

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 07M-230E

IN THE MATTER OF THE COMMISSION ADOPTING POLICIES AS REQUIRED BY
HOUSE BILL 07-1228.

REPLY COMMENTS OF FOREST ENERGY COLORADO, LLC

Forest Energy Colorado, LLC is a recognized leader in the southwest for biomass thermal energy production. We are thankful for the opportunity to submit the following reply comments on the need for policies and incentives to promote distributed generation (DG) in the State of Colorado.

We also look forward to participating in any scheduled workshops to provide additional comments on this matter.

Forest Energy Colorado, LLC requests that copies of comments, other filings, decisions and orders be provided to the following individual:

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Background

Section 7 of HB 1228 requires the Commission to:

- ✓ *develop a policy to establish incentives for consumers who produce distributed generation, including, but not limited to small wind turbines, **thermal biomass**, electric biomass and solar thermal energy; and*
- ✓ *consider whether a credit program similar to the renewable energy standard set forth in section 40-2-124 would work for consumers who produce distributed generation.*

The inclusion of thermal biomass (available from both farms and forests) and solar thermal energy as a distributed generation is consistent with the Amendment 37 intent, as identified in the comments by CoSEIA.

The 2004 Election Bluebook Section on Amendment 37 indicates:

- ✓ Colorado is going to need more energy resources
- ✓ Renewable energy resources are underutilized
- ✓ Renewable energy resources must be developed and utilized to the maximum practical extent

While Amendment 37 has been instrumental in encouraging renewable electrical energy, we think it is important to note that the intent was to encourage renewable energy not just electricity. This emphasis on distributed generation will provide the opportunity to develop a number of distributed renewable energy resources and industries that, to date, have not been utilized. For example, biomass for thermal, small wind, geothermal, and solar thermal are all underutilized renewable energy sources, which are often more efficient uses of the resources.

Incentives and Renewable Energy Credits

We believe the most promising way to encourage the use of distributed generation is to mandate distributed generation as a percentage of the Renewable Energy Standard.

The Arizona Renewable Energy Standard and Tariff is a good example of a statewide distributed generation mandate. The AZ REST contains a requirement that up to 30% of the renewable energy must be generated from distributed sources under 2000 MW. The distributed energy requirement starts at 5% in 2007 and reaches 30% of the total renewable mix after 2011.

To fully utilize renewable energy resources to the maximum and most efficient extent possible, it is imperative to ensure that **all** renewable energy resources qualify for Renewable Energy Credits. This includes renewable systems that generate either electrical or thermal energy.

Energy is energy whether measured in Btu's or Kwhr and can easily be measured and converted to the appropriate unit and an accurate determination of the energy content produced that would qualify for REC's. There should be no distinction between energy credits derived from electrical energy and thermal energy.

As pointed out in comments from PSCo, thermal energy was not included in the definition of RECs. Furthermore, qualifying retail utilities have a limited budget and if thermal is not defined as a REC, the utility companies will simply not find value in purchasing renewable thermal energy.

Any energy produced by a renewable energy technology that displaces fossil fuels and reduces carbon emissions should qualify for Renewable Energy Credits. Renewable energy resources that generate heat accomplish the same goals as those that generate electricity - they both generate MWhr's of renewable energy, reducing fossil fuel consumption and increasing environmental benefits which are the basis of Renewable Energy Credits. In addition, biomass provides benefits to the health of our forests and the economies of our rural farm and mountain communities.

As such, it becomes imperative to modify the existing Renewable Energy Credit definition to include thermal energy.

Once thermal energy is included in the REC definition and a portion of the renewable energy mandate is distributed energy, the demand for DG REC's will be created and there will be no need to introduce a new credit program. This demand will also decrease the need for capital incentives from the State of Colorado. As the industries become competitive, demand will rise and they will become self-sustaining.

In conclusion, we encourage the Commission to consider (1) mandating that a percentage of the Renewable Energy Standard be derived from Distributed generation and (2) modifying the definition of REC to include Renewable Thermal Energy.

Forest Energy Colorado, LLC thanks the Commission for this opportunity to comment on adopting policies that encourage the use of Distributed generation for energy in Colorado. We welcome any comments or questions on this reply.

Respectfully submitted this 20th day of July, 2007.



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