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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA)
MICHIGAN POWER COMPANY (I&M), AN)
INDIANA CORPORATION, FOR)
AUTHORIZATION TO REALLOCATE)
UNENCUMBERED 2013 AUTHORIZED)
COMMERCIAL AND INDUSTRIAL (C&I))
SECTOR PROGRAM FUNDS, ABOVE THE)
PREVIOUSLY APPROVED TWENTY FIVE)
PERCENT PROJECT TRANSFER)
THRESHOLD, TO PAY FOR SAVINGS)
ACHIEVED IN THE CORE C&I)
PRESCRIPTIVE PROGRAM WHICH)
EXCEEDED ITS 2013 BUDGET)

CAUSE NO. 43959 S1

APPROVED: APR 09 2014

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
David E. Veleta, Administrative Law Judge

On February 13, 2014, Indiana-Michigan Power Company (“Petitioner” or “I&M”) filed its Verified Motion of Indiana Michigan Power Company for Authority Reallocate Unencumbered 2013 Commercial and Industrial Program Funding and Request for Expedited Ruling in Cause Nos. 43959 and 43827 DSM 3. On February 20, 2014, I&M filed the Verified Motion of Indiana Michigan Power Company for a Subdocket in this Proceeding, Request for Expedited Ruling and Waiver of Prehearing Conference. On February 21, 2014, the Indiana Utility Regulatory Commission (“Commission”) issued a Docket Entry in Cause No. 43959 and Cause No. 43827 DSM 3, which created this Subdocket. On March 13, 2014, the Commission issued a Docket Entry requesting I&M to respond prior to the Evidentiary Hearing, to which I&M responded on March 17, 2014.

The Commission held an evidentiary hearing in this Cause on March 19, 2014 at 10:00 a.m. in Room 224, 101 West Washington Street, Indianapolis, Indiana. I&M, the Indiana Office of Utility Consumer Counselor (“OUCC”) and Intervenor I&M Industrial Group (“IG”) appeared and participated at the hearing. No members of the general public attended the hearing. Petitioner’s exhibits were admitted into evidence without objection.

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

- 1. Notice and Jurisdiction.** Due, legal and timely notice of the evidentiary hearing in this Cause was given and published by the Commission as required by law. Proofs of publication of the notices are contained in the official files of the Commission. Petitioner is a

public utility as defined in Indiana Code § 8-1-2-1(a). The Commission has jurisdiction over Petitioner and the subject matter of this proceeding in the manner and to the extent provided by the law of the State of Indiana.

2. **Petitioner's Characteristics.** Petitioner, a wholly-owned subsidiary of American Electric Power ("AEP"), is a corporation organized and existing under the laws of the State of Indiana, with its principal office at One Summit Square, Fort Wayne, Indiana. Petitioner is engaged in rendering electric service in the State of Indiana, and owns, operates, manages and controls, among other properties, plant and equipment within the State of Indiana that are used for the generation, transmission, delivery and furnishing of such service to the public.

3. **Requested Relief.** Petitioner requests that the Commission authorize it to reallocate unencumbered 2013 authorized spending levels above the previously approved 25% project transfer threshold to pay for savings achieved in a Demand Side Management ("DSM") Core Program that exceeded its 2013 budget. The Third Party Administrator ("TPA") for I&M's Core C&I Prescriptive Program exceeded its budget for the Core Commercial & Industrial ("C&I") Prescriptive Program. Petitioner requests the Commission authorize Petitioner to apply previously authorized and unencumbered funds from 2013 to pay for the energy savings achieved in the C&I Prescriptive Program, including the rebates promised to customers, and to count the energy savings gained towards the Commission's energy efficiency ("EE") goals established by the December 9, 2009 Phase II Order in Cause No. 42693 ("Phase II Order"). Accordingly, the Commission established this Subdocket to address whether Petitioner's request is just and reasonable.

4. **Background.** To obtain energy savings in accordance with the goals set forth in the Phase II Order, GoodCents, the current TPA for the Indiana Core DSM Programs, recommended a C&I Prescriptive lighting program that increased the rebate incentives for customers changing lighting to more energy efficient technology. The Demand Side Management Coordination Committee ("DSMCC") TPA subcommittee ultimately approved a double rebate for the C&I Prescriptive lighting program. The program was implemented in August of 2013 for projects completed by November 30, 2013, with a required application postmark date of December 15, 2013. This was a program intended to attain energy savings in the 2013 performance year. The double rebate program administered by GoodCents was to be managed at the total available funds allocated for that program, along with any additional funds reallocated to the C&I double rebate program from other C&I programs, within the approved projected program budgets.

Customers in Petitioner's service territory responded overwhelmingly to the double rebate incentive program. On February 5, 2014, GoodCents informed I&M that there were 1,170 applications submitted and accepted under the double rebate program. Many of these customers provided final information needed to complete the application process to GoodCents in December, the last 15 days of the promotion. This final round of applicants totaled 749 applications representing an approximate 41,190,160 kWh of total annual energy savings and 7,488 kW of total demand savings. Therefore, the costs associated with the double rebate program increased by \$11 million in the final month of the offering.

The TPA C&I budget for the 2013 calendar year was approximately \$5 million. This

TPA budget was inclusive of all Core C&I DSM efforts, including the double rebate program for C&I Prescriptive lighting. As of November 30, 2013, the total annual program costs for this C&I Core Program was around \$5 million. However, in January 2014, the Company was informed that the total program costs had significantly increased to approximately \$16 million.

The overall budget for the TPA was lower than the total amount approved by the Commission in Cause No. 43959 because the Commission recognized the potential need for flexibility to fund programs over budget. In the 43959 Order, the Commission had approved approximately \$10 million for C&I Programs in 2013. The Commission also provided for a 10% leeway to account for potential additional program costs in any given program year. The Commission also carried forward the terms of the settlement agreement approved in Cause No. 43769 that provides the Company and other members of the Program Implementation Oversight Board (“OSB”) flexibility to shift up to 25 percent of total C&I budget among other approved C&I programs.

Utilization of the funding flexibility produced \$13,663,867 out of the necessary \$16,582,267 anticipated to cover the costs of the actual program performance. After reviewing the other C&I program spending in 2013, \$3,467,577 of unencumbered C&I spending remained that had been previously authorized but not spent.

After discussions with its OSB, the OSB recommended that I&M should seek Commission approval to exceed the previously approved 25 percent cap on program cost shifting. Petitioner requests to shift a portion of the \$3,467,577 in unspent 2013 dollars associated with other C&I programs to the Core C&I Prescriptive rebate program. Currently, the additional C&I budget amount expected to be reallocated is approximately \$2.9 million. However, Petitioner has requested that it be allowed to work within the available \$3,467,577 when filing its next reconciliation to account for any excess budget spend above the amount already addressed by the OSB. This proposal was approved by the participating members of the OSB. The final amount will be determined before the costs are adjusted in Petitioner’s next reconciliation filing in Cause No. 43827 DSM 4.

5. Commission Discussion and Findings. We are concerned that a program budget was exceeded by the TPA in the amount and percentage presented here by Petitioner. We direct Petitioner to take additional steps to guard against this type of overspend happening again. We share Petitioner’s and its OSB members’ concerns about the total amount paid under the C&I double rebate program offered toward the end of 2013 that far exceeded the approved budget for C&I rebates. However, since the requested budget reallocation is needed to cover actual C&I customer rebate claims, and since no OSB members opposed Petitioner’s request for budget reallocation relief, we find that under the unique circumstances of this case, the public interest will best be served by allowing the requested budget reallocation to be made in a timely manner to ensure that Petitioner’s C&I customers promptly receive all rebates owed to them. Accordingly, we approve Petitioner’s request and the energy savings may be counted toward the Phase II Order energy savings goals. Petitioner is granted the authority to reflect the application of the shift in program funding in its next DSM Rider reconciliation filing as requested in this subdocket.

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

1. Indiana-Michigan Power Company is authorized to allocate the unencumbered authorized spending associated with the other C&I programs in the 2013 program year as necessary above the allowed 25% threshold to cover the 2013 C&I Prescriptive Double Rebate Program budget overrun.

2. Indiana-Michigan Power Company is authorized to count the energy savings gained toward the Commission's Phase II Order energy savings goals.

3. Indiana-Michigan Power Company is authorized to recover these costs and will adjust the DSM Rider to reflect the program cost recovery authorized herein in its next DSM Rider reconciliation filing, 43827 DSM 4.

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

ATTERHOLT, MAYS, STEPHAN, WEBER AND ZIEGNER CONCUR:

APPROVED: **APR 09 2014**

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



Brenda A. Howe
Secretary to the Commission