

STATEMENTS OF POLICY

Title 52—PUBLIC UTILITIES

PENNSYLVANIA PUBLIC UTILITY COMMISSION

[52 PA. CODE CH. 69]

[M-2016-2530484]

Combined Heat and Power

The Pennsylvania Public Utility Commission (Commission), on April 5, 2018, adopted a final policy statement that establishes a biennial reporting requirement for electric and natural gas distribution companies regarding their efforts to eliminate obstacles to the development of combined heat and power in this Commonwealth.

Public Meeting held
April 5, 2018

Commissioners Present: Gladys M. Brown, Chairperson, statement follows; Andrew G. Place, Vice Chairperson; Norman J. Kennard; David W. Sweet; John F. Coleman, Jr.

Final Policy Statement on Combined Heat and Power;
M-2016-2530484

Final Policy Statement

By the Commission:

In light of the potential benefits to the public of Combined Heat and Power (CHP), the Commission is interested in considering ways to advance the development of CHP in Pennsylvania. The Commission recognizes that CHP is an efficient means of generating electric power and thermal energy from a single fuel source, providing cost-effective energy services to commercial businesses like hotels, universities and hospitals. CHP systems capture the waste heat energy that is typically lost through power generation, using it to provide heating and cooling for manufacturing and business. In addition to improving manufacturing competitiveness and reducing greenhouse gas emissions, CHP benefits businesses by reducing energy costs and enhancing reliability for the user.

The Commission observes that there are several areas where electric and natural gas distribution companies (EDCs and NGDCs) may be able to implement policies and practices that reduce barriers to such development. With this Order, the Commission establishes a biennial reporting requirement for EDCs and NGDCs regarding their efforts to eliminate obstacles to the development of CHP in the Commonwealth.

Purpose

This policy statement is intended to:

- Promote CHP investments;
- Encourage EDCs and NGDCs to make CHP a part of their energy efficiency and resiliency plans, as well as their marketing and outreach efforts; and
- Encourage EDCs and NGDCs to design interconnection processes and rates for owners and operators of CHP facilities.

Background

The Commission held En Banc hearings on CHP at Drexel University and the University of Pittsburgh in the spring and fall of 2014, respectively. Witnesses representing a cross section of the community interested in CHP

testified at the hearing, including consultants, electric and natural gas distribution companies, universities, and CHP system owners and advocates. These hearings reinforced the Commission's understanding that a coordinated approach to CHP can provide real benefits to the economy, the environment, and the security of residents and businesses within the Commonwealth.

In particular, the testimony of Gearoid Foley, Senior Technical Advisor for the United States Department of Energy's CHP Technical Assistance Partnership, highlighted the potential benefits of CHP for Pennsylvania. Mr. Foley asserted that by sourcing as little as 1% of Pennsylvania's electric consumption from CHP systems, the Commonwealth would reduce the need for more than 1.4 million MWh annually from the grid and reduce 196 MW of peak demand on the grid.¹

Together, the participants at the hearings identified the following benefits of CHP:

- Improved energy efficiency through increased utilization of thermal energy;
- Reduced energy costs through reductions in peak demand as well as the associated mitigation of price volatility;
- Reduced emissions resulting from less overall energy consumption;
- Improved reliability for a grid that is increasingly challenged by natural and manmade disasters;
- Increased diversification of resources used for generating electricity;
- Increased economic development enhanced by the availability of shale gas, thus utilizing more of this abundant resource in Pennsylvania to benefit the Commonwealth's economy;
- Increased national security because multiple points of power generation present a better defense to catastrophic failure and attack; and
- Facilitated expansion of natural gas distribution for all customers.

Participants at the hearings also identified the following barriers to CHP development:

- Difficulty in justifying capital investment, particularly due to the long-term payback requirements of CHP;
- Costs of purchasing backup power during planned plant maintenance and unplanned downtime; and
- Interconnection procedures and fees.

Investment in CHP, in the absence of state, federal and other investment subsidies, is largely driven by the cost of electricity. Some states have made aggressive investments in CHP through various financial resources, including customer contributions and federal funds made available to harden the electric distribution system after catastrophes. The Commonwealth, at this time, does not have a similar mechanism to encourage CHP development.

On February 25, 2016, the Commission adopted a proposed policy statement to help promote implementation of CHP, to encourage companies to share the prog-

¹ http://www.puc.state.pa.us/NaturalGas/pdf/CHP/PPT-DOE1_EBH100714.pdf.

ress they have made with CHP development, and to help the Commission determine how to best continue the advancement of CHP.²

To advance the development of CHP in the Commonwealth, the Commission, through the March 9, 2016 Order, sought comments on the proposed Policy Statement that proposed a biennial reporting requirement for EDCs and NGDCs regarding the development of CHP in their service territories and their efforts to promote such development. The Commission proposed this policy statement in accordance with our authority under sections 501, 504, 505, 506, and 2806.1 of the Public Utility Code, 66 Pa.C.S. §§ 501, 504, 505, 506, and 2806.1, and the Alternative Energy Portfolio Standards Act, as amended, 73 P.S. §§ 1648.1—1648.8 and 66 Pa.C.S. § 2814. Comments to the proposed Policy Statement were due on or before May 31, 2016.

Comments to the proposed Policy Statement were filed by: The Alliance for Industrial Efficiency (The Alliance); Met-Ed Industrial Users Group, Penelec Industrial Consumer Alliance, Penn Power Users Group, Philadelphia Area Industrial Energy Users Group, PP&L Industrial Customer Alliance and West Penn Power Industrial Inter-venors (collectively, the Industrials); the Keystone Energy Efficiency Alliance (KEEA); PECO Energy Company (PECO); Citizen's Electric Company of Lewisburg, PA, Wellsboro Electric Company, Valley Energy, Inc. (collectively, C&T Utilities); Philadelphia Gas Works (PGW); Duquesne Light Company (Duquesne); UGI Utilities, Inc.—Gas Division, UGI Penn Natural Gas Inc., UGI Central Penn Gas, Inc., UGI Utilities, Inc.—Electric (collectively, UGI Distributions Companies); the Energy Association of Pennsylvania (EAP); the Pennsylvania Department of Environmental Protection (DEP); Kimberly-Clark Corporation (K-C); PPL Electric Utilities Corporation (PPL); National Fuel Gas Distribution Corporation (NFG); Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company (collectively, FirstEnergy); NRG Energy Center Harrisburg LLC, NRG Energy Center Pittsburgh LLC (collectively, NRG); and Peoples Natural Gas Company LLC, and Peoples TWP LLC (collectively, Peoples).

The following parties filed reply comments to the proposed Policy Statement: the Industrials; PECO; Peoples; Citizen Power, Inc.

Discussion

Most of the commenters generally supported the policy statement and submitted suggested changes. The Commission will present general comments about the policy statement as well as topical areas under which most comments fell.

A. General

As stated above, most commenters generally supported the policy statement. Duquesne does not oppose CHP in its service territory, nor the expansion of CHP, however, they express concern over the implication that appears to suggest that the perceived lag in CHP development is due, in large part, to utility policies that create barriers and the Commission's conclusion that CHP, by itself, does anything to improve reliability or safety on the distribution system. Duquesne avers that a policy statement is not the most effective mechanism to address the issues articulated in its order.³

² Proposed Policy Statement on Combined Heat and Power, Docket No. M-2016-2530484, entered March 9, 2016 (2016 Order).

³ Duquesne Comments at 2.

B. Incentives

While utility funded financial incentives were not directly addressed as part of the policy statement, the Alliance recommended that the Commission support financial incentives for businesses that build CHP systems or convert to using CHP, noting the significant benefits derived from CHP.⁴

Disposition

The Commission recognizes the significant benefits that customers may derive from CHP in appropriate circumstances. While the Commission is not establishing new methods of utility based financial support for the development of CHP systems with this proceeding, we note some Pennsylvania electric and natural gas companies currently offer incentives for CHP systems and that other agencies may have direct forms of financial assistance. These agencies include Commonwealth Financing Authority, DEP, which supports The Green Energy Loan Fund (GELF)⁵ that offers low-interest loans, and the Pennsylvania Energy Development Authority (PEDA)⁶ that awards grants, loans, and loan guarantees for qualifying projects. In recognition of these agency efforts, the Commission has revised the policy statement at Section 69.3202 (relating to the staff report) by adding a requirement that Commission staff include identification of government agency programs providing financial and other support for CHP in the biennial report provided to the Commission.

C. Interconnection

As part of the effort to promote CHP in the Commonwealth, the Commission is interested in identifying and eliminating barriers to CHP implementation. Specifically, the Commission sought to explore the applicability of interconnection application fees, the specific amount of these fees, utility interconnection rules and utility system upgrade costs associated with interconnection of CHP systems to electric distribution systems and whether these fees and costs represent unfair or unreasonable impediments to the deployment of CHP. To help identify these potential impediments, the Commission proposed to require EDCs to report CHP specific interconnection fees, procedures for interconnection applications to include forms and contracts, standardized technical requirements, interconnection dispute resolution procedures, and actual interconnection fees collected.

Position of the Parties

PECO avers that there exists a uniform set of interconnection procedures for CHP systems above the Alternative Energy Portfolio Standards Act (AEPS Act) thresholds.⁷ PECO, however, believes that a review of the interconnection application form and associated instructions may be useful.⁸ The Industrials add that the Commission should implement different interconnection procedures for CHP customers that wish to not net meter.⁹ FirstEnergy avers that CHP systems are not electrically different and that no change in interconnection standards should be necessary.¹⁰ The Alliance comments that there should be

⁴ Alliance Comments at 1—3.

⁵ <http://www.dep.pa.gov/Business/Energy/OfficeofPollutionPrevention/FinancialOptions/Pages/Green-Energy-Loan-Fund-.aspx>.

⁶ <http://www.dep.pa.gov/Business/Energy/OfficeofPollutionPrevention/FinancialOptions/Pages/PEDA.aspx>.

⁷ PECO Comments at 9-10.

⁸ PECO Comments at 10.

⁹ Industrials Reply Comments at 3.

¹⁰ FirstEnergy Comments at 6.

streamlined interconnection procedures and fees while NRG states that the Policy Statement should affirmatively encourage EDCs to submit proposals that would provide grid interconnection equipment at partial, or no cost for bona fide CHP projects.¹¹

Disposition

We disagree with the Industrials that there needs to be a set of interconnection standards for non-net metered CHP systems. The Commission notes that the Chapter 75 interconnection standards, 52 Pa. Code §§ 75.21, 75.22, 75.31—75.40, and 75.51, apply to both net metered and non-net metered customers, as do the PJM interconnection rules. In this regard, we agree with FirstEnergy that CHP systems are not electrically different and that no change in interconnection standards are necessary for CHP systems.

We disagree with NRG that the Policy Statement should encourage EDCs to submit proposals that would provide grid connection equipment costs at partial or no cost. We see no reason why this cost should be partially or wholly socialized through the rate base when and if the associated grid interconnection equipment is installed solely for the benefit of the system generator.

We agree with the Alliance that there should be streamlined interconnection procedures and fees only in that this is the suggested outcome of the policy statement, not part of the actual statement. The Commission recognizes that there may be ways to streamline interconnection procedures, update interconnection application forms and associated instructions. However, these issues should be addressed in a separate proceeding as they relate to the interconnection of all generation types, not just CHP. We note that the reporting requirements being established by this policy statement will help inform subsequent proceedings.

D. Process

As discussed before, the intent and purpose of the proposed Policy Statement was to determine how the Commission can better facilitate the deployment and growth of CHP in the Commonwealth. Comments that fell under this topic include recommendations about how the Commission should go about arriving at the suggested outcome of the policy statement.

Position of the Parties

K-C recommends that the Commission should contemplate following Connecticut's lead by considering and establishing natural gas delivery charge rebates, waivers of electric back-up demand charges, alternative energy credits and capital grants. They also recommend that the Commission should model its policy based on Connecticut's Act 05-01 which, among other things, establishes rate design for standby service.¹² NRG commented that NGDCs should be encouraged to submit tariff supplements to recognize a CHP installation as a priority customer during curtailment events where the CHP installation serves traditional priority customers. NRG avers that EDCs, via their base rate filings, should be required to include a cost of service study to affirmatively show that their standby rates applicable to CHP systems are just and reasonable. NRG also recommends that the Policy Statement should (1) encourage NGDCs to facilitate CHP projects through lower tariffed distribution rates and, (2) express a willingness by the PUC to consider creative solutions regarding steam cost rates

where a net economic benefit to total rates can be realized by steam utility customers.¹³ DEP, NRG, and Peoples suggest that the Commission create an Ad-Hoc Stakeholders Group and/or working group.¹⁴

Disposition

We acknowledge K-C's recommendations regarding natural gas CHP rebates, waivers of electric back-up demand charges, alternative energy credits and capital grants that may reduce barriers to CHP deployment. However, we believe these issues are best proposed and litigated through rate proceedings and are therefore beyond the scope of this proceeding. We agree with DEP, NRG and Peoples about the creation of a working group and note that this would be a temporary working group discussing CHP reporting and related topics identified in this proceeding and in subsequent EDC and NGDC reports. Accordingly, we direct the Bureau of Technical Utility Services to initiate this CHP working group within 90 days of the issuance of this Order.

E. Purpose and the Total Resource Cost Test

The Total Resource Cost (TRC) Test is the measure of costs and benefits regarding measures, programs and portfolios. A benefit/cost ratio greater than 1 indicates that the total benefits outweigh the total costs for the life of a measure. As it relates to Act 129, the maximum measure life for TRC calculations is capped at 15 years.¹⁵ Comments that fell under this topic dealt with how the TRC could be modified to support the purpose of the policy statement.

Position of the Parties

Duquesne advises against mechanisms that may make uneconomical CHP projects economically viable.¹⁶ Citizen Power, Inc. and DEP both recommend that the TRC maximum measure life be changed to 25 years.¹⁷

Disposition

We agree with Duquesne that mechanisms used to promote CHP projects should only apply to cost-effective projects. Regarding the comments from Citizen Power, Inc. and DEP about changing the TRC maximum measure life, the Commission is without authority to do so as the TRC's maximum measure life is established in the Public Utility Code for the Act 129 EE&C program.¹⁸ See 66 Pa.C.S. § 2806.1(m) (definition of total resource cost test). With that said, the Commission recognizes that not all mechanisms for promoting CHP are administered under the Act 129 EE&C program and would welcome reasonable cost-effectiveness screens that have a different maximum measure life for CHP under those mechanisms.

F. Purpose and § 69.3202

Comments that fell under this topic dealt with suggested changes and recommendations to section 69.3202 to support the purpose of the policy statement.

¹³ NRG Comments at 5—7.

¹⁴ DEP Comments at 3, NRG Comments at 7-8, and Peoples Reply Comments at 2-3.

¹⁵ See 66 Pa.C.S. § 2806.1(m) (definition of total resource cost test: "A standard test that is met if, over the effective life of each plan not to exceed 15 years. . .").

¹⁶ Duquesne Comments at 10.

¹⁷ Citizen Power, Inc. Reply Comments at 3, DEP Comments at 2.

¹⁸ We further note that the Commission has consistently found that the TRC test applies to an EDC's entire plan, not individual measures. See 2016 Total Resource Cost (TRC) Test, Docket No. M-2015-2468992 (Order entered June 22, 2015). See also Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan, Option and Order at Docket No. M-2015-2515642 (entered January 26, 2017).

¹¹ Alliance Comments at 5, NRG Comments at 4.

¹² K-C Comments at 3—7.

Position of the Parties

EAP comments that electric utilities already provide incentives for CHP development via programs such as the AEPS Act and Act 129.¹⁹ Peoples proposed that the final policy statement should include new paragraphs (c) and (d) to section 69.3202, Biennial Reports, that identified EDC specific strategies, programs and initiatives, the development and implementation of which would be included in the EDC reports.²⁰

Disposition

We agree with EAP that utilities already provide incentives for CHP through the AEPS Act and Act 129 EE&C programs. As stated previously, the purpose of this policy statement is to determine if there may be other mechanisms to support and/or hasten deployment of CHP. We disagree with Peoples that the additional language should be added. The Commission does not see that the extra language appreciably adds anything to the policy statement and reporting requirements. Furthermore, some of the specific suggestions embodied within the recommended text may be better suited for discussion among a stakeholder's group as has been suggested and agreed upon by Staff. The development and implementation of such strategies, programs and initiatives are more suited to other proceedings where all interested stakeholders have an opportunity to contribute. We note that the policy statement being adopted in this proceeding encourages EDCs and NGDCs to identify and report on efforts to develop and implement all strategies, programs and initiatives to promote and to reduce barriers to the development of CHP. Accordingly, the added language is unnecessary.

G. § 69.3201 Statement of Scope and Purpose

This section of Annex A describes the direction and the area of applicability of the policy statement. Comments received under this topic dealt with either general matters as they relate the Statement of Scope and Purpose or to specific subsections contained within.

1. § 69.3201(a)

In the 2016 Order the Commission proposed the following language regarding the scope of the policy statement:

Combined Heat and Power is broadly described as a form of distributed energy that is an integrated system located at or near a building or facility that provides at least a portion of the electrical load and uses thermal energy for space heating or cooling, process heating or cooling, refrigeration, or dehumidification.

Position of the Parties

The Industrials aver that the definition of CHP is too restrictive and should be clarified.²¹ The Alliance also commented that the policy statement should include waste heat to power technologies.²²

Disposition

The United States Department of Energy defines CHP²³ as:

- The concurrent production of electricity or mechanical power and useful thermal energy (heating and/or cooling) from a single source of energy.

- A type of distributed generation, which, unlike central station generation, is located at or near the point of consumption.

- A suite of technologies that can use a variety of fuels to generate electricity or power at the point of use, allowing the heat that would normally be lost in the power generation process to be recovered to provide needed heating and/or cooling.

We agree with the Industrials and the Alliance that the definition of CHP should be clarified and more broadly defined. Accordingly, the Commission adopts the Department of Energy's broader definition of CHP and has revised the policy statement accordingly. We find that this definition addresses the concerns raised by the Industrials and Alliance in that the last bullet point which states, ". . . a variety of fuels to generate electricity or power. . ." includes waste heat to power technology.

2. § 69.3201(b)

In the 2016 Order the Commission proposed the following language regarding the scope of the policy statement:

CHP is subject to the jurisdiction of the Commission in several important ways, including, but not limited to, service reliability, energy efficiency and consumer rates. CHP systems can be an integral part of the defense to natural disasters and man-made attacks on the electric distribution system. CHP can be an important component in addressing environmental concerns and offers significant potential for economic development. In conjunction with natural gas from shale gas resources, CHP also offers potential for lower costs for consumers.

Position of the Parties

The Industrials comment that clarification is needed to emphasize that CHP system owners are not utilities and therefore, not subject to PUC jurisdiction.²⁴

Disposition

The Commission agrees with the Industrials that the proposed language in Section 69.3201(b) may imply a level of Commission control over CHP system owners and operations that is beyond the Commission's authority. The intent of the proposed language was to indicate where the Commission has authority over utility activities, such as tariffs, rates, interconnection rules and programs that impact the development of CHP in Pennsylvania, not to assert new or additional authority over such systems. Accordingly, we have revised the language in Section 69.3201(b) as follows to clarify our intent:

The electric distribution company (EDC) and natural gas distribution company (NGDC) tariffs, rates, rules and programs that may affect CHP projects are subject to the jurisdiction of the Commission in several important ways that address service reliability, energy efficiency and consumer rates, among others. CHP systems can be an integral part of the defense to natural disasters and man-made attacks on the electric distribution system. CHP can be an important component in addressing environmental concerns and offers significant potential for economic development. In conjunction with natural gas from shale gas resources, CHP also offers potential for lower costs for consumers.

²⁴ Industrials Comments at 3-4.

¹⁹ EAP Comments at 4 and 7-10.

²⁰ Peoples Comments at 5-9.

²¹ Industrials Comments at 3-4.

²² Alliance Comments at 3-4.

²³ See <https://energy.gov/eere/amo/combined-heat-and-power-basics>.

3. Added Subsection § 69.3201(d)

Position of the Parties

Peoples suggested an additional subsection (d) in § 69.3201, that removes potential uncertainty as to what is expected of EDCs and NGDCs in the future, after the first biennial report.²⁵

Disposition

The Commission agrees with Peoples and finds their suggestion is consistent with the Policy Statement. The Commission will adopt the language suggested by Peoples, with some modifications and add subsection (d) to § 69.3201, as listed below:

(d) EDCs and NGDCs are encouraged to support the development of CHP by evaluating and implementing new strategies, programs and other initiatives to promote the deployment of CHP and to reduce barriers to such deployment within their service territories. For example, this could include the identification of CHP-applicable Federal and State incentives and funding programs and a method to make such information available to would-be project developers in a manner similar to the requirements of 66 Pa.C.S. § 2806.1(j) (relating to existing funding sources).

H. § 69.3202 Biennial Reports

This section of Annex A describes the reporting requirements of the policy statement. Comments received under this topic dealt with either general matters as they relate to the Biennial Reports or to the information being requested in this section. Many comments received suggested language changes. The Commission is adopting many of the suggested changes as discussed below. Instead of listing each change after each topic of discussion, the amended section 69.3202 will be listed, in its entirety, at the end of this section.

1. Issues Regarding Information Requested

Position of the Parties

Nearly all commenters stated that there is information asked for in the reporting requirements that may either not be available or contain proprietary information. Furthermore, some commenters suggested that if this type of data were provided to the EDCs or NGDCs, its accuracy and reliability may not be verifiable.²⁶ The issue of data availability revolves around the fact that what is asked to be reported upon is not necessarily information that the EDCs and NGDCs have available to them, nor is it required that CHP system owners provide this information to the utility. The issue of data confidentiality revolves around the fact that there could be confidential information derived from the data requested. Utilities want to protect this information and have concerns with the treatment of this confidential information.

PECO comments that it may not be possible to identify “disconnected” CHP systems as there is no mechanism in place that requires an owner of a CHP system to identify itself as disconnected. PECO avers that projected cost savings may not be available. There are several other factors that would need to be known, including, but not limited to, pre- and post-installation information such as electric, natural gas, and other fuel supply consumption, fuel supply pricing, equipment and installation costs, etc.

²⁵ Peoples Comments at 2–4.

²⁶ PECO’s Comments at 5–8; PGW Comments at 5–9; Duquesne at 3-4; UGI Distribution Companies Comments at 4-5; EAP Comments at 11; Industrials Comments at 4–6; PPL Comments at 2–4; NFG Comments at 4; FirstEnergy Comments at 5-6.

PECO states that EDCs are typically not provided this information. PECO comments that the requirement to report the description of future or proposed CHP systems may not be possible as it is available only to the extent that customers are willing to make such information available.²⁷

Disposition

We agree with the commenters about data availability and confidentiality. Project-specific data will not be reported or released to the public. The Commission also recognizes that some of the information may not be available or given to the EDCs or NGDCs. The Commission recognizes that the accuracy of data reported to the utilities is subject to the veracity of information provided by the project owners or developers. In such cases, no greater expectation of the utilities is warranted beyond simply providing known and available information.

Regarding avoided cost savings, identifying “disconnected” CHP systems, and description of future or proposed CHP systems, we agree with PECO. This information would not normally be provided to EDCs and EDCs might not be able to obtain it. The Commission would like to clarify that while this information may not be available, the reports only require the reporting of known information. As stated previously regarding concerns about data availability, no greater expectation of the utilities is warranted beyond simply providing known and available information. The Commission would also like to clarify that the requirement for identifying disconnected CHP systems applies to CHP systems that are no longer in operation, if known.

2. Areas of Clarification

There were several points of clarification required in § 69.3202. The following will address these areas.

Position of the Parties

PPL requests clarification to the reference in § 69.3202(d)(5) to § 69.3202(a)(4) and if this was meant to refer to § 69.3202(d)(4) instead. In addition, PPL requests clarification to §§ 69.3202(b) and 69.3202(d)(4).²⁸

PECO comments that § 69.3202(a)(3) needs to be clarified with regard to system reliability benefits as it does not state whether the benefits are attributable to the CHP system owner or the distribution system. If it is meant to refer to CHP system benefits, this information may not be available to the EDC. In addition, PECO requests clarification in § 69.3202(a)(4) regarding transmission & distribution savings/avoided costs. PECO avers that distribution companies realize no savings due to their capacity planning obligations. PECO comments that in the reporting of interconnection fees, there is concern that the distinction between the fees and the costs of interconnection could be confused and misreported.²⁹

Disposition

We agree with PPL that § 69.3202(d)(5) should have referenced both § 69.3202(a)(4) and § 69.3202(d)(4). To provide greater clarity for the reporting entities as well as Staff in reviewing the reports, we direct the Staff of the Bureau of Technical Utility Services to standardize, through a utility stakeholder process, the report format by May 31, 2018.

Regarding PECO’s clarification request about § 69.3202(a)(3), this language has been updated in the Annex, now at § 69.3202(b)(4), to reflect that this refers

²⁷ PECO Comments at 5-6.

²⁸ PPL Comments at 5.

²⁹ PECO Comments at 6–8 and 11.

to the distribution system. We acknowledge PECO's assertions that transmission & distribution savings/avoided costs may or may not exist because of CHP installation. We note that avoided costs may be difficult to quantify, that we currently lack information to confirm the impacts of CHP on the electric system, and that it may take years to realize the benefits of any future avoided costs. We will therefore not require avoided cost reporting at this time. Regarding PECO's comments on the reporting of interconnection fees, the Commission has clarified what fees and costs need to be reported in the revised reporting requirements in § 69.3202.

3. Miscellaneous

The following section contains other areas of comment that dealt with a variety of issues.

Position of the Parties

PPL and PECO aver that under § 69.3202(d)(4), the reporting of hourly load data for the previous 24 months is voluminous. PPL further states that this information is confidential and proprietary and asks that the data be aggregated.³⁰

C&T Utilities comments that the Commission should limit reporting requirements for smaller utilities (NGDCs and EDCs with less than 10,000 customers) to basic information regarding existing and operational CHP projects. C&T Utilities aver that this should be limited to location and nameplate capacity of on-line CHP projects.³¹ Peoples suggests that the final policy statement should require descriptions of both historical and proposed strategies, programs and initiatives in the initial and biennial reports.³²

PECO comments that there was a typographical error listing the year that the report should be filed as "200_" and that it should read either "20_" or "201_." In addition, PECO avers that language be added to the policy statement, in several sections, that establishes that reporting be done "if it is known" or "if it is available", where applicable.³³

Disposition

The Commission agrees with PECO and PPL that individual customer information should be kept confidential and proprietary. However, aggregation of the data would mask the objective of understanding the more detailed temporal impacts of CHP generation on distribution systems and sub transmission equipment. We disagree with C&T utilities that reporting requirements should be abbreviated for smaller utilities. The Commission does not see that the reporting requirements will be any more burdensome for smaller utilities. However, if these CHP customers are monthly metered, and hourly interval data is not available, only the monthly usage information is required to be reported.

We agree with Peoples that the policy statement should require NGDCs and EDCs to report on proposed strategies, programs, and initiatives for CHP. The Commission sees little value in focusing on historical efforts as the intent is to move beyond where CHP deployment is. We also agree with Peoples that the final policy statement should reflect stronger support toward promoting CHP. A new § 69.3202(a) was inserted and includes language that would require the reporting of current and proposed

CHP plan efforts. The Commission believes the stronger language contained also more affirmatively states the encouragement of CHP.

We agree with PECO regarding the date the biennial report shall be filed. Further, we stipulate that the first biennial report shall be due on July 1, 2018 and subsequent reports due on July 1 every other year afterwards. This is reflected in the updated Annex A.

I. § 69.3203 Staff Report

The staff report is the report that the Bureau of Technical Utility Services will provide to the Commission, which will summarize and analyze the EDC and NGDC reports and make recommendations regarding the development of CHP in the Commonwealth.

Position of the Parties

EAP requests that the staff report be made available to the public and allow for stakeholder input.³⁴

Disposition

The staff report referenced in this policy statement is meant to inform the Commission. The Commission recognizes that the information provided may inform relevant stakeholders as well. Accordingly, we will direct staff to make data publicly available in a manner that does not compromise proprietary or otherwise confidential information.

J. § 69.3204 Sunset

This section describes the length of effect of this policy statement.

Position of the Parties

PECO, PGW, UGI Distribution Companies, and NFG express that they do not support this provision.³⁵

Disposition

We agree with those parties that express that they do not support this provision as we see it as unnecessary or helpful. Staff does not believe the reporting is particularly onerous, especially given that it is biennial. Should a time occur when this policy statement is deemed no longer helpful, impactful, or necessary, the Commission will issue an order ending it.

Conclusion

With this Order, the Commission is adopting the policy statement on combined heat and power that requires all jurisdictional electric and natural gas distribution companies to report on their efforts to support the development of combined heat and power by evaluating and implementing new strategies, programs and other initiatives to promote the deployment of and to reduce barriers to such deployment within their service territories. The policy statement also requires the Commission's Bureau of Technical Utility Services to submit to the Commission a report summarizing and analyzing the electric and natural gas distribution company reports, identifying government agency programs providing financial and other support for combined heat and power, as well as making any recommendations regarding the development of combined heat and power in Pennsylvania; *Therefore,*

It Is Ordered That:

1. The Commission adds the final policy statements in §§ 69.3201—69.3203 to read as set forth in Annex A.

³⁰ PPL Comments at 5, PECO Comments at 11.

³¹ C&T Utilities Comments at 2-3.

³² Peoples Comments at 5-9.

³³ PECO Comments at 5.

³⁴ EAP Comments at 11.

³⁵ PECO Reply Comments at 3-4, PGW Comments at 10, UGI Distribution Companies Comments at 5, NFG Comments at 4.

(*Editor's Note:* Proposed § 69.3204 has been withdrawn by the Commission.)

2. The Law Bureau shall submit this Order and Annex A to the Governor's Budget Office for review of fiscal impact.

3. The Law Bureau shall deposit this Order and Annex A with the Legislative Reference Bureau for publication in the *Pennsylvania Bulletin*.

4. The policy statement shall become effective upon publication in the *Pennsylvania Bulletin*.

5. This Order and Annex A shall be served on all jurisdictional electric distribution companies and natural gas distribution companies.

6. The Bureau of Technical Utility Services initiate a Combined Heat and Power working group within 90 days of the entry date of this Order.

7. The Bureau of Technical Utility Services develop, through a utility stakeholder process, a standardized report format by May 31, 2018.

8. The Bureau of Technical Utility Services shall make data from the reports submitted by the electric distribution companies and natural gas distribution companies publicly available in a manner that does not compromise proprietary or otherwise confidential information.

9. The contact person for technical issues is Joseph Sherrick, Bureau of Technical Utility Services, (717) 787-5369 or josherrick@pa.gov. The contact person for legal issues is Kriss Brown, Assistant Counsel, Law Bureau, (717) 787-4518 or kribrown@pa.gov.

ROSEMARY CHIAVETTA,
Secretary

Fiscal Note: Fiscal Note 57-314 remains valid for the final adoption of the subject regulations.

Statement of Chairperson Gladys M. Brown

Before the Commission is a proposal to finalize the pending policy statement regarding Combined Heat and Power (CHP). This proceeding was originally kicked off through the joint motion of myself and former Chairman Robert F. Powelson.³⁶

CHP offers a variety of benefits. First and foremost, CHP supports environmental stewardship through increased efficiency. Also, it provides economic benefits to its adopters through reductions in energy consumption. Further, it supports reliability and resiliency as a distributed energy resource.

With this Policy Statement the Commission formally acknowledges these benefits and encourages utilities to support the development of CHP by evaluating and implementing new strategies, programs, and other initiatives to promote deployment. Additionally, in an effort to inform the Commission and interested stakeholders, this Policy Statement requires biennial reporting from utilities detailing information relevant to CHP. This information will help to frame future policy discussions associated with this important technology.

I am proud to offer my support for this Policy Statement.

GLADYS M. BROWN,
Chairperson

³⁶ Joint Motion adopted at the February 25, 2016 Public Meeting at the instant docket.

Annex A

TITLE 52. PUBLIC UTILITIES
PART I. PUBLIC UTILITY COMMISSION
Subpart C. FIXED SERVICE UTILITIES
CHAPTER 69. GENERAL ORDERS, POLICY
STATEMENTS AND GUIDELINES ON FIXED
UTILITIES

COMBINED HEAT AND POWER—
STATEMENT OF POLICY

§ 69.3201. Statement of scope and purpose.

(a) Combined heat and power (CHP) is the concurrent production of electricity or mechanical power and useful thermal energy (heating and cooling) from a single source of energy. Unlike central station generation, it is a type of distributed generation which is located at or near the point of consumption. It is a suite of technologies that can use a variety of fuels to generate electricity or power at the point of use, allowing the heat that would normally be lost in the power generation process to be recovered to provide needed heating and cooling.

(b) The electric distribution company (EDC) and natural gas distribution company (NGDC) tariffs, rates, rules and programs that may affect CHP projects are subject to the jurisdiction of the Commission in several important ways that address service reliability, energy efficiency and consumer rates, among others. CHP systems can be an integral part of the defense to natural disasters and manmade attacks on the electric distribution system. CHP can be an important component in addressing environmental concerns and offers significant potential for economic development. In conjunction with natural gas from shale gas resources, CHP also offers potential for lower costs for consumers.

(c) Under section 2806.1 of the act (relating to energy efficiency and conservation program), EDCs have provided incentive programs for CHP. Likewise, some EDCs have specific tariffs regarding interconnection fees as well as charges for the use of distribution services.

(d) EDCs and NGDCs are encouraged to support the development of CHP by evaluating and implementing new strategies, programs and other initiatives to promote the deployment of CHP and to reduce barriers to deployment within their service territories. For example, this could include the identification of CHP-applicable Federal and State incentives and funding programs and a method to make this information available to would-be project developers in a manner similar to the requirements in section 2806.1(j) of the act.

§ 69.3202. Biennial reports.

(a) Jurisdictional electric distribution companies (EDC) and natural gas distribution companies (NGDC) shall file biennially on July 1, beginning in 2018, a report that documents their strategies, programs and other initiatives in support of combined heat and power (CHP) systems. The report format will be established by Commission staff. The report must include:

(1) Identification and details of the distribution company's current and proposed plan or plans to encourage CHP development that include, at a minimum, identification of barriers to development and possible resolutions for consideration by the Commission.

(2) Identification and description of CHP systems interconnected with the EDC or NGDC, including:

(i) The location, the nameplate capacity (MW) and basic operation of each system.

(ii) Payments made to the distribution company associated with the interconnection of the CHP system to the distribution company's system.

(iii) An estimated projected annual energy and cost savings and the simple payback period, in years, that customers may experience over the projected life of the CHP system, if known.

(iv) Any distribution system reliability benefits to the distribution company and its customers as a result of the installation of the CHP unit. The description should include specific benefits to critical customers, including Federal, State and local government facilities, educational institutions, hospitals, nursing homes, and retail and wholesale suppliers of food, wastewater facilities and water distributors.

(v) All currently interconnected CHP systems should be included in the initial report. In subsequent reports, the companies should identify CHP systems that were interconnected to or disconnected, if known, from the distribution company's system since the previous report.

(3) A description of CHP projects that are scheduled to interconnect to the distribution company's system or are under preliminary interconnection planning discussion for future interconnection.

(4) A discussion of challenges for CHP development that occurred during the time period covered by the report and any recommendations that might improve or hasten the development of CHP systems.

(5) A description of efforts taken by the distribution company to obtain the information for the report.

(b) In addition to the requirements in subsection (a), each EDC shall report:

(1) Its communications strategy relevant to CHP system development.

(2) Its interconnection terms and conditions, including:

(i) CHP specific interconnection fees.

(ii) Efforts to streamline procedures, including well-defined application processing timelines and simple decision trees which are based on the characteristics of the project and for which interconnection procedures apply.

(iii) Efforts to standardize technical requirements.

(iv) Efforts to standardize and simplify application forms and contracts.

(v) Efforts to simplify and develop a defined process to address disputes.

(vi) Efforts to facilitate the ability for larger CHP systems and those not captured under the net metering regulations to meet applicable interconnection standards.

(vii) Changes to previously reported interconnection terms and conditions.

(3) Actual electric generation delivered to all customers with CHP by the EDC on an hourly basis for the 24-month period before and after the CHP system became operational. If hourly usage data is not available, only monthly usage information is required to be reported.

(4) Any rates to customer accounts with CHP systems including standby, backup service, scheduled maintenance service and supplemental service rates. The discussion must address the circumstances under which the rates apply and the level of each rate element.

(5) As to each tariffed rate identified in paragraph (4), discuss:

(i) The methodology used to design each customer, demand and energy rate element.

(ii) Whether the rates reflect cost differentials for daily and seasonal fluctuations in usage.

(iii) Whether the rates encourage the scheduling of maintenance at nonpeak times.

(c) In addition to the requirements in subsection (a), each NGDC shall report:

(1) How it encourages industrial, commercial and institutional CHP projects, including its communications strategy relevant to CHP system development.

(2) Any separate rates it has for customer accounts with CHP systems.

(3) Actual natural gas delivered to all customers with CHP by the NGDC on a monthly basis for the 24-month period before and after the CHP system became operational.

(4) Any NGDC capital costs incurred and not recovered from the customer account with CHP and estimated incremental annual revenues associated with the interconnection of the CHP system.

§ 69.3203. Staff report.

The Commission's Bureau of Technical Utility Services will provide a biennial report to the Commission summarizing and analyzing the electric distribution company and natural gas distribution company reports, identifying government agency programs providing financial and other support for CHP, as well as making any recommendations regarding the development of combined heat and power in this Commonwealth.

[Pa.B. Doc. No. 18-885. Filed for public inspection June 8, 2018, 9:00 a.m.]