

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

Commissioner	Yes	No	Not Participating
Huston	√		
Bennett	√		
Freeman	√		
Veleta			√
Ziegner	√		

**VERIFIED PETITION OF SOUTHERN INDIANA GAS)
AND ELECTRIC COMPANY D/B/A CENTERPOINT)
ENERGY INDIANA SOUTH (“CEI SOUTH”))
REQUESTING THE INDIANA UTILITY REGULATORY)
COMMISSION TO APPROVE CERTAIN DEMAND SIDE)
MANAGEMENT PROGRAMS AND GRANT COMPANY)
AUTHORITY TO RECOVER COSTS, INCLUDING)
PROGRAM COSTS, INCENTIVES AND LOST MARGINS,)
ASSOCIATED WITH THE DEMAND SIDE)
MANAGEMENT PROGRAMS VIA THE COMPANY’S)
DEMAND SIDE MANAGEMENT ADJUSTMENT)**

CAUSE NO. 46100

APPROVED: MAR 26 2025

ORDER OF THE COMMISSION

Presiding Officers:

David E. Veleta, Commissioner

Kristin E. Kresge, Administrative Law Judge

On July 30, 2024, Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South (“CEI South” or “Petitioner”) filed a Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) for approval of CEI South’s 2025–2027 Electric Demand Side Management (“DSM”) Plan (“2025–2027 Plan” or the “Plan”); and for authority to recover all program costs, including direct and indirect program costs, lost revenues, and financial incentives associated with the 2025–2027 Plan through its Demand Side Management Adjustment (“DSMA”) mechanism pursuant to Ind. Code §§ 8-1-2-42(a), 8-1-8.5-9, and 8-1-8.5-10; and 170 IAC 4-8-5 and 170 IAC 4-8-6. In support of its Verified Petition, CEI South filed the testimony and attachments of the following witnesses:

- Nicholas N. Kessler, Manager of Energy Efficiency Planning & Reporting, Vectren Utility Holdings, LLC
- Marisa J. Johnson, Manager of Regulatory Reporting, CenterPoint Energy Service Company, LLC
- Brian K. Ankenbrand, Manager of Regulatory and Rates, CenterPoint Energy Service Company, LLC
- Jeffrey R. Huber, Principal, GDS Associates, Inc.
- Matthew E. Lind, Director, Resource Planning & Market Assessments, 1898 & Co.

On August 5, 2024, the Citizens Action Coalition of Indiana, Inc. (“CAC”) filed a Petition to Intervene, which was granted on August 14, 2024.

On October 30, 2024, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony and attachment of Brian A. Wright and Brian R. Latham, Utility Analysts in the OUCC’s Electric Division. Also on October 30, 2024, CAC filed the testimony of Benjamin Inskeep, CAC’s

Program Director, and Dan Mellinger, Principal, Energy Futures Group.

On November 13, 2024, CEI South filed the rebuttal testimony and attachments of Mr. Kessler. On November 18, 2024, the OUCC filed corrections to Mr. Wright's testimony.

On November 20, 2024, the Commission issued a Docket Entry requesting additional information from Petitioner. On November 27, 2024, CEI South responded.

On December 3, 2024, CEI South filed an Agreed Motion for an Interim Order Authorizing Petitioner to Continue to Offer Its Current Demand Side Management Programs Until a Final Order is Approved in this Cause.

On December 4, 2024, the Petitioner filed an Agreed Motion to Amend Procedural Schedule on behalf of Petitioner, OUCC, and CAC (collectively "Settling Parties"), notifying the Commission the Settling Parties had reached a settlement in principle.

The Commission held an evidentiary hearing in this Cause at 1:00 p.m. on December 9, 2024, in Room 222, 101 W. Washington Street, Indianapolis, Indiana. CEI South, the OUCC, and CAC appeared by counsel and participated in the hearing. CEI South presented its evidence supporting its Motion for an Interim Order. During this hearing, CAC presented its case-in-chief evidence in this Cause due to a conflict with the date of the settlement hearing. The proffered evidence was admitted into the record without objection, and the evidentiary hearing was continued until January 7, 2025, at 1:00 p.m.

On December 12, 2024, CEI South filed a Joint Stipulation and Settlement Agreement supported by the Settlement Testimony of Mr. Kessler, and the OUCC filed the Settlement Testimony of Mr. Wright.

On December 19, 2024, the Commission issued a Docket Entry requesting additional information from the parties to which CEI South responded on December 27, 2024, after conferring with the other parties.

On December 30, 2024, the Commission issued an Interim Order granting Petitioner authority to continue offering its current DSM programs and recovering the associated costs as approved in the December 6, 2023 Order in Cause No. 45895 until the issuance of this Order.

The Commission held a settlement hearing in this Cause at 1:00 p.m. on January 7, 2025, in Room 224, 101 W. Washington Street, Indianapolis, Indiana. CEI South and the OUCC appeared by counsel and participated in the hearing. The evidence offered by CEI South and the OUCC was admitted into the record without objection.

Based upon the applicable law and the evidence presented, the Commission finds:

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published as required by law. CEI South is a "public utility" under Ind. Code §§ 8-1-2-1 and 8-1-8.5-1, and an "electricity supplier" under Ind. Code § 8-1-8.5-10. Under Ind. Code ch. 8-1-8.5 and 170 IAC 4-8, the Commission has jurisdiction over CEI South's DSM and energy efficiency programs and

associated cost recovery. Therefore, the Commission has jurisdiction over CEI South and the subject matter of this Cause.

2. Petitioner's Characteristics and Business. CEI South is a public utility, incorporated under the laws of Indiana, with its principal office and place of business located at 211 NW Riverside Drive, Evansville, Indiana. CEI South is engaged in rendering electric utility service in Indiana and owns and operates, among other properties, plant and equipment that are used for generation, transmission, delivery, and furnishing of such service to approximately 150,000 electric consumers in Pike, Gibson, Dubois, Posey, Vanderburg, Warrick, and Spencer counties.

3. Relief Requested. CEI South requests approval of its 2025–2027 Plan as modified by the Settlement Agreement. CEI South also requests approval to recover all program costs (direct and indirect), with deferral and recovery of any over- and under-recoveries of costs associated with the 2025–2027 Plan, including lost revenues and financial incentives via its existing DSMA mechanism. Specifically, CEI South requests that all of the components of the DSMA remain in place (as previously approved in Cause Nos. 44645, 44927 and 45387), to include the approval to recover lost revenues based upon the measure lives agreed upon in the Settlement Agreement and set forth below; approval for the recovery of annual depreciation and operating expenses associated with the conservation voltage reduction (“CVR”) program investment via the DSMA; and approval to earn a performance incentive on all programs included in the Plan except for the CVR program, the Modified School Education Program and the income qualified weatherization (“IQW”) program.

Additionally, CEI South requests that its Oversight Board (“OSB”) continue to remain in place unchanged during the 2025–2027 Plan period, with authority to: (a) roll forward unused funds from year to year; (b) exceed Commission-approved budgets for DSM programs by up to 10% without having to seek additional approval from the Commission; and (c) continue shifting funds from sector to sector, provided gas and electric funds are not commingled.

4. 2025–2027 Plan. Petitioner's 2025–2027 Plan includes six commercial and industrial (“C&I”) programs and 13 residential programs. The Plan includes five new programs: Home Energy Assessment, In-Store Discount, Multi Family Energy Solutions, Building Optimization, and Commercial Midstream. CEI South also proposes modifications to six existing programs: Residential Midstream, Community Connections, Residential New Construction, Marketplace, IQW, and Smart Cycle (Direct Load Control (“DLC”) Change Out). The following programs are in the Plan:

<u>Residential</u>	<u>C&I</u>
<ul style="list-style-type: none"> • Residential Prescriptive • Residential Midstream • Home Energy Assessment • In-Store Discount • Multi Family Energy Solutions • Community Connections • Residential New Construction • IQW • Marketplace • Residential Behavioral Savings • Smart Cycle (DLC Change Out) • BYOT (Bring Your Own Thermostat) • CVR Residential 	<ul style="list-style-type: none"> • Commercial Prescriptive • Commercial Midstream • Commercial Custom • Small Business Energy Solutions • Building Optimization • CVR Commercial

5. **Evidence.**

A. **CEI South’s Case-in-Chief.** Mr. Kessler testified CEI South is requesting authority to implement the energy efficiency and demand response (“DR”) programs included in the Plan beginning January 1, 2025 through December 31, 2027, with the goal of achieving approximately 112,000,000 kilowatt hours (“kWh”) in energy savings and 35,000 kW in demand reduction during the three-year period. He said this level of energy savings is roughly equal to a 1.1% reduction in eligible energy consumption from current customer usage levels. He added that this amount excludes approximately 77% of large C&I customer load that has opted out of participation in CEI South’s energy efficiency programs. He testified that in conjunction with approval of the 2025–2027 Plan, CEI South seeks to recover all costs associated with offering the DSM programs in the 2025–2027 Plan, including a request for accounting and ratemaking procedures to recover, through CEI South’s DSMA, all program costs, both direct and indirect program costs, lost revenues, and financial incentives, consistent with Ind. Code §§ 8-1-8.5-9 and 8-1-8.5-10, and the Commission’s rules at 170 IAC 4-8 (“DSM Rules”).

Mr. Kessler testified the Plan was designed to be consistent with CEI South’s 2022/2023 Integrated Resource Plan (“IRP”) and with the Market Potential Study (“MPS”) performed by Mr. Huber with GDS Associates Inc. Mr. Kessler explained that the total program budget includes the direct and indirect costs of implementing the 2025-2027 Plan. Mr. Kessler testified that funding for a new electric MPS will allow an analysis of the joint gas/electric market and will be used to assist with the 2025 IRP and Petitioner to plan for the next round of energy efficiency programs. Mr. Kessler stated the Plan is expected to provide a savings goal of 1.1% of eligible sales annually during the 2025-2027 Plan period, consistent with the 2022/2023 IRP.

Mr. Kessler described the cost-benefit analysis performed on the 2025-2027 Plan and testified the portfolio is cost effective. Mr. Kessler testified the Plan includes programs for all customer classes and will not result, or have the potential to result, in any undue or unreasonable preference to any customer class. Mr. Kessler described steps taken by CEI South to encourage C&I customers who

have opted out to opt back into participation in the Plan. Mr. Kessler briefly described each of the six C&I programs and the 13 residential programs offered in the 2025–2027 Plan, including a description of the five new programs CEI South is introducing and the modifications to six existing programs. Mr. Kessler identified the programs that include integrated gas and electric programs and testified such integrated programs have proven to be cost-effective and successful.

Mr. Kessler testified the proposed 2025–2027 Plan has an estimated cost of \$47.5 million, with \$14.9 million in 2025, \$15.7 million in 2026, and \$16.9 million in 2027, which include anticipated evaluation costs. In addition, he confirmed CEI South is proposing to capitalize and defer for future recovery the costs associated with installing CVR technology and to recover through the annual DSMA filings carrying costs and annual depreciation expense on the CVR program investments. Mr. Kessler testified that, consistent with the 2021–2023 Plan approved in Cause No. 45387 (“45387 Order”), CEI South is requesting authority to roll forward, into the next program year, any unused and approved budget funds from the 2025–2027 Plan that remain unspent at the end of each program year. Mr. Kessler further testified that CEI South requests that any rolled-forward budget funds be treated as incremental and not reduce any approved flex funding available to obtain savings. He stated the portfolio of programs is expected to achieve energy savings of approximately 112,597 megawatt hours (“MWh”), with 34,778 MWh to be saved in 2025, 38,757 MWh to be saved in 2026, and 39,063 MWh in 2027. He further stated the total peak demand reduction is approximately 35,405 kW with 11,186 KW of peak demand reduction scheduled in 2025, 12,706 kW in 2026, and 11,512 kW in 2027.

Mr. Kessler further testified CEI South is requesting flex funding up to 10% of the total program costs, subject to OSB approval, to keep successful programs running throughout the year. Mr. Kessler described CEI South’s successful use of flex funding in its prior DSM Plan. Mr. Kessler testified that CEI South is seeking the ability to roll over unused program dollars into the next program year, consistent with CEI’s South prior DSM Plan. Mr. Kessler testified that CEI South is requesting, subject to OSB approval, an additional 10% of program costs to be used for emerging technologies.

Mr. Kessler also testified regarding the lost revenue and performance incentive structures in the 2025–2027 Plan. Mr. Kessler described why lost revenue recovery supports the implementation of energy efficiency programs and how CEI South calculates lost revenues. Mr. Kessler described projected lost revenues (using the methodology previously approved in the 44927 Order based on an overall portfolio weighted average measure life (“WAML”) of the plan period plus a one-time 10% further reduction in annual savings. Mr. Kessler described the role of performance incentives and why such recovery should be authorized by the Commission. Mr. Kessler testified CEI South is not proposing any changes to the existing performance incentives mechanism (i.e., the shared savings approach as previously approved with CEI South’s 2018–2020 Plan). Mr. Kessler testified CEI South is proposing to earn a performance incentive on all programs included in the 2025–2027 Plan, except the CVR and IQW programs.

Mr. Kessler testified regarding the reporting process and CEI South’s independent evaluation, measurement and verification (“EM&V”) procedures. Mr. Kessler described how CEI South reports progress to the Commission (including its Annual Evaluation Report in its annual DSMA filing and Electric DSM Quarterly Scorecard) and testified CEI South will continue to comply with those reporting requirements until such time as the Commission modifies them, terminates them, or issues new reporting requirements. Mr. Kessler then testified that CEI South proposes no changes to its OSB and concluded by testifying the current regulatory framework in Indiana supports CEI

South's 2025–2027 Plan; the Plan is consistent with the Commission's state-wide analysis of the expansion of electric generating capacity; approval of the 2025–2027 Plan is in the public interest; and the Plan satisfies the criteria established by the legislature.

Mr. Huber testified regarding the development of the MPS and explained how the results of the MPS were used to create energy efficiency and DR goals used in the development of CEI South's 2022/2023 IRP. Mr. Huber testified the CEI South MPS provided estimates of energy and peak demand savings for an 18-year time horizon (2025–2042), the associated costs, and the recommended energy efficiency and DR Programs needed to realize these savings. Mr. Huber testified that stakeholders, including through meetings with the OSB and as part of the development of 2022/2023 IRP, had an opportunity to provide input into the 2022 MPS. Mr. Huber further testified that the study models develop forecasts of measure and program costs, participants, and energy demand savings and include calculations of measure-level benefit-cost ratios, determining which measures and programs are cost effective. Mr. Huber testified the study analyzed 2,440 measure permutations across the residential, commercial, and industrial sectors, and reviewed approximately three dozen end uses across the three sectors. Mr. Huber testified the 2025–2027 Plan considers the economic potential of programs using the Utility Cost Test ("UCT"). Mr. Huber testified that apart from the income-qualified segment of the residential sector, all measures in the programs were required to have a UCT benefit-cost ratio greater than 1.0. Mr. Huber further testified the MPS considered both the Maximum Achievable Potential ("MAP") and Realistic Achievable Potential ("RAP") of programs in the Plan and addressed future savings from DR programs. Mr. Huber testified the MPS is consistent with industry best practices and built upon inputs from stakeholders and the 2021–2023 Settlement Agreement approved in the 45387 Order. Mr. Huber testified that the MPS adjusted the energy efficiency inputs for years 2025–2042 to account for gross vs net savings, to account for program savings at the generator level, and to scale residential behavioral and income-qualified budgets. Mr. Huber further testified the model was adjusted appropriately for planning purposes and at the request of the OSB. Finally, Mr. Huber described the steps taken to account for the value of time-differentiated savings. Mr. Huber further described the DR savings inputs developed by GDS Associates, and adjustments made to the RAP scenario to account for seasonal impacts. Mr. Huber concluded by stating the MPS included a comprehensive review of current program, historical savings, and projected energy savings opportunities to develop estimates of technical, economic, and achievable potentials. IRP inputs are directly based on the results of the CEI South MPS and include a DSM Action Plan that informed the IRP selections and feedback from the CEI South DSM implementation team.

Mr. Lind testified how the DSM programs in CEI South's 2022/2023 IRP were modeled and evaluated using the optimization and production cost modeling software program, EnCompass. Mr. Lind testified that EnCompass is a model that uses mixed integer programming to perform optimization around objectives such as cost to evaluate the net present value of costs associated with a portfolio serving customer energy requirements. Mr. Lind testified that as modeled, each distinct program bundle represents incremental DSM (energy efficiency or DR depending on bundle/program type) and, except for a few selection constraints, each bundle of programs was selectable within each of the three time series vintages (e.g. Vintage 1: 2025–2027, Vintage 2: 2028–2030, or Vintage 3: 2031–2042). Mr. Lind testified this allowed EnCompass to select each bundle based on its energy savings and cost characteristics relative to other DSM bundles or supply-side resources over the IRP study period. He described how each energy efficiency and DR bundle provided by GDS Associates had a load shape associated with it that defines an energy reduction over each hour in a year (e.g., 8,760 hours). Mr. Lind testified Encompass was used to determine a Preferred Portfolio of energy

efficiency and DR bundles that included the programs already in place in 2023 and 2024, the residential IQW energy efficiency bundle, the residential DR bundle, Smart Cycle, and the industrial DR bundle. Mr. Lind further testified the modeling properly considered avoided costs consistent with IRP rules, which were derived from the same technology assumptions as in the 2022/2023 IRP reference case and included avoided transmission and distribution.

Ms. Johnson testified regarding CEI South's proposed accounting treatment of the Plan. Ms. Johnson described CEI South's request for approval for the timely recovery, via the DSMA mechanism, of all costs, including program costs, lost revenues, and financial incentives of the 2025–2027 Plan. Ms. Johnson described CEI South's request for continued authority to recover, via the DSMA, annual depreciation and operating expenses associated with the CVR Program Investment, along with recovery in the DSMA of the annual carrying costs on this capital investment as approved in the 45387 Order. Ms. Johnson testified CEI South intends to account for the CVR Program Investment consistent with the authority provided in the 45387 Order and provided estimated levels of CVR program related depreciation expenses and carrying costs for 2025 through 2027 that CEI South proposed to be recovered through DSMA, which will be included in each annual DSMA filing. Ms. Johnson testified CEI South will continue this accounting process and the recovery of these CVR program investment costs in the DSMA until its next base rate case, at which point the investment will be included in Petitioner's rate base. Ms. Johnson concluded her testimony by testifying that the total level of expenses for the CVR program investment in the 2025–2027 Plan by year is \$139,214 for calendar year 2025, \$276,025 for calendar year 2026, and \$383,318 for calendar year 2027.

Mr. Ankenbrand testified regarding the proposed rate making treatment and bill impacts of the Plan. Mr. Ankenbrand described how CEI South plans to continue using its DSMA to recover costs associated with the 2025–2027 Plan. Mr. Ankenbrand testified CEI South is not proposing any changes to the DSMA and that CEI South will continue to project all components of the DSMA, except for the financial incentives and variances component, and reconcile all projected components against actual results, with programs costs, lost revenues, and financial incentives based on the EM&V of DSM programs under the Plan. Mr. Ankenbrand provided estimated rates, and bill impacts of the Plan on CEI South's rate schedules and explained how they were derived. Mr. Ankenbrand described how DLC Inspection and Maintenance ("I&M") costs were estimated within the projected DSMA rates. Mr. Ankenbrand testified that CEI South included estimated amounts for performance incentives in the estimated DSMA rates and charges for 2025 through 2027.

B. OUCC's Direct Testimony. Mr. Wright testified regarding the OUCC's concerns with certain programs and measures offered as part of CEI South's 2025–2027 Plan as well as the OUCC's concerns with CEI South's avoided capacity cost calculation as presented by CEI South. He also addressed the OUCC's concerns with flex funding and emerging technology funds. He also addressed the OUCC's recommendation to require additional savings that correspond to additional approved flex funding. He further testified regarding the OUCC's concerns about the use of the life of measure in CEI South's calculation, including its use of a standard twelve-year measure life and its WAML methodology.

Mr. Wright recommended the Commission require CEI South to upwardly adjust its savings goal when CEI South seeks to use flex funding or emerging technology funds to create a new program or to add additional funding to an existing program. He testified that, for purposes of calculating financial incentives, any additional spending from flex funding should be associated with additional energy savings outside of the savings goal of the original Plan as agreed to by the OSB, wherein CEI

South has an opportunity to earn a performance incentive on additional energy and/or demand savings using the same, but separately calculated, performance incentive mechanism. He recommended that for calculating lost revenues, the Commission require the measure life be capped at the measure life of the energy efficiency measure or product, the three-year period of the DSM Plan, or until the Commission's order in CEI South's next base rate case, whichever is shorter. He recommended that for the Residential In-Store Discount Program, the Commission should require CEI South to perform EM&V of non-customer free-ridership. He recommended that for the Residential Online Marketplace, the Commission should require CEI South's requests for proposals and contracts with vendors to include requirements to: ensure data integrity and data security; prevent duplicating rebates for products sold in other programs; establish performance measures for Plan years one and two that will provide needed transparency for CEI South's OSB, which shall include, but not be limited to savings goals, implementation strategies outlined with specific launch dates, a strategic marketing plan that includes goals to be achieved, and specific dates for those goals. Mr. Wright further recommended that for all Residential programs that include LED nightlights, the Commission should require the removal of LED nightlights. These programs include: the Community Connections Program, the Multi Family Energy Solutions Program, and Outreach & Education, which support multiple programs. Finally, Mr. Wright recommended that for the Plan's benefit/cost test calculations, the Commission should require that CEI South's calculations use revised and corrected avoided capacity values and removal of energy costs relating to CEI South, including, without limitation, gas pipeline costs.

Mr. Wright testified that CEI South used the lesser of either the average measure life of each program or the WAML of 12 years based on the average measure life of measures in the overall DSM portfolio with an additional one-time reduction of ten percent in annual savings. Mr. Wright testified the OUCC does not agree with the use of a 12-year WAML because Ind. Code § 8-1-8.5-10(g)(3) requires CEI South to submit a new DSM plan every three years that includes calculated lost revenues. Mr. Wright stated that with a 12-year WAML, lost revenues are recalculated for each three-year DSM plan but the lost revenues would be recalculated multiple times over multiple DSM plans spanning the length of the 12-year period. Mr. Wright further described how a 12-year WAML would overlap multiple rate cases and DSM plans and run a risk of double counting lost revenues related to CEI South delivering DSM programs. Mr. Wright testified the amount of savings attributable to energy efficiency measures over a 12-year period are not likely to be constant. Mr. Wright recommended the WAML should be limited to the measure life of the energy efficiency measure or product, the three-year period of the DSM plan, or until the Commission's order in CEI South's next base rate case, whichever is shorter.

Mr. Wright described the OUCC's concerns with the In-Store Discount Program, Online Marketplace Program, and use of LED nightlights included in multiple programs. Mr. Wright testified the OUCC does not agree with the continued use of LED nightlights with energy-efficient kits because CEI South's EM&V evaluator surveyed energy efficiency kit recipients and found that only 44% of the kit nightlights installed were replacing existing nightlights, and 10% of those replacing older nightlights replaced LED units. Mr. Wright testified these results were consistent with Indiana Michigan Power Company's EM&V report. Mr. Wright concluded that based on these results, the cost of including LED nightlights in energy-efficiency kits is no longer reasonable or prudent.

Mr. Wright testified that CEI South overestimated the value of avoided generation capacity by including a gas pipeline in the costs for new peaking generation and by including a carbon cost, which reflects a carbon tax, which does not currently exist. Mr. Wright testified against CEI South's

inclusion of costs associated with a gas pipeline as inconsistent with how CEI South determines avoided capacity costs outside of its DSM Programs. Mr. Wright recommended the Commission require CEI South to revise its benefit/cost scores after excluding the gas pipeline costs from the value of its avoided capacity costs. He also recommended the Commission requires CEI South to revise its benefit/cost scores after excluding the carbon tax cost from the value of its avoided energy costs. Mr. Wright concluded his testimony by providing the OUCC's overall recommendations regarding the Plan.

Mr. Latham testified to the impact of CEI South's DSM Plan on the average residential customer. Mr. Latham testified the largest increase in the DSMA-only portion of the average residential customer's bill, \$0.82 (\$5.73 - \$4.91), is anticipated between the forecasted 2026 year and the forecasted 2027 year; and that by 2027, CEI South forecasts the DSMA charge portion of a customer's bill to decrease by \$1.57 (\$5.73 - \$7.30), over the current DSMA factor, or a 21.51% decrease. He also testified regarding CEI South's proposed accounting and ratemaking treatment and tracker mechanism and recommended the Commission approve the accounting and ratemaking treatment and tracker mechanism CEI South proposed, in addition to and subject to the conditions recommended by Mr. Wright. Mr. Latham testified he did not oppose CEI South's CVR Program investment carrying costs and noted it matches the treatment approved in the Commission's Order in Cause No. 44927. Mr. Latham also testified regarding how CEI South treats DLC I&M costs in its DSMA. Mr. Latham stated the OUCC does not oppose CEI South's proposed DLC I&M cost treatment in its DSMA and noted CEI South does not propose any changes to the accounting and ratemaking treatment that has not been addressed in prior DSM cases. Mr. Latham also testified regarding CEI South's proposed DSMA tracker mechanism and noted that CEI South does not propose any changes to the DSMA tracker mechanism. Mr. Latham concluded his testimony by recommending the Commission: (1) approve CEI South's proposed accounting and ratemaking treatment; (2) approve CEI South's proposed DSMA tracker design and mechanics; and (3) require CEI South to re-calculate the forecasted 2025-2027 DSMA charges, as necessary, to incorporate Mr. Wright's recommended adjustments and changes to the Plan.

C. CAC's Direct Testimony. Mr. Inskeep testified regarding CEI South's lost revenue recovery proposal in its 2025-2027 Plan and stated that he is concerned about CEI South's request for lost revenues limited only by a 12-year cap and 10% savings reduction. He further testified that CEI South's lost recovery proposal is inconsistent with the treatment of lost revenues in its current DSM Plan, which allowed CEI South to recover lost revenues for: (a) the life of the measure; (b) four years from the implementation of any measure installed in 2021, three years from the implementation of any measure installed in 2022, and two years from the implementation of any measure installed in 2023; or (c) until new electric base rates become effective. Mr. Inskeep noted, however, that, in the 45387 Order, the Commission approved a one-year extension of the 2021-2023 DSM Plan, which included lost revenues for one year for measures installed in 2024.

Mr. Inskeep testified that CEI South's contention that incremental lost revenues would be less than \$1 million each for measures installed in the program years 2026 and 2027 is misleading because these figures only represent the lost revenues that will be collected during the three-year implementation period. Mr. Inskeep testified CEI South's estimates its lost revenue recovery under its 12-year WAML and 10% reduction proposal would total approximately \$18.0 million for 2026 measures and \$17.0 million for 2027 measures, or about \$35.0 million total for the 2025-2027 Plan, which would exceed the entire budget (including Indirect/Other costs) for those respective program years, with CEI South budgeting \$15.7 million for the total budget in 2026 and \$16.9 million in 2027.

Mr. Inskeep testified the overall budget (including Indirect / Other costs) for the three-year period is about \$47.5 million, meaning the lost revenue recovery could add an additional 74% in costs on top of the overall budget.

Mr. Inskeep testified that the lost revenue amount proposed by CEI South is not reasonable, particularly given affordability concerns, because the recovery effectively transfers risk that would otherwise rest with the utility insofar as customers will be forced to pay regardless of any changes that affect sales volumes. He stated that in the event CEI South is not earning sufficient overall revenues, it has the ability to file a general rate case. Mr. Inskeep testified that a reasonable lost revenue policy would allow the utility to receive lost revenues for no more than three years or the life of the measure, whichever is shorter, to avoid the compounding effect of persisting lost revenue over time. He explained his concerns regarding the accuracy and validity of measure life assumptions, given the life of the measure recovery does not acknowledge market conditions, which have the potential to materially change the energy sales CEI South makes even absent energy efficiency programs. Mr. Inskeep testified that CEI South failed to adequately justify a significantly longer lost revenue recovery period.

Mr. Inskeep testified that since CEI South's 2018-2020 DSM Plan, the Affordability Pillar of the "Five Pillars of Electric Utility Service" ("Five Pillars") identified in Ind. Code § 8-1-2-0.6 was enacted. He raised several affordability concerns. Mr. Inskeep testified CEI South's 12-year lost revenue recovery proposal is inconsistent with its future rate case filings, which require CEI South to file a new rate case by the end of 2028, the last year of its current Transmission, Distribution, and Storage System Improvement Charges Plan.

Mr. Inskeep testified that CEI South's lost revenue recovery proposal is inconsistent with a DSM Plan that is reasonable in its entirety as required by Ind. Code § 8-1-8.5-10(k). He testified that the lost revenue recovery proposal could impose a large cost on ratepayers that is inconsistent with the treatment of lost revenues in most utility DSM Plans today, including the past four years of CEI South's DSM Plans. Mr. Inskeep concluded his testimony by recommending that the Commission reject CEI South's 2025–2027 Plan and direct it to file a modified DSM Plan subject to a cap on lost revenue recovery at the measure life or three years, whichever is shorter, as an affordability consideration pursuant to the Five Pillars, as well as the items identified by Mr. Mellinger. He testified that, in the alternative, he recommends the Commission make clear that any lost revenue recovery should be effectively capped through the implementation of new base rates and charges.

Mr. Mellinger testified CEI South's 2025-2027 Plan (1) is inconsistent with the Petitioner's 2022/2023 IRP; (2) contains program costs that are dramatically higher than those modeled within the CEI South's IRP; and (3) would achieve among the lowest levels of savings, and at the highest cost, in comparison to the DSM plans being implemented by the other Indiana electric investor-owned utilities ("IOUs"). Mr. Mellinger described energy efficiency saving the Plan intends to achieve, noting a three-year total of 112,597 MWh gross and 98,345 MWh (net) across 2025–2027, which represents an annual average of 1.17% of eligible gross sales and 1.03% of eligible sales (net). Mr. Mellinger testified that the CEI South 2022/2023 IRP Preferred Portfolio included energy efficiency savings with a three-year total of 107,761 MWh (net), representing roughly 1.12% of eligible sales (net) at the generator.

Mr. Mellinger testified that since the IRP models energy efficiency savings at the generator level, the savings must be converted to the customer meter before making a comparison to the DSM Plan, and that after making such a conversion, the IRP savings results in an energy efficiency portfolio that achieves 101,661 MWh. Mr. Mellinger testified that the energy efficiency savings within the CEI South DSM Plan fall short of the IRP by approximately 3,300 MWh (net) (3.3%), which occurs entirely within the C&I sectors (5.4%). Mr. Mellinger stated that Petitioner does not provide an explanation for the shortfall of energy efficiency savings compared to the IRP.

Mr. Mellinger testified that the savings included in the IRP are realistic and reasonable, and the IRP was based on CEI South's 2023 MPS, which was a comprehensive process that considered numerous inputs and up-to-date assumptions to determine a reasonable and realistic forecast of energy efficiency savings potential. Mr. Mellinger testified, however, that because the DSM Plan does not align with the IRP, CEI South ratepayers will fail to realize \$1,535,573 of net benefits over the course of the 3-year DSM Plan.

Mr. Mellinger testified the costs in the DSM Plan are considerably higher than the IRP. Mr. Mellinger testified that the DSM Plan's total portfolio cost per first-year kWh is \$0.42, which is 82% higher than the costs modeled in the IRP (\$0.23/kWh) and 55% higher than the 2024 Operating Plan (\$0.27/kWh). Mr. Mellinger testified that the DSM Plan's sector-level costs are also significantly higher than what was modeled in the IRP. He testified the DSM Plan's residential sector cost of \$0.68/kWh is 183% higher than the IRP (\$0.24/kWh) and 88% higher than the 2024 Operating Plan (\$0.36/kWh); and the C&I DSM Plan cost of \$0.28/kWh is 24% higher than the costs modeled in the IRP and 23% higher than the costs in the CEI South 2024 Operating Plan.

Mr. Mellinger testified that within the residential sector, it appears that the higher costs are primarily driven by three programs: Behavioral, Smart Cycle, and IQW. Mr. Mellinger described how the Behavioral program costs are unusually low in the IRP, which skews the overall residential sector comparison, but even when comparing the DSM Plan to the existing Behavioral program costs are significantly more expensive. Mr. Mellinger testified that the DSM Plan includes a Behavioral program cost of \$0.10/kWh, which is 57% higher than the CEI South 2024 Operating Plan budget. Mr. Mellinger described the Smart Cycle Program, noted the change to promote smart thermostats rather than direct load control switches, and testified, despite higher costs, the program is cost-effective with a UCT score of 2.44.

Mr. Mellinger testified that non-incentive costs were adjusted by the rate of inflation and accounted for in the 2023 MPS and 2022/2023 IRP. Mr. Mellinger testified that the portfolio of programs presented by CEI South in the 2025-2027 Plan is still cost-effective, with a total UCT score of 1.91. He described, however, that customers will realize less benefit per dollar invested in the DSM Program compared to what was modeled in the IRP and compared to current programs. To illustrate, he compared the 3.19 UCT score of the 2024 Operating Plan to the 1.91 UCT score for the 2025-2027 Plan. Mr. Mellinger testified that it would be difficult to say with any degree of certainty how the DSM Plan would have performed in the IRP without repeating the modeling exercise, but that the IRP would have likely viewed energy efficiency more favorably.

Mr. Mellinger testified that, while he identified an issue with the higher DSM Plan delivery costs, he found the avoided cost assumptions in the DSM Plan to be consistent with the IRP. He explained that this is important to achieve a reasonable and consistent level of savings with the IRP because these costs underpin the cost-effectiveness calculations and therefore determine the inclusion

(or exclusion) of programs.

Mr. Mellinger compared the energy efficiency savings as a percentage of eligible sales and the costs among other Indiana utility DSM plans, finding that the CEI 2025-2027 Plan would achieve the lowest level of energy efficiency savings and at the highest cost among all other Indiana IOUs.

Mr. Mellinger recommended that CEI South make the following revisions to the Plan: (1) increase the DSM Portfolio savings by at least 3,300 MWh net to align with the targets selected in the IRP; (2) reduce residential behavior costs to be in line with the 2024 Operating Plan plus 2.5% inflation (\$0.066/kWh gross, including indirect costs); (3) reduce the C&I sector costs to be in line with recent actuals plus 2.5% inflation (\$0.235/kWh gross, including indirect costs); and (4) cap the lost revenue accounting mechanism, as discussed by CAC Witness Inskeep. Mr. Mellinger testified that absent CEI South adequately addressing these issues, he recommended the Commission determine the DSM Plan to be unreasonable, due to significant savings and cost inconsistencies with Petitioner's most recent IRP.

D. CEI South's Rebuttal. Mr. Kessler responded to the OUCC's recommendation that the Commission approve CEI South's 2025 – 2027 Plan under certain conditions. Mr. Kessler summarized Mr. Wright's testimony regarding concerns with CEI South's DSM Plan programs and procedures. Mr. Kessler stated CEI South's Residential Specialty Lighting Program, which was implemented from January 2021 through December 2022, was similar to the proposed In-Store Discount Program, and that the program achieved or exceeded its goal as customers were able to recognize the incentive at the point of purchase without having to submit a rebate form as is used in prescriptive programs, which can be burdensome for low-cost measures. Mr. Kessler testified the In-Store Discount Program will be managed in a similar manner to the Residential Specialty Lighting Program, which has been tested, approved by the OSB, and has demonstrated its effectiveness through high savings and in-service rates that support overall cost-effectiveness. Mr. Kessler responded to Mr. Wright's concerns about leakage in the Residential In-Store Discount Program. Mr. Kessler testified that CEI South will evaluate the In-Store Discount Program for leakage in the same way the Residential Specialty Lighting Program was evaluated, and this information will likewise be shared with the OSB.

Mr. Kessler testified that CEI South has continued to keep the OSB informed on program performance, specifically related to the Online Marketplace and annual EM&V reports. He disagreed with Mr. Wright's concerns about the Online Marketplace program and noted that, as pointed out in the 2023 EM&V report, customer satisfaction for those who did participate in the program was never a concern, as 96% of respondents were satisfied and 94% of those were highly satisfied across all categories. Mr. Kessler stated that Mr. Wright was incorrect in his statement that CEI South is not proposing any changes to the Online Marketplace Program other than changing the Program's implementer. Mr. Kessler testified that CEI South made multiple changes to address concerns about data integrity beyond simply onboarding a new vendor as program implementer. He testified that in addition to working with its new implementer to ensure previous data integrity issues were resolved, CEI South and Franklin Energy have worked diligently on nearly 1,000 test cases as part of user acceptance testing to help ensure website accuracy and correct product pricing and rebates. Mr. Kessler further testified CEI South has planned additional changes that will address Mr. Wright's concerns about Online Marketplace participation and savings, including a new support channel through a contact center and live chat. Mr. Kessler testified the Online Marketplace Program will continue to undergo the EM&V process, which is designed to help CEI South see whether there are

any instances of duplication, spillover, or free ridership and to provide insight into the overall functionality of CEI South's portfolio. Mr. Kessler further described the audits performed by its integrator, Franklin Energy, as well as its internal controls.

Mr. Kessler responded to Mr. Wright's testimony about LED nightlights by describing how the OSB, along with the CAC and OUCC, worked with the Indiana Technical Reference Manual ("TRM") Committee to approve the Indiana TRM, which includes nightlights. Mr. Kessler testified that the 2023 EM&V reported higher evaluated savings for LED nightlight measures in both the Residential Marketplace and Community Connections program. Mr. Kessler testified that although savings for these measures have seen favorability within the evaluation report, CEI South expects even better performance in 2025 – 2027 as savings for this measure will be based on the updated Indiana TRM approved by the OSB.

Mr. Kessler testified CEI South does not share Mr. Wright's concerns about the in-service rate for nightlights in IQW, Home Energy Assessments, and Multi Family Energy Solutions Programs. Mr. Kessler described how Mr. Wright's basis for removal is a comparison to a kit program rather than a direct install program. Mr. Kessler testified there is no justification to remove LED nightlights from all programs offering this measure, which IQW, Home Energy Assessments, and Multi Family Energy Solutions Programs all currently do. Mr. Kessler further testified that the Community Connections program is cost effective for 2025–2027 when including LED nightlights, passing the UCT and Total Resource Cost Test ("TRC") score requirements and having positive UCT and TRC net benefits for all years of the Plan. Mr. Kessler testified that CEI South only claims natural gas therm savings from LED nightlight kits.

Mr. Kessler testified how CEI South determines and monitors the DSM budget. He testified that CEI South works to continue any over performance in programs and evaluate underperforming programs to try to still hit the savings goal, as well as works with its OSB to move funds from one sector to another. Mr. Kessler testified this process has not caused CEI South's electric portfolio actual spending to exceed the original filed budget. Mr. Kessler testified Mr. Wright's proposal to increase the portfolio savings goal will not allow CEI South to achieve the full potential of its performance matrix. Mr. Kessler testified that if CEI South is required to increase the overall portfolio savings goal along with any flex funding request then CEI South would never be able to accomplish above 100% achievement level.

Mr. Kessler further testified that Mr. Wright's proposal that CEI South increase its savings goals commensurate with its proposal for flex funding should be rejected because performance incentives should encourage cost-effective implementation of DSM and incentivize the utility to drive customer adoption of measures to meet and exceed its goals. Mr. Kessler testified the Commission has previously recognized the linkage between performance incentives and encouraging participation in DSM programs.

Mr. Kessler responded to concerns with levelized cost and consistency with the IRP. Mr. Kessler stated that while not identical, CEI South's DSM Plan is consistent with the amount of savings selected in the 2022/2023 IRP and that CEI South's 2025 – 2027 Plan is consistent with prior DSM Plan's implementation of selected IRP savings. Mr. Kessler testified the OSB members, including Mr. Mellinger, participate in the development of the MPS and the IRP. Mr. Kessler testified that a comparison of CEI South's DSM Plan costs with the assumed modeled 2022/2023 IRP Costs is not accurate or consistent. Mr. Kessler testified the levelized cost for the entire plan is \$0.0452 compared

to \$0.0500 in the MPS and the levelized cost is more appropriate than total first-year cost when comparing the cost of DSM Plans as it takes the long-term saving over the life of the measure into account and functions similar to a net present value formula. He stated another benefit of using levelized cost is that the MPS values DR programs within DSM portfolios and the benefit of DR programs is the reduction to peak demand and is measured in kW/MW as opposed to kWh/MWh.

Mr. Kessler testified that Mr. Mellinger's comparison of CEI South's DSM Plan cost versus the 2022/2023 IRP is not accurate. Mr. Kessler testified that Mr. Mellinger erroneously compares DR programs in the DSM plan with no DR programs in CEI South's 2022/2023 IRP. Turning to Mr. Mellinger's actual testimony, Mr. Kessler noted Mr. Mellinger highlights the benefit of the DR in CEI South's 2022/2023 IRP while ignoring its benefit in CEI South's DSM Plan. Mr. Kessler stated Mr. Mellinger's attempts to compare the UCT net benefits from CEI South's 2024 Operating Plan to the DSM Plan by dividing UCT net benefits by program costs ignores the most recent IRP, the updated TRM approved by the OSB, and feedback from the OSB to raise the efficiency levels in programs and to backfill the 2024 Instant Rebate program, which has been discontinued.

Mr. Kessler testified he did not agree with the CAC's concerns with the cost of C&I programs. He stated that it is unrealistic to expect CEI South to hit its energy efficiency goals by increasing savings while at the same time decreasing cost, especially given that total C&I programs are cost-effective in the DSM Plan with a TRC score of 1.81 and UCT score of 2.50. Mr. Kessler likewise did not agree with the OUCC's and CAC's concerns with the cost of the residential behavioral program. Mr. Kessler testified that while the calculations included in the testimony show an increased cost from a levelized cost or first year cost basis, their testimony does not recognize that the increase is primarily driven by a decrease in savings, not an increase in cost. Mr. Kessler outlined additional benefits CEI South intends to offer with these programs but noted that even with no savings uplift from these additional features, the residential behavioral program in the DSM Plan is cost-effective with TRC and UCT scores of 1.22 and provides more benefits to customers than net costs. Mr. Kessler noted that OUCC did not make any recommendations or provide feedback in OSB meetings or IRP stakeholder meetings related to modeled savings and costs in the IRP.

Responding to Mr. Mellinger's attempt to benchmark CEI South against other Indiana IOUs, Mr. Kessler testified that this comparison assumes that each IOU has the same supply side and demand side resources as well as the same costs and resource requirements, which is contrary to reality. Mr. Kessler testified that each utility undergoes IRP modeling every three years on different cycles, with different costs profiles for each supply side and demand side resource. Mr. Kessler noted that I&M, for example, will value resources differently in PJM Interconnection than other IOUs in Midcontinent Independent System Operator. Mr. Kessler testified that in considering whether CEI South's DSM Plan savings are consistent with the 2022/2023 IRP, Ind. Code § 8-1-8.5-10 ("Section 10") requires the DSM Plan to be consistent, not the same, as the IRP. Mr. Kessler further testified that while other IOUs have similar DR programs, no other utility in Indiana is replacing switches with smart thermostats to obtain more DR and energy efficiency benefits. Mr. Kessler testified that this explains the increase in spending per kWh over the DSM Plan period and explains why CEI South's costs were higher than other IOUs in historical years where CEI South still had a Smart Cycle program with a lower participation goal.

Mr. Kessler responded to concerns with measure life and lost revenues. He explained why none of the bases proposed by Mr. Wright or Mr. Inskeep support adopting their recommended lost revenue caps. He testified Mr. Inskeep's citation to changes in federal baselines as an example of

using a three-year measure life does not recognize that CEI South is only claiming the lost revenue from savings based on the difference between the inefficient and efficient measure over its useful life. Mr. Kessler then noted Mr. Inskeep's statements that CEI South was not clear in how lost revenues would be tracked, that calculations were complex, and that businesses or people may move or close, are belied by DSMA 22, where CEI South performed a persistence audit to account for participating C&I premises in energy efficiency programs being vacant, and the results demonstrated that there were no businesses that closed in calendar year 2023 and remained vacant. Mr. Kessler also noted that Mr. Inskeep's criticism that CEI South only showed first year review is belied by in Petitioner's Ex. 1 Part 1 Table NNK-7. Finally, Mr. Kessler testified that Mr. Wright's reliance on a settlement agreement in Cause No. 45387 to support his position is not justified because settlement agreements are non-precedential.

Mr. Kessler then responded to Mr. Wright's citation to Ind. Code § 8-1-8-8.5-10(g)(3), which requires CEI South to file a new DSM Plan every three years that includes lost revenues as the basis for reducing lost revenues. Mr. Kessler testified the Indiana Code requirement for filing a new DSM Plan every three years is not synonymous with resetting lost revenues every three years. Mr. Kessler testified a capped three-year recovery period would incentivize utilities to offer programs with a shorter measure life, as it is in the utility's best interest to recover its fixed costs associated with the life of the measure, which could discourage further investment and eliminate many programs with longer measure lives. Mr. Kessler agreed that CEI South is required to file its next rate case by December 31, 2028, and stated CEI South will reset lost revenues during the test year utilized for setting base rates.

Mr. Kessler responded to Mr. Wright's position on CEI South's DSM avoided costs by first summarizing Mr. Wright's argument. Mr. Kessler noted that Mr. Wright inferred that CEI South is inflating avoided costs by including pipeline costs in the avoided capacity costs, thereby inflating CEI South's lost revenues and financial incentives. He responded by noting that avoided costs as an input into cost-effectiveness helps determine if programs are cost effective; however, avoided costs do not select the amount of energy efficiency savings - that is a function of CEI South's IRP modeling, which informs the preferred portfolio. Mr. Kessler testified that maximizing lost revenues and financial incentives was not an objective nor was it an input into the 2022/2023 IRP modeling that selected the energy efficiency savings in CEI South's DSM Plan. Mr. Kessler testified that a simple cycle gas turbine requires natural gas to be operational and that by not including pipeline costs, it is the equivalent of building a house without a road to access it.

Mr. Kessler then addressed Mr. Wright's concerns with CEI South's avoided energy costs. He summarized Mr. Wright's criticism of including a carbon tax adder and stated that the avoided cost from the 2022/2023 IRP does not include the cost of carbon or a carbon tax. Thus, he stated the DSM Plan is consistent with the 2022/2023 IRP; therefore, any cost effectiveness in the DSM Plan does not have the carbon tax that Mr. Wright listed as a concern.

Mr. Kessler concluded his rebuttal testimony by recommending the Commission approve the DSM Plan as filed with the understanding that lost revenues will be reset in a similar manner to those filed in CEI South's pending base rate case in Cause No. 45990. Mr. Kessler testified that the modifications the CAC proposed are unnecessary and unsupported, but even if the proposed modifications did have merit, it would not support rejecting the whole plan and requiring CEI South to initiate new proceedings.

6. Settlement Agreement. The Settlement Agreement between CEI South, the OUCC, and CAC, resolves all issues between the Settling Parties and addresses all aspects of CEI South's proposed 2025-2027 Plan with modifications to the aspects described below.

A. Lost Revenues. The Settling Parties agree to Commission approval of the recovery of lost revenues for measures installed during the 2025–2027 Plan period through CEI South's DSMA Rider over whichever of the following periods occurs first: (a) the expiration of the life of the measure; (b) beginning with calendar year 2026, four years after the date of implementation of any measure installed; or (c) until implementation of new electric base rates reflecting the test year rate base in CEI South's next electric rate case. After approval of new base rates in CEI South's next base rate case proceeding, CEI South will zero out, in its DSMA Rider, all lost revenue recovery approved for the DSM Program years up to, and including the test year adopted for the setting of base rates in CEI South's next base rate case proceeding.

B. Performance Incentives.

(1) Spending Flexibility, Emerging Technology, and Rollover.

a. Spending Flexibility. The Settling Parties agree that the OSB will be authorized to pursue additional reasonably achievable, cost-effective energy savings by exercising spending flexibility (i.e., flex funding), except that income-qualified programs are not required to be cost-effective. The Settling Parties agree that CEI South will be permitted to apply spending flexibility of up to 10% (inclusive of indirect costs) of the total portfolio costs for the 2025–2027 Plan towards programs with a UCT score greater than 1.0, except that income-qualified programs are not required to be cost-effective.

b. Emerging Technology. The Settling Parties agree that the OSB will be authorized to pursue emerging technology using funds of up to 10% (inclusive of indirect costs) of the total portfolio costs for the 2025–2027 Plan.

c. Rollover. The Settling Parties explicitly agree that all included spending flexibility and emerging technology amounts are specific to this 2025–2027 Plan and are not eligible for transfer or rollover from any prior DSM Plan or to any subsequent DSM Plan except as needed to pay out costs for measures installed within one program year but not paid until the subsequent program year.

(2) Opportunity to Earn Performance Incentive.

a. Additional Energy/Demand Savings. The Settling Parties agree to associate additional energy and/or demand savings with any spending flexibility utilized for flex funding (pursuant to paragraph I.B.1.a) or emerging technology (pursuant to paragraph I.B.1.b). The level of spending flexibility and associated additional energy and/or demand savings will be agreed upon by the OSB and is in addition to the savings goal in the 2025–2027 Plan. The Settling Parties further agree CEI South will have an opportunity to earn a performance incentive on those additional energy and/or demand savings using the same, but separately calculated, performance incentive mechanism.

b. **Fuel Adjustment Cause.** The Settling Parties agree that, for purposes of the Fuel Adjustment Clause (“FAC”), CEI South’s authorized net operating income will not be adjusted by the actual amount of DSM financial incentives earned for the 2025–2027 Plan.

c. **Modified Performance Incentive.** The Settling Parties agree that CEI South’s proposed financial incentive shall be approved with the following modification. The Settling Parties agree CEI South will apply the following modified performance incentive achievement level and incentive level matrix to calculate the performance incentive mechanism for portfolio savings for the filed 2025–2027 Plan, and, as separately calculated, all spending flexibility, and emerging technology amounts.

Performance Incentives	
Achievement Level (kWh)	Incentive Level (NPV of net benefits of UCT)
110%	13.0%
100 - 109.99%	10.0%
90 - 99.99%	9.0%
80 - 89.99%	8.0%
70 - 79.99%	6.0%
60 - 69.99%	4.0%
<60%	0.0%

C. **DSM Programs, Savings Goals, and Implementation.**

(1) **Increase Portfolio Savings in Line with IRP.** The Settling Parties agree that CEI South will increase the DSM portfolio savings by an additional 6,600 MWh gross over 2025–2027 to bring the residential behavioral program savings more in line with CEI South’s most recently filed IRP. The additional residential behavioral savings will be achieved through the Online Energy Analyzer tool and evaluated by the EM&V vendor.

(2) **Costs.** The Settling Parties agree that CEI South will increase residential behavioral savings as described in paragraph I.C.1 above, to bring residential behavior program levelized costs more in line with (\$0.06612/kWh gross).

(3) **Removal of LED Nightlights.** The Settling Parties agree that CEI South will remove LED nightlights from the Community Connections program in 2025 to keep the In-Service-Rate higher in year 2026 or 2027. The LED nightlights will be replaced with other measures to achieve 2025 savings. If the savings cannot be backfilled at the same costs for 2025, then the cost and savings will be adjusted accordingly. The direct install programs (IQW, Multi-Family, HEA), Marketplace, and School Education programs, where no savings are claimed in the Schools Education program, will remain as proposed.

(4) **In-Store Discount Program.** The Settling Parties agree that the EM&V for this program will include analysis of non-customer free-ridership consistent with EM&V protocols recommended by the EM&V vendor.

(5) **Residential Online Marketplace.** As the contract with the Marketplace vendor has been executed to launch in 2024, CEI South has worked with the Online Marketplace vendor to complete User Acceptance Testing to ensure data integrity and data security. The Settling Parties agree that CEI South will provide the following for 2025:

- a. Annual EM&V verifying data integrity and data security.
- b. Performance savings goals by measure that will provide more transparency for CEI South's OSB. CEI South will share implementation strategies, promotions, and a marketing plan that includes filed plan savings goals to be achieved and specific dates for those filed plan savings goals.

D. Other Matters. Any matters not addressed by this Settlement Agreement will be adopted as proposed by CEI South in its direct and rebuttal case in this Cause. The Settling Parties agree to work cooperatively to seek Commission approval of this Settlement Agreement so that CEI South may implement its 2025–2027 Plan (as modified herein) effective upon approval of this Order.

7. Evidence Supporting the Settlement Agreement.

A. CEI South's Testimony in Support of the Settlement Agreement. Mr. Kessler testified the Settling Parties have agreed that CEI South's requested relief should be granted in its entirety, subject to specific modifications set forth in the Settlement Agreement. Mr. Kessler testified that the modifying terms relate primarily to lost revenue recovery, performance-based financial incentive levels, DSM Program Design, and achievement of increased Portfolio savings in line with CEI South's 2022/2023 IRP. Mr. Kessler testified that the Settlement Agreement reflects agreement by and among the Settling Parties on all issues in the proceeding while continuing to achieve cost-effective energy savings at CEI South's total planned budget outlined in its pre-filed testimony and associated 2025 – 2027 Plan. Mr. Kessler testified the Settlement Agreement caps lost revenue recovery, adjusts CEI South's requested performance-based financial incentive levels, modifies certain residential program designs, and increases the portfolio savings by an additional 6.6 million kWh, increasing the approximately 112.6 million kWh goal to approximately 119.2 million kWh. Mr. Kessler testified that this increased level of energy savings is roughly equal to a 1.2% gross reduction in eligible energy consumption from current customer usage levels, consistent with CEI South's 2022/2023 IRP.

Mr. Kessler testified that, given CEI South's next planned electric base rate case is required to be filed on or before December 31, 2028, the Settling Parties agreed to Commission approval of the recovery of lost revenues for measures installed during the 2025–2027 Plan period through CEI South's DSMA Rider over whichever of the following periods occurs first: (a) the expiration of the life of the measure; (b) beginning with calendar year 2026, four years after the date of implementation of any measure installed; or (c) until implementation of new electric base rates reflecting the test year rate base in CEI South's next electric rate case. Mr. Kessler testified that after approval of new base rates in CEI South's next base rate case proceeding, CEI South will zero out, in its DSMA Rider, all lost revenue recovery approved for the DSM Program years up to, and including, the test year adopted for the setting of base rates in CEI South's next base rate case proceeding.

Mr. Kessler testified the Settling Parties agree that the OSB will be authorized to pursue additional reasonably achievable, cost-effective energy savings by exercising spending flexibility (i.e., flex funding), except that income-qualified programs are not required to be cost-effective. He testified the Settling Parties agreed that CEI South will be permitted to apply spending flexibility of up to 10% (inclusive of indirect costs) of the total portfolio costs for the 2025–2027 Plan towards programs with a UCT score greater than 1.0, except that income-qualified programs are not required to be cost-effective. He stated that the OSB will also be authorized to pursue emerging technology using funds of up to 10% (inclusive of indirect costs) of the total portfolio costs for the 2025–2027 Plan. He further testified that with respect to flexibility, the Settling Parties explicitly agree that all spending flexibility and emerging technology amounts included within this 2025–2027 Plan are specific to this 2025–2027 Plan and are not eligible for transfer or rollover from any prior DSM Plan or to any subsequent DSM Plan except as needed to pay out costs for measures installed within one program year but not paid until the subsequent program year. Mr. Kessler testified that pursuant to Section I.B.2.a, the Settling Parties agree that any spending flexibility utilized for flex funding (described in paragraph I.B.1.a) or emerging technology (described in paragraph I.B.1.b) will have additional energy and/or demand savings associated with it; that the associated additional energy and/or demand savings are in addition to the total savings goal in the 2025–2027 Plan; and that with respect to the level of funding and amount of associated additional energy and/or demand savings, the OSB will vote to approve the amount of spending flexibility authorized for flex funding or emerging technology and the amount of additional energy and/or demand savings goals that will apply (or be associated with) the level of spending flexibility that was approved.

Mr. Kessler testified that the Settling Parties agree that CEI South's proposed financial incentive shall be approved with the following modification. For purposes of the FAC, CEI South's authorized net operating income will not be adjusted by the actual amount of DSM financial incentives earned for the 2025–2027 Plan. Mr. Kessler testified that the Settling Parties also agree that CEI South will have an opportunity to earn a performance incentive on those additional energy and/or demand savings (associated with the spending flexibility described in Section I.B.1) using the same, but separately calculated, performance incentive mechanism. Mr. Kessler testified that the Settling Parties further agreed CEI South will apply a modified performance incentive achievement level and incentive level matrix to calculate the performance incentive mechanism for portfolio savings for the filed 2025–2027 Plan, and, as separately calculated, all spending flexibility, and emerging technology amounts.

Mr. Kessler testified CEI South agrees to increase the DSM portfolio savings by an additional 6,600 MWh gross over the 2025–2027 Plan to bring the residential behavioral program savings more in line with CEI South's 2022/2023 IRP. Mr. Kessler testified the additional residential behavioral savings will be achieved through the Online Energy Analyzer tool and evaluated by the EM&V vendor.

Mr. Kessler stated that CEI South agrees to increase residential behavioral savings as described above, to bring residential behavior program levelized costs more in line with (\$0.06612/kWh gross).

Mr. Kessler testified the Settling Parties agree that CEI South will remove LED nightlights from the Community Connections program in 2025 to keep the In-Service-Rate higher in year 2026 or 2027. Mr. Kessler testified the LED nightlights will be replaced with other measures to achieve 2025 savings. Mr. Kessler stated if the savings cannot be backfilled at the same costs for 2025, then the cost and savings will be adjusted accordingly. He testified that the direct install programs (IQW, Multi-Family, HEA), Marketplace, and School Education programs, where no savings are claimed in the Schools Education program, will remain as proposed.

Mr. Kessler testified that the Settling Parties agree that the EM&V for this program will include analysis of non-customer free-ridership consistent with EM&V protocols recommended by the EM&V vendor.

Mr. Kessler testified the contract with the Marketplace vendor has been executed to launch in 2024, and CEI South has worked with the Online Marketplace vendor to complete User Acceptance Testing to ensure data integrity and data security. Mr. Kessler stated that the Settling Parties agree that CEI South will provide the following for 2025: (1) Annual EM&V verifying data integrity and data security and (2) Performance savings goals by measure that will provide more transparency for the CEI South's OSB. CEI South will share implementation strategies, promotions, and a marketing plan that includes filed plan savings goals to be achieved and specific dates for those filed plan savings goals.

Mr. Kessler testified the Settling Parties agree that any matters not addressed by this Settlement Agreement will be adopted as proposed by CEI South in its direct and rebuttal case in this Cause. He testified the Settling Parties also agree to work cooperatively to seek Commission approval of this Settlement Agreement so that CEI South may implement its 2025–2027 Plan, as modified by this Settlement Agreement, effective January 1, 2025, or upon the Commission's approval, if later.

Mr. Kessler explained that all modifications to the filed 2025–2027 Plan are in the public interest and remain compliant with the requirements of Section 10, including consistency with CEI South's 2022/2023 IRP. He further testified the Settlement Agreement is a compromise; represents a fair, just, and reasonable resolution of all matters raised in this proceeding; and will be null and void unless approved in its entirety without modification or further condition that is unacceptable to any Settling Party. Mr. Kessler further testified the Settlement Agreement includes provisions concerning the substantial evidence in the record supporting the approval of the Settlement Agreement and reflects other terms typically found in settlement agreements before this Commission. Mr. Kessler concluded his settlement testimony by testifying the Settling Parties agree that the Settlement Agreement is a fair and reasonable result on the disputed aspects of the Plan, that the Settlement Agreement is in the public interest because it represents the result of good faith, arm's-length negotiations reflecting a fair and balanced outcome of the issues between the Settling Parties without the time and expense that would be incurred in connection with litigation; and the Parties agree that CEI South's requested relief in this Cause should be granted in its entirety, subject to the terms and conditions set forth in the Settlement Agreement.

B. OUC's Testimony in Support of the Settlement Agreement. Mr. Wright testified that the settlement is the result of collaboration and good faith negotiations among the Settling Parties. He testified the Settlement Agreement's terms are in the public interest. Mr. Wright testified that the OUC considered affordability throughout the case and during settlement negotiations and that the Settlement Agreement contains provisions to further ensure DSM measures

included in the Plan are cost effective to better maximize energy efficiency savings. Mr. Wright summarized the terms of the Settlement Agreement and how its terms modify the original Plan to provide greater benefits to customers. He testified that in the Settlement Agreement, CEI South agrees to increase its total energy savings goal for the 2025–2027 Plan by an additional 6,600 MWh gross to be more consistent with values presented in CEI South’s 2023 IRP and to increase total portfolio savings. He testified the Settlement Agreement calls for Commission approval of recovery of lost revenues for measures installed during the 2025-2027 Plan period over whichever of the following periods occurs first: (a) the expiration of the life of the measure; (b) beginning with calendar year 2026, four years after the date of implementation of any measure installed; or (c) until implementation of new electric base rates reflecting the test year rate base in CEI South’s next electric rate case. He discussed that budget categories for spending flexibility and emerging technologies will be established, with each permitted up to 10% of the total portfolio costs for the 2025 – 2027 Plan; that CEI South agrees to associate additional energy and/or demand savings with flex funding or emerging technology funds; and that the Settlement provides that performance incentives for such funding and savings will be separately calculated using the Settlement Agreement’s modified performance incentive matrix. He testified CEI South agrees to remove LED nightlights from the Community Connections program in program year 2025. He testified that CEI South agrees to EM&V protocols for the In-Store Discount Program and Online Marketplace as outlined in the Settlement Agreement. He also testified that in addition, the EM&V vendor will conduct EM&V on the Online Marketplace Program for purposes of ensuring data integrity and data security.

Mr. Wright testified the Settling Parties agree that the recovery of lost revenues for the 2025-2027 Plan period will be limited to whichever of the following periods occurs first: (a) the expiration of the life of the measure; (b) beginning with calendar year 2026, four years after the date of implementation of any measure installed; or (c) until implementation of new electric base rates reflecting the test year rate base in CEI South’s next electric rate case. Mr. Wright asserted CEI South originally proposed to recover lost revenues for all programs based on a 12-year WAML of the Plan period and one-time ten percent further reduction in annual savings. Mr. Wright stated the agreement among the Settling Parties adequately addresses OUCC’s concerns regarding the method for calculating lost revenues.

Mr. Wright summarized the Settling Parties’ agreement regarding flex funding, emerging technologies, and rollover spending. He testified the terms of the Settlement Agreement will benefit ratepayers. Mr. Wright summarized the terms of the Settlement Agreement pertaining to DSM portfolio savings and levelized costs. He testified to the changes to the Community Connections program that were incorporated into the Settlement Agreement. He testified LED nightlights will be removed from the Community Connections program in 2025 and replaced with other measures; that the LED nightlights will continue to be used in the Online Marketplace program, the direct install programs, and the School Education program (savings are not claimed for the School Education program); and that this change addresses the OUCC’s concerns that a significant portion of LED nightlights installations were not replacing inefficient units and thus did represent decreases or sufficient decreases in energy usage.

Mr. Wright summarized the changes to the EM&V analysis and program accountability. He testified that the In-Store Discount Program EM&V will include analysis of the program's free-ridership data, as it relates to non-CenterPoint customers. He testified that, for the Online Marketplace program, CEI South's EM&V administrator will include an analysis of data integrity and data security, which were issues with the previous vendor administering the Online Marketplace Program. Mr. Wright testified the changes will help ensure program transparency and data security, improve program performance, and address the OUCC's concerns about this program.

Mr. Wright concluded his testimony by recommending the Commission approve the Settlement Agreement. He testified the Settlement Agreement serves the public interest by addressing affordability and providing additional customer value.

8. Commission Discussion and Findings. Settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coalition of Ind., Inc. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coalition*, 664 N.E.2d at 406.

In addition, any Commission decision, ruling or order, including approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition of Ind., Inc. v. Pub. Serv. Co. of Ind., Inc.*, 582 N.E.2d 330 (Ind. 1991)). The Commission's own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Before the Commission can approve the Settlement Agreement, the Commission must determine whether the evidence in this Cause sufficiently supports a conclusion that the Settlement Agreement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2, and that it serves the public interest. Here, the parties have presented substantial evidence from which we can assess the reasonableness of the terms of the Settlement Agreement.

The parties agree that the Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. Consequently, with regard to future citation of the Settlement Agreement, we find that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849 at *7-8 (IURC March 19, 1997).

Both the DSM and IRP Rules were adopted to assist the Commission in implementing Ind. Code ch. 8-1-8.5. The IRP Rules require utilities to consider both supply- and demand-side resources to meet their long-term resource needs in a least-cost manner. The consideration of a utility's resource needs is performed through a long-range planning analysis, *i.e.*, the IRP. The Commission's DSM Rules provide guidelines for the Commission to identify and address any bias against DSM. The DSM Rules address cost recovery related to all DSM activities, including the subset of energy efficiency improvements.¹ Consequently, the Commission has historically considered and approved utility DSM

¹ Energy efficiency improvements traditionally have been limited to activities that reduce energy use for a comparable level of energy service. 170 IAC 4-8-1(j) and Ind. Code §§ 8-1-8.5-9(c) and -10(b). Whereas a demand-side resource is

programs and associated cost recovery under Ind. Code ch. 8-1-8.5 and its DSM Rules. *See e.g., S. Ind. Gas & Elec. Co.*, Cause No. 44645 at 15 (IURC March 23, 2016); *Indianapolis Power & Light Co.*, Cause No. 43623, Phase I Order at 55 (IURC Feb. 10, 2010); and *Ind. Mich. Power Co.*, Cause No. 44486 at 11 (IURC Dec. 3, 2014).

Section 10(h) requires electricity suppliers, beginning not later than calendar year 2017, and not less than one time every three years, to petition the commission for approval of a plan that includes: (1) energy efficiency goals; (2) energy efficiency programs to achieve those energy efficiency goals; (3) program budgets and costs; and (4) procedures for independent EM&V. Once such a plan has been submitted, the Commission is required to consider the following ten factors enumerated in Section 10(j) to determine proposed plan's overall reasonableness:

- (1) Projected changes in customer consumption of electricity resulting from the implementation of the plan.
- (2) A cost and benefit analysis of the plan, including the likelihood of achieving the goals of the energy efficiency programs included in the plan.
- (3) Whether the plan is consistent with the following:
 - (A) The state energy analysis developed by the commission under section 3 [Ind. Code § 8-1-8.5-3] of this chapter.
 - (B) The electricity supplier's most recent long range IRP submitted to the commission.
- (4) The inclusion and reasonableness of procedures to evaluate, measure, and verify the results of the energy efficiency programs included in the plan, including the alignment of the procedures with applicable environmental regulations, including federal regulations concerning credits for emission reductions.
- (5) Any undue or unreasonable preference to any customer class resulting, or potentially resulting, from the implementation of an energy efficiency program or from the overall design of a plan.
- (6) Comments provided by customers, customer representatives, the office of utility consumer counselor, and other stakeholders concerning the adequacy and reasonableness of the plan, including alternative or additional means to achieve energy efficiency in the electricity supplier's service territory.
- (7) The effect, or potential effect, in both the long term and the short term, of the plan on the electric rates and bills of customers that participate in energy efficiency programs compared to the electric rates and bills of customers that do not participate in energy efficiency programs.

broader and encompasses any activity that reduces the demand for electric service, *e.g.*, air conditioning load management, time-of-use, and DR programs.

(8) The lost revenues and financial incentives associated with the plan and sought to be recovered or received by the electricity supplier.

(9) The electricity supplier's current IRP and the underlying resource assessment.

(10) Any other information the commission considers necessary.

Following a determination of overall reasonableness, Sections 10(k), (l), and (m) establish three possible actions the Commission may take concerning a proposed plan. Accordingly, we begin by considering Settling Parties' request for approval of CEI South's Plan, as modified by the Settlement Agreement.²

A. Presentation of a Plan. The evidence is uncontroverted that CEI South is an electricity supplier as defined by Section 10(a) and that it has made a submission under Section 10(h) seeking approval of a proposed plan prior to the end of calendar year 2024. The Verified Petition in this Cause and the Plan, as modified by the Settlement Agreement, include all four of the elements required to satisfy Section 10(h), i.e., goals, programs to achieve goals, budgets and program costs, and independent EM&V. We begin by addressing the four elements of the Settling Parties' agreed 2025–2027 Plan as follows:

(1) Energy Efficiency Goals. Section 10(c) defines "energy efficiency goals" as all energy efficiency produced by cost-effective plans that are:

- (1) reasonably achievable;
- (2) consistent with an electricity supplier's IRP; and
- (3) designed to achieve an optimal balance of energy resources in an electricity supplier's service territory.

The Settlement Agreement increases the portfolio savings for the 2025-2027 Plan by an additional 6.6 million kWh gross, increasing the approximately 112.6 million kWh gross goal to approximately 119.2 million kWh gross. This increased level of energy savings is roughly equal to 1.2% reduction in eligible energy consumption from current customer usage levels (excluding roughly 77% of eligible non-residential load that has opted out of participating in CEI South's DSM programs per Section 9), which is consistent with CEI South's 2022/2023 IRP. CEI South also expects 30,000 kW in demand reduction during the Plan's three-year period.

The revised energy efficiency goal is based on CEI South's 2022/2023 IRP and MPS for the period 2025–2027. Further, CEI South's Plan for 1.2% reduction in eligible energy consumption from current customer usage levels is supported by the testimony of the Settling

² Although the 2025–2027 Plan includes energy efficiency and programs that may be considered DR or have DR components, the factors enumerated in Ind. Code § 8-1-8.5-10 are similar to the factors the Commission has historically considered in determining whether to approve DSM programs and associated cost recovery under Ind. Code ch. 8-1-8.5 and 170 IAC 4-8; therefore, the Commission is considering both types of programs in the Plan under Ind. Code § 8-1-8.5-10 factors.

Parties. The increased savings to the portfolio goal also brings residential behavior program levelized costs more in line with \$0.06612/kWh gross, making the Plan more cost-effective under the Settlement Agreement. In addition, the proposed energy savings goals are consistent with historical savings that we have previously approved for CEI South. Mr. Kessler also testified that the goals established in the 2025–2027 Plan are realistic and achievable. Furthermore, the Settling Parties agree the CEI South’s proposed energy savings goals comply with Section 10(c).

Based on the evidence of record, we find the energy savings goal for the 2025-2027 Plan is reasonably achievable, consistent with the IRP, and is designed to achieve an optimal balance of energy resources in CEI South’s service territory. Accordingly, we further find that CEI South’s energy efficiency goal meets the requirements that the goal be reasonably achievable, designed to achieve an optimal balance of energy resources, and consistent with CEI South’s 2022/2023 IRP.

(2) **Energy Efficiency Programs.** The 2025–2027 Plan, as modified by the Settlement Agreement, includes 13 residential programs and six C&I programs designed to achieve its energy efficiency goals. In the Settlement Agreement, the Settling Parties agree to modify certain program designs, including the removal of LED nightlights from the Community Connections program in 2025 to keep the In-Service-Rate higher in year 2026 or 2027 with a likely backfill of those savings at the same costs for 2025, as well as data integrity and data security considerations for the Residential Online Marketplace programs. Based on the modifications to the Plan agreed upon in the Settlement Agreement, the Settling Parties have agreed that CEI South’s Plan includes energy efficiency programs designed to achieve energy efficiency goals.

The Plan is not limited to energy efficiency programs. The Plan also includes CEI South’s proposal to continue its residential and business DR programs. The inclusion of demand savings in the DSM Plan is consistent with CEI South’s 2022/2023 IRP. The Commission finds substantial evidence supports the inclusion of the DR programs, and CEI South’s offering of these programs is consistent with the Settlement Agreement.

Based on the evidence presented, the Commission finds that the Plan includes a reasonable mix of residential and non-residential energy efficiency programs designed to achieve CEI South’s energy efficiency goals, and we approve the offering of the programs as modified by the Settlement Agreement.

(3) **Program Budgets and Costs.** Mr. Kessler identified the annual program budgets and program costs for the 2025-2027 Plan. The 2025-2027 Plan has an estimated cost of \$47.5 million, with \$14.9 million in 2025, \$15.7 million in 2026, and \$16.9 million in 2027. The Settlement Agreement did not modify CEI South’s original overall estimated program budget, but it did increase the savings reduction goal by an additional 6.6 million kWh, increasing the approximately 112.6 million kWh goal to approximately 119.2 million kWh.

The OSB authority, as previously approved, includes the ability to authorize exceeding a DSM program’s Commission-approved budget by up to 10% without having to seek additional approval from the Commission and authority to continue shifting funds between programs, provided gas and electric funds are not commingled. Under the Plan, the OSB will continue to have this authority. The OSB would also have the authority to pursue an additional opportunity for emerging

technology using funds of up to 10% (inclusive of indirect costs) of the total portfolio costs for the 2025-2027 Plan. We find the Settling Parties' agreement on this issue, including the separately calculated performance incentive mechanism, allows for reasonable flexibility in program funding as circumstances evolve during the period of the DSM Plan. The emerging technology category helps the OSB to capture a big part of what DSM is—changing the Marketplace with new efficient technology and delivery channels that are constantly emerging.

Based on the evidence, the Commission finds CEI South has sufficiently identified its proposed program budgets and the associated costs. The impact and effect of the proposed program budgets and costs are discussed further below in considering the factors specified in Section 10(j). The Commission also recognizes that in the 44927 Order and 45387 Order, CEI South's OSB was granted certain flexibility to increase a program budget to react in a timely manner to changing circumstances. We find the continuation of the 10% spending flexibility and the separate 10% emerging technology spend to be reasonable.

For Commission oversight, whenever CEI South makes a proposal to the OSB for use of the emerging technology budget (as described in Section I.B.1.b of the Settlement Agreement), CEI South shall provide the same information to the Commission in a compliance filing to be made within seven days of that information being provided to the OSB.

(4) **Independent EM&V.** The 2025–2027 Plan includes EM&V with a process for independent evaluation of the programs. Evaluation for all programs in the 2025–2027 Plan will be conducted by an independent evaluator every year for the prior year's programs. Mr. Kessler described the EM&V process, which includes a process evaluation, impact evaluation, and an assessment of the program market effects. CEI South's 2025–2027 EM&V budgets are \$2,087,397 over the Plan period which is approximately 5% of the total program costs. No concerns with CEI South's proposed EM&V were raised by the Settling Parties.

The evidence shows CEI South will consider the results of EM&V in determining lost revenues and the financial incentive and will true-up lost revenues and the financial incentive based on the most current EM&V when the final annual EM&V report for each program year is filed with the Commission. This true-up is to occur in the DSMA Rider filing following the conclusion of the annual EM&V. The Commission finds the proposed EM&V procedures are reasonable.

B. Reasonableness of the Plan. Ind. Code § 8-1-8.5-10(j) identifies ten factors the Commission must consider in determining whether a plan submitted under Ind. Code § 8-1-8.5-10(h) is reasonable. For the reasons set forth below, the Commission finds that CEI South's 2025-2027 Plan, as modified by the Settlement Agreement, is reasonable and is approved.

(1) **Projected Changes in Customer Consumption.** Mr. Kessler identified the peak demand savings resulting from implementation of the 2025-2027 Plan, which are reflected below. The Settlement Agreement modified the annual energy savings. The Settlement Agreement does not alter the original peak demand savings.

These projected energy and demand savings along with CEI South's expected load forecast in its 2022/2023 IRP enable us to consider projected changes in customer consumption of electricity resulting from implementation of the Plan. Because CEI South's proposed DSM programs, as modified by the Settlement Agreement, are designed to result in energy savings of approximately 1.2% of eligible retail sales over the three-year period of the Plan, we find it reasonable to expect a corresponding decrease in customer consumption of electricity compared to what it would be without the programs.

(2) **Cost-Benefit Analysis.** The Commission has traditionally required the use of the UCT, TRC, Ratepayer Impact Measure ("RIM") and Participant Cost Test ("PCT") in evaluating the cost-effectiveness of proposed energy efficiency programs. The Commission's DSM Rules at 170 IAC 4-8-2(b)(3) require utilities to provide a cost-benefit analysis that uses, at a minimum the TRC, PCT, UCT and RIM, thereby requiring the presentation of these four tests as part of an electric supplier's energy efficiency plan. Each of these tests is designed to compare various costs and benefits from a different perspective. By applying different tests, a more comprehensive analysis of the cost-effectiveness will be provided than can be accomplished with just one of the tests. Hence, consideration of multiple cost-effectiveness tests enables the Commission to better evaluate the reasonableness of individual programs and the overall energy efficiency portfolio.

Mr. Kessler testified that CEI South evaluated the cost-effectiveness of its proposed portfolio and DSM programs using these standard tests. Mr. Kessler showed in Pet. Ex. 1 Table NNK-5 that the 2025-2027 Plan is cost-effective with a UCT score of 1.94 for the Residential Portfolio, a UCT score of 2.50 for the C&I Portfolio, and an overall portfolio UCT score of 1.91.

The record shows that the Plan, as modified by the Settlement Agreement, not only remains cost-effective but the Settling Parties have reasonably agreed to modifications intended to further improve the cost-effectiveness of the 2025-2027 Plan. The Settlement Agreement's term to increase portfolio savings by an additional 6,600 MWh gross brings the residential behavior program leveled costs more in line with the IRP's cost for this program.

As discussed above, Petitioner's case-in-chief demonstrates that the 2025-2027 Plan is cost-effective at the Residential Portfolio, C&I Portfolio, and overall Portfolio levels. The total portfolio approach to cost-effectiveness is consistent with Commission DSM/energy efficiency policy. See *Commission Investigation*, Cause No. 42693 at 13 (IURC April 23, 2008) ("the use of cost-benefit tests provides assurance that individual programs or portfolios can be justified on cost-effectiveness grounds."). With respect to the income qualified programs, Ind. Code § 8-1-8.5-10(h) authorizes the inclusion in a DSM Plan of home energy efficiency assistance programs for qualified customers regardless of whether the program is cost-effective. Therefore, based on the evidence presented, we find that the Plan portfolio of programs is cost-effective and otherwise satisfies this statutory criterion.

(3) **Consistent with State Energy Analysis and Utility's Most Recent IRP.** In evaluating the overall reasonableness of CEI South's plan, Ind. Code § 8-1-8.5-10(j)(3) requires the Commission to consider whether the plan is consistent with "(A) The state energy analysis developed by the commission under [Ind. Code § 8-1-8.5-3] [and] (B) The electricity supplier's most recent long-range IRP submitted to the commission."

The Commission has previously acknowledged that a state energy analysis that meets all the statutory criteria set forth in Ind. Code § 8-1-8.5-3 does not currently exist. *Indianapolis Power & Light Co.*, Cause No. 45370 at 10 (IURC Dec. 29, 2020); *Re Indianapolis Power & Light Co.*, Cause No. 44945 at 39 (IURC Feb. 7, 2018); *Ind. Mich. Power Co.*, Cause No. 44841 at 28 (IURC Sept. 20, 2017)); *S. Ind. Gas & Elec. Co.*, Cause No. 44645 at 22 (IURC Feb. 23, 2016); *N. Ind. Public Serv. Co.*, Cause No. 45849 at 17 (IURC Oct. 18, 2023). However, as stated above, the Plan is consistent with CEI South's most recent IRP. As such, we find that the Plan satisfies this subsection.

(4) **EM&V.** Evaluation for all programs in the 2025–2027 Plan will be conducted by an independent evaluator every year for the prior year's programs. Mr. Kessler described the EM&V process, as discussed above, which includes a process evaluation, impact evaluation, and an assessment of the program market effects. No concerns were raised regarding CEI South's proposed EM&V procedures; therefore, based on the evidence presented, the Commission finds the proposed EM&V processes for the Plan are reasonable.

(5) **Undue or Unreasonable Preference to Customer Classes.** CEI South demonstrated the Plan offers a robust and diverse group of cost-effective DSM programs that will provide program participation opportunities to eligible customers in CEI South's service area. No evidence was presented identifying any undue or unreasonable preference to any customer class resulting, or potentially resulting, from the implementation of a proposed program or from the overall design of the Plan. Given the record, the Commission finds the Plan, as modified by the Settlement Agreement, will not result in undue or unreasonable preference to any customer class.

(6) **Stakeholder Comments.** Ind. Code § 8-1-8.5-10(j) requires the Commission to consider comments provided by customers, customer representatives, the OUCC, or other stakeholders concerning the adequacy and reasonableness of the proposed Plan. CEI South received input and considered input as part of the MPS process, IRP stakeholder process, and through the participation of the OUCC and CAC in this docketed process, resulting in the Settlement Agreement. Accordingly, the Commission has considered these items in making its determinations in this Order, and we find the stakeholder comments weigh in favor of the Plan's reasonableness.

(7) **Effect or Potential Effect of the Plan on Electric Rates and Customer Bills of Participants and Non-Participants.** CEI South provided evidence demonstrating the short-term bill impacts for all rate schedules and provided a bill impact analysis for a standard residential customer using 1,000 kWh per month. The monthly bill of such a customer would decrease in 2025 by 1.96% or \$2.91, increase in 2026 by 0.34% or \$0.51, and increase in 2027 by 0.55% or \$0.82. CEI South also presented various cost-effectiveness tests, some of which are designed specifically to evaluate the long-term effect of the energy efficiency programs on the electric rates and bills of both participating and non-participating customers. As the Commission has previously found: "It is well understood that investments in [energy efficiency] reduce the need for [a utility] to generate energy, build or procure future supply-side resources, and can lead to the delay of, or even eliminate the need for costly upgrades to the utility's system, which ultimately benefits all . . . customers." *Indianapolis Power & Light Co.*, Cause No. 44945, at 41 (IURC Feb. 7, 2018). Based on the estimated bill impacts and cost-effectiveness test results, the Commission finds the effect of the Plan on electric rates and customer bills of participants and non-participants to be reasonable.

(8) **Lost Revenues and Performance Incentives.** In addition to being a factor under Ind. Code § 8-1-8.5-10(j) for determining the overall reasonableness of a plan submitted under Ind. Code § 8-1-8.5-10(h), Ind. Code § 8-1-8.5-10(o) provides that if the Commission finds such a plan to be reasonable, the Commission shall allow the utility to recover and receive the following:

- (1) Reasonable financial incentives that:
 - (A) encourage implementation of cost-effective energy efficiency programs; or
 - (B) eliminate or offset regulatory or financial bias:
 - (i) against energy efficiency programs; or
 - (ii) in favor of supply side resources.
- (2) Reasonable lost revenues.

Accordingly, the Commission must consider whether CEI South's Plan, as modified in the Settlement Agreement, provides for reasonable financial incentives and reasonable lost revenues.

(a) **Lost Revenues.** Per the Settlement Agreement, CEI South seeks to recover lost revenues associated with its 2025–2027 Plan for measures installed during the 2025–2027 Plan period through CEI South's DSMA Rider over whichever of the following periods occurs first: (1) the expiration of the life of the measure; (2) beginning with calendar year 2026, four years after the date of implementation of any measure installed; or (3) until implementation of new electric base rates reflecting the test year rate base in CEI South's next electric rate case. After approval of new base rates in CEI South's next base rate case proceeding, CEI South will zero out, in its DSMA Rider, all lost revenue recovery approved for the DSM Program years up to, and including, the test year adopted for the setting of base rates in CEI South's next base rate case proceeding. We find and conclude that the Plan proposal for recovery of lost revenues, as modified by the Settlement Agreement, is reasonable.

(b) **Performance Incentives.** The Settlement Agreement provides a performance-based financial incentive approach. CEI South requests approval to earn performance incentives on all programs except the CVR, IQW, and Modified School Education Program, using the same shared savings approach approved in Cause No. 44645, 44927, and 45387 (with a modification to the incentives levels). The calculation is based on the net present value of the UCT benefits multiplied by the achievement level percentage. The proposed incentive levels, as agreed upon in the Settlement Agreement, are set forth above. As part of the Settlement Agreement, the Settling Parties agreed to the basic structure of CEI South's proposed financial incentive mechanism, with the top performance tier modified from 10% to 13% and treatment of financial incentives in the DSMA Rider.

As indicated above, Ind. Code § 8-1-8.5-10(o)(1) authorizes the Commission to approve reasonable performance incentives to encourage the implementation of DSM programs to address the regulatory or financial bias against such programs (in favor of supply side) that CEI South would otherwise experience. The Commission finds it appropriate for performance incentives to be tied to both tiered levels of energy savings achieved and the net present value of the net benefits of the UCT, as agreed by the Settling Parties. This structure encourages CEI South to minimize program costs while also striving to achieve as much cost-effective energy efficiency as reasonably possible. Based on the evidence presented, we find CEI South's proposed financial incentives, as modified by the Settlement Agreement, are reasonable.

(9) **CEI South's IRP.** The consistency of the Plan, as modified by the Settlement Agreement, with CEI South's 2022/2023 IRP and underlying resource assessment is discussed and addressed above.

C. **Conclusion on Energy Efficiency Plan.** Based on the evidence presented in this case and having assessed the overall reasonableness of the Plan and considered the factors enumerated in Ind. Code 8-1-8.5-10(j), the Commission finds and conclude that CEI South's 2025–2027 Plan, as modified by the Settlement Agreement, is reasonable and is approved.

D. **Program Cost Recovery.** CEI South requests authorization to recover program costs through its approved DSMA Rider. The components of the DSMA and the approach to projecting and reconciling authorized costs are to continue as they currently operate. CEI South seeks to recover, through the DSMA, all program costs, including lost revenues and performance incentives, as modified by the Settlement Agreement, associated with the 2025–2027 Plan. CEI South will continue to project all components of the DSMA, except for the financial incentives and variances components, and all projected components will be reconciled against actual results, with program costs, lost revenues and financial incentives based on the EM&V.

Ind. Code § 8-1-8.5-10 provides that once an energy efficiency plan is approved, the Commission shall allow the electricity supplier to recover all associated program costs on a timely basis through a periodic rate adjustment mechanism. The Commission's DSM Rules at 170 IAC 4-8-5 also provide authorization for the recovery of such program costs. Mr. Latham testified that he did not have concerns about CEI South's proposed use of its DSMA.

Having found CEI South's 2025–2027 Plan, as modified by the Settlement Agreement, to be reasonable, we find that CEI South shall be authorized to recover its associated program costs, including direct and indirect costs of operating the programs, lost revenues, financial incentives, and EM&V costs, associated with the energy efficiency programs approved herein consistent with the Settlement Agreement.

E. **Oversight.** CEI South requests that the OSB continue to remain in place with all the same authority previously granted. This authority includes the ability to authorize exceedances of the Commission-approved budgets for DSM programs by up to 10% for Flex Funding and/or Emerging Technology, respectively, without having to seek additional approval from the Commission and authority to continue shifting funds between programs, provided gas and electric funds are not commingled. The record reflects that the CEI South OSB has worked well. We find CEI South's proposed ongoing use of the OSB is reasonable and approve the continued use of the OSB as discussed in this Order.

In addition, CEI South shall provide a copy of the most recent OSB governance document to the Commission. If the OSB governance document is updated, CEI South shall provide the updated OSB governance document within seven days of that document's finalization.

F. **Energy Efficiency Program Scorecard.** In the 45387 Order, to better monitor and understand the energy savings being achieved by the energy efficiency plan approved in that proceeding, the Commission ordered CEI South to provide additional information regarding its energy efficiency programs by filing quarterly scorecards. The Commission set forth the information for each program to be submitted on a quarterly basis (*i.e.*, by April 30, July 30, October 31, and

January 31), with the fourth quarter scorecard to also include the information for the full year. The Commission finds that CEI South shall continue to file quarterly scorecards for the 2025–2027 Plan under this Cause containing the information required by the 44927 Order and the 45387 Order, with the first scorecard associated with the Plan to be filed by April 30, 2025. In accordance with 170 IAC 4-8-4, CEI South shall also post to its website, annually, a document containing information, data, and results from its EM&V activities and file its annual EM&V report for each Plan year by April 30 under this Cause.

9. Conclusion on 2025–2027 Plan. Based on the evidence presented and having assessed the overall reasonableness of the Plan, based on a consideration of the factors enumerated in Ind. Code § 8-1-8.5-10(j), the Commission finds that CEI South’s 2025–2027 Plan, as modified by the Settlement Agreement, is reasonable and should be approved. The Plan shall be effective as of the date of this Order. Additionally, we find that the evidence in this Cause sufficiently supports the conclusion that the Settlement Agreement is reasonable, just, and consistent with the purpose of the governing statutory provisions, and that such Settlement Agreement serves the public interest.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Settlement Agreement, a copy of which is attached, is approved.
2. CEI South’s proposed 2025–2027 Plan, as modified by the Settlement Agreement, including the proposed budgets, is approved. The Plan shall be deemed effective upon approval of this Order.
3. In accordance with the Settlement Agreement, CEI South’s requested accounting and ratemaking treatment, including timely recovery of costs associated with its 2025–2027 Plan, including direct (including EM&V costs) and indirect costs of operating the programs, lost revenues, and financial incentives, as modified by the Settlement Agreement, is approved.
4. CEI South’s request for continued authority to use deferred accounting on an ongoing basis until such costs are reflected in retail rates through its DSMA is approved.
5. CEI South’s request for authority to recover the needed return on and of the CVR Program investment in the DSMA until CEI South’s next base rate case, as previously approved in Cause Nos. 44645, 44927, and 45387, is approved.
6. In accordance with 170 IAC 4-10-7, Petitioner shall file under this Cause and post to its website, annually, a document containing information, data, and results from its EM&V activities on or before July 1 through the year after the Plan ends. In addition, Petitioner shall file its EM&V reports and quarterly scorecards under this Cause.
7. Whenever CEI South makes a proposal to the OSB for use of the emerging technology budget (as described in Section I.B.1.b of the Settlement Agreement), Petitioner shall provide the same information to the Commission in a compliance filing to be made within seven days of that information being provided to the OSB.

8. CEI South shall provide a copy of the OSB governance document and if the OSB document were to be updated, shall provide a copy of the updated OSB governance document within seven days of the document's adoption.

9. This Order shall become effective on and after the date of its approval.

HUSTON, BENNETT, FREEMAN, AND ZIEGNER CONCUR; VELETA ABSENT:

APPROVED: MAR 26 2025

**I hereby certify that the above is a true
and correct copy of the Order as approved.**

_____ on behalf of

**Dana Kosco
Secretary of the Commission**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA)
GAS AND ELECTRIC COMPANY D/B/A)
CENTERPOINT ENERGY INDIANA SOUTH (“CEI)
SOUTH”) REQUESTING THE INDIANA UTILITY)
REGULATORY COMMISSION TO APPROVE)
CERTAIN DEMAND SIDE MANAGEMENT) CAUSE NO. 46100
PROGRAMS AND GRANT COMPANY)
AUTHORITY TO RECOVER COSTS, INCLUDING)
PROGRAM COSTS, INCENTIVES AND LOST)
MARGINS, ASSOCIATED WITH THE DEMAND)
SIDE MANAGEMENT PROGRAMS VIA THE)
COMPANY’S DEMAND SIDE MANAGEMENT)
ADJUSTMENT)

STIPULATION AND SETTLEMENT AGREEMENT AMONG
CEI SOUTH, INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR, AND
CITIZENS ACTION COALITION OF INDIANA, INC.

This Stipulation and Settlement Agreement (the “Settlement Agreement”) is entered into by and among Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South (“Company” or “CEI South”), the Indiana Office of Utility Consumer Counselor (“OUCC”), and Citizens Action Coalition of Indiana, Inc. (“CAC”) (collectively the “Settling Parties” and individually “Settling Party”). The Settling Parties, solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts, and counsel, stipulate and agree that the terms and conditions set forth in this Settlement Agreement represent a fair, just, and reasonable resolution of all matters raised in this proceeding, subject to their incorporation by the Indiana Utility Regulatory Commission (“Commission”) into a final, non-appealable order without modification or further condition that is unacceptable to any Settling Party (“Final Order”). The Settling Parties agree that this Settlement Agreement resolves all disputes, claims, and issues arising from the Commission

proceeding currently pending in Cause No. 46100 as between the Settling Parties. The Settling Parties agree that CEI South's requested relief in this Cause should be granted in its entirety except as expressly modified herein.

I. TERMS AND CONDITIONS. The Settling Parties agree to Commission approval of the Company's 2025 – 2027 Demand Side Management ("DSM") Plan ("2025 – 2027 Plan" or "Plan") and associated accounting and ratemaking treatment modified as follows:

A. Lost Revenues. In consideration for the terms in paragraph I.B.2.c with respect to performance incentives, given CEI South's next planned electric base rate case is required to be filed on or before December 31, 2028, the Settling Parties agree to Commission approval of the recovery of lost revenues for measures installed during the 2025 – 2027 DSM Plan Period through CEI South's Demand Side Management Adjustment ("DSMA") Rider over whichever of the following periods occurs first: (a) the expiration of the life of the measure; (b) beginning with calendar year 2026, four (4) years after the date of implementation of any measure installed; or (c) until implementation of new electric base rates reflecting the test year rate base in CEI South's next electric rate case. Subsequent to approval of new base rates in CEI South's next base rate case proceeding, CEI South will zero out, in its DSMA Rider, all lost revenue recovery approved for the DSM Program years up to, and including, the test year adopted for the setting of base rates in CEI South's next base rate case proceeding.

B. Performance Incentives.

1. Spending Flexibility, Emerging Technology, and Rollover.

a. Spending Flexibility. The Settling Parties agree that the Company's Oversight Board ("OSB") will be authorized to pursue additional reasonably achievable, cost-effective energy savings by exercising spending flexibility (i.e., flex funding),

except that income-qualified programs are not required to be cost-effective. More specifically, the Settling Parties agree that CEI South will be permitted to apply spending flexibility of up to 10% (inclusive) of the total portfolio costs for the 2025 – 2027 DSM Plan towards programs with a Utility Cost Test (“UCT”) score greater than 1.0, except that income-qualified programs are not required to be cost-effective.

b. Emerging Technology. The Settling Parties agree that the OSB will be authorized to pursue emerging technology using funds of up to 10% (inclusive) of the total portfolio costs for the 2025 – 2027 DSM Plan.

c. Rollover. The Settling Parties explicitly agree that all spending flexibility and emerging technology amounts included within this 2025 – 2027 DSM Plan are specific to this 2025 – 2027 Plan and are not eligible for transfer or “rollover” from any prior DSM Plan or to any subsequent DSM Plan except as needed to pay out costs for measures installed within one program year but not paid until the subsequent program year.

2. Opportunity to Earn Performance Incentive.

a. The Settling Parties agree to associate additional energy and/or demand savings to any spending flexibility utilized for flex funding (pursuant to paragraph I.B.1.a) or emerging technology (pursuant to paragraph I.B.1.b). The level of spending flexibility and associated additional energy and/or demand savings will be agreed upon by the OSB and is outside of (i.e., in addition to) the savings goal in the 2025 – 2027 Plan. The Settling Parties further agree CEI South will have an opportunity to earn a performance incentive on those additional energy and/or demand savings using the same, but separately calculated, performance incentive mechanism.

b. The Settling Parties agree that for purposes of the Fuel

Adjustment Clause (“FAC”), CEI South’s authorized net operating income will not be adjusted by the actual amount of DSM financial incentives earned for the 2025 – 2027 DSM Plan.

c. The Settling Parties agree that CEI South’s proposed financial incentive shall be approved with the following modification. The Settling Parties further agree CEI South will apply the following modified performance incentive achievement level and incentive level matrix to calculate the performance incentive mechanism for portfolio savings for the filed 2025 – 2027 DSM Plan, and, as separately calculated, all spending flexibility, and emerging technology amounts.

Performance Incentives	
Achievement Level (kWh)	Incentive Level (NPV of net benefits of UCT)
110%	13.0%
100 - 109.99%	10.0%
90 - 99.99%	9.0%
80 - 89.99%	8.0%
70 - 79.99%	6.0%
60 - 69.99%	4.0%
<60%	0.0%

C. DSM Programs, Savings Goals, and Implementation.

1. **Increase Portfolio Savings in Line with IRP.** The Settling Parties agree that CEI South will increase the DSM portfolio savings by an additional +6,600 MWh Gross over 2025 – 2027 to bring the Residential Behavioral program savings more in line with CEI South’s most recently filed Integrated Resource Plan (IRP). The additional Residential Behavioral savings will be achieved through the Online Energy Analyzer tool and evaluated by the Evaluation Measurement & Verification (“EM&V”) vendor.

2. **Costs.** The Settling Parties agree that CEI South will increase Residential Behavioral savings as described in paragraph I.C.1 above, to bring Residential Behavior program levelized costs more in line with (\$0.06612/kWh gross).

3. **Removal of LED Nightlights.** The Settling Parties agree that CEI South will remove LED nightlights from the Community Connections program in 2025 to keep the In-Service-Rate higher in year 2026 or 2027. The LED nightlights will be replaced with other measures to achieve 2025 savings. If the savings cannot be backfilled at the same costs for 2025, then the cost and savings will be adjusted accordingly. The direct install programs (IQW, Multi-Family, HEA), Marketplace, and School Education programs, where no savings are claimed in the Schools Education program, will remain as proposed.

4. **In Store Discount Program.** The Settling Parties agree that the EM&V for this program will include analysis of non-customer free-ridership consistent with EM&V protocols recommended by the EM&V vendor.

5. **Residential Online Marketplace.** As the contract with the Marketplace vendor has been executed to launch in 2024, CEI South has worked with the online marketplace vendor to complete User Acceptance Testing to ensure data integrity and data security. The Settling Parties agree that CEI South will provide the following for 2025:

- a. Annual EM&V to verify data integrity and data security.
- b. Performance savings goals by measure that will provide more transparency for the Company's OSB. CEI South will share implementation strategies, promotions, and a marketing plan that includes filed plan savings goals to be achieved and specific dates for those filed plan savings goals.

D. Other Matters.

1. Any matters not addressed by this Settlement Agreement will be adopted as proposed by CEI South in its direct and rebuttal cases in this Cause.

2. The Settling Parties agree to work cooperatively to seek Commission approval of this Settlement Agreement so that CEI South may implement its 2025 – 2027 DSM Plan (as modified herein) effective January 1, 2025, or upon the Indiana Utility Regulatory Commission’s approval, if later. The Settling Parties further agree CEI South’s current DSM Plan will remain in place (pending the Commission’s interim order) until a final order is issued in this Cause.

II. EFFECT OF SETTLEMENT AND PROCEDURAL MATTERS.

A. Scope and Effect of Settlement.

1. Neither the making of this Settlement Agreement nor any of its provisions shall constitute in any respect an admission by any Settling Party in this or any other litigation or proceeding. Neither the making of this Settlement Agreement, nor the provisions thereof, nor the entry by the Commission of a Final Order approving this Settlement Agreement, shall establish any principles or legal precedent applicable to Commission proceedings other than those resolved herein.

2. This Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any Settling Party in any other proceeding except as necessary to enforce its terms before the Commission, or any tribunal of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process and, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Settling Parties may take with respect to any or all of the issues

resolved herein in any future regulatory or other proceedings.

3. The Settling Parties' entry into this Settlement Agreement shall not be construed as a limitation on any position they may take or relief they may seek in pending or future Commission proceedings not specifically addressed in this Settlement Agreement.

B. Authority to Enter Settlement. The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby, subject to the agreement of the Settling Parties on the provisions contained herein.

C. Privileged Settlement Communications. The communications and discussions during the negotiations and conferences have been conducted based on the explicit understanding that said communications and discussions are or relate to offers of settlement and therefore are privileged. All prior drafts of this Settlement Agreement and any settlement proposals and counterproposals also are or relate to offers of settlement and are privileged.

D. Conditions of Settlement. This Settlement Agreement is conditioned upon and subject to Commission acceptance and approval of its terms in their entirety, without any change or condition that is unacceptable to any Settling Party.

E. Evidence in Support of Settlement. The Settling Parties may offer their respective direct, rebuttal, and supplemental testimonies supporting the Commission's approval of this Settlement Agreement and will request that the Commission issue a Final Order incorporating the agreed proposed language of the Settling Parties and accepting and approving the same in accordance with its terms without any modification. Such supportive testimony will be offered into evidence without objection by any Settling Party. The Settling Parties hereby waive cross-examination of each other's witnesses.

F. Commission Approval. The Settling Parties will support this Settlement Agreement before the Commission and request that the Commission accept and approve the Settlement Agreement. This Settlement Agreement is a complete, interrelated package and is not severable, and shall be accepted or rejected in its entirety without modification or further condition(s) that may be unacceptable to any Settling Party. If the Commission does not approve the Settlement Agreement in its entirety, the Settlement Agreement shall be null and void and deemed withdrawn, upon notice in writing by any Settling Party within fifteen (15) business days after the date of the Final Order that any modifications made by the Commission are unacceptable to it. In the event the Settlement Agreement is withdrawn, the Settling Parties will request that an Attorneys' Conference be convened to establish a procedural schedule for the continued litigation of this proceeding.

G. Proposed Order. The Settling Parties will work together to prepare an agreed-upon proposed order to be submitted in this Cause. The Settling Parties will request Commission acceptance and approval of this Settlement Agreement in its entirety, without any change or condition that is unacceptable to any party to this Settlement Agreement.

H. Publicity. The Settling Parties also will work cooperatively on news releases or other announcements to the public, if any, about this Settlement Agreement.

I. Waiver of Opposition. The Settling Parties shall not appeal or seek rehearing, reconsideration or a stay of any Final Order entered by the Commission approving the Settlement Agreement in its entirety without changes or condition(s) unacceptable to any Settling Party (or related orders to the extent such orders are specifically and exclusively implementing the provisions hereof) and shall not oppose this Settlement Agreement in the event of any appeal or a request for rehearing, reconsideration or a stay by any person not a

party hereto.

J. Counterparts. This Settlement Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.


Accepted and Agreed on this 12th day of December, 2024.

(signature pages follow)

CAUSE NO. 46100

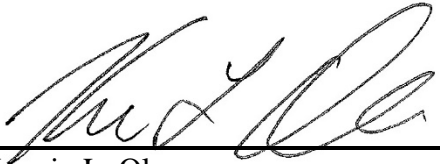
JOINT EX. NO. 1
SETTLEMENT AGREEMENT

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



Natalie Hedde
VP Strategic Business Growth & Engagement
Southern Indiana Gas and Electric Company
d/b/a CenterPoint Energy Indiana South

CITIZENS ACTION COALITION OF INDIANA,
INC.

A handwritten signature in black ink, appearing to read "Kerwin L. Olson", is written over a solid horizontal line.

Kerwin L. Olson
Executive Director
Citizens Action Coalition of Indiana, Inc.

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



Thomas R. Harper
Deputy Consumer Counselor