BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Implement the Commission's Procurement Incentive Framework and to Examine the Integration of Greenhouse Gas Emissions Standards into Procurement Policies.	Rulemaking 06-04-009 (Filed April 13, 2006)
[*Also filed at the California Energy Commission*]	CEC Docket 07-OIIP-01

REPLY COMMENTS OF THE INDEPENDENT ENERGY PRODUCERS ASSOCIATION ON ALLOCATION, FLEXIBLE COMPLIANCE, COMBINED HEAT AND POWER, AND MODELING ISSUES

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Pursuant to the schedule established in the Administrative Law Judges' Rulings Requesting Comments on (a) Emission Allowance Allocation Policies and Other Issues, dated April 16, 2008, (b) Combined Heat and Power, dated May 1, 2008, (c) Flexible Compliance Policies, dated May 6, 2008, and (d) Emission Reduction Measures, Modeling, and Other Issues, dated May 13, 2008, the Independent Energy Producers Association ("IEP") submits its reply comments on those topics. IEP will also respond to some of the questions posed in those rulings. IEP's reply comments follow the outline suggested in the Administrative Law Judges' Ruling of May 20, 2008.

I. SUMMARY

Based on a review of other parties' comments, IEP offers the following conclusions related to allocation policy, flexible compliance tools, and modeling issues:

- A significant portion of the existing generation fleet does not have a means to recover the costs of complying with greenhouse gas ("GHG") emissions reductions requirements. Depending on how the GHG program is implemented and the extent to which reasonable cost recovery mechanisms are made available, the GHG program could undermine the operations of renewable and cogeneration resources—the facilities that are most needed to meet both Renewable Portfolio Standard ("RPS") and GHG compliance targets.

- Whatever allocation system the Commission and the California Energy Commission ("CEC") recommend, and the California Air Resources Board ("CARB") adopts, must match the allocation of allowances to the point of regulation to ensure that the reliability of the grid is maintained. Separating the point of regulation from the allowance allocation undermines the obligated entities' ability to acquire the allowances needed for reliable operation of the grid in a timely manner and at a reasonable cost.
- IEP and others contend that the revenues from AB 32 implementation will best serve consumers if they are reinvested back into the necessary infrastructure *(e.g.,* energy efficiency, renewables, clean fossil generation) that will be required to transform the electric sector and reduce overall statewide GHG emissions as envisioned in AB 32.
- The Commission and CEC's recommendation must be clear on the suggested treatment of renewables and should ensure that California is not placed in the illogical position of requiring its lowest-carbon generating resources to purchase allowance in order to operate.

IEP replies to some of the other parties' comments in more detail below.

II. GENERAL ISSUES

A. Reliability Is the Fundamental Consideration in Evaluating Policy Options

Several commenting parties joined IEP in pointing out the crucial consideration for the policy choices required to implement Assembly Bill ("AB") 32—the need to ensure that the state's efforts to reduce GHG emissions do not interfere with the reliable operation of the electric grid. Several parties also raised the same concern as IEP, the need to make sure that generators that are required to operate to keep the system running have access to allowances. For example, under the heading, "Any Market For Allowances Must Be Able To Meet The Operational Needs of Generators Serving California's Electricity Customers," the Northern California Power Agency ("NCPA") noted that "it is imperative that the continued provision of reliable electricity be addressed."[1] IEP shares this concern, and IEP highlighted in its initial Comments how the disconnect between the point of regulation and the allocation of allowances could lead to reliability problems. This concern about potential effects on reliability extends across a wide range of industry participants, from retail providers to electric generators.

B. Recovery of the Costs of Compliance

Several of the comments reflect erroneous assumptions about how electric generators will recover the cost of compliance with the GHG emissions reductions program, and these erroneous assumptions lead to two false conclusions.

- **Parties wrongly conclude that all electric generators can pass on the costs of allowances in the price of power.** San Diego Gas & Electric Company ("SDG&E") and Southern California Gas Company ("SoCalGas"), for

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[1] NCPA's Comments, pp. 9-10.

example, comment that the demand for allowances by electric generators is highly inelastic, because (they assume) electric generators can pass on the cost in the market price for power.[2] As noted in IEP's Comments, however, a significant portion of the existing generation fleet does not have a means to recover the costs of GHG compliance. This set of generators includes those operating under fixed-price contracts (*e.g.,* most renewable Qualifying Facilities ("QFs")), generators operating under a Commission-determined energy payment methodology (*e.g.,* cogenerator QFs), and generators operating under tolling arrangements. These entities do not have available reasonable means for cost recovery of GHG compliance costs. In fact, the only generators that might have an ability to pass on the costs of complying with the GHG emissions reduction program are (1) generators selling into the market without a contract (a limited portion of the market because the Commission has directed utilities to limit spot market purchases to 5% of their energy requirements), depending on market conditions, and (2) generators with contracts that include a price adjustment or reopener for new, additional regulatory costs. Thus, depending on how the GHG program is implemented and the extent to which reasonable cost recovery mechanisms are made available, the GHG program risks undermining the operations of renewable and cogeneration resources—the facilities that are most needed to meet both RPS and GHG compliance targets.

- **Parties wrongly conclude that including the costs of GHG compliance in**

[2] SDG&E/SoCalGas' Comments, p. 24.

the market price will result in catastrophic outcomes to consumers. On the assumption that generators will be able to recover the cost of GHG compliance in the market, some parties comment that consumers will be harmed.[3] Alternatively, it has been pointed out that attempts to undermine market solutions for entities in the market (presumably both supply and demand) are sub-optimal from an efficiency perspective.[4] IEP offered more nuanced observations on the interaction between the market and GHG program compliance costs:

- Imposing a GHG compliance obligation on the electric generation sector without creating a corresponding ability for obligated entities to recover their costs, in the market or otherwise, will undermine dependable generation needed to maintain grid reliability;
- Long-term contracting with low-emitting electric generators is a perfectly rational strategy for load-serving entities ("LSEs") to employ if they wish to mitigate the risk of high or volatile short-term market prices that reflect generators' costs of compliance with GHG program; and
- Consumers should be exposed to the real costs of GHG emissions reduction so that they receive a clear signal to adjust their behavior to lower their costs and reduce their contribution to GHG emissions.

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[3] See TURN's Comments, p. 11 ("The structure of the electric sector allows generators to pass through most of the allowance costs to consumer through higher electric prices").

[4] SCE's Comments, p. 10 ("Any allocation mechanism that alters a market solution would thus be sub-optimal, or at least not better than or equal to the efficiency of the solution from an allocation that does not alter behavior").

> Concealing the costs of reducing GHG emissions will ultimately be unsuccessful, because consumers will eventually confront higher costs directly in other, unavoidable forms (*e.g.,* rising sea levels, severe weather, changed rainfall patterns).

III. ALLOWANCE ALLOCATION

A. Detailed Proposal

IEP did not present a detailed allocation proposal in its Comments, but it stressed one critical point that several other commenting parties have echoed: Whatever allocation system the Commission and CEC recommend, and CARB adopts, must match the allocation of allowances to the point of regulation to ensure that the reliability of the grid is maintained. Separating the point of regulation from the allowance allocation undermines the obligated entities' ability to acquire the allowances needed for reliable operation of the grid in a timely manner and at a reasonable cost. Some parties have recognized the potential "complexities" that may arise if the point of regulation is separated from allowance allocation policy,[5] but this is not simply a matter of "complexity" but rather of fundamental policy implementation. Some parties have even argued that the need to link the allowances with the obligated entities requires a reconsideration of the decision to designate deliverers as the point of regulation.[6] Regardless of the form this point takes, the same fundamental principle applies: entities with the obligation to comply with the GHG emission reductions must have ready access to the allowances needed to meet that compliance obligation without threatening the reliability of the electric grid.

[5] NCPA's Comments, p. 17.
[6] *E.g.,* SMUD's Comments, p. 19.

B. Response to Staff Paper on Allowance Allocation Options and Other Allocation Recommendations

IEP offers the following comments on some of the recommendations other parties made on allowance allocation issues.

1. Role of the Independent Entity

Many parties support the distribution of allowances through an independent entity. For example, PG&E supports auctioning allowances through an independent entity on a nondiscriminatory basis.[7] IEP concurs with this portion of PG&E's recommendation. Under California's hybrid market structure, IOUs play the dual roles of deliverer and LSE, of buyer and seller in the electricity market, and employing the services of an independent entity is the only means to ensure fair and equitable distribution of allowances.

2. Use of Revenues

AB 32 requires CARB to "design the regulations, including distribution of emissions allowances where appropriate, in a manner that is equitable, seeks to minimize the costs and maximize the total benefits to California, and encourages early action to reduce greenhouse gas emissions."[8]

Many parties, including IEP, have concluded that any revenues derived from the implementation of AB 32 (for example, from the sale of allowances at auction) should benefit the consumers who will ultimately bear the bulk of the costs of reducing GHG emissions.[9] Parties differ, however, on how best to secure benefits for consumers. For example, some parties argue that the best use of the revenues is retail rate mitigation.[10] Unfortunately, applying

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[7] PG&E's Comments, p. 21.
[8] Pub. Resources Code § 38562(b)(1).
[9] *E.g.,* PG&E's Comments, p. 19.
[10] TURN's Comments, p. 17.

revenues directly to reducing retail rate has the effect of muting the price signals to consumers, delaying the behavioral changes needed to help achieve AB 32 compliance, and disconnecting retail price signals from wholesale prices. Moreover, using revenue simply to reduce retail rates in the short term will divert that revenue from uses that will produce lasting, long-term carbon reductions.

IEP and others contend that the revenues from AB 32 implementation will best serve consumers if they are reinvested back into the necessary infrastructure *(e.g.,* energy efficiency, renewables, clean fossil generation) that will be required to transform the electric sector and reduce overall statewide GHG emissions as envisioned in AB 32.[11] Other parties take a similar position when commenting that the revenues, in whole or in part, should be applied to uses that directly reduce GHG emissions.[12] Delaying the necessary infrastructure investment will simply increase consumer costs over the long term and will fail to meet the Legislature's instruction to "minimize costs and maximize total benefits."

In its Comments, IEP raised concerns about the concept of "revenue recycling," as discussed by parties in the GHG workshops, based on IEP's understanding that this term meant retail rate reduction without reference to investment in infrastructure to mitigate GHG emissions and overall program costs. Review of the parties' comments has clarified that use of the revenues for purposes of creating a long-term, stable investment in infrastructure that results in reduced GHG emissions is consistent with some parties' use of the term "revenue recycling." For example, the Natural Resources Defense Council ("NRDC") and Union of Concerned Scientists ("UCS") use "revenue recycling" to refer to using the revenues to invest in energy

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[11] NRDC/UCS's Comments, pp. 12-17; Comments of GPI, at p. 22.
[12] SMUD's Comments, p. 4; PG&E's Comments, p. 24.

efficiency, renewables, and similar programs needed to provide sustainable, long-lasting GHG reductions.[13] As noted above, other parties also have referred to the need to ensure reinvestment in GHG emission reduction infrastructure.[14] If the revenues are recycled by means of a dedicated investment account handled by the utilities or other retail providers and the revenues are allocated in an efficient, cost-effective, and competitive manner to reduce GHG emissions, then this approach is consistent with IEP's recommendation.

3. Treatment of Renewables

The Commission and CEC's recommendation must be clear on the suggested treatment of renewables and should ensure that California is not placed in the illogical position of requiring its lowest-carbon generating resources to purchase allowance in order to operate. IEP raised concerns in its comments regarding the treatment of renewables in the GHG emissions reduction effort, where "deliverers," including in-state renewable generators, are determined to be the point of regulation.[15] Other parties raised similar concerns. For example, the Division of Ratepayer Advocates ("DRA") addressed the treatment of renewables if, as a function of RPS Standard Terms and Conditions, renewable generators conveyed all their environmental attributes to the utility and are deemed for purposes of GHG compliance to be "null power" and require allowances to operate.[16] This result will create a barrier to further renewable development and will increase the cost, and ultimately the price, of renewable energy that is essential to achievement of both RPS and GHG goals. IEP urges the Commission and the

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[13] NRDC/UCS's Comments, p. 12: "Under such a system [revenue recycling], revenues that are recycled back to retail providers ***must*** be invested in the retail providers' service territories in specified ways that benefit their customers and result in long-term investment to reduce their GHG emissions (e.g., energy efficiency, renewable energy, etc.)" (emphasis in original).

[14] *E.g.,* SMUD's Comments, p. 18.

[15] IEP's Comments, Attachment A, p. 1.

[16] DRA's Comments, p. 3.

CEC (a) to recommend an exemption for renewables or a determination that renewables are compliant for GHG purposes, and (b) to define RPS renewable attributes (*i.e.,* RECs) in a way that clearly distinguishes them from GHG attributes.

4. Ensuring Reliability

As noted above, IEP is extremely concerned about how the implementation of AB 32 will affect grid reliability. In particular, IEP shares the concern expressed by many parties that reliability could be adversely affected if generators do not have access to allowances when they are called on by the California Independent System Operator ("CAISO") to operate in order to preserve the reliability of the grid or to meet other reliability obligations imposed by Resource Adequacy agreements, the Must-Offer Obligation, the North American Electric Reliability Council, the requirements of the maintenance and operating standards of the Commission's General Order 167, and the obligations imposed under the Participating Generator Agreement and the CAISO's tariffs. To the extent generators remain the point of regulation, the maintenance of grid reliability will be a function of allowance availability, cost, and overall liquidity of the market for allowances. Especially in the early stages of a cap-and-trade market, it seems prudent to have mechanisms available to right the market if it appears to be veering toward instability.

Any such mechanisms, however, should have clear rules set in advance that define the circumstances when, how, and for how long they may be used. In particular, intervention in the allocation market should occur only when the reliability of the grid is threatened. Market participants, especially electric generators that are both the points of regulation and the key components of reliable electric service, must have a clear, up-front understanding of market rules, so that they can plan accordingly in an effort to comply with GHG regulations while meeting their obligations to operate as needed to ensure the reliability of the grid. The nascent market for allowance needs stability, and if intervention in the market occurs "on the fly," without clear rules, the stability of the market will be undermined, and the efforts of generators to meet their dual obligations will be frustrated.

IEP also notes that AB 32 gives the Governor the authority to respond to "extraordinary circumstances, catastrophic events, or threat of significant economic harm" by extend the applicable deadlines "for individual regulations."[17] Because of the critical importance of maintaining the reliability of the electric grid, the Commission and the CEC should urge CARB to adopt specific, individual regulations governing the electricity sector's compliance with AB 32, so that the Governor would have the flexibility to delay the deadlines for the electric industry in extraordinary circumstances without necessarily suspending the entire AB 32 implementation schedule.

SCE refers to a similar mechanism, the Emissions Oversight Board. SCE briefly describes this Board as serving as "a backstop oversight board to ensure the continued viability of the emissions market and protect the economy and regulated sectors against unforeseen circumstances not addressed by the flexible compliance mechanisms." IEP's concerns about the need for clear rules for any market intervention, as described above, apply to SCE's concept of this Board. IEP agrees with SCE that with liquid and broad cap-and-trade programs, the need for intervention by this entity should be "minimal."[18]

C. <u>Legal Issues</u>

In its Opening Comments, IEP and several other parties discussed whether the

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[17] Pub. Resources Code § 38599(a), (b). The Governor also retains authority to take extraordinary actions when a state of emergency is declared. Pub. Resources Code § 38599(c); Gov't Code § 8550 *et seq*.

[18] SCE's Comments, pp. 20, 24.

allowance allocation proposals included charges that were "taxes," which would require approval by two-thirds of the Legislature, or "fees" that did not require super-majority approval. Some of the proposals presented in the opening comments concerning the disposition of the revenues collected through these charges raise related issues.

Specifically, some parties propose to use the revenues collected from the allowance allocation for rate reduction. While rate reduction is a worthy goal, it is not specifically authorized by AB 32 and it may conflict with the achievement of the goals for AB 32; for that reason, its legality is questionable.

AB 32 refers to two separate potential sources of revenues. First, AB 32 granted CARB authority to adopt a "schedule of fees to be paid by the sources of greenhouse gas emissions," but CARB has not so far suggested that it would impose this type of fee on the electric generation sector. The revenues from these source-based fees are required to be deposited in the Air Pollution Control Fund and may be appropriated by the Legislature to carry out the goals of AB 32.[19] Thus, the disposition of these revenues is left for later Legislative action.

The second potential source of revenues in AB 32 derives from its authorization of "market-based compliance mechanisms"[20] that could include auctions and other revenue-raising approaches. AB 32 is silent on the disposition of these revenues.

In the absence of express legislative guidance on the disposition of any revenues collected from the allowance allocation, several parties have recommended using the proceeds of an auction or other allocation approach to lower the rates of retail customers. However, lowering

[19] Pub. Resources Code § 38597.
[20] Pub. Resources Code §§ 38505(k), 88561(b), 38562(c).

retail rates does nothing to reduce the emissions of greenhouse gases, the paramount purpose of AB 32. In fact, reducing rates could even increase the demand for electricity, which, with the current composition of the generating resources available to serve demand in California, could have the contrary effect of *increasing* GHG emissions.[21]

Rather than funneling revenues back to retail customers and potentially working against the goals of AB 32, any revenues from the allowance allocation should be devoted to measures that increase the efficient use of energy or promote renewable and other low-carbon generation technologies. It would be particularly appropriate to encourage energy efficiency programs that target low-income customers so that these customers' bills would be reduced while their carbon footprints are similarly reduced. In this way, the net effect of AB 32 implementation would be lessened for these economically vulnerable customers.

IV. FLEXIBLE COMPLIANCE

Most commenting parties support one or more flexible compliance tools,[22] in recognition that when something new is created, particularly something as sweeping as a multi-sector GHG emissions reduction program, flexibility helps avoid catastrophic outcomes, particularly in the short term. As noted by SCE, flexible compliance and cost containment mechanisms can "protect electricity ratepayers and the economy from unforeseen interactions between the electricity and allowance markets.[23] IEP agrees.

Overall, parties tended to be supportive of the following flexible compliance

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[21] Note that AB 32's references to cost-effectiveness and achieving emissions reductions at the lowest cost refer to the effect on the overall state economy, not on individual ratepayers. See Pub. Resources Code §§ 38501(h), 38505(d), 38561(d), 38562(b)(1), (5).

[22] IEP's Comments, pp. 22-27; PG&E's Comments, pp. 36-45; SCE's Comments, pp. 11-18; SMUD's Comments, pp. 25-29; SCPPA's Comments, pp. 51-59; NRDC/UCS's Comments, pp. 21-30; AReM's Comments, pp. 5-7.

[23] SCE's Comments, p. 11.

tools.

- Banking
- Linkage
- 3-year Compliance Period

On the other hand, parties tended to divergent opinions on some of the flexible compliance mechanisms mentioned in the rulings. While IEP has no additional comments at this time on many of the flexible compliance topics, IEP provides reply comments in response to parties' comments on the matter of offsets (see below).

A. <u>Detailed Proposal</u>

IEP has no reply comments on this topic.

B. <u>Scope of Market and Related Issues</u>

IEP has no reply comments on this topic.

C. <u>Price Triggers and Other Safety Valves</u>

IEP has no reply comments on this topic.

D. <u>Linkage</u>

IEP has no reply comments on this topic.

E. <u>Compliance Periods</u>

IEP has no reply comments on this topic.

F. <u>Banking and Borrowing</u>

IEP has no reply comments on this topic.

G. <u>Penalties and Alternative Compliance Payments</u>

IEP has no reply comments on this topic.

H. <u>Offsets</u>

IEP endorses a policy establishing an offset program for AB 32 compliance purposes. The principles that IEP views as necessary for the proposed offset program are:

- Offsets must be additional and verifiable,
- "A ton is equivalent to a ton" from the perspective of emission reductions, such that an offset is equal to an allowance,
- Offsets should be permanent with no vintaging,
- Offsets should be exchangeable or tradable within carbon reduction programs including the WCI Partnership and non-contiguous entities deemed to be partners by the WCI, including the EU and RGGI.

Based on these principles, IEP agrees with NRDC/UCS's view that offsets "must be real, additional, verifiable, permanent, and enforceable"[24] and that all offsets used for compliance purposes "must meet the same requirements."[25] However, IEP disagrees with contentions that only in-state offset programs should be accepted or that voluntary offset programs should not count for compliance purposes.

Offsets that meet IEP's proposed requirements should not be limited by geography or location provided that they are additional and verifiable. Although TURN suggests that "only projects within the state should qualify,"[26] there is no apparent reason to exclude out-of-state offset that meet the requirements IEP has articulated. Offsets are a valuable tool to achieve both global and local emission reductions and are essential for lowering compliance costs and creating market liquidity. The broad spectrum of potential offsets should not be limited so long as it can be demonstrated that the offsets are indeed additional and verifiable.

Similarly, voluntary GHG emission reduction projects should be permitted as

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[24] NRDC/UCS's Comments, p. 24.
[25] NRDC/UCS's Comments, p. 29.
[26] TURN's Comments, p. 21.

offsets. NRDC/UCS acknowledge that offsets "must be real additional, verifiable, permanent and enforceable," but argue that "there is no guarantee that voluntary projects will be any of those."[27] If IEP's proposed principles for offsets are adopted, however, voluntary projects must be demonstrated to be additional, verifiable, and permanent. Under this *mandatory* framework, NRDC/UCS's exclusion of voluntary GHG emission reduction projects on the bare presumption that they are not additional, verifiable, or permanent is left without a rational basis.

NRDC/UCS also argue that offsets could undermine an important goal of AB 32, which is to foster innovation in low-carbon technologies.[28] On the contrary, offsets will promote innovation by lowering compliance costs and thereby creating the means and incentive for increased investment in carbon-reduction technologies.

IEP emphasizes its support for offsets that are additional and verifiable and conform to the other principles IEP has articulated. Offsets should not be limited by geographic or locational preference. Offsets should be viewed as a cost-effective means to achieve AB 32's goals of stimulating innovation and reducing GHG emissions at the lowest cost.

I. <u>Legal Issues</u>

IEP has no reply comments on this topic.

V. <u>TREATMENT OF CHP</u>

IEP has no reply comments on this topic.

VI. <u>NON-MARKET-BASED EMISSION REDUCTION MEASURES (OTHER THAN CHP) AND EMISSION CAPS</u>

IEP has no reply comments on this topic.

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[27] NRDC/UCS's Comments, p. 29.
[28] NRDC/UCS's Comments, p. 26.

VII. MODELING ISSUES

IEP shares the concerns expressed by many parties about the modeling of GHG emissions reductions. To avoid repetition, IEP will provide reply romments only on the issue of inputs.

A. Methodology

IEP has no reply comments on this topic.

B. Inputs

SDG&E and SoCalGas, in their comments on the E3 modeling input assumptions, state that the generator assignment "seems" to be correct.[29] As shown in IEP's opening comments, however, generator assignment can have significant impacts on modeled results, including carbon attribution by LSE, carbon cost impacts on market-clearing prices and perceptions of so-called windfall profits.

As IEP argued, the E3 modeling assumes that many generating resources are uncontracted and are selling into the market. The result of this flawed assumption is an overstatement of the impact of carbon costs on the market-clearing price and on the costs faced by LSEs, since this assumption also results in an overstatement of LSEs' reliance on the spot market. This flawed assumption should be corrected if the E3 model is to be relied upon. IEP's position that these resources will in fact be contracted was supported by the Commission in D.07-12-052, where the Commission required the utilities to maintain their existing QF capacity for the next 10 years "through re-contracting with existing QFs and contracting with new QFs."[30] This order corroborates IEP's position that most resources will be operating under the terms of

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[29] SDG&E/SoCalGas' Comments, p. 41.
[30] D.07-12-052, p. 83. See, *e.g.,* SCE's Advice Letter 2246-E.

bilateral contracts and thus their ability to extract windfall profits will be *de minimus*.

C. Results Reported by E3

IEP has no reply comments on this topic.

D. Additional Modeling and Scenarios to Support Parties' Comments

IEP has no reply comments on this topic.

VIII. CONCLUSION

IEP has commented extensively on the questions posed in the Administrative Law Judges' ruling, but a few points stand out as the most critical for the Commission's and the CEC's consideration:

- Reliability must be the paramount consideration as CARB proceeds with the implementation of AB 32;
- Separating the point of regulation from the allocation of allowances creates many implementation problems and has the strong potential to undermine the reliable operation of the elected system;
- Revenues derived from any allowance allocation should be devoted to investment in infrastructure that will result in long-lasting reductions in the emissions of GHG; and
- Implementation of AB 32 should not create a disincentive for the operation of the lowest emitting existing generating plants.

IEP respectfully urges the Commission and the CEC to consider the points made in its comments as the agencies develop their recommendation to CARB.

Respectfully submitted this 16th day of June, 2008 at San Francisco, California.

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CERTIFICATE OF SERVICE

I, Melinda LaJaunie, certify that I have on this 16th day of June 2008 caused a copy of the foregoing

REPLY COMMENTS OF THE INDEPENDENT ENERGY PRODUCERS ASSOCIATION ON ALLOCATION, FLEXIBLE COMPLIANCE, COMBINED HEAT AND POWER, AND MODELING ISSUES

to be served on all known parties to R.06-04-009 (and CEC Docket 07-OIIP-01) listed on the most recently updated service list available on the California Public Utilities Commission website, via email to those listed with email and via U.S. mail to those without email service. I also caused courtesy copies to be hand-delivered as follows:

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I declare under penalty of perjury that the foregoing is true and correct. Executed this 16th day of June 2008 at San Francisco, California.

/s/ Melinda LaJaunie
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2970/019/X100490.v1

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