

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY D/B/A AES OHIO

**CASE NOS. 22-0900-EL-SSO
22-0901-EL-ATA
22-0902-EL-AAM**

PUBLIC

**DIRECT TESTIMONY OF
KRISTINA LUND**

- **MANAGEMENT POLICIES, PRACTICES, AND ORGANIZATION**
- ☐ **OPERATING INCOME**
- ☐ **RATE BASE**
- ☐ **ALLOCATIONS**
- ☐ **RATE OF RETURN**
- ☐ **RATES AND TARIFFS**
- ☐ **OTHER**

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1 **I. INTRODUCTION**

2 **Q. Please state your name and position.**

3 A. My name is Kristina Lund. I am employed by the US Business Unit of The AES
4 Corporation ("AES") as President – US Utilities. In that role, I serve as President and
5 Chief Executive Officer of The Dayton Power and Light Company d/b/a "AES Ohio"
6 ("AES Ohio" or the "Company"); AES Ohio's parent company, DPL, Inc.; Indianapolis
7 Power & Light Company d/b/a "AES Indiana" ("AES Indiana" or "IPL"); IPL's parent
8 company, IPALCO Enterprises, Inc. ("IPALCO"); and IPALCO's parent company, AES
9 U.S. Investments.

10 **Q. What are your responsibilities in your current position with respect to AES Ohio?**

11 A. As the President and Chief Executive Officer of AES Ohio, I lead the team responsible
12 for ensuring that the Company's customers have access to safe, reliable, and cost-
13 effective electric service, and that such service is provided consistent with applicable
14 state and federal laws and regulations. I also engage in external efforts relating to
15 governmental and regulatory affairs and interact with state and community leaders and
16 other stakeholders on matters relevant to AES Ohio's business. My responsibilities
17 include managing and directing the following departments of AES Ohio: transmission
18 and distribution operations, regulatory, legal, finance, accounting, tax, human resources,
19 customer operations, and external affairs.

20 **Q. Please summarize your education and professional qualifications.**

21 A. I have a bachelor's degree in Economics from Wellesley College and a Master's in
22 Business Administration from Harvard Business School.

1 **Q. Please summarize your prior work experience.**

2 A. I have more than 16 years of experience with The AES Corporation. I assumed the role
3 of President, US Utilities, in October 2020. Prior to this role, I developed innovative
4 renewable energy products as Chief Project Officer, Carbon Free Energy, for AES. From
5 2018 to 2020, I was Chief Financial Officer ("CFO") of the Mexico, Central America,
6 and Caribbean ("MCAC") business unit of AES where I was responsible for leading and
7 managing all financial matters for the MCAC business unit. From 2017 to 2018, I was
8 the CFO of AES's Eurasia business unit, covering AES's operations in eight countries
9 from Vietnam to the United Kingdom. Previously, I served as the Vice President of the
10 AES Corporate Strategy and Investment group. In this role, I facilitated AES's
11 Investment Committee, which sets the Company's strategy and approves investments into
12 AES's growth projects around the world. I have held positions in several groups in AES's
13 finance organization, including mergers and acquisitions, financial planning and analysis,
14 and investor relations.

15 **Q. Have you testified previously before the Public Utilities Commission of Ohio**
16 **("Commission")?**

17 A. Yes, I testified in AES Ohio's last rate case, Case No. 20-1651-EL-AIR, et al.

1 **Q. What are the purposes of this testimony?**

2 A. The purposes of this testimony are to describe the principal benefits of AES Ohio's
3 application in this matter, provide a brief overview of AES Ohio's business and
4 investment plans, and identify AES Ohio's witnesses.

5 **II. BENEFITS OF AES OHIO'S APPLICATION**

6 **Q. Can you summarize the principal customer benefits of AES Ohio's application in
7 this matter?**

8 A. Yes, these benefits are discussed below. There are a number of initiatives and programs
9 contemplated by this application that would benefit AES Ohio's customers. We would
10 like to emphasize that AES Ohio currently has the lowest transmission and distribution
11 rates in the state, and if the Commission approves this application as filed, then AES
12 Ohio would still have the lowest transmission and distribution rates in the state, as
13 discussed in the testimony of Company witness Adams.

14 The principal benefits of the application include:

- 15 1. Greater protection against market volatility and more stable generation
16 prices enabled by a modified plan for AES Ohio to acquire power to
17 satisfy its Standard Service Offer ("SSO") load. Using a series of
18 competitive auctions over varying time periods will ensure that customers
19 receive SSO service at market rates while mitigating volatility. As
20 described by Company witness Lee, AES Ohio plans to utilize two annual
21 auctions with varied length contracts, as compared to the current
22 frequency of once per year.

1 2. Improved distribution reliability and resiliency for customers, while
2 continuing to offer competitive rates. AES Ohio has been working
3 diligently to provide reliable service and to create a financially stable
4 environment to attract investment at reasonable rates for our customers.
5 Our infrastructure has continued to age and some customers have
6 experienced an increase in interruptions and longer outages. To improve
7 service reliability to customers, AES Ohio plans to make investments in
8 distribution, smart grid and transmission.

9 To achieve those improvements, AES Ohio plans to invest [REDACTED]
10 during the term of the ESP. To fund these much-needed investments, AES
11 Ohio plans to utilize funds from multiple sources, primarily including a
12 projected [REDACTED] infusion of equity from The AES Corporation and
13 debt issuances at AES Ohio.

14 The AES Corporation's projected [REDACTED] equity infusion into AES
15 Ohio is in addition to the \$300 million that The AES Corporation invested
16 in AES Ohio in 2020-2021. The AES Corporation is considering making
17 these investments in AES Ohio despite not receiving any distributions
18 from AES Ohio since 2013. These equity investments will not only
19 provide significant benefits to our customers by allowing AES Ohio to
20 improve its reliability and resiliency, but they will also help AES Ohio to
21 improve its credit rating, which will allow it to raise debt at beneficial
22 rates for customers. The equity investment by the AES Corporation is

1 predicated on a stable regulatory framework for Ohio, providing a
2 predictable, timely and reasonable level of return. As discussed in the
3 testimony of AES Ohio Witness Hale, we expect that (i) various riders,
4 including the proposed revenue requirements, requested in this case are
5 approved, (ii) AES Ohio's pending request to defer decoupling amounts is
6 approved, and (iii) AES Ohio's pending distribution rate case is approved
7 in-line with the Company's financial projections.

8 3. Achieve significant savings to customers as a result of the elimination of
9 the Rate Stabilization Charge. AES Ohio has filed this application a year
10 earlier than the October 1, 2023, deadline (from the Stipulation and
11 Recommendation in the consolidated Case No. 18-1875-EL-GRD et. al),
12 which will accelerate the elimination of the Rate Stabilization Charge.

13 4. Create economic development and job growth within AES Ohio's service
14 territory by offering standardized incentives to eligible non-residential
15 customers, as described by Company witness Inman.

16 5. Provide opportunities for interested mercantile customers to work with
17 AES Ohio on the installation of renewable energy resources through an
18 optional Green Energy Alternative tariff, as described by Company
19 witness Donlon.

20 6. Provide price stability to our customers and predictable cash flows that
21 will facilitate the increased investments needed to improve the reliability
22 and resiliency of AES Ohio's distribution system by implementing

distribution decoupling. This decoupling proposal is described further by Company witness Teuscher.

7. Offer demand side management programs to residential customers that will allow customers to lower their usage during peak hours and reduce their costs. The benefits of those programs are projected to exceed their costs. Shifting load will reduce the need for additional distribution investment. These residential energy efficiency programs are described by Company witness Houdek.

8. Encourage the adoption of electric vehicles ("EVs") in AES Ohio's service territory through programs designed to encourage customers to shift charging to off-peak hours, which will save customers money while reducing the need for additional distribution investment, as described in detail by Company witness Elliot. The benefits of the programs are projected to exceed their costs.

III. OVERVIEW OF AES OHIO AND ITS INVESTMENT PLANS

Q. Please provide an overview of AES Ohio's electric utility system and operations.

A. AES Ohio provides electric transmission and distribution service to more than 527,000 customers across its 6,000 square mile service territory in west central Ohio, serving 1.25 million people. AES Ohio is headquartered in Dayton, and its operations are conducted out of 13 service centers throughout AES Ohio's service territory. AES Ohio owns and operates more than 1,600 miles of transmission lines, more than 13,000 overhead distribution lines, over 4,500 underground distribution lines, and more than 150

1 substations. AES Ohio is a subsidiary of The AES Corporation, a fortune 500 global
2 power company. AES US Services, LLC provides operations, finance, legal, human
3 resources, and other services to AES' U.S. and Utilities Strategic Business Unit, which
4 includes AES Ohio.

5 **Q. Please state The AES Corporation values and explain how they affect activities at**
6 **AES Ohio.**

7 A. Our mission at The AES Corporation and AES Ohio is to improve lives by accelerating a
8 safer and greener energy future. To achieve that mission, AES Ohio is guided by three
9 core values. First, we will always put safety first for our people, contractors and
10 communities. Second, we act with the highest standards, which is at the core of all we do
11 and how we conduct ourselves and interact with all our stakeholders. Third, we work all
12 together, as one team moving with vision, speed, and flexibility to adapt to our dynamic
13 and rapidly changing world.

14 **Q. Can you describe AES Ohio's plans for future investments?**

15 A. Yes. As discussed in more detail by company witness Vest, during the ESP term, AES
16 Ohio is planning to invest [REDACTED] in its networks to improve reliability and
17 resiliency, and address growing needs of its customers, while offering competitive rates.
18 This plan includes investing roughly [REDACTED] [REDACTED] over the ESP 4 period in its
19 distribution system. AES Ohio is also planning to construct approximately [REDACTED]
20 in transmission improvements over the ESP 4 period, including the enhancements
21 planned as part of PJM's overall Regional Transmission Expansion Plan ("RTEP").
22 Additionally, pursuant to a Stipulation and Recommendation in AES Ohio's grid

1 modernization case (Case No. 18-1875-EL-GRD) that was approved by the Commission,
2 AES Ohio plans to invest approximately \$249 million over four years to modernize its
3 distribution grid. AES Ohio expects those investments to provide significant benefits for
4 customers, including significantly improved reliability/resiliency, and opportunities for
5 customer savings.

6 As discussed in the testimony of Company witnesses Adams and Teuscher, AES Ohio
7 plans to recover its distribution and grid modernization investments through a
8 Distribution Investment Rider and Infrastructure Investment Rider. The ability to recover
9 investments through those riders will reduce regulatory lag, which will allow AES Ohio
10 to make needed investments in a proactive manner.

11 **Q. Will AES Ohio's investments have a positive economic impact on customers and the**
12 **region?**

13 A. Yes. While AES Ohio has been working to ensure that the Company is in a stable
14 financial position to be able to invest to provide reliable service at beneficial rates to
15 customers, AES Ohio's distribution system has continued to age. The aging of our
16 system has contributed to the decline in our reliability metrics over the last several years,
17 as discussed in more detail by Company Witness Vest. Investments into AES Ohio's
18 system will benefit customers by ensuring that AES Ohio can continue to provide safe
19 and reliable service to its customers, while improving our reliability metrics. Those
20 investments also benefit the community by creating jobs, advancing technological
21 innovation in Dayton and the surrounding communities and allowing AES Ohio to
22 provide service in a more efficient manner. Finally, in addition to the direct benefits of

the programs, AES Ohio's electric vehicle program, energy efficiency programs, and Economic Development Incentive tariff for non-residential customers will provide job growth opportunities in the region.

IV. DESCRIPTION OF WITNESSES

Q. Please identify AES Ohio's witnesses in this case.

A. In addition to me, AES Ohio will present testimony from the following witnesses in this proceeding:

- Rob Adams, Rates Manager, will support and explain the rate design and proposed tariffs for the Distribution Investment Rider and Proactive Reliability Optimization Rider, the continuation of the TCRR-N Opt-Out Pilot program, and the typical bill comparisons that result from the Company's proposal in this case.
- Patrick Donlon, Director of Regulatory Accounting and Services, will support and explain AES Ohio's proposal to implement a Green Energy Alternative tariff, proposal to implement a Regulatory Compliance Rider to recover certain regulatory assets, and proposed modifications to its Storm Cost Rider ("SCR").
- Zac Elliot, Portfolio Lead, Electricity, will support and explain AES Ohio's proposed electric vehicle programs.
- Claire E. Hale, Financial Planning and Analysis Senior Analyst, will support and explain AES Ohio's projected financial results.
- Mark Houdek, Energy Efficiency Portfolio Lead for Customer Programs, will support and explain AES Ohio's proposed energy efficiency and demand response programs.

- 1 • Carrie Inman, Senior Rate & Regulatory Analyst, will support and explain AES
- 2 Ohio's proposed methodology for its Customer Programs Rider and AES Ohio's
- 3 proposed Economic Development Incentive Tariff.
- 4 • Robert J. Lee, Vice President at Charles River Associates, will support and explain
- 5 AES Ohio's plan to provide SSO service via a competitive auction.
- 6 • R. Jeffrey Malinak, Managing Principal of Analysis Group, will demonstrate that
- 7 AES Ohio's ESP 4 is more favorable in the aggregate than a hypothetical market rate
- 8 offer.
- 9 • Edward J. Schmidt, Director at MCR Performance Solutions LLC, will demonstrate
- 10 that the benefits of AES Ohio's electric vehicle programs exceed their costs.
- 11 • Tyler A. Teuscher, Director, Rates & Regulatory Affairs, will support and explain
- 12 AES Ohio's rate plan and tariffs, the competitive bid proxy results, and plan to
- 13 implement distribution decoupling.
- 14 • Mark L. Vest, Director, Maintenance, Inspection & Contract Management, Reliability
- 15 Programs, will support and explain AES Ohio's planned capital investments and
- 16 vegetation management program.

17 **V. CONFIDENTIALITY**

18 **Q. Does AES Ohio maintain information regarding projected equity and capital**
 19 **investments as confidential?**

20 **A.** Yes. AES Ohio makes reasonable efforts to keep that information private and
 21 confidential. This information is not generally known within AES Ohio or AES affiliates
 22 providing services to AES Ohio and is disseminated within those organizations only if

1 there is a legitimate business need. Further, this information is not generally known
2 outside of AES Ohio. This information would be nearly impossible to acquire or
3 duplicate without access to the same information.

4 **Q. Does the information regarding projected equity and capital investments derive**
5 **independent economic value from not being publicly available?**

6 A. Yes. AES Ohio could be harmed if information regarding projected equity and capital
7 investments was publicly disclosed for three reasons.

- 8 • First, AES Ohio must retain the ability to attract capital on favorable terms in order to
9 provide cost-effective service to its customers. The information is not known to AES
10 Ohio's bond holders, and the Company anticipates issuing new debt to accomplish its
11 various investments, including Smart Grid investments as provided in Pub. Util.
12 Comm. No. 18-1875-EL-GRD, *et al.* If this information were publicly disclosed,
13 then it could interfere with AES Ohio's negotiations with prospective bond purchasers
14 and, thus, could adversely affect the Company's cost of debt.
- 15 • Second, AES Ohio is regulated by the U.S. Securities and Exchange Commission
16 ("SEC"), and if certain financial and other material information of AES Ohio is
17 released that is not usually publicly disclosed by AES Ohio, like the information at
18 issue here, it could require AES Ohio to broadly disseminate that information, such as
19 by filing a Form 8-K. Information about projected equity and capital investment is
20 not typically provided by AES Ohio in the Company's SEC filings, and the disclosure
21 of such information in the Form 8-K could expose AES Ohio and its affiliates to
22 increased litigation risk by investors and debt holders who rely on such information if
23 those projections materially differ from actual results.

- Third, AES Ohio is a significant subsidiary of The AES Corporation, which is also regulated by the SEC. If information about projected equity and capital investments was publicly disclosed, such disclosure could potentially affect The AES Corporation's share prices.

VI. CONCLUSION

Q. How does this Electric Security Plan fit into the Company's long-term strategy?

A. This ESP filing is a critical step in transforming AES Ohio while delivering reliable and affordable service to our customers. The components of the ESP are largely in-line with plans approved and in place for other utilities in Ohio. If approved, the plan would allow the Company to invest in its aging distribution system, improve service and reliability to our customers and maintain affordable rates. It would also provide growth opportunities and incentives for economic development to our communities. Finally, under a constructive regulatory framework, our parent company, AES, remains committed to investing in and growing its U.S. utility businesses, including AES Ohio.

Q. Does this conclude your direct testimony?

A. Yes.

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