

FILED
June 28, 2023
INDIANA UTILITY
REGULATORY COMMISSION

VERIFIED DIRECT TESTIMONY
OF
LAUREN WHITEHEAD
ON BEHALF OF
INDIANAPOLIS POWER & LIGHT COMPANY
Cause No. 45911

VERIFIED DIRECT TESTIMONY OF LAUREN WHITEHEAD
ON BEHALF OF AES INDIANA

1. INTRODUCTION

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

A1. My name is Lauren Whitehead. I am employed by AES US Services, LLC, (“AES Services”, also “Service Company”), which is the service company that serves Indianapolis Power & Light Company d/b/a AES Indiana (“AES Indiana”, “IPL”, or “the Company”). The Service Company is located at One Monument Circle, Indianapolis, Indiana 46204.

Q2. What is your position with AES Services?

A2. I am a General & Operational Accounting Manager.

Q3. On whose behalf are you submitting this direct testimony?

A3. I am submitting this testimony on behalf of AES Indiana.

Q4. Please describe your duties as General & Operational Accounting Manager.

A4. As the General and Operational Accounting Manager, I have oversight responsibility for various general ledger activities and analysis for AES Indiana and other AES affiliates. This includes accounting for labor, employer insurance benefits, and AES Services costs.

Q5. Please summarize your education and professional qualifications.

A5. I hold a bachelor’s degree in Accounting and Finance from Wright State University and a Masters of Business Administration from the University of Dayton.

Q6. Please summarize your prior work experience.

1 A6. I was an employee of Dayton Power & Light (“DP&L” or “AES Ohio”) from May 2006
2 through December 2013. During my tenure with DP&L, I worked in various positions
3 including senior accountant responsible primarily for revenue accounting. In January 2014,
4 I became an employee of AES Services, and I was later promoted to Accounting Supervisor
5 for AES Indiana General Accounting. I subsequently moved into the position of
6 Accounting Supervisor for AES Services and all U.S. cost allocations. In 2019, I was
7 promoted into the position of General & Operational Accounting Manager with
8 responsibilities for AES Indiana, AES Ohio, AES Services and AES US Generation.

9 **Q7. Have you testified previously before the Indiana Utility Regulatory Commission**
10 **(“Commission”) or any other regulatory agency?**

11 A7. I have not testified before the Commission. I have testified before the Public Utilities
12 Commission of Ohio in case number 20-1651-EL-AIR, AES Ohio’s Distribution Rate
13 Case.

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

15 A8. My testimony supports various pro forma adjustments made to the results of operations for
16 the twelve (12) months ended December 31, 2022. These adjustments relate to wages and
17 the related payroll taxes and employee insurance benefits.

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

19 A9. Yes, I am sponsoring:

- 20 • AES Indiana Financial Exhibit AESI-OPER, Schedule OM15 – Wages of AES
21 Indiana and AES Services Employees

- 1 • AES Indiana Financial Exhibit OPER, AESI-Schedule OM16 – Employer
2 Insurance Benefits of AES Indiana and AES Services Employees
- 3 • AES Indiana Financial Exhibit OPER, AESI-Schedule OTX3 – Payroll Taxes
4 Applicable to Pro Forma Wage Adjustments and Changes in Tax Rates.

5 **Q10. Did you submit any workpapers?**

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

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

11 A11. Yes.

12 **2. WAGES OF AES INDIANA AND AES SERVICES EMPLOYEES**

13 **Q12. Please describe AES Indiana Financial Exhibit AESI-OPER, Schedule OM15.**

14 A12. This schedule sets forth an adjustment to test year electric operation and maintenance
15 (“O&M”) expense with regards to the labor of both AES Indiana and the portion of AES
16 Services employees that benefit AES Indiana. Column one represents the test year totals
17 net of capitalization, other balance sheet and below the line wages related to straight-time
18 wages, overtime wages, short and long-term compensation. Column two represents the pro
19 forma for the same categories of wages as well as the removal of severance expense and a
20 reduction in Petersburg headcount. The pro forma results shown in column three on this
21 schedule are computational results of applying updated payroll rates and incentive

1 compensation targets obtained from payroll and human resources personnel. The updated
2 payroll rates reflect the salary increases and incentive compensation targets described by
3 AES Indiana witness Dalton.¹

4 **3. AES INDIANA EMPLOYEE LABOR COSTS**

5 **Q13. For purposes of calculating your adjustment, did you analyze pro forma labor costs**
6 **for each employee?**

7 A13. Yes. Test year labor costs were analyzed by employee and pay type. The population of
8 employee identification numbers was then further reviewed to determine a list of workers
9 employed at December 31, 2022. The total pro forma for straight-time pay was determined
10 by applying the hourly rate effective in the payroll system on March 27th, 2023. The hourly
11 rates effective at this date included the December 2022 physical union increase, February
12 2023 clerical & technical union increase and the non-union 2023 base wage increase
13 described in the testimony of AES Indiana witness Dalton.² An additional four percent
14 increase was added to the physical union annualized straight-time wages to account for the
15 impact of the contractually obligated increase effective December 2023.³ Full-time
16 employee hourly rates were multiplied by 2,088 hours. For part-time positions, I multiplied
17 the hourly rate by actual straight-time hours worked by that employee during the test year.
18 Further, an analysis was performed to determine what population of employees provide
19 services to AES Services. For these employees, the percentage of straight-time for which
20 AES Indiana is responsible is included in annualized straight-time wage calculation. For

¹ AES Indiana witness Dalton, Direct Testimony, Q/A 17, 18, 19

² AES Indiana witness Dalton, Direct Testimony, Q/A 19

³ Section 7.02. of the Collective Bargaining Agreement between Indianapolis Power & Light Company and Local Union No. 1395 of the International Brotherhood of Electrical Workers, AFL-CIO

1 example, if an AES Indiana employee spends 35% of their time supporting AES Services,
2 the annualized straight-time wages included in the pro forma calculation for the AES
3 Indiana portion was reduced to 65%.

4 **Q14. Did you include incentive pay?**

5 A14. Yes. As AES Indiana witness Dalton describes, short-term and long-term compensation is
6 applicable to specific employees at specific percentage targets of their annual straight-time
7 pay.⁴ It is appropriate to include a pro forma for short-term and long-term compensation as
8 these are elements of a competitive wage as described in AES Indiana witness Dalton's
9 testimony.⁵ The 2023 short-term and long-term compensation targets were obtained from
10 human resources ("HR") personnel.

11 The pro forma for short-term compensation was calculated by applying the individual
12 employee's 2023 target percentage to their annualized pro forma wages. The long-term
13 compensation target is comprised of 50% restricted stock units and 50% performance units.
14 The computation of the long-term compensation pro forma took the eligible employee's
15 2023 target percentage and multiplied it by annualized pro forma wages. Only the restricted
16 stock unit portion of long-term compensation was included in the pro forma while both
17 restricted stock units and performance units were included in the test year figures.
18 Therefore, the impact of performance units has been removed.

19 **Q15. Is overtime pay included?**

⁴ AES Indiana witness Dalton, Direct Testimony, Q/A 20, 25

⁵ AES Indiana witness Dalton, Direct Testimony, Q/A 28

1 A15. Yes. Total AES Indiana overtime hours experienced in the test year were adjusted down to
2 a three-year average level of hours by employee type, physical union, clerical & technical
3 union, and non-union. The test year average hourly overtime rate by employee type was
4 adjusted for average pay increases which are effective prior to December 31, 2023. The
5 pro forma level of overtime expense is calculated by multiplying the three-year average
6 overtime hours by the adjusted hourly rates per employee type.

7 **Q16. Is a pro forma adjustment calculated to reflect headcount as of December 31, 2023?**

8 A16. Yes. The pro forma reflects all positions expected to be filled during the adjustment period.
9 A list of AES Indiana open positions, as described by AES Indiana witness Dalton, vacant
10 on December 31, 2022 was obtained from HR.⁶ This list contained 105 AES Indiana open
11 positions that were included in the wage pro forma. As of May 10, 2023, fifty-three of these
12 open positions are filled. The list provided included the median salary for the position, as
13 well as short-term and long-term compensation targets for each open position as applicable.
14 These dollars were included in the wage pro forma.

15 **Q17. Please describe how lower headcount at Petersburg Generating Station is factored**
16 **into the test year pro forma adjustment.**

17 A17. A reduction was included to reflect an anticipated lower headcount at Petersburg
18 Generating Station after the retirement of unit two. AES Indiana has a forecasted target of
19 240 operational employees to continue unit three and four operations at Petersburg. The
20 pro forma calculation included 271 operational employees in Petersburg operations at
21 December 31, 2022, therefore an adjustment was made. These 271 employees were

⁶ AES Indiana witness Dalton, Direct Testimony, Q/A 17

1 analyzed to determine the average annual wages for each category: physical union, clerical
2 and technical union, and non-union employees. That average wage was used to calculate
3 the cost decrease associated with the forecasted headcount reduction.

4 **Q18. What are the total gross pro forma wages for AES Indiana?**

5 A18. In total, the gross annualized pro forma for AES Indiana wages is \$149.7 million before
6 severance expense is removed and pro forma wages are allocated to construction and
7 retirement, other balance sheet accounts, and below the line expenses for the adjustment
8 period.⁷

9 **Q19. Were there further adjustments to the 2023 gross annualized wages?**

10 A19. Yes. The AES Indiana pro forma wages were allocated to non-operating expense accounts,
11 construction and retirement accounts (i.e. capitalized labor), and other balance sheet
12 accounts based on the distribution of actual labor charges experienced during the test year.
13 Furthermore, severance expense incurred in the test year was removed.

14 The resulting net pro forma AES Indiana employee wages charged to electric operating
15 income is \$127.0 million. This appears on Line 1, Column 2 of AES Indiana Financial
16 Exhibit AESI-OPER, Schedule OM15.

17 **Q20. What is the AES Indiana labor cost charged to electric operating income during the**
18 **test year and what is the total adjustment to AES Indiana employee wages?**

19 A20. The AES Indiana employee labor cost associated with straight-time, overtime, short-term
20 and long-term compensation charged to electric operating income during the test year

⁷ Workpaper OM15-WP1, Line 9

1 amounted to \$113.5 million. This can be found on Line 1, Column 1 of AES Indiana
2 Financial Exhibit AESI-OPER, Schedule OM15.

3 The result is a pro forma adjustment increase to the test year operating expense of \$13.5
4 million, which appears on Line 1, in Column 3 of AES Indiana Financial Exhibit AESI-
5 OPER, Schedule OM15.

6 **Q21. In your opinion, is the information used and the processes applied to determine the**
7 **total pro forma labor costs applicable to AES Indiana electric operating income**
8 **appropriate and reasonable?**

9 A21. Yes. The information and process used to calculate the pro forma wages includes a detailed
10 analysis of wages by individual. This similar basic methodology was used in the most
11 recent rate case Cause No. 45029.

12 **4. AES SERVICES LABOR COSTS TO AES INDIANA**

13 **Q22. What costs are recognized on Line 2 of AES Indiana Financial Exhibit AESI-OPER,**
14 **Schedule OM15?**

15 A22. Line 2 of this schedule represents labor costs chargeable to AES Indiana for the AES
16 Services employees who perform work benefiting AES Indiana. This includes labor costs
17 that were assigned directly to AES Indiana and costs indirectly assigned via the AES
18 Services Cost Alignment and Allocation Manual (“CAAM”) described by AES Indiana
19 witness Osborn.⁸

⁸ AES Indiana witness Osborn, Direct Testimony, Q/A 14-20

1 **Q23. Please describe the process used to determine the 2023 pro forma for AES Services**
2 **labor costs.**

3 A23. Similar to the AES Indiana pro forma wage calculation, test year labor costs were analyzed
4 by employee. A list of AES Services workers employed on December 31, 2022 was
5 identified. The total pro forma for straight-time pay was determined by applying the hourly
6 rate effective in the payroll system on March 27, 2023. The hourly rates effective at this
7 date included the 2023 base wage increase described in the testimony of AES Indiana
8 witness Dalton.⁹ Full-time employee hourly rates were multiplied by 2,088 hours. For part-
9 time positions, I multiplied the hourly rate by actual straight-time hours worked by that
10 employee during the test year.

11 Additionally, an adjustment to short-term and long-term compensation for eligible AES
12 Services employees is included. The pro forma for short-term and long-term compensation
13 was calculated by applying the individual employee's 2023 short-term and long-term target
14 percentages, as applicable, to their annualized pro forma wages. The long-term
15 compensation target is comprised of 50% restricted stock units and 50% performance units.
16 As stated above, only the restricted stock unit portion of long-term compensation was
17 included in the pro forma; the cost of the performance units has been removed.

18 Finally, since not all Service Company wages are chargeable to AES Indiana, an analysis
19 was performed to determine what percentage of each Service Company employee's wage
20 pro forma cost is applicable to AES Indiana. To do this, the actual test year wages were
21 evaluated by employee and by the cost object charged within the timekeeping system. Each
22 cost object has an allocation factor that can directly assign the costs to AES Indiana,

⁹ AES Indiana witness Dalton, Direct Testimony, Q/A 17

1 indirectly allocate the cost to multiple affiliates as defined by the CAAM, or directly assign
2 the cost to another affiliate with no impact AES Indiana. For each AES Services employee
3 the percentage of wages sent to AES Indiana was identified. The wage pro forma for each
4 AES Services employee, including straight-time, short-term and long-term compensation,
5 was then multiplied by this percentage to determine the gross pro forma wages for AES
6 Services employees.

7 **Q24. Is a pro forma adjustment calculated to reflect headcount as of December 31, 2023?**

8 A24. Yes. A list of open AES Services positions on December 31, 2022 was obtained from HR.
9 A list of AES Services open positions, as described by AES Indiana witness Dalton, vacant
10 on December 31, 2022 was obtained from HR.¹⁰ This list contained 69 AES Services open
11 positions that were included in the wage pro forma. As of May 10, 2023, nineteen of these
12 open positions are filled. The list included the median salary for the position, as well as
13 short-term and long-term compensation targets for each open position as applicable. These
14 dollars were included in the wage pro forma at 36.62% which is the overall test year
15 percentage of AES Services wages charged to AES Indiana.

16 **Q25. What is the total gross pro forma wages for AES Services employees?**

17 A25. In total, the gross annualized pro forma for AES Services wages is \$28.3 million before
18 severance expense is removed and pro forma wages are allocated to construction and
19 retirement, other balance sheet accounts, and below the line expenses.¹¹

20 **Q26. Were there further adjustments to the 2023 gross annualized wages?**

¹⁰ AES Indiana witness Dalton, Direct Testimony, Q/A 17

¹¹ Workpaper OM15-WP1, line 26

1 A26. Yes. The AES Services pro forma wages were allocated to non-operating expense
2 accounts, construction and retirement accounts (i.e. capitalized labor), and other balance
3 sheet accounts based on the distribution of actual labor charges experienced during the test
4 year. Furthermore, severance expense incurred in the test year and chargeable to AES
5 Indiana was removed.

6 The resulting net pro forma AES Services employee wages charged to electric operating
7 income is \$24 million. This appears on Line 2, Column 2 of AES Indiana Financial Exhibit
8 AESI-OPER, Schedule OM15.

9 **Q27. What is the AES Services labor cost charged to electric operating income during the**
10 **test year and what is the total adjustment to AES Services employee wages?**

11 A27. The AES Services employee labor cost associated with straight-time, short-term and long-
12 term compensation charged to electric operating income during the test year amounted to
13 \$19.8 million. This can be found on Line 2, Column 1 of AES Indiana Financial Exhibit
14 AESI-OPER, Schedule OM15.

15 The result is a pro forma adjustment increase to the test year operating expense of \$4.2
16 million, which appears on Line 2, in Column 3 of AES Indiana Financial Exhibit AESI-
17 OPER, Schedule OM15.

18 **Q28. In your opinion, are the information used and the processes applied to determine the**
19 **total pro forma labor costs applicable to AES Indiana electric operating income**
20 **appropriate and of sufficient detail to reasonable represent labor costs at the time of**
21 **this filing?**

1 A28. Yes. As with AES Indiana employee labor, this was a detailed process wherein individual
2 employee information was used to compute pro forma wages. The resulting individual
3 employee information was assigned or allocated to AES Indiana based on test year actuals
4 in accordance with the CAAM. This is the same methodology used in AES Indiana's Cause
5 No. 45029.

6 **5. EMPLOYER INSURANCE BENEFITS OF AES INDIANA AND AES SERVICES**
7 **EMPLOYEES**

8 **Q29. Please describe AES Indiana Financial Exhibit AESI-OPER, Schedule OM16.**

9 A29. AES Indiana Financial Exhibit AESI-OPER, Schedule OM16 adjusts the Company's costs
10 associated with various insurance policies offered as a benefit to the employees of both
11 AES Indiana and AES Services. The insurance coverage offered to employees has a
12 different cost to the Company each calendar year. Therefore, an adjustment to the
13 anticipated annual level of costs is required.

14 These insurance benefits include costs for:

- 15 • Medical insurance
- 16 • Dental insurance
- 17 • Vision insurance
- 18 • Life insurance
- 19 • Long-term disability insurance

20 Column 1 of AES Indiana Financial Exhibit AESI-OPER, Schedule OM16 represents the
21 test year totals for both AES Indiana and AES Services costs benefiting AES Indiana.

1 Column 2 represents the pro forma totals for each company. Column 3 represents the
2 required adjustment to the test year for both AES Indiana and AES Services.

3 **Q30. Please explain the process used in determining the 2023 pro forma insurance benefit**
4 **costs associated with AES Indiana and AES Services employees.**

5 A30. Actual insurance benefit expense was evaluated for the period of January through March
6 2023 which is the first quarter and most recent quarter immediately following the end of
7 the test year. The first quarter average monthly expense was then annualized to determine
8 the updated cost AES Indiana and AES Services will incur. Insurance costs are stable
9 month to month in the test year as shown in Workpaper OM16-WP1 and Workpaper
10 OM16-WP2, minor fluctuations occur for changes in headcount and qualifying life events
11 of employees.

12 **Q31. How did you determine what portion of the pro forma insurance benefit costs for AES**
13 **Indiana employees were applicable to O&M expense?**

14 A31. General ledger detail for the account used to record the various types of employee insurance
15 was reviewed to determine the amount capitalized. The capitalization rate used during the
16 test year was determined to be 9.31% and this rate was also carried forward to the pro
17 forma insurance benefit calculation.

18 **Q32. How was the amount of employer insurance benefit expenses at AES Services**
19 **chargeable to AES Indiana determined?**

20 A32. AES Services allocates employee insurance benefit expense to affiliates following the labor
21 hours of Service Company employees. An analysis was conducted to determine that 35.1%
22 of AES Services employee insurance benefit expense was charged to AES Indiana during

1 the test year. The 35.1% was applied to the total AES Services employee insurance benefit
2 expense to determine the pro forma expense.

3 **Q33. What is the resulting pro forma adjustment for employee insurance benefit costs on**
4 **AES Indiana Financial Exhibit AESI-OPER, Schedule OM16?**

5 A33. The total net pro forma cost chargeable to AES Indiana electric O&M expense is \$25.6
6 million. This is made up of \$23.1 million directly from AES Indiana and \$2.5 million from
7 AES Services as depicted in Column 2 of AES Indiana Financial Exhibit AESI-OPER,
8 Schedule OM16.

9 The per books net insurance benefit costs applicable to AES Indiana electric O&M
10 expense, including costs which initiated at AES Indiana totaling \$21.6 million and the
11 costs that were charged by AES Services during the test year totaling \$2.1 million, came
12 to a combined \$23.7 million shown in Column 1. The result is a pro forma increase to the
13 AES Indiana test year operating expense of \$1.8 million shown in Line 4, Column 3 of
14 AES Indiana Financial Exhibit AESI-OPER, Schedule OM16.

15 **Q34. In your opinion, are the information used and the processes applied to determine the**
16 **total pro forma related to employee insurance benefit costs applicable to AES Indiana**
17 **electric operating income appropriate and of sufficient detail to reasonably represent**
18 **employee insurance costs in this filing?**

19 A34. Yes. Actual expenses in the months following the end of the test year were used to populate
20 the pro forma expense.

21 **6. PAYROLL TAXES APPLICABLE TO PRO FORMA WAGE ADJUSTMENTS**
22 **AND CHANGES IN TAX RATES**

23 **Q35. What is the purpose of AES Indiana Financial Exhibit AESI-OPER, Schedule OTX3?**

1 A35. This schedule calculates the change in employer-paid payroll taxes, resulting from the
2 payroll cost changes on AES Indiana Financial Exhibit OPER, Schedule OM15. Line 1 of
3 the schedule focuses on the pro forma for payroll taxes associated with AES Indiana
4 employees, while Line 2 focuses on the pro forma for payroll taxes associated with AES
5 Services labor chargeable to AES Indiana.

6 **Q36. Please describe how the pro forma for payroll taxes related to AES Indiana was**
7 **determined in Line 1 of this schedule.**

8 A36. Payroll taxes paid by AES Indiana are calculated in four components, Social Security tax,
9 Medicare tax, Federal Unemployment tax, and State Unemployment tax. To calculate the
10 pro forma for these categories total taxable wages was identified by AES Indiana employee
11 employed on December 31, 2022. Total taxable wages included the straight-time pro forma
12 wages, short-term compensation pro forma wages, long-term compensation pro forma
13 wages, overtime wages for the test year and all other taxable miscellaneous wages
14 identified in the test year.

15 Federal Insurance Contributions Act (“FICA”) tax consists of two components, Social
16 Security tax and Medicare tax. The pro forma for Social Security tax is calculated by
17 employee at 6.2% of total taxable wages with a maximum employer tax of \$9,932.40 per
18 employee. Medicare tax is calculated at 1.45% of total taxable wages with no employer
19 max per employee.

20 Unemployment tax also consists of two components, Federal and State Unemployment tax.

21 Federal Unemployment tax is calculated at 0.6% of taxable wages with a maximum
22 employer tax of \$42.00 per employee. The State Unemployment tax rate varies by

1 company, for AES Indiana it is calculated at 0.5% of taxable wages with a maximum
2 employer tax of \$47.50.

3 **Q37. Is a pro forma adjustment calculated for open positions as of December 31, 2022?**

4 A37. Yes. Total taxable wages for open positions equals the straight-time pro forma, plus short-
5 term and long-term compensation when applicable. Similar to above, the pro forma for
6 Social Security tax is calculated by employee at 6.2% of total taxable wages with a
7 maximum employer tax of \$9,932.40 per employee. Medicare tax is calculated at 1.45%
8 of total taxable wages with no employer max per employee. Federal Unemployment tax is
9 calculated at 0.6% of taxable wages with a maximum employer tax of \$42.00 per employee.
10 The State Unemployment tax is calculated at 0.5% of taxable wages with a maximum
11 employer tax of \$47.50.

12 **Q38. Please describe how lower headcount at Petersburg Generating Station is factored**
13 **into the pro forma for payroll taxes?**

14 A38. Similar to the wage pro forma, a reduction to payroll tax cost was included related to the
15 reduced headcount at Petersburg Generating Station after the retirement of unit two. The
16 payroll tax reduction related to the 31 Petersburg operational positions was \$0.3 million as
17 shown on OTX3-WP1.

18 **Q39. What is the total gross 2023 pro forma payroll taxes for AES Indiana employees?**

19 A39. In total, the gross annualized pro forma for AES Indiana employer payroll taxes is \$11.2
20 million.¹²

¹² Workpaper OTX3-WP1, line 10

1 **Q40. Were there further adjustments to the gross annualized payroll taxes?**

2 A40. Yes. The total pro forma for payroll taxes for all AES Indiana employees amounted to
3 \$11.2 million.¹³ This total is all-inclusive and should be reduced by payroll taxes charged
4 to construction and retirement accounts (i.e. capitalized payroll tax) and payroll taxes
5 associated with labor AES Indiana employees providing support to AES Services.

6 **Q41. What is the AES Indiana payroll tax cost charged to electric operating income during**
7 **the test year and what is the total adjustment to AES Indiana payroll taxes as it relates**
8 **to AES Indiana employees?**

9 A41. The AES Indiana payroll tax charged to electric operating income during the test year
10 amounted to \$7.6 million. This can be found on Line 1, Column 1 of AES Indiana Financial
11 Exhibit AESI-OPER, Schedule OTX3.

12 The result is a pro forma adjustment increase to the test year operating expense of \$1.2
13 million which appears on Line 1, in Column 3 of AES Indiana Financial Exhibit AESI-
14 OPER, Schedule OTX3.

15 **Q42. Please describe how the pro forma for payroll taxes related to AES Services was**
16 **determined in Line 2 of this schedule.**

17 A42. Similar to the calculation for AES Indiana employees, employer payroll taxes for AES
18 Services employees were calculated by individual. Total taxable wages including the
19 straight-time pro forma wages, short-term compensation pro forma wages, long-term
20 compensation pro forma wages, and all other taxable miscellaneous wages identified in the
21 test year were identified for employees as of December 31, 2022. The pro forma for Social

¹³ Workpaper OTX3-WP1, line 10

1 Security tax is calculated by employee at 6.2% of total taxable wages with a maximum
2 employer tax of \$9,932.40 per employee. Medicare tax is calculated at 1.45% of total
3 taxable wages with no employer max per employee. Federal Unemployment tax is
4 calculated at 0.6% of taxable wages with a maximum employer tax of \$42.00 per employee.
5 The State Unemployment tax rate varies by company, for AES Services it is calculated at
6 2.5% of taxable wages with a maximum employer tax of \$237.50.

7 Additionally, a pro forma for payroll taxes associated with open positions was calculated.
8 Total taxable wages for open positions equals the straight-time pro forma, plus short-term
9 and long-term compensation when applicable. The same calculations are applied to open
10 positions as were applied to AES Services employees pro forma.

11 **Q43. How was the amount of payroll tax expenses at AES Services chargeable to AES**
12 **Indiana determined?**

13 A43. An analysis of test year payroll tax charged from US Services as a percentage of total AES
14 Services payroll tax incurred was performed. This analysis indicated that 32.99% of total
15 AES Services payroll tax was charged to AES Indiana. This 32.99% was applied to the
16 AES Services gross pro forma for payroll taxes.

17 **Q44. What is the net AES Services payroll tax cost charged to electric operating income**
18 **during the test year and what is the proposed adjustment to AES Services payroll**
19 **taxes as it relates to AES Indiana employees?**

20 A44. During the test year, \$1.4 million was the amount of payroll tax charged to AES Indiana.
21 The pro forma adjustment to the test year is \$0.3 million as shown on Line 2, Column 3 of
22 AES Indiana Financial Exhibit AESI-OPER, Schedule OTX3.

1 **Q45. Do you believe the methods used to compute the pro forma for payroll taxes are**
2 **reasonable?**

3 A45. Yes. A detailed calculation of payroll taxes by employee was carried out using updated
4 payroll information.

5 **7. SUMMARY AND RECOMMENDATIONS**

6 **Q46. Please summarize your testimony and recommendations.**

7 A46. The pro forma adjustment to the test year identified in AES Indiana Financial Exhibit
8 AESI-OPER, Schedule OM15, fairly calculates changes to the test year using known 2023
9 hourly rates and headcount at the end of the adjustment period. AES Indiana Financial
10 Exhibit AESI-OPER, Schedule OTX3 reasonably recalculates the payroll tax impact of the
11 wage changes identified in AES Indiana Financial Exhibit AESI-OPER, Schedule OM15.
12 The pro forma Employer Insurance Benefits of AES Indiana and AES Services Employees
13 calculated in AES Indiana Financial Exhibit AESI-OPER, Schedule OM16 reasonably uses
14 2023 actual costs as the basis for the adjustment. If the adjustments from these exhibits are
15 not made, operations and maintenance expenses used to determine base rates would not be
16 reflective of costs during the period the proposed rates would be in effect.

17 **Q47. Does this conclude your verified pre-filed direct testimony?**

18 A47. Yes.

VERIFICATION

I, Lauren Whitehead, General & Operational Accounting Manager for AES US Services, LLC, affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

A handwritten signature in cursive script that reads "Lauren Whitehead". The signature is written in black ink and is positioned above a horizontal line.

Lauren Whitehead

Dated June 28, 2023.