



# Industrial Energy Consumers of Pennsylvania

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April 3, 2018

The Honorable Dave Reed  
Majority Leader  
Pennsylvania House of Representatives  
Harrisburg, PA 17120

Re: House Bill 1412 related to Microgrid and Energy Storage

Dear Majority Leader Reed:

The Industrial Energy Consumers of Pennsylvania (IECPA) is a non-profit organization of the largest energy consumers in Pennsylvania. IECPA was formed in 1982 to address energy issues before appropriate government bodies and interested organizations. IECPA represents companies operating at more than 25 locations in Pennsylvania providing over 30,000 family-sustaining jobs. Our member representatives hold senior leadership positions within their companies.

IECPA agrees that there could be broader public benefit of microgrids and energy storage. However we have the following concerns with this bill:

- The majority of the electrical benefits from this equipment is local and very customer specific. House Bill 1412 does not reflect that micro-grids directly serve limited numbers and types of utility customers and would allow for recovery of costs from all electric distribution utility customers. Cost recovery needs to be limited to those electric distribution utility customers that directly benefit from the use of the equipment. Given the large energy usage of IECPA members, any rate increase results in significant operational cost increases. Generally these cost increases must be offset with reductions in other major operational cost areas such as labor/employment.
- There are two components associated with microgrids. There is the distribution piece and the generation piece. The distribution component is the distribution system owned by the utility that will require upgrades and improvements to enable the microgrid. This component is still part of the regulated monopoly service and should receive traditional, regulated treatment. The generation component is composed of generating assets used to provide electric service to connected customers when in island mode and to the larger grid when in grid connected mode. House Bill 1412 moves away from the policy of the Commonwealth declared in the Electricity Generation Competition and Customer Choice Act that competitive market forces were to be used to control the cost of generating electricity rather than regulation.
- The focus of HB 1412 should be using the pilot micro-grids and distributed energy resources to support emergency preparedness projects that are not supported by individual customers or the competitive market.



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- The definition of distributed energy resources is overly broad for these targeted pilot programs and may impinge on other portions of the Public Utility Code and other pending Bills. For instance, energy efficiency and demand response should not be included in the definition of distributed energy resources. Energy efficiency and demand response are the subject of extensive regulation by the PUC under Act 129 of 2008 (66 Pa.C.S. §2806.1). Additionally the phrase “any other process, resource or technology approved by the commission” is excessively broad.

If this bill is moved forward, **the attached copy of HB 1412 contains critical edits that need to be included to protect customers.** Please contact me if you would like to discuss things further.

Sincerely,

Rod E. Williamson  
IECPA Executive Director  
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