

CAC SB340 LEGISLATIVE FACT SHEET

- **Eliminating energy efficiency is counterintuitive.** We agree with the intent of the legislation—electric bills are becoming unaffordable in Indiana, and all ratepayers need relief. However, Demand Side Management (DSM) is not the problem, it's the solution. Energy efficiency is the quickest path to reducing energy costs and the cheapest kWh of electricity we can generate. It is counterintuitive to work towards reducing electric rates by eliminating EE. This bill will achieve the exact opposite of its stated goal.
- **Energy efficiency is consistent with Indiana state law.** Energy efficiency is the least cost resource which is consistent with Indiana law that mandates public utilities provide their customers with the lowest cost resource that is reasonably possible. Therefore, SB340 is contrary to and inconsistent with existing Indiana policy.
- **Industrial energy efficiency is the most cost-effective energy efficiency available.** Allowing industrials to opt-out, without also requiring verification of industrial investments in EE, will have significant ramifications on the integrity of the DSM programs by taking cheap and readily available resources off the table.
- **Exempting industrials will increase costs to other customers.** Exempting industrials from contributing to the costs of the DSM programs will increase costs to other customers as those fixed costs that are shared, such as administrative and marketing, will now be spread across fewer customers, some of which may include industrial customers that do not opt out. All customers should pay for all resource types, especially one that is the least cost. These utility service offerings to their customers are Commission-approved to meet the needs of their customers. Customers can't pick and choose which resources they want to pay for and which they don't. Allowing only one class of customers to opt-out raises equity issues and may be discriminatory to the other classes of customers.
- **The current DSM programs are working.** Both the Office of Utility Consumer Counselor and Indiana Michigan Power stated as much during testimony and Q&A when SB340 was heard in front of the Senate Utilities Committee. The State Utility Forecasting Group even projected significant reductions in future load growth versus what had previously been forecasted, citing investments in energy efficiency as the primary driver causing this decline. Specifically SUFG stated:

This forecast projects electricity usage to grow at a rate of 0.74 percent per year over the 20 years of the forecast. This growth rate is considerably lower than Indiana has historically experienced and lower than the 2011 SUFG projections. The lower growth in electricity usage is primarily due to increasing efficiency; that is, using less electrical energy to operate homes and businesses.

- **Energy efficiency provides system-wide benefits.** EE creates system-wide benefits for all ratepayers, whether the ratepayer participated or not. EE reduces the need to build expensive,

new power plants to meet our energy needs. EE reduces grid congestion, as well as the need for expensive transmission and distribution upgrades. Allowing one customer class to opt out lets that customer class ride on the backs of all other customers paying for this resource.

- **Energy efficiency is part of the all of the above energy strategy.** If we truly believe in an all of the above energy strategy, why are we limiting our options by rejecting energy efficiency as a resource? Energy efficiency is a resource just like a coal or nuclear plant, yet EE does not require expensive fuel. The sooner we embrace EE as the preferred resource option like the sooner Indiana will realize the gains that come from the benefits that EE has to offer.
- **The IURC is already examining this issue.** The IURC opened an investigation into the required participation of large customers in utility-run DSM programs, Cause Number 44441, on January 15th, 2014—just one day before this bill was first heard. There are also many pending or recently decided DSM cases and tracking proceedings before the Commission, and most—if not all—involve industrial customers. CAC respectfully suggests that the proper forum for examining such a technical subject in which many classes of ratepayers will be greatly impacted is before the IURC.

CAC POSITION ON DSM AS A TRACKER

- **CAC generally opposes trackers.** Trackers should be used sparingly and be reserved for costs which are substantial, volatile, and largely outside the control of the utility such as fuel. Additionally, trackers should be created at the direction of the Commission. The Commission has the authority to create and implement trackers when they find them to be appropriate and reasonable based upon evidence presented to them in a docketed proceeding where concerned parties can intervene and argue their case.
- **Utilities generally file three year DSM plans, so CAC would prefer utilities also file a base rate case every three years to incorporate DSM program costs.** utilities file a base rate case every three years, it would allow the Commission and concerned parties to examine the books of the utilities and only then include the DSM program costs as part of the utilities' revenue requirements with those costs embedded in base rates. However, no such requirement compelling the utilities to file rate cases in a timely fashion currently exists in Commission rules or Indiana statute, so the only mechanism available to fund these most cost effective programs for all ratepayers is a tracker.
- **DSM trackers were approved only after weighing all the evidence from a variety of parties.** The DSM trackers were approved by the Commission after careful consideration at the conclusion of docketed proceedings, many of which included industrial customer groups as parties. Establishing appropriate budget levels while most of these programs are in their infancy has proved challenging.
- **Annual reconciliation is in place in case of over-collection.** Over-collection from ratepayers has been common, so the current DSM tracker provides the flexibility necessary to allow for an annual reconciliation to ensure timely refunds to ratepayers in the case of over collection.