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**FILED**

**MAY 30 2014**

**INDIANA UTILITY  
REGULATORY COMMISSION**

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**PETITION OF INDIANAPOLIS POWER & LIGHT )**  
**COMPANY FOR APPROVAL OF ELECTRIC )**  
**DEMAND SIDE MANAGEMENT PROGRAMS TO BE )**  
**EFFECTIVE JANUARY 1, 2015 THROUGH )**  
**DECEMBER 31, 2016, AND FOR AUTHORITY TO )**  
**RECOVER ASSOCIATED START-UP, )**  
**IMPLEMENTATION AND ADMINISTRATIVE )**  
**COSTS ALONG WITH COSTS ASSOCIATED WITH )**  
**THE EVALUATION, MANAGEMENT AND )**  
**VERIFICATION OF THOSE PROGRAMS )**  
**(“PROGRAM COSTS”), PERFORMANCE )**  
**INCENTIVES, AND LOST REVENUES, THROUGH )**  
**ITS DEMAND SIDE MANAGEMENT ADJUSTMENT )**  
**MECHANISM IN ACCORDANCE WITH IND. CODE )**  
**§§ 8-1-2-42(a) AND 8-1-8.5-9 AND PURSUANT TO 170 )**  
**IAC 4-8-5 AND 170 IAC 4-8-6. )**  
**)**

**CAUSE NO. 44497**

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**VERIFIED PETITION**

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Indianapolis Power & Light Company (“IPL” or “Petitioner”) petitions the Indiana Utility Regulatory Commission (“Commission”) for approval of electric demand side management (“DSM”) programs and authority to recover: associated start-up, implementation and administrative costs (both direct and indirect) along with costs associated with the evaluation, management and verification of those programs (“Program Costs”); performance incentives; and lost revenues, through its Demand Side Management Standard Contract Rider No. 22 (“Rider 22”), in accordance with Ind. Code §§ 8-1-2-42(a), 8-1-8.5-9 and 170 IAC 4-8-5 and 4-8-6. In accordance with 170 IAC 1-1.1-8 and 1-1.1-9 of

the Commission's Rules of Practice and Procedure, Petitioner respectfully submits the following information in support of this petition.

**Petitioner's Corporate Status**

1. Petitioner is a public utility corporation organized and existing under the laws of the State of Indiana with its principal office and place of business at One Monument Circle, Indianapolis, Indiana. Petitioner is engaged in rendering electric utility service in the State of Indiana and owns, operates, manages and controls, among other things, plant and equipment within the State of Indiana used for the generation, transmission, distribution and furnishing of such service to the public.

**Petitioner's Regulated Status**

2. Petitioner is a "public utility" within the meaning of Ind. Code S 8-1-2-1 and is an "electricity supplier" within the meaning of Ind. Code SS 8-1-2.3-2(b) and 8-1-8.5-9, and is subject to the jurisdiction of the Commission in the manner and to the extent provided by the Public Service Commission Act, as amended, and other pertinent laws of the State of Indiana.

**Petitioner's Operations**

3. Petitioner renders retail electric utility service to approximately 470,000 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 Counties. IPL owns, operates, manages and controls electric generating, transmission and distribution plant, property and equipment and related

facilities, which are used and useful for the convenience of the public in the production, transmission, delivery and furnishing of electric energy, heat, light and power.

**Petitioner's Historical DSM Program Offerings**

4. Since 1993, Petitioner has been offering to its retail electric customers a comprehensive portfolio of DSM programs. *See, e.g., In re Petition of Indianapolis Power & Light Company for Approval of and Authority to Implement Demand Side Management Programs, and for Accounting and Ratemaking Treatment of Costs Incurred and Lost Revenues as a Result of Implementation of Demand Side Management Programs Approved by the Commission*, Cause No. 39672, 1993 Ind. PUC LEXIS 370 (IURC; Sept. 8, 1993).

5. Between 1995 and 2004, Petitioner continued implementation of a comprehensive portfolio of DSM programs for customers, and recovered the costs of such programs, along with lost revenues. *See, e.g., In re Petition of Indianapolis Power & Light Company for Approval of a Demand Side Management Lost Revenue Adjustment Factor for Electric Service in Accordance with the Order of the Commission in Cause No. 39672 Effective September 8, 1993*, Cause No. 40292-DSM1, 1995 Ind. PUC LEXIS 415 (IURC; Nov. 2, 1995) and *In re Petition Of Indianapolis Power & Light Company For Approval Of A Demand Side Management Lost Revenue And Cost Adjustment Factor For Electric Service In Accordance With The Order Of The Commission In Cause No. 40714 Effective July 30, 1997*, Cause No. 40292-DSM9, 1997 Ind. PUC LEXIS 404 (IURC; Oct. 22, 1997).

6. Beginning in 2004, pursuant to a settlement agreement approved by the Commission, Petitioner continued to offer a comprehensive portfolio of DSM programs for customers, but without recovery of lost revenues. *See, e.g., In re Joint Petition Of*

*Indianapolis Power & Light Company, Indiana Office Of Utility Consumer Counselor, And Citizens Action Coalition Of Indiana, Inc. For Approval Of A Residential Demand Side Management Program And Related Regulatory Treatment, Cause No. 42639, 2004 Ind. PUC LEXIS 217 (IURC; July 21, 2004).*

7. On December 9, 2009, the Commission issued its Phase II Order in Cause No. 42693, *In the Matter of the Commission's Investigation into the Effectiveness of Demand Side Management Programs* ("Phase II Order"). In this Order, the Commission established mandatory energy savings goals and other requirements applicable to jurisdictional Indiana retail electric utilities. The Commission found that jurisdictional electric utilities, of which IPL is one, were required to offer certain core DSM programs ("Core Programs") to all customer classes and market segments. To implement these programs, electric utilities were required to pursue coordinated marketing, outreach and consumer education strategies on a statewide basis. The Commission also determined that an Independent Third Party Administrator ("TPA") should be utilized by the electric utilities to oversee the administration and implementation of the Core Programs. In addition, a DSM Coordination Committee was to be formed to address DSM program oversight generally within the State of Indiana. The Commission also found that a single statewide evaluation protocol was necessary in order to track achievement with DSM goals. Consequently, jurisdictional electric utilities were required to contract with an independent entity to conduct the EM&V with respect to the Core Programs. The Phase II Order also contemplated the implementation of non-Core utility-specific DSM programs ("Core Plus Programs"), as necessary to meet the energy savings goals established by the Commission, and those Core

Plus Programs were to be evaluated by a statewide evaluation, measurement and valuation (“EM&V”) administrator, as well. Finally, the Commission found that the associated ratemaking and cost recovery issues associated with an electric utility’s DSM programs, as well as smart grid technologies and advanced rate design, should be addressed on a case by case basis in individual utility proceedings.

8. In 2010, the Commission approved IPL’s proposed Core and Core Plus programs, and approved ratemaking to provide cost recovery for its Core and Core Plus Programs through Standard Contract Rider No. 22 (Core and Core Plus Demand-Side Management Adjustment), along with a performance incentive applicable to certain of the Core Plus programs, but denied IPL recovery of lost revenues associated with the Core and Core Plus programs. *See Verified Petition Of Indianapolis Power & Light Company Requesting The Indiana Utility Regulatory Commission To Approve An Alternative Regulatory Plan Pursuant To Ind. Code 8-1-2.5-1, et seq., For The Offering Of Energy Efficiency Conservation, Demand Response And Demand-Side Management Programs And Associated Rate Treatment Including Incentives In Accordance With Ind. Code 8-1-2.5-1 et seq. and 8-1-2-42(a); Authority To Defer Program Costs Associated With Its Energy Efficiency Portfolio Programs; Authority To Implement New And Enhanced Energy Programs And Approval Of Modification Of The Fuel Adjustment Clause Earnings And Expense Tests*, Cause No. 43623, 2010 Ind. PUC LEXIS 53 (IURC; Feb. 10, 2010). *See also, In re Verified Petition Of Indianapolis Power & Light Company Requesting The Indiana Utility Regulatory Commission To Approve An Energy Efficiency Schools Program - - Audits (“School Audits”) As A Core DSM Offering And Related Regulatory Treatment*,

*Including Timely Cost Recovery, In Accordance With Indiana Code 8-1-2-42(a) and 170 IAC 4-8-1 et seq. and For Authority To Timely Recover Lost Revenue On Core and Core Plus Programs Pursuant to 170 IAC 4-8-6, Cause No. 43911, 2010 Ind. PUC LEXIS 391 (IURC; Nov. 4, 2010).*

9. The Commission's November 22, 2011 Order in Cause No. 43960 ("43960 Order") approved a settlement agreement (with certain modifications) and authorized IPL to implement a portfolio of DSM programs and recover associated costs through Standard Contract Rider No. 22 (Core and Core Plus Demand-Side Management Adjustment), along with a performance incentive. IPL was implementing the majority of the Core Programs and a number of Core Plus Programs on January 1, 2011. IPL transitioned delivery and administration of the Core Programs to the selected TPA, GoodCents Solutions, on January 1, 2012. *See In re Verified Petition Of Indianapolis Power & Light Company Requesting The Indiana Utility Regulatory Commission To Approve (1) New And Enhanced Demand Side Management And Energy Efficiency Programs; (2) Ratemaking Recognition Of Such Costs, Including Timely Recovery Of Associated Costs; Including Performance Incentives Pursuant To Standard Contract Rider No. 22 In Accordance With Indiana Code 8-1-2-42(a) To Defer Costs, Including Carrying Charges Incurred To Implement Core DSM Programs And Otherwise Comply With The Phase II Order In Cause No. 42693; (4) Revisions To Rate REP. And (5) Ratemaking Recognition Of Costs Incurred To Deploy Electric Vehicle Supply Equipment Pursuant To Standard Contract Rider No. 22 In Accordance With Indiana Code 8-1-2-42(a), Cause No. 43960, 2011 Ind. PUC LEXIS 344 (IURC; Nov. 22, 2011).*

10. On November 25, 2013, the Commission approved IPL's proposed costs to

deliver the 2014 DSM Plan to comply with the Commission's Phase II Order, as reasonable and necessary and recognizable for ratemaking purposes. The Commission in that Order also approved IPL's request for timely recovery of costs associated with the Core and Core Plus Programs, including costs incurred under the contracts for the TPA and EM&V Administrator through IPL's Standard Contract Rider No. 22. IPL was also authorized to recover a performance incentive associated with certain of the Core Plus Programs. *See Verified Petition Of Utility Regulatory Commission To Approve (1) Demand Side Management And Energy Efficiency Programs; (2) Ratemaking Recognition Of Such Costs, Including Timely Recovery Of Associated Costs, Including Performance Incentives Pursuant To Standard Contract Rider No. 22 In Accordance With Indiana Code 8-1-2-42(a) And 170 IAC 4-8-1 Et Seq.; And (3) Revisions To Standard Contract Rider No. 13's Participant Credits And Performance Incentives, Cause No. 44328, 2013 Ind. PUC LEXIS 359 (IURC; Nov. 25, 2013).*

11. On March 27, 2014, Senate Enrolled Act 340 ("SEA 340") became law.

Among other things, SEA 340 states as follows:

The commission may not: (1) extend, renew, or require the establishment of an energy efficiency program under; or (2) after December 31, 2014, require an electricity supplier to meet a goal or target established in the DSM order issued by the commission on December 9, 2009. An electricity supplier may not renew or extend an existing contract or enter into a new contract with a statewide third party administrator for an energy efficiency program established or approved by the DSM order issued by the commission on December 9, 2009.

After December 31, 2014, an electricity supplier may continue to timely recover energy efficiency program costs that: (1) accrued or were incurred under or relate to an energy efficiency program implemented under the DSM order issued by the commission on December 9, 2009; and (2) are approved by the commission for recovery.

After December 31, 2014, an electricity supplier may offer a cost effective portfolio of energy efficiency programs to customers. An electricity supplier may submit a proposed energy efficiency program to the commission for review. If an electricity supplier submits a proposed energy efficiency program for review and the commission determines that the portfolio included in the proposed energy efficiency program is reasonable and cost effective, the electricity supplier may recover energy efficiency program costs in the same manner as energy efficiency program costs were recoverable under the DSM order issued by the commission on December 9, 2009. The commission may not: (1) require an energy efficiency program to be implemented by a third party administrator; or (2) in making its determination, consider whether a third party administrator implements the energy efficiency program.

### **Petitioner's Current DSM Plan**

12. IPL currently provides DSM programs under two categories: Core Programs and Core Plus Programs. Core Programs are those outlined and approved by the Commission's Phase II Order that are currently being implemented through GoodCents. These programs consist of the five (5) separate programs listed below:

#### *Core Programs*

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

IPL's Core Plus Programs were most recently approved by the 44328 Order for the period January 1, 2014 through December 31, 2014. These programs consist of the ten (10) separate programs listed below:



Core Plus Programs

- Residential New Construction
- Online Energy Assessment with Kit
- Multifamily Direct Install
- Business Energy Incentive Program – Prescriptive/Custom
- Appliance Recycling

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- Peer Comparison Report
- CoolCents® Residential ACLM
- CoolCents® C&I ACLM
- Residential Renewables
- C&I Renewables

**Petitioner’s Request for Approval of its 2015-2016 Electric DSM Program Portfolio**

13. In 2012 IPL completed a joint Market Potential Study with Citizens Energy that included an Action Plan for the period 2014-2017. In the second quarter of 2014 IPL worked with its consultant EnerNOC to update the Action Plan for the period 2015-2017 (“2015-2017 Action Plan”). While IPL has updated the remaining three (3) years of the DSM Action Plan and is presenting results for all three (3) years, as discussed below IPL is only seeking authority in this proceeding to implement the DSM programs during calendar years 2015 and 2016.

14. In this proceeding, IPL requests Commission approval of its proposed portfolio of DSM programs to be effective from January 1, 2015 through December 31, 2016 (“2015 – 2016 DSM Plan”), as follows:

| <b>Program</b>  |
|---|
| Residential Lighting                                  |
| Residential Income Qualified Weatherization (“IQW”)   |
| Residential Air Conditioning Load Management (“ACLM”) |
| Residential Multi Family Direct Install               |
| Residential Home Energy Assessment (“HEA”)            |
| Residential School Kit                                |
| Residential Online Energy Assessment                  |
| Residential Appliance Recycling                       |
| Residential Peer Comparison Reports                   |
| Business Energy Incentives - Prescriptive             |
| Business Energy Incentives – Custom                   |
| Small Business Direct Install                         |
| Business Air Conditioning Load Management (“ACLM”)    |

**Petitioner’s Changes from 2014 Programs**

15. Petitioner is requesting to modify its DSM program offerings to remove certain programs that are not projected to achieve cost-effective savings. Namely, Petitioner proposes to eliminate the Energy Efficient Schools-Audit and Direct Install Program. However, schools will continue to have the opportunity to participate in IPL’s proposed Small Business Direct Install Program, Business Energy Incentives Prescriptive Program, Business Energy Incentives Custom Program, and Business ACLM Program. Petitioner is also proposing to discontinue its Residential New Construction Program, as well as the Residential Renewable Incentives Program and the C&I Renewable Incentives Program, due to a projected failure to achieve cost-effectiveness.

**Petitioner's Request for Authority to Recover Program Costs**

16. IPL requests authority to recover Program Costs associated with its 2015-2016 DSM Program through its Standard Contract Rider No. 22 consistent with the provisions of 170 IAC 4-8-5 as authorized in the 44328 Order, the 43960 Order and 43623-DSM-X Orders. As addressed in other DSM proceedings (Cause Nos. 44441 and 43623-DSM-9) trailing costs and prior period reconciliations for large industrial customers who have been permitted to opt-out of Energy Efficiency Programs will be included in the requested costs for recovery in a future DSM filing, as will the 2014 DSM Core or Core Plus program costs that are associated with 2014 but not incurred until 2015.

**Petitioner's Request for Authority to Recover Performance Incentives**

17. IPL requests authority to recover performance incentives associated with 2015-2016 DSM Plan (excluding the Income Qualified Weatherization program), through its Standard Contract Rider No. 22 as authorized in Cause No. 43623 and again in Cause No. 43960, and as modified in the 44328 Order. .

**Petitioner's Request for Authority to Recover Lost Revenues**

18. IPL also requests authority to recover lost revenues associated with its 2015 – 2016 DSM Plan through its Standard Contract Rider No. 22, consistent with the provisions of 170 IAC 4-8-6. As will be explained in greater detail in its case-in-chief testimony, IPL believes that recovery of lost revenues resulting from its 2015-2016 Plan is just and reasonable for a number of reasons, including: (1) lost revenues are a real and calculable cost of implementing DSM programs; (2) lost revenue recovery is necessary (but not sufficient) to eliminate a financial penalty for implementing energy efficiency programs; (3)

both the Commission and the General Assembly have recognized that lost revenue recovery is appropriate; and (4) IPL has absorbed lost revenues resulting from its DSM programs since 2004.

**Petitioner's Request for Continued Approval of IPL's Oversight Board**

19. Consistent with current practice, as approved in the 43960 Order, IPL requests approval to continue to utilize its existing IPL Oversight Board ("OSB") to administer the 2015-2016 DSM Plan. As proposed, the OSB would be able to shift dollars within a program budget as needed as well as shift dollars among programs as long as the programs are found to be cost-effective and the overall 2015-2016 DSM Plan budget is not exceeded. In addition, IPL proposes that the OSB have the same authority to increase funding by program, without shifting dollars from other programs, by up to 10%, and to modify programs based on a review of initial program results as reported by an independent third-party evaluator.

**Petitioner's Request for Approval of Evaluation, Measurement and Verification Plans**

20. Consistent with current practice, IPL requests to continue the same or very similar evaluation, measurement and verification program for its 2015-2016 DSM Plan, consistent with the provisions of 170 IAC 4-8-1 *et seq*, as authorized in the 44328 Order.

**Petitioner's Request for Approval of Tariff Modifications**

21. IPL requests approval of necessary changes to its Rider 22 tariff to effectuate approval of the 2015-2016 DSM Plan and other relief requested herein. Tariff changes are being included using the currently pending tariff modifications as filed in Cause No. 44441.

**Applicable Law**

22. Petitioner considers the provisions of the Public Service Commission Act, as amended, including Ind. Code §§ 8-1-2-4, 8-1-2-12, 8-1-2-42, 8-1-2-46, 8-1-2-61 and 8-1-8.5-9 to be applicable to the subject matter of this Petition and believes that such statutes provide the Commission authority to approve the requested relief. The Commission’s administrative rule on demand side management, 170 IAC 4-8-1 *et seq.*, is also applicable.

**Petitioner’s Counsel**

23. The names and addresses of persons authorized to accept service of papers in this proceeding on behalf of Petitioner are:

**Counsel of Record:**

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**Request for Prehearing Conference and Preliminary Hearing**

24. In accordance with 170 IAC 1-1.1-15(b) of the Commission’s Rules of Practice and Procedure, Petitioner requests that the Commission schedule a prehearing conference and preliminary hearing for the purpose of fixing a procedural schedule in this proceeding and considering other procedural matters as soon as possible. Petitioner requests that an evidentiary hearing on this matter be set and noticed as required by law.

WHEREFORE, Petitioner respectfully requests that the Commission promptly publish notice, make such other investigation and hold such hearings as are necessary or advisable and thereafter, make and enter appropriate orders in this Cause:

(a) Approving Petitioner's proposed 2015-2016 DSM Plan, as described above, to be effective from January 1, 2015 through December 31, 2016;

(b) Granting to Petitioner authority to recover Program Costs associated with the 2015-2016 DSM Plan through Petitioner's Rider 22;

(c) Granting to Petitioner authority to recover performance incentives associated with its 2015-2016 DSM Plan, through its Rider 22;

(d) Granting Petitioner authority to recover lost revenues resulting from implementation of the 2015-2016 DSM Plan through Petitioner's Rider 22;

(e) Granting to Petitioner approval to continue to utilize its existing IPL Oversight Board to administer the 2015-2016 DSM Plan;

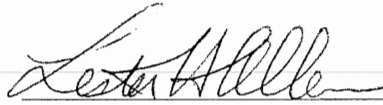
(f) Granting to Petitioner authority to continue the same or a very similar evaluation, measurement and verification program for its 2015-2016 DSM Plan;

(g) Approving necessary tariff changes to effectuate approval of the 2015-2016 DSM Plan and associated ratemaking treatment; and

(h) Granting to IPL such additional and further relief as the Commission may be deemed necessary or appropriate.

Dated this 29<sup>th</sup> day of May, 2014.

Indianapolis Power & Light

A handwritten signature in cursive script, appearing to read "Lester H. Allen", written over a horizontal line.

Lester H. Allen  
DSM Program Development Manager

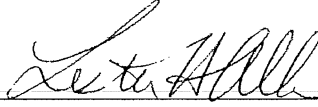
A handwritten signature in cursive script, appearing to read "K S Earls", written over a horizontal line.

Kelly S. Earls  
Petitioner's Counsel

**Verification**

I affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

Dated: May 29, 2014.



Lester H. Allen  
DSM Program Development Manager

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## CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served by email transmission upon the following:

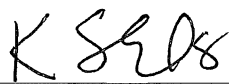
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Dated this 30<sup>th</sup> of May, 2014.

  
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