

From: Jacobson, Erik B (RegRel)  
Sent: 7/15/2014 10:35:41 AM  
To: Franz, Damon A. (damon.franz@cpuc.ca.gov)  
Cc:  
Bcc:  
Subject: RE: GHG Accounting for bottoming-cycle CHP

Damon,

Pre-existing bottoming cycle CHP should not be treated as “New CHP”. The definition of a “New CHP Facility” is provided for in Section 17 of the Settlement. A New CHP Facility is one “that became operation after the Settlement Effective Date.” The GHG counting rules are spelled out in Section 7 of the Settlement. There may be GHG savings associated with existing CHP facilities if there is a physical change or change in operations at the facility (Section 7.3). Shutting down inefficient existing CHP facilities may also count towards the GHG targets. If a facility meets the requirements spelled out in Section 7, PG&E would count the resulting GHG savings regardless of whether the CHP facility is topping or bottoming cycle.

The purpose of Section 6.4 is to determine the allocation of GHG reduction targets between the IOUs. It does not govern the GHG accounting methodology. The fact that Section 6.4.1 excludes bottoming cycle facilities for determining the IOUs’ proportional share of CARB’s CHP RRM is not a reason for treating bottoming cycle facilities as new CHP. The language in Section 6.4.1 is clearly limited “For the purpose of this section”. It does not impact the way we account for GHG savings or the definition of new CHP.

I hope this helps. Please let me know if your legal department has any concerns with our approach. I’m not aware of any concerns being raised by the PRG or Independent Evaluator regarding the valuation of GHG savings from bottoming cycle facilities. However, we would be happy to discuss our general approach and address any questions you may have regarding the valuation of specific bottoming cycle CHP facility that bid into our RFOs.

Thanks,

Erik

Erik Jacobson

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**From:** Franz, Damon A. [mailto:[damon.franz@cpuc.ca.gov](mailto:damon.franz@cpuc.ca.gov)]  
**Sent:** Friday, July 11, 2014 4:11 PM  
**To:** Jacobson, Erik B (RegRel)  
**Cc:** [Redacted]  
**Subject:** GHG Accounting for bottoming-cycle CHP

Hey Erik-

I met with some of the CHP parties this week, and they are concerned that the utilities may not be properly valuing GHG savings from bottoming-cycle CHP in accordance with the rules set forth in the CHP/QF settlement. In particular, they contend that all bottoming-cycle CHP facilities should be treated as new CHP for the purposes of counting GHG benefits, according to section 6.4.1, which states: “For the purposes of this section regarding GHG Emissions Reduction Target counting, Existing CHP facilities are gas-fired Topping Cycle CHP facilities that exported and delivered electric power to an IOU as listed by QF ID number in each IOU’s July 2010 Semi-Annual Report...”

I looked at some of the bid rankings from the last RFO, and it looks like some existing bottoming-cycle CHP was not given credit for GHG benefits. The Settlement is confusing on this point, and I’m having our legal team look into it and provide us with an opinion on how

the Settlement intended to treat bottoming cycle. But in the meantime, I wanted to get an opinion from PG&E about whether or not you agree with the CHP parties' interpretation, or whether PG&E has already analyzed that part of the Settlement language and arrived definitively at the opposite conclusion.

Damon

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