

ORIGINAL

*CM*  
*[Signature]*  
*[Signature]*  
*[Signature]*  
*Laub*

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANAPOLIS )	
POWER & LIGHT COMPANY FOR )	
APPROVAL OF DEMAND SIDE )	
MANAGEMENT ADJUSTMENT FACTORS )	
FOR ELECTRIC SERVICE FOR THE )	CAUSE NO. 43623 DSM 4
MONTHS OF JANUARY TO JUNE, 2012 IN )	
ACCORDANCE WITH THE ORDER OF THE )	APPROVED: DEC 21 2011
COMMISSION IN CAUSE NO. 43623. )	

ORDER OF THE COMMISSION

**Presiding Officers:**

**Carolene Mays, Commissioner**

**Lorraine L. Seyfried, Administrative Law Judge**

On September 20, 2011, Indianapolis Power & Light Company (“IPL” or “Petitioner”) 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, 2012. IPL’s petition was filed in accordance with the Order issued by the Indiana Utility Regulatory Commission (“Commission”) in Cause No. 43623, Phase I, dated February 10, 2010 (“DSM Order”) and the provisions of Standard Contract Rider No. 22, Core and Core Plus Demand Side Management Adjustment approved therein (“Rider 22”). On September 20, 2011, IPL also prefiled its direct testimony and exhibits in this proceeding. On October 31, 2011, IPL submitted a correction to Petitioner’s Exhibit CAF-3. On November 1, 2011, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the testimony and schedule of Wes R. Blakley. On November 23, 2011, IPL filed the supplemental testimony of Craig Forestal and Lester Allen and revisions to Petitioner’s Exhibits A, CAF-2 and LHA-2.

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 29, 2011, at 10:00 a.m. in Room 224, 101 W. 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 the actions that IPL has taken with regard to delivery of its Core and Core Plus Programs after the Commission issued the DSM Order. 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, 2012. Mr. Allen discussed the upcoming transition of Core Program delivery to the Statewide DSM Third-Party Program Administrator selected by the Demand Side Management Coordination Committee, subject to Commission approval, and execution of service contracts for the delivery of approved DSM programs. Mr. Allen also described the formation and functioning of IPL's DSM Oversight Board and provided estimated demand and energy savings for all programs from January 1 through June 30, 2012.

4. **Recovery of Costs.** In the DSM Order, the Commission authorized IPL to recover the cost of implementing and delivering approved Core and Core Plus 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 is applicable during the three-year period during which the DSM Programs are to be administered pursuant to the DSM Order. IPL's Rider 22 tracker will remain in effect until all approved DSM costs and incentives are properly recovered from IPL customers or, if applicable, until any over-collections are properly credited to them.

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 Program for the six-month period between January 1 and June 30, 2012 for recovery under Rider 22. Additionally, in the Commission's August 25, 2010 Order in Cause No. 40292 DSM 60, we authorized IPL to include the carrying charges and variances from its Cause No. 40292 DSM programs in its Cause No. 43623 semi-annual DSM filings. As Mr. Forestal explained, the DSM Standard Contract Rider No. 3 (Cause No. 40292) rate is no longer in effect and there are no remaining Carrying Charges and Variances from DSM Standard Contract Rider No. 3. He said that this line item will be removed in subsequent filings under Cause No. 43623 DSM XX. Mr. Forestal also stated that in the Commission's Order dated November 4, 2010 in IPL's last DSM case, Cause No. 43911, the cost recovery methodology approved in the DSM Order was preserved and the Commission authorized IPL's timely recovery of the costs of its approved School Audits program through Rider 22.

In his supplemental testimony, Mr. Forestal explained that the Commission’s November 22, 2011 Order in Cause No. 43960 (“43960 Order”) approved, with some modifications, IPL’s 3-Year DSM Plan and associated cost recovery. More specifically, as well as the Commission’s January 26, 2011 Order on Cost Deferral in Cause No. 42693 S1, the modified Settlement Agreement approved in the 43960 Order provides for timely recovery through Rider 22 of costs associated with IPL’s Core and Core Plus Programs. He said the 43960 Order also approved IPL’s request for recovery of a performance incentive associated with its Core Plus Programs through Rider 22, consistent with the Settlement Agreement presented in that case. Mr. Forestal sponsored Petitioner’s Exhibit CAF-2 (Revised), which reflects the revised projected costs and allocations for the DSM programs for the billing period of January 2012 through June 2012. He stated that Petitioner’s Exhibit CAF-2 (Revised) also shows the recovery of costs deferred pursuant to the Commission’s Order in Cause No. 42693 S1, as approved by the 43960 Order. Finally, Mr. Forestal sponsored a revised Rider 22 tariff sheet as Petitioner’s Exhibit A (Revised).

**5. Performance Incentives.** In its DSM Order, the Commission authorized certain tiered performance incentives for IPL’s approved Core Plus Programs, excluding the following, 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. The 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 DSM Order permits IPL to receive incentives on selected Core Plus Programs based on achieving targeted demand and energy savings. In his supplemental testimony, Mr. Allen explained that the 3-Year DSM Plan approved in the 43960 Order results in new estimates of demand and energy savings for IPL’s DSM programs. He sponsored Petitioner’s Exhibit LHA-2 (Revised) showing the estimated savings. Petitioner’s Exhibit CAF-2 (Revised) shows the Projected Target Performance Incentives by Cost Type for each applicable Core Plus DSM Program. Mr. Forestal stated IPL is utilizing a target incentive of 8% of projected expenditures, which is consistent with what was included in its Cause No. 43623 DSM 3 filing, where the current DSM Adjustment Factors were set.

**6. Deferral for Recovery.** In its DSM Order, the Commission authorized IPL to defer for recovery, following its completion and through Rider 22, the costs of a Home Area Network Proof of Concept (“HAN POC”) and Time of Use (“TOU”) pricing, up to the estimated cost of the study. Mr. Forestal explained that the TOU pricing study was completed prior to IPL filing its petition in Cause No. 43623 DSM 2, and IPL’s requested recovery of \$155,969 of such

costs was granted. He indicated that the cost of the HAN POC was estimated at \$300,000 and through June 30, 2011, IPL has expended \$304,717 on the HAN POC. Mr. Forestal stated that the HAN POC has been completed and therefore IPL is requesting recovery of \$300,000 of such costs, which amount is shown on Line 6 of Petitioner's Exhibit CAF-2 (Revised), Page 2 of 2.

**7. Reconciliation of Estimated and Actual Expenditures, Revenues and Performance Incentive Targets.** For the period of January through June, 2011, 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 a 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).

**8. Resulting DSM Adjustment Factors.** The Grand Total Costs to be Recovered through IPL's DSM Adjustment Tracker for the months of January through June 2012, is \$9,209,644 (Petitioner's Exhibit CAF-2 (Revised), Page 2, Line 8), which is the Grand Total Core and Core Plus DSM Programs projected costs (including the target performance incentives) of \$9,355,960 (*Id.* at Page 1, Line 41), adjusted for Reconciliation of Expenditures of \$(432,908) (*Id.* at Page 2, Line 2), Update of Target Performance Incentives of \$(27,704) (*Id.* at Page 2, Line 3), Reconciliation of Revenues of \$(173,483) (*Id.* at Page 2, Line 4), Deferred Statewide Program costs of \$187,778 (*Id.* at Page 2, Line 5), and HAN POC expenditures of \$300,000 (*Id.* at Page 2, Line 6). Dividing the Grand Total Costs to be Recovered for each customer charge type for the period from January to June 2012 by the estimated megawatt hour sales for the respective customer charge types (7,056,298 MWh as shown on Petitioner's Exhibit CAF-2 (Revised), Page 2, Line 9) 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 \$0.002409 per kWh; for Rates SS, SH, OES, UW and CW (with associated Rate RS service) of \$0.000960 per kWh; for Rate SL of \$0.000571 per kWh; and for Rates PL, PH and HL of \$0.000653 per kWh.

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 2012 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 \$2.409 per month during the period covered herein.

OUCW Witness Blakley testified that his calculation of the adjustment factors matches Petitioner's calculation of its DSM Adjustment Factors.

**9. 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 Verified Petition of Indianapolis Power & Light Company for Approval Demand-Side Management Adjustment Factors for electric service as set out in Finding No. 8 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, as shown in Petitioner's Exhibit A (Revised).

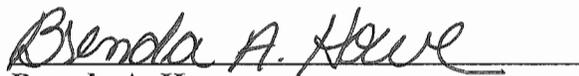
3. This Order shall be effective on and after the date of its approval.

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

**APPROVED:**

DEC 21 2011

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



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