

Ed Simcox, Interim President

Boonville Natural Gas Corp.

Citizens Energy Group

Community Natural Gas Co., Inc.

Duke Energy

Fountaintown Gas Co., Inc.

Indiana Michigan Power

Indiana Natural Gas Corp.

Indianapolis Power & Light Company

Midwest Natural Gas Corp.

Northern Indiana Public Service Co.

Ohio Valley Gas Corp.

South Eastern Indiana Natural Gas Co., Inc.

Sycamore Gas Co.

Vectren Energy Delivery of Indiana, Inc.

THE VOICE FOR INDIANA ENERGY

November 9, 2012

Beth Krogel Roads
Assistant General Counsel - Legal Counsel, RTO/FERC Issues
Indiana Utility Regulatory Commission
101 W. Washington Street, Suite 1500 E
Indianapolis, IN 46204

RE: Comments on Integrated Resource Plan Final Rules

Dear Beth:

The Indiana Energy Association (“IEA”), on behalf of its public electric utility members, hereby submits comments on the October 4, 2012 Integrated Resource Plan (“IRP”) draft rules to be codified as 170 IAC 4-7 (the “Proposed Rules”).¹ These comments address (1) the financial impact of the Proposed Rules and (2) the necessity of an emergency IRP rule to implement the Proposed Rules. The IEA has elected not to raise any “red flag issues” or suggest further edits to the Proposed Rules. The IEA appreciates the cooperative process that has been facilitated by the Commission to obtain and consider input on the Proposed Rules. While the Proposed Rules did not incorporate all of the concerns raised by the IEA, the IEA understands the Commission’s goals and is committed to continuing to provide robust Integrated Resource Plans (“IRP”) that provide value to the resource planning process. Consequently IEA has chosen not to raise further opposition to the Proposed Rules.

1. Estimated Financial Impact of Proposed Rules

The IEA members previously provided a cost estimate of the impact of the Proposed Rules. The IEA members have evaluated the revisions to the Proposed Rules from earlier drafts to evaluate the impact of the changes on its

¹ The IEA members participating in these comments are Duke Energy Indiana, Inc.; Indiana Michigan Power Company; Indianapolis Power & Light Company; Northern Indiana Public Service Company and Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc.

previous cost estimate. The primary change made to the Proposed Rules was elimination of the mechanism for approval of the IRPs by the Indiana Utility Regulatory Commission's ("Commission") Electricity Division Director and the potential for a challenge of such approval to the full Commission. While this change eliminates significant litigation and delay risks and is viewed favorably by the IEA members, this was not a significant component of its prior cost estimate. Estimating the cost of litigation risk is difficult because of the variety of factors that can increase the cost. The amount of discovery, briefing, evidence presented by opposing parties, quality of counsel engaged by opposing parties, appeals and length of evidentiary hearings significantly vary from one proceeding to another and generates varying cost levels. The IEA Members have re-evaluated costs based on the Proposed Rules and identified some reduction in the overall cost as a result of revisions made to the Proposed Rules. The cost categories and costs originally listed by the IEA Members and revised aggregated cost estimates associated with provisions that continue to be reflected in the Proposed Rules are described below:

(1) Internal labor: The IEA Members anticipate additional time devoted to the IRP process by current and added employees. These labor costs were originally estimated at \$722,800 to \$737,800. Based on the revisions to the rules, the range of anticipated aggregated internal labor costs have been reduced to \$632,000 to \$647,200.

(2) Consulting: The IEA's original cost estimated calculated added external consulting required to obtain certain types of analysis and data required by the rule, including such items as demand response studies, and more frequent dynamic stability studies and updates to demand side management market potential studies. The aggregated consulting costs among all IEA members was estimated at \$735,000 to \$1,440,000 prior to the revisions to the rules. The IEA members have continued to evaluate their consulting fees. Consulting fees are greatly influenced by the extent of the analysis that may be required. For example, the Dynamic Simulation on the transmission system is only needed when system changes exist but are estimated to account for nearly 25% of costs of compliance for utilities that must rely on external resources to perform the studies. The IEA members have removed the costs of the studies based on a construction of the Proposed Rule that such analysis will only be required when system changes are made. Based on this understanding, the IEA members now estimate that their aggregate additional consulting costs resulting from the Proposed Rules has been reduced to \$268,300 to \$535,300.

(3) Public meetings: Added cost of conducting two public participation meetings and related reporting. These public meetings and related work were originally estimated at \$648,000 to \$723,000. The Proposed Rules do not

significantly impact the cost of conducting public meetings. The IEA members project additional aggregate costs of \$630,500.

Based on the revised Proposed Rules, the five public electric utilities estimate that the Proposed Rule will impose an aggregated cost increase on them of approximately \$1,531,000 to \$1,813,000 Million for each IRP cycle. The IEA members consider the IRP cycle to be a two year process as a result of the additional steps required by the Proposed Rules.

2. Need For Emergency Rule

It is not necessary for the Commission to dedicate resources to enact an emergency rule for the next IRP cycle. IEA understands that the purpose of an emergency rule would be to ensure that the new procedures reflected in the Proposed Rules are in effect for the next IRP cycle. However, this objective can be achieved without implementation of the Proposed Rules on an emergency basis. Most utilities subject to the Proposed Rule and several other interested parties participated in the October 18, 2012 technical conference notwithstanding the pending nature of the Proposed Rules. Duke Energy Indiana, Inc. and Indiana Michigan Power Company must file IRPs by November 1, 2013 under the Proposed Rules and both commit to adhere to the public advisory process set forth in the Proposed Rule for their next IRP. For those utilities whose IRPs would be due on November 1, 2014 under the Proposed Rules, the Commission could grant written variances from the currently effective rules such that their next IRP would be prepared under the Proposed Rules, based on the new schedule. The result will be the same as if the Proposed Rules were placed into effect on an emergency basis without the effort involved to actually submit the rules on an emergency basis. Whether by variance or other Commission action, the electric utility members would appreciate an affirmative action by the Commission that expressly states when utilities must submit IRPs. The utilities would appreciate the Commission stating that utilities who file in 2014 under the Proposed Rules will not file in 2013, for example.

Conclusion

In conclusion, the IEA has chosen not to raise further opposition to the Proposed Rules. The IEA has revised its original fiscal impact estimate downward based upon the draft proposed rule that the Commission distributed on October 4, 2012. Further, the utilities will proceed to begin developing their public advisory process and plans to support the upcoming IRP cycle, consistent with the expectation communicated at the October 18, 2012 technical conference. The utilities will define their public advisory process plans and transmit a summary of those plans to the IURC for information, on a schedule commensurate with their inception. Finally, the IEA requests that the

Commission consider granting a written variances for November 1, 2014 IRP due dates for the applicable utilities prior on or before December 14, 2012. The IEA member electric utilities that would file in 2014 under the Proposed Rules would appreciate action by the Commission stating that these utilities do not need to file an IRP in 2013.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Simcox". The signature is written in a cursive style with a large, stylized initial "E".

Ed Simcox