

STATE OF INDIANA
BEFORE THE INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE COMMISSION'S)
INVESTIGATION, PURSUANT TO IC § 8-1-2-58,)
INTO THE EFFECTIVENESS OF DEMAND)
SIDE MANAGEMENT ("DSM") PROGRAMS)
CURRENTLY UTILIZED IN THE STATE OF) Cause No. 42693-S1
INDIANA, INCLUDING AN EXAMINATION OF)
ISSUES THAT COULD IMPROVE THE)
EFFECTIVENESS OF DEMAND SIDE)
MANAGEMENT PROGRAMS IN THE STATE,)
INCLUDING CONSIDERATION OF THE)
ESTABLISHMENT OF AN INDEPENDENT DSM)
ADMINISTRATOR MODEL ON A STATE-WIDE)
BASIS.)
RESPONDENTS: ALL JURISDICTIONAL)
ELECTRIC AND GAS UTILITIES IN THE STATE)
OF INDIANA)

INDIANA MICHIGAN POWER COMPANY
JULY 2015 DSM PROGRESS REPORT FILING

The December 9, 2009 Order (Phase II Order) issued by the Indiana Utility Regulatory Commission (Commission) in this Cause directed Respondents, including Indiana Michigan Power Company (I&M), to submit periodically to the Commission a DSM Progress Report (Progress Report) indicating actual progress in reaching the annual stepped savings targets established by the Commission. By Docket Entry dated May 14, 2010, the Commission made clear that this is a reporting document. In accordance with the foregoing, I&M hereby files its fifth annual DSM Progress Report.

In its March 17, 2010 Order in Cause No. 43769, the Commission approved I&M's petition to implement seven (7) DSM programs for a two-year period through collaborative efforts with the members of the I&M DSM/Energy Efficiency Program Implementation Oversight Board (OSB). In its April 27, 2011 Order in Cause No. 43959, the Commission approved I&M's petition to implement all programs contained in I&M's Three Year DSM Plan

with cost recovery through the DSM/EE Program Cost Rider. The Three Year DSM Plan upgraded the levels and scope of programs from those approved in Cause No. 43769 and added eleven additional Core Plus programs that allow I&M to pursue the energy savings goals set forth by the Commission in the Phase II Order. Following issuance of the Commission's April 27, 2011 Order in Cause No. 43959, I&M, in collaboration with the OSB, began the implementation process for the programs contained in the Three Year DSM Plan. I&M's Three Year DSM Plan contemplated that the Core Programs would be administered by the statewide Third Party Administrator (TPA). This is consistent with the Commission's Phase II Order which contemplated the statewide TPA would be operational by December 31, 2010. Subsequent to the Commission's approval of the contract for the TPA on July 27, 2011, during the fourth quarter of 2011, I&M began the transition of the administration of its Core Programs to the statewide TPA. On January 3, 2012, the TPA began implementation and administration of the statewide Core Programs. I&M offered ten Core Plus programs during 2012 and 2013. On December 30, 2013 the Commission approved I&M's 2014 DSM Plan in Cause 43827 DSM 3 that continued the same statewide Core programs and many of the same Core Plus programs but added the Residential EE Products Program and the EECO Program (a.k.a. Volt VAR). All programs contained in the approved 2014 DSM Plan were implemented and offered for customer participation and verified results have been provided by evaluation vendors for Core and Core Plus programs. I&M's DSM Progress Report reflects 2010 through 2014 calendar year actual verified gross program and portfolio energy savings performance against the energy savings goals set forth by the Commission in the Phase II Order. Program and portfolio expenditures required to achieve the energy savings are shown as well.

While I&M implemented programs and pursued program participation as diligently as possible, 2010, 2011, and 2012 performance against Phase II Order energy savings targets

lagged. I&M came within seven percent of achieving the 2011 goal, but achieved comparatively less in 2012. I&M over-achieved the annual incremental target in 2013 by 71.3 GWh which nearly fully caught up the prior years' under achievements. In 2014, I&M achieved 70% of the annual incremental target. For the period 2010 – 2014, I&M achieved 479 GWh in verified savings against a cumulative target of 539 GWh.

As shown in the Progress Report, in 2014, Core Plus programs yielded 34 GWh more energy savings than Core programs (75 GWh versus 41 GWh). For 2014, Core Plus programs such as the Residential Home Energy Reports Program, the C&I Incentives Program, and the C&I Retro Commissioning Lite Program all experienced high levels of savings while the Online Energy Audit and Appliance Recycling programs were steady contributors. The Home Weatherization program was more effective as it experienced more weatherization participants and yielded significantly higher savings than prior years. I&M's two new Core Plus programs for 2014, the EECO Program (a.k.a. Volt VAR) and the Small Business Direct Install (SBDI) program, both performed well by contributing 2.7 GWh and 4 GWh of savings respectively to the Core Plus program portfolio.

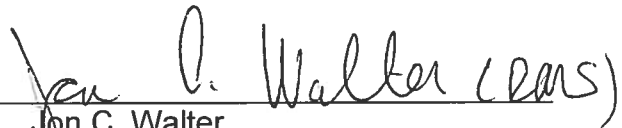
On the Core Program side, Residential Lighting and the C&I Prescriptive Program both contributed significant savings to I&M's energy efficiency program portfolio at 14.8 GWh and 20.8 GWh respectively during 2014. While 2014 programs still saw significant savings from CFL product lines, both programs are offered by I&M in 2015 and will experience more LED measure participation than in prior years. As LED products become more main-stream and prices continue to fall, especially in the residential sector, customer interest and participation will increase in this technology. The other three Core programs, Home Energy Audit, Low Income Weatherization, and Energy Efficient Schools were strong contributors in 2014 as well, providing nearly 6 GWh in energy savings in total.

Overall, I&M has gained nearly five years of experience in implementing DSM programs and continues of many of the same programs as 2014 but has incorporated revisions to certain programs to help improve implementation and customer participation processes. Since 2010, I&M has offered DSM/EE programs and has made significant progress toward the mandated targets from the Phase II Order, achieving 89% of the 2010 through 2014 cumulative energy savings target. I&M's achievement of 479 GWh since 2010 has benefitted participating customers by helping them manage their electric consumption and by improving their knowledge and acceptance of energy efficient products.

Questions or comments regarding this Progress Report filed in compliance with the Phase II Order may be directed to the undersigned I&M representative.

Respectfully submitted,

INDIANA MICHIGAN POWER COMPANY

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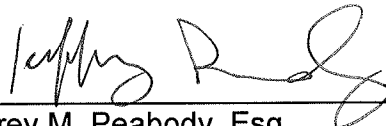
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Indiana Michigan Power DSM Progress Report

	Energy and Demand Savings												Program Expenditures					
CORE PROGRAMS	2010 Verified MWh	2010 Verified MW	2011 Verified MWh	2011 Verified MW	2012 Verified MWh	2012 Verified MW	2013 Verified MWh	2013 Verified MW	2014 Verified MWh	2014 Verified MW	Program Total MWh	Program Total MW	2010 Actuals	2011 Actuals	2012 Actuals	2013 Actuals	2014 Actuals	Program Total
Residential Lighting	9,286	1.38	35,868	4.399	15,231	2.661	21,488	2.570	14,837	1.763	96,709	12.772	\$224,862	\$1,152,506	\$1,396,072	\$1,078,698	\$855,233	\$4,707,371
Residential Home Energy Audit	187	0.02	257	0.064	2,344	1.063	6,330	1.382	2,109	0.230	11,226	2.755	\$131,374	\$232,581	\$1,483,744	\$2,085,528	\$756,980	\$4,690,207
Residential Low Income Weatherization	416	0.04	467	0.051	708	0.463	1,749	0.558	1,481	0.132	4,821	1.245	\$137,450	\$257,741	\$1,359,233	\$1,339,398	\$975,379	\$4,069,201
Energy Efficient Schools	4	0.00	424	0.014	1,955	0.000	3,839	0.022	2,376	0.033	8,598	0.069	\$30,964	\$167,484	\$628,568	\$860,717	\$567,661	\$2,255,394
C&I Prescriptive	5,833	3.48	31,498	3.270	27,346	4.921	86,378	18.956	20,850	3.901	171,906	34.531	\$323,648	\$1,400,498	\$2,944,191	\$16,573,985	\$2,576,019	\$23,818,341
Total Core Programs By Year	15,726	4.92	68,514	7.80	47,584	9.11	119,783	23.49	41,653	6.059	293,260	51.372	\$848,298	\$3,210,810	\$7,811,808	\$21,938,326	\$5,731,271	\$39,540,513
CORE PLUS PROGRAMS	2010 Verified MWh	2010 Verified MW	2011 Verified MWh	2011 Verified MW	2012 Verified MWh	2012 Verified MW	2013 Verified MWh	2013 Verified MW	2014 Verified MWh	2014 Verified MW	Program Total MWh	Program Total MW	2010 Actuals	2011 Actuals	2012 Actuals	2013 Actuals	2014 Actuals	Program Total
Residential Appliance Recycling	4,003	0.653	3,021	0.318	2,388	0.244	3,964	0.438	4,002	0.506	17,378	2.159	\$331,955	\$443,481	\$467,967	\$677,111	\$676,921	\$2,597,435
Residential On-Line Audit	0	0.000	0	0.000	670	0.085	12,280	0.986	2,818	0.245	15,768	1.316	\$0	\$7,326	\$92,019	\$809,901	\$323,547	\$1,232,793
Residential Home Energy Reporting	0	0.000	0	0.000	4,134	0.639	16,698	1.819	23,777	2.092	44,609	4.550	\$0	\$0	\$487,106	\$830,553	\$721,384	\$2,039,043
Residential New Construction	0	0.000	0	0.000	0	0.000	0	0.000	369	0.237	369	0.237	\$0	\$5,175	\$8,069	\$29,512	\$264,884	\$307,640
Residential Home Weatherization	0	0.000	454	0.018	17	0.001	51	0.011	1,402	0.206	1,924	0.236	\$0	\$105,121	\$60,897	\$326,633	\$650,292	\$1,142,943
Residential Peak Reduction	0	0.000	0	0.000	0	0.000	213	2.993	63	5.295	276	8.288	\$0	\$11,774	\$860,448	\$1,412,719	\$1,147,690	\$3,432,631
Residential Solar Siting; EE Products (2014)	0	0.000	0	0.000	0	0.000	0	0.000	525	0.149	525	0.149	\$0	\$1,673	\$11,013	\$17,577	\$259,079	\$289,342
C&I Incentives	0	0.000	0	0.000	5,569	1.012	34,530	3.951	15,304	2.135	55,402	7.098	\$6,271	\$132,143	\$899,047	\$2,749,086	\$1,803,575	\$5,590,122
C&I Retro-Commissioning Lite	0	0.000	0	0.000	0	0.000	18,572	1.662	20,686	2.586	39,258	4.248	\$0	\$7,582	\$133,113	\$1,754,638	\$2,030,692	\$3,926,025
C&I HVAC Optimization	0	0.000	0	0.000	0	0.000	0	0.000	13	0.000	13	0.000	\$0	\$7,554	\$47,901	\$52,788	\$21,549	\$129,792
C&I Audit (Audit/SBDI 2014)	0	0.000	0	0.000	98	0.008	3,351	0.556	4,046	0.822	7,495	1.386	\$0	\$3,550	\$66,088	\$382,861	\$766,465	\$1,218,964
C&I New Construction (EECO Program 2014)	0	0.000	0	0.000	0	0.000	0	0.000	2,735	1.923	2,735	1.923	\$0	\$2,511	\$4,177	\$17,480	\$376,106	\$400,274
Renewables & Demonstrations	0	0.000	0	0.000	0	0.000	59	0.000	41	0.007	100	0.007	\$0	\$5,215	\$9,412	\$93,273	\$49,900	\$157,800
Total Core Plus Programs By Year	4,003	0.65	3,475	0.34	12,876	1.99	89,718	12.42	75,781	16.20	185,853	31.60	\$338,226	\$733,105	\$3,147,257	\$9,154,132	\$9,092,084	\$22,464,804
Portfolio Summary	2010 MWh	2010 MW	2011 MWh	2011 MW	2012 MWh	2012 MW	2013 MWh	2013 MW	2014 MWh	2014 MW	Total MWh	Total MW						
Total Gross MWh Core & Core Plus	19,728	5.57	71,990	8.13	60,460	11.10	209,501	35.90	117,434	22.26	479,112	82.97						
IURC Goal-(Incremental MWh Savings)*	47,200	NA	77,300	NA	107,100	NA	138,600	NA	167,951	NA	539,400	NA						
Total Program Expenditures Core & Core Plus	\$1,186,524		\$3,943,915		\$10,959,065		\$31,092,458		\$14,823,355		\$62,005,317							
Portfolio Realization (Cents/kWh)	6.0		5.5		18.1		14.8		12.5		12.9							
* 2014 IURC Goal updated for 2014 using 3 year rolling average based upon 2011, 2012, 2013 weather normal sales																		



Indiana Michigan Power DSM Progress Report

Program Name	Comment
Core Programs	
Residential Lighting	Description: Program providing point of sale incentives (mark down) to I&M Indiana customers who purchase qualifying Energy Star® lighting products at participating retail stores
	Update: I&M's Core Residential Rebate Program operated as a statewide program for 2014 but transitioned to I&M's Residential EE Products - Lighting Program for 2015.
Residential Home Energy Assessments	Description: Program providing home energy assessments for I&M Indiana customers to analyze homes energy use, recommend appropriate weatherization measures and provide direct installation of specific low-cost energy saving measures.
	Update: I&M's Core Residential Home Energy Audit Program operated as a statewide Core program in 2014 but merged into I&M's Home Weatherization Program in 2015.
Residential Income Qualified Weatherization	Description: Program providing home energy assessments for income qualified I&M Indiana customers to analyze homes energy use, provide direct installation of specific low-cost energy-saving measures, and install appropriate weatherization measures.
	Update: I&M's Core Residential Low Income Weatherization Program operated as statewide Core Residential Income Qualified Weatherization Program in 2014 but transitioned to I&M's Low Income Weatherization Program in 2015. The 2015 program is similar to the 2014 design but focuses on income qualified I&M Indiana customers who have electric as their primary heat source.
Energy Efficient Schools	Description: Program providing classroom curriculum education and take-home efficiency kits to students in the 5th and 6th grade.
	Update: I&M's Core Energy Efficient Schools Program operated as a statewide Core program in 2014 but transitioned to I&M's School Energy Education Program in 2015. The 2015 program is similar to the 2014 design and targets 5th grade classrooms in the I&M Indiana service territory.
C&I Prescriptive Rebates	Description: Program providing rebates for upgrading older less efficient equipment for lighting, motors, variable speed drives, and ENERGY STAR® commercial kitchen appliances.
	Update: I&M's Core C&I Prescriptive Program operated as a statewide Core program in 2014 but transitioned to I&M's C&I Prescriptive Program in 2015 with a similar program design.
Core Plus Programs	
Residential Appliance Recycling	Description: Program providing a \$40 Rebate to I&M Indiana customers for pick up and environmentally-friendly recycling of qualifying second refrigerators and freezers.
	Update: Program is offered in 2015 at the same \$40 rebate level.
Residential On-Line Audit	Description: Program providing an on-line energy audit that recommends appropriate energy efficiency improvements. Participating customers are mailed an efficiency kit with low-cost energy-saving measures.
	Update: Program is offered in 2015 but now incorporates LEDs in the efficiency kits.
Residential New Construction	Description: Program providing incentives to home builders to design new residential homes to a "beyond Energy Star" result.
	Update: Program is implemented and offered in 2015 rebates based on a Home Energy Rating Score (HERS) beyond energy star criteria.
Residential EE Products	Description: Program providing incentive to promote efficient electric appliances, including heat pump water heaters, SEER 15 air source heat pumps, dehumidifiers, etc.
	Update: Program is implemented and offered in 2015. The 2015 program is similar to the 2014 design but merged Residential Lighting as an EE Products program component.
Residential Home Weatherization	Description: Program providing the installation of home shell improvements such as insulation and house and duct sealing.
	Update: Program is offered in 2015 with home assessments and direct installation of specific low-cost energy-saving measures offered to I&M Indiana customers with electric as the primary heat source. Rebates are offered a 50% of the installation cost for cost effective weatherization improvements.
Residential Home Energy Reporting	Description: Program providing home energy reports that are tailored to each customer and platform for comparing like premises; program designed to elicit verifiable and sustainable reduced energy consumption
	Update: Program is offered in 2015 with a similar design as that offered in 2014.
Residential Peak Reduction	Description: Program that provides incentives to customers that allow I&M to cycle their air conditioner(s) via a radio controlled switch during peak load periods determined by either I&M or PJM. Participating customers receive an \$8.00 bill credit during the months of May through September.
	Update: Program is offered in 2015 with expected ongoing participation levels at approximately 9,000 participants.
Renewables & Demonstrations	Description: Program providing a source for a small number of technology demonstration projects in photovoltaic, solar hot water, ground source heat pumps, and LED streetlights to promote interest in energy efficiency
	Update: Program is not offered in 2015.
C&I Incentives	Description: Program providing an incentive for C&I Indiana customers to undertake improvements for custom EE projects that fall outside of the C&I Rebates prescriptive measures.
	Update: Program continues to be offered in 2015 with a similar program design as offered in 2014.
C&I Retro-Commissioning Lite	Description: Program providing incentives for fine tuning of lighting and energy control systems in high energy use C&I buildings. Program includes three optimization tracks; 1) compressed air systems; 2) building systems; and 3) refrigeration systems.
	Update: Program is offered in 2015 but was merged with I&M's C&I Custom Program.
C&I HVAC Optimization	Description: Program providing incentives for on-site testing by HVAC specialists of existing HVAC units to ensure operation according to equipment specifications and as an integrated building system.
	Update: Program is not offered in 2015 due to lack of customer participation.
C&I Audit (Audit/SBDI Program)	Description: Program providing comprehensive energy assessments for I&M Indiana restaurant and grocery facilities along with Small Business Direct Install of prescriptive measures.
	Update: Program is offered in 2015 with a similar program design as offered in 2014.
EECO Program	Description: Program to deploy technology on distribution circuits to alter the utility load shape through voltage control that achieves end use energy and demand reductions.
	Update: Program yielded verified energy savings in 2014 and is operated with additional circuits in 2015.