



20 N. Wacker Drive
Suite 1301
Chicago, Illinois 60606
312.587.8390 *main line*
312.587.8391 *fax*
www.mwalliance.org

COMMENTS ON RM# 15-06: 170 IAC 4-7 AND 4-8, SECOND STRAWMAN DRAFT PROPOSED RULE

March 31, 2016

BACKGROUND

As the Midwest's principal proponent, information source, and networking forum for energy efficiency policy, the Midwest Energy Efficiency Alliance (MEEA) helps educate and advise a diverse set of stakeholders on new and meaningful ways to pursue an energy-efficient agenda that is both achievable and cost-effective. MEEA's membership includes energy providers, policymakers, implementers, manufacturers, and environmental groups, and consists of more than 160 organizations, including 18 in Indiana.

MEEA submits these comments in response to the Second Strawman Draft Proposed Rule of the Indiana Utility Regulatory Commission (IURC) issued on March 4, 2016 in RM # 15-06. The proposed rule updates the Commission's rules regarding the requirements of electric utilities to prepare and submit integrated resource plans.

On November 18, 2015, MEEA also submitted comments to the IURC's First Strawman Draft Proposed Rule issued on October 11, 2015 in this rulemaking. MEEA's comments to the first Strawman focused on establishing a framework to maximize the utility investment in cost-effective energy efficiency programs, pointing out that (i) robust energy efficiency programs benefit all ratepayers by reducing utility reliance on costly electricity generation during peak times and avoiding construction of additional power plants and transmission facilities; (ii) the average cost of energy efficiency is three times cheaper than new natural gas and coal fired power plants and two times cheaper than wind generation; and (iii) the benefits of energy efficiency, both in energy savings and in non-energy savings, are highly localized and remain in state. Consequently, MEEA urged the Commission to modify the final rule to fully integrate energy efficiency as a resource into the IRP process.



20 N. Wacker Drive
Suite 1301
Chicago, Illinois 60606
312.587.8390 *main line*
312.587.8391 *fax*
www.mwalliance.org

Specifically, MEEA urged the IURC to make further revisions to the first Strawman to achieve the following:

- Empowerment of the Commission to hold utilities more accountable for the completeness of their IRPs;
- Use of independently-performed studies to establish energy efficiency potential;
- Creation of a clear definition for what is considered “achievable” energy efficiency/DSM;
- Reduction of the time period over which lost revenues can be recovered by the utilities;
- Recognition of the benefits, including non-energy benefits, of demand-side management;
- Increased Participation of the public in the planning process; and
- Synchronization of the IRP and DSM planning schedules to ensure that the IRP informs DSM planning.

COMMENTS

MEEA is pleased to see that the comments to the First Strawman proposal were well reflected in this Second Strawman Draft and commends the efforts of the Staff in incorporating the diverse and sometimes conflicting stakeholder comments. Much of what MEEA has recommended has been accepted in whole or in part in this draft. The corrections, clarifications, and reorganization that have gone into the Second Strawman demonstrate a strong effort on the part of the Staff to take stakeholder feedback into account as they finalize the rules.

As such, there are only a few areas that MEEA feels need additional comment at this time.

- First and foremost, we reiterate the comments we and others have made previously that requiring cost-effectiveness testing of DSM resources in the IRP (§4-7-7(c)) amounts to double screening, as DSM resources will be screened both in the IRP and again in the EE plan. Requiring cost-effectiveness screening for demand-side resources to be included in the IRP does not put those resources on a “consistent and comparable basis” (§4-7-8(c)(5)) to supply-side



20 N. Wacker Drive
Suite 1301
Chicago, Illinois 60606
312.587.8390 *main line*
312.587.8391 *fax*
www.mwalliance.org

resources which do not need to undergo the same screening to be included. Requiring economically-achievable energy efficiency to be identified by a utility energy efficiency potential study would be an effective approach that would not require double screening of EE programs.

- A second issue is that the language permitting the use of “one or more of the following tests” for cost-effectiveness screening (§4-8-2(a)(3) and in 4-7-7(c) as noted above), rather than language identifying a specific test, will make it difficult to consistently compare cost-effectiveness between utilities, or even between program years of the same utility, if different test options are used.

For example, if Utility A reports the TRC and the RIM, while Utility B reports the PCT and the UCT, it leaves no direct point of comparison (unless sufficient itemized cost and benefit detail is also provided to allow the unreported values to be re-calculated after the fact – something that is feasible but not with data currently reported in Indiana). For the Commission to be able to appropriately analyze the cost effectiveness of one utility’s program compared to another’s, or one program year compared to another program year, there must be some point of reference.

We find data consistency and comparability in cost-effectiveness results is best served by requiring all the tests to be performed and reported, with one test – most commonly in our region the TRC, followed by the Societal Cost Test (which Indiana is not considering for use), and the PACT – being the tests primarily used as the screen for purposes of including or excluding a program from the portfolio. MEEA also recommends that energy efficiency cost-effectiveness be calculated and reported at the program, sector, and total portfolio levels to allow for the broadest understanding of the benefits of energy efficiency at all levels.

- Thirdly, MEEA points out that the timing by which utilities have been scheduled to submit their IRPs (§4-7-2(a)) and their energy efficiency plans (§4-8-2(a)) is problematic and requires some clarification, considering the requirement in Ind. Code §8-1-8.5-10(c) that energy efficiency plans are to be “consistent with an electricity supplier’s integrated resource plan.” The staggered IRP timing set



20 N. Wacker Drive
 Suite 1301
 Chicago, Illinois 60606
 312.587.8390 *main line*
 312.587.8391 *fax*
www.mwalliance.org

forth in 4-7-2 along with the legislated EE timing that is set forth in 4-8-2 means that the timing between IRP and EE plan is going to be rather inconsistent across the state’s utilities, as we demonstrate in the table below. For some utilities, the IRP will be a year and a half old by the time the EE plan is filed, others only 60 days (not even long enough for the draft Director’s Report to be released), and for some the next EE plan is due before the next IRP.

Utility	IRP1	Days Between	EE1	Years Between	IRP2	Days Between2	EE2
IP&L	11/1/2016	425	12/31/2017	1.84	11/1/2019	426	12/31/2020
NIPSCO	11/1/2016	425	12/31/2017	1.84	11/1/2019	426	12/31/2020
Vectren	11/1/2016	425	12/31/2017	1.84	11/1/2019	426	12/31/2020
IMPA	11/1/2017	60	12/31/2017	2.84	11/1/2020	60	12/31/2020
Hoosier	11/1/2017	60	12/31/2017	2.84	11/1/2020	60	12/31/2020
Wabash	11/1/2017	60	12/31/2017	2.84	11/1/2020	60	12/31/2020
Duke	11/1/2018	(305)	12/31/2017	3.84	11/1/2021	(305)	12/31/2020
I&M	11/1/2018	(305)	12/31/2017	3.84	11/1/2021	(305)	12/31/2020

We note that the approach that Duke and I&M each have previously taken, namely that each company’s respective 2015 IRP will inform its 2017 EE plan, with the 2018 IRP informing the next EE plan, gives the IURC 2 years between the IRP and the subsequent EE plan for these utilities going forward. A revised table showing that schedule is below. Accepting this approach does not, however, clarify the approach other utilities will need to take to address these timing issues.

Utility	IRP1	Days Between	EE1	Years Between	IRP2	Days Between2	EE2
Duke			12/31/2017	0.84	11/1/2018	791	12/31/2020
I&M			12/31/2017	0.84	11/1/2018	791	12/31/2020

Ideally, the planning schedule would have each utility file its IRP the year before its EE plan, consistent with the schedule put forth for IP&L, NIPSCO, and Vectren. While requiring a utility to undergo back-to-back IRP planning processes is impractical and potentially burdensome, we recommend the Staff



20 N. Wacker Drive
Suite 1301
Chicago, Illinois 60606
312.587.8390 *main line*
312.587.8391 *fax*
www.mwalliance.org

consider requiring an interim update to a utility's existing IRP or some other short-term mechanism that would allow the schedules to be better synced up across all the utilities; the goal being that each utility would have an IRP submitted in November 2019, a year before filing its December 2020 EE plan. Some flexibility up front would get everyone operating on the same, consistent schedule and make sure that utilities' future EE plans would all be drawing on IRPs of similar vintage.

- A final, minor issue is that the definition used for the Rate Impact Measure (RIM) test in definitions 4-7-1(ii) and 4-8-1(ff) should, for consistency with the other definitions of cost-effectiveness tests, reinstate the deleted phrase "...means a cost-effectiveness test that..." and then include, immediately following the reinstated phrase, a description of what the test measures. The definition as revised in the Second Strawman does not define the Ratepayer Impact Measure as a cost-effectiveness test, but rather as a "revenue requirement".

The definition here is also inconsistent with the other cost-effectiveness test definitions in the proposed rules in that the other test definitions provide a general explanation of what the test measures, consistent with standard, industry definitions of the tests (e.g., as defined in the National Action Plan for Energy Efficiency or the California Standard Practice Manual). The definition provided for the RIM is not consistent with the standard industry definition. We urge the Staff to review this definition and make sure it consistent with other definitions of cost-effectiveness tests in these rules and with standard industry practice. For Staff's convenience, the definitions and recommended revisions are set forth herein:

ORIGINAL DEFINITION

"Ratepayer impact measure" or "RIM" test means a cost effectiveness test which analyzes how a rate for electricity is altered by implementing a DSM program. This test measures the change in a revenue requirement expressed on a per unit of sale basis.

REVISED SECOND STRAWMAN DEFINITION



20 N. Wacker Drive
Suite 1301
Chicago, Illinois 60606
312.587.8390 *main line*
312.587.8391 *fax*
www.mwalliance.org

“Ratepayer impact measure test” or “RIM test” is the change in revenue requirement, expressed on a per unit of sale, from the implementation of a DSM program.

SUGGESTED DEFINITIONS

A definition based upon NAPEE “Understanding Cost-Effectiveness of Energy Efficiency Programs” Appendix B (Glossary) (2008):

“Ratepayer impact measure test” or “RIM test” means a cost-effectiveness test that measures the impact on utility operating margin and whether rates would have to increase to maintain the current levels of margin if a customer installed energy efficient measures.

Or a definition based on the California Standard Practice Manual (2001):

“Ratepayer Impact Measure test” or “RIM test” test means a cost-effectiveness test that measures what happens to customer bills or rates due to changes in utility revenues and operating costs caused by the DSM program.

Thank you for the opportunity to comment again on this Rulemaking and we look forward to the implementation of the final rules.