Layton, Kimberly

From: lauren.kastner@cummins.com
Sent: Monday, June 09, 2014 10:03 PM
To: Comments, Urc
Cc: shannon.kiely-heider@cummins.com
Subject: IURC EE/DSM Recommendations - Cummins
Attachments: Cummins_IURC Comment_06.09.2014.docx

Counselor Roads,

Attached you'll find Cummins' comment regarding IURC's request for energy efficiency and demand-side management recommendations.

Please direct any questions or comments to:
Shannon Kiely Heider
State Government Relations Director
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Indianapolis, IN 46282
Phone: (317) 610-2524
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Thanks,
Lauren Kastner

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June 9, 2014

General Counsel Beth Krogel Roads
Re: IURC's EE/DSM Recommendations
Indiana Utility Regulatory Commission
101 West Washington Street, Ste. 1500 E
Indianapolis, IN 46204
urccomments@urc.in.gov

Counselor Roads,

Cummins' mission statement demands that everything we do leads to a cleaner, healthier, safer environment, and in many ways we believe that our business is the environment. While Cummins has historically enjoyed low electricity rates in Indiana, we also have a responsibility to reduce our energy consumption and related emissions that impact the environment in Indiana. Cummins supports energy policy in Indiana that promotes economic vitality while improving quality of life and health for the people in the communities in which we live and work. Our experience with combined heat and power (CHP) technology and energy efficiency actions at our own facilities and operations prove that both are possible.

Indiana has ample opportunities to reduce emissions and save consumers money through demand side management policies. Cummins is uniquely positioned to comment on energy efficiency policy in Indiana as both a leader in developing energy efficiency programs and as a manufacturer of highly efficient CHP systems. State energy policies greatly affect Cummins' ability to meet our self-imposed energy goals and our ability to sell CHP products. Cummins can continue to yield substantial results if Indiana were to expand the scope of its energy efficiency policies and programs.

Cummins has a long history of setting and exceeding energy and greenhouse gas (GHG) reduction goals at our facilities and operations. Through participation in the U.S. Environmental Protection Agency's (EPA) Climate Leaders Program and the U.S. Department of Energy's (DOE) Better Buildings, Better Plants Challenge, Cummins not only met but exceeded its emissions goals. Cummins is now on track to reduce energy use and greenhouse gas (GHG) emissions in facilities and operations by 25 percent and 27 percent respectively, adjusted to sales and using a 2005 baseline, by 2015.

Investing in energy efficiency is not only good for the environment; it also yields sustainable savings to our company. By the time we reach the goal in 2015, the Company's energy efficiency initiatives will have delivered over $35 million annually to Cummins' bottom line. An additional five to 10 percent savings will come from making energy efficiency part of how we work through ISO 50001, an energy management system, and supported by grassroots employee engagement projects. Those savings allow us to invest more in what we do best: innovating the greatest technologies and delivering superior results to our customers.

The cost for Cummins to implement energy efficiency projects in Indiana is eased by incentives and rebates from state programs and our utility providers. In some cases, Cummins could not have made the business case for energy efficiency investments that have contributed to our successes in Indiana without the availability of incentives and state policy.

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Since 2012, Cummins has implemented 70 energy conservation projects through Energizing Indiana amounting to 10,837 MWh and 6900 metric tons CO_2e reduction per year, and received $691K in rebates, which is more than we contributed to through the Energizing Indiana rider on our utility bill. Cummins intends to maximize the benefits it receives from state energy efficiency programs and therefore we recommend that IURC not allow an opt-out for industrial customers.

Capital projects Cummins undertook in 2013 at the Columbus Technical Center, Seymour Engine Plant (SEP), and Columbus Engine Plant included the investment in regenerative dynamometers to recover energy from our engine testing operations. Regenerative dynamometers convert engine power to electricity, which the Company uses to power its facilities. In some cases, we generate more power than we need and could sell the excess to the grid.

Cummins will export power from the regenerative dynamometers at the Seymour Engine Plant, and Cummins will be paid at wholesale rates for the exported power. Because this was such a significant opportunity for us to reduce our energy consumption, Cummins made a large investment in utility protection equipment to enable this export. The Company invested $4 million in regenerative dynamometers and an additional $1 million for utility protection equipment at SEP. We project that the SEP dynamometers will reduce electricity consumption by 14,000 MWh per year, and reduce electricity costs by $1.2M per year.

Our utility provider for this facility, Duke Energy, has been supportive on this project but has been unable to provide a rebate for our investment because of the narrow definition of allowable technologies that currently qualify for energy efficiency incentives. Cummins is most successful when given the flexibility to deploy the energy efficiency technology that best meets our needs. We believe that our energy efficiency goals could be accelerated in Indiana if we were able to receive prescriptive and custom rebates for our investment. Cummins recommends that IURC expand the allowable technologies eligible for rebates to include regenerative dynamometers and utility protection equipment.

Similarly, one of the most important improvements to Cummins' energy efficiency program is the implementation of an energy management system conformant to the ISO 50001 energy management standard, which helps us identify, improve, and monitor our energy use at the facility level. Cummins has committed to implementing ISO 50001 across our enterprise, and we are willing to engage IURC and our peers in the state to help the proliferation of ISO 50001. We recommend that IURC allow incentives for the adoption of ISO 50001 to cover costs for implementation, site training, technical consultation, auditing, and certification costs. Germany has done this successfully by offering an energy tax reduction of up to 90% for goods-producing companies that adopt ISO 50001.

Cummins also has a vested interest in Indiana state energy policy because of our Power Generation Business. This part of our business has annual combined heat and power (CHP) sales of roughly $100 million in alternative North American and European markets that offer a favorable regulatory environment. CHP is not only economical, but also the most efficient and reliable Distributed Generation (DG) source, unlike other intermittent renewable sources. Cummins is engaged in a research partnership with the U.S. Department of Energy to develop a prepackaged 330kW CHP (19L) system that reduces total cost of ownership and has the potential to increase the adoption rate for such systems in the U.S.

Customers we spoke with are enthusiastic about putting the Cummins brand behind small-scale CHP through this DOE partnership and Cummins needs policy makers in our state to open the door to DG and CHP, which will improve the quality of air, create green jobs, promote energy efficiency, and increase grid reliability and security. Indiana and the nation will benefit tremendously from reduced greenhouse gas emissions if IURC promotes DG technologies in

Indiana by supporting legislation that enacts fair, reasonable, and non-discriminatory treatment CHP, and regulations that remove barriers to the deployment of CHP.

Cummins recommends that IURC take the following steps to make Indiana a leader in the proliferation of CHP technology:

- Establish consistent, comprehensive, and mandatory regulatory standards for CHP/DG to connect to the electric grid
- Require utilities to provide a fair and reasonable rate for stand-by service
- Establish state net metering standards so excess electricity generated by DG/CHP can be sold back to an electric utility or third party
- Allocate state funds to subsidize the installation of CHP systems in end-use sectors including hospitals and local governments
- Include CHP in any state Renewable Portfolio Standard (RPS)
- Enact State Feed-In tariff legislation (FiT) requiring utilities to pay for excess power from CHP systems at their marginal cost
- Establish incentive programs to offset initial cost of installing a CHP system including funding for technical assistance

The success Cummins has often experienced from working with EPA, DOE and state energy programs is evidence that not only are energy efficiency investments achievable and cost-effective, but they can be more successful when public and private entities work together. Cummins is committed to collaborating with a wide range of stakeholders to ensure Indiana remains a clean, healthy, safe and business-friendly environment.

Thank you for your consideration.

Shannon Kiely Heider
State Government Relations Director

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