

Rockland Capital's comments to proposed revisions to RPS Eligibility Guidebook

RPS Proceeding

Pursuant to Docket numbers 02-REN-1038 and 11-RPS-01, please find below Rockland Capital's comments with respect to proposed revisions to the RPS Eligibility Guidebook, including responses to Attachment B (see pages 2 and 3). Rockland Capital (www.rocklandcapital.com) is private equity firm focused on power generation-related investments, including but not limited to out of state biomass-fueled renewable generation facilities. Rockland contact: james.harlan@rocklandcapital.com

De Minimis Fossil Fuel Use (page 47 of draft RPS Eligibility Guidebook)

Multifuel facilities using no more than a de minimis quantity of nonrenewable fuels or energy resources, as described below, in the same generation process as the renewable fuel, and as measured by the methodology approved for that specific facility, may be eligible to count the entire electrical output as RPS-eligible. ~~If To the extent~~ the nonrenewable fuel or energy resource use exceeds the allowable de minimis quantity, then ~~only the renewable portion of the generation will be~~ such excess nonrenewable fuel use will not be considered RPS eligible.

De Minimis Fossil Fuel Use (page 47)

Applicants for facilities certified as RPS eligible must notify the Energy Commission immediately if the facility's nonrenewable fuel use exceeds the de minimis quantity by submitting an amended CEC-RPS-1 form indicating the revised amount of nonrenewable fuel or energy resource use.

- **Question:** *Is it the CEC's intent to differentiate between: (i) temporary factors outside the facility operator's control (e.g., due to above normal precipitation and resulting higher moisture content in biomass fuel) and (ii) a more fundamental change that is in the facility operator's control (e.g., an inexpensive source of non-renewable fuels)?*
- **Comment:** *It seems that (ii) should be subject to such CEC notification, but not (i).*

De Minimis Fossil Fuel Use (page 48)

- c. The higher quantity of nonrenewable fuel is limited to either natural gas or hydrogen derived by reformation of a fossil fuel. Specifically, a facility permitted to use an adjusted de minimis quantity of 5 percent may use any nonrenewable fuel to an amount that does not exceed 2 percent of the facility's annual generation. The remainder of the allowed 5 percent nonrenewable contribution may result **only from the use of either natural gas or hydrogen derived by reformation of a fossil fuel.**
- **Question:** *If not strictly prescribed by legislation, why limit this to two non-renewable fuels, with the latter one (hydrogen) being generally commercially unavailable?*

Quantifying Incremental Generation from Out-of-State Facilities (page 61)

- **Comment:** *More specificity in the revised Guidebook as to how this standard will actually be applied during the delivery month would be appreciated. To make incremental power more salable in a PPA structure, the generator needs to be able to provide a ratable schedule of renewable power deliveries to a customer over the full course of the month (e.g. 35 MWh per hour for all hours of the month), as opposed to only after the historic baseline generation level for the month is achieved (e.g., 55 MWh per hour after the generation for the month exceeds 14,000 MWh). A method that provides scheduling certainty on a monthly basis based on forecast/estimated RPS-eligible incremental renewable generation would be preferable. Year ending correction mechanisms can be incorporated into a PPA to correct for any difference between estimated RPS-eligible incremental renewable generation and actual RPS-eligible incremental renewable generation.*

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Rockland Capital's response to ATTACHMENT B: Questions Concerning Possible Changes to the Renewable Portfolio Standard Eligibility Guidebook

- A1. Please provide an amount of generation increase, in terms of a percent, that constitutes a significant amount of generation. Please explain why the selected percent should be considered significant. *"...Significant..." should mean at least a 5% increase in overall facility generation (i.e., as a result of a 3% increase in non-renewable fuel inputs).*
- B1. Is 80% the appropriate minimum level of capital investment to qualify an existing plant as a "new" facility? Explain. *A 50% minimum value of the repowered facility would be more appropriate for biomass-fueled CHP at kraft pulp and paper mills, which are more complex in nature than other types of biomass combustion facilities.*
- B2. Should capital expenditures be limited to a certain number of years? Explain. *A three year time limit would accommodate repowering projects at biomass CHP at pulp and paper facilities.*
- B3. What is the appropriate definition of "prime generating equipment" for each technology? Explain. Do the proposed definitions of prime generating equipment, and/or your suggested definitions, provide consistent replacement requirements for all technologies? *Biomass CHP at kraft pulp and paper facilities employs multiple biomass boilers (hog fuel boilers and recovery boilers) feeding a common steam header. Just as a multi-shaft gas-fired facility is more reliable than a single shaft gas-fired facility, a biomass CHP with multiple boilers has greater operational reliability than a biomass CHP facility with a single biomass boiler, a benefit that accrues to the power purchaser. However, the "replace the boiler" standard, while workable for single boiler facilities, is not in practice workable for multi-boiler facilities. For CHP at kraft pulp and paper facilities (i.e. multi-boiler facilities), a standard tied to substantial investment in boiler and generator equipment would provide a more relevant standard for replacement of "prime generating equipment". For example, the standard would be met if capital directed to boiler and generator equipment expenditures is equal to at least a one-half of the minimum level of overall capital investment to qualify an existing plant as a "new".*
- B4. Can the goals of repowering be achieved through efficiency and process improvements alone? If so, explain how.
- C1. The Energy Commission is considering eliminating the option of pre-certifying a facility that is in development and not yet online. Please discuss what value you believe pre-certification status provides to individual facilities, utilities or other stakeholders, and provide examples. *For out-of-state biomass projects, Pre-Certification provides an important level of certainty in an otherwise challenging process. These projects need to obtain permits, fuel supply, transmission, power sales and financing, among other things. The absence of Pre-Certification would hamper project development and financing and retard the availability of this firm renewable resource to California load-serving entities.*
- C2a. If the Energy Commission keeps the option of pre-certification, is there a reasonable amount of time after a pre-certification is submitted that the facility should apply for certification and that the same RPS Eligibility Guidebook should apply to the facility's application - after which the pre-certification status would expire? Facilities would need to reapply for pre-certification and the RPS Eligibility Guidebook in place at that later time would apply. Please explain. *New-build biomass projects typically take twenty-four to thirty-six months in the pre-construction phase and twenty-four months in the construction phase. Therefore, sixty months is a reasonable amount of*

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time for a newly constructed biomass project. Biomass repowering projects typically take up to twenty-four months in the pre-construction phase up to thirty-six months in construction phase. Therefore, sixty months is a reasonable amount of time for biomass repowering projects as well.

- C2b. What milestone(s) should be met by a facility before an application for pre-certification will be accepted by the Energy Commission? For example, should an applicant be required to demonstrate that the facility has applied for permits or that permits have been approved, land or a loan for the land has been acquired, etc.? How should these milestones be demonstrated by the applicant? *For a biomass project, demonstration that the applicant has site control and has applied for permits as pre-conditions for granting the Pre-Certification is reasonable.*