



May 31, 2017

Re: In the Matter of the En Banc Hearing on Alternative Ratemaking Methodologies; PUC Docket Number: M-2015-2518883



Gladys M. Brown, Chairman  
Pennsylvania Public Utility Commission  
400 North Street  
Keystone Bldg.  
Harrisburg, PA 17120



Dear Ms. Brown,

As manufacturers, developers, and institutions with operations, employees, and customers in Pennsylvania, we weigh several different factors when deciding how to run our business to maintain our competitiveness and to expand our operations. Transparent, efficient, and fair standby rates are a key factor – and your decisions have a direct influence on our choices.



Many of the undersigned companies either currently host or wish to build combined heat and power (CHP) or waste heat to power (WHP) systems in our Pennsylvania facilities. CHP and WHP systems already provide many of our companies with numerous benefits, such as reducing energy costs, enhancing reliability, and increasing our competitiveness in the marketplace, and would provide those same benefits to others. As you stated in a press release last year regarding the PUC's CHP Policy Statement: "In addition to improving manufacturing competitiveness and reducing greenhouse gas emissions, CHP benefits businesses by reducing energy costs and enhancing reliability for the user." Indeed, because these systems can operate independently of the grid, they can allow us to keep the lights and power on during extreme weather events. However, unfavorable standby rates can diminish CHP's economic benefits.



Excessive standby rates harm our competitiveness and discourage companies like ours from developing CHP and WHP projects in Pennsylvania. For example, standby rate tariffs that are based on the unlikely assumption that utilities must maintain excess utility capacity equivalent to a CHP facility's generation capacity in case of an unanticipated CHP system outage, do not consider the diversity of customer load and the actual cost of service imposed by "partial use" customers who generate their own power 95% of the time. These rates also fail to recognize the value of private investment in distributed CHP and WHP capacity to the grid and Pennsylvania's ratepayers. Highly efficient, distributed, baseload CHP and WHP systems can reduce demand on utility capacity, transmission and distribution systems, increase system reliability, improve power quality, and reduce distribution losses. But, right now, antiquated assumptions and poorly designed standby rates increase our energy costs and are sending the wrong price signal for investment in CHP and WHP systems in Pennsylvania. Under certain circumstances, customers are charged the



same amount for standby service (not including energy charges), whether or not they experience an outage – and regardless of whether the outage is scheduled (during off-peak) for maintenance purposes or unscheduled due to a forced outage. This suggests that customers are not being charged appropriately.

One analysis found that a Pennsylvania company with a 2 MW CHP system with *no outages* would be required to pay standby fees ranging from roughly \$5,200 to over \$11,500 each month, in addition to any energy charges incurred – dependent upon where the system is located.<sup>1</sup> The disparity can be even greater once outages are factored in. This variation between utilities in the state puts many of us and our customers at a competitive disadvantage and discourages companies like ours from investing in certain locations. Fair and equitable standby rates also create a business opportunity for CHP developers, who are more likely to build projects in states without excessive standby rates, thereby contributing to job growth and economic development in the state.

Utilities and public service commissions can make sure standby rates are fair and reasonable, thus encouraging more CHP and WHP deployment in the state. We are pleased that the Pennsylvania Public Utility Commission is exploring these issues and urge the PUC to publish a model tariff that ensures utilities establish standby rates that are transparent, efficient, and appropriately correlated to cost of service.

Thank you for your consideration and attention to this matter.

Sincerely,

American Eagle Paper Mills  
ArcelorMittal  
E-Finity Distributed Generation  
Cargill  
Ecolab  
Schneider Electric  
Sheet Metal & Air Conditioning Contractors' National Association of Pennsylvania  
Veolia North America

For more information, please contact [jennifer@dgardiner.com](mailto:jennifer@dgardiner.com), 202-816-9302.

cc: *Andrew G. Place, Vice Chairman*  
*John F. Coleman, Jr., Commissioner*  
*Robert F. Powelson, Commissioner*  
*David W. Sweet, Commissioner*

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<sup>1</sup> Analysis performed by 5 Lakes Energy LLC., 2017, Pennsylvania Standby Rate Tariff Scenarios.

### **More information about the company signatories:**

**American Eagle Paper Mills** is committed to producing quality paper sustainably and responsibly. AEPM strengthened their commitment to sustainability in 2016 with an \$18 million investment in a highly efficient natural gas boiler. The new energy source, combined with an upgraded power distribution system, slashed greenhouse gas emissions and reduced water intake by 82% as well as positioned the company for future sustainable growth into new paper markets. Located in Pennsylvania's Allegheny Mountains in Tyrone, AEPM employs 250 residents and produces over 300 tons of recycled paper daily.

**ArcelorMittal** is the world's largest steel and mining company, with about 199,000 employees globally and a presence in 60 countries. In the United States, ArcelorMittal employs nearly 18,000 and operates 27 facilities in 14 states. As the global leader in steel and mining, ArcelorMittal recognizes the responsibility to create a more sustainable future for people, communities, and the planet. As part of their commitment to sustainability, ArcelorMittal has spearheaded forward thinking reporting strategies, implemented impactful programming, and led the way in community stakeholder engagement. ArcelorMittal has Pennsylvania locations in Coatesville, Conshohocken, Monessen, and Steelton.

**Cargill** works alongside farmers, producers, manufacturers, retailers, governments, and other organizations to nourish the world in a safe, responsible, and sustainable way. For more than 150 years, Cargill has connected farmers to broader markets and developed products that advance nutrition, food safety, and sustainability. In Pennsylvania, Cargill employs over 2,300 residents across the state.

**Ecolab** is a global leader in water, hygiene, and energy technologies and services. Around the world businesses in foodservice, food processing, hospitality, healthcare, industrial, and oil and gas markets choose Ecolab products and services to keep their environment clean and safe, operate efficiently and achieve sustainability goals. Ecolab has offices and manufacturing sites in Pennsylvania and serves commercial and industrial customers in many sectors across the state.

**E-Finity Distributed Generation** promotes energy solutions through onsite distributed generation and combined heat and power plants to lower energy costs and improve power reliability. E-Finity provides support to make clients' facilities environmentally friendly and efficient by providing reliable, onsite power both when and where it is needed. Headquartered in Wayne, Pennsylvania, E-Finity is the exclusive Mid-Atlantic and Southeast distributor of Capstone turbines and ensures that clients' onsite power systems operate at peak performance.

**Schneider Electric** is the global specialist in energy management and automation. With revenues of \$26 billion US in FY2016, its 160,000+ employees serve customers in over 100 countries, helping them to manage their energy and process in ways that are safe, reliable, efficient and sustainable. Over 775 Schneider Electric employees work and live in Pennsylvania. Schneider also works with almost 500 businesses in the state to create jobs and economic opportunity. From the simplest of switches to complex operational systems, Schneider Electric's technology, software and services improve the way its customers manage and automate their operations. Schneider Electric's connected technologies reshape industries, transform cities and enrich lives. At Schneider Electric, this is called Life Is On.

**Sheet Metal and Air Conditioning Contractors' National Association (SMACNA) of Pennsylvania** performs work in industrial, commercial, institutional, and residential markets. The standards developed and set by SMACNA are accepted worldwide by the construction community. SMACNA offers professional assistance to contractors in labor relations, legislation, research and technical standards development, safety, and business and project management. There are four regional chapters of SMACNA in Pennsylvania with over 80 registered member firms, representing hundreds of contractors and related companies in the sheet metal and air conditioning industries.

**Veolia North America** helps customers address their environmental and sustainability challenges in energy, water, and waste by improving clients' energy efficiency, ability to manage water and wastewater, and ability to recover resources from waste. Discarded waste, water, and energy can all be recovered and transformed into valuable resources, and Veolia is committed to developing access to, preserving, and replenishing the world's resources. Veolia has 400 employees and serves over 500 locations in Pennsylvania, including critical projects such as a district energy network in Philadelphia and a chilled water plant at Thomas Jefferson University Hospital.