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**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**VERIFIED PETITION OF INDIANAPOLIS )  
POWER & LIGHT COMPANY FOR )  
APPROVAL OF DEMAND SIDE )  
MANAGEMENT ADJUSTMENT FACTORS )  
FOR ELECTRIC SERVICE FOR THE )  
MONTHS OF JULY TO DECEMBER, 2015 IN )  
ACCORDANCE WITH VARIOUS ORDERS )  
OF THE COMMISSION, IN CAUSE NOS. )  
43623, 43911, 43960, 44328, INCLUDING )  
ORDERS IN CAUSE NOS. 43623, 43960, AND )  
44497 )**

**CAUSE NO. 43623 DSM 11**

**APPROVED: JUN 10 2015**

**ORDER OF THE COMMISSION**

**Presiding Officers:**

**David E. Ziegner, Commissioner**

**David E. Veleta, Administrative Law Judge**

On March 23, 2015, Indianapolis Power & Light Company (“IPL” or “Petitioner”) initiated this proceeding by filing both its Verified Petition for Approval of Demand Side Management (“DSM”) Adjustment Factors (“DSM Adjustment Factors”) for electric service for the months of July through December 2015, and its case-in-chief testimony and exhibits in support of its petition. IPL’s petition was filed in accordance with various Orders issued by the Indiana Utility Regulatory Commission (“Commission”), including Orders in Cause No. 43623 dated February 10, 2010 (“43623 Order”), Cause No. 43960 dated November 22, 2011 (“43960 Order”), Cause No. 44497 dated December 17, 2014 (“44497 Order”), as well as the provisions of Standard Contract Rider No. 22 approved by the Commission in the 43623 Order. On May 4, 2015, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled its case-in-chief testimony and exhibits. On May 12, 2015, IPL filed its Notice that it would not file rebuttal testimony and exhibits.

An evidentiary hearing was held in this Cause on May 20, 2015, at 10:30 a.m. in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. IPL and the OUCC attended the evidentiary hearing, at which their respective prefiled testimony and exhibits were admitted into the record without objection.

The Commission, having considered the evidence and applicable law, finds as follows:

**1. Notice and Jurisdiction.** Notice of the public hearing conducted by the Commission was given and published as required by law. IPL is a “public utility” as defined in Indiana Code § 8-1-2-1. The Commission’s Orders in Cause Nos. 43623, 43960, and 44328 approved an adjustment mechanism for IPL’s recovery of costs associated with its DSM

Program through a DSM adjustment mechanism. On December 17, 2014, in Cause No. 44497, the Commission approved IPL’s 2015-2016 DSM programs and associated ratemaking treatment for such programs, via IPL’s Rider 22. Under Indiana Code § 8-1-2-42, the Commission has jurisdiction over changes in IPL’s schedules of rates and charges. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

**2. Petitioner’s Characteristics.** IPL is an electric generating utility and a corporation organized and existing under the laws of the State of Indiana, with its principal place of business located in Indianapolis, Indiana. IPL is lawfully engaged in rendering electric public utility service in the State of Indiana. IPL owns, operates, manages, and controls, among other things, plant and equipment within the State of Indiana used for the production, transmission, delivery and furnishing of such service to the public.

**3. Petitioner’s Case-In-Chief.** IPL presented the testimony of three witnesses in its case-in-chief: Lester H. Allen, IPL’s DSM Program Development Manager; Craig Forestal, Director of Regulatory Accounting for IPL’s Service Company; and Kimberly Aliff, a Senior Regulatory Analyst in IPL’s Regulatory Affairs department.

Mr. Allen testified concerning: IPL’s plans and actions taken to deliver DSM programs in 2015 and beyond, in accordance with the approval set forth in the 44497 Order; the forecasted spending related to the implementation of these programs for the period July through December 2015; the estimated energy savings associated with these programs; and the ongoing activities of the IPL Oversight Board. With regard to the 44497 Order and 2015-2016 DSM programs, Mr. Allen explained that in the 44497 Order, the Commission approved the implementation of IPL’s DSM programs for the years of 2015 and 2016, along with a shared savings incentive mechanism, and authority to defer and subsequently recover “lost revenues” after its next retail base rate case. Mr. Allen noted that the following programs are offered, all of which were approved in the 44497 Order.

**Residential Programs**

- Lighting
- Income Qualified Weatherization
- Air Conditioning Load Management
- Multi Family Direct Install
- Home Energy Assessment
- School Kit
- Online Energy Assessment w/ Kit
- Appliance Recycling
- Peer Comparison Reports

**Commercial & Industrial Programs**

- Business Energy Incentive – Prescriptive
- Business Energy Incentive – Custom
- Small Business Direct Install
- Business Air Conditioning Load Management (“ACLM”)

Mr. Allen testified that for program delivery in 2015, IPL is working with Citizens Energy to jointly deliver five Residential Programs (Income Qualified Weatherization; Multi Family Direct Install; Home Energy Assessment; School Kits; and Online Energy Assessment with Kits). IPL also works collaboratively with Citizens Energy in the delivery of all Commercial and Industrial (“C&I”) Programs except for the Business ACLM program. Mr. Allen also noted that IPL has taken over responsibility for the administration of programs previously identified as Core Programs, with some trailing activities still remaining the responsibility of the Third Party Administrator (“TPA”) from the Energizing Indiana program which ended in 2014 (Cause No. 42693). In order to maintain program continuity as the C&I programs are transitioned from the Energizing Indiana TPA to IPL, IPL entered into a new agreement with the same TPA to continue to process applications from C&I customers in the Core C&I Prescriptive program for installations through the end of 2014. Therefore, at the time of Mr. Allen’s testimony, IPL expected that customer applications for incentives under the C&I Prescriptive programs would continue to be received through the first quarter of 2015, and processed by the TPA through April 2015.

Mr. Allen testified that the spending forecast for the period July through December 2015 (shown on Attachment CAF-2 to Mr. Forestal’s testimony) is derived from the estimated expenditures approved in Cause No. 44497 and modified to reflect the cost estimates in the program plans obtained from IPL’s DSM program implementers. The forecasted costs are primarily related to direct and indirect program costs and shared savings incentives.<sup>1</sup> The spending forecast does not include lost revenues, as those are deferred for subsequent recovery. The estimated energy savings for the period July through December 2015 (Petitioner’s Attachment LHA-2) represent the energy savings that are expected to result from the programs delivered.

With respect to the true-up of performance incentives, Mr. Allen testified that IPL is not providing a true-up of the performance incentives in this proceeding; IPL anticipates the next true-up of performance incentives will be after Evaluation, Measurement and Verification (“EM&V”) is completed on 2014 program results, and included in its DSM-12 filing to be made in September of 2015. Mr. Allen further noted that the estimated shared savings incentive is calculated as 15% of the net present value of the estimated Utility Cost Test net benefits for the applicable period, to be trueed up subsequently to reflect actual net present value benefits post-EM&V, consistent with the Commission’s approval of the shared savings mechanism in the 44497 Order.

In his testimony, Mr. Allen also gave an update as to the status of IPL’s Oversight Board (“OSB”). He noted that IPL continues to meet monthly with the IPL OSB, and that IPL has worked collaboratively with the OSB to select an independent contractor to provide EM&V services for the DSM Programs. IPL will provide the final EM&V results for the former Core Plus programs when the performance incentive<sup>2</sup> true-up is calculated, which the OSB expects to file in September 2015 in IPL’s DSM-12 filing .

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<sup>1</sup> All IPL programs are eligible for shared savings incentives except for the Income Qualified Weatherization program.

<sup>2</sup> In the 44497 Order, the Commission approved IPL’s modification of its performance incentives from the previous tiered approach to a shared savings incentive approach.

Mr. Forestal's testimony focused on the calculation of IPL's proposed DSM Adjustment Factors. Mr. Forestal's testimony also addressed past DSM orders applicable to IPL. With respect to the proposed DSM Adjustment Factors, Mr. Forestal testified that there are several changes required to be made to the calculation of the DSM adjustment factors necessitated by the impact of customers that have opted out of participating in IPL's DSM programs, most notably: The first group of customers that opted out of IPL's DSM programs before July 1, 2014 ("Opt-Out 1 Customers"), were charged a DSM adjustment factor of \$0 for the period of July through December 2014. Those customers were still responsible for certain program costs, incentives, and reconciliations, which are now being included in a proposed Opt-Out 1 Customer DSM adjustment factor calculated on Attachment CAF-2, Page 3 of 3. These costs represent reconciliations of prior period over- or under-collections first calculated for all customers in DSM-9 (the filing that reconciled July through December 2013), and program costs and incentives to which IPL was already committed before the opt-outs occurred. Mr. Forestal noted that the Opt-Out 1 Customers are being allocated a portion of IPL's net under-collection for DSM-9, therefore, that amount has been deducted from the amounts used to calculate the DSM factors for IPL's customers who have chosen not to opt-out of DSM programs. The second group of IPL's customers opted out of DSM programs effective January 1, 2015 ("Opt-Out 2 Customers"). Those customers are no longer liable for program costs or shared savings incurred after January 1, 2015, but they remain responsible for reconciliations of prior period charges, incentives, and revenues. The calculation of these DSM adjustment factors is presented on Attachment CAF-2, Page 2 of 3. Mr. Forestal noted that IPL has implemented a schedule that corresponds with each group, with estimated ratios for each group.

Mr. Forestal noted that IPL's DSM program expenditures are forecasted semi-annually and reconciled to actual expenditures in a subsequent semi-annual filing. Expenditures for the DSM programs are recorded in IPL's accounting system using individual project numbers, in conjunction with account numbers, to separate costs for accounting and reporting purposes.

Mr. Forestal noted that Attachment CAF-2 helps explain how the DSM Adjustment Factors are calculated. Attachment CAF-2 shows the Projected DSM Expenditures by Cost Type and Customer Charge Type for each DSM Program for the period July through December 2015. That Attachment also shows the projected amount permitted to be included in Standard Contract Rider No. 22. The projected shared savings by cost type and customer charge type for July through December 2015 are shown in Attachment CAF-2, together with the calculation of rates IPL is proposing to include in Standard Contract Rider No. 22 for each of its customer classes for the period July through December 2015. Attachment CAF-2 also shows how costs are allocated to IPL's various rate classes, based on prior allocation factors approved in the 43960 Order.

Mr. Forestal summarized the proposed DSM Adjustment Factors for IPL customers for the period July through December 2015.

Mr. Forestal noted that residential customers using 1,000 kWh per month will experience a DSM Adjustment of \$0.875, which is 1.316% of such bill relative to the basic rates and charges in effect. However, on this DSM filing, a residential customer using 1,000 kWh per month will

experience a decrease of \$2.616 or 3.738% of such bill in relation to the factors currently in effect.

Ms. Aliff testified regarding the cost allocation among customer classes as it relates to Contract Rider No. 22 generally, and the effect on allocations of those customers who have chosen to opt-out of Petitioner's DSM Programs. Ms. Aliff noted that no allocation is required for Residential customers, and all costs for Residential Programs will be recovered from the Residential rate class.

Ms. Aliff noted that prior to Senate Enrolled Act 340 C&I programs were split between small and large C&I customers, based on the 12 monthly average system peaks as of IPL's last rate case in Cause No. 39938. Ms. Aliff noted that as of January 1, 2015, there were 101 eligible customers that had opted out of participation in IPL's DSM programs, representing about 2.8 million GWhs of energy usage annually. She explained that IPL utilized load research data for the 12 months ended June 30, 2014, to determine the current relationship between Small C&I and Large C&I in order to reflect the impact of the opt-out customers. Ms. Aliff explained that, for the forecasted C&I DSM program costs, the rate class allocation factors are based on each class' share of the 12 monthly average system peaks updated as of June 30, 2014. She testified that the allocation factors shown on Attachment KA-1 are based upon the relationship of the Small C&I and Large C&I allocation factors after excluding the customers who have opted out. Ms. Aliff's testimony also addressed the calculation of projected shared savings incentives, as shown by program on Attachment KA-2, and the fixed and trailing costs that IPL is proposing to recover from customers that have opted out.

**4. OUCC's Case-In-Chief.** The OUCC presented the testimony of Crystal L. Thacker, a Utility Analyst for the OUCC. Ms. Thacker noted in her testimony that she reviewed the petition and IPL's direct testimony, exhibits, and workpapers in this Cause, as well as previous Causes. Ms. Thacker also noted that on two occasions, April 9, 2015 and April 24, 2015, she participated in meetings with IPL representatives and other OUCC technical staff to address questions concerning this filing, and discussed various aspects of this case with other OUCC staff. Ms. Thacker noted that she verified IPL's calculations and adjustment factors, and further noted that, after reviewing all of this information, she can confirm the accuracy of IPL's calculations, as demonstrated in attachments to her prefiled testimony.

**5. IPL Rebuttal Testimony.** IPL filed a notice that it would not file rebuttal in this Cause.

**6. Commission Discussion and Findings.** Petitioner's proposed DSM Adjustment Factors that were presented for approval in this Cause include projected costs for the period July through December 2015 associated with Petitioner's 2015-2016 Plan, including an estimate of the shared savings incentives for the period July through December 2015 as approved in Cause No. 44497. The DSM Adjustment Factors also include reconciliation of actual costs incurred, an update of Target Performance Incentives, and a reconciliation of actual revenues received for the six month period ended December 31, 2014. This petition includes rates for customers who have not opted out of its DSM programs and customers who opted out of DSM programs prior to July 1, 2014, and customers who opted out of programs effective January 1, 2015. Petitioner

adequately supported its proposed DSM Adjustment Factors with testimony and exhibits showing its calculations, reconciliations, and allocations. The OUCC's evidence confirmed the accuracy of IPL's calculations. There are no issues in dispute in this Cause amongst the Parties. Therefore, we find that Petitioner's projected July through December 2015 costs, its proposed reconciliations of prior costs, and its proposed allocation of such costs are reasonable and should be approved, subject to reconciliation. We further find that Petitioner's proposed DSM Adjustment Factors presented in its case-in-chief are reasonable and should be approved, subject to reconciliation. Accordingly, we approve the proposed DSM Adjustment Factors, to become effective for the beginning of the first billing cycle for the billing month of July 2015.

**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:**

1. The Petition of Indianapolis Power & Light Company for approval of Demand Side Management Adjustment Factors for electric service as set out in Finding No. 6 above is approved.
2. Prior to placing into effect the approved DSM Adjustment Factors, IPL shall file with the Commission's Electricity Division a separate amendment to its rate schedules, reflecting that such charge is applicable to all of its filed rate schedules.
3. This Order shall be effective on and after the date of its approval.

**MAYS-MEDLEY, HUSTON, AND ZIEGNER CONCUR; STEPHAN AND WEBER ABSENT:**

**APPROVED: JUN 10 2015**

**I hereby certify that the above is a true and correct copy of the Order as approved.**

  
**Brenda A. Howe**  
**Secretary to the Commission**