Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

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June 28, 2021

The Honorable Bobby L. Rush
Chairman
Subcommittee on Energy
Committee on Energy and Commerce
Washington, DC 20515

The Honorable Fred Upton
Ranking Member
Subcommittee on Energy
Committee on Energy and Commerce
Washington, DC 20515

Re: Hearing on "The CLEAN Future Act and Electric Transmission: Delivering Clean Power to the People"

Dear Chairman Rush and Ranking Member Upton, on behalf of the member companies of the Industrial Energy Consumers of America (IECA), we thank you for the opportunity to provide input on this very important topic.

First, we urge you to insert provisions that will prevent utilities from avoiding electric transmission project competition, as is intended under FERC Order 1000. The purpose of FERC Order 1000 is to bring competition to electric transmission projects to ensure that spending is just and reasonable, and to reduce costs to ratepayers. It has been almost ten years since implementation and 98 percent of all electric transmission projects do not face competition, which means that consumers are overpaying for electric transmission costs. A recent study by the Brattle Group illustrates that the winning bids in transmission projects that are competitively bid reduced the costs by 40 percent.[1] The failure of FERC Order 1000 to deliver competition should be a bipartisan priority for the Committee.

Second, we urge you to include policies to remove barriers and expand the use of industrial cogeneration (CHP) and waste heat to energy or power (WTE/WHP) as important technologies to avoid electric transmission costs and siting issues. CHP, WTE, and WTP are underemphasized in national electric policy, when in fact, they are a timely grid reliability asset which simultaneously reduces costs for manufacturing and other ratepayers. The technology can avoid substantial volumes of GHG emissions and is reliable capacity which operates 24/7. The U.S. Department of Energy states that there is a technical potential of 148,935 MW of CHP capacity, including WTE/WHP capacity.

Electric transmission costs are the manufacturing sector's highest increased energy cost and residential customers also absorb these same costs.

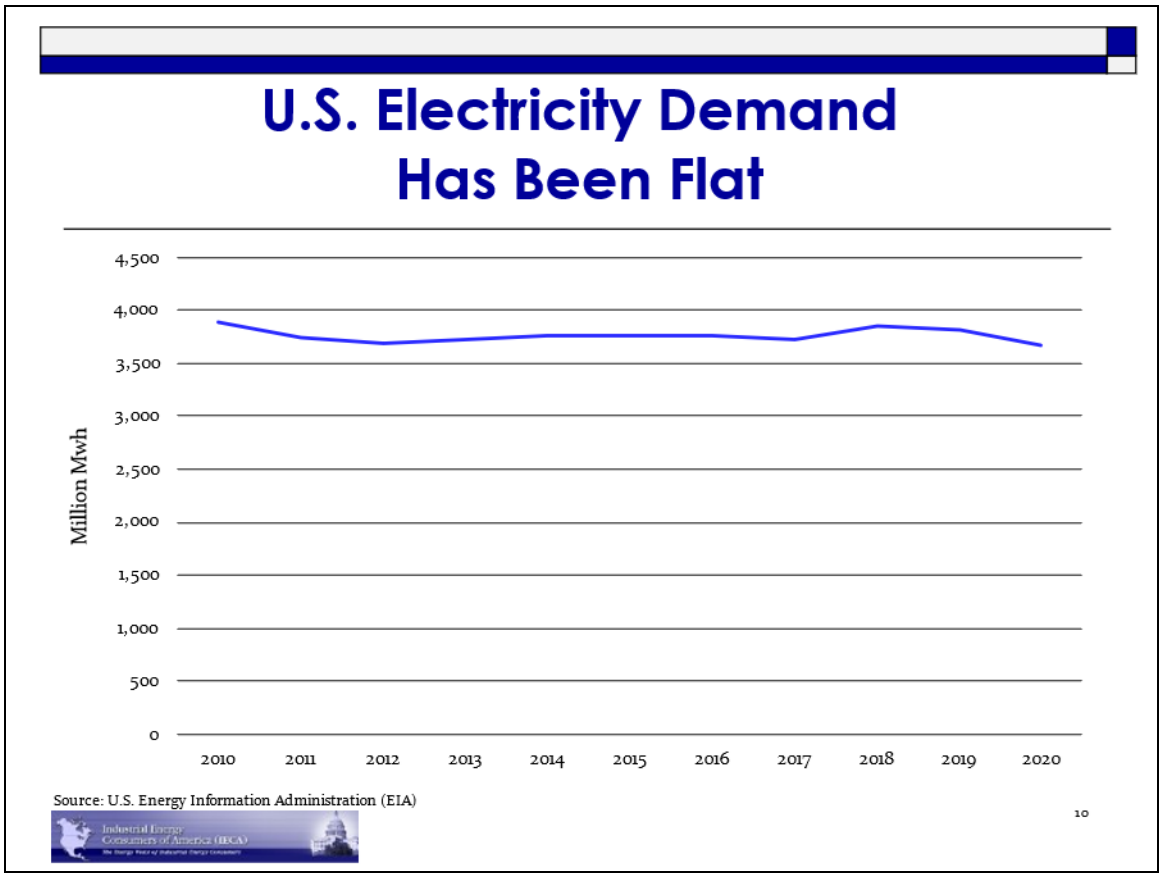
[1] Brattle Group, "Cost Savings Offered by Competition in Electric Transmission" https://brattlefiles.blob.core.windows.net/files/16726_cost_savings_offered_by_competition_in_electric_transmission.pdf

One hundred percent of IECA's membership are manufacturing companies whose electric transmission costs have increased dramatically in recent years, despite the fact that U.S. electricity demand decreased by almost 6 percent from 2010 to 2020 (see figure 1).[2]

According to the EEI's 2019 Financial Review,[3] electric transmission spending increased 42 percent in six years and this amount excludes transmission spending by public power, federal-owned power, and operating and maintenance costs (see figure 2). Once these costs are added to the rate base, consumers will pay for accumulated transmission costs over a 40-to-50-year period, as determined by depreciation schedules, plus operating and maintenance costs annually.

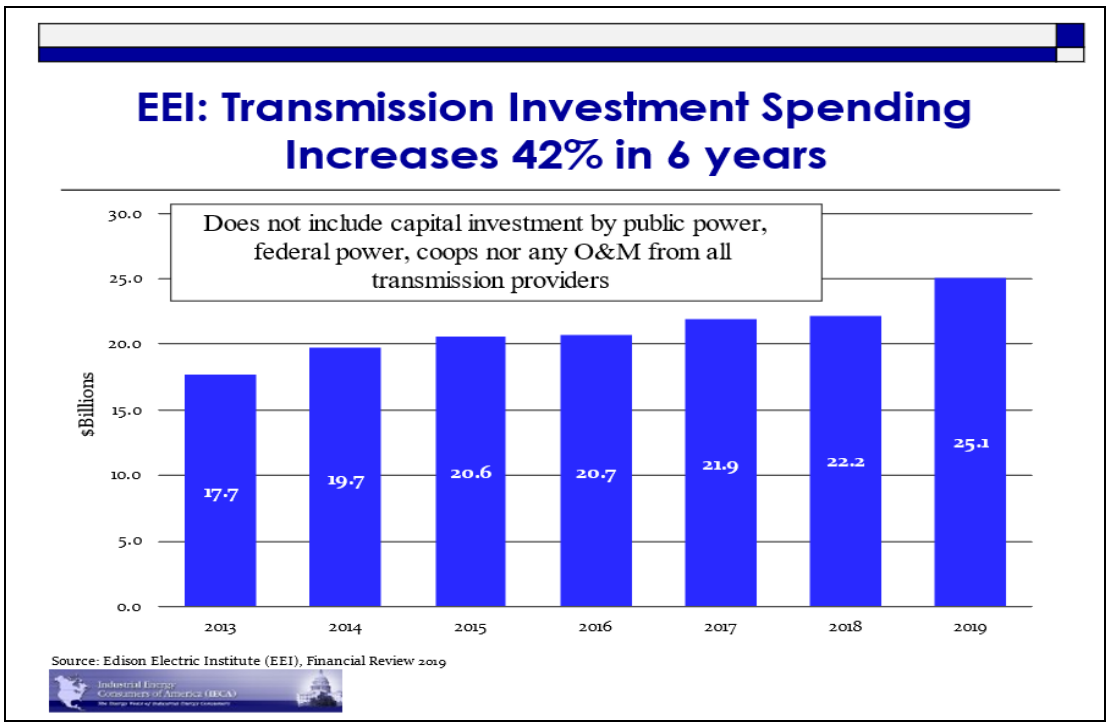
Transmission projects receive a generously high allowed return on equity (ROE) in the 10-12 percent range. Interest rates are low for borrowing capital and the financial risk to the utility is very low because most transmission owners use formula rates which allow easy pass-through of costs to ratepayers.

FIGURE 1



[2] Electricity, U.S. Energy Information Administration, https://www.eia.gov/electricity/.
[3] 2019 Financial Review, Edison Electric Institute, https://www.eei.org/issuesandpolicy/Finance%20and%20Tax/Financial_Review/FinancialReview_2019.pdf.

FIGURE 2



Include policies to expand use of industrial cogeneration (CHP) and waste heat to energy or power (WHE/WTP) as important technologies to avoid electric transmission siting issues and its accompanying costs.

Manufacturing self-generation capacity has been flat for two decades. When the manufacturing sector generates its own power, it reduces and avoids costs to other ratepayers. We spend our own capital to build the generating capacity which means other ratepayers do not. We pay for the transmission connection costs. And, when we generate our own power, it avoids the incremental electric transmission capacity that would have been needed to supply the manufacturer. Finally, because we operate 24/7, self-generation increases reliability of the grid and can contribute to spinning reserves (or resources) for use to stabilize and balance the grid. This is especially important as more and more intermittent capacity is added to the grid (see figures 3, 4, and 5).

FIGURE 3

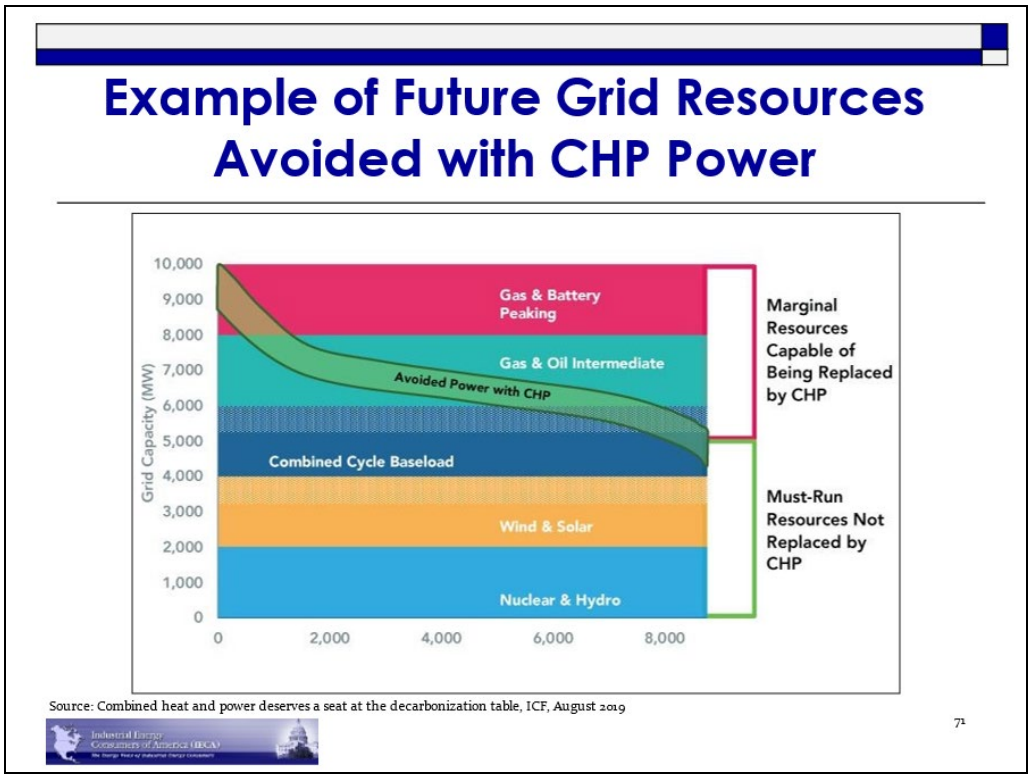


FIGURE 4

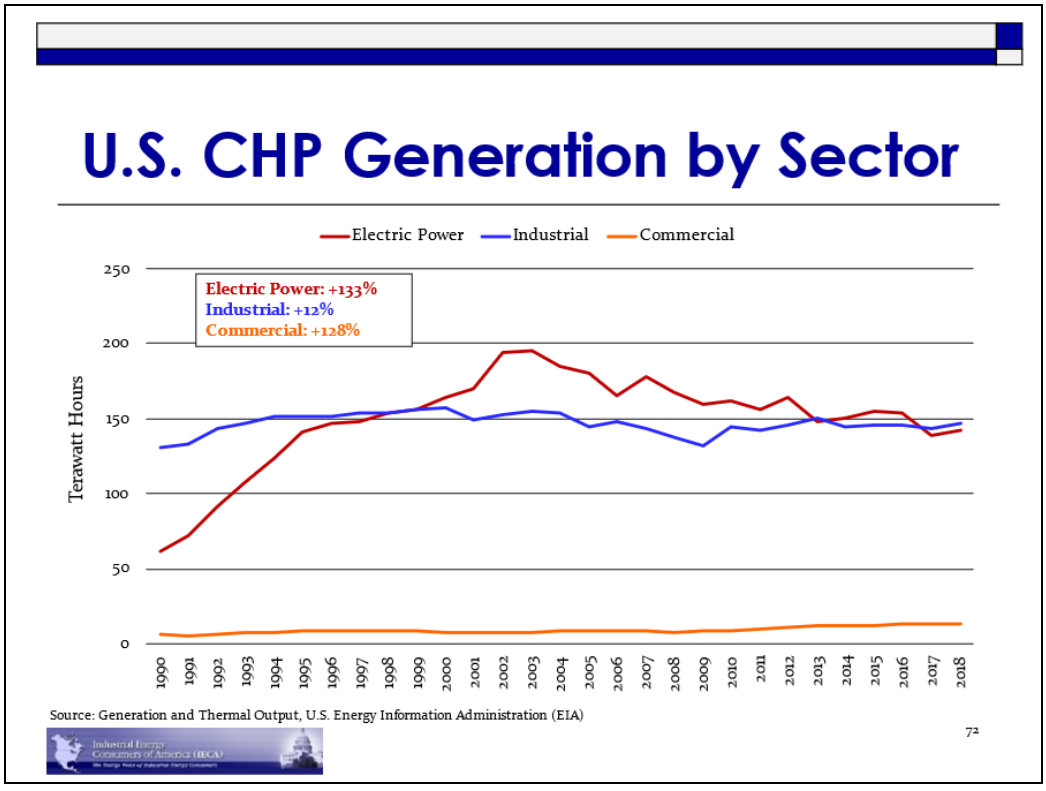
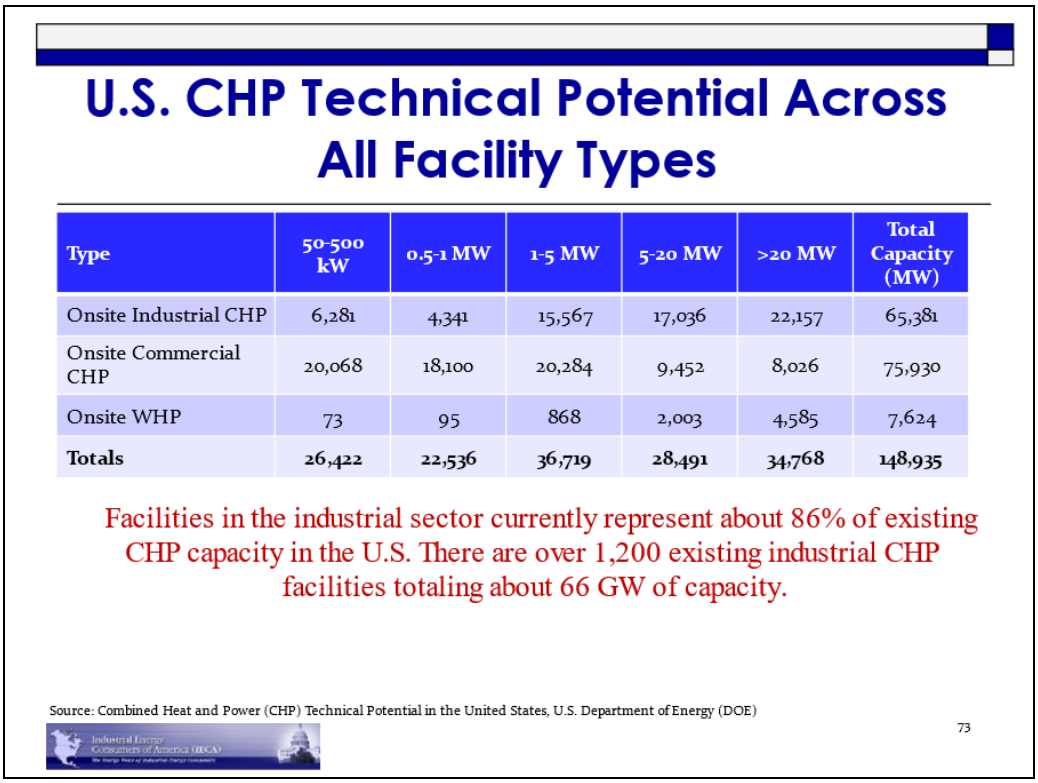


FIGURE 5



U.S. CHP Technical Potential Across All Facility Types

Type	50-500 kW	0.5-1 MW	1-5 MW	5-20 MW	>20 MW	Total Capacity (MW)
Onsite Industrial CHP	6,281	4,341	15,567	17,036	22,157	65,381
Onsite Commercial CHP	20,068	18,100	20,284	9,452	8,026	75,930
Onsite WHP	73	95	868	2,003	4,585	7,624
Totals	**26,422**	**22,536**	**36,719**	**28,491**	**34,768**	**148,935**

Facilities in the industrial sector currently represent about 86% of existing CHP capacity in the U.S. There are over 1,200 existing industrial CHP facilities totaling about 66 GW of capacity.

Source: Combined Heat and Power (CHP) Technical Potential in the United States, U.S. Department of Energy (DOE)

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The failure of FERC Order 1000 to deliver competition and inclusion of CHP /WHP/WTE provisions are important issues that both Democrats and Republicans can agree to support. We look forward to working with you on these matters.

Respectfully Submitted,

Paul N. Cicio

Paul N. Cicio
President & CEO

cc: FERC Commissioners

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.1 trillion in annual sales, over 4,200 facilities nationwide, and with more than 1.8 million employees. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, independent oil refining, and cement.