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**BEFORE THE
PUBLIC UTILITY COMMISSION OF TEXAS**

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PUBLIC UTILITY COMMISSION OF TEXAS)
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) **DOCKET 37623**
IN RE: ENERGY EFFICIENCY GOAL)
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**COMMENTS OF THE
U.S. DEPT. OF ENERGY GULF COAST CLEAN ENERGY APPLICATION CENTER**

The U.S. Department of Energy Gulf Coast Clean Energy Application Center respectfully offers these comments on the proposal produced by the Texas Public Utility Commission (“PUCT” or the “Commission”) Staff on February 12, 2010 on the above referenced Energy Efficiency Goal considered in Docket No. 37623.

The U.S. Department of Energy Gulf Coast Clean Energy Application Center (“GC RAC”) facilitates greater deployment of clean energy technologies including combined heat and power (“CHP”), district energy, and waste heat recovery in Texas, Louisiana, and Oklahoma. The GC RAC, which is hosted by the Houston Advance Research Center, a non-profit scientific organization, provides education and outreach programs, project-specific support services, and policy development initiatives supportive of clean energy.

GC RAC applauds the PUCT’s efforts to increase the state’s goal for energy efficiency in Texas. Currently, PUCT rules allow EEIP participants to receive incentives for traditional energy conservation technologies (efficient lighting, air conditioning, insulation, etc.), small-scale on-site renewable technologies (solar photovoltaic, geothermal, etc.), and small-scale, on-

site combined heat and power. At the current level of funding, existing incentives payments result in unfulfilled demand to implement traditional energy conservation technologies. In addition, little or no funding through EEIP has been used for incentive payments for on-site renewable energy projects or combined heat and power projects.

GC RAC believes that the EEIP can be a useful mechanism to enhance deployment of these technologies, but that to better serve in this role, the program needs to be improved in the following ways:

1. The program is underfunded relative to the demand for all three types of energy efficiency, and the PUCT should work to identify and secure additional sources of funding to allow the program to be expanded.
2. The program should have goals and tracking mechanisms for each of the three technology groups – traditional passive energy efficiency technologies, on-site renewable technologies, and combined heat and power technologies. These are distinct enough that separate tracking is necessary to ensure that goals are achieved in all three areas.
3. The PUCT should provide incentives for the transmission and distribution service providers (TDSPs) to actively seek opportunities for on-site renewable energy and combined heat and power projects.
4. The PUCT should evaluate opportunities for TDSPs to adjust incentive levels by technology group, thereby matching incentive funding to that required to stimulate adoption.

The EEIP is an excellent tool to promote electrical system energy efficiency, and the PUCT should evaluate the benefits of expanding it while remaining consistent with market needs.

Dedicated Staff for Combined Heat and Power

Combined heat and power (CHP) is a type of distributed generation. Because of its proximity to end-users, both the electricity and the heat of combustion produced by CHP technologies can be captured and used productively. As a result, the technologies provide very high efficiency and low emissions. The CHP approach is widely used with the state, and it represents an important resource to the state. As of November 2008, CHP is estimated to account for more than 17,300 MW or nearly 20% of Texas' installed electric capacity. Furthermore, the 2008 CHP report submitted to the PUCT by Summit Blue Consulting estimated that an additional 13,400 MW could be developed in Texas economically by 2023. By any measure, the existing and potential resource provided by CHP is significant to the state.

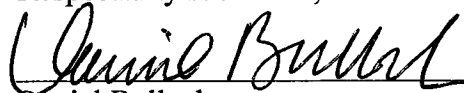
The PUCT played an important role in making the state's existing CHP resource a reality. During the 1980's, several staff members of the PUCT focused on interconnection issues, power "wheeling" (prior to open-access transmission), avoided cost calculations (prior to a vibrant bilateral power market), standby rate design and related issues. That attention ensured that Texas would become a leader in world cogeneration development. Industrial cogeneration – now called combined heat and power – has helped industrial customers remain cost competitive in world markets. Today, the PUCT should focus additional attention on CHP opportunities, including emerging small-scale CHP implementations under 10 MW, which are allowable under the EEIP. The PUCT should identify a staff expert on CHP technologies and actively monitor and promote the technology within its regulatory authority.

Both renewable distributed generation technologies and small-scale combined heat and

power technologies offer significant potential in the state, and each of these technologies should be addressed in PUCT staffing and goals.

The GC RAC appreciates the opportunity to file these comments.

Respectfully submitted,



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