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FOR IMMEDIATE RELEASE

PUC ACTION THREATENS COGENERATED ELECTRICITY

SACRAMENTO – Despite urgings from state energy experts about the importance of cogenerated electricity, state regulators are choosing to lobby in Washington for a proposal that could significantly reduce that power production in California.

“We have on the one hand, the state Energy Commission calling for more power to be produced through cogeneration,” said Audrie Krause, spokesperson for CogenWorks, a coalition representing cogenerators in California, “a call which is echoed in the draft report from the Governor’s Climate Action Team. On the other hand, the Public Utilities Commission is about to tell federal regulators to move ahead on policies that could effectively eliminate much of our existing cogeneration.”

Electricity produced through cogeneration represents almost 20 percent of the state’s power, or about 9000 megawatts (MW). Cogeneration uses a single fuel, usually natural gas, to produce two types of energy, usually electricity and steam heat.

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Cogeneration's two-for-one energy efficiency also reduces harmful emissions by the equivalent of taking 5 million cars off California's roads every year. The Climate Action Team reports that greater use of cogeneration would be a way to further reduce California's greenhouse gas emissions.

In its Energy Policy Report issued last year, the California Energy Commission cited the benefits of cogeneration as a significant source of the state's electricity, and noting its efficiency and reliability, called for increased use of cogeneration. At the same time, the Energy Commission pointed out that the Public Utilities Commission (PUC) must act promptly just to preserve the existing supply of cogeneration, since long-term contracts for that electricity were coming up for renewal.

The Energy Commission called on the PUC to set annual targets for use of cogenerated electricity, establish a standardized contracting process and bring greater transparency to utility costs and prices. The PUC has been engaged in lengthy proceedings that could address those issues.

"Now while the PUC is in the midst of public proceedings here in California, to decide how much of the state's electricity should come from cogeneration, and how the price of cogenerated electricity should be determined, it should not be asking the federal government in Washington to undermine the future for cogeneration," said Krause.

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The Federal Energy Regulatory Commission (FERC) has determined that California's electricity market is not a competitive market for cogenerators, and under federal rules, that means utilities are required to buy cogenerated electricity. In the absence of a state policy, that federal rule provides the only assurance cogenerators have of a market for their power.

The state's utility companies have asked the federal government to exempt them from that rule starting in November 2007. The PUC has now decided to join the utilities in that request. The result could leave cogenerators with no federal or state assurance of a market for their power.

"The future of cogenerated electricity should be determined through the public proceeding process now underway at the PUC," explained Krause. "Putting our Public Utilities Commission on record in support of policies that work against cogeneration and against the recommendations of state energy experts, before we've completed these public proceedings, simply makes no sense. This is a step that puts California's future electricity supply at risk."

More information about CogenWorks can be found at www.cogenworks.com.