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**Comments on Behalf of the Midwest Energy Efficiency Alliance
Indiana Utility Regulatory Commission
August 31, 2015**

Dear Ms. Beth Krogel Roads:

The Midwest Energy Efficiency Alliance (MEEA) seeks to submit this written testimony related to the Indiana Utility Regulatory Commission's (IURC) Draft Proposed Rule to modify integrated resource planning (IRP) guidelines.

MEEA is a non-profit membership organization based in Chicago, Illinois and founded in 2000. MEEA covers thirteen states in the Midwest and our members include investor-owned, cooperative, and municipal utilities; energy efficiency service and technology providers; manufacturers; state energy office representatives; and, academic, advocacy and research organizations. With more than 150 members, including 18 in Indiana, we work to advance energy efficiency policies and facilitate energy efficiency program creation and delivery.

EXECUTIVE SUMMARY

Energy efficiency is the quickest path to reducing energy costs and the cheapest kilowatt hour of electricity to generate. Robust energy efficiency programs benefit all ratepayers by reducing the need to rely on costly electricity generation during peak times and avoiding the need to build additional power plants and transmission facilities. At an average of \$14 per megawatt hour in the Midwest, energy efficiency is three times cheaper than new natural gas and coal fired power plants and two times cheaper than wind generation.¹ In 2013, for every \$1 spent on energy efficiency programs in Indiana, residents and businesses reaped \$3.02 in benefits.² The calculated benefits include energy and capacity related avoided costs such as the cost of building new generation, transmission, and distribution facilities. All of these benefits are highly localized and remain in-state. Therefore, it is essential that the IURC's Final Rule establish a framework to maximize the required investment in cost-effective energy efficiency programs.

In 2014, Indiana repealed its statewide energy efficiency standard. Since that change, total utility energy efficiency budgets decreased by 30% while total energy savings decreased by 47%.³

¹ Lazard. August 2013.

http://gallery.mailchimp.com/ce17780900c3d223633ecfa59/files/Lazard_Levelized_Cost_of_Energy_v7.0.1.pdf

² Indiana Utility Regulatory Commission. August 15, 2014.

[http://www.in.gov/iurc/files/DSM_Report_to_General_Assembly_w_Cover_Letter_8-15-2014\(1\).pdf](http://www.in.gov/iurc/files/DSM_Report_to_General_Assembly_w_Cover_Letter_8-15-2014(1).pdf)

³ Midwest Energy Efficiency Alliance. *Energy Efficiency in Indiana after Repealing the Statewide Standard*. April 24, 2015. http://www.mwalliance.org/sites/default/files/uploads/advokit/MEEA_2015_Advokit_Energy-Efficiency-Indiana-After-Repealing-Statewide-Standard_April2015.pdf.



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These reductions led to an overall lowering of the cost-effectiveness of the energy efficiency program delivery for Indiana ratepayers. While Indiana has had an IRP requirement since 1995, it took the IURC's 2009 Order to establish a savings goal to get any meaningful investment in energy efficiency. It is thus vital that the IURC's Final Rule create a framework for the recapture of cost-effective energy efficiency programs in Indiana. MEEA's detailed comments follow.

MEEA IRP SUGGESTED LANGUAGE AND COMPONENTS

Require utilities to fix any faulty analysis identified in the IURC's Electricity Director's Final Report on the IRPs within 60 days of the Final Report

Indiana utilities have been following the IURC's 2012 Draft Proposed Rule since the Governor instituted the moratorium on rulemaking. According to Section 2(h) of the Draft Proposed Rule, the IURC's Electricity Director shall issue a report on the IRPs that limits the utility's filing to the informational, procedural, and methodological requirements of the rule. In the first and most recent report regarding the 2013 IRPs, the IURC's Electricity Director noted that the investor-owned electric utilities with filings that year (Duke and I&M) failed their energy efficiency analyses within their IRPs. However, neither utility was required to edit their substandard IRP. Thus, Duke and I&M's latest IRPs were and remain out of compliance with 170 IAC 4-7-8, which further calls into question the validity of these plans. Therefore, MEEA recommends the rule include required and enforceable criteria within the energy efficiency analysis.

Require utilities to utilize all cost effective demand-side management resources available in their respective territories based on independently performed potential studies

As illustrated in the previous section, IRP processes that do not compare demand side management (DSM) and supply resources on an equal footing or in a dynamic fashion prevent the full cost-effective benefits of energy efficiency from being realized. It is critical that Indiana avoid an IRP process that simply 1) deems a certain amount of DSM to be available, 2) reduces the load forecast by that amount and then 3) fills the void with supply side resources. Such a process often results in a scenario where the deemed amount of DSM leaves potential savings available that are less costly than supply resources. This practice unnecessarily forgoes energy efficiency resources that could generate economic and environmental benefits for utility consumers. MEEA recommends the rule allows energy efficiency and supply-side resources to be evaluated in a consistent and comparable manner, and requires utilities to utilize all cost-effective DSM resources available in their respective territories based on independently performed potential studies. If such provisions are incorporated, the rule will ensure that Indiana ratepayers receive the full benefits of cost-effective energy efficiency programs.



Define “reasonably achievable” as it pertains to the Draft Proposed Rule’s requirement of utility efficiency goals

Cost-effective energy savings should be procured systematically and aggressively in order to reduce utility costs for businesses and residents, improve the competitiveness and profitability of businesses, create more energy-related jobs, reduce the economic burden of fuel imports and reduce pollution. Senate Enrolled Act (SEA) No. 412 defines energy efficiency goals as all energy efficiency produced by cost effective plans that are “reasonably achievable,” yet does not further expand on defining the term. While best practices dictate that a reasonably achievable energy efficiency goal be a clear standard, i.e. 1.5% of annual retail energy sales, as is the case in Minnesota, the IURC Final Rule should at minimum more clearly define “reasonably achievable” with enforceable criteria.

Define “reasonable lost revenues” to be a three year limit on the timeframe for lost revenues collection or the life of the measure, whichever is less

In order to incent utilities to invest in energy efficiency, the award of lost revenues provides utilities with revenues for sales they lost due to successful energy efficiency programs. Utilities are also permitted to recover from ratepayers the cost of the programs, as well as earn a performance incentive for shareholders, if the programs perform well. Currently, the IURC Draft Proposed Rule allows for utilities to recoup “reasonable lost revenues.” Without a clear limit on lost revenue totals, calculations and rationale, the costs can significantly exceed the amount spent on the actual program delivery, artificially inflating the cost of energy efficiency programs. Of the nineteen states that allow lost revenue recovery, most states cap lost revenues to three years, or the life of the measure, whichever is shorter.⁴ These cap measures prevent the artificial inflation of the cost of energy efficiency programs. MEEA recommends that the Final Rule implement similar criteria for the allowing utilities to recoup “reasonable lost revenue.” In addition, the IURC Final Rule should require utilities to show that the DSM programs would cause electricity sales to fall by such a significant amount, that the utility would fail to recover its authorized costs.

⁴ The Edison Foundation. December 2014.
http://www.edisonfoundation.net/iei/Documents/IEI_stateEEpolicyupdate_1214.pdf



Modify the IRP and DSM plan cycles to ensure they are staggered, such as biennially so as to inform, rather than confound, each plan’s distinct process

In Indiana, three of the five investor-owned utilities have filed their DSM plans under the new policy framework in SEA 412 that integrates DSM plans with their IRPs. Duke Energy’s and NIPSCO’s filings are three year plans that cover 2016 through 2018. Vectren filed a 2-year plan for 2016 -2017, Indiana Michigan Power will likely not be filing until September 2015, and Indianapolis Power & Light’s current plan extends through the end of December 2016. The three DSM plans filed under the SEA 412 framework rely on integrated resource plans completed two years ago. SEA 412 ties utilities’ DSM programs to their IRPs, yet the DSM plan is on a two year cycle, while IRP updates are every three years. Several states including Arizona, California, Minnesota and Oregon, require IRPs to be filed biennially. Arizona requires utilities to submit an IRP every even numbered year and a DSM plan in every odd year.⁵ In the IURC Final rule, MEEA recommends that IURC modify the IRP and DSM cycle so that they are released in a similar staggered manner so that each plan informs the other over time. Having these two processes on seemingly arbitrary time frames impairs the Commission’s ability to ensure the DSM goals are properly informed by the IRP (and vice versa), including how these goals fit into the objectives of the IRP.

CONCLUSION

A successful utility’s resource plan should include consideration in detail of the following elements: a load forecast, reserves and reliability, demand-side management, supply options, fuel prices, environmental costs and constraints, evaluation of existing resources, integrated analysis, uncertainty, and action plan documentation. For instance, consider Arizona’s IRP requirement language:

The proposed IRP rules are designed to ensure that the costs and rates for electric service over the long-run are just and reasonable, that electric service to Arizona customers is adequate and reliable, and that adverse environmental impacts from fossil-fuel generation are minimized to the extent feasible. The proposed IRP rules will accomplish this by requiring load-serving entities to engage in long-term resource planning, to factor adverse environmental impacts and energy efficiency into their planning processes, to consider using a wide range of resources within their resource portfolios to promote fuel and technology diversity within their resource portfolios, to diversify their energy resource portfolios by meeting established standards for renewable energy resources and distributed generation energy resources, and to use procurement processes based on the BPPs adopted in Decision No. 70032.⁶

⁵ Arizona Corporation Commission. Decision No. 71722. Docket No. RE-00000A-09-0249. June 3, 2010.

⁶ A.A.C. Title 14, Chapter 2, Article 7 (“current IRP rules”).



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To further capture all potential cost-effective energy efficiency, MEEA also recommends that the IURC Final Rule:

- Require utilities to fix any substandard analysis identified in the IURC’s Electricity Director’s Final Report on the IRPs within 60 days of the Final Report,
- Require utilities to utilize all cost effective demand-side management resources available in their respective territories based on independently performed potential studies
- Define “reasonably achievable” as it relates to the Draft Proposed Rule’s requirement of utility efficiency goals
- Define “reasonable lost revenues” to be a three year limit on the timeframe for lost revenues collection or the life of the measure, whichever is less
- Modify the IRP and DSM cycle so that there are released in a staggered manner in which one informs the other over time

Since the elimination of the Commission’s 2009 order, utilities have already drastically cut energy efficiency investments in 2015. IURC must therefore create a robust framework in the Final Rule so that Indiana consumers can again fully benefit from cost-effective energy efficiency programs. Thank you for the opportunity to submit these comments to guide the preparation of the upcoming strawman and Final Rule, MEEA looks forward to participation in this process.

These comments reflect the views of the Midwest Energy Efficiency Alliance – a Regional Energy Efficiency Organization as designated by the U.S. Department of Energy – and not the organization’s members or individual entities represented on our board of directors.