



**INDIANA INDUSTRIAL  
ENERGY CONSUMERS,  
INC.**

ONE AMERICAN SQUARE, SUITE 2500  
INDIANAPOLIS, IN 46282

Tel: (317) 639-1210  
Fax: (317) 639-4882  
www.indiec.com

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September 9, 2019

Via U.S. Mail and Email to [URCCComments@urc.in.gov](mailto:URCCComments@urc.in.gov)

Indiana Utility Regulatory Commission  
c/o Ryan Heater  
101 West Washington Street, Suite 1500 East  
Indianapolis, Indiana 46204

Re: IURC Study to the 21<sup>st</sup> Century Energy Policy Development Task Force

Dear Mr. Heater,

Indiana Industrial Energy Consumers Inc., (INDIEC) appreciates the opportunity to participate in the Indiana Utility Regulatory Commission's (IURC or Commission) study of statewide impacts of transitions in fuel sources and electric generation resources, as well as the impact of new and emerging technologies on electric generation capacity, system reliability, system resilience and the cost of electric utility service for customers undertaken pursuant to Indiana Code §8-1-8.5-3.1 (Study). With respect to the Commission's recent request for input on scenarios and sensitivities to be considered in the modeling process as part of the Study, INDIEC submits the following comments requesting that the Commission specifically model increased use of self-generation among industrial consumers.

INDIEC has long been a proponent of advancing existing state and federal policies that support the development of customer funded self-generation resources. Such resources are known to be efficient; to provide users with increased opportunities to control energy costs; to provide a layer of reliability and resilience for users; and to benefit all customers through reduced need for investment in utility ratebase. As Indiana prepares for the likely retirement of existing generation resources and their ultimate replacement, this last factor is of significant importance as there is an opportunity to properly size utility portfolios to meet future demand.

It is INDIEC's understanding that the existing modeling performed by the State Utility Forecasting Group (SUFG) does not, however, directly take into consideration the deployment of self-generation assets. Instead, the SUFG is largely dependent upon information provided by utilities regarding potential changes in load as a result of planned or considered customer investment in self-generation. This approach, however, may not provide an accurate assessment, particularly without accounting for the interrelationship between utility rate increases and the relative economics of self-supply alternatives.

Likewise, INDIEC understands that while the SUFG may capture some new deployment of self-generation as a result of scenarios or sensitivities that reflect variables such as different projections of load growth or changes in electric rates, this does not reflect a dedicated study of the deployment of self-generation on future statewide resource needs.

INDIEC, therefore, submits that the IURC and SUFG should run analyses outside of the industrial model to specifically capture an increase in statewide deployment of self-generation assets. There are, of course, a number of variables that can impact the decision for a customer to make the investment in self-generation including, for example, the availability of capital and expectations of overall cost savings. Nevertheless, as electric energy prices continue to rise, a corresponding increase in the deployment of self-generation is likely. Indeed, recent events in NIPSCO's service territory in particular illustrate that some entities have already reached the point at which the economic decision to invest in additional self-generation is warranted.

According to the 2016 Department of Energy report "Combined Heat and Power (CHP) Technical Potential in the United States"<sup>1</sup>, Indiana has the technical potential to install an incremental 2,600 MW of industrial top-cycling CHP and waste to heat power (WHP) at roughly 1,700 sites, in addition to the roughly 2,400 MW of capacity already installed at just 18 sites in the state.

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<sup>1</sup> Available at:

<https://www.energy.gov/sites/prod/files/2016/04/f30/CHP%20Technical%20Potential%20Study%2031-2016%20Final.pdf>. See also, "State of CHP: Indiana Factsheet", available at: <https://betterbuildingssolutioncenter.energy.gov/sites/default/files/tools/Indiana.pdf>

While “technical potential” is described by the DOE as the “estimation of market size constrained only by technological limits – the ability of CHP technologies to fit customer energy needs without regard to economic or market factors”, INDIEC believes it is not unreasonable to project the potential incremental addition of 2,600 MW of self-generation in Indiana over the course of the timeframe contemplated by the Study. Several factors contribute to this position. First, the same DOE report estimates existence of an additional 1,986 MW of self-generation that can be installed by commercial/institutional entities beyond the amount identified for industrial customers – an amount which INDIEC is not asking the IURG/SUFG to model. Second, the DOE report only contemplates the installation of conventional CHP applications, and does not factor in potential for the use of sustainable resources such as solar or wind. Thus, not all mechanisms of customer self-supply are analyzed by the DOE’s Report.

With respect to the the specifics of the scenarios/sensitivities to be run, INDIEC notes that in the 2017 SUFG Forecast, there is a projected increase to base industrial retail rates of about 10% from 2019 to 2034, from 8.77 ¢ per kWh to 9.66 ¢ per kWh. INDIEC would suggest that at that 10% increase, the full technical potential be modeled, as well as 25% of the technical potential and 50% of the technical potential. These lower end scenarios too should help capture the difference between technical potential and actual investment.

Although the DOE report does break down potential installation by industry type, it does not specifically identify service territories in which new investment can be made. Thus, to distribute installation among Indiana’s investor owned utilities, because of the wide range of facilities at which self-generation can be installed and the wide dispersal of industrial customers throughout the states, INDIEC suggests that for ease, the amount of incremental, installed, self-generation be spread proportionately among the investor owned utilities based on their relative share of total state industrial load as determined by the SUFG.

Finally, INDIEC suggests that the assumptions be made that the incremental, installed, self-generation operate with a 5% forced outage rate (which is consistent with expected forced outage rates of CHP installations); and that for each of the scenarios, a sensitivity be run with expected operation of 24 hours, 7 days a week and 16 hours, 5 days a week.

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Once again, INDIEC would like to thank the IURC for the opportunity to participate in the Study and to provide input at this initial stage. Should the IURC or SUFG have any questions regarding our suggested scenarios, or wish to seek further input, please contact Joseph Rompala at [jrompala@lewis-kappes.com](mailto:jrompala@lewis-kappes.com).

Regards,

*/s/ Joseph P. Rompala*

Joseph P. Rompala,  
INDIEC Legislative Director

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