

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF DUKE ENERGY INDIANA,)
LLC FOR APPROVAL OF (1) AN)
ADJUSTMENT TO ITS RATES THROUGH ITS)
STANDARD CONTRACT RIDER NO. 66-A)
FOR DEMAND SIDE MANAGEMENT AND)
ENERGY EFFICIENCY PROGRAM COST) CAUSE NO. 43955 DSM-7
RECOVERY, INCLUDING RECONCILIATION)
OF COSTS IN ACCORDANCE WITH THE)
FINAL ORDERS IN CAUSE NOS. 43955, 43955)
DSM-1, 43955 DSM-2, 43955 DSM-3, 43955 DSM-)
4, 43955 DSM-5 AND 43955 DSM-6)

**DUKE ENERGY INDIANA, LLC'S REPLY TO
THE OUCC'S PROPOSED ORDER**

Duke Energy Indiana, LLC (“Duke Energy Indiana”), by counsel responds to the Indiana Office of Utility Consumer Counselor’s (“OUCC”) Proposed Order filed in this proceeding on February 5, 2020.

As stated in Petitioner’s Proposed Order, this filing is to reconcile costs incurred in 2018 in accordance with the Final Order in Cause No. 43955 DSM-4, in which the Commission approved the Company’s 3-year energy efficiency plan covering 2017 - 2019 programs, including program goals, budgets, *cost-effectiveness*, EM&V processes, lost revenues and *shareholder incentive calculation mechanism (emphasis added)*. In his testimony, Mr. Caleb Loveman stated, “During my review of Petitioner's exhibits and workpapers, nothing came to my attention that would indicate DEI's calculation (based on its current proposal) is incorrect.” *Loveman*, page 6. However, Mr. Loveman recommends that the Commission adopt Mr. Haselden’s various changes to the methodologies approved in DSM-4 and require Duke Energy Indiana to recalculate its shareholder incentive in conformance with Mr. Haselden’s recommendations.

Mr. Haselden seeks to change the previously approved cost-effectiveness calculation for Petitioner's energy efficiency programs. Specifically, he recommends that Duke Energy Indiana be required to recalculate the Utility Cost Test ("UCT") to remove the value of avoided generation for those years in which Petitioner does not need to add capacity and that the avoided T&D capacity costs be reset to zero. Finally, Mr. Haselden recommended Petitioner apply a sunset date of 2021 for recognizing LED GSLs as the baseline for those programs utilizing LED GSL bulbs.¹ In essence, the OUCC requests that the Commission revisit its decision in DSM-4.

The OUCC's untimely recommendation that the Commission find that "Duke Energy Indiana is directed to recalculate its UCT for the reconciliation period", by changing inputs to the UCT calculations per their recommendation, is contrary to law. Indiana Code § 8-1-8.5-10(k) provides that after the Commission approves a utility's Energy Efficiency ("EE") Plan, it shall "allow the electricity supplier to recover all associated program costs on a timely basis through a periodic rate adjustment mechanism." In Cause No. 44927, the Commission summarized Ind. Code § 8-1-8.5-10(k) as follows:

Section 10(k) provides that once an EE plan is approved, the Commission shall allow the utility to recover all associated program costs on a timely basis through a periodic rate adjustment mechanism.

Order in Cause No. 44927 at 26 (emphasis added).

Further, the OUCC is recommending that the Commission find that "the re-reconciliations for the application of EM&V to lost revenue recovery for 2015, 2016, and 2017 is hereby approved *with the exception of any portions that are impacted by the revised UCT calculation and revised shareholder incentive.*" The effect of this recommendation is that Duke Energy Indiana would be

¹ In its Proposed Order in this proceeding, the OUCC dropped this argument, stating "it is premature to change the baseline of Petitioner's lighting program." *Proposed Order*, p. 7.

required to re-reconcile the 2017 shareholder incentives already approved for recovery by the Commission in Cause No. 43955 DSM-6 using Mr. Haselden's proposed revised UCT calculation.²

As discussed in Petitioner's Proposed Order, the OUCC did not provide statutory support for its recommendation to update the UCT to reflect Mr. Haselden's proposed methodology. Furthermore, Mr. Haselden's recommendation that the capacity benefits associated with avoided generation be reset to zero for any years in which Duke Energy Indiana does not need to add capacity seeks to invalidate the approval in DSM-4, in which the Commission approved the cost-effectiveness of Petitioner's programs.

Petitioner incurred these costs in 2018 and is entitled to timely recovery of its costs, including the shareholder incentive approved in DSM-4. Duke Energy Indiana offered its various energy efficiency programs throughout the year with the understanding that if it achieved its target impacts, it would be entitled to a shareholder incentive as approved in DSM-4. Mr. Haselden seeks to invalidate that shareholder incentive by changing the underlying calculation, impacting not only cost recovery for 2018, but 2019 and part of 2020, until such time as Petitioner's new Plan is approved in Cause No. 43955 DSM-8.

Aside from changing the calculation of the shareholder incentive approved in DSM-4, Mr. Haselden's proposal has far-reaching consequences for energy efficiency offerings in the future. The OUCC would have Petitioner be subject to changes in avoided cost assumptions year over year, causing some programs to be cost effective in some years and not cost-effective in others. This would have the effect of programs potentially shutting down and starting up as changes to the

² The shareholder incentives approved for the 2016 reconciliation included in Cause No. 43955 DSM-5 and for the 2015 reconciliation included in Cause No. 43955 DSM-4 used a cost-plus shareholder incentive mechanism, so are not implicated by the OUCC's proposal.

underlying assumptions occur. If adopted, this policy would have the effect of increasing costs for EE as Petitioner would need to determine whether to offer or not offer programs on an annual basis depending on its capacity position. Not only would this be bad for customers in terms of consistency of offerings, it would also increase program costs as Petitioner would be unable to leverage economies of scale for longer term offerings as it would be engaging vendors on a staggered basis as opposed to as part of a longer-term contract. Finally, Mr. Haselden's recommendations ignore the long-term benefits of energy efficiency offerings.

Additionally, the additional language added by the OUCC to ordering paragraph 6 is not necessary and complicates what should be a straight-forward rate implementation process.

For the foregoing reasons, Duke Energy Indiana respectfully requests that the Commission adopt its Proposed Order in this proceeding and approve Duke Energy Indiana's proposed reconciliation factors.

Respectfully submitted,

DUKE ENERGY INDIANA, LLC

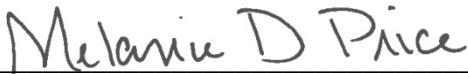
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Duke Energy Indiana, LLC's Reply to the OUCC's Proposed Order was electronically delivered this 7th day of February 2020, to:

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