

ORIGINAL



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, 2013 IN)
ACCORDANCE WITH THE ORDERS OF THE)
COMMISSION IN CAUSE NOS. 43623 AND)
43960.)

CAUSE NO. 43623 DSM 7

APPROVED:

JUN 19 2013

ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner
Jeffery A. Earl, Administrative Law Judge

On March 18, 2013, Indianapolis Power & Light Company (“IPL”) filed its verified petition for approval of Demand-Side Management (“DSM”) Adjustment Factors for electric service for the months of July through December 2013. IPL’s petition was filed in accordance with the Commission’s February 10, 2010 Phase I Order in Cause No. 43623 (“43623 Order”), November 22, 2011 Order in Cause No. 43960 (“43960 Order”) and IPL’s Standard Contract Rider No. 22, Core and Core Plus Demand-Side Management Adjustment (“Rider 22”). On March 18, 2013, IPL also prefiled the direct testimony and exhibits of Craig Forestal, Team Leader of Corporate Accounting and Lester H. Allen, DSM Program Development Manager. On April 29, 2013, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the direct testimony and exhibits of Wes R. Blakley, Senior Utility Analyst in the OUCC’s Electric Division. On May 15, 2013, IPL prefiled the supplemental and rebuttal testimony of Mr. Allen.

Pursuant to notice given and published as required by law, the Commission held a public hearing in this Cause at 1:00 p.m. on May 29, 2013, in Hearing Room 224, 101 W. Washington Street, Indianapolis, Indiana. IPL and the OUCC participated at the hearing and offered their respective testimony and exhibits into the record. No member of the public appeared or sought to testify at the hearing.

Based on the applicable law and the evidence presented, the Commission finds:

1. **Notice and Jurisdiction.** Notice of the hearing in this Cause was given and published as required by law. IPL is a public utility as that term is defined in Ind. Code § 8-1-2-1(a). In the 43623 and 43960 Orders, the Commission approved an adjustment mechanism for IPL’s recovery of costs associated with its DSM Program through a DSM adjustment mechanism. Under Ind. 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 renders 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.** Mr. Allen explained IPL's actions to deliver the Core and Core Plus Programs approved in the 43623 and 43960 Orders. He also described the timing and the forecasted spending related to the implementation of the Core and Core Plus Programs for the six-month period beginning July 1 through December 31, 2013. Mr. Allen described the ongoing activities of IPL's DSM Oversight Board and provided estimated demand and energy savings for all programs from January 1 through June 30, 2013.

4. **Recovery of Costs.** Mr. Allen testified that the costs at issue in this proceeding straddle a transition from DSM Programs approved in the 43623 Order and in the Commission's November 4, 2010 Order in Cause No. 43911 ("43911 Order") to those approved in the 43960 Order. In the 43623 Order, the Commission authorized IPL to recover the cost of implementing and delivering approved Core and Core Plus DSM Programs through Rider 22. IPL was given the authority to make semi-annual filings to recover the forecasted costs of approved Core and Core Plus DSM Programs over six-month periods that match the billing periods of the Rider 22 tracker. IPL's semi-annual forecasts of Core and Core Plus DSM Program expenditures will be reconciled to actual expenditures in subsequent semi-annual filings. The Rider 22 cost recovery mechanism will remain in effect until all approved DSM costs and incentives are properly recognized.

Mr. Allen sponsored Petitioner's Exhibit LHA-1 showing the implementation schedule by program. Mr. 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 six-month period between July and December 2013. Mr. Forestal also stated that in the 43911 Order, the cost recovery methodology approved in the 43623 Order was preserved and the Commission authorized IPL's timely recovery of the costs of its approved School Audits program through Rider 22. Mr. Allen said IPL and Citizens Energy worked collaboratively with their respective Oversight Boards and the Citizens Action Coalition to engage a third party to conduct a joint Market Potential Study ("MPS") to assist in the evaluation of future DSM programs necessary to meet the energy savings targets set forth in the Commission's December 9, 2009 Phase II Generic DSM Order in Cause No. 42693. Mr. Allen stated that as the result of a request for proposal process, EnerNOC was hired to conduct this study and prepare an Action Plan for IPL and Citizens Energy. He explained that IPL, Citizens Energy, and the stakeholders generally met on a bi-weekly basis via phone with EnerNOC to evaluate study progress and to provide feedback and comments. There were also three additional face-to-face meetings, culminating with the delivery of the Final Report at IPL's offices on December 19, 2012. He said the Final MPS and Action Plan will be submitted as evidence in IPL's upcoming filing seeking approval of the 2014 IPL DSM Plan.

Mr. Forestal explained that in the 43960 Order, the Commission approved a settlement agreement authorizing IPL to recover the costs incurred to implement the Core and Core Plus Programs approved as part of IPL's Modified DSM Plan, including costs incurred under the contracts for the Third Party Administrator ("TPA") and Evaluation, Measurement and Verification ("EM&V") Administrator, through IPL's Rider 22, subject to later reconciliation.

5. **Performance Incentives.** In the 43623 Order, the Commission authorized certain tiered performance incentives for IPL’s approved Core Plus Programs, excluding the following programs, which are not eligible for performance incentives: (1) IPL’s Residential Low- and Moderate-Income Weatherization Program; (2) the Residential, Commercial, and Industrial Renewables Incentive Program; (3) educational funding; and (4) indirect costs that are not related to specific DSM programs, or any portions thereof, regardless of whether they are found to be Core or Core Plus Programs. The following table shows the approved tiered performance incentive schedule:

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

Mr. Allen testified that the 43623 Order permits IPL to receive incentives on selected Core Plus Programs based on achieving targeted demand and energy savings. Mr. Forestal stated that in the 43960 Order, the Commission approved a settlement agreement authorizing IPL to recover performance incentives on the Core Plus Programs being offered as part of the Modified DSM Plan approved in that Cause, except for the Peer Comparison Program. He said the performance incentive reconciliation for the period will follow the same methodology utilized in Cause No. 43623, and that energy savings budgets in subsequent years will be adjusted to reflect prior final year determinations by the EM&V Administrator.

Mr. Allen explained how IPL calculated the incentives on the forecast spending for the Core Plus Programs. He provided an estimate of these savings in Petitioner’s Exhibit LHA-2, which he said were generally consistent with the energy savings estimates as requested and approved in Cause No. 43960. He said that the incentive amounts forecasted for the period July 1 through December 31, 2013, were calculated using an 8% multiplier to the projected spend of the appropriate Core Plus Programs. Mr. Allen further stated that this percentage, which is the same percentage used for estimating the performance incentives from April 2010 to June 2013, corresponds to an assumed performance in the 80% to 90% range. He stated that IPL is not providing a true up of the Performance Incentive in this proceeding since EM&V has not yet been completed, but will provide a reconciliation of the Performance Incentives for Core Plus programs delivered pursuant to Cause No. 43623 in a subsequent filing, following EM&V.

Mr. Blakley testified that IPL will provide a reconciliation of performance incentives for Core Plus programs in a subsequent filing after the EM&V results for these programs are complete. Mr. Blakley’s calculations of Petitioner’s DSM 7 Adjustment Factors, shown in Schedule 1, match IPL’s calculation on Petitioner’s Exhibit CAF-2.

In his supplemental and rebuttal testimony, Mr. Allen testified that IPL was proposing to reduce the projected energy savings and spending for the Core Commercial & Industrial (“C&I”) Prescriptive Program for purposes of cost recovery through Rider 22. He explained that IPL recently received an updated forecast of energy savings from its TPA that projects a significant

reduction in savings for the C&I Prescriptive Program through the end of calendar year 2013. He provided the updated forecast as Petitioner's Exhibit LHA-2 (Revised). Mr. Allen explained that the statewide TPA statement of work is a performance-based contract, in which IPL compensates the TPA for the savings it achieves using a predetermined per kWh amount by program. Because the updated savings forecast reflects a significant reduction in forecasted savings in 2013, Mr. Allen stated that IPL's actual spending would be proportionately reduced. Mr. Allen described the C&I Prescriptive Program costs and the methodology used to project the reduced 2013 spending for the C&I Prescriptive Program. He testified that this calculation resulted in a reduction in forecasted spending of \$4,494,000 from the original filing in this proceeding. Mr. Allen stated that the projected spend for the other programs is consistent with the TPA's updated savings forecast, and therefore, no other adjustments are necessary at this time. He stated that IPL discussed this issue with the OUCC, and IPL believes that the OUCC supports IPL addressing the reduction at this time.

Mr. Allen also discussed Mr. Blakley's testimony concerning the true up of performance incentives. He agreed with Mr. Blakley that it is too soon to true up the performance incentives because the final EM&V results for all of the relevant Core Plus programs are not complete. He disagreed with Mr. Blakley's statements that imply that the EM&V results of deemed savings should be applied retrospectively. He explained that the performance incentive percentage rate will be determined by the actual participation multiplied by the deemed per-unit savings and then compared to the kWh and kW goals for the relevant period. For the period through December 31, 2012, the deemed savings per measure participant outlined in Cause No. 43623 times the verified number of participants will be used. He said that beginning on January 1, 2013, in cooperation with the IPL Oversight Board, IPL began applying revised deemed savings prospectively to the Core Plus programs based on the results of the EM&V studies completed to date. These results will be compared to the targets set forth in Cause Nos. 43623 and 43960. He said that this issue does not affect the factors proposed in this proceeding because IPL will provide a true up of the performance incentives in a subsequent filing.

6. Reconciliation of Estimated and Actual Expenditures, Revenues and Performance Incentive Targets. For the period of July through December, 2013, the Grand Total Costs to be recovered include the following: a reconciliation of actual DSM Program expenditures to estimated costs for that period; 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; and reconciliation of actual DSM Adjustment Factor revenues collected from customers from that period to the approved amount for that same period.

7. Resulting DSM Adjustment Factors. The Grand Total Costs to be Recovered through IPL's Rider 22 for the months of July through December 2013 is \$10,591,320, which is the Grand Total Core and Core Plus DSM Programs projected costs, including the target performance incentives, of \$14,788,880 (Petitioner's Exhibit CAF-2 (Revised), Page 1, Line 41), adjusted for Reconciliation of Expenditures from Cause No. 43960 of \$(4,153,059) (Petitioner's Exhibit CAF-2 (Revised), Page 2, Line 2), adjusted for an update of target performance incentives from Cause No. 43960 of \$(5,240) (Petitioner's Exhibit CAF-2 (Revised), Page 2, Line 3), and Reconciliation of Revenues of \$(39,261) (Petitioner's Exhibit CAF-2 (Revised), Page 2, Line 4). Dividing the Grand Total Costs to be Recovered for each customer charge type for the period from July to December 2013 by the estimated megawatt hour sales for the respective customer charge types (7,128,609 MWh as shown on Petitioner's Exhibit CAF-2 (Revised), Page 2, Line 8) 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 \$0.003381 per kWh; for Rates SS, SH, OES, UW and CW (with associated Rate RS service) of \$0.000771 per kWh; for Rate SL of \$0.000386 per kWh; and for Rates PL, PH and HL of \$0.000421 per kWh (Petitioner's Exhibit CAF-2 (Revised), Page 2, Line 11).

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 cycle for the July 2013 billing period in Regular Billing District 41 and Special Billing District 01. The DSM Adjustment Factors will remain in effect for approximately six months or until replaced by different adjustment factors approved in subsequent filings. Based on the foregoing, a typical residential customer using 1,000 kWh per month will experience a rate impact of \$3.381 per month.

8. **Commission Findings.** The evidence presented in this Cause supports Petitioner's calculation of the proposed DSM Adjustment Factors. Accordingly, we approve the requested DSM Adjustment Factors.

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. 7 above is approved.
2. Prior to placing into effect the Core and Core Plus Demand-Side Management 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.

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

APPROVED: JUN 19 2013

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



Brenda A. Howe
Secretary to the Commission