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CAC files testimony in IPL energy efficiency case

CAC calls for IURC investigation into so-called 'lost revenues'

INDIANAPOLIS – On August 11th, Citizens Action Coalition filed testimony before the Indiana Utility Regulatory Commission ("IURC") in Cause No. 44792. In this proceeding, Indianapolis Power & Light ("IPL") is seeking approval to continue their energy efficiency programs through calendar year 2017 and recover program costs, so-called lost revenues and financial incentives from their captive ratepayers.

IPL is seeking to recover a total of $33,703,197, of which $11,273,884, or 1/3rd, is either so-called lost revenues or financial performance incentives based on energy savings goals that IPL establishes for themselves. So-called lost revenues are the dollars that IPL allegedly loses due to reduced energy sales because of energy efficient improvements made by consumers which utilized incentives from the IPL ratepayer funded energy efficiency programs.

So-called lost revenues were authorized by Governor Pence and the General Assembly in 2015 as part of Senate Enrolled Act 412, which was the Governor's energy efficiency initiative designed to replace Energizing Indiana. In the 2014 legislative session, Senate Enrolled Act 340 cancelled the successful Energizing Indiana program and also repealed the energy efficiency goals established by former Governor Mitch Daniels in 2009.

The calculation of so-called lost revenues is a matter of controversy, as each of Indiana's five investor-owned monopoly utilities use different methodologies to determine the amount of so-called lost revenues that they collect from their captive ratepayers. Additionally, the audit and verification of the energy savings used in the calculations is performed by third-party vendors whom communicate directly with and are hired by and paid by the very utilities they are auditing.

In testimony filed on behalf of CAC, Shawn Kelly, the former Director of Energy Efficiency for Vectren and former Principal Utility Analyst at the IURC, raises significant doubt about whether or not the current methods of calculating lost revenues is equitable to customers and calls on the IURC to open an investigation to bring accountability, consistency, and transparency to the process.

"It is time to re-evaluate whether the way in which lost revenues are calculated actually provides fair and equitable rates, whether the process is transparent, and whether the calculations and presentations of such can be streamlined and made to be more consistent across utilities," stated Mr. Kelly in his pre-filed testimony.

Mr. Kelly also recommends that the auditors who complete the evaluation, measurement, and verification reports ("EM&V") used to determine the level of energy savings used to calculate so-called lost revenues work directly for the Commission, and not the utilities themselves.

"I also believe that the EM&V vendors are not truly independent—a requirement which is now law according to SEA 412 (2015)," continued Mr. Kelly. "A better approach to ensure true independence would be to have the Commission select and manage the relationship with the EM&V vendor/s. This could also have the benefit of creating consistency and potential cost savings to ratepayers who pay for the EM&V studies."

In addition to so-called lost revenues, IPL is also seeking to recover a significant sum of money from their captive ratepayers in financial performance incentives which are based on energy savings level that IPL sets for themselves. Allowing the utilities to establish their own energy savings goals was also included as part of Gov. Pence's replacement for Energizing Indiana in his energy efficiency initiative, SEA412 in 2015.

"The energy savings goals that IPL established for themselves pale in comparison to those created by Gov. Daniels in 2009," stated Kerwin Olson, Executive Director at CAC. "IPL is proposing energy savings of 129,061 MWh for 2017, which is half of the savings goal of 252,268 MWh created by Gov. Daniels. Additionally, IPL's own internal studies concluded that the company could achieve energy savings of 276,293 MWh in 2017, or 114% more than IPL is proposing in their filing. That's pathetic. IPL can do much better"

CAC recommended that the IURC deny IPL's request for financial incentives and that IPL be required to increase the level of savings to achieve all cost-effective energy efficiency in their service territory. CAC also recommended IPL include additional funding and programs for its residential and low-income customers.

Most notably, CAC recommended that IPL create a comprehensive program to serve its low-income customers. "I think this is especially important to get out ahead of considering the Clean Energy Incentive Program component in the Clean Power Plan under the authority of the Clean Air Act section 111(d), which encourages early action investments in clean energy, especially in low income communities," stated Mr. Kelly.

The testimony of Mr. Shawn Kelly filed on behalf of CAC is available on request.

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