



The Alliance for Industrial Efficiency

March 7, 2014

The Honorable James Merritt, Chairman
Senate Utilities Committee
200 W. Washington St.
Indianapolis, IN 46204

Dear Chairman Merritt:

I am writing on behalf of The Alliance for Industrial Efficiency, a diverse coalition including representatives from the business, environmental, labor and contractor communities. Our national membership represents 425 electrical, mechanical and sheet metal contractors in Indiana. We are committed to enhancing manufacturing competitiveness and improving electric reliability through the greater use of combined heat and power (CHP) and waste heat to power (WHP). We are writing to express our opposition to SB 340 and urge you to vote against the bill. We are concerned that SB 340 will erode opportunities for CHP projects in Indiana.

SB 340 removes a vital opportunity to drive deployment of CHP. It undercuts the Indiana Utility Regulatory Commission's efforts in Docket 44310 to considerably strengthen the role that CHP could play in meeting the state's energy efficiency targets through industrial self-direct programs and prevents the IURC from pursuing similar efforts in the future. CHP is also among the eligible technologies that utilities can already use to meet demand reduction targets under the Design-Side Management (DSM) program. Thus, by essentially eliminating the state's common-sense DSM program, SB 340 removes a potential incentive for CHP deployment. The DSM and complementary efforts through the IURC send important signals to manufacturers, installers, electricians, and mechanical contractors in the state that Indiana supports an ambitious, measurable, and verifiable energy-efficiency strategy.

We are also concerned that SB 340 removes an important tool to help advance Governor Pence's energy agenda. We understand that the forthcoming Energy Plan is designed to encourage investments in a wide array of energy resources and that Governor Pence has acknowledged energy efficiency as a key part of Indiana's future energy strategy. SB 340 takes energy efficiency off the table – before the plan is even released. Based on the evidence in other states, we are skeptical that a utility-run successor program could in any way match the scale, speed, and economies of scale of the current mandatory DSM program.

Having a DSM program and energy plan in place that includes CHP is good for Indiana businesses, its economy as a whole, and its electric grid. There are currently 38 CHP projects in Indiana, producing

nearly 2,300 Megawatts of clean and efficient power.¹ The potential is far greater. In fact, according to a 2010 report by ICF Consulting, more than 3,000 additional megawatts could be produced at the states' manufacturing facilities, hospitals, and universities.² Other reports provide even more ambitious projections. Such projects would generate enough electricity to power nearly 1.15-million homes.³ SB 340 removes an important incentive to jumpstart these investments.

CHP, and energy efficiency more broadly, has myriad benefits, many of which will not be realized if SB 340 is allowed to terminate Indiana's mandatory DSM program. CHP allows manufacturers to increase their energy efficiency by generating heat and electricity from a single fuel source. The result is significant cost savings for the manufacturer. These benefits are already being felt by Indiana businesses. For instance, the ArcelorMittal steel manufacturing plant in East Chicago, Indiana has reduced its energy costs by nearly \$20 million a year with the installation of its new CHP system. These savings allow the company to remain competitive in the global steel marketplace, helping them employ 5,000 workers at the plant. Installation of the system supported more than 360 jobs, including 200 local construction jobs.⁴ What's more, because many CHP projects do not depend on the grid to operate, they can increase the reliability of the state's electric grid, ensuring that manufacturers, universities and hospitals can "keep the lights on" during extreme weather events, as was demonstrated when Superstorm Sandy hit the Northeast in late 2012.⁵ Because CHP can produce energy with one half the emissions of the separate generation of heat and power, these projects can also serve as an important compliance tool under the greenhouse gas rules, which EPA is proposing this summer.

We strongly urge you to vote against SB 340 so that the state can continue to implement the DSM program.

Sincerely,



David Gardiner
Executive Director, Alliance for Industrial Efficiency

cc: Senator Denise Kruse
Senator Jean Leising
Representative Eric Koch

¹ DOE-ICF CHP Installation Database, "Combined Heat and Power Units located in Indiana," (<http://www.eea-inc.com/chpdata/States/IN.html>).

² ICF-WADE-USCHPA, "Effect of a 30 Percent Investment Tax Credit on the Economic Market Potential for Combined Heat and Power," Table 3 and Table 4, on p. 11 and p. 12 respectively (available online at http://www.uschpa.org/files/public/USCHPA%20WADE_ITC_Report_FINAL%20v4.pdf).

³ Assuming a typical household uses 11,280 kWh/year / 8,760 hours/year = 1.29 kW/ hhld. (2011, <http://www.eia.gov/tools/faqs/faq.cfm?id=97&t=3>).

⁴ U.S. Department of Energy, Energy Department, ArcelorMittal Partnership Boosts Efficiency of Major Steel Manufacturing Plant, December 2012, (<http://energy.gov/articles/energy-department-arcelormittal-partnership-boosts-efficiency-major-steel-manufacturing>).

⁵ Hurricane Sandy Rebuilding Task Force, *Hurricane Sandy Rebuilding Strategy*, August 2013, (<http://portal.hud.gov/hudportal/documents/huddoc?id=HSRebuildingStrategy.pdf>).