STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANAPOLIS POWER & LIGHT COMPANY D/B/A AES INDIANA ("AES INDIANA") FOR AUTHORITY TO INCREASE RATES AND CHARGES FOR ELECTRIC UTILITY SERVICE, AND FOR APPROVAL OF RELATED RELIEF, INCLUDING (1) REVISED DEPRECIATION RATES, (2) ACCOUNTING RELIEF, INCLUDING DEFERRALS AND AMORTIZATIONS, (3) INCLUSION OF CAPITAL INVESTMENTS, (4) RATE ADJUSTMENT MECHANISM PROPOSALS, INCLUDING NEW ECONOMIC DEVELOPMENT RIDER, (5) REMOTE DISCONNECT/RECONNECT PROCESS, AND (6) NEW SCHEDULES OF RATES, RULES AND REGULATIONS FOR SERVICE.	)	**CAUSE NO. 45911**

VERIFIED PETITION FOR GENERAL RATE INCREASE AND ASSOCIATED RELIEF UNDER IND. CODE § 8-1-2-42.7 AND NOTICE OF PROVISION OF INFORMATION REQUIRED BY THE MINIMUM STANDARD FILING REQUIREMENTS

Indianapolis Power & Light Company d/b/a AES Indiana ("Petitioner", "AES Indiana", "IPL", or "Company") respectfully requests the Indiana Utility Regulatory Commission ("Commission") to issue an order authorizing AES Indiana to increase its rates and charges for electric utility service; and for related relief, including (1) revised depreciation rates, (2) accounting relief, including deferrals and amortizations, (3) inclusion of capital investments, (4) rate adjustment mechanism proposals, including new Economic Development Rider, (5) remote disconnect/reconnect process, and (6) new schedules of rates, rules and regulations for service. This filing is made pursuant to Ind. Code § 8-1-2-42.7 ("Section 42.7"). In support of this Petition, AES Indiana represents the following:

<u>Petitioner's Corporate and Regulated Status and Service Area</u>.

1. AES Indiana is a public utility corporation organized and existing under the laws of the State of Indiana with its principal office at One Monument Circle, Indianapolis, Indiana 46204. Petitioner is engaged in rendering electric utility service in the State of Indiana.

2. AES Indiana renders retail electric utility service to approximately 519,000 retail customers located principally in and near the City of Indianapolis, Indiana, and in portions of the following Indiana counties: Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Owen, Putnam and Shelby Counties.

3. AES Indiana is part of The AES Corporation, a US-based energy company with global operations. AES US Services, LLC, which is the service company that supports AES Indiana and other AES affiliates, is headquartered in Indianapolis, Indiana.

4. In addition to AES' ownership, CDP Infrastructure Fund L.P., a wholly-owned subsidiary of La Caisse de depot et placement du Quebec ("CDPQ"), also owns a minority equity interest in IPALCO, AES Indiana's immediate parent company.

<u>Petitioner's "Public Utility" Status</u>.

5. AES Indiana is a "public utility" under Ind. Code § 8-1-2-1 and a "utility" under Section 42.7. AES Indiana is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Public Service Commission Act, as amended, and other pertinent laws of the State of Indiana.

6. AES Indiana is also subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC").

7. As authorized by the Commission's Order in Cause No. 42027 dated December 17, 2001, AES Indiana's transmission system is under the functional control of the Midcontinent Independent Transmission System Operator, Inc. ("MISO"), a FERC-approved regional transmission organization ("RTO"), and is used for the provision of open access non-discriminatory transmission service pursuant to MISO's Open Access Transmission Tariff ("OATT") on file with the FERC. As a member of MISO, charges and credits are billed to AES Indiana for functional operation of the transmission system, management of the MISO markets, and general administration of the RTO. As a MISO member, AES Indiana must also adhere to the federal reliability standards developed and enforced by the North American Electric Reliability Corporation ("NERC"), which is the electric reliability organization certified by the FERC to establish and enforce reliability standards for the bulk power system. ReliabilityFirst ("RF") is one of eight NERC Regional Entities and is responsible for overseeing regional reliability standard development and enforcing compliance. AES Indiana's transmission facilities are wholly located with the RF region.

AES Indiana's Electric Utility System.

8. AES Indiana renders electric service by means of electric production, transmission and distribution plant, as well as general property, equipment and related facilities, including office buildings, service buildings, and other property, all of which is used and useful for the convenience of the public in the production, transmission, delivery and furnishing of electric energy, heat, light and power. AES Indiana has maintained and continues to maintain its properties in good condition as reasonably necessary for the provision of electric service to customers in accordance with Indiana law.

9. AES Indiana's property is classified in accordance with the Uniform System of Accounts ("USOA") as prescribed by the FERC and approved and adopted by this Commission.

10. In order to continue to properly serve the public located in its service area and to discharge its duties as public utility, AES Indiana has made and continues to make numerous additions, replacements and improvements to its electric utility systems.

11. AES Indiana also engages in power purchase transactions through MISO as necessary to meet the demands of its customers.

Statutory Authority for Requested Relief.

12. This Petition is filed pursuant to Section 42.7 and Ind. Code § 8-1-2-61. Other provisions of the Public Service Commission Act, as amended, Ind. Code § 8-1-2-1, *et seq.*, that may be applicable to the subject matter of this proceeding, include, but are not limited to: Ind. Code §§ 8-1-2-0.6, 4, 6, 10, 19, 20, 21, 42, 68 and 71, Ind. Code § 8-1-2.5-5, and Ind. Code § 8-1-39-9(e).

Submission of Case-in-Chief and Other Supporting Documentation.

13. In accordance with the guidance provided by the Commission's General Administrative Order 2013-5 (Rate Case Standard Procedural Schedule and Recommended Best Practices for Rate Cases Submitted under Ind. Code § 8-1-2-42.7) ("GAO 2013-5"), AES Indiana provided its Notice of Intent to File Rate Case to the Commission on May 26, 2023. This Notice was provided at least 30 days prior the date of filing this Petition. A copy thereof was provided to the Indiana Office of Utility Consumer Counselor ("OUCC") and other stakeholders.

14. AES Indiana is filing its written case-in-chief, including the information required by Section 42.7(b), GAO 2020-05 (Improving Procedural Efficiencies Guidelines and Recommendations), GAO 2013-5, and the MSFRs, contemporaneous with this Petition. The supporting workpapers for pro-forma adjustments are also being provided in Excel format on electronic media with formulas intact pursuant to the best practices set forth in GAO 2013-5 and GAO 2020-05. In accordance with the Commission's GAO 2020-05, and to facilitate review of the filing, AES Indiana has attached to this Petition, as Petition Exhibit A, an index of issues, requests, and supporting witnesses. A summary of the witness testimony is attached hereto as Petition Exhibit B.

AES Indiana's Existing Rates and Rate Structure.

15. AES Indiana's current basic rates and charges were approved by the Commission in its Order in Cause No. 45029 based upon test year operating results for the twelve months ended June 30, 2017, adjusted for fixed, known and measurable changes and appropriate normalizations and annualizations.[1] Those basic rates and charges were effective December 5, 2018 and remain in effect today, as modified by various riders approved by the Commission from time to time.[2] AES Indiana's rates were adjusted to reflect the repeal of Indiana Utility Receipts Tax via 30 Day Filing No. 50543 with rates effective for the July 2022 billing period.

16. The petition initiating Cause No. 45029 was filed with the Commission on December 21, 2017. Therefore, in accordance with Ind. Code § 8-1-2-42(a), more than fifteen months have passed since the filing date of AES Indiana's most recent request for a general increase in its basic rates and charges.

[1] The Commission's Order in Cause No. 45029 was issued October 31, 2018 ("45029 Order").
[2] In this filing, the Company uses "basic rates" and 'base rates" interchangeably.

17. In compliance with Indiana Code 8-1-39-9(e), this petition is filed before the expiration of the seven-year Transmission Distribution and Storage System Improvement Charge ("TDSIC") Plan approved in Cause No. 45264.

18. AES Indiana's current depreciation accrual rates were approved by the Commission's 45029 Order.

19. AES Indiana files a quarterly Fuel Adjustment Clause ("FAC") proceeding (docketed as Cause No. 38703 FAC [X]) in accordance with Ind. Code § 8-1-2-42(d) and the Company's Standard Contract Rider No. 6 to adjust its rates to account for fluctuations in its fuel costs. AES Indiana also files adjustments to other riders set forth in its Commission-approved tariff. These riders adjust AES Indiana's rates for service to timely recover changes in certain costs associated with the provision of service.

Petitioner's Operating Results Under Existing Rates.

20. Notwithstanding diligent efforts to continue to control costs, AES Indiana's underlying revenue requirements have changed and continue to change. Since its basic rates and charges were last established, AES Indiana has continued to make significant capital expenditures for additions, replacements and improvements to its electric utility property. These investments include approximately $341 million in TDSIC Plan investment. The Company's capital investments support its efforts to adapt to market, technological, regulatory and other changes as AES Indiana continues its work to improve the customer experience and meet the ongoing and changing energy needs of the future.

21. While AES Indiana's membership in MISO benefits customers, there are numerous obligations and costs associated with MISO membership.

22. AES Indiana must continue to make significant capital expenditures to maintain the system at a current state of efficiency and otherwise meet the ongoing need for service in its service territory.

23. As a result of the capital additions to be reflected in rate base in this filing and other changes in the ongoing cost of providing service, including the impact of the current inflationary operating environment, AES Indiana's existing rates are below the level required to provide revenues adequate to cover its necessary and reasonable operating expenses, to provide revenues which will enable AES Indiana to continue to attract capital required for additions, replacements and improvements to its electric utility property and to comply with regulatory mandates at a reasonable cost, to maintain and support AES Indiana's credit, to assure confidence in AES Indiana's financial soundness, and to earn a fair return on the fair value of its electric utility property comparable to that available on other investments of comparable risk. AES Indiana's existing rates, therefore, are unjust, unreasonable, insufficient and confiscatory and should be increased.

Test Year and Rate Base Cutoff Date.

24. As authorized by Section 42.7, AES Indiana designates the twelve (12) months ended December 31, 2022 as the test year to be adjusted for fixed, known and measurable changes and appropriate normalizations and annualizations.

25. AES Indiana is also utilizing December 31, 2022 as the general rate base cut-off date. The Company proposes the Test Year end original cost rate base adjusted for the major project identified below be used as the fair value of the Company's utility property. AES

Indiana proposes the Commission establish its authorized net operating income by applying the overall weighted average cost of capital by the adjusted Test Year end original cost rate base.

26. AES Indiana seeks to update rate base during the course of this proceeding to reflect the addition of one "major project" as that term is defined in 170 IAC 1-5-1(l). The major project is the AES Customer Ecosystem ("ACE") Project, which is a comprehensive cloud-based customer information and data/operations management system. The ACE Project modernizes and integrates four core components: customer information system ("CIS"), meter data management ("MDM"), field services management ("FSM"), and customer service management ("CSM"). AES Indiana witness Barbarisi provides more detail on the ACE Project. This major addition to AES Indiana's rate base is expected to be used and useful in November 2023. The estimate of the Company's investment in this major project is $94 million and this estimate is included with the Company's prefiled case-in-chief – namely on <u>AES Indiana Financial Exhibit AESI-RB, Schedule RB3</u>. The Company also seeks to adjust test year operating results to reflect the ongoing expenses related to the ACE Project.

27. AES Indiana will file with the Commission in this docket and serve on all parties a monthly investment update for the above referenced major project. AES Indiana proposes the final hearing in this Cause be conducted at least ten (10) business days after the ACE Project is declared by AES Indiana to be used and useful. AES Indiana expects this objective can be met by adhering to the procedural schedule provided in GAO 2013-5.

<u>Overview of Petitioner's Proposals</u>.

28. Adequate rates are essential to allow AES Indiana to achieve the financial results that will be necessary to attract needed investor capital on reasonable terms, to comply with

environmental and other mandates and to otherwise invest to meet the continued need for electricity within AES Indiana's service area. AES Indiana requests new rates and charges and associated accounting relief be authorized to enable AES Indiana to realize a reasonable and adequate net operating income to render adequate and reliable service and facilities to the public.

29. As proposed in the case-in-chief, AES Indiana requests the Commission to approve an annual increase in revenues of approximately $134 million, which results in a base rate increase of 8.9%. The amount is based on a test year ended December 31, 2022, with adjustments for fixed, known and measurable changes and appropriate normalizations and annualizations.

30. This rate review proceeding is necessary to comply with the TDSIC statutory requirement and to address the impact of the current inflationary operating environment, which drives increases in labor and other operating costs. The operating costs and investment reflected in the proposed revenue requirement are reasonable and necessary to fulfill the Company's obligation to provide service to customers and to provide a fair return on the Company's rate base. This rate review also reflects the cost of operational needs, such as capacity costs, vegetation management, consumables, insurance, and economic development. This filing also updates depreciation rates to better align depreciation expense with the period in which the generation plants provide service to customers. In this filing, the Company is also removing from rates the operational costs of two retired Petersburg units. The proposed filing reasonably considers reliability, affordability, resiliency, stability and environmental sustainability in accordance with House Enrolled Act ("HEA") 1007.

31. The Company works to provide service at a price that is affordable and competitive across the residential, commercial and industrial customer classes. The impact of the proposed revenue increase on customers is detailed in the testimony of AES Indiana witnesses Baker and Rimal included with the Company's written case-in-chief filing made contemporaneous with this Petition. The Company's rates have been and will remain comparatively low if the Company's proposals in this case are approved.

32. The proposed revenue increase would increase the average monthly bill of a residential customer using 1,000 kWh per month by approximately $17.49, which is an increase of approximately 13.2%. This results in a monthly bill of $149.95 for a residential customer using 1,000 kWh per month.

33. AES Indiana's proposed adjustment to its rates and charges is detailed in its case-in-chief filed contemporaneous herewith and further summarized below:[3]

a. <u>Depreciation Rates</u>. Depreciation expense associated with the Company's utility property is a necessary cost of service. AES Indiana's current depreciation rates were approved in the 45029 Order. AES Indiana seeks approval to revise its depreciation rates as proposed in its case-in-chief filed contemporaneous with this Petition.

b. <u>Major Storm Damage Restoration Reserve Account</u>. The 44576 Order approved AES Indiana's Major Storm Damage Restoration Reserve Account, which remains in effect pursuant to the settlement agreement approved in the 45029 Order. As discussed in the case-in-chief, the Company proposes to continue this mechanism including the deferral accounting above and below the level expense embedded in basic rates which the Company proposes to update in this proceeding.

c. Vegetation Management Reserve Account. The Order in Cause No. 45029 approved a settlement agreement that included $11.0 million of vegetation management in base rates for distribution facilities by third-party 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. In this proceeding, AES Indiana proposes to continue to utilize the same methodology as accepted in Cause No. 45029, while updating the pro forma vegetation management expense reflected in basic rates.

d. Prepaid Pension Asset and OPEB Liability. AES Indiana has recorded a prepaid pension asset and an Other Postemployment Benefits ("OPEB") liability on its books in accordance with governing accounting standards. This asset reduces the pension cost that would otherwise be reflected in the revenue requirement and preserves the integrity of the pension fund. To recognize the opportunity cost incurred by the Company to produce these benefits AES Indiana proposes to include the net asset as a component of its capital structure.

e. Rate Adjustment Mechanisms. AES Indiana proposes to implement one new rate adjustment mechanism, Rider 27 – Economic Development Rider ("EDR"). The

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[3] This summary and the attached index of this filing are included to provide an overview of significant proposals in AES Indiana's filing; it is not intended to be an all-inclusive summary of every aspect of AES Indiana's filing. A complete account of AES Indiana's requested relief can be found in AES Indiana's case-in-chief.

proposed EDR seeks to improve AES Indiana's competitiveness in supporting economic development and encouraging growth in the communities it serves. AES Indiana also proposes to maintain its existing rate adjustment mechanisms with some modifications as further detailed in AES Indiana's case-in-chief. The modifications include:

(i) *Standard Contract Rider No. 6 (Fuel Adjustment Clause ("FAC"))*: AES Indiana proposes to update its base cost of fuel for use in the FAC to adjust rates to account for fluctuations in AES Indiana's fuel costs. Additionally, the Company proposes to remove the Lakefield power purchase agreement ("PPA") fuel costs adjustment from the FAC so that all off-system sales ("OSS") margins will be reflected in the OSS Rider filings.

(ii) *Standard Contract Rider No. 20 (Environmental Compliance Cost Recovery Rider ("ECCRA"))*: AES Indiana proposes to reflect in its basic rates and charges capital costs and operating expenses associated with the National Ambient Air Quality Standards ("NAAQS") Non-Dibasic Acid Compliance Project previously approved in Cause No. 44794. This is the remainder of the compliance project not included in basic rates in Cause No. 45029 and will roll into basic rates from the ECCRA. AES Indiana proposes 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.

(iii) *Standard Contract Rider No. 22 (Demand-Side Management ("DSM") Adjustment)*: 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 and recorded prior to the end of the test year. Accordingly, when new tariff sheets are filed based upon the final Order in this proceeding, AES Indiana proposes to adjust the then-current DSM Rider 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. The methodology to calculate the lost revenues will remain the same as the current approach. Updated lost revenue margin rates are based upon the proposed tariffs and the cost of service study sponsored by AES Indiana Witness Rimal.

(iv) *Standard Contract Rider No. 24 (Capacity Adjustment ("CAP"))*: AES Indiana proposes to continue to recognize incremental changes in the charges and credits for the net cost and benefit of AES Indiana's participation in MISO's Resource Adequacy Process and the cost and benefit of bilateral capacity transactions by maintaining the Company's existing CAP Rider, with an updated benchmark that accounts for the recent changes in the MISO capacity construct and accreditation methodology.

(v) *Standard Contract Rider No. 25 (Off-System Sales ("OSS") Margin Adjustment)*: The Commission Order approving the settlement agreement in Cause No. 45029 provides that 100% of the Company's OSS margins will be flowed through rates to the benefit of retail customers to allow retail service rates to be reduced by AES Indiana's efforts in the wholesale market. This flow through to customers occurs via Rider 25. The Company proposes to maintain this structure with an updated benchmark embedded in the retail revenue requirement. As also noted above, AES Indiana further proposes to include the Lakefield PPA Adjustment in the OSS Margin Adjustment and remove it from the FAC process.

(vi) *Standard Contract Rider No. 26 (RTO Adjustment)*: AES Indiana proposes to continue to reflect a pro forma level of MISO Non-fuel costs and revenues in base rates and to adjust rates through the RTO Adjustment. AES Indiana's proposal updates the embedded amount of MISO Non-fuel costs used as the benchmark to determine the RTO charge or credit in the RTO Adjustment.

Upon implementation of new rates, AES Indiana proposes to adjust the then-current factors for the FAC, DSM, ECCRA, CAP, OSS Margin, and RTO rate adjustment riders for costs that will be reflected in the new basic rates and charges resulting from this proceeding. AES Indiana is proposing to continue to recover all expenses for DSM and Green Power Initiative in their respective rate adjustment riders.

f. Regulatory Assets. AES Indiana's proposed revenue requirement includes certain environmental compliance and other costs AES Indiana has deferred in accordance with the Commission's Orders as identified in AES Indiana's case-in-chief.

g. Remote Disconnect/Reconnect Program. The Company requests the Commission to waive 170 IAC 4-1-16(f) and approve the Company's proposed Remote Disconnect/Reconnect Program presented in the Company's case-in-chief.

h. Other Accounting and Ratemaking Proposals. The Company also asks the Commission to recognize other costs for ratemaking purposes and accounting relief as reflected in AES Indiana's case-in-chief, including the amortization of rate case expense over a three-year amortization period and the amortization of the regulatory asset created as a result of the Order in Cause No. 45380 over a three-year amortization period.

i. Rate Design. AES Indiana's various rate design proposals are detailed in its pre-filed case-in-chief and include the following:

(i) *Monthly Customer Service Charge*. AES Indiana proposes to adjust the fixed monthly customer charge for residential customers and Small Secondary service customers in order to more closely reflect the costs of serving each customer, as indicated by the Allocated Cost of Service Study ("ACOSS"). This proposal continues the gradual alignment of rate design with cost causation principles and in doing so sends efficient price signals to customers, allowing customers to make informed decisions regarding their consumption of the service being provided. A substantial portion of fixed costs will still be recovered in the variable energy charge component of the rates for these customers.

(ii) *Low load factor*. As a part of the Settlement Agreement approved by the Commission in AES Indiana's last rate case in Cause No. 45029, AES Indiana "agreed to prepare an analysis that separately allocates costs to low load factor customers and a proposed rate structure to recover those allocated costs". In compliance with this provision, AES Indiana witness Rimal conducted a scenario analysis that treats large low load factor customers as a separate rate classification. The results of this scenario analysis and a summary of the illustrative rate design are provided with Mr. Rimal's testimony.

(iii) *LED Streetlighting*. AES Indiana is proposing to add a new LED Streetlighting with Contribution in Aid of Construction ("CIAC") Paid rates to the tariff to reflect contract rates approved between certain municipalities and AES Indiana.

(iv) *Interruptible Tariffs*. AES Indiana proposes as part of this proceeding to close Rider 14 (Interruptible Power) and Rider 17 (Curtailment Energy) to new customers, discontinue Rider 15 (Load Displacement), Rider 18 (Curtailment Energy II) and Rider 23 (Market Based Demand Response), and to introduce a new Rider 19 (Interruptible Demand Response). These closures and discontinuations will be effective once approved by the Commission in this proceeding.

(v) *Metered Municipal Device (Small) rate ("Rate MD").* AES Indiana is proposing to add a new Metered Municipal Device tariff. This tariff is intended to be used by municipal customers for metered traffic signals, public safety lighting, holiday lighting and public safety devices to more appropriately charge for these types of devices.

(vi) *Tariff, Schedules and Terms and Conditions of Service.* AES Indiana proposes to replace its existing rate schedules governing the electric utility service rendered by it with new schedules of rates and charges and terms and conditions applicable thereto. These changes are summarized in AES Indiana's prefiled testimony and shown in the redlined version of the Tariff included with AES Indiana's case-in-chief. These revisions include, without limitation, changes to simplify, modernize, update and clarify the Tariff. The proposed rate schedules and revised Tariff are included in the Company's case-in-chief.

Confidential Information.

34. Pursuant to 170 IAC 1-5-15(e)(2), the electronic copy of the cost of service study is to be treated as confidential and protected from disclosure to the public under Ind. Code § 5-14-3-4 and Ind. Code § 8-1-2-29.

35. Contemporaneous with the filing of this Petition, AES Indiana is also filing a motion for protective order in accordance with 170 IAC 1-1.1-4 and to otherwise comply with 170 IAC 1-5-3. The filing of this motion is necessary and appropriate to protect other confidential information included in AES Indiana's filing. AES Indiana has entered into a

nondisclosure agreement with the OUCC and will work together with any intervenors to negotiate an acceptable confidentiality agreement to facilitate the production of the confidential information as appropriate.

Procedural Schedule.

36. In accordance with 170 IAC 1-1.1-9(a)(8), Petitioner has worked with the Indiana Office of Utility Consumer Counselor and potential intervenors to develop an agreed procedural schedule and associated terms, which is attached hereto as Petition Exhibit C. This proposed schedule is based on the Commission's GAO-2013-5. To the extent necessary or appropriate and pursuant to 170 IAC 1-1.1-15, AES Indiana requests that a date for a prehearing conference and preliminary hearing be promptly set by the Commission to address procedural matters so as to allow completion of the case within 300 days in accordance with GAO-2013-5 and Section 42.7.

Customer Notification.

37. In accordance with Ind. Code § 8-1-2-61(a), AES Indiana will publish notice of the filing of this Petition in a newspaper of general circulation published in each Indiana county in which AES Indiana renders service. The proofs of publication of notice will be late-filed as an exhibit.

38. In accordance with 170 IAC 4-1-18(c), AES Indiana will furnish to each residential customer within forty-five (45) days of this Petition, a notice which fairly summarizes the nature and extent of the proposed changes. These notices will be provided via bill messaging, bill inserts, or similar mailing.

<u>Attorneys For Petitioner</u>.

39. The names and addresses of AES Indiana's duly authorized representatives, to whom all correspondence and communications concerning this Petition should be sent, are as follows:

Teresa Morton Nyhart (No. 14044-49)
T. Joseph Wendt (No. 19622-49)
Jeffrey M. Peabody (No. 28000-53)
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WHEREFORE, Petitioner, AES Indiana, respectfully requests that the Indiana Utility Regulatory Commission promptly establish a procedural schedule and associated terms, make such investigation and hold such hearings as are necessary or advisable, and, thereafter, make and enter an order in this Cause in accordance with the 300-day time frame provided in GAO-2013-5 and Section 42.7:

a. finding that AES Indiana's existing rates and charges for electric utility service are unjust, unreasonable, insufficient, confiscatory, and inadequate to provide a fair return on AES Indiana's utility property used and useful for the convenience of the public in rendering electric utility service;

b. establishing and by order fixing increased rates and charges to be imposed, observed and followed in the future by AES Indiana in lieu of those found to be unjust, unreasonable, insufficient and confiscatory rates;

c. authorizing AES Indiana to revise and place into effect for accrual accounting purposes its depreciation rates as proposed in its evidence herein;

d. recognizing the Company's prepaid pension asset in its capital structure;

e. including the Ace Project in rate base and the associated costs in the retail revenue requirement;

f. approving the new Economic Development Rider;

g. authorizing AES Indiana to implement modifications to its rate adjustment mechanisms as proposed in AES Indiana's evidence;

h. approving and granting accounting authority to AES Indiana to implement its other accounting and rate proposals, including authority to maintain the Major Storm Damage Restoration Reserve Account and Vegetation Management Reserve Account, to amortize rate case expense, and to amortize the regulatory asset created pursuant to the Commission's Order in Cause No. 45380;

i. approving AES Indiana's proposed rate design including the changes to the customer charges for the residential and small commercial rate classes;

j. approving various changes in AES Indiana's Rules and Regulations of Service and others terms, conditions and provisions of AES Indiana's Electric Service Tariff as proposed in AES Indiana's evidence herein; and

k. granting to AES Indiana such other and further relief as may be appropriate and proper.

Respectfully submitted this 28th day of June 2023,

INDIANAPOLIS POWER & LIGHT COMPANY
d/b/a AES INDIANA

By: ______________________________
Kristina Lund, President and CEO

Teresa Morton Nyhart (No. 14044-49)
T. Joseph Wendt (No. 19622-49)
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VERIFICATION

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

Kristina Lund
Dated: June 28, 2023

Indianapolis Power & Light Company d/b/a AES Indiana
2023 Rate Case
Index of Issues, Requests, and Supporting Witnesses[1]

General			
Subject	**Designation**	**Supporting Witness**	**Workpaper or Exhibit Reference**
Test Year (historical)	Twelve Months Ended December 31, 2022 adjusted for fixed, known and measurable changes and appropriate normalizations and amortizations.	• Coklow. • Aliff. • Fox (test year sales – weather normalization). • Additional witnesses are identified in the Index of Schedules in the AES Financial Exhibit Volume.	• See AES Indiana Financial Exhibit. • Company has submitted workpapers in electronic format that support the schedules.

Revenue Requirement			
Subject	**Request**	**Supporting Witness**	**Workpaper or Exhibit Reference**
Overall Revenue Increase	• Total annual increase in revenue of approximately $134 million, or 9%.	• Lund (policy).	
Return on Equity ("ROE")	• Authorize 10.6% ROE.	• McKenzie.	

[1] This Index of the Company's case-in-chief is intended to highlight issues and is not an exhaustive list of AES Indiana's requests in this proceeding. A complete account of AES Indiana's requested relief can be found in AES Indiana's case-in-chief, including but not limited to AES Indiana's petition, testimony, exhibits, workpapers, and MSFR responses.

Revenue Requirement (Cont'd)			
Subject	**Request**	**Supporting Witness**	**Workpaper or Exhibit Reference**
Weighted Average Cost of Capital ("WACC")	• Authorize forecasted WACC applied to original cost rate base.	• Illyes (capital structure, overall WACC calculation.) • McKenzie (ROE; reasonableness of common equity ratio).	• AESI-CC, Sch. CC2 (WACC).
Depreciation	• Set new depreciation rates and reflect the resulting depreciation expense in base rates based on depreciation study.	• Spanos (depreciation). • Guletsky (decommissioning study). • Osborn (depreciation expense).	• Attach. JJS-1 (2022 Depreciation Study). • Attach. PMG-1 (2022 Decommissioning Study). • AESI-OPER, Schedule DEPR.
Prepaid Pension Asset	• Include AES Indiana's Prepaid Pension Asset net of the OPEB liability as component in the capital structure.	• Roach.	• Attach. HMR-2. • AESI-CC, Sch. CC2
Taxes	• Reflect test year tax expense in base rates. • Apply gross revenue conversion factor ("GRCF"). • Update excess accumulated deferred income tax ("ADIT") balances to reflect final accounting records and remain in compliance with tax normalization rules. • Reflect amortization of normalized and non-normalized excess ADIT. • Present effective tax rate	• Miller.	• AESI-OPER, Sch. TX-1 through TX-3 (tax expenses). • AESI-REVREQ, Sch. REVREQ2 (GRCF). • AESI-OPER, Sch. TX4 (ADIT.) • AESI-OPER, Sch. TX8 (Effective Income Tax Rate).

Revenue Requirement (Cont'd)			
Subject	**Request**	**Supporting Witness**	**Workpaper or Exhibit Reference**
Rate Base	• General Rate Base cut off date – December 31, 2022. • TDSIC projects in-service at Test Year end are rolled into basic rates. • NAAQS-Other. Remainder of the NAAQS Compliance Project approved in CN 44794 not included in base rates in CN 45029 is now in service and included in rate and revenue requirement.	• Osborn/Coklow (Original Cost Rate Base). • Dickerson (fuel inventory). • Bigalbal/Holtsclaw (inventory). • Aliff/Coklow (TDSIC) • Aliff (NAAQS-Other)	• AESI-RB, Sch. RB 1-9.
Rate Base – Major Project	• One major project: a comprehensive cloud-based customer information and data/operations management system referred to as the "ACE Project". • ACE Project expected to be used and useful in early November 2023.	• Barbarisi (ACE Project description). • Aliff (ACE Project accounting).	• AESI-RB, Sch. RB3
Rate Base - Retirements	• Petersburg Unit 2 retired in May 2023; Unit 2 and Units 1 and 2 Shared Asset Retirements are removed from rate base.	• Aliff (removal of Pete 2 and Pete 1 and 2 Shared Asset Retirements).	• AESI-RB, Sch. RB4
Major Storm Damage Restoration Reserve and Storm Expense	• Continue mechanism previously approved in Cause Nos. 44576 and 45029 with updated level of embedded expense.	• Aliff (Reserve). • Holtsclaw (pro forma expense).	• AESI-OPER, Sch. OM11.

Revenue Requirement (Cont'd)			
Subject	• **Request**	• **Supporting Witness**	**Workpaper or Exhibit Reference**
Vegetation Management & Reserve Account	• Update level of embedded expense. • Continue to utilize the methodology agreed to in Cause No. 45029 whereby Company defers any shortfalls in annual vegetation management costs relative to the amount embedded in base rates.	• Aliff (Reserve Account). • Bocook (pro forma expense).	• AESI-OPER, Sch. OM12.
Economic Development Programs	• Proposed Rider 27 – Economic Development Rider ("EDR").	• Staton (policy) • Baker (EDR terms)	• Attach. AJB-1 (clean tariff).
Regulatory Assets	• Reflect regulatory assets includable in rate base.	• Aliff • Osborn	• AESI-RB, Sch. RB9
Remote Disconnect/Reconnect Program	• Waive 170 IAC 4-1-16(f) and approve the Company's proposed disconnect/reconnect program.	• Baker	• Attach. AJB-1 and 2, Tariff pg. 204 (updated fees for remote disconnect/reconnect); also WP AJB-1.

Cost of Service and Rate Design			
Subject	**Request**	**Supporting Witness**	**Workpaper or Exhibit Reference**
Allocated Cost of Service Study ("ACOSS")	• Same ACOSS model as used in AES Indiana's most recent rate cases, Cause Nos. 45029 and 44576.	• Rimal. • Fox (weather normalization).	• WP BR-1.0C (Confidential ACOSS Model). • WP EF-1 through -3 (weatherization).

Overall Rate Design	• Allocation of revenue based on two criteria: 1) increase to any rate schedule capped at 1.5 times the overall system increase; and 2) no rate schedule receives a rate reduction (other than the new Rate MD). Approach reduces inter-class subsidies and moves classes closer to their cost of service, while moderating impacts on any one particular class.
	• Better alignment of residential fixed costs with rate design through approval of:
	    • $16.50 monthly service charge for small customers (< 325 kWh/month).
	    • $25.00 monthly service charge for larger customers (> 325 kWh/month).
	    • Retention of existing declining block rate structure.
		• Rimal (rate design and rates).	• Attach. BR-2 through -9 (rate design).
			• Attach. AJB-1 and AJB-2 (clean and redline tariff) .

Cost of Service and Rate Design (Cont'd)			
Subject	**Request**	**Supporting Witness**	**Workpaper or Exhibit Reference**
Rate Design – New Rates	• New rate for Metered Municipal Devices (Small) (Rate MD). • New LED Streetlighting with CIAC Paid rate.	• Aliff (Rate MD, LED Streetlighting with CIAC).	• Attach. AJB-1 and AJB-2 (clean and redline tariff).
Rate Design - Other	• Low load factor scenario analysis and illustrative rate design included with filing per settlement approved in CN 45029. • Updated TDSIC allocation factors presented for approval.	• Rimal.	• Attach. BR-10 (low load factor scenario analysis) • Attach. BR-11 (TDSIC allocation factors).
Rider Proposals – General	• Maintain existing rate adjustment riders and add new riders.	• Aliff.	• Attach. AJB-1 & 2 (clean and redline tariff).
Rider Proposals – New Economic Development Rider ("EDR")	• See above under "Economic Development Programs".	• See above under "Economic Development Programs".	• See above under "Economic Development Programs".

Cost of Service and Rate Design (Cont'd)			
Subject	**Request**	**Supporting Witness**	**Workpaper or Exhibit Reference**
Rider Proposals – New Rider 19 Interruptible Demand Response	• Approve new Rider 19. • Close Rider 14 (Interruptible Power) and Rider 17 (Curtailment Energy) to new customers, discontinue Rider 15 (Load Displacement), Rider 18 (Curtailment Energy II) and Rider 23 (Market Based Demand Response)	• Baker	• Attach. AJB-1 and AJB-2 (clean and redline tariff).
Rider Proposals – FAC (Rider 6).	• Update base cost of fuel • Move OSS margins made possible because of Lakefield Wind PPA from FAC to Rider 25 (OSS) so that all OSS margins are reflected in one rider.	• Dickerson (updated base cost of fuel). • Steiner (Lakefield adjustment).	• Attach. AJB 1 & 2 (clean and redline tariff). • AESI-OPER, Sch. OM2 (base cost of fuel).
Rider Proposals – ECCRA (Rider 20).	• Track consumables costs above or below the amounts included in base rates and pass through all purchases or sales of NOx allowances without a benchmark embedded in base rates.	• Steiner (consumables benchmark, allowance tracking). • Aliff (rider).	• Attach. AJB 1 & 2 (clean and redline tariff). • AESI-OPER, Sch. OM5 (consumables). • AESI-OPER, Sch. OM8 (allowances).
Rider Proposals – DSM (Rider 22)	• Once new rates are approved Company will update then-current DSM Rider factors to remove lost revenues as of the same effective date; update lost revenue margin rates.	• Aliff (rider, lost revenue margin rates).	• Attach. KA-1 – lost revenue margin rates.

Cost of Service and Rate Design (Cont'd)			
Subject	**Request**	**Supporting Witness**	**Workpaper or Exhibit Reference**
Rider Proposals – CAP (Rider 24)	• Update amount of capacity cost embedded in basic rates for use as benchmark in ongoing CAP adjustment.	• Steiner (updated capacity costs, changes in MISO capacity construct). • Aliff (rider).	• Attach. AJB 1 & 2 (clean and redline tariff). • AESI-OPER, Sch. OM3 (capacity costs).
Rider Proposals – OSS (Rider 25)	• Update OSS margins embedded in basic rates and continue to flow 100% of margins through OSS Rider for benefit of customers. • move Lakefield PPA adjustment from FAC to OSS Rider.	• Steiner (Lakefield adjustment, update OSS margins). • Aliff (rider).	• Attach. AJB 1 & 2 (clean and redline tariff). • AESI-OPER, Sch. REV6 (OSS margins). • WP REV6-WP26.
Rider Proposals – RTO (Rider 26)	• Update MISO Non-fuel costs and revenues embedded in basic rates.	• Aliff (rider).	• Attach. AJB 1 & 2 (clean and redline tariff). • AESI-OPER, Sch. REV8 and OM13.
Terms and Conditions of Service and Tariffs	• Tariff revisions include, without limitation, changes to simplify, modernize, update and clarify the Tariff.	• Baker.	• Attach. AJB 1 & 2 (clean and redline tariff). • Attach. AJB 3 (index of tariff revisions).
HEA 1007	• Commission Consider Five Attributes Enumerated in Statute	• Lund.	

Witness Summaries

1. Kristina Lund - President and Chief Executive Officer, AES Indiana

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

In this proceeding, AES Indiana requests Commission approval of an annual increase in revenues of approximately $134 million, which is an overall increase of approximately 9%. The amount is based on a test year ended December 31, 2022, with adjustments for fixed, known and measurable changes and appropriate normalizations and annualizations. The Company's rates have been and will remain comparatively low if the Company's proposals in this case are approved.

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

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

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

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

2. Kim Aliff - Revenue Requirements Manager, AES Indiana

<u>AES Indiana Financial Exhibit AESI-REVREQ, Schedule REVREQ1</u> 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.

3. Austin Baker - Analyst II, Regulatory Affairs, AES Indiana

This testimony explains the electric operating revenue adjustments from AES Indiana Financial Exhibit AESI-OPER, Schedule REV3 and REV4 to account for test year rider revenues and to reasonably normalize and annualize revenue.

The proposed changes in AES Indiana's Rules and Regulations for Electric Service and modifications to AES Indiana's Tariff update, expand and clarify the Tariff. These changes are reasonably expected to facilitate a better understanding of the applicable tariff rates and associated requirements.

If approved, AES Indiana's proposed residential rates will remain comparatively low.

The proposed remote disconnect/reconnect procedure gives customers reasonable notice of an upcoming disconnection, has been proven to be effective at avoiding disconnections, and is expected to reduce disconnect and reconnect fees for most customers. Waiver of 170 IAC 4-1-16(f) benefits AES Indiana customers and promotes efficiency in the Company's rendering of retail service, and should be approved so as to allow the Company to utilize the functionality of its AMI infrastructure.

The new Economic Development Rider (EDR) will be open and available to eligible commercial and industrial customers who bring material economic development to the Company's service territory. The proposed EDR sets forth reasonable guidelines and is reasonably designed to incentivize economic development. The expected revenues under any EDR agreement will be set to recover the incremental cost to serve the participating customer and contribute to fixed costs. Increasing the base over which fixed costs are spread benefits all customers. The Company will reasonably report EDR activity to the Commission.

New Rider 19 is a mechanism for AES Indiana to enter interruptible demand response contracts with customers with at least 100 kW of interruptible demand. The Company will seek Commission approval for these contracts. The new rider will simplify the Company's demand response offerings by discontinuing the unused Riders 15, 18, and 23 and closing enrollment to new customers for Riders 14 and 17. The Company proposes to collaborate with its DSM Oversight Board members to further develop its demand response offerings and expects to bring any resulting proposals to the Commission for approval as part of a future DSM Plan filing.

4. Vanessa Barbarisi - Director, Utility Transformation Strategy, AES Indiana

This testimony recommends that the ACE Project be included in the ratemaking in this case. The current legacy systems in place are at the end of their useful life and cannot keep up with business and customer interests. Integrating core systems, namely customer information system, meter data management, field services management, and customer service management through the ACE Project, creates a modern system and provides significant operational and customer benefits, including a 360 degree view of customer data to provide enhanced customer service as well as new payment methods.

The ACE Project will be used and useful in early November 2023. This investment and the associated O&M should be reflected in rates in this proceeding.

5. John Bigalbal - Chief Operating Officer, AES Indiana

AES Indiana maintains its generation fleet in good condition as it is necessary for the provision of service to its customers. AES Indiana Financial Exhibit OPER, Schedule OM7 reasonably adjusts the test year O&M to reflect the retirement of Petersburg Unit 2 and the settlement approved in Cause No. 38703 FAC 133 S1 related to the Eagle Valley extended outage. AES Indiana Financial Exhibit RB, Schedule RB7 reasonably adjusts the test year generation materials and supplies inventory to reflect the 13-month average.

6. Chad Bocook - Director, Vegetation Management, AES Indiana

AES Indiana is committed to providing our customers with safe and reliable electric service. To be more successful in meeting this commitment, it is critical that we are afforded the opportunity to fully implement our plan to address vegetation related outages as referred to in my testimony and adjust test year costs to reflect ongoing costs.

7. Natalie Coklow - Manager, Regulatory Accounting, AES Indiana

The AES Indiana Financial Exhibit AESI-OPER, Schedule OPINC fairly presents the estimated operating results of AES Indiana's electric business on an annualized and normalized basis. In summary, all exhibits sponsored represent test year activity, are based on sound accounting principles, and are reasonable. In addition, the pro forma adjustments that are sponsored in this testimony related to AES Indiana Financial Exhibit AESI-RB, Schedule RB7 (materials and supplies), AES Indiana Financial Exhibit AESI-OPER, Schedule REV7 (rent revenue), AES Indiana Financial Exhibit AESI-OPER, Schedule OM6 (transportation charges), AES Indiana Financial Exhibit AESI-OPER, Schedule OM9 (write-off expense for obsolete and damaged materials and supplies), AES Indiana Financial Exhibit AESI-OPER, Schedule OM22 (miscellaneous expense), and AES Indiana Financial Exhibit AESI-OPER, Schedule OM26 (preliminary survey and investigation charges and cancelled capital projects), are appropriate for setting new basic rates and charges as these adjustments reflect changes through the twelve-months following the end of the test year which are representative of utility operations and which are fixed in time, known to be occurring, and measurable in amount. Consequently, it is necessary to give effect to those adjustments to properly determine the appropriate level of pro forma electric operating revenues and expenses. If these adjustments are not made, the pro forma electric revenues and operation and maintenance expenses included in the determination of AES Indiana's electric operating income at present and at proposed rates would not be representative of future revenues and operating costs during the period when the requested rates are expected to be in effect.

8. Matthew Dalton, Director of Human Resources, AES Indiana

AES Indiana has taken the appropriate steps to maintain employee compensation at a competitive level to attract and retain the talent necessary to provide service to our customers. The Company's Short-Term Compensation Plan complies with the criteria set out by the Commission for ratemaking recognition. The total direct compensation provided to AES Indiana's employees, including both short-term and long-term incentives, is comparable to what other utilities companies offer as well as to what non-utility companies with whom AES Indiana competes for talent offer and, therefore, represents a reasonable and necessary cost of providing service.

9. Alex Dickerson - Manager, Wholesale Energy, AES Indiana

The adjustment to reduce AES Indiana's coal inventory from 1,065,105 tons to 525,000 tons was appropriate in light of lower daily burns after the retirements of Petersburg Units 1 and 2. The target 525,000 ton level provides enough opportunity for variability while also maintaining efficient and reliable operations at the plant. Petersburg's inventory was adjusted down from 413,597 gallons to 325,000 gallons to allow sufficient inventory for re-firing the units after they come offline, to stabilize the flame during periods of disruption from time to time, and to support the three 2.5 MW diesel generators on-site. Harding Street was adjusted up from 853,429 gallons to 1,000,000 gallons to comply with the black start protocol requirements. Further, the target inventory was set at approximately four days' supply at full load because fuel oil is the only source of fuel if there is a natural gas disruption. The net result of these adjustments is an increase in the volume of inventory but a decrease in the cost. These adjustments and pro forma amounts are reasonable and necessary to ensure efficient and reliable plant operations. Because of decreasing natural gas and power prices in the adjustment period from the actuals in the test year, the base cost of fuel including fuel and purchased power costs are adjusted. The adjustment is a decrease from test year of $734.2 million to $540.0 million. This results in a converted new base cost of fuel of $0.041479 per kwh.

10. Mike Holtsclaw - Director, Transmission Field Operations

This testimony presents the current Plant In-Service for AES Indiana and describes the Company's transmission system and how it is interconnected with other utilities in Indiana. This testimony explains why a five-month average for transmission and distribution inventory is representative of going forward costs because of recent inflation and supply chain issues and the difficulty in obtaining material in a timely manner. Inventory levels have been increased to ensure that material is available when needed to meet customer expectations and deadlines for customer driven projects. The Company has had to order material further in advance than in the past resulting in higher inventory levels and higher inventory costs. Moving the cost of poles into inventory in August of 2022 also resulted in a significant increase in inventory value.

This testimony also explains MTEP costs that the Company is obligated to pay as a member of MISO and how those costs are handled. Additionally, it explains that the non-fuel MISO costs should continue to be recovered through the RTO Rider.

In addition, this testimony discuss storm expenses and the number of declared storm events in the 2022 test year and how they compare to declared storm events in the past. It also explains why a three-year average is representative of storm events going forward. It also discusses the Major Storm Damage Restoration Reserve and explain that the Company is not proposing any changes to the Major Storm Damage Restoration Reserve process.

11. Dustin Illyes – Treasurer, AES US Services LLC, AES Indiana

As shown in AES Indiana Financial Exhibit AESI-CC, Schedule CC2, the Company's proposed WACC is 7.22%. This is based on a proposed ROE of 10.60% as presented by AES Indiana witness McKenzie and a cost of debt of 4.90% as of December 31, 2022. AES Indiana's regulatory capital structure, as of the end of the test year, consisted of 49.52% long-term debt and 44.69% common equity, among other components more fully described above and as depicted in AES Indiana Financial Exhibit AESI-CC, Schedule CC2. The Company's WACC and capital structure underpin its financial integrity and are key considerations given by the credit rating agencies, along with the regulatory environment, in determining the Company's credit ratings. Maintaining investment grade ratings is vital to both AES Indiana and its customers as it allows for the necessary flexibility to determine when and how to access the capital markets in order to achieve reasonable terms. A constructive outcome in this case that approves the Company's capital structure and WACC as filed would ensure the continued financial integrity of AES Indiana, allowing it to earn a reasonable rate of return, meet its financial obligations, and provide safe and reliable service to its customers.

12. Nick Miller - Senior Manager, Regulatory Tax, AES Indiana

The Company has accurately reflected income taxes and taxes other than income taxes in the revenue requirement in this case. The calculations made to derive these expenses are reasonable and consistent with the methodology used in prior Commission proceedings, and the test year adjustments are fixed, known, and measurable. In addition, the excess ADIT balances have been updated to reflect the final accounting records and cumulative amortization following the passage of the TCJA, and the pro forma adjustment to excess ADIT amortization is reasonable and in compliance with the tax normalization rules. In order to avoid a normalization violation, the tax expense included in the cost of service must use the same depreciation method and life used elsewhere for cost of service, and the amortization of normalized excess ADIT must be calculated using ARAM. The proposed treatment of excess ADIT in this case is necessary to avoid a potential normalization violation. It is imperative that a normalization violation be avoided, which will allow the Company to continue to claim accelerated depreciation on its tax returns. This creates a deferred tax liability which is included as zero-cost capital to the benefit of customers.

13. Rob Osborn – Assistant Controller, AES Indiana

This testimony provides an overview of AES Indiana's financial operations and explains the steps taken by the Company to maintain the integrity of its books and records in accordance with the FERC USOA, GAAP, FASB, Sarbanes-Oxley, and other control procedures. The Company's independent auditor's report from Ernst & Young stated that the financial statements in their opinion were presented fairly in all material respects.

Transactions between AES Indiana and AES Services are governed by the Service Agreement and CAAM. These and other affiliate transactions allow for the sharing of technical expertise and for cost-sharing opportunities related to operational goods and services. The occupancy charges for use of One Monument Circle are reasonable and the related revenue is included as a decrease in electric operation expense in the retail revenue requirement.

The Petersburg Units 1 and 2 have been retired. The Petersburg Units 1 and 2 regulatory assets were created in accordance with the settlement approved in Cause No. 45502. The Company proposes to amortize the regulatory asset for Petersburg Unit 1 using the amount of depreciation expense agreed to in the settlement approved in Cause No. 45502. The depreciation expense for Unit 2 and shared Unit 1 and 2 is reasonably based on the depreciation study completed by AES Indiana witness Spanos for this proceeding.

This testimony summarizes the utility plant-in-service, which is included as rate base in this proceeding. Also, the Company reasonably applied the results of the depreciation study to an adjusted depreciable plant balance to determine the pro forma adjustment necessary for depreciation expense as shown in AES Indiana Financial Exhibit AESI-OPER, Schedule DEPR line 17.

14. Matt Roach - Senior Director, Benefits, AES Indiana

AES Indiana is requesting $9.7 million of pension and OPEB expense as adjusted to be reflected in the revenue requirement in rates. This amount represents the most current actuarial valuation of GAAP pension expense for the year 2023 and is consistent with how we have included pension cost in the revenue requirement in the past. While the amount is higher than the test year, this was fully explained by assumption changes as mainly driven by interest rate increases as rates increased to deter inflation and are unlikely to return to prior low levels in the near future.

Additionally, AES Indiana is requesting the net prepaid pension asset be included in the Company's authorized cost of capital. The prepaid pension asset represents cumulative pension contributions in excess of cumulative pension expense under GAAP (which is the amount included in the revenue requirement). The prepaid pension asset is recorded on the Company's books and preserves the integrity of the pension fund. This additional funding is investor sourced as discussed above. The additional funding is used to purchase additional assets in the pension trust and earns additional returns and thus provides a benefit to customers in reduced annual pension expense that is included in the revenue requirement. AES Indiana has provided several references to other rate cases where inclusion of the full prepaid pension asset was allowed to earn a return in either cost of capital or rate base. Therefore it is reasonable to include the full prepaid pension asset net of the OPEB liability of $166.2 million in the cost of capital calculation.

15. Brent Robinson - Senior Accountant, Regulatory Accounting, AES Indiana

The pro forma adjustments sponsored in this testimony are AES Indiana Financial Exhibit AES-OPER, Schedule-OM19 (image-building advertising costs), AES Indiana Financial Exhibit AES-OPER, Schedule-OM20 (injuries and damages expense), AES Indiana Financial Exhibit AES-OPER, Schedule-OM21 (amortization of rate case expense), AES Indiana Financial Exhibit AES-OPER, Schedule-OM25 (property and other casualty insurance expense), AES Indiana Financial Exhibit AES-OPER, Schedule-OM27 (uncollectible accounts expense), and AES Indiana Financial Exhibit AES-OPER, Schedule-OM28 (public utility fee). These adjustments are appropriate for setting new basic rates and charges as these adjustments reflect changes through the twelve-months following the end of the test year which are representative of utility operations and which are fixed in time, known to be occurring, and measurable in amount and are appropriately annualized and normalized. Consequently, it is necessary to give effect to these adjustments to properly determine the appropriate level of pro forma electric operating expenses. If these adjustments are not made, the pro forma electric operation and maintenance expenses included in the determination of AES Indiana's electric operating income at present and at proposed rates would not be representative of future operating costs during the period when the requested rates are expected to be in effect.

16. Jim Staton – Economic Development Lead, AES Indiana

Strengthening business and commerce in the communities AES Indiana serves provides substantial benefit from a utility regulatory and broader public interest perspective. Attracting new or expanded business expands electric load, and benefits state and local economies by enhancing economic activity and creating jobs. The proposed EDR is practicable, advantageous and reasonably designed to benefit all stakeholders by attracting new or expanded business to the AES Indiana service area. The proposed EDR incentive structure requires pricing to exceed the incremental cost to the Company from performance under the contract and thus these agreements will provide a contribution to the recovery of AES Indiana's fixed costs. Maintaining or expanding the base over which the public utility's fixed costs are spread benefits all customers. The proposed EDR contains provisions to protect existing customers, while providing a flexible incentive structure to competitively meet the needs of the new or expanding customer in a rapidly changing and accelerating market. The proposed EDR is reasonably designed to meet competitive forces in the energy services markets in a manner that satisfies the needs of participating customers while balancing the interests of the participating customer, the non-participating customers, and the Company. Therefore, the proposed EDR is a reasonable and effective tool to facilitate economic development in the Company's service area and should be approved.

17. Caleb Steiner - Director, Commercial Analytics and Strategy, AES Indiana

The overview of the EnCompass model inputs and outputs provided background detail and explanation for the adjustment period generation cost and quantity estimates. As proposed by the Company, OSS Rider 25 should continue to flow 100% of the Company's OSS margins through rates to the benefit of retail customers to allow retail service rates to be reduced by AES Indiana's efforts in the wholesale market. The level of OSS margins embedded in the retail revenue requirement should be increased from $12.3 million benchmark in current rates to $28.6 million. The updated benchmark is based on the five-year historical average annual MWh attributable to OSS as the sales quantity and a forward looking $/MWh margin to value the OSS MWh. Relying on the five-year average of OSS sales reasonably normalizes OSS sales for purposes of the benchmark using fixed, known, and measurable data. Using the forward looking $/MWh margin value reasonably recognizes that forward power prices are higher than the five-year average at this time and indicate expected $/MWh margins will be higher than the five-year average. This approach to creating the embedded benchmark reasonably reflects current market price conditions while recognizing the uncertainty around OSS. This proposal also reasonably allows the Company's basic rates to reflect the cost of providing retail service and efforts in the competitive wholesale market to mitigate the overall customer bill.

The OSS margins made possible because of the energy received from the Lakefield Wind PPA should be moved from the FAC to OSS Rider 25 to simplify the OSS and FAC calculations and allow all OSS margins to be addressed in one proceeding.

Incremental changes in the charges and credits for the net cost and benefit of AES Indiana's participation in MISO's Resource Adequacy Process and the cost and benefit of bilateral capacity transactions should continue to be recognized via the Company's existing CAP Rider. The retail revenue requirement should embed $19.0 million to reflect a net capacity purchase varying by season. The significant changes in the MISO capacity construct and accreditation methodology discussed above are expected to have a material impact on the Company's capacity position in the adjustment period and going forward. The Company's benchmark proposal reasonably considers the new structure of the PRA, the uncertainty around auction clearing prices for each season and the liquidity of the new capacity market. Updating the benchmark as proposed by AES Indiana allows basic rates to reflect a representative and sustainable level of revenues and costs the Company expects during the period rates are expected to be in effect.

The Company's proposed benchmark for consumables expense was reasonably determined by averaging the annual forecasted consumable cost for 2023 and 2024. The two-year average smooths out the impact of planned outages in each year, presenting a representative value. The consumption of Petersburg Unit 2 is also removed to account for its retirement in May 2023. Consumable costs are variable, largely outside AES Indiana's control, and potentially significant. Tracking these costs through the ECCRA mechanism aligns the Company and the customers' interest as it allows the Company to timely recover increases in volatile and variable consumable costs as well as return the benefit of lower total consumable costs to customers.

Seasonal NOx allowance costs are also variable, largely outside AES Indiana's control, and potentially significant. NOx emissions, and in conjunction allowance consumption, are a function of generation quantity. The quantity of generation in the seasonal NOx period is largely driven by weather. Demand for allowances is highly dependent on weather and therefore continues to be variable before and during each NOx season. Because of these conditions, it is difficult to determine a sustainable baseline for purchases or sales. Therefore, the Company's proposal to flow all NOx allowance purchases and sales through the ECR with no benchmark reasonably reflects the actual expense or sales in the ECCRA and aligns the Company's interest with the customer.

18. Lauren Whitehead - Manager, General Accounting, AES Indiana

The pro forma adjustment to the test year identified in AES Indiana Financial Exhibit AESI-OPER, Schedule OM15, fairly calculates changes to the test year using known 2023 hourly rates and headcount at the end of the adjustment period. AES Indiana Financial Exhibit AESI-OPER, Schedule OTX3 reasonably recalculates the payroll tax impact of the wage changes identified in AES Indiana Financial Exhibit AESI-OPER, Schedule OM15. The pro forma Employer Insurance Benefits of AES Indiana and AES Services Employees calculated in AES Indiana Financial Exhibit AESI-OPER, Schedule OM16 reasonably uses 2023 actual costs as the basis for the adjustment. If the adjustments from these exhibits are not made, operations and maintenance expenses used to determine base rates would not be reflective of costs during the period the proposed rates would be in effect.

19. Eric Fox – Director, Forecast Solutions for Itron, Inc.

For the first time, AMI data is used for developing rate class loads for weather normalization and estimating rate class load profiles. Estimated rate class profiles are within acceptable accuracy ranges (as measured by coincident peak precision statistics) and when combined with sales and adjusted for losses are extremely close to actual system load. Weather normalization models estimated with the AMI data result in strong weather adjustment coefficients (as measured by their T Statistics) and as a result reasonable estimates of weather-normal sales.

The trended normal HDD and CDD appropriately reflects expected test-year weather conditions. Given warming temperature trends there are likely to be more CDD and fewer HDD than that of the twenty-year average. Normal daily and monthly degree-days were developed as part of the recent IRP filing. A statistically strong temperature trend coefficient indicates that average annual temperature has been increasing 0.05 degrees per year (0.5 degrees per decade); a linear trend model was estimated with annual temperature data from 1960 through 2020 from the Indianapolis International Airport.

Results of the load shape development work and weather-normalization provides reasonable normalized sales for calculating test-year revenues and actual and normalized customer load estimates for equitably allocating costs across rate classes.

20. Adrien McKenzie, President, Financial Concepts and Applications, Inc.

This testimony applies the DCF, CAPM, ECAPM, risk premium, and expected earnings analyses to a proxy group of electric utilities, with the results being summarized on AES Indiana Attachment AMM-2. As shown there, based on the results of my analysis, a cost of equity range for the Company's electric operations of 10.1% to 11.1% is recommended. This testimony concludes that the 10.6% midpoint of this range represents a just and reasonable cost of equity that is adequate to compensate the Company's investors, while maintaining the Company's financial integrity and ability to attract capital on reasonable terms.

As this testimony documents, the electric utilities in the proxy group operate under a wide variety of regulatory mechanisms, including decoupling and infrastructure cost trackers. Similarly, the vast majority of these proxy firms operate in regulatory jurisdictions that allow for future test years, formula rates, and multi-year rate plans. As a result, there is no basis to distinguish AES Indiana's investment risks from the proxy group used as the basis of this analyses.

21. Paula Guletsky – Senior Manager and Vice President, S&L

In summary, this testimony provides the estimated cost associated with the total decommissioning and demolition of site structures and facilities to allow alternate use of plant areas afterward. Complete and prompt demolition is recommended because it relieves AES Indiana of the liabilities associated with leaving behind unmaintained, potentially unsafe structures.

22. Bickey Rimal – Assistant Vice President, Concentric Energy Advisors, Inc.

Using the Concentric Cost of Service Model, AES Indiana's overall revenue requirements have been allocated to the various classes of service in a manner that reflects the relative costs of providing service to each class. This is accomplished through analyzing costs and assigning each customer or rate class its proportionate share of the utility's total revenues and costs within the test year. The ACOSS followed the industry standard three step approach of functionalization, classification, and allocation to establish cost responsibility of each rate class. The results of the ACOSS indicate that at present rates, there is a wide variation in the rates of return by rate schedule. Even though the goal is to move each rate code to its cost of providing service, the proposed revenue allocation moves classes closer to their cost of service due to gradualism and affordability considerations. Using the results of the ACOSS as a guide and in collaboration with the Company, the revenue requirement was allocated to classes such that the current subsidy associated with each class was reduced. Rates were then designed to increase the alignment of rate structures and cost structures by reducing the proportion of the fixed costs recovered through variable energy charges. Even though the proposed increases to customer charges for residential and small commercial customers move in the direction of recovering more of the fixed costs in the customer charge, a substantial portion of fixed costs will still be recovered in the variable energy charge component of the rates for these customers. The proposed rates and rate structures for large industrial customers are very closely aligned with the unit costs resulting from the ACOSS. As a result, the proposed rate structure and rates are just, reasonable, and not unreasonably preferential or discriminatory. Further, the proposed rate structure and rates are expected to provide AES Indiana with a reasonable opportunity to earn the required return on its invested capital and recover its necessary and reasonable operating expenses.

23. John Spanos – President, Gannett Fleming

This testimony supports the 2022 Depreciation Study filed in this case as Attachment JJS-1. The Study was conducted under my direction and supervision for the electric utility plant of AES Indiana. The study utilizes widely recognized and adopted methods for setting depreciation rates. Similar studies prepared for AES Indiana have been utilized for rate setting in Indiana. This testimony supports and explains the 2022 Depreciation Study that represents all electric plant as of December 31, 2022.

EXHIBIT C
AES Indiana 2023 Basic Rate Case
AGREED
300 Day Rate Case Schedule Under
IURC GAO 2013-5 and Ind. Code § 8-1-2-42.7

Per GAO	**DAY(week)**	**ACTION**	**Proposed/Agreed Date**
June 28, 2023	0	Petition/Case-in-Chief; Proposed/Agreed Procedural Schedule/Terms	Wed. June 28, 2023
July 26	28 (wk 4)	Prehearing Conference (if necessary)	Wed. July 26, 2023
Aug. 16	49 (wk 7)	Technical Conferences	This schedule does not address technical conferences
Sept. 13	77 (wk 11)	Field Hearing	TBA by IURC; parties propose two field hearings, one to be held in August and one in September
Oct. 4	98 (wk 14)	OUCC & Intervenors Case-in-Chief	Thu. Oct. 12, 2023
Nov. 1	126 (wk 18)	Rebuttal/Cross-Answering	Wed. Nov. 8, 2023
Nov. 8	133 (wk 19)	Settlement Agreement and supporting testimony. Per GAO 2013-5 this is last day to submit settlement agreement with supporting testimony and maintain overall schedule.	Wed. Nov. 15, 2023
Nov. 13 (per MSFR)	10 business days before hearing	Major Project declared in service	
Nov. 22	3 business days before hearing	Witness Order submitted	
Nov. 22- Dec. 6	147-161 (wks 21 & 22)	Evidentiary Hearing	Nov. 29 (Wed.) thru Fri, Dec. 1; Mon. Dec. 4 through Thurs. Dec. 7; and Mon. Dec. 11-Wed. Dec. 13.
Dec. 27	182 (wk 26)	AES Indiana Proposed Order	Wed. Dec 27, 2023
Jan 17, 2024	203 (wk 29)	OUCC & Intervenors Proposed Order	Wed. Jan. 17, 2024
Jan. 24, 2024	210 (week 30)	AES Indiana Reply Brief	Wed. Jan. 24, 2024
	(90 days) from exceptions date	IURC preparation and issuance of order	
April 23, 2024	300 (wk 43)	Order issued	Wed. April 24, 2024 (move one day to reg. conf. day)
Sat. June 22, 2024 (rolls to Monday, June 24)	360		

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Other terms:

Technical Conference: Nothing in this schedule precludes a party from proposing a technical conference.

Service: The parties will provide same day service of filings via email, hand delivery or large file transfer.

Discovery: Discovery is available to all parties and shall be conducted on an informal basis. Any response or objection to a discovery request shall be made within ten (10) calendar days of the receipt of such request until October 12, 2023. Thereafter, any response or objection to a discovery request shall be made within five (5) calendar days of the receipt of such request. Any discovery communication received after noon on a Friday or after 5:00 p.m. on any other business day shall be deemed to have been received the following business day. There will be blackout dates for discovery from November 23, 2023 through November 27, 2023. Dates designated as "blackout dates" shall not be included in determining the number of days provided for responding to a discovery request. The Parties may conduct discovery through electronic means. Subject to the protection of confidential information, all parties will be served with discovery requests and responses.

Workpapers: When prefiling technical evidence with the Commission, each party shall file copies of the work papers used to produce that evidence within two (2) business days after the prefiling of such technical evidence. Copies of the same shall also be served on the other parties to this Cause.

Number of Copies/Corrections: Filings with the Commission shall comply with General Administrative Order 2016-2. Any corrections to prefiled testimony shall be made in writing as soon as possible after discovery of the need to make such corrections.

Objections to Prefiled Testimony and Attachments: Any objections to the admissibility of prefiled testimony or attachments shall be filed with the Commission and served on all parties of record not less than five (5) business days prior to the date scheduled for commencement of the hearing at which the testimony or exhibit will be offered into the record.

Major Projects: AES Indiana will file monthly investment updates and declare major projects used and useful in accordance with 170 IAC 1-5-5.

Temporary Rates: This schedule does not address temporary rates.

Settlement: Per GAO 2013-5, settlement date this is the last day to submit settlement agreement with supporting testimony and maintain overall schedule. If settlement covers less than all the parties, the schedule may need to be modified to accommodate testimony objecting to settlement and contested settlement hearing.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing has been served this 28th day of June, 2023 via electronic mail, to:

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