

***Meeting Summary***  
***CHP Working Group***  
***May 30, 2018***  
***1:00-3:00 p.m.***  
***Forest Room, Keystone Building***

The Commission's Bureau of Technical Utility Services (TUS) held a working group meeting, regarding the CHP Policy Statement that was adopted by the Commission on April 5<sup>th</sup>. There were 37 people physically in attendance and approximately 25 others who called in. Attendees included representatives from the EDCs, NGDCs, CHP stakeholders, the Departments of Environmental Protection (DEP) and Community and Economic Development (DCED). Topics of discussion included CHP reporting clarifications, interconnection procedures, standby rates, and capital investment challenges.

- 1.) **Reporting Clarifications:** Questions were asked about what type of information is requested on the "CHP Systems" Worksheet, Row 19, **Basic Operation**. The PUC will adopt some suggested clarifications, including adding rows that ask specific types of questions about the basic operation of CHP systems that the Commission seeks. Additionally, there will be space to add other pertinent information that the EDCs/NGDCs wish to include.

Due date of the report is July 2, 2018, as July 1 is a Sunday.

- 2.) **Interconnection:** There was some expression of confusion over the jurisdiction of distribution, or, at least, it is not clear at what level it passes from state-level to FERC-level. Generally, 2MW or less is considered state-level.

A question was also asked about how often interconnection costs increase and how that will be communicated. Interconnection fees at the distribution level are regulated by the PUC and have not increased since 2009.

- 3.) **Financing and Project Support:** Ryan Emerson of the Commonwealth Financing Authority (CFA) spoke about the CFA's ongoing role in assisting with project finance for CHP projects. Kerry Campbell of DEP spoke about their past financial support for CHP projects and their ongoing support for a CHP project at the Philadelphia Navy Yard. Adam Walters of DCED spoke broadly about DCED's role in supporting economic development, inclusive of CHP deployment in Pennsylvania. Comments and suggestions from the attendees included that future gas and electric prices be considered when determining the value of a CHP project over time, a desire for additional grant funding availability, and an interest in NGDCs to use on-bill financing to facilitate CHP deployment.
- 4.) **Standby Rates:** There was a great deal of discussion concerning this topic. Eric Matheson gave an overview on Alternative Ratemaking. Some points brought up included whether rate/structure is being evaluated considering recent technological developments. It was suggested that there should be a side-by-side comparison of EDC tariffs (specific to standby rates) to allow for a comparison of rates and fees. Some of the NGDCs pointed out that CHP has become a core business function and that standby rates consume most of the cost savings a CHP unit would realize.

Counter to that, a representative from an EDC stated that they use cost-of-service principles to develop their standby rates and they believe that it is the proper way to arrive at the rate. There was some agreement with this, but it was pointed out that one more step is necessary and that is recognition of the diversity and resiliency a CHP unit provides to the grid.

It was posited that standby rates should reflect that drawing power from the distribution system during peak times is a negative and that differing standby rates should exist and be applicable to those who draw power during peak times. Additionally, it was suggested that more transparent rate design is an imperative to provide developers and CHP owners clearer price signals and to better analyze the potential impacts to project development and operation.

Finally, reference to a study performed by 5-Lakes Energy reportedly compares the impacts of standby rates in the PPL, PECO and Duquesne service territories, based on three modeled CHP configurations. Details of this study were offered to be sent to each of the respective EDCs for their analysis. Based on this information and additional interest in better understanding this topic and the potential impacts on CHP, TUS staff acknowledged that the next working group meeting would focus on standby rates/charges.