

**IN VCEPS Stakeholder Meeting with  
INDIANA INDUSTRIAL ENERGY CONSUMERS, INC (INDIEC) – July 25, 2011**

The IN VCEPS program should reflect the incentive nature of Ind. Code 8-1-37, as motivation to do something new, not to be rewarded for projects that were previously submitted or that are in process.

This requires determination up front of cut offs.

For the both application processes, including the second application process regarding incentives, there should be a full and adequate opportunity to intervene. The second application process regarding incentives should determine if the utility has met the goals and whether the utility is going to meet the additional goals in the future.

It's important at the beginning to require a showing for qualifying for incentives and then the 2<sup>nd</sup> application process is the actual awarding of the incentives. The 2<sup>nd</sup> process comes once the goals are met. This would correspond with the reporting and oversight process.

IURC Question: When give incentives and expense recovery? For example, if utility meets 4% in first year.

INDIEC Answer: Incremental and new resources only count. Compliance with the IURC's Demand Side Management (DSM) order alone would meet the goals. It may be okay to use existing resources to meet the goal, but not to qualify for incentives.

IURC Question: How scheduled? How defined?

Section 13(a) is permissive. It allows for separation of goals from incentives. The IURC is not required to award incentives.

The incentive should be awarded at the time of reaching the goal, at the end of the CPS goal period. INDIEC will consider whether incentive could be awarded in the middle of the period, as long as monitoring reflects the utility is meeting or on track to meet the goal.

Any intermediate incentive must be "subject to refund." If the IURC grants the incentive and the periodic rate adjustment mechanism (PRAM) at the beginning or during the CPS goal period, then there must be a true-up mechanism in case the utility does not meet the goal.

No double dipping should be allowed. If the project's costs are already recoverable or if the utility is already receiving an incentive for the project, then either it doesn't count toward the goal and/or it doesn't receive an additional incentive under the IN VCEPS program.

IURC Question: Should there be set standards in order to receive incentives?

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INDIEC Answer: No. There needs to be room in analysis to consider the nature of the project. The determination should be made on a case-by-case basis, with the need for the incentive to be fact specific. The IURC must have the discretion and flexibility.

The application process should be a docketed proceeding, allowing for intervention, in determining that utility's plan does not increase rates to amount greater than what rates would otherwise be.

IURC Question: How does IURC determine what costs would otherwise be?

INDIEC Answer: Through the Integrated Resource Planning process.

IURC Question: Should the rule or the IURC spell out what factors should be included in the modeling and scenario analysis to be done by participating utilities?

INDIEC Answer: No. there are too many uncertainties to put in the rule.

The process is analogous to the Certificate of Public Convenience and Necessity (CPCN) process, which makes sense and is already in place and known. This is a case-by-case determination.

The utility would still need to seek a CPCN for each individual project. There's nothing in Ind. Code 8-1-37 that would indicate that a utility did not need to follow the CPCN process for individual projects.

The first application step must include a plan to 2025. The other pieces of the regulatory process continue (e.g., CPCN, DSM, etc.).

CPCN includes an annual adjustment, regarding whether the rates are just and reasonable. The utility should declare whether the resource for which the CPCN is being sought is part of the IN VCEPS program. The resource must be used and useful before incentive granted.

IURC Question: Are projects that receive PRAM and incentives under the IN VCEPS program eligible for Construction Work in Progress (CWIP)? See Section 13(c)(1).

IURC Question: Does the IURC have discretion regarding the timing of recovery?

IURC: Include in comments, how much should be specified in the rule and how much should be determined on a case-by-case basis?

The framework should be in the rule.

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IURC: Should the rule include possible factors for the IURC to consider in determining whether to grant incentives and the amount of incentives that should be granted?

IURC: Please include in comments what happens in the event of non-compliance? Probation? Termination of tracker? Reconciliation?

INDIEC is planning on submitting written comments by the August 15<sup>th</sup> initial deadline for comments relating to rule development.