STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED JOINT PETITION OF HARRISON COUNTY RURAL ELECTRIC MEMBERSHIP CORPORATION AND JACKSON COUNTY RURAL ELECTRIC MEMBERSHIP CORPORATION REQUESTING THE COMMISSION TO APPROVE AN ALTERNATIVE REGULATORY PLAN PURSUANT TO IND. CODE 8-1-2.5-1 ET SEQ REGARDING IMPLEMENTATION OF DEMAND SIDE MANAGEMENT PROGRAMS AND ADOPTION OF DEMAND RESPONSE TARIFFS OR RIDERS TO IMPLEMENT MISO DEMAND RESPONSE PROGRAMS	)	CAUSE NO. 44040 APPROVED: FEB 22 2012

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
Loraine L. Seyfried, Chief Administrative Law Judge

On June 20, 2011, Joint Petitioners, Harrison County Rural Electric Membership Corporation ("Harrison REMC") and Jackson County Rural Electric Membership Corporation ("Jackson REMC") (collectively referred to as "Joint Petitioners") filed with the Indiana Utility Regulatory Commission ("Commission") a Verified Joint Petition requesting approval of an alternative regulatory plan pursuant to Ind. Code ch. 8-1-2.5 regarding implementation of Demand Side Management ("DSM") programs and adoption of demand response tariffs or riders to implement Midwest Independent Transmission System Operator, Inc. ("MISO") Demand Response Programs.

On August 17, 2011, Joint Petitioners filed the direct testimony of Dr. Martin J. Blake, Tom Van Paris, James E. Wheatley, and David C. Lett, followed by the supplemental direct testimony of David C. Lett, corrected direct testimony of James E. Wheatley, and omitted Exhibit TVP-1 on October 25, 2011. The Indiana Office of the Utility Consumer Counselor ("OUCC") filed the direct testimony of April M. Paronish and Ronald L. Keen on November 3, 2011. Thereafter, Joint Petitioners filed the responsive testimony of Tom Van Paris, Dr. Martin J. Blake, James E. Wheatley and David C. Lett on November 9, 2011. On November 23, 2011, the OUCC filed its Notice of Revision to Its Pre-Filed Case-in-Chief Testimony.

Pursuant to notice given and published as required by law, proof of which was incorporated into the record, an evidentiary hearing was conducted in this Cause at 9:30 a.m. on November 28, 2011, in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, the testimony and exhibits of the parties were admitted into the record without objection. No members of the public appeared or sought to testify at the hearing.

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

1. **Commission Notice and Jurisdiction.** Due, legal and timely notice of the public hearing conducted herein was given and published by the Commission as required by law. Joint Petitioners are rural electric membership corporations organized pursuant to the Rural Electric Membership Corporation Act, Ind. Code ch. 8-1-13, and are subject to the jurisdiction of the Commission as provided therein with regard to their rates and operations. Therefore, the Commission has jurisdiction over Joint Petitioners and the subject matter of this proceeding.

2. **Joint Petitioners' Characteristics.** Harrison REMC is a local electric distribution cooperative with its principal place of business at 1165 Old Forest Road, Corydon, Indiana. Harrison REMC provides distribution of electric public utility service to more than 22,000 member customers throughout parts of Harrison, Floyd, Clark, Washington and Crawford counties in Indiana. Harrison REMC is a member of Hoosier Energy Rural Electric Cooperative, Inc. ("Hoosier Energy") and receives its wholesale power and related power services through an all requirements power purchase arrangement with Hoosier Energy.

Jackson REMC is a local electric distribution cooperative with its principal place of business at 274 East Base Road, Brownstown, Indiana. Jackson REMC provides distribution of electric public utility service to more than 24,000 member customers in portions of Jackson, Washington, Scott, Jennings, Brown, Bartholomew, Clark, Jefferson, Lawrence and Monroe counties in Indiana. Jackson REMC is a member of Hoosier Energy and receives its wholesale power and related power services through an all requirements power purchase arrangement with Hoosier Energy.

3. **Background and Relief Requested.** Joint Petitioners request relief in this Cause related to two Commission Orders. The first is the Commission's December 9, 2009 Phase II Order in Cause No. 42693, which established certain annual electric energy savings goals for all jurisdictional electric utilities and required the offering of certain DSM programs ("Core Programs") through a single independent third party administrator ("TPA"). The second is the Commission's July 28, 2010 Order in Cause No. 43566 requiring all jurisdictional electric utilities to file tariffs or riders authorizing the participation of retail customers, through their utility provider, in the applicable regional transmission organization's ("RTO") demand response programs.

In the Verified Joint Petition, Joint Petitioners state they elect to become subject to the provisions of Ind. Code §§ 8-1-2.5-5 and 8-1-2.5-6 for the purpose of this filing. Each of the Joint Petitioners is an "energy utility" providing "retail energy service" within the meaning of Ind. Code §§ 8-1-2.5-2 and 8-1-2.5-3, respectively. Public notice of the filing of this Cause was provided by Joint Petitioners in accordance with Ind. Code § 8-1-2.5-6(d). Joint Petitioners request approval of an alternative regulatory plan ("ARP") with regard to the Commission's requirements concerning DSM program offerings[1] and the development of MISO demand response tariffs or riders.

[1] The Commission notes that the testimony presented in this Cause uses the terms "demand side management" and "energy efficiency" interchangeably.

4. **<u>Summary of the Evidence</u>.**

A. <u>Joint Petitioners' Direct Testimony</u>. David C. Lett, General Manager/CEO for Harrison REMC, testified that Harrison REMC is a local distribution cooperative governed by a nine-member board of directors, who are also member owners of the REMC.

Mr. Lett testified Harrison REMC purchases its electric power and energy pursuant to an all requirements contract with Hoosier Energy. He stated Harrison REMC is participating in the direct load control and energy efficiency programs offered by Hoosier Energy and plans to take advantage of the price signals found in Hoosier Energy's new wholesale rate structure to offer time of use rates to some retail customers. He stated Harrison REMC is an active participant in Hoosier Energy's cooperative process to develop and market new energy efficiency and demand response programs and will continue to provide input in the process to ensure that sufficient energy efficiency and demand response programs are offered to Harrison REMC's retail customers that desire to participate.

Mr. Lett testified that if Joint Petitioners' requested relief is not granted, Harrison REMC expects to incur substantial additional manpower and technology costs to accommodate the offering of Core Programs. He said these costs would be in addition to the costs of Hoosier Energy's energy efficiency and demand response programs. He noted that Harrison REMC has already offered, marketed and implemented energy efficiency measures through participation in the Hoosier Energy programs, some of which have been in existence for over a year. Mr. Lett testified that a significant risk in offering both energy efficiency programs is customer confusion, resulting in fewer participants in the energy efficiency programs. Mr. Lett also sponsored Exhibit DCL-1, Harrison REMC's three year demand side management plan filing.

With respect to the ability of retail customers to participate in MISO Demand Response Programs, Mr. Lett testified that none of Harrison REMC's retail customers have approached him about participation. He further testified that Harrison REMC and Hoosier Energy have key accounts personnel assigned to large power customers who regularly meet with those customers and ensure their power needs are met.

Mr. Lett concluded by requesting the Commission approve Harrison REMC's ARP to: (1) offer demand response programs to retail consumers through direct load control or time of use rates in cooperation with Hoosier Energy, and (2) provide energy efficiency programs to retail customers in cooperation with Hoosier Energy.

James E. Wheatley, Chief Operating Officer of Jackson REMC, testified that Jackson REMC is a local distribution cooperative governed by a nine-member board of directors, who are also member owners of the REMC.

Mr. Wheatley testified Jackson REMC purchases its electric power and energy pursuant to an all requirements contract with Hoosier Energy, which means that Jackson REMC does not directly control the generation resources and capital costs for resources used to generate the power it distributes, nor does it directly control the efficiency of those generation sources. He stated Hoosier Energy provides sufficient demand response opportunities to its member systems, including Jackson REMC, to allow those member systems to avoid having to directly participate in MISO Demand Response Programs. He said if Jackson REMC is required to directly participate in MISO Demand Response Programs, he has been advised that additional staff will need to be hired and other significant expenses will be incurred. Mr. Wheatley testified Jackson REMC is fully participating in the energy efficiency programs offered by Hoosier Energy and takes advantage of price signals in Hoosier Energy's wholesale rate structure by offering time of use rates to some retail customers. Additionally, he stated Jackson REMC has received no requests from customers to directly participate in MISO Demand Response Programs.

Mr. Wheatley also testified that Jackson REMC is an active participant in Hoosier Energy's process to develop and market new energy efficiency and demand response programs and will continue to provide input to ensure that sufficient energy efficiency and demand response programs are offered to Jackson REMC's retail customers that desire to participate. Mr. Wheatley sponsored Exhibit JEW-1, an Annual Supplemental Update that served as Jackson REMC's demand side management plan filing. He also sponsored Exhibit JEW-2, a Fact Sheet providing information regarding Harrison REMC and Jackson REMC demand side management programs through Hoosier Energy. Mr. Wheatley stated the cost for energy efficiency programs is embedded in the Hoosier Energy wholesale rate, and the costs of the Core Programs are estimated to be similar to the Hoosier Energy costs for energy efficiency programs, but with substantial additional manpower and technology costs. He said Jackson REMC has already offered, marketed, and in many cases implemented, energy efficiency measures through participation in Hoosier Energy's programs, some of which programs have been in existence for over a year. There is, he believes, significant risk of customer confusion in offering both energy efficiency programs.

Mr. Wheatley requested the Commission decline to exercise jurisdiction to require Jackson REMC to file a demand response tariff or rider as directed in Cause No. 43566 because Jackson REMC, in cooperation with Hoosier Energy, offers sufficient demand response opportunities for retail members through time of use rates. Further, Mr. Wheatley requested the Commission decline to exercise jurisdiction to require Jackson REMC to comply with the provisions of the Phase II Order issued in Cause No. 42693 and to approve Jackson REMC's alternative regulatory plan, as Jackson REMC, in cooperation with Hoosier Energy, provides energy efficiency opportunities to end use customers that are at least equivalent to the opportunities available to customers through the TPA of the Core Programs.

Tom Van Paris, Vice President of Member Services and Communications for Hoosier Energy testified that he is responsible for design and implementation of demand side management programs, economic development activities and corporate communications at Hoosier Energy. He testified Hoosier Energy is a generation and transmission cooperative organized and operating under the provisions of Ind. Code ch. 8-1-13, operating as a general district corporation and providing all the electric requirements of its 17 Indiana member distribution cooperatives, including Harrison REMC and Jackson REMC, and an 18th member in Illinois, pursuant to long-term all requirements contracts. Hoosier Energy supplies capacity and energy to its members using a portfolio of power supply resources and provides transmission and substation service, but does not provide electric service directly to retail end use customers. He noted Hoosier Energy has removed itself from the Commission's jurisdiction over rate related matters, and Hoosier Energy is not subject to the jurisdiction of the Federal Energy Regulatory Commission.

Mr. Van Paris testified Hoosier Energy is entirely controlled by its members, who are purchasers of power pursuant to long-term wholesale power contracts, and each member system is required to pay Hoosier Energy for power purchased under its wholesale power contract rates approved by Hoosier Energy's board of directors. These rates allow Hoosier Energy to recover its costs and expenses from ownership, operation and maintenance of its generating plants; transmission system, distribution facilities or related facilities; purchased power and associated costs and expenses; plus a small margin. He stated Hoosier Energy and its member systems, when taken together, provide the service normally provided by a vertically integrated utility. While the member systems are the direct load servicing entities, Hoosier Energy represents its member systems when dealing with MISO Demand Response Programs.

With respect to demand side management, Mr. Van Paris testified as to Hoosier Energy's DSM efforts, which include energy efficiency, direct load control, price signals and interruptible tariffs. He said Hoosier Energy has implemented a number of energy efficiency programs, including residential lighting, residential heating, ventilation and air conditioning ("HVAC") incentives, weatherization, appliance roundup, Touchstone Energy Home Program, and the Commercial and Industrial ("C&I") Efficiency Program. Hoosier Energy's Direct Load Control Program is targeted at controllable devices, such as air conditioners, water heaters, and pool pumps, which are not generally responsive to price signals. Hoosier Energy's wholesale rate structure includes a demand charge seasonally adjusted to reflect the cost of providing service to customers and to encourage member participation in Hoosier Energy's programs. He stated that this rate structure also includes peak and off-peak energy prices to encourage customers to shift energy consumption, and that the off-peak rate targets customers and appliances with the ability to shift the usage, but which are not amenable to direct load control. He stated Hoosier Energy also offers interruptible rates, buy back tariffs and other alternatives for large customers that have the ability to interrupt load and has made a significant commitment, along with its members, to DSM efforts.

Mr. Van Paris testified Hoosier Energy's residential energy efficiency programs, which began in early 2009, have been a tremendous success. Since inception, Hoosier Energy has distributed 756,430 CFLs to customers, paid 10,229 rebates to members for HVAC equipment, weatherized 749 member homes, collected and recycled 849 refrigerators and freezers, and encouraged member consumers to build 130 Touchstone Energy Homes. He noted the Direct Load Control Program curtails 5,093 water heaters and air conditioners during peak demand periods, and Hoosier Energy has paid $390,000 in rebates to commercial and industrial members for more efficient lighting, motors and HVAC equipment. Mr. Van Paris testified Hoosier Energy and its member systems' efforts have reduced energy usage by 50,638 megawatt hours, summer coincident peak demand by 11.82 megawatts and winter coincident peak demand by 23.21 megawatts. He stated Hoosier Energy forecasts annual program participation and savings in 2011 to increase as compared to 2010 and continue into the future. In addition, Hoosier Energy anticipates adding a Behavioral Based Efficiency Program and indicated that further detail on savings by program was provided in Exhibit TVP-1, the 2010 DSM Report.

Mr. Van Paris testified that Hoosier Energy and its member systems will continue to add DSM programs for commercial and residential markets, with an emphasis on commercial and industrial efficiency and demand reduction opportunities. He indicated custom commercial and industrial efficiency programs will be designed to reduce energy consumption based on the unique characteristics of the facilities and work processes, and residential efficiency programs may include usage behavioral programs, LED lighting incentives and communication plans emphasizing the wise use of electricity.

Mr. Van Paris compared the programs offered by Hoosier Energy and its member systems with those expected to be offered by the TPA, and explained the similarities and differences. He stated there would be several disadvantages if the REMCs are required to participate in both the TPA's Core Programs and the energy efficiency programs of Hoosier Energy. First, the REMCs could potentially pay twice for the same programs. He stated the cost of administration of Hoosier Energy's energy efficiency programs are consolidated and rolled into Hoosier Energy's wholesale rate and the costs for the Core Programs could be substantial and imposed in addition to Hoosier Energy's costs. Second, Mr. Van Paris testified that customer confusion could result from the two separate offerings. As an example, he noted the TPA's residential lighting program design calls for a price reduction coupon to be redeemed at local retail outlets, while Hoosier Energy's program calls for the distribution of free CFLs. Similarly, with respect to C&I consumers, the TPA program design calls for specific rebates or incentives for lighting, motors and HVAC, which will likely be different than Hoosier Energy's incentive amounts, creating customer confusion. He stated Hoosier Energy has already begun implementation of many of its energy efficiency programs and has a level of understanding and familiarity in the marketplace, and therefore implementing the Core Programs, which are similar in many ways to the existing Hoosier Energy programs, will create customer confusion.

Mr. Van Paris concluded by stating he believes the energy efficiency programs of Hoosier Energy and its member systems meet the intent of the Commission's requirements in Cause No. 42693 and are comparable to those expected to be offered by the TPA.

Dr. Martin J. Blake, Member and Principal of The Prime Group, LLC, testified concerning the demand response opportunities offered by Hoosier Energy to its member systems. Dr. Blake testified that two key issues exist in this proceeding: (1) whether the end use customers of Harrison REMC and Jackson REMC have sufficient demand response alternatives available to them through those provided by Hoosier Energy; and (2) which customers benefit from participation in demand response programs and pay the cost of participation. He testified that in order to allocate a cooperative's cost fairly, it is essential that those who receive the benefit of participation in demand response programs also pay the cost of participation.

Dr. Blake testified Hoosier Energy's current approach is to provide wholesale price signals, which can be used to develop retail prices that provide the necessary price signals to elicit demand response from all cooperative customers, and to provide demand side management programs that benefit all customers. He stated Hoosier Energy's control of the load avoids more expensive power purchases, which lowers purchase power costs benefitting all customers. Similarly, he stated, retail price signals using Hoosier Energy's wholesale rates can be made available to all customers, and because all customers benefit from these programs, the costs of supporting them should be assessed to all customers. In contrast, he stated if customers participate directly in MISO Demand Response Programs, participating customers would benefit without any significant benefit by the remaining Hoosier Energy customers. In this instance, to appropriately match costs and benefits, the costs of Harrison REMC and Jackson REMC providing these opportunities to individual customers should be borne by the customers who participate and benefit from the programs; however, he stated, the costs of such direct participation in MISO Demand Response Programs would likely outweigh the benefits.

Dr. Blake explained a price signal is required for demand response, as customers respond to price and demand a lower quantity at high prices and a higher quantity at low prices. He stated one of the key elements in a demand response program is the provision of price signals to which customers can respond and these price signals can be time of use rates, multiple price tiers with a critical peak price, coincident peak demand charges or real time pricing. Although the MISO hourly locational marginal price ("LMP") for each node provides a price signal that can be used to provide a price signal to customers, he said these signals lend themselves more to real time pricing than time of use rates, multiple price tiers with a critical peak price, or coincident peak demand charges. He testified Hoosier Energy uses the MISO Energy Market to procure some of its resources and blends this with the Hoosier Energy-owned generation sources and demand resources to meet the needs of its members. The wholesale prices Hoosier Energy provides lend themselves more to developing retail time of use rates, multiple price tiers with a critical peak price, and coincident peak demand charges. He stated that when Hoosier Energy's members are ready for and request real time pricing, the MISO hourly market price can be used to provide hourly real time prices. However, because no members have made such a request at this time, Hoosier Energy believes its current strategy of blending MISO Energy Market resources with other resources in offering wholesale rates are easier to translate into retail rates currently offered by its members.

Dr. Blake testified Hoosier Energy's current wholesale rate has a generation demand charge, a transmission demand charge, a substation and radial line demand charge, and an on-peak and off-peak energy charge. The generation demand charge is seasonally differentiated, and Dr. Blake described the seasonal rate differentiations. The transmission demand charge is $3.58 per kilowatt clock hour demand coincident with Hoosier Energy's monthly system peak demand, and the substation and radial line demand charge is $1.80 per kilowatt of each member system's monthly non-coincident peak demand. Dr. Blake testified that the on-peak energy charge is seasonally differentiated and described the seasonal differentiation. He testified that Hoosier Energy's current wholesale rate sends a strong signal to Hoosier Energy's member systems to reduce their demands at the time of Hoosier Energy's system peaks.

Dr. Blake also testified that Hoosier Energy's wholesale rate structure reaches devices not suitable for a load control switch, as the generation demand charge provides an incentive to move usage to off-peak periods, reinforced by the on-peak energy charge that is higher than the off-peak energy charge. Together, the seasonally differentiated generation demand and time differentiated energy charge provide the tools for member systems to send strong signals to move usage to off-peak periods.

Dr. Blake testified Jackson REMC has developed time of use rates for all customer classes, which were approved by the Commission in Cause No. 43861. He stated the optional time of use rate for basic service customers has different rates for seasonal time periods to provide customers an opportunity to better manage energy consumption and associated energy bills by shifting usage to lower cost periods. The optional time of use rate for a general light and power service customer is identical to the optional time of use rates for basic service customers and both rates will be implemented after Jackson REMC has installed the metering infrastructure necessary for implementation. Likewise, Dr. Blake testified that it is his understanding Harrison REMC is developing time of use rates for its customers to be implemented in late 2011.

Dr. Blake testified the time of use rates and coincident peak demand rates offered by Jackson REMC, and being developed by Harrison REMC, are currently a better basis for providing customers the opportunity for demand response than real time pricing because real time pricing requires more costly advanced metering infrastructure to measure customer usage on an hourly basis and interface with cooperative billing systems, which is not currently in place in Jackson REMC or Harrison REMC. Further, customer knowledge of how to move usage to periods that are less costly to serve and the equipment to effectuate such shifts in usage are not currently in place. Dr. Blake testified that the real time pricing to which the MISO LMPs lend themselves is not a realistic alternative for Jackson REMC or Harrison REMC at this time.

With respect to MISO Demand Response Programs, Dr. Blake described the offerings and MISO program structure at length. In particular, he described the following programs: Economic Demand Response, Operating Reserves Demand Response, Emergency Demand Response, and Planning Resources Demand Response.

Dr. Blake testified that there are also measurement and verification requirements for participating in the MISO Demand Response Program, which vary by program. Because participation in the Program involves bidding resources into the MISO Energy Market or Operating Reserves Market, similar to generation resources, and because MISO is providing compensation for these resources, MISO wants to be assured it is being provided what it is paying for. There are also requirements to ensure demand resources used to meet an entity's Planning Resource Margin Requirement can be counted on in an emergency for reliability purposes. He stated Harrison REMC and Jackson REMC would incur the added costs of meeting these measurement and verification requirements, unlike if they participated in the demand response programs through Hoosier Energy.

Dr. Blake testified that participating directly in MISO Demand Response Programs would cause Harrison REMC and Jackson REMC to incur additional costs because they would need to register as Market Participants and would also likely need additional personnel to handle scheduling, settlements and measurement and verification associated with the MISO Demand Response Programs. He stated these additional costs may be duplicative of the costs Hoosier Energy already incurs to perform these functions on behalf of Harrison REMC and Jackson REMC. Further, Harrison REMC and Jackson REMC would incur additional risk if they could not provide the full amount of resources when they bid into the MISO markets because they would be charged the LMP for any shortfall and could be assessed revenue sufficiency guarantee charges. Dr. Blake stated the only value Harrison REMC and Jackson REMC might receive is compensation in the form of hourly LMP paid by MISO for any reduction the cooperatives bid into the market, but this is a value that the cooperatives could also realize through Hoosier Energy's Demand Response Programs.

Dr. Blake concluded that if demand response programs are to be structured so as to benefit all customers, Harrison REMC and Jackson REMC should pursue demand response through Hoosier Energy. Hoosier Energy has coordinated demand response programs designed to benefit all Hoosier Energy customers through lower wholesale power costs, with costs of the programs spread to all customers. If Harrison REMC and Jackson REMC are required to participate directly in the MISO Demand Response Programs, the focus of the benefits from participation shift to individual customers who can reduce their usage and benefit from the compensation provided by MISO based on the hourly LMPs when loads are curtailed. He stated because non-participating customers will not benefit from these programs, they should not be assessed the costs of participating in these programs. Dr. Blake testified that assessing the costs of participating in MISO Demand Response Programs to those who participate would likely cause the costs of participation to outweigh the benefits received, except for some of the largest customers. Consequently, he testified that he believes Harrison REMC and Jackson REMC should not be required to participate directly in the MISO Demand Response Programs and should continue to offer demand response opportunities to their customers through Hoosier Energy.

B. OUCC's Direct Testimony. April M. Paronish, Utility Analyst in the Resource Planning and Communications Division of the OUCC, explained that Harrison REMC and Jackson REMC are requesting to opt out of participation in the Core Programs because they currently offer energy efficiency programs through Hoosier Energy and participation in both programs may result in ratepayers paying twice for similar services without receiving any additional benefit. She indicated she was unaware of the costs to Harrison REMC and Jackson REMC ratepayers if the Commission denied their request for relief because Joint Petitioners' testimony indicates that the energy efficiency costs are embedded in Hoosier Energy's wholesale rates for energy purchases.

Ms. Paronish identified the OUCC's concerns with respect to Joint Petitioners' request to opt out of the Core Programs as including: transparency to ensure that cost effective programs are being offered to jurisdictional ratepayers; performance of independent evaluation, measurement and verification ("EM&V") at the Hoosier Energy level and the cooperative level; and the differences between the Core Programs and Hoosier Energy's energy efficiency programs. With respect to transparency and EM&V, Ms. Paronish testified that Joint Petitioners' program costs and their cost effectiveness are calculated at the Hoosier Energy level rather than the individual cooperative's level, making it difficult to determine whether an individual utility is offering cost effective DSM Programs. She also noted that independent EM&V has not been conducted, making determination of energy savings and cost effectiveness of the programs at the Harrison REMC and Jackson REMC levels impossible.

While Ms. Paronish testified that not offering similar energy efficiency programs creates a "patchwork" of programs among jurisdictional utilities, she also testified that allowing utilities to offer different DSM programs may prove beneficial in the short-term. She stated that the knowledge gained from other utilities' experiences through various DSM offerings throughout the state would allow for further refinement of the Core Programs. However, Ms. Paronish expressed concern with ensuring that Joint Petitioners participate in the statewide programs in the future if Hoosier Energy's programs prove ineffective or cease to exist. She testified the Core Programs are not expected to remain static, and as the market is transformed and technology evolves, programs may be changed, eliminated or added. Consequently, a disparity would exist if Hoosier Energy did not make changes along with the statewide program.

Ms. Paronish noted that the Commission has required all jurisdictional utilities to participate in the Core Programs and has yet to allow an electric utility to opt out. Nevertheless, she testified, there are reasons regulated REMCs should be allowed to opt out of the Core Programs. She said the OUCC is sensitive to the fact the ratepayers of Harrison REMC and Jackson REMC may be asked to pay for additional DSM programs without receiving an equivalent increase in benefit. She also acknowledged that because there are jurisdictional and non-jurisdictional utilities, a patchwork of program offerings will likely continue to exist, despite the goal of having a statewide DSM program. She testified it is also unlikely that the jurisdictional investor-owned utilities, REMCs and municipal utilities will agree to offer a standard portfolio of DSM measures.

Ms. Paronish testified that a better approach may be to minimize the patchwork of DSM offerings of similarly situated utilities by placing similar utilities under the same umbrella (i.e., all municipal utilities, regardless of whether they are under Commission jurisdiction, should offer the same portfolio of energy efficiency programs; and, similarly, all members of state cooperatives, such as Hoosier Energy and Wabash Valley, should offer the portfolio of energy programs already created for those members, regardless of whether they are jurisdictional utilities). Ms. Paronish testified that forcing an REMC to offer and pay for both sets of programs would be inherently unfair and may lead to unintended consequences. She stated an REMC choosing to remain under Commission jurisdiction should not be forced to offer and pay for two similar portfolios of DSM Programs or opt out of Commission jurisdiction.

Ms. Paronish testified that if the Commission allows the regulated REMCs to opt out of the Core Programs, the OUCC suggests it be done on a trial basis, with bi-annual meetings of Harrison REMC, Jackson REMC, representatives of Hoosier Energy and other interested parties to discuss the DSM Programs. In addition, at the end of Program Year 1, Harrison REMC and Jackson REMC would file a report with the OUCC and the Commission regarding the cost effectiveness of their DSM Programs and submit independent verification of DSM savings and performance in meeting DSM goals. The REMCs should be required to report any anticipated changes in programs to be offered for an upcoming period, including program budgets, estimated savings by measure and by customer, cost effectiveness of the program and portfolio level, and the number of anticipated participants by program. She stated at the end of Program Year 1, the OUCC suggests the Commission consider whether the REMCs should remain in Hoosier Energy's energy efficiency program or rejoin the statewide DSM effort.

Ronald L. Keen, Senior Analyst with the Resource Planning and Communications Division, summarized the Commission's findings in Cause Nos. 43426 and 43566 concerning Indiana end use electric consumer's participation in demand response programs offered by MISO or PJM. He testified that, with respect to curtailment service providers ("CSPs"), well designed and robust demand response with the broadest possible participation is in the best interests of all customers. He stated markets work best when end use customers can respond to supply, and that the demand response programs offered by CSPs have the potential to further enhance opportunities for both energy generators and end use customers. He testified that customers enrolled in demand response programs reduce energy consumption in response to peak system demand, grid emergencies, peak wholesale prices or other agreed upon factors, with the effect of contributing to grid stability and potentially lowering market prices. Demand response programs offer a customer tool for financial and energy management strategies, as well designed demand response programs can increase revenue and reduce energy expenses. CSPs may also be able to contract with clients in multiple programs in more than one region, allowing customers to increase revenue potential.

Mr. Keen stated although participation in demand response programs need not be through CSPs, the OUCC believes CSPs can provide additional options in capacity and price response. In a capacity format, CSPs contract with clients to be available and willing to curtail energy use when demand exceeds supply in a specific region. In a price response format, CSPs contract with clients who voluntarily reduce energy usage upon notification by an operator. He said CSPs have the ability to provide opportunities for small and medium size commercial and industrial customers who are potentially underserved by traditional utility demand response programs or who may require additional effort for participation in demand response. Further, CSPs should be able to help the LSEs offer specific end use customer targeted energy management services that provide the ability to help optimize the LSE's generation operations through strategic and tactical initiatives.

Mr. Keen testified that Harrison REMC and Jackson REMC should be ordered to file tariffs required by the Commission's Order in Cause No. 43566. He stated that while the OUCC understands the costs per customer in providing the additional programs rise for entities serving smaller groups of customers, the Commission considered and rejected that argument in Cause No. 43566. Even if Harrison REMC and Jackson REMC have no customers wishing to participate in the programs, he testified Joint Petitioners are still required to comply with the Commission's Order. While Mr. Keen recognized the position of Harrison REMC and Jackson REMC with respect to the demand response opportunities for retail customers offered through Hoosier Energy direct load control or time of use rates, he stated it is the responsibility of the jurisdictional REMCs to develop, offer, and implement the demand response tariffs. Mr. Keen acknowledged that Harrison REMC and Jackson REMC are not MISO Market Participants and their assertion that they do not have the personnel, technology, and settlement structures in place to interact with MISO. However, he stated the requirements need not be onerous and the OUCC is willing to work with Joint Petitioners to expedite the development of the tariffs and riders.

C. Joint Petitioners' Responsive Testimony. Mr. Van Paris responded to the OUCC's recommendations concerning Joint Petitioners' participation in the Core Programs. With regard to conducting independent EM&V, he stated Hoosier Energy has engaged in an extensive research project to quantify technical, economic and achievable potential savings for Hoosier Energy's energy efficiency programs. Mr. Van Paris testified Hoosier Energy employed GDS Associates to conduct work and design Hoosier Energy's DSM programs, and the program savings estimates were derived from similar programs implemented elsewhere in the Midwest that have passed regulatory scrutiny. Hoosier Energy, in reviewing potential programs, used conservative saving estimates for each measure and assumed higher than average implementation costs to determine cost effectiveness measures. He stated Hoosier Energy's programs are relatively new, with pilot programs in early 2009 and full implementation occurring in 2010. The 2012 programs include one pilot, which may transition to a fully implemented program in 2013. He stated Hoosier Energy has performed an EM&V analysis of the largest and most far-reaching program currently being offered, the Residential Lighting Program. The program began in 2009, and Hoosier Energy and the member systems have distributed over 1.1 million CFL bulbs. The EM&V analysis provided insights on the CFL light bulb distribution and structure, resulting in a model adjustment in the net to gross ratios. He testified it is also important to recognize that EM&V is not required for some of the programs that Hoosier Energy and the REMCs have implemented, such as HVAC replacement, heat pump and refrigerator turn-in programs because Hoosier Energy tracks all installations and removals.

Dr. Blake responded to the OUCC's recommendation to deny Joint Petitioners' request for relief from the requirement to file demand response tariffs. He testified the OUCC's recommendation fails to adequately account for the inherent differences in the structure and size of the REMCs and the impact this difference will have on the cost to member ratepayers to develop such tariffs or riders, particularly given that neither Harrison REMC nor Jackson REMC are currently MISO Market Participants. Nor does the OUCC's recommendation recognize the alternatives that REMCs are making available to their member ratepayers that are more cost effective. He stated because the investor-owned utilities were already MISO Market Participants, they had the infrastructure, personnel and technology in place to perform the market participation functions, and were already active in the MISO Energy and Ancillary Service Markets. Consequently, compliance by the investor-owned utilities, therefore, was far less burdensome. In addition, because of their small size, the higher incremental fixed costs for the REMCs will be spread over far fewer customers, causing the incremental costs per customer for compliance to be much higher.

Dr. Blake testified other alternatives are available to the REMCs through Hoosier Energy that are more cost effective and less complex. More specifically, Hoosier Energy's Load Control Program is designed for control of appliances such as water heaters and air conditioners. In addition, Hoosier Energy's wholesale tariff provides sufficient price signals that the REMCs can use to provide incentives for other non-controllable appliances and electricity applications. He stated Hoosier Energy provides the majority of the personnel, equipment and technology requirements with the REMCs' role limited to customer services and marketing. Consequently, he stated allowing REMCs to achieve the Commission's demand response goals through participation in Hoosier Energy programs is likely to be more effective and certainly less expensive and complex.

With respect to Mr. Keen's description of CSPs, Dr. Blake testified that it fails to recognize that Harrison REMC and Jackson REMC are already fulfilling the role of CSP. With respect to the capacity format, Dr. Blake testified the REMCs have consistently offered interruptible tariffs to member consumers, providing a discount throughout the year in exchange for the ability to interrupt service during a limited number of hours. However, he noted neither Harrison REMC nor Jackson REMC currently has any interruptible customers. With respect to the capacity format of CSPs, he stated Harrison REMC and Jackson REMC have the opportunity to participate in Hoosier Energy's Load Control Program, which installs devices on water heaters and air conditioners, and may be potentially expanded in the future to include irrigation systems and other REMC appropriate applications. In terms of demand response to price signals, he noted Jackson REMC offers time differentiated rates for all member consumers and Harrison REMC will implement a similar program in the near future. He stated, while perhaps less sophisticated than a system based upon notification by the grid operator, and far less costly, the time differentiation of the tariffs is based upon historical pricing patterns experienced in the region that are predicative of future price shapes.

Dr. Blake also disagreed with Mr. Keen's testimony that small and medium size commercial and industrial consumers are potentially underserved because Jackson REMC's time of use rates are available to all customers, and Harrison REMC is considering a similar proposal and expects its largest customer to convert to a time-of-use rate next year.

With respect to Mr. Keen's testimony that CSPs should be able to help the LSE offer specific end use customer targeted energy management services, Dr. Blake testified this statement fails to recognize the inherent differences in the cooperative structure, as the REMCs already provide this service to members. He stated REMCs, as member-owned and controlled entities, are responsive to member requests and have promoted wise, energy efficient use for decades. He noted that Jackson REMC has a fully staffed member services department delivering personal advice to customers, and identified a variety of services Joint Petitioners' offer to reduce energy consumption that extend beyond those provided through participation in Hoosier Energy's energy efficiency programs.

Mr. Wheatley responded to the OUCC's recommendations by indicating he generally agrees with Ms. Paronish's recommendation concerning Joint Petitioners' participation in the Core Programs. However, Mr. Wheatley testified that, in consideration of the cost to ratepayers, he recommends if no issues are identified with regard to the Harrison REMC and Jackson REMC DSM programs administered through Hoosier Energy, the trial period should end and the authorization to not participate in the Core Programs become permanent thirty days after submittal of the final report to the Commission if no objection is filed by the OUCC.

In addition, Mr. Wheatley testified the EM&V recommendations of Ms. Paronish appear to include measurements both at the REMC level and at the customer level, but this level of evaluation would be cost prohibitive for REMC members. He testified that Jackson REMC and its members participate in DSM through Hoosier Energy, and the programs are evaluated and measured, for cost effectiveness, on the Hoosier Energy level for all Hoosier Energy customers. He stated there are no current processes in place by Hoosier Energy to evaluate such programs except at the generation transmission level, and he has been informed that independent REMC level EM&V would be very expensive and uneconomic. Mr. Wheatley further testified that independent studies at the individual system level for EM&V for each of its current programs, including front end analysis with estimation of benefits, statistically bound vacuum sampling, before and after weather normalized usage analysis, and an analysis of the impacts upon system peak demands would cost approximately $200,000, a substantial and uneconomic burden for 24,000 customers to bear. Consequently, Mr. Wheatley recommended that Jackson REMC present an EM&V analysis of its programs consistent with their cost and scope.

With respect to the development of MISO demand response tariffs or riders, Mr. Wheatley echoed Dr. Blake's testimony that the OUCC's recommendation fails to account for the differences between REMCs and investor-owned utilities. He stated for a small distribution utility to develop and offer demand response tariffs that allow retail customer participation in the MISO markets, an REMC would have (1) higher startup costs in absolute terms than those of vertically integrated utilities that are already MISO Market Participants with staff in place, (2) fewer customers over whom it could spread this substantial cost, and (3) a smaller proportion of C&I customers that could possibly benefit. Mr. Wheatley testified that to become a Market Participant and offer an individual demand response tariff or rider, Jackson REMC would likely need to hire at least two additional full-time staff members, which based upon his inquiry as to the knowledge and skill level required of such staff members, would be approximately $225,000. He stated the incremental costs to the REMC to implement the program to become a MISO Market Participant, including fully loaded staff costs and additional technology, would exceed $250,000 per year. Assuming an average customer count of 24,000, it would cost over $10 per customer per year to implement and maintain the MISO Demand Response Program at the retail level. He testified that because Jackson REMC does not have any customers that have indicated a desire to participate in such programs, it would be required to allocate these costs to all of its member owners. In addition, if a customer sought such service, full allocation of such incremental costs would make the service uneconomical.

Like Mr. Wheatley, Mr. Lett generally agreed with the OUCC's recommendation concerning Joint Petitioners' participation in the Core Programs and recommended that if no issues are found with Hoosier Energy's DSM programs, the trial period should end and the authorization to not participate in the Core Programs become permanent thirty days after submittal of the final report to the Commission if no objection is filed by the OUCC. Mr. Lett also echoed Mr. Wheatley's statements that independent REMC level EM&V would be very expensive and, as a result, uneconomical. Finally, Mr. Lett also testified that development of MISO market participation at the retail level by the distribution REMC would be uneconomic and require unreasonable costs be assigned either to the member customer base as a whole or to the member customers that may request such service.

5. Commission Discussion and Findings. Joint Petitioners request the Commission approve an ARP that: (1) exempts them from participation in the Core Programs established in Cause No. 42693 and the requirement to file tariffs or riders allowing customer participation through the LSE in MISO Demand Response Programs in accordance with the Commission's Order in Cause No. 43566; and (2) provides for Joint Petitioners' participation in Hoosier Energy's DSM and demand response offerings.

Pursuant to Ind. Code § 8-1-2.5-6(a)(1), the Commission may adopt alternative regulatory practices, procedures and mechanisms, and establish rates and charges that: (a) are in the public interest as determined by a consideration of the factors listed in Ind. Code § 8-1-2.5-5; and (b) enhance or maintain the value of the energy utility's retail energy services or property, including practices and procedures focusing on price, quality, reliability and efficiency of the service provided by the energy utility. Pursuant to Ind. Code § 8-1-2.5-5(b), the Commission, in determining whether the public interest will be served must consider:

(1) Whether technological or operating conditions, competitive forces, or the extent of regulation by other state or federal regulatory bodies render the exercise, in whole or in part, of jurisdiction by the commission unnecessary or wasteful.

(2) Whether the commission's declining to exercise, in whole or in part, its jurisdiction will be beneficial for the energy utility, the energy utility's customers, or the state.

(3) Whether the commission's declining to exercise, in whole or in part, its jurisdiction will promote energy utility efficiency.

(4) Whether the exercise of commission jurisdiction inhibits an energy utility from competing with other providers of functionally similar energy services or equipment.

Consequently, the Commission considers the evidence presented by the parties in light of these factors to determine whether the public interest will be served in approving the requested ARP with respect to demand side management and demand response program offerings.

A. Participation in Core Programs. The Commission's Phase II Order in Cause No. 42693 ("Phase II Order") requires all jurisdictional electric utilities, including Joint Petitioners, to offer certain Core Programs through a single TPA. Because the availability of DSM programs across the State of Indiana was determined to be inadequate and inconsistent, the offering of these Core Programs was deemed a part of the basic utility service offering in a utility's service territory. Joint Petitioners request the Commission approve an ARP that would exclude them from participating in the offering of the Core Programs through the TPA.

Joint Petitioners are local distribution cooperatives that purchase their electric power and energy pursuant to an all requirements power purchase contract with Hoosier Energy. Consequently, Joint Petitioners do not directly control the generation resources and capital costs for resources used to generate the power they distribute. The evidence also demonstrates that Hoosier Energy has recently begun to implement DSM programs, several of which are similar to the Core Programs, for residential and C&I customers in cooperation with its members. In addition, the costs for these programs are embedded in the wholesale rates paid by Joint Petitioners.

As indicated in the Phase II Order (at pp. 32-36), one of the reasons the Commission required the development of the Core Programs in which all jurisdictional electric utilities would participate was to address the inconsistent patchwork of DSM offerings across the state of Indiana. Recognizing non-jurisdictional electric utilities would not be subject to the Phase II Order, the Commission nonetheless encouraged "all electric utilities to consider offering some or all of the core programs to their customers in order to take advantage of economies of scale and scope." *Id.* at 36. Although the Commission has encouraged a uniform set of core DSM programs across the state, we also recognize that, at least initially, there may be reasons (as further discussed below) to permit a utility on a limited scale to offer alternative programs.

The evidence presented by Joint Petitioners in this Cause demonstrates some of the inherent differences between a vertically integrated investor-owned utility and a distribution only REMC purchasing power and related services through a long-term contract with a non-jurisdictional REMC, which also serves other jurisdictional and non-jurisdictional cooperatives. Unlike a vertically integrated investor-owned utility, Joint Petitioners are contractually obligated to pay the costs for Hoosier Energy's DSM programs through the wholesale rates charged by Hoosier Energy. Although Joint Petitioners' evidence on the cost for such programs was limited, it is clear that there are costs associated with the offering of both Hoosier Energy's DSM programs and the Core Programs.[2] The evidence also demonstrates that both DSM program offerings contain a similar portfolio of programs. Consequently, we agree with the parties that requiring Joint Petitioners to pay for participation in the Core Programs results in additional costs to their customers that likely will not provide a corresponding increase in benefits.

We agree that requiring participation in two sets of DSM programs with identical target measures (such as residential CFLs) but different design or delivery components has the potential to confuse customers, resulting in lower participation rates and less energy efficiency savings. The OUCC also points out that Joint Petitioners' participation in programs that are not identical to the Core Programs may be beneficial in the short term in further refining the Core Programs by taking into account other utilities' experiences. Further, we note that requiring Joint Petitioners to participate in two sets of DSM programs has the potential to place Joint Petitioners at a disadvantage in attracting new industrial customers when competing with

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[2] We note that although Joint Petitioners' witness Mr. Wheatley testified the costs for participating in Hoosier Energy's DSM programs are estimated to be similar to those for the Core Program, no further evidence was offered to support his statement.

vertically integrated utilities and non-jurisdictional rural electric cooperatives for economic development because their retail rates will be higher than they otherwise would be.

While supportive of Commission approval of Joint Petitioners' ARP, the OUCC raised concern with the frequency and the level of EM&V performed, which to date has been conducted at the Hoosier Energy level, as opposed to the individual REMC level. Joint Petitioners' evidence demonstrates that EM&V has been performed by Hoosier Energy for its largest DSM program (i.e., residential lighting), but that Hoosier Energy does not require EM&V for some programs, such as the HVAC replacement, heat pump and refrigerator removal, because it tracks installations and removals. Joint Petitioners also opposed conducting EM&V on an individual REMC basis, asserting they have no process in place to perform such evaluation and to do so would be expensive and uneconomical.[3]

As we are administratively aware of the EM&V cost associated with the Core Programs, we generally understand the cost to perform EM&V is not immaterial and would require additional resources. Consequently, given the REMC structure and the relationship between the individual REMCs and their generation and transmission provider, we agree that conducting EM&V at the Hoosier Energy level is generally appropriate and more analogous to the EM&V performed by a vertically integrated utility. However, it is important to note that the mere tracking of equipment installation and appliance removal is insufficient to demonstrate energy savings. It is imperative that energy savings be determined based upon a reasonable and appropriate EM&V analysis that considers factors other than the mere removal or replacement of equipment, such as annual operating hours, peak coincidence factors and, for appliance removal programs, remaining life and additional appliance purchases associated with removal. Furthermore, robust EM&V conducted by an independent third party not only provides information on energy savings, but provides validation on the cost-effectiveness of the program, validation of the process (program implementation and process improvement), and measurement and validation of other impacts (e.g., customer use and satisfaction). Therefore, it will be necessary for Joint Petitioners to work with Hoosier Energy to ensure they obtain the information needed to demonstrate compliance with the annual DSM savings goals.

The OUCC also expressed concern that Hoosier Energy's DSM programs may prove to be ineffective or cease to exist and recommended Joint Petitioners' ARP be approved on a one-year trial basis, with bi-annual meetings to discuss the DSM programs. The evidence presented by Joint Petitioners indicates that significant time, effort and resources have been invested in the development and offering of Hoosier Energy's DSM programs by Joint Petitioners, and such efforts are being met with success. Mr. Van Paris also testified that Hoosier Energy's 2012 DSM programs include a pilot program that may transition to a fully implemented program in 2013. Consequently, based on the evidence presented, we expect Hoosier Energy's DSM programs to continue in the near future. However, in the event the DSM programs in which Joint Petitioners participate are discontinued or considered to be ineffective, the Commission has the authority to terminate the ARP, either on its own motion or at the request of another entity, such as the OUCC. *See* Ind. Code § 8-1-2.5-7. To assist in monitoring the effectiveness of the ARP, and as Joint Petitioners had no objection, we find Joint Petitioners shall meet bi-annually in 2012 with the OUCC and any other interested parties to discuss their DSM program. We further note that although we are approving Joint Petitioners' proposed ARP with respect to participation in the

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[3] Once again, we note the general lack of evidentiary support for these claims.

Core Programs, Joint Petitioners remain subject to the other requirements of the Phase II Order, including the annual electric savings goals and the requirement to file three-year DSM Plans with annual supplemental updates in the interim periods that address the utility's progress in meeting the annual electric savings goals. *See*, Phase II Order at p. 52.

After consideration of the factors listed in Ind. Code § 8-1-2.5-5(b), the Commission finds the evidence supports approval of Joint Petitioners' proposed ARP providing for their participation in Hoosier Energy's DSM programs and exclusion from participation in the Core Programs as in the public interest. The proposed ARP will benefit Joint Petitioners and their customers. The offering by the Joint Petitioners of a single portfolio of DSM programs will avoid potential customer confusion with similar programs, which should increase customer participation and energy efficiency savings. The proposed ARP will also avoid duplication of costs for similar program offerings without a corresponding increase in benefits and provide additional opportunities to evaluate and refine the effectiveness of DSM program design in general. Approving Joint Petitioners' proposed ARP will also minimize the patchwork of DSM offerings among similarly situated or non-jurisdictional REMCs. Accordingly, we find Joint Petitioners' proposed ARP as discussed above to be in the public interest and will enhance or maintain the value of Joint Petitioners' retail energy services and should be approved.

B. <u>MISO Demand Response Program Tariffs</u>. The Commission, in Cause No. 43566, commenced an investigation to consider issues associated with an end-use electric customer's participation in an RTO demand response program. In its July 28, 2010 Order ("43566 Order"), the Commission concluded that based upon Indiana's regulatory structure the evidence did not support an end-use customer directly participating in RTO demand response programs, but that use of demand response resources should be encouraged. Consequently, the Commission required all jurisdictional electric utilities to continue to offer end-use customers opportunities to participate in LSE-provided demand response programs and to also file tariffs or riders authorizing end use customer participation, through their LSE, in the applicable RTO's demand response programs.

In this Cause, Joint Petitioners seek approval of an ARP that provides for the offering of demand response programs to end-use customers through direct load control and time of use rates in cooperation with Hoosier Energy and exclusion from the requirement to file a tariff or rider authorizing customer participation, through Joint Petitioners, in MISO Demand Response Programs. Due to the REMC structure, neither Harrison REMC nor Jackson REMC is a MISO Market Participant. Instead, Hoosier Energy is a Market Participant and offers a wholesale rate structure that includes direct load control and time of use rates to its members, including Joint Petitioners. At the time of the hearing, Jackson REMC offered time of use rates for all customer classes, while Harrison REMC was developing time of use rates to be implemented by the end of the year. Hoosier Energy also offers interruptible rates, buy-back tariffs, and other similar interruptible alternatives to its members with large customers having the capability to participate.

The OUCC generally objected to approving Joint Petitioners' proposed ARP, noting that CSPs are available to work with smaller customers that may require additional assistance. However, as Joint Petitioners explained, Hoosier Energy provides the majority of personnel, equipment and technology requirements, while Joint Petitioners' role is more limited to customer services and marketing. Consequently, because of the REMC structure, Joint Petitioners will incur significantly higher costs to comply with the 43566 Order than a vertically integrated investor owned utility because they will have to become MISO Market Participants and employ sufficient skilled staff and technology to appropriately participate in MISO Demand Response Programs. Because Joint Petitioners have fewer customers, both in general and that would be likely to participate in such programs, these costs will necessarily be allocated to fewer customers adversely impacting any associated benefits.

The evidence supports a finding that Joint Petitioners' proposed ARP provides cost effective demand response opportunities within the REMC structure that are beneficial to Joint Petitioners and their customers. Having considered each of the factors identified in Ind. Code § 8-1-2.5-5(b), the Commission finds the evidence supports approval of Joint Petitioners' proposed ARP. However, while we are approving Joint Petitioners' proposed ARP, we encourage Joint Petitioners to further explore with Hoosier Energy other possible avenues that allow for greater participation in MISO Demand Response Programs.

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

1. Joint Petitioners' alternative regulatory plan concerning demand side management and demand response program offerings, as described in Joint Petitioners' Verified Joint Petition, testimony and exhibits, is hereby approved.

2. Joint Petitioners remain subject to the annual savings goals and requirement to file three year DSM Plans with annual supplemental updates set forth in the Commission's Phase II Order in Cause No. 42693.

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

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:
APPROVED: FEB 22 2012

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

Brenda A. Howe

Brenda A. Howe,
Secretary to the Commission