



February 23, 2007

Dr. William A. Burke
Board President
South Coast Air Quality Management District
1110 W. Ohio Ave., Suite 100
Los Angeles, CA 90025

RE: Proposed Amended Rule 1110.2

Dear Dr. Burke:

Cummins Power Generation on its own behalf and on behalf of Cummins Cal Pacific, the Cummins distributor in Southern California, submits these comments in opposition to the Proposed Amended Rule 1110.2, dated January 23, 2007. Cummins addresses the proposed adoption of the CARB 2007 Limits only, while supporting by reference the comments submitted by the Engine Manufacturers Association.

Background

Cummins Power Generation, a subsidiary of Cummins Inc. (NYSE: CMI), is an industry leader in introducing advanced low-emissions power generation solutions around the world. With over 80 years' experience, the company's global distributor network delivers innovative, reliable and cost-effective solutions for any power need — commercial, industrial, recreational, emergency and residential. Products include alternators, generator-drive engines, and temporary or permanent pre-integrated power systems, combining generator sets and power control and transfer technologies. Services range from system design, project management, financing, and operation and maintenance contracts to development of turnkey power plants.

Cummins Power Generation supports clean air policy and the District's endeavors to achieve its air quality management goals. We are constantly working to improve the efficiency and lower the emissions of our products for our customers and to be responsive to environmental issues. However, we do not believe the proposed action to subject new engines to the CARB 2007 guidelines limits will have a significant impact on the air quality goals of the District, but will merely result in keeping a clean and efficient form of electricity generation, engine driven CHP, from being available to commercial and industrial endusers in the district. Further, the proposed action is inconsistent with state policy.

Below are our specific concerns regarding the District's proposal.

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Comments

California Environmental Quality Act (CEQA)

1. Proposed Rule Subject to CEQA. The public has not yet been informed of the coverage of the Proposed Rule to the “three step process” required under CEQA. The documentation required for environmental review is a cornerstone of California law. This should be done as soon as practicable.

2. Comparison of Contribution from all sources. We request, pursuant to the “full disclosure” and the “whole of an action” principles of CEQA that the AQMD present data and charts that clearly show the amount of pollutants from the engine sector, engines in simple cycle mode and engines in CHP mode, compared to all contributing sources. This comparison should be done for representative future years. We believe that the comparison will show that the contribution from engines will be relatively insignificant. The Board will then be able to make an informed decision.

The CARB 2007 Limits for engines cannot now be met and maintained

The proposed adoption of the CARB 2007 Guidance Limits for new engine based powerplants would be a technology forcing regulation that does not represent a reasonable approach to balancing end-user interests with air quality goals. The CARB 2007 Limits cannot now be met and maintained. We request the adoption of such limits be delayed. We recommend that an effective adoption date be selected based upon the results of a compliance demonstration program. AQMD, engine and after-treatment suppliers would undertake a program that evaluates the efficacy and feasibility under durability testing guidelines.

The Adoption of the CARB 2007 limits is Counter to California’s Stated Public Policy

The State Legislature and its Energy Regulatory Agencies have clearly articulated its support of cogeneration (SB 28, SB 1298, AB 1685, Integrated Energy Policy Report and Energy Action Plan, and AB 32 implementation efforts). The District’s proposal, which effectively eliminates engine driven cogeneration, clearly is not supported by State law and policy, particularly in context of recent and long-term greenhouse gas reduction efforts. Further, expansive legislation promoting customer sited cogeneration is expected to be introduced in the 2007 session.

The Proposed Amended Rule Will Affect California’s Economic Competitiveness

The CARB 2007 emission limits, if adopted would eliminate engine driven CHP systems, which in our direct field sales experience, account for the majority of customer sited cogeneration. In these cases, engine driven projects are the best fit in terms of electrical



demand, load characteristics, and economics. In effect, commercial and industrial customers who seek onsite cogeneration would have no economic or reliability options. The consequences would be devastating at a time when economic growth, job retention and economic competitiveness are still critical to the California economy.

The Board also needs to know that one of the alternatives promoted by the AQMD is grid power which is not as efficient as engine driven CHP. CHP systems are between 65-90 percent efficient compared to central station power plants that are about 49-55 percent efficient. CHP systems should be promoted, not eliminated as a future option.

Conclusion

Cummins Power Generation has serious concerns about the CARB 2007 Limits of the Proposed Amended Rule. In context of our comments, we are committed to assist the AQMD in its endeavors to achieve an air basin that meets its Air Quality Management Plan goals.

We thank you for the consideration of these comments.

A handwritten signature in black ink, appearing to read 'Alex Savelli', written over a horizontal line.

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Cc: AQMD Governing Board Members
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Commissioner Dian Grueneich, CPUC
Chair, Jacklynne Pfannestiel, CEC
Commissioner John Geesman, CEC
Commissioner Robert Boyd, CEC
Commissioner Jeff Byron, CEC
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