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Fred L. Brown, Esq.
Deputy Director
Office of Hearings and Appeals
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585-0107

Via Electronic Mail

Re: In the Matter of the Steffes Corporation, OHA Case No. EXC-14-0002

Dear Mr. Brown:

I am writing you today in support of the Steffes Corporation's Application for Exception, as identified above. Grid-interactive electric thermal storage using electric resistance technology, like that manufactured by Steffes, is used by the electric utility industry, including PJM members, as a cost-effective means of storing off-peak energy. This innovative technology benefits consumers, in the form of heating water at the lowest cost possible, and for grid operators provides a low-cost and effective means to store energy, particularly renewable energy from wind resources, at night. Through grid interactivity, the large volume electric water heaters can heat energy during off-peak hours when wind energy is abundant and provide that energy to meet customer hot water needs during the daytime without having to heat water during peak periods. In addition, grid-interactive electric thermal storage can assist grid operators like PJM by providing fast-response frequency regulation, a valuable service that we have verified is achievable with this technology. Both of these benefits, renewable energy integration and fast-response frequency regulation, are viewed as operational efficiencies that help maintain reliability at the least possible cost.

Despite a united coalition of stakeholders urging DOE to modify its current electric water heater standard to allow for this new class of grid interactive devices, no action has been taken by the Department to date on a more generic solution. Given the approaching deadline for implementation of the present standard (with penalties for manufacturers who violate that standard) companies such as Steffes have no choice but to seek individual waivers.

Although PJM does not endorse specific products or companies, PJM believes that this waiver, as an interim measure until DOE finally amends its rule, is an appropriate and justified use of the Secretary's waiver authority. Moreover, Steffes has detailed a compelling case as to the unique hardships it faces as a small business in meeting the current standard. For all these reasons, PJM supports the waiver being timely granted. Moreover, PJM reiterates once again its

call for the Department to act on the more generic request submitted by PJM, the National Association of Rural Electric Cooperatives, the American Public Power Association, the Edison Electric Institute, and others seeking the creation of a new class of grid interactive water heaters. PJM and the other stakeholders outlined in detail why this action is completely within the Secretary's existing legal authority and need not wait for Congressional action.¹ The time to act on the larger request is past due. In the interim and in order to ensure the continued availability of this product while the Secretary ponders the generic request before the Department, the more targeted waiver sought by Steffes is entirely in keeping with the Secretary's waiver authority for hardship instances such as this one.

On behalf of PJM, I sincerely urge you to allow Steffes (and others) to continue to manufacture electric resistance water heaters under the exception process for the purposes of providing grid-interactive applications to the market, an application we believe was not thoroughly considered when the Final Rule was promulgated. We believe this is an appropriate use of the Secretary's waiver authority but urge, once again, prompt action on our long pending request for the creation of a new classification of grid interactive water heaters subject to the conditions set forth in our various submittals to the Department. *Without DOE action on the bigger issue of a grid interactive water heater standard, the DOE will itself be limiting the amount of renewable energy the grid can integrate.*

Please feel free to contact Craig Glazer, PJM Vice President of Federal Government Policy at 202-423-4743 or Scott Baker, PJM's Senior Business Solutions Analyst at 610-666-2235.

Thank you for your timely consideration of this request.

Very truly yours,



Terry Boston

Cc: Craig Glazer
Scott Baker
John Cymbalsky, DOE
Kathleen Hogan, DOE
Daniel Cohen, DOE
ExParteCommunications@hq.doe.gov ; Docket EERE-2012-BT-STD-002

¹ PJM has communicated extensively with DOE on this matter. For your review, I am attaching the following documents:

1. Copy of a letter from Terry Boston to Kathleen Hogan dated April 7, 2014, and
2. Copy of comments filed in Docket EERE-2012-BT-STD-002 by PJM on April 29, 2013.