



## California Public Utilities Commission 505 Van Ness Ave., San Francisco

### FOR IMMEDIATE RELEASE

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### PRESS RELEASE

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## CPUC APPROVES CLEAN COAL STUDY IN ONGOING EFFORTS TO REDUCE GREENHOUSE GAS EMISSIONS

SAN FRANCISCO, April 10, 2008 - The California Public Utilities Commission (CPUC), in its ongoing efforts to decrease greenhouse gas emissions to reduce the impact of climate change, today approved a plan to evaluate the feasibility of a Clean Hydrogen Power Generation plant to advance clean coal technology.

“As an emerging advanced clean coal technology, a Clean Hydrogen Power Generation plant would produce electric power from coal, the largest domestic fossil fuel source in the U.S., with minimal greenhouse gas emissions,” said CPUC President Michael R. Peevey. “Coal gasification offers one of the most versatile and clean ways to convert coal into electricity. As the largest customer for energy in the western U.S., California can and should play a role in helping to commercialize this essential technology.”

The technology under consideration would convert coal through a gasification process into predominantly hydrogen and carbon monoxide gases. The hydrogen would be used as the fuel source for a combined cycle power plant while the carbon monoxide gas would be removed prior to combustion and sequestered underground.

“Large scale deployment of carbon capture and storage in electricity generation will play a key role in meeting our greenhouse gas reduction targets as outlined in Assembly Bill 32,” said President Peevey. “Today the focus is on applying this technology to coal-fired



power plants, but eventually it may have to be deployed on all fossil-fueled generation. This means deploying it in production-scale facilities in a variety of settings.”

Southern California Edison proposed the study of a Clean Hydrogen Power Generation facility in conjunction with the Department of Energy and the Southwest Partnership and the CPUC approved \$4.6 million for the first stages of the project.

For more information on the CPUC, please visit [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

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**Statement from CPUC President Michael R. Peevey,  
presented at the April 10, 2008, CPUC Meeting**

- ❖ Much has happened in California and across the west to advance the climate policy agenda.
- ❖ I'm proud that our state is not just standing by and watching from the sidelines. We are actively engaged.
  - Working together, the public and private sectors can and will reduce California's direct contribution to climate change by achieving the emissions reductions mandated by AB32.
  - But our impact will be much greater than that. By dedicating our financial, human and intellectual capital to this challenge we will also:
    - provide an example for others to follow; and
    - spur the development and full-scale deployment of new low- and no-carbon technologies.
- ❖ An example of California continuing to take a leadership role in the fight against climate change is evidenced by Governor Schwarzenegger, back in April 2006, signing a Memorandum of Understanding with Governor Freudenthal of Wyoming.
  - One of the main goals of this MOU was to advance the development of advanced coal generation technologies.
- ❖ And this is why I am very happy to introduce item 50.
- ❖ This decision approves, as modified, Southern California Edison's request to conduct a study to evaluate the feasibility of a Clean Hydrogen Power Generation facility (CHPG).



- ❖ The decision authorizes SCE upfront cost recovery of up to \$4.6 million to participate in the Southwest Partnership.
  - For those unfamiliar, the Southwest Regional Partnership on Carbon Sequestration was developed as a part of the U.S. Department of Energy's effort to respond to global climate change. The SWP has been challenged to evaluate available technologies that capture and store CO<sub>2</sub>.
    - The partnership consists of roughly 30 entities including ConocoPhillips, Idaho National Laboratory, Idaho Power, Navajo Nation Oil and Gas Company, PacifiCorp, Pinnacle – the parent to Arizona Public Service Company, Shell, SCE, Xcel Energy, and many others.
  - Clearly there is significant interest in advancing carbon sequestration. In fact, DOE has committed over \$65 million to the project.
  - By joining the SWP, SCE intends to leverage ratepayer funds and achieve a greater result than it could if it went it alone.
  
- ❖ The decision also denies SCE upfront cost recovery for work referred to as plant feasibility costs. Instead, it directs SCE to first seek out other sources of funding – public or private – before requesting ratepayer funding.
  - In that regard, the decision allows SCE to record up to \$26.3 million in a memorandum account. In order to seek recovery of these costs, SCE must file an Advice Letter demonstrating that it has secured co-funding and that the costs were reasonably incurred and necessary to implement the feasibility study.
  
- ❖ Also – and this is very important – the decision before us today is not giving SCE exclusive rights to construct and operate the facility. The decision effectively bifurcates the study necessary to determine if a CHPG facility is feasible from the construction and operation of the plant itself.
  - The decision requires that, upon determination that a CHPG plant with carbon sequestration is commercially and technically feasible and will benefit California ratepayers, SCE shall conduct a competitive solicitation to construct the facility.
    - The competitive solicitation must be consistent with the directives of D.07-12-052 and any other then-applicable procurement decisions.
  
- ❖ I believe that we are at a critical juncture in the effort to transform the way we produce and use energy. True resource diversity will emerge through the long term development of environmentally sound technologies.
  - Widespread adoption of emerging environmentally preferable generating technologies is a win in my book.
  
- ❖ As an emerging advanced clean coal technology, a CHPG plant would produce baseload electric power from coal – the largest domestic fossil fuel source in the U.S. – with minimal GHG emissions.



- Coal gasification offers one of the most versatile and clean ways to convert coal into electricity.
  - Large scale deployment of carbon capture and storage in electricity generation will play a key role in meeting our AB32 targets.
    - Today the focus is on applying this technology to coal-fired power plants, but eventually it may have to be deployed on all fossil-fueled generation.
    - Recent studies have shown that while carbon capture and storage is technically and economically feasible, it still needs to be proven on a commercial scale.
    - This means deploying it in production-scale facilities in a variety of settings.
  - As the largest customer for energy in the western U.S., California can and should play a role in helping to commercialize this essential technology.
- ❖ In closing, I want to reiterate that the most important development in California energy policy in the past two years, if not the past several decades, is reaching consensus that California must act to decrease its greenhouse gas emissions to reduce the impact of climate change.
- The reality of climate change is not in doubt, and the consequences of inaction could not be more extreme.
  - California is past the talking stage. We have been acting and we will continue to act.

