



October 29, 2019

The Honorable Eric Koch  
The Honorable Edmond Soliday  
Members of the 21st Century Energy Policy Development Task Force

Indiana General Assembly  
Third Floor State House  
200 W. Washington Street  
Indianapolis, IN 46204

**Re: 21<sup>st</sup> Century Energy Policy Development Task Force**

Dear Representative Soliday, Senator Koch, and Members of the 21<sup>st</sup> Century Energy Policy Development Task Force:

As businesses 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. Combined Heat and Power (CHP) and Waste Heat to Power (WHP) systems are an important component of how we produce affordable and clean power, heat and steam for our facilities. We urge the members of the 21<sup>st</sup> Century Energy Policy Development Task Force to focus on scaling up use of these technologies across the state. Further, we recommend adoption of simple, transparent, and consistent standby rates that include a set of “best practices” to reform said standby rates.

Many of our companies either currently host or wish to build CHP or 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. Deployment of CHP and WHP systems can also make us more competitive by reducing energy costs while cutting emissions. Adoption of best practices for standby rates expands the opportunities for Indiana manufacturers to achieve these benefits.

Analysis conducted by the Combined Heat and Power Alliance<sup>1</sup> found<sup>2</sup> that if an economically viable portion of the state’s CHP and WHP were deployed, Indiana’s industrial sector customers would:

- Save over \$1.2 billion on electricity costs from 2016 to 2030;
- Yield over 1.8 million megawatt hours of annual energy savings; and

<sup>1</sup> The Combined Heat and Power Alliance was previously known as the Alliance for Industrial Efficiency.

<sup>2</sup> The Alliance for Industrial Efficiency. “State Ranking of Potential Carbon Dioxide Emission Reductions through Industrial Energy Efficiency: Indiana Factsheet” September 2016. <https://chpalliance.org/resources/state-industrial-efficiency-ranking/>

- Factoring in other industrial energy efficiency measures, potentially reduce CO<sub>2</sub> emissions by 9.2 million short tons annually—equivalent to emissions from more than 2 coal-fired power plants or 877,932 homes' energy use for one year.

The potential for increased CHP and WHP capacity in Indiana is substantial: 4,610 MW of CHP technical potential capacity (identified at 7,273 sites) with 2,624 MW<sup>3</sup> of remaining onsite technical potential in the industrial sector alone.<sup>4</sup> However, excessive 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. While combined heat and power (CHP) systems can operate independently of the grid, they need to interconnect for backup power during either scheduled or unscheduled outages. A utility implements a Standby Rate to recover its infrastructure costs related to providing this service—and to assure CHP hosts such as our companies that power is available when needed. 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 and undermine industrial competitiveness.

In summary, by making sure standby rates are fair and reasonable, the Task Force can encourage companies like ours to install more CHP and WHP in Indiana. **We strongly encourage the Task Force recommend a set of “best practices” for standby service and acknowledge the problems with existing tariffs.** We have attached a proposed outline for those best practices. The best practices are based on policies and approaches developed in other Midwest manufacturing states, such as Michigan and Minnesota, and are consistent with with the resolution on standby rates approved earlier this year by the National Association of Regulatory Utility Commissioners (NARUC).<sup>5</sup> A meaningful review and reform of current electric utilities standby tariff structures would lead to increased deployment of CHP and WHP across numerous industrial sectors, improve overall grid reliability, and significantly enhance manufacturing competitiveness statewide.

Thank you for your consideration and attention to this matter. We look forward to working with you to accelerate deployment of these technologies.

Sincerely,

American Chemistry Council

American Forest & Paper Association

ArcelorMittal

Cargill Inc.

Caterpillar Inc.

Dow Chemical Company

Electricity Consumers Resource Council

General Motors Company

International Paper Company

MacAllister Machinery Company

PepsiCo

Pratt Industries, Inc.

SABIC

Siemens USA

Unilever USA

<sup>3</sup> The 2,624 MW industrial CHP technical potential number includes 2,151 MW capacity of industrial topping cycle CHP and an additional 473 MW capacity of WHP (located in four industrial sectors: chemicals, petroleum refining, stone/clay/glass, and primary metals).

<sup>4</sup> U.S. Department of Energy. “Combined Heat and Power (CHP) Technical Potential in the United States.” March 2016.

[https://www.energy.gov/sites/prod/files/2016/04/f30/CHP\\_Technical\\_Potential\\_Study\\_3-31-2016\\_Final.pdf](https://www.energy.gov/sites/prod/files/2016/04/f30/CHP_Technical_Potential_Study_3-31-2016_Final.pdf)

<sup>5</sup> NARUC Resolution on Standby Rates for Partial Requirements Customers. February 2019. <https://pubs.naruc.org/pub/758747DC-F64E-BFD7-D411-817D44D3E571>