



# CITY OF FORT WAYNE

THOMAS C. HENRY, MAYOR

September 2, 2015

Honorable Senator James Merritt  
Chairman, Interim Study Committee  
Energy, Utilities and Telecommunications  
200 W. Washington Street  
Indianapolis, IN 46204

Re: Interim Study Committee on Energy, Utilities and Telecommunications

Dear Senator Merritt and Committee Members,

I want thank the Chairman and members of Interim Study Committee on Energy, Utilities and Telecommunications for the opportunity to appear here today and provide testimony to the committee. My name is Doug Fasick. I am the Senior Program Manager for Energy Engineering and Sustainability Services for the City of Fort Wayne's City Utilities.

I appear before you today on behalf of the Municipal Utility Coalition (MUC), which currently consists of the cities of Fort Wayne, Evansville and Marion. The MUC is coordinating its legislative initiatives with the Indiana Public Works and Utility Directors Group which is comprised of the 30 largest cities by population across the State of Indiana as members.

The purpose of our testimony is to highlight what are becoming critical financial issues for our municipal utilities and ratepayers and to point out important opportunities that exist to reduce not only the costs of providing municipal utility services but also the long-term costs of service to electric ratepayers.

Indiana cities and local governments provide critical public services, including the collection and treatment of wastewater and the treatment and distribution of our drinking water. These are mechanical systems that treat and move wastewater and water over large geographic areas, making them extremely energy-intensive, often some of the largest customers on the electric grid. Due to the critical nature of the public services provided, these utility systems require a highly reliable and affordable supply of energy.

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Municipal utilities are faced with unprecedented financial demands. As with the electric utilities, municipal wastewater and water systems are under federal mandates requiring substantial investments in their utility infrastructure. Depending upon the City and the required upgrades, the necessary funding can range from \$100 million to over \$1 billion dollars. These are amounts that raise serious concerns about the level of increases necessary in future local utility service rates.

In addition to the large capital commitments, municipal utilities are seeing steep increases in their operating costs due to the rising price of electricity. Electricity costs in operating a municipal wastewater or water system are second only to labor costs. The energy costs of operating municipal wastewater and water systems can account for as much as thirty percent (30%) to forty percent (40%) of an operating budget. This becomes a real concern when state forecasters are projecting more than a thirty percent (30%) increase in our electric rates. While taking into account that over the past 5 years, water and wastewater utilities have seen their electric rates increase between fifty percent (50%) to eighty five percent (85%).

While there are concerns, there also are opportunities. As we modernize our utility infrastructure, we are replacing aged and inefficient pumps, motors, blowers and other energy-intensive equipment with newer more energy-efficient technologies. We are altering our processes to capture wasted methane gas and in most cases optimize our process to increase methane gas production to produce more stable cost-effective, reliable electricity and recover wasted heat to further reduce our energy costs (combined heat and power-CHP, or cogeneration). These are measures that result in substantial reductions in energy consumption and electric demand during peak hours. MUC believes that if we are able to implement these types of measures, we could reduce energy usage by as much as a twenty-five percent (25%), if not more.

The Cities are not the only beneficiary of modernizing municipal utility infrastructure. There is real value to the electric ratepayer in reducing energy consumption and demand, including reducing the long-term costs of electric service, deferring the need for construction new power plants, relieving congestion on the electric distribution lines, reducing air pollutants, including GHG emissions, and making the electric grid more reliable.

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Cooperation and creative partnerships between the State of Indiana, its local government and our investor-owned electric utilities can achieve far more cost-effective results in terms of managing energy costs and environmental improvement than through additional federal regulations. The MUC supports Combine Heat and Power, but believes CHP can be improved through greater recognition of the energy savings opportunities at municipal utility systems in the Integrated Resource Planning process.

Under the current environment, we believe there is an opportunity to leverage the expertise and financial resources of our municipal utility operators with that of our electric utilities to achieve significant savings to both the local utility and electric ratepayers. These types of partnerships can encourage investment within communities through economic development. Additionally, these opportunities provide an additional mechanism to enhance Indiana's competitive advantage over its sister states. Finally, these types of collaborations can continue to show the Washington that unnecessary and overly burdensome regulations from our federal government are superfluous and that the citizens and states can take care of these matters as the laboratories of experimentation that we know they are.

We look forward to working with the legislature, the Governor's Office and the Investor Owned Utilities throughout this process. Again, Mr. Chairman and Committee members, the MUC thanks you for your consideration of our comments and I am happy to answer any questions.

Respectfully Submitted,

Douglas Fasick

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