STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY FOR APPROVAL OF (1) CAPACITY ("CAP") ADJUSTMENT FACTORS; AND (2) OFF-SYSTEM SALES ("OSS") MARGIN ADJUSTMENT FACTORS FOR ELECTRIC SERVICE FOR THE BILLING MONTHS OF JUNE 2021 THROUGH MAY 2022.	)	**CAUSE NO. 44795 OSS 5**

PETITIONER'S SUBMISSION OF DIRECT TESTIMONY OF DAVID JACKSON

Indianapolis Power & Light Company ("IPL" or "Petitioner"), by counsel, hereby submits the direct testimony of David Jackson.

Respectfully submitted,

Teresa Morton Nyhart (No. 14044-49)
Jeffrey M. Peabody (No. 28000-53)
Barnes & Thornburg LLP
11 South Meridian Street
Indianapolis, Indiana 46204
Nyhart Telephone: (317) 231-7716
Peabody Telephone: (317) 231-6465
Facsimile: (317) 231-7433
Nyhart Email: tnyhart@btlaw.com
Peabody Email: jpeabody@btlaw.com

ATTORNEYS FOR PETITIONER
INDIANAPOLIS POWER & LIGHT COMPANY

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing was served this 19th day of February, 2021 upon the following via electronic email, or First Class United States Mail, postage prepaid on:

Indiana Office of Utility Consumer Counselor
115 West Washington Street,
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov

Jeffrey M. Peabody

Teresa Morton Nyhart (No. 14044-49)
Jeffrey M. Peabody (No. 28000-53)
Barnes & Thornburg LLP
11 South Meridian Street
Indianapolis, Indiana 46204
Nyhart Telephone: (317) 231-7716
Peabody Telephone: (317) 231-6465
Facsimile: (317) 231-7433
Nyhart Email: tnyhart@btlaw.com
Peabody Email: jpeabody@btlaw.com

ATTORNEYS FOR PETITIONER
INDIANAPOLIS POWER & LIGHT COMPANY

VERIFIED DIRECT TESTIMONY

OF

DAVID JACKSON

ON BEHALF OF

INDIANAPOLIS POWER & LIGHT COMPANY

IURC CAUSE NO. 44795 OSS 5

VERIFIED DIRECT TESTIMONY OF DAVID JACKSON
ON BEHALF OF
INDIANAPOLIS POWER & LIGHT COMPANY

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

A1. My name is David Jackson. I am employed by AES US Services, LLC ("the Service Company"), which is a wholly-owned subsidiary of The AES Corporation ("AES"). The Service Company is located at the headquarters of Indianapolis Power & Light Company ("IPL" or the "Applicant") at One Monument Circle, Indianapolis, Indiana 46204.

Q2. What is your position with the Service Company?

A2. I am Director, Commercial Operations.

Q3. What are your current responsibilities as Director, Commercial Operations?

A3. As Director, Commercial Operations, I am responsible for managing IPL's participation in the Midcontinent Independent System Operator, Inc. ("MISO") energy market and oversight of IPL's strategy and execution for demand bids and generation offers. I am also responsible for the management of IPL's wind power purchase agreements and procurement of natural gas and coal.

Q4. Please briefly describe your educational and business experience.

A4. I received a Bachelor of Science Degree in Agricultural Industries from the University of Illinois at Champaign-Urbana. I have been employed by AES since 2015, assuming my current role in May of 2018. Previously, I held the position of Director, Commercial Operations AES Ohio Generation. Prior to AES, I worked at Duke Energy, Cincinnati, Ohio (previously Cinergy Services, Inc.) between 2002 to 2015, as the Director, Coal Trading.

Q5. Have you previously testified before the Indiana Utility Regulatory Commission ("Commission")?

A5. Yes. I have submitted testimony on behalf of IPL in previous FAC proceedings, Cause No. 38703 FAC XX, and in the two most recent CAP/OSS proceedings, Cause No. 44795 OSS 3 and Cause No. 44795 OSS 4.

Q6. What is the purpose of your testimony in this proceeding?

A6. I describe the CAP Adjustment and the OSS Margin Adjustment in general, and I describe the inputs that IPL Witness Donlon employs to calculate the proposed CAP and OSS Margin Adjustment factors. IPL Witness Donlon calculates and sponsors the proposed CAP and OSS Margin Adjustment factors.

Capacity ("CAP") Adjustment

Q7. Please describe IPL's CAP Adjustment.

A7. As a Load Serving Entity in MISO, IPL is obligated to have sufficient capacity resources to cover its forecasted peak demand plus its Planning Reserve Margin, or acquire additional capacity through bilateral transactions with other market participants or by bidding on capacity in MISO's annual Planning Resource Auction. If IPL has more than enough capacity resources to cover its forecasted peak demand and Planning Reserve Margin, IPL may sell capacity through bilateral transactions with other market participants or may offer capacity in MISO's Planning Resource Auction. The CAP Adjustment is designed to timely recover changes in the net cost of IPL's participation in MISO's Resource Adequacy Process including the cost and benefit of bilateral capacity transactions.

More specifically, based on the revisions approved in Cause No. 45029 effective December 5, 2018, the CAP Adjustment timely recovers the excess (or deficit) of a forecast of net Capacity revenues (or expense) compared to the $11.29 million of net Capacity revenues that is included the determination of basic rate and charges for service.[1] To the extent that annual net Capacity revenues (or expense) exceed the base amount reflected in basic rates and charges for service, that excess is returned through an adjustment to retail rates, resulting in a credit on the retail customer's monthly bill. If annual net Capacity revenues (or expense) are less than the base amount, that deficit results in a charge on the retail customer's monthly bill. A true-up of the forecast to actual occurs in a subsequent annual filing.

Q8. Is IPL presenting reconciliation information in this proceeding?

A8. Yes. June 2019 through May 2020 will be reconciled in this proceeding. Reconciliation calculations are described in testimony provided by IPL Witness Donlon.

Q9. Is IPL forecasting any capacity expenses or revenues in this proceeding?

A9. IPL is forecasting capacity revenues for the timeframe of June 1, 2021 through May 31, 2022 (MISO Planning Year 2021-2022). IPL is expected to have an approximate net 172.4 MW long position. IPL will continue to monitor the bilateral market for capacity sales but has not entered any sales contracts as of the date of this filing.

Q10. Does the planned retirement of Petersburg Unit 1 have an impact on the forecasted capacity expenses or revenues?

[1] "net Capacity revenue (or expense)" as used in my testimony refers to capacity revenues net of expenses consisting of (a) purchases or sales in a centralized capacity auction; (b) bilateral capacity purchases or sales; (c) settlements from financial transactions related to capacity; or (d) other capacity-related expenses or revenue.

A10. Yes. The planned retirement of Petersburg Unit 1 removes the corresponding capacity from being available in the auction and reduces IPL's long capacity position by 215.5 MWs.

Q11. Please explain how the forecasted capacity expenses or revenues are determined.

A11. The forecasted capacity revenues are based on (a) the net MW position of IPL expected for MISO Planning Year 2021-2022, (b) the bilateral transactions that IPL has completed, and (c) the IPL fundamental price forecast. As of the date of this testimony, IPL is expected to be long in the auction. The net capacity long position in this forecast is less than the net capacity long position used to determine the amount included in basic rates and charges for service due to changes in IPL's peak load forecast, MISO planning reserve margin, and tested capacity values for IPL generation resources. Additionally, the bilateral market has been very illiquid and not shown volume or price value that we have seen prior to past auctions. As a result, it is likely that IPL will offer 100% of the capacity length in the MISO auction.

Q12. What is IPL's forecasted level of capacity expense/revenue for the twelve months ended May 31, 2022?

A12. IPL's forecasted level of capacity revenues for the twelve months ending May 31, 2022 is $188,748 as shown on Petitioner's Attachment PJD-1, Schedule 3, Line 13.

Q13. Are capacity market prices expected to increase from last year?

A13. No. The MISO Planning Resource Auction is a prompt year auction for residual capacity, meaning that only the closest Planning Year is included in the auction. As a result, the bilateral market often has a lagged reaction to the most recent auction clearing price. The

nature of the prompt year, residual capacity construct in MISO is expected to continue to yield significant year-to-year volatility in auction clearing prices and correlated bilateral market prices. The prices used in this forecast reflect updated market information – specifically our internal forecast.

Q14. Please provide additional detail on the contents of Petitioner's Attachment PJD-1, Schedule 5, Column C.

A14. During the reconciliation period, Schedule 5, Column C, shows credits for $3,697 of IPL Rate CGS capacity credits IPL paid to IPL customers with qualifying facilities.

Q15. In your opinion, is the forecasted level of capacity expense/revenue for the twelve months ended May 31, 2022 reasonable?

A15. Yes. The long capacity position is estimated using IPL's fundamental forecast and market intelligence from potential buyers and brokers as of the date of this testimony.

Off System Sales ("OSS") Margin Adjustment

Q16. Please describe IPL's OSS Margin Adjustment.

A16. In Cause No. 45029, the Commission approved revisions to IPL's Standard Contract Rider No. 25 ("OSS Margin Adjustment") to allow full allocation of off-system sales ("OSS") margins (with a floor of $0 for includable margins) above and below the $16.32 million in OSS margins included in the determination of basic charges for service in that proceeding. To the extent that annual net OSS Margins exceed the base amount reflected in basic rates and charges for service, that excess is returned through an adjustment to retail rates, resulting in a credit on the retail customer's monthly bill. If annual OSS Margins are less than the base amount, that deficit is recovered through an adjustment to retail rates to the

retail customer, resulting in a charge on the retail customer's monthly bill. A true-up of the forecast to actual occurs in a subsequent annual filing.

Q17. Is IPL presenting reconciliation information in this proceeding?

A17. Yes. June 2019 through May 2020 will be reconciled in this proceeding. Reconciliation calculations are described in testimony provided by IPL Witness Donlon.

Q18. Please describe the cause of the OSS Margin variance for the reconciliation period (twelve months ended May 2020) described in Witness Donlon's testimony (Donlon QA 24).

A18. The primary causes for the lower OSS Margins are lower economic generation due to lower realized power prices caused initially by mild weather and more significantly by the impact of COVID-19 in the spring of 2020. Winter weather was very mild, with December 2019 and January 2020 experiencing average temperatures of 5 degrees and 7 degrees above normal, respectively. The mild winter weather negatively impacted natural gas and power prices power prices in that period. Beginning in March of 2020, the energy markets experienced the impact of COVID-19, which carried through the end of the reconciliation period. During this period, due to economic slowdown and lockdowns that significantly reduced power demand from commercial, industrial, government offices, and schools, the markets experienced significant load reduction, which negatively impacted power prices. As a result, Petersburg Units 1 through 4 were offline due to economics for parts of March through the end of May. This was discussed in FAC 128 and FAC 129. Additionally, Petersburg Unit 1 experienced a forced outage due to a lightning strike on July 21, 2019, which caused damage due to the immediate shut down of the unit. Petersburg Unit 1 did

not return to service until September 20, 2019. This outage was discussed FAC 125 and FAC 126.

Q19. Is IPL forecasting any OSS margins in this proceeding?

A19. Yes. IPL is forecasting OSS margins for the forecast period of June 1, 2021 through May 31, 2022. Ultimately, the OSS margins for this forecast period will be reconciled in Cause No. 44795 OSS-7.

Q20. Please generally describe the methodologies used to develop IPL's forecasted OSS margins for the twelve months ended May 31, 2022.

A20. For the forecast period, IPL forecasts the volume of OSS and assigns the OSS to generating units based on a ranking of units from highest production cost to lowest production costs; the higher production cost units necessary to fulfill the OSS are assigned to the OSS. This methodology ensures that the lowest cost generation is assigned to IPL's retail load. This is the same methodology that is followed in the fuel adjustment clause ("FAC") process in assigning forecasted fuel costs to OSS.[2] Revenues are assigned to those units based on forecasted Locational Marginal Prices. OSS margins are the revenues from those units less the fuel and production costs for those units. The OSS margins made possible because of the energy forecasted from the Lakefield Wind Project are removed from the OSS previously calculated because these margins are returned to customers through the FAC

[2] These amounts are shown in IPL's FAC filings on Schedule 1, Line 25 (Inter-System Sales through MISO).

process.[3] The margin from the remaining OSS is then allocated to the retail customer at 100% after considering the amount embedded in basic rates.

Q21. What are the forecasted OSS margins for the twelve months ended May 31, 2022?

A21. The forecasted OSS margins for the twelve months ending May 31, 2022 are $18,963,914 as shown on Petitioner's Attachment PJD-2, Schedule 2, Page 1, Line 13. After removing the forecasted OSS margins made possible because of energy from the Lakefield Wind Project, the forecasted net OSS margins are $17,281,429 as shown on Petitioner's Attachment PJD-2, Schedule 2, Page 2, Line 39. The forecasted OSS margins for the period ending May 31, 2022 are higher than last year's forecast primarily due to higher natural gas prices which have increased the expectations for power prices over the period.

Q22. In your opinion, are the OSS margins that IPL has forecasted for the twelve months ended May 31, 2022 reasonable?

A22. Yes. The forecast of OSS margins for the twelve months ending May 31, 2022 is reasonable.

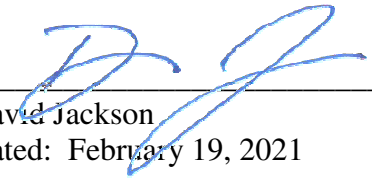
Q23. Does this conclude your pre-filed direct testimony?

A23. Yes, it does.

[3] Per the Commission's Order in Cause No. 43740, the OSS margins made possible because of the energy received from Lakefield Wind are credited to IPL jurisdictional fuel costs through the FAC.

VERIFICATION

I, David Jackson, Director, Commercial Operations on behalf of Indianapolis Power & Light Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.



David Jackson
Dated: February 19, 2021