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APRIL 16, 2015

INDIANA UTILITY REGULATORY COMMISSION

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S COMMENTS
ON DRAFT REPORT OF THE INDIANA UTILITY REGULATORY
COMMISSION ELECTRICITY DIVISION DIRECTOR DR. BRADLEY K.
BORUM REGARDING 2014 INTEGRATED RESOURCE PLANS
(“DRAFT REPORT”)**

The Indiana Office of Utility Consumer Counselor (“OUCC”) respectfully submits the following comments on the *Draft Report*:

1. RESOURCE DECISIONS

A. Avoiding Automatic Acceptance of Status Quo in IRP Modeling

The *Draft Report* (page 4, para. 1) indicates that:

Any generation or other resource, beyond those that are certain or almost certain – say over the next three years or so, should be added by the capacity expansion planning model to satisfy reliability constraints rather than *hard-wiring* specific types of units at any specific time which would diminish any claims of optimality. (*Emphasis in original*)

OUCC Comment:

The OUCC notes, however, that instead of automatically accepting the *status quo*, utilities should use IRP scenarios that encompass not only the financial benefits of maintaining current generation facilities in a utility’s supply resource mix, but also the operational feasibility of assets not being retired, including relative operating costs.

B. Avoid Hardwiring in IRP Modeling

The *Draft Report* also provides:

There should be no resource decisions that are baked into the analysis prior to the stakeholder involvement. (*Draft Report*, page 5, para. 1)

-and-

The Commission staff’s primary concern is that too many long-term resource decisions were baked-in (aka hardwire) to the IRP process rather than allowing their sophisticated modeling with appropriate input from their stakeholders, to select the appropriate resources. While the utilities’ decisions may have been correct, the process would have benefited from letting the modeling verify the outcomes. (*Draft Report*, page 7, para. 6)

OUCC Comment:

A section of the Commission's proposed IRP Rule, identified therein as 170 IAC 4-7-2.1(b)(2), the Commission requires utilities to solicit and consider relevant input from any interested party in regard to the development of the utility's IRP and related potential resource acquisition issues. It is not possible for utilities to "consider" stakeholder input on elements utilities have already predetermined. The draft proposed IRP Rule acknowledges that utilities retain full responsibility for the content of the IRP, as provided in a section of the proposed rule identified as 170 IAC 4-7-2.1(d). However, as noted in the *Draft Report*, in order for stakeholders to have confidence in the IRP stakeholder process:

...[A utility must not] put its thumb on the scale to justify...pre-ordained resource decisions rather than letting the model solve the resource decisions using objective data and assumptions. (*Draft Report*, page 12, para. 6).

2. MODELING OFF-SYSTEM SALES ("OSS")

The *Draft Report* (page 14, para. 1) states:

The Company [IPL] continues to model off-system sales as if 100% flows directly to ratepayers.

OUCC Comment:

IPL's IRP model attributed 100% of margins from OSS to ratepayers. However, it appears that IPL's shareholders currently retain 100% of OSS margins. In its pending rate case (Cause No. 44576), IPL is not proposing to attribute 100% of OSS margins to ratepayers, but rather to split that recovery between shareholders and ratepayers. In future IRP modeling, IPL should use the actual allocation of its OSS margin.

3. NEED FOR UNIFORMITY IN CALCULATING AVOIDED COST

The *Draft Report* (page 6, para. 5 and 6) indicates that:

The Commission staff believes there should be more commonality in the elements and processes for calculating avoided costs.... [A]voided costs are increasingly no longer a trivial matter.... The Commission invites comments on the process for calculating avoided costs and the integrations of those calculations into the IRPs.

OUCC Comment:

The OUCC agrees with Dr. Borum's recommendations concerning avoided costs. Disparity in methodology and assumptions can significantly impact economic analysis results. A utility should not be permitted to use different avoided cost calculation methodologies for different purposes, depending on what approach best suits the utility's purposes.

Any utility deviation from the Commission's avoided cost, or Qualified Facility ("QF") Rate methodology should be disclosed and explained by the utility. If different utilities are using different approaches to calculate avoided costs, the Commission should examine evidence on the different methodologies and values used. In the absence of reasonable justification, the use of different methodologies should draw further Commission review to expose any potential biased manipulation of cost model results.

This effort would best be facilitated at a technical conference or the annual Contemporary Issues meeting where utilities, stakeholders and the Commission can openly discuss the topic and reach a common resolution.

4.) SCENARIO COMMONALITY

The *Draft Report* states:

The Base Case would be regarded as the status quo case that includes only known events and expected trends.... (*Draft Report*, page 3, para. 8)

-and-

With regard to construction of Scenarios, again, the Commission staff does not wish to be prescriptive so we invite utilities and stakeholders to comment on the following general description of scenarios. (*Draft Report*, page 4, para. 2)

OUCC Comment:

The OUCC agrees with Dr. Borum's recommendation regarding the Base Case as well as his recommendations on the utilities providing a broad range of alternative scenarios or "book ends" (*Draft Report*, page 4). The OUCC also recommends annually developing a set of core scenarios to be used by all utilities in the next year's IRP filings. The core scenarios could be explored and updated or revised at future annual IRP Contemporary Issues Meetings.

APRIL 16, 2015

5.) IRP REPORT TEMPLATE

The *Draft Report* (page 5, para. 1) includes the following invitation for stakeholder input:

While the IURC staff has been loath to be prescriptive in formatting, the IURC staff would welcome suggestions on a uniform report format.

OUCC Comment:

OUCC agrees that a prescriptive format for future IRP submissions could improve the clarity and accessibility of the content. It could also facilitate comparisons across utilities. This effort would best be facilitated at a technical conference or the annual Contemporary Issues Meeting, where utilities, stakeholders and the Commission can openly discuss the possibility of using a uniform format in future IRPs and work together to develop a common format.

6.) MODELING DSM / ENERGY EFFICIENCY PROGRAMS

The *Draft Report* (page 18, para. 1) provides the following instructions for modeling demand side management (“DSM”) or energy efficiency programs in future IRPs:

Hopefully, rather than layering in the additional 10 years of energy efficiency analysis, future IRPs will fully integrate energy efficiency into the IRP modeling and let the model decide resource choices objectively.

OUCC Comment:

The OUCC continues to agree with the analysis, comments and recommendations in Dr. Borum’s 2013 final report and the 2014 *Draft Report* regarding the importance of entering DSM or energy efficiency into the resource model, as opposed to simply lowering the utilities’ projected load by a pre-determined level of energy savings. After two sets of IURC comments on IRP filings under the Commission’s draft proposed IRP Rule, the OUCC will expect utilities to adhere to Dr. Borum’s instructions in future IRP submissions. Also, when integrating energy efficiency or DSM into an IRP model, it is important that each utility use its most recent market potential study to support the cost-effectiveness and achievability of IRP modeling results.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor's Comments on Draft Report of the Indiana Utility Regulatory Commission Electricity Division Director Bradley K. Borum Regarding 2014 Integrated Resource Plans* has been served upon the following counsel and other stakeholders by electronic service, on April 16, 2015.

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