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MEEA Comments on IURC Rulemaking #15-06 Draft Final Rule

Background

As the Midwest's principal proponent, information source and networking forum for energy efficiency policy, the Midwest Energy Efficiency Alliance (MEEA) helps educate and advise a diverse set of stakeholders on new and meaningful ways to pursue an energy-efficient agenda that is both achievable and cost-effective. MEEA's membership includes energy providers, policymakers, implementers, manufacturers and environmental groups, and consists of more than 160 organizations, including 18 in Indiana.

MEEA submits these comments in response to the Draft Proposed Rule of the issued on July 5, 2016 in IURC Rulemaking #15-06. The proposed rule updates the Commission's rules regarding the requirements of electric utilities to prepare and submit integrated resource plans.

MEEA has previously submitted comments and redline corrections in the First Strawman Draft on October 22, 2015 and comments in the Second Strawman Draft on March 31, 2016. MEEA's major comments on these drafts focused on establishing a framework that would maximize utility investment in cost-effective energy efficiency programs and value demand-side resources comparably to the supply side.

Comments

We have reviewed the comments from MEEA members and allies on the Second Strawman and the changes made in the Draft Proposed Rule, and we are pleased to see that the staff has continued to incorporate the diverse stakeholder comments into the proposed rule. Many of the major concerns, and a multitude of smaller corrections, suggested by MEEA and by our members who have commented on previous drafts, have been incorporated in whole or in part into the proposed rule.

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We are especially pleased to see that the Draft Proposed Rule has removed the requirement for cost-effectiveness screening of energy efficiency programs (previously in Sec. 4-7-7) included in the utility resource selection, putting these programs on a "consistent and comparable basis" with supply-side resources which do not require cost-effectiveness screening before being subjected to resource optimization modeling.

There are still some areas that we feel could be addressed to further strengthen the rules and in some cases help alleviate the time and expense of prolonged proceedings as utilities and advocates disagree over interpretations or provided information. We discuss those areas below.

Cost Effectiveness

- As noted in our comments of March 31, 2016 in the Second Strawman, we still feel that the "one or more" approach to cost-effectiveness tests in energy efficiency plans (Sec. 4-8-2(3)) leaves too much room for confusion and lack of comparability between utilities and plans. We commented earlier, and renew that suggestion, that a single test – typically the total resource cost or program administrator cost test in other states – be chosen as a required, primary screen with other tests being used as additional screening to aid in utility decision making. We believe this requirement will not create undue burden on the utilities, who already use software that can run all of the tests, but will make it easier on Staff and stakeholders by holding all programs to the same standard of cost-effectiveness review.
- We additionally would like to see cost-effectiveness reported for individual programs, for the residential and commercial portfolios and for the total portfolio. Even if only the program-level scores are used for primary screening of the plan, we have, in our research, used cost-effectiveness data from all of these levels to analyze utility investment in energy efficiency and to evaluate program and portfolio performance. Minnesota is an example of a state where utilities report their cost-effectiveness results at all of these levels.
- We previously addressed a confusing definition of the rate impact measure and are glad to see that definition has been modified. On further review, though, we feel that the definitions and abbreviations of *all* of the cost effectiveness tests should conform to industry standard, matching the language and referencing the authoritative source. We outline some edits to the definitions from 4-8-1 below.

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(cc) "Participant cost test" or "PCT" means a cost-effectiveness test that measures ~~the difference between the cost incurred by a program participant and the direct economic benefit received by a program participant~~ the quantifiable benefits and costs to the customer due to participation in an energy efficiency program, as defined in the 2001 California Standard Practice Manual.

(hh) "Ratepayer impact measure test" or "RIM ~~test~~" is a cost-effectiveness test that measures what happens to customer bills or rates due to changes in utility revenues and operating costs caused by ~~a DSM~~ an energy efficiency program~~. It indicates the direction and magnitude of the expected change in customer bills or rate levels.~~, as defined in the 2001 California Standard Practice Manual.

(mm) "Total resource cost test" or "TRC" means a cost-effectiveness test that ~~eliminates the distinction between a participant and nonparticipant by analyzing whether a resource is cost-effective based on the total cost and benefit of an energy efficiency program or demand response program, independent of the precise allocation to a shareholder, ratepayer, and participant.~~ measures the net costs of an energy efficiency program based on the total costs of the program, including both the participants' and the utility's costs, as defined in the 2001 California Standard Practice Manual.

(pp) ~~"Utility cost test" (also known as the revenue requirements test, or program administrator cost test)~~ "Program administrator cost test" or "PAC" (also known as the utility cost test) means a cost-effectiveness test ~~measuring the ratio of the utility benefits to utility costs~~ that measures the net costs of an energy efficiency program based on the costs incurred by the program administrator, including incentive costs, and excluding any net costs incurred by the participant, as defined in the 2001 California Standard Practice Manual. *(This section would have to be reordered with the change to the primary name given for this test. The name of the test would also need to be changed in 4-8-2. We feel it is most appropriate to use the modern name for this test while referencing the old name.)*

Timing Issues Between IRP and Energy Efficiency Plan

- As we previously discussed, we still see problems with the timing between IRP and energy efficiency plans. Most concerning is the requirement that IMPA, Hoosier and Wabash Valley file IRPs by Nov 1, 2017 and must then

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file an efficiency plan 60 days later, by Dec. 31, 2017. Considering the timeframe required for the director's report on the IRP (90 days for comments, 60 more days for the draft report, 30 days for comments, 60 days for the final report; equaling 240 days assuming no extensions) then it is completely infeasible that those utilities could incorporate any of the director's recommendations from their IRP into their efficiency filing.

If the goal is to make sure that *reviewed* IRPs inform energy efficiency plans, then the staggered timeframe for IRP filings coupled to a non-staggered schedule for efficiency plans does not seem appropriate to meeting this goal. Ideally, every utility would file an IRP in the one year, and file their efficiency plan the next year, then two additional years before filing another IRP, then an efficiency plan the next year, and so forth.

- In 4-8-2, energy efficiency plans are filed "not less than one time every three years" and the section does not specify a time period to be covered by the plan. Removing "not less than one time" and specifying that plans are to cover a three-year planning cycle would ensure consistency and regularity in planning cycles and would make sure that the IRP and energy efficiency planning cycles stay on the same schedule, and that the three-year action plans in 4-7-9 can be used to directly inform the three-year energy efficiency plans.

- Drawing on the above comments, the energy efficiency planning cycle could be directly modeled after the IRP cycle, rather than all occurring in the same year, making sure that it follows the year after the IRP – with a couple of short planning cycles required to get everything synchronized. Having all energy efficiency planning happen in the same year is convenient, but a stable and predictable IRP-EE cycle would be more important for making sure that Indiana is able to reach its energy saving potential.
- An example of language that would ensure that each energy efficiency plan is filed the year after the IRP (modifying language borrowed from 4-7-2, but striking the municipal and cooperative utilities that are not included in the definition of "electricity supplier" in IC-8-1-8.5-10(a)):

(a) ~~The following utilities, or their successors in interest, shall submit to the commission~~ An electricity supplier shall file a request for approval of an ~~IRP~~ energy efficiency plan consistent with this rule according to the following schedule:

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~~(1) Hoosier Energy Rural Electric Cooperative shall submit an update of its 2014 IRP by November 1, 2016, consistent with subsection 10(b) of this rule.~~

~~(2)~~(1) Indianapolis Power and Light Company, Northern Indiana Public Service Company, and Southern Indiana Gas and Electric Company shall submit a three-year energy efficiency plan by November 1, ~~2016~~ 2017, and every three years thereafter.

~~(3) Indiana Municipal Power Agency, Hoosier Energy Rural Electric Cooperative and Wabash Valley Power Association by November 1, 2017, and every three years thereafter.~~

~~(4)~~(2) Duke Energy Indiana and Indiana Michigan Power Company shall submit a two-year energy efficiency plan by November 1, 2017 and then shall submit a three-year energy efficiency plan by November 1, ~~2018~~ 2019, and every three years thereafter.

(b) Upon request of a utility, the director may grant an extension of a submission deadline, for good cause shown.

- An additional part could be added stating that between three-year cycles utilities could request approval of an updated plan to cover the remainder of the time until the next planning cycle, which would allow utilities to be flexible and react to unforeseen market circumstances without changing the regularity of the planning cycle.

IRP Technical Appendix

- In 4-7-2(c)(2), there is a requirement for a technical appendix to the IRP containing "supporting documentation sufficient to allow an interested party to evaluate…" but leaves the determination of what is sufficient to the discretion of the utility filing the IRP. This would be better served with an "including but not limited to" list of documentation to be included in the appendix, that would make sure that an interested party will be able to consistently and in-depth evaluate IRPs from all utilities, and to be able to do so within the window allowed for comments between the original filing and the director's draft report.

  It is important that the IRPs are able to be subjected to rigorous review, since the legislature has tied efficiency planning to the IRP. If efficiency plans are being evaluated for their consistency with the IRP, then the

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ability for interested parties to fully explore the resource modeling in the IRP is essential to knowing that energy efficiency and demand-side resources have been fully valued in that planning. Making sure that documentation requirements in the technical appendix are specific, and that documentation provided is of sufficient and consistent depth for the purpose will prevent costly and time-consuming back-and-forth discovery – formal or informal – as interested parties seek the information necessary to evaluate the planning results.

Items that would be valuable as part of the appendix, even if some of them are subject to non-disclosure by recipients, could include the following[1]:

- Input and output files from the modeling runs discussed, or a human-readable report of the file's contents if the source file is not itself readable.
- User documentation for the model(s) employed, including instructions and a key to terms and acronyms.
- Annual loads and resources for the modeling planning period at the load group, unit and transaction levels (in electronic spreadsheet format).
- The energy and demand forecasts and any sensitivities on those forecasts, along with the input data and worksheets used to develop the forecasts.
- The costs and characteristics of the resources examined in the IRP.
- The utility's fuel prices forecasts and any sensitivities on those forecasts.
- The workbook(s) used to calculate the revenue requirements of each resource portfolio.

We thank you again for this opportunity to comment on this rulemaking. These rules, when published, will provide a strong backbone for the future of energy efficiency in Indiana.

[1] For a deeper discussion of data issues in IRP review, see "*Comments of Citizens Action Coalition, Earthjustice, Indiana Distributed Energy Alliance, Michael A. Mullett, Sierra Club, and Valley Watch on Duke Energy Indiana's and I&M's 2015 IRPs*" Submitted to the IURC, Feb. 12, 2016.