

DELAWARE STATE
CHAMBER OF COMMERCE



Mark S. Stellini, Chairman
A. Richard Heffron, President

December 14, 2015

The Hon. Dallas Winslow
Chairman
Public Service Commission
861 Silver Lake Blvd
Dover, DE 19904

The Hon. Joann Conaway
Commissioner
Public Service Commission
861 Silver Lake Blvd
Dover, DE 19904

The Hon. Howard Gray
Commissioner
Public Service Commission
861 Silver Lake Blvd
Dover, DE 19904

The Hon. Kim Drexler
Chairman
Public Service Commission
861 Silver Lake Blvd
Dover, DE 19904

The Hon. Mike C. Karia
Commissioner
Public Service Commission
861 Silver Lake Blvd
Dover, DE 19904

RE: Manufactured in Delaware – Fuel Cells

Dear Commissioners Winslow, Conaway, Gray, Drexler and Karia:

As the current President of the Delaware State Chamber of Commerce, I am obviously interested in the discussion and debate about growing the number of manufacturing jobs in Delaware. These middle class jobs provide a solid foundation by which to raise a family and they are highly sought after throughout the world. Unfortunately, there are factors well beyond the borders of Delaware we cannot control. We must keep in mind we are in a global competition to attract and retain for our state the companies that can provide these jobs.

One thing we can control here in Delaware is how we support the manufacturers that we have, as they can be the best source of future growth, as well as an important referral source to companies considering where to invest their capital. Most companies want to locate where they have support from state/local government and the community as a whole. This is why I am troubled by the Public Service Commission's ("PSC") latest decision to single out the Bloom Energy, with its manufacturing facility in Newark, Delaware, for unique and unfair treatment on the bills Delmarva Power sends to its customers.

Bloom Energy is just the kind of employer we should be seeking – an innovator that has created an exciting fuel cell technology that has significant application all over the world. Bloom Energy gives Delaware a foothold in an entirely new industry, increasing the diversity of our employers and creating more resiliency in our employment outlook. The successful Delaware Technical and Community College Advanced Manufacturing Program for high school students are designed to educate and train employees for companies like Bloom Energy. Furthermore, innovators tend to grow significantly over the long-run and we need this growth to fuel job creation. In our increasingly digital society, Bloom's long term prospects for growth are evident when you look at companies like ServOne (newly located in Newark, Delaware), Google, YAHOO, JP Morgan Chase and others have taken notice and are powering some of their facilities with Bloom Energy fuel cells. Now the company is expanding to markets around the world, with those fuel cells for export manufactured right here in Delaware.

I have toured the Bloom Energy facility in Newark and it is a state-of-the art facility that employs skilled workers, most of whom serve in various capacities along the assembly line. Not since the Chrysler plant thrived has so much activity happened on this site. While I would think such a company would be a source of pride for many in Delaware, some seem to have another agenda. It is also curious that some of the loudest critics are from out-of-state, claiming to be motivated by a concern for the people of Delaware. I think the Delaware community is more than capable of taking care of its own interests.

The main issue of contention seems to be the so called "Bloom Surcharge", which has been mislabeled and misunderstood. About ten years ago, long before Bloom Energy came to Delaware, the Delaware General Assembly adopted what are called renewable energy portfolio standards (or "RPS"). The RPS law requires Delmarva Power to purchase a certain amount of renewable energy credits as part of its total energy portfolio. We all recognize renewable energy is more expensive than traditional fuel generation, such as coal. Delaware like many states decided larger societal benefits require us to encourage renewable sources of energy.

Before Bloom Energy came to Delaware, Delmarva met these RPS compliance requirements primarily by purchasing renewable energy credits from out-of-state land based wind farms in Pennsylvania, West Virginia and Western Maryland. In 2012, the RPS law was modified to provide that Delmarva could reduce the renewable energy compliance requirements they are already required to meet with the purchase of Bloom Energy fuel cells. In other words, instead of sending money from Delaware to support power generators from Pennsylvania and Western Maryland in order comply with the RPS law, a portion of the dollars are staying in Delaware to support hundreds of new jobs in the state. Like renewable power contracts for wind and solar, these fuel cells were bought and paid for with a financing mechanism that spreads the cost over a period of years. Not unlike financing the purchase of a car, this is not a "recurring surcharge" or a "guaranteed minimum revenue" agreement as has been reported; rather the costs of purchasing these fuel cells has been financed over a period of years, as opposed to a lump sum one-time payment.

Today, Bloom Energy manufactures its products here in Delaware and Delmarva Power meets its legal requirements by supporting a Delaware manufacturer instead of sending all of that money out-of-state for power produced in Maryland, Pennsylvania and West Virginia. Yet, the PSC has now decided to single out Bloom Energy on customer bills and is not requiring the same treatment for these out-of-state generators. We at the Chamber support transparency and disclosure but it needs to be fair and balanced, without putting Delaware businesses at a competitive disadvantage. So for those that say they want more jobs in Delaware, I say let's start with supporting the jobs we have and in this regard, we urge the PSC to keep Delaware's interest at heart. Given the challenges Delaware faces, we can't afford these types of mistakes.

Regards,



A. Richard Heffron