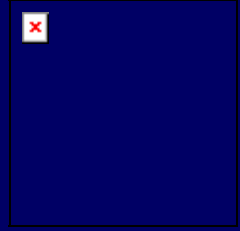


# **Growing Energy Efficiency Investment in Indiana**

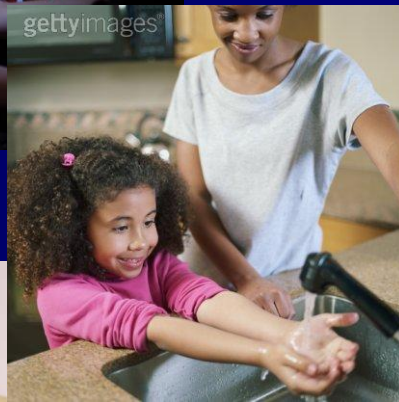


**Presented by Susan L. Macey,  
Indiana Utility Consumer Counselor  
for the  
NAPEE Midwest Implementation Meeting  
June 21, 2007**

# Indiana Office of Utility Consumer Counselor (OUCC)



Representing Indiana's  
Utility Customers



1-888-441-2494  
[www.IN.gov/OUCC](http://www.IN.gov/OUCC)

# OUCC: Representing Utility Consumer Interests

- State agency
- Created in 1933
- Represents business & residential consumer interests
- Formal party to all IURC cases
- 51 employees





# The Indiana Energy Environment



- Historically low energy cost (in latest EIA data, 2004, Indiana ranked 49<sup>th</sup> in energy prices).
- Energy intensive industry makes Indiana a high consumption state (in latest EIA data, 2004, Indiana ranked 11<sup>th</sup> in total energy consumption, 4<sup>th</sup> in Industrial Sector consumption).
- Recent high energy prices and energy demand have given a new urgency to Energy Efficiency.
- Cost of environmental compliance (both current and anticipated), adding urgency to energy efficiency efforts.



# NAPEE

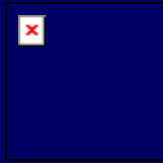
## Recommendations



- Recognize energy efficiency as a high-priority energy resource.
- Make a strong, long-term commitment to implement cost-effective energy efficiency as a resource.
- Broadly communicate the benefits of and opportunities for energy efficiency.
- Promote sufficient, timely, and stable program funding to deliver energy efficiency where cost-effective.
- Modify policies to align utility incentives with the delivery of cost-effective energy efficiency and modify ratemaking practices to promote energy efficiency investments.

(Source: NAPEE Executive Summary)



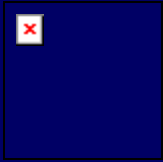


# HOOSIER HOMEGROWN ENERGY

## Energy Efficiency Recommendations from Indiana's Strategic Energy Plan

- "Support National Action Plan for Energy Efficiency through gas and electric utilities, regulators and industry partners to create a sustainable, aggressive U.S. commitment to energy efficiency."

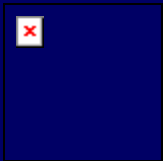
(HHE, p. 14)



# HOOSIER HOMEGROWN ENERGY

## Energy Efficiency Recommendations from Indiana's Strategic Energy Plan (continued)

- Provide incentives for energy efficiency investments.
- Support alternative pricing regulatory mechanisms.
- Build name recognition for Energy Star products and practices.
- Strengthen energy efficiency culture in industry.
- Strengthen Indiana's energy infrastructure.
- Growth and stewardship through research and development.
- Create Interagency Council on Energy, with Sub-Committee on Energy Efficiency, (chaired by UCC).



# HOOSIER HOMEGROWN ENERGY

## Energy Efficiency Recommendations from Indiana's Strategic Energy Plan (continued)

- "Indiana's strategic energy plan can serve as a starting point for coordinating and developing statewide programs. It sets the stage for . . . expanding energy efficiency efforts in all sectors."

– Indiana DSM Investigation Report, April, 2007



**NAPEE Recommendation #1:**  
**"Recognize energy efficiency as a high-priority energy resource."**

- *Hoosier Homegrown Energy*, the State energy plan commits Indiana to energy efficiency efforts and regulatory solutions to overcome barriers to increased EE investment.
- EE and DSM growing among Hoosier electric utilities for over a decade.
- Natural Gas EE in Indiana has experienced rapid growth since 2005.
- Both the OUCC and the Indiana Utility Regulatory Commission are directly participating in EE/DSM collaborative efforts with electric and gas utilities.

**NAPEE Recommendation #2:**  
**“Make a strong, long term commitment  
to implement cost-effective energy  
efficiency as a resource.”**

- *Hoosier Homegrown Energy* states “Indiana will be challenged to meet its energy needs . . . Effective and market driven conservation measures will be important in achieving these goals.”
- IURC generic proceeding on DSM (Cause No. 42693)
- All major gas utility EE efforts (established or proposed) are five (5) year programs, with options to extend.
- All major electric utilities report DSM programs as part of their integrated resource plans.
- State government making extensive EE investments and commitments.

**NAPEE Recommendation #3:**  
**"Broadly communicate the benefits  
of and opportunities for energy  
efficiency."**

- *Hoosier Homegrown Energy* commits state to continuing efforts to "Build name recognition among Indiana's residential building and commercial sectors for ENERGY STAR products and practices."
- Settlements and Commission Orders in EE cases widely publicized.
- OUCC press releases.
- Utility multi-media campaigns:
  - Utilities using extensive television, radio, internet and newspaper campaign, along with direct mail and bill inserts.
  - Vectren has also establish an Energy Resource Call Center to help direct customers to appropriate EE program assistance.

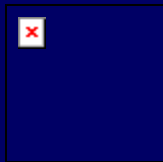
**NAPEE Recommendation #4:**  
**"Promote sufficient, timely, and stable  
program funding to deliver energy  
efficiency where cost-effective."**

- *Hoosier Homegrown Energy* encourages "incentives for energy efficiency investments."
- Major Electric Utility programs funding over \$17 million for current year.
- Major gas utility programs' total funding over \$10 million (approved and proposed) for initial program years.
- Major gas EE programs are funded by system benefits charge (called Energy Efficiency Funding Component) added to customer bill.
- Gas programs' funding can grow up to 15% per year.

## NAPEE Recommendation #5:

**“Modify policies to align utility incentives with the delivery of cost-effective energy efficiency and modify ratemaking practices to promote energy efficiency investments.”**

- *Hoosier Homegrown Energy* encourages “alternative pricing mechanisms that encourage utilities to promote efficiency.”
- IURC “generic proceeding” on decoupling and energy efficiency (Cause No. 43180).
- Incentives for utilities part of each gas EE program
  - Vectren – Sales Reconciliation Component (decoupling)
  - NIPSCO – Rate Simplification: this includes inverted block rate structure, making higher consumption more costly. This will encourage EE.
  - Citizens Gas (proposed) – Sales Reconciliation Component (decoupling)



# Indiana Regulatory Focus on Energy Efficiency

## Natural Gas

- Vectren Energy Delivery
- NIPSCO
- Citizens Gas (proposal before Commission)
- Small Utilities

## Electric

- Vectren Energy Delivery
- Duke Energy
- Hoosier Energy
- Indianapolis Power and Light
- Indiana-Michigan
- Wabash Valley Power Association (WVPA-Cooperative)





# Energy Efficiency Funding



EE spending in Indiana will increase dramatically over previous years as new utility EE programs come on line.

## ■ Electric Utilities

- Duke Energy: approx. \$14 million
- Indianapolis Power and Light: approx. \$2.2 million
- Other Electric Utilities: approx. \$1 million

## ■ Gas Utilities (initial year budgets)

- Vectren: \$4.315 million
- NIPSCO: \$4.0 million
- Citizens Gas: \$2.5 million



# History of Vectren gas EE program

- Settlement of Vectren North Rate Case in December 2004, established pilot phase of program.
- During 2005 competitive RFP process resulted in Wisconsin Energy Conservation Corporation being selected to administer pilot program.
- During pilot phase, H. Gil Peach and Associates along with Forefront Economics was selected to do a long term market potential study.
- In January, 2006 Peach-Forefront Study, along with Vectren's analysis of it was filed with Commission.



# History of Vectren gas EE program (cont'd)

- Settlement on long term program and decoupling mechanism filed in May, 2006.
- Commission Order establishing Vectren program issued in December, 2006. Vectren Oversight Board convened within days of Commission Order.
- Vectren program implemented in January, 2007 including an extensive media campaign.
- Administration Contract RFP released in May, 2007, with Bidders' Conference held shortly thereafter.



# EE Status Report, June 2007

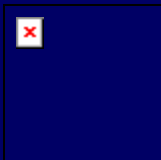


## Electric Utilities

- The following Indiana electric utilities have begun collaborative efforts to complete Market Potential Studies for their services territories: *Vectren, Duke, Hoosier Energy, Indianapolis Power and Light, Indiana-Michigan and Wabash Valley Power.*

## Gas Utilities

- **Vectren:** currently awaiting submission of competitive bids. Planned selection in August, 2007. Initial months program data shows hopeful performance of EE program.
- **NIPSCO:** currently in process of convening Oversight Board. Will hold initial meeting before end of June, 2007.
- **Citizens Gas:** awaiting Commission Order.
- **Small Utilities:** have implemented furnace rebates programs and weather normalization.



# EE/DSM Cases in Indiana

- Commission DSM generic proceeding (Cause No. 42693) originally filed July 2004: to examine DSM practices and issues and DSM administrative models. Focus is primarily on electric utilities, but has implications for gas.
- Commission generic proceeding into relationship of rate design and energy efficiency (Cause No. 43180) originally filed December 2006: includes decoupling and other rate design measures to encourage EE investment. Focus is primarily on gas utilities, but has implications for electric.



# Trends and Issues



- Statewide EE Effort
  - Collaborative oversight of EE programs growing rapidly in Indiana.
  - Need for coordination and synergies.
  - Statewide effort would not replace collaboratives, but would enable more effective and efficient use of resources.
- IURC DSM (Cause No. 42693)  
generic proceeding will establish goals and standards.





# Trends and Issues (continued)

## Electric Utilities

- EE as a supply resource/incentives – anticipate proposals regarding EE investments and cost recovery similar to Duke “Save-A-Watt” program filed in North Carolina.
- Recent Indiana-Michigan settlement includes “Smart Metering Pilot Program.”
- Coal fired generation will grow more expensive.
- Need for additional generation.
- Future carbon constraints will change the dynamics.
- Technological Investments such as Advanced Metering Infrastructure (AMI) for better information collection.
- Pilot Programs for time-based rates.
- Need for impact evaluation, in light of utility incentives.



# Trends and Issues (continued)

## Gas Utilities

- Decoupling (IURC generic proceeding – Cause No. 43180).
- Performance measurement – costs and benefits
- New customer growth
- Administrative Models
- Impacts of LNG, Syngas and alternative fuels
- Industrial Customers

Any  
questions?

