



August 11, 2011

Office of Climate Change
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Revised Definition of Cogeneration in Reporting Regulations

Dear Chairman Nichols and Members of the Board:

These comments are offered on behalf of the Energy Producers and Users Coalition¹ and the Cogeneration Association of California² (EPUC and CAC). Members of these coalitions own and operate roughly 2,400 MW of existing combined heat and power (CHP) generation in California, which is located primarily at refineries and enhanced oil recovery operations. These CHP facilities generate roughly 18 million MWh of power for the state of California. In addition, EPUC members have the potential to develop additional CHP capacity, depending on market conditions and the removal of existing development barriers. These comments seek modification to the cogeneration definition included in the updated reporting regulations. As noted below, the current definition creates an ambiguity and fails to ensure alignment with the current California regulatory framework that defines and governs cogeneration.

The Revised Regulation defines define cogeneration in a manner that requires “onsite generation”:

*(72) “Cogeneration” means an integrated system that produces electric energy and useful thermal energy for industrial, commercial, or heating and cooling purposes, through the sequential or simultaneous use of the original fuel energy. Cogeneration must involve **onsite** generation of electricity and useful thermal energy and some form of waste heat recovery.” (Emphasis added.)*

The use of the term “onsite,” which is not defined in the regulation, creates an ambiguity. The ambiguity arises from the fact that some facilities use cogeneration

¹ EPUC is an ad hoc group representing the electric end use and customer generation interests of the following companies: Aera Energy LLC, BP West Coast Products LLC, Chevron U.S.A. Inc., ConocoPhillips Company, ExxonMobil Power and Gas Services Inc., Shell Oil Products US, THUMS Long Beach Company, and Occidental Elk Hills, Inc.

² CAC represents the combined heat and power and cogeneration operation interests of the following entities: Coalinga Cogeneration Company, Mid-Set Cogeneration Company, Kern River Cogeneration Company, Sycamore Cogeneration Company, Sargent Canyon Cogeneration Company, Salinas River Cogeneration Company, Midway Sunset Cogeneration Company and Watson Cogeneration Company.



thermal or electric energy that is not produced onsite, but “over the fence”, on the site of another entity. Public Utilities Code (PUC) Section 218 permits “over-the-fence” transactions when electricity is delivered by the generator for:

- (1) *Its own use or the use of its tenants.*
- (2) *The use of or sale to not more than two other corporations or persons solely for use on the real property on which the electricity is generated or on real property immediately adjacent thereto,*

The use of the term “onsite” in the current cogeneration definition could be interpreted to exclude these over-the-fence transactions that are currently permitted. To eliminate any ambiguity that could adversely impact the current regulatory framework governing cogeneration, the following modification should be incorporated:

(72) “Cogeneration” means energy. Cogeneration must involve onsite the generation of electricity and useful thermal energy and some form of waste heat recovery. Some examples of cogeneration include power production.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'Evelyn Kahl'.

Evelyn Kahl
Seema Srinivasan

cc: Dave Mehl