

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS )  
POWER & LIGHT COMPANY FOR )  
APPROVAL OF DEMAND SIDE MANAGE- )  
MENT ADJUSTMENT FACTORS FOR )  
ELECTRIC SERVICE FOR THE MONTHS )  
OF JANUARY TO JUNE, 2011 IN )  
ACCORDANCE WITH THE ORDER OF THE )  
COMMISSION IN CAUSE NO. 43623. )

CAUSE NO. 43623 DSM 2

APPROVED: DEC 29 2010

**BY THE COMMISSION:**  
**Carolene R. Mays, Commissioner**  
**Loraine L. Seyfried, Administrative Law Judge**

On October 12, 2010, Indianapolis Power & Light Company (“Petitioner” or “IPL”) filed its verified petition for approval of Demand-Side Management (“DSM”) Adjustment Factors (“DSM Adjustment Factors”) for electric service for the months of January to June 2011. IPL’s petition was filed in accordance with the Order issued by the Indiana Utility Regulatory Commission (“Commission”) in Cause No. 43623 dated February 10, 2010 (“DSM Order”) and the provisions of Standard Contract Rider No. 22 (Core and Core Plus Demand-Side Management Adjustment) approved by the Commission in the DSM Order (“Rider 22”). On October 12, 2010, IPL also prefiled its direct testimony and exhibits. On November 19, 2010, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the testimony and schedule of Wes R. Blakley. On November 30, 2010, IPL responded to the Commission’s November 29, 2010 Docket Entry.

Pursuant to notice published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, a public hearing was held in this Cause on December 3, 2010, at 9:30 a.m., in Room 224, 101 W. Washington Street, Indianapolis, Indiana. The OUCC and IPL were represented by counsel at the hearing. At the hearing the prefiled testimony and exhibits of IPL and the OUCC were admitted into evidence without objection and all parties waived cross-examination of all witnesses. No member of the general public appeared or sought to testify at the hearing.

Based upon the applicable law and being duly advised in the premises, the Commission now finds as follows:

1. **Notice and Jurisdiction.** Due, legal and timely notice of the public hearing conducted by the Commission herein was given and published as required by law. IPL is a “public utility” within the meaning of the Indiana Public Service Commission Act, as amended, Ind. Code § 8-1-2-1 *et seq.*, and is subject to the jurisdiction of the Commission. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause in the manner and to the extent provided by the laws of the State of Indiana.

**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. Implementation of DSM Programs.** IPL Witness Lester H. Allen explained the actions that IPL has taken subsequent to the DSM Order with regard to delivery of its Core and Core Plus Programs. He also described the timing and the forecasted spending related to the implementation of the Core and Core Plus Programs for the period January 1 through June 30, 2011. Mr. Allen discussed the transitioning of the delivery of the Core Programs from IPL to the Statewide Third Party Administrator subsequent to the selection by the Demand Side Management Coordination Committee and necessary approvals by the Commission. Mr. Allen also described the formation and functioning of the Oversight Board and provided estimated demand and energy savings for all programs for the six month period January to June 2011.

**4. Recovery of Costs.** In its DSM Order, the Commission authorized IPL to recover the costs incurred to implement the Core and Core Plus Programs through Rider 22. IPL was instructed to prepare semi-annual filings to recover the forecasted costs of the Core and Core Plus Programs over six-month periods that match the billing periods of the Rider 22 tracker. The DSM Order provided the semi-annual periods will be July to December and January to June and the Core and Core Plus Program expenditures will be forecasted semi-annually and reconciled to actual expenditures in a subsequent semi-annual filing. The cost recovery mechanism is applicable during the three-year period during which the DSM Programs are to be administered pursuant to the DSM Order, and will remain in effect until all costs and incentives are properly recovered from customers, or, if applicable, until any over-collections are properly credited to them.

Mr. Allen sponsored Petitioner's Exhibit LHA-1 showing the timing by program along with the expected implementation schedule. IPL Witness Craig A. Forestal sponsored Petitioner's Exhibit CAF-2 showing the Projected DSM Expenditures (by Cost Type and Customer Charge Type) for each Core and Core Plus DSM Program for the period January to June, 2011 permitted to be included in Rider 22. In addition, in the Commission's Order dated August 25, 2010 in Cause No. 40292 DSM 60 ("the August 25, 2010 Order"), we authorized IPL to include the carrying charges and variances from its Cause No. 40292 DSM programs in its Cause No. 43623 semi-annual DSM filings. In accordance with the August 25, 2010 Order, the variance rolled in from Cause No. 40292 DSM is set forth as a separate line item on Petitioner's Exhibit CAF-2.

**5. Performance Incentives.** In its DSM Order, the Commission authorized the following performance incentives for IPL's approved Core Plus Programs.

% of Target	Pre-tax Incentive
< 40%	-4%
≥ 40 < 60%	0%
≥ 60 < 80%	6%
≥ 80 < 90%	8%
≥ 90 < 100%	10%
≥ 100 < 110%	12%
≥ 110%	15%

However, to the extent IPL’s Residential Low and Moderate Income Weatherization program, the Commercial and Industrial Renewables Incentive program and educational funding and indirect costs that are unrelated to specific programs, or any portions thereof, are considered Core Plus Programs, such programs and costs were not eligible for performance incentives.

Mr. Allen stated the DSM Order permits IPL to receive incentives on selected Core Plus Programs based on achieving targeted demand and energy savings. He sponsored Petitioner’s Exhibit LHA-2 showing the estimate of these savings. Petitioner’s Exhibit CAF-2 showed the Projected Target Performance Incentives by Cost Type for each Core Plus DSM Program to which it applies. Mr. Forestal stated IPL is utilizing a target incentive of 8% of projected expenditures, which is consistent with what was included in its DSM-1 filing that set the current DSM Adjustment Factors.

**6. Deferral for Recovery.** In its DSM Order, the Commission authorized IPL to defer for recovery, following its completion and through Rider 22, the costs of a Home Area Network Proof of Concept (“HAN POC”) and a Time of Use (“TOU”) pricing study up to the estimated study costs. Mr. Forestal explained that the cost of the HAN POC is estimated at \$300,000 and the cost of the TOU pricing study is estimated at \$200,000, which includes \$100,000 for certain modifications of IPL’s customer accounting system to accommodate time-based rates. IPL’s evidence indicated that as of September 30, 2010, IPL had expended \$196,070 on the HAN POC, for which IPL is not requesting any recovery of in this filing because the study is not yet completed. As of September 30, 2010, IPL had expended \$294,735 for the completed TOU study, of which \$155,969 is included for recovery in this filing.

**7. Reconciliation of Estimated and Actual Expenditures, Revenues and Performance Incentive Targets.** For the period of April 2010 to June 2010, Grand Total Costs to be recovered include a reconciliation of actual DSM Program expenditures to estimated costs for that period (Petitioner’s Exhibit CAF-3), an update of the target performance incentives for that period, calculated by subtracting the projected incentive from the target incentive on actual expenditures incurred for each program (Petitioner’s Exhibit CAF-4), and a reconciliation of actual DSM Adjustment Factor revenues collected from customers from that period to the approved amount for that same period (Petitioner’s Exhibit CAF-5).

**8. Resulting DSM Adjustment Factors.** The Grand Total Costs to be Recovered reflected in the DSM Adjustment Factors for the months of January to June 2011 is \$3,416,668 (Petitioner’s Exhibit CAF-2, Line 45), which is the Grand Total Core and Core Plus DSM Programs projected costs (including the target performance incentives) of \$3,509,760

(Petitioner's Exhibit CAF-2, Line 38), adjusted for Reconciliation of Expenditures of \$(226,987) (Petitioner's Exhibit CAF-2, Line 39), Update of Target Performance Incentives of \$(891) (Petitioner's Exhibit CAF-2, Line 40), Reconciliation of Revenues of \$(5,553) (Petitioner's Exhibit CAF-2, Line 41), Carrying Charges & Variances from Cause No. 40292 of \$(15,630) (Petitioner's Exhibit CAF-2, Line 42) and TOU Study costs of \$155,969 (Petitioner's Exhibit CAF-2, Line 43). Dividing the Grand Total Costs to be Recovered for each customer charge type for the period from January to June 2011 by the estimated megawatt hour sales for the respective customer charge types (6,931,816 MWh as shown on Petitioner's Exhibit CAF-2, Line 46) results in, after modification for the recovery of the Indiana Utility Receipts Tax, a factor for Rates RS and CW (with associated Rate RS service) of \$0.000929 per kWh; for Rates SS, SH, OES, UW and CW (with associated Rate RS service) of \$0.000604 per kWh; for Rate SL of \$0.000285 per kWh; and for Rates PL, PH and HL of \$0.000000 per kWh. Pursuant to Ind. Code § 8-1-2-42(a), the resulting DSM Adjustment Factors will be effective for all bills rendered for electric services beginning with the first billing cycles for the January 2011 billing month in Regular Billing District 41 and Special Billing District 01. The DSM Adjustment Factors will remain in effect for approximately six (6) months or until replaced by different adjustment factors approved in a subsequent filing. Based on the foregoing, a typical residential customer using 1,000 kWh per month will experience a rate impact of \$0.00 per month during the DSM period.

OUCC Witness Blakley testified that his calculation of the adjustment factors matches Petitioner's calculation of its DSM Adjustment Factors.

**9. Commission Findings.** The evidence presented in this Cause supports approval of Petitioner's proposed DSM Adjustment Factors. Accordingly, we find that the DSM Adjustment Factors requested herein should be approved.

**10. Procedural Schedule for Future Filings.** The Commission's June 30, 2010 Order in Cause No. 43623 DSM 1, directed Petitioner to provide in its next DSM filing and after consultation with the OUCC, a proposed procedural schedule for the parties to follow in future DSM filings which allows for the timely review and conduct of an evidentiary hearing by the Commission. The Petition filed in this Cause included an agreed procedural schedule. We find Petitioner's and the OUCC's agreed proposal for future filings to be reasonable and should be approved. Accordingly, we find that the following procedural schedule shall apply for future filings in Cause No. 43623 DSM X:

- (a) Petitioner will file its Case-In-Chief (including a verified petition, proposed tariff revisions and supporting testimony) and provide the OUCC and any Intervenor with copies of all supporting workpapers no less than three (3) months before the effective date of Petitioner's next semi-annual DSM tariff update. Petitioner's Case-In-Chief will not be considered complete until all items listed above are filed (or, in the case of workpapers, submitted).
- (b) The OUCC and any Intervenor will file their respective Cases-In-Chief approximately six weeks (42 days) after Petitioner files its completed Case-In-Chief.

- (c) Petitioner will file its rebuttal testimony (if any) approximately ten (10) calendar days after the OUCC and any Intervenors file their respective Cases-In-Chief.
- (d) Unless otherwise agreed to by the parties, IPL will use best efforts to provide the OUCC a draft proposed order three (3) business days in advance of the evidentiary hearing and the OUCC will use best efforts to review and provide comments on the proposed order at or before the hearing.
- (e) Any response or objection to a discovery request should be made within three (3) business days of the receipt of such request, and the parties would utilize electronic discovery. The parties will also serve documents electronically when practicable.
- (f) An evidentiary hearing will be scheduled approximately 60 days after Petitioner files its completed Case-In-Chief.

**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. 8 above shall be, and is hereby approved.

2. IPL shall file with the Electricity Division of this Commission, prior to placing in effect the Core and Core Plus Demand-Side Management Adjustment Factors herein approved, a separate amendment to its rate schedules with a reasonable reference therein reflecting that such charge is applicable to all of its filed rate schedules, as shown in Petitioner's Exhibit A attached to Petitioner's Exhibit CAF-1.

3. This Order shall be effective on and after the date of its approval.

**ATTERHOLT, MAYS AND ZIEGNER CONCUR; LANDIS ABSENT:**

**APPROVED:** DEC 29 2010

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

  
Brenda A. Howe,  
Secretary to the Commission