



Barriers to the Expansion of Electrical Combined Heat and Power by the U.S. Wood Products Industry

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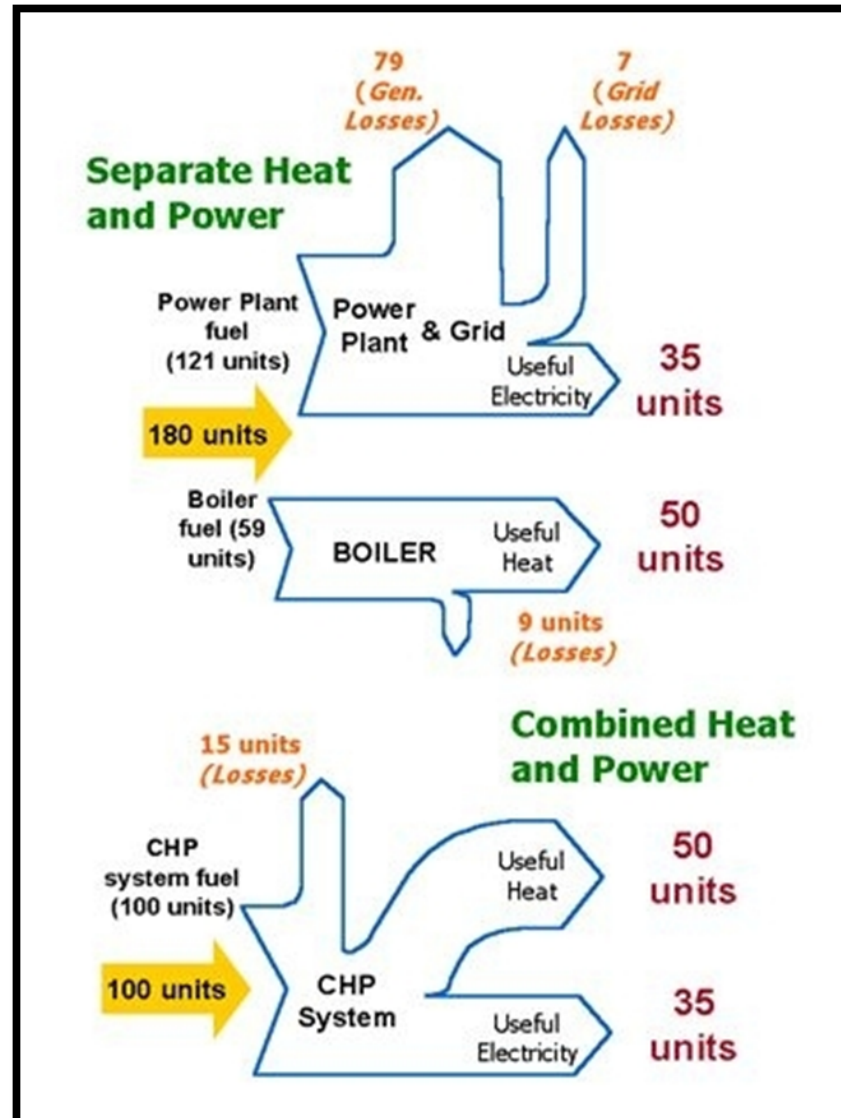
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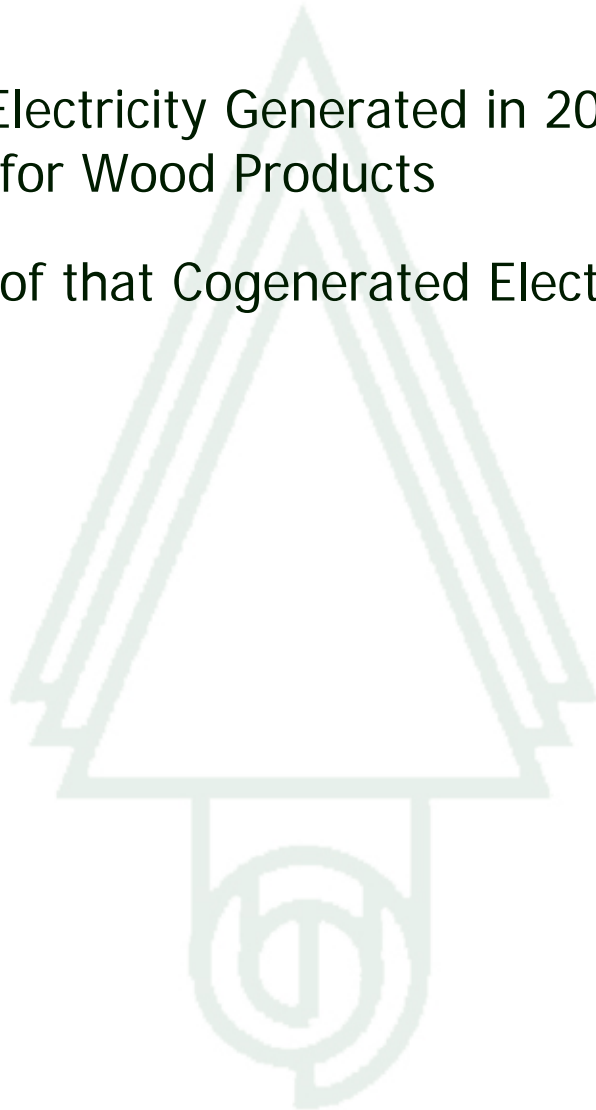


Combined Heat and Power



Introduction to FPI CHP

- 98% of Pulp Mill Electricity Generated in 2005 Was Co-Generated—96% for Wood Products
- On Average 66% of that Cogenerated Electricity is from Biomass



PURPA

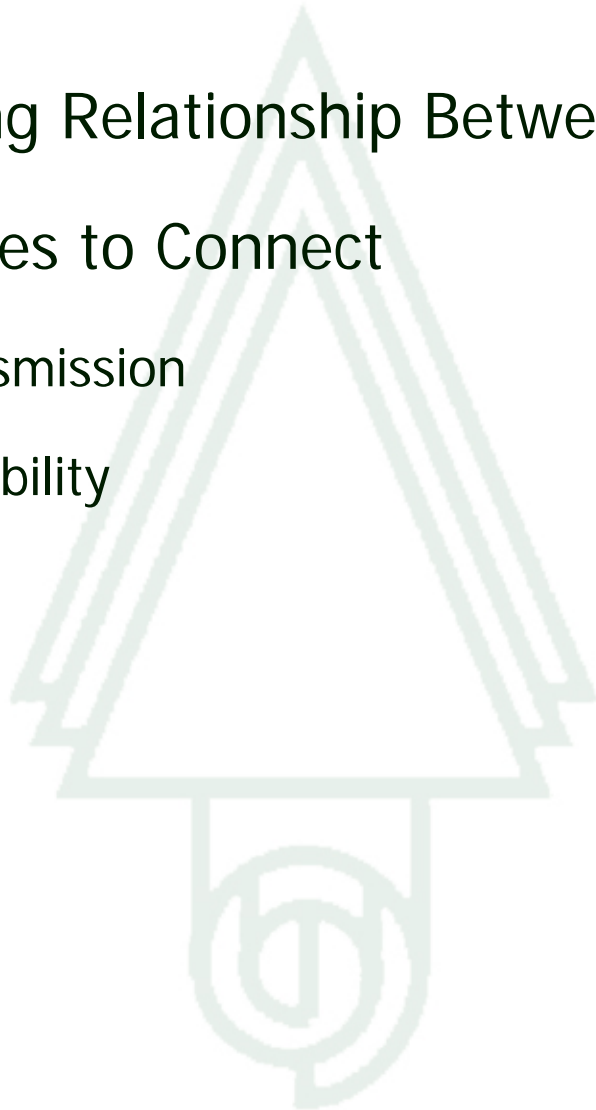
- Public Utility Regulatory Policies Act of 1978
 - Diversify U.S. Energy Sources
 - Promote QFs (like CHP)
- Must Take/Standby and Backup Power
- EPAct 05 Rulemaking
 - Remove Must Take Obligation in RTO/ISO areas
 - Makes Financing More Difficult
 - Litigation

CHP Sales to RTOs/ISOs

- Independent System Operator (ISO) or Regional Transmission Organization (RTO)
 - Operate Wholesale Market for Electricity; Coordinate Regional Transmission
 - Reliability, Reliability, Reliability!
- Key : CHP Different than Traditional Generators
 - Generators Purpose: Sell Electricity to Grid
 - CHP Purpose: Provide Electricity and Steam to Host Plant; May Elect to Sell Electricity

Interconnection Standards

- Rules Governing Relationship Between CHP and Grid
- Fees and Studies to Connect
 - Upgrade Transmission
 - PJM: Deliverability



“Behind the Meter” Generation

- Electricity Generated and Used On-Site
- RTOs/ISOs Want Control—Dispatch
- Gross Load Pricing
 - Charge Fees As If All Electricity Used Came From Grid



Recommendations

- Recognize Inherent Differences in CHP and Traditional Generation
- Properly Value Energy Security/ Environmental/ Climate Change Benefits with Reliability
- Consider Other Policies, Such as Feed In Tariffs or Other Programs

