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Michigan companies ask Public Service Commission for fair standby energy rates

Companies request standby rates be transparent, efficient and correlated to cost of service

LANSING, Mich., March 17, 2017 – Twelve manufacturers, developers, and institutions delivered a [letter](#) today to the Michigan Public Service Commission asking for fair and reasonable standby rates that would encourage the installation of combined heat and power (CHP) and waste heat to power (WHP) systems across the state.

Many manufacturers produce at least some of their power on-site, through clean, energy efficient CHP or WHP systems, which can be twice as efficient as traditional generation by capturing and reusing lost heat. Not only do CHP and WHP systems save manufacturers money in energy costs and make them more competitive, they also reduce the demand on the grid and make the entire energy delivery system more reliable and less prone to blackouts.

CHP and WHP system hosts expect to pay standby charges to ensure access to back-up power in the rare instances when it is needed. However, these charges are a major burden to Michigan manufacturers when they do not reflect these self-generation customers' infrequent use of utility capacity and infrastructure. Under differing individual utility standby tariffs, standby rates vary widely within the same state, and often are stacked high with fixed fees, leaving companies no choice but to pay a hefty bill when they are in need of back-up energy.

A [study](#) by 5 Lakes Energy found that a Michigan company with a 2 MW CHP system with no outages would be required to pay standby fees ranging from roughly \$8,300 to more than \$10,500 each month – dependent upon where the system is located. If the prices charged by utilities for access to this standby power are too high, they can deter a company from installing CHP or WHP systems – and that's a problem for all Michiganders.

"Investment in Combined Heat and Power systems makes our businesses more competitive, securing jobs, while improving energy efficiency and conserving valuable resources," said Karl Tomaszewski, plant manager for Cargill Salt in Hersey, Michigan. "As a business, we need fair and predictable rates including standby charges that recognize the many benefits of CHP and promote local investments."

Manufacturers just want a level playing field.

"Michigan's chemistry companies have invested in clean, efficient energy systems to power our manufacturing sites in the state," said John Dulmes, executive director of the Michigan Chemistry Council. "Unfortunately, the current standby charges do not take into account the diversity of customer

load and the actual costs imposed by 'partial use' customers who generate their own power 95 percent of the time."

These manufacturers are asking the Michigan Public Service Commission to regulate standby rates across the state, and make them transparent, efficient and appropriately correlated to cost of service. Currently, Michigan has 3,370 megawatts of CHP capacity at 87 sites throughout the state, but the potential is far greater, with 4,137 megawatts of CHP capacity in the industrial and commercial sectors alone. Reasonable, fair standby rates will help realize this potential by encouraging more Michigan companies to invest in CHP and WHP, making the state's electrical grid work better for all Michiganders.

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