



# ROCHESTER METAL PRODUCTS CORP.

Quality Iron Castings

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May 24, 2012

Ms. Beth Krogel-Roads  
Assistant General Counsel – Legal Counsel, RTO/FERC Issues  
Indiana Utility Regulatory Commission  
101 W. Washington St. Suite 1500 East  
Indianapolis, IN 46204

Re: IURC RM #11-05, Proposed Rule Establishing Voluntary Clean Energy Portfolio Standard Program

Dear Ms. Roads,

Rochester Metal Products Corp. is a gray and ductile iron foundry that has been in operation in Rochester Indiana since 1937. We currently employ 350 full time employees and are the largest private employer in Fulton County. Foundries and other manufacturers such as ourselves rely upon electrical costs that allow us to produce goods at a competitive price in order to survive and provide good jobs to the citizens of this state.

The emergence of the renewable energy industry and the desire to mandate that a portion of all energy produced in a given state be renewable is a phenomenon that has captured the interest of the country. And so, we like many other interested parties watched carefully as SB 251 was introduced in the Indiana Senate as the mechanism to lead our state down the path to increased renewable energy utilization. As we watched the debate surrounding this legislation our concern was twofold:

1. Would the passing of this legislation result in further increase of electrical rates that employers such as ourselves could ill afford?
2. Would the passing of this legislation result in a “cash cow” for utilities at the expense of ratepayers by providing the reward of an additional 0.50% rate of return for participating utilities that then would be able to pass along any additional costs of providing renewable energy to ratepayers?

Enrolled Act 251 was passed with a provision that clearly protects ratepayers from these concerns. Chapter 37. Voluntary Clean Energy Portfolio Standard Program, Sec. 11(c)(3) states that: “...**approving the application will not result in an increase to the retail rates and charges of the electricity supplier above what could reasonably be expected if the application were not approved**”.

We watched as the emergency rule was developed and we reviewed the final version of the “straw man”. It seemed clear to us that Commission staff and stakeholders had carefully taken into consideration the enacted legislation and its requirements and the “straw man” seemed to be an appropriate extension of Enrolled Act 251.

The “Choice Program” that has actually been developed has scant resemblance to the “straw man” and the clearly defined obligation for the utilities to provide proof that they comply with the protective requirements of Enrolled Act 251. The program application requirements now state that utilities “may provide” many important and pertinent facts and that the Commission “may also consider” this same pertinent and necessary information.

Essentially a utility could be granted an additional 0.50% rate of return without disclosing their costs, risks, or even the source of renewable energy that they are providing and the Commission has no requirement to review these costs and risks upon making a determination for approval.

Other problems with the rule are that it provides no standard for the approval of a utility’s program costs and there is no requirement for a utility to meet their CPS goal by the means that they established in their CHOICE plan. This language dilutes the standard for recovery of program costs far below the level that is necessary to protect ratepayers and would allow utilities to potentially meet their CPS goals and receive their 0.50% incentive without following their CHOICE Plan.

We respectfully request that the current CHOICE Program rule be changed to correct the deficiencies that have been listed above. At a minimum rule language should reflect the following:

- A utility’s application to participate in the CHOICE Program “**shall**” include:
  1. An accurate analysis and estimates of ratepayer impact, and a showing that the resources will not result in an increase in retail rates above what could reasonably be expected if the program were not approved.
  2. Any description of the estimated or known costs, scope or location of projects to be built under the CHOICE plan
  3. Identification of the type or source of clean energy resources to be utilized, or the amount of clean energy anticipated to be produced
  4. Justification of the need for generation, alternatives considered, or identification of any changes in load forecast or supply mix
- The Commission “**shall**” consider the following when making an approval determination on a utility’s participation in the CHOICE Program:
  1. Estimates of avoided capital costs.
  2. Regulatory risk.
  3. Fuel cost risk.
  4. Contribution to peak power production or peak power shaving.
  5. Incentives already being received by the electricity supplier.

6. Risk of higher future costs.
  7. Environmental impact and costs of the various clean energy resources.
  8. The establishment of voluntary feed-in tariffs (VFITs)
- The Commission “**shall**” only approve recovery of program costs that are “**just, reasonable, and necessary**”
  - In order for a utility to receive a CHOICE incentive, the utility “**shall**” show that it has met a CPS goal “**in the same or substantially similar manner as set forth in its approved CHOICE plan**”

Renewable energy production should be utilized and developed in Indiana in a responsible manner. One that allows the development of environmentally friendly energy resources that doesn't risk the survival of manufacturers and other employers that rely upon competitive electrical costs to survive. Enrolled Act 251 requires protections for ratepayers in the pursuit of increasing utilization of renewable energy resources. The “straw man” that was developed by Commission staff and stakeholders recognized the requirements of the law and followed them. The resulting emergency rule has been skewed such that it does not meet the requirements of the law and needs to be modified. Failure to modify the rule language would result in the rule not being compliant with current legislation. Moreover, the pursuit of renewable energy production that risks harming manufacturing employers and ratepayers to the benefit of utilities is not in keeping with the IURC's stated mission direct from the home page of its website, “to make decisions that balance the interests of all parties to ensure the utilities provide adequate and reliable service at reasonable prices”.

Sincerely,



Doug Smith  
Maintenance and Engineering Manager  
Rochester Metal Products Corp.