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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 )  
MONTHS OF JULY TO DECEMBER, 2014 IN )  
ACCORDANCE WITH THE ORDERS OF )  
THE COMMISSION IN CAUSE NOS. 43623, )  
43911, 43960 AND 44328 )

CAUSE NO. 43623 DSM 9

APPROVED: JUN 11 2014

ORDER OF THE COMMISSION

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

On March 28, 2014, Indianapolis Power & Light Company (“IPL” or “Petitioner”) filed its Verified Petition for Approval of Demand Side Management (“DSM”) Adjustment Factors for electric service for the months of July through December, 2014. IPL’s petition was filed in accordance with Orders issued by the Indiana Utility Regulatory Commission (“Commission”) in Cause Nos. 43623, 43911, 43960, 44328 and 42693 S1, and the provisions of Standard Contract Rider No. 22, Core and Core Plus Demand Side Management Adjustment approved therein (“Rider 22”).

On March 28, 2014, IPL also prefiled its direct testimony and exhibits in this proceeding. On May 9, 2014, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled its direct testimony and exhibits. On May 13, 2014, IPL filed its supplemental testimony and exhibit. IPL also responded to a May 15, 2014 Docket Entry requesting additional information on May 16, 2014.

A public hearing was held in this Cause on May 20, 2014, at 9:30 a.m. in Room 224, PNC Center, 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 on the applicable law and being duly advised, the Commission finds:

- 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” as defined in Ind. Code § 8-1-2-1. The Commission’s Orders in Cause Nos. 43623, 43960, and 44328 approved an adjustment mechanism for IPL’s recovery of costs

associated with its DSM Program through a DSM adjustment mechanism. 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 Petitioner and the subject matter of this Cause.

**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 2014 Core and Core Plus Programs approved by the Commission. He stated the Commission's November 25, 2013 Order in Cause No. 44328 ("44328 Order") allowed IPL to continue offering all of the Core and Core Plus electric DSM programs that were previously offered under the Commission's November 22, 2011 Order issued in Cause No. 43960 ("43960 Order"), except the Residential High Efficiency Heating, Ventilation, and Air Conditioning ("HVAC") program, which IPL discontinued after December 2013. Current programs include:

**Core Programs**

- Residential Lighting Program
- Residential Home Energy Assessment Program
- Residential Income Qualified Weatherization Program
- Energy Efficient Schools Program (School Education Kits and School Audits)
- Commercial & Industrial ("C&I") Prescriptive Rebates Program

**Core Plus Programs**

- Residential New Construction
- Online Energy Assessment with Kit
- Multifamily Direct Install
- Business Energy Incentive Program – Prescriptive/Custom
- Appliance Recycling
- Peer Comparison Report
- CoolCents® Residential Air Conditioning Load Management ("ACLM")
- CoolCents® C&I ACLM
- Residential Renewables
- C&I Renewables

Mr. Allen also described the ongoing activities of IPL's DSM Oversight Board and provided estimated demand and energy savings for all programs from July 1, 2014 through December 31, 2014. He further explained that IPL extended the GoodCents Statewide Third Party Administrator ("TPA") contract for the continued delivery of the Core Programs for the period that ends December 31, 2014, pursuant to the Commission's August 15, 2012 Order in Cause No. 42693 S1.

Mr. Allen explained in supplemental testimony that Senate Enrolled Act 340 (“SEA 340”) led to the necessity of changes in IPL’s Rider 22 as originally filed in this Cause. He explained that SEA 340 was passed by the Indiana General Assembly and allowed to become law effective as of March 27, 2014. SEA 340 allows industrial customers receiving service at a single site constituting more than one (1) megawatt (“MW”) of electric capacity from an electric supplier to opt-out of participating in and paying for utility-sponsored energy efficiency programs. Once a qualifying customer has opted out, the electricity supplier may not charge the customer rates that include energy efficiency program costs that accrue or are incurred after the date of the opt-out. However, the customer remains responsible for rates that include energy efficiency program costs that accrued or were incurred, or are related to investments made, before the date of the opt-out, regardless of when such rates are actually charged to the customer. SEA 340 also allows customers to opt back into participation and payment for utility-sponsored energy efficiency programs. Mr. Allen noted that, as was described in detail in Cause No. 44441, the utilities have developed procedures to allow qualifying customers to opt-out in 2014 if they provide proper notice to their utility by June 1, 2014. During the initial implementation of SEA 340, IPL intends to make opt-outs effective with the next applicable billing cycle following receipt of such notice from qualifying customers. In other words, a customer opt-out request that was received in April 2014 will be allowed to opt-out effective with bills rendered in the next billing cycle in June 2014. Because Commission approval will likely not be received until July 2014, IPL will effectuate these pre-July 2014 opt-outs via bill credits to applicable customers, once Commission approval is received. Thereafter, IPL will follow the still anticipated final order in Cause No. 44441.

**4. Recovery of Costs.** Mr. Allen noted that the costs at issue in this proceeding straddle a transition from DSM Programs approved in the Commission’s Orders in Cause Nos. 43623 and 43911, to those approved in the 43960 Order, and the continued delivery of programs in 2014 as allowed in the 44328 Order. The February 10, 2010 Order in Cause No. 43623 (“43623 Order”) provides the framework for IPL to recover the forecasted costs for DSM programs and the mechanism to reconcile the forecasted costs to actual costs. In the 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 DSM Programs over six-month periods that match the billing periods of the Rider 22 rate adjustment mechanism. IPL’s semi-annual forecasts of Core and Core Plus DSM 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 Forestal sponsored Petitioner’s Exhibit CAF-2 showing the spending forecast included in this filing for the period July through December 2014 derived from the spending amounts that were approved in Cause No. 44328, in addition to the previously approved and unspent funds from 2013 added to certain programs. Mr. Forestal stated that in the Commission’s November 4, 2010 Order in Cause No. 43911 (“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.

Forestal further stated that the 44328 Order granted IPL authority to: terminate delivery of the Residential High Efficiency HVAC program; continue delivering all other previously approved DSM programs, including offering the Residential and C&I Renewable Energy Incentives programs for an additional year; increase the budget for the Business Energy Incentive program; transfer the recovery of Rider 13 ACLM credits to Rider 22 and recover all ACLM program costs and participant credits in the same manner as Rider 22; and include incremental energy savings achieved by all ACLM participants during the year when calculating achieved energy savings. Mr. Forestal further noted that the 44328 Order also approved IPL's 2014 DSM Plan proposed budget, but only with an allowance for spending flexibility equivalent to 10% of the portfolio planned budget. The Commission also authorized IPL to roll-over any unspent funds from the budget approved in the 43960 Order for the 2012/2013 period. Finally, the 44328 Order approved IPL's proposed modification to its performance incentive mechanism, to be based solely on energy savings.

Mr. Allen, in his supplemental testimony, noted that IPL is proposing that the Commission approve the rates shown in Petitioner's Exhibit LHA-S1 in this proceeding, including a "zero" rate for qualifying customers who opt-out by providing proper notice to IPL by June 1, 2014. Mr. Allen further noted that in 2015, IPL will update and reconcile that zero opt-out rate to reflect energy efficiency program costs incurred, accrued, or related to energy efficiency investments made prior to the date of opt-out, as well as prior period reconciliations (e.g., variances from DSM 7). This will also include direct program costs incurred prior to such date, "fixed" and administrative costs associated with the current TPA and Evaluation, Measurement, and Verification ("EM&V") contracts, and estimated shareholder/performance incentives relating to program results achieved during the first six months of 2014. Other necessary reconciliations to Rider 22 rates, resulting from charging opt-out customers zero for July through December 2014, will also be implemented in future DSM rate adjustment proceedings. Although IPL is proposing that the Commission approve this zero opt-out rate in this proceeding, Mr. Allen explained that IPL's proposed opt-out and opt-in procedures are pending approval in Cause No. 44441.

The OUCC did not oppose IPL's proposal in this proceeding.

**5. Performance Incentives.** Mr. Allen noted that the 43623, 43960 and 44328 Orders collectively permit IPL to receive performance incentives on selected Core Plus Programs based on achieving targeted energy savings. Mr. Forestal noted that the incentive amounts forecasted for the period July through December 2014 were calculated using an 8% multiplier to the projected spend of the appropriate Core Plus Programs. This percentage, which is the same percentage used for estimating the performance incentives from April 2010 to December 2013, corresponds to an assumed performance in the 80% to 90% range. Mr. Forestal noted that the performance incentive reconciliation for the period will follow the same methodology utilized in Cause No. 43623. Energy savings budgets in subsequent years will be adjusted to reflect prior final year results by the EM&V Administrator. Mr. Allen explained how IPL calculated the incentives on the forecast spending for the Core Plus Programs. Mr. Allen provided an estimate of the energy savings from the 2014 approved DSM programs in Petitioner's Exhibit LHA-2. Mr. Allen acknowledged that IPL is not providing a true-up of the performance incentives in this proceeding because EM&V has not yet been completed, but will provide a reconciliation of the

performance incentives for Core Plus programs delivered pursuant to the 43623 Order in a subsequent filing, following EM&V.

OUCG witness Wes R. Blakley acknowledged that IPL will provide a reconciliation of performance incentives for Core Plus programs in a subsequent filing once the incentives for the three-year period 2010 through 2013 have been finalized. Mr. Blakley further acknowledged that, in Cause No. 44328 the Commission approved a reconciliation of previously authorized ACLM charges from its Rider 13 to Petitioner's DSM tracker (Rider 22). Mr. Blakley verified that his calculations of IPL's proposed DSM Adjustment Factors, as shown in Schedule 1, match IPL's calculation on Petitioner's Exhibit CAF-2.

**6. Reconciliation of Estimated and Actual Expenditures, Revenues and Performance Incentive Targets.** For the period of July through December, 2014, the Grand Total Costs to be recovered include the following: (a) the projected DSM program expenditures for the period July 2014 through December 2014; (b) target performance incentives for certain of IPL's Core Plus Programs calculated by multiplying the forecasted program expenditures for each program by the target incentive percentage for that program; (c) a reconciliation of actual DSM Program expenditures from July 2013 to December 2013 to estimated costs for that same period; (d) a reconciliation of the target performance incentive derived by subtracting the projected performance incentive on projected program costs from July 2013 to December 2013 from the target performance incentive on actual program expenditures incurred for each program; (e) a reconciliation of actual DSM Adjustment Factor revenues billed to customers from July 2013 to December 2013 to the approved amount for that same period; (f) costs incurred for the Demand Side Management Coordination Committee per Cause No. 42693 S1; and (g) a reconciliation of actual ACLM Adjustment Factor revenues billed to customers in 2013 to the approved amount for that same period per Cause No. 44328. Petitioner's Exhibits CAF-3 through CAF-6 show the reconciliation schedules.

**7. Resulting DSM Adjustment Factors.** The Grand Total Costs to be recovered through IPL's DSM tracker (Rider 22) for the months of July through December 2014 is \$17,455,127, which is the Grand Total of the Core and Core Plus DSM Programs' projected costs, including the target performance incentives of \$281,200 (Petitioner's Exhibit CAF-2, Page 1, Line 38), adjusted for Reconciliation of Expenditures from Cause No. 43960 of \$708,213 (Petitioner's Exhibit CAF-2, Page 2, Line 2), adjusted for an update of target performance incentives from Cause No. 43960 of \$55,953 (Petitioner's Exhibit CAF-2, Page 2, Line 3), Reconciliation of Revenues of \$92,291 (Petitioner's Exhibit CAF-2, Page 2, Line 4), and deferred costs approved by the Commission in Cause No. 42693 S1 of \$9,500 (Petitioner's Exhibit CAF-2, Page 2, Line 6), and including the ACLM variance from Cause No. 44328 \$(11,030). Dividing the Grand Total Costs to be recovered for each customer charge type for the period from July to December 2014 by the estimated megawatt hour sales for the respective customer charge types (7,055,590 MWh as shown on Petitioner's Exhibit CAF-2, 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 \$0.002614 per kWh; for Rates SS, SH, OES, UW and CW (with associated Rate SS service) of \$0.003812 per kWh; and \$0.002098 per kWh for Rate PL, PH, HL, SL customers, including those who remain participants in IPL's energy efficiency programs. See Petitioner's Exhibit LHA-S1. A factor of \$0.000000 per kWh

will be charged for Rate PL, PH, HL, SL customers who have elected to opt out by June 1, 2014 (to be subsequently reconciled to reflect energy efficiency program costs that accrued or were incurred, or relate to energy efficiency investments made, before the date on which the opt-out is effective, as well as prior period reconciliations).

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 July 2014 billing period in Regular Billing District 41 and Special Billing District 01. The DSM Adjustment Factors will remain in effect for approximately six 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 monthly rate increase of \$1.158 or 1.704% of such bill.

**8. Commission Findings.** The evidence presented in this Cause as discussed above supports approval of Petitioner's proposed DSM Adjustment Factors as reasonable. Accordingly, we approve the requested DSM Adjustment Factors.

**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 is approved.
2. Prior to placing into effect the Core and Core Plus Demand Side Management Adjustment Factors, IPL shall file with the Commission's Electricity Division a separate amendment to its rate schedules, 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.

**STEPHAN, MAYS, AND ZIEGNER CONCUR; WEBER NOT PARTICIPATING:**

**APPROVED:**

**JUN 11 2014**

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



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