

Private Generation Projects



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INDIEC

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1. Indiana Cast Metals Association
2. BP Canada Energy Marketing Corp
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Indiana Industrial Energy Consumers, Inc.

Private Generation – Why Now?

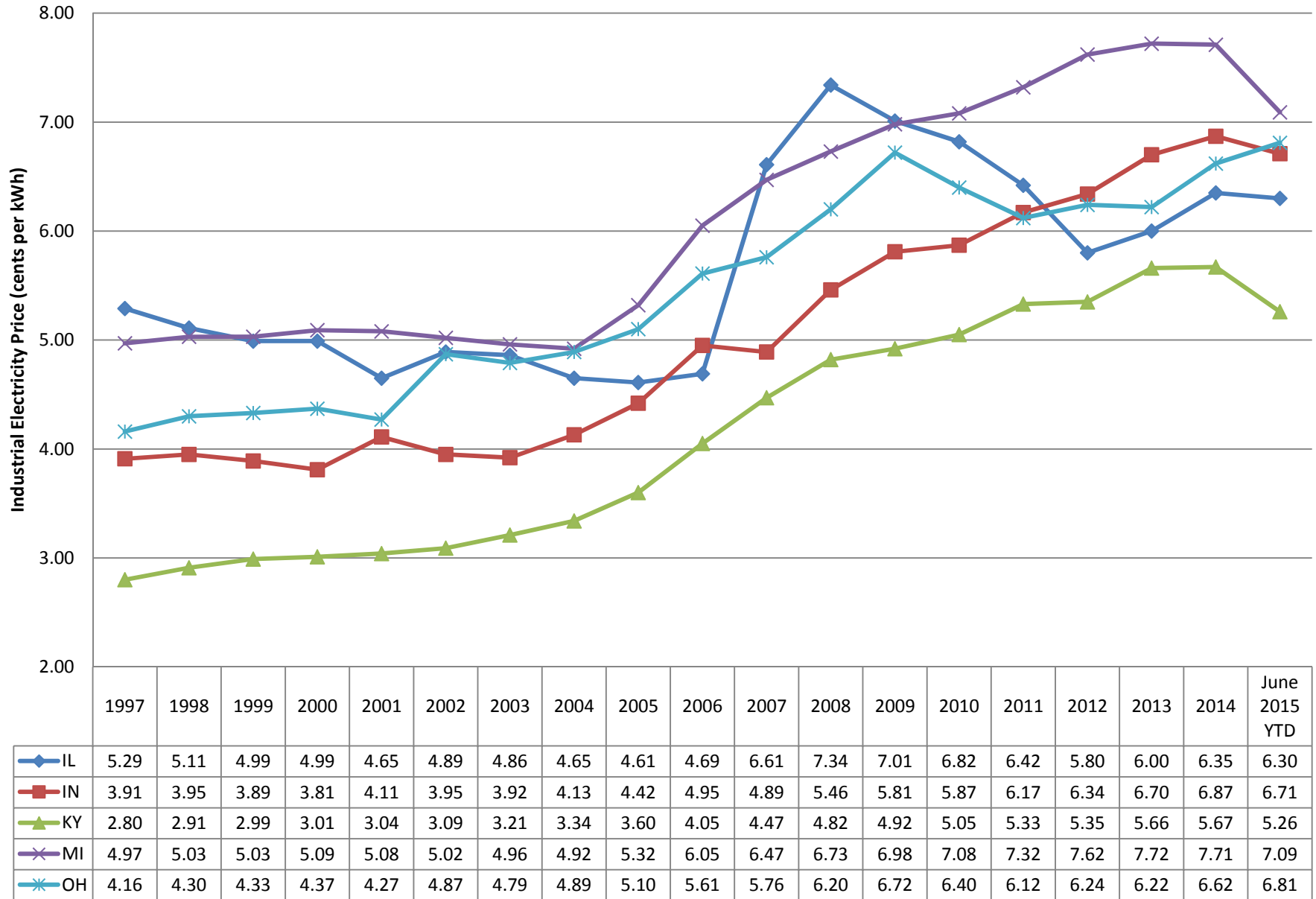
- ▶ Indiana has lost competitive electricity prices it used to have
- ▶ Aging Infrastructure
 - SUFG 2013 projections – 1450 MW needed by 2021
- ▶ Clean Power Plan Rule (111d)

Average Industrial Electricity Prices by State

State	State Rank - Lowest to Highest				Industrial Price - Cents per kwh			
	2014	2013	2012	2003	2014	2013	2012	2003
Washington	1	1	1	25	4.32	4.23	4.13	4.76
Montana	2	2	4	9	5.47	5.43	5.10	4.01
Oklahoma	3	3	3	21	5.61	5.49	5.09	4.59
Kentucky	4	6	6	1	5.67	5.66	5.35	3.21
Iowa	5	5	5	12	5.77	5.62	5.30	4.16
West Virginia	6	16	22	4	5.87	6.20	6.33	3.81
Arkansas	7	14	12	11	5.93	6.04	5.76	4.04
Louisiana	8	10	2	37	6.00	5.92	4.76	5.57
Utah	9	9	11	3	6.07	5.87	5.62	3.79
Oregon	10	7	10	23	6.08	5.80	5.59	4.63
Texas	11	8	9	34	6.16	5.81	5.57	5.27
Missouri	12	19	15	19	6.19	6.29	5.89	4.49
Alabama	13	11	19	7	6.21	5.95	6.22	3.98
South Carolina	14	13	17	8	6.25	6.01	6.02	4.00
Illinois	15	12	13	29	6.35	6.00	5.80	4.91
Idaho	16	15	8	12	6.42	6.10	5.48	4.16
North Carolina	17	24	24	26	6.43	6.45	6.42	4.79
New Mexico	18	22	14	30	6.48	6.36	5.83	4.95
New York	19	26	30	41	6.50	6.58	6.70	7.14
Georgia	20	18	16	10	6.52	6.27	5.98	4.02
Tennessee	21	19	34	16	6.58	6.29	7.08	4.29
Ohio	22	17	20	26	6.62	6.22	6.24	4.79
Wyoming	22	23	18	2	6.62	6.42	6.03	3.65
Arizona	24	28	26	35	6.64	6.66	6.53	5.38
Mississippi	25	21	20	18	6.75	6.34	6.24	4.48
Indiana	26	29	23	5	6.87	6.70	6.34	3.92
Virginia	27	27	31	15	6.97	6.63	6.72	4.23
Minnesota	28	32	27	17	7.03	6.98	6.54	4.36
South Dakota	29	30	29	20	7.05	6.97	6.57	4.51
Nevada	30	25	25	42	7.08	6.52	6.48	7.30

Sources: US Energy Information Administration - Electric Power Monthly, Table 5.6B, February 2015, February 2014 and March 2005

Industrial Electricity Prices of Indiana and Neighboring States



Private Energy Projects

- ▶ Cogeneration/Combined Heat and Power
- ▶ Waste to Power
- ▶ Renewables like solar or wind



Rolls Royce
Gas Power
Module

Private Generation in Indiana

- ▶ 42 units in Indiana providing 2,300 MW of capacity
 - Existing units in Indiana vary widely in size, fuel and technology
- ▶ Deloitte Resources 2015 Study – 55% of businesses nationwide generate some portion of electricity on-site.
 - Up 22% in 2 years.

Why Private Generation is Desirable

1. Typically environmentally friendly with low carbon emissions
2. Projects utilize private investment and reduce future rate increases to fund utility generation projects
3. Provides better control over and enhances predictability of energy costs.
4. Economics may be more favorable compared to purchases from utility at regulated rates
5. Energy efficient
6. Increases diversity of in-state resources and the availability of supply options



Opportunities and Challenges

▶ Legal Framework

- State and federal law already encourage “behind the fence” generation; and
- Provide for back up and maintenance rates and the purchase of excess power

Opportunities and Challenges

▶ Practical reality

- Litigation has occurred when industrial works with non-utility for technical expertise, financing
- Back up and maintenance tariffs have not been updated
 - Most do not reflect MISO/PJM markets
 - Some still have 80 MW cap (eliminated in 2014)
 - No mechanism to update outside of rate case

Legislative Improvements

1. Direct IURC to update regulations and tariffs for back up and maintenance rates
 - NIPSCO Rate 676 good model
2. Recognize that utilities and non-utilities can provide technical, financing, or operational expertise or ownership of private energy projects
 - Amendment to HB 1320 language
3. Provide a regulatory mechanism for approval of pilot projects



Time for Action

- ▶ A flexible, multi-faceted approach is the best policy for Indiana
 - Need for additional capacity is clear
 - Private Generation projects do not shift costs. Private investment lessens burden of new utility generation projects that are funded by all ratepayers.
 - Opportunity to “right-size” utility system

Time for Action

▶ Not Deregulation

- Private investment to pursue self-reliance, rooted in customer's established right to meet own power needs
- Regulatory compact requires utilities to efficiently manage their business and reflect the public need in their service territories
- Pilot projects would occur only under regulatory oversight of the Commission

Thank You

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