

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS POWER)
& LIGHT COMPANY FOR APPROVAL OF)
DEMAND SIDE MANAGEMENT ADJUSTMENT) CAUSE NO. 43623 DSM 6
FACTORS FOR ELECTRIC SERVICE FOR THE)
MONTHS OF JANUARY TO JUNE, 2013 IN) APPROVED:
ACCORDANCE WITH THE ORDERS OF THE)
COMMISSION IN CAUSE NOS. 43623 AND 43960.)

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ORDER OF THE COMMISSION

Presiding Officers:

Carolene Mays, Commissioner

Lorraine L. Seyfried, Chief Administrative Law Judge

On September 17, 2012, Indianapolis Power & Light Company ("IPL") filed its verified petition for approval of Demand Side Management ("DSM") Adjustment Factors ("DSM Adjustment Factors") for electric service for the months of January through June, 2013. IPL's petition was filed in accordance with the Orders issued by the Indiana Utility Regulatory Commission ("Commission") in Cause No. 43623, Phase I, dated February 10, 2010 (the "43623 Order") and Cause No. 43960 dated November 22, 2011 (the "43960 Order") and the provisions of Standard Contract Rider No. 22, Core and Core Plus Demand Side Management Adjustment approved therein ("Rider 22"). On September 17, 2012, IPL also prefiled its direct testimony and exhibits in this proceeding. On October 29, 2012, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled its direct testimony.

Pursuant to notice published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission, a public hearing was held in this Cause on November 19, 2012, at 10:00 a.m. in Room 224, 101 West Washington Street, Indianapolis, Indiana. The OUCC and IPL were represented by counsel at the hearing. The prefiled testimony and exhibits of IPL and the OUCC were admitted into evidence without objection and all parties waived cross-examination of witnesses. No member of the general public appeared or sought to testify at the hearing.

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

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

2. **Petitioner's Characteristics.** IPL is an electric generating utility and a corporation organized and existing under the laws of the State of Indiana, with its principal place of business located in Indianapolis, Indiana. IPL is lawfully engaged in rendering electric public utility service in the State of Indiana. IPL owns, operates, manages, and controls, among other things, plant and equipment within the State of Indiana used for the production, transmission, delivery and furnishing of such service to the public.

3. **Implementation of DSM Programs.** IPL Witness Lester H. Allen explained 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 January 1 through June 30, 2013. Mr. Allen described the formation and functioning of IPL's DSM Oversight Board and provided estimated demand and energy savings for all programs from July 1 through December 31, 2012. He also described the status of the market potential study ("MPS") being conducted jointly with Citizens Gas.

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 the November 4, 2010 Order in Cause No. 43911 (the "43911 Order") to those approved in the 43960 Order. In its 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 Programs over six-month periods that match the billing periods of the Rider 22 tracker – *i.e.*, from July through December and January through June. IPL's semi-annual forecasts of Core and Core Plus 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. IPL Witness Craig A. Forestal sponsored Petitioner's Exhibit CAF-2 showing the Projected DSM Expenditures (by Cost Type and Customer Charge Type) for each Core and Core Plus DSM Program for the six-month period between January 1 and June 30, 2013 for recovery under Rider 22. 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 testified that the forecast includes costs for an MPS. He said IPL and Citizens Gas worked collaboratively with their respective Oversight Boards and the Citizens Action Coalition to engage a third party to conduct a joint MPS to assist in the evaluation of future DSM programs necessary to meet the energy savings targets set forth in the Commission's Phase II Order dated December 9, 2009 in Cause No. 42693. Mr. Allen stated as the result of a Request for Proposal process, EnerNOC was hired to conduct this study and prepare an Action Plan for each utility. He further noted that work commenced in July 2012.

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 Standard Contract Rider No. 22 – CCP-DSM. IPL was further authorized to defer recovery of up to \$1,053,000 in electric vehicle supply equipment costs to its next general rate case.

5. **Performance Incentives.** In its 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: (i) IPL’s Residential Low and Moderate Income Weatherization Program, (ii) the Commercial and Industrial Renewables Incentive Program, (iii) educational funding and (iv) 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. Following is 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 its 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 with regard to 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 the incentive amounts forecasted for the period January 1 through June 30, 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 2012, 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, but will provide a reconciliation of the Performance Incentives for Core Plus programs delivered pursuant to Cause No. 43623 in a subsequent filing after the EM&V results for these programs are finalized.

OUCW Witness Wes Blakley testified that IPL will provide a reconciliation of performance incentive for Core Plus programs in a subsequent filing after the EM&V results for these programs are complete. He added that EM&V has yet to be completed as of the filing of this Cause. Mr. Blakley stated his Schedule 1 displayed the calculation of Petitioner’s DSM

Adjustment Factors that match Petitioner's calculation of its DSM Adjustment Factors on Exhibit CAF-2, page 2, line 14.

6. **Reconciliation of Estimated and Actual Expenditures, Revenues and Performance Incentive Targets.** For the period of January through June, 2013, Grand Total Costs to be recovered include a reconciliation of actual DSM Program expenditures to estimated costs for that period (Petitioner's Exhibit CAF-3), an update of the target performance incentives for that period, calculated by subtracting the projected incentive from the target incentive on actual expenditures incurred for each program (Petitioner's Exhibit CAF-4), and reconciliation of actual DSM Adjustment Factor revenues collected from customers from that period to the approved amount for that same period (Petitioner's Exhibit CAF-5).

7. **Resulting DSM Adjustment Factors.** The Grand Total Costs to be Recovered through IPL's Rider 22 for the months of January through June 2013, modified by the removal of the true-up of target performance incentives, is \$13,127,530, which is the Grand Total Core and Core Plus DSM Programs projected costs (including the target performance incentives) of \$15,050,880 (Petitioner's Exhibit CAF-2, Page 1, Line 41), adjusted for Reconciliation of Expenditures from Cause No. 43960 of \$(2,609,102) (Petitioner's Exhibit CAF-2, Page 2, Line 2), Reconciliation of Expenditures from Cause Nos. 43623 and 43911 of \$297,876 (Petitioner's Exhibit CAF-2, Page 2, Line 3), Update of Target Performance Incentives from Cause No. 43960 of \$(40,119) (Petitioner's Exhibit CAF-2, Page 2, Line 4), Update of Target Performance Incentives from Cause Nos. 43623 and 43911 of \$956 (Petitioner's Exhibit CAF-2, Page 2, Line 5), and Reconciliation of Revenues of \$427,040 (Petitioner's Exhibit CAF-2, Page 2, Line 6). Dividing the Grand Total Costs to be Recovered for each customer charge type for the period from January to June 2013 by the estimated megawatt hour sales for the respective customer charge types (6,910,833 MWh as shown on Petitioner's Exhibit CAF-2, Page 2, Line 11) 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 \$0.003740 per kWh; for Rates SS, SH, OES, UW and CW (with associated Rate RS service) of \$0.001394 per kWh; for Rate SL of \$0.000805 per kWh; and for Rates PL, PH and HL of \$0.000746 per kWh (Petitioner's Exhibit CAF-2, Page 2, Line 14).

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 January 2013 billing period in Regular Billing District 41 and Special Billing District 01. The DSM Adjustment Factors will remain in effect for approximately six (6) months or until replaced by different adjustment factors approved in subsequent filings. Based on the foregoing, a typical residential customer using 1,000 kWh per month will experience a rate impact of \$3.74 per month during the period covered herein.

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

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 shall be, and is hereby approved.

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

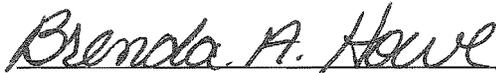
3. This Order shall be effective on and after the date of its approval.

ATTERHOLT, BENNETT, LANDIS, MAYS AND ZIEGNER CONCUR:

APPROVED:

DEC 19 2012

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



**Brenda A. Howe
Secretary to the Commission**