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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 Vectren'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 Vectren on December 19, 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. Vectren is a MEEA member.

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 Vectren and from the rest of Indiana's utilities.

Modeling Energy Efficiency as a Selectable Resource

MEEA is glad to see that Vectren 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. Vectren's approach to creating energy efficiency



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blocks to go into its resource selection model is an approach that puts demand-side resources on more equal footing with supply side resources, without limiting energy efficiency through benefit-cost testing as an input to the model.

In IP&L and NIPSCO's 2016 IRPs, efficiency measures were pre-screened in the Market Potential Study before being bundled by measure type for modeling. Those IRPs did a good job of allowing energy efficiency to be treated as a selectable resource, though as we noted in our comments on those IRPs, using a limited pool of available measures because of pre-screening artificially limits the amount of energy efficiency the model can consider. Additionally, the bundling by measure type rather than in a form more representative of actual program practice where multiple measure types can contribute savings is another area where the measure bundling model may limit the possibilities for energy efficiency. Vectren's IRP provided a different model.

Vectren's model created generic blocks of residential and commercial energy efficiency in 0.25% increments, making up to 2.0% energy efficiency available per year. We feel that this approach provides a reasonable model for putting energy efficiency on the table as an equivalent resource option, with a caveat. The 2.0% number appears to be arbitrary as do the 0.25% size of the increments. As one of the modeling runs selected 2.0% energy efficiency (p. 237) we question whether a 2.0% ceiling on energy efficiency is too low. If the amount of energy efficiency available was set at 3.0% or higher, would that model have selected more? If smaller increments of 0.10% had been used would more energy savings have been selected? We would like to see more explanation of why the upper limit to energy savings was drawn at 2.0% and why 0.25% was chosen for the smaller increments.

MEEA is glad to see that Vectren recognizes that screening measures for cost effectiveness is part of program design, rather than something that needs to be done before IRP modeling, and that programs can be designed to meet the energy savings levels presented in the IRP.

"The IRP should determine the appropriate level of DSM to include in the preferred resource plan. However, for Vectren, the IRP is not the appropriate tool to determine which specific programs to include in a DSM plan. Instead, every 2-3 years



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Vectren engages in a multi-step planning process designed to select programs that meet the level of savings established in the preferred resource portfolio. Once the level of DSM to be offered has been established by the IRP and a portfolio of programs to meet the savings levels has been designed, the last step in the planning process is to test the cost effectiveness of the programs.”
(p139)

This approach, allowing the model to select energy efficiency by cost per kWh in a measure-agnostic fashion avoids limiting what energy efficiency is available to the model, and avoids artificially limiting the utility’s later DSM planning because it selects for savings rather than for specific measure types. This approach will give Vectren’s program planners the flexibility to design cost-effective programs using any combination of measures, which achieve the savings set forth in the IRP instead of, for example, being allowed to do Residential Lighting but having Commercial Cooling unavailable because that measure bundle was not selected.

MEEA would also like to see the energy savings potential represented by customers that have opted-out considered 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. There is evidence in Michigan, Wisconsin and Minnesota that well-designed and accessible large customer energy efficiency programs can be an attractive option for these customers even against the option of saving energy on their own. Commercial and industrial programs, those that would serve the customers eligible for the opt-out, represent some of the most cost-effective energy savings.¹

¹ 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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Market Potential Study

As noted above, Vectren's energy efficiency MPS did not play a substantial role in this IRP. Energy efficiency modeling was independent of the potential levels determined in the MPS. We did not review the 2015 MPS.

Savings Levels

An area that we found unclear in the IRP from the included information, including the Technical Appendix, was how Vectren arrived at the energy efficiency resources included in its preferred portfolio. After stating that 3 of 7 model runs selected 1% energy efficiency and 1 of 7 selected 2% (p. 237) and having stated that any energy efficiency selected for 2018 would carry through the subsequent years (Technical Appendix, Energy Efficiency Modeling Discussion, October 14, 2016, Slide 14), it is not clear what the "judgement for reasonableness" (p. 237) is that led to a preferred portfolio with efficiency at 1.0% from 2018-2020, 0.75% from 2021-2026, and 0.5% thereafter.

If those percentages, which are based on the percent of *eligible* customers are recalculated to be based on total sales, without opt-out (at a rate of 41% of retail sales opting-out, p. 128), then the savings being selected by Vectren amount to 0.6% of total sales, dropping to 0.3% of total sales in 2027. For comparison, 0.3% energy efficiency was the level required by the now-overturned energy efficiency resource standard (EERS) in 2010, the first year of program ramp-up. This is significantly less energy efficiency than the company has already been investing in for years. Based on EIA-861 data files², Vectren delivered energy efficiency equaling 0.68% of total sales in 2015 and 0.95% of total sales in 2014.

² Energy Information Administration [EIA]. 2016. *Electric power sales, revenue, and energy efficiency Form EIA-861 detailed data files. Final 2015 data*. October 6, 2016. Washington, DC: Energy Information Administration. Accessed at <https://www.eia.gov/electricity/data/eia861/>

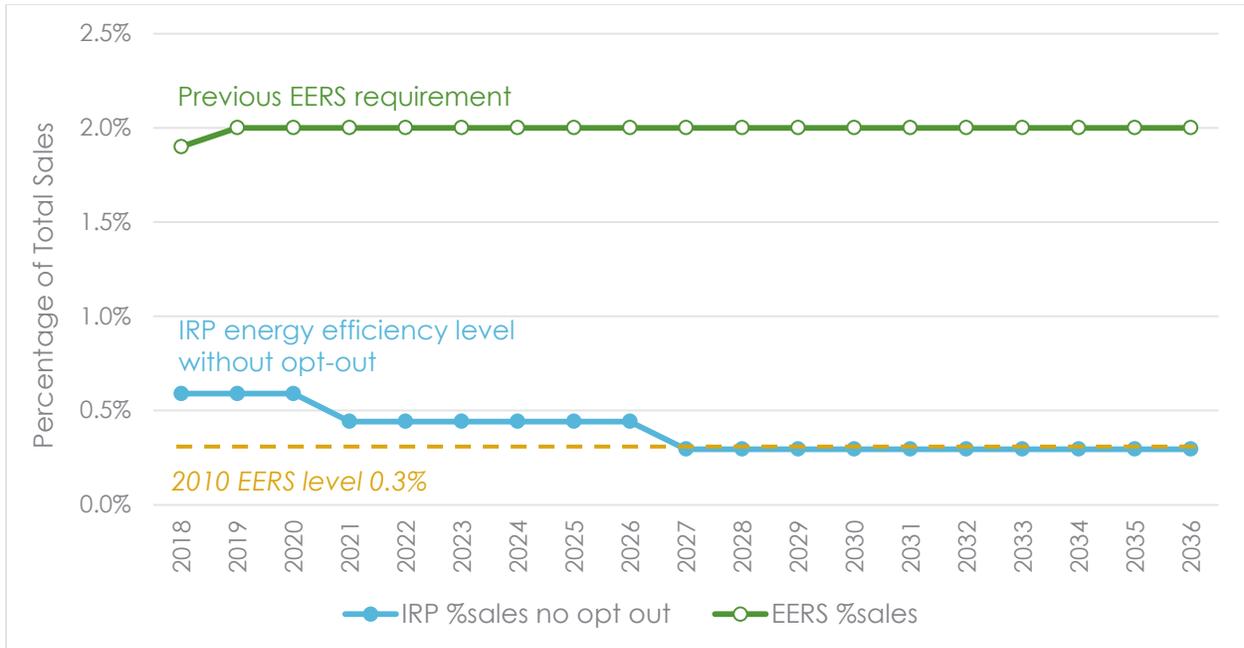


Figure 1: Energy efficiency in Vectren 2016 IRP compared with savings requirements from overturned Cause 42693 energy efficiency resource standard. (IRP savings levels as stated by company recalculated to percentage of total sales prior to large customer opt-out)

We did not see sufficient explanation of how the company arrived at the energy efficiency levels included in the preferred portfolio. Given MEEA's experience working in other states with long-term commitments to energy efficiency, higher levels of cost-effective energy savings can be achieved and maintained or increased as technology, program design, and program deliver mature.

Additionally, it appears that the energy efficiency values of 1.0% to 0.5% given as the preferred portfolio are based on gross rather than net savings. Other data, such as that presented in Figure 5.9, reflects net savings values. MEEA would like to see greater consistency in the presentation of the data throughout the IRP.

Stakeholder Input

We are glad to see Vectren engaging in a stakeholder process and taking feedback from stakeholder meetings to create a stakeholder scenario for modeling. That stakeholder portfolio puts energy efficiency at about 2% of eligible sales annually (which would be about 1.2% of total sales). Having documented customer preferences is an important reference for all those



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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.

Thank you for this opportunity to comment on Vectren'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. Please contact Julia Friedman, Senior Policy Manager, at 312-784-7265 or jfriedman@mwalliance.org with any questions.

Respectfully,

Stacey Paradis, Executive Director
Midwest Energy Efficiency Alliance