RELIABLE ENERGY, INC.

September 27, 2024

Chairman James Huston (via email: PBRstudy@urc.in.gov)
Indiana Utility Regulatory Commission
101 West Washington Street, Suite 1500E
Indianapolis, IN 46204

Re: Comments on Performance Based Ratemaking Questions

Reliable Energy, Inc. ("REI") appreciates the opportunity to respond to the questions posed by the Indiana Utility Regulatory Commission ("Commission") through its consultant, Christensen Associates, regarding Performance Based Ratemaking ("PBR") in Indiana. We look forward to participating in the upcoming conversations.

1. Does your organization consider the adoption of multi-year rate plans advisable in Indiana? Please explain the reasons for your position. If your organization requires more information before forming a position, what additional information is needed?

Multi-Year Rate Plans ("MYRPs") could be advisable in Indiana if structured properly and coupled with the appropriate Performance Incentive Mechanisms ("PIMs"), which need to address:

- The lack of adequate generation and capacity to meet the energy needs of Indiana and the MISO region caused, in part, by the mismatch between the pace at which coal units are retired and replacement baseload capacity is in service. This criteria is referred to as the "Adequate Generation Glide Path."

- A fuel mix that ensures reliability and resilience for at least the duration of the MYRP using independently established and evaluated reliability and resilience metrics. This criteria is referred to as the "Reliable Fuel Mix."

- The significant and frequent rate increases that result in electric rates that are unaffordable for Hoosiers when evaluating the percentage of household income spent on energy costs ("Energy Burden"). This criteria is referred to as "Affordable Rates."

A MYRP should establish a rate that is in effect for at least 3 years with limited options for increasing rates during the MYRP through trackers or other mechanisms.

2. Does your organization consider the adoption of performance incentive mechanisms advisable in Indiana? Please explain the reasons for your position. If your organization needs more information before forming a position, what additional information is needed?

REI generally supports the adoption of PIMs in Indiana so long as the PIMs award incentives only when the utility demonstrates an Adequate Generation Glide Path, a Reliable Fuel Mix, and Affordable Rates. Indiana's existing ratemaking and policy approach is not adequately addressing the need for adequate, reliable, resilient generation at affordable rates. "Broadly speaking, PBR provides an alternative to the traditional "cost of service" regulation by compensating utilities for how they *perform* rather than for selling more electricity or making new infrastructure investments."[1] Without PIMs, MYRPs provide little benefit to consumers. REI's recommended PIMs are further explained below.

a. ***Adequate Generation Glide Path***. Citing the annual OMS-MISO survey, MISO's June, 2024 press release identifies a growing capacity deficit beginning in the 2025/26 planning year. "Next summer, MISO could see resource sufficiency ranging from a 2.7 GW capacity shortfall to a 1.1 GW surplus, underscoring the need to *accelerate resource additions*, *monitor large load additions*, and *delay resource retirements* to reliably manage the anticipated growth in electricity demand."[2] Among the most important considerations for a PIM is adequate generation and capacity. Structured properly, a PIM should require the utility to demonstrate its decisions provide an Adequate Generation Glide Path that accounts for the "…range of new, large load additions such as data centers and large manufacturing sites that could be added to the system in the near term [and] …. strong long-term growth driven by economic development activities and increased electrification."[3] Incentives are appropriate for utilities that demonstrate actions that correct the existing mismatch between the pace at which coal units are retired and replacement baseload capacity is in service.

b. ***Reliable Fuel Mix***. REI supports a PIM that provides incentives for producing a fuel mix that ensures reliability and resilience for at least the duration of the MYRP using independently established and evaluated reliability and resilience metrics. At a high level, utilities must demonstrate that during the MYRP period, they encountered no significant,

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[1] https://www.energy.gov/scep/low-income-energy-affordability-data-lead-tool-and-community-energy-solutions#:~:text=Energy%20burden%20is%20defined%20as,income%20spent%20on%20energy%20costs.

[2] https://www.misoenergy.org/meet-miso/media-center/2024/oms-miso-survey-results-indicate-tight-resource-capacity-in-the-upcoming-planning-year/ (Emphasis added).

[3] *Id.*

prolonged, or avoidable outages and that power was restored in accordance with reasonable resiliency metrics developed by a qualified, independent third party.

c. *Affordable Rates*. A PIM associated with maintaining affordable rates during the MYRP period is essential. An Affordable Rates PIM should require the utility to demonstrate that its rates do not produce an Energy Burden on any customer above a threshold metric developed by a qualified, independent third party. The PIM should include distinct Energy Burden limits for low-income and non-low-income customers. According to the U.S. Department of Energy's Office of State and Community Energy Programs, the national average energy burden for low-income households is 6% (i.e. an AMI of 0-80% as defined by the **U.S. Department of Housing and Urban Development**), which is three times higher than that for non-low-income households, which is estimated at 2%.[4] The Commission should explore a PIM that rewards a utility for maintaining an Energy Burden below the national average, or that substantially increases shareholder funding of energy assistance programs that reduce or eliminate energy bills for qualified low-income customers.

3. Are there any specific aspects or details about multi-year rate plans or performance incentive mechanisms, beyond what is stated above, that your organization needs to provide comprehensive feedback on these mechanisms?

Not at this time. REI has a general understanding of MYRPs and PIMs based on the definitions provided and the research and literature on these subjects. REI respectfully requests the opportunity to participate in further discussions should the Commission elect to further explore and/or implement Performance Based Ratemaking. Please contact me with any questions or to further discuss REI's comments.

Respectfully submitted,

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[4] https://www.energy.gov/scep/low-income-energy-affordability-data-lead-tool-and-community-energy-solutions#:~:text=Energy%20burden%20is%20defined%20as,income%20spent%20on%20energy%20costs.