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From: Avis Kowalewski [Avis.Kowalewski@calpine.com]
Sent: Wednesday, November 18, 2009 12:37 PM
To: Economic & Allocation Advisory Committee
Subject: Allowance Allocation: Long Term Contract Exposure

Chair Goulder and Committee Members,

Thank you for this opportunity to comment.

I would like to reiterate and expand upon the issue that Nancy Ryan mentioned earlier regarding the Carbon exposure of certain electric generators with long term contracts entered into prior to the consideration of Carbon markets. I consider this to be a specific transitional issue but nevertheless it could cause harm to certain firms. There are electricity contracts that predate carbon market discussions and, in these instances, the generator has no reasonable opportunity to seek recovery of the carbon costs. Some form of relief, either through allowance allocation or revenue recovery, should be considered for these facilities.

Further, some of these contracts are held by cogenerators, generators that partner with industrial facilities to make more efficient use of the energy and steam production. For cogenerators, the exposure may be increased due to the fact that the generator provides both energy and steam to the industrial facility and both products carry carbon price exposure. Without some form of relief or consideration for these unrecoverable costs, co-generators could suffer substantial harm. CARB's AB32 scoping plan relies heavily on the use of cogeneration to meet AB32's goals and it would be unfortunate to have carbon market exposure reduce the viability of this sector of the industry.

Thank you again,

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