

**OUCC Comments Regarding Discussion of  
Energy Efficiency Modeling Methodology in Dr. Borum's  
Draft Report on 2013 Integrated Resource Plans**

March 31, 2014

Indiana Utility Regulatory Commission (Commission) Electricity Division Director Dr. Bradley K. Borum's draft report regarding 2013 Integrated Resource Plans (IRPs) filed by Indiana Michigan Power Company (I&M), Duke Energy Indiana (Duke), Indiana Municipal Power Agency (IMPA) and Wabash Valley Power Association (WVPA) points to a consistent lack of detail on energy efficiency (EE) modeling methodology. Like Dr. Borum, the OUCC believes more detail should be provided to explain specific assumptions used in the utilities' IRP cost modeling of EE.

Specifically, sufficient detail should be provided to allow both supply side and demand side resources to be evaluated and considered on equal footing. The IRP should demonstrate whether the most cost-effective and affordable level of EE can be achieved through demand side management (DSM), or whether more affordable and cost-effective supply side alternatives should be considered, so customers are only asked to pay for reasonable, cost-effective and affordable DSM programs.

The OUCC understands that Dr. Borum's draft report could prompt some utilities to submit supplemental IRP materials to clarify or address concerns raised by Dr. Borum. To the extent such supplemental submissions or comments are made, the OUCC requests that it be served with copies and given until May 1, 2014 (or 30 days after service, whichever is greater) to provide any further comments on supplemental submissions or comments on the utilities' 2013 IRPs.

The OUCC offers the following additional comments on Dr. Borum's discussion of issues related to specific utility IRP submissions.

**Dr. Borum's Discussion of I&M's EE Cost Modeling**

On page 7 of his draft report, Dr. Borum states, "The IRP included energy efficiency programs designed to comply with the Phase II DSM Order requirements to the extent practicable." Dr. Borum went on to quote from page 80 of I&M's 2013 IRP: "... [T]his Plan reflects current program impacts as well as impacts from as yet undefined future programs but at levels required for forecasted expected performance in Indiana... Load shapes that best replicate current and likely future programs are used to model energy efficiency program impacts." In his first Comment at the bottom of page 7 of the draft report, Dr. Borum states: "I&M does not explain in the IRP what the 'forecasted expected performance in Indiana' for energy efficiency programs is. Nor does I&M explain or demonstrate how this level was established."

OUCC Comments:

It is important to the OUCC that all IRP assumptions used by utilities are clearly stated and reasonable. Interested stakeholders (and the Commission) must know and be able to understand how model components work together, since even slight changes in assumptions can materially alter model results. The OUCC shares Dr. Borum's concern that I&M did not provide sufficient clarity when it referred to the "forecasted expected performance" of its Indiana EE programs without providing any further detailed explanation.

**Dr. Borum's Discussion of Duke's EE Cost Modeling**

On page 15 of his draft report, Dr. Borum states that Duke "hardwired" different levels of EE for each scenario with the Reference scenario assuming 11.9% of retail sales by 2019.

OUCC Comments:

It is the OUCC's position that utilities should not "hardwire" EE into their IRP modeling methodology. It is important to ratepayers that utilities use logical assumptions within a range of reasonableness and enter all demand side and supply side options into their IRP models to produce the lowest present value revenue requirement (PVR) portfolio. "Hardwiring" EE to meet a predetermined goal will arbitrarily alter the model run results in a manner that negatively impacts Duke's ratepayers.

**Dr. Borum's Discussion of IMPA's EE Cost Modeling**

IMPA's short-term plan, which included continued involvement in the Energizing Indiana program through 2014, suddenly changed when the Commission approved IMPA's withdraw from the program on January 22, 2014.

On page 22 of his draft report, Dr. Borum expresses concerns regarding IMPA's reported inability to collect load forecasting data from all of its municipal members, noting that accurate load forecasting data is critical to EE planning.

OUCC Comments:

Even though the Commission approved IMPA's request to withdraw from the Energizing Indiana program, future EPA rules on Greenhouse Gas regulations due out in June of 2014 could offer credits to utilities for their DSM efforts. Therefore, the OUCC shares Dr. Borum's concerns that IMPA needs to resolve any data acquisition issues that could limit the accuracy of its future load forecasts and IRP cost model results.

**Dr. Borum's Discussion of WVPA's EE Cost Modeling**

On page 25 of his draft report, Dr. Borum questions how EE and demand response (DR) are captured in WVPA's load forecast. On page 27, he goes on to state that "... [I]t is not clear how or even whether the impacts of energy efficiency are captured in the load forecast.... A reader of the IRP report can only conclude that the effects of energy efficiency in general and the

impacts of the WVPA-sponsored EE programs in particular are ignored in the development of the resource plan.”

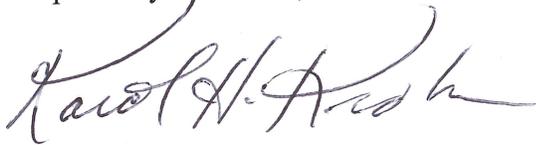
OUCG Comments:

The OUCG echoes the above concern. Although it is not prudent to “hardwire” DSM into the IRP cost model by reducing the forecasted load by a pre-determined amount for DSM programs, the OUCG believes it is important for utilities to include only cost-effective DSM programs in their IRPs to avoid skewing the results of cost model runs.

**OUCG Closing Comments**

The OUCG appreciated the opportunity to review and comment on Dr. Borum’s draft report. Pursuant to proposed IRP rule 170 IAC 4-7-2 (approved by the Commission in RM 11-07) the Electricity Division Director has authority to alter the standard schedule for submitting comments on IRPs. The OUCG therefore requests that Dr. Borum allow the OUCG until May 1, 2014 (or an additional thirty (30) days after service, whichever is later) in which to respond to supplemental submissions by any utilities and/or any comments other stakeholders submit on Dr. Borum’s draft report.

Respectfully submitted,



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