

James Harader

From: Adams, Greg [GAdams@lacsds.org]
Sent: Thursday, March 04, 2010 10:44 AM
To: James Harader
Cc: Jackie Kepke (E-mail); Griffith, Patrick; Caponi, Frank; Rothbart, David; Lee Wallace (E-mail); Dan McGivney (E-mail); Vladimir Kogan (E-mail); Kris Flaig (E-mail); John Pastore (E-mail); ray.arthur@fresno.gov; Arnaud Marjollet; Friess, Phil; Green, Sharon; Colby Morrow (E-mail); Seyed Sadredin; Chang Elaine (E-mail); Jill Whynot (E-mail); Lucille van Ommering (E-mail); David Mehl (E-mail); Todd Wong (E-mail)
Subject: SJVAPCD Co-Generation Facility BPS- LACSD Initial Comments

Hello James:

While it is difficult to comment on your proposed cogeneration GHG best performance standards (BPS) without having actually seen an initial draft of your thinking, we here at LACSD are concerned on several fronts that we hope you will take under early consideration. Our interest in your effort stems from the precedent it will establish throughout the State of California whose is aware of SJVAPCD's good work in this area and also because we will soon be constructing and operating facilities in the Valley that could be impacted by your determinations.

Our First Observation

AB 32 has interwoven a highly complex array of energy regulations with potentially conflicting elements such as a Scoping Plan goal of 4000 MW of CH&P distributed north and south, existing renewable portfolio standard (RPS) legislative mandates, proposed renewable electricity standards (RES) per the Governor's recent Executive Order and the low carbon fuel standard (LCFS), all within a declining balance, cap and trade program, most of whose regulated entities (those with surrender obligations) are entities also targeted for *additional, individual* command and control regulations. At this point, we are of the opinion (and "we" are simply a local government potential digester gas/landfill gas producer) that if you suggest more than "Do the best job you can energy-efficiency-wise on your co-generation project" that San Joaquin will also have added to the morass of mandates that have/will befall the electric generation industry, both large and small players.

It seems Catch-22ish to us to require CHP schemes to comply with overall Scoping Plan goals and then, in turn, to go and regulate those *same* CHP facilities from a best performance standards viewpoint to achieve another, somewhat different goal. It seems to us that you need a very deep appreciation of the interplay that is happening in Sacramento at the CPUC, the CEC and CARB levels on the energy regulatory front before you go wading into those deep waters with anything but the simplest requirements.

Our Second Observation

CARB staff stated many times during the Scoping Plan process that criteria pollutant emissions reductions would *always* trump GHG reductions. We are concerned that given the SJVAPCD strict NOx standards, truly very little technology exists that makes a small cogenerator viable. After the latest round of rulemaking on R1110.2 and BACT determinations at the South Coast as an example, essentially only fuels cells, a Mitsui 1.5 catalyst lined combustion turbine (that cannot be used with waste gas fuels) and microturbines are the only viable distributed generation prime movers. Fuel cells, for instance, in addition to their prohibitive costs, require an appropriate heat sink, like a nearby building, for the best power/heat match. These criteria pollutant-driven considerations are clearly understood by project developers whose projects won't benefit much from another regulatory GHG constraint.

Our Third Observation

Be aware, that for all practical purposes, the offset creation and use provisions set forth in the cap and trade preliminary draft rule (PDR) are so onerous and top-heavy with requirements, we seriously doubt if anyone in the waste industry (with its tremendous renewable energy potential) would undertake the risk to create the offset and then sell/use it in the marketplace. Among the many hurdles to creating an offset (a reputed safety valve on the C&T program to prevent runaway costs), per Page 63 of the PDR, potential projects must address public

health, welfare, social, economic and energy effects and address activity-shifting and market-shifting leakage, among many other things. These are complex analyses for a small cogenerators to undertake and coupled with the rigorous protocols that must be followed (recently withdrawn, by the way, because they were not of sufficient regulatory quality), we truly wonder what the future of cogeneration is in California. As a final thought, we seriously hope that any BPS developed by SJVAPCD will not thwart any "additionality" determination for an offset credit.

I apologize for rambling. I hope these comments strike a chord. In summary, we ask that you tread lightly. Please call or e-mail me if you would like additional discussion.

Gregory M. Adams
Assistant Departmental Engineer
Air Quality Engineering
L.A. County Sanitation Districts
562 908 4288 ext. 2113
562 692 9690 FAX
e-mail: gadams@lacsdsd.org