



# Power Generation

October 10, 2014

Jessica Burdette  
Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, MN 55101

Re: Comments relating to the issues limiting CHP deployment in MN

Dear Ms. Burdette,

Cummins Power Generation appreciates the invitation to participate in the latest Combined Heat and Power (CHP) workshops organized by Division of Energy Resources (DER) at the Minnesota Department of Commerce, and for giving us the opportunity us to highlight some of the regulatory barriers that we encounter as a CHP developer in the state of Minnesota.

### **1) Standby Service Charges on Net Metered Systems**

Years of experience have led us to understand that the current standby rate structure in Minnesota severely limits the deployment of CHP and DG for small commercial and industrial buildings. Standby fees are punitive towards both small and medium size CHP projects, even with historically low natural gas prices and a favorable spark spread in this state. We have expressed our concerns in the recent technical workshop and in our previous comments to the DER related to net metering.

The recent legislation, HF 729 anticipated a PUC review of all MN utility standby rate tariffs for distributed generation. In particular, numerous states currently exempt standby fees on net metered systems. Minnesota has an opportunity to join these progressive states in enhancing opportunities for distributed generation by exempting these fees on systems up to 1000kW in size. In addition, the latest Energy Resources Center (ERC) study and related presentations in the recent workshops have provided guidance on the principles that should be considered in designing best practices for fair standby rates and the key elements of standby rates. Therefore, we ask that the MN Public Utility Commission (PUC), in coordination with the DER develop standards that ensure that these charges do not provide undue burden for CHP projects.

### **2) Third Party Ownership**

Furthermore, we believe that allowing third party ownership of generators used in CHP applications will speed the deployment of CHP projects in MN. Allowing small commercial and industrial users to purchase the energy from other parties (developers and investors) will encourage them to install energy efficient CHP equipment on their sites and realize the energy savings associated with it, without the burden of raising high Capital Expenditures associated with the project, or the liability of maintenance and service that comes with ownership of these complex systems. Similarly, expanding opportunities for CHP users to sell excess generation to market purchasers at prevailing demand-based rates will serve to enhance the proliferation of CHP systems in the state.

In conclusion, we applaud the DER for engaging industry stakeholders in these discussions. We found the workshops useful and look forward to helping mold Minnesota into a national leader in deploying CHP. Ensuring Minnesota utilities charge reasonable and fair standby rates and allowing for 3<sup>rd</sup> party ownership are the highest priorities that state policy makers can address to increase the deployment of CHP in this state, while meeting overall energy efficiency and emissions initiatives.

If you have any questions or concerns, please contact Erik Prince, Director-Government Relations at 202-654-4282 or [erik.j.prince@cummins.com](mailto:erik.j.prince@cummins.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Plahn', written over a horizontal line.

**Paul Plahn, Director of Research and Engineering**  
Cummins Power Generation  
3850 N. Victoria Street, Shoreview MN 55126