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Minnesota companies ask Public Utilities Commission for fair standby energy rates

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

ST.PAUL, Minn., April 26, 2017 – Eight manufacturers, developers, and institutions delivered a [letter](#) to the Minnesota Public Utilities 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 Minnesota 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 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. 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 Minnesotans.

“Our analysis demonstrates that there are still concrete improvements needed in Minnesota utilities' approach to standby rates,” said Jamie Scripps, partner, 5 Lakes Energy. Without further revision, the proposed standby tariffs pose a significant barrier to Combined Heat and Power development – and a significant burden to current CHP customers.”

“Investment in Combined Heat and Power systems makes our businesses more competitive, securing jobs, while improving energy efficiency and conserving valuable resources,” said Charles Melcher, senior vice president, Central United States, for Veolia North America. “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. These manufacturers are asking the Minnesota Public Utilities Commission to regulate standby rates across the state, and make them transparent, efficient and appropriately correlated to cost of service. Currently, Minnesota has 937 megawatts of CHP capacity at 56 sites throughout the state, but the potential is far greater, with 3,136 megawatts of CHP capacity in the industrial and commercial sectors alone. Reasonable, fair standby rates will help realize this potential by encouraging more Minnesota companies to invest in CHP and WHP, making the state's electrical grid work better for all Minnesotans.

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