

Indiana **ENERGY**
Association

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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.

October 21, 2011

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

Re: IURC RM #11-07—IRP rulemaking comments

Dear Beth,

Attached, please find comments submitted by the Indiana Energy Association with respect to the above named matter. If you have any questions or concerns, please do not hesitate to contact me.

Very truly yours,



Stan Pinegar

Attachment

THE VOICE FOR INDIANA ENERGY

On October 14, 2010, the Indiana Utility Regulatory Commission (“Commission”) issued an Order in Cause No. 43643 and commenced a rulemaking proceeding to revise 170 IAC 4-7 (“Rule 7”), the Integrated Resource Plan (“IRP”) rules for Commission approval. The Commission held a Technical Conference on September 22 and 23, 2011, soliciting early stakeholder opinion and providing its initial comments. The Commission then asked stakeholders to submit written pre-rule comments on or before October 21, 2011.

The Indiana Energy Association (“IEA”) submits these comments in response to that request. Its electric utility members thank the Commission for providing interested stakeholders the opportunity to offer input concerning the status of Indiana’s IRP process. The electric utility members also appreciate the Commission’s interest on assessing the appropriateness of its IRP rules, and its efforts to promulgate model regulation for modern integrated resource planning for electric utilities.

These comments reflect positions expressed in prior proceedings and offer recommendations to support achievement of the Commission’s objectives for this rulemaking. In the comments, the electric utilities offer: (1) suggested revisions of the current rule; (2) recommended deletions from the current rule; and (3) proposed additions to the current rule. The comments offered by IEA members support flexibility in the design and implementation of the rule and encourage collaborative stakeholder interaction. The revisions offered by IEA members recognize that even though the electric utility climate has changed since the initial IRP rule adoption, some portions of the existing rule are still appropriate, while others can be revised to be more suitable for energy markets with regional transmission organizations and aggressive energy efficiency and direct load control programs. Because other portions of the rules reflect previous energy markets, and are thus less meaningful in today’s energy marketplace, they

should be deleted from the next version of the proposed IRP rules. Lastly, with regard to additional provisions, IEA members believe that the addition of new language to Rule 7 is appropriate in order to maximize its value today.

Purpose of the IRP

While the IRP serves an important service, understanding its uses and limitations is important when evaluating the rules that govern its preparation. A utility's IRP is an informational submission that demonstrates a utility is performing resource planning for the future. An IRP provides a snapshot of a utility's forecasts, assumptions, and projections for resource planning. There should be recognition that the IRP reflects projections made at a point in time by a utility that are subject to almost immediate change due to variations in major inputs like customer demand models and fuel cost predictions.

The IRP provides a platform for stakeholders to review a utility's plan and to react to these projections. The utility uses this feedback to enhance its planning process. The IRP submission should not trigger an adversarial review of utility resource planning. Rather, it should be viewed as providing information that can help inform future matters and as forming a foundation upon which the utility can make resource planning decisions.

For example, the IRP should be seen as one data set for consideration when a utility files for a Certificate of Public Convenience and Necessity ("CPCN"). That is, while the IRP is typically one data set of many when a utility seeks a CPCN, stakeholders' resources are more efficiently used to evaluate alternatives at the time the utility requests the CPCN rather than when it prepares the IRP. To make the IRP helpful to the utility's stakeholders, such as the Office of the Utility Consumer Counselor ("OUCC") and the Commission, who may review it to

gain an understanding of the utility's current thinking regarding future resource deployment, the planning process should be one of informal collaboration.

Some Provisions Should Be Revised

Although the electric utility industry has changed since the initial adoption of the rule, some existing provisions are still appropriate while others should be revised. By revising various portions of Rule 7, the Commission can support development of IRPs that provide sufficiently comprehensive, detailed and well-supported IRPs for use by the electric utility, the Commission, the OUCC and other stakeholders. Specifically, the electric utilities propose that Rule 7 be modified to reflect the political and legal changes that have occurred since the Rule's original adoption. Procedures should both encompass the goals of the IRP process and provide for the appropriate mix of flexibility, reliability, and certainty. To that end, the electric utilities propose that Rule 7 should be modified consistent with the detailed comments below to: (1) update terminology; (2) modify the frequency of submissions; (3) limit the formality of the proceeding; (4) provide for a versatile and flexible format; (5) authorize the treatment of confidential information; and (6) focus the data requested to appropriate planning horizons and limit planning projections to reasonable resource options.

Terms

The definitions contained in Rule 7 need to be updated as follows:

- The reference to system lambda should be eliminated.
- The definitions of "allowance" and "emission allowance" currently only cover the ability to emit one ton of sulfur dioxide ("SO₂"). The list of terms should be broadened to include nitrogen oxides ("NO_x"), carbon dioxide ("CO₂"), and other pollutants the Commission expects to be regulated.

- To further enhance the rule, the Commission should add the definitions for Demand Resource (“DR”), Renewable Energy Credit (“REC”), Midwest Independent System Operator (“MISO”), PJM Interconnection (“PJM”) and related Regional Transmission Organization (“RTO”) terms.
- Terms utilized in Ind. Code § 8-1-37 *et seq.* that will be referenced should also be added to further modernize Rule 7.

The IRP Should Be Filed Every Three Years

As noted above, the electric utilities recommend revising the provision of Rule 7 that specifies the frequency for utility submission of an IRP. The updated Rule should account for the balance between the value of the information provided in the IRP and the resource commitment associated with producing such a comprehensive document. A three-year interval provides this balance. This revised interval provides ample time for electric utilities to compile an IRP and eases the burden to the Commission, the utility, and other stakeholders resulting from more frequent submissions. Additionally, the longer submission cycle will not detract from the Commission or interested parties having sufficient access to electric utility resource planning information. In between IRP filings, the Commission would continue to receive relevant information through the annual Summer Reliability Reports.

The three-year cycle also could allow for flexible filing dates within a specified date range. That approach would provide flexibility for the utility concerning preparation time, and would lessen the review burden for the Commission and other stakeholders that arises with the multiple submissions occurring at the same time. A three-year interval would also harmonize with IRP submission intervals of other jurisdictions in which affiliates of the electric utilities operate. This would increase the value of Indiana’s IRP process because it would align with

states in which affiliates of some electric utility members operate. For efficiency, the short-term action plan – which currently matches the time between IRP filings – should also be adjusted to three years.

The IRP Should Not Be Evaluated In A Formal Docket

The consideration of any modifications to the IRP process should be considered from the proper starting point. That is, the proper basis for the analysis must start with the clear understanding of the purpose of the IRP and the process for reviewing it. The Commission does not and should not “approve” an IRP in an adversarial, formally docketed proceeding. The IRP is not an implementation document to request additional resources or to seek approval to implement a program. A utility must initiate a formally docketed proceeding to obtain Commission approval for construction or acquisition of new generating facilities or to implement programs, such as demand-side management programs. The scrutiny involved in those types of proceedings does not belong in the IRP process. Instead, resource planning is designed to provide the Commission and stakeholders an opportunity to review the IRP and to provide feedback to the utility regarding the utility’s plans.

Extensive formalization of the rule shifts the focus from ensuring that a utility develops a specific plan to one focused on developing a rigid review and acceptance process. The Commission should leave formal review to dockets in which electric utilities use planning to support specific relief. Formalizing the process at the front end adds another, unnecessary layer of contested proceedings to the Commission’s docket. Rule 7 does not contemplate this rigidity, and the new rule should reflect the flexibility it provides.

A formal process undermines the informational nature provided by the IRP. As previously noted, an IRP may quickly become outdated as a result of changes to assumptions or

inputs. Rule 7 should not be so extensively rigid that changes following initial preparation and submission of an IRP require the initiation of a formal docket. The more efficient and expeditious process may be the simple, informal exchange of updates. That approach also avoids adding additional contested proceedings to the Commission's calendar. The formal docket process should be used in those instances where specific relief is sought by the utility. If the relief sought is related to or premised upon resource planning information, which may include data contained in an IRP, then formal scrutiny would be appropriate in that forum. The current Rule 7 does not rigidly impose a formal contested process and the new rule should retain the same flexibility.

Utility stakeholders review the IRP to gain an understanding of the utility's current projections and planning regarding future resource deployment. To facilitate that review under the flexible and informal framework described above, the electric utility could submit an Executive Summary providing a synopsis of its IRP to the Commission and also make it available on the utility's website. In the event the Commission, the OUCC or another stakeholder wanted more detailed information, including the modeling and analysis supporting a utility's resource planning, the utility could provide the underlying data, subject to appropriate confidentiality protection.

A Standard Format Only Appears To Create Efficiency

In an IRP, each utility prepares its forecasts and performs its analysis in similar but unique ways. In other words, an IRP is a utility-specific planning document that contains similar types of forecasts and analysis which may, however, be developed and presented in unique ways because of the models used by a particular utility, based on how it does business or related to how data corresponds to other information or structures within the utility or a subsidiary. Some

utilities operate in multiple jurisdictions and their IRP formats relate to system-wide needs and requirements. Because the IRP is a utility-specific planning document, there is no need to require changes to how an individual utility presents its planning information by requiring it to use a standard format.

An IRP is necessarily utility-specific. The forecasting and analysis undertaken to develop an IRP is done to produce a planning document for the individual utility. While a standard format may seem preferable because it may make review easier for a single reviewer, the more overriding goal is to design a process that produces the most useful planning document for the utility. Achievement of that goal arises when a utility has the flexibility to develop a document reflecting its unique circumstances. In practice, standard forms may require so many exceptions that the process loses the benefits of standardization. The more standardized the process becomes, the more limited an individual utility is to develop an IRP tailored to its unique position, and the less valuable the document becomes for the utility's internal planning uses. For IRP development to be effective and for it to have guidance value to the utility, individual utilities should be reviewed on a stand-alone basis and sufficient flexibility for IRP design should be permitted. Overly prescriptive formatting and presentation requirements which tend towards micromanagement of a utility planning and informational process do not support the goal of the IRP process to ensure that a utility commences resource planning.

For the above reasons, Rule 7 should continue to set forth particular data requirements within a flexible framework. This approach offers a level of detail that is helpful for higher-level planning while providing the flexibility employed by utilities to meet their own resource planning needs.

*Confidentiality Should Continue To Be
Handled Through Non-Disclosure Agreements*

The treatment of confidential information in Rule 7 should also be included in the new rule consistent with the following discussion. Currently, utilities provide any confidential information to the Commission under seal. Utilities provide it to interested parties that have signed an acceptable non-disclosure agreement.

A confidentiality process in which all utilities submit their information in one docket is not warranted because it does not create administrative efficiency and does not reflect proper revision for a modern rule. A single docket consolidating utility submissions leads to administrative inefficiency, especially to the extent that any action dealing with an individual utility must be noticed and, in effect, involve every other utility. Parties interested in only one utility would be part of a docket that considers every single utility's IRP. A utility may have valid reasons to request expedited consideration of its IRP or to seek a delay in submitting an IRP. In a single docket environment, a change by one is effectively a change to all. Additionally, a mandate that all utilities petition for confidential treatment of the same data at the same time does not truly represent a streamlined process, but rather just creates the appearance of a streamlined approach. Multiple petitions seeking the same relief in a lumped docket creates the very inefficiency that one would expect be overcome.

The electric utilities propose that the more efficient approach would be to designate categories of information that would be pre-determined as subject to confidential treatment. These categories would include, for example: costs of consumables, customer data, load data, market forecasts, and fuel price forecasts. By pre-determining those categories of information that should be considered confidential, the Commission can dispense with the need for individual utility filings seeking confidential treatment for the same types of data. Separate petitions

seeking confidential treatment for the same type of information for the same reasons creates inefficiencies that are overcome if categories of information are designated as subject to confidential treatment. If a utility were to seek protection for data falling outside a pre-designated category, the utility could file a petition seeking that relief. If issues arise concerning whether confidential treatment is appropriate, a formal docket could be opened if necessary. The pre-designation-type approach already is successfully used with respect to confidential treatment of data in telecommunications annual reports (*See*, Cause No. 43227, Order dated February 28, 2007, in which the Commission established a streamlined process to allow for the timely and orderly submission of information which was believed to be confidential from telecommunications carriers) and the rule should be modified to adopt a similar process for the submission of IRP-related information.

A Minimum 10-Year Planning Horizon Is Appropriate For The IRP

Under certain circumstances, a utility may wish to provide a planning horizon it deems reasonable based upon its unique circumstances. In recognition of that more flexible approach, the Commission should revise Rule 7 to adopt a minimum 10-year planning horizon. Projections based on outlooks that are fifteen to twenty years in the future may have limited usefulness for some utilities. Technological advancements, economic changes, and legislative action can cause plans to become obsolete soon after they are issued. Because the longest lead time for a supply-side resource is approximately ten years for a nuclear facility, planning horizons beyond ten years may provide little value. Ultimately, utilities want to have a document that provides the appropriate blueprint to meet resource planning needs. In addition, with the adoption of the utilities' proposed three-year cycle, the historical data requirement could be streamlined to a three to five-year period because the preceding years would be available in preceding IRPs.

Accordingly, Rule 7 should provide for a minimum 10-year horizon while not foreclosing the opportunity for utilities to plan at a horizon beyond ten years.

An “All Options” Assessment Is Inappropriate

Under the current Rule 7, in their IRPs utilities are not required to evaluate every single resource option possible. They assess a comprehensive array of choices rather than a burdensome “all options” analysis. This structure recognizes that an encyclopedic, open-ended evaluation is far more impractical than an appraisal of all reasonable options. A potentially infinite approach to resource planning creates unacceptable inefficiencies because stakeholders would need to commit time and resources to review every single option, whether or not a utility later implements it. Instead, just as they do currently, each utility should appraise reasonable options, selecting specific generating or demand response resources to act as proxies for classes of resources. For example, today the utility does not evaluate every existing combustion turbine configuration. Instead, the utility models a specific configuration to represent “peaking” capacity. Detailed and rigorous evaluation occurs during the implementation phase, when a utility actually determines the specific capacity, evaluates the demand-side options, and selects the specific capacity resource to be deployed. Any-and-all-options approach to IRPs is impractical and inefficient.

**Some Provisions Of Rule 7 Should Be Deleted
Because They Are Outdated.**

As explained above, Rule 7 needs to be revised so that each electric utility may adequately reflect its needs and plans. IRP review should balance the need for parameters with an appreciation that each utility is distinct.

Parts of Rule 7 neither promote the goals of the IRP process nor improve administrative efficiency. Certain proposed rule additions would not provide useful information or enhance the

process in light of today's energy marketplace. For example, these additions would require duplicative data collection and create overly exhaustive and impractical assessments. Additionally, the rule does not take into account that some data submissions are better suited to be submitted upon request.

*IRP Rules Should Acknowledge That Other
Entities Collect Similar Data*

Rule 7 should reflect that the vast majority of transmission planning is now accomplished at the RTO level. Due to the role played by the regional transmission organizations, the Commission should eliminate the collection of duplicative or obsolete data. To this end, information related to a utility's transmission system should be deleted from the revised rules. To the extent a utility provides information to the RTO that the Commission considers relevant to the resource planning process, such information could be provided to the Commission upon request (subject, naturally, to the protection of confidential information from public disclosure).

Utilities Already Put Together Scenario And Risk Evaluation

The revised Rule 7 should not require scenario and risk evaluations that are overly prescriptive. The new rule should recognize that different modeling techniques are permissible and that such modeling flexibility for utilities should be based upon the models they use. Utilities should be able to flexibly engage the tools used for risk evaluations. However, the new rule need not adopt any new requirements in this area. Electric utilities already incorporate scenario and risk evaluation in their respective IRPs as part of the normal planning process.

*If Hourly Load Data Is Submitted With The IRP
It Should Be Electronic*

The submission of hourly load data is voluminous and may not warrant submission in conjunction with the IRP. However, upon a request by the Commission or the OUCC, a utility would submit its hourly load data to the requesting party. Preferably, Rule 7 will specify that hourly load data can be submitted electronically, either through the Internet or storage mediums like compact discs (while maintaining the proper regard for confidential information).

**Some New, Additional Language Should Be Added To The Revised
Rules To Make Them Suitable For Modern IRP.**

The Commission should add language to the present rule to reflect changes in the industry and technology that have occurred since the rule was finalized. This step would help maximize the regulation's value today. To that end, the IEA proposes that the Commission include language in Rule 7 that incorporates a modern filing system and integrates flexibility into the transactions between stakeholders and the utility. An example of this modern flexible framework would be post-IRP submission stakeholder meetings to address data requests.

Rule 7's Filing System Should Be Electronic

The Commission's effort to enable electronic filing should be adopted for the IRP. Transitioning to an electronic procedure allows a utility to file by email, or upload documents using the Internet. Electronic filing also eases access to information by interested stakeholders on a more contemporaneous basis.

One should note that the IRP is an informational document. Reviewing parties may assess whether the input assumptions are reasonable and if the resource plan aligns with those assumptions. To develop their plans, utilities use complex proprietary models that are subject to confidentiality restrictions in their licensing agreements. Some software vendors even consider

the data format used by their programs to be proprietary. While the Commission should unquestionably update the IRP filing system, care must be taken so that proprietary models and their associated licensing agreements are not inappropriately used by non-contracting third parties.

A Post-IRP Meeting Would Expedite Data Requests

Knowing that the resource planning process involves various parties, portions of Rule 7 dealing with interactions among stakeholders should be flexible. The current rules do not restrict utilities from meeting with stakeholders as part of their respective IRP development. This flexibility is important. Due to the changing and dynamic nature of IRPs, having the ability to hold stakeholder meetings as needed effectively makes the rule self-regulating.

In conjunction with a flexible approach, Rule 7 should provide for a process to expedite data requests. An example might include a post-IRP stakeholder conference call to explain the results of the IRP. This would likely benefit all involved, and would provide two clear advantages. First, this process would provide a forum for stakeholders to ask questions of the utility. Second, this type of conference would avoid the need for more formal data requests.

In Conclusion, The IEA Supports The Modernization Of Rule 7 Acknowledging That Some Provisions Are Revised, Excluded, Or Added To Current Regulations.

The IEA supports the Commission's endeavors to update its IRP rules. Many years have passed since the rules' earliest adoption. The IEA believes the revised rule should be modern and flexible. The Commission does not need to discard Rule 7 entirely, however. As suggested in these Comments, with the proper mix of revision, exclusion, and additional language, Indiana's IRP rules can better serve all parties involved.