

most efficient; the requirement is that it be "useful."<sup>70</sup>

Concerning AGA's comment that Form 556 should not require calculations of distribution heat losses, the Commission recognizes that accounting for inefficiencies of heating and cooling equipment is burdensome and unnecessary. Form 556 will not require that applicants specify this information.

The Commission will publish Form 556 in Part 131 of the Commission's regulations. To help focus attention on the relevant standards, the Commission will divide the form into three parts. Part A, entitled "General Information To Be Submitted By All Applicants" (*items 1-6*), covers: (a) The identity of the applicant; (b) the type of facility (small power or cogeneration); (c) the expected or actual installation and operation dates, (d) the fuel input and power output; and (e) the identity of the relevant utilities with which the facility will transact business. Part B, entitled "Description Of the Small Power Production Facility" (*items 7-8*), concerns certain restrictions on use of oil, natural gas and coal and the one-mile limit on common fuel supplies shared by multiple facilities. Part C, entitled "Description Of the Cogeneration Facility" (*items 9-15*), concerns compliance with, *inter alia*, the operating and/or efficiency standards, and contains sections that specifically pertain to topping-cycle (*items 13-14b*) and bottoming-cycle (*item 15*) facilities.

To make Form 556 easier to use, the Commission is eliminating redundancies and, wherever possible, cross-referencing items to related sections of the Commission's regulations or stating the underlying FPA or Commission requirement.

The Commission is also modifying the title of Form 556 to indicate that applicants must complete up-to-date Forms 556 for both existing and proposed facilities.<sup>71</sup> The Commission

<sup>70</sup> See Bayside Cogeneration, L.P., 67 FERC ¶ 61,290 at 62,007 & n. 7 (1994).

<sup>71</sup> The Commission is not requiring owners and/or operators of facilities that have applications for certification pending before the Commission, or that the Commission has already certified, or that have already filed a notice of self-certification to file Form 556 unless they file for Commission recertification or self-recertification after the effective date of this final rule.

With respect to facilities not yet built or operating, small power producers and cogenerators must present the relevant information, to the extent possible, in the form of planned compliance. If the small power producer or cogenerator does not supply sufficient information, the Commission will not be able to certify the facility, or the information in a notice of self-certification will not be adequate to ensure that the facility is a QF.

is requiring a description of the operation of the principal components of the facility (*item 4a*). The Commission is clarifying the reference to eligible small power production facilities (*item 8*) with an explanation and a reference to section 3(17)(E) of the Federal Power Act. The Commission is also requiring that an applicant specify the identity of the thermal host; but the Commission is not requiring that in all cases applicants must divulge their affiliation with the cogenerator (*item 13*).<sup>72</sup>

The Commission is also not requiring applicants to specify the utility load that a QF will displace, since it is sufficient for utility planning and system operating purposes that applicants identify all of the utilities with which they expect to transact business. The Commission's practice has long required that applicants provide information on thermal delivery losses and any thermal energy return, in order to determine the amount of the useful thermal energy output of the facility (*item 14a*). Experienced cogenerators have routinely provided this information. The Commission is not eliminating this critical requirement.<sup>73</sup> The final rule clarifies Form 556 accordingly.

#### F. Proposed Technical Modifications for Qualifying Small Power Production and Cogeneration Facilities Under Part 292

##### 1. Calendar Year Fossil Fuel Use and Operating and Efficiency Value Calculations

The Commission's current rules require cogeneration facilities to meet the operating and efficiency standards on a calendar year basis.<sup>74</sup> Small power production facilities must meet a similar

<sup>72</sup> The affiliate relationship between the cogenerator and the thermal host is not relevant unless the thermal application or process, or the end product produced with the aid of the thermal output from the facility, is not common. Since most thermal applications or processes, and/or the end products produced with the aid of such, are common, this information is usually not necessary.

<sup>73</sup> Section 292.202(h), as revised in this final rule, defines thermal energy in terms of thermal energy: (1) Which is made available to an industrial or commercial process (net of any heat contained in condensate return and/or makeup water); (2) which is used in a heating application (e.g., space heating, domestic hot water heating); or (3) which is used in a space cooling application (i.e., steam or hot water used by an absorption chiller). *Item 14a* will contain these three categories.

Line losses and heat exchanging equipment losses must be deducted from the total thermal energy actually consumed. For example, any thermal energy rejected by an absorption system at the input to the chiller must be deducted from the useful thermal output, since what is rejected is not used for cooling purposes. Also, the proper location of the metering equipment at the host site can eliminate the need to calculate line losses.

<sup>74</sup> See, e.g., Everett Energy Corporation, 45 FERC ¶ 61,314 (1988).

requirement with respect to the proportion of fossil fuel use.

The NOPR proposed to convert the existing calendar year operating and efficiency standards (for cogeneration facilities<sup>75</sup>) and the current calendar year fossil fuel standard (for small power production facilities<sup>76</sup>) to 12-month standards, because many QFs have experienced difficulty meeting the standards during the first calendar year of operation. For example, if a cogeneration facility first produces electric energy late in the year, it may not have enough time under normal operation during the remainder of the calendar year to meet the Commission's operating and/or efficiency standards. Likewise, it may miss the peak thermal usage of its host(s), and so may be unable to comply with the Commission's operating and/or efficiency standards for that calendar year.

In the NOPR, the Commission proposed to base its determination of whether a QF meets the Commission's technical standards in its first year of operation by examining the facility's operation for a period of 12 consecutive months beginning with the date on which the QF first produces electric energy. The Commission proposed to base subsequent determinations upon each ensuing 12-month period. Accordingly, the Commission proposed to replace the phrase "during any calendar year" in §§ 292.204(b)(2), 292.205(a) and 292.205(b) with the phrase "on a consecutive 12-month basis beginning with the date the facility first produces electric energy."

*Comments:* American Forest and Paper suggests a 60 to 90-day grace period beginning with the first production of electric energy to permit the completion of facility testing. Upon commercial operation, the 12-month standard would apply. Independent Energy Producers suggests that the Commission apply the new 12-month

<sup>75</sup> The current operating standard requires all topping-cycle cogeneration facilities to have at least a 5 percent operating value with regard to useful thermal energy output (§ 292.205(a)). Oil or gas-fired topping-cycle cogeneration facilities are also subject to an efficiency standard (§ 292.205(a)). The useful electric power output of the facility plus one-half the useful thermal energy output must be no less than 42.5 percent of the total energy input of natural gas or oil. If the useful thermal energy output is less than 15 percent of the total energy output (i.e., the operating value is less than 15 percent), the efficiency value must be 45 percent rather than 42.5 percent. For supplementary fired bottoming-cycle facilities, the useful electric power output must be at least 45 percent of the total oil and natural gas input (§ 292.205(b)(1)).

<sup>76</sup> The use of coal, oil and natural gas by qualifying small power production facilities is limited to certain purposes and cannot exceed 25 percent of the total fuel input (§ 292.204(b)(2)).