CALIFORNIA ENERGY COMMISSION

In the matter of:	)	Docket No. 08-IEP-1
	)	
Preparation of the 2008 Integrated Energy Policy Report Update and the 2009 Integrated Energy Policy Report	)	2008 Integrated Energy Policy Report and 2009 IEPR Scoping

COMMENTS OF FUELCELL ENERGY, INC. REGARDING SCOPE OF 2008 INTEGRATED ENERGY POLICY REPORT UPDATE AND 2009 INTEGRATED ENERGY POLICY REPORT

FuelCell Energy, Inc. ("FCE") appreciates this opportunity to offer initial comments on the scope of the 2008 Integrated Energy Policy Report ("IEPR") Update and 2009 IEPR. FCE has participated in prior IEPR proceedings, and is encouraged by the Commission's ongoing efforts to support innovation and expansion of distributed generation ("DG") applications in California. As further discussed below, the scope of the 2008 Update and 2009 report should build on this foundation and focus particularly on how the state can more comprehensively and substantially integrate clean, baseload distributed generation into the resource mix.

Description of FCE

FCE manufactures and markets stationary fuel cells for commercial, industrial, municipal and utility customers. FCE was founded in 1969, is headquartered in Danbury, Connecticut, and has operations in North America, Canada, Europe, Japan and Korea. FCE's fuel cells electrochemically produce electricity from hydrocarbon fuels, such as natural gas and biomass. FuelCell Energy is also developing hybrid products and planar solid oxide fuel cell technology products. Our products serve a wide variety of customers, including wastewater treatment plants, hotels, manufacturing facilities, universities, hospitals, telecommunications/data centers, and government facilities. Fuel cells are optimally deployed as on-site combined heat and power ("CHP") facilities and are effectively used on both customer and utility-owned applications.

As California has implemented the Self-Generation Incentive Program, the state's Renewable Portfolio Standard ("RPS") and legislative initiatives to curb the production of greenhouse gas ("GHG") emissions from stationary electrical generation sources, FCE has increased its efforts and activity in California. We view this state as a national model for a clean energy future, and we feel that California's forward-looking approach to regulation makes it a perfect environment to build new self-sustaining markets for fuel cell technologies. We are investing our time and resources in the region in hopes of finding effective and innovative ways of working with state institutions, utilities and private sector customers. This, we believe, will pay off over time both in the growth of our company and in the creation of a large and healthy market for fuel cells and other distributed generation technologies.

Recommendations for the Scope of the 2008 IEPR Update

1. Analyze and develop policy on Distributed Generation RPS

The first topic identified for the 2008 IEPR Update is "Analysis of physical, operational, and market changes necessary for California's electric system to support a minimum of 33 percent renewables by 2020." As part of this analysis, the Commission should explicitly examine the obstacles that have prevented distributed generation from being effectively integrated into the California renewable portfolio standard ("RPS") and thoroughly explore the possibility of developing a DG procurement target as a separate but integral part of the state's RPS program. The potential for significant DG development (particularly larger scaled CHP) is enormous, and unrealized, in part because DG has not been effectively integrated into the RPS and into the utilities' generation resource base. The benefits of DG, including avoided transmission/distribution costs, avoided GHG emissions, resource diversification, etc., are demonstrable and significant, but can only be achieved if utilities are required to specifically include renewable DG in their procurement planning.

2. Ensure that the AB 2778 Cost/Benefit Study incorporates robust assumptions and is effectively coordinated with CPUC proceedings

In accordance with AB 2778, the Commission has initiated a study of the costs and benefits of providing ratepayer incentives for renewable and fossil fuel ultraclean and low-emission distributed generation. FCE looks forward to participating in the workshop and further proceedings surrounding this important report. We encourage the Commission to ensure that the scope of the study correctly reflects all of the costs and benefits associated with distributed generation. In particular, in light of the implementation of AB 32 in California and the likelihood of federal legislation addressing and regulating GHG emissions, any analysis of the benefit of distributed generation must accurately value and incorporate the forecast value of avoided GHG emissions. The Commission should make every effort to include all interested parties in the workshop and comment process and to coordinate closely with the CPUC, which is undertaking a similar examination/update of SGIP cost/benefit in Rulemaking 08-03-008.

Recommendations for the scope of the 2009 IEPR

1. Add Distributed Generation as a specific topic for focused study and recommendations.

The IEPR process has provided an important forum for study and the development of policy recommendations regarding DG technologies. In particular, FCE supports and appreciates the focus in the last IEPR on regulatory obstacles that are inhibiting more widespread deployment of CHP. That focus should carry over into the 2009 report. The initial list of topics for the 2008 IEPR includes "Public Interest Energy Trends and Strategies," which lists as subtopics RPS and efforts to pursue research,

development and demonstration and commercialization of new energy technologies. These topics clearly have implications for DG, but do not adequately identify DG as a separate area of focus. In particular, FCE encourages the Commission to focus on the challenge of ensuring that newer commercial/industrial scale baseload DG resources find a place in the portfolio of the California utilities, and overcoming existing obstacles to implementation at a scale sufficient to support a self-sustaining local industry. It is our impression that DG is still incorrectly viewed as a very small, marginalized, and mostly intermittent resource that cannot make a significant contribution to the state's renewable and clean fossil-fueled resource portfolio. This is not the case. Larger scaled DG, including commercial and industrial scale fuel cells could provide a meaningful segment of the clean resources needed to satisfy current and future demand. FCE encourages the Commission to continue using the IEPR process as a forum for this important policy issue. The amount of time it will take to realize this goal, however, will depend greatly on how quickly and effectively current obstacles (including cost-effective procurement and transportation of renewable and non-renewable fuel, utility rates and surcharges that penalize customers for installing DG, lack of a well-structured and flexible feed-in tariff, etc.) can be diagnosed and addressed.

We look forward to participating in this process. If you have any questions, please do not hesitate to contact me.

Dated: April 30, 2008

Respectfully submitted,

By: /s/

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