



Combined Heat & Power (CHP): Opportunities in Virginia

Executive Order 57 Work Group Meeting

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The Alliance for Industrial Efficiency promotes state and federal policies to support U.S. manufacturing competitiveness through enhanced industrial efficiency. Our diverse coalition of businesses, labor groups, and non-profits work to improve energy efficiency in America's industrial sector.

Agenda

- CHP offers tremendous benefits to manufacturers, the public & utilities
- Significant potential remains
- Many barriers deter deployment – but well-designed policies can overcome them



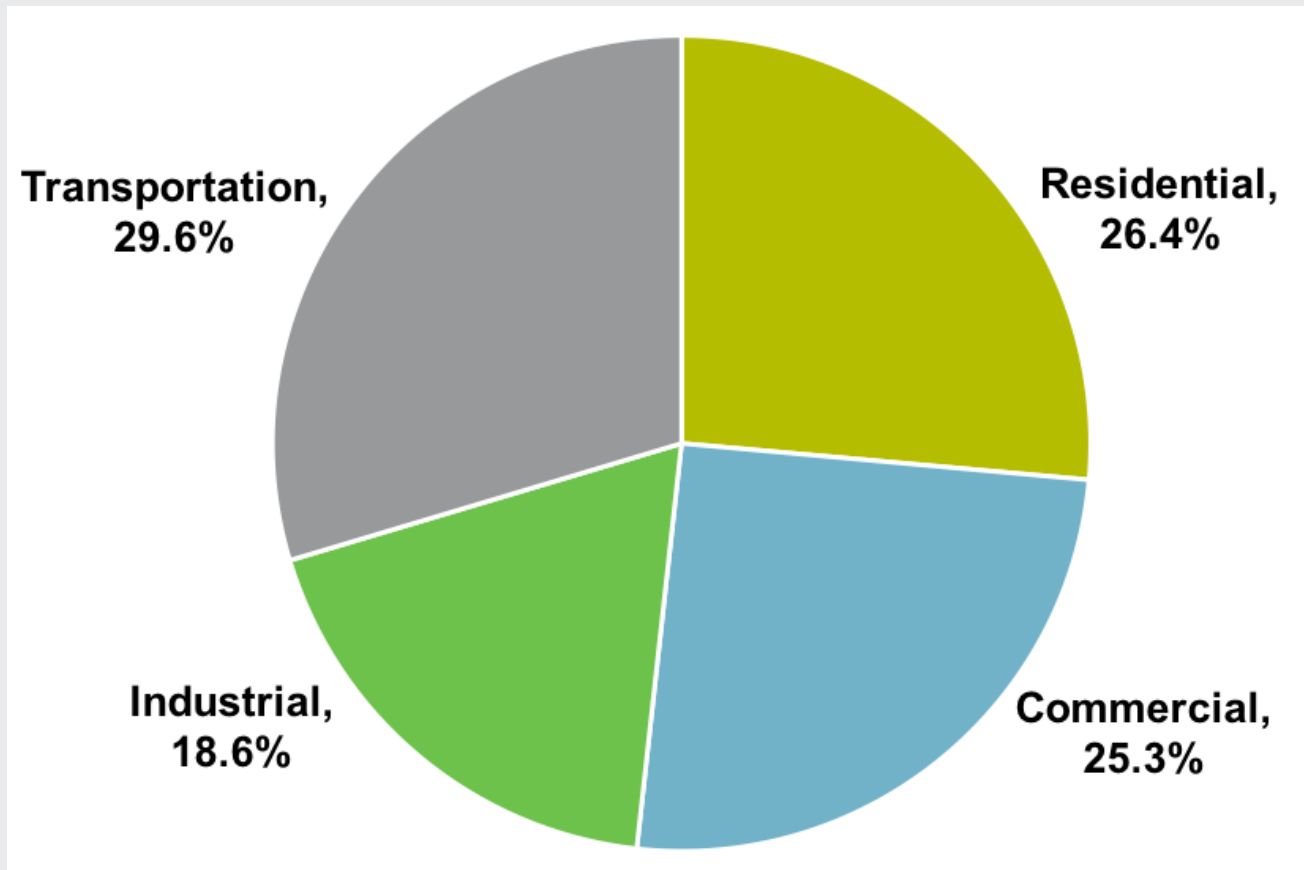
How CHP Fits Into Scope of EO-57 Work Group

In preparing their recommendations, the Secretary and the Work Group shall consider the following:

- (1) the establishment of regulations for the reduction of carbon pollution from existing electric power generation facilities pursuant to existing authority under Virginia Code § 10.1- 1300 et seq.;
- (2) the carbon reduction requirements for existing electric power generation facilities established under § 111(d) of the federal Clean Air Act;
- (3) the interaction between electric utilities and regional markets, including PJM Interconnection;
- (4) the impact any reduction requirements place on the reliability of the electric system;
- (5) the impact any reduction of carbon pollution may have on electric rates and electric bills;
- (6) the impact of reducing carbon pollution on low income and vulnerable communities;
- (7) the cost effectiveness of pollution reduction technologies that may be deployed;
- (8) the economic development opportunities associated with deployment of new carbon reduction technologies;
- (9) the implementation and administration of carbon reduction regulations; and
- (10) flexibility in achieving the goals of any carbon reduction regulation.



Virginia Energy Use by Sector



Source: EIA 2016

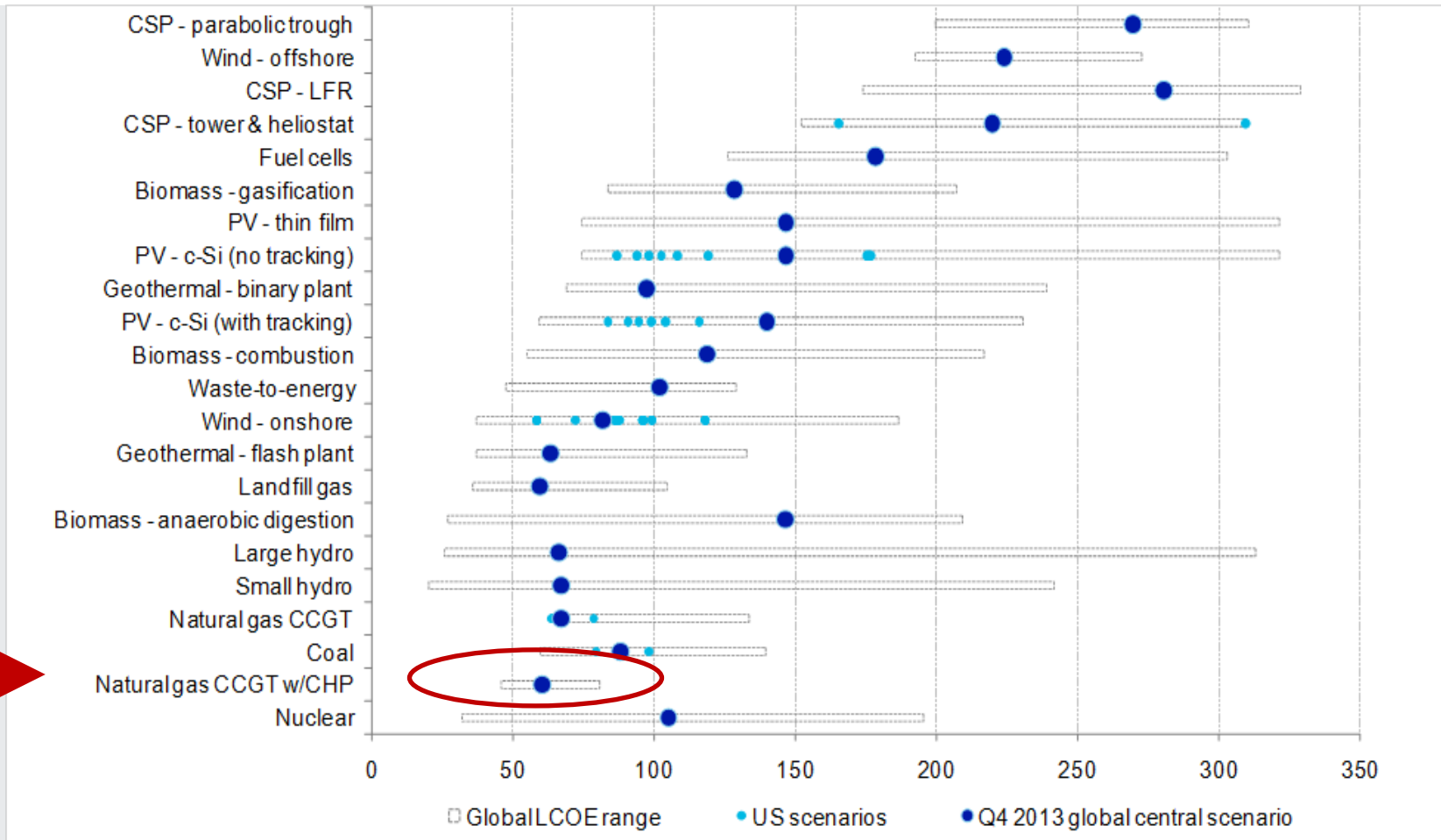


CHP Benefits:

1. Manufacturers
2. The Public
3. Utilities



CHP Is Cost Effective



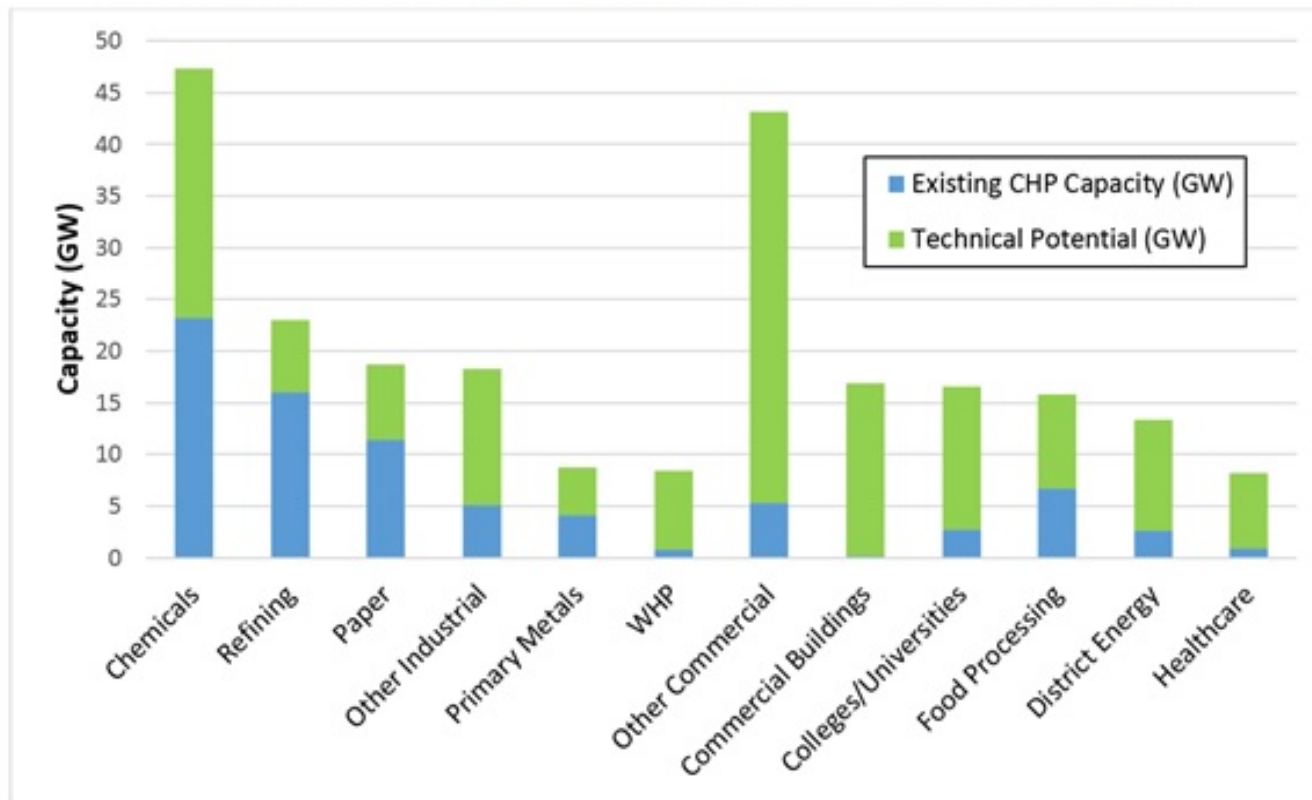
Levelized Costs of Energy across Power Generation Technologies, Q4 2013 (\$/MWh)



Source: BCSE 2014

Remaining Potential for CHP

Existing CHP Compared to On-Site Technical Potential by Sector

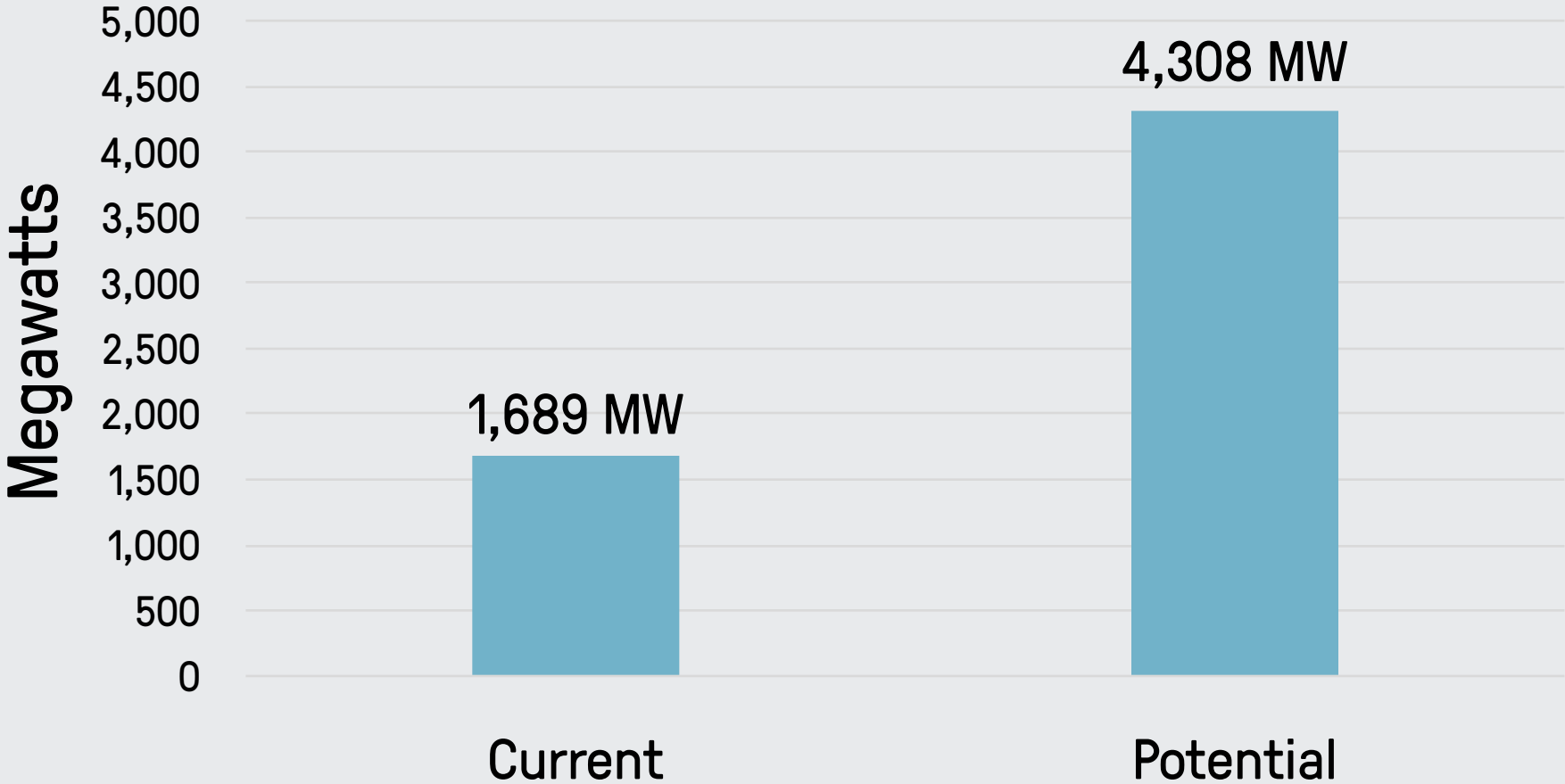


U.S. DOE CHP Deployment Program, 2016.



Source: DOE 2016

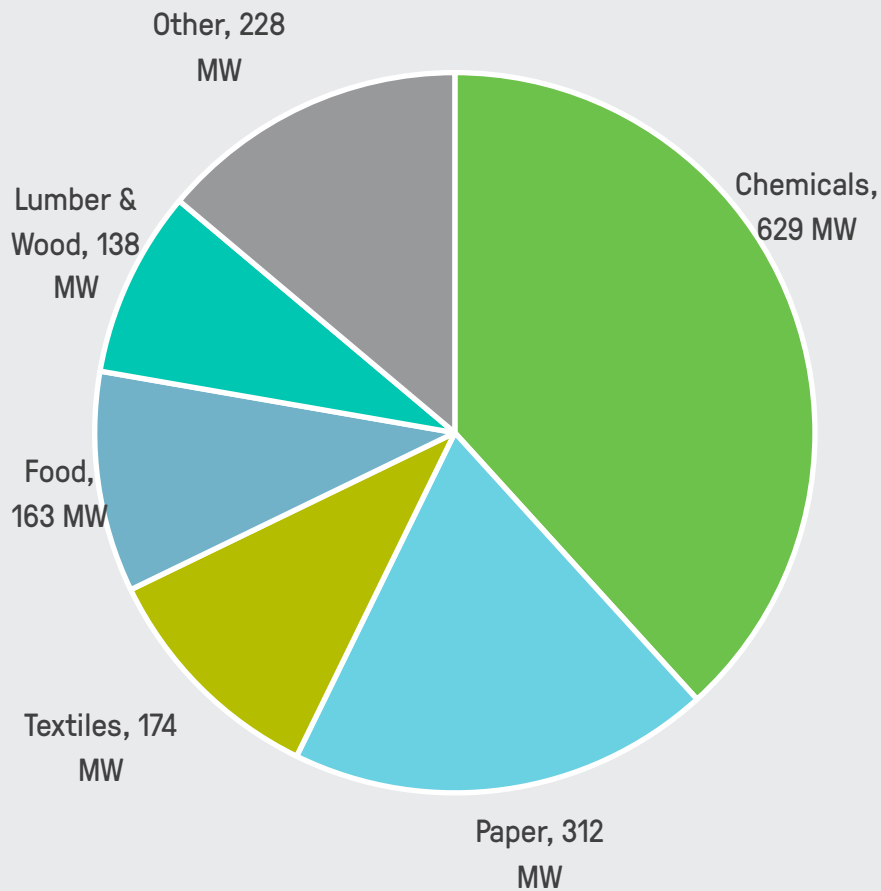
CHP Technical Potential (Virginia)



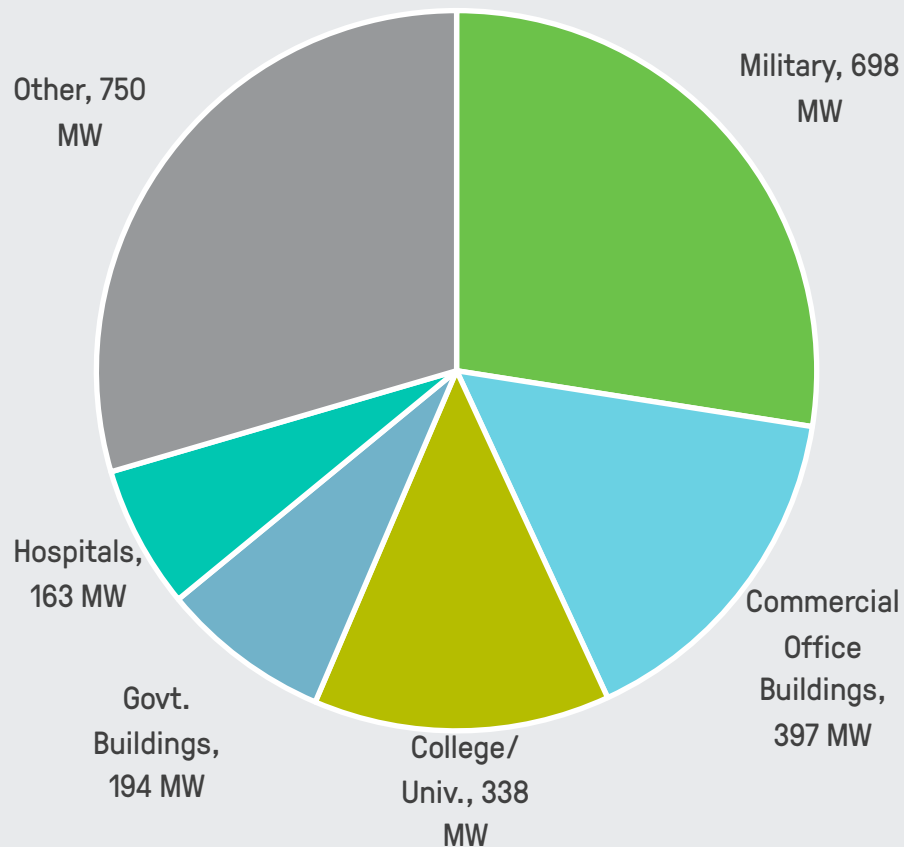
Source: DOE 2016

Commercial & Industrial CHP Potential (Virginia)

Industrial On-Site Technical Potential

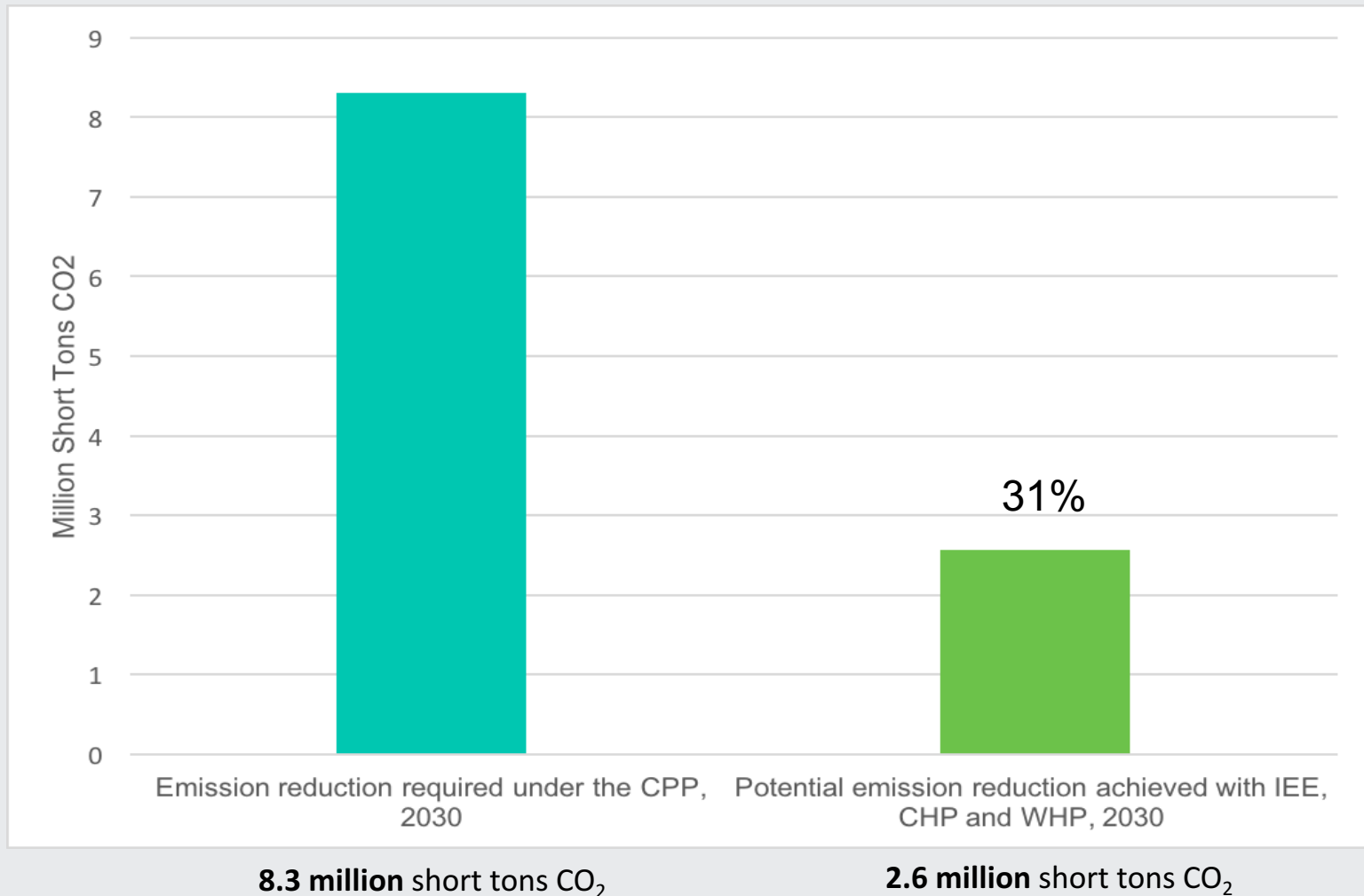


Commercial On-Site Technical Potential



Source: DOE 2016

Industrial Energy Efficiency Can Help Virginia Achieve Clean Power Plan Targets



Source: AIE 2016, *State Ranking of Potential Carbon Dioxide Emission Reductions through Industrial Energy Efficiency*

Hood Dairy (Winchester, VA)

- Combined heat and power and a 15-MW microgrid
- 4 year payback period (ongoing)
- 25% net savings, year-to-date
- 30% emissions reduction



Barriers to Deployment

- Insufficient utility incentives
- Time- and resource-intensive permitting processes
- Unfavorable standby tariffs
- Inadequate consideration of reliability



Recommendations

- Recognize CHP as a compliance option in state GHG plans
- Exercise the Administration's convening authority
- Provide streamlined permitting for CHP projects that meet established size and efficiency requirements
- Require consideration of CHP before modifying public facilities and/or critical infrastructure
- Adjust discriminatory tariffs
- Help finance projects



Conclusion

- CHP benefits Virginia's manufacturers, the public & utilities
- Significant potential remains
- Virginia should adopt policies to overcome barriers:
 - Clean Power Plan/GHG plans
 - CHP working group
 - Streamlined permitting processes
 - Critical infrastructure policy
 - Non-discriminatory tariff rates
 - Utility and state incentives





ALLIANCE

FOR INDUSTRIAL EFFICIENCY

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