

Layton, Kimberly

From: indianadg.org@gmail.com on behalf of Laura Ann Arnold [Laura.Arnold@indianadg.net]
Sent: Monday, June 09, 2014 5:41 PM
To: Comments, Urc
Subject: IndianaDG Letter to IURC on EE-DSM
Attachments: IndianaDG Letter to IURC on EE-DSM_2014-06-09--FINAL.doc

Please find our comments attached.

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INDIANA DISTRIBUTED ENERGY ALLIANCE

Beth Krogel Roads, General Counsel
RE: IURC's EE/DSM Recommendations
Indiana Utility Regulatory Commission
101 West Washington Street, Suite 1500 East
Indianapolis, IN 46204
9 June 2014

RE: IURC EE/DSM Recommendations

Dear Ms. Roads:

I am writing to provide comments for Indiana Distributed Energy Alliance (IndianaDG). Members of IndianaDG include companies doing business in Indiana that sell and install renewable energy systems such as solar PV, solar thermal, wind, biomass, geothermal and combined heat and power (CHP). One member manufactures wind turbines.

Energy efficiency (EE) and Demand Side Management (DSM) programs represent a necessary and vital first step to address Indiana's high energy costs. The announcement of the US Environmental Protection Agency's (US EPA) proposed carbon regulations last week now provides additional reasons for the State of Indiana to critically review and adopt new goals and programs to assist the State in meeting our proposed 20% goal under the rule.

Everything is connected to everything else. This is no truer than in the case of energy policy.

Specifically, the Governor asked that the IURC's recommendations accomplish the following:

- Include appropriate EE goals for Indiana;
- Reflect an examination of the overall effectiveness of current DSM programs in the state;
- Reflect any and all issues that may improve current DSM programs;
- Reflect a thorough benefit-cost analysis of the cost impact to ratepayers of possible DSM programs; and
- Allow for an opt-out whereby large electricity consumers can decide not to participate in a DSM program.

IndianaDG will limit its comments to those points in this letter.

Appropriate EE Goals for Indiana

To understand what an appropriate EE goal is for Indiana, it is imperative to learn and understand the goals and programs currently operating in other states. I am an avid fan of the DSIREUSA.org website which provides a good starting place for this task. See

http://www.dsireusa.org/documents/summarymaps/EERS_map.pdf

The existing Energizing Indiana program, which now expires at the end of 2014, represents a necessary and essential first step to address Indiana's high energy costs. The next step is to increase Indiana's

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deployment of renewable energy technologies which can both help to reduce and/or stabilize energy costs for Hoosiers as well as delay the need for new expensive fossil fuel power plant construction.

The energy efficiency goal of 2% per year within 10 years established in Cause No. 42693 in 2009 was a modest and reasonable goal for Indiana. Under current circumstances, a more aggressive goal of 4% annual savings per year is likely a better target with clearly delineated incentives and penalties for Indiana electric utilities. Perhaps incentives should be limited for electric utilities that exceed EE/DSM goals or achieve these goals ahead of schedule and in the most cost-effective manner. Maximum flexibility should be afforded to each electric utility to develop and implement these plans.

Overall effectiveness of current Indiana EE/DSM programs

An essential aspect of assuring effectiveness of EE/DSM programs is allowing adequate time to plan and implement the programs. Quite frankly, the yoyo behavior of “stopping and starting” such programs is extremely detrimental to the effectiveness of the programs by Indiana’s electric utilities. It takes time to implement these programs and to increase certainty in the marketplace for businesses wanting to invest in Indiana.

All five Investor-Owned Electric Utilities in Indiana have recently filed new Demand Side Management (DSM) cases with the Indiana Utility Regulatory Commission (IURC) as follows:

Utility	Date Filed	Cause No. and filings received
I&M	05/05/14	44486 Case-in-chief submitted
Vectren	05/29/14	44495 Case-in-chief submitted
NIPSCO	05/29/14	44496 Case-in-chief submitted
Duke Energy Indiana	05/29/14	43955-DSM2 Case-in-chief submitted; Confidentiality
IPL	05/30/14	44497 Case-in-chief submitted

Due to the lack of time to review these cases and the volume of these filings, it is impossible to offer any comments or recommendations pertaining to these cases. It is important to note, however, that only IPL has proposed a two year DSM plan from 1/1/15 thru 12/31/16 whereas all of the other DSM filings are for only one year beginning on 1/1/15. The DSM plans should probably be for 3-5 years or perhaps 4 years with annual reports and adjustments.

Move from declining block rates to inclining or inverted rates

Indiana should also review the goals and objectives of the Public Utilities Regulatory Policy Act of 1978 or PURPA when devising a policy for EE/DSM in the State. The purposes of PURPA are to encourage:

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- Conservation of energy supplied by electric utilities;
- Optimization of energy supplied by electric utilities; and
- Equitable rates to electric consumers.

In particular, PURPA proposed the elimination of declining block rates, stating that the energy component in a rate, charged by any electric utility for providing electric service during any period to any class of electric consumers may not decrease.

Another part of this landmark federal energy policy or PURPA requires all electricity produced by cogeneration and alternate power producers to be purchased by electric utilities. 170 IAC 4 Rule 4.1. Cogeneration and Alternate Energy Production Facilities.

There is clearly a need for a review of the current rule and likely a new rulemaking. Proper rates paid for the production of electricity by customers is an important matter which also needs to be addressed even if it is technically a “supply side” measure and not a “demand side” measure as currently defined in state law.

Perhaps one of the most important market signals to incentivize consumers into increasing energy efficiency and adopting energy conservation measures is to reward consumers for their market behavior. If a residential customer reduces their energy consumption and does not really save money on the consumer’s electric bills due to declining block rate structures, how can we expect to influence a change in their behavior? In particular, both IPL and DEI have aspects of declining block rates for their residential customers. The issue of residential declining block rates was raised as an issue in the recent IPL CPCN case in Cause No. 44339. The Commission indicated that there was not sufficient testimony offered on this issue. Perhaps the Commission should initiate a generic proceeding or rulemaking on this subject and require all electric utilities to look at inverted or inclining rates and/or flat rates as an appropriate measure to encourage customer energy conservation.

Please find below two recent articles about the inclining rate structure proposed for Excel Energy in Minnesota.

<http://www.startribune.com/business/262048181.html>

<http://www.utilitydive.com/news/new-mn-rate-plan-would-reward-xcel-customers-for-conserving-energy/271799/>

There is considerable information from other state jurisdictions on this topic which should be investigated. This is not a new subject but it needs a new look here in Indiana.

Benefit-cost analysis of the cost impact to ratepayers from DSM programs

Clearly, a comprehensive benefit-cost analysis to determine the cost impact to utility consumers from DSM programs offered by electric utilities is important.

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One benefit of EE/DSM programs is the reduction of carbon pollution and the reduction of the impact of climate change. IndianaDG believes there is a need to look at all costs and risks of Indiana's continued dependence on fossil-fuel generated electricity. A recent report prepared by BusinessForward addresses the cost of climate change and severe weather to the manufacturing sector. See <http://www.indianadg.net/business-forward-report-climate-change-disruptions-costing-indiana-manufacturers-millions/>

Large customer opt-out of DSM

Rather than focusing on providing large customers the ability to opt-out of DSM programs and costs, IndianaDG believes that there is a renewed need to pursue "self-direct" DSM programs.

President Reagan said "Trust but verify," meaning that while a source of information might be considered reliable, one should perform additional research to verify that such information is accurate, or trustworthy.

Although it may be reasonable that a large industrial customer is in a better position to plan and execute DSM programs, they should not be permitted to merely opt-out of these DSM programs without verification. Some societal goals such as across-the-board support by all utility customers of DSM programs as a system-wide resource is essential and can be likened to the need for all taxpayers to support public education whether or not they have children attending public schools or not.

Finally, along the lines of "trust, but verify," IndianaDG also supports the use of an independent non-profit statewide third party administrator.

Thank you for the opportunity to submit comments and recommendations.



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