Importance of Preserving Ability to Self-Generate Power - Public Utility Regulatory Policies Act (PURPA)

An Exploration of Standby Rates

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Agenda

- PURPA treatment of standby rates
- Standby rates as a barrier
- Best practices
- 5 Lakes Energy analysis
- Next steps for manufacturers

PURPA and Standby Rates

- Rates for sales shall
  - Be **just** and **reasonable** … and
  - **Not discriminate**
- [E]ach electric utility shall provide:
  - Supplementary, back-up, maintenance & interruptible power
- The rate for … back-up power or maintenance power
  - **Shall not be based upon an assumption** … that **forced outages** … by all QFs [in a service territory] will occur **simultaneously**, or during the **system peak**

SOURCE: 18 CFR 292.305(a) – (c)

Issues Regarding Standby Rates

- Rates are not transparent
- Rates are inconsistent
- “Captive” ratepayers
- Erodes economic benefits
- Rates assume systems are unreliable

CHP Is Reliable

System Availability

Reciprocating Engine	Steam Turbine	Gas Turbine	Microturbine	Fuel Cell
96-98%	72-99%	93-96%	98-99%	>95%

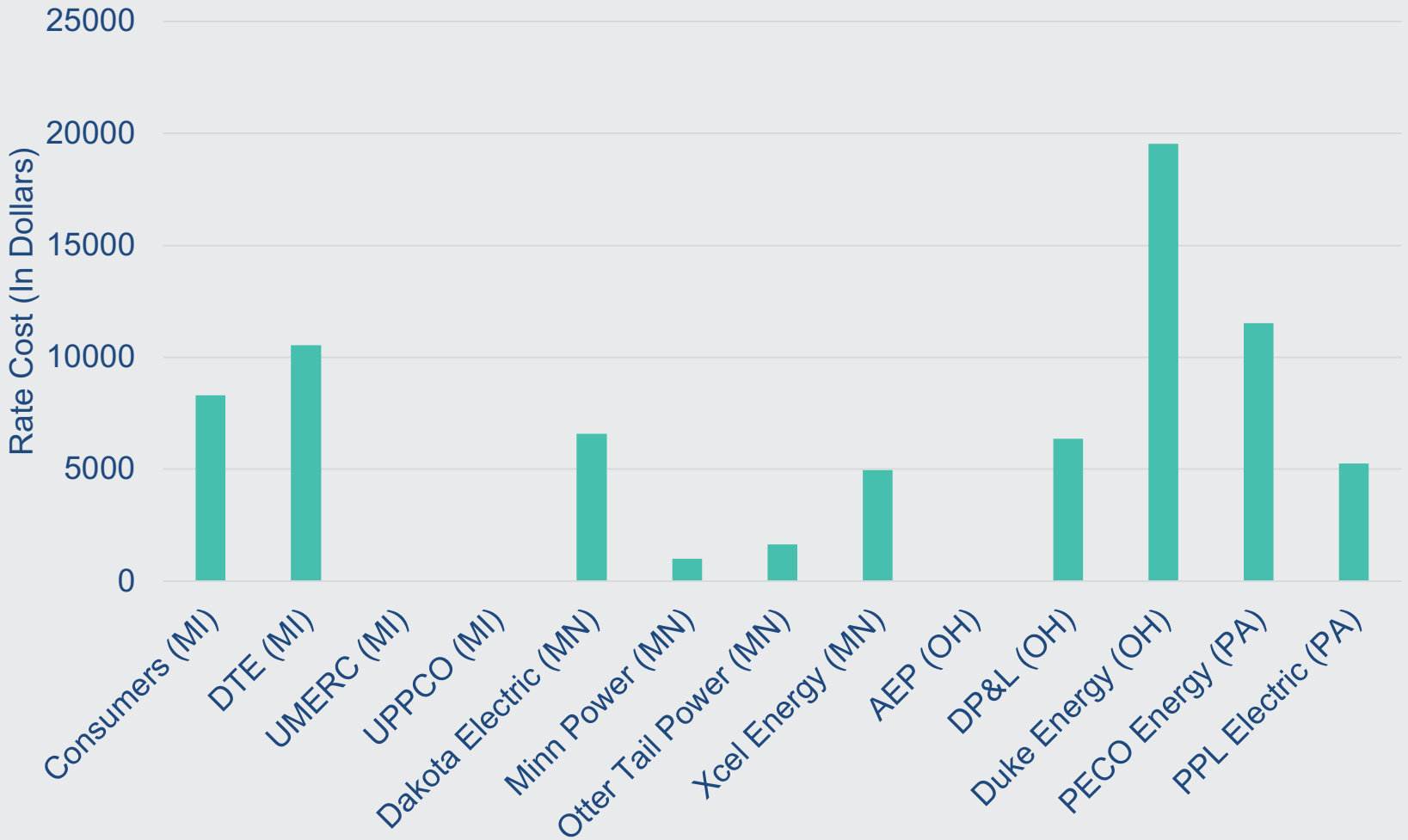
Source: EPA, 2015

Best Practices

- Transparency
- Reflect actual costs
- Eliminate “demand ratchets”
- Customer choice

Standby Rates in Practice:
"Apples-to-Apples Comparison"

SBR (2 MW system) During a "No Outage" Scenario



SOURCE: 5 Lakes Energy, Apples to Apples Analysis

Options for Engagement

- Conduct analysis for your utilities
- Stakeholder meeting with PUC
  - Weigh in with other manufacturers
- Encourage PUC to open a SBR docket
- Intervene in a rate case

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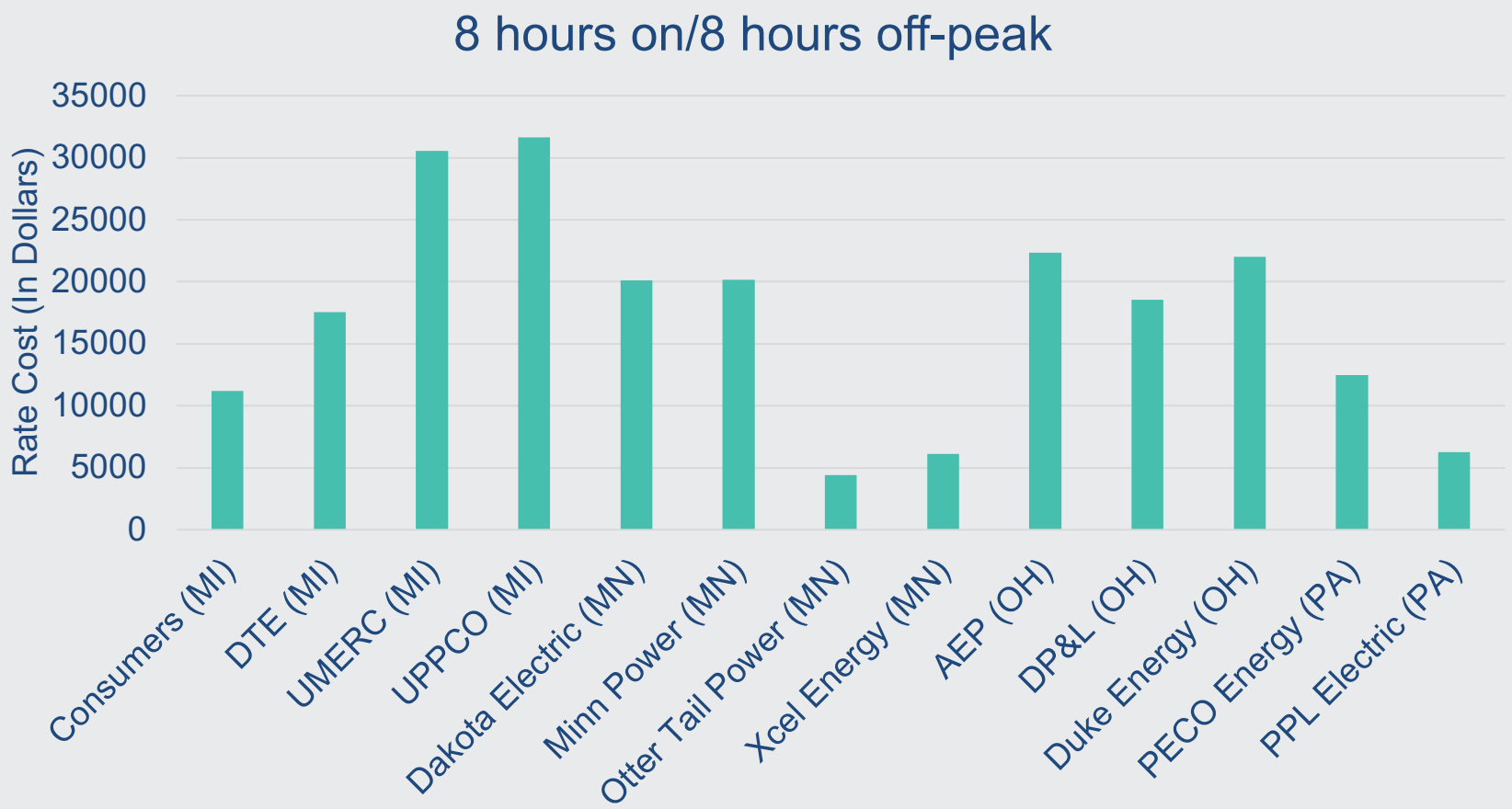
APPENDIX

SBR (2 MW system) During an "Unscheduled" Outage



SOURCE: 5 Lakes Energy, Apples to Apples Analysis

Total Charges (Ohio)

	No Outage	Sched. 16-Hr Outage (Off-Peak)	Sched. 16-Hr Outage (On-Peak)	Sched. 8 Hrs peak/ 8 Hrs Off-Peak	Sched. 32-Hr. (On-Peak)	Unsched. 8 Hrs Peak/ 8 Hrs Off-Peak
Duke Energy	$19,096	$21,058	$21,058	$21,058	$22,171	$21,549
AEP	$0	$13,028	$24,528	$24,528	$26,468	$24,528
DP&L	$3,594	$5,403	$11,392	$11,392	$13,201	$11,392

Demand Charges (Ohio)

	Duke	AEP	DP&L
Scheduled 16 hrs off-peak	$19,021	$11,088	$3,594
Scheduled 16 hrs on-peak	$19,021	$22,588	$9,583
Unscheduled 8 on 8 off	$19,021	$22,588	$9,583

Dayton Power & Light Progress

	No Outage	Sched – 16- hr Outage (off-peak)	Sched – 16-hr Outage (on-peak)	Sched – 8 hrs on-peak, 8 hrs off-peak	Sched – 32 hours (on-peak)	Unsched – (8 hrs on-peak, 8 hrs on-peak)
Previous	$6,357	$7,952	$18,547	$18,547	$20,143	$18,547
Revised	$3,594	$5,403	$11,392	$11,392	$13,201	$11,392