

Delivering Energy Efficiency

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WHAT WE DO:

Energy Efficiency Program Overview

- Offer a comprehensive set of 13 programs to:
 - residential
 - small commercial/industrial customers
- Residential programs include:
 - energy efficiency
 - direct load control
 - low income customers
 - new technologies
- Small C&I are for customers who are less than 500kW

Current Programs

- *Power Manager* – residential direct load control
- *Home Energy House Call* – in-home audit
- *Smart Saver[®]/Summer Saver* – incentives for installation of high efficiency heat pumps/air conditioners
- *Energy Star Homes* – subsidization for cost of ES rating
- *National Energy Education Development (Need)* – education for students & educators
- *Photovoltaic* – demonstration projects in homes/schools

Current Programs (cont'd)

- *Low Income Weatherization* – weatherization & installation of other energy efficiency measures
- *Low Income Refrigerator Replacement* – test & replace old unit with Energy Star rated unit
- *Small Commercial/Industrial* – energy efficiency rebates for:
 - Lighting
 - HVAC
 - Motors
 - Pumps

Expenditures & Goals

- Expenditures
 - \$5.1 MM – total annual budget
 - \$2.85 MM – for direct load control
- Goals
 - 1800 home audits
 - 200 Energy Star homes
 - 2000 heat pumps
 - 800 low income homes
 - 300 refrigerators
 - 10,000 direct load control switches

Program Delivery

- Programs are delivered through two primary channels
 - Direct response incentives
 - *i.e.*, HVAC incentives, C&I programs
 - Outsourced vendors
 - Not-for-profit local community action agencies
 - Energy services companies
 - *i.e.*, In-home audits, direct load control

Program Marketing

- Primarily use direct mail/response marketing
- Customers are targeted in a number of different ways depending upon the program:
 - Income qualification
 - Geographic location
 - End use equipment
- Mail approximately 500K pieces annually

Achievements

- Nationally, Duke Energy Indiana ranks in the top 6% of electric utilities for energy reductions from energy efficiency programs
- Investment = \$150MM+ since 1991
- Energy reductions (annual) = 660 K MWHs
- Demand reductions (cumulative) = 200 MWs
- Participating customer bill savings (cumulative) = \$300 MM+
- Estimated emissions reduced:
 - SO_2 = 54,000 tons
 - NO_x = 11,000 tons
 - CO_2 = 6,850,000 tons
 - Mercury = 200 lbs.

Challenges

- Expand offerings where cost effective
- Expand to include larger C&I customers
- Multi-utility cooperation in State
- Expand implementation of dual fuel DSM programs by electric and gas utilities with overlapping territories

HOW WE PAY FOR IT:

- Legal Background
 - Indiana law does not require utilities to sponsor DSM programs.
 - Rather, the state's CPCN law requires that the utilities demonstrate that they have considered conservation and load management, when seeking Commission approval to build, buy, or lease a new generating plant.
 - Commission rules allow for DSM cost recovery, lost revenue, and shareholder incentive mechanisms.

History of Duke Indiana's DSM Efforts:

1st DSM Collaborative (1990/1991)

- PSI was the first Indiana energy utility to offer a comprehensive set of DSM programs to its customers in 1990
 - DSM Collaborative included three customer groups (OUCC, CAC, PSI-Industrial Group)
 - Agreement was reached on a comprehensive set of DSM programs to be offered to all major retail customer classes.
- Ratemaking treatment included deferred accounting treatment for program costs, lost revenues, and a shared savings incentive.

History of Duke Indiana's DSM Efforts: Large C&I Customers Opt Out (1996)

- In 1996, Duke Indiana and its customer groups negotiated a new collaborative agreement that did the following:
 - Independent ESCOs were assumed to target larger C&I customers, without the need for utility-sponsored incentives
 - Authorized deferrals to be recovered over 4 years
 - Limited future program offerings to residential and small C&I customers (less than 500 kW)
 - Established authorized budgets for each DSM programs (with no assurance of recovery for amounts in excess of authorized budget)
 - Authorized future DSM program costs to be recovered contemporaneously from targeted customer groups via a tracking mechanism
 - Due to reduced program size, lost revenue and shared savings incentives for DSM programs were ended

2001 to Today

- In 2001, another collaborative agreement was put in place, continuing and slightly expanding Duke Indiana's offering of DSM programs to residential and small C&I customers.
- In 2003, the successful direct load control program, Power Manager, was rolled out.
- In 2005, proposed expanded programs which failed to receive support from consumer groups and Commission ordered status quo.
- Currently working with Collaborative parties on ways to expand energy efficiency offerings and resolve ratemaking issues.

Duke Indiana's Preferred Method / Alternative Approaches

- **Utility – Sponsored** v. Third Party Administrator / public benefits charge
 - Integrated with other supply-side options (another resource)
 - Utility uniquely positioned to interact with customers
 - Comprehensive delivery structure in place since 1990s

- **Collaborative support** v. litigated case
 - Most stakeholders agree cost-effective DSM is desired
 - Disputes center around ratemaking treatment, budget size and scope, cost effectiveness issues, target customers segments

Duke Indiana's Preferred Method / Alternative Approaches (cont'd)

- **Tracker cost recovery** v. base rates / deferrals
 - Recover only actual costs
 - Recover costs in timely manner
- **Incentives**
 - Provide utility an incentive to maximize participation and impacts
- **Lost Revenue** recovery
 - Makes utility whole and (along with incentives) evens the playing field with supply-side options

QUESTIONS