



**California Cogeneration Council**  
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January 24, 2008

Mr. Steve Church  
California Air Resources Board  
1001 "T" Street, PO Box 2815  
Sacramento, CA 95812

**Re: Comments of the California Cogeneration Council on the  
December 21, 2007 Draft ETAAC Report**

Dear Mr. Church:

The California Cogeneration Council (CCC) submits these comments addressing the December 21, 2007 *Draft Economic and Technology Advancements for California Climate Change Solutions Report* (Draft Report) prepared by the Economic and Technology Advancement Advisory Committee (ETAAC) for submittal to the California Air Resources Board (CARB) as part of AB 32 implementation.

The CCC is an ad hoc association of natural gas-fired cogenerators (more commonly called combined heat and power plants) located throughout California, in the service territories of all three of California's major investor-owned electric utilities (IOUs) - Pacific Gas & Electric Company (PG&E), Southern California Edison (Edison), and San Diego Gas & Electric (SDG&E). In aggregate, CCC members' 31 different combined heat and power (CHP) projects in California generate about 1,300 megawatts (MWs), most of which are sold to the California IOUs. CCC member projects are "qualifying facilities" (QFs) that sell power to the IOUs under the provisions of the Public Utilities Regulatory Policies Act (PURPA) of 1978. CCC projects also serve significant on-site electrical and thermal loads at industrial, commercial, and institutional facilities across the state. The CCC represents a significant share of the distributed CHP projects now operating in California.

The CCC supports ETAAC's identification of CHP technology as a contributor to AB 32 goals and agrees that we must improve policies for CHP facilities in order to realize the full potential of CHP in California.

While the Draft Report focuses on *The Waste Heat and Carbon Reductions Act* (AB 1613) as providing an opportunity to promote penetration of cost effective and energy efficient CHP, it is important to understand the limitations of that legislation. In particular, AB 1613 implementation targets new, small (<20 MW) cogeneration projects, and does not provide the proactive policies required to ensure larger, existing projects continue to operate in California.

Indeed, many of these existing projects are significantly more efficient than even the newest power generation facilities installed in California. At some sites operators want to increase CHP production, however, due to several of the regulatory issues identified in Appendix IV of the Draft Report this is regarded as an uphill battle.

The CCC appreciates the progress that both the California Public Utilities Commission (CPUC) and the California Energy Commission (CEC) have made on CHP issues – in particular, the CPUC’s 2007 order approving new long term contracts for CHP QFs and the CEC’s continued support in the *2007 Integrated Energy Policy Report* (IEPR) for policies that would support additional CHP development in California. CCC doubts, however, that CHP can make a significant contribution to climate goals under the existing PURPA framework. As the CEC has recognized in its recent IEPR reports, the state needs a new paradigm to support further CHP development. The CPUC’s recent QF order acknowledges that we are also unlikely to make progress in CHP development if CHP projects are forced either (1) to compete in utility RFOs or (2) to negotiate bilaterally with the electric utilities. CHP projects are not the same as merchant or utility owned generation, and often face operating constraints due to their dual role in producing both thermal energy and power.

The stated goal of expanding small and large scale CHP (Chapter 4, page 4-5), should also include the goal of maintaining current CHP capacity and implementing favorable policies that will enable greater efficiencies and emissions reductions in these existing facilities. The CCC supports the Draft Report recommendations discussed in Chapter 4 and considers these and other ideas could provide a new post-PURPA framework to support CHP in California. Some of these ideas include:

1. A CHP portfolio standard, similar to the RPS program.
2. Treating CHP like energy efficiency, including the possibility for utilities to realize a financial upside if they exceed targets for energy savings from CHP installations.
3. A feed-in tariff for CHP, perhaps following the AB 1969 model that allows small renewable generators to sell power to the utilities at the market price referent.

The CCC is committed to working with California regulators to advance these ideas and recommendations. Given the carbon constrained world in which we live, energy is too valuable to waste, and CHP provides a proven means to assure that our natural gas resources are used as wisely and efficiently as possible.

Please feel free to contact me if you have any questions.

Sincerely,

Beth Vaughan  
*Executive Director*