Cause No. 45990

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a CENTERPOINT ENERGY INDIANA SOUTH
(CEI SOUTH)

DIRECT TESTIMONY
OF
JUSTIN L. FORSHEY
DIRECTOR, ENERGY SOLUTIONS AND BUSINESS DEVELOPMENT - MIDWEST

ON

LARGE ELECTRIC CUSTOMERS, DEMAND SIDE MANAGEMENT ("DSM"), ECONOMIC DEVELOPMENT

PETITIONER'S EXHIBIT NO. 17 (PUBLIC)

DIRECT TESTIMONY OF JUSTIN L. FORSHEY

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Justin L. Forshey. My business address is 211 NW Riverside Drive, Evansville, Indiana 47708.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am employed by CenterPoint Energy Service Company, LLC ("Service Company"), a wholly owned subsidiary of CenterPoint Energy, Inc. The Service Company provides centralized support services to CenterPoint Energy Inc.'s operating units, one of which is Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South ("CEI South", "Petitioner", or the "Company").

Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS DIRECT TESTIMONY?

A. I am submitting testimony on behalf of CEI South.

Q. WHAT IS YOUR ROLE WITH RESPECT TO THE SERVICE COMPANY?

A. I am Director of Energy Solutions and Business Development – Midwest, which includes Indiana and Ohio, and specifically three utility subsidiaries of CenterPoint Energy, Inc. – CEI South,[1] Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North ("CEI North"), and Vectren Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy Ohio ("CEOH").

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. In December 2013, I graduated from the University of Southern Indiana with a Bachelor of Arts Degree in Accounting and Finance.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

Following graduation, I worked at a national accounting and advisory firm performing tax and audit work. I was appointed to my current position in January 2023 and since 2015, have held several positions with increasing responsibility including Credit and

[1] For the sake of clarity, my testimony refers to CEI South, even though in certain situations, I may be referring to Southern Indiana Gas and Electric Company operating under a prior assumed business name.

Risk Analyst, Supervisor of Credit and Collections, and most recently, before being promoted, Manager of Energy Solutions.

Q. WHAT ARE YOUR PRESENT DUTIES AND RESPONSIBILITIES AS DIRECTOR, ENERGY SOLUTIONS AND BUSINESS DEVELOPMENT – MIDWEST?

A. I am responsible for overseeing all aspects of key account management, residential and commercial sales, economic development, energy efficiency ("EE") and demand side management ("DSM") programs for CenterPoint Energy, Inc.'s Indiana and Ohio regulated utilities. This includes interfacing with customers to respond to their natural gas and electric service needs and keeping abreast of potential economic development opportunities within the Indiana and Ohio service territories. In this position, I participate in energy sales negotiations with CEI South's Large Electric[2] customers and manage all aspects of implementation, planning, marketing, execution, evaluation, and reporting of the EE and Demand Response ("DR") programs.

Q. HAVE YOU EVER TESTIFIED BEFORE THE INDIANA UTILITY REGULATORY COMMISSION ("COMMISSION")?

A. Yes. I have testified before the Commission on behalf of CEI South in Cause Nos. 45669 and 45773 and on behalf of CEI North in Cause Nos. 45687 and 45853 in support of requests for approval of contracts pursuant to Ind. Code § 8-1-2-24 (the "Section 24 Contracts").

II. PURPOSE & SCOPE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. My testimony describes CEI South's Large Electric customer class, how CEI South supports its existing Large Electric customers by providing reliable, resilient, and sustainable electric service; and its efforts to attract new Large Electric customers to southwestern Indiana. I will also provide support for the changes to the Base, Backup, and Maintenance Power Services Rate ("Rate BAMP") and the Economic

[2] For clarity sake, CEI South's "Large Electric" customer class referenced in my testimony is comprised of nonresidential customers receiving electric service at primary or transmission voltage with a maximum annual demand of 300 kilovolt-amps ("kVa") or greater, and either receiving service under a Commission-approved electric service agreement with CEI South, Rate LP ("Large Power Service") or Rate HLF ("High Load Factor Service"), as defined in CEI South's Tariff for Electric Service.

Development Rider ("Rider ED"), the addition of a new proposed Green Energy Rider ("Rider GE"), an Aggregation Demand Response Rider ("Rider ADR") and proposed Thermostat Load Control Rider ("Rider TLC"), as well as changes to other DR riders like the Interruptible Contract Rider ("Rider IC"), Interruptible Option Rider ("Rider IO") and Midcontinent Independent System Operator ("MISO") Demand Response ("DR") Rider ("Rider DR"), to name a few. Lastly, I will discuss the importance of a balanced, diversified electric generation portfolio and CEI South's EE and DSM initiatives, filings, and costs recovered through the Demand Side Management Adjustment ("DSMA").

III. LARGE ELECTRIC CUSTOMERS

Q. PLEASE DESCRIBE CEI SOUTH'S LARGE ELECTRIC CUSTOMER CLASS.

A. CEI South's Large Electric customer class represents approximately 25% of CEI South's total electric fixed cost recovery. Notably, CEI South's ten largest electric customers, by fixed cost recovery, account for approximately 56% of CEI South's total Large Electric fixed cost recovery.

Q. HOW DOES CEI SOUTH ENGAGE WITH ITS LARGE ELECTRIC CUSTOMERS?

A. CEI South has a designated Key Account Manager ("KAM") that serves as the single point of contact for each Large Electric customer as defined above. These KAMs are uniquely positioned within the Energy Solutions and Business Development organization to support this specific subset of CEI South's customer base. KAMs partner with these customers to provide guidance, support, and various other energy solutions to help retain Large Electric customer operations and support Large Electric customer expansions in southwestern Indiana. KAMs serve as the conduit between CEI South's Large Electric customers and CEI South's key internal stakeholders to develop and implement programs and plans to meet Large Electric customer needs and expectations.

Q. WHAT DO CEI SOUTH'S LARGE ELECTRIC CUSTOMERS EXPECT OF CEI SOUTH?

A. CEI South's Large Electric customers expect affordable energy with a high degree of confidence that it will also be reliable, resilient, and stable. Additionally, due to aggressive sustainability goals and objectives, these Large Electric customers have looked to CEI South to further diversify its generation fleet to include the addition of

more renewable generation to assist them in reaching their sustainability goals. Notably, several of CEI South's existing Large Electric customers have public policies that promote increased reliance on energy resources that reduce CO_2 emissions, keeping in mind the importance of reliability which has led to an increased focus on how CEI South provides electric service. Furthermore, as CEI South responds to Requests for Proposals ("RFP") from site selectors, consultants, and/or prospective customers, the customer expectation for access to renewable resources has increasingly turned into a requirement rather than an additional benefit or "nice to have." Large Electric customers continue to look to CEI South as their energy advisor for guidance, support, and partnership opportunities to assist in meeting these aggressive goals and objectives. To support these existing customer goals and objectives and to support/encourage retention and expansion efforts and new customer growth, CEI South must provide reliable, resilient, and sustainable power during all hours of the day. To ensure these customers' expectations are met, CEI South is dedicated to the continued supply of electricity through a very balanced generation portfolio that meets the five pillars of electric service (Resiliency, Reliability, Affordability, Environmental Sustainability, Stability).

Q. HOW HAS CEI SOUTH'S LARGE ELECTRIC CUSTOMER CLASS BEGUN TO ADOPT OR IMPLEMENT ENVIRONMENTALLY SUSTAINABLE SOLUTIONS?

A. Within CEI South's electric service territory, more than a dozen corporations have publicly created sustainable and renewable energy goals. Many of these customers have specifically reached out to CEI South to discuss and evaluate various partnership opportunities to assist in achieving these goals. Some of these customers have published global initiatives, which include investment in dedicated renewable resources as part of meeting their renewable energy goals by specific targeted dates. These policies create an expectation that utilities will move toward diverse generation portfolios to assist corporations with these aggressive goals.

Q. PLEASE DESCRIBE HOW CEI SOUTH IS PARTNERING WITH LARGE ELECTRIC CUSTOMERS TO HELP THEM MEET THEIR SUSTAINABILITY GOALS.

A. Large Electric customers (current and prospective) are prioritizing communities that have sustainable and reliable energy portfolios. These customers and investors are striving to meet Environmental, Social, and Governance ("ESG") initiatives, which deliver sustainable products to the consumer market. For CEI South to remain an

attractive region, maintain a competitive advantage, and secure future economic development opportunities, CEI South must remain deliberate in its strategy to diversify generation. As described in greater detail by Petitioner's Witness F. Shane Bradford, CEI South is executing a Generation Transition Plan (the "Plan") to retire the majority of CEI South's coal fired generation and replace it with approximately 700-1,000 megawatt alternating current ("MWac") of solar generation, 300 megawatts ("MW") of wind generation, and approximately 460 MW of natural gas Combustion Turbine generation. As CEI South transitions its electric generation fleet, its customers (current and prospective) naturally benefit from the locally sourced[3] renewable generation that has, or will, come online.

Q. WHAT OTHER STEPS HAS CEI SOUTH TAKEN TO PARTNER WITH ITS LARGE ELECTRIC CUSTOMERS RELATED TO ENVIRONMENTAL SUSTAINABILITY?

A. Based on interest from its Large Electric customers, CEI South is proposing Rider GE, which I will discuss in more detail below.

IV. ENVIRONMENTAL SUSTAINABILITY AND RIDER GE

Q. ARE ALL CUSTOMER SUSTAINABILITY GOALS CREATED EQUAL?

A. No. In partnering with CEI South on sustainability solutions, each Large Electric customer has a unique and custom approach to achieving their sustainability goals and improving their Carbon Intensity ("CI") scores. Although customer strategies and CI matrices vary, the majority of CEI South's Large Electric customers have requested locally sourced renewables and the ability to transfer/retain Renewable Energy Credits ("RECs") produced off those assets.

Q. PLEASE EXPLAIN RIDER GE?

A. Petitioner's Witness Matthew A. Rice discusses the tariff specifics, but in general, Rider GE will allow CEI South's Large Electric customers to purchase and claim RECs received for up to 85% of the megawatt-hours ("MWh") of energy generated by CEI South's renewable resources – both those renewable sources that CEI South owns as well as those for which CEI South has a power purchase agreement ("PPA") –

[3] For clarity's sake, "locally sourced" as referenced throughout my testimony, refers to renewable energy generated by the end-use customer's local utility.

provided the resources are registered with Midwest Renewable Energy Tracking System ("M-RETS").[4] This program targets and will significantly assist those CEI South Large Electric customers that have a minimum annual usage of 5,000 MWh. The driver for selecting the eligibility criteria – that is, Large Electric customers and 5,000 MWh threshold – was the large amount of electricity they consumed and their immediate need for, and continued interest in, a program that allows them to purchase and retain RECs from locally sourced, renewable generation, thereby enabling them to quench the increasing pressure from shareholders, investors, and customers to meet sustainable and renewable energy goals. Generally speaking, this is not the case with smaller customer classes, as many of their operations are privately held and significantly less energy intensive, resulting in less pressure to reach sustainability goals.

Q. PLEASE DISCUSS WHETHER ANY CEI SOUTH CUSTOMERS HAVE EXPRESSED INTEREST IN PARTICIPATING IN RIDER GE.

A. As I mentioned earlier in my testimony, CEI South's Large Electric customers have expressed interest in partnering with CEI South on opportunities that would assist them in reaching their sustainability and renewable energy goals. In fact, Large Electric customers have specifically expressed interest in, and disclosed an immediate need for, a program that would allow CEI South to transfer RECs directly to them produced from its locally sourced renewable energy resources in order to use the RECs to improve their sustainability scores and/or meet their sustainability and renewable energy goals. In an effort to offer viable energy solutions that help CEI South's Large Electric customers meet their goals and expectations of sustainable and reliable electric service, CEI South, in designing and developing Rider GE, engaged several existing and prospective Large Electric customers who previously expressed interest in partnering with CEI South to procure locally sourced RECs – some of whom are already procuring RECs, virtually, from non-local sources.

Q. AS PETITIONER'S WITNESS RICE DESCRIBES, CEI SOUTH IS PROPOSING TO USE THE M-RETS TOOL TO TRANSFER THE RECS TO LARGE ELECTRIC

[4] Projects in M-RETS are predominately located within MISO.

CUSTOMERS PARTICIPATING IN RIDER GE. WILL THIS BE VIEWED AS A BARRIER TO ANY LARGE CUSTOMER'S PARTICIPATION IN THE PROGRAM?

A. No. The annual M-RETS subscription is $2,200, which is not a significant cost for, nor will it be a barrier to, Large Electric customers interested in participating in Rider GE. In fact, some Large Electric customers already have a subscription to access RECs from the M-RETS market, and as I mentioned earlier, some Large Electric customers are already procuring RECs, virtually, from non-local sources.

Q. WHAT IS THE RISK TO THE SOUTHWEST INDIANA REGION IF CEI SOUTH DOES NOT OFFER VIABLE ENERGY SOLUTIONS TO ITS LARGE ELECTRIC CUSTOMERS TO HELP THEM MEET THEIR SUSTAINABILITY GOALS?

A. As alluded to earlier in my testimony, CEI South's Large Electric customers are prioritizing communities and regions that have sustainable energy solutions to meet overall corporate sustainability goals. Again, this is no longer a "nice to have" but the "ticket to play." If CEI South does not offer these Large Electric customers viable energy solutions, these Large Electric customers will be forced to evaluate other alternatives, such as building behind-the-meter generation, shifting market share, and/or relocating operations to a community that offers more diverse (or sustainable) energy solutions. Naturally, the Large Electric customers are also the region's largest employers, employing anywhere between 250 – 7,500 employees each. As such, if market share is shifted or operations relocate to more energy innovative regions, not only would this result in adverse effects to customers, but it would also negatively impact the overall economic vitality of the region.

Q. PLEASE DISCUSS HOW THE SOUTHWEST INDIANA REGION COULD BE AT A DISADVANTAGE, THAT IS, MISS ECONOMIC DEVELOPMENT OPPORTUNITIES, IF CEI SOUTH DOES NOT OFFER VIABLE ENERGY SOLUTIONS TO PROSPECTIVE CUSTOMERS.

A. As I have mentioned, prospective customers are prioritizing communities that have sustainable energy portfolios to help them meet their goals. In evaluating whether to establish operations in southwestern Indiana, these prospective customers are doing so with the expectation that CEI South will have access to locally sourced, sustainable energy solutions. Similar to the discussion concerning CEI South's existing Large Electric customers, these prospective customers are looking to bring significant investment and additional employment opportunities to the region. If CEI South is

unable to fulfill this need and offer sustainable, viable energy solutions, southwestern Indiana will be at a disadvantage compared to other regions when it comes to landing these economic development opportunities and attracting investments and employment opportunities for the region.

V. RELIABILITY, RESILIENCY, AND STABILITY

Q. WHAT HAPPENS IF CEI SOUTH'S LARGE ELECTRIC CUSTOMERS DO NOT RECEIVE RELIABLE, RESILIENT, AND STABLE ELECTRIC SERVICE?

A. CEI South's Large Electric customers could be exposed to increased operational and financial risks with significant potential consequences for the region if these customers are not confident in CEI South's ability to provide reliable, resilient, and stable electric service. Without reliable, resilient, and stable service, Large Electric customers could be forced to re-evaluate whether being connected to CEI South's electrical system supports the viability of their business, posing a risk that these customers may build behind-the-meter generation, shift market share, or relocate entire operations to another region. In any of these cases, customers would experience unfavorable effects.

VI. RATE BAMP

Q. WHAT IS RATE BAMP?

A. Rate BAMP is CEI South's Base, Backup, and Maintenance Power Services rate, formerly known as Backup, Auxiliary, and Maintenance Power Services. In addition to modifying the name, CEI South is proposing several updates to this rate as described in more detail below. This rate would still be applicable to any Non-Residential Customer electing service whose electric capacity requirements are 1,000 kilowatts ("kW") or more and who own and operate 60 Hertz electric generating equipment (other than for emergency usage) to meet all, or at least 1,000 kW, of the customer's electric loads.

Q. DO YOU CURRENTLY HAVE ANY CUSTOMERS ON RATE BAMP?

A. Yes.

Q. WHY IS CEI SOUTH PROPOSING TO UPDATE RATE BAMP?

A. Rate BAMP became effective before the establishment of the MISO, which now manages the flow of electricity through the bulk transmission system across 15 states in the U.S. and the Canadian province of Manitoba. CEI South is connected to the MISO system and subject to MISO rules and regulations when determining generation resource needs. As the grid changes, the mechanics to provide Rate BAMP service also requires change. Additionally, and more recently, CEI South has received an increasing number of inquiries from existing and prospective customers on the process of connecting behind-the-meter Combined Heat and Power ("CHP") facilities and receiving parallel Rate BAMP electric service from CEI South, thereby driving CEI South to evaluate the mechanics of Rate BAMP and updates necessary to conform with current market requirements.

Q. HOW DID CEI SOUTH DETERMINE WHAT TO CHANGE IN THE TARIFF?

A. The changes outlined by Petitioner's Witness Rice and set forth in Rate BAMP, included within Petitioner's Exhibit No. 19, **Attachment MAR-1**, takes into consideration customer input, market requirements, cost to serve, and peer utility offerings.

VII. ECONOMIC DEVELOPMENT RIDER ("RIDER ED")

Q. HOW DOES CEI SOUTH WORK TO SUPPORT ECONOMIC DEVELOPMENT IN ITS SERVICE TERRITORY?

A. CEI South collaborates with local, regional, and state economic development organizations to retain and attract customers (current and prospective) to southwestern Indiana. CEI South works closely with these various economic development organizations to educate site selectors, consultants, and both current and prospective customers on the electric infrastructure available and/or improvements needed to serve these various economic development opportunities. CEI South actively takes leadership roles with these Regional Economic Development Organizations ("REDO's") (e.g., Evansville Regional Economic Development Partnership "EREP") and Local Economic Development Organization ("LEDO's") within CEI South's electric service territory, not only through board activity, but also by leading site visits and coordination with cities and counties for regional support. CEI

South regularly communicates with leadership at the Indiana Economic Development Corporation ("IEDC") to respond to state inquiries and well as marketing key property for development. CEI South leaders also work regularly with the region's business leaders to create and support quality of place initiatives for the region and work with state leaders to identify and execute investments for the area (regional cities/Regional Economic Acceleration and Development Initiative ("READI") grants). CEI South works diligently to provide attractive electric rates to these prospective customers to support southwestern Indiana's economic development growth initiatives while ensuring positive contribution to fixed cost recovery.

Q. PLEASE DESCRIBE CEI SOUTH'S RIDER ED THAT IS AVAILABLE TO ATTRACT ECONOMIC DEVELOPMENT TO SOUTHWESTERN INDIANA.

A. One mechanism CEI South has available to attract economic development to southwestern Indiana is its Rider ED. Rider ED provides economic development incentives to any new (i.e., prospective) non-residential customer who establishes initial permanent service in a new or existing establishment, and to any existing non-residential customer who expands an existing establishment. In either instance, the initial or expanded service must meet certain minimum applicability requirements around load addition, load factors, job creation, capital investment, etc.

Q. WHY IS CEI SOUTH PROPOSING TO UPDATE ITS RIDER ED?

Although Rider ED has provided CEI South an avenue to attract economic development opportunities to southwestern Indiana, the current structure is not as intuitive or competitive as the economic development riders offered by several of the other utilities in the state of Indiana. CEI South has been competing, and will continue to compete, for economic development projects; thus, desires to update the Rider ED to become a leader in the utility space for offering creative and flexible economic development tools. Simplifying Rider ED and increasing the incentives such that it more closely aligns with those economic development incentives offered by CEI South's peers in the state, will not only enhance southwestern Indiana's competitiveness for economic development opportunities but also improve its ability to capitalize on the potential for new investments, economic growth, and increased employment opportunities. Not only will this positively impact the region's economics, but also CEI South's customer base as increased customer count and system load allows for the further spread of overall fixed costs of service, thereby reducing

customer rates. With all these reasons in mind, CEI South is proposing to update its Rider ED to add tools for leading in economic development and landing future opportunities.

Q. WHAT CHANGES IS CEI SOUTH PROPOSING TO RIDER ED?

A. As Petitioner's Witness Rice describes in more detail, CEI South is proposing to eliminate the different level of incentives currently offered, thereby simplifying the applicability process while remaining firm on specific economic development requirements that are necessary to ensure current or prospective customers remain committed to the region and a long-term presence in southwestern Indiana. These changes will also more closely align CEI South's economic development incentives with those offered by CEI South's peers in the state of Indiana.

Q. WHY IS CEI SOUTH'S ECONOMIC DEVELOPMENT INVESTMENT NECESSARY FOR CUSTOMERS.

A. CEI works with existing and prospective customers to align rate opportunities that support customers' budget, growth, and ESG needs. This strategy of retaining existing investment and working with regional and state leaders for future investment is critical to mitigate future rate impacts through growth and is an important piece of the state puzzle to make Indiana even more attractive for future expansion. Ultimately, CEI South's economic development efforts and associated proposed tariff changes to Rider ED, are solely focused to increase jobs in the region and support state growth. On top of the regional investment, an additional benefit is helping provide future rate stability through customer growth.

VIII. ELECTRIC SECTION 24 CONTRACTS UNDER IND. CODE § 8-1-2-24 ("SECTION 24 CONTRACTS")

Q. DOES CEI SOUTH HAVE ANY SECTION 24 ELECTRIC CONTRACTS APPROVED BY THE COMMISSION?

A. Yes. CEI South currently has three agreements approved by the Commission in previous proceedings.[5] These agreements were arm's-length transactions, negotiated

[5] Approved in Cause Nos. 45773 (IURC Feb. 8, 2023), 45669 (IURC Apr. 22, 2022), and 43900 (IURC Sept. 22, 2010).

in good faith, to reach an agreement that would attract and retain these customers to become and/or remain a CEI South customer and to support their long-term presence as important electric customers and regional businesses. Our revenue projections used to design rates sponsored by Petitioner's Witness John D. Taylor and Witness Rice adhere to the terms of those agreements.

IX. ENERGY EFFICIENCY ("EE") AND DEMAND SIDE MANAGEMENT ("DSM") PROGRAMS

Q. PLEASE DESCRIBE THE DIFFERENCE BETWEEN EE AND DR RESOURCES.

A. EE helps to reduce energy utilized in homes and buildings and results in fewer kilowatt-hours ("kWh") used while DR reduces kW of demand during peak hours of the day. As I mentioned earlier, CEI continues to offer a portfolio of DSM programs that helps to achieve both EE and DR savings.

Q. PLEASE BRIEFLY DESCRIBE CEI SOUTH ENERGY EFFICIENCY INITIATIVES.

A. CEI South first began offering electric DSM programs in 1992 through a Direct Load Control ("DLC") program that was designed to reduce peak demand for residential customers. The DLC program was expanded in 1995 to include commercial customers and has been continuously offered by CEI South since. CEI South began expanding available DSM programs in 2010 pursuant to a Commission Order in Cause No. 43427, introducing EE programs. Over the years, CEI South has expanded and added to its DSM portfolio. Pursuant to the Commission's February 3, 2021 Order in Cause No. 45387 (the "45387 Order"), CEI South's 2023 DSM portfolio includes twelve residential, and five commercial and industrial ("C/I") programs. **Table JLF-1** below lists the DSM programs approved in Cause No. 45387.

Table JLF-1 - 2023 Approved Programs

Residential Programs
Residential Prescriptive
•Other Prescriptive
•Marketplace
•Residential Midstream
•Instant Rebates
Residential New Construction
Income Qualified Weatherization
Community Connections
Residential Behavioral
Appliance Recycling
CVR Residential
Smart Cycle (DLC Change Out)
BYOT (Bring Your Own Thermostat

C&I Programs
Commercial Prescriptive
Commercial Midstream
Commercial Custom
Small Business Energy Solutions
CVR Commercial

Q. PLEASE DESCRIBE THE SUCCESS OF CEI SOUTH'S DSM PROGRAMS.

A. CEI South has offered EE programs that have proven to be cost-effective and successful in terms of program performance, as determined through its implementation and evaluation process. CEI South has achieved and exceeded its overall savings goal, specifically for Company managed programs, in eleven of the past thirteen years, with the two exceptions being Program years 2021 and 2022, which were impacted by a combination of the pandemic, supply chain disruptions, and changes to lighting standards due to the Energy Independence and Security Act of 2007 ("EISA 2007") backstop. CEI South also integrates program offerings where applicable with its gas EE programs to gain both gas and electric savings while in customer homes or businesses to maximize cost effectiveness and customer experience.

Q. PLEASE SUMMARIZE THE COMMISSION'S FINDINGS RELATED TO CEI SOUTH'S 2021 – 2023 DSM PLAN IN THE 45387 ORDER.

A. The 45387 Order approved a Stipulation and Settlement Agreement (the "45387 Settlement Agreement") between CEI South, the Indiana Office of Utility Consumer Counselor ("OUCC"), and Citizens Action Coalition of Indiana, Inc. ("CAC") (collectively the "Settling Parties" and each individually a "Settling Party") related to CEI South's three-year electric DSM plan for 2021 through 2023 (the "2021 – 2023 DSM Plan" or "45387 DSM Plan"). The 45387 DSM Plan, as originally filed, included a goal of achieving on average savings of approximately 43,900 MWh per year.

Q. HOW DID THE 45387 SETTLEMENT AGREEMENT MODIFY THE 2021 – 2023 DSM PLAN AS FILED?

A. The 45387 Settlement Agreement modified DSM programs and implementation, lost revenues, and financial incentives. The DSM programs were modified due to an agreement among the Settling Parties to lower the measure life of General Service LED light bulbs ("GSLs") from fifteen years to two years, which triggered modifications to other programs since some were no longer cost-effective. Some of the changes to the as-filed Plan were, the elimination of the Home Energy Assessment program, movement of the Schools Education program to marketing and education with no claimed savings on GSLs, and modification to the Income Qualified Weatherization program to no longer capture savings on GSLs and transfer funds aimed at customers between 201-300% federal poverty level to a Modified Schools Education program. In addition, lost revenues were modified to cap the measure life of any measure installed in 2021 to four years, 2022 to three years, and 2023 to two years or until new base rates are effective post rate case. The Settling Parties also agreed that CEI South would zero out in its DSMA mechanism in the test year adopted for setting base rates. Lastly, the Settling Parties agreed to modify the incentive level applied to the calculation of financial incentives and include reductions to financial incentives based on certain items included in CEI South's avoided cost (which is an input in the financial incentive calculation).

Q. IS CEI SOUTH REQUESTING TO CONTINUE EE PROGRAMS BEYOND THE EXPIRATION OF THESE PROGRAMS IN THE 45387 ORDER?

A. Yes. On May 25, 2023, CEI South filed a petition in Cause No. 45895, seeking approval of a one-year extension of electric DSM programs for calendar year 2024.

As of the time of this filing, CEI South's request for an extension for calendar year 2024 programs is pending. CEI South will file a petition, during the first half of 2024, for approval of a three-year electric DSM Plan for the 2025 – 2027 program years.

Q. HOW ARE COSTS ASSOCIATED WITH EE PROGRAMS RECOVERED AND WHAT COSTS ARE INCLUDED IN THE DSMA?

A. CEI South files the DSMA each summer to reconcile the previous year's actual DSM program costs and following year's forecasted DSM program costs. Additional costs recovered through base rates with an over/under recovery mechanism in the DSMA include demand response ("DR") billing credits and DR Inspection and Maintenance expenses. In addition, CEI South recovers financial incentives, which are tied to energy efficiency program achievement levels, and lost margins (or lost revenues) associated with DSM program implementation via the DSMA mechanism.

Q. WHAT TYPES OF PROGRAM COSTS ARE ASSOCIATED WITH THE 2021 – 2023 DSM PLAN?

A. The 2021 – 2023 DSM program costs range from approximately $11.3 to $11.5 million over the three-year period and are categorized at both the program level and portfolio level. The total planned program budget includes the direct and indirect costs of implementing CEI South's electric energy efficiency programs, with direct program costs consisting of program or vendor implementation, customer incentives and administrative costs, such as internal labor; and indirect costs consisting of those costs that are not directly tied to a single program, but rather support multiple programs or the entire portfolio.

Indirect costs are costs that are not directly tied to a single program, but rather support multiple programs or the entire portfolio. These include Contact Center, Online Audit, Outreach and Education, and Evaluation, Measurement, and Verification ("EM&V").

Other costs associated with the DSM programs include an electric market potential study to allow the Company to analyze the joint gas/electric market. Market potential studies are used to assist with the Integrated Resource Plan ("IRP") and planning for the next round of EE programs, which are contemplated in the sales forecast as described by CEI South's Witness Michael E. Russo. CEI South EE plans also include

funds for Emerging Markets, where new programs and technologies are piloted in order to enhance existing programs or create new programs to be implemented.

Q. EARLIER YOU MENTIONED CEI SOUTH RECOVERS FINANCIAL INCENTIVES AND LOST REVENUES VIA THE DSMA MECHANISM. PLEASE EXPLAIN.

A. Lost revenue and financial incentives are included in the annual DSMA filing. Lost revenue is directly related to EE program savings by measure. As programs deliver savings, they are tracked monthly to capture the energy and demand savings and measure life, which drives lost revenues. Financial incentives are directly linked to program achievement level reported in the annual EM&V.

Q. WHY IS LOST REVENUE RECOVERY NECESSARY TO SUPPORT THE IMPLEMENTATION OF EE PROGRAMS?

A. Energy efficiency programs decrease use of energy, which ultimately leads to a reduction in revenue. Lost revenue recovery is a recovery mechanism that allows CEI South to recover the decrease in revenues resulting from successful cost-effective EE programs. Lost revenue recovery is a verifiable method to remove the disincentive of offering EE programs where, without lost revenues recovery, EE programs would reduce CEI South revenues. The calculation, described further below, does not capture the financial impact of all decreases to energy such as codes and standards; it only captures evaluated savings, which eliminates free ridership (savings from customers who participated in the program who would have installed the efficient option without an incentive). Lost Revenue recovery is a verifiable method to remove the disincentive of offering EE programs where, without lost revenues recovery, EE programs would reduce CEI South revenues.

Q. PLEASE EXPLAIN HOW CEI SOUTH CALCULATES LOST REVENUES.

A. Lost revenues are calculated by multiplying per-participant evaluated kWh and kW savings by the number of actual participants in a program (by measure in many cases), by month and by rate class. The evaluated savings incorporate adjustments to installation rates, free ridership, and spillover, among other things. This calculation is tracked and updated on a monthly basis as program participation data is provided monthly. Vendor participation data is aligned with CEI South's customer billing system to determine the rate schedule allocation for each participant.

Annual evaluated energy savings per participant are multiplied by each participant (or measure) and then divided by 12 to determine monthly energy savings.. Once the net savings is established (by program/measure, by month, by rate class), the savings are then further reduced by 10%, as approved in Cause Nos. 44927 and 45387.

The calculation/model will carry those savings forward to the smaller of Measure Life or weighted average measure life ("WAML"), fully explained below. As explained earlier in my testimony, 45387 Settlement Agreement capped the measure life of any measure installed in 2021 to four years, 2022 to three years, and 2023 to two years or until new base rates are effective post rate case.

The evaluated savings of an energy efficiency program is then multiplied by the portion of the rate that collects a utility's fixed cost of service to determine lost revenue recovery.

Q. EXPLAIN HOW WAML IS CALCULATED.

A. WAML is the average life, weighted by savings in years, of all the various measures installed or actions taken in a portfolio of programs. CEI South first determines the WAML of each program by weighting the energy savings for each measure included in the program. Next, the Company calculates the WAML of a portfolio by weighting the energy savings of each program included in the portfolio. To determine individual measure life, CEI South uses the applicable Technical Reference Manual ("TRM") or evaluation. The Indiana 2015 version 2 TRM was used to develop the 2021 – 2023 EE plan in Cause No. 45387. The 2024 extension filing in Cause No. 45895 continues to use the Indiana 2015 version 2 TRM. CEI South will utilize the 2023 Indiana TRM to develop the 2025 – 2027 DSM plan.

Q. WILL LOST REVENUES AND PERFORMANCE INCENTIVES BE INCLUDED IN THE DSMA UPON ORDER ISSUANCE IN THIS CASE?

A. No. As described by Witness Rice, CEI South proposes to make a compliance filing to remove Lost Revenues and Performance Incentives from the DSMA.

X. LARGE INDUSTRIAL FORECAST

Q. HOW IS THE LARGE INDUSTRIAL LOAD FORECAST DEVELOPED?

A. The Large Electric customer forecast is prepared as a discrete forecast by customer. The most recent twelve-month period is the starting point, and any significant changes expected for the forecast period are included. Examples of those discrete changes include a customer announcing an impending expansion of a facility or a customer announcing plans to shutter operations. This Large Electric customer sales forecast was provided to Witness Russo.

Q. ARE THERE ANY LARGE ELECTRIC LOAD ADDITIONS INCLUDED IN THE FORECAST?

A. Yes. In its February 8, 2023 Order in Cause No. 45773, the Commission approved the Section 24 agreement between CEI South and Kaiser Aluminum Warrick, LLC ("Kaiser"), which allows for Kaiser to connect to CEI South's electric system in early 2024. This addition amounts to [redacted]

Q. DO YOU EXPECT ANY LARGE LOAD REDUCTIONS IN THE MARGIN FORECAST?

A. No. As mentioned earlier in my testimony, CEI South has a designated Key Account Manager ("KAM") that serves as the single point of contact for each Large Electric customer. These KAMs are in regular contact with CEI South's Large Electric customer to discuss load changes and to ensure customers' energy needs are being met. At this time, CEI South is not aware of any Large Electric customer planning a large load reduction.

XI. DEMAND RESPONSE ("DR") AND AGGREGATION

Q. PLEASE DESCRIBE CEI SOUTH'S EXISTING RESIDENTIAL AND COMMERCIAL DR PROGRAMS.

A. CEI South offers two DR programs: (1) the DLC program, for residential and commercial customers, which uses switches; and (2) the Smart Cycle program which is residential only and uses smart thermostats. The DLC program, which was initially launched as a residential program and was later expanded to commercial customers, offers a switch on air conditioners, heat pumps, and electric water heaters. The

program produces demonstratable DR during emergency response events. As technology has advanced DR opportunities, the DLC Rider ("Rider DLC") is being phased out and replaced by a smart thermostat DR program called Smart Cycle, which was launched in 2018.

Q. WHY ARE SWITCHES BEING PHASED OUT?

A. The summer cycler switches have been in the field since as early as 1992 and rely on a one-way communication to switch devices on and off. As software updates have been released by vendors, we have experienced testing failures where devices are not responding, which leads to certain types of risk if this occurs during a summer cycler MISO event; specifically, devices could either not respond to an event or turn the customer's air conditioner off without turning it back on after the event. The smart thermostat offers advantages over switches, which include, but are not limited to: an approximate 400% increase in demand savings during an event; real-time measurement of events decreasing the need for loggers to be placed on meters with switches; and the capability of increasing the number of seasons in which DR events can be called.

Q. HOW CAN CUSTOMERS PARTICIPATE IN SMART CYCLE?

A. Existing DLC customers can receive a smart thermostat at no cost to them and receive the same bill credit as a DLC customer. This is a direct install option in which the switch is removed from the equipment at the same time the thermostat is installed. Customers with existing Wi-Fi smart thermostats can enroll in the Bring Your Own Thermostat ("BYOT") program and receive a monthly bill credit.

Q. HOW MANY CUSTOMERS ARE ENROLLED IN RIDER DLC AND SMART CYCLE?

A. We have 24,240 customers enrolled in Rider DLC and 6,545 customers, with 7,764 devices, enrolled in Smart Cycle. Notably, the Smart Cycle program allows customers to enroll more than one device; hence the delta between number of customers and devices enrolled in the program.

Q. PLEASE DESCRIBE CEI SOUTH'S EXISTING INTERRUPTIBLE CONTRACT RIDER ("RIDER IC") AND INTERRUPTIBLE OPTION RIDER ("RIDER IO") PROGRAMS.

A. Rider IC is applicable to any customer on rate schedule Large Power Service ("Rate LP") or High Load Factor Service ("Rate HLF") who can provide no less than 1000 kVa of interruptible demand during peak periods. Service under Rider IC requires a five-year contract. Customers receiving service under rates Demand General Service ("Rate DGS"), Municipal Levee Authority Service ("Rate MLA"), Off-Season Service ("Rate OSS"), Rate LP, or Rate HLF with an interruptible load that exceeds 100 kW are eligible for Rider IO. Service under Rider IO requires a one-year contract.

Q. HAS CEI SOUTH WORKED WITH THE OVERSIGHT BOARD ("OSB") ON CHANGES TO RIDER IC AND RIDER IO?

A. Yes, pursuant to the 45387 Settlement Agreement, CEI South has been collaborating with the OSB to update Rider IC and Rider IO. Many of the proposed changes to Rider IC and Rider IO are driven by changes proposed or recommended by OSB members, to include, but not limited to, lowering the applicability for Rider IC from 1,000 kVA to 100 kW, decreasing the contract term from five years to two years for Rider IC and increasing the contract term from one year to two years for Rider IO; decreasing the interruption duration from eight to four hours; and basing the penalty customers receive for failure to interrupt on the costs incurred by CEI South. Additional changes include revising the language related to communication preferences, changing it from telephone to also allow text or email notifications if so designated by the customer.

Q. HOW MANY CEI SOUTH ELECTRIC CUSTOMERS CURRENTLY PARTICIPATE IN RIDERS IC AND IO DR PROGRAMS?

A. CEI South does not have any customers participating in Riders IC and IO DR programs registered with MISO.

Q. DOES CEI SOUTH HAVE ANY CUSTOMERS CURRENTLY ENROLLED IN THE MISO DEMAND RESPONSE ("DR") RIDER ("RIDER DR")?

A. No.

Q. WHY IS CEI SOUTH PROPOSING CHANGES TO THE RIDER DR?

A. CEI South's current Rider DR only allows for a customer to participate in Emergency Demand Response ("EDR") or Demand Response Resource ("DRR") Type 1; however, CEI South remains committed to providing DR optionality to its customers who have inquired about additional DR optionality, namely for DRR Type 2. To that end, CEI South evaluated Rider DR and is proposing updates to better align with current MISO market offerings. Currently, CEI South does not have a direct mechanism for customers with qualifying behind the meter generation ("BTMG") to participate in the MISO market as DRR Type 2 and potentially respond to market signals and collect revenues in the Day-Ahead and Real-Time MISO Markets. While customers with a BTMG could elect DRR Type I, it would not fully optimize the value of their resource in the MISO market. By allowing qualifying existing or prospective BTMG customers to participate in the MISO market as DRR Type 2, CEI South is providing those customers with an opportunity to supplement their revenue stream and support grid operations. Petitioner's Witness Rice summarizes the specific Rider DR tariff changes.

Q. IS CEI SOUTH PROPOSING NEW DR PROGRAMS?

A. Yes. CEI South is proposing an Aggregation Demand Response Rider ("Rider ADR") that will be administered by a third-party aggregator. CEI South is also proposing a Thermostat Load Control Rider ("Rider TLC"). Rider ADR will be promoted to customers by an aggregator who will use marketing in addition to active recruitment of customers into the program. The recruitment process will generally entail meeting with customers to explain their energy use, conducting a facility assessment, and the drafting of a financial and technical proposal for customers to consider when entering into a contract with the aggregator. Rider TLC will be marketed to customers using various marketing strategies and cross-promotion through other programs such as Residential Marketplace.

Q. WILL THE AGGREGATION TARIFF BENEFIT CUSTOMERS?

A. Yes. Aggregators are uniquely equipped to recruit customers to participate in DR programs by offering a personalized energy plan based on the customer's specific needs based on customer type such as commercial office buildings, public school systems, and steel manufacturing. Aggregators can also provide customized load control strategies based on the specific needs of the customer. This allows further

insight into how customers use energy than just by looking at total load. Another added benefit to both customers and CEI South is that aggregators often have the metering and controls technology to allow the customer to see and manage their load reduction in real time. This provides the customer with maximum flexibility to make decisions on what they can curtail and still keep certain equipment operational during peak events. Lastly, by pooling DR across many customers and industries, this provides a natural hedge to shield customers from penalties due to non-performance. The real-time monitoring provides customers with support from operations centers to troubleshoot DR achievement level by customer. Adding this tariff drives multiple benefits to customers and is consistent with requests from stakeholders.

Q. WILL AGGREGATION BENEFIT THE COMPANY?

A. Yes. Aggregation allows CEI South to manage peak demand during MISO emergency events, which relieves stress on the system and thereby increases overall system reliability.

Q. WHY IS CEI SOUTH ADDING RIDER TLC?

A. As CEI South phases out Rider DLC, the focus shifts to achieving an increased level of DR using smart thermostats versus switches. Rider TLC allows CEI South to expand the use of smart thermostat DR beyond a summer cooling resource and allow CEI South to offer spring and fall DR with an increase in the number of months customers are eligible for monthly bill credits and flexibility to increase the bill credit to attract more participation.

XII. CONCLUSION

Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?

A. Yes, it does.

VERIFICATION

I affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY D/B/A CENTERPOINT ENERGY INDIANA SOUTH

Justin L. Forshey
Director, Energy Solutions and Business Development – Midwest

11/28/2023
Date