



20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606

312.587.8390 [Main Line](tel:312.587.8390)

312.587.8391 [Fax](tel:312.587.8391)

www.mwalliance.org

Stacey Paradis
Midwest Energy Efficiency Alliance
20 N Wacker Dr, Ste 1301
Chicago, IL 60606

February 28, 2019

Dr. Brad Borum, Director
Indiana Utility Regulatory Commission
ATTN: Research, Policy and Planning Division
101 W Washington St, Ste 1500 E
Indianapolis, IN 46204-3407

Re: MEEA's Comments on NIPSCO's 2018 Integrated Resource Plan

Dear Dr. Borum:

The Midwest Energy Efficiency Alliance (MEEA) welcomes this opportunity to comment on the 2018 Integrated Resource Plan (IRP) submitted by the Northern Indiana Public Service Company (NIPSCO). MEEA previously commented on NIPSCO's 2016 IRP.

MEEA is a non-profit, membership association working across a 13-state region in the Midwest. Our members include utilities (investor-owned, municipal and cooperative), energy efficiency technology and service providers, manufacturers, state and local governments, and research and advocacy organizations. We are the Midwest's key proponent and resource for energy efficiency policy, helping to educate and advise a diverse range of stakeholders on ways to pursue a cost-effective, energy-efficient agenda.

For full disclosure, NIPSCO is currently a MEEA member, as are GDS Associates, the consultant that provided the savings update report for this IRP, Lockheed Martin, the implementation contractor for NIPSCO's 2019-2021 energy efficiency programs and ILLUME Advising, NIPSCO's evaluation, measurement and verification (EM&V) contractor. MEEA membership does not impact our comments, but we wanted to directly disclose to ensure transparency.

MEEA is pleased to see the continued progress in energy efficiency planning that has been made by NIPSCO in this IRP, responding to the Director's Report on the 2016 IRPs and the rapidly changing energy marketplace in the region. The projected growth in both energy efficiency investment and cost-effective energy savings in NIPSCO's preferred portfolio are a vital part of a proposed portfolio that will provide a clean, flexible and resilient energy future in their territory.



20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
www.mwalliance.org

Stakeholder Process

MEEA was grateful for the opportunity to participate, both in-person and via conference call, during NIPSCO's public stakeholder engagement workshops. NIPSCO responded not only to stakeholder feedback from their 2016 IRP but also responded in subsequent meetings to feedback and requests brought up in the workshops. The willingness of the utility to engage with customers and advocates from multiple perspectives is a credit to the framework that the Commission has established in Indiana through the IRP rules and to NIPSCO's implementation. Though the meetings add additional expense, time and effort to the IRP, they perform a valuable role of bringing a broad range of parties and ideas to the table throughout the planning process.

Though MEEA did not do a deep technical analysis of the modeling inputs and assumptions, we were glad to see a high level of cooperation between the utility and the stakeholders that were performing those deeper reviews. Transparency, accuracy and openness to stakeholder review are vital for getting public support, especially when a proposed plan makes as far-reaching changes as this one.

Demand-Side & EE Modeling Inputs

We were pleased to see the 2018 DSM Savings Update Report that was included in Appendix B to the IRP. While NIPSCO had previously done a full market potential study (MPS) only two years ago, the speed of changes in the energy and energy efficiency marketplaces made the Savings Update worthwhile. The Savings Update included additional programs and measures as well as updated participation projections and costs based on the approved 2019-2012 DSM Plan and shows significantly higher EE potential than the 2016 MPS.

Changes in energy efficiency technology and costs can occur rapidly – for example the dramatic change in the availability and cost of LED light bulbs – which can make measure-based cost projections uncertain. While the customer end-uses will probably remain essentially the same, and demand is likely to grow with electrification, the technologies and their costs are likely to continue to change rapidly. This underscores the value of updating these types of potential studies, while exploring other ways of forecasting EE.

An alternative to trying to forecast specific use and costs for efficiency measures is using “generic” blocks of energy efficiency with an escalating cost curve – the “decrement approach” discussed in some of the stakeholder meetings. We saw a version of this used in Vectren's 2016 IRP and we think it was a useful approach that should be explored further in future IRPs.



20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
www.mwalliance.org

In our comments on the previous NIPSCO IRP, we had concerns about over-screening of energy efficiency through the MPS – concerns that were somewhat alleviated by the changes in methodology for the 2018 Savings Update. MEEA hopes that NIPSCO will continue to refine the ways that it determines the energy efficiency potential that it uses in its IRPs.

We previously commented on the use of the outdated 2013 Indiana TRM v1 rather than the updated TRM version 2.2 in the 2016 MPS. We were pleased to see that the Savings Update from GDS used TRM v.2.2, though they had to supplement that with the Illinois TRM among other sources. As the TRM v2.2 continues to age, it will be important for the utilities and the Commission to establish a process for developing ongoing periodic updates to a statewide TRM. In Illinois, as an example, the TRM is reviewed and updated annually through the Illinois Stakeholder Advisory Group to ensure consistent and accurate measure costs, energy savings and other inputs across the state's utilities for both IRP and DSM planning.

One of the strong aspects of NIPSCO's IRP was the "All-Source RFP" which NIPSCO used to obtain market-based options for replacing retired supply. While this All-Source RFP focused on supply-side options only, we hope that the utility continues to use this approach for future IRPs and consider ways to adapt it to include market-based energy efficiency offerings as well, and we would be happy to work with NIPSCO to get the next All-Source RFP out to the energy efficiency market.

As we noted in our 2016 comments, the long-term treatment of the industrial customer opt-out from energy efficiency programs is an area of continued concern for MEEA. In the absence of any legislative change, it is of course reasonable for the utility to assume that those customers who have opted-out will remain so. We were, therefore, glad to note that NIPSCO worked with their large industrial customers to include estimated future customer-undertaken energy efficiency in their individual large customer load forecasts that were incorporated into the utility's overall industrial load forecast. We would rather see those customers as part of the utility's portfolio and have those energy savings measured and reported. We also hope that there will be opportunities for MEEA and others in the energy efficiency industry to help Indiana's utilities to engage with their industrial customers and provide high-quality industrial programming that will give customers a reason to opt-in to participating in utility energy efficiency portfolios again.

Energy Efficiency Bundles

In the 2016 IRP, the utility modeled energy efficiency as bundles based on similar load shapes. While this was appropriate for the way energy efficiency could be included in the model that was used for that IRP, MEEA was concerned about the screening-out of whole classes of similar load-shape measures even though there was a range of costs associated with the measures inside that bundle. The approach that was taken this

round was to instead bundle measures by cost tier. This left fewer bundles of EE to introduce to the selection model but was more measure agnostic. Measures that were eliminated in the previous IRP because their load-shape bundle was not selected are now available to this IRP if they are low-cost.

Though we agree that cost-tiers are a more appropriate approach for bundle creation and cost-based resource selection than load-shape bundles, additional explanation of the rationale would help advocates and other stakeholders to better understand the decision. It would have been instructive for the utility and/or the vendor to provide some deeper discussion of why the change was made since it was substantially different than the previous IRP.

The two lower-cost bundles were ultimately selected, while the bundle of resources costing more than 5 cents per kWh were not. In the next IRP, it may be useful to refine these cost tiers – for instance subdividing the cost into tiers of smaller increments (2 cent ranges instead of 5 cents as an example). While this would require additional modeling, shorter spans could help ensure that all cost-effective efficiency resources are selected.

Modeling Energy Efficiency as a Resource

The changes in the modeling software from Strategist to Aurora comes with a lot of changes to the methodology, inputs and assumptions. NIPSCO and its consultants appear to have handled the transition well and have substantially improved the modeling energy efficiency in a fashion comparable to supply side resources in this IRP. More energy efficiency was supplied to the selection model and two of the three bundles were selected as least-cost resources. There is a trend in the IRP states in our region of moving towards models that are better able to evaluate demand-side and distributed resources and NIPSCO appears to be leading the way in Indiana with the first-filed of the 2018 IRPs.

Preferred Portfolio & Future Planning

NIPSCO's preferred portfolio is a dramatic shift away from the generation status quo and takes bold steps toward energy efficiency, renewable and distributed resources. The Savings Update projected nearly tripling the investment in residential EE and over double the investment in commercial & industrial EE over the next 30 years. We hope to see this come to fruition. With this IRP, NIPSCO is responding to the rapidly changing energy marketplace and positioning itself well to respond to anticipated system-wide changes while maintaining quality energy service for its customers in the future.

The process that NIPSCO lays out in Section 5.7 of the IRP for aligning IRPs and energy efficiency plans is appropriate for continuing to advance energy efficiency as an indispensable part of their resource mix. The IRP will inform the Action Plan for energy efficiency, which the utility will use to create a DSM RFP to find resources to meet that



20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606

312.587.8390 Main Line

312.587.8391 Fax

www.mwalliance.org

Action Plan. The results of the RFP will be used to build the near-term EE plan based on real-world cost and participation estimates. Then the implementation of the EE plan will be reviewed by the Oversight Board and adjusted based on market performance, and the evaluated results of program implementation will provide inputs to the next IRP. The feedback loop in this process will help ensure that up-to-date market conditions and actual program performance are considered in ongoing forecasts and planning to ensure that least-cost resources like energy efficiency are properly valued and incorporated.

Thank you for this opportunity to comment on NIPSCO's 2018 Integrated Resource Plan, and we look forward to continuing to engage in the IRP process for all of Indiana's utilities to advance energy efficiency as a valued and high priority resource for the state. If you have any questions about MEEA's comments, please contact Greg Ehrendreich, MEEA's Research Analyst, who is the project lead for Indiana at gehrendreich@mwalliance.org or 312-784-7273.

Respectfully,

Stacey Paradis, Executive Director
Midwest Energy Efficiency Alliance