

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE VERIFIED)
PETITION OF INDIANAPOLIS POWER &)
LIGHT FOR APPROVAL OF DEMAND SIDE)
MANAGEMENT (DSM) PLAN, INCLUDING)
ENERGY EFFICIENCY (EE) PROGRAMS,)
AND ASSOCIATED ACCOUNTING AND)
RATEMAKING TREATMENT, INCLUDING)
TIMELY RECOVERY THROUGH IPL'S) CAUSE NO. _____
EXISTING STANDARD CONTRACT RIDER)
NO. 22 OF ASSOCIATED COSTS)
INCLUDING PROGRAM OPERATING)
COSTS, NET LOST REVENUE, AND)
FINANCIAL INCENTIVES.)

PETITIONER'S SUBMISSION OF DIRECT TESTIMONY OF LESTER H. ALLEN

Indianapolis Power & Light Company ("IPL" or "Petitioner"), by counsel, hereby submits the direct testimony and attachment of Lester H. Allen.

Respectfully submitted,



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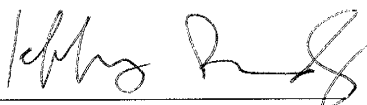
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CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the forgoing was served by electronic transmission on the following:

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Dated this 17th day of May, 2017



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**PRE-FILED VERIFIED DIRECT TESTIMONY
OF
LESTER H. ALLEN
ON BEHALF OF
INDIANAPOLIS POWER & LIGHT COMPANY**

INCLUDING ATTACHMENT LHA-1

**VERIFIED DIRECT TESTIMONY OF LESTER H. ALLEN
ON BEHALF OF
INDIANAPOLIS POWER & LIGHT COMPANY**

1 **I. Introduction**

2 **Q1. Please state your name, employer and business address.**

3 A1. My name is Lester H. Allen. I am employed by Indianapolis Power & Light Company
4 (“IPL” or the “Company”), One Monument Circle, Indianapolis, Indiana 46204.

5 **Q2. What is your position with IPL?**

6 A2. I am DSM Program Development Manager.

7 **Q3. What are your duties and responsibilities regarding Demand-Side Management
8 (“DSM”)?**

9 A3. In this position, I am responsible for the research, development and planning aspects of
10 IPL’s Demand Side Management programs. I also work with IPL customers who are
11 interested in small scale renewable energy projects. Consistent with my responsibilities for
12 DSM, I participate on IPL’s DSM Oversight Board. I was also actively engaged in the
13 Demand Side Management Coordination Committee (“DSMCC”), and both of the
14 DSMCC subcommittees on behalf of IPL that were formed by the Indiana Utility
15 Regulatory Commission’s (“Commission”) December 9, 2009, Phase II Order in Cause
16 No. 42693 (the “Generic DSM Order”).

17 **Q4. What is your previous work experience with IPL?**

18 A4. I have been a permanent employee of IPL since May 1980. Prior to that time, I worked at
19 IPL as an engineering co-op student. During my tenure with the Company, I have worked
20 in various staff and management positions, including Engineer, Administrator of Rates,

1 Director of Rates, and Manager, Energy Project Development.

2 **Q5. Please summarize your education and professional qualifications.**

3 A5. I hold a Bachelor of Science Degree in Construction Engineering and Management from
4 Purdue University and a Master's Degree in Business Administration from Indiana
5 University. Among other professional organizations, I am a long-time member of the
6 Association of Energy Service Professionals and have attended numerous seminars and
7 conferences pertaining to the planning and delivery of DSM programs. I am a registered
8 Professional Engineer in the State of Indiana.

9 **Q6. Have you previously testified before this Commission?**

10 A6. Yes, I have been a witness in many proceedings seeking approval of various IPL DSM
11 programs, including Cause No. 43960 seeking approval of IPL's portfolio of DSM
12 programs, Cause No. 44328 seeking approval of IPL's 2014 DSM plan, Cause No. 44497
13 for approval IPL's 2015-2016 DSM Plan, and most recently Cause No. 44792 for approval
14 of IPL's 2017 DSM Plan. I have been a witness in all the Company's prior semi-annual
15 Demand Side Management Adjustment (Cause No. 43623-DSM-XX) proceedings. I have
16 also been a witness in IPL proceedings requesting the initial approval of, and subsequent
17 changes to, Standard Contract Rider No. 21 (Green Power Initiative) most recently in
18 Cause No. 44121 GPR-9. I was also a witness on behalf of IPL in the Commission's Cause
19 No. 44441 related to Senate Enrolled Act 340 ("SEA 340") and the opt out provisions for
20 large industrial customers that receive service at a single site with more than 1 MW of load.
21 I was also a witness in IPL's General Rate proceeding (Cause No. 44576) seeking approval
22 of new rates and charges for electric service.

1 **Q7. What is the purpose of your testimony in this proceeding?**

2 A7. My testimony supports IPL's request for Commission approval of the Company's
3 proposed DSM Plan under Ind. Code § 8-1-8.5-10 (Section 10 or Senate Enrolled Act 412
4 ("SEA 412")) for three years beginning in 2018 (herein referred to as the "2018-2020 DSM
5 Plan" or "DSM Plan"). More specifically, my testimony summarizes the relief being
6 sought by IPL and introduces the other witnesses in this proceeding. To provide context
7 for the Company's proposal, I briefly discuss IPL's historical efforts to deliver DSM
8 programs and summarize the current status of IPL DSM programs. I discuss the evolving
9 Indiana Policy Landscape for DSM and large C&I customer opt out of participation in EE
10 programs under SEA 340. I address Section 10 (j) considerations as identified below. The
11 remaining Section 10 considerations are addressed by the other IPL witnesses (as also
12 identified below). I also discuss the proposed reporting and describe the continuing role of
13 the existing IPL DSM Oversight Board ("OSB"). I conclude that the overall plan is
14 reasonable in its entirety. Finally, I summarize the Company's proposals regarding lost
15 revenues and a financial incentive referred to as shared savings.

16 **Q8. Are you familiar with the Company's Petition in this Cause?**

17 A8. Yes, I am. A copy of the Petition is included with my testimony as Petitioner's Attachment
18 LHA-1.

19 **Q9. Was the attachment prepared or assembled by you or under your direction and**
20 **supervision?**

21 A9. Yes.

22 **Q10. Did you submit any workpapers?**

1 A10. Yes. I submitted an electronic spreadsheet supporting my calculation of large customer opt
2 out as a percentage of sales.

3 **Q11. Did IPL provide a copy of its Petition and the proposed DSM Plan to the Indiana**
4 **Office of Utility Consumer Counselor (“OUCC”)?**

5 A11. Yes.

6 **Q12. Did IPL post an electronic copy of its Petition and proposed DSM Plan on the**
7 **Company’s internet website?**

8 A12. Yes. The 2018-2020 DSM Plan and the Petition in this Cause are posted on IPL’s website.

9 **Q13. Please summarize the relief sought by IPL in this proceeding.**

10 A13. IPL requests:

11 1) Commission approval for IPL to administer and deliver a reasonable and cost effective
12 portfolio of DSM programs with goals totaling 376,000 MWh in savings for the three
13 year period of 2018-2020. In addition, the DSM Plan is anticipated to achieve
14 approximately 70 MW in demand savings. This DSM Plan includes nine (9) Residential
15 programs, including the Income Qualified Weatherization program, and four (4) business
16 programs.

17 2) Commission approval of timely cost recovery for the DSM Plan program costs through
18 IPL’s existing Standard Contract Rider No. 22 Demand Side Management Adjustment
19 tariff (“Standard Contract Rider No. 22” or “DSM Rider” or “Rider 22”). The costs to be
20 recovered include direct costs, portfolio and other indirect costs of the DSM Plan,
21 Evaluation, Measurement & Verification (“EM&V”) costs, reasonable net lost revenue,

1 and a financial incentive referred to as shared savings.

2 **Q14. Why does the Company seek approval for a three year DSM Plan?**

3 A14. Submittal of a DSM plan on a three year cycle beginning with IPL's submittal of this DSM
4 Plan is logical in that it synchronizes the timing of DSM filings with the Company's IRP
5 filings that guide each respective DSM filing under Section 10. Filing a DSM plan every
6 three years also provides for regulatory efficiency. Given that the effort required to
7 develop and file a DSM plan is significant for both the utility and stakeholders, there is
8 merit to having a three year plan approval. As discussed below, the oversight provided by
9 the IPL OSB ensures that programs may adapt as needed for the benefit of customers
10 between DSM plan filings. Finally, a three year plan provides better certainty to IPL's
11 customers and to the program implementation vendors.

12 **Q15. Who will be testifying on behalf of the Company in this proceeding?**

13 A15. Below is a brief summary of the witnesses and the corresponding subject matter:

14) Mr. Zac Elliot (Petitioner's Exhibit 2), Manager, Energy Efficiency Programs:

15 The purpose of IPL Witness Elliot's testimony is to (1) summarize the planning
16 approach which led to the development of the 2018-2020 DSM Implementation
17 Plan; (2) describe the competitive Request for Proposals ("RFP") process used to
18 select 2018-2020 program implementation vendors; and (3) discuss the proposed
19 2018-2020 DSM Plan programs and associated operating costs.

20) Mr. Erik Miller (Petitioner's Exhibit 3), Senior Research Analyst:

Petitioner's Exhibit 1

1 The purpose of IPL Witness Miller's testimony is to (1) present the cost and
2 benefit analysis of the proposed DSM Plan; (2) discuss how the 2018-2020 DSM
3 Plan Energy Efficiency ("EE") goals are reasonably achievable; consistent with
4 IPL's 2016 Integrated Resource Plan ("IRP"); and designed to achieve an optimal
5 balance of energy resources in IPL's service area; (3) describe IPL's plan for
6 conducting EM&V; and (4) discuss the impact of the proposed DSM Plan on
7 customer bills.

8) Ms. Kimberly Aliff (Petitioner's Exhibit 4), Senior Regulatory Analyst:

9 The purpose of IPL Witness Aliff's testimony is to (1) describe the impact of the
10 2018-2020 DSM Plan on the approved cost recovery mechanism utilized in the
11 Company's semi-annual filings (Cause No. 43623-DSM-X), including the
12 allocation of cost recovery among the customer classes; (2) describe IPL's proposal
13 to earn a financial incentive using a shared savings methodology ("shared savings");
14 (3) discuss the calculation of lost revenues; (4) describe the bill impacts associated
15 with implementation of the 2018-2020 DSM Plan; and (5) identify the Company's
16 proposed clarifications to the text of the DSM Rider.

17 **Q16. Please define demand-side management ("DSM"), Energy Efficiency ("EE") and**
18 **Demand Response ("DR") programs as IPL is using these terms in its testimony.**

19 A16. DSM encompasses both EE and DR. EE is defined as reduced energy use for a comparable
20 level of energy service. The resulting energy reductions are expressed in terms of kilowatt
21 hours (kWh) saved. An EE program is a program that is sponsored by IPL and designed to

1 implement EE improvements. The term EE program does not include a program designed
2 primarily to reduce demand for limited intervals of time, such as during peak electricity
3 usage or emergency conditions. DR is a reduction in demand for limited intervals of time,
4 such as during periods of peak electric usage or emergency conditions. The resulting
5 demand reductions are expressed in terms of kilowatts (kW) saved.

6 **Q17. How is IPL using the term “program costs” in its testimony?**

7 A17. Program costs as defined by Section 10 include: (1) direct and indirect costs of energy
8 efficiency programs, (2) costs associated with EM&V of program results, and (3) other
9 recoveries approved by the Commission, including lost revenues and financial incentives.

10 **Q18. What is the proposed implementation schedule for the DSM Plan?**

11 A18. IPL seeks Commission approval of this DSM Plan by December 15, 2017 to allow for
12 implementation of the DSM Plan to begin no later than January 1, 2018. Approval of the
13 DSM Plan by this date will limit marketplace confusion as IPL introduces program
14 modifications and transitions to new implementation contractors to deliver a portion of the
15 residential programs.

16 **Q19. What are IPL's plans if an Order in this proceeding for delivery of DSM programs
17 beginning in 2018 is not received prior to January 1, 2018?**

18 A19. IPL filed this case on or before May 31, 2017. In the event that an order cannot be rendered
19 prior to January 1, 2018, IPL's intention is to continue to deliver programs pursuant to the
20 current authority granted in Cause No. 44792:

21 IPL requested a one-year extension of its DSM Portfolio and associated
22 ratemaking treatment, from January 1, 2017 to the later of December 31,
23 2017, or the effective date of our order in IPL's next DSM plan approval

1 proceeding, so as to avoid disruption in program implementation should
2 such order not be issued by December 31, 2017. No party expressed any
3 objection to the proposed term of our approval. Based on the evidence, the
4 Commission finds that our approvals herein should extend from January 1,
5 2017 to the later of December 31, 2017 or the effective date of our order in
6 IPL's next DSM plan approval proceeding. However, in order to facilitate
7 an order in IPL's next DSM plan approval proceeding by approximately
8 year-end 2017, IPL shall file a petition to approve a post-2017 DSM plan no
9 later than May 31, 2017.

10 Order in Cause No. 44792 dated December 28, 2016, p. 23.

11 **II. Historical DSM and Status of Current DSM Implementation**

12 **Q20. Please describe IPL's historical DSM offerings.**

13 A20. IPL has offered DSM programs to its customers since 1993. IPL's prior experience and
14 achievement demonstrates its continuing success in implementing a broad range of DSM
15 programs for customers. For the most recent period of DSM program delivery
16 (2015-2016) approved in Cause No. 44497, IPL successfully achieved 346,685 MWh of
17 gross energy savings from our customers.¹ This amount of savings was 107% of the
18 original goal established for the two year period.

19 **Q21. Please describe IPL's efforts to deliver DSM in calendar year 2017.**

20 A21. In calendar year 2017, IPL is providing DSM programs in accordance with the
21 Commission's December 28, 2016 order in Cause No. 44792, which approved a one year
22 extension of the programs IPL successfully delivered in 2015-2016. To provide program
23 continuity, IPL retained the same implementation contractors in 2017. IPL is currently
24 delivering nine (9) residential programs and four (4) programs for business customers.
25 These programs are expected to achieve approximately 129,000 MWh of gross energy

¹ 2015 savings are evaluated and from the 2015 EM&V report, 2016 savings are still subject to evaluation and are expressed on an ex-ante basis.

1 savings at a program operating cost of approximately \$22.4 million. The forecasted energy
2 savings for program year 2017 are similar to the average annual forecasted savings
3 presented in this filing for 2018-2020. The average annual program operating costs for the
4 DSM Plan are approximately 10% greater than the 2017 program operating costs.

5 **Q22. Has the Company conducted Market Potential Studies (MPSs) that inform the DSM**
6 **planning process?**

7 A22. Yes, IPL has typically utilized DSM Market Potential Studies completed by industry
8 consultants as the starting point for our DSM planning process. Most recently, in 2016,
9 IPL again engaged AEG again to develop a MPS that would be used in the current round of
10 DSM planning that resulted in the proposed 2018-2020 DSM Plan. AEG is well respected
11 in the utility industry and has been a valued partner in the development of prior IPL DSM
12 Plans and Action Plans for the delivery of DSM Programs. The MPS is discussed in more
13 detail by IPL Witness Miller.

14 **III. Evolving Indiana DSM Policy Landscape & Large Customer Opt out**

15 **Q23. Has Indiana policy changed with regard to utility sponsored DSM?**

16 A23. Yes. Two significant changes that impact IPL's DSM planning are SEA 412 (Section 10)
17 and the continuing impact of large customer opt outs under SEA 340 (Section 9).

18 **Q24. How has SEA 412 impacted the approach that IPL takes to DSM planning and**
19 **program delivery?**

20 A24. SEA 412, passed by the Indiana General Assembly in 2015, added a new Section 10.
21 Section 10 requires utilities, beginning not later than 2017, to petition the Commission at
22 least one time every three years for approval of a plan that includes energy efficiency goals;

1 programs to achieve those goals; program budgets and program costs; and EM&V
2 procedures that include independent EM&V. This filing is made to comply with
3 Section 10.

4 **Q25. Does SEA 412 also provide assurance of timely recovery of energy efficiency costs?**

5 A25. Yes. If the energy efficiency plan is found to be reasonable by the Commission, Section 10
6 provides assurances for the timely recovery of DSM costs, including program
7 implementation costs, reasonable lost revenues, and reasonable financial incentives.

8 **Q26. What factors does the Commission consider in determining the overall**
9 **reasonableness of the DSM Plan?**

10 A26. The statute enumerates the following ten factors for the Commission to consider in
11 determining the overall reasonableness of the plan. I have listed the considerations below
12 and identified the IPL witnesses who address the factor:²

13 (1) Projected changes in customer consumption of electricity resulting from
14 the implementation of the plan. (IPL Witness Allen)

15 (2) A cost and benefit analysis of the plan, including the likelihood of
16 achieving the goals of the energy efficiency programs included in the plan.
17 (IPL Witness Miller)

18 (3) Whether the plan is consistent with the following:

19 (A) The state energy analysis developed by the Commission under
20 section 3 of this chapter. (IPL Witness Allen)

21 (B) The electricity supplier's most recent long range integrated
22 resource plan submitted to the Commission. (IPL Witness Miller)

23 (4) The inclusion and reasonableness of procedures to evaluate, measure,
24 and verify the results of the energy efficiency programs included in the
25 plan, including the alignment of the procedures with applicable

² I.C. § 8-1-8.5-10(j):

Petitioner's Exhibit 1

1 environmental regulations, including federal regulations concerning credits
2 for emission reductions. (IPL Witness Miller)

3 (5) Any undue or unreasonable preference to any customer class resulting,
4 or potentially resulting, from the implementation of an energy efficiency
5 program or from the overall design of a plan. (IPL Witnesses Allen &
6 Elliot)

7 (6) Comments provided by customers, customer representatives, the office
8 of utility consumer counselor, and other stakeholders concerning the
9 adequacy and reasonableness of the plan, including alternative or additional
10 means to achieve energy efficiency in the electricity supplier's service
11 territory. (IPL Witness Allen)

12 (7) The effect, or potential effect, in both the long term and the short term,
13 of the plan on the electric rates and bills of customers that participate in
14 energy efficiency programs compared to the electric rates and bills of
15 customers that do not participate in energy efficiency programs. (IPL
16 Witnesses Miller and Aliff)

17 (8) The lost revenues and financial incentives associated with the plan and
18 sought to be recovered or received by the electricity supplier. (IPL
19 Witnesses Allen and Aliff)

20 (9) The electricity supplier's current integrated resource plan and the
21 underlying resource assessment. (IPL Witness Miller)

22 (10) Any other information the Commission considers necessary.

23 **Q27. Do the opt out provisions of SEA 340 continue to impact IPL's DSM planning and**
24 **programs?**

25 A27. Yes. SEA 340 established the framework for large customers, customers with a demand of
26 one (1) MW or greater, to opt out of participating in utility sponsored DSM programs. The
27 implication of the opt out provision for IPL DSM planning is that a sizable portion of IPL's
28 load (approximately 21%) is opted-out of participation in DSM, providing less opportunity
29 for IPL sponsored energy efficiency. The opt out provision is consistent with Section
30 10(p).

Petitioner's Exhibit 1

1 It should be noted that IPL collaborated with the Citizens Action Coalition of Indiana
2 (“CAC”) to modify the annual notification letter sent to customers apprising them of the
3 fact that they can change their participation status and opt-in as well as opt out of
4 participation in the DSM programs. As a result, a handful of customers have re-enrolled
5 as DSM participants.

6 As of January 1, 2017, a net total of 115 customers representing approximately 2,860
7 GWh of annual sales, are currently opted out of DSM program participation.³ The
8 opted-out customers, in aggregate, represent about 21% of IPL’s total sales.⁴

9 **Q28. How does IPL propose to incorporate DSM program cost rider opt out / opt-in cost**
10 **responsibilities for those customers who apply and qualify for opt out / opt in**
11 **effective January 1, 2018 and subsequent plan years?**

12 A28. The procedures for addressing the cost responsibilities for customers who have opted out
13 were proposed and approved by the Indiana utilities in Cause No. 44441. Large customers
14 that no longer choose to participate in utility-sponsored DSM programs are not required to
15 pay for DSM costs that are incurred after their opt out date. Therefore, if the qualified
16 customers opt out of the DSM Programs, they are no longer required to pay for DSM
17 program costs incurred after their opt out date (with the exception of certain “trailing
18 costs”). The Commission approved the utilities’ proposed procedures for customer opt out
19 in the 44441 Order.

³ The 115 customers is a net number of opt out customers who have opted out and remain opted out as of January 1, 2017. This number is net of the three customers who have chosen to opt back in to participation in IPL’s DSM programs.

⁴ See my workpaper for this calculation.

1 **Q29. Please discuss any special opt out customer cost responsibility issues stemming from**
2 **the proposed DSM Plan.**

3 A29. The cost responsibility for each vintage of opt out customers is considered during the
4 development of each Standard Contract Rider No. 22 filing.⁵ In general, customers who
5 opt out prior to January 1, 2018 (and at subsequent program year opt out opportunities) will
6 not have any cost responsibility for DSM operating costs incurred after January 1, 2018 (or
7 subsequent years). These opted out customers will remain responsible for legacy lost
8 revenues incurred up the December 31 of the year they chose to opt out.

9 **IV. IPL's Proposed 2018-2020 DSM Plan**

10 **A. Overview**

11 **Q30. Please provide an overview of IPL's 2018-2020 DSM Plan.**

12 A30. IPL's 2018-2020 DSM Plan provides a portfolio of cost effective DSM programs for both
13 residential and business customers. The tools and energy saving opportunities to be
14 provided will give all customer classes a means to assist in the management of their electric
15 bills.

16 **B. Goals**

17 **Q31. Does the 2018-2020 DSM Plan have EE goals and demand savings?**

18 A31. Yes. Section 10(c) defines energy efficiency goals as:

19 all energy efficiency produced by cost effective plans that are:

20 (1) reasonably achievable;

21 (2) consistent with an electricity supplier's integrated resource plan; and

22 (3) designed to achieve an optimal balance of energy resources in an

⁵ IPL has multiple vintages of opted out customers, each with different cost responsibilities.

electricity resource in an electricity supplier's service territory.

As shown in Table LHA-1 below, the three year Plan is expected to achieve average annual gross energy savings of approximately 125,000 MWh for a total three year cumulative savings of 375,703 MWh. In addition the EE programs are expected to result in a demand reduction of approximately 70 MW:⁶

Table LHA-1 -- DSM Plan Goals

	Program Gross Energy Savings (MWh)	Program Gross Demand Savings (MW)
2018	133,799	69.4
2019	134,258	72.1
2020	107,647	70.1

This annual level of energy savings is approximately a 0.9% reduction from the current level of IPL energy sales, when the sales are not adjusted downward to reflect customers that have opted out of participation in IPL's DSM programs. When sales are adjusted to take into account customers that have opted out, these savings represent about 1.2% of the remaining (non-opted out) sales.

Q32. What is the likelihood of the programs included in the DSM Plan achieving the EE goals?

A32. The amount of EE savings included in the proposed DSM Plan is approximately the same amount that IPL has achieved in recent DSM program years. Based on the historical success of IPL's DSM program delivery and the consistency of this goal with the EE potential identified in in the most recent MPS, IPL is confident that these goals, while

⁶ This demand reduction includes demand savings provided by the Residential and Business Demand Response Programs. It does not include the demand savings that is provided by the Conservation Voltage Reduction Program.

1 challenging, are reasonably achievable.

2 **C. Programs**

3 **Q33. Does the 2018-2020 DSM Plan include EE programs to achieve the EE goals?**

4 A33. Yes, as explained in significantly greater detail by IPL Witness Elliot (and as provided in
5 Petitioner's Attachment ZE-1) IPL has proposed a comprehensive set of DSM programs
6 that are designed to achieve the proposed EE goals.

7 **Q34. Please identify the programs in the DSM Plan.**

8 A34. IPL 2018-2020 DSM Plan includes the following nine (9) programs for residential
9 customers and four (4) programs for business customers (see Table LHA-2):

10 **Table LHA-2 – DSM Plan Programs**

Program
Residential
Appliance Recycling
Community Based Lighting
Residential Demand Response
Income Qualified Weatherization
Lighting & Appliances
Multifamily
Peer Comparison
School Education
Whole Home
Business
Custom
Business Demand Response
Prescriptive
Small Business Direct Install

11

12 **Q35. Where can the Commission find additional details for the DSM Plan programs?**

13 A35. IPL Witness Elliot discusses the DSM Plan programs. Petitioner's Attachment ZE-1,

1 sponsored by IPL Witness Elliot, provides a more detailed explanation of the programs that
2 IPL requests approval to deliver in 2018-2020.

3 **Q36. How were the DSM Plan programs developed?**

4 A36. IPL Witnesses Elliot and Miller discuss the development of the DSM Plan programs
5 portfolio based on the Company's 2016 IRP and a subsequent program implementation
6 vendor RFP. IPL established the following guiding DSM principles to shape its DSM
7 program portfolio development. IPL will offer programs: 1) that are inclusive for all
8 customers; 2) are appropriate for our market and customer base; 3) are cost effective; 4)
9 modify customer behavior; and 5) provide continuity from year to year. These guiding
10 principles were presented in the first public IRP meeting on April 11, 2016. IPL continued
11 to refer to the DSM guiding principles throughout the IRP stakeholder process.

12 **Q37. Are all the programs in the DSM Plan EE programs?**

13 A37. No. IPL is proposing to offer both EE programs and DR programs.

14 **Q38. Is the Company's proposed treatment of DR as a DSM resource consistent with your
15 understanding of the Commission's DSM regulatory framework and policy?**

16 A38. Yes. To the best of my knowledge, the Commission has consistently recognized that DR is
17 a useful DSM resource. See 170 IAC 4-7-1 (g) and (j) (defining DSM to include energy
18 and demand savings). The draft proposed rule for IRP and DSM plan development clearly
19 indicates that DR is to be considered as a DSM program in the IRP planning process.⁷

⁷ IURC RM # 15-06 (7/5/2016 redlined draft of 170 IAC 4-7-1(h) ("Demand-side management program" or "DSM program" means a utility program designed to implement demand response, energy efficiency, or both), and 170 IAC 4-7-1(i) ("Demand response" means a reduction in demand for limited intervals of time, such as during peak electricity usage or emergency conditions.)

1 **Q39. Please describe IPL's historical efforts to deliver DR programs.**

2 A39. IPL has consistently offered a DR program as part of our DSM portfolio since 2003.⁸ In
3 Cause No. 42069, IPL was initially given authority to begin offering a demand response
4 program (described as the Air Conditioning Load Management ("ACLM") program at the
5 time of approval for residential customers). Subsequent to the initial approvals received in
6 2002, the Commission has approved continuation of the ACLM program in numerous
7 proceedings, beginning with Cause No. 42639 in 2004.⁹ In order to be more descriptive,
8 IPL has changed the name of the ACLM programs in this filing to Demand Response
9 programs. IPL currently has approximately 47,000 residential and business¹⁰ customers
10 participating in the Demand Response programs providing approximately 46.4 MW¹¹ of
11 load reduction as needed.

12 **Q40. Why is it appropriate for IPL to continue to include DR programs in the DSM Plan?**

13 A40. Both the Residential and the Business DR programs provide significant on-going benefits
14 to IPL and its customers. These two voluntary programs, with approximately 47,000
15 participants, round out the DSM portfolio providing a hedge against high capacity and
16 energy market prices. With such a large number of participants it would not be practical to
17 stop and then start this program at a later time. It is good practice to continue to provide
18 funds for the ongoing maintenance of the program which IPL included in the 2016 IRP.
19 Additionally, these programs are included as a tool for potential emergency load reduction.

⁸ IPL was initially granted authority to offer the ACLM program in Cause No. 42069, Order dated May 1, 2002.

⁹ Cause No. 42639, Order dated July 21, 2004.

¹⁰ In Cause No. 43623, Phase I, IPL proposed and was granted authority to offer the ACLM program to business customers as well as residential customers, Order dated February 10, 2010.

¹¹ Expected Net Demand savings available from the Residential and Business Demand Response Programs in 2018. See Petitioner's Attachment ZE-1, 2018 Summary table at Page 1.

1 **Q41. Do you have any additional comments on the DSM Plan program portfolio?**

2 A41. Yes, I would like to comment on the Residential Peer Comparison program, Residential
3 Demand Response, and Business Demand Response. These three existing programs are
4 included in the DSM Plan because of their long term success. The continued offering of
5 these programs is also consistent with the guiding principles discussed above.

6 The Peer Comparison Report program is bundled with the IPL PowerView on-line tool
7 that provides all residential customers with near real time information on their energy
8 usage as well as suggestions on how to manage their energy consumption. Retention of
9 the PowerView portal is essential to providing customers with a well-rounded portfolio
10 of DSM programs that allows for participation by all customers. The Peer Comparison
11 Report has consistently evaluated well, provides significant cost effective energy savings
12 and identifies opportunities for customers to participate in other EE programs.

13 The Demand Response programs also meet the guiding principles. Similar to existing
14 supply side resources, IPL modeled these existing resources with ongoing maintenance
15 costs in the 2016 IRP. As discussed in greater detail by IPL Witness Elliot, IPL continues
16 to evaluate ways to improve this program, including the introduction of two way
17 communicating ACLM switches and a program to introduce smart thermostats.

18 **D. DSM Plan Program Budgets**

19 **Q42. What is the proposed program budget for the IPL 2018-2020 DSM Plan?**

20 A42. As shown in Table LHA-3, the total estimated program operating cost of the IPL
21 2018-2020 DSM Plan prior to recovery of any Company financial incentives or lost
22 revenues or emerging technology costs is \$78.2 million:

Table LHA-3 -- DSM Plan Program Budgets (\$ x 1,000)

2018	\$26,285
2019	\$26,279
2020	\$25,672
Total	\$78,236

As further discussed by IPL Witness Elliot, the foregoing DSM program operating budgets include direct and indirect costs of energy efficiency programs. The direct costs include EM&V costs by program, and there are portfolio level costs and budgeted indirect costs in the overall plan budget. The amounts above do not include lost revenues or shared savings.

Total DSM Plan program costs are shown on Table ZE-4 included with the testimony of IPL Witness Elliot (Petitioners Exhibit 3).

Q43. Is IPL asking for Commission approval of spending flexibility?

A43. Yes. IPL requests the Commission authorize the same spending flexibility currently in place. As explained by IPL Witness Elliot, this includes the ability to spend up to and including an additional 10% of Direct Program Costs included in the planned budget. Should the Commission grant IPL spending flexibility, IPL's OSB would have the opportunity to either increase the scale of programs or identify new programs to produce EE savings if appropriate. This request is consistent with previous Commission's Orders in Cause Nos. 44328, 44497, and 44792. In addition, consistent with current practice, IPL requests authority to rollover any unspent funds from a plan year to subsequent plan years, which will also support plan flexibility.¹²

¹² For example, operating budget funds that are not spent in 2018 could be rolled over to be used in 2019 and so on.

1 **Q44. How were the program implementation budgets developed?**

2 A44. The direct costs in the program budgets are primarily based on proposals received from
3 vendors pursuant to a competitive RFP process that IPL issued in November, 2016. IPL
4 also has extensive experience in managing DSM programs which has provided significant
5 knowledge of non-vendor DSM related costs. These additional non-vendor costs include
6 the cost for education and outreach, EM&V and IPL internal labor to manage the DSM
7 programs. IPL leveraged this historical cost information to estimate the other costs to
8 deliver the programs in 2018-2020.

9 **Q45. How does the budget in IPL's proposed DSM Plan compare to IPL's most recent**
10 **spending for delivery of DSM programs in the period 2015-2017?**

11 A45. The proposed three year budget for DSM program operating costs is approximately \$78.2
12 million as compared to the total spending (actual and forecast) for program delivery in the
13 period 2015-2017, which is expected to total \$67.3 million.¹³

14 **V. Section 10 Considerations**

15 **Q46. What are the projected changes in customer consumption of electricity resulting**
16 **from the implementation of the DSM Plan (Section 10(j) (1))?**

17 A46. The annual projected energy and demand savings resulting from the proposed DSM Plan
18 are set forth in Table LHA-1 above. These projections best describe the changes to
19 customer consumption of electricity resulting from implementation of the 2018-2020 DSM
20 Plan. The programs proposed herein are expected to result in an average annual gross
21 energy savings of approximately 125,000 MWh and a demand reduction of approximately

¹³ Based on actual and forecast spending for DSM Operating Costs for the period 2015-2017.

1 70 MW over the 3 year period.

2 **Q47. Have you considered whether the DSM Plan is consistent with the state energy**
3 **analysis to be developed by the Commission under Ind. Code § 8-1-8.5-3 (Section**
4 **10(j) (3)(A))?**

5 A47. One of the ten factors to be considered is whether or not the plan is consistent with the state
6 energy analysis developed by the Commission. IPL has considered the consistency with
7 the state energy analysis and notes that in 2016 IPL provided the State Utility Forecasting
8 Group ("SUF") with information related to our DSM Plan development. This IPL
9 provided information will be considered by SUFG in their development of the 2017
10 Indiana Electricity Forecast to be published later this year.

11 **Q48. Will any undue or unreasonable preference to any customer result or potentially**
12 **result from the implementation of the EE programs or from the overall design of the**
13 **DSM Plan (Section 10(j)(5))?**

14 A48. No, IPL does not expect this to be the case. IPL has made every effort to offer a robust and
15 diverse group of cost effective DSM programs for all customers.

16 **Q49. Section 10(j)(6) requires the Commission to consider comments provided by**
17 **customers, customer representatives, the OUCC, and other stakeholders concerning**
18 **the adequacy and reasonableness of the plan, including alternative or additional**
19 **means to achieve EE in the electricity supplier's service territory. Do you have any**
20 **comment on this consideration?**

21 A49. Yes. I would simply note that IPL meets regularly with the IPL DSM OSB and trade allies
22 and considers their input in the development of the proposed DSM Plan. Stakeholder input

1 was also received and considered by IPL as part of the IRP Stakeholder process.
2 Additional input will be received through the participation of the OUCC and any
3 intervenors in this docketed process.

4 **VI. Oversight & Reporting**

5 **Q50. Does IPL propose to maintain the existing composition of the IPL OSB?**

6 A50. Yes. IPL has carefully considered the composition of the IPL OSB and the relative merits
7 of an alternative structure. IPL believes that customers will be best served by maintaining
8 the current structure.

9 **Q51. What will be the role of the IPL OSB?**

10 A51. IPL will continue to utilize the existing IPL OSB to oversee the 2018-2020 DSM Plan. The
11 IPL OSB will continue to have the ability to shift dollars within a program budget as
12 needed as well as shift dollars among programs as long as the programs are found to be cost
13 effective and the overall 2018-2020 DSM Plan approved budget is not exceeded.

14 In addition, as discussed by IPL Witness Elliot and mentioned above, the IPL OSB will
15 have the same spending flexibility authority to increase funding in the aggregate, without
16 shifting dollars from other programs, by up to 10%, and to modify programs based on a
17 review of initial program results as reported by an independent third-party evaluator.

18 Finally, IPL requests that the IPL OSB be granted continuing authority to approve new
19 DSM programs during the period that these approvals are in effect (calendar years
20 2018-2020) if additional cost effective DSM programs that fill a marketplace need are
21 identified. Funds for these “new” programs would not be in excess of the total approved
22 spending as authorized in this proceeding. The funds would either be moved from a

1 program that is under performing or from the requested spending flexibility.

2 **Q52. Will IPL's implementation of the proposed DSM Plan include ongoing reporting?**

3 A52. Yes. In the order in Cause No. 43623 DSM-13, the Commission requested that IPL
4 provide status reports on a quarterly basis. IPL began submitting these quarterly scorecard
5 reports to the Commission in 2016. IPL proposes to submit quarterly scorecard reports
6 related to the 2018-2020 DSM Plan to the Commission in this docket, unless directed
7 otherwise. IPL will also continue to submit a final EM&V report on or before July 1 of
8 each year that summarizes the prior year DSM efforts and evaluated results.

9 **Q53. Are there any other DSM Plan reports that IPL proposes to regularly prepare?**

10 A53. Yes, IPL prepares a scorecard for the monthly meetings of the IPL OSB.

11 **VII. Net Energy Savings & Net Lost Revenue**

12 **Q54. What are lost revenues?**

13 A54. Lost revenues are a real and calculable cost of implementing DSM programs. Section 10
14 defines lost revenues as the difference, if any, between: (1) revenues lost; and (2) the
15 variable operating and maintenance costs saved; by an electricity supplier as a result of
16 implementing EE programs. In other words, lost revenues are the contributions to fixed
17 costs that the utility does not receive when customers participate in a utility sponsored
18 DSM program. Rates are designed to recover both fixed and variable costs based on an
19 adjusted test year sales level. Utility sponsored DSM programs by definition result in the
20 customer using less energy (in terms of kilowatt-hours ("kWh")) and incurring less billed
21 demand (in terms of kilowatts ("kW")) than they otherwise would have, resulting in the
22 Company making fewer sales. This means that IPL rates will not collect IPL's fixed costs

1 as designed because of sales that will not occur because of IPL's DSM programs.

2 **Q55. Does IPL ask the Commission to allow the Company to recover reasonable net lost**
3 **revenues associated with the Plan through Standard Contract Rider No. 22 (Section**
4 **10(j) (8))?**

5 A55. Yes. IPL seeks to recover net lost revenues for the life of the measures. The forecasted lost
6 revenues for the three year period 2018-2020 are shown on Petitioner's Attachment KA-4.

7 **Q56. Why is lost revenue cost recovery reasonable and necessary?**

8 A56. Timely recovery of all DSM program costs, including lost revenues (and financial
9 incentives as well) is a critical ingredient to maintaining robust DSM programs. The
10 importance of incorporating all three - program implementation costs, lost revenues, and
11 financial incentives – into rates has been repeatedly recognized by policymakers. A lack of
12 timely cost recovery in any of these three areas creates a financial disincentive for a utility
13 to offer DSM programs. The policy to recover all three elements places DSM on a more
14 level playing field with utilities' supply-side resource options.

15 **Q57. Please discuss the methodology used to calculate lost revenue.**

16 A57. IPL only recently received approval to recover projected lost revenues beginning with the
17 effective date of the Order in Cause No. 44576 (IPL's most recent basic rates and charges
18 case) received March 16, 2016. Consistent with current practice, initially, for the forecast
19 of lost revenues, the net energy and demand savings will be based on either calculated or
20 deemed values as determined by previous EM&V results or the Indiana TRM. By net
21 savings, I mean forecasted savings that result from IPL's DSM programs net of free
22 ridership or spillover. Actual net impacts will be determined by actual participation and

1 eventually final net impacts will be determined by EM&V. IPL will record lost revenues
2 for measures beginning with the month the measures are installed. IPL intends to continue
3 forecasting lost revenues based on information received from third party implementers.
4 IPL will continue to evaluate the accuracy of projections during the reconciliation process
5 that occurs in the semi-annual filings and make modifications where deemed appropriate.

6 **Q58. How does IPL plan to track the energy and demand savings and the related lost**
7 **revenues that result from IPL sponsored DSM programs?**

8 A58. IPL plans to continue to maintain its DSM Vision tracking system in which pertinent data
9 and information for each DSM program is recorded, such as the installation date of each
10 measure in a particular program. The information related to customer participation and the
11 resulting energy savings is supplied by each of the program implementers and verified
12 annually by the independent EM&V evaluator.

13 **Q59. Are all of the proposed programs eligible for lost revenue recovery?**

14 A59. Yes, IPL proposes that all the DSM programs in the 2018-2020 DSM Plan be eligible for
15 lost revenue recovery. All of the programs that IPL is undertaking result in fewer sales as a
16 result of energy and demand savings and thus lost revenues.

17 **Q60. What are legacy lost revenues?**

18 A60. IPL received ongoing approval to recover lost revenues beginning with the effective date
19 of the Order in Cause No. 44576 (IPL's most recent basic rates case) received March 16,
20 2016. Legacy lost revenues are lost revenues that result from DSM programs that were
21 offered under prior Commission-approved plans. Thus, lost revenues that result from
22 DSM program plans pursuant to Cause Nos. 44497 and 44792 are being calculated and

1 recorded on IPL's books pursuant to approvals received in the previous proceedings.
2 Legacy lost revenue is recovered through the DSM Rider for the life of the measure or until
3 new rates and charges are approved in general rate case proceedings.¹⁴

4 **Q61. Has IPL included legacy lost revenues in this filing?**

5 A61. The legacy lost revenues are not associated with the proposed DSM Plan. However, for
6 information purposes, the estimated amount of legacy lost revenues resulting from prior
7 Commission-approved IPL DSM Plans are shown on Petitioner's Attachment KA-4.
8 These amounts will continue to be collected through Standard Contract Rider No. 22 as
9 they are incurred. In addition to legacy lost revenues, the forecast lost revenues for the
10 three year period 2018-2020 are also shown on Petitioner's Attachment KA-4.

11 **Q62. Do you have any other comments on the lost revenue recovery proposal?**

12 A62. Yes, I am aware that the Commission has previously found it appropriate to limit lost
13 revenue recovery stemming from the implementation of a DSM plan to four years, the life
14 of the measure, or until rates are implemented pursuant to a final order in IPL's next base
15 rate case, whichever occurs earlier. See Order dated December 26, 2016 in IPL Cause No.
16 44792, p. 25.

17 IPL placed a measure life limit on the estimates of future lost revenues that are shown in
18 this proceeding. Section 10 states that if the Commission finds a DSM Plan to be
19 reasonable, the Commission shall allow the utility to recover reasonable net lost revenues
20 through a periodic rate adjustment mechanism. Additionally, IPL only recently received

¹⁴ The Order in Cause No. 44792 limited IPL's lost revenues recovery to four years, the life of the measure, or until rates are implemented pursuant to a final order in IPL's next base rate case, whichever occurs first. Order Dated December 28, 2016, p. 25

Petitioner's Exhibit 1

1 approval to recover projected lost revenues beginning with the effective date of the Order
2 in Cause No. 44576 (IPL's most recent basic rates and charges case) received March 16,
3 2016.

4 Recognition of reasonable lost revenues for the life of the measure reflects the real cost of
5 energy efficiency. Not reflecting reasonable lost revenues for the full measure life does
6 not make the utility whole. In the absence of a rate case, IPL continues to lose revenue
7 for those measures that have a life of more than four (4) years.

8 IPL's proposal for lost revenue recovery for the life of the measures reflects the actual
9 reduced kWh or kW sales resulting from the DSM programs, as determined by the
10 independent EM&V evaluator. The average weighted life for the measures included in
11 this filing is approximately 9.4 years. A four year limit on lost revenue recovery, without
12 a basic rate case filing, would penalize IPL. If a four year limit on lost revenue recovery
13 were imposed, IPL would have a disincentive to offer programs with longer lived
14 measures that in some cases might be more cost effective.

15 **Q63. What lost revenues will IPL cease to collect subsequent to Commission approval of**
16 **new rates resulting from a general rate proceeding?**

17 A63. Commencing with the first billing cycle after new rates and charges pursuant to a general
18 rate case final order go into effect, IPL will cease to record and collect lost revenues for all
19 measures that were installed during the test year and all prior periods. Measures installed
20 after the test year will continue to be eligible for lost revenue recovery for the life of the
21 measures or until rates are approved in a subsequent rate case.

1 **VIII. Financial Incentives (Shared Savings)**

2 **Q64. Please discuss the financial incentive IPL seeks to receive for the DSM Plan (Section**
3 **10(j) (8)).**

4 A64. IPL is proposing a shared savings incentive mechanism.

5 **Q65. Why is the proposed financial incentive reasonable and necessary?**

6 A65. A shared savings incentive is reasonable because it aligns IPL's interests with the interests
7 of customers. The shared savings construct is based on cost effective DSM results. The
8 incentive is earned when savings, as measured by the Utility Cost Test ("UCT") (using
9 independent EM&V results), are realized. Using cost effective savings as the basis for
10 determining shareholder incentives aligns the incentive with the creation of net benefits
11 that accrue to customers.

12 This approach also mitigates the financial disincentive to the Company to engage in DSM
13 instead of investing in other capital based supply-side assets. As I have testified in
14 previous proceedings, program operating cost recovery and lost revenue recovery are
15 necessary to eliminate disincentives to utilities' pursuit of DSM, but they are not
16 sufficient to truly put energy efficiency on a level playing field with supply-side
17 resources from the utility's perspective. Financial incentives, such as the proposed IPL
18 shared savings incentive, are the "third leg of the stool" necessary to truly encourage
19 utilities to pursue energy efficiency, by providing a "return" on prudent energy efficiency
20 investments analogous to the return available for prudent supply-side investments.

21 In this request, IPL is seeking to apply the same construct previously in effect and
22 approved by the Commission in Cause No. 44497 that encourages IPL to maximize the

1 UCT benefits in the delivery of cost effective DSM programs. It is important to base
2 incentives on the appropriate success metric in order to encourage implementation of the
3 most cost effective energy efficiency programs. Arbitrary DSM goals or targets only
4 provide an incentive to spend money to get to a certain level of savings, regardless of cost
5 effectiveness. IPL is interested in cost effective program implementation that seeks to
6 maximize customer benefits by having the ability to earn incentives, like shared savings
7 incentives. The challenge with incremental energy savings targets year after year is that
8 either new participants are needed each year until the full customer base of a utility is
9 reached (saturated) with that program or measure, or past participants are induced to save
10 even more with different or new efficient technologies or measures. The true challenge of
11 utility DSM is actual cost effective delivery and not whether a forecast target is achieved.

12 **Q66. Is IPL seeking to earn a financial incentive on all programs?**

13 A66. IPL seeks to earn the proposed financial incentive on all cost effective programs except
14 Income Qualified Weatherization.

15 **Q67. Please discuss IPL's DSM Plan financial incentive forecast.**

16 A67. IPL's shared savings forecast is based on 15% of the net present value of future savings
17 resulting from the Utility Cost Test. These savings are calculated on an ex-ante basis using
18 deemed savings values. The forecasted shared savings for 2018-2020 are shown on
19 Petitioner's Attachment KA-2.

20 **Q68. Will the forecast savings be trued-up to actual results?**

21 A68. Yes. The forecast energy savings will be verified by an independent evaluation conducted
22 by the EM&V evaluator and trued up in a subsequent Standard Contract Rider No. 22

1 filing.

2 **IX. Conclusion**

3 **Q69. What is your conclusion regarding IPL's proposed 3 year DSM Plan?**

4 A69. IPL's proposed 2018-2020 DSM Plan is a reasonable and cost effective plan. IPL has a
5 long and successful track record of delivering DSM programs to our customers. This plan
6 builds on the past programs with certain modifications to provide additional customer
7 opportunities to participate. The plan, as proposed, is consistent with the IRP and the
8 current regulatory framework and meets all the criteria of Section 10. The IRP modeling
9 identified DSM as a primary resource during most of the IRP planning horizon. The DSM
10 Plan will also lower emissions. The plan is in the public interest. The DSM Plan is
11 flexible, allowing for changes through the IPL OSB. The Plan includes significant
12 education and outreach efforts to provide customers with information to manage their bill.
13 Participating customers can expect to see bill savings. Finally, this DSM Plan aligns IPL's
14 interests with the interests of our stakeholders.

15 **Q70. Does this conclude your pre-filed verified direct testimony?**

16 A70. Yes.

17

VERIFICATION

I, Lester H. Allen, DSM Program Development Manager for Indianapolis Power & Light Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

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

Lester H. Allen

Dated: May 17, 2017.

Attachment LHA-1 – Verified Petition

[Not reproduced herein]