

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE VERIFIED PETITION OF)
INDIANAPOLIS POWER & LIGHT FOR APPROVAL)
OF DEMAND SIDE MANAGEMENT (DSM) PLAN,)
INCLUDING ENERGY EFFICIENCY (EE))
PROGRAMS, AND ASSOCIATED ACCOUNTING)
AND RATEMAKING TREATMENT, INCLUDING)
TIMELY RECOVERY, THROUGH IPL'S EXISTING)
STANDARD CONTRACT RIDER NO. 22, OF)
ASSOCIATED COSTS INCLUDING PROGRAM)
OPERATING COSTS, NET LOST REVENUE, AND)
FINANCIAL INCENTIVES.)

CAUSE NO. 45370

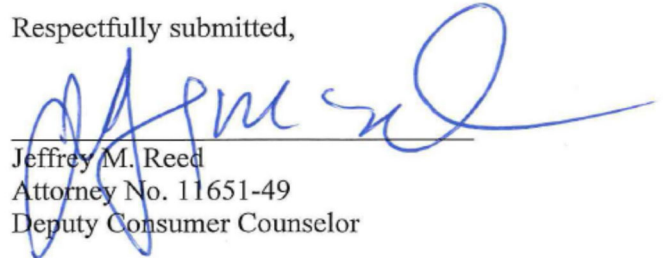
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

SETTLEMENT TESTIMONY OF

CALEB R. LOVEMAN - PUBLIC'S EXHIBIT NO. 3

October 1, 2020

Respectfully submitted,



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**SETTLEMENT TESTIMONY OF OUCC WITNESS CALEB R. LOVEMAN
CAUSE NO. 45370
INDIANAPOLIS POWER & LIGHT COMPANY**

1 **Q: Please state your name and business address.**

2 A: My name is Caleb R. Loveman and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: Are you the same Caleb R. Loveman who filed direct testimony in this Cause?**

5 A: Yes.

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

7 A: I provide a summary of and support for the Stipulation and Settlement Agreement
8 (“Settlement Agreement” or “Settlement”) reached by the Indiana Office of Utility
9 Consumer Counselor (“OUCC”), Citizens Action Coalition of Indiana, Inc.
10 (“CAC”), and Indianapolis Power & Light Company (“IPL”) (collectively referred
11 to as the “Settling Parties”) in this proceeding. The Settlement will allow IPL to
12 move forward with a modified version of its proposed demand side management
13 (“DSM”) Plan. The OUCC concludes the Settlement Agreement is reasonable, in
14 the public interest and recommends the Indiana Utility Regulatory Commission
15 (“Commission”) approve it in its entirety.

16 **Q: What have you done to prepare your testimony supporting the Settlement**
17 **Agreement?**

18 A: I reviewed IPL’s verified petition, testimony, and exhibits in this proceeding. I also
19 reviewed IPL’s responses to data requests the OUCC and Intervenors submitted.
20 Additionally, I filed testimony in this Cause on behalf of the OUCC and
21 participated in numerous settlement discussions with IPL and CAC staff. I reviewed

1 the Settlement Agreement as well as IPL's and CAC's settlement testimony and
2 exhibits.

3 **Q: Are you sponsoring any exhibits?**

4 A: Yes. Together with IPL witness Zac Elliot, and CAC witness Dan Mellinger I am
5 sponsoring Joint Exhibit 1, the Settlement Agreement. Joint Exhibit 1 will be
6 offered into evidence at the hearing.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of the OUCC. The Settling Parties have afforded each
9 other an opportunity to comment on the settlement testimony prior to its filing.
10 When parties enter into compromise, they can have different reasons for doing so.
11 The settlement testimony seeks to explain the negotiated terms and presents each
12 Settling Party's perspective as to why the Settlement Agreement is reasonable, in
13 the public interest and should be approved. In this respect the Settling Parties may
14 not agree with all opinions and explanations contained in our respective testimony.
15 The settlement testimony does not change the substance of the Settlement
16 Agreement. The Settlement Agreement is in the public interest and the Settling
17 Parties strongly encourage the Commission to promptly enter an order approving
18 the Settlement Agreement in its entirety.

19 **Q: Did all the parties in the case reach settlement?**

20 A: Yes. All parties, including Intervenors, in this cause reached settlement. This
21 settlement is the result of numerous settlement discussions among the Settling
22 Parties.

23 **Q: Please summarize the Settlement Agreement.**

24 A: Through the Settlement Agreement, the Settling Parties propose the following:

- 1 • IPL will adjust the Effective Useful Life (“EUL”) for Light Emitting Diode
2 (“LED”) General Service Lighting (“GSL”) bulbs to two years. If the
3 Indiana Technical Resource Manual (“TRM”) is updated during the DSM
4 Plan, the Indiana TRM’s EULs will be used on a prospective basis.
- 5 • IPL will remove LED GSLs from all programs other than the Income
6 Qualified Weatherization (“IQW”) program effective January 1, 2021. If
7 the Indiana TRM is updated during the DSM Plan, the baseline for the
8 Residential LED GSL program will be updated on a going-forward basis.
- 9 • IPL and its Oversight Board (“OSB”) will work in good faith to monitor
10 LED market pricing and efficiencies and will re-evaluate lighting measures
11 offered through the Commercial & Industrial (“C&I”) program should
12 conditions change significantly. Any changes in estimated life of LED’s or
13 other program assumptions during the 2021-2023 DSM plan will be applied
14 on a going-forward basis for EM&V and planning purposes.
- 15 • IPL will not provide GSL measures through the School Education Kits
16 program for the 2021-2023 program delivery period. The OSB will
17 collaborate on other measures to include in the School Education Kits
18 program.
- 19 • IPL and its OSB will work in good faith to explore and expand the use of
20 distributor midstream incentive mechanisms.
- 21 • IPL will retain the 200% of Federal Poverty Level qualification for its IQW
22 program. The OSB will explore ways to improve program outreach and

1 participation and require a unanimous vote for any change in eligibility
2 criteria.

- 3 • IPL will offer a workshop to opt-out customers to encourage these
4 customers to opt back into the DSM programs. IPL will be authorized to
5 offer a one-time 10% increase in incentives, applied to the first project only,
6 to customers opting back into the DSM programs, if it is cost-effective to
7 do so.
- 8 • IPL and its OSB will be authorized to pursue achievable, cost-effective
9 energy savings by exercising spending flexibility. The OSB will work in
10 good faith to achieve an additional 50,000 MWh (net) of energy savings
11 over the three-year DSM Plan, with best efforts to have approximately 40%
12 of these additional savings come from the residential programs. However,
13 additional behavioral savings will not be considered. The spending
14 flexibility includes the ability to spend up to and including an additional
15 10% of direct program operating costs as well as an additional tier of
16 flexible spending up to five million dollars (“\$5M”). All flexible spending
17 amounts are specific to this DSM Plan and are not eligible for transfer or
18 “carry-over” from any prior DSM Plan or to any subsequent DSM Plan. A
19 unanimous vote within the OSB will be required to exercise any spending
20 flexibility, and any OSB members abstaining from a vote will not be
21 counted against the final vote tally. IPL’s 2021-2023 energy savings goals
22 will not be adjusted based on the spending flexibility but will allow for the
23 pursuit of additional cost-effective energy savings above these goals.

- 1 • IPL will make its program implementation and Evaluation, Verification and
2 Measurement (“EM&V”) vendors available to meet with the OSB to discuss
3 program implementation and potential cost-effective ways to produce
4 energy savings.
- 5 • IPL will work with its OSB to select the consultant that will conduct the
6 next Market Potential Study.
- 7 • IPL will invite the Settling Parties’ technical staff and/or consultants to
8 participate in an Integrated Resource Plan stakeholder core team discussion
9 to provide input prior to modeling efforts and public advisory meetings.
- 10 • IPL will recover lost revenues for measures installed during the DSM Plan
11 for (a) the life of the measure, (b) three years from implementation, or (c)
12 until measure related energy savings are reflected in new base rates and
13 charges, whichever occurs earlier.
- 14 • IPL will perform a billing system review beginning at the close of the first
15 program year for (a) three years, (b) the life of the measure, or (c) until new
16 rates are implemented in IPL’s next base rate case, whichever occurs earlier.
17 This review encompasses C&I customers that received program incentives
18 through IPL’s Prescriptive and/or Customer programs to determine if any
19 of these customer services are in the close status. If so, IPL will adjust the
20 useful life of the measure(s) for purposes of lost revenue tracking.
- 21 • IPL will reset to zero all lost revenue recovery for the DSM program years
22 prior to and including the test year for the setting of base rates in IPL’s next
23 base rate filing in IPL DSM Rider (Standard Contract Rider No. 22).

- 1 • IPL will adjust its financial performance incentive earnings structure to
2 reflect the table in Section F.1 within the Settlement Agreement.
- 3 • For purposes of the Fuel Adjustment Clause (“FAC”), IPL will not adjust
4 its net operating income earnings test by the amount of actual financial
5 performance incentives received.
- 6 • IPL will not include the additional \$5M spending flexibility in the
7 calculation of financial performance incentives.
- 8 • Any other matters not addressed in the Settlement Agreement will be
9 adopted as proposed by IPL in its direct and rebuttal case.

10 **Q: Why is it reasonable to adjust the LED GSL bulbs’ EUL to two years?**

11 A: In his direct testimony in this Cause, OUCC witness John E. Haselden describes
12 the evolution of LED GSL bulbs over time and the market shift to LED GSL’s due
13 to price and performance. By adjusting the EUL for these bulbs, it provides a more
14 accurate representation of the market transformation to LED GSL bulbs.

15 **Q: Why is it reasonable to remove LED GSL’s from all programs other than**
16 **IQW, effective January 1, 2021?**

17 A: In his direct testimony, Mr. Haselden describes LED GSLs’ decreased price and
18 increased performance and how these events lead to a market shift in the residential
19 lighting market and reducing the need to incentivize these lighting measures. The
20 IQW program is designed for low-income customers who may still have barriers
21 preventing low-cost options and easy access to LED GSL bulbs. Additionally,
22 GSLs in this program are primarily “direct install” measures, meaning they are
23 physically placed in sockets by IPL or contractors, and only replacing either
24 incandescent or halogen bulbs. This significantly improves the opportunity to

1 achieve maximum savings from these bulbs. Keeping LED GSL bulbs in this
2 program under these terms allows for greater outreach and adoption of efficient
3 lighting for low-income customers.

4 **Q: IPL's direct evidence also indicates the IQW and Multifamily programs will**
5 **not be cost-effective. Why do these programs remain in the portfolio?**

6 A: The IQW program is not required to be cost-effective per I.C. 8-1-8.5-10. The
7 Settling Parties also recognize there are societal benefits associated with both the
8 IQW & Multifamily programs that warrant continued inclusion in IPL's DSM
9 portfolio. These programs have long been a means for lower income customers to
10 participate in energy efficiency programs that otherwise would be cost prohibitive
11 to them. In its entirety, the DSM Plan portfolio is cost-effective.

12 **Q: Is the Settlement Agreement in the public interest?**

13 A: Yes. In addition to the explanations I provide, IPL's and CAC's testimony provides
14 additional support and explanation regarding the Settlement. The Settlement is a
15 reasonable compromise between the Settling Parties' positions, is in the public
16 interest, and should be approved. Over the life of the DSM Plan, the OUCC
17 estimates the Settlement potentially saves ratepayers between \$6.2 million and
18 \$19.4 million compared to IPL's case-in-chief proposal due to the reduction of the
19 additional flexible \$5M spending tier amount, the removal of the \$5M from the
20 financial incentive calculation, and the continued inclusion of financial incentives
21 in the FAC earnings test. Ratepayer savings could be more depending on the timing
22 of IPL's next rate case. The Settlement provides ratepayer protections by limiting
23 the lost revenue recovery term and verifying the persistence of measures delivered
24 through the C&I Prescriptive and Custom programs. Additionally, IPL will not be

1 adjusting its net operating income for the purposes of the FAC earnings test by the
2 actual amount of financial performance incentives earned. Finally, the Settlement
3 provides additional flexible spending to achieve additional cost-effective savings
4 throughout the DSM Plan.

5 **Q: Does the OUCC accept the Settlement's terms?**

6 A: Yes. The compromise reached in the Settlement is the result of extensive
7 negotiations between the Settling Parties. It represents the "give and take" nature
8 of settlement, where all parties have made concessions on certain issues important
9 to them. It provides a path forward for IPL to implement a cost-effective portfolio
10 of DSM programs and reasonably resolves the issues raised in this proceeding.
11 Therefore, the OUCC accepts and supports the Settlement's terms.

12 **Q: Do you recommend the Commission approve the Settlement's terms?**

13 A: Yes. The Settlement is in the public interest, and I recommend the Commission
14 approve the Settlement Agreement in its entirety.

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

16 A: Yes.

CERTIFICATE OF SERVICE

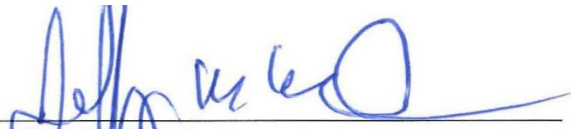
This is to certify that a copy of the ***OUCC SETTLEMENT TESTIMONY OF CALEB R. LOVEMAN*** has been served upon the following parties of record in the captioned proceeding by electronic service on October 1, 2020.

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