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February 28, 2008

Ms. Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Re: Urge Adoption of the ETAAC Report

Dear Chairwoman Nichols and members of the Board,

Capstone Turbine Corporation, a California-based company in the San Fernando Valley area of Los Angeles, wants to commend the ETAAC Committee for its hard work in producing this report. Sifting through all the potential answers to our climate change dilemma is a daunting task. The leadership provided by the committee will pay important dividends well into the future.

We want to urge the California Air Resources Board to adopt this report and begin the process of taking the recommended actions as quickly as possible. Capstone is particularly interested in the section of the report on Combined Heat and Power technologies and the substantial role they can play TODAY in addressing our concerns about climate change. Our microturbines are efficient electric power generators with extremely clean exhaust that can be used in a CHP system for water heating, absorption chilling, or other thermal process needs. Capstone's 65kW integrated microturbine CHP system is also CARB 2007 certified.

To quote the report: "California has yet to tap the full potential of Combined Heat and Power (CHP) facilities to decrease CO_2 and other GHG emissions." We couldn't agree more. There are significant and quickly realized GHG benefits to be had if California will enact policies maximizing the opportunities for installing CHP. The report estimates "CO_2 reductions of 25-45 percent are possible" by switching to CHP technologies - an improvement that could result in CO_2 reductions of up to "1.5 MMT annually per 1,000MW of installed CHP capacity." The report goes on to note that "California could add between 2,000 MW and 7,300 MW to the 9,200 MW of CHP capacity currently installed in California." This represents significant GHG reductions that are achievable without any technological breakthroughs.

While we think all of the recommended actions relative to CHP would be useful, the most important to many of us would be to reinstate the Self-Generation Incentive Program for clean CHP systems, which expired at the beginning of the year. Nothing makes business move more quickly than reducing costs and speeding up the payback on their investment. And the CHP incentive levels are also cost effective for utility ratepayers, since they defer investment in new generation, transmission, and distribution.

So again, Capstone urges the Air Resources Board to adopt this report and support the actions that would lead to early and significant reductions.

Sincerely,

Steve Gillette
VP, Product Management

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