules that I sponsor.

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

A11. Yes.

1. REVENUE REQUIREMENTS

Q12. Please explain AES Indiana Financial Exhibit AESI-REVREQ, Schedule REVREQ1 - Allowable Electric Operating Income Requirement.

A12. This schedule shows the calculation for the revenue increase AES Indiana is proposing in this proceeding. First, the Rate of Return[1] was applied to rate base from AES Indiana

[1] Rate of return is supported by AES Indiana witnesses McKenzie and Illyes.

Financial Exhibit AESI-RB, Schedule RB1[2] to determine the allowable electric operating income requirement.

The deficiency in electric operating income of $100.4 million was determined by subtracting the amount of pro forma electric operating income at present rates of $151.0 million obtained from AES Indiana Financial Exhibit AESI-OPER, Schedule OPINC[3], Column 3, Line 13 from the allowable electric operating income requirement of $251.4 million (Schedule REVREQ1, Line 3). The deficiency in electric operating revenue of $134.2 million on Line 7 was determined by dividing the deficiency in electric operating income (Line 5) by the revenue conversion factor (Line 6). This amount was utilized in the determination of the rates proposed by AES Indiana witness Rimal in this Cause. The additional electric operating revenue of $134.2 million produced by the rates proposed in this Cause corresponds to the amount on AES Indiana Financial Exhibit AESI-OPER, Schedule OPINC, Column 4, Line 1.

2. ADJUSTMENTS TO RATE BASE

Q13. Please describe AES Indiana Financial Exhibit AESI-RB, Schedule RB3.

A13. AES Indiana witness Barbarisi describes the ACE Project and Schedule RB3 includes a pro forma adjustment of $89.3 million to Miscellaneous Intangible Plant and $4.9 million of allowance for funds used during construction ("AFUDC") related to the project in order to include the cost of the ACE Project in rate base.

Q14. Are you familiar with the term "Major Project" as that term is used in the

[2] AES Indiana Financial Exhibit AESI-RB, Schedule RB1 is sponsored by AES Indiana witness Coklow.
[3] AES Indiana Financial Exhibit AESI-OPER, Schedule OPINC is sponsored by AES Indiana witness Coklow.

Commission's Minimum Standard Filing Requirements ("MSFRs")?

A14. Yes. The term "Major Project" as defined in the MSFRs means "a project estimated to cost more than one percent of a utility's proposed rate base".[4] As shown above and on Schedule RB3, the pro forma adjustment for the ACE Project is $94.2 million which is greater than one percent of rate base. A Major Project may be included in rate base if it is declared by the utility to be used and useful ten business days before the final hearing in a rate case and otherwise complies with Part 5(4) of the MSFR.[5] As discussed by AES Indiana witness Barbarisi, the ACE Project is scheduled to be in-service, used and useful in early November 2023. The evidentiary hearing in this proceeding is estimated to be late November or early December 2023. Therefore, the ACE Project is being included in this proceeding as a "Major Project". As discussed by witness Barbarisi and required by the MSFR, the Company will file monthly investment updates with the Commission.[6]

Q15. Please discuss the adjustments made on AES Indiana Financial Exhibit AESI-RB, Schedule RB4 to remove Petersburg Unit 2, and Units 1 and 2 Shared Asset Retirements.

A15. As described by AES Indiana witness Osborn, Petersburg Unit 2 was retired in May 2023. The ($8.8) million adjustment on Schedule RB4 removes the remaining Utility Plant in Service balance and Accumulated Depreciation as of December 31, 2022 related to the retired assets (both Unit 2 and Unit 1 & 2 shared assets).

Q16. Please describe the adjustment on AES Indiana Financial Exhibit AESI-RB, Schedule

[4] 170 IAC 1-5-1(l). One percent of proposed rate base in this proceeding equals $34.8 million.
[5] 170 IAC 1-5-5(4).
[6] AES Indiana Witness Barbarisi, Direct Testimony Q/A 27.

<u>RB4</u> to remove Eagle Valley Forced Outage Capital Costs.

A16. In the Settlement Agreement approved in Cause No. 38703 FAC 133 S1, AES Indiana agreed the "Company shall not seek, nor be permitted to earn, a return "on" any capital investment incurred to repair and replace equipment as a result of the Outage…". In addition, the Company agreed to make a reduction to retail jurisdictional Utility Plant in Service net of accumulated depreciation.[7] To implement the terms of the Settlement Agreement, an adjustment was made on <u>AES Indiana Financial Exhibit AESI-RB, Schedule RB4</u> to remove $11.0 million of Eagle Valley Forced Outage capital repair costs, net of accumulated depreciation from rate base. This net amount is then reflected in the Total regulatory assets not included in rate base shown on <u>AES Indiana Financial Exhibit AESI-RB, Schedule RB9</u> to allow for amortization in compliance with the Settlement Agreement.

Q17. Please discuss the adjustments on <u>AES Indiana Financial Exhibit AESI-RB, Schedule RB5</u> made to remove non-jurisdictional revenues and costs.

A17. AES Indiana witness Holtsclaw[8] discusses certain types of capital projects which can be constructed as part of the MTEP and the cost allocation and recovery of these project costs through the FERC-approved MISO Tariff. In its Order in Cause No. 44576 (on pages 24 & 50), the Commission found AES Indiana's treatment of projects subject to MISO regional cost allocation as non-jurisdictional to be reasonable and consistent with the treatment of the same project costs for other Indiana electric utilities. In Cause Nos. 44576 and 45029, the Commission accepted AES Indiana's proposed adjustments to remove the

[7] Cause No. 38703 FAC 133 S1 Settlement Agreement, p. 3.
[8] AES Indiana witness Holtsclaw, Direct Testimony, Q/A 21.

impact of MISO MTEP projects from rate base, revenues, and expenses, and to recover all allocated Schedule 26, 26-A, and 26-C charges through the RTO Rider.

In this proceeding, AES Indiana proposes to continue this approach and has reflected pro forma adjustments to remove the rate base and operating income statement impact of the three projects that are or will be included on Attachment GG filed annually with MISO.[9] The projects included on Attachment GG are discussed by AES Indiana witness Holtsclaw.[10]

To remove the rate base impact, AES Indiana prepared AES Indiana Financial Exhibit AESI-RB, Schedule RB5, which I sponsor. $20.8 million of utility plant (line 7) and $3.4 million of accumulated depreciation (line 8) as of December 31, 2022 are removed. If this adjustment was not made, rate base would improperly reflect this $17.3 million of non-jurisdictional net plant.

To remove the operating income statement impacts, AES Indiana prepared multiple adjustments, two of which I am sponsoring. On AES Indiana Financial Exhibit AESI-OPER, Schedule REV8, $2.4 million of non-jurisdictional Schedule 26 revenues received from MISO during the test year for these projects are removed. On AES Indiana Financial Exhibit AESI-OPER, Schedule OM10, $1.0 million of allocated O&M related to the projects is removed. The allocation is based on the Attachment GG template filed with MISO that is used as the basis for recovery of these projects from MISO.

[9] Attachment GG is a standardized rate formula template which uses FERC Form 1 Data to quantify an annual revenue requirement for specific projects subject to shared cost allocation and recovery.
[10] AES Indiana witness Holtsclaw, Direct Testimony Q/A 21.

AES Indiana witness Osborn[11] supports the calculation of pro forma depreciation expense after excluding the non-jurisdictional MISO MTEP plant on AES Indiana Financial Exhibit AESI-OPER, Schedule DEPR. AES Indiana witness Miller[12] supports the calculation of pro forma federal and state income taxes on income incorporating the above adjustments on AES Indiana Financial Exhibit AESI-OPER, Schedules TX-2 and TX-3.[13] If these adjustments were not made, operating revenues and expenses would improperly include these non-jurisdictional revenues and expenses.

3. REGULATORY ASSETS INCLUDABLE IN RATE BASE

Q18. Please describe the Regulatory Assets shown on AES Indiana Financial Exhibit AESI-RB, Schedule RB9.

A18. See Table 1 below for a summary of the regulatory assets on Schedule RB9. A more detailed description of each follows the table.

Table 1: Summary of Regulatory Assets on Schedule RB9

Regulatory Asset	Pro forma Adjusted Balance (Thousands)	Amortization Period
Petersburg Unit 4 costs and carrying charges	$3,866	31 years
Environmental Projects: NOx, MPP, MPP2, MATS, NPDES, HS7 carrying charges	$10,833	HS7 life of assets All others 10 years*
Environmental Projects deferred depreciation	$14,012	10 years*
NAAQS-DBA depreciation	$36	10 years*
NAAQS-DBA post in-service AFUDC	$71	10 years*
CCR Bottom Ash depreciation	$847	10 years*

[11] AES Indiana witness Osborn, Direct Testimony, Q/A 44.
[12] AES Indiana witness Miller, Direct Testimony, Q/A 18.
[13] AES Indiana Financial Exhibit AESI-OPER, Schedules TX-2 and TX-3 are sponsored by AES Indiana witnesses Miller and Whitehead.

CCR Bottom Ash post in-service AFUDC	$353	10 years*
NAAQS-Other depreciation	$471	10 years*
NAAQS-Other post in-service AFUDC	$359	10 years*
Eagle Valley CCGT and Harding Street 5 & 6 depreciation	$16,335	Life of assets
Eagle Valley CCGT and Harding Street 5 & 6 post in-service AFUDC	$33,110	Life of assets
Electric vehicle Cause No. 44478	$625	10 years
HS7 Preservation Costs	$1,482	10 years
20% HS7 Gas Conversion savings revenue requirement	($2,151)	3 years
20% NPDES revenue requirement	$14,439	3 years
20% NAAQS-DBA revenue requirement	$719	3 years
20% CCR Bottom Ash revenue requirement	$1,593	3 years
20% NAAQS-Other revenue requirement	$2,198	3 years
Petersburg Unit 1 Retirement	$47,543	~9.5 years**
Petersburg Unit 2 and Unit 1&2 shared assets	$135,104	10 years**
TDSIC depreciation	$6,737	36.3 years
TDSIC post in-service AFUDC	$11,133	36.3 years
20% TDSIC Distribution revenue requirement	$6,073	3 years
20% TDSIC Transmission revenue requirement	$1,010	3 years

*The Company is proposing to change the amortization period on these assets from their previously approved periods to ten years consistent with the depreciation study sponsored by AES Indiana witness Spanos.
**These items are discussed by AES Indiana witness Osborn.

Petersburg Unit 4 -- The first two items listed on this schedule were included in the original cost rate base in Cause No. 44576 and 45029. The costs relate to the construction of Petersburg Unit 4. Line 1 of AES Indiana Financial Exhibit AESI-RB, Schedule RB9 shows that $2.5 million remains unamortized as of December 31, 2022 for the deferred depreciation and post-in-service AFUDC incurred from the in-service date through the date of the Commission's Order in Cause No. 37837 including Petersburg Unit 4 in rates. Line 2 shows that $1.4 million remains unamortized as of December 31, 2022 from the carrying charges on post-in-service AFUDC recorded from the Order in Cause No. 37837 through the Commission's Order in Cause No. 39938. Line 3 reflects that these costs (whose December 31, 2022 balances total $3.9 million) are currently being amortized over the useful life of the plant for a pro forma annual expense of $1.1 million.

Environmental Projects -- The second two items listed on this schedule were included in the original cost rate base approved in Cause Nos. 44576 and 45029 as further described below. These costs consist of post-in-service AFUDC, carrying charges and deferred depreciation incurred for multiple environmental projects approved for recovery in AES Indiana's ECCRA as described below.

The NO_x, MPP, and MPP2 clean coal technology projects approved in the Commission's Orders in Cause Nos. 42170, 42700, and 43403 rolled into basic rates and the regulatory assets were included in the original cost rate base approved in Cause No. 44576. The Mercury and Air Toxic Standards ("MATS") rule Compliance Project approved in Cause No. 44242, the National Pollutant Discharge Elimination System ("NPDES") permit Compliance Project and the Harding Street 7 ("HS7") Refueling Project approved in Cause No. 44540, rolled into basic rates and the regulatory assets were included in the original cost rate base approved in Cause No. 45029. As shown on line 4 on <u>Schedule RB-9</u>, a total of $10.8 million for these projects remains unamortized at December 31, 2022 for the post-in-service AFUDC incurred from the applicable in-service date until the applicable effective date of ECCRA rates reflecting the projects. The costs for HS7 are being amortized over the life of the assets consistent with Cause No. 45029. The remaining Environmental Projects in this line are being amortized over a proposed ten years consistent with the depreciation study (see note above) for a pro forma annual expense of $1.0 million. As shown on line 5, a total of $14.0 million for these projects remains unamortized as of December 31, 2022 for the depreciation deferred from the applicable in-service date until the applicable effective date of ECCRA rates including the projects. The pro forma annual expense of $1.4 million was calculated using the proposed ten-year amortization period.

NAAQS-DBA -- Continuing on Page 1, in its Order in Cause No. 44794, the Commission authorized recovery through the ECCRA of AES Indiana's NAAQS Compliance Project. The DBA system of the NAAQS Compliance Project rolled into basic rates and the regulatory assets were included in the original cost rate base approved in Cause No. 45029. The depreciation deferred of $36 thousand and the post-in-service AFUDC of $71 thousand incurred from the in-service date until the applicable effective date of ECCRA rates including this project is shown on lines 6 and 7 respectively. The pro forma annual expense was determined by dividing the deferral by the proposed ten-year amortization.

CCR Bottom Ash -- Also in its Order in Cause No. 44794, the Commission authorized recovery through the ECCRA of AES Indiana's Coal Combustion Residuals ("CCR") Compliance Project. This project was included in base rates in Cause No. 45029 as a Major Addition but not included in the Regulatory Assets in that Cause. The deferred depreciation of $0.8 million and post in-service AFUDC of $0.4 million is shown on lines 8 and 9 respectively. The pro forma annual expense was determined by dividing the deferred balances by the proposed ten-year amortization.

NAAQS-Other -- Moving to Page 2, the remainder of the NAAQS Compliance Project (NAAQS non-DBA or NAAQS-Other) not included in base rates in Cause No. 45029 is now in service and included in Utility Plant in Service in this proceeding. AES Indiana is proposing the same rate treatment (both a return on and return of) as is currently occurring in the ECCRA for the NAAQS-Other project. The deferred depreciation balance of $0.5 million and post in-service AFUDC of $0.4 million are shown on lines 10 and 11, respectively. The pro forma annual expense was determined by dividing the deferral by the proposed ten-year amortization.

Eagle Valley CCGT and Harding Street 5&6 -- The next two items on this schedule (lines 12 and 13) are the deferred depreciation of $16.3 million and post in-service AFUDC of $33.1 million related to the Eagle Valley CCGT and Harding Street 5 & 6 refueling projects approved in Cause No. 44339. These projects were placed in service and rolled into base rates in Cause No. 45029 and are being amortized over the life of the assets as approved in that Order.

Electric Vehicle -- In its Order in Cause No. 44478, the Commission authorized AES Indiana to defer extension costs for the BlueIndy Project, including carrying costs, until such costs are recognized in a subsequent rate case through amortization of the regulatory asset as a recoverable expense for ratemaking and inclusion of the unamortized portion of the regulatory asset in AES Indiana's rate base. This regulatory asset was included in base rates in Cause No. 45029. On line 14, AES Indiana has reflected the deferred balance as of December 31, 2022, of $0.6 million and an annual amortization of $0.1 million over ten years per the approved Settlement.

Harding Street Unit 7 Preservation -- In its Order in Cause No. 42170 ECR-26, the Commission authorized AES Indiana to create a regulatory asset for the compliance costs related to HS7 incurred for the MATS Compliance Project authorized in Cause No. 44242 to be amortized over ten years and included in the recoverable MATS Compliance Projects costs in the ECCRA. This project was included in base rates in Cause No. 45029. On line 15, AES Indiana has reflected the deferred balance for these Preservation Costs as of December 31, 2022, of $1.5 million and an annual amortization of $0.4 million over ten years.

Harding Street 7 Gas Conversion/NPDES -- In its Order in Cause No. 44540, the Commission authorized AES Indiana to create a regulatory asset for the remaining twenty percent (20%) of the capital, operating, maintenance, depreciation, tax and financing costs (revenue requirement) for the NPDES and HS7 Compliance Project not timely recovered through the ECCRA, with carrying costs, until such costs are reflected in the Company's retail electric rates. These projects were included in base rates in Cause No. 45029 and on line 16, AES Indiana has reflected the deferred balance for the HS7 Gas Conversion as of December 31, 2022, of $(2.2) million and an annual amortization of $(0.7) million over three years. On line 17, AES Indiana has reflected the deferred balance for the NPDES projects at Petersburg and Harding Street as of December 31, 2022, of $14.4 million and an annual amortization of $4.8 million over three years.

NAAQS-DBA/CCR Bottom Ash/NAAQS-Other -- In its Order in Cause No. 44794, the Commission authorized AES Indiana to create a regulatory asset for the remaining twenty percent (20%) of the capital, operating, maintenance, depreciation, tax and financing costs (revenue requirement) for the NAAQS-DBA, CCR Bottom Ash and NAAQS-Other projects not timely recovered through the ECCRA, with carrying costs, until such costs are reflected in the Company's retail electric rates. As mentioned previously, NAAQS-DBA and CCR Bottom Ash were included in base rates in Cause No. 45029 and the NAAQS-Other project is rolled into base rates in this proceeding. On line 19, AES Indiana has included the deferred balance of $1.6 million for the CCR project and on line 20 the deferred balance of $2.2 million for the NAAQS-Other project.

Petersburg Unit 1 and Units 1 & 2 Shared Assets -- AES Indiana witness Osborn discusses the regulatory assets on Lines 21 and 22.

TDSIC -- In its Order in Cause No. 45264 for AES Indiana's Transmission, Distribution, and Storage System Improvement Charge ("TDSIC Plan"), the Commission authorized the Company to create regulatory assets for plan development costs, deferred depreciation and post-in-service AFUDC associated with the projects until such costs are reflected in the tracker. As of December 31, 2022, AES Indiana has deferred $6.7 million and $11.1 million, respectively with an annual level of amortization of $0.2 million and $0.3 million, respectively, based on a 36.3 year amortization schedule. The Order in Cause No. 45264 TDSIC-1 authorized the Company to record in a regulatory asset 20% of the TDSIC tracker revenue requirement (including depreciation expense, property taxes and pretax returns) with carrying costs until such costs are reflected in retail electric rates. The deferred balances on <u>Schedule RB9</u> are $6.1 million for Distribution and $1.01 million for Transmission, amortized over three years for $2.0 million and $0.3 million per year, respectively. The TDSIC Projects in-service as of December 31, 2022 are included in Utility Plant in Service in this proceeding and AES Indiana is proposing the same treatment (both a return on and of) as is currently occurring in the TDSIC rider.

Q19. Please describe the Regulatory Assets shown on <u>AES Indiana Financial Exhibit AESI-RB, Schedule RB9</u> but not included in Rate Base.

A19. The first item on page 4, line 29, relates to a Settlement Agreement approved by the Commission in Cause No. 38703 FAC 133S1. As discussed previously (Q/A 16), the Company agreed that it would not seek a return "on" the capital repair costs related to the forced outage at the Eagle Valley CCGT. In order to effectuate this term of the Settlement Agreement, AES Indiana agreed to reduce the retail jurisdictional Utility Plant in Service and create a regulatory asset to be amortized over 25 years. As shown on Line 29, this results in a regulatory asset of $11.0 million (net of accumulated depreciation and net of insurance recovery) which is not included in total rate base but is included on this Schedule to calculate amortization. Also reflected on line 29, column 5, is the annual amortization of $0.4 million over 25 years as approved in the Settlement Agreement.

The second item on page 4, line 30 relates to the regulatory asset created as a result of the Order in Cause No. 45380, where the Commission authorized AES Indiana to create a regulatory asset for COVID-19 related impacts directly associated with the prohibition of utility disconnects, collection of certain utility fees, as well as COVID-19 related uncollectible and incremental bad debt expense. The total deferred amount is $5.4 million amortized over three years for an annual pro forma expense of $1.8 million.

Q20. Are there other Regulatory Assets that AES Indiana has excluded from rate base that are not shown on <u>AES Indiana Financial Exhibit AESI-RB, Schedule RB9?</u>

A20. Yes. In its Order in Cause No. 45493, the Commission authorized AES Indiana to create a regulatory asset for AES Indiana's investment in the Hardy Hills Solar Project ("Hardy Hills") along with the project development costs. As discussed by AES Indiana witnesses

Rogers and Cooper in Cause No. 45493 S1, Hardy Hills will be commissioned in "blocks". Therefore, AES Indiana has requested to amortize the in-service portion of the project for full recovery in the existing and ongoing annual ECCRA filings.

Additionally, the Order in Cause No. 45591 authorized the creation of regulatory assets for investment in the Petersburg Energy Center Project, project development costs, carrying charges, inclusion of regulatory assets in AES Indiana's rate base in a subsequent rate case. This project is not yet in-service and is not included in rate base in this proceeding.

4. REVENUE ADJUSTMENTS

Q21. Please explain the adjustments to revenue on AES Indiana Financial Exhibit AESI-OPER, Schedule REV5.

A21. The purpose of the adjustments on AES Indiana Financial Exhibit AESI-OPER, Schedule REV5 is to take total adjusted rate revenue at existing basic rate tariffs (from AES Indiana Financial Exhibit AESI-OPER, Schedule REV4) to total electric retail revenues pro forma at present rates. This roll forward is accomplished by adding back the pro forma levels of revenues from the Company's FAC, ECCRA, DSM, CAP, OSS, RTO, TDSIC and GPI rate adjustment mechanisms. The balances by line item from this schedule match the Pro Forma Revenues at Present Rates on AES Indiana Financial Exhibit AESI-OPER, Schedule REV1, Column 3.[14]

Starting with page 1 of this schedule, the pro forma Rider 6 FAC revenues were calculated based upon normalized kilowatt hours multiplied by the proposed change to the base cost of fuel based on the new base cost of fuel per kWh on AES Indiana Financial Exhibit AESI-

[14] AES Indiana Financial Exhibit AESI-OPER, Schedule REV1 is sponsored by AES Indiana witness Coklow.

OPER, Schedule OM2, so the total fuel revenue matches total fuel expense. The pro forma Rider 20 ECCRA revenues reflect the annualized ECCRA revenues for the completed NAAQS-Other project which will move into base rates. The pro forma Rider 22 DSM Lost Revenues reflect the lost revenues recorded during the test year which will be rolling into base rates.

Moving on to page 2 of this schedule, the pro forma Rider 24 CAP revenues of $30.3 million reflect an expected charge to AES Indiana's jurisdictional customers through the CAP rider. This adjustment reflects pro forma assumption that the CAP rider benchmark is expected to change from a credit of $11.3 million as approved in Cause No. 45029, to a charge of $19.0 million as reflected on AES Indiana Financial Exhibit AESI-OPER, Schedule OM3. The pro forma Rider 25 OSS revenues reflect a credit of $12.3 million based upon the pro forma adjustment to increase the OSS benchmark from $16.3 million established in Cause No. 45029 to $28.6 million as reflected on AES Indiana Financial Exhibit AESI-OPER, Schedule REV6. The pro forma Rider 26 RTO revenues were calculated based upon the proposed change in the net MISO Non-fuel costs and revenues shown on AES Indiana Financial Exhibit AESI-OPER, Schedules REV8 and OM13, so that total RTO revenues are equal to RTO expenses. The pro forma Rider 3 TDSIC revenues represent the annualized revenue requirement of TDSIC projects that were in-service as of December 31, 2022 that will move into base rates.

Please note that the adjustments on pages 1 and 2 of this Schedule exclude revenues that will not be incorporated in the determination of the new basic rates resulting from this proceeding (in other words, only the revenues from the riders that will be incorporated in new basic rates in this proceeding are reflected on these pages). Accordingly, a subtotal

(Column 6 of page 2) titled Total Electric Adjusted Basic Rate Revenue Pro Forma at Present Rates has been provided.

Q22. Please continue with your explanation of the adjustments to revenue on AES Indiana Financial Exhibit AESI-OPER, Schedule REV5.

A22. Page 3 of this schedule reflects the pro forma revenues of two riders for which the expenses will continue to be recovered through the existing rider (not incorporated into the new basic rates). Pro forma revenues on this schedule are equal to the related pro forma level of expenses included in this proceeding for each rider. The pro forma Rider 21 GPI revenues are the same as the test year per books amounts. The pro forma Rider 22 DSM revenues are the test year revenues adjusted to exclude the lost revenues (which are shown on page 1) and to exclude the performance incentives accrued on DSM programs during the test year, so the resulting DSM revenues and expenses are the same.

Please note that since the revenues for these two riders equal the expenses, there is no impact to pro forma net operating income at present rates and therefore no impact to the requested revenue increase in this proceeding. But it is important to present the revenues in this manner to correctly reflect the total pro forma present rate revenues of the Company.

Q23. Please describe the pro forma adjustments on AES Indiana Financial Exhibit AESI-OPER, Schedule REV8 related to MISO.

A23. Line 2 on this schedule is the pro forma adjustment to MISO Jurisdictional Transmission Revenue used to calculate the benchmark for the RTO rider discussed later in my testimony. Line 3 of this schedule removes the regulatory deferrals included in the per books MISO Transmission Revenue. Regulatory deferrals represent the over/under amounts between RTO rider collections and amount approved in the rider filings. The total of lines 2 and 3 equal the per books MISO jurisdictional revenue net of accounting deferrals resulting in a $1.6 million pro forma adjustment. The MISO jurisdictional revenues of $3.6 million from AES Indiana Financial Exhibit AES-OPER, Schedule REV8 are combined with MISO non-fuel costs to determine the new benchmark used in the RTO rider filings.

On line 6, an adjustment was made to appropriately account for MISO Balancing Authority Credits as revenue, consistent with how these credits are being treated in the annual RTO rider filings. The offsetting adjustment can be seen on AES Indiana Financial Exhibit AES-OPER, Schedule OM13 line 12. The amount on Line 7 is the revenue portion of the annual MISO Deferred Amortization as shown on AES Indiana Financial Exhibit AESI-OPER, Schedule OM14 with no adjustment required.

Q24. Please explain the pro forma adjustment on AES Indiana Financial Exhibit AESI-OPER, Schedule REV8 to remove Gains from Disposition of Allowances.

A24. The pro forma adjustment of ($4.4) million was made to remove revenue related to a one-time sale of NOx allowances from the revenue requirement. The Company held NOx allowances ahead of the 2022 NOx Season (May-September) based on forecasted emissions. These allowances were ultimately not used and were liquidated at the end of the season.

5. STORM EXPENSE ADJUSTMENT AND MAJOR STORM DAMAGE RESTORATION RESERVE

Q25. Is AES Indiana including an O&M adjustment to the test year for storm expense?

A25. Yes. AES Indiana is proposing an adjustment to decrease test year storm expense by $2.5 million as shown on AES Indiana Financial Exhibit AESI—OPER, Schedule OM11. This adjustment includes two components: a $0.5 million decrease to normalize test year experience to a three-year average, and a $2.0 million decrease from the reconciliation of the projected balance of the Major Storm Damage Restoration Reserve authorized in Cause No. 45029.

Q26. Please explain the adjustment to normalize test year storm expense.

A26. AES Indiana witness Holtsclaw discusses the recent history of the number of storms by level that have occurred and proposes to use a 3-year average to determine a representative annual level of storm costs. This proposal is discussed further by witness Holtsclaw.[15]

In order to determine the pro forma level of annual storm expense (excluding base labor) AES Indiana reviewed historical storm O&M costs (excluding base labor) broken down between Level 1&2 Storms and Level 3&4 Major Storms. AES Indiana developed an annual average for the two groups based on 2022 dollars. The proforma level for each category shown on AES Indiana Financial Exhibit AESI—OPER, Schedule OM11 is the average level for that category. For Level 1&2 storm costs, AES Indiana is proposing to adjust the test year level to the pro forma level resulting in a decrease of $1.1 million. For Level 3&4 storm expenses, AES Indiana is proposing to adjust the test year level to the pro

[15] AES Indiana witness Holtsclaw, Direct Testimony, Q/A 27.

forma level resulting in an increase of $0.5 million for a net total decrease of $0.5 million (excluding the amortization of the Major Storm Damage Restoration Reserve).

Q27. Please discuss the amortization of the Major Storm Damage Restoration Reserve AES Indiana is proposing in this proceeding.

A27. In Cause No 44576 and continued in Cause No. 45029, the Commission accepted the creation of a Major Storm Damage Restoration Reserve account. Beginning in December 2018[16] AES Indiana has been recording monthly 1/12 of the $1.3 million authorized for the annual Major Storm Restoration Expense authorized in Cause No. 45029 (with an offsetting credit to the Major Storm Regulatory Liability) and will continue this entry until the issuance of a rate order in this proceeding. As can be seen at the bottom of AES Indiana Financial Exhibit AESI–OPER, Schedule OM11, AES Indiana projects that, with no other major storm activity, as of December 31, 2023 there would be a credit balance of $6.1 million in the Major Storm Regulatory Liability. AES Indiana proposes to amortize this credit balance over three years, resulting in an annual decrease to storm expense of $2.0 million. In addition, AES Indiana proposes to begin to record monthly Major Storm Expense of 1/12 of the $1.9 million average of the pro forma Level 3&4 storm expense.

6. VEGETATION MANAGEMENT RESERVE

Q28. Please discuss the Vegetation Management Reserve that AES Indiana is proposing in this proceeding.

A28. The Order in Cause No. 45029 approved a settlement agreement, which included $11.0 million of vegetation management in base rates for distribution facilities by third-party

[16]Due to the effective date of rates in Cause No. 45029 (December 5, 2018) amortization for December 2018 included 27 days.

contractors. Additionally, AES Indiana agreed to defer any shortfalls in annual vegetation management costs relative to the amount in base rates. This deferral mechanism serves as a cap and no amounts spent above the amount in base rates on a cumulative basis are deferred. Finally, AES Indiana agreed that in the next base rate case, any balance in this regulatory liability would be amortized into the cost of service as a credit to ratepayers. As discussed by AES Indiana witness Bocook,[17] AES Indiana's cost of vegetation management exceeded the amount embedded in base rates in every year 2019 through 2022, therefore there is no balance in the regulatory liability as of December 31, 2022.

AES Indiana proposes to continue to utilize the same methodology as accepted in Cause No. 45029. However, as shown on AES Indiana Financial Exhibit AESI-OPER, Schedule OM12 and discussed by AES Indiana witness Bocook,[18] AES Indiana is proposing to increase vegetation management expenses to a pro forma level of $25.2 million. Each month, beginning with the first month in which AES Indiana implements final approved rates following the issuance of an Order in this Cause, one twelfth (1/12) of the annual $25.2 million revenue requirement for vegetation management O&M expenses will be compared with the actual vegetation management O&M expenses. If the incurred O&M expenses are less than the monthly amount reflected in the revenue requirement, AES Indiana will record an increase to expense for the difference, with a corresponding credit to Account 254 – Other Regulatory Liabilities. Expenses incurred over and above the embedded amount, on a cumulative basis, will deplete any credit in Account 254 but will not be deferred.

[17] AES Indiana witness Bocook, Direct Testimony, Q/A 17.
[18] AES Indiana witness Bocook, Direct Testimony, Q/A 15.

7. MISO NON-FUEL COSTS

Q29. Please describe the adjustment to reflect an annualized level of expense for MISO Non-fuel costs in pro forma O&M expenses.

A29. As shown on AES Indiana Financial Exhibit AESI-OPER, Schedule OM13 AES Indiana is proposing to reflect $35.8 million as the on-going annual level of expense for MISO Non-fuel costs. This amount is based on the proration of AES Indiana's annual budgets for 2022 and 2023 for such costs to coincide with the twelve months ending September 2023 utilized in the RTO adjustment mechanism. This level of expense will be the basis for the new benchmark used to calculate the RTO adjustment after the effective date of rates approved in this proceeding. AES Indiana budgets MISO non-fuel costs on a calendar year basis (dividing evenly to determine monthly amounts) using two methodologies. On line 12, an adjustment was made to appropriately account for MISO Balancing Authority Credits as revenue, consistent with how these credits are being treated in the annual RTO rider filings. The offsetting adjustment can be seen on AES Indiana Financial Exhibit AES-OPER, Schedule REV8 line 6. For Schedule 26 and 26-A charges, the estimates are based on data found in the MISO MTEP for charges by other market participants applicable to AES Indiana which include estimates of the portion of AES Indiana's MTEP cost-shared projects that are allocable to AES Indiana. For the remaining costs, AES Indiana looks at historical information and prior forecasts and incorporates known or expected changes in developing the annual budget. As can be seen on AES Indiana Financial Exhibit AESI-OPER, Schedule OM13, the major driver of the increase in costs is for Transmission Expansion (Schedule 26 and 26-A charges). The final adjustment on this schedule is to remove the $3.5 million of regulatory deferrals related to the RTO rider over/under collection. Without these adjustments on AES Indiana Financial Exhibit AESI-OPER, Schedule OM13, pro forma operating expenses would be understated.

Q30. Please describe what is shown on AES Indiana Financial Exhibit AESI-OPER, Schedule OM14.

A30. AES Indiana Financial Exhibit AESI-OPER, Schedule OM14 reflects the continued amortization of the regulatory asset for MISO Non-fuel costs. This schedule reflects an annual level of amortization of $13.4 million, which is net of $0.7 million of annual revenue amortization (see corresponding entry on AES Indiana Financial Exhibit AESI-OPER, Schedule REV8). The MISO Non-fuel costs were deferred in accordance with the Orders in Cause Nos. 42266, 42685, and 42962 through the effective date of the rates approved in Cause No. 44576. No pro forma adjustment is needed and the amortization will remain consistent with the amount included in Cause No. 45029.

8. OTHER O&M ADJUSTMENTS

Q31. Please describe the adjustment on AES Indiana Financial Exhibit AESI-OPER, Schedule OM24.

A31. This adjustment was made to remove $0.9 million of costs from base rates that were fully amortized and recovered via the ECCRA and TDSIC riders. These costs were not reflected in any other pro forma adjustments.

9. CURRENT RATE ADJUSTMENT RIDERS

Q32. Please list AES Indiana's current rate adjustment riders.

A32. AES Indiana's eight current rate adjustment riders are listed in Table 2 below:

Table 2: AES Indiana Current Rate Adjustment Riders

Standard Contract Rider No.		
3	Transmission, Distribution, and Storage System Improvement Charge (TDSIC)	No change
6	Fuel Cost Adjustment (FAC)	New base cost
20	Environmental Compliance Cost Recovery Adjustment (ECCRA)	Proposed changes
21	Green Power Initiative (GPI)	No change
22	Demand-Side Management Adjustment (DSM)	No change
24	Capacity Adjustment (CAP)	Proposed changes including benchmark
25	Off-System Sales Margin (OSS Margin)	Proposed change to benchmark
26	Regional Transmission Organization Adjustment (RTO)	Proposed change to benchmark

Q33. Does AES Indiana propose to continue each of these rate adjustment riders after the issuance of an Order in this proceeding?

A33. Yes. AES Indiana is not proposing substantive changes to the TDSIC, GPI, DSM or RTO adjustment riders. As discussed previously, AES Indiana is proposing to continue to recover all expenses for DSM and GPI in their respective rate adjustment riders. Therefore, such costs have no impact to pro forma net operating income at present rates or the requested revenue increase in this proceeding. In addition, AES Indiana is proposing to adjust the then-current TDSIC, FAC, DSM, ECCRA, CAP, OSS and RTO rate adjustment riders for costs which will be reflected in the new basic rates and charges resulting from this proceeding.

Q34. Please identify the rate adjustment riders that you are proposing to change.

A34. AES Indiana is proposing modifications to the FAC, ECCRA, CAP and OSS riders as discussed in more detail below.

Q35. Please explain the proposed modifications to the FAC rate adjustment rider.

A35. As discussed by AES Indiana witness Dickerson,[19] AES Indiana proposes a new base cost of fuel (see AES Indiana Financial Exhibit AESI-OPER, Schedule OM2). In addition, AES Indiana proposes to modify the language on the FAC rider to change the base amount of fuel used to calculate the FAC adjustment factor on the tariff to $0.041479 per kWh (instead of the current $0.032938), which has been reflected on the proposed Standard Contract Rider No. 6 (FAC) in AES Indiana witness Baker, Attachment AJB-1. Additionally, as described by AES Indiana witness Steiner, the Company proposes to remove the Lakefield PPA fuel costs adjustment from the FAC rider so that all OSS margins will be reflected in the OSS rider filings.

Finally, when new tariff sheets are filed based upon the final Order in this proceeding, AES Indiana proposes to adjust the then current FAC factor to reflect the new base cost of fuel as of the same effective date.

Q36. Please explain the proposed modifications to the ECCRA rate adjustment rider.

A36. As discussed by AES Indiana witness Steiner, the Company is proposing to modify the ECCRA rider to include the costs of consumables (limestone, ammonia, coal combustion products and chemicals) above or below the amounts included in base rates and pass through any purchases or sales of NOx allowances. As further discussed by AES Indiana witness Steiner,[20] the Company is proposing to establish a benchmark level in base rates for consumable expenses in this proceeding and reconcile actual expenses on an annual basis through the ECCRA rider adjustment. The ECCRA rider will also reflect the actual

[19] AES Indiana witness Dickerson, Direct Testimony, Q/A 28.
[20] AES Indiana witness Steiner, Direct Testimony, Q/A 33-34.

sales or purchases made for emissions allowances during the reconciliation period. These changes have been reflected on the proposed Standard Contract Rider No. 20 (ECCRA) in AES Indiana witness Baker, Attachment AJB-1.

Q37. Please explain the proposed modifications to the CAP rate adjustment rider.

A37. As discussed by AES Indiana witness Steiner,[21] AES Indiana proposes to reflect a pro forma level of capacity purchases in base rates (see AES Indiana Financial Exhibit AESI-OPER Schedules OM1 and OM3). Due to changes in the MISO capacity construct, the Company expects to make capacity purchases rather than capacity sales as was approved in Cause No. 45029. The first modification proposed for the language on the CAP rider is to change the references from "revenue (or expense)" to "expense (or revenue)" to reflect this shift. The second modification is to change the base amount used to calculate the CAP charge or credit on the tariff to $19.0 million of expected net capacity purchases from the current benchmark credit of $11.3 million in capacity sales. These modifications have been reflected on the proposed Standard Contract Rider No. 24 (CAP) in AES Indiana witness Baker, Attachment AJB-1.

When new tariff sheets are filed after a final Order in this proceeding, AES Indiana proposes to adjust the then current CAP factors to reflect the new benchmark as of the effective date of this Order.

[21] AES Indiana witness Steiner, Direct Testimony, Q/A 29.

Q38. Please explain the proposed modifications to the OSS rate adjustment rider.

A38. As discussed by AES Indiana witness Steiner,[22] AES Indiana proposes to reflect a pro forma level of off-system sales margin in base rates of $28.6 million (see AES Indiana Financial Exhibit AESI-OPER, Schedule REV6). In addition, as mentioned above Company proposes to remove the Lakefield PPA fuel costs adjustment from the FAC rider so that all OSS margins will be reflected in the OSS rider filings.

Also, when new tariff sheets are filed after a final Order in this proceeding, AES Indiana proposes to adjust the then current OSS margin factors to reflect the new benchmark as of the effective date of this Order.

Q39. Is AES Indiana proposing any changes to the DSM rate adjustment rider?

A39. No. AES Indiana is not proposing any new modifications to the language on Standard Contract Rider No. 22 in this proceeding. As discussed above, coincident with the approval of new rates in this proceeding, AES Indiana will cease the calculation and collection of lost revenues associated with all energy efficiency measures installed prior to the end of the test year for which lost revenues were reflected in this proceeding. Accordingly, when new tariff sheets are filed based upon the final Order in this proceeding, AES Indiana proposes to adjust the then current DSM factors to reflect the removal of these lost revenues as of the same effective date. AES Indiana will then calculate and collect through the DSM rider, lost revenues for only the measures that were installed subsequent to the cutoff above, pursuant to approvals received in Cause No. 45370.

[22] AES Indiana witness Steiner, Direct Testimony, Q/A 21.

Q40. Is AES Indiana proposing any changes to the lost revenue calculation methodology?

A40. No. The methodology to calculate lost revenue will remain the same as the current approach described in each annual DSM rider proceeding. First, the number of installed measures for each program by rate, by month, will be determined. Next, the number of installed measures will be multiplied by the ex-ante estimates of kWh consumption and kW demand reductions per measure and net to gross ratios will be applied. This result is the estimated reduction in energy and demand for all DSM programs by rate. Finally, the total kWh and kW savings by rate will be multiplied by the lost revenue margin rates as reflected on AES Indiana Attachment KA-1. The updated lost revenue margin rates included in AES Indiana Attachment KA-1 are based upon the proposed tariffs and cost of service study sponsored by AES Indiana witness Rimal.[23]

In the Settlement Agreement approved in Cause No. 44945, AES Indiana agreed to limit lost revenue recovery for the 2018-2020 DSM Programs as follows: (a) the life of the measure, (b) five years from implementation of any measure installed in 2018 and four years from the implementation of any measure installed subsequent to January 1, 2019, or (c) until measure related energy savings are reflected in new base rates and charges, whichever occurs earlier. Additionally, in the Settlement Agreement approved in Cause No. 45370, AES Indiana agreed to limit lost revenue recovery to (a) the life of the measure, (b) three years from implementation of any measure installed, or (c) until measure related energy savings are reflected in new base rates and charges, whichever occurs earlier.

[23] AES Indiana witness Rimal, Direct Testimony, Q/A 27.

Q41. Please explain the proposed modifications to the RTO rate adjustment rider.

A41. As discussed above, AES Indiana proposes to continue to reflect a pro forma level of MISO Non-fuel costs and revenues in base rates (see AES Indiana Financial Exhibit AESI-OPER, Schedules OM13 and REV8 respectively). AES Indiana proposes to modify the language on the tariff for the RTO rider to change the base amount of MISO Non-fuel costs and revenues used to calculate the RTO charge or credit to $35.8 million and $3.6 million respectively.

Also, when new tariff sheets are filed after a final Order in this proceeding, AES Indiana proposes to adjust the then-current RTO Factors to reflect the new benchmark as of the effective date of this Order.

10. NEW RATES AND TARIFFS

Q42. Please describe the new Rate MD – Metered Municipal Device (Small).

A42. AES Indiana is proposing to add a new Metered Municipal Device (Small) tariff. This tariff is intended to be used by municipal customers (currently taking service under rate code SS) for metered traffic signals, public safety lighting, holiday lighting and public safety devices. The creation of this new tariff is intended to more appropriately charge qualifying customers for these types of devices rather than the standard Rate SS tariff. Eligible customers will benefit from a lower overall cost to power these small devices. This new tariff is shown in AES Indiana Attachment AJB-1, pages 36-37.

Q43. Please describe the new LED Streetlighting with CIAC tariffs.

A43. In the Orders in Cause Nos. 44981 and 45486 the Commission approved contracts between certain municipalities and AES Indiana that included special contract rates for converted

LED streetlights. These contract rates were developed after taking into consideration the Contribution in Aid of Construction ("CIAC") paid by the municipalities to buy down the cost of the converted lights. AES Indiana is proposing to move these contract rates into the tariff as these contracts come to an end to avoid having to renew or create contracts for these situations in the future. As previously mentioned, these tariff rates require customers to pay a CIAC in order to be on this tariff for their LED streetlights.

These new tariffs are shown on AES Indiana Attachment AJB-1, page 101.

11. SUMMARY AND RECOMMENDATIONS

Q44. Please summarize your testimony and recommendations.

A44. AES Indiana Financial Exhibit AESI-REVREQ, Schedule REVREQ1 fairly represents the Company's revenue requirement request in this proceeding after taking into account test year adjustments to rate base, revenues, and operating expenses. The ACE Project appropriately qualifies as an addition as a Major Project and the regulatory assets that are included in rate base are deferred based on previous Commission Orders. The various pro forma adjustments to revenue and O&M are reasonable and necessary to appropriately reflect the revenue requirement. Additionally, the Company has sufficiently described the need to continue its existing riders, including various modifications to those riders. The addition of new rates MD and Streetlighting with CIAC provide more appropriate tariffs for qualifying municipal customers without the need for customer specific contract rates. AES Indiana's requests are reasonable and necessary and should be approved.

Q45. Does that conclude your verified pre-filed direct testimony?

A45. Yes.

VERIFICATION

I, Kimberly Aliff, Revenue Requirements Manager for Indianapolis Power & Light Company d/b/a AES Indiana, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

Kimberly Aliff

Kimberly Aliff
Dated: June 28, 2023

INDIANAPOLIS POWER & LIGHT COMPANY
DERIVATION OF LOST REVENUE MARGIN RATES

Rate Schedule	(1) Charge	(2) Units	(3) Applicable Block	(4) Basic Rates	(5) Less Base Fuel Costs	(6) Margin Rates (4) + (5)	(7) Less Variable O&M	(8) Lost Revenue Margin Rates (6)+(7)
					$0.039312		$0.001834	
Residential								
Rate RS: Residential Service (Non-space heating and water heating)	Energy	kWh	Tailblock	$0.114489	($0.039520)	$0.074969	($0.001837)	$0.073132
Rate RC: Residential w/ Electric Water Heating	Energy	kWh	Tailblock	$0.102075	($0.039520)	$0.062555	($0.001837)	$0.060718
Rate RH: Residential w/ Electric Space Heating	Energy	kWh	Tailblock	$0.102075	($0.039520)	$0.062555	($0.001837)	$0.060718
Rate ES: Residential Service (Non-space heating and water heating)	Energy	kWh	Tailblock	$0.103040	($0.039520)	$0.063520	($0.001837)	$0.061683
Rate EC: Residential w/ Electric Water Heating	Energy	kWh	Tailblock	$0.091868	($0.039520)	$0.052348	($0.001837)	$0.050511
Rate EH: Residential w/ Electric Space Heating	Energy	kWh	Tailblock	$0.091868	($0.039520)	$0.052348	($0.001837)	$0.050511
Small Commercial & Industrial								
Rate SS: Secondary Service (Small)	Energy	kWh	First Block	$0.124624	($0.039520)	$0.085104	($0.001856)	$0.083248
Rate SH: Secondary Service - Electric Space Conditioning	Energy	kWh	Uniform Rate	$0.128816	($0.039520)	$0.089296	($0.001851)	$0.087445
MD: Metered Municipal Device (Small)	Energy	kwh	Uniform Rate	$0.136277	($0.039520)		($0.001865)	
Large Commercial & Industrial								
Rate SL: Seconary Service (Large)	Energy	kWh	Uniform Rate	$0.045909	($0.039520)	$0.006389	($0.001848)	$0.004541
	Demand	kW	Uniform Rate	$25.50		$25.50		$25.500000
Rate PL: Primary Service (Large)	Energy	kWh	Uniform Rate	$0.044734	($0.039612)	$0.005122	($0.001849)	$0.003273
	Demand	kW	Uniform Rate	$29.59		$29.59		$29.590000
Rate PH: Process Heating	Energy	kWh	Tailblock	$0.088699	($0.039520)	$0.049179	($0.001853)	$0.047325
Rate HL-1: Primary Distribution Voltage	Energy	kWh	Uniform Rate	$0.043659	($0.039612)	$0.004047	($0.001849)	$0.002198
	Demand	kW	Uniform Rate	$29.59		$29.59		$29.590000
Rate HL-2: Subtransmission Voltage	Energy	kWh	Uniform Rate	$0.043989	($0.038836)	$0.005153	($0.001813)	$0.003341
	Demand	kW	Uniform Rate	$24.95		$24.95		$24.950000
Rate HL-3: Transmission Voltage (High Load Factor)	Energy	kWh	Uniform Rate	$0.043944	($0.038751)	$0.005193	($0.001809)	$0.003384
	Demand	kW	Uniform Rate	$23.79		$23.79		$23.790000
Rate HL-3: Transmission Voltage (Low Load Factor)	Energy	kWh	Uniform Rate	$0.064743	($0.038751)	$0.025992	($0.001809)	$0.024183
	Demand	kW	Uniform Rate	$15.54		$15.54		$15.540000