



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

312.587.8390 Main Line
312.587.8391 Fax

www.mwalliance.org

March 16, 2017

Dr. Brad Borum
Research, Policy and Planning Division
Indiana Utility Regulatory Commission
PNC Center
101 West Washington Street, Suite 1500 East
Indianapolis, IN 46204

Re: MEEA's Comments on NIPSCO's 2016 Integrated Resource Plan

Dear Dr. Borum:

The Midwest Energy Efficiency Alliance (MEEA) submits the following comments on the 2016 Integrated Resource Plan (IRP) submitted by Northern Indiana Public Service Company (NIPSCO) on November 1, 2016.

MEEA is a non-profit, membership association working across a 13-state region in the Midwest. Our members include utilities (investor-owned, municipal, and cooperatives), 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. NIPSCO has been member of MEEA in the past.

As the region's leading voice for energy efficiency, MEEA is pleased to see that energy efficiency is better represented and modeled in the 2016 IRPs than it has in the past. We hope that our comments along with guidance from the commission and the updated IRP rulemaking will lead to increased investment in energy efficiency in future IRPs both from NIPSCO and from the rest of Indiana's utilities.

Modeling Energy Efficiency as a Selectable Resource

MEEA is glad to see that NIPSCO has responded to the message of the 2016 IRP Contemporary Issues Technical Conference and the draft IRP rules and modeled energy efficiency as a selectable resource along with the supply-side options in its IRP process. While we like the bundling approach, we prefer the



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method used by Indiana Power and Light (IPL), where the bundles were separated into cost-tiers as an improvement over non-tiered bundles such as NIPSCO used because it prevents an “all or nothing” selection. It is worth considering that the cost-effectiveness of energy efficiency *programs* is often the result of lower-cost measures balancing out higher-cost measures, not on the cost-effectiveness of individual measures. Basing selection on measure-level cost-effectiveness could be leaving savings on the table that could be achieved with a well-designed portfolio of programs. Ultimately, the cost-effectiveness of energy efficiency is measured at the program level in Indiana so an approach that tries to model this could be worth consideration.

As the Regulatory Assistance Project points out, “although the achievable framework is useful from a practical standpoint, too often projections of achievable savings are seen as precise forecasts or even upper limits on what level of demand reduction can be attained through energy efficiency initiatives... Other factors, such as effective program design and the strength of motivation on the part of the utility, can significantly influence what level of savings will ultimately be realized.”¹

MEEA would also like to see the energy savings potential represented by customers that have opted-out included in the IRP modeling. It is not unreasonable to think that these customers may choose to opt back in to a utility's energy efficiency programs at some before 2036. Commercial and industrial programs, those that would serve the customers eligible for the opt-out, represent some of the most cost-effective energy savings.²

Market Potential Study

There are a few areas in the Market Potential Study (MPS) that we would like to address. First, with regard to NIPSCO's MPS, we feel that there is a fundamental

¹ Kramer, C. and Reed, G. 2012. Ten Pitfalls of Potential Studies. Burlington, VT: Regulatory Assistance Project. Accessed at <http://www.raonline.org/knowledge-center/ten-pitfalls-of-potential-studies/>

² Ehrendreich, G. 2015. Living Up to Its Potential: Industrial Energy Efficiency in the Midwest. Chicago, IL: Midwest Energy Efficiency Alliance. Accessed at http://www.mwalliance.org/sites/default/files/uploads/Ehrendreich_2015_Living-up-to-its-potential_5-97.pdf



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problem in that energy efficiency measures are being screened for cost-effectiveness *twice* before ever going into the bundling process. First the Technical Potential is being screened using EAG's LoadMAP software (with its assumptions and estimates) to get the Economic Potential. The Economic Potential is further reduced to the Achievable Potential – measures that have already been determined to be cost-effective in the first screening are run through more cost-effectiveness testing with DSMore, which has a different set of assumptions and estimates. This process eliminates even more measures to create the Program Potential which is fed into the next stage of the process. It is our position that eliminating achievable energy efficiency measures at this stage in the IRP is a flawed approach. Moreover, we suggest that the "Technical Potential" be the input to the IRP modeling. The proper place for screening for cost-effectiveness of energy efficiency is at the program design and planning level. Such benefit-cost screening in the IRP places energy efficiency on unequal footing with supply-side options.

Secondly, we note that NIPSCO used Version 1 of the Indiana Technical Reference Manual (TRM) in its MPS, whereas for example IPL used Version 2.2 in its IRP. The newer TRM has updated measure values and additional measures. Fundamentally, the purpose of a TRM is to provide transparency, confidence, and process efficiency in determining energy savings associated with individual energy efficiency measures. We hope that the commission will provide guidance to the utilities in the future on which version of the TRM should be used in resource planning and energy efficiency planning.

Savings Levels

The levels of energy efficiency selected in NIPSCO's IRP hover around 0.70% of annual retail sales, never exceeding 0.73% in any year over a 20-year time frame. This level of energy savings is similar to the savings that NIPSCO was required to achieve in 2012 – 0.70% - under the now repealed energy efficiency resource standard (EERS) and when its energy efficiency programs were in their infancy. Figure 1 illustrates the discrepancy between the savings requirements under the EERS, the savings proposed in NIPSCO's IRP (based on total load, not load after the opt-out), and the level of savings required in 2012. Given MEEA's experience working in other states with long-term commitments to energy

efficiency, it is not uncommon that higher levels of cost-effective energy savings can be achieved as technology, program design, and program deliver mature. Lastly, as these changes occur, program administrators recognize that customer incentive payments may be reduced and are certainly not at 100% of the incremental cost of the measure.

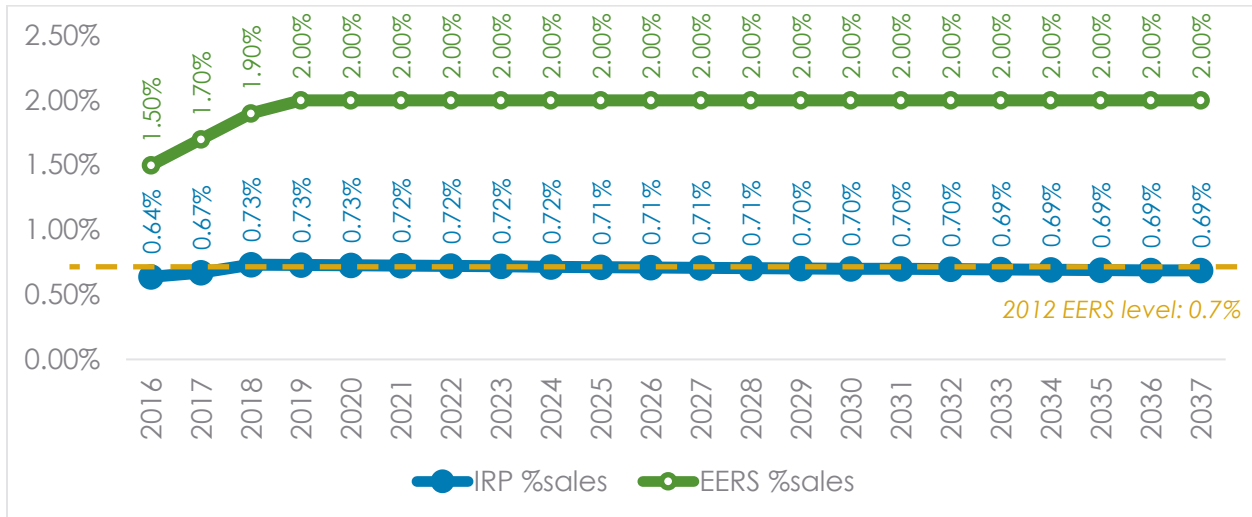


Figure 1: Energy efficiency in NIPSCO 2016 IRP compared with savings requirements from Cause 42693 energy efficiency standard. (IRP savings levels estimated by MEEA from forecasts provided in the IRP and appendices.)

Stakeholder Input

We are glad to see NIPSCO engaging in a stakeholder process and taking feedback from stakeholder meetings to correct and refine some of the modeling. Having documented customer preferences is an important reference for all those involved in the IRP process. The transparency of this process is vital to ensuring that customers understand the process, and that they are getting the full benefit of possible energy savings with all resources equally considered.

Fundamental to that transparency is making sure that the information presented at the public stakeholder meetings is accurate and properly reflects the resource choices being made. The same applies to the input and output files, model run results, and other technical appendices that are provided to stakeholders who want to do a deeper, technical evaluation of the IRP.



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Thank you for this opportunity to comment on NIPSCO's integrated resource plan, and we look forward to continuing to engage in the IRP process for Indiana's utilities to advance energy efficiency as a valued resource in the state.

Respectfully,

Stacey Paradis, Executive Director
Midwest Energy Efficiency Alliance