

MINNESOTA
CHAMBER *of*
COMMERCE

October 10, 2014

VIA E-MAIL

Jessica Burdette
Supervisor, Conservation Improvement Programs
Minnesota Department of Commerce
85 7th Place East, Suite 500,
Saint Paul, MN 55101

Re: **Minnesota Chamber of Commerce Response to the Minnesota Department of
Commerce Combined Heat and Power Stakeholder Engagement Series**

Dear Jessica Burdette:

Enclosed for filing please find comments by the Minnesota Chamber of Commerce in the above-referenced matter sent to cip.contact@state.mn.us on October 10, 2014.

Sincerely,

/e/ Benjamin L. Gerber
Benjamin L. Gerber
Manager, Energy Policy

I. INTRODUCTION

The Minnesota Chamber of Commerce (“Chamber”) appreciates the opportunity to comment on the issues and factors affecting CHP and cogeneration (“CHP”) deployment in Minnesota. As the voice of Minnesota business on statewide policy issues, the Chamber’s main goal is to make Minnesota’s business environment competitive relative to other states and nations. Energy is a critical component to a competitive and successful business environment. Therefore, a focal point of the Chamber’s policy is ensuring Minnesota has competitively priced, reliable and environmentally sound energy rates.

The Chamber strongly supports investments in energy efficiency—including CHP—among its members. In fact, investing in energy efficiency options like CHP is often one of the best ways for a commercial or industrial customer to eliminate costs. Moreover, the International Energy Agency recognizes CHP as a cost effective and reliable way to meet global heat and electric demand with little to no additional carbon emissions.¹ Given the Chamber’s interest in CHP, Chamber representatives attempted to attend or otherwise follow the Department’s CHP stakeholder engagement series and felt it was important to submit comments supporting continued cost effective investment in CHP that maintain competitively priced, reliable, and environmentally sound energy rates.

II. COMMENTS

The Chamber believes it is important to bring to the Department’s attention a highly prejudicial aspect of Minnesota law that prohibits the construction of a new CHP facility

¹ Int’l Energy Agency [IEA], *Combined Heat and Power, Evaluating the Benefits of Greater Global Investment*, at 7, (2008), available at <http://www.iea.org/publications/freepublications/publication/combined-heat--power-and-emissions-trading---options-for-policy-makers.html>.

between 50 mW and 80 mW.² Minn. Stat. §216H.03 subd. 3 (2014) prohibits the construction of a new large energy facility that would contribute to Minnesota power sector carbon dioxide emissions. §216H.03 subd. 1 excludes from the definition of new large energy facility any combined cycle or single cycle facilities designed to provide peaking, intermediate, emergency backup, or contingency services. However, because the statute does not specifically exclude by language or definition cogeneration or combined heat and power facilities, any new CHP facility must be under 50 mW or it qualifies as a new large energy facility and thereby prohibited under §216H.03 subd. 3.

Without adding cogeneration and combined heat and power to the specific exclusions found in §216H.03 subd. 1, the current statute will continue to contradict Minnesota’s nation leading energy conservation policies and the federal Public Utility Regulatory Policies Act of 1978 (PURPA).³ Moreover, leaving §216H.03 subd. 1 as it currently reads results in an illogical cap of 49.99 mW for any new CHP facility in Minnesota, even when a larger facility could produce greater economic and environmental benefits. While correcting this is essential to greater CHP penetration in Minnesota, other policies also need further examination.

In Xcel’s 2010 Integrated Resource Plan, the Chamber made recommendations involving CHP that the Minnesota Public Utilities Commission (“PUC”) adopted.⁴ The PUC ordered Xcel, “to evaluate the costs, benefits, and effects of including industrial-sized distributed generation and generators that produce both power and heating.”⁵ The Commission noted that given the

² While in theory the current framework of the statute also prohibits the construction of any new CHP facility above 50 mW, our comments are limited to facilities that would qualify for the Certificate of Need statute exemption located in Minn. Stat. § 216B.243 subd. (8) (2014) and meet the intent of the Public Utility Regulatory Policies Act of 1978 (PURPA), 16 C.F.R. §824A-3(a) application meant to encourage cogeneration and small power production under 80 mW.

³ See Minn. Stat. § 216B.241 subd. 10 (2014).

⁴ *In the Matter of Xcel Energy’s 2011-2025 Integrated Resource Plan*, Docket No. E0002/RP-10-825, Order Establishing Procedural Schedules and Filing Requirements (November 30, 2012) at 10.

⁵ See *id.*

economies of scale involved, “[d]istributed generation has the prospect of increasing system reliability, reducing transmission congestion, exploiting efficiencies through coordination with customer-owned facilities, and reducing emissions.”⁶ The Chamber based its recommendations on the following:

1. CHP units installed on customer premises with 24x7 heat and electric loads (typically processing industries) offer a viable source of base-load electricity, especially considering environmental concerns and costs of new coal-fired generation.
2. Utility investment in potential CHP units makes sense because arrangements can be made under which the investing utility receives base-load electricity and the customer receives base-load process heat at reduced costs. This avoids utility load loss and customer investments in generation, a departure from their mainstream interests.
3. Utility investments should not be subsidized compared to other potentially more cost effective and efficient base-load alternatives.
4. Although individual base-load CHP resource additions may be small compared to conventional base-load plants, the total system wide effect is likely to be significant.
5. Distributed resources add to grid reliability and reduce the need for future transmission additions.

The Chamber incorporates the direct testimony of Larry L. Schedin, PE in MPUC Docket No. E-002/GR-12-961 herein.⁷ This testimony includes recommendations regarding standby rates applicable to both CHP and non-CHP units.⁸ Ensuring that standby rates are properly set is essential to the growth of CHP.⁹ Furthermore, the Standby Service Reform Group transferred these recommendations to the Department’s generic standby docket for considering changes to standby rates charged by Minnesota utilities on October 1, 2014.

⁶ *See id.*

⁷ *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E0002/GR-12-961, Direct Testimony of Larry L. Schedin, PE (February 28, 2013) at 24-26.

⁸ *See id.*

⁹ *See id.*

III. CONCLUSION

The Chamber appreciates the time and effort the Department devoted and continues to devote exploring CHP options in Minnesota. The Chamber remains committed to following this process and welcomes the chance to discuss these recommendations with staff or any other interested party.

DATED: October 10, 2014

Respectfully submitted,

/e/ Benjamin L. Gerber
Benjamin L. Gerber
Attorney #0391158
MN Chamber of Commerce
400 Robert St. N., #1500
St. Paul, MN 55101
Phone: (651) 292-4650
Fax: (651) 292-4656