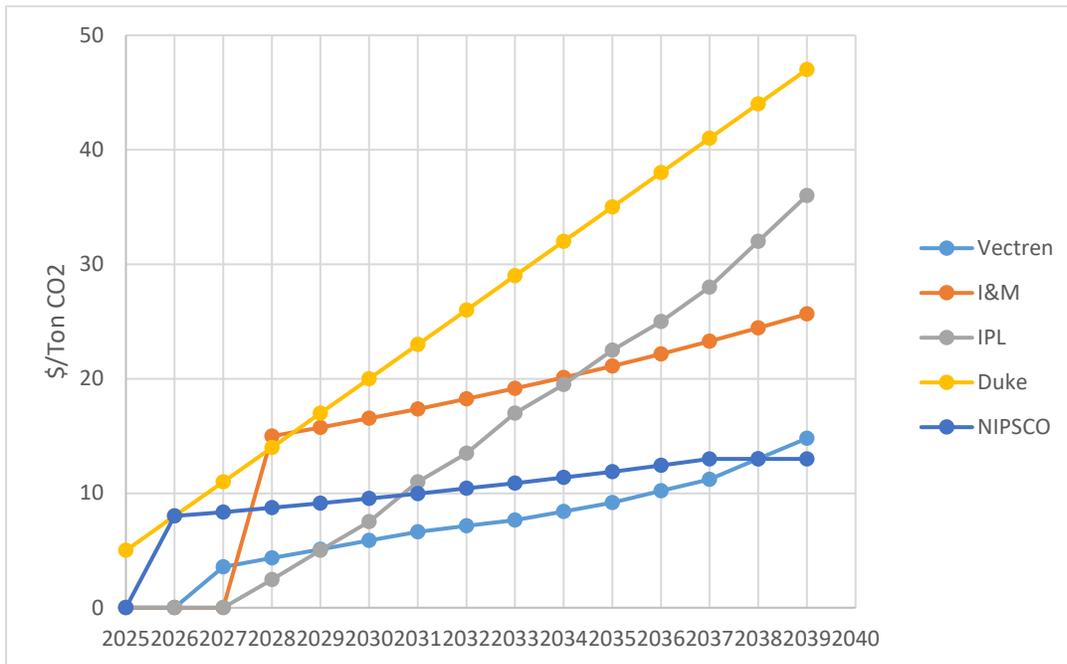


## Comments to The Director’s Draft Report

### Indiana and Michigan Power Company Integrated Resource Plan

#### Carbon Tax

All the Indiana investor-owned utilities (“IOU”) incorporate carbon taxes into their IRP analyses as a proxy for possible carbon legislation. However, there is little consistency among the Indiana IOUs in their attempt to estimate carbon taxes. Start dates, initial values, rates of increase, and end dates vary widely and can consequently play a decisive role in preferred plan selections:



The OUCC recommends the Commission determine and implement a reasonable and consistent carbon tax used in IRP analyses in Indiana, including consistent beginning and ending dates and pricing. This might be a topic for a technical conference pursuant to 170 IAC 4-7-2.7.

#### Avoided Transmission & Distribution (T&D) Capacity Costs

The OUCC agrees with the Director’s comments at page 28:

*As I&M correctly states, the complexities of the T&D system pose a daunting task to give effect to the avoided T&D costs. However, the Director believes that an evolutionary effort to quantify avoided T&D systems costs are in the public interest.*

In the Director’s July 17, 2020 draft comments, the OUCC noted on page 15:

*A significant driver of the level of EE selected in the modeling process is the projection of avoided costs. The avoided cost projections developed in I&M’s*

*IRP are based on regional modeling estimates of PJM's energy and capacity prices over the planning horizon. I&M recognizes transmission and distribution costs can be avoided with DSM but argues it is too location specific for inclusion in the IRP's analysis of DSM resources. As a result, I&M includes zero avoided costs for T&D. But location specific does not mean zero in the judgment of the Director. The question is what level of potential location specific avoided T&D costs should be included in the IRP and appropriately adjusted to reflect the system-wide nature of the IRP analysis. Surely if degradation factors can be developed using professional judgement then it must be possible to develop estimates of potential avoided T&D costs.*

This might also be a topic for a technical conference pursuant to 170 IAC 4-7-2.7. Presently, none of the Indiana utilities approach this topic on a consistent basis. The avoided T&D costs utilities apply varies significantly and influences the amounts of Energy Efficiency resources selected. The OUCC offers the following method to quantify T&D capacity avoided costs:

1. Identify distribution circuits requiring capacity improvements;
2. Exclude projects addressed through Transmission, Distribution, and Storage System Improvement Charges ("TDSIC") programs;
3. Determine which situations are caused by load growth due to new customers (such as new subdivisions, shopping centers or other commercial expansion) and exclude those circuits from the analysis. These are not distribution capacity issues that can be alleviated through DSM;
4. For the remaining circuits, estimate the portion of the project costs including only those components related to improving capacity. The concept of quantifying only those costs relating to capacity have been applied in other jurisdictions;<sup>1</sup> and
5. Multiply the percentage of demand reduction based upon DSM compared to the IPL system load times the annualized cost per kW-year of capacity improvements determined in (4) above.

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<sup>1</sup> See Avoided Energy Supply Components in New England 2018 Report, pages 203-205 at <https://www.puc.nh.gov/Electric/Monitoring%20and%20Evaluation%20Reports/AESC%202018.pdf>