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 EXISTING STANDARD CONTRACT RIDER NO. 22, OF ASSOCIATED COSTS INCLUDING PROGRAM OPERATING COSTS, NET LOST REVENUE, AND FINANCIAL INCENTIVES.	)	**CAUSE NO.** 45898

PETITIONER'S SUBMISSION OF DIRECT TESTIMONY OF KATIE HEARD

Indianapolis Power & Light Company d/b/a AES Indiana ("Petitioner", "AES Indiana" or the "Company"), by counsel, hereby submits the direct testimony and attachments of Katie Heard.

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 28th day of April, 2023, by email transmission, hand delivery or United States Mail, first class, postage prepaid to:

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ATTORNEYS FOR PETITIONER
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D/B/A AES INDIANA

Petitioner's Exhibit 1

PRE-FILED VERIFIED DIRECT TESTIMONY

OF

KATIE HEARD

ON BEHALF OF

INDIANAPOLIS POWER & LIGHT COMPANY

DBA AES INDIANA

SPONSORING PETITIONER'S ATTACHMENT KH-1 THROUGH KH-2

PRE-FILED VERIFIED DIRECT TESTIMONY OF KATIE HEARD

1. INTRODUCTION

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

A1. My name is Katie Heard. I am employed by Indianapolis Power & Light Company DBA AES Indiana ("AES Indiana," "the Company"). My business address is One Monument Circle, Indianapolis, IN. 46204.

Q2. What is your position with AES Indiana?

A2. My title is Demand Side Management Lead.

Q3. On whose behalf are you submitting this direct testimony?

A3. I am submitting this testimony on behalf of AES Indiana.

Q4. Please describe your duties as Demand Side Management Lead.

A4. My primary responsibility is to oversee the successful and effective implementation of AES Indiana's DSM programs. This responsibility includes program administration, program marketing, oversight of third-party program delivery vendors, budget and expenditure tracking, program impact tracking, quality assurance and quality control, and program process improvement.

Q5. Please summarize your education and professional qualifications.

A5. I hold a bachelor's degree from Ball State University's College of Arts and Science. I have attended workshops, seminars, and conferences pertaining to planning, implementation, and evaluation of DSM programs.

Q6. Please summarize your prior work experience.

A6. I started employment at CLEAResult as a Program Coordinator for residential programs in October of 2013. From April 2015 through March 2021 I was a Program Manager at CLEAResult. In this role, I worked with CenterPoint Energy, Inc, Northern Indiana Public Service Company (NIPSCO), AES Indiana and Indiana Michigan Power Company. My responsibilities included, but were not limited to the following: program planning, program design, operations, training and financials. In August 2016, I hired and led a team to design, train and implement residential customer programs for CenterPoint Energy, Inc. My responsibilities included, but were not limited to the following: customer program planning, program design, operations, quality assurance, training and financials. I joined AES Indiana DSM team as a Program Manager in March 2021, and had similar responsibilities as a Program Manager at CLEAResult. I was promoted to DSM Lead in January 2023.

Q7. Have you testified previously before the Indiana Utility Regulatory Commission ("Commission") or any other regulatory agency?

A7. No.

Q8. What is the purpose of your testimony in this proceeding?

A8. My testimony supports AES Indiana's request for Commission approval of the Company's DSM Plan pursuant to Ind. Code § 8-1-8.5-10 ("Section 10") for one year beginning in 2024 (herein referred to as the "2024 DSM Plan" or "DSM Plan"). I discuss the proposed programs in the 2024 DSM Plan (attached hereto as Petitioner's Attachment KH-2) and associated program operating costs AES Indiana is projecting to meet the

energy efficiency goals. I describe the continuation and governance of the AES Indiana Oversight Board ("OSB") and ongoing reporting of DSM impacts and expenditures. Additionally, I summarize the planning approach which led to the development of the 2024 DSM Plan as proposed in this proceeding. I describe Indiana policy considerations as they relate to DSM planning, including AES Indiana's proposed recovery of reasonable lost revenues and financial incentives as allowed by Section 10. I conclude my testimony with a description of the requirements and steps AES Indiana has taken to comply with Section 10.

Q9. Are you sponsoring any attachments?

A9. I am sponsoring the following attachments:

Petitioner's Attachment KH-1 AES Indiana's Petition in this Cause

Petitioner's Attachment KH-2 AES Indiana's 2024 DSM Plan

Q10. Did you submit any workpapers?

A10. Yes. I am providing an electronic version of the 2024 DSM Plan, which I prepared for this filing.

Q11. Were these attachments and workpapers prepared or assembled by you or under your direction and supervision?

A11. Yes.

2. PETITION

Q12. Are you familiar with the Petition in this Cause?

A12. Yes.

Q13. Did AES Indiana post an electronic copy of its Petition and proposed DSM Plan on the Company's website?

A13. Yes. The 2024 DSM Plan and associated Petition in this Cause were posted on AES Indiana's website contemporaneous with the filing of the Petition with the Commission.

Q14. Did AES Indiana provide a copy of its Petition and the proposed DSM Plan to the Indiana Office of Utility Consumer Counselor ("OUCC")?

A14. Yes.

Q15. Please describe the differences between this request and what is currently in effect.

A15. The proposed one-year DSM plan for 2024 is primarily the same as the current 2021-2023 DSM progams approved in Cause No. 45370. The main difference between this request and what is currently in effect is the removal of general service lighting ("GSL") and specialty lighting. AES Indiana has removed GSL and speciality lighting from customer programs to align with the federal codes and standards ("EISA"), thus causing a shift in program implementation. Filing a one-year plan will provide AES Indiana the opportunity to better evaluate the market and participation absent of lighting. AES Indiana plans to work with expert consultants and program delivery vendors during 2023 to revamp program offerings and file a two-year DSM Plan for the 2025 and 2026 program delivery years.

Q16. Please summarize the relief requested by AES Indiana in this proceeding.

A16. AES Indiana seeks Commission approval for AES Indiana to deliver a reasonably achievable and cost-effective portfolio of DSM programs with energy saving projections totaling 156,202 MWh and demand savings projections of 681 to 78 MW for the one-

year period of 2024. The portfolio consists of seven (7) residential programs and four (4) business programs.

Additionally, as discussed by AES Indiana witness Aliff, AES Indiana seeks authorization for continued timely cost recovery for the DSM Plan program costs through AES Indiana's existing Standard Contract Rider No. 22 ("DSM Rider" or "Rider 22"). The costs to be recovered include direct program costs, indirect costs, Evaluation, Measurement & Verification ("EM&V") costs, reasonable lost revenues, and a reasonable financial incentive.

Q17. Please list and define the terms AES Indiana will be using throughout testimony in this Cause.

A17. Where available, the definitions for the terms used throughout testimony are consistent with those found in the Commission's rules for DSM Planning (170 IAC 4-8-1) or in Section 10. The following list is provided for ease of reference:

Demand Side Management ("DSM") - DSM refers to the planning, implementation, and monitoring of a utility activity designed to achieve energy efficiency or demand response.

Energy Efficiency ("EE") – expressed in energy terms (kWh, MWh), EE is defined as a reduction in electricity use for a comparable level of electricity service.

Demand Response ("DR") – expressed in demand terms (kW, MW), DR is defined as a reduction in electrical usage for limited intervals of time, such as during peak electricity usage or emergency conditions.

Program Costs – program costs include direct and indirect costs of energy efficiency programs, costs associated with the EM&V of program results, and other recoveries or incentives approved by the Commission, including lost revenues and financial incentives.

Program Operating Costs – program operating costs include direct and indirect costs of energy efficiency programs, costs associated with the EM&V of program results, but exclude lost revenues and financial incentives.

Direct Costs – direct costs include (but are not limited to) program administrative costs, vendor administrative costs, equipment, labor, EM&V costs, and customer rebates and incentives.

Indirect Costs – indirect costs are any costs necessary to support achievement of the 2024 DSM Plan, but are not tied to a specific program. These costs include (but are not limited to) outreach and education, consulting, memberships, staff training and development, and indirect labor.

Lost Revenues – the difference, if any, between revenues lost and the variable operating and maintenance costs saved by an electricity supplier as a result of implementing energy efficiency programs.

Financial Incentive – reasonable financial incentives encourage the cost-effective implementation of programs and eliminate or offset the financial bias against energy efficiency programs in favor of supply side resources.

3. DSM PLAN SUMMARY

Q18. Please summarize AES Indiana's 2024 DSM Plan.

A18. The 2024 DSM Plan is comprised of eleven (11) programs, including seven (7) residential programs and four (4) programs targeting business customers. AES Indiana projects that successful delivery of the 2024 DSM Plan will require spending authority of $35,540,218[1] in program direct and indirect costs, and expects gross energy savings of 156,202 MWh over the one year plan period. For additional detail, including annual demand savings projections, please refer to the summary tables prepared in Petitioner's Attachment KH-2, the 2024 DSM Plan.

Q19. Does the plan include energy efficiency goals required under Section 10?

A19. Yes. Section 10 defines energy efficiency goals as:

> **all energy efficiency produced by cost effective plans that are:**
> **(1) reasonably achievable;**
> **(2) consistent with an electricity supplier's integrated resource plan; and**
> **(3) designed to achieve an optimal balance of energy resources in an electricity resource in an electricity supplier's service territory.**

The 2024 DSM Plan energy efficiency goal is set forth in Table KH-1.

Table KH-1

Year	Energy Efficiency Goals (kWh)
2024	156,202,053

[1] This amount excludes proposed costs for lost revenues, financial incentives, and spending flexibility, but includes EM&V costs.

Q20. What programs are included in the 2024 DSM Plan to meet the energy efficiency goals?

A20. The 2024 DSM Plan includes the following named programs:

Table KH-2

Program
Residential
Appliance Recycling
Residential Demand Response
Efficient Products
Multifamily
School Education
Home Energy Reports
Income Qualified Weatherization
C&I
Custom
Business Demand Response
Prescriptive
Small Business Direct Install

4. DSM PLAN COSTS

Q21. Please describe the direct costs projected for the 2024 DSM Plan programs.

A21. Consistent with the development of the savings projections and overall program delivery strategies, the direct costs presented in Petitioner's Attachment KH-2 are largely reflective of the planning efforts described later in my testimony. The program implementation costs are comprised of vendor administrative and equipment costs, and customer incentives necessary to successfully deliver the energy efficiency goals. In addition to the direct implementation costs, the forecasted EM&V costs and direct AES Indiana administrative costs are based on historical expenditures.

Q22. Is AES Indiana seeking to recover indirect costs in addition to the direct costs as outlined above?

A22. Yes. In addition to the direct costs of the programs described above, successful administration of the 2024 DSM Plan will require indirect costs including: 1) outreach & education; 2) consulting; 3) memberships; 4) staff development; and 5) indirect AES Indiana labor.

Q23. Please list the indirect costs necessary for the 2024 DSM Plan.

A23. Estimated indirect costs by year are listed in the table below.

Table KH-3

Indirect Costs	2024
Outreach & Education	$750,000
Consulting	$435,000
Memberships	$20,000
Staff Development	$25,000
Indirect AES Indiana Labor	$250,000
Total	$1,480,000

Q24. Please describe outreach & education.

A24. Outreach and Education is comprised of general messaging activities not tied to specific program offerings, but nonetheless required to successfully promote energy and demand saving actions. Ultimately, AES Indiana must be able to make its customers aware of the information and programs available to assist them in taking advantage of these opportunities. In order to implement successful programs, AES Indiana must understand what messages will cause customers to consider their energy consumption and then motivate them to change their energy related purchasing decisions or consumption

behavior. Outreach efforts will incorporate key messages into a general awareness campaign that will be delivered through a variety of channels.

Q25. Please describe consulting expenses AES Indiana expects to incur.

A25. In the 2024 program years, AES Indiana expects to incur consulting expenses for ongoing DSM modeling and planning efforts in addition to licensing and maintenance fees associated with Vision DSM™, AES Indiana's internal DSM tracking system. AES Indiana also included a projection for DSMore™ licensing costs, which AES Indiana uses for cost and benefit analysis of its DSM programs.

Q26. Please describe the value of memberships.

A26. Membership organizations act as an extension of AES Indiana DSM program staff, and provide vast resources that emphasize industry best practices. Membership organizations also present the opportunity for DSM staff members to attend ongoing education, training, and development events such as seminars, conferences, and workshops.

Q27. Please describe staff development.

A27. Staff Development is comprised of expenses associated with attendance at DSM related seminars, conferences, and workshops that provide opportunities for ongoing professional development and continuous learning of DSM industry best practices.

Q28. Please describe why indirect AES Indiana labor is necessary.

A28. AES Indiana has threshold obligations to successfully administer its proposed 2024 DSM Plan that are not tied to specific programs. These obligations include but are not limited to:

- Attendance at, or participation in AES Indiana OSB meetings;
- Participation in external seminars, conferences, and/or workshops;
- Preparation of memoranda and/or reporting materials to be presented to the AES Indiana OSB;
- Attendance to, preparation for, or participation in industry association events and/or community events to promote AES Indiana's DSM portfolio;
- General program oversight.

Q29. Please describe AES Indiana's proposal for spending flexibility.

A29. Consistent with prior Commission Orders,[2] AES Indiana requests spending flexibility of up to 10% of the portfolio direct costs for the 2024 DSM Plan. Spending flexibility provides AES Indiana, through the OSB, the ability to pursue cost-effective energy and demand savings opportunities if interest in the market exceeds forecast customer participation. Increasing the level of participation or inclusion of additional measures may increase direct costs, prompting the need for additional funds.

AES Indiana has generally been successful in working with its OSB to modify budgets as necessary throughout the course of previous program years. This proposal is consistent with the Settlement Agreements approved in Cause Nos. 45370 and 44945.

Q30. What is AES Indiana's proposal for the use of carry over funding and emerging technology initiative funding in the 2024 DSM Plan?

A30. Given the one-year nature of this plan, AES Indiana proposes to not carry over any unspent funds from its 2021-2023 DSM Plan approved in Cause No. 45370 into the 2024 DSM Plan period. For the same reason, AES Indiana has not included funds for

emerging technology initiatives. AES Indiana expects to include a request for these types of funding in its next multi-year DSM Plan filng.

Q31. What will be the composition and role of the AES Indiana OSB?

A31. AES Indiana proposes to maintain the current composition of the AES Indiana OSB, which includes voting members from AES Indiana, OUCC, and the Citizens Action Coalition ("CAC"). The AES Indiana OSB will have the ability to shift dollars within the portfolio using spending flexibility as described above as well as shift dollars among programs in the 2024 DSM Plan so long as the approved budget is not exceeded. Additionally, AES Indiana requests that the AES Indiana OSB maintain its authority to approve new DSM programs during the period that these approvals are in effect (calendar year 2024). Funding for any new program addition would not be in excess of the total approved spending as authorized in this proceeding. The funds would either be moved from a program that is under performing or from the requested spending flexibility.

Q32. Please describe AES Indiana's proposal for ongoing reporting during the 2024 program delivery period.

A32. In the Order in Cause No. 43623 (DSM-13) the Commission requested that AES Indiana provide status reports on a quarterly basis. AES Indiana began submitting these quarterly scorecard reports to the Commission in 2016. AES Indiana proposes to continue reporting quarterly scorecard reports related to the 2024 DSM Plan to the Commission in this docket, unless directed otherwise. AES Indiana will also continue to submit a final EM&V report on or before July 1 of each year that summarizes the prior year DSM

[2] Cause Nos. 45370, 44945, 44972, 44328, and 43960.

efforts and evaluated results. Last, AES Indiana proposes to continue submitting scorecard reports to the OSB to be reviewed during AES Indiana's monthly OSB meetings.

Q33. What is the proposed budget for the 2024 DSM Plan?

A33. AES Indiana projects the annual costs shown below will be necessary to successfully administer and implement programs as outlined in the 2024 DSM Plan.

Table KH-4

	2024
Direct Costs	$34,060,219
Indirect Costs	$1,480,000
Sub total	$35,540,219
Financial Incentives	$3,810,758
Lost Revenues	$4,457,660
Sub total	**$8,268,418**
Total	**$43,808,636**

Lost Revenues (Legacy)	$13,822,639
Total (w/ Legacy)	**$57,631,276**

Q34. How do the annual savings and program operating costs in the 2024 DSM Plan compare to the savings and costs in the 2021-2023 DSM Plan?

A34. Overall, the savings are comparable from a year-to-year comparison. AES Indiana's average gross annual energy efficiency goals for 2021-2023 DSM Plan (as modified by the Settlement Agreement) were approximately on average 164,000 MWh, compared to the one-year gross energy efficiency goals of approximately 156,000 MWh in the 2024 DSM Plan. Average annual program operating costs in the 2021-2023 DSM Plan (as modified by the Settlement Agreement) were approximately $35 million compared to the annual projected expenditure of approximately $35 million in the 2024 DSM Plan.

5. Program Implementation

Q35. What is the overall administrative and implementation strategy of the 2024 DSM Plan?

A35. AES Indiana intends to maintain its administrative responsibility over the 2024 DSM Plan. Program implementation (including but not limited to participant acquisition, rebate fulfillment, equipment and measure installations, onsite quality control and quality assurance, and primary data collection and tracking) will largely be delivered by the third-party implementation vendors. AES Indiana's role as administrator will continue to consist of program planning, program coordination, internal and external reporting, data aggregation and tracking, and overall program quality assurance and oversight. In partnership with its OSB, AES Indiana will continue to maintain responsibility for coordination and oversight of EM&V that is completed annually by the independent third-party evaluator.

Q36. Please describe the residential programs that are new or materially changing compared to the 2021-2023 DSM Plan offerings.

A36. In comparison to the 2021-2023 DSM Plan, there are no new or material changes to the 2024 DSM Plan program offerings.

Q37. Are there significant changes that impacted residential program planning for the 2024 DSM Plan compared to current offerings?

A37. Yes. There are two program modifications that were taken into consideration when developing the 2024 DSM Plan. First, as agreed to with the OSB from the 2021-2023 settlement, GSL, including specialty bulbs has been removed from the portfolio due to

the impacts from federal codes and standards ("EISA") which have eroded the savings potential of utility sponsored EE programs. During the planning process, AES Indiana worked with vendors and stakeholders to identify opportunities to backfill (but not wholly replace) some of the savings lost due to GSL no longer being a viable EE measure. Additionally, AES Indiana has removed GSL lighting from the Community Based Lighting program within the Income Qualified Weatherization ("IQW") program. AES Indiana has replaced GSL lighting with weatherstripping, door sweeps and other non-lighting energy efficiency products. Lastly relating to lighting, AES Indiana is also proposing to replace GSL lighting with non-lighting energy efficiency measures for School Education kits. AES Indiana proposes the kits include measures such as, but not limited to door sweeps and weather stripping.

The second modification AES Indiana recommends is to automatically qualify customers for participation in our low-income programs if they are participants in LIHEAP (Low Income Home Energy Assistance Program) or other means tested benefit programs, such as the following: EAP (Energy Assistance Program), United Way Winter Assistance Fund, WAF CHIP (Children's Health Insurance Program), SNAP (Supplemental Nutrition Assistance Program), WIC (Special Supplemental Nutrition Program for Women, Infants, and Children), SSI, or Section 8 subsidies.

Q38. Are there significant changes that impacted business program planning for the 2024 DSM Plan compared to current offerings?

A38. Yes. Changes that impacted lighting are similar for business programs, as presented in QA 37 above.

Q39. Will approval of the DSM Plan give an unfair competitive advantage to AES Indiana vis-à-vis small businesses (170 IAC 4-8-8)?

A39. No. AES Indiana and its program implementation vendors will work with trade allies and other small businesses to support outreach and delivery of the programs as proposed in the 2024 DSM Plan.

6. DSM PLAN DEVELOPMENT

Q40. Please summarize the process which led to this filing.

A40. AES Indiana established the following guiding principles to shape its DSM program portfolio development. AES Indiana will offer a portfolio that: 1) is inclusive for all customers; 2) is appropriate for our market and customer base; 3) is cost effective; and 4) modifies customer behavior. A RFP was issued to select the vendors that are proposed in these programs as part of the 2021-2023 DSM Plan. AES Indiana is renegotiating contracts with the same vendors to delivery the portfolio, to avoid start up and implementation costs. In addition to these guiding principles, and as summarized below, three steps were coordinated by AES Indiana for the purpose of filing a one-year achievable plan that meets all the requirements of Section 10.

1. **Market Potential Study ("MPS")** – AES Indiana engaged a consulting firm to develop a DSM MPS for the year 2024 with an extended market potential projection through 2042. These matters are addressed in more detail by AES Indiana Witness Miller.

2. **Development of DSM Resource Bundles –** In coordination with the MPS consulting firm and various stakeholders, AES Indiana developed DSM bundles using the results of the MPS to act as an input for IRP modeling and economic resource selection. This approach provided sufficient granularity such that DSM could be evaluated on a consistent footing with supply side resources in the IRP model, while also providing program

design flexibility. These matters are addressed in more detail by AES Indiana Witness Miller.

3. **IRP modeling** – As discussed by AES Indiana Witness Miller, AES Indiana's resource planning team modeled the DSM decrements in the capacity expansion model on a comparable basis to supply side resources. DSM was chosen by the model to select an optimal mix of supply and demand side resources.

4. **2024 DSM Plan Development –** AES Indiana developed the 2024 DSM Implementation Plan (Petitioner's Attachment KH-2) through contract negotiations.

Q41. Was there stakeholder involvement in the development of the 2024 DSM Plan?

A41. Yes. AES Indiana provided a filing strategy for a 2024 DSM Plan and 2025 – 2026 DSM Plan to the OUCC and CAC prior to submission of this filing. The OUCC and CAC were both involved in the 2022 DSM Market Potential Study development and IRP stakeholder meetings, and were provided transparent access to the underlying modeling. As part of the MPS and IRP process, AES Indiana conducted regular meetings in 2022 to review and discuss the DSM bundling approach used in the IRP model, and to discuss underlying measures identified in the MPS. For these meetings, representatives from AES Indiana, the OUCC, CAC, and the MPS consultant were present.

Q42. How have stakeholders been involved in the development of the 2024 DSM Plan?

A42. AES Indiana proposed a one-year filing to the CAC and OUCC in the January AES Indiana OSB Meeting on January 25, 2023. No objections were made in the meetings to the plan of a one-year filing. The goal of filing a one-year plan is to keep the programs consistent in delivery. There were no adjustments made from CAC or OUCC feedback.

Q43. Do the DSM Plan goals reflect forecasted large business customer opt out in the 2024 DSM Plan?

A43. Yes. Savings for opt-out sensitive programs in the 2024 DSM Plan were developed in coordination with AES Indiana's current program delivery vendor, which has significant local market experience. As of January 1, 2023 there were 118 large business customer opt outs, representing 39% of commercial load.

7. FINANCIAL INCENTIVES AND LOST REVENUES

Q44. Is AES Indiana requesting approval to recover reasonable financial incentives and reasonable lost revenues in this proceeding?

A44. Yes. AES Indiana proposes to maintain the current financial incentive and lost revenue recovery. This request is consistent with Section 10, which provides that:

> (o) If the commission finds a plan submitted by an electricity supplier under subsection (h) to be reasonable, the commission shall allow the electricity supplier to recover or receive the following:
>
> (1) Reasonable financial incentives that:
>
> (A) encourage implementation of cost effective energy efficiency programs; or
>
> (B) eliminate or offset regulatory or financial bias:
>
> (i) against energy efficiency programs; or
>
> (ii) in favor of supply side resources.
>
> (2) Reasonable lost revenues.

Q45. How does AES Indiana calculate and track lost revenues?

A45. Estimates of the kWh consumption and kW demand reductions per participant and the number of participants for each program were determined from the analysis prepared for the 2024 DSM Plan. Estimated participants allocated by rate code were then multiplied by the estimated kWh consumption and kW demand reductions by participant to determine the total kWh consumption and kW demand amounts by rate within each

program and then totaled by rate. Ultimately, recorded net savings and associated lost revenues are trued up based on EM&V which provides a safeguard for AES's customers.

Q46. Is AES Indiana proposing the same financial incentive structure as currently approved?

A46. Yes. The financial incentive mechanism being proposed in this case maintains a performance tier structure and the percentage of expenditures approach currently approved as part of the 2021-2023 DSM Plan. This approach will offset the financial bias in favor of supply side resources the Company would have if no financial incentive opportunity were present. AES Indiana witness Aliff discusses the mechanics of this financial incentive approach in greater detail.

Q47. What safeguards are built into the proposed financial incentive mechanism?

A47. The proposed continuation of the existing mechanism will maintain safeguards currently in place. More specifically, the financial incentive structure will use projected energy savings levels and expenditures for purposes of forecasting performance tier achievement and the associated financial incentives, but would be trued up using ex-post gross savings from the annual EM&V completed by an independent third party. In other words, EM&V results would determine the savings tier achieved by the Company, and the associated percentage corresponding to the achieved savings tier would be multiplied by actual expenditures during that period. In addition to the safeguards described above, the financial incentive is effectively capped as a function of authorized expenditure of direct costs. Direct costs approved by the Commission in this Cause, and any direct cost funding that is approved through spending flexibility allocation per the OSB's governance structure will provide the basis for the performance tier percentage to be

applied. In contrast, under the shared savings structure, the financial incentive result contains a number of variables like net-to-gross, measure-life, participation rates, avoided costs, incremental measure costs, and installation rates which make projections relatively more prone to upward or downward reconciliation or true-up variation.

To bookend the financial incentive cap, and to further mitigate the financial bias in favor of supply side resources, the existing financial incentive also has a floor. To the extent programs do not produce at least seventy-five percent (75%) of the energy efficiency goals, the proposed floor would allow AES Indiana to receive a financial incentive equaling four percent (4%) of direct program costs.

Q48. Why is recovery of financial incentives and lost revenues reasonable and necessary?

A48. Timely recovery of all DSM program costs, including financial incentives and lost revenues is a critical component to maintaining robust DSM programs. The importance of incorporating all three program cost elements - program operating costs, lost revenues, and financial incentives – into rates has been repeatedly recognized by policymakers. A lack of timely cost recovery in any of these three areas creates a financial disincentive for a utility to offer DSM programs. The policy to recover all three cost elements places DSM on a more level playing field with utilities' supply-side resource options.

8. SECTION 10

Q49. What factors does the Commission consider in determining the overall reasonableness of the DSM Plan?

A49. The statute enumerates the following ten factors for the Commission to consider in determining the overall reasonableness of the plan. I have listed the considerations below and identified the AES Indiana witnesses who address the factor:[3]

> (1) Projected changes in customer consumption of electricity resulting from the implementation of the plan. (AES Indiana witness Heard)
>
> (2) A cost and benefit analysis of the plan, including the likelihood of achieving the goals of the energy efficiency programs included in the plan. (AES Indiana witness Miller)
>
> (3) Whether the plan is consistent with the following:
>
> > (A) The state energy analysis developed by the Commission under section 3 of this chapter. (AES Indiana witness Heard)
> >
> > (B) The electricity supplier's most recent long-range integrated resource plan submitted to the Commission. (AES Indiana witness Miller)
>
> (4) The inclusion and reasonableness of procedures to evaluate, measure, and verify the results of the energy efficiency programs included in the plan, including the alignment of the procedures with applicable environmental regulations, including federal regulations concerning credits for emission reductions. (AES Indiana witness Miller)
>
> (5) Any undue or unreasonable preference to any customer class resulting, or potentially resulting, from the implementation of an energy efficiency program or from the overall design of a plan. (AES Indiana witness Heard)
>
> (6) Comments provided by customers, customer representatives, the office of utility consumer counselor, and other stakeholders concerning the adequacy and reasonableness of the plan, including alternative or additional means to achieve energy efficiency in the electricity supplier's

[3] I.C. § 8-1-8.5-10(j):

service territory. (AES Indiana witness Heard)

(7) The effect, or potential effect, in both the long term and the short term, of the plan on the electric rates and bills of customers that participate in energy efficiency programs compared to the electric rates and bills of customers that do not participate in energy efficiency programs. (AES Indiana witnesses Miller and Aliff)

(8) The lost revenues and financial incentives associated with the plan and sought to be recovered or received by the electricity supplier. (AES Indiana witnesses Heard and Aliff)

(9) The electricity supplier's current integrated resource plan and the underlying resource assessment. (AES Indiana witness Miller)

(10) Any other information the Commission considers necessary.

Q50. What are the proposed changes in customer consumption of electricity resulting from the implementation of the DSM Plan (Section 10(j)(1))?

A50. The annual projected energy and demand savings resulting from the proposed DSM Plan are described above in my testimony and are presented in Petitioner's Attachment KH-2. These projections best describe the changes to customer consumption of electricity resulting from implementation of the 2024 DSM Plan.

Q51. Have you considered whether the DSM Plan is consistent with the state energy analysis to be developed by the Commission under Ind. Code § 8-1-8.5-3 (Section 10(j) (3)(A))?

A51. Yes. AES Indiana has considered the consistency with the state energy analysis and notes that AES Indiana provided the State Utility Forecasting Group ("SUFG") with information related to our DSM Plan development. This AES Indiana provided information was considered by SUFG in their development of the 2021 Indiana Electricity Forecast.

Q52. Will any undue or unreasonable preference to any customer result or potentially result from the implementation of the EE programs or from the overall design of the DSM Plan (Section 10(j)(5))?

A52. No, AES Indiana does not expect this to be the case. AES Indiana has made every effort to offer a robust and diverse group of cost-effective DSM programs for all customers.

Q53. Section 10(j)(6) requires the Commission to consider comments provided by customers, customer representatives, the OUCC, and other stakeholders concerning the adequacy and reasonableness of the plan, including alternative or additional means to achieve EE in the electricity supplier's service territory. Do you have any comment on this consideration?

A53. Yes. AES Indiana meets regularly with the AES Indiana DSM OSB and trade allies and considers their input in the development of the proposed DSM Plan. Stakeholder input was also received and considered by AES Indiana as part of the IRP Stakeholder process. Additional input will be received through the participation of the OUCC and any intervenors in this docketed process.

9. SUMMARY AND RECOMMENDATIONS

Q54. Please summarize your testimony and recommendations.

A54. In summary, AES Indiana is proposing a one-year DSM program cycle for 2024. The purpose of filing a one-year DSM Plan is to allow a continuation of the current program design. As discussed by AES Indiana witness Miller, the proposed one-year DSM Plan for 2024 is aligned with the 2022 IRP and MPS. As I discuss above, the one-year plan continues programs currently in place with savings targets and budgets comparable to the

previously approved 2021-2023 DSM Plan. Only two changes are proposed in this 2024 DSM Plan: 1) removal of GSL from program design and 2) changing the IQW qualifications to be the federal poverty level. I recommend the Commission approve the Company's proposed one-year DSM Plan and associated cost recovery.

Q55. Does that conclude your pre-filed verified direct testimony?

A55. Yes.

VERIFICATION

I, Katie Heard, Demand Side Management Lead for AES Indiana, affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

Katie Heard

_____

Katie Heard

Dated: May 26, 2023

Petitioner's Attachment KH-1

[Verified Petition – Not Duplicated Herein]

Petitioner's Attachment KH-2
2024 DSM Plan

DSM PROGRAMS

1 appliance recycling 5
2 residential demand response 7
3 efficient products 9
4 multifamily 11
5 school education 13
6 home energy reports 15
7 income qualified weatherization 17
8 custom 19
9 business demand response 21
10 prescriptive 23
11 small business direct install 25

2024 Summary

Program	Budget	Energy Savings		Demand Savings	
		Gross kWh	Net kWh	Gross kW	Net kW
Appliance Recycling	$629,636	2,151,646	1,298,245	361	222
Residential Demand Response	$4,199,531	2,012,121	2,012,121	49,899	49,899
Efficient Products	$4,492,132	11,323,748	10,205,621	3,309	2,537
Multifamily	$715,689	2,678,148	2,675,512	29	29
School Education	$595,065	5,008,968	5,008,968	367	367
Home Energy Reports	$710,338	21,924,000	21,924,000	6,090	6,090
Income Qualified Weatherization	$2,303,898	5,073,246	5,073,246	127	127
Custom	$5,403,580	36,235,919	32,012,327	3,391	3,032
Business Demand Response	$15,000	0	0	452	452
Prescriptive	$13,307,204	65,251,819	50,136,761	14,228	11,127
Small Business Direct Install	$1,688,145	4,525,438	4,010,325	308	288
Residential	$13,646,289	50,171,878	48,197,714	60,182	59,270
Business	$20,413,929	106,030,175	86,159,413	18,379	14,899
Direct Subtotal	$34,060,219	156,202,053	134,357,128	78,561	74,170
Indirect Subtotal	$1,480,000				
Portfolio Total	$35,540,219	156,202,053	134,357,128	78,561	74,170

Program budgets are inclusive of the direct and indirect cost of DSM programs, including costs related to EM&V

APPLIANCE RECYCLING

Program Description	The Appliance Recycling program achieves energy savings by offering an incentive payment to customers to remove their old, inefficient appliances and recycle them. It includes refrigerators, freezers, room AC units, and dehumidifiers. The program offers free pickup of units from residences plus customer incentives and education about the benefits of secondary unit disposal to encourage their participation. There are no additional costs to participating customers. The contractor will pick-up, disable, and recycle the units. Once AES Indiana receives verification that the units have been recycled. The customer will receive a $50 incentive per refrigerator/freezer recycled and a $20 incentive per Room AC/dehumidifier recycled. In addition to educating residential customers about the benefits of secondary unit disposal, the program provides services to enable disposal of the units. The two program components are: <u>Customer Incentives</u> • Pickup of units from homes will be by appointment directly with the program implementation contractor. • The program implementation contractor mails incentive checks (or an alternative form of payment) to customers after units have been removed. • To qualify, refrigerator, freezer, dehumidifiers or room air conditioning units must be in working condition, meet minimum size requirements, and be readily accessible for removal. <u>Environmental Disposal of Units</u> • Units will be removed to a collection facility and disassembled for environmentally responsible disposal of CFCs and recycling of remaining components.
Objectives	The objectives for the Appliance Recycling program are: • To permanently remove old, energy-inefficient appliances from the electric grid. • To recycle all appliances with strict adherence to local and federal regulations and in compliance with the Environmental Protection Agency's (EPA) Responsible Appliance Disposal (RAD) requirements. • To provide responsive and effective program management services to AES INDIANA customers. • To provide AES INDIANA's customers with seamless service that results in high customer satisfaction and a white-glove customer experience in every step of the program.

Projected Savings

Gross Energy (kWh) Savings

Program	2024
Appliance Recycling	2,151,646

Gross Demand (kW) Savings

Program	2024
Appliance Recycling	361

Net Energy (kWh) Savings

Program	2024
Appliance Recycling	1,298,245

Net Demand (kW) Savings

Program	2024
Appliance Recycling	222

Projected Expenditures

Budget (dollars)

Program	2024
Appliance Recycling	$629,636

2024 Cost-Effectiveness

	Cost Effectiveness Tests			
Program	**UCT Ratio**	**TRC Ratio**	**RIM Ratio**	**PCT Ratio**
Appliance Recycling[1]	0.71	0.81	0.21	N/A

[1] Benefit/Costs results for each program reflect scores for the entire 2024 program delivery period.

RESIDENTIAL DEMAND RESPONSE

Program Description	The Residential Demand Response (DR) program aims to deliver peak demand savings through the following end uses: • **Direct Load Control ("DLC") Switch Maintenance.** AES INDIANA's current program consists of ~44,000 one-way load control switches and ~5,500 two-way load control switches. The Demand Response program delivers switch replacements while enhancing AES INDIANA's relationship with the local HVAC service community. The implementation vendor will provide in-depth training and in-field support to a network of local HVAC trade allies who will perform switch replacements. This approach transforms the local HVAC community by educating local trade allies on the benefits of DR and alleviates the common issue of service technicians disconnecting DLC switches when they service customer's AC units. • **Smart Thermostats.** AES INDIANA's current program consists of ~11,000 smart thermostats that are demand response enabled through AES INDIANA's program. The proposed approach offers a simplified avenue for recruiting AES INDIANA's residential customers into the DR program using in-home visits and touch points within other residential offerings. It also allows customers the option of purchasing smart thermostat through several channels across AES Indiana manufacturers. Customers who purchase a smart thermostat through the Efficient Products program or receive a thermostat through the Income Qualified Weatherization program will receive thermostat incentives as well as bill credits through AES INDIANA Rider 13. • **Hot Water Heaters.** Taking advantage of hot water heaters for demand response is a new addition to AES INDIANA's portfolio. The load shape for hot water heaters would provide a demand response opportunity that coincides with AES INDIANA's winter peak, which is typically during the morning hours of winter months. There are several new technology innovations in this space that provide customers and the program administrator more insight and control over non-demand savings metrics, like continuous monitoring of water temperature (i.e. comfort). • **Managed Electric Vehicle Chargers.** Electric vehicle demand will continue to grow in AES INDIANA's service territory over time. Typical Level II in-home chargers can require between 30-70 amps instantaneously, which presents a new and potentially material load potential for demand response. This measure in the demand response program presents an opportunity for AES INDIANA to better understand charging behavior, and to provide customers with charging solutions that meet their needs while managing peak demand.
Objectives	The objectives for the Residential DR program include: • Updating AES INDIANA's existing infrastructure of one-way DLC switches; • Target both winter and summer peak demand through inclusion of hot water heaters and managed electric vehicle chargers; • Growing AES INDIANA's relationship with the local trade ally community; • Maintaining the existing DR fleet;

<table>
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Driving the adoption of smart thermostats, water heaters, and managed EV chargers in the AES INDIANA service territory;
Creating a foundation for the next generation DR program;
Leveraging synergies between AES INDIANA energy efficiency and DR programs.

</td></tr>
<tr><td>Projected Savings</td><td>
Gross Energy (kWh) Savings
<table>
<tr><th>Program</th><th>2024</th></tr>
<tr><td>Residential Demand Response</td><td>2,012,122</td></tr>
</table>
Gross Demand (kW) Savings
<table>
<tr><th>Program</th><th>2024</th></tr>
<tr><td>Residential Demand Response</td><td>49,899</td></tr>
</table>
Net Energy (kWh) Savings
<table>
<tr><th>Program</th><th>2024</th></tr>
<tr><td>Residential Demand Response</td><td>2,012,122</td></tr>
</table>
Net Demand (kW) Savings
<table>
<tr><th>Program</th><th>2024</th></tr>
<tr><td>Residential Demand Response</td><td>49,899</td></tr>
</table>
</td></tr>
<tr><td>Projected Expenditures</td><td>
Budget (dollars)
<table>
<tr><th>Program</th><th>2024</th></tr>
<tr><td>Residential Demand Response</td><td>$4,199,531</td></tr>
</table>
</td></tr>
<tr><td>2024 Cost-Effectiveness</td><td>
<table>
<tr><th></th><th colspan="4">Cost Effectiveness Tests</th></tr>
<tr><th>Program</th><th>UCT Ratio</th><th>TRC Ratio</th><th>RIM Ratio</th><th>PCT Ratio</th></tr>
<tr><td>Residential Demand Response</td><td>1.49</td><td>2.12</td><td>1.40</td><td>N/A</td></tr>
</table>
</td></tr>
</table>

EFFICIENT PRODUCTS

Program Description

The Efficient Products program will increase awareness and sales of energy efficient HVAC, smart thermostats and other ENERGYSTAR appliance products in the AES INDIANA service territory. AES INDIANA's residential customers can purchase products at participating retail locations across its service territory and/or receive rebates through contractor (trade ally) driven projects. The program will reduce the cost barrier of products through markdowns at the point of sale or through rebates post purchase/installation. Additionally, AES INDIANA will leverage a customer facing portal to allow participants to submit online incentive applications for qualifying appliance purchases. Connecting a customer who has already chosen to purchase an energy efficient product through the Efficient Products program is an excellent warm lead for the other energy efficiency offerings.

Smart thermostat purchases through retailers, trade allies, or through an online marketplace in this program will continue to provide AES INDIANA customers with multiple channels to enroll in AES INDIANA's Demand Response program, avoiding many of the usual customer acquisition costs of a standalone bring-your-own-thermostat (BYOT) or direct install (DI) program.

Objectives

The objectives for the Efficient Products program include:

- Increasing consumer awareness of the benefits of energy efficient products in the residential market;
- Working with trade allies to drive installation of energy efficient HVAC and other products;
- Amplifying the availability of energy efficient products in local retail stores;
- Improving retailers' understanding of the benefits of energy efficient products through training;
- Enhancing the local market penetration of energy efficient products through off-shelf merchandising tactics leading to higher sales;
- Pursuing industry leadership initiatives to increase knowledge and develop strategic partnerships to strengthen local program effectiveness;
- Educating customers on available incentives for ENERGY STAR products;
- Strengthening the customer's awareness of AES INDIANA as a trusted partner in energy efficiency;
- Deliver cost-effective energy savings.

Projected Savings

Gross Energy (kWh) Savings

Program	2024
Efficient Products	11,323,748

Gross Demand (kW) Savings

Program	2024
Efficient Products	3,309

Net Energy (kWh) Savings

Program	2024
Efficient Products	10,205,621

Net Demand (kW) Savings

Program	2024
Efficient Products	2,537

Projected Expenditures

Budget (dollars)

Program	2024
Efficient Products	$4,492,132

2024 Cost-Effectiveness

	Cost Effectiveness Tests			
Program	**UCT Ratio**	**TRC Ratio**	**RIM Ratio**	**PCT Ratio**
Efficient Products	1.55	1.10	0.32	10.27

MULTIFAMILY

<table>
<tr><td>Program Description</td><td>This program will provide no-cost, turnkey service delivery to property managers and tenants to help overcome first-cost and disruption barriers typically associated with this type of investment. Trained Energy Advisors will install low-cost energy saving measures (e.g., showerheads, programmable thermostats, bath and faucet aerators and pipe wrap) within residences at no cost.</td></tr>
<tr><td>Objectives</td><td>The objectives for the Multifamily program include:
Providing education and support services for property owners/managers, tenants and manufactured home owners to promote the implementation of energy efficiency measures;
Creating jobs and developing the local market;
Enhancing the local market penetration of energy efficient products and services – helping customers save energy and money;
Providing manufactured home owners with access to energy efficient products;
Strengthening the customers awareness of AES INDIANA as a trusted partner in energy efficiency;
Delivering cost-effective energy savings.</td></tr>
<tr><td>Projected Savings</td><td>Gross Energy (kWh) Savings<table><tr><th>Program</th><th>2024</th></tr><tr><td>Multifamily</td><td>2,678,148</td></tr></table>Gross Demand (kW) Savings<table><tr><th>Program</th><th>2024</th></tr><tr><td>Multifamily</td><td>29</td></tr></table>Net Energy (kWh) Savings<table><tr><th>Program</th><th>2024</th></tr><tr><td>Multifamily</td><td>2,675,512</td></tr></table>Net Demand (kW) Savings<table><tr><th>Program</th><th>2024</th></tr><tr><td>Multifamily</td><td>29</td></tr></table></td></tr>
<tr><td>Projected Expenditures</td><td>Budget (dollars)<table><tr><th>Program</th><th>2024</th></tr><tr><td>Multifamily</td><td>$715,689</td></tr></table></td></tr>
</table>

2024 Cost-Effectiveness

The cost-effectiveness metrics of the Residential Demand Response program are as follows:

	Cost Effectiveness Tests			
Program	**UCT Ratio**	**TRC Ratio**	**RIM Ratio**	**PCT Ratio**
Multifamily	1.73	1.73	0.25	N/A

SCHOOL EDUCATION

Program Description

The School Education program incorporates an educational module provided to grade school students, along with a take-home kit of energy efficiency measures. Measures include low-flow fixtures and weather stripping. The program targets students to help them learn about energy efficiency and how they can apply it at school and at home. Participating schools will receive education in the classroom and take-home kits filled with energy efficiency saving devices. The program is designed to educate both the students and their parents about simple energy efficiency and conservation practices, driving grassroots market transformation throughout the service territory.

Objectives

The objectives for the School Education program include:

- Achieving verifiable, cost-effective electric savings through the installation of low-cost measures;
- Helping customers identify opportunities to better manage their energy use;
- Creating an exceptional customer experience for participating households;
- Strengthening and supporting AES INDIANA's energy efficiency branding, while providing an excellent opportunity to increase energy efficiency awareness;
- Cross-promotion and uplift to other energy efficiency program offerings;
- Promoting energy literacy among teachers, students, and families.

Projected Savings

Gross Energy (kWh) Savings

Program	2024
School Education	5,008,968

Gross Demand (kW) Savings

Program	2024
School Education	367

Net Energy (kWh) Savings

Program	2024
School Education	5,008,968

Net Demand (kW) Savings

Program	2024
School Education	367

Projected Expenditures

Budget (dollars)

Program	2024
School Education	$595,065

2024 Cost-Effectiveness	

	Cost Effectiveness Tests			
Program	**UCT Ratio**	**TRC Ratio**	**RIM Ratio**	**PCT Ratio**
School Education	0.50	0.50	0.24	N/A

HOME ENERGY REPORTS

Program Description

The Home Energy Reports program provides individualized Home Energy Reports that analyze customer's energy usage and offer recommendations on how to save energy and money by making small changes to their energy consumption.

Reports are sent quarterly or monthly (when AES INDIANA has a valid e-mail address) to customers throughout the year. A key behavioral component is peer comparison, where customers are shown their energy usage relative to similar, nearby households. Peoples' intrinsic social competitiveness thereby increases the energy reductions and effectiveness of this program.

Objectives

Objective for the Home Energy Reports program are to:

- Reduce energy consumption through socially driven and information-driven behavioral change;
- Raise general awareness regarding energy efficiency;
- Cross-promote and market other programs within the portfolio.

Projected Savings

Gross Energy (kWh) Savings

Program	2024
Home Energy Reports	21,924,000

Gross Demand (kW) Savings

Program	2024
Home Energy Reports	6,090

Net Energy (kWh) Savings

Program	2024
Home Energy Reports	21,924,000

Net Demand (kW) Savings

Program	2024
Home Energy Reports	6,090

Projected Expenditures

Budget (dollars)

Program	2024
Home Energy Reports	$710,338

2024 Cost-Effectiveness

	Cost Effectiveness Tests

Program	UCT Ratio	TRC Ratio	RIM Ratio	PCT Ratio
Home Energy Reports	2.58	2.58	0.53	N/A

INCOME QUALIFIED WEATHERIZATION

Program Description	The Income Qualified Weatherization offers holistic weatherization measures, including air and duct sealing completed by trained Energy Advisors as well as the installation of attic and wall insulation by local weatherization contractors for electrically heated homes. The program will incorporate a channel for distribution of energy efficient in-home products through local food pantry services, as well as air infiltration reduction and other availability of low cost energy efficiency measure in income qualified multifamily properties. There are multiple points-of-entry into the program, including a web-based, self-administered home assessment through an online portal, or by scheduling an in-home Income Qualified Weatherization audit with a trained Energy Advisor.
Objectives	The objectives for the Income Qualified Weatherization program include: • Helping eligible customers understand how they are using energy, identify opportunities for energy savings specific to their home, and offer access to a wider range of energy efficiency measures; • Educating qualifying customers on the benefits of installing energy efficiency measures and of behavior change opportunities so they can begin saving energy and money immediately; • Providing education support services and funding for qualified customers to promote the implementation of energy efficiency measures; • Engaging AES INDIANA's residential customers over the long term, delivering more holistic energy savings • Creating jobs and developing the local market through participating weatherization contractors; • Strengthening the customer's awareness of AES INDIANA as a trusted partner in energy efficiency
Projected Savings	**Gross Energy (kWh) Savings** Program: Income Qualified Weatherization — 2024: 5,073,246 **Gross Demand (kW) Savings** Program: Income Qualified Weatherization — 2024: 127 **Net Energy (kWh) Savings** Program: Income Qualified Weatherization — 2024: 5,073,246

Net Demand (kW) Savings

Program	2024
Income Qualified Weatherization	127

Projected Expenditures

Budget (dollars)

Program	2024
Income Qualified Weatherization	$2,303,898

2024 Cost-Effectiveness

	Cost Effectiveness Tests			
Program	**UCT Ratio**	**TRC Ratio**	**RIM Ratio**	**PCT Ratio**
Income Qualified Weatherization	0.99	0.99	0.23	N/A

CUSTOM

Program Description	The Custom program will provide incentives to business customers for implementing energy efficiency projects that fall outside the scope of the Prescriptive program. The Custom program broadens the availability of financial incentives for more complex projects and offers non-cash incentives in the form of technical support for customers and trade allies. Program measures earn incentives based on $/kWh savings achieved beyond baseline energy performance, such as state or federal codes and standards, industry-accepted performance standards, or other baseline energy performance standards. The program will also help business customers participate in AES INDIANA's suite of business programs, creating additional savings opportunities for customers. Prescriptive measures can complement the deeper savings approach to energy efficiency achieved through the Custom program. Continuing recent program enhancements to AES INDIANA's program portfolio, the Custom program also includes channels for Strategic Energy Management ("SEM"), and Retro-commissioning ("RCx"). SEM was launched in 2019 to provide a cohort-based program delivery channel that is designed to facilitate a culture of continuous energy improvement at customers' facilities. RCx, also launched in 2019, is designed to improve performance in existing buildings. While RCx projects have historically been eligible measures in the Custom Program, a dedicated RCx channel was developed to improve the overall customer experience, including incentives for the initial RCx study to be completed.
Objectives	The objectives for the Custom program include: • Achieving savings goals cost-effectively by using data-driven customer outreach, segmentation and prioritization strategies; • Encouraging business customers to improve the energy efficiency of their facilities by offering program incentives; • Leveraging technical expertise to identify, scope and drive projects forward, working closely with customers and their contracted trade allies; • Enhancing existing relationships with the network of equipment suppliers who can also identify energy efficiency opportunities for utility customers and streamline their engagement with the program; • Coordinating program delivery of all AES INDIANA's business programs where appropriate, including Prescriptive, and SBDI to improve customer experience; • Improving customer satisfaction and the perception of AES INDIANA as the customer's energy efficiency expert and trusted advisor.
Projected Savings	**Gross Energy (kWh) Savings** Program: Custom — 2024: 36,235,919 **Gross Demand (kW) Savings**

Program	2024
Custom	3,391

Net Energy (kWh) Savings

Program	2024
Custom	32,012,327

Net Demand (kW) Savings

Program	2024
Custom	3,032

Projected Expenditures

Budget (dollars)

Program	2024
Custom	$5,403,580

2021-2023 Cost-Effectiveness

	Cost Effectiveness Tests			
Program	**UCT Ratio**	**TRC Ratio**	**RIM Ratio**	**PCT Ratio**
Custom	2.72	1.38	0.30	8.62

BUSINESS DEMAND RESPONSE

Program Description

The Business Demand Response program provides installation of direct load control ("DLC") switch replacements while enhancing AES INDIANA's relationship with the local HVAC service community. The implementation vendor will provide in-depth training and in-field support to a network of local HVAC trade allies, who will perform switch replacements. This approach offers the advantage of complimenting services provided by the HVAC community by educating local trade allies on the benefits of DR; alleviating the common issue of service technicians disconnecting DLC switches while they are in the field. It also serves to keep HVAC workers employed during the industry's slow season, further improving AES INDIANA's relationship with the HVAC community. The participating trade allies will also be available to provide year-round service to AES INDIANA customers that may have questions or HVAC issues they perceive to be associated with the Demand Response program.

Objectives

The objectives for the Business Demand Response program include:

- Updating AES INDIANA's existing infrastructure of one-way DLC switches;
- Providing a cost-effective solution that leverages local HVAC contractors;
- Maintaining the existing one-way DR fleet until two-way conversion is complete;
- Providing lead generation for the Small Business Direct Install program.

Projected Savings

Gross Energy (kWh) Savings

Program	2024
Business Demand Response	0

Gross Demand (kW) Savings

Program	2024
Business Demand Response	452

Net Energy (kWh) Savings

Program	2024
Business Demand Response	0

Net Demand (kW) Savings

Program	2024
Business Demand Response	452

Projected Expenditures

Budget (dollars)

Program	2024
Business Demand Response	$15,000

2021-2023 Cost-Effectiveness	

	Cost Effectiveness Tests			
Program	**UCT Ratio**	**TRC Ratio**	**RIM Ratio**	**PCT Ratio**
Business Demand Response	3.72	N/A	3.72	N/A

PRESCRIPTIVE

<table>
<tr><td>Program Description</td><td>The Prescriptive program provides rebates and associated savings for a prescribed set of qualifying products and end uses. The program generates energy savings for business customers by increasing customer awareness and understanding of energy efficiency opportunities in their facilities through education provided by the local program team and a qualified network of trained trade allies. The program will provide financial incentives to customers for installing a wide array of high efficiency measures. The Prescriptive program is a great introduction to energy efficiency for AES INDIANA customers and can serve as an entry point to further engage customers on a journey to more energy saving options available through AES INDIANA’s suite of business programs.

Additionally, AES INDIANA proposes to continue a Midstream channel, which offers incentives for buy-downs to reduce the initial cost of high efficiency products through a network of local distributors.</td></tr>
<tr><td>Objectives</td><td>The objectives for the Prescriptive program include:
Achieving AES INDIANA’s electric goals cost-effectively by using data-driven customer outreach, segmentation and prioritization;
Encouraging business customers to improve the energy efficiency of their facilities by offering financial incentives that improve the economics associated with installing a broad range of energy efficiency options that address major end uses and processes;
Enhancing the network of trade allies by offering program training on new measures and technologies that will continue to play a part in efficiency program planning and delivery;
Leveraging cost-efficiencies derived from the current portfolio; coordinating program delivery and customer support with existing trade ally networks;
Coordinating program delivery of all AES INDIANA’s business programs where appropriate, including Custom and SBDI
Improving customer satisfaction and the perception of AES INDIANA as the customer’s energy efficiency expert.</td></tr>
<tr><td>Projected Savings</td><td>Gross Energy (kWh) Savings
<table><tr><th>Program</th><th>2024</th></tr><tr><td>Prescriptive</td><td>65,251,819</td></tr></table>
Gross Demand (kW) Savings
<table><tr><th>Program</th><th>2024</th></tr><tr><td>Prescriptive</td><td>14,228</td></tr></table>
Net Energy (kWh) Savings</td></tr>
</table>

Program	2024
Prescriptive	50,136,761

Net Demand (kW) Savings

Program	2024
Prescriptive	11,127

Projected Expenditures

Budget (dollars)

Program	2024
Prescriptive	$13,307,204

2021-2023 Cost-Effectiveness

	Cost Effectiveness Tests			
Program	**UCT Ratio**	**TRC Ratio**	**RIM Ratio**	**PCT Ratio**
Prescriptive	2.95	1.61	0.30	11.70

SMALL BUSINESS DIRECT INSTALL

Program Description	The Small Business Direct Install program helps small business owners experience immediate savings by completing energy-efficient equipment upgrades. Customers with less than a threshold annual peak demand – currently 200 kW – are eligible for participation. Commercial Energy Auditors conduct a walkthrough assessment and provide recommendations for savings. In addition, the Auditors install faucet aerators, non-GSL LED bulbs, LED exit signs, occupancy sensors, pre-rinse spray valves, programmable thermostats, low-flow showerheads and water heater pipe insulation at no cost to the customer while onsite. The SBDI program design builds on the current model to better complement AES INDIANA's Prescriptive offerings by increasing the incentive on select measures identified through the assessment for small business customers. This approach leads to higher project conversion rates, economic development and further positions AES INDIANA as a true partner with its small business customers and the communities it serves. While financial constraints are a very common barrier to implementing energy efficiency upgrades, cost barriers are often more acute for small business owners based on their smaller size and budgets. The SBDI Program aims to transform the small business market by increasing the installation of energy efficiency measures and encouraging follow-on building improvements through incentive-eligible projects offered through the Prescriptive program. The program will use a tablet-based audit tool to document facility data (e.g., size, fixture counts), direct installation of measures, and additional energy efficiency opportunities. The program provides customers with attractive and easy-to-understand project proposals with the cost and payback data customers need to make informed decisions about which projects to implement and build a business case for investment. New to the SBDI program in 2021 will be a Virtual Retro-commissioning channel which is designed to target small and medium sized business customers. A web-based portal will allow customers to view interval data and will provide personalized energy efficiency insights and recommendations meant to drive behavioral and process driven energy savings.
Objectives	The objectives for the SBDI program include: • Encouraging small business customers to improve the energy efficiency of their facilities by installing a suite of targeted, highly cost-effective measures at no cost to demonstrate the benefits of investing in efficiency while building rapport that leads to further investment • Educating the customer about their existing energy use and how to operate their buildings in a way that saves energy and money, supporting long-term energy efficiency awareness and commitment leading to permanent improvements in the market for energy efficient products and services • Creating assessment reports that are compelling and that present additional energy efficiency opportunities and available financial incentives to make the case for further investment • Implementing a streamlined participation process that breaks down financial barriers for small business customers by offering immediate energy and cost

savings through direct installation of measures and bonus incentives for multi-measure implementation

- Following-up after assessments to drive participation in measures suited to the particular customer from the wider suite of AES INDIANA business programs by implementing cross-selling strategies that move customers to action
- Using data-driven customer outreach, segmentation and prioritization strategies to reach the right customers with the right messages, including sector-specific messages for AES INDIANA's most common small business customer types (e.g., small offices, restaurants, retail, grocery and warehouses)
- Improving customer satisfaction and placing AES INDIANA at the center of the value steam as the customer's energy efficiency expert and advocate for energy and cost savings

Projected Savings

Gross Energy (kWh) Savings

Program	2024
Small Business Direct Install	4,542,438

Gross Demand (kW) Savings

Program	2024
Small Business Direct Install	308

Net Energy (kWh) Savings

Program	2024
Small Business Direct Install	4,010,325

Net Demand (kW) Savings

Program	2024
Small Business Direct Install	288

Projected Expenditures

Budget (dollars)

Program	2024
Small Business Direct Install	$1,688,145

2021-2023 Cost-Effectiveness

	Cost Effectiveness Tests			
Program	**UCT Ratio**	**TRC Ratio**	**RIM Ratio**	**PCT Ratio**
Small Business Direct Install	1.26	1.26	0.24	N/A