



April 21, 2017

Re: In the Matter of a Commission Inquiry into Standby Service Tariffs
PUC Docket Number: E-999/CI-15-115



Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101



Dear Mr. Wolf,



As manufacturers, developers, and institutions with operations, employees, and customers in Minnesota, we weigh several different factors when deciding how to run our business to maintain our competitiveness and to expand our operations. Transparent, efficient, and fair standby rates are a key factor – and your decisions have a direct influence on our choices.



Many of the undersigned companies either currently host or wish to build combined heat and power (CHP) or waste heat to power (WHP) systems in our Minnesota facilities. CHP and WHP systems already provide many of our companies with numerous benefits, such as reducing energy costs, enhancing reliability, and increasing our competitiveness in the marketplace, and would provide those same benefits to others. As the Minnesota Department of Commerce states in their [CHP Action Plan](#), CHP systems can help support Minnesota's key policy goals "by increasing the average efficiency of Minnesota's electric and thermal generation systems, reducing aggregate greenhouse gas emissions, and improving the energy security and resilience of local energy systems." Because these systems can operate independently of the grid, they can allow us to keep the lights and power on during extreme weather events.



Excessive standby rates harm our competitiveness and discourage companies like ours from developing CHP and WHP projects in Minnesota. For example, standby rate tariffs that are based on the unlikely assumption that utilities must maintain excess utility capacity equivalent to a CHP facility's generation capacity in case of an unanticipated CHP system outage, do not consider the diversity of customer load and the actual cost of service imposed by "partial use" customers who generate their own power 95% of the time. These rates also fail to recognize the value of private investment in distributed CHP and WHP capacity to the grid and Minnesota's ratepayers. Highly efficient, distributed, baseload CHP and WHP systems can reduce demand on utility capacity, transmission and distribution systems, increase system reliability, improve power quality, and reduce distribution losses. But, right now, antiquated assumptions and poorly

designed standby rates increase our energy costs and are sending the wrong price signal for investment in CHP and WHP systems in Minnesota.

One analysis found that a Minnesota company with a 2 MW CHP system with *no outages* would be required to pay standby fees ranging from roughly \$1,000 to nearly \$6,600 each month – dependent upon where the system is located.¹ The disparity is even greater once outages are factored in. This variation between utilities in the state puts many of us and our customers at a competitive disadvantage and discourages companies like ours from investing in certain locations. Fair and equitable standby rates also create a business opportunity for CHP developers, who are more likely to build projects in states without excessive standby rates, thereby contributing to job growth and economic development in the state.

Utilities and public service commissions can make sure standby rates are fair and reasonable, thus encouraging more CHP and WHP deployment in the state. We are pleased that the Minnesota Public Utilities Commission is exploring these issues and urge the PUC to publish a model tariff that ensures utilities establish standby rates that are transparent, efficient, and appropriately correlated to cost of service.

Thank you for your consideration and attention to this matter.

Sincerely,

Ameresco, Inc.
Cargill, Inc.
Cummins Inc.
Ecolab Inc.
Ever-Green Energy
Minnesota Forest Industries
Schneider Electric
Veolia North America, LLC

For more information, please contact jennifer@dgardiner.com, 202-816-9302.

*CC: Nancy Lange, Chair, Minnesota Public Utilities Commission
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¹ Analysis performed by 5 Lakes Energy LLC., 2017, “Minnesota Standby Rate Tariff Scenarios.”