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12-IEP-1D

DATE FEB 16 2012

RECD. FEB 17 2012

***Unlocking CHP's Potential
Clean Energy & Economic Growth***

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Solar Turbines

A Caterpillar Company

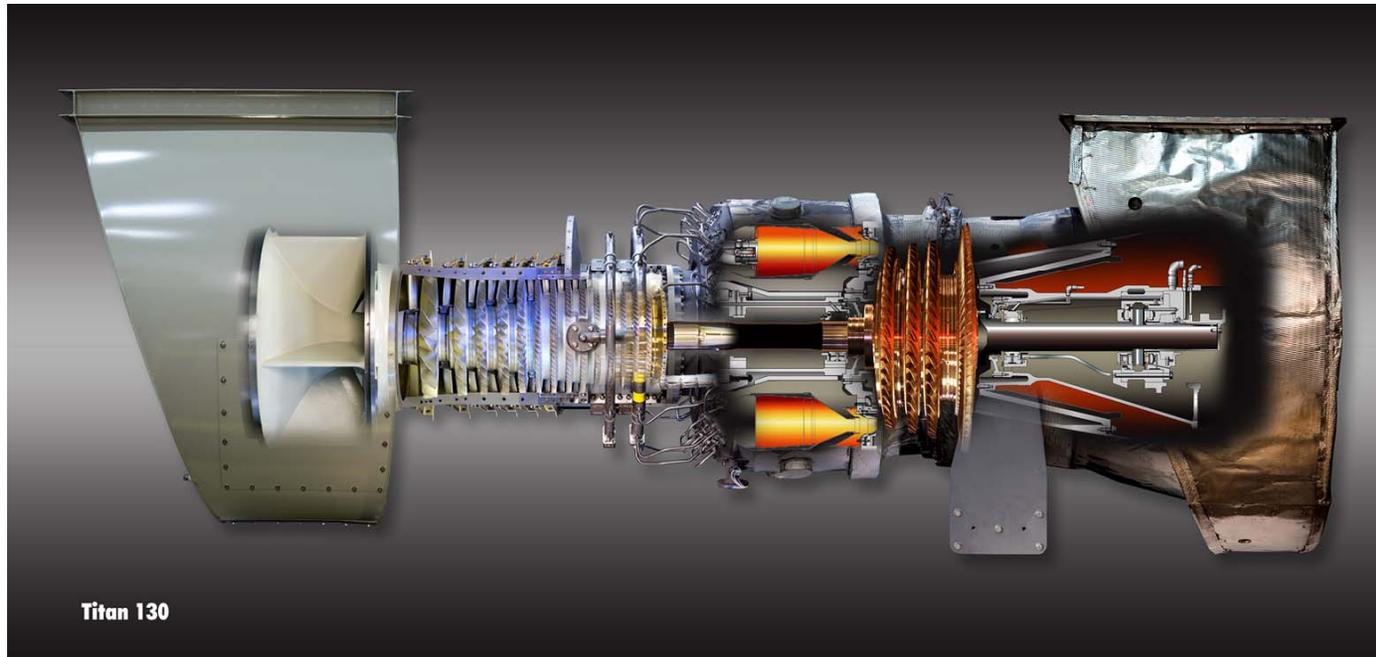


CEC IEPR Commissioner Workshop
Feb. 16, 2012

Founded in 1927 as the Prudden-San Diego Airplane Co.

Renamed “Solar Aircraft Company” in 1929

Evolved to Industrial Gas Turbines ... renamed Solar Turbines



“Solar” ... because it’s sunny in San Diego



Natural Gas & Renewable Fueled Gas Turbines

Established in 1927
Based in San Diego, CA

Subsidiary of Caterpillar
since 1981

Over 7,400 Employees
43 Service Locations
13 Overhaul Centers

70% exported from U.S.

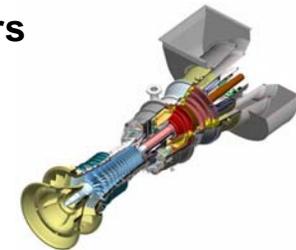
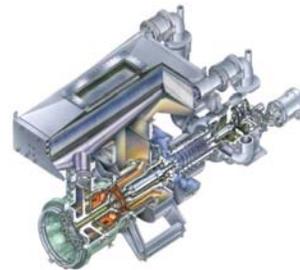
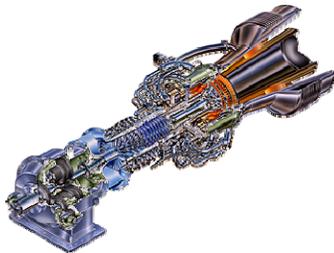


Largest manufacturer of
industrial Gas Turbines
(1- 22 MW size range)

Key Markets – Power
Generation, Oil & Gas

Over 14,000 Units installed
in 98 countries

Over 1.4 Billion operating
hours



Clean Energy Goals

- 1. Lower GHG Emissions
- 2. High Power Reliability
- 3. Affordable Cost
- 4. Reduced T&D Congestion & Losses

CHP Report Card	
AB1613 – CHP FIT	<i>A-</i>
SGIP	<i>B+</i>
Grid Value Recognition	<i>C</i>
AB32 – Climate Change	<i>C-</i>
Departing Load Charges	<i>D</i>
Portfolio Standards	<i>I</i>
GRADE AVERAGE	<i>C</i>

AB 1613 – CHP FIT (Feed-in-Tariff)

- *Increases market potential by enabling CHP sizing for thermal load*
- *Took four years to implement*

A-

SGIP (Self-Generation Incentive Program)

- *Reinstated natural gas CHP*
- *Preference to advanced tech. vs GHG reduction*

B+

No recognition of “Customer CHP” value to the grid

- *Capacity, Reliability, & Grid Congestion benefits not valued*
- *AB1613 “broke ground” to provide value for export to grid*

C

AB 32 – GHG mitigation

- CHP value recognized in Scoping Plan
- ... but, will Cap & Trade final rule reflect CHP value?



Departing Load Charges

- DLC’s represent about 2.2 cents/kWh... for CHP in our size range
- Similar “results based” customer initiatives are excluded from DLC’s



<u>Initiative</u>	<u>DLC</u>
Fuel Switching	NO
Efficiency & Demand Side Response	NO
Operational Changes	NO
CHP	YES

**Customer CHP
IS
Energy Efficiency**

- 2.2 cents can be a “project killer”
- California is the only State we are aware of with DLC’s for customer generation

RPS Recognition for CHP



- *CHP provides documented benefits which compliment the RPS*
- *To realistically achieve the Governor’s goal of 6,500 MW of new CHP...*

... California should consider creating a CHP Portfolio Standard

Clean Energy Goals

- 1. Lower GHG Emissions**
- 2. High Power Reliability**
- 3. Affordable Cost**
- 4. Reduced T&D Congestion & Losses**



- 1.** ***Eliminate Departing Load Charges for CHP***
- 2.** ***Recognize CHP's value in Cap & Trade***
 - *avoided grid emissions*
- 3.** ***Recognize CHP's value to the grid***
 - *capacity, reliability, & grid congestion benefits*
- 4.** ***Create a CHP Portfolio Standard for "Highly Efficient" CHP to achieve the Governor's goal of 6,500 MW of new CHP***

The Path to being 1st in Class

A+