

May 15, 2015

Minnesota Department of Commerce, Division of Energy Resources
85 7th Place East, Suite 500
St. Paul, MN 55101-2198

RE: Comments from Fresh Energy, Department of Commerce Draft Combined Heat and Power Action Plan

Dear Mr. Zoet,

The following are comments submitted from Fresh Energy on the Department of Commerce's Draft Combined Heat and Power Action Plan released on March 31, 2015. Fresh Energy appreciates the opportunity to comment and values the thorough stakeholder engagement process undertaken by the Department to increase combined heat and power (CHP) deployment in Minnesota.

Fresh Energy agrees with the Department that the six Priority Issues identified in the Draft Plan represent key areas that can advance CHP in Minnesota. Each area focuses on different barriers and avenues for increasing deployment of CHP in the state, and when analyzed and addressed as a whole could improve the market for CHP. Comments below focus on specific aspects of the Draft Plan.

Standby Rates

Throughout the stakeholder engagement process standby rates were identified as a problematic barrier to CHP for a number of reasons, a prominent one being discontinuity and lack of transparency across utilities. As noted in the report, the Public Utilities Commission is currently accepting comments on the scope of a generic docket to discuss standby rates in Minnesota. A generic docket will be a valuable venue for discussing this complex issue and addressing the barriers identified around standby rates. One area related to standby rates that was discussed in the stakeholder meetings around cogeneration and small power production rulemaking at the Public Utilities Commission was net metering¹, and specifically whether statute allows standby rates to be charged on net metered customers above 100 kilowatts of capacity. While this was not discussed in detail in the Department of Commerce-led meetings, a generic docket may be an appropriate venue for addressing this issue.

CHP Evaluation Methodology and Criteria

In the 2015 legislative session, Fresh Energy worked with many stakeholders on legislation (House File 1870) that would have required investor-owned utilities to pursue electric utility infrastructure improvements as part of their Conservation Improvement Programs. The bill also included a provision requiring the Department of Commerce to develop a methodology for how to attribute savings from CHP

¹ Commission Rules for Cogeneration and Small Power Production: Docket E-999/R-13-729.

projects to participating electric and gas utilities. In the process of developing legislative language, Fresh Energy determined that the methodology for attributing savings in Illinois most accurately reflected the actual savings that occur when implementing CHP projects. While Illinois' methodology offers a valuable place to start from, engagement with Minnesota utilities and other stakeholders through the Technical Reference Manual will be important to determine the appropriate methodology for Minnesota. Fresh Energy appreciates the Department's leadership on this particular issue in the absence of statutory guidance.

Mapping CHP Opportunities

The economic potential for CHP in Minnesota highlighted by the FVB Energy report revealed significant opportunities for CHP through the state, but mapping where in the state those opportunities exist will be critical to focus outreach and engagement with potential sites. Because public facilities may present greater opportunities for CHP projects, for example due to higher tolerance of longer payback periods than private sector facilities, mapping opportunities in this area will be beneficial to identify the most likely CHP projects opportunities in the near future. However, to the extent that resources are available, mapping opportunities across the commercial and industrial sectors will provide additional clarity around ideal locations for CHP projects in Minnesota. Across all sectors, engagement with customers interested in CHP will further identify barriers and solutions to advance CHP in the state.

CHP Ownership Problems and Solutions

As noted in the Draft Plan, flexible financing instruments that meet the sometimes disparate needs of specific CHP projects can be critical in getting a project across the finish line. While there are a variety of financial resources already available to meet this need in Minnesota, Fresh Energy recommends that efforts to leverage existing financing programs do not preclude efforts to develop or implement new financing programs.

Adapting CIP for Supply-Side Investments

As mentioned previously, Fresh Energy appreciates the Department's leadership on clarifying how CHP can apply as an electric utility infrastructure investment through utilities' supply-side CIP programs. The Technical Reference Manual Advisory Committee offers an ideal venue for discussing and addressing this issue. Fresh Energy notes, however, that the proposed timeline for updating the Technical Reference Manual and Smart Measure library leaves little time for investor-owned utilities to develop CIP programs based on the updated measures before the June 1, 2016 CIP Triennial filing deadline. Flexibility in proposing programs filed outside that Triennial deadline should be encouraged.

Fresh Energy greatly appreciates the opportunity to comment, and commends the Department for addressing key areas to advance CHP in Minnesota.

Sincerely,

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