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Beth E. Heline  
General Counsel  
Indiana Utility Regulatory Commission  
101 West Washington Street, Suite 1500 E  
Indianapolis, Ind. 46204

Re: GAO 2017-3 – Response to Comments Regarding Backup, Maintenance  
and Supplemental Power

Dear Ms. Heline:

Duke Energy Indiana herein responds to the comments of the Midwest Cogeneration Association, the Indiana Industrial Energy Consumers, Inc., and the Alliance for Industrial Efficiency (“Industrial Customer Groups”). Duke Energy Indiana takes seriously its responsibility to provide fair, cost-based backup, maintenance and supplemental power to its customers. Further, Duke Energy Indiana is supportive of its customers’ desire to implement cogeneration, combined heat and power, or other forms of self-generated electricity.

Duke Energy Indiana does not agree with the Industrial Customer Groups that the number one reason for the lack of CHP projects is poorly designed backup and maintenance tariffs. Rather, there is significant upfront capital investment necessary to build a CHP system that may not meet a customer’s investment payback period (which is typically 2-5 years, must shorter than a typical utility investment payback period). Further, the customer must have a major steam load in order to make typical CHP installations cost effective. Backup and maintenance power may be one issue to consider, but it cannot be said to be the major driver in lack of CHP investment in the state.

Due to the numerous factors involved in providing backup service to such customers, Duke Energy Indiana does not support a uniform tariff calculation. Backup generation takes many forms, and currently available generation options are nearly unlimited. Duke Energy Indiana provides custom solutions to each customer based on their generation profile, customer preference, outage constraints, voltage level, and maintenance timelines. This information is never more than a phone call away for any customer willing to learn more about how Duke Energy Indiana can provide backup or standby rates for its customers. Further, the calculation of such a ‘generic’ rate or tariff would likely lead to the unnecessary utilization of the Commission’s and stakeholders resources to determine an appropriate rate.

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Duke Energy Indiana offers customized solutions that are based on actual costs that are proportional to the specific customer's reliance on generation, transmission and distribution resources. To determine a specific backup rate, Duke Energy Indiana's calculates its fixed charges to account for an agreed upon approximation of the forced outage rate for the customer's generating unit. These can take into account peak and off-peak outages and are designed to encourage scheduled outages during periods of low demand. Duke Energy Indiana does not base its backup rates on the assumption that a standby customer imposes the same costs as a full-time customer. And, Duke Energy Indiana does not use demand ratchets in its calculation of backup or standby rates. In essence, Duke Energy Indiana agrees with the most significant arguments made by the Industrial Customer Groups regarding how the standby or backup rate should be calculated.

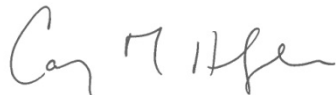
However, Duke Energy Indiana disagrees that not offering a standard, non-customer specific standby or backup rate stymies development of backup generation in any way. Backup generation at the commercial or industrial level requires a somewhat complex energy solution. This necessitates analysis of customer-specific factors at each proposed location. If a customer would like a quote or general idea of how much backup power would cost for their particular installation, Duke Energy Indiana would be happy to help accommodate that request.

If a customer believes the backup rate offered by Duke Energy Indiana is not in compliance with law and/or at fair and reasonable rate, it has remedies available, such as the Commission's complaint process.

In conclusion, Duke Energy Indiana agrees with the Industrial Customer Groups in that utilities should provide cost-based standby rates that are not punitive. Without evidence of rates that are punitive and/or not based on the actual cost of service, Duke Energy Indiana does not support the inclusion of a general standby rate which would have limited applicability to the wide range of customers and generation options customers may utilize.

Sincerely,

DUKE ENERGY INDIANA, LLC



Casey M. Holsapple

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