

IRP Educational Session 2016

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Remarks of Barbara Smith, OUCC Executive Director, Technical Operations

An integrated resource plan (“IRP”) is a snapshot in time in the realm of utility planning. It is outdated as soon as, if not before, it is submitted to the Commission. However, it is an important “snapshot in time,” because it is the foundation used to guide decisions surrounding both supply and demand-side resources especially within the short, two-year timeframe used to update IRPs (which could soon be lengthened to a three-year interval under the draft IRP/DSM Strawman Rule revisions).

History

In 2011, the IURC, OUCC, Indiana’s electric Investor-Owned Utilities (“IOUs”), and a variety of other stakeholders participated in a rulemaking process to update Indiana’s long-standing IRP Rule (170 IAC 4-7). Because of Governor Daniels’ moratorium on new rulemakings (a practice continued by Governor Pence), the 2011 proposed revisions to the IRP Rule were never finalized. Nevertheless, with Commission approval, the utilities and stakeholders agreed to follow the proposed rule revisions which, for the first time ever, required IOUs to use a public stakeholder process when developing future IRPs.

In 2015, in the wake of the rulemaking mandate in SEA 412, the IURC relaunched its effort to update its IRP and DSM Rules. It held a series of pre-rulemaking meetings to solicit input from stakeholders prior to issuing new Strawman draft proposed rules. The IURC used the 2011 version of the IRP Rule revisions and the current version of its DSM Rule as the starting point for utility and stakeholder review and comment.

To set a foundation for the rest of the day, I will walk through the stakeholder process section of the 2011 proposed IRP Rule, pointing out the new 2015 draft proposed language (in bold italics below).

Overview of the IRP Stakeholder Process

There are three main sections to the public advisory process in the proposed Rule:

1. Outlining the public advisory process
2. Administering the process
3. Topics to be discussed in the public advisory process

Under the current Strawman, investor-owned electric utilities would be required to establish a public advisory process, as outlined below:

- The utility must provide information to and solicit and consider relevant ***and timely*** input from any interested party in regard to the development of the utility's IRP.
- The utility must consider and ***timely*** respond to all relevant input provided by interested parties, including questions, or comments submitted by way of concerns from the Commission or its staff.
- The utility retains full responsibility for the content of its IRP.

The Strawman IRP Rule requires the public advisory process to be administered as follows:

- A utility initiates and convenes its own public advisory process. The utility will hold at least one introductory meeting and at least one additional meeting regarding the utility's proposed preferred resource portfolio before the utility submits its IRP to the Commission.
- Depending on the level of interest by Commission staff, the public and interested parties in the utility's public advisory process, the utility may hold additional meetings.
- The utility must take reasonable steps to notify its customers and the Commission of its public advisory process; and provide notification to known interested parties.
- The timing of meetings shall be determined by the utility to be consistent with its internal IRP development schedule; and to provide an opportunity for public participation in a timely manner that may affect the outcome of the utility resource planning efforts.
- The utility or its designee shall chair the participation process; schedule meetings; and develop **and publish** agendas **and relevant material** for those meetings **at least 7 (seven) days prior to the meeting; and develop and publish meeting minutes within 15 (fifteen) days following each meeting.**
- Participants are allowed to request that relevant items be placed on the agenda of the meetings with adequate prior notice to the utility.

Topics discussed in the public advisory process must include, but are not limited to, the following:

- The utility's load forecast;
- Evaluation of existing resources;
- Evaluation of supply and demand side resource alternatives, including associated costs and performance attributes;
- Modeling methods and inputs;
- Treatment of risk and uncertainty; and
- Rationale for determining the preferred resource portfolio.

Where we are now:

From the OUCC's perspective, there have been definite advantages realized through the IRP stakeholder process:

- It allows an understanding of the IRP process. For example, today's educational session is designed to provide a primer for stakeholders who may not be familiar with IRPs and the current public stakeholder process.
- It allows stakeholders to provide input into the planning process. For example, stakeholders have provided input on areas such as: load growth assumptions, emerging technologies, demand-side management, distributed generation resources and carbon prices.

- It allows for greater understanding of how the utility arrived at its final scenarios and preferred portfolio selections. Before the stakeholder process was voluntarily implemented in 2012, the first time stakeholders were exposed to IRP content was when the finished IRPs were submitted to the IURC. Now, stakeholders have the advantage of understanding the building blocks used to develop an IRP and are able to ask questions and provide input throughout the planning process.

However, there remains room for improvement in at least the following areas:

- The OUCC, the IURC and other stakeholders are at a disadvantage because we do not have access to the sophisticated modeling software the utilities use in their analyses. Therefore, we must rely on discussions at stakeholder meetings. Throughout the public Stakeholder process, utilities should provide a clear understanding of the assumptions they used, the reasons behind those assumptions, and what weight those assumptions are given in the model. Since stakeholders lack access to IRP models, it is imperative that utilities ensure all stakeholders understand the workings of the model, including any restrictions.

I will note that some utilities are very good at communicating with stakeholders -- and we really appreciate it. They document all questions and comments and provide written responses. They develop innovative ways to allow more active stakeholder participation. That is an especially important goal for Indiana's electric IOUs since SEA 412 requires utilities to consider public input in formulating DSM plans.

- When the IRPs are ultimately submitted to the IURC, we need to determine how the questions and concerns stakeholders expressed throughout the stakeholder process have or have not been incorporated into the IRP document. This is typically a difficult task, even when a utility has been transparent and cooperative throughout the stakeholder process.

The IRP proposed rule states that the utilities shall consider stakeholder input, but it is often unclear how a utility actually considered such input – if at all.

The IRP proposed Rule also states the IRP must contain (among other things) “a summary of the utility’s most recent public advisory process” including “key issues discussed and how they were addressed by the utility.”

While the OUCC believes all parties are attempting to abide by this language, there is still room for improvement.

Therefore, to improve communication during the stakeholder process and documentation, the OUCC recommends adding an expectation to the Strawman Rule that utilities respond in writing to each stakeholders’ written or verbal concerns indicating:

- Whether the utility considers the comment/concern “relevant” (to use the proposed rule’s language), and
- Whether the utility will address the comment or concern in its IRP &, if so, how.

If the answers to either of those questions is “no,” the utility should explain its reasoning.

The OUCC has been impressed with the IURC’s participation in this process. Most notably, we find Dr. Borum’s report very helpful.

We have completed the first full cycle of all the electric investor-owned utility IRP development and submissions under the new public stakeholder process. The OUCG has been concerned that some of Dr. Borum's recommendations have not been fully embraced by the utilities thus far.

Although the parties comment and reply regarding Dr. Borum's report, in some cases, the parties' comments and the utilities' replies seem disjointed. This is not a criticism, but just that it may be difficult to communicate these issues in writing.

Therefore, the OUCG recommends a face-to-face meeting to discuss Dr. Borum's draft report after the parties have commented on the report, but before Dr. Borum develops his final report. The OUCG believes this extra step will add value and clarity to this portion of the process.

While (to quote the proposed rule) "the utility retains full responsibility for the content of its IRP," the proposed rule contemplates that the utility summarize in its IRP the key issues addressed in the public advisory process "...and how they were addressed by the utility." Because of the tight connection between the filed IRPs and other utility docketed filings that depend on IRP planning and modeling outcomes, ratepayers' interests will be better served by increased transparency. That transparency should include a clear indication by the utility of how the key issues discussed in this process have been accounted for in the IRP.

The Road Ahead:

Some redlines to the strawman change the ranking order for portfolios from present value of revenue requirements (PVRR) to "cost effectiveness," which is not a concrete measurement. OUCG and other consumer parties are concerned about this proposed change. I am not here to discuss all the OUCG's comments submitted on the strawman, but I mention from the perspective of our stakeholder process. In the proposed rule (both the 2011 and 2015 versions) it is stated:

"The public advisory process shall be administered as follows: The utility shall initiate and convene its own public advisory process. The utility will hold at least one introductory meeting and one meeting regarding its preferred resource portfolio before submittal of its IRP to the commission."

Changing the portfolio ranking criteria from a known standard will complicate the OUCG's analysis and likely add more stakeholder comments regarding the assumptions used in the "cost effectiveness" test, requiring more explanation from the utility.

Therefore the OUCG recommends that the utilities continue to plan for more than one introductory meeting and one meeting to discuss their preferred resource portfolios.