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From: Andrew Coghlan [Andrew.Coghlan@ucop.edu]
Sent: Tuesday, December 15, 2009 2:11 PM
To: Economic & Allocation Advisory Committee
Cc: George Getgen; Dirk VanUlden; Wendell C. BRASE
Subject: University of California Questions and Comments for EAAC

December 15, 2009

To: Economic Allocation Advisory Committee

From: University of California Office of the President

The University of California (University) operates five combined heat and power (or “CHP”) plants that emit more than 25,000 metric tons of CO₂-equivalent annually, and are therefore subject to cap and trade regulation. The University’s question for EAAC appear below in **bold**.

As ARB noted in its AB 32 Scoping Plan, CHP offers many advantages over conventional electricity generation. Specifically, CHP:

- Uses fuel far more efficiently than conventional electricity generation because it captures waste heat for useful purposes.
- Is often deployed at or near the load center it serves. As distributed generation, CHP both eliminates transmission losses associated with conventional electricity generation, and reduces strain on California’s electrical infrastructure, thereby increasing capacity available to wheel renewable power.

For these reasons, ARB has rightly recognized that CHP is an important GHG reduction strategy, and one that is complementary to other measures, namely the state’s renewable portfolio standard.

The University is concerned that the ARB is disposed to regulate CHP plants and conventional electricity generators in the same way, ignoring CHP’s waste heat-capture and distributed generation benefits. The University seeks clarification on this point.

Fundamentally, UC would like to know whether ARB and EAAC plan to incentivize more efficient consumption of fossil fuels by considering polluters' overall energy utilization rate when designing allowance allocation methods.

With regards to CHP, UC would like to recommend that ARB regulate CHP as a sub-sector that is separate from the electricity generation sector in general.

UC urges ARB and EAAC to recognize that increased costs to operate cogeneration plants will be largely borne by University of California students (the same is likely true for other universities that operate CHP plants). The University would like to know how the EAAC and ARB plans to account for this fundamental difference between the University and other entities in the electricity generation sector that produce electricity for sale to the grid.

Lastly, the University is concerned that it will not be recognized for its aggressive investments in energy efficiency in the period between 2009 and 2012. During this period, the University is investing \$250 million in projects that are expected to reduce its system wide electricity consumption by 10%. **The University would like to know what provisions the EAAC and the ARB will make to reward voluntary early reductions.**

Thank you for your consideration,

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