

MICHIGAN
CLEAN TECHNOLOGY CLUSTER

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CHP MARKET OPPORTUNITIES: DEFINING PRIORITIES AND FIRST STEPS

**DE-BRIEFING REPORT ON THE SECOND MICHIGAN CHP STAKEHOLDERS MEETING
FEBRUARY, 2003**

1.0 Meeting Overview

On February 19, 2003, the Michigan Clean Technology Cluster (MCTC), with funding support and a host meeting site provided by the Small Business Association of Michigan (SBAM), and with support from the Midwest CHP Applications Center based in Chicago, convened the second meeting of 30 Michigan companies and individuals that have a stake in the commercialization of CHP projects in Michigan.

The meeting followed an inaugural meeting held January 14 that examined the outlook and opportunities for expanding CHP markets in Michigan. The purpose of the meeting was to establish specific objectives and actions to expand CHP markets in Michigan over the next 18 months. The meeting was structured around the following three questions:

- What are the top regulatory, finance and marketing priorities to advance CHP in Michigan?
- What actions are needed to implement those priorities?
- Who is willing to be the responsible party for organizing and implementing the action plans?

The intent of the meeting was not to execute all steps but to initiate the process and identify specific next steps to improve CHP market opportunities in Michigan.

The meeting's participants were drawn from five different stakeholder groups.

1.1 Participating Michigan CHP Stakeholders (by entity)

Stakeholder Group	Participating Entities Included . . .
End Users/Buyers	Ferris State University, Northern Michigan University.
CHP Suppliers/Developers	Clayton Industries, Charles Equipment Co., First Power, Gaylord Gas, Inc., Coffman Electrical Equipment Co., ESB Consulting.
Utilities	CMS Energy, DTE Energy, DTE Energy Technologies, Lansing Board of Water & Light.
Government	Michigan Public Service Commission, Michigan Energy Office.

Engineers/Architects/Planners	Cummins & Barnard, URS Corporation, Albert Kahn Associates.
Others	Great Lakes Renewable Energy Association, Shepherd Advisors, Michigan Clean Technology Cluster, Small Business Association of Michigan, Midwest CHP Application Center, Clark-Hill, Plc., NextEnergy, Rocky Mountain Institute, Thomas Borton Associates, EnStar Energy Group.

2.0 Meeting Structure and Organization

The meeting was structured as facilitated session centered around three categories of action items: 1) Regulatory and Legislative Actions; 2) Financing and Incentive Actions and 3) Marketing/Education/Outreach Actions. Participants were invited to “opt-in” to one of these groups to determine the top ten priorities in each of the categories. Each group was presented with a prepared list of potential CHP actions that could be part of a Michigan CHP Roadmap over the next 18 months. The prepared list of actions presented to the group is below.

Category 1: Regulatory/Legislative Actions

- Action in next Rate Case
- Follow and Influence Legislation (State and Federal)
- Lobby for Government Tax Incentives and Policies
- Establish Credits for Avoided Costs (de-averaged distribution credits)
- Recommend MPSC move forward on Interconnection Standard and Assess Tariffs
- Streamline Air Permitting (influence EPA)
- Standardize Interconnection Requirements
- Establish State Funded Financing (10 year or longer)
- Institute Marketable "green credits" with CHP Recognized
- Reduce or Eliminate Standby Charges
- Support Net Metering/Pass Net Metering Legislation
- Develop and Promote Incentive Programs with Clear Benefits
- Incorporate CHP into Renewable Discussions and Implementation in the State

Category 2: Financing/Incentives

- Find Group to Finance Visible Projects
- Maximize Grants. Low-cost Financing for First Cost
- Establish Credits for Avoided Costs (de-averaged distribution credits)
- Pursue Environmental Credits
- Establish State Funded Financing (10 year or longer)
- Lobby for Government Tax Incentives and Policies
- Institute Marketable "green credits" with CHP Recognized
- Support Net Metering/Pass Net Metering Legislation
- Develop and Promote Incentive Programs with Clear Benefits

Category 3: Marketing/Education/Outreach

- Launch Marketing Effort (to increase customer awareness of CHP options)
- Launch Public Relations Effort (for education of lay people)

- Organize a CHP Conference
- Organize a CHP Track at the Detroit MicroGrid Power to Parks Conference
- Promote education/awareness (AE firms, trade Associations, Customers)
- Conduct a briefing at APPA Michigan Meetings (Colleges and Universities)
- Arrange for CHP Site Visits and Discussions
- Acquire Corporate Sponsor to be Visible as a Showcase
- Actively promote/initiate/support CHP for Public Institutions (hospitals and government buildings)
- Organize CHP Steering Committee
- Conduct an evaluation of Existing CHP Systems

Each group was asked to refine the list and then determine the top ten priorities in each of the categories. Each of the groups reported out their priorities and posted their “top ten” list for large group discussion.

3.0 Results and Outcomes

The following were the “top ten” objectives developed by the participant groups (note: actual number of items in each list varied):

Category 1: Regulatory/Legislative

- Establish workable CHP tariffs and contracts
- Assess/monitor portfolio of policy options for advancing CHP
- Establish mechanisms for providing credits for utility system benefits
- Establish pro-CHP interconnection standards at the state and federal (RTO & ISO) levels
- Establish air permitting and siting requirements and processes favorable to CHP
- Establish financing mechanisms for CHP projects
- Promote CHP in state renewables program
- Establish construction standards for CHP
- Establish favorable tax climate for CHP systems

Category 2: Financing/Incentives

Group established a working target of \$25-30 million of new or expanded CHP development over the next 18 months.

- Help facilitate bond financing programs
- Help facilitate loan guarantees
- Help facilitate grant funding
- Help facilitate tax incentives
- Help facilitate emissions/credits for CHP
- Help facilitate reduction in stand-by charges
- Help facilitate power sell back
- Help facilitate CHP production credits
- Help facilitate creative private financing (ESCOs, PAYS)
- Help facilitate selling power/steam locally.

Category 3: Marketing/Outreach

- Develop Case Studies

- Develop a Michigan specific guide based on existing materials
- Target / outreach to potential industries
- Organize conference
- Take presentations on the road to additional groups

Following the reporting, participants were asked to again self-select the group in which they wanted to participate in selecting top priorities for immediate action and developing action plans for those priorities. Groups determined mechanism for selecting top priorities, specifying actions, and selecting responsible parties for follow through. The following are the results of the small group process:

Working Group 1: Regulatory/Legislative

Priority	Actions	Lead
Assess/monitor portfolio of policy options for advancing CHP in Michigan	<ul style="list-style-type: none"> • Contribute to MREP Report to the MPSC on renewables (due May 5). 	Tom Stanton
Establish mechanism for providing credits for utility system benefits (inc. green credits certification)	<ul style="list-style-type: none"> • Schedule an exploratory meeting with the cooperative association to discuss concerns and opportunities • Monitor official filing 	Phil Shepard
Promote CHP in State Renewables Program	<ul style="list-style-type: none"> • Insert pro-CHP language into the MREP report • Draft and circulate language for signatories 	Norm Stevens
Establish Financing Mechanisms for CHP Projects	<ul style="list-style-type: none"> • Update/explore PAYS option • Support action of finance group 	Michelle Wilsey

Structuring pro-CHP input for the Michigan Renewable Energy Program (MREP) Final report emerged as the Regulatory and Legislative Group’s most urgent priority. The draft report is in its final stages but is still open for comments. A final report is expected in early May.

Working Group 2: Finance/Incentives

Priority	Actions	Lead
Grant funding (equity)	<ul style="list-style-type: none"> • Identify sources of grant (status/projects) • MI pp funds – CHP • MI Energy Efficiency Fund – CHP • DOE Grant opportunities • Build a grant framework 	Tom Borton Mark Clevey, Tom Borton Mark Clevey, Tom Borton Mark Clevey, Tom Borton, Don Keskey

Bond Financing/Loan Guarantees (debt)	<ul style="list-style-type: none"> • MI Trust Fund Authorized for CHP • Universities (Revenue Bonds) • Fit projects into existing bond structure 	Loch McCabe, Don Johns Dan Sovinski, Mike Hellman, Don Johns John Vine, Don Keskey
Selling power/steam (market)	<ul style="list-style-type: none"> • Change franchise rules to include steam offsetting delivery risk • Educate • Parks 	Dan Sovinski John Vine, Don Johns

The Finance and Incentives Group focused on equity, debt and market opportunities for advancing CHP in Michigan. Developing existing sources of funding (such as Michigan and DOE grants, Michigan Trust Fund, and university revenue bonds) to support CHP remains a top priority and will be the focus of near term efforts.

Working Group 3: Marketing/Outreach

Priority	Actions	Lead
<ul style="list-style-type: none"> • Develop Case Studies 	<ul style="list-style-type: none"> • Identify sites which represent a good cross-section (sizes, industries) • Document kind of equipment. Financials, lessons learned, fact sheet and sample fact sheets. 	Tom Schuelke and Aileen Gow (Phil Shepard and Leslie Farrar support)
<ul style="list-style-type: none"> • Develop a Michigan specific guide based on existing materials 	<ul style="list-style-type: none"> • Review IL permit and general resource guide • Consider if MDEQ could refine IL guide for Michigan • Address air permits, bldg. permits – See MN guide 	Leslie Farrar (Bob Fegan and John Sarver support)
<ul style="list-style-type: none"> • Organize conference 	<ul style="list-style-type: none"> • ID speakers and what kind of info should be disseminated. • ID case studies to be presented 	Aileen Gow (Sue Warren, Leslie Farrar, Dan Howland support)
<ul style="list-style-type: none"> • Target / outreach to potential industries 	<ul style="list-style-type: none"> • Evaluate and select specific markets • Focus on benefits (new facilities expansions, for example) 	Chad Forester (Brian Komorek, Phil Shepard, Leslie Farrar, Jim Croce support)

The Marketing and Outreach Group focused on development, organization and adaptation of CHP information/processes such as resource /permitting/ case study guides to the Michigan market. Development of a CHP Buyers conference to disseminate information also emerged as a top priority.

4.0 Next Steps

The final portion of the meeting was devoted to reporting out action plans. The next CHP Stakeholder meeting was scheduled for April 2nd following the Michigan Clean Technology Cluster Spring Meeting. This will be a working meeting focusing on progress to date and next steps to achieve full implementation of priority action items.

¹ Buyers preferences would be very specific to their particular industry. CAFO buyers were not represented in the meeting.

