



CALPINE

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January 22, 2007

California Energy Commission
Re: Docket No. 02-REN-1038 and Docket No. 03-RPS-1078
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5504

DOCKET

02-REN-1038/03-RPS-1078

DATE JAN 22 2007

RECD. JAN 22 2007

TO: JOHN L. GEESMAN
Commissioner and Presiding Member
Renewables Committee

JACKALYNE PFANNENSTIEL
Chairman and Associate Member
Renewables Committee

**RE: Calpine comments on GUIDELINE REVISIONS FOR THE RENEWABLE
ENERGY PROGRAM AND RPS IMPLEMENTATION**

Dear Energy Commissioners and Staff:

Calpine Corporation appreciates the opportunity to provide comments on the revised guidelines. Calpine's comments are as follows:

**Renewables Portfolio Standard Eligibility – Second Edition December 2006.
Section 5. Supplemental Instructions for Repowered Facilities**

1. Proposed definitions of "prime generating equipment" for each renewable technology are too narrow. Any particular repowering investment may not include all the components in this listing if these criteria are strictly applied. This may exclude worthwhile capital upgrades that meet the overall intent of repowering. The criteria for "prime generating equipment" should be either eliminated or broadened. Calpine suggests that an alternative criteria be added that other capital upgrades will be considered on a case by case basis.

"Other proposed repowering capital upgrades that meet the intent of repowering may be submitted for case-by-case review by the commission."

2. The "prime generating equipment" listed for geothermal should be clarified. The proposed criteria for geothermal states:

"Geothermal: the entire steam generator, including the turbine rotors, shaft, stationary blades, and any gear assemblies."

The phrase "entire steam generator" does not make sense for geothermal resources using steam directly from the reservoir or flash steam from hot water geothermal resources. Gear assemblies may not be required for a major steam path upgrade. For steam and hot water geothermal resources, the geothermal criteria should be changed to read:

"Geothermal: steam path upgrades, including rotor, stationary blades and inner case."

3. The prime generating equipment criteria would exclude worthwhile repowering investments in the steamfield for example additional enhanced water injection projects that would meet the intent of incremental geothermal repowering previously accepted by the CEC. Although the distinction of "incremental geothermal" has been removed from the eligibility guidelines, the concept is still valid for qualifying for repowering assuming it meets the other criteria.

The criteria for prime generating equipment should be changed to include steam resource upgrades as follows or be captured under the case by case review of Item 1 above with revised wording as follows:

"Geothermal: capital investments in new or replaced generation capacity or long term enhanced steam production."

Existing Renewable Facilities Program – Fourth Edition, December 2006.

The latest version of the Existing Renewable Facilities Program guidebook has excluded geothermal from being eligible for this section. There may be geothermal facilities that would otherwise qualify for this incentive during the 2007-2011 timeframe as QF contracts expire and as market conditions change. Calpine would suggest the definition of eligible renewables be kept broad to include geothermal facilities to cover this possibility.

Calpine is willing to work with commission staff on further clarification of this wording as needed. Thank you for considering Calpine's comments. Please call me if you have any questions.

Sincerely,



John Farison

Calpine Corporation – Geothermal Region
Director, Environment Health Safety & Gov/Reg
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