

# Cogeneration and EAP II Ensuring Reliability or Broken Promises



Michael Alcantar on behalf of the  
Cogeneration Association of California

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# 2005 IEPR State Policy

## Reliability Through CHP

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- *“By the end of 2006, the CPUC should require IOUs to buy, through standardized contracts, all electricity from CHP plants in their service territories at their avoided cost, as defined by the CPUC in R.04-04-025. ... The terms of these contracts should be at least 10 years.”* (2005 IEPR, at 79 (emphasis added).)
- *“By the end of 2006, the Energy Commission and CPUC should collaboratively translate this goal [5,400 additional CHP MW] into annual IOU procurement targets.”* (*Id.* (emphasis added).)
- *“The Energy Commission and CPUC should establish mechanisms in this process to ensure that existing CHP systems retain their baseload positions in IOU portfolios.”* (*Id.* (emphasis added).)

# CPUC Promises

## Implementation of IEPR

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- *“The CEC’s 2005 ... IEPR process will estimate need for resource additions, evaluate policies and recommend appropriate resource strategies for the State.”* (3/14/2005 Assigned Commissioner Ruling at 4 (citing 9/16/2004 ACR).)
- *“The IEPR will ... recommend broad, statewide resource preference policies.”* (*Id.* at 5.)
- *“[W]ith very narrow exceptions [material new information, materially changed circumstances], the CPUC will not provide an additional opportunity for parties to re-examine IEPR determinations during its 2006 procurement proceedings.”* (*Id.* at 6 (emphasis added).)

# CPUC Promises

## Encouragement of QFs

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- *“QF power provides numerous benefits to California, including environmental attributes, local power production, and economic development.”* (D.04-01-050, FOF 71.)
- *“It is the Commission's desire to encourage existing QFs to continue providing power over the longer term to the utilities and to encourage efficiency upgrades to existing QF facilities.”* (D.04-01-050 at 157.)

# CPUC Promises Set Policy for New QFs

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- *“Development of a long-term policy for handling expiring QF contracts is the next issue. ... The Commission also wants to look at long-term procurement policies for new QF contracts.”*  
(2/18/2005 Assigned Commissioner Ruling at 2, setting scope of QF policy proceeding.)

# CPUC Actions

## Incompatible with Promises

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- Filing at FERC on a waiver of PURPA requirements for avoided cost pricing and must take obligations if a nondiscriminatory electric market exists.
- A “market” the CEC concluded does not and will not be established for a long time in California.
- “[T]he CPUC concurs with PG&E and SCE ... the utilities ... need only make a ministerial filing to be granted a waiver.” (3/28/2006 Reply Comments at 5 (prejudging the QF policy issues at FERC in Docket RM06-10-000) (emphasis added).)

# Actions Speak Louder Than Words...

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- CPUC formal positions announced at FERC appear to preclude both:
  - implementation of the IEPR policy that IOUs should be required to purchase CHP power at avoided costs; and
  - retention of existing QFs and encouragement of new QFs.

# Have we misunderstood?

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- Does the CPUC really intend to implement the 2005 IEPR and achieve reliability through CHP?

*or*

- Does the CPUC really want to abandon 30 years of successful policy promoting and establishing CHP in California?
- Why did we engage in the CEC IEPR process?