



# **HOOSIERENERGY**

RURAL ELECTRIC COOPERATIVE, INC.

**Summer 2014**

Presentation to

**Indiana Utility  
Regulatory Commission**

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# Background

- **Membership**

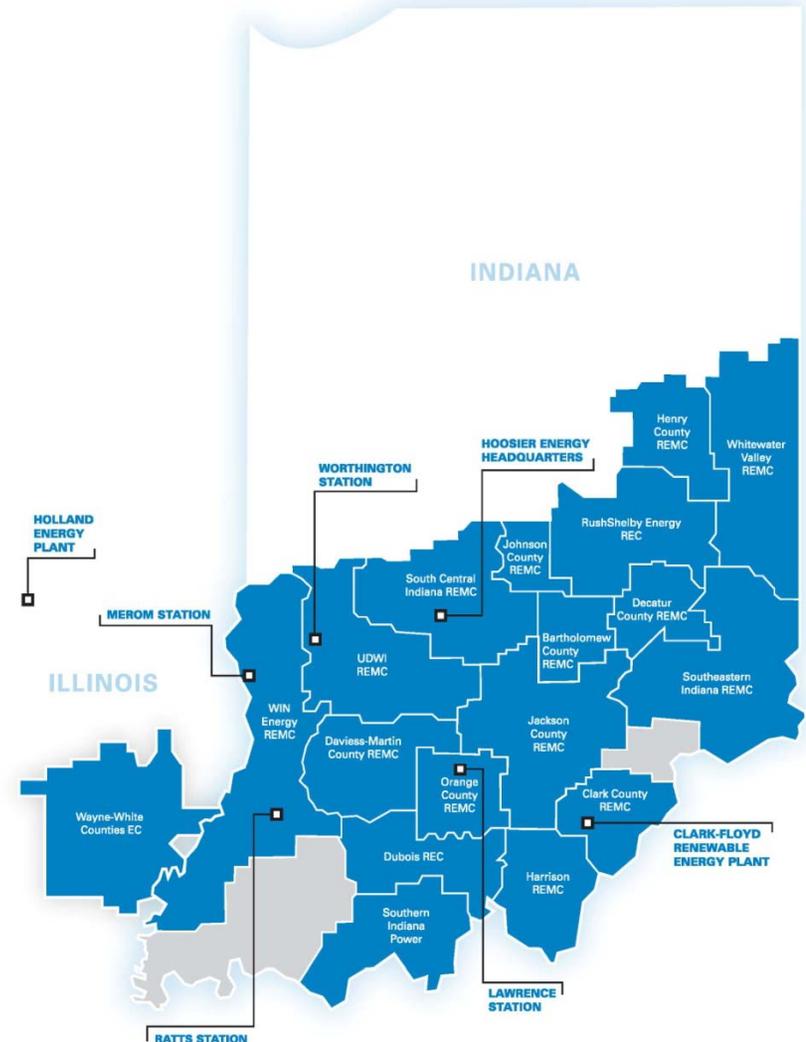
- 18 member cooperatives
- ~300,000 retail customers
- 7.3 million MWh sales

- **Generation**

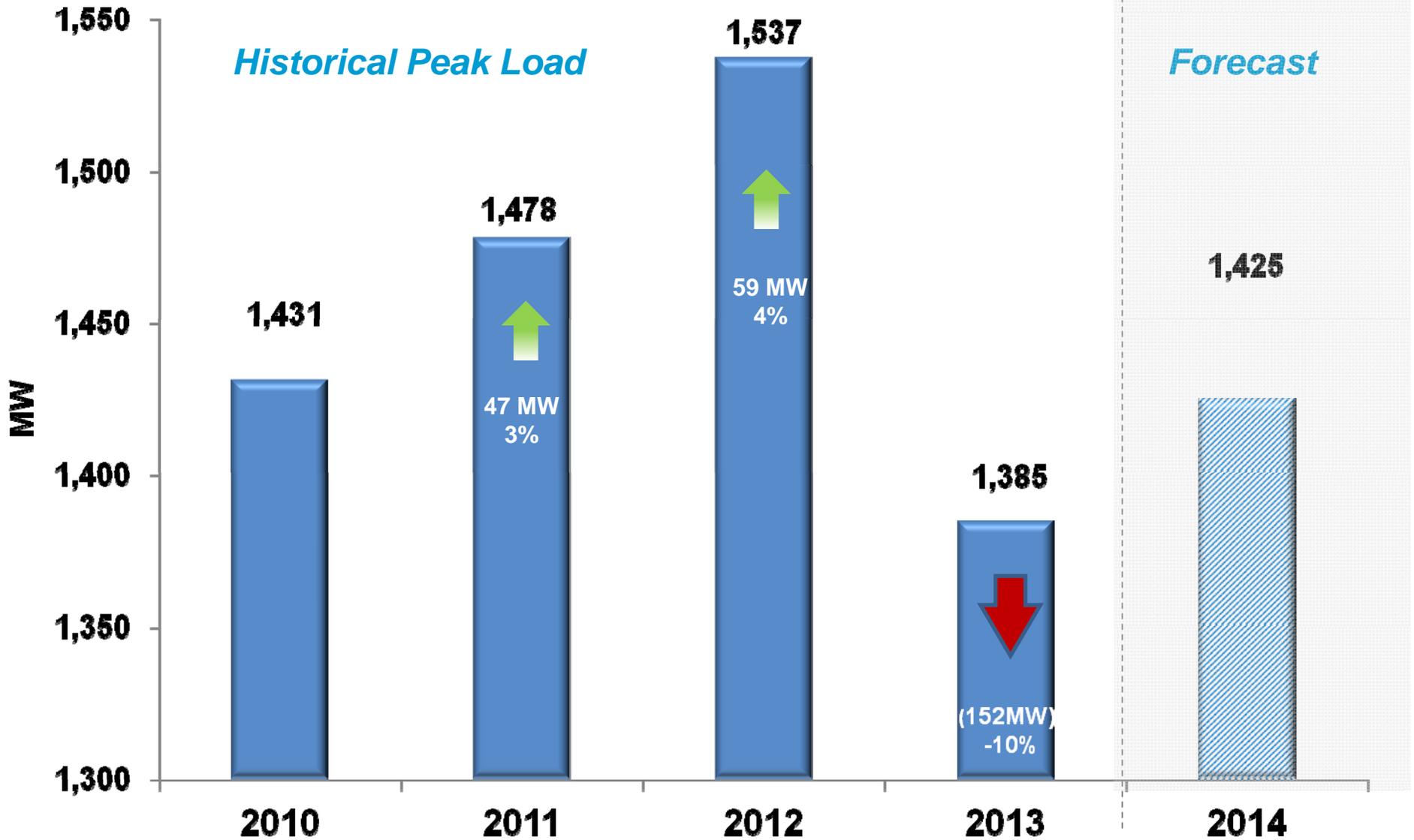
- 1,950 MW of capacity
- 6.7 million MWh

- **Transmission**

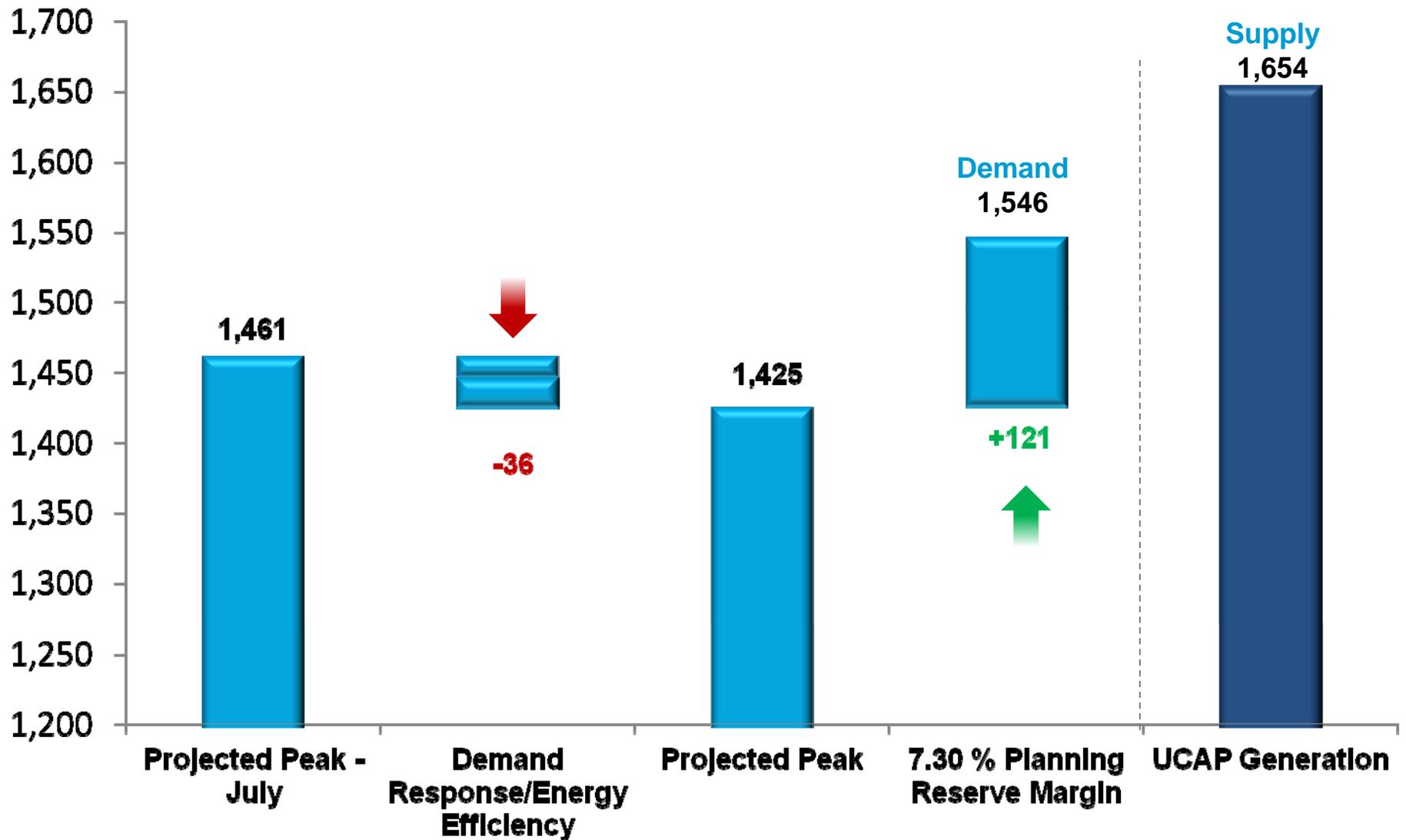
- 1,700 miles of transmission
- Member of Midcontinent ISO



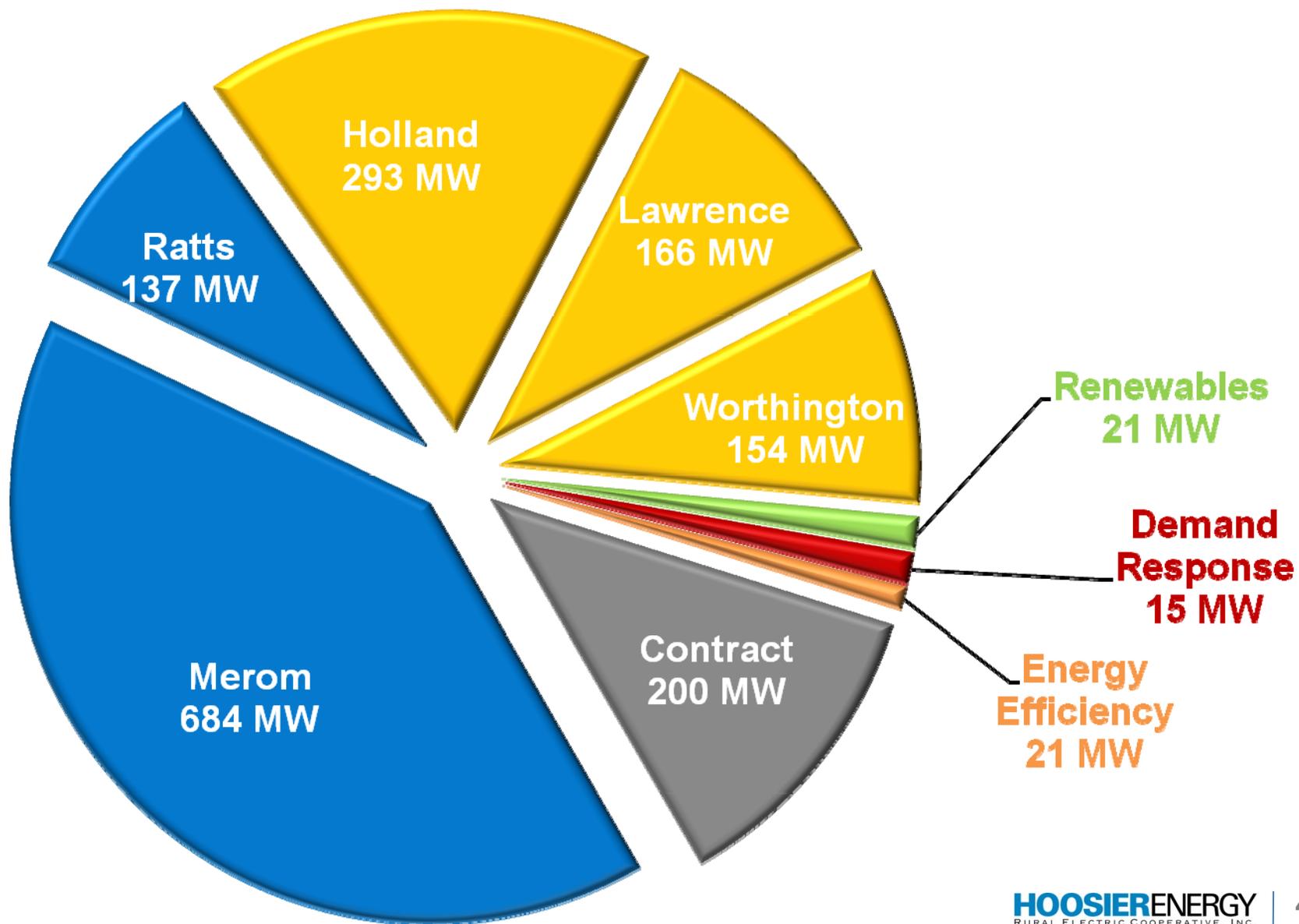
# Summer 2014 Peak Forecast



# Summer 2014 Supply / Demand Outlook



# Unforced Capacity, Summer 2014



# Demand Side Management

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- DSM program has been in place since 2009
  - Extensive review in 2012 resulted in refocused programs
- Cost vs Benefits – 2009 - 2013
  - Hoosier Energy Costs = \$23.1 million
  - Estimated Economic Benefits = \$84.7 million
- 2013 CFL survey to determine where and how they are used
  - Expected a 33% adoption rate; actual adoption rate was 37%
  - 13 – 15 W CFLs are most commonly used
- Total energy savings to date = 135,000 MWh
- Energy Savings percentage by class
  - Residential = 82%
  - Commercial & Industrial = 18%
- Cumulative Peak savings
  - Winter = 51 MW
  - Summer = 31 MW

# Demand Response and Energy Efficiency Programs

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<u>Program</u>	<u>Installed</u>	<u>2013</u>
Residential Lighting Program (CFLs)	1.5 million	109,017
Appliance Recycling (units)	5,139	1,003
Energy Efficient Heating and Cooling (rebates)	21,747	3,545
Residential Weatherization (homes)	4,061	794
Touchstone Energy Home Program	310	72
Commercial & Industrial Energy Efficiency	301	98
Demand Response – AC and WH control	13,460	1,440

# Fuel Supply

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## Coal

- No supply difficulties
- Summer 2014 requirements are fully hedged

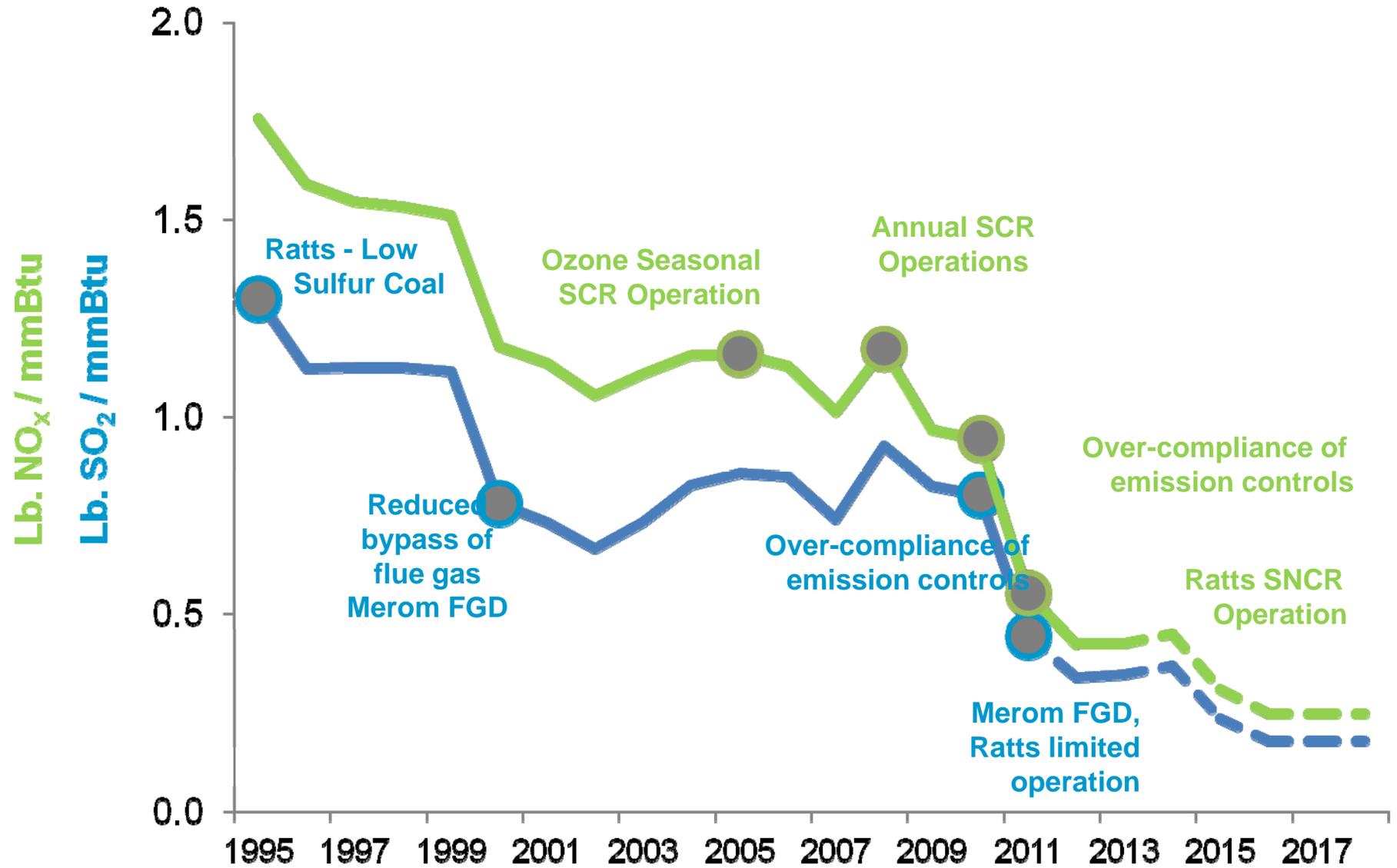


## Natural Gas

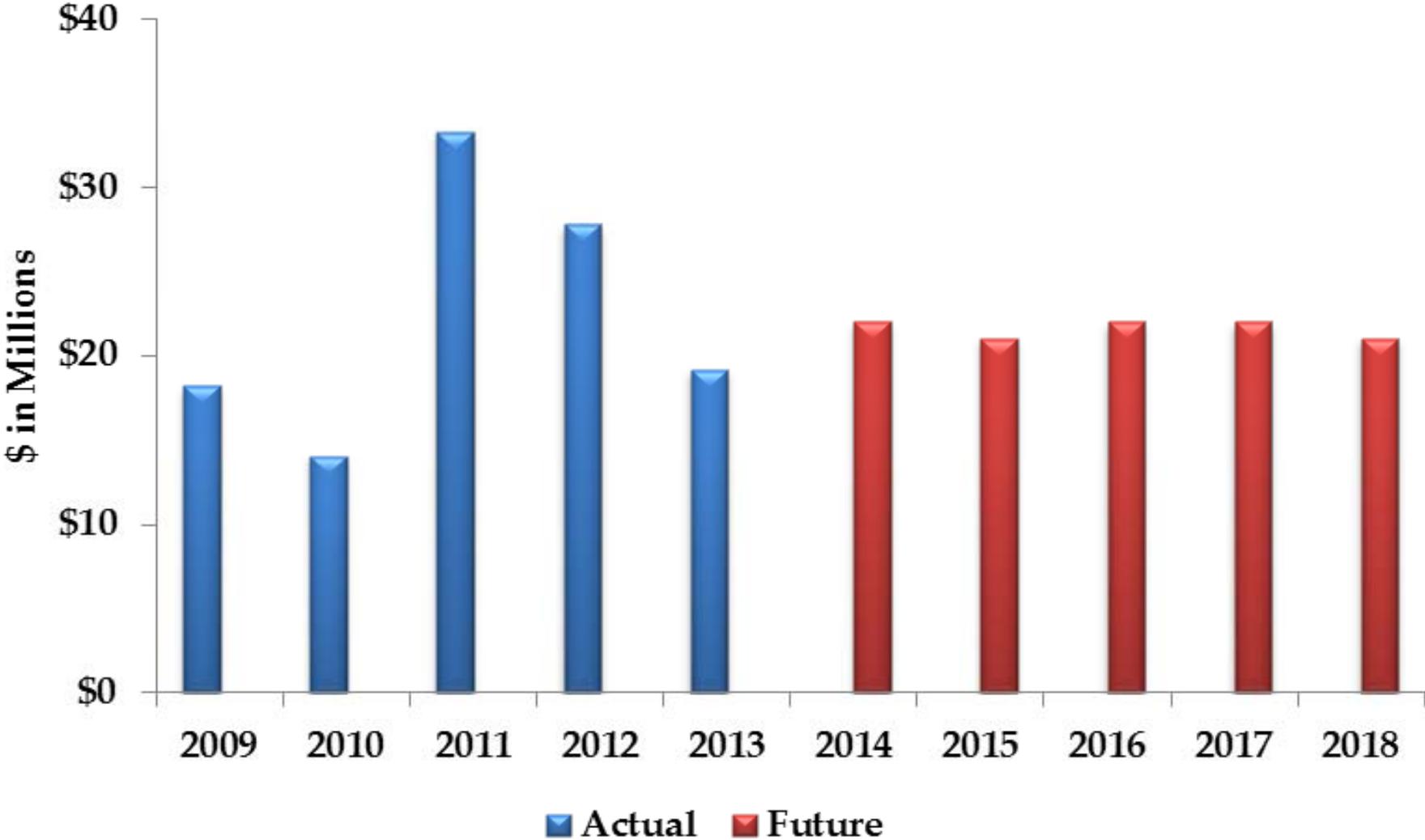
- Portion of transportation service is firm
- Physical location of generators
- Transportation agreements use suppliers with scale



# Environmental Performance



# Power Delivery Capital Projects



# Restructured Retail Electricity Markets

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- Neighboring states have restructured the retail market
  - Competition to attract customers
  - Suppliers price is based upon variable costs only
  - In the short-term – consumers benefit with lower bills
  - In the long-term – prices increase to recover fixed costs
    - Suppliers must recover their cost of service
- Other concerns:
  - Incentives to build new generation
  - Ability to finance

# Industrial Rate Outlook

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- SUFG forecasts annual compound rate increases of 2.65% for period from 2015 - 2020
- Hoosier expects rate increases of a similar magnitude
- Rates are competitive with other Indiana electrics
- Subsidization of other rate classes?

# Impact of Low Growth in Electricity Usage

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- Costs increasing greater than the rate of growth results in retail rate increases
- Costs are increasing
  - Compliance with EPA regulations
  - Maintenance requirements
  - Future capital needs
- Credit quality concerns
  - Lower credit ratios → Increased cost of capital
- Will eventually require rate increase to cover increasing costs
  - Rates become less competitive

# Cost Drivers Behind Increasing Rates

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- Compliance with EPA regulations
  - Increasing capital costs of new construction
  - Increasing operating costs as new technology is added
    - Fuel
    - Chemicals
      - SO<sub>2</sub> mitigation– Limestone, Dibasic Acid
      - NOx mitigation – Ammonia, Lime
      - SO<sub>3</sub> mitigation – Soda Ash
- Critical Infrastructure Protection compliance
  - Additional personnel
  - New systems
- Increasing Energy Efficiency
  - Costs incurred and passed along to ratepayers now avoid higher costs later

**Questions?**

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