



Indiana Industrial Energy Efficiency Policy Impacts

Indiana's economy is energy intensive. In 2012, Indiana ranked 10th highest among state electricity consumption (kWh) per dollar of state gross domestic product. The industrial sector, in 2011, consumed 46% of all energy used in the state. Economic growth in Indiana depends upon managing this energy demand.

Demand-side management (DSM) programs:

- **Save participating companies money**
- **Benefit all ratepayers** by reducing the need to rely on costly electricity generation during peak times and avoiding the need to build additional power plants and transmission facilities
- **Create high quality jobs** across a range of manufacturing and service industries
- **Reduce Indiana's reliance on imported fuels:** Indiana currently imports 99% of the natural gas, oil, and petroleum used in Indiana, and 41% of the coal. Energy efficiency funds are invested directly into Indiana and reduce the amount of fuels imported from out of state.

There is an obvious interest in Energy Efficiency as

17% of all large customers (over 1 MW) participated in utility DSM programs in the first year alone

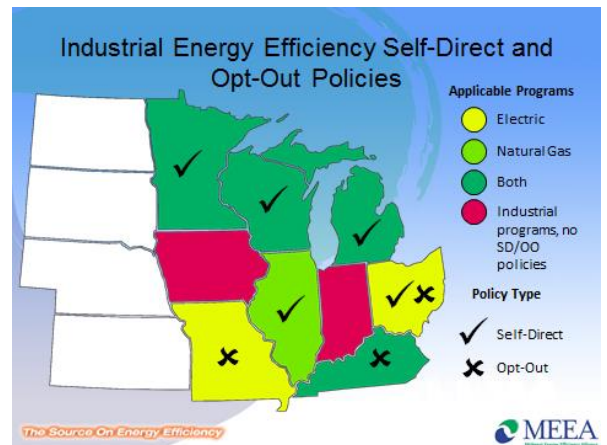
Further, customers like these programs: customers ranked current programs 9 out of 10, indicating they were "very satisfied."

Given the impact that energy management has on the state's economy, the following best practices in industrial energy efficiency policy may be considered:

- **Six Month Study:** Study the industrial demand-side management program and various alternatives over the next six months and refrain from enabling an opt-out provision until the results of the study have been analyzed. This study may be one and the same as that being pursued by the IURC, which is expected to be finalized later this year.

The DSMCC is also reviewing year the second successful year of programs and is in the process of selecting an administrator for program years four, five, and six. Such a study and timeline would also enable future industrial DSM legislation to be better aligned with all of the activity currently already underway, including the state's comprehensive energy strategy that is anticipated to be finalized this summer.

- **Self-Direct Program:** A Self-Direct program ensures that all ratepayer classes are working towards energy efficiency in an equitable manner. A Self-Direct program should be subject to the evaluation, measurement, and verification protocols applicable to utility DSM programs. A Self-Direct program will continue to drive innovation within the industrial sector as efficiency measures with longer payback periods – but those that are still cost-effective and good long-term investments – can be pursued. There are numerous examples of well-designed Self-Direct programs in the Midwest, including:



- **Minnesota:** Xcel Energy Self-Direct program

- For large customers (greater than 10GWh annually)
- Program determines appropriate evaluation, monitoring, and verification (EM&V) standards
- Self-Direct customer pays the energy efficiency surcharge and receives a rebate when their project is complete

- **5 MW Threshold:** Should an opt-out program move forward, increase the megawatt (MW) threshold for customers allowed to opt-out from the current legislation’s 1 MW to 5 MW. A 1 MW threshold will impact non-industrial customers such as schools, hospitals, shopping malls, and other critical facilities. **Moreover, 34% of large customers with a load between 3 – 5 MW participate in existing industrial DSM programs.**
- **Sunset Provision:** Should an opt-out program move forward, a three year sunset provision would allow for the evaluation of the impact of the program on all of Indiana’s ratepayers and the state economy. This will also allow for the comparison of the three years of the program without an opt-out with three years of the program with opt-out incorporated. Over time, better custom programs for utilities could also be designed which would better serve industrial customers.

Many policymakers across the Midwest have explored opt-out policies and many have come to the conclusion represented below.

Position of the Iowa Utilities Board on Opt-Out Policy

“... the Board is not persuaded that allowing an opt-out is good public policy... All utility customers, even those who do not directly participate in energy efficiency programs, benefit from the avoided cost savings that are the primary goal of energy efficiency programs... Iowa has a strong public policy of supporting and developing energy efficiency and the Board will not undermine Iowa’s policy by allowing certain customers to opt-out of the energy efficiency paradigm.”

From the Final Order of 12/2/13 in IPL’s plan approval docket EEP-2012-0001, page 25.