

September 2, 2015

Honorable James Merritt
Chairperson
*Interim Study Committee on Energy, Utilities,
and Telecommunications*
Senate District 31
200 West Washington St.
Indianapolis IN 46204

Re: Municipal Utilities and Combined Heat and Power

Dear Chairman Merritt and Committee Members:

On behalf the Indiana Municipal Utility Coalition (Coalition), I would like to thank you for the opportunity to appear before the Committee this Wednesday September 2, 2015. The Coalition includes Indiana Cities who are responsible for providing affordable water and wastewater services to their residents, businesses, and industries. The Cities of Fort Wayne, Evansville and Marion have taken the lead and are coordinating the Coalition's legislative initiatives with the Indiana Public Works and Utility Directors Group which is comprised of the thirty (30) largest Indiana cities by population.

The Coalition will briefly have three presenters for the Committee's meeting. Each will address their City's own unique issues and experiences.

Doug Fasick
Senior Program Manager for Energy,
Engineering and Sustainability Services
City of Fort Wayne

Allen R. Mounts
Director of Utilities
City of Evansville

Robin Lockridge
Assistant Director of Operations
City of Marion Utilities

The steep increases in the State's electricity prices are causing serious problems for Cities throughout Indiana. The cost of electricity is a key driver in the costs of other essential municipal utility services, such as water and wastewater. Cities use an enormous amount of electric power. Often a City's water and wastewater facilities are some of the largest customers on electric utility's system. The cost of electricity is a big part of operating costs, so when electric prices go up, so do the rates for water and wastewater. This is on top on the billions of dollars Indiana cities are being asked to invest in upgrading utility infrastructure that was installed in the 1950s and 1960s.

This is no small issue to Indiana Cities. The very substantial increase in the costs of electricity and water and wastewater services is having a profound impact on local economic development. These are critical costs to any decision for a business to remain in a local community, expand its business operations, or for a new business to locate in a community.

Cities are trying to find sensible ways to reduce the costs of providing these essential public services. One important way is in the deployment of combined heat and power (CHP) technologies. Currently at many facilities, methane gas from the digester process is wasted. This methane can be captured and used as a fuel to efficiently generate electricity on site lowering operating costs and enhancing utility plant reliability. Additionally, the heat from generating electricity can be recovered and put back into the digesters reducing the cost of natural gas used for heating. CHP technologies at wastewater facilities are not new, but have not been used in the past because of the low cost of electricity in Indiana. That has changed.

With CHP, there are benefits to the City, its residents and businesses, the electric utility and its ratepayers:

- cost of electric service to the customer goes down
- reliability of customer service goes up
- customer's sustainability commitments are met
- sunk costs in electric utility plant that may not be needed are avoided
- the impact of future electric rate increases are mitigated
- grid reliability is enhanced
- emission reductions can be used as compliance measures for any future carbon regulation

There are technical impediments to the deployment of CHP technologies that will be addressed by the Coalition's presenters. The Coalition also recognizes that there are issues in connection with the existing regulatory model that must be worked out. This can, however, be accomplished through:

1. Strengthening the partnership between Indiana Cities and electric utilities;
2. Eliminating the artificial "meter barrier" to cooperation;
3. Leveraging technical expertise and financial resources of Cities and electric utilities;
4. Better managing energy use through available and evolving technologies, and
5. Finding creative approaches to adapting the current regulatory model to changing energy markets.

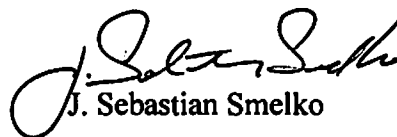
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Indiana law already recognizes the value of CHP by encouraging it as a matter state policy, and mandating that the Indiana Utility Regulatory Commission encourage electric utilities to participate in its deployment. The Coalition as part of its presentation to the Committee invites Indiana's electric utilities to step beyond the "meter barrier", and work with the Cities in the planning and execution of those capital projects which will yield the greatest savings to the City and the electric utility.

Sincerely,



Peter H. Grills



J. Sebastian Smelko

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