

**IN VCEPS Stakeholder Meeting with
CITIZENS ACTION COALITION (CAC) – July 25, 2011**

The Citizens Action Coalition (CAC) does not want to see the Indiana Voluntary Clean Energy Portfolio Standard (IN VCEPS) program becoming a new profit center for utilities at the expense of ratepayers.

“Just and reasonable” should mean least cost resources, so that rates are not above what would otherwise reasonably be expected.

The IURC should establish firm, strong guidelines regarding a cost benefits test. Strong guidelines are even more necessary because the program is voluntary. There should be a relationship to the Certificates of Public Convenience and Necessity (CPCNs) and purchased power agreements (PPAs) approved in other IURC cases.

The IN VCEPS rules should interconnect with the Integrated Resource Planning (IRP) rule, the CPCN process, the Demand Side Management (DSM) orders, etc.

The IN VCEPS rule should define what is just and reasonable.

IURC Question: Should the application process be a docketed proceeding?

CAC Answer: Yes, and the utility application should indicate its intent regarding plan for meeting goals and the incentives it is requesting.

IURC Question: Should there be any reward for past decisions or should the incentives be for future investment only?

CAC Answer: The incentives should be tied to the activities of the program, to those activities that would not have otherwise happened. The base year matters. Resources should be new resources. A resource is not new if it is already in the pipeline. The legislative intent was not to reward past behavior. If the CPCN has already been issued, then no new incentives under the IN VCEPS program.

IURC Question: Is the incentive the return on equity (ROE) or is it the ROE and the periodic rate adjustment mechanism (PRAM)? Is the real incentive the cost recovery under the PRAM?

The “may” under Section 13(a) becomes a “shall” under Section 13(b).

If the incentive is awarded after reaching the CPS goal and if existing resources are included in the goal, then the existing resources end up getting the incentive.

The IURC already has the authority to do any of the items under the IN VCEPS program.

Clean energy resources opposed the bill.

IURC: Please give statutory support for your positions.

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IURC Question: If the application process is a docketed proceeding, could it become bogged down? Are there two proceedings – one for the application and one for the incentives? The incentive proceeding has the 120 day clock. What about the timing of the application and when the utility needs to know the amount of incentive to be granted?

That's a utility decision, but the utility will want to know before hand what incentives can be expected.

IURC Question: Should there be a chart of incentives at the beginning? And/or in the rule? Will the utility need to know the amount of incentive in order to make its showing regarding rates not increasing more than rates otherwise would have? Forecast will include enhanced rate of return, so the utility will need to show the expected amount of the incentive to be able to do the forecast.

Incentives should be a case by case analysis.

Another option is a hybrid approach – perhaps having different incentives depending on the technology.

IURC Question: Does the IURC have the discretion to structure the incentives?

CAC Answer: Yes

IURC Question: When grant the incentive? Beginning of CPS goal period, sloping depending on compliance during the CPS goal period, or at the end of the CPS goal period?

CAC Answer: After period. The utility should not get the incentive until it has achieved the goal.

IURC Question: Under Section 13(c), does the utility get the PRAM during the CPS goal period?

CAC will think about it.

IURC Question: Is some kind of prudence finding necessary? That the rates are just and reasonable and the resource project is necessary?

IURC Question: Should there be a Construction Work In Progress (CWIP) equivalent?

CAC Answer: No, that's ambiguous. Incentive and PRAM should be on used and useful facilities, on smaller or incremental investments. CAC will compare language. If resource facilities are used and useful and the costs are just and reasonable, then the utility can recover its costs in the PRAM.

The CPCN requirements are not supplanted by the IN VCEPS program.

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Upon application for the program, the IURC approves the plan; however, the IURC will still need to approve a CPCN later.

Incentives should only be granted after utility has met its goals.

Expense cost recovery.

ROE adder – benefit to granting it at the end of a CPS goal period.

IURC Question: Under Section 11(c)(3), how should the IURC make that calculation? Should health effects be valued? Other things valued?

CAC Answer: Calculation of benefits probably should not include social benefits, but could include impact on capital costs.

The IURC should establish a clear pass/fail test, with strict guidelines and a standardized clear standard.

IN VCEPS program should correlate with IRP process and with CPCN statute, with comparisons to PPAs and DSM proceeding.

Section 11(c)(3) – “rates & charges” – what can be monetized.

IURC: Treatment of scenario planning and risk will be part of IRP rulemaking.

Each electric system needs to do analysis.

Common factors to enter into utility specific analysis.

IURC Questions: When can a utility join program? What is impact of utility joining in the middle of a CPS goal period? Section 12 refers to an average over the period. What IRP assumptions should be utilized to coordinate the scenario planning?

IURC Questions: Is this an opportunity to encourage additional new resources? Or to add diversity?

CAC Answer: More clean energy and renewable energy mean more progress in Indiana for its energy future. CAC is skeptical that investor owned utilities have the best interests of consumers at heart and the legislation is clear and unambiguous.

The IURC needs to get this rulemaking done right.

IURC: Please address the following:

- When incentives are established?
- When incentives are paid?
- Reconciliation and how done?

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- What factors should be considered in retail rates not increasing more than otherwise reasonably expected?
- What deadlines to set regarding when utility joins the program?

The CAC is planning on submitting written comments by the August 15th initial deadline for comments relating to rule development.