



INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

May 25, 2018

Beth E. Heline, General Counsel
Indiana Utility Regulatory Commission
101 West Washington Street, Suite 1500 E
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Re: GAO 2017-3
OUCC Comments on Back-up, Maintenance and Supplemental Power for Cogeneration

Dear Counsel Heline:

The Indiana Office of Utility Consumer Counselor (“OUCC”) appreciates this opportunity to provide the following comments for the Commission’s consideration in GAO 2017-3, after reviewing the utilities’ responses to Commission Staff questions as well as the comments on those responses subsequently submitted by the Indiana Industrial Energy Consumers, Inc., the Alliance for Industrial Efficiency, and the Midwest Cogeneration Association.

- 1) The OUCC recognizes the potential for the State of Indiana and all Indiana utility consumers to benefit from an increase in cost-effective cogeneration facilities in Indiana;
- 2) The OUCC also recognizes that the fair and cost-effective implementation of cogeneration relies in part on rate designs that properly reflect the true cost of providing back-up, maintenance and supplemental power to such facilities;
- 3) The OUCC can also see that having as many specifics as possible in a utility’s tariff for back-up, maintenance and supplemental power can reduce the uncertainty for Indiana industrial companies considering cogeneration, allowing them to better analyze and potentially bring to fruition projects that support the competitiveness of those companies, without increasing (and potentially while decreasing) the cost of electric utility service for all customers;
- 4) While many of the specifics for a particular utility may need to be determined in the context of a base rate case, having generic principles for the design of such rates would be helpful for utilities, for any industrial customers considering cogeneration, and for the OUCC when considering the fairness and reasonableness of a utility’s proposed rate design for back-up, maintenance and supplemental power in a base rate case. Additionally, there may be opportunities to improve the

transparency and terms of an Indiana utility's tariffs for back-up, maintenance and supplemental power before its next base rate case;

- 5) Developing generic guidelines for these unique tariffs will, no doubt, prove to be a complex and challenging task. Perhaps the most difficult part of such a review will be establishing a fair and reasonable rate for emergency back-up service when private cogeneration facilities fail unexpectedly. The OUCC anticipates that the cost of such emergency back-up service for large industrial customers will rely, in part, on the amount of generation and transmission/distribution capacity that the utility must reserve in order to stand ready to meet that customer's service needs. This topic is integrally related to the "ratchet" provisions referred to in the Commission Staff's request for additional comments. It would be helpful to fully understand how other states have addressed these issues and with what level of success. The OUCC also looks forward to reviewing Indiana utilities' responses to comments the three interested parties submitted last month under this GAO.
- 6) Regardless of how the utilities respond to such comments, the OUCC believes it is reasonable at this time to acknowledge that:
 - a) Sufficient concerns have been raised by interested parties to warrant further work in understanding appropriate principles of back-up, maintenance and supplemental power rate design, as well as the legal obligations of Indiana utilities in complying with the Public Utility Regulatory Policy Act ("PURPA") and related Indiana laws;
 - b) This matter needs to be considered thoughtfully to ensure that cogenerators pay no more, but also no less, than the ongoing costs that are incurred to support these unique service needs, consistent with PURPA;
 - c) Informal technical meetings could help the Commission Staff, the OUCC and other interested parties gain a better understanding of the underlying issues, available options for addressing those issues, the relative fairness and cost-effectiveness of different options, and any best practices believed to have led to more robust participation in cogeneration, reducing cogenerators' production costs and helping them remain price-competitive in today's global marketplace.

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

/s/ Karol H. Krohn

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