

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF DUKE ENERGY INDIANA, INC. FOR)
APPROVAL OF (1) ITS PROPOSED DEMAND SIDE)
MANAGEMENT AND ENERGY EFFICIENCY)
PROGRAMS FOR 2015, INCLUDING COST)
RECOVERY, LOST REVENUES AND)
SHAREHOLDER INCENTIVES; (2) AUTHORITY TO)
OFFER ADDITIONAL DEMAND SIDE)
MANAGEMENT PROGRAMS WITH COST)
RECOVERY, INCLUDING LOST MARGINS AND A)
SHAREHOLDER INCENTIVE; (3) AUTHORITY TO)
DEFER COSTS INCURRED UNTIL SUCH TIME)
THEY ARE REFLECTED IN RETAIL RATES; (4))
RECONCILIATION OF DEMAND SIDE)
MANAGEMENT AND ENERGY EFFICIENCY)
PROGRAM COST RECOVERY THROUGH DUKE)
ENERGY INDIANA, INC. STANDARD CONTRACT)
RIDER 66A, AND (5) REVISIONS TO STANDARD)
CONTRACT RIDER 66A)

CAUSE NO. 43955 DSM-02

OUCC PREFILED TESTIMONY

OF

APRIL M. PARONISH - PUBLIC EXHIBIT #1

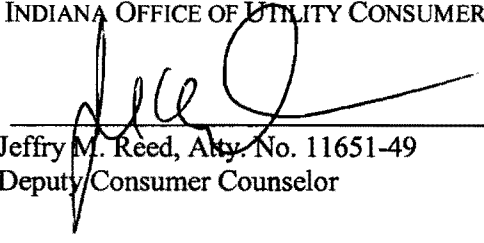
ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

MAY 4, 2015

Respectfully Submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



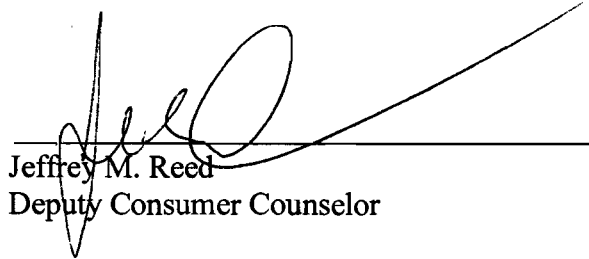
Jeffrey M. Reed, Atty. No. 11651-49
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor Testimony of April M. Paronish* has been served upon the following counsel of record in the captioned proceeding by electronic service and/or by depositing a copy of same in the United States mail, first class postage prepaid, on May 04, 2015.

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TESTIMONY OF OUCC WITNESS APRIL M. PARONISH
CAUSE NO. 43955 DSM-2
DUKE ENERGY INDIANA, INC.

I. INTRODUCTION

1 **Q: Please state your name, employer, current position and business address.**

2 A: My name is April M. Paronish. I am employed by the Indiana Office of Utility
3 Consumer Counselor (OUCC) located at 115 West Washington Street, Suite 1500
4 South, Indianapolis, Indiana 46204. I am a Utility Analyst in the Resource Planning
5 and Communications (RPC) Division. My professional experience is detailed in
6 Appendix AMP-1 attached to this testimony.

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

8 A: My testimony provides support for the proposed Settlement which Duke Energy
9 Indiana ("DEI") and the OUCC have presented for Indiana Utility Regulatory
10 Commission ("Commission") approval in this proceeding.

11 **Q: What is DEI seeking in this proceeding?**

12 A: DEI is requesting \$3,648,805 to allow the following two residential programs to
13 continue throughout 2015: 1) Smart Saver and 2) Residential Energy Assessments
14 (also referred to as Home Energy House Call).

15 **Q: Please elaborate.**

16 A: DEI has seen significant uptake in 1) free CFLs and 2) customers purchasing
17 discounted LED and / or specialty CFLs at its Savings Store, which are both
18 subsets of the Residential Smart Saver program. Specifically, DEI is seeking
19 \$3,260,398 to continue offering free CFLs, and \$288,690 to continue operating

1 the online Savings Store. In addition, the Residential Energy Assessments have
2 exceeded expectations and DEI estimates it will need \$99,717 to continue the
3 program through 2015.

4 **Q: Will this request for additional funding increase the amount of lost revenues**
5 **DEI can potentially recover?**

6 A: Yes. Increasing program funding will likely increase program participation.
7 Increased participation will potentially increase DEI's lost revenues by as much
8 as \$832,577.

9 **Q: Can DEI's shareholder incentives increase as a result of this funding**
10 **request?**

11 A: No. As agreed to in settlement, funding beyond what the IURC approved Cause
12 No. 43955 DSM-2 are not eligible for shareholder incentives. Therefore, the
13 \$3,648,805 in program costs and related kW and kWh savings are not applicable
14 to the 2015 shareholder incentive calculation estimated at \$437,857.

15 **Q: What is the total ratepayer impact?**

16 A: The requested increase will result in additional ratepayer costs totaling
17 \$4,481,382.

18 **Q: Will programs remain cost effective after increasing program costs by**
19 **\$3,648,805?**

20 A: Yes. In fact, the programs become more cost effective because the additional
21 savings should be realized without increasing fixed costs. This allows both the
22 Total Resource Cost Test (TRC) and Utility Cost Test (UCT) to increase as
23 shown below:

| | Original | | Updated | |
|------------------------|-----------------|------------|----------------|------------|
| <u>Program Measure</u> | <u>UCT</u> | <u>TRC</u> | <u>UCT</u> | <u>TRC</u> |
| Free CFLs | 1.88 | 6.08 | 2.28 | 8.38 |
| Savings Store | 1.77 | 1.97 | 1.88 | 1.99 |
| Energy Assessment | 1.18 | 1.25 | 1.51 | 1.62 |

1 **Q: Are there other programs in DEI's DSM portfolio that are expected to**
2 **deplete funds prior to the end of 2015?**

3 **A:** Yes. The Appliance Recycling Program has also performed above DEI's
4 expectations; however, DEI and OUCC agreed not to seek additional funds for
5 this program. This decision is a result of evaluation, measurement and verification
6 (EM&V) results obtained in late 2014 that showed the program is not cost
7 effective as currently designed.

8 **Q: Is it in the public interest for the Commission to approve the proposed**
9 **Settlement?**

10 **A:** Yes. OUCC has reviewed the benefit cost test scores and recognizes that the 44%
11 cost increase (about \$4.5M), should produce a 128% energy savings increase
12 (more than 47,000,000 additional kWh) with no added fixed costs. As discussed
13 above, this allows the programs to be more cost effective than under the originally
14 approved budget. For these three programs, the OUCC calculates the cost per
15 kWh saved will drop by more than three cents from just over \$0.15 / kWh to

1 about \$0.12 / kWh.¹

2 **II. RECOMMENDATION AND CONCLUSION**

2 **Q: What action does the OUCC recommend the Commission take in this Cause?**

3 A: The OUCC recommends the Commission approve DEI's request for additional
4 fundings. Based on the specific facts of this request, the OUCC agrees that the
5 proposed settlement will serve the public interest by continuing popular programs
6 that give consumers opportunities to participate in DSM programs and ultimately
7 reduce electricity consumption.

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

9 A: Yes.

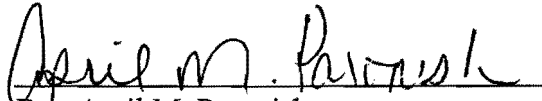
¹ Original Program Costs (\$4,459,167) + Original Lost Margins (\$651,548) + Original Lost Margins (\$535,100) = \$5,645,815 / Original kWh savings (36,901,774) = \$0.1529 per kWh.

Updated Program Costs (\$8,107,972) + Updated Lost Margins (\$1,484,125) + Original Lost Margins (\$535,100) = \$10,127,197 / Updated kWh savings (84,153,834) = \$0.1203 per kWh.

Lost Margins and Incentive amounts assume DEI achieves 100% threshold for each of these three programs.

AFFIRMATION

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

A handwritten signature in black ink, appearing to read "April M. Paronish", written over a horizontal line.

By: April M. Paronish
Indiana Office of
Utility Consumer Counselor

5/4/15
Date: _____

APPENDIX TO TESTIMONY OF
OUCW WITNESS APRIL M. PARONISH

1 **Q: Please summarize your educational background and work experience.**

2 A: I graduated *summa cum laude* from Franklin University in Columbus, Ohio in 1992,
3 with a Bachelor of Science degree, majoring in Business Management. I also
4 received a Master of Science degree in Marketing and Communications from
5 Franklin University in 2002.

6 I have been employed at the OUCW since April 2007 as a Utility Analyst. I
7 have attended a number of in-house, industry-sponsored and regulatory educational
8 programs since joining the OUCW. To date, my work at the OUCW has focused
9 on demand-side management (DSM) and energy efficiency issues. I have testified
10 in numerous DSM-related cases before the IURC including the IURC's Cause No.
11 42693 Phase II investigation into DSM. I have also testified regarding DSM and
12 other matters in the following utility dockets: Vectren (Cause Nos. 43427, 43839,
13 43938, and 44495); Indianapolis Power and Light (Cause Nos. 43623 and 43960);
14 Indiana Michigan Power Company (Cause Nos. 43546, 43769, 43827, 43959, and
15 44486); Northern Indiana Public Service Company (Cause Nos. 43912, 44001, and
16 44154); Northern Indiana Fuel & Light and Kokomo Gas and Fuel (Cause No.
17 43745); Duke Energy Indiana (Cause Nos. 43079-DSM6, 43955, 44008, and
18 44586); Citizens Gas & Westfield Gas (Cause No. 44124); Harrison & Jackson
19 County (Cause No. 44040); Marshall County REMC (Cause No. 44041); and
20 Northeastern REMC (Cause No. 44160). In addition, I have

1 served on the statewide Demand Side Management Coordination Committee
2 (DSMCC) and its Third Party Administrator (TPA) Subcommittee and Evaluation,
3 Measurement and Verification (EM&V) Subcommittee.

4 I represent the OUCC on Vectren, IPL, I&M and NIPSCO's Electric DSM
5 Oversight Boards. I also represent the OUCC on Vectren, Citizens Gas, Westfield
6 Gas and NIPSCO's Gas DSM Oversight Boards, and facilitate the Gas Utility Joint
7 Oversight Board. My work on these Oversight Boards includes, but is not limited
8 to, reviewing program progress and budgets (including voting to make changes to
9 programs and/or budgets); developing RFPs; reviewing vendor bids; drafting
10 program-specific questions regarding costs, estimated savings, program
11 implementation, and other related matters. Prior to joining the OUCC I held various
12 positions at American Electric Power Service Corporation, 3X Corporation, Alliance
13 RTO, and the Midwest ISO.

14 **Q: Have you previously testified before the Indiana Utility Regulatory**
15 **Commission?**

16 **A: Yes.**