

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

Order Instituting Rulemaking to Promote  
Policy and Program Coordination and  
Integration in Electric Utility Resource  
Planning.

Rulemaking 04-04-003  
(Filed April 1, 2004)

**COMMENTS OF THE CALIFORNIA CLEAN DG COALITION  
ON THE ASSIGNED COMMISSIONER'S RULING  
REGARDING NEXT STEPS IN PROCUREMENT PROCEEDING**

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December 12, 2005

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Pursuant to the December 2, 2005 Assigned Commissioner's Ruling Regarding Next Steps in Procurement Proceeding (ACR), the California Clean DG Coalition (CCDC) provides the following comments on the ACR.

***1. Introduction.***

CCDC is an ad hoc group interested in promoting the ability of distributed generation system manufacturers, distributors, marketers and investors, and electric customers to deploy DG.<sup>1</sup> CCDC appreciates the work the California Public Utilities Commission (Commission or CPUC) has undertaken to date to address procurement issues in California and supports the Commission's present commitment to consider remaining and additional issues in a "coordinated and integrated manner" in the proceeding initiated to succeed R.04-04-003.<sup>2</sup>

The State of California has a long history of promoting DG, and CCDC encourages the Commission to continue that pattern by confirming in the procurement planning process that DG is to have a meaningful place in California's energy landscape.

***2. The Integrated Resource Planning Process Should Include Establishment of Procurement Targets for DG.***

Recent actions by the CPUC and the California Energy Commission (CEC) emphasize California's desire that DG, including combined heat and power (CHP) projects, comprise a

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<sup>1</sup> CCDC is currently comprised of Capstone Turbine Corporation, Caterpillar, Inc., Chevron Energy Solutions Company, Cummins Cal-Pacific, Cummins, Inc., Cummins West, Inc., DE Solutions, Energy and Power Solutions, Inc., Hawthorne Power Systems, Holt of California, Ingersoll-Rand Energy Systems, Johnson Power Systems, next>edge, Inc., Northern Power Systems, Peterson Power Systems, Quinn Power Systems, RealEnergy, LLC, Simmax Energy, Solar Turbines Incorporated, and Tecogen, Inc.

<sup>2</sup> ACR, p. 2.

larger share of the supply necessary to meet California's energy needs. In the 2005 Integrated Energy Policy Report (IEPR) the CEC recognizes that:

The benefits of DG go far beyond actual generation. DG reduces the need for new transmission and distribution infrastructure and improves the efficiency of the state's electricity system by reducing losses at peak delivery times. Customers can use DG technologies as either peaking resources or for energy independence and protection against supply outages and brownouts. DG is a key element of California's loading order strategy and will help meet the state's energy efficiency and renewable energy goals.

Cogeneration, or combined heat and power (CHP), is the most efficient and cost-effective form of DG, providing numerous benefits to California including reduced energy costs; more efficient fuel use; fewer environmental impacts; improved reliability and power quality; locations near load centers; and support of utility transmission and distribution systems.<sup>3</sup>

In the Energy Action Plan II, adopted in September 2005, the CPUC and CEC identify as a key action item the development of tariffs and removal of barriers "to encourage the development of environmentally-sound combined heat and power resources and distributed generation projects."<sup>4</sup>

Most importantly, in light of the recognized benefits of CHP, the CEC "*strongly supports*" four recommendations for retaining existing and adding new CHP generation resources:

- (1) The CPUC and the CEC should establish annual utility procurement targets for CHP facilities by the end of 2006.
- (2) The CPUC should require investor-owned utilities to purchase electricity from CHP facilities at prevailing wholesale prices.
- (3) The CPUC should explore regulatory incentives that reward utilities for promoting customer and utility-owned CHP projects.
- (4) The CPUC should require that investor-owned utilities provide CA ISO scheduling services for these facilities and be compensated for doing so.<sup>5</sup>

CCDC urges the Commission to address each of these recommendations in the forthcoming procurement rulemaking.

In R.01-10-024, CCDC (i) requested the Commission to address the various cost/benefit and market issues called for in AB 970, SBX1-28 and the previous Energy Action Plan, and (ii)

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<sup>3</sup> 2005 IEPR, p. 74.

<sup>4</sup> Energy Action Plan II, p. 8.

<sup>5</sup> 2005 IEPR, p. E-4. (Emphasis added.)

proposed utility procurement targets for DG.<sup>6</sup> When D.04-01-050 was issued, the Commission was planning to institute a new DG rulemaking to address many of the issues raised by CCDC. Accordingly, D.04-01-050 did not reject CCDC's proposals but referred them to that rulemaking.<sup>7</sup> Various of the cost/benefit issues raised by CCDC are pending in the DG OIR (R.04-03-017), but not all of CCDC's proposals have been considered, including the proposal to establish a procurement target.

In light of the clear direction in the 2005 IEPR and Energy Action Plan II to increase installations of DG, including CHP, CCDC requests that the Commission consider the CEC's strong recommendations, particularly the recommendation for establishment of annual utility procurement targets for CHP facilities by the end of 2006, in the imminent long-term procurement proceeding. CCDC also recommends that the Commission consider the capacity value of CHP and how it can be an element of a procurement target or a capacity credit market. Implementation of the CEC's DG/CHP recommendations falls squarely within the following question, "[h]ow should CEC 2005 IEPR (including Transmittal Report, policy recommendations, and other documents, as appropriate) and CAISO Transmission planning study be incorporated into the IRP methodology?"<sup>8</sup>

### **3. Conclusion.**

The State of California has a long history of encouraging DG, and CCDC urges the Commission to continue that pattern by confirming in the procurement planning process that DG is to have a meaningful place in California's energy landscape. Accordingly, CCDC respectfully

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<sup>6</sup> D.04-01-050, p. 122. CCDC participated in R.01-10-024 under its former name, Joint Parties Interested in Distributed Generation/Distributed Energy Resources.

<sup>7</sup> D.04-01-050, p. 125 and Conclusion of Law 35.

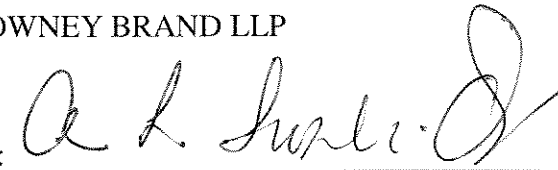
<sup>8</sup> ACR, Appendix A, p. 8. The cited question is listed under Proceeding Goal 2, A Review of Long-Term Procurement Plans, Including an Integrated Resource Planning Process for All IOU Planning Areas.

requests that the Commission include consideration of the CEC's four strong recommendations, particularly the recommendation for establishment of annual utility procurement targets for CHP facilities by the end of 2006, in the scope of the forthcoming long-term procurement proceeding.

DATED: December 12, 2005

DOWNEY BRAND LLP

By:



Ann L. Trowbridge

## CERTIFICATE OF SERVICE

I hereby certify that I served a copy of the **REPLY COMMENTS OF THE CALIFORNIA CLEAN DG COALITION ON THE ASSIGNED COMMISSIONER'S RULING REGARDING NEXT STEPS IN PROCUREMENT PROCEEDING** on December 12, 2005, on all known parties to proceeding R. 04-04-003 via electronic mail to those whose addresses are available and via U.S. mail to those who do not have an electronic address.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Dated this 12th day of December, 2005, at Sacramento, California.



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