On March 20, 2018, Indianapolis Power & Light Company ("IPL" or "Petitioner") initiated this proceeding by filing its Verified Petition for Approval of Demand Side Management ("DSM") Adjustment Factors ("DSM Adjustment Factors") ("Petition") for electric service for the months of July through December 2018, its case-in-chief testimony, and attachments in support of its Petition.

IPL’s Petition was filed in accordance with various Orders issued by the Indiana Utility Regulatory Commission ("Commission") and the provisions of Standard Contract Rider No. 22. On May 18, 2018, the Indiana Office of Utility Consumer Counselor ("OUCC") prefiled its case-in-chief testimony. On May 29, 2018, IPL filed its rebuttal testimony.

An evidentiary hearing was held in this Cause on June 11, 2018, at 1:30 p.m. in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, IPL and the OUCC appeared and participated by counsel, and their respective prefiled testimony was admitted into the record without objection.

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

1. **Notice and Jurisdiction.** Notice of the public hearing conducted by the Commission was given and published as required by law. IPL is a “public utility” as defined in Ind. Code § 8-1-2-1 and is an “electricity supplier” within the meaning of Ind. Code §§ 8-1-2.3-2(b) and 8-1-8.5-9. On February 7, 2018, in Cause No. 44945, the Commission approved IPL’s 2018-2020 DSM Plan and associated ratemaking treatment for such programs via IPL’s Standard Contract Rider No. 22. Under Ind. Code § 8-1-2-42, the Commission has jurisdiction over changes in IPL’s schedules of rates and charges. Therefore, the Commission has jurisdiction over IPL and the subject matter of this Cause.

2. **IPL’s Characteristics.** IPL is a public utility with its principal place of business at One Monument Circle, Indianapolis, Indiana. IPL renders electric utility service to approximately 490,000 retail customers located principally in and near the City of Indianapolis, Indiana, and in
portions of the following Indiana counties: Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, Owen, Putnam, and Shelby. 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. **IPL’s Case-In-Chief.** IPL presented the testimony of three witnesses in its case-in-chief: Lester H. Allen, IPL’s DSM Program Development Manager; Craig Forestal, Director of Regulatory Accounting for AES U.S. Services, LLC; and Kimberly Aliff, a Senior Regulatory Analyst in IPL’s Regulatory Affairs department.

   Mr. Allen testified concerning: the status of large industrial customer opt outs from participation in IPL’s DSM programs; IPL’s plan for the delivery of DSM programs in the program years 2018-2020; the forecasted spending related to implementation of the programs during July through December 2018; the estimated energy savings and lost revenue associated with these programs; the status of the 2016 Evaluation, Measurement, & Verification (“EM&V”) effort by an independent third party, including the timing of the true-up of lost revenues and shared savings for program year 2016; and the ongoing activities of the IPL Oversight Board (“OSB”).

   Mr. Allen said that as of the date of his testimony filing, a net total of 124 qualifying customers representing approximately 2,906 GWh of annual sales, which is about 22% of IPL’s total sales, had opted out. He also noted that six customers had chosen to opt back into IPL’s DSM programs. Mr. Allen stated the next opportunity for customers to opt out is prior to November 15, 2018, for an effective date of January 1, 2019.

   Mr. Allen explained that the authority to deliver and recover costs related to implementation of IPL’s 2018-2020 DSM Programs is pursuant to the Commission’s Order in Cause No. 44945. Mr. Allen discussed the proposed program offerings and testified that, in general, they are similar to the current programs that were offered in 2017. He did note, however, that the Home Energy Assessment for residential customers was replaced by the Whole Home Program. Mr. Allen said IPL’s 2018-2020 DSM Plan program offerings include the following:

   **Residential Programs**
   - Lighting & Appliances
   - Community Based Lighting
   - Income Qualified Weatherization
   - Residential Demand Response
   - Multifamily
   - Whole Home
   - School Education
   - Appliance Recycling
   - Peer Comparison

   **Commercial & Industrial Programs**
   - Business Prescriptive
   - Business Custom
   - Small Business Direct Install
   - Business Demand Response

   Mr. Allen testified that the spending forecast and the estimated energy savings for the period July through December 2018 are consistent with the amounts approved in Cause No. 44945 as modified by the Settlement in that Cause. In addition, he said the forecasted costs are primarily related to direct and indirect program operating costs.
Mr. Allen testified that the lost revenue reflected in this filing includes both the impacts associated with the actual participation from January 1, 2015 through December 31, 2017 and the forecast of the impacts from incremental participation from January 1, 2018 through December 31, 2018. He said this filing also includes a true-up of 2016 lost revenues, reflecting the results of the EM&V for that year. He further said IPL is also including a reconciliation of the lost revenue for the final six months of 2017. He explained the calculation of such lost revenue and stated that lost revenue resulting from measures installed in 2017 is limited to four years, the life of the measure, or until such measures are recognized in rates implemented pursuant to a final order in a future basic rates case, whichever occurs first. He stated IPL agreed to a five-year cap on lost revenue that result from the installation of measures in 2018 as part of the Settlement approved in Cause No. 44945. He added that the lost revenue will be trued up to actual net energy and demand impacts as determined by EM&V in a subsequent DSM rider adjustment proceeding. Mr. Allen also stated that IPL is providing a true-up of its 2016 shared-savings recovery in this filing.

Mr. Allen also gave an update as to the status of IPL’s OSB. He noted that IPL continues to meet monthly with the IPL OSB, and that IPL worked collaboratively with the OSB in the selection of contractors that will deliver DSM programs and an independent third party to complete the EM&V for the 2018 through 2020 DSM program cycles.

Mr. Forestal’s testimony focused on the calculation of IPL’s proposed DSM Adjustment Factors, based on data from IPL’s accounting and business records. He discussed the treatment of opt-out customers and explained that, for identification purposes, IPL defines all commercial and industrial (“C&I”) customers who opted out of participation in IPL’s DSM programs effective July 1, 2014, January 1, 2015, January 1, 2016, January 1, 2017, and January 1, 2018 as “Opt-Out 2014,” “Opt-Out 2015,” “Opt-Out 2016,” “Opt-Out 2017,” and “Opt-Out 2018” customers, respectively. Customers that have not opted out of IPL’s DSM programs as of January 1, 2018, including IPL’s residential customers, are designated as “Non Opt-Out” customers. He said that, in this proceeding, IPL is presenting schedules to support the DSM Adjustment Factors for the Opt-Out 2016, Opt-Out 2017, Opt-Out 2018, and Non Opt-Out customer groups because the Opt-Out 2014 and Opt-Out 2015 customer groups have satisfied all costs applicable to them. He further testified that Lighting customers that have not opted out of participation in IPL’s DSM programs are charged the same costs as IPL’s other Non Opt-Out customers, using an allocation based upon IPL’s most recently completed cost of service study (in Cause No. 45029) adjusted to remove the DSM Opt-Out customers. He presented a table illustrating how the DSM charges, including shared savings and lost revenue, are being allocated to the customer groups in this proceeding.

Mr. Forestal testified to the proposed DSM Adjustment Factors for IPL customers for the period July through December 2018. He discussed the projected DSM program operating costs, the reconciliation of projected and actual DSM program operating costs, the estimated and actual revenues for the months of July through December 2017, and the reconciliation of lost revenue for the six months ended December 2017. Mr. Forestal described the true-up of shared savings incentives and lost revenue for the months of January through December 2016 based on the EM&V results. He also identified the forecasted lost revenue for the months of July through December 2018.

IPL’s Petition includes a one-time adjustment of $2.6 million allocated to the affected customer classes and groups due to a revenue under-collection in DSM 16. Mr. Forestal sponsored
Petitioner’s Attachment CF-2, which states on Page 3 that IPL’s DSM revenue (Standard Contract Rider No. 22) was under-collected by $1.3 million for the six-month period ended June 2016 and that this amount should have been included as a charge to customers for the six-month period ended June 2017 but instead was included as a credit.

Mr. Forestal described how the DSM Adjustment Factors are calculated and identified the resulting DSM Adjustment Factors. He testified that, based on the proposed factors, residential customers using 1,000 kWh/month would experience a DSM Adjustment of $6.96, which is 7.140% of such bill, relative to the basic rates and charges in effect. He said this revised proposed factor for a residential customer using 1,000 kWh/month represents an increase of $3.15/month or 3.115% of such bill relative to the DSM Adjustment Factor using current basic rates and charges.

Ms. Aliff discussed the forecasted shared savings financial incentives for the period July through December 2018. She also testified in support of the calculation and recovery of lost revenue, the cost allocation among customer classes as it relates to Standard Contract Rider No. 22 generally, and the effect on the cost allocation as a result of those customers who have chosen to opt-out of Petitioner’s DSM Programs. Ms. Aliff presented the cost allocation basis to the customer classes for each component of the 2018 DSM program year. Ms. Aliff explained that, consistent with the approved tariff in IPL’s most recent basic rates case (Cause No. 44576), a portion of DSM costs are allocated to rate codes APL and MU-1 for both Residential and C&I programs. Ms. Aliff testified that the Residential allocation factors are based on each class’ share of the twelve monthly average system peaks used to allocate production plant, operating expenses, and depreciation expenses from IPL’s cost of service study filed in Cause No. 45029, IPL’s pending basic rates case. She further testified that C&I allocation factors are also based on each class’ share of the twelve monthly average system peaks from the Cause No. 45029 cost of service study, excluding customers who have chosen to opt out of participation in IPL’s DSM programs.

Ms. Aliff also discussed the true-up of shared savings for the period of January through December 2016. She explained IPL is including a true-up of 2016 shared savings based on final EM&V results for the 2016 program year. Petitioner’s Attachment KA-2 page 1 of 2 shows the 2016 shared savings calculations after EM&V. She said the cost-effectiveness and shared savings calculations were performed by Integral Analytics as part of the 2016 program year evaluation. She added that Petitioner’s Attachment CF-5 provides the true-up to prior shared savings forecast amounts.

4. **OUCC’s Case-In-Chief.** The OUCC presented the testimony of Rohita Ramaraj, Utility Analyst for the OUCC. Ms. Ramaraj testified that she reviewed the Petition and IPL’s Testimony, Exhibits, and workpapers in this Cause, as well as exhibits and Commission Orders from previous Causes. Ms. Ramaraj testified that while she did not contest IPL’s projections for total program operating costs, shared savings, and forecasted lost revenues, she did object to IPL’s use of cost allocations that have not yet been approved by the Commission. She said that instead of using allocation factors from IPL’s cost of service study proposed in Cause No. 45029, IPL should have used the cost allocations from the cost of service study approved in IPL’s last rate case (Cause No. 44576), as it did in its last DSM reconciliation filing. She further stated that if the Commission issues an order in Cause No. 45029 before December 31, 2018, the OUCC recommends that any differences in authorized cost allocations be addressed in IPL’s next DSM reconciliation filing (i.e., Cause No. 43623 DSM 18).
Ms. Ramaraj also addressed IPL’s under-collection of DSM revenue in DSM 16. She agreed with IPL that $1.3 million of under-collected DSM revenue for the six-month period ended June 2017 should have been included as a charge to customers in DSM 16 rather than a credit. She stated further that affected IPL customers are currently paying a DSM rate that fails to recover $2.6 million of tracker revenue, which IPL is entitled to receive. She agreed with IPL that a one-time adjustment charge of $2.6 million, allocated to customer classes using IPL’s most recently approved cost of service study, would correct this issue.

5. **IPL’s Rebuttal.** In rebuttal, Ms. Aliff explained that IPL proposed to use the allocation factors from the cost of service study in Cause No. 45029 because that was the most recently completed cost of service study. That said, Ms. Aliff stated that IPL understands the OUCC’s position. She testified that given the relatively minor impact of using the prior allocation factors, IPL has no objection to the OUCC’s recommendation. She noted that there is no impact to Residential customers from adopting the OUCC’s recommendation since the change only impacts the allocation of costs between IPL’s Small and Large C&I customers. Ms. Aliff also explained how the allocation factors approved in Cause No. 44576 were adjusted for the opt-out customers.

Mr. Forestal discussed the recalculation of the DSM Adjustment Factors based on the allocation factors from the cost of service study approved in Cause No. 44576. He also discussed the resulting DSM Adjustment Factors and sponsored revised tariff sheets using the cost allocations already approved in IPL’s last rate case, adjusted for opt-out customers.

6. **Commission Discussion and Findings.** Petitioner’s proposed DSM Adjustment Factors presented for approval in this Cause reflect projected costs for the period July through December 2018, including program costs, shared savings, and lost revenue, as well as the reconciliation of actual program costs and revenues for July through December 2017, reconciliation of lost revenue for July through December 2017, and the true-up of shared savings incentives and lost revenue for January through December 2016 based on EM&V results. Based on IPL’s agreed use of the revised DSM Adjustment Factors in its Rebuttal Testimony and on IPL’s most recently approved cost allocation factors from Cause No. 44576, adjusted for the removal of large industrial opt-out customers, consistent with Ind. Code § 8-1-8.5-9, we find that the revised DSM Adjustment Factors and the revised tariff sheets in IPL’s Rebuttal Testimony are reasonable and should be approved.

In its Rebuttal, IPL also agreed to the OUCC’s recommendation that any prospective difference in authorized DSM cost allocation factors approved in Cause No. 45029 and those previously approved in Cause No. 44567 be addressed in IPL’s next DSM reconciliation filing (i.e., Cause No. 43623 DSM 18). The record shows Petitioner adequately supported its proposed DSM Adjustment Factors in its Rebuttal Testimony, showing the calculations and adjusted cost allocations used to determine the approved DSM Adjustment Factors. Accordingly, we approve the DSM Adjustment Factors (as shown in Petitioner’s Exhibit 2-R, Attachment AR) to become effective at the beginning of the first billing cycle for the billing month of July 2018 and shall remain in effect for approximately six months.

**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:**
1. The Petition of Indianapolis Power & Light Company for approval of DSM Adjustment Factors for electric service, along with IPL's proposed DSM Adjustment Factors, as set out in Petitioner's Exhibit 2-R, Attachment AR, are hereby approved.

2. Prior to implementing the approved DSM Adjustment Factors, IPL shall file the applicable rate schedules under this Cause for approval by the Commission's Energy Division.

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

HUSTON, FREEMAN, KREVDIA, OBER, AND ZIEGNER CONCUR:

APPROVED: JUN 27 2018

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

Mary Becerra
Secretary of the Commission