

**Pennsylvania Public Utility Commission**  
**CHP Working Group**  
**Meeting Summary**  
**April 16, 2019**  
**1:00-3:00 p.m.**  
**Hearing Room 1, Keystone Building**

The Commission's Bureau of Technical Utility Services (TUS) held a third CHP Working Group meeting on April 16. At the previous working group meeting, held on July 16<sup>th</sup>, 2018, there was discussion around the topic of standby rates/charges that had required more follow-up. The focus of the April 16<sup>th</sup> meeting consisted of the supplemental follow-up on standby rates/charges, a brief summary of the CHP Biennial Reports filed with the Public Utility Commission (Commission) last year, and discussion of an upcoming CHP potential study.

There were 27 people physically in attendance for this meeting and others who called in. Attendees included representatives from the Electric Distribution Companies (EDCs), Natural Gas Distribution Companies (NGDCs), CHP project developers and advocates, as well representation from the Departments of Environmental Protection (DEP) and Community and Economic Development.

- 1) **CHP Biennial Report Summary:** Dave Edinger, of TUS, summarized the following key findings, based on information filed by the EDCs and NGDCs:
  - a. There was a significant difference in the number of CHP systems and overall megawatt (MW) capacity of CHP systems reported to the Commission versus what is identified in the Department of Energy's (DOE) CHP database. This could be because 1) utilities may have little or no information of older systems; 2) some systems may not be readily identified or recognized as CHP systems, and 3) because fuel types, such as biogas, landfill gas, waste heat, etc. are not known to NGDCs.
  - b. There was less fuel diversity among the types of CHP systems reported to TUS versus what is in the DOE CHP database. Again, this is likely due to the fact that the systems reported to the Commission were generally systems being fueled by natural gas. The systems in the DOE CHP database represent a more robust mix of fuel types and generating technologies.
  - c. Most CHP systems reported to the Commission were under 10 MW in nameplate capacity.
  - d. Reporting issues were discussed. This included completing all required fields, such as tariffed rate and contact information, listing all potential CHP systems, listing easily identifiable and readily known interconnected CHP systems, and completing known monthly gas deliveries and load data.
  - e. Identifying and reporting potential/upcoming CHP systems. Some NGDCs were reluctant to list these systems and in conversations with representatives from these utilities, the reason for their reluctance resulted from an unclear definition of the term "potential." The group was asked what that should mean. PPL said that whenever an application for interconnection is received, that is when they consider a CHP system to be a potential system. It was also suggested that a good way to more fully consider CHP appetite is to combine data from the Commonwealth Financing Authority (CFA) and Act 129 applications to get a better sense of what is "potential."

- 2) **CHP Potential Study:** As part of Act 129, the Commonwealth's energy efficiency and conservation law, the SWE team is conducting a market potential study evaluating the potential for energy efficiency in Pennsylvania. As part of the larger market potential study, an assessment of the potential electric savings associated with further deployment of CHP is being conducted. Salil Gogte, of the SWE team, presented information on the type and scope of the study to be conducted so that EDCs and NGDCs will understand what will be asked of them to assist in this study. Mr. Gogte discussed how the study is structured, which includes starting with technical potential, then refining that through economic and other constraints to provide an estimate of achievable potential. As part of the process to conduct this analysis, data requests will go out to NGDCs. Mr. Gogte sought input from the working group to help assist in refining the scope of this study. Participants asked questions of Mr. Gogte to better understand the specifics of his upcoming study and to be able to provide the information he is seeking. It was also suggested that project developers could provide some input on constraints that limit CHP deployment.
- 3) **Presentation by DOE CHP Technical Assistance Program (TAP):** This was a follow up on the study that was presented at the last CHP Working Group meeting. The data was more thoroughly vetted with PECO and Duquesne Light Company (DQE) about the numbers that were used and there was consensus on the data between those two EDCs' numbers and the DOE CHP TAP. The study showed the effects, on different system sizes and with different load characteristics, of PECO's Capacity Reservation Rider (CRR) and DQE's Rider 16. PECO's CRR had a negative impact (more costly) when applied to their HT or GS tariffs, in all scenarios whereas, the DQE's Rider 16 had a beneficial impact (cost savings), when applied to their GL or GS tariffs.

Following the presentation, several comments were offered:

1. Standby rates should be transparent and there should be a common language used by each EDC for greater clarity.
2. A suggestion was made that the group could come up with a set of best practices to serve as guidance on how the EDCs could structure standby rates. It was further suggested that the EDCs incorporate these best practices when rate cases are opened up and if not, the EDCs should defend why they are not using these practices.
3. It was noted that two other state Commissions (Missouri and Minnesota) have developed guidance on standard standby rates that the PUC should consider. Similarly, it was noted that the Regulatory Assistance Project (RAP) has issued guidance on this subject and should be considered.
4. A comment was made that New York City had onerous standby rates but after going through a similar process, these rates were adjusted, resulting in a "boom" in CHP development.
5. One or more of the EDCs stated that the current rates are the result of litigated rate cases and that the needs and issues within each EDC service territory may be very different, suggesting that caution is needed when considering any standardization of standby rates. This point was acknowledged by TUS staff and other stakeholders while also pointing out that there is opportunity for improvement, including standardization of certain verbiage.
6. A question was asked regarding the applicability of CHP system owners to distribute and sell excess thermal energy to other customers and whether or not this would constitute being

designated as a utility. It was noted that New York and New Jersey allow for this practice. TUS staff stated that this would likely need to be addressed on a case-by-case basis.

**Next Steps and Best Practices:** Joe Sherrick, from TUS, reminded the group that during the last working group meeting, the EDCs were asked to develop tools/resources that would more clearly explain their respective standby rates/tariffs. Mr. Sherrick also asked if any of the EDCs had anything to report on the status of any work effort in this regard, but none was offered. Similarly, at this meeting it was decided that development of some basic guidance regarding standby rates would be a good idea. Mr. Sherrick committed that TUS staff will draft something for consideration but that working group members should also consider the best practices that should be included as guidance.

TUS staff stated that the working group would reconvene in the fall of 2019 to review the draft guidance. A question was raised about the working group addressing other issues to which Commission staff responded that most other issues have previously been discussed and some barriers to CHP are not within the purview of the Commission. Any ideas, concerns or barriers regarding the best practices guidance or otherwise, should be submitted to Dave Edinger ([dedinger@pa.gov](mailto:dedinger@pa.gov)) at TUS.

The next CHP Working Group will be held in either September or October of this year.