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COMMENTS ON HOUSE BILL 1699

PRESENTED TO THE  
HOUSE ENVIRONMENTAL RESOURCES AND ENERGY COMMITTEE

BY

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Harrisburg, PA

On behalf of the County Commissioners Association of Pennsylvania (CCAP), I want to thank Chairman Miller, Chairman Vitali and members of the House Environmental Resources and Energy Committee for the opportunity to submit comments regarding House Bill 1699, which would extend certain emissions requirements for generators to those used as part of a demand response program. The CCAP is a non-profit, non-partisan association providing legislative and regulatory representation, education, research, insurance, technology, and other services on behalf of all of the Commonwealth's 67 counties.

The PJM Interconnection is a regional transmission network that coordinates the movement of wholesale electricity in all or parts of 13 states, including Pennsylvania, and the District of Columbia. The PJM wholesale electricity markets provide a financial incentive for end-use customers to participate in its demand response programs by reducing their demand for electricity when there are economic or emergency power grid needs that threaten its reliability. According to media reports, PJM planned to give program participants as much as \$2,700 per megawatt hour conserved during key peak-use periods by 2017, up from \$1,800 today. Participants in a demand response program typically meet their commitments either by easing pressure on supply by cutting back on air conditioner usage or switching off lights, for instance, or by curtailing unneeded activities or by running emergency generators.

The federal Environmental Protection Agency (EPA) finalized a rulemaking on national emission standards for hazardous air pollutants for stationary Reciprocating Internal Combustion Engines (RICE) in January 2013. This rule allows certain emergency engines that commit to run for few hours per year as part of blackout and brownout prevention to operate without meeting federal control requirements or emission limits. House Bill 1699 would require nonemergency generators that are used as demand response generating resources to be registered with the Department of Environmental Protection (DEP) every five years for a \$40 fee per generator (annually adjusted for inflation) and to submit a compliance certification form indicating the nonemergency generator does not exceed the EPA's emissions standards. Operators of nonemergency generators would be required to file an annual report with DEP with information about fuel types, operating hours and descriptions of emergencies under which the generators were operated, and would be subject to an annual blind compliance audit.

While CCAP does not have a policy position on the role of demand response as part of the overall management of the PJM grid, we do want to make the committee aware that there are counties who currently participate in the demand response program (through a mix of conservation and generation efforts) who would stand to be affected by this bill. These counties receive a financial incentive to be part of the program, based on the number of kilowatt hours they agree to conserve during key peak-use periods. We understand the generators operated for demand response programs are operated for that purpose for just a few hours in a given year, at most.

Like the state, county budgets are dealing with the impact of difficult budgetary times, and counties are continually looking for ways to use limited resources to provide the maximum level of services possible. It is likely that if House Bill 1699 were to be enacted, counties participating in demand response programs will undertake a very careful cost-benefit analysis regarding the costs associated with upgrading generators to meet the required emissions standards and the administrative burden of registering and reporting to DEP, and the financial benefit they receive from the program. If costs are found to outweigh benefits, there is the potential that counties would reduce their participation in the demand response

program to only those kilowatt hours they can agree to have available through conservation efforts. This committee should be aware of that potential as it weighs the trickle-down effects of House Bill 1699 on the reliability and affordability of the PJM grid and any alternatives that might be turned to in order to meet power grid needs during peak capacity times.

We also want to make the committee aware that we have been in contact with the Maryland Association of Counties, where we understand the Maryland Department of Environment (MDE) has been considering the introduction of new regulations that would also impose increased emission standards for demand response generators. Potentially, those standards could be even greater than the EPA standards. Several Maryland counties who participate in the demand response program have sent communication to the MDE to share their concerns that the costs of such a move would outweigh the benefits they see from participating in the demand response program. If policies increasing emission standards on demand response generators were to be adopted in both states and counties subsequently reduced their participation, this would compound the impact throughout the grid.

CCAP suggests that the committee seek a comprehensive survey of the commonwealth's participation in the demand response program, and the number of kilowatt hours committed by use of generators, to fully understand the potential impact of the legislation should participants determine the cost outweighs the benefits. I would be happy to discuss these comments further and answer any questions you may have at your convenience.