

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS POWER & LIGHT)
COMPANY D/B/A AES INDIANA FOR COMMISSION)
APPROVAL OF AN ELECTRIC VEHICLE PORTFOLIO,)
INCLUDING: (1) A PUBLIC USE ELECTRIC VEHICLE)
PILOT PROGRAM PURSUANT TO IND. CODE CH. 8-1-43;)
AND (2) TIME-VARYING AND OTHER ALTERNATIVE)
PRICING STRUCTURES AND TARIFFS PURSUANT TO IND.)
CODE §8-1-2.5-6(3); AND FOR APPROVAL OF ASSOCIATED)
ACCOUNTING AND RATE MAKING)

CAUSE NO. 45843

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 2

TESTIMONY OF BRIAN R. LATHAM

APRIL 27, 2023

Respectfully submitted,



T. Jason Haas

Attorney No. 34983-29

Deputy Consumer Counselor

**TESTIMONY OF OUCC WITNESS BRIAN R. LATHAM
CAUSE NO. 45843
INDIANAPOLIS POWER AND LIGHT d/b/a AES INDIANA**

I. INTRODUCTION

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

2 A: My name is Brian R. Latham, and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed as a Utility Analyst in the Indiana Office of Utility Consumer
6 Counselor's ("OUCC") Electric Division. A summary of my educational
7 background and experience is included in Appendix A attached to my testimony.

8 **Q: Have you previously testified before the Commission?**

9 A: Yes.

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

11 A: I discuss Indianapolis Power & Light Company d/b/a AES Indiana's ("AES Indiana"
12 or "Petitioner") proposed accounting and ratemaking treatment for the projected
13 costs AES Indiana will incur providing its proposed Electric Vehicle Portfolio
14 ("EV Portfolio").

15 **Q: To the extent you do not address a specific request, item, or adjustment,
16 should that be construed to mean you agree with Petitioner's proposal?**

17 A: No. The absence from my testimony of a reference to any specific item or
18 adjustment AES Indiana proposes does not indicate my approval of that item or
19 adjustment. Furthermore, I am offering no opinion on the validity of the

1 underlying data AES Indiana offered, or the propriety of AES Indiana's proposed
2 methodologies.

II. RELIEF REQUESTED

3 **Q: What relief does Petitioner seek in this Cause?**

4 A: AES Indiana seeks approval of a proposed three-year EV Portfolio. AES Indiana
5 estimates the cost of the EV Portfolio over the three-year pilot ("Pilot") period will
6 total \$16.2¹ million plus an estimated \$1.2² million in carrying costs (total \$17.4
7 million). The carrying cost rate will include both debt and equity. Petitioner
8 proposes creating a regulatory asset to record its costs. AES Indiana requests to
9 recover its regulatory asset over three years, include the unamortized portion in
10 rate base, and earn a return "on" its rate base.

11 AES Indiana is also proposing a separate, stand-alone tariff, "Tariff EVSE"
12 (EV and associated supply equipment ("EVSE")), that would be available on a
13 voluntary basis to AES Indiana's non-residential customers. Customers who
14 voluntarily elect to participate would pay a 1.65 percent fixed, monthly fee for
15 qualifying AES Indiana-owned/operated EVSE.

16 The estimated cost associated with Petitioner's Tariff EVSE Pilot Program is
17 \$10.6 million.³ The costs of the Tariff EVSE would be funded by Tariff EVSE
18 participants and, therefore, are not included in the regulatory asset.

¹ Petitioner's Exhibit No. 4, Direct Testimony of Kimberly Aliff, p. 4.

² *Id.* at 5.

³ Petitioner's Exhibit No. 1, Direct Testimony of Zac Elliot, p. 32.

1 **Q: What is the rate impact of a non-participant residential customer using 1,000**
2 **kWh per month?**

3 A: Per Petitioner, the estimated rate impact for a residential customer using 1,000
4 kWh per month will be \$0.58. The other rate classes would incur impacts ranging
5 from \$0.49 to \$0.56 using 1,000 kWh per month.⁴

6 **Q: Does the OUCC recommend the Commission approve AES Indiana's**
7 **proposal?**

8 A: No. As discussed in the testimonies of OUCC witnesses John Hanks and Roopali
9 Sanka, the OUCC recommends the Commission deny AES's EV Pilot proposal
10 due to the lack of support regarding the programs' proposed costs. All my
11 recommendations should be preceded by the statement, "The OUCC recommends
12 denying Petitioner's proposal, however, should the Commission decide to approve
13 AES Indiana's proposed EV Pilot Program."

III. PROGRAM OPERATING AND CAPITAL COSTS

14 **Q: Please describe the costs included in Petitioner's proposed EV Pilot Program.**

15 A: Petitioner's EV Program Operating and Capital costs total \$16.2 million,⁵ with
16 commercial and industrial ("C&I") customers accounting for \$14.3 million, and
17 residential customers the remaining \$1.9 million.⁶ Table BRL-1 breaks out the cost
18 categories included in EV Program Operating and Capital costs.

⁴ Aliff Direct, p. 6, Table KA-1.

⁵ Petitioner's Exhibit No. 1, Direct Testimony of Zac Elliot, Attachment ZE-1 p. 1.

⁶ *Id.*

TABLE BRL-1

Total program and Operating Costs:	
Public Use EV Pilot Program	\$ 13,460,000
Alternative Rates, Tariffs Pricing Structures	1,500,000
Admin, Outreach, Evaluation	<u>1,200,000</u>
Total program and Operating Costs	<u><u>\$ 16,160,000</u></u>

1 **Q: What is AES Indiana's proposed carrying cost and how is it calculated?**

2 A: AES Indiana's carrying cost is calculated using Petitioner's weighted average cost
3 of capital, including debt and equity. The carrying charges are calculated on the
4 unamortized balance of the regulatory asset that is not included in base rates.
5 Petitioner estimates carrying costs of \$1.2 million.

6 **Q: How is Petitioner proposing to allocate the EV Portfolio's total costs among**
7 **its customer classes?**

8 A: Petitioner is proposing to use the allocation factors from its most recent rate case,
9 Cause No. 45029,⁷ as follows:

Residential	42.48%
Small C&I	14.10%
Large C&I	43.00%
Lighting	0.42%
Total	100.00%

10 Per Petitioner, "Total Program Operating and Capital Costs" (from Table BRL-1
11 above) will be \$1.85 million for residential and \$14.31 million for C&I
12 customers.⁸ Under Petitioner's proposal, this means residential customers are
13 paying for 42.48 percent of the costs whereas only receiving 11.4 percent of the
14 benefits (\$1,850,000/\$16,160,000).

⁷ Direct Testimony of Kimberly Aliff, Attachment KA-1, lines 10-14.

⁸ Petitioner's Exhibit No. 1, Direct Testimony of Zac Elliot, Table ZE-1 p. 31, line 15.

1 Q: **Do you have any recommendations regarding AES Indiana using the Cause**
2 **No. 45029 allocations?**

3 A: Yes. The actual "Total Program Operating and Capital Costs" allocations are in
4 no way reflective of the allocations approved in Cause No. 45029. The Total
5 Program Operating and Capital Costs should be allocated based on the expected
6 spend basis, by sector. The OUCC calculated the following based on calculations
7 included on Attachment BRL-1:

Residential	11.40%
Small C&I	21.90%
Large C&I	66.70%
Lighting	0.00%
Total	100.00%

8 Q: **Did you recalculate the allocation rates based on Total Program and Capital**
9 **Costs?**

10 A: Yes, the allocation rates are calculated on Attachment BRL-1.

11 Q: **What are the rate impacts on the customer classes when the Total Program**
12 **Operating and Capital Costs are cost based?**

13 A: The rate impacts are as follows:

Residential	\$	0.16
Small C&I	\$	0.87
Large C&I	\$	0.76

14 Q: **What are the Rate Impact Measure ("RIM") Test results?**

15 A: Petitioner used the RIM Test to determine the cost effectiveness of the EV
16 Program, along with several other cost effectiveness tests.⁹ Petitioner states the
17 result of the RIM Test in total is 1.25. The RIM Test for each individual EV

⁹ Petitioner's Exhibit No. 3, Direct Testimony of Edward J. Schmidt, p. 2, lines 11-15.

1 Program, except for the EVSE Rebates for Disadvantaged Communities (0.29)
2 Program, is greater than or equal to 1.00.¹⁰ Petitioner states that a RIM Test value
3 greater than one indicates customers who do not participate in the EV Programs
4 actually save money as a result of the program.¹¹ However, it should be noted the total
5 RIM Test is 1.25 and two of the programs (Residential Managed Charging and Off-
6 Peak Incentive) are exactly 1.00. The EVSE Rebate and C&I Managed Charging
7 Programs provide the bulk of the benefits with a 1.99 RIM Test score. OUCC witness
8 John Hanks discusses the EV Programs' cost effectiveness testing results in greater
9 detail.

10 **Q: How does the OUCC's proposed cost recovery allocations impact the RIM**
11 **Tests?**

12 A: The RIM Test for each program may be significantly different using the cost
13 allocation formula (described above) as the costs and benefits for each program
14 increase or decrease. For example, the "Residential Managed Charging" Program
15 has a 1.00 RIM Test score. By changing Petitioner's proposed cost allocations
16 from 42.48 percent to 11.4 percent, the RIM Test for the "Residential Managed
17 Charging" Program would increase. However, the RIM Test for other programs
18 would also change with at least one program decreasing to offset the "Residential
19 Managed Charging" Program's increase.

20 **Q: Do you have any recommendations on AES Indiana's proposed cost**
21 **recovery?**

¹⁰ *Id.*, p. 3, Table 1.

¹¹ Schmidt Direct, p. 4, lines 1-3.

1 A: Yes. Petitioner is requesting to recover its regulatory assets in its next rate case
2 over a three-year period. The OUCC's first proposal is to match that timeframe
3 with Petitioner's expected timing between filings. If Petitioner expects to file rate
4 cases every five years, then the recovery period should also be five years to limit
5 over or under recovery.

6 The OUCC also proposes limiting Petitioner's carrying costs to its
7 estimated \$1.2 million. Given the low RIM Test results of some of these programs,
8 limiting carrying costs will maximize ratepayer benefits. Limiting carrying costs
9 will also provide impetus for AES Indiana to file a rate case, as the carrying cost
10 accumulation would terminate once it reaches \$1.2 million.

11 Finally, the OUCC proposes limiting Petitioner's spending to its \$16.2
12 million budget. AES Indiana's portfolio reporting should include a yearly and
13 cumulative budget to actual spending comparison using AES Indiana witness Zac
14 Elliot's Attachment ZE-1, as a baseline. This reporting should be required within
15 90 days of close of each program year.

IV. TARIFF EVSE

16 **Q: Do you have any recommendations regarding AES Indiana's Tariff EVSE**
17 **Program?**

18 A: Yes. Because Petitioner's Tariff EVSE Program is voluntary, the OUCC has only
19 one recommendation, which is that each prospective participant be given a detailed
20 cost estimate based on current electric usage and expected current cost based on
21 estimated usage (this could be a range). This would help small business operators
22 make informed decisions prior to entering the five-year program.

V. RECOMMENDATIONS

1 **Q: What are the OUCC's recommendations regarding Petitioner's proposed**
2 **EV Portfolio?**

3 A: The OUCC recommends the Commission deny AES Indiana's EV Portfolio.
4 However, if the Commission approves AES Indiana's proposed EV Portfolio, the
5 OUCC recommends the Commission limit the regulatory asset amount to
6 Petitioner's \$16.2 million budget. Carrying costs should also be limited to AES
7 Indiana's estimated \$1.2 million, without the option to use unspent carrying costs
8 on program costs.

9 The OUCC recommends Petitioner use a cost allocation methodology
10 aligned with those customer classes benefiting from the EV Program spending i.e.,
11 EV program beneficiaries should be paying for their costs.

12 Petitioner proposes recovering its costs over a three-year timeframe. To
13 make the recovery simpler and reduce potential over and under recovery, the
14 OUCC recommends using the estimated timeframe between rates cases. This
15 would be the same timeframe in which AES Indiana would recover its rate case
16 expense in its next rate case.

17 Finally, Petitioner should provide detailed projected cost information to its
18 potential participants and reconsider the program components with RIM Test
19 scores at or near 1.00.

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

21 A: Yes.

APPENDIX A

QUALIFICATIONS OF BRIAN R. LATHAM

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

2 A: I graduated from Northern Illinois University in DeKalb, Illinois, with a bachelor's
3 degree in accounting. I then attended Illinois State University in Normal, Illinois,
4 and obtained a master's degree in accounting. In addition, I have participated in
5 various continuing education programs sponsored by my current and former
6 employers.

7 I began my employment in 1992 as a Staff Accountant with OSI Industries
8 (Aurora, 15 Illinois). In 1995, I was hired as a cost accountant at Rexnord in
9 Milwaukee, Wisconsin. In 1998, I was hired as a cost accounting manager at
10 Morton Metalcraft (Morton, Illinois) eventually promoted to a Controller role at
11 Illinois Machine and Tool Works. In 2001, was hired at Hamernik Associates,
12 where I was a work-out and bankruptcy consultant. I was an independent financial
13 recruiter in 2007 and 2008. In March 2008, I was hired as Vice President of
14 Finance for Junior Achievement of Central Indiana. In 2009, I was hired as a
15 Utility Analyst for the Indiana Utility Regulatory Commission, where I worked as
16 a member of the Water Division Staff, reviewing water and wastewater utility
17 filings and making recommendations based on witness' testimony and Indiana
18 law. In 2018, I was hired as Controller for Aqua Indiana, where I was responsible
19 for Aqua Indiana's financial operations, and my roles included the oversight and
20 accountability of the monthly, quarterly, and annual financial closings and

1 reporting, SOX and audit compliance, budget, forecasting, and five-year planning,
2 regulatory petitions, acquisitions, and other strategic projects. After a short stint as
3 Controller at Senior Home Companions, I was hired at the OUCC as a Utility
4 Analyst in October 2022.

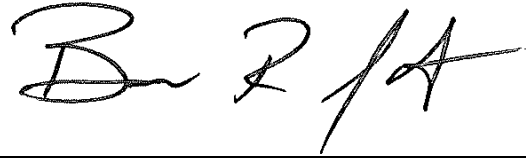
5 At the OUCC I have provided written testimony ranging from rate cases to
6 clean energy generation facilities and regional transmission organization
7 adjustments. I have worked on demand supply management relationships and
8 commission investigation teams. I attended the NARUC Staff Subcommittee on
9 Accounting and Finance Spring Conference in early April 2023.

Indianapolis Power & Light
Calculation of OUCC's Proposed Cost Allocation
Cause No. 45843

Line				
1	Proxy for Total Annual Revenue Requirement - Regulatory Asset			\$ 7,225,750
2	(Line 9 - Petitioner's Attachment KA-1)			
3	Allocation factors from Cause No. 45029			
4	Residential	42.48%	\$	3,069,499
5	Small C&I	14.10%	\$	1,018,831
6	Large C&I	43.00%	\$	3,107,073
7	Lighting	0.42%	\$	30,348
		100.00%	\$	7,225,750
8	Projected Annual Retail MWH Sales			2024
9	Residential			5,260,643
10	Small C&I			1,806,618
11	Large C&I			6,334,907
12	Lighting			60,719
				13,464,911
13	Monthly Impact per 1,000 kWh			
14	Residential		\$	0.58
15	Small C&I		\$	0.56
16	Large C&I		\$	0.49
17	Lighting		\$	0.50
18	Total Program Operating and Capital Costs			
19	(Petitioner's Attachment ZE-1)			
20	Residential	\$ 1,850,000		11.4%
21	C&I	\$ 14,310,000		88.6%
		\$ 16,160,000		100.0%
22	Revised Allocation (OUCC Calc)			
23	Residential (Line 20 11.4% multiplied by Line 1)	11.4%	\$	827,205
24	C&I (Line 21 88.6% multiplied by Line 1)	88.6%	\$	6,398,545
		100.0%	\$	7,225,750
25	C&I Allocation			
26	Small C&I	14.1%	24.7%	\$ 1,580,026
27	Large C&I	43.0%	75.3%	\$ 4,818,519
		57.1%	100.0%	\$ 6,398,545
28	Monthly Impact per 1,000 kWh			
29	Residential	11.4%	\$	0.16
30	Small C&I	21.9%	\$	0.87
31	Large C&I	66.7%	\$	0.76

AFFIRMATION

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

A handwritten signature in black ink, appearing to read "B R Latham", written over a horizontal line.

Brian R. Latham
Utility Analyst
Indiana Office of Utility Consumer Counsel
Cause No. 45843
AES Indiana

April 27, 2023

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the *OUCC's Public's Exhibit No. 2, Testimony of Brian R. Latham* has been served upon the following parties of record in the captioned proceeding by electronic service on April 27, 2023.

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