



**EDISON ELECTRIC
INSTITUTE**

March 30, 2007

Mr. Mario Sciulli
National Energy Technology Laboratory
P.O. Box 10940
MS 922-342C
Pittsburgh, PA 15236

RE: Comments on the "Study of the Potential Benefits of Distributed
Generation and Rate-Related Issues that May Impede Their Expansion"

Dear Mr. Sciulli:

The Edison Electric Institute (EEI) appreciates the opportunity to submit comments regarding the Department's draft DG Study that was called for by Section 1817 of the Energy Policy Act of 2005. This letter is written in response to the Federal Register notice which was published at 72 Fed. Reg. 9318 (March 1, 2007).

EEI is the association of the U.S. shareholder-owned electric companies, international affiliates and industry associates worldwide. Our U.S. members serve over 97 percent of all customers served by the shareholder-owned segment of the industry. They service 71% of all ultimate customers in the United States. Many of our members are combination electric/gas companies, and provide efficiency services for both fuel types.

These comments will (1) state our views on the draft study, (2) provide feedback based on the information provided in early 2006 (3) respond to specific issues in the draft study.

EEI believes that in certain applications, DG can be of benefit to customers and the electric grid.

However, this report glosses over or ignores many of the technical obstacles and many other technical and economic and environmental issues that were discussed in detail in the EEI member company comments that were provided to DOE in early 2006.

EEl suggests that DOE review the detailed information that was provided and incorporate the information into the report.

There are two key issues that EEl would like to highlight with the draft report: Section 6 (DG and Reducing Land Use Effects) and Section 7 (DG and Reducing the Vulnerability of the Electric System to Terrorism and Providing Infrastructure Resilience) and current technologies used for DG.

In terms of DG and land use effects, the study shows detailed data on the cost of various types of land and right of ways and implies that DG systems would reduce their use for electric supply infrastructure. The study does not discuss several key facts:

- If the DG system only operates during emergency situations, then the customer is using the grid for 100% of its power needs, and 100% of the infrastructure will need to be built;
- If the DG system only operates during peak periods of the day, and relies on grid power for other time periods, then the customer is using the grid for 100% of its “non-peak” power needs, and 100% of the “non-peak” infrastructure will need to be built. For many customers, the non-peak loads can be as high or equal to the “peak” loads;
- If the customer installs a DG system after the customer has been using electricity for some time, 100% of the infrastructure has already been built, and there will be no reduction in land use. If anything, more land is used for providing parts and labor and fuel for the DG system;
- If the customer uses the DG system for 100% of its power needs, but decides that they want grid power to back up the DG system (100% standby power), then the customer is using the grid for 100% of its standby power needs, and 100% of the infrastructure will need to be built, along with the land use and infrastructure for supporting the DG system and fuel;
- If the customer uses the DG system for 100% of its power needs and is not connected to the grid, then there may be some land use savings, if the DG system is large (e.g., over 1 or 10 MW). The smaller the system is, and the more near urban areas it is, the less likely that there will be land use savings.

DOE should revise Section 6 to take these facts into account.

In terms of Section 7, DG and terrorism, the study does not discuss the fact that the presence of a DG system at a customer site does not make central station

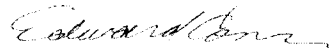
generation, transmission lines, or distribution systems any less vulnerable to a terrorist attack. The DG system does not provide any protection to the electric grid whatsoever.

In the case of an emergency or terrorist attack, a DG system, as shown in the report, is very helpful or even critical for on-site facility needs. However, building owners may be reluctant to send the power needed for facility operations out to the grid. Also, if nearby lines are down, then a DG system could not send power to the rest of the grid any way.

There is one other key comment that EEI would like to point out. By far, the most prevalent form of distributed generation systems in the United States are diesel generator sets with no emission controls. Policies that increase their use, especially in urban non-attainment areas, would increase the US dependence on foreign oil, have negative impacts on urban air quality, and could lower the overall fuel to electric efficiency (heat rate) of the US electric system. Such an outcome could happen if some of the suggestions in the current report are adopted.

EEI sincerely appreciates the opportunity to submit these comments.

Respectfully submitted,



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