



March 17, 2017



Sally A. Talberg
Chairman
Michigan Public Service Commission
7109 W. Saginaw Highway
Lansing, MI 48917



Dear Ms. Talberg,



As manufacturers, developers and institutions with operations, employees, and customers in Michigan, we weigh several different factors when deciding how to run our business to maintain our competitiveness and to expand our operations. Transparent, efficient, and fair standby rates are a key factor – and your decisions have a direct influence on our choices.



Many of the undersigned companies either currently host or wish to build combined heat and power (CHP) or waste heat to power (WHP) systems in our Michigan facilities. CHP and WHP systems already provide many of our companies with numerous benefits, such as reducing energy costs, enhancing reliability, and increasing our competitiveness in the marketplace, and would provide those same benefits to others. Because these systems can operate independently of the grid, they can allow us to keep the lights and power on during extreme weather events. Further, as the Michigan Agency for Energy (MAE) states in their [Clean Energy Roadmap](#), Michigan is particularly well-positioned for CHP growth because of its strong industrial base, the availability of natural gas, and a potential supply chain already in the state.



Excessive standby rates harm our competitiveness and discourage companies like ours from developing CHP and WHP projects in Michigan. For example, standby rate tariffs that are based on the unlikely assumption that utilities must maintain excess utility capacity equivalent to a CHP facility's generation capacity in the case of an unanticipated CHP system outage, do not consider the diversity of customer load and the actual cost of service imposed by “partial use” customers who generate their own power 95% of the time. These rates fail to recognize the value of private investment in distributed CHP and WHP capacity to the grid as a whole and Michigan’s ratepayers. Highly efficient, distributed, baseload CHP and WHP systems can reduce demand on utility capacity, transmission and distribution systems, increase system reliability, improve power quality, and reduce distribution losses. But, right now, antiquated assumptions and poorly designed standby rates increase our energy costs and are sending the wrong price signal for investment in CHP and WHP systems in Michigan.



Fulfillment of DOD's core missions rests on energy security. The Government Accountability Office has identified four ways in which DOD seeks to provide energy security at military installations: 1) diversification of energy sources, 2) One analysis found that a Michigan company with a 2 MW CHP system with *no outages* would be required to pay standby fees ranging from roughly \$8,300 to more than \$10,500 each month – dependent upon where the system is located.¹ The disparity is even greater once outages are factored in. This variation between utilities in the state puts many of us and our customers at a competitive disadvantage and discourages companies like ours from investing in CHP and WHP in large portions of Michigan. Fair and equitable standby rates also create a business opportunity for CHP developers, who are more likely to build projects in states without excessive standby rates, thereby contributing to job growth and economic development in the state.

Utilities and public service commissions can make sure standby rates are fair and reasonable, thus encouraging more CHP and WHP deployment in the state. We urge the Michigan Public Service Commission to review each Michigan utility's standby tariffs to ensure equitable revenue allocation and rates which are correlated to cost of service. These rates should be transparent and designed to send a clear price signal for the most efficient interface between utility and CHP and WHP resources.

Thank you for your consideration and attention to this matter.

Sincerely,
Association of Businesses Advocating for Tariff Equity (ABATE)
Cargill, Inc.
Cummins, Inc.
Dow Chemical Company
Eastman Chemical Company
Ecolab, Inc.
Hemlock Semiconductor Corporation
Michigan Chemistry Council
Michigan Forest Products Council
Schneider Electric
Timber Products Company
Veolia North America, LLC

For more information, please contact jennifer@dgardiner.com, 202-816-9302.

CC: Norman J. Saari, Commissioner, Michigan Public Service Commission
Rachael Eubanks, Commissioner, Michigan Public Service Commission

¹ Analysis performed by 5 Lakes Energy LLC., 2017, "Michigan Standby Rate Tariff Scenarios."