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BEFORE THE CALIFORNIA ENERGY COMMISSION

In the matter of:)
)
Implementation of Renewables Portfolio)
Standard Legislation)
and)
Implementation of Renewables Investment Plan)
Legislation)
_____)
)

Docket No. 03-RPS-1078
RPS Proceeding

Docket No. 02-REN-1038
Renewable Energy Program

**SOUTHERN CALIFORNIA EDISON COMPANY'S COMMENTS ON PROPOSED
CHANGES TO THE RENEWABLES PORTFOLIO STANDARD ELIGIBILITY
GUIDEBOOK AND THE OVERALL PROGRAM GUIDEBOOK FOR THE
RENEWABLE ENERGY PROGRAM**

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Dated: September 10, 2010

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Southern California Edison Company (“SCE”) respectfully offers these comments on the California Energy Commission (“CEC”) staff’s proposed changes to the Renewables Portfolio Standard (“RPS”) Eligibility Guidebook (“RPS Guidebook”). SCE does not have any comments on staff’s proposed revisions to the Overall Program Guidebook for the Renewable Energy Program at this time.

I.

COMMENTS ON RPS GUIDEBOOK

A. Biogas Delivery via Injection into a Natural Gas Pipeline

The proposed RPS Guidebook states: “RPS-eligible biogas may be injected into a natural gas transportation pipeline system and delivered into California (or delivered to the electric generation facility if the electric generation facility is located outside of California) for use in an RPS-certified facility, the resulting generation may be considered RPS-eligible electricity.”¹ If RPS-eligible biogas is injected into a pipeline and delivered to an RPS-certified facility in

¹ RPS Guidebook at 18 (emphasis added). Citations to the RPS Guidebook are to the Draft Staff Guidebook posted on August 23, 2010.

accordance with the CEC rules, then the resulting generation should be RPS-eligible.

Accordingly, the RPS Guidebook language should be modified to state the resulting generation “will” be considered RPS-eligible electricity.

B. Application of Existing Renewable Facilities Program’s De Minimis Requirement for Nonrenewable Fuels

The proposed RPS Guidebook refers to the Existing Renewable Facilities Program’s 5% de minimis threshold for nonrenewable fuels, and then states that “[f]or facilities receiving Existing Renewable Facilities Program funding, the 5 percent de minimis threshold will be applied to the facility’s RPS eligibility as long as the facility continues to participate in the Existing Renewable Facilities Program.”² Although the Existing Renewable Facilities Program Guidebook does set a 5% annual limit on fossil fuel use for a biomass facility to have 100% of its generation eligible for Existing Renewable Facilities Program funding, that 5% de minimis requirement is not a threshold for RPS eligibility for all biomass facilities.³

Renewable facilities that commenced commercial operations before January 1, 2002, were certified and operation as a renewable qualifying small power production facility (“QF”) pursuant to the federal Public Utility Regulatory Policies Act (“PURPA”) before January 1, 2002, and currently are certified by the Federal Energy Regulatory Commission (“FERC”) as a QF may use up to 25% nonrenewable fuels, and still count 100% of their output as RPS-eligible.⁴ This same treatment applies to any facility that was awarded a renewable power purchase contract as a result of the 2002/2003 Interim RPS procurement solicitation approved by the California Public Utilities Commission (“CPUC”) under Decision 02-08-071 and Decision 02-10-062.⁵ A biomass facility that satisfies either of these criteria should be able to use up to 25% nonrenewable fuels and count 100% of its output as RPS-eligible, regardless of whether it

² *Id.* at 20. *See also id.* at 30.

³ Existing Renewable Facilities Program Guidebook, CEC-300-2009-001-CMF, at 3 (6th edition, January 2009).

⁴ RPS Guidebook at 30.

⁵ *Id.*

receives funding under the Existing Renewable Facilities Program. The 5% de minimis threshold is a requirement for funding, not RPS-eligibility, and there is nothing in either the Existing Renewable Facilities Program Guidebook or the RPS statute that establishes that requirement as a condition on RPS eligibility.

Accordingly, the CEC should clarify that biomass facilities receiving funding under the Existing Renewable Facilities Program that meet the criteria for the 25% de minimis threshold for nonrenewable fuels are subject to that 25% standard for RPS eligibility, although they are subject to a 5% de minimis threshold for funding. At a minimum, if the CEC does impose the 5% de minimis threshold as a new requirement for RPS eligibility, it should clarify that the requirement only applies going forward.

C. Measuring the Renewable Generation From Multi-Fuel Facilities

With respect to the calculations for measuring the renewable generation from multi-fuel facilities discussed on pages 31 through 34 of the proposed RPS Guidebook, SCE believes that only fuel used while the facility is actually producing electric energy (i.e., steam to the turbine) should be considered in the calculation for the renewable/nonrenewable fractions. This approach ensures that fossil fuel used by a solar thermal power generation project to keep the energy conversion system warm to protect against freezing, and to pre-heat the energy conversion system each morning to allow the solar array to send appropriately heated steam (or vaporized working fluid) to the turbine/generator at the earliest possible moment following sunrise, is neither attributable to power generation nor “station use” and will not be counted as part of the de minimis fossil fuel amount allowed to be burned in support of the project. The amount of thermal energy added to the system during morning startup is lost during shut-down at the end of the daily generation period – roughly netting to zero. Accordingly, the amount of energy input into the system for morning start-up should not be counted as part of the de minimis allotment on use of fossil fuel, as this use of fossil fuel is simply intended to optimize plant operations during normal hours of generation for electricity placed onto the grid.

Additionally, the measurement of the nonrenewable fuel used during power generation is determined to be the output of electric energy from a combined cycle gas turbine (“CCGT”) using an equivalent volume of natural gas. However, the efficiency and output from a CCGT has no relation to systems meant to be covered by this section of the RPS Guidebook. SCE suggests that since a solar thermal facility is likely to use a small, rather inefficient boiler to supplement the steam (or vapor) raised in the facilities’ main boiler/evaporator prior to inlet to the turbine/generator set, a more representative determination of the contribution made by burning natural gas to raise supplementary steam (or vapor) in a small boiler should be used in this section.

D. Applying for RPS Certification and Pre-Certification

The proposed RPS Guidebook removes the ability of a retail seller to file the CEC RPS 2 form on the behalf of a facility under contract with the retail seller before April 2, 2004.⁶ SCE is concerned that, if this option is eliminated, retail sellers will no longer have the ability to claim RPS credit for QFs that have yet to notify the purchasing retail seller of their renewable status. Although most eligible facilities are certified RPS-eligible and have been so for several years, retail sellers’ ability to file for certification on behalf of facilities that have yet to notify the purchasing retail seller of their renewable status should not be constrained.

It is unclear from the proposed changes to the RPS Guidebook if the CEC RPS 2 form is simply being replaced by the CEC RPS 1 form with no changes to RPS program rules, or if the elimination of the CEC RPS 2 form will indeed restrict the counting of currently unregistered QFs towards RPS program goals. If there is no proposed change to RPS program rules, SCE requests a footnote be added to explain that the change in forms will not affect program eligibility for QFs. If CEC staff is proposing a change, SCE requests that no restriction be placed on retail sellers claiming credit for generation under contract before April 2, 2004, as facilities could exist that have yet to notify the purchasing retail seller of their renewable status.

⁶ *Id.* at 44.

Neither the purchasing retail seller's customers nor the State should lose RPS credit for renewable energy that meets all eligibility requirements.

E. Treatment of Test Energy

Section IV of the proposed RPS Guidebook discusses RPS Tracking, Reporting, and Verification. SCE understands that retail sellers may use the Interim Tracking System for reporting test energy until such test energy is included in WREGIS. However, page 69 of the RPS Guidebook states that “for test energy in 2009 and generation not tracked in WREGIS for previous years, facilities certified must annually submit data on their monthly generation....” By singling out 2009 test energy this sentence could be read to suggest that test energy may not be included in the Interim Tracking System in other years, even if it is not included in WREGIS. SCE suggests that this sentence be deleted or clarified to state that all test energy can be reported in the Interim Tracking System until it is included in WREGIS.

F. WREGIS Reporting

WREGIS reporting instructions are discussed in Appendix A of the proposed RPS Guidebook. In 2009, SCE “lost” roughly 48 MWh of RPS-eligible generation because of confusion over data entry procedures in WREGIS that lead to an inadvertent data entry error. WREGIS administrators have informed SCE that there is no way of going backward to correct the error.

SCE customers and the State should not lose credit for RPS-eligible energy because of an inadvertent data entry error. The CEC has held that “[t]he Energy Commission must retain discretion to revise the results and findings of prior verification reports in order to correct data that are inaccurate, false, or misleading.”⁷ Given the CEC's statements about its own discretion to revise data even after it has been verified, the RPS Guidebook should also provide a procedure under which incorrect WREGIS data can be corrected, thus ensuring that all RPS-eligible energy is appropriately credited towards the State's goals.

⁷ Renewables Portfolio Standard 2006 Procurement Verification Report, CEC-300-2009-006-CMF, at A-9 (July 2010).

II.

RESPONSE TO QUESTIONS IN ATTACHMENT B

A. Multi-Fuel Facilities and the De Minimis Quantity of Nonrenewable Fuels

The first section on Attachment B discusses possible revisions to the RPS eligibility requirements for multi-fuel facilities and asks for comment on the proposed changes. SCE supports the clarification that it is the total annual nonrenewable energy resources used “simultaneously to generate electricity” at the facility that must not exceed a de minimis amount for 100% of the facility’s electricity production to be RPS-eligible.⁸ This is an important clarification of the fuel use requirement and aligns the RPS Guidebook requirements with those of WREGIS. The RPS eligibility requirements should focus on whether the electricity on the grid is renewable, and should not be concerned with the operational needs of commissioning, start-ups, shut-downs, and overnight freeze protection. The practical benefit of this clarification is that more useful renewable generation will be available because a unit can be kept in a “hot standby” mode so that it may immediately parallel to the system at sunrise instead of wasting hours of sunlight just warming the unit.

Attachment B also provides that: “It is the responsibility of the facility to demonstrate the ability to differentiate between energy used simultaneously to generation electricity and energy used for other purposes than simultaneous electricity generation.”⁹ Consistent with SCE’s comments above, the words “electricity generation” should be replaced with “on-line electricity generation.” In addition, the need to provide any information concerning off-line energy inputs should be for research purposes only, and should not create any reporting or compliance obligation that creates a limit to such uses since off-line needs will likely vary by technology, actual weather conditions, and other factors beyond the control of the project operator.

In addition, Attachment B states that:

⁸ RPS Guidebook, Attachment B at 1.

⁹ *Id.* (emphasis added).

The Energy Commission will provide the same treatment under the RPS for renewable facilities that commenced commercial operations before January 1, 2002, were certified and operational as a renewable qualifying small power production facility (QF) pursuant to the federal Public Utility Regulatory Policies Act before January 1, 2002, and are currently certified by the Federal Energy Regulatory Commission (FERC) as a renewable QF facility.¹⁰

Facilities are not certified by the FERC as a “renewable QF facility.” There are small power producers or cogeneration facilities that can be certified by FERC under PURPA as a QF, but no separate renewable classification inside the FERC rules that implement PURPA. Therefore, in order to avoid confusion, SCE suggests that the underlined language be changed to “and are currently certified by the Federal Energy Regulatory Commission (FERC) as a QF facility and are using a fuel that qualifies as renewable under California RPS guidelines.”

SCE generally supports using the equation on page 3 of Attachment B in its present form, but believes the “(MWh)_{grid}” term will rarely be used. SCE’s interconnection and service rules only allow a single point of service, so a customer may not connect two services together on their side of the interconnection. This means the electricity for facility heating would likely come from the facility itself and not from the grid. This would be considered auxiliary power (station light and power) usage. SCE suggests that the CEC provide a specific example that would clarify when the “(MWh)_{grid}” term would be appropriately used.

Furthermore, SCE recommends modifying the equation on page 4 of Attachment B to avoid the need to have a benchmark electrical efficiency. SCE agrees that an alternative to the simple heat input ratio method listed on page 3 is needed because it is often very difficult to measure the renewable fuel inputs, whereas, the non-renewable input may be relatively easy to measure. For example, natural gas input is relatively easy to measure as compared to woody biomass.

SCE has QFs that report fuel usage by using an output and heat rate method as follows:

$$\text{Percent renewable} = 100\% \times [1 - \{[(\text{BTU})_{\text{non-RPS}} / (\text{Heat Rate})_{\text{non-RPS}}] / (\text{kWh})_{\text{Total}}\}]$$

¹⁰ *Id.*, Attachment B at 2 (emphasis added).

This approach requires the facility to have a heat rate value for operation with the nonrenewable fuel, but is much easier to determine with a test or using design data. SCE suggests this type of method be used and, consistent with SCE's earlier comments, the energy inputs values should be for the on-line periods and not the entire calendar year period.

Finally, SCE offers the following responses to the questions in the first section of Attachment B.

1. What fossil fuel or nonrenewable energy resource uses should be counted as contributing to the nonrenewable fuel use in the energy input measurement methodology for generation of multi-fuel facilities?

As discussed above, SCE believes the correct energy inputs are limited to the time period a facility is on-line, and not the entire calendar year.

2. What level of fossil fuels or other nonrenewable energy resources constitutes a "de minimis amount" of fossil fuel or other nonrenewable energy resources that should count as "renewable" for RPS obligations?

The 2% value (with the exceptions noted on pages 30-31 of the proposed RPS Guidebook and pages 1-2 of Attachment B) is a reasonable de minimis amount if the evaluation period includes on-line time only. If "total annual energy input" continues to be used, then the CEC should revisit the definition of a de minimis amount since 2% is not a reasonable de minimis amount if nonrenewable fuel used for commissioning, start-ups, shut-downs, and freeze protection is considered. A value of 2 hours times 365 days over 8760 hours per year would yield about 8%, which could be rounded upward to 10% to cover daily load cycles (one hour each for start-up and shut-down) plus freeze protection. SCE favors maximizing renewable electricity exports to the grid, and nonrenewable fuel usage for facility operations that occur during off-line periods should not be included in the evaluation period.

3. **Should the de minimis level be different for specific facilities based on energy resource, technology, operations, or benefits to the grid? If so, please suggest criteria that is reasonable and describe any parameters.**

The rules should be technology neutral as it would be administratively burdensome to have separate, customized rules for each facility. In the long-term, the market will adjust for less efficient technologies and operating practices.

4. **Should a measurement methodology be based on plant operations or efficiencies rather than just actual energy output?**

The measurement methodology should be based on plant operations and efficiencies, rather than actual energy input. Rules based on calculation of energy input are arbitrary and complex. WREGIS has established a methodology which determines the allocation of the generation recorded by the electrical metering into renewable and other categories, using conversion efficiency of the renewable and nonrenewable inputs into electricity output. The WREGIS methodology is simple and easily understood. Having the CEC rules align with how the energy is categorized in WREGIS would simplify program administration and avoid the constant confusion over input-based rules. Accordingly, SCE suggests that the CEC adopt the WREGIS approach.

B. Retroactive Renewable Energy Credits (“RECs”) in WREGIS

1. **Should the Energy Commission consider allowing generation from facilities already on-line but not previously registered in WREGIS to upload retroactive RECs for generation prior to the previous 75-day reporting period to count for RPS compliance? If not, should retroactive RECs be limited to test energy? Why or why not?**

SCE supports the CEC allowing retroactive RECs to count for RPS compliance. In Decision 10-03-021, the CPUC allowed for the use of RECs associated with electricity generated

on or after January 1, 2008 to be used for RPS compliance if they are tracked in WREGIS.¹¹ The CPUC's recent proposed decision modifying Decision 10-03-021 and lifting the stay on that decision continues to allow for the use of REC associated with electricity generated on or after January 1, 2008 to be used towards the RPS, provided they are certified by the CEC.¹² Consistent with the CPUC's approach, the CEC should allow retroactive RECs going back to January 1, 2008. All RPS-eligible output should be counted towards the State's goals, and any barriers to doing so should be removed. There is no basis for prohibiting otherwise eligible RECs from counting towards the RPS simply because of limitations in the WREGIS system.

2. **Should there be a time limit (besides the limitation of two years for a Prior Period Adjustment that is hard coded in the WREGIS system) for generation prior to the upload date, and what should that limit be?**

See response to question 1 above.

C. **Biogas Delivery via Injection into the Natural Gas Pipeline System**

1. **Should the Energy Commission consider further restricting the location of eligible biogas production facilities to participate in California's RPS? If so, please suggest reasonable and verifiable parameters.**

Markets for renewable resources should be as broad as possible and biogas from any RPS-eligible production facility should be allowed.

2. **If other restrictions should be considered, what should those restrictions be?**

SCE believes no additional restrictions are warranted.

¹¹ CPUC Decision 10-03-021 at 97 (Ordering Paragraph 5) (March 11, 2010).

¹² CPUC Proposed Decision Modifying Decision 10-03-021 Authorizing Use of Renewable Energy Credits for Compliance with the California Renewables Portfolio Standard and Lifting Stay and Moratorium Imposed by Decision 10-05-018 at 31 (August 25, 2010).

3. **Should the use of storage facilities be disallowed in the delivery of biogas to an RPS-eligible biogas electricity generating facility? If yes, why and under what conditions?**

Storage should not be disallowed. A fundamental and beneficial property of biogas is that it can be stored relatively cheaply and easily as compared to electricity. Disallowing storage will discount this beneficial property of biogas and limit the ability to use biogas to meet RPS program goals.

4. **Should the use of natural gas storage facilities to store biogas in natural gas pipeline systems be treated differently than the transportation of biogas through a natural gas pipeline system? If yes, please explain.**

As in response to question 3 above, SCE believes stored biogas should not be treated any differently than biogas that is not stored.

D. Municipal Solid Waste (“MSW”) as an Eligible Biomass Feedstock

1. **If MSW is processed and handled such that CalRecycle makes a determination that it is not solid waste, should the Energy Commission reconsider the MSW as an eligible biomass fuel for the RPS?**

Markets for renewable resources should be as broad as possible and MSW should be reconsidered as an eligible biomass fuel.

2. **If the answer above is “yes,” should the material be limited to the organic fraction that remains after recyclables and compostables have been removed?**

It is impractical to determine what is organic and what is not. Organic has a different meaning in chemistry and public policy, and the uncertainty around such an administrative determination would render any development very problematic. SCE believes all MSW is a renewable resource and should be reconsidered as an eligible biomass fuel.

3. **Is there a reasonable amount of fossil fuel fraction that can remain after recyclables and compostables have been removed from MSW such that 100 percent of the material can be considered renewable for purposes of the RPS?**

See responses to questions 1 and 2 above.

4. **Is the fossil fuel fraction remaining after processing measurable? If so, how? What is a reasonable amount of remaining material from fossil fuel that could render 100 percent of the material as an eligible biomass feedstock?**

See responses to questions 1 and 2 above.

III.

CONCLUSION

For all the foregoing reasons, SCE urges the CEC to make the revisions suggested above to the proposed RPS Guidebook.

Respectfully submitted,

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