

Regulatory Assistance Project Electric Resource Long-range Planning Survey¹
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Name of Agency: Indiana Utility Regulatory Commission (URC)

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Policies

1. Is any form of long-range electrical resource and/or investment planning required?
 Yes No
If not, are there any plans to begin requiring utilities to file formal resource plans?

Also, if not, what type of process is used to secure resources for serving native load or to provide default/standard offer service?

2. If yes, what planning processes are going on?

Integrated Resource Planning

3. Please describe the IRP process

The utilities are required to file an IRP plan every two years (but plans may be filed more often; see below). The plans include demand forecasts and an evaluation of demand and supply side options, as well as information about the integrated mix of resources chosen, and a short-term action plan. Within these requirements, the plans may be very basic or more specific, depending on the timing of the filing. Because the plans are used as evidence in Certificate of Need proceedings, more detailed IRPs are necessary when new projects are planned and Certificate of Need cases are upcoming. If the timing of the IRP filing and the Certificate case are not coincident, an additional, detailed IRP may be filed to support the new project.

The IRPs are not accepted through a formal process. They are reviewed by staff and used as needed as evidence in Certificate cases.

¹ All responses written from notes compiled and edited by Liz Baldwin, RAP researcher. Corrections to the draft document, suggested by the contact person(s), have been incorporated.

4. Is it statewide or utility-specific planning? What types of entities are required to participate?

It is a utility-specific process. All generation-owning utilities are required to file. Some smaller, distribution-only utilities (municipalities and co-ops) are not required to file individually, but these smaller utilities are generally members of larger associations that supply their energy and are required to file. For example, Indiana Power Agency is an association of municipal distribution utilities that purchases capacity or hard assets and sells energy to the utilities. The utilities don't file an IRP, but Indiana Power Agency does.

5. Is there any relationship between this process and other decisions, e.g. construction permits, likelihood of inclusion or pre-approval of rate treatment for the anticipated resource investments?

New projects are approved in Certificate of Convenience and Necessity proceedings. The IRP is used as evidence in these cases. The specific project may not be in the IRP itself, but the IRP would show a need for the type of resource requested in the case.

6. This form of planning has been required since what date?

The rules governing the process went into effect in 1993; the first IRPs were submitted in 1995.

7. How is this process enforced, if at all? If a utility does something inconsistent with the Plan, does it have to explain itself satisfactorily to avoid a charge of imprudence? Is it routine for utilities to diverge from a Plan with an explanation? Are there any consequences for non-compliance?

The design of the process encourages compliance with the plans. The basic plans tend to be fairly broad; when new projects are needed, the more specific plans are developed to support the proposed projects in the Certificate case. Over time, there are changes in demand forecasts or recent needs, but there generally aren't any major surprises from one year to the next that might result in actions that don't comply with the plans.

8. Is anything similar required for natural gas-related planning? Yes No

If yes, what is that process called?

Required Elements

9. Back to IRP (the electric resource process). Which of the following resources must be explicitly evaluated/included:

Generation

Transmission
Distribution
Energy efficiency
Load Management
Other demand side measures
Specific generation (e.g. renewable, distributed)
Others

The generic plan asks for evaluation of all types of resources. Transmission and distribution are evaluated to the degree that they may be affected by a particular project. Distribution is also analyzed with regard to the effects of demand-side management (DSM). Energy efficiency (EE) and DSM measures are taken into account through the load forecast and are seen as load reducing measures rather than as energy sources.

Renewable energy is considered as part of the IRP supply "menu".

What tests must be included/utilized?

For DSM: cost, participant, utility, RIM, and total resource are used. For supply, there are no required tests, but the selected mix of resources should be the "least cost present value revenue requirement", so the entire IRP is analyzed and evaluated toward that end.

10. Describe the analysis required by the regulatory body (what is compared to what to make decision? How are resources compared to each other? Cost with one set of resources vs. another, economic, environmental?)

The IRP is to meet the least cost present value revenue requirement, as stated above. The utilities may use different methods of analysis to make the "least cost/present value" determination, but the process generally involves forecasting demand, determining what needs cannot be met with current resources, and developing a menu of resources to address those unmet needs. Computer modelling systems are often used to select the "least cost/present value" mix of resources.

11. Does the process investigate how the employment of one strategy vs. another may increase the consumers' exposure to risk (e.g. natural gas prices)? If so, how?

The rules require each utility to develop high and low forecasts of their energy and demand needs. Risk or uncertainty analysis is also done, and typically includes analysis of uncertainty about fuel prices and environmental compliance costs.

12. Is a comparison of supply or T&D infrastructure and demand side options/resources required? Yes No

Transmission and distribution is looked at, but not as a replacement for new energy resources when needed. Comparison of supply side resources with infrastructure upgrades or with demand side options is not required.

13. The plan's objectives, from the regulatory perspective:

The plans were originally developed in response to a period of excess generation. The goal of the plan is both to ensure an adequate planning process, and to collect data for the State Utility Forecasting Group.

14. The plan's objectives, from the utility perspective:

The plans are used both to meet regulatory requirements and to guide planning decisions. Because of the modelling systems used by some utilities, the IRPs may be used to make real-time purchased power decisions on a day-to-day basis.

15. Are alternative scenarios analyzed as part of the plan? Yes No

The rules require that utilities develop high and low forecasts, and analyze different environmental compliance scenarios. Some utilities also look at fuel costs, or any other scenarios that they find useful.

Are externalities considered? If so, which ones and how are they considered?

No

16. What is the planning horizon? 20 years

Length of Energy and Demand forecasts 20 years

Length of Short-term Action Plan 2 years

17. How often do utilities have to file plans? Update plans? What actually happens?

IRPs are submitted every 2 years. Plans might be filed more frequently if an actual project is being planned, to provide more detailed evidence for the Certificate of Need case, but the more detailed plan should be consistent with the most recent plan, and the actual project should show up, perhaps as a need for new resources, in the earlier IRP.

18. What monitoring or other processes are used to determine consistency of investments with plans? Are there consequences for non-compliance?

Other than in the Certificate of Need cases, there is no monitoring.

19. Are environmental issues considered in the planning process? Yes No

If yes, please describe.

Consideration of environmental compliance and upcoming environmental regulation is required. This consideration appears in the plans when older units are retired sooner

than expected, or when the advantages and disadvantages of different plants are being compared.

20. Is reduction or elimination of carbon emissions an issue? If so, how is it dealt with?

Currently there is no requirement to address carbon emissions. The issue is expected to be addressed in some manner in the next IRPs, due in the fall of 2005.

Agency Process

21. Is there a formal acceptance and/or acknowledgement process used for the resource filing? Yes No

22. Does the agency hold public hearings on draft/final utility plans? Yes No

If not, describe what does happen.

The Office of Consumer Counsel can initiate a formal proceeding, if they choose, but this isn't a routine occurrence.

If yes, what is the duration of the public hearing process?

23. Other ways the public participates and comments on plans are:

The IRPs are available to the public, and the public is free to submit comments, but this rarely happens.

24. What action can the Commission take on the plan(s)?

Review it

Accept it

Approve it

Reject it

Acknowledge it

Require utility to modify and resubmit it

Other

The Commission is under no obligation to take any action on the plans. The IRP process occurs outside of a docketed proceeding so that Certificate of Need applications won't be prejudged in any way. Staff do review the plans, however, and make sure that the required components have been included.

25. Have resource acquisition decisions changed as a result of the planning process?

Yes No

While there is no good method to test this, there have been few disputes about utilities' resource needs, and those that occur have related to the method of meeting

the need, not the need itself. Any changes in planned resource acquisition decisions have occurred in settlements, and there have been no substantial changes.

26. Are competitive processes used to acquire new resources? Yes No

Some utilities use competitive processes and some don't; the Commission doesn't require a competitive process to be used.

27. If yes, do you require regulatory review and approval of the competitive solicitations used?

28. Do utilities file an energy efficiency or DSM plan? Yes No
If so, is it separate or integrated with other plans?

The DSM programs occur outside of the IRP process.

29. Is competitive bidding used to acquire EE resources? Yes No

30. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments? Yes No

31. Citation and description:

There are some open dockets dealing with a particular utility's resource needs that might affect its long range investments; they do not include a comprehensive review of their long-range resource needs. All three dockets involve the Northern Indiana Public Service Company (NIPSCO) and are interrelated:

Docket No. 42658, related to Purchase Power Tracker Proceeding and involves a resource need proceeding with out an IRP

Docket No. 42643, a proceeding pending on whether a power plant should be closed

Docket No. 42824, concerning a purchase power contract from an affiliate.

32. Are utility plans available on-line? Yes No If so, what is the address? Is on-line publication voluntary or mandatory?

33. Citation and description of State policies (legislation, rules/regs, PUC orders) governing this planning process:

Rules: 170 Indiana Administrative Code 4-7-1 can be found at <http://www.in.gov/legislative/iac/title170.html>

34. Do you anticipate any changes to this process in the near future? Yes No
If yes, please describe.

35. Does your state do performance-based regulation? Yes No
If so, please describe briefly.

36. If your state uses PBR, is successful compliance with an approved resource plan one of the areas subject to incentives or penalties? Yes No

37. Are there any regulatory incentives specifically for energy efficiency, other DSM, or renewables? Yes No (Examples: lost revenue recovery, shared savings, bonus rate of return) If so, please describe briefly.

Indiana allows cost recovery for DSM expenses, including lost revenue recovery.

38. Do any tariffs include a fuel/purchased power clause? Yes No
If so, how does it work?

The fuel cost adjustment is a quarterly adjustment and allows for cost recovery of the fuel component of their base rate. The adjustment allows for 100% pass-through of fuel costs.

39. Does your state have any renewable mandates (e.g. from a legislated standard or goal, or a regulatory settlement or Order)? Yes No
If so, please describe, including how the mandate relates to power vs. RECs.

State Energy Plan

40. Is there a State Energy Plan? Yes No

41. Is it connected to the planning described above? Yes No

42. If yes, who is responsible for the Plan?

There is a State Utility Forecasting Group; they do a statewide forecast and projections of capacity needs. At times, that plan has been adopted by the Commission as its Energy Plan, but there is no consistent state energy plan. The statewide forecast is connected to the IRP in two ways. The data that goes into the forecast was is data that has come out of the IRP process. The forecast data is also used in Certificate of Need cases as evidence for or against a project, or as a point of comparison.

43. What is included in the Plan, apropos of long-range electrical planning?

The State Forecast identifies times in the future when new capacity will be needed, or identifies what type of capacity (peak vs baseload) will be needed. The forecasts generally don't get more specific than that.