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**SABIC INNOVATIVE PLASTICS, MT. VERNON, LLC'S  
SECOND SET OF  
COMMENTS ON THE INDIANA UTILITY REGULATORY COMMISSION STAFF'S  
DRAFT REPORT ON FINDINGS RELATED TO  
ELECTRIC UTILITIES' BACKUP, MAINTENANCE AND SUPPLEMENTAL  
POWER RATES**

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## **INTRODUCTION**

SABIC Innovative Plastics, Mt. Vernon, LLC ("SABIC") offers its comments in response to the IURC Staff's Draft Report on Findings Related to Electric Utilities' Backup, Maintenance and Supplemental Power ("BAMP") Rates (the "Draft Report"). SABIC is the sole customer with cogeneration facilities in the Southern Indiana Gas & Electric Company, d/b/a Vectren ("Vectren") service territory that is served under Vectren's BAMP rate. SABIC incorporates by reference its reply comments filed with the Commission on May 25, 2018 during the initial comment phase of the Report development process.

## **EXECUTIVE SUMMARY**

First, SABIC would like to thank the Commission Staff for its work in producing the Draft Report. The Indiana General Assembly has charged the Commission with a critical and complex responsibility under Ind. Code § 8-1-2.4-4(h) to determine whether BAMP rates are cost based, nondiscriminatory, and do not result in the subsidization of costs with or among customer classes and report those findings back to the General Assembly by November 1, 2018. However, SABIC must respectfully disagree with the Staff's conclusion that BAMP rates are not discriminatory. SABIC has felt the financial pain of Vectren's discriminatory BAMP rates and punitive demand ratchet contract provisions, and believes that Vectren's rate structure is the primary reason *why there are no other cogeneration projects in Vectren's territory*.

## **OVERVIEW OF NON-UTILITY COMMENTS**

All of the customer stakeholders commenting on the process noted failings in the design of the utilities' BAMP tariff that results in mixed pricing signals and difficulty in justifying the

potential viability of cogeneration projects. The Staff Report fails to recognize that the very existence of cogeneration and alternate energy production facilities is a threat to the utilities' traditional monopoly. Indiana's statutes mirror the Public Utility Regulatory Policy Act ("PURPA")<sup>1</sup> which specifically require the promotion of cogeneration and renewable energy projects. Without such laws, these projects would not have even the small "toehold" they have in Indiana today. The Indiana General Assembly has clearly directed the Commission to *encourage the participation of utilities in cogeneration facilities and private energy projects.*<sup>2</sup>

Yet, current BAMP rate design as approved by the Commission in various proceedings certainly doesn't encourage the development of cogeneration and alternate energy production facilities. In its comments, the Midwest Cogeneration Association ("MCA") provided a snapshot of the BAMP rate structure across four of the five investor-owned electric utilities in Indiana.<sup>3</sup> One look at this snapshot shows the discriminatory nature and wide divergence in the customer impacts of these BAMP rates:

Utility	No Outage	16 Hour Off-Peak	16 Hour On-Peak	Scheduled 8 Hour On-Peak 8 Hour Off-Peak	32 Hour On-Peak	Unscheduled 8 Hour On-Peak 8 Hour Off-Peak
IMP	\$10,030.20	\$10,413.88	\$16,225.08	\$16,225.08	\$17,751.16	\$16,225.08
IP&L	\$20,889.84	\$35,663.66	\$35,663.66	\$35,663.66	\$36,590.93	\$35,663.66
NIPSCO	\$ -	\$1,901.92	\$2,401.92	\$1,901.92	\$4,304.84	\$793.06+LMP
Vectren	\$21,832.00	\$22,124.00	\$22,124.00	\$22,124.00	\$24,148.00	\$23,856.00

How can the Commission Staff find that BAMP rates are nondiscriminatory when the customer impact of those rates varies by *tens of thousands of dollars*? Such a wide divergence in rate design and the financial impact on customers is evidence in itself that there is a problem with BAMP rates. We encourage the Staff to take another hard look at this data.

<sup>1</sup> 16 U.S.C. ch. 46 § 2601 *et seq.*

<sup>2</sup> I.C. 8-1-2.4-3

<sup>3</sup> See Attachment A to MCA's May 25, 2018 Comments.

## RECOMMENDATIONS

While the Draft Report notes that the differences among these BAMP rates are substantial and that "reducing the use of demand ratchets could add to encouragement for customer private investment in generation," the Report lacks any recommendation for action by the Commission to cure these problems. The Commission has significant investigation and rulemaking authority,<sup>4</sup> and it should use that authority to create a "level playing field" for cogeneration and alternate energy projects. SABIC acknowledges that the Commission's administrative rules<sup>5</sup> permit partial requirements customers the right to petition for resolution of a dispute regarding a cogeneration or alternate energy production facility. However, such a complaint would likely only resolve issues related to that single customer, and would not be a resolution of problems with BAMP tariffs across the state. Only a Commission investigation or rulemaking could standardize BAMP rates on a *statewide basis* to:

- Create *transparent* and *understandable* rates that *encourage* cogeneration and alternate energy production facility investment;
- Reflect *actual* costs;
- Recognize the *diversity* of BAMP customers;
- Encourage *efficiency* and *minimize cost shifting*; and
- Eliminate *unnecessary demand ratchets*.

While the Draft Report suggests that the provision of a standard BAMP tariff is difficult given the varying size and type of customer-owned generation, SABIC believes that the Commission Staff's considerable expertise is up to the task. As SABIC noted in its initial comments, the U.S. Environmental Protection Agency Combined Heat and Power Partnership's

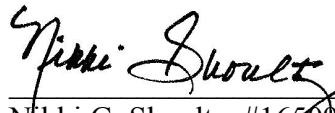
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<sup>4</sup> I.C. 8-1-1-3(g), 8-1-2-47 and 8-1-2-51 and related statutes.

<sup>5</sup> 170 IAC 4-4.1-12.

study on “Standby Rates for Customer-Sited Resources: Issues, Considerations on the Elements of Model Tariffs prepared for the United States”<sup>6</sup> provides good guidance for the Commission on how to develop a standardized BAMP tariff. Thus, SABIC reiterates its recommendation that the Commission require that all BAMP rates and demand ratchets comply with the best practices and principles identified by MCA and the other Non-Utility Commenters so that customers pay only for costs which are directly attributable to their presence on a utility's system and not for service that they do not use.

Respectfully submitted,



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<sup>6</sup> [https://www.energy.gov/sites/prod/files/2013/11/f4/standby\\_rates.pdf](https://www.energy.gov/sites/prod/files/2013/11/f4/standby_rates.pdf)