

January 10, 2019

To: Lynnea Johnson,  
Assistant to the Lead Facilitator  
University of Illinois

From: Patricia Sharkey  
Policy Director  
Midwest Cogeneration Association

Re: COMMENTS OF THE MIDWEST COGENERATION ASSOCIATION;  
DRAFT FINAL REPORT ON THE NEXT GRID ILLINOIS: UTILITY OF  
THE FUTURE STUDY

The Midwest Cogeneration Association (“MCA”) appreciates this opportunity to provide specific suggestions for language pertaining to cogeneration to be incorporated in the Draft Final Report on the Next Grid Illinois: Utility of the Future Study. We commend the Facilitator for producing a clear, constructive, and edifying summary of the Work Group 7 discussions and issues. Please note that MCA was an active participant in only the meetings of Work Group 7 on Ratemaking and, for that reason, our past comments have been limited to the ratemaking issues discussed in that group and our specific comments here are limited to Chapter 7: Ratemaking.

MCA suggests that the following few comments would improve Chapter 7 as it pertains to cogeneration and rates for partial use standby customer load:

1. Terminology: We suggest that the term “cogeneration” rather than “combined heat and power” or CHP be used throughout Chapter 7 and elsewhere in the Report. Cogeneration is a broader term that includes “waste heat to power” generation technologies.
2. Page 188, Footnote 13: Add “cogeneration” to the list of DER technologies, as follows:

“DER includes technologies, such as rooftop solar, cogeneration, energy storage, energy efficiency and demand response that provide generation or allow a customer to reduce or manage its demand.”

3. Page 195: From MCA's perspective the bullet on equitable cost recovery implies that "residual costs" and cost-shifting may occur when appropriate cost causation or Cost of Service studies are performed for partial use cogeneration customers. We don't believe that need be true. We suggest the following edit to fairly reflect this issue:

“• In the area of equitable cost recovery, the marginal-costing-based rates came under close scrutiny. If rates are partly based on correctly calculated marginal costs to reflect efficient cost causation, a proper cost of service study must also allocate the embedded costs for shared utility resources, e.g. non-dedicated distribution lines, on a basis that avoids creating some residual costs ~~remain~~ that cannot be recovered through marginal cost-based rates alone. For example, a proportionate use or volumetric basis. ~~For example, a CHP customer who can avoid payment for these residual costs results in other customers paying for the utilities' recovery of costs. Analogously, any value the CHP provides to the electric system needs to be compensated.”~~

4. Page 202: The last sentence in the continuing first paragraph fails to recognize that energy efficient technologies, such as cogeneration, reduce carbon emissions. We suggest the following edit to fairly state this point:

“... Other potential benefits include increases in diversity of the fuel and generation technology mix and, whenever renewable and energy efficient technologies, such as cogeneration, are deployed, reductions in carbon emissions. “

Thank you for your consideration of these comments and your excellent work on this study.

Patricia F. Sharkey  
On Behalf of the Midwest Cogeneration Association

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