



WASTE MANAGEMENT / PUBLIC AFFAIRS

915 L Street, Suite 1430
Sacramento, CA 95814
(916) 552-5859
(916) 448-2470 Fax

March 23, 2011

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 10-ALT-4
1516 Ninth Street
Sacramento, CA 95814-5512

Via Email: docket@energy.state.ca.us

DOCKET

10-ALT-01

DATE MAR 23 2011

RECD. MAR 23 2011

Subject: 2011-2012 Draft AB 118 Investment Plan for the Alternative and Renewable Fuel and Vehicle Technology Program (Investment Plan)

Attention: Energy Commission Docket Unit:

Thank you for the opportunity to provide comments to you regarding the Investment Plan. Waste Management requests an opportunity to meet with Energy Commission staff regarding the following issues for which we have concerns.

Natural Gas Vehicle Funding vs. Fueling Infrastructure funding

WM is extremely concerned that some parties are seeking to put a higher priority on the AB 118 funding of vehicles rather than fueling infrastructure. In WM's view, assistance with high volume fueling infrastructure should be a high priority for the Investment Plan. We understand and respect why natural gas fuel providers may wish to create greater demand for NG fuel by seeking AB 118 funds to assist in the purchase of new NG vehicles. They cover the cost of their fueling stations in the cost of the fuel they sell – at a somewhat higher rate than would otherwise be charged.

When WM converts a district fleet of 40 to 60 HD refuse trucks from diesel to NG, the largest expense is the \$2 million per fueling station. While, assistance in purchasing the more expensive natural gas vehicles is important (and which we continue to support), assistance with fueling infrastructure may be much more cost-effective in some circumstances. A typical WM fueling infrastructure facility is an extremely high volume NG fueling facility --- much, much larger than a typical public fueling facility. Providing AB 118 funding to help defray the cost of these high volume fueling stations is critical to help our large fleet operations make the transition from diesel to natural gas. In addition, WM typically does everything possible to provide public and/or 3rd party fueling at these facilities. We doubt that many others can match the very high volume of displaced petroleum fuels by our NG fueling facilities. The fuel costs we can offer the public and other 3rd parties can, in most instances, be far lower than would otherwise be possible from any provider of natural gas. In summary, we believe that

From everyday collection to environmental protection, Think Green.® Think Waste Management.



the CEC should place a high priority in providing fueling infrastructure funding in the following circumstances:

- Documented conversion of heavy duty diesel fleet operations to natural gas.
- High volume fueling and high displacement of petroleum fuels.
- Low cost public or third party access to the AB 118 funded fueling infrastructure facility.

We would appreciate the further opportunity to make our case to you that funding of natural gas fueling infrastructure is equally important to funding vehicle costs – particularly when one or more of the above bullet points are met by the fueling project

Gasoline Substitutes

We would also like to discuss changing or broadening the “Ethanol” category to including funding for other types of Gasoline substitutes. We strongly believe that the degree of GHG reduction ought to be an important criterion for funding in this category. For example, as we have discussed previously, the Terrabon technology in which WM has invested, produces very low carbon organic salts that can be blended into the refining process to lower the carbon intensity of gasoline.

In the first part of the Investment Plan there are repeated references to the benefits of “Ethanol and other Gasoline Substitutes”. However, in later pages of the report, including the Chapter 6 Funding Allocations Table 33 on page 146 reference is made only to “Ethanol”. This may be only an inadvertent oversight. We would appreciate clarification that “Other Gasoline Substitutes” will be eligible for funding along side “Ethanol” – particularly if the potential carbon intensity of the Gasoline Substitute is similar or lower than Ethanol.

We understand that there may be some concern over providing funding for technologies that will help mandatory regulated parties under the LCFS to meet their carbon intensity reduction obligations. However, that can be said of any gasoline substitute – including ethanol – providing a lower carbon alternative will help lower the carbon intensity of any gasoline which is blended with the gasoline substitute. Further, we believe your AB 118 regulations have a pro-rata provision that, to the extent that AB 118 funds are used, the ability to generate LCFS credits is proportionally reduced. Thus, we do not understand how LCFS compliance is a relevant issue. Similarly, we would appreciate the opportunity to discuss this further with you.

Diesel Substitutes

We would like to confirm that low carbon diesel produced from landfill gas using a modified Fischer-Tropsch process would be eligible for funding under this category. Waste Management is developing a proprietary process for this type of conversion of landfill gas to extremely low carbon diesel fuel.

Pre-Landfill Biomethane Production

We would like to better understand the “pre-landfill” biomethane condition that is part of the proposed Biomethane funding allocation. We support the need to fund pre-landfill biomethane production (e.g., anaerobic digestion, conversion technologies, etc.). We have developed a “Renewable Anaerobic Composter (RAC) technology that are essentially “reusable” mini-landfill cells that we would like to have considered for funding – along with other forms of anaerobic digestion and CT.

However, the most cost-effective source of biomethane production still appears to be maximizing the capture and beneficial use of biomethane that is already generated in a landfill. In addition, we would hope that treated landfill gas to pipeline CNG may be a possibility in the near future in California. The Energy Commission itself has identified the production of high BTU pipeline quality gas from landfill gas as a high priority. AB 118 Funding could be helpful in developing this readily available source of Renewable CNG for use as a transportation fuel. But, does the “pre-landfill” provision effectively preclude this option in the investment plan? We would like to discuss this matter further with you.

Thank you for the opportunity to bring these concerns to your attention. Waste Management and our Alternative Fuel partners are available to meet with you to further discuss these matters at your convenience. I will be contacting appropriate CEC staff in the near future to seem if further opportunities to discuss these matters can be scheduled. In the meantime, please contact me if you have any questions or require further information about these matters.

Sincerely,



Chuck White, P.E.

Director of Regulatory Affairs/West

Cc: Jim McKinney (lmckenne@energy.state.ca.us)
Peter Ward (pward@energy.state.ca.us)
Charles Smith (csmith@energy.state.ca.us)
Tim Olson (tolson@energy.state.ca.us)