



STATE OF INDIANA
OFFICE OF THE GOVERNOR
State House, Second Floor
Indianapolis, Indiana 46204

Michael R. Pence
Governor

March 27, 2014

James D. Atterholt
Chairman
Indiana Utility Regulatory Commission
PNC Center
101 West Washington Street, Suite 1500 E
Indianapolis, IN 46204

Dear Chairman Atterholt:

As you are aware, SEA 340 became law without my signature. Under the law, the IURC is required to submit a status report on all energy efficiency programs to the regulatory flexibility committee. In addition to that status report, I request 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.

Managing the demand-side of our electricity industry through energy efficiency is an important part of our energy strategy. I speak often of the need for an 'all of the above' energy strategy, and I include energy efficiency in my definition of 'all of the above.'

Energy efficiency measures reduce demand for electricity, which reduces the need to build new generation facilities and avoids the costs associated with those new facilities. The State Utility Forecasting Group's 2013 Forecast estimates that Indiana will need to add 1,450 megawatts of generation resources in the near term and 3,600 megawatts in the longer term in order to meet forecasted demand. Demand-side management (DSM) can help reduce that gap and is a critical part of ensuring that our public utilities provide electricity at the lowest cost possible.

To produce policies that can reduce that gap, in addition to the status report required by SEA 340, I request that the recommendations:

1. Include appropriate energy efficiency goals for Indiana.
2. Reflect an examination of the overall effectiveness of current DSM programs in the state.
3. Reflect any and all issues that may improve current DSM programs.
4. Reflect a thorough benefit-cost analysis of the cost impact to ratepayers of possible DSM programs.
5. Allow for an opt-out whereby large electricity consumers can decide not to participate in a DSM program.

I request that the IURC work with all relevant stakeholders to assist our administration in formulating the most effective energy efficiency policy for Indiana. And I ask that the IURC complete its recommendations on or before the termination of the current program.

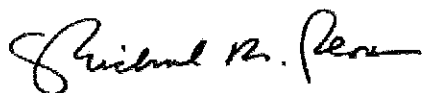
Thank you in advance for your prompt attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael R. Pence". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael R. Pence
Governor of Indiana

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President Pro Tempore David Long;
Speaker Brian Bosma;
Senator Jim Merritt,
Representative Eric Koch;

Dear Legislative Leaders:

I am writing regarding my decision concerning SEA 340.

I could not sign this bill because it does away with a worthwhile energy efficiency program developed by the prior administration. I could not veto this bill because doing so would increase the cost of utilities for Hoosier ratepayers and make Indiana less competitive by denying relief to large electricity consumers, including our state's manufacturing base.

Managing the demand-side of our electricity industry through energy efficiency is an important part of our energy strategy. I speak often of the need for an 'all of the above' energy strategy, and I include energy efficiency in my definition of 'all of the above.'

Accordingly, I have requested the Indiana Utility Regulatory Commission to immediately begin to develop recommendations that can inform a new legislative framework for consideration during the 2015 session of the Indiana General Assembly. This request is in addition to and builds upon the IURC's status report required under SEA 340.

I look forward to working with you to develop a new energy efficiency program for our state that will encourage conservation and promote a strong Indiana economy.

Sincerely,

A handwritten signature in black ink that reads "Michael R. Pence".

Michael R. Pence
Governor of Indiana