

DOCKETED

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Document Title:	California Energy Commission Letter Determining Ineligibility of 2009 Shell & Atmos Contracts Amended Applications
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CALIFORNIA ENERGY COMMISSION1516 NINTH STREET
SACRAMENTO, CA 95814-5512

February 28, 2014

Oscar Alvarez
Los Angeles Department of Water and Power
111 N. Hope St., Rm 1246
Los Angeles, CA 90012

RE: Amended Applications for Renewables Portfolio Standard (RPS) Certification for the Scattergood, Harbor, Valley and Haynes Generating Stations, RPS ID 61596A-61599A

Dear Mr. Alvarez:

This letter is regarding Los Angeles Department of Water and Power's (LADWP) amended applications for Renewables Portfolio Standard (RPS) certification for the Scattergood, Harbor, Valley, and Haynes Generating Stations. The amended applications request to add 11 biomethane fuel production facilities under the Shell Energy Contract 2009 and Atmos Base Contract 2009. After careful consideration, Energy Commission staff has determined that the biomethane fuel production facilities under the 2009 Shell and Atmos Contracts that are represented in the amended applications are not eligible for the RPS, as discussed below, and the amended applications are therefore being returned. The Scattergood, Harbor, Valley, and Haynes Generating Stations remain certified as eligible for the RPS without the addition of the biomethane from the production facilities under the above-referenced contracts.

Beginning in July 2011, staff notified LADWP regarding their concerns with the pre-certification applications for these four electric generation facilities. Specifically, staff referenced LADWP's statement that "the parties understand that this Landfill Gas will be delivered to Buyer through an exchange rather than through direct long-haul transportation." Because exchange is not an acceptable delivery method, this statement indicated that the Energy Commission's biomethane delivery requirements were not being met. Subsequent correspondence from LADWP confirmed that these (2009) contracts did not use a physical contract path as is required for RPS eligibility.

In October 2011, LADWP submitted applications for pre-certification and copies of its biomethane contracts to the Energy Commission. However, these applications were rejected because the forms attesting to the accuracy of the information provided in the applications had been altered without authorization from Energy Commission staff.

In November 2011, Energy Commission staff shared its concerns with LADWP about how eligible generation from these four electric generating facilities could be tracked in the Western Renewable Energy Generation Information System without allowing generation attributable to ineligible biomethane being mistakenly claimed for LADWP's RPS requirements. In response, LADWP asked Energy Commission staff to remove the applications for the additional biomethane supplies under the 2009 Shell and Atmos contracts from consideration of pre-certification for the four generating facilities.

In December 2011, the Energy Commission pre-certified the four generating facilities as RPS eligible using four biomethane fuel production facilities (Imperial, Greentree, Turkey Creek and Live Oak Landfills) under its 2011 contract with Shell.

At least one of LADWP's biomethane suppliers, Cambrian Energy Management, was aware as early as 2009 that exchange was not an acceptable delivery method for RPS eligibility. The Energy Commission's Executive Director was contacted in 2009 by Cambrian Energy Management to ask whether transport and delivery of biogas could be done via exchange without the requirement to pay for transportation costs across each of the interconnecting natural gas pipeline systems. Based on the requirements in the third edition of the RPS Eligibility Guidebook, in effect from December 2007 through December 2010,¹ the Executive Director responded that "there must be a physical contract path from the injection facility to a point within the state of California," and that "other natural gas transport mechanisms are not satisfactory methods of delivery."²

In January 2012, the Energy Commission received applications for formal certification of the four pre-certified electric generating facilities. Those applications were subsequently replaced by new applications in March 2012. In July 2013, the Energy Commission certified the electric generation facilities as RPS eligible using the four fuel production facilities under the 2011 Shell contract, with a beginning on date of July 8, 2011. However, in July 2013, LADWP again submitted amendments to its applications for these four facilities to add the Shell Base Contract 2009 biomethane fuel production facilities. In November and December 2013, Kate Zocchetti, Office Manager of the Renewable Energy Office, discussed staff's findings regarding these ineligible biomethane deliveries under the amendments with several representatives from LADWP.

If you have any questions, please do not hesitate to contact Ms. Zocchetti at (916) 653-4710 or <kate.zocchetti@energy.ca.gov>.

Sincerely,


SUZANNE KOROSEC
Deputy Director
Renewable Energy Division

Enclosures

cc: Kate Zocchetti

¹ *Renewables Portfolio Standard Eligibility Guidebook, Third Edition*, January 2008, CEC-300-2007-006-CMF, Page 20.

² Letter from Melissa Jones to Evan Williams, September 22, 2009.