

**BEFORE THE CALIFORNIA ENERGY COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of:

Preparation of the
2008 Integrated Energy Policy Report
Update and the 2009 Integrated Energy
Policy Report

Docket No. 08-IEP-1

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**COMMENTS OF THE COGENERATION ASSOCIATION OF CALIFORNIA
AND THE ENERGY PRODUCERS AND USERS COALITION**

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April 30, 2008

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The Cogeneration Association of California¹ and the Energy Producers and Users Coalition² submit these comments to the California Energy Commission (Energy Commission) pursuant to the Notice of Committee Hearing. The Energy Commission's continued commitment to and ongoing work on past Integrated Energy Policy Report (IEPR) goals for Combined Heat and Power (CHP) should be clearly stated in the 2008 IEPR Update. Also, the 2009 IEPR Scope should include a status report of progress on past IEPR goals for CHP.

¹ The Cogeneration Association of California represents the combined heat and power and cogeneration operation interests of the following entities: Coalinga Cogeneration Company, Mid-Set Cogeneration Company, Kern River Cogeneration Company, Sycamore Cogeneration Company, Sargent Canyon Cogeneration Company, Salinas River Cogeneration Company, Midway Sunset Cogeneration Company and Watson Cogeneration Company.

² The Energy Producers and Users Coalition is an ad hoc group representing the electric end use and customer generation interests of the following companies: Aera Energy LLC, BP West Coast Products LLC, Chevron U.S.A. Inc., ConocoPhillips Company, ExxonMobil Power and Gas Services Inc., Shell Oil Products US, THUMS Long Beach Company, Occidental Elk Hills, Inc., and Valero Refining Company – California.

I. Discussion

In the 2008 Energy Action Plan II Update, the CEC and California Public Utilities Commission set the joint goal of developing a CHP policy. Despite the agencies' 2008 goal for a CHP policy, CHP is not included in the proposed scope of the 2008 IEPR Update. Given the shorter update cycle, and recognizing that the Energy Commission's CHP policy work has been largely completed in past IEPRs, this is understandable. The 2005 IEPR, however, recognized the risk that CHP issues may "get lost" in the broader scope of Distributed Generation (DG) issues. This risk remains. Accordingly, the 2008 IEPR Update should affirm the Energy Commission's commitment to past IEPR goals and support for CHP, and the 2009 IEPR scope should include a status report on these policy recommendations for CHP.

A. The 2005 IEPR

The 2005 IEPR indicates that the State's energy policy focus should explicitly encompass large CHP. (2005 IEPR, at 77). Further, the 2005 IEPR notes the proven benefits of large CHP and recommends that all CHP have its own place, separate from DG, in the loading order.

⇒ *CHP is of such unique value in meeting loading order efficiency and new generation objectives that CHP deserves its own place in the loading order. (2005 IEPR, at 78)*

The 2005 IEPR includes the following key actions for CHP:

⇒ *Streamline utilities' long-term contract processes so that CHP owners can easily and efficiently sell their excess electricity to their local utility (2005 IEPR, at 78)*

⇒ *By the end of 2006, the CPUC should require IOUs to buy, through standardized contracts, all electricity from CHP plants in their service territories at their avoided cost (2005 IEPR, at 79)*

⇒ *By the end of 2006, the Energy Commission and CPUC should collaboratively translate this goal (5400 MW of CHP by 2020) into annual IOU procurement targets. (2005 IEPR, at 77)*

B. The 2007 IEPR

The 2007 IEPR similarly recognizes that size matters.

Large combined heat and power units appear to offer the greatest fuel efficiency of available distributed generation technologies. *Because combined heat and power systems are located close to the load, transmission and distribution line losses are minimized, further reducing greenhouse gas impacts. (2007 IEPR, at 162)*

The 2007 IEPR set the following goals for CHP:

- *A tariff structure should be established by the CPUC that would make DG and CHP projects "cost and revenue neutral" and provide owners with credits for any system benefits they provide.*
- *All nonbypassable charges should be eliminated for DG and CHP and standby reservation charges should be removed for DG.*
- *A DG portfolio standard (which would include CHP) should be developed. In the alternative CHP and DG should be treated like efficiency programs.*
- *Programs should be established to allow high efficiency CHP to export power more easily to the utilities. Options could include:*
 - *Providing the option for utilities to procure natural gas for combined heat and power plants at customer sites on the same basis they do for central power plants.*
 - *Allowing CHP output to count towards energy efficiency targets.*
 - *Creating a CHP portfolio standard.*
- *GHG regulations should reflect CHP benefits.*

As noted at the scoping hearing on April 28, 2008, there are at least seven large CHP sites now under consideration in California. Each one, if built, would be greater than 20 MW. Continued, strong Energy Commission support for **ALL** CHP would help ensure that these and other new or repowered projects can be built.

II. Conclusion

The Energy Commission's ongoing commitment to its CHP policy recommendations must be explicit. Continued strong Energy Commission support for CHP and CHP-specific IEPR policy recommendations is critical to ensuring that CHP issues are not lost. The 2008 IEPR Update should confirm past IEPR policy recommendations for CHP and recognize that work remains to be done on Energy Commission goals for CHP. The 2009 IEPR scope should also include a status check on past IEPR recommendations for CHP.

Dated: April 30, 2008

Respectfully submitted,



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