

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 12-03-014
(Filed March 22, 2012)

**COMMENTS OF THE COGENERATION ASSOCIATION OF CALIFORNIA
AND THE ENERGY PRODUCERS AND USERS COALITION
ON PROPOSED DECISION**

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SUBJECT INDEX

The proposed decision should be clarified to provide for a separate procurement of combined heat and power resources, and procurement of CHP resources should not be constrained by the limit on procurement of gas-fired resources.

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FINDING OF FACT AND CONCLUSIONS OF LAW

No revisions to the findings of fact or conclusions of law is recommended.

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Pursuant to Rule 14.3 of the Commission rules of procedure, the Cogeneration Association of California¹ and the Energy Producers and Users Coalition² (the CHP Parties) provide these comments on the “*Decision Authorizing Long-Term Procurement for Local Capacity Requirements.*” This proposed decision (PD), issued on February 11, 2014, would grant procurement authorizations for the IOUs to replace capacity from the shuttered SONGS generating plant.

The CHP Parties seek clarification of one provision of the PD. Among the authorizations to be granted SCE is to procure:

- a. At least 1,000 MW, but no more than 1,500 MW, of local capacity must be from conventional gas-fired resources, including combined heat and power resources;³

¹ 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.

² 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., Phillips 66 Company, ExxonMobil Power and Gas Services Inc., Shell Oil Products US, THUMS Long Beach Company, and Occidental Elk Hills, Inc.

³ *Proposed Decision*, p. 91.

This provision could be interpreted to merge procurement of CHP within a blanket authorization for gas-fired generation. Under this problematic reading, if SCE procures 1500 MW of conventional gas-fired generation, it would have no obligation to procure any CHP generation. This is clearly contrary to the very explicit commitment to the Loading Order contained in this proposed decision.⁴ It is also contrary to the other State policies mandating procurement and promoting the development of new CHP facilities.⁵ Further, this interpretation would seem to disregard the many CHP facilities that are not gas-fired, including bottoming cycle facilities and those fueled by forest products and other bio-matter.

Lumping CHP resources with conventional gas-fired resources would eliminate the inherent advantages of such CHP resources. A CHP resource produces both electricity and thermal energy much more efficiently than the production of the two separately. The CHP facility also produces fewer GHG emissions than the production of the electricity and thermal energy separately. Although the state is moving toward a carbonless future, there are some industrial demands for thermal energy that are best met by gas-fired production.

⁴ *Id.*, p. 6.

⁵ Those mandates include:

- California Public Utilities Code Section 372 (a):
“It is the policy of the state to encourage and support the development of cogeneration as an efficient, environmentally beneficial, competitive energy resource that will enhance the reliability of local generation supply, and promote local business growth.”
- Energy Action Plan II (and updates) –California’s energy supply must be: reliable, affordable, technologically advanced, environmentally sound (i.e. meet AB 32 goals), and safe.
- CARB 2008 Scoping Plan goal of 4 GW of new CHP by 2020.
- Governor Jerry Brown’s energy goals include:
 1. Develop 12 GW of new distributed generation.
 2. Install 6.5 GW of new CHP over 20 years.
- CARB’s 2013 Updated Scoping Plan (draft):
Recognizes Governor Brown’s Clean Energy Jobs Plan goal of 6,500 MW of additional CHP capacity by 2030, AB1613, CHP Settlement, etc.

CHP can meet those demands as well as produce electricity. It provides a necessary support for the competitiveness of California industry and the employment and tax base it provides. Further, the dispersed development of CHP resources at industrial facilities provides the additional benefits of avoided transmission and distribution investment, avoided transmission and distribution losses, and increased reliability of electric service to commercial and industrial customers. Any procurement decision by this Commission must differentiate CHP from conventional resources to preserve and advance these advantages.

This authorization should be clarified to state that gas-fired CHP resources procured by SCE under other procurement authorizations may be counted toward this limitation on gas-fired resources. Further, the authorization must also be clarified that the procurement of 1500 MW of other gas-fired resources by SCE would not preclude SCE's compliance with its other procurement obligations related to CHP. This clarification renders this provision consistent with another procurement authorization imposed on SCE by the PD, that "*at least 550 MW of local capacity must be procured from preferred resources consistent with the Loading Order of the Energy Action Plan.*"⁶ CHP is a preferred resource as recognized by this PD,⁷ and SCE has an obligation pursuant to this PD, the prior authorizations in D.13-02-015,⁸ as well as the Loading Order to procure CHP without limitation.

⁶ *Id.*, p. 91.

⁷ *Id.*, p. 6.

⁸ The Track I decision in this docket, issued February 13, 2013.

This clarification does not require any revision of the proposed Findings of Fact and Conclusions of Law, but the quoted paragraph in the body of the PD should be revised to either remove any reference to CHP, or to state:

a. At least 1,000 MW, but no more than 1,500 MW, of local capacity must be from conventional gas-fired resources,, ~~including combined heat and power resources reduced by any amount of gas-fired CHP resources procured in the LA Basin.~~ SCE's obligations to procure CHP and other preferred resources are not limited by this authorization.

This additional language would clarify that SCE has an independent obligation to procure CHP as a preferred resource regardless of how much conventional gas-fired generation is procured. This would reinforce the primacy of the Loading Order and CHP's place in it.

Respectfully submitted,

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