The Alliance for Industrial Efficiency

Nov. 7, 2013

Ms. Joan Conrad, Executive Secretary
Iowa Utilities Board
1375 East Court Avenue, Room 69
Des Moines, IA 50319-0069

Re: Docket No. RPU-2013-0004
MidAmerican Energy Proposed Rider SPS – Standby and Supplementary Power Service
Alliance for Industrial Efficiency Letter in Support

Dear Secretary Conrad:

I am writing on behalf of the Alliance for Industrial Efficiency to express our support for the MidAmerican Energy proposed Rider on Standby and Supplementary Power Service. The Alliance is a diverse coalition of labor, contractor, business and environmental groups committed to increasing deployment of combined heat and power (CHP) and waste heat to power (WHP). Our national membership represents roughly 200 electrical, mechanical and sheet metal contractors in Iowa. We believe that policies such as those reflected in the proposed MidAmerican Rider will increase opportunities for CHP and WHP projects in Iowa.

Conventional power generation is woefully inefficient. Nationwide, more than two-thirds of energy inputs are lost as wasted heat. By generating both heat and electricity from a single fuel source, CHP turns that inefficiency on its head – producing energy from more than 70 percent of fuel inputs. WHP likewise increases efficiency, by capturing otherwise wasted heat to generate additional power. In these ways, CHP and WHP offer substantial energy – and economic – savings. Despite these benefits, projects are often discouraged because of cost-prohibitive standby rates.

While standby rates are needed to allow utilities to recover costs they incur to provide supplemental, backup and maintenance service, many utilities (including MidAmerican) have historically erected undue hurdles by assessing standby rates that far exceed actual costs and by imposing penalties (or "ratchets") that remain long after an outage. Historically, such discriminatory standby rates have penalized customers for going offline, regardless of whether the outage was scheduled or whether it occurred during off-peak hours.

There are currently 34 CHP projects in Iowa, totaling 590 Megawatts.[1] The potential is far greater. In fact, according to a 2010 report by ICF Consulting, nearly three times this amount of energy (1,675 MW) could be produced at the states' manufacturing facilities, hospitals, and universities.[2] Such projects would generate enough electricity to power more than 725,000 homes.[3] By supporting MidAmerican's Rider SPS, the Iowa Utilities Board can take an important step toward facilitating these investments.

Rider SPS encourages investments in distributed generation, including CHP and waste heat to power, by reducing historic barriers in several important ways. First, the Rider ties a generator's standby reservation rate to its forced outage rate, so that customers pay lower monthly fees if they have fewer forced outages. Second, it assesses daily demand charges for scheduled outages with additional energy charges for unscheduled outages, creating an incentive for facilities to minimize the length and frequency of such outages. Third, the Rider allows customers to contract for standby capacity that is less than the facility's nameplate capacity, providing flexibility for distributed generators to reduce energy use if it is cost-effective. Finally, Rider SPS eliminates ratchets, which historically imposed penalties that long exceeded the length of the outage. The combination of these policy changes will reduce the burden of standby rates on distributed generators, while still ensuring that MidAmerican is compensated for direct costs associated with providing backup power.

In sum, the Alliance for Industrial Efficiency believes that MidAmerican's Rider SPS is a significant improvement over its previous policy and we support the proposal.

Sincerely,

David Gardiner
Executive Director, Alliance for Industrial Efficiency

[1] DOE-ICF CHP Installation Database.
[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).