



October 15, 2018

Rep. Dale DeVon
Chairperson
200 W. Washington St.
Indianapolis, IN 46204

Sen. James Merritt
Vice Chairperson
200 W. Washington St.
Indianapolis, IN 46204

Dear Chairperson DeVon and Vice Chair Merritt:

As municipalities, manufacturers, and organizations with operations, employees, and customers in Indiana, we weigh several different factors when deciding how to keep our business competitive and whether to invest in new or expanded operations in any given state. Transparent, efficient, and fair standby rates are a significant factor in our decision-making process – and decisions by the General Assembly have a direct influence on our choices and our competitiveness. We are pleased that the General Assembly has asked the Indiana Utility Regulatory Commission to examine standby rates, but we don't think that the Commission's report goes far enough.

Many of our companies either currently host or wish to build combined heat and power (CHP) or waste heat to power (WHP) systems in our Indiana facilities or elsewhere. The benefits of CHP and WHP systems are numerous, but a critical advantage is that the overall reliability and efficiency of such systems help us control our power costs, which increases our competitiveness in the marketplace. Adoption of best practices for standby services expands the opportunities for Indiana manufacturers to achieve those same benefits

Excessive standby rates and standby rates that deviate from cost of service principles by ignoring the high reliability of CHP systems, discourage companies from developing CHP and WHP projects in Indiana. Burdensome standby rates negate the advantages of installing such systems, and prevent companies like ours from realizing the value of the capital investment in the system. Poorly designed and unreasonable standby rates also ignore the benefits CHP and WHP systems can provide to other customers through reduced investment by utilities in expensive generation resources.

We thank the General Assembly for requiring the Utility Regulatory Commission (IURC) to examine utility standby tariffs this summer. The Commission's review helped shine a spotlight on the most burdensome tariffs, but we don't think that the Commission's report goes far enough. Indeed, given the tremendous inconsistency across utility rates we were surprised to see that the Commission concluded that these rates are cost-based and non-discriminatory.

For instance, one analysis found that an Indiana company with a 2 MW CHP system with *no outages* would be required to pay standby fees ranging from roughly \$1,000 to over \$21,000 each month – dependent upon where the system is located.¹ That means that in some parts of Indiana, companies with relatively small CHP or WHP systems could pay more than \$250,000 each year – for the ability to produce their own energy more efficiently and reliably.

This variation between utilities in the state puts many of us and our customers at a competitive disadvantage and discourages companies from investing in certain locations. The inadequacy and unreasonableness of the standby rate structures across Indiana sends the wrong signal to potential investors in CHP and WHP systems in Indiana and runs counter to the state’s explicit policy to support CHP development. Conversely, fair and equitable standby rates support the state’s policy, make manufacturers more competitive, and create a business opportunity for CHP developers, thereby contributing to job growth and economic development in the state.

In summary, by making sure standby rates are fair and reasonable, the General Assembly, regulators, and utilities can encourage companies like ours to install more CHP and WHP in Indiana. We would like to see the Commission’s draft report establish best practices for standby service, and acknowledge the problems with existing tariffs. The General Assembly should ensure that meaningful review and reform occurs by supporting legislation that requires the Commission to open a docket to review existing tariffs, require the utilities to provide data on the cost of providing standby service to CHP hosts, and identify best practices for standby rates.

Thank you for your consideration and attention to this matter.

Sincerely,

Alliance for Industrial Efficiency
Jennifer Kefer
Executive Director

Capstone Turbine Corporation
Jennifer Derstine
Director of Strategy, Policy & Distributor
Development

Cargill Inc.
Eric Hoegger
Director, Power Origination—Retail

Centrica Business Solutions
Steve Shearson
Director of Commercial Services

City of Fort Wayne Indiana
Douglas J Fasick
C.E.M., Senior Program Manager Utility
Energy Engineering & Sustainability
Services

Clarke Energy USA, Inc.
Chris Bixby
Director of Business Development

Direct Energy Business
Teresa Ringenbach
Senior Manager, Government and
Regulatory Affairs—Midwest

Energy Resources Center
Cliff Haefke
Director

¹ Analysis performed by 5 Lakes Energy LLC., May 25, 2018, “Reply Comments of the Midwest Cogeneration Association: Attachment A” (<https://www.in.gov/iurc/files/MCA-%20IN%20-%20GAGO%202017-3%20-%2005-25-18-%20Attachment%20A.pdf>).

GEM Energy
Greg Steenrod
Vice President of Business Development

General Motors Company
Rob Threlkeld
Global Manager, Renewable Energy

Heat is Power Association
Susan Brodie
Executive Director

Indiana Industrial Energy Consumers, Inc.
Bette J. Dodd
Executive Director

International Paper Company
David Kluesner
Senior Regional Government Relations
Manager

Midwest Cogeneration Association
Pat Sharkey
Policy Director

Primary Energy Recycling Corporation
Mo Klefeker
President & CEO

Unilever PLC/N.V.
Stefani Millie Grant
Senior Manager, External Affairs &
Sustainability

Veolia North America
Ned Bartlett
Vice President, Government Relations &
Public Policy

For more information, please contact jennifer@dgardiner.com, 202-816-9302.

CC: Jim Huston, Chairman, Indiana Utility Regulatory Commission
Sarah Freeman, Commissioner, Indiana Utility Regulatory Commission
Stephanie Krevda, Commissioner, Indiana Utility Regulatory Commission
David Ober, Commissioner, Indiana Utility Regulatory Commission
David E. Ziegner, Commissioner, Indiana Utility Regulatory Commission