

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE VERIFIED PETITION OF)
INDIANA MICHIGAN POWER COMPANY FOR)
APPROVAL OF DEMAND SIDE MANAGEMENT (DSM))
PLAN, INCLUDING ENERGY EFFICIENCY (EE))
PROGRAMS, AND ASSOCIATED ACCOUNTING AND)
RATEMAKING TREATMENT, INCLUDING TIMELY)
RECOVERY THROUGH I&M'S DSM/EE PROGRAM)
COST RIDER OF ASSOCIATED COSTS, INCLUDING)
PROGRAM OPERATING COSTS, NET LOST REVENUE,)
AND FINANCIAL INCENTIVES.)

CAUSE NO. 45285

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 4

SETTLEMENT TESTIMONY OF OUCC WITNESS

JOHN E. HASELDEN

AUGUST 21, 2020

Respectfully submitted,



Jeffrey M. Reed
Attorney No. 11651-49
Deputy Consumer Counselor
jreed@oucc.in.gov

SETTLEMENT TESTIMONY OF OUCC WITNESS JOHN E. HASELDEN
CAUSE NO. 45285
INDIANA MICHIGAN POWER COMPANY

1 **Q: Please state your name and business address.**

2 A: My name is John E. Haselden and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: Are you the same John E. Haselden who filed direct testimony in this Cause?**

5 A: Yes.

6 **Q: What is the purpose of your testimony?**

7 A: I provide a summary of and support for the Stipulation and Settlement Agreement
8 ("Settlement Agreement" or "Settlement") reached by the Indiana Office of Utility
9 Consumer Counselor ("OUCC") and Indiana Michigan Power Company ("I&M")
10 (collectively referred to as the "Settling Parties") reached in this proceeding. The
11 Settlement will allow I&M to move forward with a modified version of its proposed
12 demand side management ("DSM") Plan. The OUCC concludes the Settlement
13 Agreement is reasonable, in the public interest and recommends the Indiana Utility
14 Regulatory Commission ("Commission") approve it in its entirety.

15 **Q: What have you done to prepare your testimony supporting the Settlement**
16 **Agreement?**

17 A: I reviewed I&M's verified petition, testimony, and exhibits in this proceeding. I
18 also reviewed I&M's responses to data requests the OUCC and Intervenors
19 submitted. I filed testimony in this Cause on behalf of the OUCC and participated
20 in technical discussions with I&M staff as well as numerous settlement discussions.

1 I reviewed the Settlement Agreement as well as I&M's settlement testimony and
2 exhibits.

3 **Q. Are you sponsoring any exhibits?**

4 A. Yes. Together with I&M witness Mr. Jon C. Walter, I am sponsoring Joint Exhibit
5 1, the Settlement Agreement, which is attached to Mr. Walter's testimony. Joint
6 Exhibit 1 will be offered into evidence at the hearing.

7 **Q: Did all the parties in the case reach settlement?**

8 A: No. Citizens Action Coalition ("CAC") did not sign the Settlement Agreement. I
9 would note I&M and the City of South Bend resolved concerns raised by South
10 Bend through a separate settlement agreement, to which the OUCC does not object.

11 **Q: Please summarize the Settlement Agreement.**

12 A: Through the Settlement Agreement, the Settling Parties propose the following:

- 13 • I&M will cease implementing the Home Energy Products Program –
14 Lighting Component on December 31, 2020.
- 15 • I&M will alter the Home Energy Products – Appliances Component such
16 that all residential heating, ventilation, and air conditioning ("HVAC")
17 measures will be implemented through a mid-stream program delivery pilot.
18 The pilot will be developed through collaboration with the Oversight Board
19 ("OSB") with a targeted implementation for March 1, 2021. Non-HVAC
20 residential measures will be implemented according to the 2020-2022 DSM
21 Plan design.
- 22 • I&M will not propose any shared savings performance incentive for the
23 Home Energy Products Program during the pilot.

- 1 • I&M will cease implementing the Home Appliance Recycling Program on
2 December 31, 2020.
- 3 • I&M will cease implementing the Home Energy Engagement Program on
4 December 31, 2020.
- 5 • I&M will be authorized to increase participant incentive caps in the Income
6 Qualified Weatherproofing Program, and the OSB will collaborate on
7 exploring ways to improve program reach and participation.
- 8 • I&M will be authorized to shift fund amounts originally budgeted for the
9 terminated residential programs to the budgets for I&M's cost-effective
10 Commercial and Industrial ("C&I") programs. This should help achieve
11 additional cost-effective savings for Program Years 2021 and 2022.
- 12 • The Settling Parties agree to maintain the existing lost revenue cap and the
13 two-step shared savings mechanism approved in Cause No. 44841, with the
14 exception that 10% of the net present value of the Utility Cost Test is used
15 in step one of the mechanism , rather than the currently-used 90% of 15%.
16 This change makes I&M's calculation more like other utilities' formulas.
- 17 • For purposes of determining the shared savings shareholder incentive, I&M
18 will apply an avoided cost forecast similar to what it uses in its Integrated
19 Resource Plan ("IRP"), but with the effects of the forecasted carbon tax
20 removed.
- 21 • Beginning with the completion of the first full program year and for (a)
22 three years, (b) the life of the measure, or (c) until new rates are
23 implemented pursuant to a final order in I&M's next base rate case,

1 whichever occurs earliest, I&M will perform a billing system review at the
2 close of each calendar year for C&I customers receiving a Work Custom
3 Program incentive during 2021 or 2022. If I&M determines any such
4 customer account is in a “closed” status, I&M will adjust the useful life of
5 the measure(s) rebated for the purpose of net lost revenue tracking and net
6 lost revenue recovery to end December 31 of the calendar year for which
7 the billing system review was performed.

8 **Q: Why is it reasonable to conclude the Home Energy Products Program –**
9 **Lighting Component, Home Appliance Recycling Program, and Home Energy**
10 **Engagement Program as of December 31, 2020?**

11 A: I describe my opposition to these programs in my direct testimony. I&M’s direct
12 evidence in support of these programs demonstrated none of these three programs
13 were cost-effective. In other words, for every \$1.00 I&M ratepayers pay to
14 implement, run, and evaluate these programs, they were estimated to receive less
15 than \$1.00 in benefits. Particularly in the current economic environment where
16 COVID-19 has resulted in lost jobs, furloughs and serious negative economic
17 impacts across Indiana, it is reasonable to terminate non-cost-effective programs.

18 **Q: Why is the Home Energy Products – Appliances Component being changed to**
19 **a pilot program rather than eliminating it from the portfolio?**

20 A: The modifications to this program, as reflected in the Settlement Agreement, are
21 the result of the Settling Parties’ belief that a mid-stream appliance program could
22 be a cost-effective energy efficiency program and provide additional energy

1 savings. The Settling Parties are also aware CAC witness Dan Mellinger
2 recommended I&M pursue a mid-stream program similar in concept to this one.¹

3 **Q: I&M's direct evidence also indicates the Income Qualified Weatherization**
4 **program will not be cost effective. Why does that program remain in the**
5 **portfolio?**

6 A: The Settling Parties agree there are societal benefits associated with this program
7 that warrant its continued inclusion in I&M's DSM portfolio. Income Qualified
8 Weatherization programs have long been a means for lower income customers to
9 participate in energy efficiency programs that otherwise would be cost prohibitive
10 to them.

11 **Q: What is the purpose of removing the forecasted carbon tax from the avoided**
12 **cost calculation used to determine shareholder incentives?**

13 A: I&M's IRP, like all Indiana investor-owned electric utilities' IRPs, includes a
14 carbon tax occurring sometime in the future within its base scenario. The modeled
15 carbon tax is not currently in force and is not modeled to occur during the DSM
16 Plan's three-year life. Removing the carbon tax results in reducing both I&M's
17 avoided costs and shareholder incentives.

18 **Q: Is the Settlement in the public interest?**

19 A: Yes. In addition to the explanations I provide, I&M's testimony provides additional
20 support and explanation regarding the Settlement. The Settlement is a reasonable
21 compromise between the OUCC's and I&M's positions, is in the public interest,
22 and should be approved. Other than the Income Qualified Weatherization program,
23 the Settlement addresses the issue of offering DSM programs not expected to be

¹ Testimony of Dan Mellinger, pages 37-40.

1 cost effective. The Settlement provides ratepayer protections by limiting the lost
2 revenue recovery term and verifying the persistence of measures delivered through
3 the Custom Work Program. The Settlement also removes the forecasted carbon tax
4 from the shareholder financial incentive calculation. Finally, the Settlement
5 provides more funds in 2021 and 2022 to achieve additional cost-effective C&I
6 savings, which may offset some of the effects the COVID-19 pandemic is having
7 on DSM.

8 **Q: Does the Settlement address the concerns the OUCC raised?**

9 A: Yes. The Settlement sufficiently addresses cost concerns raised in my direct
10 testimony.

11 **Q: Does the OUCC accept the Settlement's terms?**

12 A: Yes. The compromise reached in the Settlement provides a path forward for I&M
13 to implement a cost-effective portfolio of DSM programs and reasonably resolves
14 the issues raised in this proceeding. Therefore, the OUCC accepts and supports the
15 Settlement's terms.

16 **Q: Do you recommend the Commission approve the Settlement's terms?**

17 A: Yes. The Settlement is in the public interest, and I recommend the Commission
18 approve the Settlement Agreement in its entirety.

19 **Q: Does this conclude your testimony?**

20 A: Yes.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

A handwritten signature in black ink, appearing to read "John E. Haselden". The signature is fluid and cursive, with the first name "John" being the most prominent.

John E. Haselden
Senior Utility Analyst
Indiana Office of Utility Consumer Counselor
Cause No. 45285

August 21, 2020
Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the *Indiana Office of Utility Consumer Counselor Settlement Testimony of OUCC Witness John E. Haselden* has been served upon the following parties of record in the captioned proceeding by electronic service on August 21, 2020.

I&M Power Co.

Teresa Nyhart
Jeffrey Peabody
Barnes & Thornburg
teresa.nyhart@btlaw.com
jeffrey.peabody@btlaw.com

Matthew S. McKenzie
AEP Service Corp.
msmckenzie@aep.com

CAC

Jennifer A. Washburn
Citizens Action Coalition of Indiana, Inc.
jwashburn@citact.org

City of South Bend

Robert M. Glennon
Robert M. Glennon & Associates, P.C.
robertglennonlaw@gmail.com



Jeffrey M. Reed
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PNC Center
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
317-232-2494 – Telephone
317-232-5923 – Facsimile