SUBMISSION OF NUCOR STEEL-INDIANA IN RESPONSE TO GENERAL ADMINISTRATIVE ORDER 2014-1 CONCERNING ENERGY EFFICIENCY AND DEMAND-SIDE MANAGEMENT

June 9, 2014

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

GAO 2014-1

COMMENTS OF
NUCOR STEEL-INDIANA

Pursuant to General Administrative Order ("GAO") 2014-1 of the Indiana Utility Regulatory Commission ("Commission" or "IURC"), Nucor Steel-Indiana, a division of Nucor Corporation ("Nucor"), submits the following comments regarding IURC's energy efficiency and demand-side management recommendations to Governor Michael R. Pence and the Indiana General Assembly.

INTRODUCTION

Effective March 28, 2014, the Indiana General Assembly enacted Senate Enrolled Act 340 ("SEA 340" or "the Act"), promulgated as Indiana Code § 8-1-8.5-9, *et seq.*, which establishes new requirements concerning energy efficiency programs offered by electricity suppliers in Indiana. Contemporaneously, Governor Pence requested that the IURC complete a set of recommendations that can "inform the development of a new legislative framework to be considered in the 2015 session of the Indiana General Assembly" regarding energy efficiency programs in Indiana.[1] Governor Pence further requested that the IURC "work with all relevant stakeholders to assist our administration in formulating the most effective energy efficiency policy for Indiana."[2] In response to Governor Pence, the Commission issued GAO 2014-1,

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[1] Letter from Governor Pence to IURC Chairman James D. Atterholt (Mar. 27, 2014), *available at* http://www.in.gov/activecalendar/EventList.aspx?fromdate=1/1/2014&todate=12/31/2014&display=Year,Month&type=public&eventidn=164938&view=EventDetails&information_id=198287&print=print.

[2] *Id*.

which sets forth the process for submission of written comments by interested parties regarding the Commission's recommendations to Governor Pence and the Indiana General Assembly. Nucor's comments are as follows:

COMMENTS

Nucor strongly believes that utility-sponsored energy efficiency programs are not designed to meet the specific needs of a large industrial facility such as Nucor's, where energy efficiency improvements are intertwined with complex industrial processes and the facility's unique operational characteristics. This is especially true when energy constitutes one of the integral material inputs in that manufacturing process itself. Moreover, large, energy-intensive industrial customers such as Nucor, have and have always had strong financial incentive to cut operating costs by making cost effective energy efficiency investments. To assume that large customers such as Nucor need or can cost effectively make use of *utility-sponsored programs* to effectuate energy efficiency measures is incorrect. Rather, in energy-intensive industries, utility-sponsored energy efficiency programs distort the already-existing market incentives, and reward those companies whose energy efficiency efforts lag behind their competitors. Industrial customers such as Nucor simply should not be required to fund the energy efficiency improvements of any competitor.

The overwhelming support for SEA 340 recognized this reality and a key provision in the Act allows qualified industrial customers such as Nucor to opt out from participating in such energy efficiency programs upon proper notice to their respective electric utility. Likewise, pursuant to Governor Pence's request, GAO 2014-1 provides that the IURC's future recommendations to the legislature shall include an allowance for an opt-out whereby large electricity consumers can decide not to participate in such programs.

It is important to recognize the need for such an opt out. Beyond the aforementioned ineffectiveness and inequities of mandatory “participation” in utility-sponsored energy efficiency programs for customers such as Nucor, Indiana’s industrial energy costs have been increasing significantly for some time. The ability to opt out from utility-sponsored energy efficiency programs is a positive first step in allowing Indiana industrial energy consumers such as Nucor to constrain some of these costs increases and more cost effectively pursue their own energy efficiency investments and process improvements.

Regrettably, the opt out provision of SEA 340 is to sunset on June 30, 2019. Based upon the foregoing discussion, Nucor strongly encourages the Commission recommendations include removal of the sunset provision now set forth in Indiana Code § 8-1-8.5-9(f). The rationale for the availability of opt out from energy efficiency programs for large energy intensive manufacturers such as Nucor is not going to change in 5 years’ time. Removal of the sunset provision would provide some measure of cost certainty for such customers going forward, which would, in turn, benefit their respective capital planning processes.

An energy efficiency policy that ignores prior energy efficiency investments and ignores the existing incentives to continue to make those investments is inefficient, counter-productive, and unfair to the customers that have made those investments. Nucor has been and continues to be a leader in the use of new technologies, and continues to invest significantly in plant improvements, including energy efficiency and demand-side measures, designed to keep it competitive in world and domestic markets. The continued availability of opt out from utility sponsored energy efficiency programs beyond June 2019 for customers such as Nucor would be beneficial and in no way hinder those efforts.

Respectfully submitted,

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