

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Integrate  
and Refine Procurement Policies and  
Consider Long-Term Procurement Plans.

Rulemaking 10-05-006

**MOTION OF  
ACE COGENERATION COMPANY  
TO BECOME A PARTY**

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November 4, 2011

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**I. INTRODUCTION**

Pursuant to Rules 1.4(a)(4) and 11.1(b) of the Commission’s Rules of Practice and Procedure, ACE Cogeneration Company submits this motion to become a party in the above captioned proceeding.

**II. MOTION TO BECOME A PARTY**

*A. ACE Cogeneration’s Interest in the Proceeding – Rule 1.4(b)(1)*

ACE Cogeneration Company is the owner of a 108 megawatt (“MW”) coal-fired baseload facility located Trona, California (“project”). The project is a Qualifying Facility (“QF”) under a PURPA standard offer contract with Southern California Edison (“SCE”). The solid fuel burning project provides steam to its host, Searles Valley Minerals (“SVM”). As the thermal host, SVM relies on ACE Cogeneration to provide reliable thermal energy so that SVM can maintain continuous mineral production operations that take advantage of Trona, California’s special geological attributes. ACE Cogeneration supports a number of well-paying jobs in an area with a limited industrial or economic base.

As an electric generator, ACE Cogeneration is subject to the cap-and-trade regulation recently adopted by the California Air Resources Board (“CARB”). ACE Cogeneration faces a very large greenhouse gas (“GHG”) cap-and-trade compliance obligation under CARB’s implementation of AB 32 as a high carbon solid fuel user. Because of these significant new costs,

only a small portion of the project's GHG compliance costs will be recovered under any of the proposed pricing options included in the CPUC's QF/CHP settlement decision, D.10-12-035. Notwithstanding the project's historic need to rely on solid fuels because of its remote location and the particular thermal needs of its host, SCE has not been willing to discuss contract amendments that would permit recovery of these new regulatory cost increases or to support other potential project changes that will maintain the project's ongoing operations.

To improve the project's viability, ACE Cogeneration is evaluating options for transitioning the project to use renewable and/or lower carbon content fuels such as natural gas, which will, in turn, reduce the emissions that drive the project's GHG compliance costs. However, in light of the various costs associated with undertaking physical modifications, ACE Cogeneration will not be able to convert the facility if it cannot pass-through or otherwise offset the cap-and-trade compliance costs during a "transition" period. Closure of the facility will eliminate the power and grid support in a geographically remote area, as well as the associated jobs (30 direct jobs), and local revenues, and loss of an opportunity for GHG emissions reductions at an existing operational generating facility.

On September 23, 2011, the Independent Energy Producers Association ("IEP") filed its *Motion Of The Independent Energy Producers Association For Expedited Determination of Issue* seeking consideration for projects operating under contracts with no ability to pass-through GHG compliance costs (also referred to as the "locked-in" contract issue). ACE Cogeneration is now seeking to join the proceeding as the expedited consideration of the locked-in contract and related matters is of vital importance to its continued operations. By operating under a contract that may allow, at best, only a partial pass-through of GHG costs imposed under this new regulatory program, ACE Cogeneration will be directly affected by the outcome of this proceeding.

**B. ACE Cogeneration's Contentions in the Proceeding – Rule 1.4(b)(2)**

ACE Cogeneration anticipates participating in the proceedings relating to the consideration of GHG costs incurred by generators and cogenerators. ACE Cogeneration makes no particularized contentions at this time beyond supporting those raised in IEP's motion, but will continue to evaluate the proceeding and coordinate with similarly concerned parties.

**C. Service**

ACE Cogeneration asks that it be served copies of all correspondence, pleadings, notices, orders, and other communications in this proceeding to the following (with the first person to be listed as "party" and other persons listed as "information only" on the service list):

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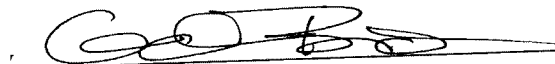
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**III. CONCLUSION**

For the reasons stated above, ACE Cogeneration respectfully requests that the Commission grant this motion and provide it party status.

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Respectfully submitted,



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