



100 Pine Street • PO Box 1166 • Harrisburg, PA 17108-1166
Tel: 717.232.8000 • Fax: 717.237.5300

Pamela C. Polacek
Direct Dial: 717.237.5368
ppolacek@mcneeslaw.com

May 31, 2016

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

**RE: Proposed Policy Statement on Combined Heat and Power;
Docket No. M-2016-2530484**

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission are the Comments of the Citizens' Electric Company of Lewisburg, PA, Wellsboro Electric Company and Valley Energy, Inc. regarding the above-reference proceeding.

Please let me know if you have any questions. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 

Pamela C. Polacek

Counsel to Citizens' Electric Company
of Lewisburg, PA, Wellsboro Electric Company
and Valley Energy, Inc.

Enclosure

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Proposed Policy Statement on Combined : Docket No. M-2016-2530484
Heat and Power :

**COMMENTS OF
CITIZENS' ELECTRIC COMPANY OF LEWISBURG, PA,
WELLSBORO ELECTRIC COMPANY
AND VALLEY ENERGY, INC.**

On March 9, 2016, the Pennsylvania Public Utility Commission ("PUC" or "Commission") entered an Order proposing a Policy Statement on Combined Heat and Power ("CHP") to promote and advance the development of CHP systems and facilities in Pennsylvania.¹ In a Joint Motion of PUC Chairman Gladys M. Brown and Commissioner Robert F. Powelson, the Commission approved the Proposed Policy Statement to (1) promote CHP investments; (2) encourage electric distribution companies ("EDCs") and natural gas distribution companies ("NGDCs") to incorporate CHP into their energy efficiency and resiliency plans and their marketing plans; (3) encourage the use of tariffs governing interconnection and standby rates for owners and operators of CHP facilities; and (4) promote special natural gas rates for owners and operators of CHP facilities.

The Commission contends that CHP can serve as a comprehensive measure for consideration by EDCs as part of their requirements under Pennsylvania's Act 129 Energy Efficiency & Conservation programs.² Through the Policy Statement, the Commission proposes requiring all jurisdictional EDCs and NGDCs to submit biennial reports to the Commission that

¹ See Policy Statement on Combined Heat and Power, Docket No. M-2016-2530484 (Order entered Mar. 9, 2016) (hereinafter "*Proposed Order*").

² *Proposed Order*, Docket No. M-2016-2530484, at p. 6 (citing *Energy Efficiency and Conservation Program*, Docket No. M-2014-2424864, at page 61 (entered Aug. 20, 2015)).

document the utilities' "strategies, programs and other initiatives in support of CHP systems."³ These reports will detail the efforts of the utilities in assisting critical operations for food supply, hospitals, nursing homes, water/wastewater facilities, and government services as well as furthering energy efficiency and reducing costs to consumers.⁴ These reports will also discuss energy efficiency benefits and projections of reduced costs for customers. The reports would contain and detail locations of CHP systems interconnected with EDCs or NGDCs; projected cost savings for CHP customers; data on transmission and distribution related avoided costs/savings; and any descriptions of future CHP projects or discussions about challenges facing CHP projects.⁵ The Commission also proposes requiring utilities to provide information on interconnection processes and fees and distribution charges that "recognize costs but provide flexibility for owners and operators of CHP facilities."⁶

Citizens' Electric Company of Lewisburg, PA, Wellsboro Electric Company, and Valley Energy Inc., (collectively, the "C&T Utilities") are all small utilities that are owned by C&T Enterprises, Inc.⁷ The C&T Utilities each serve less than 7,000 customers. As such, none of the C&T Utilities has an Act 129 Energy Efficiency Plan.

The small size of the C&T Utilities means that the potential pool of customers that can benefit from CHP in each territory is limited, but easily identifiable. For example, each territory has a single hospital. The C&T Utilities also maintain an active presence in their local business communities and with their customers. Because of this, the C&T Utilities respectfully submit that:

(a) the C&T Utilities should be granted flexibility in dealing with individual proposed CHP

³ Annex A, Section 69.3202.

⁴ *Proposed Order* at p. 7.

⁵ See Annex A, Section 69.3202(a).

⁶ *Proposed Order* at p. 7; see Annex A, Section 69.3202.

⁷ C&T is a holding company and management services company that holds the stock of the three regulated utilities. C&T is jointly owned by Claverack Rural Electric Cooperative, Inc., and Tri-County Rural Electric Cooperative, Inc.

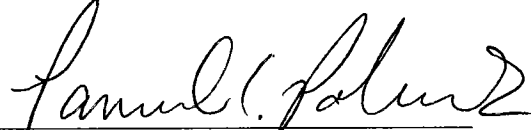
projects, rather than adopting universal rules as contemplated in the Proposed Policy Statement; and (b) the Commission should limit reporting requirements for smaller utilities (i.e., NGDCs and EDCs with less than 10,000 customers) to basic information regarding the existing and operational CHP projects. The specific information in the reports should be the location and nameplate capacity of the CHP projects that are on-line.

The C&T Utilities recognize the potential benefits of CHP to customers and to system reliability. The C&T Utilities stand ready to work cooperatively with interested customers to accommodate CHP projects in ways that do not adversely impact natural gas or electric system reliability. As the Commission may recognize, the impact of a CHP project can be magnified in small utility systems due to the absence of the load diversity that exists on larger systems. However, because their service territories are smaller, the C&T Utilities have a vested interest in promoting options and strategies that benefit the local community. The C&T Utilities respectfully suggest that the modified approach outlined above will provide the Commission with useful data while also incorporating the flexibility and reduced administrative requirements that are appropriate for smaller NGDCs and EDCs.

WHEREFORE, Citizens' Electric Company of Lewisburg, PA, Wellsboro Electric Company and Valley Energy, Inc. respectfully requests that the Pennsylvania Public Utility Commission consider these Comments in determining the final form of the Policy Statement on Combined Heat and Power.

Respectfully Submitted,

McNEES WALLACE & NURICK LLC

By 

Pamela C. Polacek (PA I.D. 78276)

Adeolu A. Bakare (PA I.D. 208541)

100 Pine Street

P. O. Box 1166

Harrisburg, PA 17108-1166

Phone: 717-232-8000

Fax: 717-260-1688

ppolacek@mceeslaw.com

abakare@mceeslaw.com

Counsel to Citizens' Electric Company of
Lewisburg, PA, Wellsboro Electric Company
and Valley Energy, Inc.

Dated: May 31, 2016