



March 20, 2015

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# ENGROSSED SENATE BILL No. 412

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DIGEST OF SB 412 (Updated March 19, 2015 8:46 am - DI 103)

**Citations Affected:** IC 8-1.

**Synopsis:** Integrated resource plans and energy efficiency. Requires a public utility to submit an integrated resource plan to the utility regulatory commission (IURC). Requires certain electricity suppliers to submit an energy efficiency plan to the IURC at least one time every three years. Provides that evaluation, measurement, and verification procedures required to be included in an electricity supplier's energy efficiency plan must include independent evaluation, measurement, and verification. Provides that the IURC may not require a third party administrator to implement an electricity supplier's energy efficiency program or plan. Provides that if the IURC finds an electricity supplier's energy efficiency plan to be reasonable, the IURC shall allow the electricity supplier to recover or receive certain energy efficiency program costs. Provides that a retail rate adjustment mechanism proposed by an electricity supplier to recover program costs may be based on a reasonable forecast. Provides that if forecasted data is used, the retail rate adjustment mechanism must include a reconciliation mechanism to correct for any variance between forecasted and actual program costs. Specifies that an industrial customer's previous opt out of an energy efficiency program of an electricity supplier constitutes an opt out of an energy efficiency program that is part of the electricity supplier's required energy efficiency plan.

**Effective:** Upon passage.

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## Merritt, Head, Breaux

(HOUSE SPONSOR — KOCH)

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January 12, 2015, read first time and referred to Committee on Utilities.  
January 26, 2015, amended, reported favorably — Do Pass.  
February 9, 2015, read second time, amended, ordered engrossed.  
February 10, 2015, engrossed. Read third time, passed. Yeas 42, nays 8.

HOUSE ACTION

March 3, 2015, read first time and referred to Committee on Utilities, Energy and Telecommunications.  
March 19, 2015, amended, reported — Do Pass.

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ES 412—LS 7354/DI 103





March 20, 2015

First Regular Session 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

## ENGROSSED SENATE BILL No. 412

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A BILL FOR AN ACT to amend the Indiana Code concerning utilities.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. IC 8-1-8.5-3 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) The  
3 commission shall develop, publicize, and keep current an analysis of  
4 the long-range needs for expansion of facilities for the generation of  
5 electricity.  
6 (b) This analysis must include an estimate of:  
7 (1) the probable future growth of the use of electricity;  
8 (2) the probable needed generating reserves;  
9 (3) in the judgment of the commission, the optimal extent, size,  
10 mix, and general location of generating plants;  
11 (4) in the judgment of the commission, the optimal arrangements  
12 for statewide or regional pooling of power and arrangements with  
13 other utilities and energy suppliers to achieve maximum  
14 efficiencies for the benefit of the people of Indiana; and  
15 (5) the comparative costs of meeting future growth by other  
16 means of providing reliable, efficient, and economic electric

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1 service, including purchase of power, joint ownership of facilities,  
 2 refurbishment of existing facilities, conservation (**including**  
 3 **energy efficiency**), load management, **distributed generation**,  
 4 and cogeneration.

5 (c) The commission shall consider the analysis in acting upon any  
 6 petition by any utility for construction.

7 (d) In developing the analysis, the commission:

8 (1) shall confer and consult with:

9 (A) the public utilities in Indiana;

10 (B) the utility commissions or comparable agencies of  
 11 neighboring states;

12 (C) the Federal Energy Regulatory Commission; and

13 (D) other agencies having relevant information; and

14 (2) may participate as it considers useful in any joint boards  
 15 investigating generating plant sites or the probable needs for  
 16 future generating facilities.

17 (e) In addition to such reports as public utilities may be required by  
 18 statute or rule of the commission to file with the commission, a utility:

19 (1) may submit to the commission ~~its~~ **a current or updated**  
 20 **integrated resource plan as part of a** utility specific ~~proposals~~  
 21 **proposal** as to the future needs for electricity to serve the people  
 22 of the state or the area served by the utility; **and**

23 **(2) shall submit to the commission an integrated resource plan**  
 24 **that assesses a variety of demand side management and**  
 25 **supply side resources to meet future customer electricity**  
 26 **service needs in a cost effective and reliable manner.**

27 **The commission shall adopt rules under IC 4-22-2 concerning the**  
 28 **submission of an integrated resource plan under subdivision (2).**

29 (f) Insofar as practicable, each utility, the utility consumer  
 30 counselor, and any intervenor may attend or be represented at any  
 31 formal conference conducted by the commission in developing a ~~plan~~  
 32 **an analysis** for the future requirements of electricity for Indiana or this  
 33 region.

34 (g) In the course of making the analysis ~~and developing the plan~~  
 35 required by ~~this section~~ **subsection (a) and, if applicable, developing**  
 36 **an analysis described in subsection (f)**, the commission shall conduct  
 37 one (1) or more public hearings.

38 (h) Each year, the commission shall submit to the governor and to  
 39 the appropriate committees of the general assembly a report of its  
 40 analysis ~~and plan; the progress to date in carrying out such plan; and~~  
 41 ~~the program of the commission for the ensuing year in connection with~~  
 42 ~~such plan; regarding the future requirements of electricity for~~



1 **Indiana or this region.**

2 SECTION 2. IC 8-1-8.5-5, AS AMENDED BY P.L.210-2014,  
3 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
4 UPON PASSAGE]: Sec. 5. (a) As a condition for receiving the  
5 certificate required under section 2 of this chapter, the applicant shall  
6 file an estimate of construction, purchase, or lease costs in such detail  
7 as the commission may require.

8 (b) The commission shall hold a public hearing on each such  
9 application. The commission may consider all relevant information  
10 related to construction, purchase, or lease costs. A certificate shall be  
11 granted only if the commission has:

12 (1) made a finding as to the best estimate of construction,  
13 purchase, or lease costs based on the evidence of record;

14 (2) made a finding that either:

15 (A) the construction, purchase, or lease will be consistent with  
16 the commission's ~~plan~~ **analysis** (or such part of the ~~plan~~  
17 **analysis** as may then be developed, if any) for expansion of  
18 electric generating capacity; or

19 (B) the construction, purchase, or lease is consistent with a  
20 utility specific proposal submitted under section ~~3(e)~~ **3(e)(1)**  
21 of this chapter and approved under subsection (d). However,  
22 if the commission has developed, in whole or in part, a ~~plan~~ **an**  
23 **analysis** for the expansion of electric generating capacity and  
24 the applicant has filed and the commission has approved under  
25 subsection (d) a utility specific proposal submitted under  
26 section ~~3(e)~~ **3(e)(1)** of this chapter, the commission shall make  
27 a finding under this clause that the construction, purchase, or  
28 lease is consistent with the commission's ~~plan~~ **analysis**, to the  
29 extent developed, and that the construction, purchase, or lease  
30 is consistent with the applicant's plan under section ~~3(e)~~  
31 **3(e)(1)** of this chapter, to the extent the plan was approved by  
32 the commission;

33 (3) made a finding that the public convenience and necessity  
34 require or will require the construction, purchase, or lease of the  
35 facility;

36 (4) made a finding that the facility, if it is a coal-consuming  
37 facility, utilizes Indiana coal or is justified, because of economic  
38 considerations or governmental requirements, in using  
39 non-Indiana coal; and

40 (5) made the findings under subsection (e), if applicable.

41 (c) If:

42 (1) the commission grants a certificate under this chapter based



1 upon a finding under subsection (b)(2) that the construction,  
 2 purchase, or lease of a generating facility is consistent with the  
 3 commission's **plan analysis** for the expansion of electric  
 4 generating capacity; and

5 (2) a court finally determines that the commission **plan analysis**  
 6 is invalid;

7 the certificate shall remain in full force and effect if the certificate was  
 8 also based upon a finding under subsection (b)(2) that the construction,  
 9 purchase, or lease of the facility was consistent with a utility specific  
 10 plan submitted under section ~~3(e)~~ **3(e)(1)** of this chapter and approved  
 11 under subsection (d).

12 (d) The commission shall consider and approve, in whole or in part,  
 13 or disapprove a utility specific proposal or an amendment thereto  
 14 jointly with an application for a certificate under this chapter. However,  
 15 such an approval or disapproval shall be solely for the purpose of  
 16 acting upon the pending certificate for the construction, purchase, or  
 17 lease of a facility for the generation of electricity.

18 (e) This subsection applies if an applicant proposes to construct a  
 19 facility with a generating capacity of more than eighty (80) megawatts.  
 20 Before granting a certificate to the applicant, the commission:

21 (1) must, in addition to the findings required under subsection (b),  
 22 find that the estimated costs of the proposed facility are, to the  
 23 extent commercially practicable, the result of competitively bid  
 24 engineering, procurement, or construction contracts, as  
 25 applicable; and

26 (2) shall also consider the following factors:

27 (A) Reliability.

28 (B) Solicitation by the applicant of competitive bids to obtain  
 29 purchased power capacity and energy from alternative  
 30 suppliers.

31 The applicant, including an affiliate of the applicant, may participate  
 32 in competitive bidding described in this subsection.

33 SECTION 3. IC 8-1-8.5-9, AS ADDED BY P.L.223-2014,  
 34 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 35 UPON PASSAGE]: Sec. 9. (a) For purposes of this section, "DSM  
 36 order" refers to an order of the commission that establishes or  
 37 approves:

38 (1) energy efficiency targets or goals for electricity suppliers; or

39 (2) an energy efficiency program sponsored by an electricity  
 40 supplier.

41 The term includes the December 9, 2009, order of the commission  
 42 concerning demand side management programs.



1 (b) For purposes of this section, "electricity supplier" has the  
2 meaning set forth in IC 8-1-2.3-2(b).

3 (c) For purposes of this section, "energy efficiency program" means  
4 a program that is:

5 (1) sponsored by an electricity supplier or a third party  
6 administrator; and

7 (2) designed to implement energy efficiency improvements (as  
8 defined in 170 IAC 4-8-1(j)) for customers.

9 The term does not include a program designed primarily to reduce  
10 demand.

11 (d) For purposes of this section, "energy efficiency program costs"  
12 include:

13 (1) program costs;

14 (2) lost revenues; and

15 (3) incentives approved by the commission.

16 (e) For purposes of this section, "industrial customer" means a  
17 person that receives services at a single site constituting more than one  
18 (1) megawatt of electric capacity from an electricity supplier.

19 (f) An industrial customer may ~~before July 1, 2019,~~ opt out of  
20 participating in an energy efficiency program that is established by an  
21 electricity supplier ~~in response to a DSM order~~ by providing notice to  
22 the electricity supplier. ~~An industrial customer may not opt out of~~  
23 ~~participating in an energy efficiency program after June 30, 2019.~~  
24 Except as provided in subsection (g), an electricity supplier may not  
25 charge an industrial customer that opts out rates that include energy  
26 efficiency program costs that accrue or are incurred after the date on  
27 which the industrial customer opts out. However, an industrial  
28 customer remains liable for rates that include energy efficiency  
29 program costs that accrued or were incurred, or related to investments  
30 made, before the date on which the industrial customer opts out,  
31 regardless of the date on which the rates are actually assessed against  
32 the industrial customer.

33 (g) An industrial customer that opts out of participating in an energy  
34 efficiency program may subsequently opt to participate in the same or  
35 a different energy efficiency program. The industrial customer must  
36 participate in the subsequent energy efficiency program for at least  
37 three (3) years after the date on which the industrial customer opts in.  
38 If the industrial customer terminates participation in the subsequent  
39 energy efficiency program during the three (3) year period described  
40 in this subsection, the industrial customer shall continue paying energy  
41 efficiency program rates, including costs described in subsection (f),  
42 for the remainder of the three (3) year period.



1 (h) Energy efficiency targets or goals that are approved or mandated  
 2 by the commission in a DSM order must be calculated to exclude all  
 3 load from an industrial customer that opts out under subsection (f).

4 (i) The commission may adopt:

- 5 (1) rules under IC 4-22-2; or
- 6 (2) guidelines;

7 to assist electricity suppliers and industrial customers in complying  
 8 with this section.

9 (j) Not later than August 15, 2014, the commission shall prepare a  
 10 status report on all energy efficiency programs implemented under the  
 11 DSM order issued by the commission on December 9, 2009. The  
 12 commission shall provide the status report in an electronic format  
 13 under IC 5-14-6 to the ~~regulatory flexibility~~ **interim study** committee  
 14 **on energy, utilities, and telecommunications established by**  
 15 **IC 2-5-1.3-4** and to the legislative council. The status report must  
 16 consider the following:

- 17 (1) The status and effectiveness of all energy efficiency programs,  
 18 including whether efficiency gains attributable to a federal  
 19 conservation program are being measured as part of an energy  
 20 efficiency program implemented under the 2009 DSM order.
- 21 (2) The degree to which energy efficiency program costs are  
 22 shifted among customer classes.
- 23 (3) Program costs to date.
- 24 (4) Program costs projected to be incurred in complying with all  
 25 DSM orders.
- 26 (5) The actual impact of program costs on all customer rates and  
 27 the projected impact of program costs on all customer rates upon  
 28 full implementation of the 2009 DSM order.
- 29 (6) Current and projected costs and benefits of current and  
 30 anticipated energy efficiency programs, including costs and  
 31 benefits associated with third party administrators and evaluation,  
 32 measurement, and verification contractors.
- 33 (7) The effectiveness of energy efficiency programs in reducing  
 34 energy consumption and demand.
- 35 (8) Methods by which the cost effectiveness and long term  
 36 resource value of energy efficiency programs may be measured to  
 37 assess the effect on rates and charges for all customers.
- 38 (9) Methods by which the interests of customers and electricity  
 39 suppliers may be better aligned.
- 40 (10) Any additional information or recommendations the  
 41 commission determines is necessary.

42 This subsection expires December 31, 2014.

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- 1 (k) The commission may not:
- 2 (1) extend, renew, or require the establishment of an energy
- 3 efficiency program under; or
- 4 (2) after December 31, 2014, require an electricity supplier to
- 5 meet a goal or target established in;
- 6 the DSM order issued by the commission on December 9, 2009. An
- 7 electricity supplier may not renew or extend an existing contract or
- 8 enter into a new contract with a statewide third party administrator for
- 9 an energy efficiency program established or approved by the DSM
- 10 order issued by the commission on December 9, 2009.
- 11 (l) After December 31, 2014, an electricity supplier may continue
- 12 to timely recover energy efficiency program costs that:
- 13 (1) accrued or were incurred under or relate to an energy
- 14 efficiency program implemented under the DSM order issued by
- 15 the commission on December 9, 2009; and
- 16 (2) are approved by the commission for recovery.
- 17 (m) After December 31, 2014, an electricity supplier may offer a
- 18 cost effective portfolio of energy efficiency programs to customers. An
- 19 electricity supplier may submit a proposed energy efficiency program
- 20 to the commission for review. If an electricity supplier submits a
- 21 proposed energy efficiency program for review and the commission
- 22 determines that the portfolio included in the proposed energy efficiency
- 23 program is reasonable and cost effective, the electricity supplier may
- 24 recover energy efficiency program costs in the same manner as energy
- 25 efficiency program costs were recoverable under the DSM order issued
- 26 by the commission on December 9, 2009. The commission may not:
- 27 (1) require an energy efficiency program to be implemented by a
- 28 third party administrator; or
- 29 (2) in making its determination, consider whether a third party
- 30 administrator implements the energy efficiency program.
- 31 (n) This section does not affect:
- 32 (1) an energy efficiency program offered by an energy utility (as
- 33 defined in IC 8-1-2.5-2) that is not an electricity supplier; or
- 34 (2) the manner in or means by which an energy utility described
- 35 in subdivision (1) may recover costs associated with an energy
- 36 efficiency program described in subdivision (1).
- 37 SECTION 4. IC 8-1-8.5-10 IS ADDED TO THE INDIANA CODE
- 38 AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE**
- 39 **UPON PASSAGE]: Sec. 10. (a) For purposes of this section,**
- 40 **"electricity supplier" means a public utility (as defined in**
- 41 **IC 8-1-2-1) that furnishes retail electric service to customers in**
- 42 **Indiana. The term does not include a utility that is:**



- 1           (1) a municipally owned utility (as defined in IC 8-1-2-1(h));  
2           (2) a corporation organized under IC 8-1-13;  
3           (3) a corporation organized under IC 23-17 that is an electric  
4           cooperative and that has at least one (1) member that is a  
5           corporation organized under IC 8-1-13; or  
6           (4) a joint agency created under IC 8-1-2.2-8.
- 7           (b) For purposes of this section, "energy efficiency" means a  
8           reduction in electricity use for a comparable level of electricity  
9           service.
- 10          (c) For purposes of this section, "energy efficiency goals" means  
11          all energy efficiency produced by cost effective plans that are:  
12           (1) reasonably achievable;  
13           (2) consistent with an electricity supplier's integrated resource  
14           plan; and  
15           (3) designed to achieve an optimal balance of energy resources  
16           in an electricity supplier's service territory.
- 17          (d) For purposes of this section, "energy efficiency program" or  
18          "program" means a program that is:  
19           (1) sponsored by an electricity supplier; and  
20           (2) designed to implement energy efficiency improvements.  
21          The term does not include a program designed primarily to reduce  
22          demand for limited intervals of time, such as during peak  
23          electricity usage or emergency conditions.
- 24          (e) For purposes of this section, "lost revenues" means the  
25          difference, if any, between:  
26           (1) revenues lost; and  
27           (2) the variable operating and maintenance costs saved;  
28          by an electricity supplier as a result of implementing energy  
29          efficiency programs.
- 30          (f) For purposes of this section, "plan" refers to the goals,  
31          programs, program budgets, program costs, and procedures  
32          submitted by an electricity supplier to the commission under  
33          subsection (h).
- 34          (g) For purposes of this section, "program costs" include the  
35          following:  
36           (1) Direct and indirect costs of energy efficiency programs.  
37           (2) Costs associated with the evaluation, measurement, and  
38           verification of program results.  
39           (3) Other recoveries or incentives approved by the  
40           commission, including lost revenues and financial incentives  
41           approved by the commission under subsection (o).
- 42          (h) Beginning not later than calendar year 2017, and not less



1 than one (1) time every three (3) years, an electricity supplier shall  
 2 petition the commission for approval of a plan that includes:

- 3 (1) energy efficiency goals;  
 4 (2) energy efficiency programs to achieve the energy  
 5 efficiency goals;  
 6 (3) program budgets and program costs; and  
 7 (4) evaluation, measurement, and verification procedures that  
 8 must include independent evaluation, measurement, and  
 9 verification.

10 An electricity supplier may submit a plan required under this  
 11 subsection to the commission for a determination of the overall  
 12 reasonableness of the plan either as part of a general basic rate  
 13 proceeding or as an independent proceeding. A petition submitted  
 14 under this subsection may include a home energy efficiency  
 15 assistance program for qualified customers of the electricity  
 16 supplier whether or not the program is cost effective. The  
 17 commission shall make the petition and its disclosable contents  
 18 available through the commission's Internet web site.

19 (i) At the same time an electricity supplier petitions the  
 20 commission under subsection (h), the electricity supplier shall:

- 21 (1) provide a copy of the petition and plan to the office of  
 22 utility consumer counselor; and  
 23 (2) post an electronic copy of the petition and plan on the  
 24 electricity supplier's Internet web site. The electricity supplier  
 25 may redact confidential or proprietary information.

26 (j) In making a determination of the overall reasonableness of  
 27 a plan submitted under subsection (h), the commission shall  
 28 consider the following:

- 29 (1) Projected changes in customer consumption of electricity  
 30 resulting from the implementation of the plan.  
 31 (2) A cost and benefit analysis of the plan, including the  
 32 likelihood of achieving the goals of the energy efficiency  
 33 programs included in the plan.  
 34 (3) Whether the plan is consistent with the following:  
 35 (A) The state energy analysis developed by the commission  
 36 under section 3 of this chapter.  
 37 (B) The electricity supplier's most recent long range  
 38 integrated resource plan submitted to the commission.  
 39 (4) The inclusion and reasonableness of procedures to  
 40 evaluate, measure, and verify the results of the energy  
 41 efficiency programs included in the plan, including the  
 42 alignment of the procedures with applicable environmental



1 regulations, including federal regulations concerning credits  
2 for emission reductions.

3 (5) Any undue or unreasonable preference to any customer  
4 class resulting, or potentially resulting, from the  
5 implementation of an energy efficiency program or from the  
6 overall design of a plan.

7 (6) Comments provided by customers, customer  
8 representatives, the office of utility consumer counselor, and  
9 other stakeholders concerning the adequacy and  
10 reasonableness of the plan, including alternative or additional  
11 means to achieve energy efficiency in the electricity supplier's  
12 service territory.

13 (7) The effect, or potential effect, in both the long term and  
14 the short term, of the plan on the electric rates and bills of  
15 customers that participate in energy efficiency programs  
16 compared to the electric rates and bills of customers that do  
17 not participate in energy efficiency programs.

18 (8) The lost revenues and financial incentives associated with  
19 the plan and sought to be recovered or received by the  
20 electricity supplier.

21 (9) The electricity supplier's current integrated resource plan  
22 and the underlying resource assessment.

23 (10) Any other information the commission considers  
24 necessary.

25 (k) If, after notice and hearing, the commission determines that  
26 an electricity supplier's plan is reasonable in its entirety, the  
27 commission shall:

28 (1) approve the plan in its entirety;

29 (2) allow the electricity supplier to recover all associated  
30 program costs on a timely basis through a periodic rate  
31 adjustment mechanism; and

32 (3) allocate and assign costs associated with a program to the  
33 class or classes of customers that are eligible to participate in  
34 the program.

35 (l) If, after notice and hearing, the commission determines that  
36 an electricity supplier's plan is not reasonable because the costs  
37 associated with one (1) or more programs included in the plan  
38 exceed the projected benefits of the program or programs, the  
39 commission:

40 (1) may exclude the program or programs and approve the  
41 remainder of the plan; and

42 (2) shall allow the electricity supplier to recover only those



- 1 program costs associated with the portion of the plan  
 2 approved under subdivision (1) on a timely basis through a  
 3 periodic rate adjustment mechanism.
- 4 (m) If, after notice and hearing, the commission determines that  
 5 an electricity supplier's plan is not reasonable in its entirety, the  
 6 commission shall issue an order setting forth the reasons  
 7 supporting its determination. The electricity supplier shall submit  
 8 a modified plan within a reasonable time. After notice and hearing,  
 9 the commission shall issue an order approving or denying the  
 10 modified plan. If the commission approves the modified plan, the  
 11 commission shall allow the electricity supplier to recover program  
 12 costs associated with the modified plan on a timely basis through  
 13 a periodic rate adjustment mechanism.
- 14 (n) The commission may not:
- 15 (1) require an energy efficiency program to be implemented  
 16 by a third party administrator; or
- 17 (2) in making a determination of reasonableness under  
 18 subsection (j), consider whether a third party administrator  
 19 implements an energy efficiency program.
- 20 (o) If the commission finds a plan submitted by an electricity  
 21 supplier under subsection (h) to be reasonable, the commission  
 22 shall allow the electricity supplier to recover or receive the  
 23 following:
- 24 (1) Reasonable financial incentives that:
- 25 (A) encourage implementation of cost effective energy  
 26 efficiency programs; or
- 27 (B) eliminate or offset regulatory or financial bias:
- 28 (i) against energy efficiency programs; or  
 29 (ii) in favor of supply side resources.
- 30 (2) Reasonable lost revenues.
- 31 A retail rate adjustment mechanism proposed by an electricity  
 32 supplier under this section to implement the timely recovery of  
 33 program costs (including reasonable lost revenues) may be based  
 34 on a reasonable forecast, with consideration given to the electricity  
 35 supplier's historical lost revenue forecasting accuracy. If  
 36 forecasted data is used, the retail rate adjustment mechanism must  
 37 include a reconciliation mechanism to correct for any variance  
 38 between the forecasted program costs (including reasonable lost  
 39 revenues and financial incentives) and the actual program costs  
 40 (including reasonable lost revenues and financial incentives based  
 41 on the evaluation, measurement, and verification of the energy  
 42 efficiency programs under the plan).



1           **(p) An industrial customer (as defined in section 9(e) of this**  
2 **chapter) may opt out of an electricity supplier's plan under this**  
3 **section by following the procedure set forth in section 9(f) and 9(g)**  
4 **of this chapter. The opt out of an industrial customer who has**  
5 **previously complied with the procedure set forth in section 9(f) of**  
6 **this chapter constitutes an opt out of an electricity supplier's plan**  
7 **under this section. An industrial customer may follow the**  
8 **procedure set forth in section 9(g) of this chapter to opt back in.**

9           **(q) The commission shall adopt:**

10           **(1) rules under IC 4-22-2; or**

11           **(2) guidelines;**

12 **to assist electricity suppliers and industrial customers in complying**  
13 **with this section.**

14           **SECTION 5. An emergency is declared for this act.**



## COMMITTEE REPORT

Madam President: The Senate Committee on Utilities, to which was referred Senate Bill No. 412, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 2, line 2, delete "conservation," and insert "conservation **(including energy efficiency)**,".

Page 2, line 3, after "management," insert "**distributed generation**,".

Page 3, line 15, after "commission's" strike "plan" and insert "**analysis**".

Page 3, line 15, after "of the" strike "plan" and insert "**analysis**".

Page 3, line 21, strike "a plan" and insert "**an analysis**".

Page 3, line 27, strike "plan," and insert "**analysis**,".

Page 4, line 2, strike "plan" and insert "**analysis**".

Page 4, line 4, strike "plan" and insert "**analysis**".

Page 5, line 18, after "budgets," insert "**program costs**,".

Page 5, line 25, after "recoveries" insert "**or incentives**".

Page 5, line 30, delete "of:" and insert "**of a plan that includes**".

Page 5, line 33, delete "and".

Page 5, between lines 33 and 34, begin a new line block indented and insert:

**"(3) program budgets and program costs; and**

**(4) evaluation, measurement, and verification procedures that must include independent evaluation, measurement, and verification."**

Page 5, delete line 34.

Page 5, line 35, before "A" insert "**An electricity supplier may submit a plan required under this subsection to the commission for a determination of the overall reasonableness of the plan either as part of a general basic rate proceeding or as an independent proceeding**".

Page 6, line 5, delete "An electricity supplier may submit a plan under subsection".

Page 6, delete lines 6 through 8.

Page 6, line 9, delete "determination of reasonableness," and insert "**In making a determination of the overall reasonableness of a plan submitted under subsection (g)**".

Page 6, between lines 35 and 36, begin a new line block indented and insert:

**"(8) The lost revenues and financial incentives associated with**



**the plan and sought to be recovered or received by the electricity supplier."**

Page 6, line 36, delete "(8)" and insert "(9)".

Page 7, line 33, delete "The commission may approve recovery of the following with" and insert **"If the commission finds a plan submitted by an electricity supplier under subsection (g) to be reasonable, the commission shall allow the electricity supplier to recover or receive the following:"**.

Page 7, delete line 34.

Page 7, line 41, delete **"Lost"** and insert **"Reasonable lost"**.

and when so amended that said bill do pass.

(Reference is to SB 412 as introduced.)

MERRITT, Chairperson

Committee Vote: Yeas 7, Nays 3.

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#### SENATE MOTION

Madam President: I move that Senate Bill 412 be amended to read as follows:

Page 2, line 36, reset in roman "shall".

Page 2, line 36, delete "may".

Page 4, between lines 32 and 33, begin a new paragraph and insert:

"SECTION 3. IC 8-1-8.5-9, AS ADDED BY P.L.223-2014, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9. (a) For purposes of this section, "DSM order" refers to an order of the commission that establishes or approves:

- (1) energy efficiency targets or goals for electricity suppliers; or
- (2) an energy efficiency program sponsored by an electricity supplier.

The term includes the December 9, 2009, order of the commission concerning demand side management programs.

(b) For purposes of this section, "electricity supplier" has the meaning set forth in IC 8-1-2.3-2(b).

(c) For purposes of this section, "energy efficiency program" means a program that is:

- (1) sponsored by an electricity supplier or a third party administrator; and
- (2) designed to implement energy efficiency improvements (as

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defined in 170 IAC 4-8-1(j)) for customers.

The term does not include a program designed primarily to reduce demand.

(d) For purposes of this section, "energy efficiency program costs" include:

- (1) program costs;
- (2) lost revenues; and
- (3) incentives approved by the commission.

(e) For purposes of this section, "industrial customer" means a person that receives services at a single site constituting more than one (1) megawatt of electric capacity from an electricity supplier.

(f) An industrial customer may ~~before July 1, 2019~~, opt out of participating in an energy efficiency program that is established by an electricity supplier ~~in response to a DSM order~~ by providing notice to the electricity supplier. ~~An industrial customer may not opt out of participating in an energy efficiency program after June 30, 2019.~~ Except as provided in subsection (g), an electricity supplier may not charge an industrial customer that opts out rates that include energy efficiency program costs that accrue or are incurred after the date on which the industrial customer opts out. However, an industrial customer remains liable for rates that include energy efficiency program costs that accrued or were incurred, or related to investments made, before the date on which the industrial customer opts out, regardless of the date on which the rates are actually assessed against the industrial customer.

(g) An industrial customer that opts out of participating in an energy efficiency program may subsequently opt to participate in the same or a different energy efficiency program. The industrial customer must participate in the subsequent energy efficiency program for at least three (3) years after the date on which the industrial customer opts in. If the industrial customer terminates participation in the subsequent energy efficiency program during the three (3) year period described in this subsection, the industrial customer shall continue paying energy efficiency program rates, including costs described in subsection (f), for the remainder of the three (3) year period.

(h) Energy efficiency targets or goals that are approved or mandated by the commission in a DSM order must be calculated to exclude all load from an industrial customer that opts out under subsection (f).

- (i) The commission may adopt:
- (1) rules under IC 4-22-2; or
  - (2) guidelines;

to assist electricity suppliers and industrial customers in complying



with this section.

(j) Not later than August 15, 2014, the commission shall prepare a status report on all energy efficiency programs implemented under the DSM order issued by the commission on December 9, 2009. The commission shall provide the status report in an electronic format under IC 5-14-6 to the ~~regulatory flexibility~~ **interim study committee on energy, utilities, and telecommunications established by IC 2-5-1.3-4** and to the legislative council. The status report must consider the following:

- (1) The status and effectiveness of all energy efficiency programs, including whether efficiency gains attributable to a federal conservation program are being measured as part of an energy efficiency program implemented under the 2009 DSM order.
- (2) The degree to which energy efficiency program costs are shifted among customer classes.
- (3) Program costs to date.
- (4) Program costs projected to be incurred in complying with all DSM orders.
- (5) The actual impact of program costs on all customer rates and the projected impact of program costs on all customer rates upon full implementation of the 2009 DSM order.
- (6) Current and projected costs and benefits of current and anticipated energy efficiency programs, including costs and benefits associated with third party administrators and evaluation, measurement, and verification contractors.
- (7) The effectiveness of energy efficiency programs in reducing energy consumption and demand.
- (8) Methods by which the cost effectiveness and long term resource value of energy efficiency programs may be measured to assess the effect on rates and charges for all customers.
- (9) Methods by which the interests of customers and electricity suppliers may be better aligned.
- (10) Any additional information or recommendations the commission determines is necessary.

This subsection expires December 31, 2014.

(k) The commission may not:

- (1) extend, renew, or require the establishment of an energy efficiency program under; or
- (2) after December 31, 2014, require an electricity supplier to meet a goal or target established in;

the DSM order issued by the commission on December 9, 2009. An electricity supplier may not renew or extend an existing contract or



enter into a new contract with a statewide third party administrator for an energy efficiency program established or approved by the DSM order issued by the commission on December 9, 2009.

(l) After December 31, 2014, an electricity supplier may continue to timely recover energy efficiency program costs that:

- (1) accrued or were incurred under or relate to an energy efficiency program implemented under the DSM order issued by the commission on December 9, 2009; and
- (2) are approved by the commission for recovery.

(m) After December 31, 2014, an electricity supplier may offer a cost effective portfolio of energy efficiency programs to customers. An electricity supplier may submit a proposed energy efficiency program to the commission for review. If an electricity supplier submits a proposed energy efficiency program for review and the commission determines that the portfolio included in the proposed energy efficiency program is reasonable and cost effective, the electricity supplier may recover energy efficiency program costs in the same manner as energy efficiency program costs were recoverable under the DSM order issued by the commission on December 9, 2009. The commission may not:

- (1) require an energy efficiency program to be implemented by a third party administrator; or
- (2) in making its determination, consider whether a third party administrator implements the energy efficiency program.

(n) This section does not affect:

- (1) an energy efficiency program offered by an energy utility (as defined in IC 8-1-2.5-2) that is not an electricity supplier; or
- (2) the manner in or means by which an energy utility described in subdivision (1) may recover costs associated with an energy efficiency program described in subdivision (1)."

Page 5, delete lines 3 through 6, begin a new paragraph and insert:

**"(b) For purposes of this section, "energy efficiency" means a reduction in electricity use for a comparable level of electricity service.**

**(c) For purposes of this section, "energy efficiency goals" means all energy efficiency produced by cost effective plans that are:**

- (1) reasonably achievable;**
- (2) consistent with an electricity supplier's integrated resource plan; and**
- (3) designed to achieve an optimal balance of energy resources in an electricity supplier's service territory."**

Page 5, line 7, delete "(c)" and insert "(d)".

Page 5, line 10, delete "improvements (as" and insert



**"improvements."**

Page 5, delete lines 11 through 12, begin a new line blocked left and insert:

**"The term does not include a program designed primarily to reduce demand for limited intervals of time, such as during peak electricity usage or emergency conditions."**

Page 5, line 13, delete "(d)" and insert "(e)".

Page 5, line 19, delete "(e)" and insert "(f)".

Page 5, line 22, delete "(g)." and insert "(h)."

Page 5, line 23, delete "(f)" and insert "(g)".

Page 5, line 30, delete "(n)." and insert "(o)."

Page 5, line 31, delete "(g)" and insert "(h)".

Page 6, line 8, delete "(h)" and insert "(i)".

Page 6, line 9, delete "(g)," and insert "(h),".

Page 6, line 15, delete "(i)" and insert "(j)".

Page 6, line 16, delete "(g)," and insert "(h),".

Page 6, line 34, delete "program." and insert **"program or from the overall design of a plan."**

Page 6, delete lines 35 through 37, begin a new line block indented and insert:

**"(6) Comments provided by customers, customer representatives, the office of utility consumer counselor, and other stakeholders concerning the adequacy and reasonableness of the plan, including alternative or additional means to achieve energy efficiency in the electricity supplier's service territory."**

Page 6, line 38, after "potential effect," insert **"in both the long term and the short term,"**.

Page 7, between lines 3 and 4, begin a new line block indented and insert:

**"(9) The electricity supplier's current integrated resource plan and the underlying resource assessment."**

Page 7, line 4, delete "(9)" and insert "(10)".

Page 7, line 6, delete "(j)" and insert "(k)".

Page 7, line 16, delete "(k)" and insert "(l)".

Page 7, line 27, delete "(l)" and insert "(m)".

Page 7, line 37, delete "(m)" and insert "(n)".

Page 7, line 41, delete "(i)," and insert "(j),".

Page 8, line 1, delete "(n)" and insert "(o)".

Page 8, line 2, delete "(g)" and insert "(h)".

Page 8, between lines 11 and 12, begin a new line blocked left and insert:



"A retail rate adjustment mechanism proposed by an electricity supplier under this section to implement the timely recovery of program costs (including reasonable lost revenues) may be based on a reasonable forecast, with consideration given to the electricity supplier's historical lost revenue forecasting accuracy. If forecasted data is used, the retail rate adjustment mechanism must include a reconciliation mechanism to correct for any variance between the forecasted program costs (including reasonable lost revenues) and the actual program costs (including reasonable lost revenues based on the evaluation, measurement, and verification of the energy efficiency programs under the plan)."

Page 8, line 12, delete "(o)" and insert "(p)".

Page 8, line 15, after "chapter." insert "The opt out of an industrial customer who has previously complied with the procedure set forth in section 9(f) of this chapter constitutes an opt out of an electricity supplier's plan under this section. An industrial customer may follow the procedure set forth in section 9(g) of this chapter to opt back in."

Page 8, line 16, delete "(p)" and insert "(q)".

Renumber all SECTIONS consecutively.

(Reference is to SB 412 as printed January 27, 2015.)

MERRITT

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#### COMMITTEE REPORT

Mr. Speaker: Your Committee on Utilities, Energy and Telecommunications, to which was referred Senate Bill 412, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 9, line 34, after "with the" insert "**following:**

**(A) The state energy analysis developed by the commission under section 3 of this chapter.**

**(B) The".**

Page 11, line 37, delete "revenues)" and insert "**revenues and financial incentives)**".



Page 11, line 38, after "revenues" insert "**and financial incentives**".  
and when so amended that said bill do pass.

(Reference is to SB 412 as reprinted February 10, 2015.)

KOCH

Committee Vote: yeas 8, nays 3.

