

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) CAUSE NO. 45370
TIMELY RECOVERY, THROUGH IPL'S)
EXISTING STANDARD CONTRACT RIDER)
NO. 22, OF ASSOCIATED COSTS)
INCLUDING PROGRAM OPERATING)
COSTS, NET LOST REVENUE, AND)
FINANCIAL INCENTIVES.)

SUBMISSION OF CAC TESTIMONY AND WORKPAPER
IN SUPPORT OF SETTLEMENT

Citizens Action Coalition ("CAC") respectfully submits the Testimony and Workpaper in Support of Settlement of Dan Mellinger (CAC Exhibit 3) in the above-referenced Cause to the Indiana Utility Regulatory Commission ("Commission"). The workpaper is being filed in its native Excel sheet format.

Respectfully submitted,


Jennifer A. Washburn, Atty. No. 30462-49
Citizens Action Coalition of Indiana, Inc.
1915 West 18th Street, Suite C
Indianapolis, IN 46202
Phone: (317) 735-7764
Fax: (317) 290-3700
jwashburn@citact.org


CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served by electronic mail or U.S.

Mail, first class postage prepaid, this 1st day of October, 2020, to the following:

Karol Krohn
Jeffrey Reed
Indiana Office of Utility Consumer Counselor
kkrohn@oucc.in.gov
jreed@oucc.in.gov
infomgt@oucc.in.gov

Teresa Morton Nyhart
Jeffrey Peabody
BARNES & THORNBURG LLP
tnyhart@btlaw.com
jpeabody@btlaw.com



Jennifer A. Washburn

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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,) CAUSE NO. 45370
THROUGH IPL'S EXISTING STANDARD)
CONTRACT RIDER NO. 22, OF ASSOCIATED)
COSTS INCLUDING PROGRAM OPERATING)
COSTS, NET LOST REVENUE, AND FINANCIAL)
INCENTIVES.)

TESTIMONY IN SUPPORT OF SETTLEMENT OF

DAN MELLINGER

ON BEHALF OF

CITIZENS ACTION COALITION OF INDIANA

OCTOBER 1, 2020

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

2 **A.** My name is Dan Mellinger. I am a Principal at Energy Futures Group, a consulting firm
3 that provides specialized expertise on energy efficiency and renewable energy markets,
4 program design, power system planning, and energy policy. My business address is P.O.
5 5 Box 587, Hinesburg, VT 05461.

6 **Q. Are you the same Dan Mellinger who previously filed Direct Testimony in this**
7 **Cause on January 31, 2020?**

8 **A.** Yes.

9 **Q. On whose behalf are you testifying?**

10 **A.** I am testifying on behalf of Citizens Action Coalition of Indiana (“CAC”).

11 **Q. What is the purpose of your testimony in this proceeding?**

12 **A.** My testimony supports the Stipulation and Settlement Agreement in this proceeding
13 (“Settlement Agreement”) between Indianapolis Power & Light Company (“IPL” or
14 “Company”), CAC, and the Indiana Office of Utility Consumer Counselor (“OUCC”)
15 (collectively, the “Settling Parties”). Together with IPL witness Zac Elliot and OUCC
16 witness Caleb Loveman, I am sponsoring Joint Exhibit 1, the Settlement Agreement. Joint
17 Exhibit 1 will be offered into evidence at the hearing.

18 **Q. Please describe the Settlement Agreement.**

19 **A.** The Settlement Agreement addresses the following topic area sections:

20 **A. DSM Programs and Implementation**, which includes conditions relating to the
21 measure life and baselines for various lighting measures; school education kits;

distributor midstream incentive mechanisms; income-qualified weatherization eligibility; and opt-out management.

B. Spending Flexibility, which includes a good faith commitment to achieve an additional 50,000 MWh (net) of energy savings; the ability to spend up to and including an additional 10% of direct program operating costs; an additional tier of up to five million dollars (\$5M) of flexible spending; and Oversight Board (“OSB”) collaboration with IPL implementation and EM&V vendors to discuss program implementation and potential cost effective ways to pursue energy savings.

C. Market Potential Study, which includes a commitment by IPL to continue to work with the OSB on a consensus selection of a vendor to conduct the next Market Potential Study.

D. IRP Modeling of DSM/EE Analysis, which includes a commitment by IPL to continue to seek input from the Settling Parties staff and/or consultants on scenario development and avoided transmission and distribution (“T&D”) costs for its next IRP filing; and a commitment by IPL to provide transparent supporting data and assumptions.

E. Lost Revenues, which includes a three-year cap on lost revenue recovery and an annual review of commercial and industrial (“C&I”) customer account status for lost revenue eligibility.

F. Opportunity to Earn Financial Incentive, which includes a maximum performance incentive of 13.5% of direct program costs if 110% of the portfolio goal is met, and 0% of direct program costs if < 70% of the portfolio goal is met.

1 **Q. Do you support the expanded use of midstream programs, included in Section A**
2 **(DSM Programs and Implementation) of the Settlement Agreement?**

3 **A.** Consistent with my direct testimony in this Cause, I strongly support the efforts to expand
4 the use of distributor midstream incentive mechanisms. The Company already offers a
5 midstream C&I lighting program and has plans to expand the C&I midstream offerings to
6 include HVAC products.¹ Ample opportunity remains for additional midstream expansion
7 in the C&I sector, such as with commercial kitchen cooking equipment as noted in my
8 direct testimony.² Additionally, a significant opportunity exists to leverage midstream
9 incentives for residential HVAC products.³ Midstream programs are an effective program
10 strategy to cost effectively reach more customers and increase participation.

11 **Q. Why is it important that the Company include opt-out management strategies, as**
12 **outlined in Section A (DSM Programs and Implementation) of the Settlement**
13 **Agreement?**

14 **A.** The Settlement Agreement includes a commitment by the Company to recruit opt-out
15 customers back into the DSM program by hosting a program training workshop and
16 offering a 10% one-time increase in project incentives for any customer that opts back into
17 the DSM program. Resource acquisition from large users is typically less expensive
18 compared to programs and approaches that depend on higher transactional volume.

¹ IPL Witness Elliot Direct Testimony, page 19 lines 20-22 and page 20 lines 1-2.

² CAC Witness Mellinger Direct Testimony, page 22 lines 10-21 and page 23 lines 1-7.

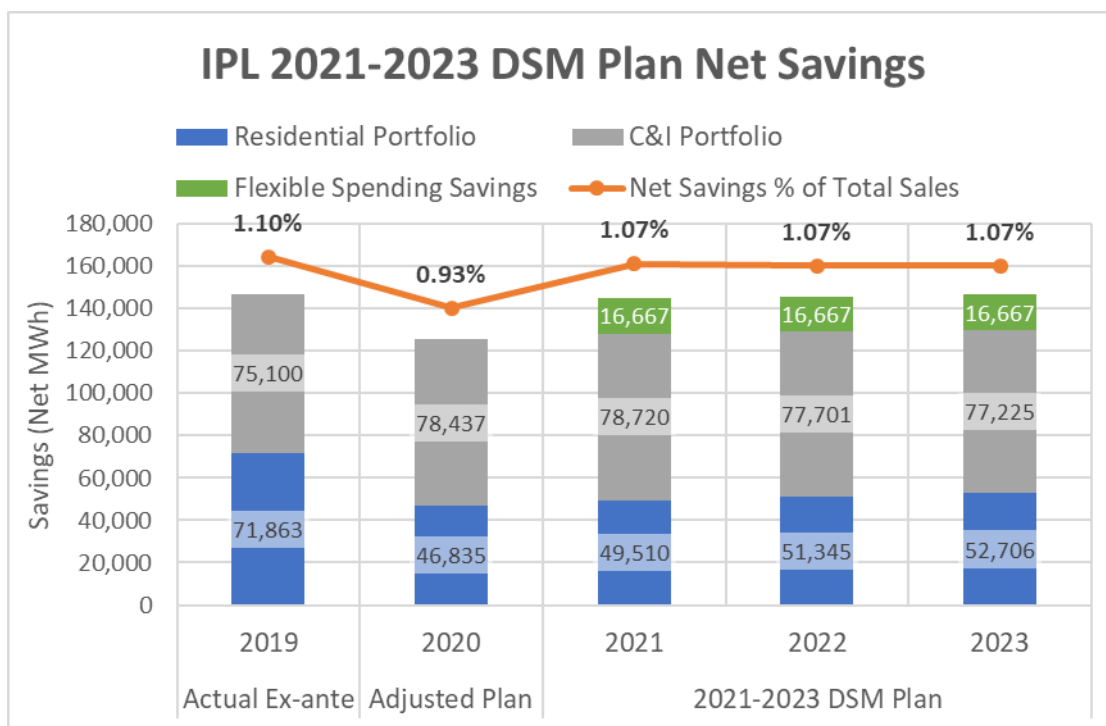
³ CAC Witness Mellinger Direct Testimony, page 23 line 8 through page 25 line 5.

Minimizing customer opt-out is an effective strategy to achieve/exceed energy saving goals and improve overall cost effectiveness.

Q. Is it reasonable to achieve an additional 50,000 MWh (net) of energy savings as included Section B (Spending Flexibility) of the Settlement Agreement?

A. Yes, absolutely, and in fact I believe even more savings could be possible. The additional savings should be achievable based on the Company's recent DSM program performance, as I discussed in my direct testimony.⁴ As depicted in **Figure 1** (net) and **Figure 2** (gross), if the additional savings from flexible spending (50,000 MWh net or 61,635 MWh gross⁵) are allocated equally across all years of the DSM Plan, the annual savings in 2021-2023 are similar to the results from the 2019 program year.

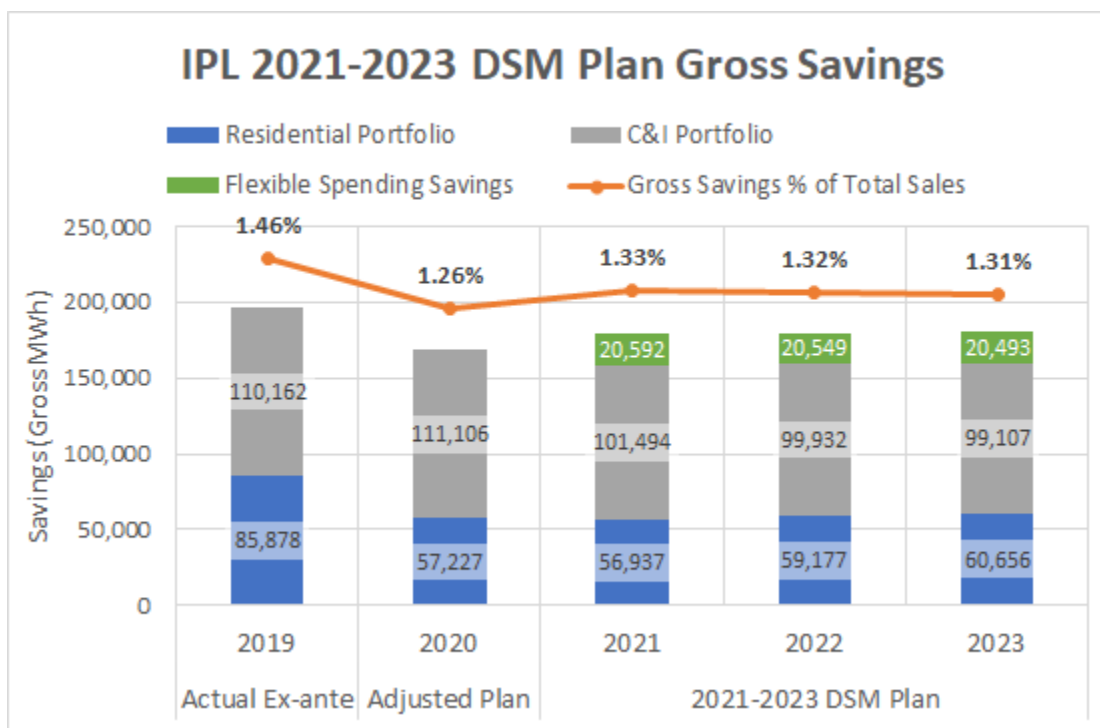
Figure 1: IPL 2021-2023 DSM Plan Net Savings



⁴ CAC Witness Mellinger Direct Testimony, section II A.

⁵ Gross savings are calculated using the DSM Plan portfolio average net-to-gross ratio of 81.12%.

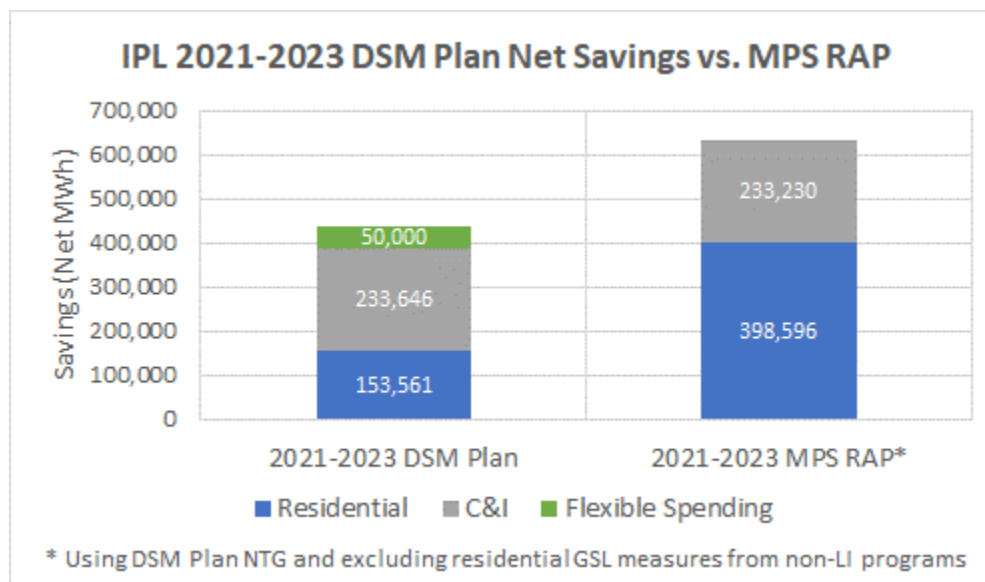
1 **Figure 2: IPL 2021-2023 DSM Plan Gross Savings**



2 The Company's 2019 Market Potential Study ("MPS") suggests even more savings are
 3 possible as I discussed in my direct testimony.⁶ **Figure 3** compares the DSM Plan
 4 including the 50,000 MWh additional net savings against the MPS Realistic Achievable
 5 Potential (RAP) scenario. Clearly the Company should be able to reasonably achieve the
 6 additional 50,000 MWh net savings, if not more.

⁶ CAC Witness Mellinger Direct Testimony, section II B.

Figure 3: IPL 2021-2023 DSM Plan Net Savings vs. MPS RAP



Q. Do you have any concerns about how the Company achieves the additional 50,000 MWh of savings discussed in Section B (Spending Flexibility) of the Settlement Agreement?

A. Importantly, any savings achieved through flexible spending should come from the residential and C&I sectors in proportions roughly consistent with the base DSM Plan. This condition will help ensure that ratepayers receive flexible spending benefits equitably and that the Company makes a concerted effort to backfill the residential sector savings lost from general service lighting (“GSL”) measures. Furthermore, flexible spending should emphasize longer measure life (and more cost-effective) measures. For these reasons, I am supportive of the Settlement Agreement condition that approximately 40% of the additional 50,000 MWh come from residential programs and that behavioral programs are not used for pursuing for additional savings.

1 **Q. Please comment on Section C (Market Potential Study) of the Settlement**
2 **Agreement.**

3 **A.** On behalf of CAC, I participated in the stakeholder input process during the development
4 of the 2019 Market Potential Study. IPL and its MPS consultant, GDS, were receptive and
5 responsive to our input, and I found the process to be very collaborative. For the benefit of
6 IPL and its ratepayers, I hope that a similar process will occur during the development of
7 the next MPS. An important factor in that process is the selection of the next MPS
8 consultant, and therefore it is important that the OSB reach a consensus again in the
9 selection as outlined in the Settlement Agreement.

10 **Q. Are you supportive of the Settlement Agreement terms pertaining to Lost Revenues,**
11 **outlined in Section E?**

12 **A.** Yes. In my direct testimony in this Cause, I outlined numerous reasons why lifetime lost
13 revenue accounting, as originally proposed in the Company's DSM Plan, is unreasonable
14 and bad for IPL's customers.⁷ The Settlement Agreement limits lost revenues to whichever
15 of the following occurs first: (a) the measure reaches end of life, (b) three years from
16 implementation of the measure, or (c) until energy savings are reflected in new base rates
17 and charges. This structure provides adequate lost revenue collections for the Company,
18 provides protections for the customer, is easier to track and account, and encourages the
19 Company to pursue more frequent base rate cases.

20 **Q. What are your recommendations?**

21 **A.** I recommend the Commission approve the Settlement Agreement.

⁷ CAC Witness Mellinger Direct Testimony, section IV.

1 **Q.** Does this conclude your testimony?

2 **A.** Yes.

VERIFICATION

I, Dan Mellinger, 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 dark ink, appearing to read 'D Mellinger', written over a horizontal line.

Dan Mellinger

October 1, 2020

Date