Hoosier Environmental Council
3951 N. Meridian, Ste. 100, Indianapolis, IN 46208
P 317.685.8800 F 317.686.4794
WWW.HECWEB.ORG

IURC Cause No. RM #15-06

Reply Comments of Hoosier Environmental Council, Inc. to Other Stakeholder Comments

December 17, 2015

Dear Ms. Roads,

Hoosier Environmental Council welcomes this final opportunity to provide written comments in the RM #15-06 rulemaking proceeding. The outcome of this rulemaking process will drive resource allocation decisions in Indiana for years to come. It is imperative the rule provide clear guidance to utilities on the inclusion of demand side resources, including energy efficiency, demand response, combined heat and power, and customer sited renewable technologies in integrated resource planning. It is also critical these resources are evaluated with supply side resources on a comparable basis to ensure integrity of the analysis.

The purpose of this set of comments is to respond to other stakeholder comments and redlines from the second set of comments filed on October 22, 2015. We will respond to stakeholder comments and redlines by issue, instead of focusing on each stakeholder's individual comments.[1] Please feel free to reach out to us to discuss any of our comments in greater detail.

Issue: definition of least cost planning

Multiple commenters opined on the commission's decision to remove the term "least cost planning from the IRP rule in the strawman.[2] INDIEC provided an alternative definition of "preferred resource portfolio" for the Commission's consideration. Citizen's Action Coalition provided a definition of least cost planning in the context of the IRP rule. The OUCC also provided comments on this issue citing the removal of cost minimization language from the strawman draft of the rule. HEC agrees with stakeholders on the importance of maintaining language in the rule providing a standard to gauge various resource portfolios.

In the HEC red line version of the strawman, we recommended the Commission reject the change removing the present value of revenue requirements approach to ranking resource portfolios.[3] The IURC should have a common method to evaluate the resource portfolios presented by utilities. Removing the

[1] HEC limits its comments here to several issues that require further explanation/clarification before a decision is reached. The failure to include an issue raised in previous comments does not suggest it is resolved, only that it is ripe for resolution without further comment.
[2] *See Citizens Action Coalition at 4 (of redlined strawman), Indiana Industrial Energy Customers Inc. at 1, and OUCC at 2.*
[3] *See Strawman Comments from Hoosier Environmental Council dated October 22, 2015 at 25.*

language requiring utilities to present resource portfolios ranked by present value revenue requirements eliminates the ability of the IURC and stakeholders to evaluate portfolios based on cost. This language should be reinserted to ensure the continued focus on cost minimization and least cost planning in the IRP process.

<u>Issue: removal of congestion and energy costs</u>

In redlines presented by the Joint Utilities, the words "congestion and energy costs" were removed under 170 IAC 4-7-6 Resource Assessment section.[4] HEC objects to the removal of the consideration of congestion and energy costs in the context of resource assessment in an IRP. Essentially this section requires utilities to consider the evaluation of supply side resource potential to reduce locational marginal price. The components of locational marginal price include line losses, congestion costs, and energy cost. Utilities should consider supply and demand side options to reduce LMP and ultimately save customers money. Demand response, energy efficiency, combined heat and power, and renewable resources have the potential to reduce congestion costs.

<u>Issue: definition of program costs</u>

Several comments raised concerns with the definition of program costs for DSM programs in both the IRP and DSM rule. Citizen's Action Coalition recommended the Commission use the definition in the IRP strawman. The OUCC filed comments on this issue, but the recommendation to the Commission is unclear. In the Joint Utilities redline, the IRP definition of DSM program costs is redefined to include direct and indirect program costs, as well as lost revenues.[5] The Joint Utilities further go on to recommend "for the purposes of determining the benefit cost test results, the costs to be included in various test shall be determined by the California Standard Practice Manual…"[6] The Midwest Energy Efficiency Alliance (MEEA) also commented on this issue, stating if all program costs are to be included, then all program benefits should also be included.[7] MEEA also recommended the Commission use the definition of program cost proposed in the October 22 version of the strawman.

HEC supports the recommendation of MEEA to address the issue of defining DSM program costs. It is improper and fundamentally flawed to include lost revenues to model DSM resources properly in an IRP analysis. Lost revenues are not program costs for DSM resources, but are unrecovered costs for other assets. To include these costs in an IRP analysis would grossly violate the principal of comparability in resource planning and give supply side resources significant advantage.

HEC doesn't object to the language proposed by the Joint Utilities regarding the California Standard Practice Manual for guidance on which costs to include. However, it is critically important to also include the correct benefits as well. As such, if the Commission adopts this language, HEC recommends "and benefits" to be included in the Joint Utilities proposed changes directly after the cost.

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[4] *See 170 IAC 4-7-6 (a)(5)(B)*
[5] *See Joint Utilities October 22, 2015 redline version of strawman at 5.*
[6] *Id. at 22.*
[7] *See MEEA comments on October 22, 2015 redline version of strawman at 9.*