April 8, 2012

Beth Krogel Roads
Assistant General Counsel
Indiana Utility Regulatory Commission
101 W. Washington Street, Suite 1500 E
Indianapolis, IN 46204

Re: Comments on IRP rulemaking, RM #11-07

Dear Ms. Roads:

Thanks to the Commission for providing the Hoosier Environmental Council (HEC) with additional time for our submission of comments on RM #11-07. HEC has a lean staff and our ability to be truly value-added has necessitated us having this extra time.

Overall, we are pleased that the Commission has placed a greater emphasis on participation and transparency compared to the existing rule. In addition, we are in agreement with the joint comments submitted by the Environmental Law and Policy Center and the Hoosier Chapter of the Sierra Club, which focus on the IRP sufficiently capturing the full benefits of commercial and small-scale renewable energy technologies, including energy storage considerations.

In reflecting on the comments by various stakeholders submitted to date and in consideration of the overarching aim of IRPs, HEC maintains that the final IRP rule needs to provide explicit additional guidance on how participating utilities address co-generation.

HEC recognizes that an IRP rule that seeks to avoid obsolescence would benefit from use of broad categories for demand and supply resources in anticipation of technological change in the industry. However, cogeneration (cogen) is a resource that will always be a part of a utility's supply mix, given that it will exist wherever there is load.

Providing broad direction in the IRP rule to utilities on incorporating cogen consideration in their IRPs is justified for the following reasons:

1. Cogens's overall capacity to contribute to Indiana's supply side resources is significant & substantially under-estimated.

Indiana has installed 2,300 MW of cogeneration. Indiana's total technical fuel fired cogen potential at existing facilities -- with behind the fence thermal and electric -- is an additional 4,500 Megawatts, according to U.S. DOE. Note that waste heat recovery is not captured in this already substantial estimate. While there is no registry of facilities

with associated cogen potential in Indiana, there are more than 8,400 manufacturing establishments in our state (National Association of Manufacturing, 2009), each likely with cogen potential. In reading through the cogen literature, it appears that many cogen opportunities are overlooked by utilities, as they pertain to smaller size opportunities (under 5 MW).

2. Expanding cogen development in Indiana will save Indiana manufacturing operations money, and therefore will help a play a role in retaining the more than 1.9 million Hoosiers jobs in this vital sector of Indiana's economy.
3. Greater cogen investment embodies the basic spirit of the Hoosier Homegrown Energy Plan, which emphasizes greater reliance on Indiana-based energy resources.
4. Utilities subject to this IRP rule have, in the absence of electric decoupling, little incentive to exploit – and therefore account for -- Indiana's co-gen potential.

Co-gen, because it will likely be underestimated in the IRP's plans in the absence of explicit direction, will not be adequately taken into account in minimizing the risks facing utilities. Three risks, among others, that co-gen could help minimize in Indiana are future carbon costs, future transmission & distribution costs and expanded grid instability. For example, if co-gen provided just 10% of the U.S. peak load, it would cut carbon emissions by more than 4.4% and save $100-$150 billion in transmission and distribution investment. In terms of grid stability, one megawatt-hour (MWh) of local generation, like cogen, can displace up to 1.47 MWh of central generation (Carnegie Mellon University, MIT).

5. There has never been more appropriate time to consider co-gen in the midst of one of the most serious capital investment periods for both electric power plants and industrial plants due to the array of EPA regulations being enacted. For example, there are 440 major source industrial boilers in Indiana that are subject to the U.S. EPA Boiler MACT rule (EPA 2010).

Thank you for your sincere consideration of these comments, and don't hesitate to reach me at jkharbanda@hecweb.org or 317-979-3236 for additional clarification.

Sincerely,

Jesse Kharbanda

Executive Director
Hoosier Environmental Council
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