

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.

Rulemaking 08-03-008
(Filed March 13, 2008)

**REPLY OF BLOOM ENERGY TO RESPONSE OF PACIFIC GAS AND
ELECTRIC COMPANY ON BEHALF OF THE SGIP PROGRAM
ADMINISTRATORS TO PETITION FOR MODIFICATION
OF THE SGIP HANDBOOK**

Jedediah J. Gibson
Andrew B. Brown
Ellison, Schneider & Harris, L.L.P.
2600 Capitol Avenue, Suite 400
Sacramento, CA 95816-5905
Tel: (916) 447-2166
Fax: (916) 447-3512
jjg@eslawfirm.com
abb@eslawfirm.com

Attorneys for Bloom Energy Corporation

June 18, 2009

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I. INTRODUCTION

Pursuant to Rule 16.4(g) of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure, Bloom Energy Corporation (“Bloom”) respectfully submits this Reply to the *Response of Pacific Gas and Electric Company’s (U 39 E) on Behalf of the Program Administrators of the Self Generation Incentive Program (SGIP) to Bloom Energy’s Petition for Modification of the SGIP Handbook* (“Response”) submitted on June 9, 2009. Administrative Law Judge Duda authorized the filing of this Reply by telephone conversation on June 15, 2009. This Reply provides additional guidance on two subjects raised in the Response that will support the success of renewable facilities under the Self-Generation Incentive Program (“SGIP”):

(1) renewable fuel eligibility for Level 2 SGIP use of off-site renewable fuels, and (2) additional requirements of renewable fuel suppliers. By addressing these aspects of Bloom’s May 26, 2009 Petition for Modification of SGIP Handbook Pursuant to D.08-11-044 and to D.01-03-073 (“Petition”), this Reply provides additional support for using

pipeline-delivered renewable gas within the current SGIP structure to deliver equivalent or better benefits for California ratepayers.

II. REPLY

A. Inclusion of all Eligible SGIP Generators Using Renewable Gas

In their Response, Pacific Gas and Electric Company and the SGIP Working Group (collectively the “SGIP PAs”) propose that the changes to the SGIP Handbook recommended by the Petition should “also apply to all eligible gas-fired generators under the Program.”¹ Bloom does not object to this proposal.

B. Fuel Supplier Warranties

The SGIP PAs “propose that the applicant provide documentation from the utility gas pipeline owner confirming that the renewable gas has been approved for injection into the local natural gas pipeline.”² Alternatively, Bloom proposes that as an additional step to add rigor to the process and ensure against double counting of environmental attributes, that during the Field Evaluation, the renewable fuel supplier represents and warrants that it holds the rights to the renewable attributes to the fuel prior to the sale to the SGIP customer, and it agrees that it is only selling the renewable attributes of the renewable fuel to the SGIP customer, and will not otherwise unbundle or sell the fuel’s renewable attributes to another party. This will ensure that any renewable gas injected into the natural gas pipeline will be used by the applicant.

C. Renewable Fuel Eligibility

In their Response, the SGIP PAs proposed additional guidelines for renewable fuel eligibility beyond the guidelines proposed in the Petition. The SGIP PAs’ Response

¹ Response, p. 2.

² Response, p. 3.

expressed a desire for all renewable fuels to be sourced from within California in the long run.³ Their logic is as follows: California ratepayers fund SGIP, therefore the renewable fuels for Level 2 SGIP projects should be produced within California.

Bloom emphatically agrees with the SGIP PAs that it would be desirable to have abundant supplies of pipeline-delivered renewable fuels produced in California. Bloom supports the use of this fuel when it materializes, as it will allow otherwise wasted and/or polluting materials to be harnessed for renewable electricity generation in California. However, Bloom believes the critical policy consideration with respect to benefits for California ratepayers with regard to the SGIP program does not turn on where a renewable fuel is produced, but where that renewable fuel is ultimately converted into electricity.

The original Petition focuses on expanding opportunities for California ratepayers to generate more onsite renewable electricity generation in California. By displacing demand for “brown” electricity from the local grid, these installations will provide local air quality benefits and greenhouse gas reductions to all California ratepayers. These onsite base load electricity projects will help California achieve its Renewable Portfolio Standard and Greenhouse Gas policy goals, and also provide new generation capacity that will enable the local distribution utility to defer transmission and development upgrade costs, which in turn benefits California ratepayers. Finally, these clarifications will enable more California ratepayers to participate in the currently-underutilized SGIP, thereby supporting clean energy market transformation. These results are fully consistent

³ Response, pp. 3-4.

with the intent of SGIP. They also meet the intent of the state's greenhouse gas reduction initiatives such as AB32.

Given that pipeline-delivered in-state renewable fuels are not currently widely available, adopting a requirement that all pipeline-delivered renewable fuels come from in-state by a certain date would be counter-productive because it injects a degree of regulatory uncertainty as to eligibility for any longer-term fuel supply arrangements. Furthermore, California ratepayers who support the SGIP program are not affected by where the fuel is initially produced.

Increased demand for renewable distributed generation from SGIP customers, coupled with utilities purchasing renewable biogas to help meet their RPS requirements, will drive the market for new biogas production in California. This demand should encourage vigorous expansion of in-state pipeline-delivered renewable fuel supplies. However, imposition of an explicit regulatory mandate that limits fuel source eligibility to in-state production that could take effect before there are sufficient supplies would impose an unnecessary and potentially counterproductive barrier to renewable electricity generation in California.

Accordingly, for simplicity and continuity with the existing SGIP, Bloom recommends that the Commission choose to use the existing SGIP definition of qualifying renewable fuels for Level 2 projects.

III. CONCLUSION

There is currently not enough commercially available, pipeline-delivered renewable fuel created in California to meet the large and growing demand for renewable onsite electricity generation. Adoption of the complete Petition, *without* the explicit fuel

eligibility modifications the SGIP PAs propose in their Response, creates clear demand signals for fuel project developers to increase in-state production of biogas. Abundant agricultural renewable resources exist in this state, and in response to the SGIP as modified by the Petition, developers can start on the multi-year plans to turn those fuels into pipeline quality supplies. Until those biogas fuel plants come on line and there is a better outlook on in-state fuel supply availability, the Commission should approve the Petition as originally presented in order to avoid unintended consequences or regulatory uncertainties and thereby to encourage the utilization of all viable renewable waste fuels in clean onsite electricity generation in California, the highest and best use of this precious renewable resource.

Respectfully submitted,

By: _____/s/_____

Jedediah J. Gibson
Andrew B. Brown
Ellison, Schneider & Harris, L.L.P.
2600 Capitol Avenue, Suite 400
Sacramento, CA 95816-5905
Tel: (916) 447-2166
Fax: (916) 447-3512
Email: jjg@eslawfirm.com

Attorneys for Bloom Energy Corporation

June 18, 2009

Certificate of Service

I hereby certify that I have this day served a copy of the “Reply of Bloom Energy to Response of Pacific Gas and Electric Company on Behalf of the SGIP Program Administrators to Petition for Modification of the SGIP Handbook” on all known parties to R.08-03-008 by transmitting an e-mail message with the document attached to each party named in the official service list. Parties without e-mail addresses were mailed a properly addressed copy by first-class mail with postage prepaid.

Executed on June 18, 2009 at Sacramento, California

_____/s/_____

Eric Janssen

Service List
R.08-03-008
June 18, 2009

david.kopans@fatspaniel.com
Michael.Brown@utcpower.com
steven.huhman@morganstanley.com
dhaines@environmentalpower.com
spatrick@sempra.com
lrosen@eesolar.com
annette.gilliam@sce.com
mike.montoya@sce.com
scott@debenhamenergy.com
liddell@energyattorney.com
andrew.mcallister@energycenter.org
kirk@NoElectricBill.com
tam.hunt@gmail.com
tam.hunt@gmail.com
nes@a-klaw.com
pepper@sunfundcorp.com
susanne@emersonenvironmental.com
marcel@turn.org
cec@cpuc.ca.gov
stephen.morrison@sfgov.org
matt@sustainablespace.com
jsomers@lisc.org
megan@nonprofithousing.org
craig.lewis@greenvolts.com
michael.hindus@pillsburylaw.com
abrowning@votesolar.org
Eriks@ecoplexus.com
enriqueg@lif.org
jarmstrong@goodinmacbride.com
jkarp@winston.com
mday@goodinmacbride.com
rjl9@pge.com
ssmyers@att.net
bill@brobecksolarenergy.com
info@calseia.org
rknight@bki.com
emackie@gridalternatives.org
jharris@volkerlaw.com
kfox@keyesandfox.com
gmorris@emf.net
john@proctoreng.com
sebesq@comcast.net
julie.blunden@sunpowercorp.com

michaelkyes@sbcglobal.net
elee@davisenergy.com
mkober@pyramidsolar.com
pstoner@lgc.org
rwebsterhawkins@CSD.ca.gov
lmh@eslawfirm.com
hodgej@surewest.net
atrowbridge@daycartermurphy.com
ensmith@mwe.com
mdorn@mwe.com
myuffee@mwe.com
jimross@r-c-s-inc.com
ghinners@reliant.com
bchao@simmonsco-intl.com
jrohrbach@rrienergy.com
kirby.bosley@jpmorgan.com
Paul.Tramonte@jpmorgan.com
phammond@simmonsco-intl.com
rhanna@rrienergy.com
jennifer.chamberlin@directenergy.com
bbarkett@summitblue.com
kcooney@summitblue.com
bbaker@summitblue.com
tim_merrigan@nrel.gov
nick.chaset@tesseractosolar.com
LPaskett@FirstSolar.com
WPark@FIRSTSOLAR.COM
robert.pettinato@ladwp.com
HYao@SempraUtilities.com
dschneider@lumesource.com
asteel@hanmor.com
npedersen@hanmor.com
jpalmer@solarcity.com
social.forum@yahoo.com
susan.munves@smgov.net
tbardacke@globalgreen.org
rzhang@cityofpasadena.net
eklinkner@cityofpasadena.net
sendo@ci.pasadena.ca.us
jrathke@capstoneturbine.com
mr_michael_norris@hotmail.com
thamilton@icfi.com
bjeider@ci.burbank.ca.us
MtenEyck@ci.rancho-cucamonga.ca.us
akbar.jazayeri@sce.com
case.admin@sce.com
james.lehrer@sce.com

michael.backstrom@sce.com
Robert.F.Lemoine@sce.com
rishii@aesc-inc.com
allenseligson@yahoo.com
mowrysswr@cox.net
dan@energysmarthomes.net
fortlieb@sandiego.gov
ctai@edgetechsolar.com
annie.henderson@energycenter.org
benjamin.airth@energycenter.org
CentralFiles@semprautilities.com
dakinports@semprautilities.com
irene.stillings@energycenter.org
jennifer.porter@energycenter.org
john.sup@energycenter.org
jon.bonk-vasko@energycenter.org
jyamagata@semprautilities.com
katrina.perez@energycenter.org
ryan.amador@energycenter.org
sephra.ninow@energycenter.org
terry.clapham@energycenter.org
cmanson@semprautilities.com
elee@sandiego.gov
tblair@sandiego.gov
bob.ramirez@itron.com
jmgarber@iid.com
ctoca@utility-savings.com
ebrodeur@steadfastcompanies.com
hgreen@sunedison.com
sbarata@opiniondynamics.com
wlscott@earthlink.net
lnelson@westernrenewables.com
sscirtino@anaheim.net
warehouse@mohrpower.com
ltaggart@cecmail.org
m.stout@cleantechamerica.com
ek@a-klaw.com
Cathy.lazarus@mountainview.gov
Olivia.puerta@mountainview.gov
linda.forsberg@mountainview.gov
jrichman@bloomenergy.com
jason.houck@sfgov.org
jeanne.sole@sfgov.org
fsmith@sfgwater.org
mike@ethree.com
Nick.Allen@morganstanley.com
nzigelbaum@nrdc.org

nlong@nrdc.org
sean.hazlett@morganstanley.com
CJSv@pge.com
CABe@pge.com
j2t7@pge-corp.com
filings@a-klaw.com
kxn8@pge.com
SGraham@navigantconsulting.com
spauker@wsgr.com
sww9@pge.com
croaman@ccsf.edu
steven@moss.net
gilligan06@gmail.com
stacey.reineccius@powergetics.com
bcragg@goodinmacbride.com
sdhilton@stoel.com
cem@newsdata.com
C2M1@pge.com
gopal@recolteenergy.com
bawilkins@sbcglobal.net
sara@solaralliance.org
ronnie@energyrecommerce.com
cp@kacosolar.com
matt@criterionmgt.com
matt@criterionmgt.com
AXY4@pge.com
S2B9@pge.com
CLHs@pge.com
hhh4@pge.com
jwwd@pge.com
mgh9@pge.com
regrelcpuccases@pge.com
grant.kolling@cityofpaloalto.org
colin@tiogaenergy.com
jordan@tiogaenergy.com
paul@tiogaenergy.com
ben@solarcity.com
ecarlson@solarcity.com
rguild@solarcity.com
Shoeless838@comcast.net
JMCLA@comcast.net
sewayland@comcast.net
sbeserra@sbcglobal.net
jbarnes@summitblue.com
tzentai@summitblue.com
kbest@realenergy.com
jlarkin@us.kema.com

nellie.tong@us.kema.com
karin.corfee@kema.com
JerryL@abag.ca.gov
jody_london_consulting@earthlink.net
sgreschner@gridalternatives.org
kmerrill@energy-solution.com
zfranklin@gridalternatives.org
mrw@mrwassoc.com
cpucdockets@keyesandfox.com
gteigen@rcmdigesters.com
taram@greenlining.org
jlin@strategen.com
tomb@crossborderenergy.com
heidi@sunlightandpower.com
jason.jones@tiltsolar.com
katie@sunlightandpower.com
lauren@sunlightandpower.com
elvine@lbl.gov
rhwisner@lbl.gov
tdfeder@lbl.gov
justin@sunwatersolar.com
clamasbabbini@comverge.com
jna@speakeasy.org
joelene.monestier@spgsolar.com
mary.tucker@sanjoseca.gov
dmcfeely@solartech.org
njfolly@tid.org
fwmonier@tid.org
preston@sonomaenergymgt.com
brbarkovich@earthlink.net
dgrandy@caonsitegen.com
will@solarroofs.com
lmerry@vervesolar.com
rmccann@umich.edu
martinhomec@gmail.com
dennis@ddecuir.com
kenneth.swain@navigantconsulting.com
lwhouse@innercite.com
karly@solardevelop.com
amber@iepa.com
dcarroll@downeybrand.com
dseperas@calpine.com
dchong@energy.state.ca.us
eyhexox@stoel.com
jmcfarland@treasurer.ca.gov
jamckinsey@stoel.com
kellie.smith@sen.ca.gov

laurene_park@sbcglobal.net
bernardo@braunlegal.com
abb@eslawfirm.com
glw@eslawfirm.com
jjg@eslawfirm.com
artrivera@comcast.net
mdavis@barnumcelillo.com
chuck@csolt.net
karen@klindh.com
jbarnet@smud.org
rhuang@smud.org
sfrantz@smud.org
whughes@smud.org
mpa@a-klaw.com
rsa@a-klaw.com
erickpetersen@pvpowered.com
jholmes@emi1.com
michael@awish.net
brenda.latter@itron.com
george.simons@itron.com
Kurt.Scheuermann@itron.com
patrick.lilly@itron.com
arr@cpuc.ca.gov
aes@cpuc.ca.gov
css@cpuc.ca.gov
dbp@cpuc.ca.gov
dm1@cpuc.ca.gov
dot@cpuc.ca.gov
eah@cpuc.ca.gov
cln@cpuc.ca.gov
joc@cpuc.ca.gov
jf2@cpuc.ca.gov
kar@cpuc.ca.gov
lp1@cpuc.ca.gov
meh@cpuc.ca.gov
mvc@cpuc.ca.gov
mts@cpuc.ca.gov
mc3@cpuc.ca.gov
mdd@cpuc.ca.gov
nmr@cpuc.ca.gov
rl4@cpuc.ca.gov
sco@cpuc.ca.gov
srt@cpuc.ca.gov
skg@cpuc.ca.gov
sc1@cpuc.ca.gov
tcr@cpuc.ca.gov
dtf@cpuc.ca.gov

deden@energy.state.ca.us
mdoughto@energy.state.ca.us
pnarvand@energy.state.ca.us
smiller@energy.state.ca.us
Sgupta@energy.state.ca.us
dvidaver@energy.state.ca.us
rbaybaya@energy.state.ca.us

MICHAEL P. CALABRESE
CITY OF SAN DIEGO
1200 THIRD AVENUE, SUITE 1100
SAN DIEGO CA 92101

MELISSA JONES
CALIFORNIA ENERGY
COMMISSION
1516 9TH STREET, MS-39
SACRAMENTO CA 95814