

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

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC’S EXHIBIT NO. 13

TESTIMONY OF OUCC WITNESS

DEREK J. LEADER

OCTOBER 12, 2023

Respectfully submitted,



T. Jason Haas
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TESTIMONY OF OUCC WITNESS DEREK J. LEADER
CAUSE NO. 45911
INDIANAPOLIS POWER & LIGHT COMPANY D/B/A AES INDIANA

I. INTRODUCTION

1 **Q: Please state your name, business address, and employment capacity.**

2 A: My name is Derek J. Leader, and my business address is 115 West Washington St.,
3 Suite 1500 South, Indianapolis, Indiana 46204. I am employed by the Indiana
4 Office of Utility Consumer Counselor (“OUCC”) as a Utility Analyst. My
5 qualifications are set forth in Appendix A of this document.

6 **Q: What is the purpose of your testimony?**

7 A: I discuss Indianapolis Power & Light Company d/b/a AES Indiana’s (“AES
8 Indiana” or “Petitioner”) request for a new Economic Development Rider (“EDR”).
9 Ultimately, I conclude the Indiana Utility Regulatory Commission (“Commission”)
10 should approve the EDR subject to Petitioner providing a completed internal policy
11 guide for stakeholder and IURC review, along with Commission approval of that
12 guide. I also recommend the Commission require AES Indiana to annually report
13 to the IURC and OUCC the names of customers receiving service under the EDR
14 and the incentive amount provided.

15 **Q: Please describe the review and analysis you conducted to prepare your**
16 **testimony.**

17 A: I reviewed AES Indiana’s petition, prefiled testimony, exhibits, and workpapers in
18 this proceeding. I met with other OUCC staff and discussed this and other issues in
19 the case. On August 22, I participated in an informal “tech-to-tech” meeting with
20 AES Indiana’s staff and consultants.

1 **Q: To the extent you do not address a specific item, issue, or adjustment, does this**
2 **mean you agree with those portions of AES Indiana's proposals?**

3 A: No. Excluding any specific adjustments or issues AES Indiana proposes does not
4 indicate my approval of those adjustments or issues. Rather, the scope of my
5 testimony is limited to the specific items addressed herein.

6 **Q: Are you sponsoring any attachments?**

7 A: Yes, I am sponsoring the following attachments:

- 8 • OUCC Attachment DJL-1: AES Indiana's response to OUCC DR01 Q38
- 9 • OUCC Attachment DJL-2: AES Indiana's response to OUCC DR01 Q43

II. ECONOMIC DEVELOPMENT RIDER

10 **Q: Please describe the EDR.**

11 A: The EDR is Petitioner's proposed Rider 27 - Economic Development Rider. AES
12 Indiana seeks to improve its competitiveness by supporting economic development
13 and encouraging growth in the communities it serves.¹ The OUCC agrees this is a
14 reasonable endeavor. The EDR will be available to large commercial and industrial
15 customers who bring material economic development to the Company's service
16 territory in exchange for a five-year reduction in utility charges.² Discounts through
17 the proposed EDR will start at 40 percent of base rate charges in year 1 and decrease
18 by 5 percent each year until the final year when the discount will equal 15 percent
19 of base rate charges.³ The customer requesting the rider must meet certain
20 minimums, have local support, affirm that the rider was a reason for locating the

¹ Direct Testimony of Jim Staton, p. 5, ll. 17-18.

² Direct Testimony of Austin Baker p. 16, ll.17-21.

³ *Id.* at 18, Table 2.

1 project in the service area and, importantly, “[e]xpected revenue must exceed
2 incremental cost to serve.”⁴ Petitioner's witness Jim Staton states that “[i]n order to
3 benefit the other AES Indiana retail customers, the EDR requires that the
4 incremental revenue from the participating customer over the eight-year contract
5 must exceed the incremental cost to serve and make a contribution to fixed costs.”⁵

6 **Q: Why is AES Indiana proposing the EDR now?**

7 A: AES Indiana states it is the only investor-owned utility in Indiana without an EDR.
8 Petitioner’s witness Jim Staton testifies this puts AES Indiana at a competitive
9 disadvantage.⁶ AES Indiana currently has the similar Rate CSC (Customer Specific
10 Contracts); however, that rate has a significantly higher threshold of 2,000 kW
11 before a discount can be applied, which would be much lower under the EDR of
12 500 kW.⁷ The Company correctly notes that this approach, while useful for large
13 customers, is not as appropriate for smaller customers where a more standardized
14 approach could be more useful.⁸

15 **Q: Does AES Indiana have an estimate for how many customers might use the**
16 **EDR?**

17 A: No.⁹

18 **Q: How would AES Indiana decide the customer’s individual incentive?**

19 A: AES Indiana testifies it will develop an internal policy guide to inform decisions,
20 on a case-by-case basis, to determine the incentive amount appropriate for each

⁴ Baker Direct, Attachment AJB-1, p. 124.

⁵ Staton Direct, p. 9, l. 21 to p. 10, l. 1.

⁶ Staton Direct, p. 5, ll. 1-3.

⁷ Staton Direct, p. 6, ll. 10-13.

⁸ Staton Direct, p. 6, ll. 2-9.

⁹ OUCC Attachment DJL-1.

1 interested and eligible customer.¹⁰ AES Indiana witness Mr. Staton provides a list
2 of criteria which will be included in the guide:

- 3 • Peak monthly demand.
- 4 • Average monthly load factor.
- 5 • Interruptible characteristics.
- 6 • The Customer locates in a qualified "brownfield" redevelopment
7 area as defined by Indiana or federal law located adjacent to an
8 electric transmission or distribution line of company that is
9 adequate and suitable for supplying the service requested.
- 10 • Hosting location capacity to serve.
- 11 • Cost to serve.
- 12 • New full-time equivalent employees.
- 13 • New average wage versus county average wage.
- 14 • New capital investment.
- 15 • County unemployment rate.
- 16 • Existing Customer attributes (annual bill, current full-time
17 equivalent employees).
- 18 • Regional economic multipliers.
- 19 • Local support documentation including the amount and the
20 funding source.
- 21 • Alignment with relative State and local economic and community
22 development strategies.¹¹

23 **Q: Was the OUCC able to review the internal policy guide?**

24 **A:** No. AES Indiana has not completed the guide.¹²

¹⁰ Staton Direct, p. 8, ll. 8-10

¹¹ Staton Direct, p. 8-9, ll. 12-23, 1-5

¹² OUCC Attachment DJL-2

1 **Q: Was the OUCC able to review a draft, outline, or notes of the internal policy**
2 **guide?**

3 A: No. AES Indiana advises through discovery it has not created a draft, outline, or
4 notes pertaining to developing the internal policy guide.¹³

5 **Q: Why is the internal policy guide necessary for the Commission and OUCC to**
6 **fully evaluate the EDR??**

7 A: The internal policy guide is a necessary part of evaluating the EDR. Without
8 viewing the internal policy guide, the OUCC cannot ensure customers are covering
9 all variable costs and trackers nor subsidizing the new customer at the expense of
10 other customers. Failure to establish sound procedures for evaluating future interest
11 may result in unnecessary ratepayer exposure. Importantly, Petitioner does not
12 propose to provide cost effectiveness information to the Commission ensuring that
13 revenue provided by accepted customers exceed incremental costs to service, and
14 thus are cost-effective, even with the presence of the EDR discounts. Likewise, the
15 Company does not propose to report information on the participating customer's
16 business sector of operations such as applicable North American Industry
17 Classification System ("NAICS") code. If the proposed EDR is designed to
18 promote economic development and growth, the Commission, and ratepayers
19 supporting the program, deserve to have complete information about the types of
20 industries and economic growth they are financially supporting. It is important for
21 the Commission and OUCC to have this information to ensure that all ratepayers
22 benefit from the implementation of this proposal.

¹³ OUCC Attachment DJL-2

III. RECOMMENDATIONS

1 **Q: What do you recommend?**

2 A: I recommend the Commission:

3 1. Approve the EDR subject to Commission approval of AES Indiana's
4 completed internal policy guide (Original Form or as modified by the
5 Commission). The internal policy guide should be provided to the Commission
6 within 60 days of the final order in this Cause, with the Commission, OUCC,
7 and intervening parties then having 30 days to review and comment on the
8 policy guide; and

9 2. Require AES Indiana to provide annual reports to the IURC and OUCC
10 documenting the EDR's cost effectiveness, and also including the names and
11 business sectors of operations of customers receiving the EDR and the incentive
12 amounts provided.

13 **Q: Does this conclude your testimony?**

14 A: Yes.

APPENDIX A

QUALIFICATIONS OF DEREK J. LEADER

1 **Q: Please describe your educational background and experience.**

2 A: I graduated with a Bachelor of Art degree in Economics from Trinity University in
3 San Antonio, Texas, in 2012, and acquired a second bachelor's degree in Math from
4 Western Governors University out of Salt Lake City, Utah in 2016. I worked as an
5 accountant for Defense Finance and Accounting from May 2011 to August 2011. I
6 was a student trainee at Fort Carson's U.S. Army Dental Activity from July 2012
7 to September 2012. I worked at Rose-Hulman Institute of Technology as a
8 recreation assistant from August 2013 to November 2013.

9 I did my student teaching at Northview High School of Clay County from
10 August to November of 2015. I taught high school math at Shiloh CUSD#1 in
11 Hume, Illinois from August 2016 to July 2017. I taught math, science, and social
12 studies at George W. Julian 57 from August 2017 to July 2018. I taught math and
13 robotics at Woodrow Wilson Middle School from August 2018 to January 2019. I
14 taught math at Marion High School from August 2019 to July 2021. I taught math
15 at Riverton Parke Jr/Sr High School from August 2021 to July 2022.

16 I began my career with the OUCC in August 2022. As part of my continuing
17 education, I attended the Michigan State University Institute of Public Utilities
18 Annual Regulatory Studies Program - Fundamentals Course on August 8-12, 2022,
19 and the Advanced Cost Allocation and Rate Design Course on November 14-17,
20 2022. I also attended the Fundamentals of Utility Law presented by Scott
21 Hempling, and NARUC Regulatory Training Initiative.

Data Request OUCC DR 1 - 38

How many customers does AES Indiana anticipate will use the Economic Development Rider each year?

Objection:

Response:

AES Indiana has not estimated of the number of customers that would participate in the Economic Development Rider. However, based upon Indiana Economic Development Corporation project location data, the Indianapolis Metro area is a common location for project development. The majority of these projects have chosen a location in a service territory where an Economic Development Rider is available (historically, has been outside of AES Indiana service territory).

Data Request OUCC DR 1 - 43

Refer to the direct testimony of Jim Staton, page 8, line 7-8, which states: “When determining a customer’s individual incentive, AES Indiana will develop an internal policy guide to inform decisions.”

- a. Has AES Indiana begun developing such a guide?
- b. Please provide the most recent and inclusive draft or discussion regarding such a guide.

Objection:

Response:

- a) No, a formal policy guide has not yet been developed but will include the evaluation criteria presented in AES Indiana Attachment AJB-1 page 125.
- b) No drafts have been developed regarding such guide.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



Derek J. Leader
Utility Analyst II
Indiana Office of Utility Consumer Counselor

Cause No. 45911
AES Indiana

October 12, 2023
Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the *Indiana Office of Utility Consumer Counselor's Testimony of Derek J. Leader* has been served upon the following parties of record in the captioned proceeding by electronic service on October 12, 2023.

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