

ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	✓		
Freeman	✓		
Krevda	✓		
Ober	✓		
Ziegner	✓		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN)
INDIANA GAS AND ELECTRIC COMPANY)
D/B/A VECTREN ENERGY DELIVERY OF)
INDIANA, INC., A CENTERPOINT ENERGY)
COMPANY REQUESTING THE INDIANA)
UTILITY REGULATORY COMMISSION TO)
APPROVE CERTAIN DEMAND SIDE)
MANAGEMENT PROGRAMS AND GRANT)
COMPANY AUTHORITY TO RECOVER)
COSTS, INCLUDING PROGRAM COSTS,)
INCENTIVES AND LOST MARGINS,)
ASSOCIATED WITH THE DEMAND SIDE)
MANAGEMENT PROGRAMS VIA THE)
COMPANY’S DEMAND SIDE)
MANAGEMENT ADJUSTMENT)

CAUSE NO. 45387

APPROVED: FEB 3 2021

ORDER OF THE COMMISSION

Presiding Officers:

Stefanie N. Krevda, Commissioner

Carol Sparks Drake, Senior Administrative Law Judge

On June 3, 2020, Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren South” or “Petitioner”), a CenterPoint Energy Company (“CenterPoint”), filed a Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) for approval of Vectren South’s 2021 – 2023 Electric Demand Side Management (“DSM”) Plan (“2021 – 2023 Plan” or the “Plan”) and for authority to recover all program costs, including direct and indirect program costs, lost revenues, and financial incentives associated with the 2021 – 2023 Plan through its Demand Side Management Adjustment (“DSMA”) mechanism. That same date, Vectren South prefiled the testimony and exhibits of the following CenterPoint employees:

- Rina H. Harris, Director of Energy Efficiency
- Angie M. Bell, Director of Accounting
- J. Cas Swiz, Director, Regulatory and Rates.

On June 3, 2020, Petitioner also prefiled the testimony and exhibits of the following additional witnesses:

- Richard Morgan, President, Morgan Marketing Partners
- Jeffrey R. Huber, Managing Director, GDS Associates, Inc.

- Peter J. Hubbard, Manager, Siemens Energy Business Advisory also d/b/a Pace Global Energy Services, LLC.

On June 4, 2020, Citizens Action Coalition of Indiana, Inc. (“CAC”) filed a petition to intervene. CAC’s intervention was granted in a docket entry dated June 17, 2020.

On August 26, 2020, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the testimony and exhibits of John E. Haselden, Senior Utility Analyst in the OUCC’s Electric Division, and Caleb R. Loveman, Utility Analyst in the OUCC’s Electric Division. That same date, CAC prefiled the testimony of Kerwin L. Olson, CAC’s Executive Director.

On September 10, 2020, Vectren South prefiled the rebuttal testimony and exhibits of Ms. Harris and Mr. Hubbard.

Petitioner subsequently filed a motion on September 17, 2020, requesting confidential treatment for certain information within an attachment to OUCC witness Haselden’s testimony. This motion was granted in a docket entry issued the same day.

On September 25, 2020, a docket entry was issued seeking information from Vectren South related to the Income Qualified Weatherization (“IQW”) Program included within Petitioner’s proposed Plan. Vectren South filed responses to this docket entry on September 30, 2020.

After informal attorneys’ conferences were held on September 25 and October 2, 2020, to facilitate preparation for the evidentiary hearing, Vectren South on October 6, 2020, filed a Joint Notice of Settlement and Motion to Continue Procedural Schedule on behalf of Petitioner, the OUCC, and CAC (collectively, the “Settling Parties”). Consistent with the relief the Settling Parties requested and their efforts to reach a settlement, a docket entry was issued on October 7, 2020, continuing the hearing scheduled for October 8, 2020, to November 12, 2020, and converting it to a settlement hearing. A modified procedural schedule was also approved for prefiling settlement testimony.

In accordance with the modified schedule approved in the docket entry issued on October 7, 2020, Vectren South and the OUCC on October 20, 2020, prefiled their respective settlement testimony and exhibits and a Stipulation and Settlement Agreement executed by the Settling Parties (the “Settlement Agreement”).

On November 6, 2020, a docket entry was issued advising that due to the ongoing COVID-19 pandemic and with the agreement of all parties, the settlement hearing on November 12, 2020, would be conducted via WebEx and providing related participation information. Petitioner, the OUCC, and CAC participated, by counsel, in the hearing via WebEx video, and their respective evidence was admitted into the record without objection.

Based upon applicable law and the evidence presented, the Commission finds:

1. Notice and Jurisdiction. Proper notice of the evidentiary hearing originally scheduled in this Cause was given as required by law, with notice of the settlement hearing also

provided by the docket entries. Vectren South is a public utility as defined in Ind. Code § 8-1-2-1 and an electricity supplier within the meaning of Ind. Code § 8-1-8.5-10. Under Ind. Code §§ 8-1-8.5-10, 8-1-2-12, -42(a), and -61, and 170 Ind. Admin. Code (“IAC”) 4-8, the Commission has jurisdiction over Petitioner's DSM program offerings and the associated cost recovery. The Commission, therefore, has jurisdiction over Vectren South and the subject matter of this Cause.

2. Petitioner’s Organization and Business. Vectren South is incorporated under Indiana law, with its principal place of business in Evansville, Indiana. Petitioner provides electric utility service to approximately 145,000 customers in six counties in southwestern Indiana. Vectren South renders electric utility service by means of utility plant, property, equipment, and related facilities that are owned, leased, operated, managed, and controlled by Petitioner for the production, treatment, transmission, distribution, and furnishing of electric service to the public.

3. Applicable Rules and Statutes. The Commission has developed a regulatory framework that allows a utility to meet long-term resource needs with both supply-side and demand-side resource options. As part of its Integrated Resource Plan (“IRP”), an electric utility is tasked with considering alternative methods of meeting future demand for electric service, including an array of demand-side measures that provide an opportunity for all customers, including low-income residential customers, to participate in DSM. In adopting 170 IAC 4-8, the Commission provided guidelines for DSM cost recovery (“DSM Rules”). The DSM Rules are designed to assist the Commission in administering the Utility Powerplant Construction Act, Ind. Code ch. 8-1-8.5, and to facilitate increased use of DSM as part of the utility resource mix. This regulatory framework acknowledges the possibility of financial bias against DSM, recognizes the need to evaluate the extent of any bias, and provides ways for the Commission to eliminate bias through adoption of cost recovery and incentive mechanisms designed to facilitate the use of DSM to meet customers’ long-term resource needs.

Under Ind. Code § 8-1-8.5-9 (“Section 9”), an electric utility may offer customers a cost-effective portfolio of energy efficiency (“EE”) programs. If the Commission determines the portfolio is reasonable and cost effective, the utility is allowed to recover EE program costs in the same manner as such costs were recoverable under the Commission’s Phase II Order dated December 9, 2009, in Cause No. 42693. The Commission clarified and further developed its cost recovery requirements in Cause Nos. 44645 (the “44645 Order”) and 44927 (the “44927 Order”). Section 9 also creates the ability for certain industrial customers to opt out of participation in an electric utility’s EE program.

Ind. Code § 8-1-8.5-10 (“Section 10”) mandates that electricity suppliers periodically file, beginning no later than 2017 and not less than once every three years, EE plans that include EE goals, EE programs to achieve the goals, program budgets and program costs, and evaluation, measurement, and verification (“EM&V”) procedures that must include independent EM&V. Upon submittal of an EE plan, the Commission considers ten factors in determining its reasonableness. This review includes reference to the utility’s most recent IRP. If the Commission finds a plan is reasonable in its entirety, the Commission shall: (1) approve the plan in its entirety; (2) allow the electricity supplier to recover all associated program costs on a timely basis through a periodic rate adjustment mechanism; (3) allocate and assign costs associated with a program to

the class or classes of customers eligible to participate in the program; and (4) allow recovery of reasonable performance incentives and lost revenues.

It is against this backdrop that the Commission considers the Plan.

4. Relief Requested. Vectren South requests Commission approval of the 2021 – 2023 Plan as revised in the Settlement Agreement. The Plan includes: (1) EE goals; (2) EE programs to achieve the EE goals; (3) program budgets and costs; and (4) procedures for independent EM&V of programs included in the Plan. The proposed Plan includes a portfolio of programs designed to achieve more than 132 million kilowatt hours ("kWh") in energy savings and 30 thousand kilowatts ("kW") in peak demand reduction during its three-year period.

Vectren South also seeks authority to continue recovering all program costs (direct and indirect), with deferral and recovery of any over- and under-recoveries of costs associated with the 2021 – 2023 Plan, including lost revenues and financial incentives, via Petitioner’s existing DSMA mechanism. Specifically, Vectren South requests that all the DSMA components remain in place, as approved in Cause Nos. 44645 and 44927, with lost revenues recovered based upon the measure lives agreed upon in the Settlement Agreement; approval to recover annual depreciation and operating expenses associated with the conservation voltage reduction ("CVR") program investment via the DSMA; and approval to earn a performance incentive on all Plan programs except the CVR, the Modified School Education, and the IQW Programs.

Petitioner also requests the Vectren South Oversight Board ("OSB") remain unchanged during the 2021 – 2023 Plan, with continued authority to: (a) roll forward unused funds from year to year; (b) exceed Commission-approved budgets for DSM programs by up to 10% without seeking additional approval from the Commission; and (c) shift funds among programs, provided gas and electric funds are not commingled.

5. 2021 – 2023 Plan. Petitioner’s Plan includes five commercial and industrial (“C&I”) programs and 14 residential programs. These include the following DSM programs, the majority of which are current programs:

<u>Residential</u>	<u>C&I</u>
• Residential Specialty Lighting	Commercial Prescriptive
• Residential Prescriptive	Midstream Commercial
• Residential New Construction	Commercial Custom
• Home Energy Assessment	Small Business Energy Solutions
• IQW	CVR Commercial
• Community Bases – Light Emitting Diode (“LED”) Specialty Bulb Distribution	
• Energy Efficient Schools	
• Residential Behavioral Savings	
• Appliance Recycling	

- CVR Residential
- Smart Cycle (DLC Change Out)
- Bring Your Own Thermostat (BYOT)
- Residential Midstream
- Home Energy Management Systems

6. Evidence.

A. Petitioner's Case-in-Chief. Ms. Harris testified that Vectren South is requesting authority to implement the EE and demand response ("DR") programs included in the Plan beginning January 1, 2021, through December 31, 2023, with the goal of achieving approximately 132 million kWh in energy savings and 30 thousand kW in demand reduction during this three-year period. She stated this level of energy savings is roughly equal to a 1.3% reduction in eligible energy consumption from current customer usage levels. This amount excludes approximately 77% of large C&I customer load that has opted out of participation in Petitioner's EE programs. Ms. Harris stated that along with approval of the 2021-2023 Plan, Petitioner seeks to recover all costs associated with offering the DSM programs in the Plan. This cost recovery includes a request for accounting and ratemaking procedures to recover, through Vectren South's DSMA, all program costs, including direct and indirect program costs, lost revenues, and financial incentives.

Ms. Harris testified the 2021 – 2023 Plan has an estimated cost of \$34.2 million, with \$11.5 million in 2021, \$11.3 million in 2022, and \$11.3 million in 2023. These amounts include anticipated evaluation costs. In addition, she confirmed that Petitioner is proposing to capitalize and defer for future recovery the costs associated with installing CVR technology and to recover through the annual DSMA filings carrying costs and annual depreciation expense on CVR program investments. Ms. Harris testified that consistent with the 2018 – 2020 Plan approved in the 44927 Order, Vectren South also requests authority to roll forward, into the next program year, any unused and approved budget funds from the Plan that remain unspent, if any, at the end of each program year, and if budget funds are rolled forward within the 2021 – 2023 program years, these funds be incremental and not reduce approved flex funding available to obtain savings.

Ms. Harris described the legislative and regulatory framework impacting EE planning. She identified the specific programs Vectren South included in the 2021-2023 Plan and how the Plan meets the requirements under Section 10 by including EE goals designed to save 1.3% of eligible retail sales, consistent with the saving goals in Petitioner's 2019/2020 IRP for 2021 through 2023. She stated the Plan also includes program budgets and program costs which are defined as: (1) direct and indirect costs of EE programs; (2) costs associated with the EM&V of program results; and (3) recovery of lost revenues and performance incentives. Ms. Harris noted the Plan includes an independent EM&V of the included programs. Ms. Harris opined that Petitioner's proposed Plan satisfies the Section 10 requirements.

Ms. Harris also testified how the Plan was developed and that it is consistent with the EE goals in Petitioner's 2019/2020 IRP. More specifically, she testified the Plan is consistent with

Vectren South's 2019/2020 IRP in terms of costs and savings, noting the IRP included EE savings of 1.25% of eligible retail sales at a \$0.03 levelized cost per kwh. Ms. Harris stated the 2021–2023 Plan achieves approximately 1.3% of sales, including low income programs, at a \$0.03 levelized cost per kwh.

Ms. Harris reviewed the planning process Vectren South engaged in to develop the 2021 – 2023 Plan. She described the cost benefit analysis conducted and testified the 2021 – 2023 Plan program portfolio is cost-effective and will not result in undue or unreasonable preference to any customer class. Ms. Harris stated the Plan includes programs to reduce the electric demand and energy usage of customers served under the Residential, General Service, and Industrial rate schedules and is designed to afford all customers the opportunity to participate in DSM programs, including those who previously opted out of participation under Section 9. Ms. Harris described steps Vectren South has taken to encourage its C&I customers who have opted out to participate in the EE programs. These actions included hosting an Industrial Energy Management Workshop in partnership with EPA Region 5, the Midwest Energy Efficiency Alliance, and Vectren South's C&I implementation vendor, Nexant.

Ms. Harris stated Vectren South incorporated OSB feedback into the Plan, making several program and measure level changes as a result of the collaboration among OSB members, including removing standard general service LED bulbs from its Residential Lighting and Community Based LED programs and modifying the programs to offer specialty LED bulbs. She noted the Plan includes three new programs: Residential Midstream, Commercial Midstream, and Home Energy Management Systems, and she testified that as Vectren South gains more experience with Midstream programs, Petitioner will work with the OSB members to shift measures from prescriptive to Midstream, as applicable.

Ms. Harris testified the total planned program budget includes the direct and indirect costs of implementing Vectren South's electric EE programs. She stated the 2021 – 2023 Plan establishes a portfolio of programs to achieve energy savings of 131,821 megawatt hours ("MWh"), with 44,325 MWh to be saved in 2021, 43,962 MWh to be saved in 2022, and 43,534 MWh in 2023. Ms. Harris testified the total peak demand reduction is 29,935 kW, with 10,061 kW of peak demand reduction scheduled in 2021, 9,571 kW in 2022, and 10,202 kW in 2023. Ms. Harris noted the 2018 – 2020 Plan budget was approximately 1.6% in 2018, 1.9% in 2019, and 1.7% in 2020 of participating customer revenue while the savings target was approximately 1.02% - 1.07% of eligible customer sales, consistent with Petitioner's 2016 IRP results. She testified the 2021 – 2023 Plan budget reflects a budget of approximately 1.9% of participating customer revenue in 2021, 1.8% in 2022, and 1.7% in 2023, with a savings goal of 1.3% of eligible sales annually during the Plan consistent with Petitioner's 2019/2020 IRP results.

With respect to lost revenues and performance incentive structures in the 2021 – 2023 Plan, Ms. Harris testified lost revenue recovery supports implementation of EE programs, and she described how Vectren South calculates lost revenues. She stated Vectren South anticipates approximately \$3.9 million of incremental lost revenues associated with the Plan during its three-year term and seeks authority to recover lost revenues using the methodology approved in the

44927 Order; therefore, Vectren South seeks to recover lost revenues for its programs based on the overall weighted average measure life (“WAML”) of the Plan, plus a one-time 10% reduction in annual savings. Using this method, Ms. Harris testified Petitioner will recover the amount of lost revenues associated with the WAML of its EE programs or the measure life, whichever is less. Ms. Harris testified the WAML of the portfolio will be re-evaluated and adjusted with each EE filing. She described the role of performance incentives and why their recovery should be authorized. She stated Vectren South is not proposing any changes to the existing performance incentives mechanism approved in the 44927 Order and opined that the shared savings approach encourages a utility to minimize program costs while striving to achieve as much cost-effective EE as reasonably possible. Ms. Harris testified that Vectren South proposes to earn a performance incentive on all programs included in the 2021 – 2023 Plan, except the CVR and IQW Programs.

Ms. Harris testified regarding Vectren South’s independent EM&V procedures. She testified EM&V results are applied to the calculation of lost revenues retrospectively for the evaluated program year and reconciled annually with updated results. Ms. Harris described how Vectren South reports progress to the Commission (including its Annual Evaluation Reports in its annual DSMA filing and Electric DSM Quarterly Scorecards) and testified Vectren South will continue to comply with these reporting requirements until modified or terminated by the Commission or the Commission issues new reporting requirements. Ms. Harris stated all programs in the Plan will be evaluated by an independent evaluator every year for the prior year’s programs, and she testified Vectren South’s EM&V budget of \$1,553,701 over the Plan period is reasonable.

Ms. Harris testified that Vectren South proposes no changes to the OSB. She stated Petitioner requests the OSB retain the same authority as previously granted and stated this is important because Vectren South will potentially need to make adjustment to programs throughout the three-year Plan.

From Ms. Harris’ perspective, the 2021 – 2023 Plan is reasonable and in the public interest. She testified that approving the Plan will allow Vectren South to continue providing opportunities for customers to reduce their energy usage and make more educated choices about how they consume energy. In addition, the Plan promotes the efficient use of energy by better aligning Petitioner’s interests with those of its customers. Ms. Harris testified the current regulatory framework in Indiana, including Section 10, supports approving the 2021 – 2023 Plan; the Plan satisfies the criteria established by the legislature so as to be found reasonable; and approval of the 2021-2023 Plan is in the public interest. In describing the changes in customer electricity consumption projected from implementing the Plan, Ms. Harris testified that residential customers will save 20 million kWh of electricity in 2021; 20 million kWh of electricity in 2022, and 20 million kWh of electricity in 2021 as a result of its implementation while commercial customers will save more than 24 million kWh in 2021, more than 24 million kWh in 2022, and 24 million kWh of electricity in 2023. She testified that combined, these savings represent approximately 1.3% of eligible retail sales. Ms. Harris stated the EE program goals in the Plan are realistic and achievable.

Mr. Morgan, President, Morgan Marketing Partners, testified the 2021 – 2023 Plan considers the Utility Cost Test (“UCT”), the Total Resource Cost (“TRC”) Test, the Ratepayer Impact Measure (“RIM”) Test, and the Participant Cost Test (“PCT”). He testified the DSM model is used to evaluate these tests, and he described the model, the inputs into the model, and how programs and measures are modeled. He testified the Plan’s EE programs and measures are analyzed to determine cost-effectiveness and how each test provides slightly different insight into the cost-effectiveness of the Plan programs from the perspective of different stakeholders. Mr. Morgan testified that all the programs (excluding IQW) pass the TRC and UCT cost-effectiveness tests, but not the RIM Test. Mr. Morgan stated that while some programs do not pass the RIM Test, this should not be interpreted to mean the programs fail cost-effectiveness. In these cases, he stated passage of the UCT reveals whether the long-run revenue requirements for ratepayers are expected to increase or decrease from program implementation. Mr. Morgan testified that all programs with participant costs passed the PCT, but for several programs, the PCT could not be calculated since there were no costs to participants for adopting the program. He stressed that each test provides insights into a very complex issue.

Mr. Huber, Managing Director, GDS Associates, Inc., testified regarding the development of the 2020 – 2025 Market Potential Study (“MPS”) and how it is consistent with industry best practices. He stated the MPS was developed to inform the IRP and support development of a multi-year DSM Action Plan for Vectren South. Mr. Huber shared his understanding of EE modeling in Vectren South’s 2019/2020 IRP, noting Vectren South chose to make up to 1.75% of eligible retail sales available for selection in the IRP process each year beginning in 2021. He stated only low-income EE was included in the IRP as a predetermined resource. Mr. Huber described adjustments made to the realistic achievable savings potential (and assumed costs) from the 2020 – 2025 MPS before inclusion in the IRP model. Mr. Huber also described how up to 1.75% of gross eligible sales could be selected in the IRP and how the analysis included projections of the cost of DSM over the IRP horizon. Mr. Huber testified that Vectren South’s IRP analysis included a range of expected high and low DSM resource costs that were used in the scenario analyses in developing the IRP resource plan. He stated the results of the Vectren South EE potential study are consistent with the findings of other recent EE potential studies conducted in Indiana and nearby states.

Mr. Hubbard, Manager, Pace Global Energy Services, LLC, testified regarding the DSM modeling assumptions used to model DSM in Vectren South’s 2019/2020 IRP, the assumptions used in the modeling, and how the model works. He initially noted that Pace Global is a leading consultant for integrated resource planning, with extensive experience in structuring and facilitating IRPs for utilities throughout the United States.

Mr. Hubbard testified the model was permitted to make multiple selections throughout the analysis period and described how the EE modeling results in the reference case, the preferred portfolio, and other candidate portfolios. Mr. Hubbard testified all ten candidate portfolios incorporated five bundles representing approximately 1.25% of eligible sales based on a sensitivity that showed only a small difference in overall portfolio costs on a 20 year Net Present Value of Revenue Requirements basis between the 0.75% and 1.25% levels. Mr. Hubbard reviewed

improvements made to the EE modeling in the 2019/2020 IRP based on stakeholder feedback. He testified avoided costs were updated for the 2019/2020 IRP, and he explained how they were derived. Mr. Hubbard also described how avoided transmission and distribution (“T&D”) costs were included in avoided costs for DSM Planning years 2021-2023. He testified the firm transmission service demand charge for gas commodity included in the IRP for a simple cycle gas turbine to be available all hours was removed from the avoided costs in Vectren South’s Plan filing, and all costs applicable to Vectren South’s transmission, distribution, and storage system improvement charge (“TDSIC”) rider were removed from the avoided transmission cost calculation.

Ms. Bell described Vectren South’s request to recover, via the DSMA mechanism, all Plan costs, including program costs, lost revenues, and financial incentives. Ms. Bell stated Vectren South is also requesting continued authority to recover, via the DSMA, annual depreciation and operating expenses associated with the CVR Program investment, along with recovery of the annual carrying costs on this capital investment as approved in 44927 Order. Ms. Bell testified the depreciation rates assumed for the estimated depreciation expense are the depreciation rates approved in Vectren South’s most recent approved depreciation study (Cause No. 43111). Ms. Bell further testified that Vectren South will calculate the monthly carrying costs using its approved weighted average cost of capital (“WACC”), with the cost of equity fixed at 10.40% as approved in Cause No. 43839, grossed up for income taxes and multiplied by the net plant balance as of the end of the prior month. Ms. Bell stated the calculation reflects the incremental pre-tax cost, both debt and equity, of financing the investment.

Ms. Bell testified Vectren South will include in each annual DSMA filing a projected level of carrying costs on the approved CVR Program investments, and she described the accounting entries to be recorded monthly as these expenses are recovered. Ms. Bell testified the estimated level of carrying costs, deferred depreciation, and incremental operating expenses for the CVR Program investments assumed for each calendar year of the Plan are as follows: \$580,099 for 2021, \$568,344 for 2022, and \$590,720 for 2023.

Mr. Swiz testified regarding the proposed ratemaking treatment and bill impacts of the Plan. He stated Vectren South plans to continue using its DSMA to recover costs associated with customer participation in EE and DR programs, including direct load control (“DLC”) programs. Mr. Swiz testified no changes are proposed to the DSMA. Under the Plan, Vectren South will continue to project all components of the DSMA, except for the financial incentives and variances component, and reconcile all projected components against actual results, with program costs, lost revenues, and financial incentives based on the EM&V of DSM programs. Mr. Swiz discussed the estimated impact of the Plan on Vectren South’s rate schedules. He testified that Vectren South included estimated amounts for performance incentives in the DSMA rates and charges projected for 2021 through 2023.

Mr. Swiz testified the short-term effect of the Plan for participating customers is reduced energy consumption, which can result in lower energy bills, while the Plan’s impact on residential customers who do not participate in EE programs is that those customers will pay costs approved

for recovery in the DSMA, but they will not realize the benefit of reduced energy usage and the corresponding bill reduction.

B. OUCC's Case-in-Chief. Mr. Haselden testified that, in theory, DSM is a useful resource to delay or reduce the amount of supply-side capacity resources needed, but he stated this is not the case in Vectren South's situation. He testified that, according to Petitioner's recent IRP, Vectren South's need for new capacity resources is large, immediate, and driven almost exclusively by scrubber maintenance costs and compliance with ash disposal regulations at its A.B. Brown plant. Mr. Haselden testified the EE programs presented in the Plan will have no impact on how much new capacity is acquired or when. He stated this has a substantial effect on the DSM programs' cost-effectiveness because the value of avoided capacity due to DSM is absent or greatly reduced. Mr. Haselden testified that since shareholder incentives are tied to cost-effectiveness, Vectren South propped up the cost-effectiveness calculations by exaggerating avoided costs, using outdated baselines to calculate savings, and assuming avoided capacity cost savings in periods when capacity costs are not avoided.

Mr. Haselden described the program changes Vectren South made in the proposed Plan. These include eliminating general service LED light bulbs offered through the Residential Lighting Program and Community-based lighting; increasing the income level qualification for the IQW and a portion of the Multi-Family Direct Install Programs from 200% of the federal poverty level guidelines to 300%; and introducing midstream incentive programs and a Home Energy Management Systems Program. Mr. Haselden testified that Vectren South's use of a halogen bulb baseline for residential LED general service lighting is inappropriate and stated the appropriate baseline comparison for Energy Star general service LED bulbs is the non-Energy Star LED. He opined that Vectren South is using halogen bulbs as the lighting baseline and a 15-year effective useful life ("EUL") to generate more lost revenues and shareholder incentives. Mr. Haselden testified the OUCC recommends Vectren be required to: 1) use non-Energy Star general service LED bulbs as the baseline bulb for general service lighting; 2) recalculate all affected benefit/cost tests using this baseline; and 3) include other adjustments using the avoided costs and application methodology he described.

Mr. Haselden testified the OUCC also has concerns regarding Petitioner's proposed IQW Program modifications, including proposed eligibility changes and the installation of free heat pumps and central air conditioning regardless of whether the customer owns or rents the premises. He testified landlords have a responsibility to provide functioning heating and air conditioning systems and may participate in Petitioner's Residential Prescriptive Program and receive an incentive for high EE equipment like other Vectren South customers, but with the proposed IQW Program, they receive upgraded equipment for which all other customers pay. Mr. Haselden stated this is unreasonable and should be denied. Mr. Haselden also testified that the scope of the Plan significantly exceeds the amount of EE selected in the IRP process, and the excess volume of EE is not cost-effective.

Mr. Haselden described how avoided energy costs impact Petitioner's DSM program benefit/cost analyses and opined that Vectren South incorrectly calculated avoided energy costs

by including a carbon tax adder since this cost does not exist. He testified that Vectren South also artificially inflated avoided generation capacity costs by including these costs for years when capacity is not actually avoided and adding costs for a gas pipeline. He testified the OUCC recommends the Commission, at a minimum, require Vectren South to recalculate the benefit/cost tests for all programs using \$0 as the avoided generation capacity costs for all years prior to 2023 and direct Vectren South to remove the gas pipeline cost used in the benefit/cost calculations.

Mr. Haselden described how avoided T&D costs impact Petitioner's benefit/cost calculations and stated Vectren South incorrectly uses a rule-of-thumb for such costs, based upon the cost of generating capacity, with no connection between this amount and what is actually saved in T&D capacity costs. Mr. Haselden testified the OUCC recommends Vectren South's avoided T&D capacity costs be set at values determined based on the approach the OUCC recommended in Cause No. 45370. This approach excludes projects addressed through TDSIC programs and those circuits where load growth is the cause for increased T&D capacity.

Mr. Haselden testified the OUCC also has concerns regarding lost revenues associated with the C&I EE measures. He stated in the current COVID-19 environment, there have been or will be C&I participants in the DSM programs that close; therefore, the EE measures installed will stop generating savings. The OUCC recommends customers who began participating in C&I DSM programs in 2020 and subsequently go out of business be identified at the end of each year and the lost revenue for measures installed at such premises, if not assumed by another customer, be deleted from ongoing recovery.

Mr. Haselden testified regarding the purpose of financial incentives utilities may recover under Section 10 and the concerns the OUCC has with Vectren South's proposed shareholder incentive formula. He stated utilities are awarded financial incentives to encourage implementing cost-effective DSM programs by offsetting the utility's regulatory or financial bias against DSM or in favor of increasing load and constructing additional supply-side resources. He noted that adding supply-side resources increases rate base which, in turn, increases the amount the utility can earn on investments. According to Mr. Haselden, in theory, reducing demand for power through DSM programs will delay or reduce the need for new generation facilities upon which the utility could otherwise recover a return of and on its investment, but the OUCC is concerned with the multiple ways Petitioner manipulated inputs to the benefit/cost tests to generate maximum shareholder incentives. Mr. Haselden testified the OUCC recommends replacing the proposed shared savings-based methodology with a straightforward methodology that directly addresses the opportunity to invest in a supply-side resource. He testified this new methodology is not a shared savings approach and, as such, does not rely on imprecise avoided capacity and energy estimates. Mr. Haselden concluded by providing the OUCC's overall recommendations.

OUCC witness Loveman testified regarding the impact Vectren South's proposed three-year Plan will have on a residential customer using 1,000 kWh per month each year. He stated the largest increase, \$0.33, is anticipated between the forecasted 2021 year and the current year, representing a 4.01% increase over the current DSMA factor. By 2022, per Mr. Loveman, Vectren South forecasts the DSMA charge portion of a customer's bill will decrease \$0.52 over the current

DSMA factor, representing a 2.28% decrease. Mr. Loveman described the cost elements Vectren South seeks to recover through the DSMA mechanism, noting the Commission previously approved Vectren South's recovery of depreciation, operating expense, and carrying costs related to CVR investments. Mr. Loveman described Vectren South's plan to calculate CVR Program investment carrying costs in future DSMA tracker filings and stated he does not oppose Vectren South's proposed carrying cost calculation. Mr. Loveman stated Vectren South is not proposing changes to the DSMA tracker mechanism and described how Vectren South proposes to complete its DSMA tracker reconciliations.

Mr. Loveman testified that his recommendations are independent of those Mr. Haselden made. He recommended approval of Vectren South's proposed accounting and ratemaking treatment and Vectren South's proposed DSMA tracker design and mechanics. Mr. Loveman testified that if the Commission accepts Mr. Haselden's recommendations, he recommends Vectren South be required to re-calculate the forecasted 2021-2023 DSMA charges to reflect these recommendations.

C. CAC's Case-in-Chief. Kerwin L. Olson, CAC's Executive Director, stated CAC supports the Plan, except for a necessary clarification related to Vectren South's lost revenue request. Mr. Olson testified that it is his understanding the Vectren South 2020 IRP preferred portfolio contemplated only 0.75% of eligible retail sales for EE; consequently, the IRP portfolios, including the preferred portfolio with 1.25% of eligible retail sales for EE, are only 0.15% off from the preferred portfolio and more consistent with the available potential in Vectren South's service territory. Mr. Olson reported that CAC's expert team advised him this 0.15% difference is within a reasonable margin of error in terms of IRP modeling. Thus, he testified it is reasonable to select more DSM, given that DSM is a less risky resource choice. He stated Vectren South's resource mix is changing, and now is the time for robust investment in EE to bring Vectren South closer to an optimal EE balance. Mr. Olson also noted that given the savings in Table ES-1 from page 2 of Vectren South's MPS shown below, he agrees with Vectren South's plan for 1.3% reduction in eligible energy consumption from current customer usage levels.

TABLE ES-1 INCREMENTAL ANNUAL ENERGY EFFICIENCY POTENTIAL SUMMARY (NET OF LARGE CUSTOMER OPT-OUT LOAD)

	2020	2021	2022	2023	2024	2025
MWh						
Technical	179,992	209,578	199,765	194,021	182,130	169,589
Economic	167,372	192,143	183,629	179,315	168,500	156,910
MAP	91,970	135,273	134,335	135,296	133,380	126,777
RAP	57,005	69,699	66,105	67,277	68,583	67,330
Program	47,451	49,716	44,565	45,375	43,309	43,244
Forecasted Sales ²	3,340,248	3,345,466	3,360,838	3,378,011	3,402,115	3,414,693
Energy Savings (as % of Forecast)						
Technical	5.4%	6.3%	5.9%	5.7%	5.4%	5.0%
Economic	5.0%	5.7%	5.5%	5.3%	5.0%	4.6%
MAP	2.8%	4.0%	4.0%	4.0%	3.9%	3.7%
RAP	1.7%	2.1%	2.0%	2.0%	2.0%	2.0%
Program	1.4%	1.5%	1.3%	1.3%	1.3%	1.3%

Mr. Olson testified CAC’s expert team also informed him that, although the MPS concluded maximum achievable potential and realistic achievable potential present cost-effective savings opportunities, the savings identified in Vectren South’s 2021-2023 Plan are at the lower, and still cost-effective, program level potential.

Mr. Olson stated CAC appreciates the collaboration with Vectren South and the OSB in developing the MPS, noting Vectren South’s administration of its OSB is a model of collaboration. He stated Petitioner’s DSM team works hard to meet and exceed goals with cost-effective savings opportunities, keeps the OSB up-to-date, considers and incorporates OSB member input, and is a great partner.

Mr. Olson expressed concern about Vectren South’s request that lost revenues be limited by a 12-year cap and 10% savings reduction, as CAC has consistently argued for a cap on lost revenue recovery at the measure life or three years, whichever is shorter. Mr. Olson testified counsel informed him that under Ind. Code § 8-1-39-9(d), because Vectren South is implementing a plan utilizing the TDSIC statute, Vectren South is required, “before the expiration of the public utility’s approved seven (7) year plan, [to] petition the commission for review and approval of the public utility’s basic rates and charges with respect to the same type of utility service.” CAC Exhibit No. 1 at pp. 6-7. He understands this means Vectren South must file a base rate case by 2024 which should, effectively, mean a three or four-year cap on lost revenue recovery. Mr. Olson urged the Commission to make it clear that any lost revenue recovery will, effectively, be capped through the implementation of new base rates and charges. He stated there should be no ambiguity that Vectren South will zero out its DSMA Rider of all lost revenue recovery approved for the Plan years in Vectren South’s next base rate filing. Mr. Olson testified that aside from the clarification related to lost revenue, CAC recommends the Commission approve the 2021 – 2023 Plan.

D. Petitioner’s Rebuttal Evidence. Ms. Harris responded to the OUCC’s testimony recommending the Plan be rejected. She disagreed with OUCC witness Haselden’s

testimony, indicating his view of DSM is short-term, and DSM programs should not be turned on and off year-over-year. She stated long-term DSM benefits cannot be realized using this approach. Ms. Harris also took issue with Mr. Haselden's interpretation of the utility cost test and shared savings from the 2001 California Standard's Practice Manual.

Ms. Harris testified that Vectren South's performance incentive methodology encourages cost-effective DSM, and she recommended against replacing Vectren South's previously approved performance incentive approach. Ms. Harris further testified that Vectren South's lighting assumptions are reasonable, and she described the impact of lowering the EUL of the lighting measures within Petitioner's Home Energy Assessment ("HEA"), IQW, and School Education programs. Ms. Harris disagreed with Mr. Haselden's suggestion to use non-Energy Star general service LED bulbs as the baseline for bulbs in these programs. She also disagreed with Mr. Haselden's position that LEDs have become the baseline due to price and performance, citing a 2019 survey that stated roughly 71% of lighting manufacturers currently producing halogens plan to continue doing so. Ms. Harris expressed concern with Mr. Haselden's use of the Northwest Energy Efficiency Alliance ("NEEA") Residential Lighting Market Analysis to show increases in general service lighting adoption. She opined that the NEEA study reports on the northwest market which is not a reasonable comparison to the midwest.

Ms. Harris testified the U.S. Department of Energy continues to recognize a variety of bulbs are offered in the marketplace, including halogen, incandescent, CFL, and LED, and the OUCC recently similarly recognized that customers have a choice in purchasing efficient versus non-efficient bulbs. She testified the 15-year EUL is grounded by the 2018 EUL benchmarking evaluation, which is consistent with the 2015 Indiana Technical Resource Manual. Ms. Harris disagreed that the non-EnergyStar LED bulb, that has an approximate 9-year EUL, should be used as the baseline for general service light ("GSL") bulbs and that the non-Energy Star LED bulb (Value Line) is a better investment for consumers as compared to an Energy Star LED. Ms. Harris stated the halogen bulb should continue to be the baseline for GSLs in the smaller programs, i.e., HEA, IQW, and School Education. She testified Vectren South's programs undergo a rigorous annual evaluation which focuses on three areas: process evaluation, impact evaluation, and market performance indicators, with program gross and net savings evaluated and adjusted due to changes in the lighting market. Ms. Harris noted the OUCC participated in Vectren South's Annual Program Evaluation and approved Vectren South's 2018 and 2019 Evaluations on July 2, 2019, and July 22, 2020, respectively. She stated the OUCC also approved Vectren South's MPS Action Plan and the underlying assumptions, including the EULs used in the Action Plan.

Ms. Harris responded to the OUCC's concerns related to eligibility for the IQW program and non-owner occupants receiving free heat pumps and central air conditioning. She took issue with the OUCC's proposal that Vectren South not recover lost revenue for businesses participating in C&I DSM programs that have closed due to COVID-19. According to Ms. Harris, performance for small business EE programs through July 2020 contradicts the OUCC's argument that small business customers participating in DSM programs are closing.

Ms. Harris testified that Vectren South has concerns with CAC's arbitrary three- or four-

year cap on lost recovery because it is not tied to any EM&V, cost effectiveness, or study suggesting a three- or four-year cap is a reasonable time period. Ms. Harris testified lost revenues should be recovered for the EUL of the measure/program unless otherwise reasonably modified. She also testified that in its future base rate case, Vectren South will reset lost revenue recovery through the implementation of new base rates and charges, and subsequent to the future rate case, the DSMA recovery mechanism will continue to pursue cost recovery associated with program costs, performance incentives, and lost revenues on approved programs implemented after the rate case. Ms. Harris observed that other than the clarification on lost revenues, CAC recommends Plan approval. She noted CAC continues to actively participate on the OSB, and she testified that Vectren South appreciates CAC's feedback, suggestions, and productive dialogue.

Mr. Hubbard testified that, contrary to Mr. Haselden's suggestion, avoided cost of energy for the Plan is the same as used in Vectren South's 2019/2020 IRP, and Vectren South's IRP process and definition of avoided costs are consistent with Ind. Code § 8-1-8.5-10 and 170 IAC 4-7-1, respectively. Mr. Hubbard described why inclusion of a carbon price, or tax, as a baseline assumption for the price of energy is appropriate. He testified it would be imprudent for Vectren South to not plan for a price on carbon, as a recognition of the increasing explicit and implicit costs of carbon emissions, even if federal legislation or a national market does not yet exist to determine a price to assign to carbon emissions. Mr. Hubbard testified that Vectren South's avoided T&D cost is not based on a rule-of-thumb calculation, but rather, avoided line losses on Petitioner's system as a result of reduced demand and energy attributed to the DSM programs and transmission switchyard costs from the 2019/2020 IRP Simple Cycle Technology Assessment. Mr. Hubbard stated Vectren South improved upon its prior 10% rule-of-thumb calculation of avoided T&D in Cause No. 44927 by calculating the line loss avoided at the average line loss rate of six percent of Vectren's T&D system. He stated this is conservative compared to actual avoided line loss. Mr. Hubbard testified all costs applicable to TDSIC have been removed.

Mr. Hubbard testified the OUCC's approach appears to be inconsistent by questioning the measure life and baselines informing the 2019/2020 IRP although the OUCC approved the measure baselines and EULs in the MPS. He testified that maximizing lost revenues and performance incentives was not an objective nor were they inputs into the 2019/2020 IRP modeling that selected 1.25% of eligible sales for EE. Mr. Hubbard testified Vectren South's avoided costs are correctly calculated and not artificially inflated. Vectren South's avoided costs, per Mr. Hubbard, meet the definition of avoided costs under 170 IAC 4-7-1(b). He stated DSM programs are not intended to start and stop from year to year and, moreover, renewable resources could be added to the system earlier than 2023. Mr. Hubbard testified that avoided gas pipeline costs are consistent with the avoided costs considered in Petitioner's IRP and the resources that competed against EE for resource selection. He opined that given the tangible and intangible benefits of EE, including reducing market exposure and promoting a social good with broad public benefit, the 1.25% EE program level is reasonable and justified. In addition, by providing a consistent EE program level, as opposed to stopping and starting, Vectren South will remain flexible to continue to hit 1.25%, which is consistent with its 2019 performance.

E. Settlement Agreement. The Settlement Agreement dated October 20, 2020,

resolves the outstanding issues among the Settling Parties and addresses all aspects of Vectren South's proposed 2021-2023 Plan, making agreed modifications to the Plan. A copy of the Settlement Agreement is attached to this Order and incorporated by reference.

i. DSM Programs and Implementation. The Settling Parties agree the EUL for LED GSL bulbs (i.e. standard, pear-shaped, screw-based bulbs) associated with the 2021 – 2023 Plan shall be two years from the date of installation when replacing halogen or incandescent bulbs. Except for the IQW and Modified School Education Programs, the Settling Parties agree Petitioner will remove LED GSLs from all the programs in its Plan. They also agree Vectren South will adopt a non-Energy Star baseline for the GSL measures in its IQW Program, and the Energy Star baseline is not applicable for GSL measures in the Modified School Education Program as this program will be offered through marketing and outreach efforts, and no savings will be captured. Due to the program changes agreed upon in the Settlement Agreement, the Settling Parties agree to work collaboratively, in good faith, through the OSB, and use best efforts to achieve the overall energy savings projections (1.3% of eligible sales) of the 2021 – 2023 Plan.

The Settling Parties agree Vectren South will remove its proposal to expand IQW program eligibility to 201-300% of the federal poverty level guideline and, instead, retain up to 200% of the federal poverty level guideline for program eligibility. They agree the OSB will explore ways to improve IQW program reach and participation by expanding the eligibility and verification requirements of the program in other ways.¹ IQW funds budgeted for those between 201-300% of the federal poverty level (“IQW Transferred Funds”) are to be shifted to Vectren South's marketing budget for use in the Modified School Education Program, with Vectren South to use best efforts to still meet the originally filed IQW program energy savings projections.

The Settlement Agreement provides that Vectren South will remove the School Education Program from the 2021-2023 Plan due to the change in cost-effectiveness after the revised EUL for GSL bulbs and baseline are implemented (“Filed School Education Program”). Vectren South will move the funding previously assigned to the Filed School Education Program to other programs based on OSB guidance, and the Settling Parties agree to work collaboratively, in good faith, through the OSB to identify programs for which the reallocated funds could be used that have the potential to produce reasonably achievable, cost-effective energy savings. Due to significant and intangible benefits previously realized through the Filed School Education Program, including cross-promotion of Petitioner's other DSM programs, Vectren South will fund a modified School Education Program (“Modified School Education Program”) with the IQW Transferred Funds shifted to Petitioner's marketing budget. The Modified School Education Program may contain LED GSLs. Savings from this program will not be recognized as within the Plan, and Petitioner will not earn performance incentives or lost revenues from the Modified School Education Program.

The Settling Parties agree Vectren South will remove the HEA Program from the 2021 – 2023 Plan due to the change in cost-effectiveness after the revised EUL for GSL bulbs and baseline are implemented. Vectren South will reallocate the funding originally assigned to the HEA Program under the Plan to other programs based on OSB guidance, and the Settling Parties agree

¹ The Commission encourages Vectren to develop IQW program eligibility criteria beyond income, particularly for the deeper retrofit measures.

to work collaboratively, in good faith, through the OSB to identify programs for which the reallocated funds could be used that have the potential to produce reasonably achievable, cost-effective energy savings. The Settling Parties also agree to work collaboratively, in good faith, through Petitioner’s OSB to continue evaluating and exploring the potential for: (1) a revised HEA channel and (2) instituting the HEA’s blower door test measure in one or more non-IQW residential programs.

ii. Lost Revenues. Given Vectren South’s plan to file an electric base rate case in 2023, the Settling Parties agree to Commission approval of the lost revenues for measures installed during the Plan (2021 – 2023) (the “Plan Period”) and their recovery through Vectren South’s DSMA Rider for: (a) the life of the measure; (b) four years from the implementation of any measure installed in 2021, three years from the implementation of any measure installed in 2022, and two years from the implementation of any measure installed in 2023; or (c) until new electric base rates become effective, whichever occurs earlier. Subsequent to approval of new base rates in Vectren South’s next rate case proceeding, Vectren South will zero out, in its DSMA Rider, all lost revenue recovery approved for the DSM program years up to, and including, the approved test year in Petitioner’s next base rate case.

During the Plan Period, at the end of each calendar year, Vectren South agreed to review the account status for each C&I customer that enrolls and begins participating in rebate programs associated with programs under the 2021 – 2023 Plan to determine whether any such customer account is “inactive.” For C&I accounts identified as “inactive” during the year-end review, Vectren South will re-evaluate the account status prior to filing Petitioner’s next DSMA Rider. If the account status remains “inactive,” Vectren South will adjust the useful life of measure rebate(s) for purposes of net lost revenue tracking and recovery.

iii. Financial Incentives. The Settling Parties agree Vectren South will continue its current shared savings approach tied to the implementation and encouragement of cost-effective programs. They further agree that Vectren South’s proposed financial incentive should be approved with the following modification:

Performance Incentives	
Achievement Level (kWh)	Incentive Level (Net Present Value of net benefits of Utility Cost Test)
110%	13%
100 - 109.99%	8%
90 - 99.99%	7%
80 - 89.99%	6%
75 - 79.99%	5%
0 - 74.99%	0%

The Settlement Agreement provides that during the Plan, prior to filing its annual DSMA Rider, Vectren South will exclude \$129,679 per year from the base calculation of the annual performance incentives. If Vectren South reaches the 110% achievement level, Vectren South will reduce its performance incentive an additional \$129,679 per year during the three-year Plan Period

prior to filing its annual DSMA Rider. In addition, Vectren South will further reduce its proposed performance incentives by \$60,000 per year, regardless of the incentive level achieved. Each of these three annual reductions applies to the calculation of performance incentives. The reductions do not apply to calculating the cost-effectiveness of Petitioner's programs in the 2021 – 2023 Plan.

iv. Vectren South's Interruptible Tariff. Vectren South also agreed to use best efforts in working with its OSB to update Vectren South's Interruptible Contract ("IC") Rider by the end of calendar year 2020.

F. Evidence Supporting the Settlement Agreement.

i. Petitioner's Settlement Testimony. Ms. Harris testified that the Settling Parties agree Vectren South's requested relief should be granted in its entirety, subject to certain terms and conditions specifically set forth in the Settlement Agreement. Ms. Harris stated the modified terms relate primarily to DSM program design, lost revenue recovery, and performance-based financial incentive levels. She testified the Settlement Agreement does not modify Vectren South's total savings and budget.

Ms. Harris described the agreed lighting and program design changes. She also described the agreed changes to lost revenues which include a four, three, and two-year cap on lost revenues for any programs during the 2021, 2022, and 2023 implementation period, respectively. Ms. Harris testified that under the Settlement Agreement, Vectren South will zero out, in its DSMA Rider, all lost revenue recovery approved for the Plan years up to, and including, the test year adopted for setting base rates in Vectren South's next base rate case. She explained that Vectren South continues to support recovery of lost revenues for its full EUL or as otherwise reasonably modified; however, given Vectren South's planned electric base rate case in 2023, the capping approach in the Settlement Agreement represents a reasonable compromise as part of the overall settlement. Ms. Harris testified that Vectren South also agreed to perform a C&I program review at the end of each calendar year, and if an account status is determined "inactive" at year-end, Petitioner will perform an additional check prior to its DSMA Rider filing.

Ms. Harris testified regarding the Settling Parties' agreement upon Vectren South's proposed shared savings performance incentive approach, with one modification increasing the top performance tier from 10% to 13%. She testified that during the Plan Period, before Vectren South files its annual DSMA Rider, Vectren South agreed to exclude \$129,679 per year from the base calculation of the annual performance incentives, which is equivalent to removing the costs associated with the yet to be constructed natural gas pipeline included in Vectren South's IRP. Ms. Harris explained that if Petitioner reaches the 110% achievement level, Vectren South will reduce its performance incentive by an additional \$129,679 per year during the Plan Period prior to filing its annual DSMA Rider. She testified that, in addition, prior to filing its annual DSMA Rider, Vectren South agreed to reduce its proposed performance incentives during the Plan Period, irrespective of achievement level, by \$60,000 per year (\$180,000 over the Plan Period). Ms. Harris stated each of these three annual reductions will only apply when calculating performance incentives.

Ms. Harris testified that Vectren South agreed to use its best efforts in working with Petitioner's OSB to update Vectren South's IC Rider by the end of calendar year 2020.

Ms. Harris stated all modifications to the 2021-2023 Plan are in the public interest, comply with the requirements of Section 10, and are consistent with Vectren South's 2019/2020 IRP. She testified the Settlement Agreement is a compromise; it represents a fair, just, and reasonable resolution of all matters raised in this proceeding; and it will be null and void unless approved without modifications or conditions that are unacceptable to a Settling Party. Ms. Harris advised that the Settlement Agreement includes provisions affirming the substantial evidence in this record supporting its approval and other terms typically found in settlement agreements presented to the Commission. She testified the Settling Parties agree the Settlement Agreement is a fair and reasonable resolution of the disputed aspects of the Plan; that the Settlement Agreement is in the public interest because it represents the result of good faith, arm's length negotiations reflecting a fair and balanced outcome upon the issues without the time and expense that would be incurred if these were litigated; and Vectren South's requested relief should be granted, subject to the Settlement Agreement.

ii. **OUCC's Settlement Testimony.** Mr. Haselden testified the Settlement Agreement addresses an array of issues, including lighting, the IQW Program, the Modified School Education Program, Vectren South's IC Rider, C&I program review, lost revenues, performance incentives, carbon tax, and the gas pipeline costs. Mr. Haselden described the benefits of the Settlement Agreement from the OUCC's perspective and why adjusting the baseline bulb to a LED GSL and the new two-year EUL are reasonable. Mr. Haselden testified that even though the IQW Program is not cost-effective, the Settling Parties recognize there are societal benefits associated with the IQW Program that warrant its continued inclusion in Vectren South's DSM portfolio. Mr. Haselden also testified regarding the relationship between the performance incentive adjustments described in the Settlement Agreement, carbon taxes, and the prospective natural gas pipeline. He concluded the Settlement Agreement is in the public interest and addresses the concerns the OUCC raised. Mr. Haselden stated the OUCC accepts its terms and recommends Commission approval.

7. **Commission Discussion and Findings.** The Settling Parties seek Commission approval of the Plan, as modified by the Settlement Agreement. This includes authority for Vectren South to recover program costs, including direct and indirect program costs, lost revenues, and financial incentives. Generally, settlements are favored as they can help resolve matters with greater speed, certainty, and less demand on public and private resources when compared to adversarial proceedings. That said, in this proceeding, settlement was reached too late in the process to prefile the Settlement Agreement or the supporting testimony by September 23, 2020, consistent with the procedural timeline in the docket entry issued on July 10, 2020. Instead, a settlement in principle was reached on the eve of the originally scheduled hearing date, after multiple informal attorneys' conferences, and the Settlement Agreement was filed on October 20, 2020; therefore, the extent to which the settlement at issue reduced the resources expended is unclear.²

² The Commission notes the timing of the settlement pushed the evidentiary hearing in this matter later into 2020, with the Settling Parties' proposed Order received on November 20, 2020. Petitioner opted to not request authority to implement the Plan on an interim basis; therefore, the approval herein of the Settlement Agreement and the Plan, as modified in that agreement, will become effective upon approval of this Order, notwithstanding the Plan was proposed for a period of three years, to commence on January 1, 2021.

As the Commission has previously discussed, settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement “loses its status as a strictly private contract and takes on a public interest gloss.” *Id.* (quoting *Citizens Action Coal. of Ind., Inc. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission “may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement.” *Citizens Action Coal.*, 664 N.E.2d at 406.

In addition, any Commission decision, ruling, or order – including approval of a settlement – must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coal. v. Pub. Serv. Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission’s procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Before the Commission can approve the Settlement Agreement, the Commission must determine whether the evidence in this Cause sufficiently supports the conclusion that the Settlement Agreement is reasonable, just, and consistent with the purpose of the governing statutes and that such agreement serves the public interest.

Section 10(h) requires electricity suppliers, beginning not later than calendar year 2017 and not less than one time every three years, to petition for approval of a plan that includes: (1) EE goals; (2) EE programs to achieve those EE goals; (3) program budgets and costs; and (4) procedures for independent EM&V. Once such a plan is submitted, the Commission is required to consider the following ten factors enumerated in Section 10(j) to determine the proposed plan’s overall reasonableness:

(1) Projected changes in customer consumption of electricity resulting from the implementation of the plan.

(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.

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

(A) The state energy analysis developed by the commission under section 3 [Ind. Code § 8-1-8.5-3] of this chapter.

(B) The electricity supplier’s most recent long range integrated resource plan submitted to the commission.

(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.

(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.

(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 service territory.

(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.

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

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

(10) Any other information the commission considers necessary.

Following a determination of overall reasonableness, Sections 10(k), (l), and (m) establish three possible actions the Commission may take concerning a proposed plan. Accordingly, we begin by considering the Settling Parties' request for approval, per the Settlement Agreement, of Petitioner's Plan, as modified.

A. Presentation of a Plan. The evidence shows Vectren South is an electricity supplier as defined by Section 10(a) and that it made a submission under Section 10(h) seeking approval of a proposed plan prior to the end of calendar year 2020. The Verified Petition in this Cause and the Plan, as modified by the Settlement Agreement, include all four of the elements required to satisfy Section 10(h), i.e., goals, programs to achieve goals, budgets and program costs, and independent EM&V. We begin by addressing the elements of the 2021-2023 Plan, as modified by the Settling Parties.

(i) EE Goals. Section 10(c) defines "energy efficiency goals" as all EE 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 supplier's service territory.

Vectren South's proposed 2021-2023 Plan is designed to save approximately 1.3% of

eligible retail sales, excluding the roughly 77% of eligible non-residential load that has opted out of participating in Petitioner's DSM programs per Section 9. Petitioner expects approximately 132 million kWh in energy savings and 30 thousand kW in demand reduction during the Plan's three-year period. The Settlement Agreement does not dispute or modify these figures.

The EE goals are based on Petitioner's 2019/2020 IRP and 2019 MPS for the 2020-2025 period. Further, the savings shown in Table ES-1 from page 2 of Vectren South's MPS support Vectren South's plan for 1.3% reduction in eligible energy consumption from current customer usage levels. Although the MPS concluded maximum achievable potential and realistic achievable potential present cost-effective saving opportunities, the savings identified in Vectren's 2021-2023 Plan are at the lower and still cost-effective program level potential. In addition, the proposed energy savings goals are consistent with historical savings the Commission previously approved for Petitioner. Ms. Harris testified the goals established in the 2021 – 2023 Plan are realistic and achievable, and the Settling Parties agree Petitioner's proposed energy savings goals comply with Section 10(c).

Based on the evidence, the Commission finds Vectren South's Plan provides for EE that is reasonably achievable, consistent with Petitioner's 2019/2020 IRP, and reasonably designed to achieve an optimal balance of energy resources over time.

(ii) EE Programs. The 2021-2023 Plan, as modified by the Settlement Agreement, includes thirteen residential programs and five C&I programs designed to achieve its EE goals. In the Settlement Agreement, the Settling Parties agree upon modifications to certain residential program designs. The Plan continues many current program offerings, while modifying some program designs and adding new programs. As a result of the Plan modifications agreed upon in the Settlement Agreement, the Settling Parties agree that Vectren South's Plan includes EE programs designed to achieve the EE goals.

The Plan is not limited to EE programs. The Plan also includes Vectren South's proposal to continue its residential and business demand response programs. The inclusion of demand response savings in the Plan is consistent with Vectren South's 2019/2020 IRP. The Commission finds substantial evidence supports the inclusion of the demand response programs, and Vectren South's offering of these programs is consistent with the Settlement Agreement.

Based on the evidence presented, the Commission finds the Plan includes a reasonable mix of residential and non-residential EE programs that are designed to achieve Petitioner's EE goals.

(iii) Program Budgets and Costs. Ms. Harris testified regarding the annual program budgets and program costs for the 2021-2023 Plan. She testified the Settlement Agreement enables Vectren South to achieve cost-effective energy savings at Petitioner's total planned budget and savings and did not modify Vectren South's original overall estimated program budget. More specifically, she stated the programs in the Plan have a goal of achieving approximately 132 million kWh in energy savings reduction at an estimated cost of \$34.2 million during the three-year period, as shown below.

Program Year	Annual Energy Savings kWh	Annual Demand Savings kW	Total Program Budget
2021	44,325,438	10,061	\$11,508,027
2022	43,961,753	9,571	\$11,343,451
2023	43,533,925	10,303	\$11,335,280

The OSB’s authority, as previously approved, includes the ability to authorize exceeding a DSM program Commission-approved budget by up to 10% without seeking additional approval from the Commission and authority to shift funds between programs, provided gas and electric funds are not commingled. Under the Plan, the OSB will continue to have this authority.

Based on the evidence, the Commission finds Vectren South has sufficiently identified its proposed program budgets and the associated costs. The impact and effect of the proposed program budgets and costs are discussed further below in considering the factors specified in Section 10(j). The Commission also recognizes that in the 44927 Order, Vectren South’s OSB was granted certain flexibility to increase a program budget to react in a timely manner to changing circumstances. We find continuation of the 10% spending flexibility is reasonable.

(iv) Independent EM&V. The 2021-2023 Plan includes EM&V with a process for independent evaluation of the programs. Evaluation for all programs in the 2021-2023 Plan will be conducted by an independent evaluator every year for the prior year’s programs. Ms. Harris described the EM&V process, which includes a process evaluation, impact evaluation, and an assessment of the program market effects. Vectren South’s 2021-2023 EM&V budgets are \$1,553,701 over the Plan Period which is approximately 5% of the total program costs. The Settling Parties raised no concerns with Petitioner’s proposed EM&V.

The evidence shows Vectren South will consider the results of EM&V in determining lost revenues and the financial incentive and will true-up lost revenues and the financial incentive based on the most current EM&V when the final annual EM&V report for each program year is filed with the Commission. This true-up is to occur in the DSMA Rider filing following the conclusion of the annual EM&V. The Commission finds the proposed EM&V procedures are reasonable.

(B) Reasonableness of the Plan. Section 10(j) identifies ten factors the Commission must consider in determining whether a plan submitted under Section 10(h) is reasonable. For the reasons set forth below, the Commission finds that Vectren South’s 2021-2023 Plan, as modified by the Settlement Agreement, is reasonable and should be approved as set forth herein.³

³ Although the 2021 – 2023 Plan includes EE and programs that may be considered DR or have DR components, the factors enumerated in Section 10 are similar to the factors the Commission has historically considered in determining

(i) Projected Changes in Customer Consumption. Ms. Harris identified the annual projected energy and peak demand savings resulting from implementing the 2021-2023 Plan. These are shown below. The Settlement Agreement does not alter the original overall portfolio energy and peak demand savings.

	Annual Energy Savings (kWh)	Peak Demand Savings (kW)
2021	44,325,438	10,061
2022	43,961,753	9,571
2023	43,533,925	10,303
Total	131,821,116	29,935

These projected energy and demand savings, along with Petitioner’s expected load forecast in its 2019/2020 IRP, enable the Commission to consider projected changes in customer consumption of electricity resulting from implementation of the Plan. Because Vectren South’s proposed DSM programs are designed to result in energy savings of approximately 1.3% of eligible retail sales over the three-year period of the Plan, we find it is reasonable to expect a corresponding decrease in customer consumption of electricity compared to what it would be without the programs.

(ii) Cost-Benefit Analysis. The Commission has traditionally required the use of the UCT, TRC, RIM, and PCT in evaluating the cost-effectiveness of proposed EE programs. The Commission’s Guidelines for Demand-Side Cost Recovery by Electric Utilities at 170 IAC 4-8-2(b)(3) require utilities to provide a cost-benefit analysis that uses, at a minimum, the TRC, PCT, UCT, and RIM, thereby requiring the presentation of these four tests as part of an electricity supplier’s EE plan. Each of these tests is designed to compare various costs and benefits from a different perspective. By applying several different tests, a more comprehensive analysis of cost-effectiveness will be provided than can be accomplished with just one of the tests. Hence, consideration of multiple cost-effectiveness tests enables the Commission to better evaluate the reasonableness of individual programs and the overall EE portfolio.

Vectren South evaluated the cost-effectiveness of its proposed portfolio and individual EE programs using the UCT, TRC Test, RIM Test, and the PCT. Each of these tests is standard in the industry for measuring the cost-effectiveness of DSM programs. Petitioner’s witness Morgan described the various tests, their purpose, and the test results for each of the DSM programs and the Plan portfolio. He testified the TRC Test helps determine whether EE is cost-effective overall, whereas the PCT, UCT, and RIM Test help determine whether the program design and efficiency measures provided by the program are balanced from the perspective of the participant, the utility, and non-participants, respectively. Thus, each test provides an insight into the cost-effectiveness of the proposed programs from the perspective of different stakeholders. All the programs passed the UCT and TRC Test except the IQW and the Modified School Education Programs. Due to the change in cost-effectiveness after the revised EUL for GSL bulbs and baseline are implemented, the Modified School Education Program is not cost-effective. The Settling Parties concurred,

whether to approve DSM programs and associated cost recovery under Ind. Code ch. 8-1-8.5 and 170 IAC 4-8; therefore, the Commission is considering both types of programs in the Plan under the Section 10(j) factors.

however, that the societal benefits associated with IQW and the Modified School Education Programs warrant inclusion in Vectren South's Plan. Section 10(h) authorizes assistance programs without requiring the program to be cost-effective. For the programs where the PCT could be calculated, the programs passed that test. Not all the programs passed the RIM Test, but Petitioner's witness Morgan testified this should not be interpreted to mean the programs fail cost-effectiveness. Mr. Morgan testified the 2021 – 2023 Plan is cost-effective.

Based on the evidence presented, the Commission finds that Petitioner demonstrated the Plan is reasonably cost-effective.

(iii) Consistent with State Energy Analysis and Utility IRP. Ind. Code § 8-1-8.5-3 requires the Commission to develop, publicize, and keep current an analysis of the long-range need for the expansion of electric generation facilities and sets forth certain requirements the analysis must include. The most recent staff report on the Commission's analysis is contained in the 2018 Report on the Statewide Analysis of Future Resource Requirements for Electricity.⁴ One of the factors to be considered under Section 10(j) is whether the Plan is consistent with the state energy analysis. Mr. Hubbard reviewed improvements, based on stakeholder feedback, made to the modeling of EE in Petitioner's 2019/2020 IRP, and in supporting the Settlement Agreement, Ms. Harris testified all modifications to the 2021 – 2023 Plan are compliant with the requirements of Section 10, including consistency with Vectren South's 2019/2020 IRP. Accordingly, the Commission finds the evidence supports that Petitioner's proposed EE Plan is consistent with the state energy analysis and with Vectren South's 2019/2020 IRP.

(iv) EM&V. Evaluation for all programs in the 2021 – 2023 Plan will be conducted by an independent evaluator every year for the prior year's programs. Ms. Harris described the EM&V process, as discussed above, which includes a process evaluation, impact evaluation, and an assessment of the program market effects. No concerns were raised regarding Petitioner's proposed EM&V procedures; therefore, based on the evidence presented, the Commission finds the proposed EM&V processes for the Plan are reasonable.

(v) Undue or Unreasonable Preference to Customer Classes. Vectren South demonstrated the Plan offers a robust and diverse group of cost-effective DSM programs that will provide program participation opportunities to eligible customers in Vectren South's service area. No evidence was presented identifying an undue or unreasonable preference to any customer class resulting, or potentially resulting, from the implementation of a proposed program or from the overall design of the Plan. Given the record, the Commission finds the Plan, as modified by the Settlement Agreement, will not result in undue or unreasonable preference to any customer class.

(vi) Stakeholder Comments. Section 10(j) requires the Commission to consider comments provided by customers, customer representatives, the OUCC, or other stakeholders concerning the adequacy and reasonableness of the proposed Plan. To the extent

⁴<https://www.in.gov/iurc/files/2018%20Report%20on%20the%20Statewide%20Analysis%20of%20Future%20Resource%20Requirements%20for%20Electricity.pdf>

the OUCC and CAC provided such comments through the evidence they presented, the Commission has considered these in making its determinations in this Order.

(vii) Effect or Potential Effect of the Plan on Electric Rates and Customer Bills of Participants and Non-Participants. Vectren South provided evidence demonstrating the short-term bill impacts for all rate schedules and provided a bill impact analysis for a standard residential customer using 1,000 kWh per month. The monthly bill of such a residential customer will increase in 2021 by 0.21% or \$0.27, decrease in 2022 by 0.43% or \$0.67, and decrease in 2023 by 0.12% or \$0.18. Vectren South also presented various cost-effectiveness tests, some of which are designed to evaluate the long-term effect of the EE programs on the electric rates and bills of both participating and non-participating customers. Based on the estimated bill impacts and cost-effectiveness test results, the Commission finds the effect or potential effect of the Plan on the electric rates and customer bills of participants and non-participants to be reasonable.

(viii) Lost Revenues and Performance Incentives. In addition to being a factor under Section 10(j) for determining the overall reasonableness of a plan submitted under Section 10(h), Section 10(o) provides that if the Commission finds such a plan to be reasonable, the Commission shall allow the utility to recover and 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.

Accordingly, the Commission must consider whether Petitioner's Plan, as modified in the Settlement Agreement, provides for reasonable financial incentives and reasonable lost revenues.

(a) Lost Revenues. Vectren South initially sought to recover lost revenues associated with the Plan through the DSMA Rider using its previously approved WAML approach, resulting in a 12-year cap and 10% savings reduction. As modified by the Settlement Agreement, the Settling Parties propose that Petitioner recover lost revenues associated with its 2021-2023 Plan for measures installed during the Plan Period through the DSMA Rider for: (a) the life of the measure; (b) four years from the implementation of any measure installed in 2021, three years from the implementation of any measure installed in 2022, and two years from the implementation of any measure installed in 2023; or (c) until new electric base rates become effective post Petitioner's next rate case, whichever occurs earlier. Petitioner's next electric base rate case is planned for 2023. The Settlement Agreement also requires, subsequent to approval of new base rates in Vectren South's next base rate proceeding, that Petitioner zero out, in its DSMA Rider, all lost revenue recovery approved for the DSM Program years up to, and including, the test year adopted for setting base rates in Petitioner's next rate case.

During the Plan Period, at the end of each calendar year, the Settlement Agreement also requires Vectren South to evaluate the account status for each C&I customer that enrolls and begins

participating in rebate programs associated with programs under the Plan to determine whether such a customer account is inactive. For C&I accounts identified as inactive during this year-end review, Vectren South will re-evaluate the account status before filings its next DSMA Rider, and if the account remains inactive, Vectren South agreed to adjust the useful life of rebates for purposes of net lost revenue tracking and recovery. Essentially, the Settlement Agreement calls upon Vectren South to verify rebated measures delivered through the C&I program. The Commission finds Vectren South’s proposal for lost revenue recovery, as modified by the Settlement Agreement, is reasonable.

(b) Financial Incentives. The Settlement Agreement provides a performance-based financial incentive approach. Under the Plan, Vectren South earns performance incentives on all programs except the CVR, IQW, and Modified School Education Programs. The calculation is based on the net present value of the UCT benefits multiplied by the achievement level percentage. The proposed incentive levels, as agreed upon in the Settlement Agreement, are as follows:

Performance Incentives	
Achievement Level (kWh)	Incentive Level (Net Present Value of net benefits of Utility Cost Test)
110%	13%
100 - 109.99%	8%
90 - 99.99%	7%
80 - 89.99%	6%
75 - 79.99%	5%
0 - 74.99%	0%

As part of the settlement, the Settling Parties agreed to the basic structure of Vectren South’s proposed financial incentive mechanism, with the top performance tier modified from 10% to 13% and treatment of financial incentives in the DSMA Rider.

During the Plan Period, prior to filing its annual DSMA Rider, Vectren South will exclude \$129,679 per year from the base calculation of the annual performance incentives. If Petitioner reaches the 110% achievement level, Vectren South will reduce its performance incentive an additional \$129,679 per year during the Plan Period prior to filing its annual DSMA Rider. In addition, Vectren South will further reduce its proposed performance incentives by \$60,000 per year, regardless of the incentive level achieved. Each of the three annual reductions applies to the calculation of performance incentives under the 2021-2023 Plan.

As discussed above, Section 10(o)(1) authorizes the Commission to approve reasonable performance incentives to encourage the implementation of DSM programs to address the regulatory or financial bias against such programs (in favor of supply side) that Vectren South would otherwise experience. The Commission finds that tying performance incentives to the tiered levels of energy savings achieved and the net present value of the net benefits of the UCT, as agreed by the Settling Parties, is reasonable. This structure encourages Petitioner to minimize program costs while also striving to achieve as much cost-effective EE as reasonably possible.

Based on the evidence presented, we find Vectren South's proposed financial incentives, as modified by the Settlement Agreement, are reasonable.

(ix) **Petitioner's IRP.** The consistency of the Plan, as modified by the Settlement Agreement, with Petitioner's 2019/2020 IRP and underlying resource assessment is discussed and addressed above.

C. Conclusion on EE Plan. Based on the evidence presented and having assessed the overall reasonableness of the Plan based on the factors enumerated in Section 10(j), the Commission finds that Vectren South's 2021-2023 Plan, as modified by the Settlement Agreement, is reasonable and should be approved.

D. Program Cost Recovery. Vectren South requests authorization to recover program costs through its approved DSMA Rider. The components of the DSMA Rider and the approach to projecting and reconciling authorized costs are to continue as they currently operate. Vectren South seeks to recover all EE program costs, including lost revenues and performance incentives, as modified by the Settlement Agreement. Petitioner will continue to project all components of the DSMA, except for the financial incentives and variances component, and all projected components will be reconciled against actual results, with program costs, lost revenues, and financial incentives based on the EM&V.

Section 10 provides that once an EE plan is approved, the Commission shall allow the electricity supplier to recover all associated program costs on a timely basis through a periodic rate adjustment mechanism. The Commission's Rules at 170 IAC 4-8-5 also provide authorization for the recovery of such program costs. OUC witness Loveman testified that he did not have concerns with Vectren South's proposed use of its DSMA.

Having found Vectren South's 2021-2023 Plan, as modified by the Settlement Agreement, to be reasonable, we find that Vectren South shall be authorized to recover its program costs, including direct and indirect program costs, lost revenues, financial incentives, and EM&V costs, associated with the EE programs approved herein consistent with the Settlement Agreement.

E. Oversight. Vectren South asks that Petitioner's OSB continue in place with the same authority as previously granted. This authority includes the ability to authorize exceedances of the Commission-approved budgets for DSM programs by up to 10% without having to seek additional approval from the Commission and authority to continue shifting funds between programs, provided gas and electric funds are not commingled. The record reflects that the Vectren South OSB has worked well, with CAC witness Olson opining that "Vectren's administration of its OSB is a model of collaboration." CAC Exhibit No. 1 at p. 6. Given the evidence presented, the Commission approves the continued use of Petitioner's OSB as discussed in this Order.

F. EE Program Scorecard. In the 44927 Order, to better monitor and understand the energy savings being achieved by the EE plan approved in that proceeding, the Commission ordered Vectren South to provide additional information regarding its EE programs by filing quarterly scorecards. The Commission set forth the information for each program to be submitted on a quarterly basis (*i.e.*, by April 30, July 30, October 31, and January 31), with the fourth quarter

scorecard to also include the information for the full year. The Commission finds that Vectren South shall file quarterly scorecards for the 2021 – 2023 Plan under this Cause containing the information required by the 44927 Order, with the first scorecard associated with the Plan to be filed by April 30, 2021. In accordance with 170 IAC 4-8-4, Vectren South shall also post to its website, annually, a document containing information, data, and results from its EM&V activities and shall file its annual EM&V report for each Plan year by April 30 under this Cause.

G. Conclusion on 2021-2023 Plan. Based on the evidence presented and having assessed the overall reasonableness of the Plan, as modified, based on the factors enumerated in Section 10(j), the Commission finds that Vectren South's 2021 – 2023 Plan, as modified by the Settlement Agreement, is reasonable and should be approved; provided, said Plan shall become effective as of the date of this Order. The evidence supports the conclusion that the 2021-2023 Plan, as modified by the Settlement Agreement, is reasonable and consistent with the purpose of the governing statutory provisions and serves the public interest.

8. Confidential Information. Vectren South filed a motion for protection and nondisclosure of confidential and proprietary information on September 17, 2020, which was supported by an affidavit showing certain information that Petitioner and/or the OUCC intended to file in this proceeding contains trade secrets and is, therefore, excepted from public disclosure under Ind. Code § 5-14-3-4(a)(4). A docket entry was issued that same day finding such information should be afforded confidential treatment on a preliminary basis. Having reviewed the confidential information, the Commission finds this information qualifies as trade secret information and should, therefore, continue to be held as confidential and protected from public access and disclosure under Ind. Code §§ 5-14-3-4 and 24-2-3-2.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Settlement Agreement, a copy of which is attached, is approved.
2. Vectren South's proposed 2021-2023 Plan, as modified by the Settlement Agreement, including the proposed budgets, is approved; provided, the Plan shall become effective as of the date of this Order.
3. In accordance with the Settlement Agreement, Vectren South's requested accounting and ratemaking treatment, including timely recovery of the costs associated with its 2021-2023 Plan, including the direct and indirect costs of operating the programs, lost revenues, financial incentives, and EM&V costs, as modified by the Settlement Agreement, is approved.
4. Vectren South's request for continued authority to use deferred accounting on an ongoing basis until such costs are reflected in Petitioner's retail rates through its DSMA is approved.

5. Vectren South's request for authority to recover, via its DSMA Rider, a return on and of the CVR Program investment in the DSMA until an Order is issued in Vectren South's next base rate case, as previously approved in the 44927 Order, is approved.

6. Vectren South shall file quarterly scorecards under this Cause that comply with the 44927 Order, including the required information and filing timeline set forth in the 44927 Order, with the first scorecard associated with the Plan to be filed by April 30, 2021, and Petitioner shall also annually file a final EM&V report for each program year with the Commission on or before April 30 under this Cause and post to its website, annually, a document containing information, data, and results from its EM&V activities, consistent with Finding No. 7.G. above.

7. The material submitted to the Commission under seal is declared to contain trade secret information as defined in Ind. Code § 24-2-3-2 and is, therefore, exempted from the public access requirements contained in Ind. Code ch. 5-14-3 and Ind. Code § 8-1-2-29.

8. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:

APPROVED: FEB 3 2021

**I hereby certify that the above is a true
and correct copy of the Order as approved.**

**Dana Kosco
Secretary of the Commission**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF SOUTHERN INDIANA)
GAS AND ELECTRIC COMPANY d/b/a VECTREN)
ENERGY DELIVERY OF INDIANA, INC., A)
CENTERPOINT ENERGY COMPANY)
REQUESTING THE INDIANA UTILITY)
REGULATORY COMMISSION TO APPROVE)
CERTAIN DEMAND SIDE MANAGEMENT)
PROGRAMS AND GRANT COMPANY)
AUTHORITY TO RECOVER COSTS, INCLUDING)
PROGRAM COSTS, INCENTIVES AND LOST)
MARGINS, ASSOCIATED WITH THE DEMAND)
SIDE MANAGEMENT PROGRAMS VIA THE)
COMPANY'S DEMAND SIDE MANAGEMENT)
ADJUSTMENT**

CAUSE NO. 45387

**STIPULATION AND SETTLEMENT AGREEMENT AMONG
VECTREN SOUTH, INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR,
AND CITIZENS ACTION OF COALITION OF INDIANA, INC.**

This Stipulation and Settlement Agreement (the “Settlement Agreement”) is entered into by and among Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc., a CenterPoint Energy Company (“Company” or “Vectren South”), the Indiana Office of Utility Consumer Counselor (“OUCC”), and Citizens Action Coalition of Indiana, Inc. (“CAC”) (collectively the “Settling Parties” and individually “Settling Party”). The Settling Parties, solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts, and counsel, stipulate and agree that the terms and conditions set forth in this Settlement Agreement represent a fair, just, and reasonable resolution of all matters raised in this proceeding, subject to their incorporation by the Indiana Utility Regulatory Commission (“Commission”) into a final, non-appealable order without modification or further condition that is unacceptable to any Settling Party (“Final Order”). The Settling Parties agree that this Settlement Agreement resolves all disputes, claims, and

issues arising from the Commission proceeding currently pending in Cause No. 45387 as between the Settling Parties. The Settling Parties agree that Vectren South's requested relief in this Cause should be granted in its entirety except as expressly modified herein.

I. TERMS AND CONDITIONS. The Settling Parties agree to Commission approval of the Company's 2021-2023 Demand Side Management ("DSM") Plan ("2021-2023 Plan" or "Plan") and associated accounting and ratemaking treatment modified as follows:

A. DSM Programs and Implementation

1. Lighting

a. Effective Useful Life ("EUL") for General Service Light ("GSL") Bulbs.

The Settling Parties agree that the EUL for LED GSL bulbs (i.e. standard, pear-shared, screw-based bulbs) associated with the Company's 2021-2023 Plan shall be two years from the date of installation when replacing halogen or incandescent bulbs.

b. Baseline for Residential LED GSL. The Settling Parties agree that, except for the Income Qualified Weatherization ("IQW") Program and Modified School Education Program (defined below), the Company will remove LED GSLs from all of its programs in its 2021-2023 Plan. The Company will adopt a non-Energy Star baseline for the GSL measures in its IQW Program. The Energy Star baseline for GSL measures in the Modified School Education Program is not applicable as the Modified School Education Program will be offered through Marketing and Outreach efforts and no savings will be captured.

2. Overall Savings Goal. Due to the program changes contained herein, the Settling Parties agree to work collaboratively, in good faith, through the Company's OSB, and use best efforts to achieve the overall energy savings projections (1.3% of eligible sales) of the Company's filed 2021-2023 Plan.
3. Income Qualified Weatherization ("IQW") Program Eligibility. The Settling Parties agree Vectren South will remove its proposal to expand IQW program eligibility to 201-300% of federal poverty level ("FPL") guideline and instead retain its up to 200% FPL guideline program eligibility. The Settling Parties agree that the Company's Oversight Board ("OSB") will explore ways to improve IQW program reach and participation by expanding the eligibility and verification requirements of the program in other ways. The Company will transfer the funds (a total of \$343,352 over the 2021-2023 Plan) aimed at acquiring customers between 201-300% FPL ("IQW Transferred Funds") to the Company's Marketing Budget for its 2021-2023 Plan for use in the Modified School Education Program. Vectren South will use best efforts to still meet the originally filed energy savings projections of the IQW program.
4. Filed and Modified School Education Programs. The Settling Parties agree that Vectren South will remove the filed School Education Program from the 2021-2023 Plan due to the change in cost-effectiveness after the revised EUL for GSL bulbs and baseline are implemented as discussed above in Section I(A)(1) ("Filed School Education Program"). Vectren South will move the funding previously assigned to the Filed School Education Program under the

filed Plan¹ to other programs based on OSB guidance; and the Settling Parties agree to work collaboratively, in good faith, through the Company's OSB to identify programs for which the reallocated funds could be used and that have the potential to produce reasonably achievable, cost-effective energy savings.² Due to significant and intangible benefits previously realized through the Filed School Education Program, including cross-promotion of the Company's other DSM programs, the Company will fund a modified School Education Program ("Modified School Education Program") with the IQW Transferred Funds that were shifted to the Company's Marketing Budget. The Modified School Education Program may contain LED GSLs. Savings from this program will not be recognized as within the Plan, and the Company will not earn performance incentives or lost revenues from the Modified School Education Program.

5. Home Energy Assessment ("HEA") Program. Vectren South will remove the HEA Program from its 2021-2023 Plan due to the change in cost-effectiveness after the revised EUL for GSL bulbs and baseline are implemented as discussed above in Section I(A)(1). Vectren South will reallocate the funding previously assigned to the HEA Program under the filed Plan³ to other programs based on OSB guidance; and, the Settling Parties agree to work collaboratively, in good faith, through the Company's OSB to identify programs for which the

¹ 2021-2023 Annual School Education Program Budget – \$118,451, \$122,451, \$102,451, respectively.

² Such efforts of the Company's OSB may result in new measures, new programs, and/or the redesign of existing programs.

³ 2021-2023 Annual HEA Budget – \$240,000, \$257,000, \$297,000, respectively.

reallocated funds could be used and that have the potential to produce reasonably achievable, cost-effective energy savings.⁴ The Settling Parties also agree to work collaboratively, in good faith, through the Company's OSB to continue evaluating and exploring the potential for: (1) a revised HEA channel; and (2) instituting the HEA's blower door test measure in one or more non-IQW residential program(s).

B. Lost Revenues. The Settling Parties agree:

1. Given Vectren South's planned electric base rate case in 2023, the Settling Parties agree to Commission approval of the lost revenues for measures installed during the DSM Plan (2021-2023) Period which will be recovered through Vectren South's Demand Side Management Adjustment ("DSMA") Rider for: (a) the life of the measure; (b) four (4) years from implementation of any measure installed in 2021, three (3) years from the implementation of any measure installed in 2022, and two (2) years from the implementation of any measure installed in 2023; or (c) until new electric base rates are effective post rate case, whichever occurs earlier. Subsequent to approval of new base rates in Vectren South's next base rate case proceeding, Vectren South will zero out, in its DSMA Rider, all lost revenue recovery approved for the DSM Program years up to, and including, the test year adopted for the setting of base rates in the Company's next base rate case proceeding.
2. Commercial and Industrial ("C&I") Program Review. During the 2021-2023 Plan Period, at the end of each calendar year, Vectren South will review the

⁴ Such efforts of the Company's OSB may result in new measures, new programs, and/or the redesign of existing programs.

account status for each C&I customer that enrolls, and begins participating, in rebate programs that are associated with programs under the Company’s 2021-2023 Plan to determine whether any such customer account is “inactive”. For those C&I accounts identified as “inactive” during the year-end review, Vectren South will re-evaluate the account status prior to filing the Company’s next DSMA Rider. If the account status remains “inactive”, Vectren South will adjust the useful life of measure(s) rebate(s) for purposes of net lost revenue tracking and recovery.

C. Opportunity to Earn Financial Incentive.

1. The Settling Parties agree that Vectren South will continue its current shared savings approach tied to the implementation and encouragement of cost-effective programs. The Settling Parties further agree that Vectren South’s proposed financial incentive shall be approved with the following modification:

Performance Incentives	
Achievement Level (kWh)	Incentive Level (Net Present Value of net benefits of Utility Cost Test)
110%	13%
100 - 109.99%	8%
90 - 99.99%	7%
80 - 89.99%	6%
75 - 79.99%	5%
0 - 74.99%	0%

2. During the Plan Period, prior to filing its annual DSMA Rider, Vectren South will exclude \$129,679 per year from the base calculation of the annual performance incentives. If the Company reaches the 110% achievement level, Vectren South will reduce its performance incentive an additional \$129,679 per year, during the Plan Period prior to filing its annual DSMA Rider. In addition, Vectren South will further reduce its proposed performance incentives by \$60,000 per year, regardless of the incentive level achieved. Each of these three annual reductions only apply to the calculation of performance incentives; the reductions do not apply to the calculation of cost-effectiveness of the Company's programs in the 2021-2023 Plan.

D. Vectren South's Interruptible Tariff. Vectren South agrees to use best efforts in working with its OSB to update Vectren South's Interruptible Contract ("IC") Rider by the end of calendar year 2020.

E. Other Matters.

1. Any matters not addressed by this Settlement Agreement will be adopted as proposed by Vectren South in its direct and rebuttal case in this Cause.
2. The Settling Parties agree to work cooperatively to seek Commission approval of this Settlement Agreement so that Vectren South may implement its 2021-2023 DSM Plan (as modified herein) no later than January 1, 2021.

II. Settlement Agreement -- Scope and Approval

1. Neither the making of this Settlement Agreement nor any of its provisions shall constitute in any respect an admission by any Settling Party in this or any other litigation or proceeding. Neither the making of this Settlement Agreement, nor the provisions thereof, nor

the entry by the Commission of a Final Order approving this Settlement Agreement, shall establish any principles or legal precedent applicable to Commission proceedings other than those resolved herein.

2. This Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any Settling Party in any other proceeding except as necessary to enforce its terms before the Commission, or any tribunal of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process and, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Parties may take with respect to any or all of the issues resolved herein in any future regulatory or other proceedings.

3. The Settling Parties' entry into this Settlement Agreement shall not be construed as a limitation on any position they may take or relief they may seek in pending or future Commission proceedings not specifically addressed in this Settlement Agreement.

4. Authority to Enter Settlement. The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby, subject to the agreement of the Settling Parties on the provisions contained herein.

5. Privileged Settlement Communications. The communications and discussions during the negotiations and conferences have been conducted based on the explicit understanding that said communications and discussions are or relate to offers of settlement and therefore are privileged. All prior drafts of this Settlement Agreement and any settlement proposals and counterproposals also are or relate to offers of settlement and are privileged.

6. Conditions of Settlement. This Settlement Agreement is conditioned upon and

subject to Commission acceptance and approval of its terms in their entirety, without any change or condition that is unacceptable to any Settling Party.

7. Evidence in Support of Settlement. The Settling Parties may offer supplemental testimony supporting the Commission's approval of this Settlement Agreement and will request that the Commission issue a Final Order incorporating the agreed proposed language of the Settling Parties and accepting and approving the same in accordance with its terms without any modification. Such supportive testimony will be agreed-upon by the Settling Parties and offered into evidence without objection by any Settling Party. The Settling Parties hereby waive cross-examination of each other's witnesses.

8. Commission Approval. The Settling Parties will support this Settlement Agreement before the Commission and request that the Commission accept and approve the Settlement Agreement. This Settlement Agreement is a complete, interrelated package and is not severable, and shall be accepted or rejected in its entirety without modification or further condition(s) that may be unacceptable to any Settling Party. If the Commission does not approve the Settlement Agreement in its entirety, the Settlement Agreement shall be null and void and deemed withdrawn, upon notice in writing by any Settling Party within fifteen (15) business days after the date of the Final Order that any modifications made by the Commission are unacceptable to it. In the event the Settlement Agreement is withdrawn, the Settling Parties will request that an Attorneys' Conference be convened to establish a procedural schedule for the continued litigation of this proceeding.

9. Proposed Order. The Settling Parties will work together to prepare an agreed-upon proposed order to be submitted in this Cause to address the issues addressed in this Settlement Agreement. The Settling Parties will request Commission acceptance and approval

of this Settlement Agreement in its entirety, without any change or condition that is unacceptable to any party to this Settlement Agreement.

10. The Settling Parties also will work cooperatively on news releases or other announcements to the public about this Settlement Agreement.

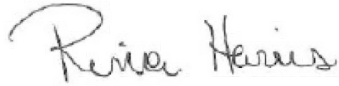
11. The Settling Parties shall not appeal or seek rehearing, reconsideration or a stay of any Final Order entered by the Commission approving the Settlement Agreement in its entirety without changes or condition(s) unacceptable to any Party (or related orders to the extent such orders are specifically and exclusively implementing the provisions hereof) and shall not oppose this Settlement Agreement in the event of any appeal or a request for rehearing, reconsideration or a stay by any person not a party hereto.

12. This Settlement Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Accepted and Agreed on this 20th day of October, 2020

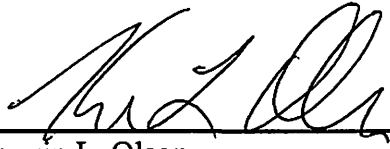
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SOUTHERN INDIANA GAS AND ELECTRIC
COMPANY D/B/A VECTREN ENERGY
DELIVERY OF INDIANA, INC., A
CENTERPOINT ENERGY COMPANY



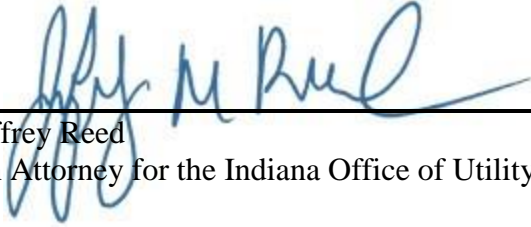
Rina A. Harris
Director, Energy Efficiency
Southern Indiana Gas and Electric Company
d/b/a Vectren Energy Delivery of Indiana,
Inc., a CenterPoint Energy Company

CITIZENS ACTION COALITION OF INDIANA,
INC.

A handwritten signature in black ink, appearing to read 'K. L. Olson', written over a horizontal line.

Kerwin L. Olson
Executive Director

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



Jeffrey Reed

An Attorney for the Indiana Office of Utility Consumer Counselor