

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA)
MICHIGAN POWER COMPANY (I&M), AN)
INDIANA CORPORATION, FOR (1))
APPROVAL OF CORE AND CORE PLUS)
DEMAND SIDE MANAGEMENT AND)
ENERGY EFFICIENCY PROGRAMS; (2))
FOR RATEMAKING RECOGNITION OF)
SUCH COSTS, INCLUDING TIMELY)
RECOVERY OF ASSOCIATED COSTS, NET)
LOST REVENUES, SHAREHOLDER)
INCENTIVES, VIA I&M'S DSM/EE)
PROGRAM COST RIDER; (3) ASSOCIATED)
ACCOUNTING AUTHORITY, INCLUDING)
AUTHORITY TO DEFER COSTS PENDING)
APPROVAL AND (4) APPROVAL OF A NEW)
PEAK REDUCTION TARIFF.)

CAUSE NO. 43959

ORDER ON RECONSIDERATION

APPROVED: JUL 13 2011

BY THE COMMISSION:

David E. Ziegner, Commissioner
David E. Veleta, Administrative Law Judge

On October 12, 2010, Indiana Michigan Power Company ("I&M") filed with the Indiana Utility Regulatory Commission ("Commission") its Petition and Request for Administrative Notice for approval of demand side management ("DSM") programs and for associated ratemaking and accounting treatment, including recovery of program costs, net lost revenues, and shareholder incentives via I&M's Demand-Side Management / Energy Efficiency ("DSM/EE") Program Cost Rider.

An Evidentiary Hearing was conducted on January 26, 2011 at 9:30 a.m. in Room 224, PNC Center, Indianapolis, Indiana. On April 27, 2011, the Commission issued an Order in this Cause.

On May 17, 2011, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the OUCC Request for Reconsideration, requesting the Commission reconsider portions of its Order in this Cause because it could have "significant unintended consequences that could have wide-ranging negative effects on cost-effective demand side management/energy efficiency efforts within Indiana." I&M filed its Response to the OUCC's Request for Reconsideration on May 27, 2011 requesting the Commission deny the OUCC's Request in its entirety. On June 3, 2011, the OUCC filed its Reply to I&M's Response requesting that the Commission grant its Request for Reconsideration.

1. Notice and Jurisdiction. The bases for our jurisdiction over the parties and the subject matter of this proceeding are set forth in our April 27, 2011 Order, which bases are hereby

incorporated into this Order on Reconsideration. The Commission has jurisdiction over I&M and the subject matter of this proceeding in the manner and to the extent provided by the law of the State of Indiana.

2. **Request for Reconsideration.** The OUCC, in its Request for Reconsideration, request the Commission reconsider portions of its findings within its April 27, 2011 Order in this Cause. The OUCC seeks three types of relief. First, the OUCC requests that the Commission remove the second sentence of the second paragraph in Section 7A(2) on page 14 of its Order in this Cause. The sentence reads, “As indicated by Mr. Walter, the overall portfolio remains cost effective with this program included”. The OUCC argues that this sentence could encourage utilities to offer non-cost effective Core Plus programs, so long as their entire portfolio remains cost-effective. The OUCC argues that as a result, cost effective DSM programs may be harmed.

Second, the OUCC requests that the Commission clarify that net lost revenues will be paid based on participants, energy savings, and net-to-gross ratios that are verified by an independent thirty party evaluator and not paid on estimated net-to-gross ratios.

Finally, the OUCC requests clarification as to whether the Commission intended to make I&M’s Residential Home Energy Reporting Program eligible for lost revenues.

3. **I&M’s Response.** I&M argues that the OUCC’s request fails to explain how an accurate reference to the evidentiary record in this Cause could “gut the effectiveness of various utility DSM/EE Oversight Boards.” Additionally, I&M asserts that the Commission’s April 27, 2011 Order only concerns I&M. Therefore, it is not a generic order applicable to the industry. I&M argues that the OUCC’s request for clarification as to net-to-gross ratios is not supported by the record in this Cause and therefore, not ripe for Commission review. I&M requests that the issue of net-to-gross ratios be decided in a future proceeding. Finally, I&M asserts that the section of the Order addressed to accounting and ratemaking issues authorizes lost revenue recovery for programs authorized by the Commission in the Order.

4. **Commission Discussion and Findings.** The OUCC requests that the Commission delete a factually accurate sentence from the Commission’s April 27, 2011 Order in this Cause. The OUCC asserts that by including the sentence, the Commission is eliminating the OUCC and other non-utilities OSB members from meaningful participation in the DSM program selection process. The Commission fails to see how the sentence in question can have the far reaching impact declared by the OUCC. The sentence in question addresses the record in this proceeding, which applies only to I&M. Moreover, when the Order is read in its entirety, the fact that the overall portfolio remained cost effective with the program included was only one factor considered by the Commission in deciding to approve I&M’s program. Therefore, the Commission will not remove the sentence in question from its April 27, 2011 Order.

The OUCC also raises the issue of whether net lost revenues will be paid based on participants, energy savings, and net-to-gross ratios that are verified by an independent third party evaluator and not paid on estimated net-to-gross ratios. However, this issue is not reflected in the evidentiary record of this Cause. Furthermore, this issue would be better served to be decided in a

future proceeding, where the Parties would have an opportunity to provide testimony on the issue. Therefore, the Commission declines the OUCC's request for clarification.

Finally, the OUCC requests clarification as to whether the Commission intended to make I&M's Residential Home Energy Reporting Program eligible for lost revenues. On page 17 of the Commission's April 27, 2011 Order, the Commission states "based upon the evidence presented, we find that I&M should be authorized to recover net lost revenues associated with Core and Core Plus programs as discussed and modified above, through its DSM/EE Program Cost Rider." Therefore, the Commission clearly intended to make I&M's Residential Home Energy Reporting Program eligible for lost revenues.

Therefore, based on the foregoing, we find that the OUCC's Request for Reconsideration should be denied.

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

1. OUCC's Request for Reconsideration is hereby denied.
2. This Order shall be effective on and after the date of its approval.

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

APPROVED: JUL 13 2011

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



Brenda A. Howe
Secretary to the Commission