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June 27, 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 Joint Reply Comments of the Met-Ed Industrial Users Group ("MEIUG"), the Penelec Industrial Customer Alliance ("PICA"), the Penn Power Users Group ("PPUG"), the Philadelphia Area Industrial Energy Users Group ("PAIEUG"), the PP&L Industrial Customer Alliance ("PPLICA"), and the West Penn Power Industrial Intervenors ("WPPII") (collectively, the "Industrial Customer Groups") regarding the above-reference proceeding.

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

Very truly yours,

McNEES WALLACE & NURICK LLC

By *Kenneth R. Stark*

Kenneth R. Stark

Counsel to Industrial Customer Groups

Enclosure

KRS/sar

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**JOINT REPLY COMMENTS
OF THE MET-ED INDUSTRIAL USERS GROUP,
THE PENELEC INDUSTRIAL CUSTOMER ALLIANCE,
THE PENN POWER USERS GROUP,
THE PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP,
THE PP&L INDUSTRIAL CUSTOMER ALLIANCE, AND
THE WEST PENN POWER INDUSTRIAL INTERVENORS**

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Power Users Group, the Philadelphia Area
Industrial Energy Users Group, the PP&L Industrial
Customer Alliance, and the West Penn Power
Industrial Intervenors

Dated: June 27, 2016

I. BACKGROUND

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.

In the Proposed Policy Statement Order, the Commission provided for two rounds of public comments. Initial comments were due on May 31, 2016. The Met-Ed Industrial Users Group ("MEIUG"), the Penelec Industrial Customer Alliance ("PICA"), the Penn Power Users Group ("PPUG"), the Philadelphia Area Industrial Energy Users Group ("PAIEUG"), the PP&L Industrial Customer Alliance ("PPLICA"), and the West Penn Power Industrial Intervenors ("WPPII") (collectively, the "Industrial Customer Groups") filed initial comments. Therein, the Industrial Customer Groups recommended some minor language modifications and clarifications to the Proposed Policy Statement. As competitive businesses and large consumers of energy, the Industrial Customer Groups raised propriety and competitive business concerns regarding the biennial reporting requirements and the strong encouragement of CHP. Herein, the Industrial

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

Customer Groups respectfully submit the following brief Reply Comments in response to the Comments filed by stakeholders on May 31, 2016.

II. REPLY COMMENTS

In their initial comments, some parties strongly endorsed the CHP Policy Statement and the promotion of CHP while other commenters expressed some concerns, especially with respect to a utility's reporting requirements in proposed Section 62.3202. Overall, the Industrial Customer Groups recognize the value of CHP systems and facilities, but recommend that the Commission balance the desire to provide preferential treatment to these systems against the monetary impact that those incentives will have on other customers, including customers for whom CHP is not a viable energy management strategy. The Industrial Customer Groups also recognize the value of some EDC/NGDC reporting, but this reporting must be balanced against proprietary and competitive business concerns.

In its comments, the Pennsylvania Department of Environmental Protection ("DEP") recommended an *ad hoc* CHP stakeholder group to focus on CHP solutions and barriers. DEP recommended stakeholder representatives from the following: the PUC, DEP, CHP owners or operators, the Mid-Atlantic CHP Center, EDCs, NGDCs, the Department of Community and Economic Development, the Pennsylvania Emergency Management Agency, and interested vendors. If the Commission decides to convene a CHP stakeholder process, the Industrial Customer Groups ask the Commission to allow for stakeholder representatives from all customer classes, including industrial and large commercial customers.

During initial comments, numerous parties raised concerns regarding interconnection costs and procedures,² as Section 69.3202(b) in the Proposed Policy Statement would require EDCs to report on their interconnection terms and conditions and their CHP-specific interconnection fees. In reviewing such procedures, the Commission must be cognizant that some large commercial and industrial customers may seek to install CHP facilities, but not necessarily net meter the facility. Currently, the EDCs have in place a clear process for customers seeking to interconnect with the EDC and net meter their CHP facilities. If, however, those facilities fall within the net metering range (*i.e.*, 5 or less MW) but the customer does not seek to net meter, the need for interconnection agreements and/or EDC approval is less clear. Accordingly, the Industrial Customer Groups recommend that the Commission direct the EDCs to clarify their processes and/or implement a separate procedure for CHP facilities (5 or less MW) that do not want to net meter.

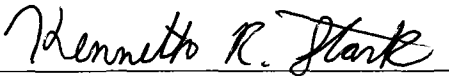
² See, e.g., Comments of NRG Centers of Harrisburg and Pittsburgh at 3-4, Comments of DEP at 2, Comments of Keystone Energy Efficiency Alliance at 2.

III. CONCLUSION

WHEREFORE, the Met-Ed Industrial Users Group ("MEIUG"), the Penelec Industrial Customer Alliance ("PICA"), the Penn Power Users Group ("PPUG"), the Philadelphia Area Industrial Energy Users Group ("PAIEUG"), the PP&L Industrial Customer Alliance ("PPLICA"), and the West Penn Power Industrial Intervenors ("WPPII") respectfully request that the Pennsylvania Public Utility Commission consider these Reply Comments in determining the final form version of the Policy Statement on Combined Heat and Power.

Respectfully Submitted,

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By 

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