

ELCON PRESS RELEASE

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ELCON MEMBERS SUBMIT AFFIDAVITS ON PURPA

The Electricity Consumers Resource Council (ELCON), filing jointly with the American Forest & Paper Association, submitted reply comments to the Federal Energy Regulatory Commission (FERC) on FERC's proposed rule to modify the Public Utility Regulatory Policies Act (PURPA). The reply comments included affidavits from four ELCON members describing the negative impact FERC's rule would have on cogeneration operation, development, and expansion.

"FERC's proposed rule," said ELCON President John Anderson, "is based on the presumption that every cogenerator in any of the four FERC-approved Organized Markets has open access to the transmission system and that, therefore, the mandatory purchase provisions in PURPA are now longer necessary. We provided four real world examples where that is not the case."

The first affidavit is from Procter & Gamble regarding the retrofit of a cogeneration facility at a South Boston, MA, site acquired as part of the Gillette takeover. The affidavit states that "the effect of the proposed rulemaking...would to highly discourage the development of cogeneration by Procter & Gamble." It further noted that "the Commission may have omitted addressing an issue affecting QFs currently under long term contracts...A broad based generic rulemaking such as the Commission is considering could set up dynamics which would discourage not only future investment in new QFs but also deter capital investments to upgrade existing facility because of concerns about voiding existing contracts."

The second affidavit was submitted by Corning, which has facilities in one of the Organized Markets. Corning's affidavit stated that the "effect of the proposed rulemaking implementing the new PURPA section 210(m) will be to discourage the development of CHP [combined heat and power, or cogeneration] systems by Corning. This is neither in the best long-term interests of Corning as a domestic employer nor the long term energy security of the United States."

Smurfit-Stone Container Enterprises (SSCE), a pulp and paper manufacturer with nine cogeneration facilities throughout the nation, including two in PJM, noted that the company "has supported the RTO concept" but that under FERC's proposed rule "co-generators in RTO areas will see less income than co-generators in non-RTO areas even if alternative markets are truly accessible."

The last affidavit, submitted by Eastman Chemical, stated that adoption of the proposed rule would alter the company's investment plans. It stated that "opportunities exist to develop cogeneration units at other sites. With the current move to terminate PURPA rights, too much uncertainty exists to consider developing these projects."

Anderson concluded by asserting that "PURPA has served this country well by encouraging cogeneration, thus increasing energy efficiency and reducing harmful emissions. FERC's proposed rule goes well beyond what is required by statute and would result in less energy efficiency and more damage to the environment.

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ELCON, established in 1976, is the national association of large industrial users of electricity from virtually every manufacturing sector. ELCON members seek a reliable supply of electricity at competitive prices and have long supported federal and state efforts to achieve that objective. Many ELCON members cogenerate. More information about ELCON, including this filing, is available at ELCON's website, www.elcon.org.