

DOCKETED

Docket Number:	16-RPS-02
Project Title:	Appeal by Los Angeles Department of Water & Power re Renewables Portfolio Standard Certification Eligibility
TN #:	213430
Document Title:	370 Ab 2196 Legislative History Assembly Analysis 09.01.12 (Bates Nos. LA002524-LA002525)
Description:	N/A
Filer:	Pjoy Chua
Organization:	LADWP
Submitter Role:	Applicant
Submission Date:	8/31/2016 6:31:56 PM
Docketed Date:	9/1/2016

(Without Reference to File)

CONCURRENCE IN SENATE AMENDMENTS

AB 2196 (Chesbro and Gatto)

As Amended August 22, 2012

Majority vote

ASSEMBLY: 66-1 (May 25, 2012) SENATE: 35-2 (August 31, 2012)

Original Committee Reference: U. & C.

SUMMARY: Clarifies the definition of an eligible renewable electrical generation facility to include a facility that generates electricity utilizing biomethane delivered through a common carrier pipeline if the source and delivery of the fuel can be verified by the State Energy Resources Conservation and Development Commission (CEC). This bill counts in full, as eligible generation for purpose of complying with the Renewable Portfolio Standard (RPS), electric generation that relies on procurement of biomethane from a contract executed, by a retail seller or local publicly owned utility and reported to the Public Utilities Commission (PUC) or the Energy Commission, prior to March 29, 2012.

The Senate amendments clarify that electric generation that relies on procurement of biomethane from a contract executed, by a retail seller or local publicly owned utility and reported to the PUC or the Energy Commission, prior to March 29, 2012, counts in full, as eligible generation for purpose of complying with the RPS.

FISCAL EFFECT: According to the Senate Appropriations Committee, \$75,000 from the Public Utilities Reimbursement Account in 2012-12 and 2013-14 for the partial cost of a proceeding to modify existing PUC rules related to RPS eligibility and up to \$75,000 from the Energy Resources Programs Account (General Fund) annually to verify source and delivery of biomethane.

AS PASSED BY THE ASSEMBLY, this bill clarified the definition of an eligible renewable electrical generation facility to include a facility that generates electricity utilizing biomethane delivered through a common carrier pipeline if the source and delivery of the fuel can be verified by the CEC.

COMMENTS:

Rationale. The author intends to ensure that electricity utilities and certain electricity providers meet their renewable energy procurement obligations by using fuel sources that comply with statutory requirement. These requirements, the author notes, place the highest value on renewable energy delivered directly into California because, the author contends, such energy provides the greatest economic, environmental and energy reliability benefits.

Background. Current statute requires the state's electricity utilities and certain electricity providers to procure at least 33% of each of their electricity from renewable energy resources by 2020 and establishes obligatory renewable energy procurement milestones prior to this date. This requirement is known as RPS.

Statute defines, for RPS purposes, eligible renewable energy sources to include, among other sources, biogas, landfill gas and digester gas, often collectively referred to as biomethane, which are methane and other gases produced by the breakdown of organic substances. Statute also establishes a "balanced portfolio" requirement, classifying renewable energy products based upon their location and other characteristics, eventually requiring that 75% of renewable energy products be directly connected or scheduled into the California electricity grid.

RPS statute tasks the California Energy Commission (CEC) with certifying renewable energy resources as eligible for RPS credit. In the past, CEC has certified as RPS eligible renewable energy contracts between out-of-state facilities that produce biomethane and California-based electricity generating facilities that receive the biomethane via pipeline and burn it, along with natural gas, to produce electricity.

Several major electric utilities, including the Los Angeles Department of Water and Power and the Sacramento Municipal Utilities District, among others, have signed contracts with pipeline biomethane suppliers.

There has been growing concern with RPS eligibility of some pipeline biomethane contracts. This is because, in many instances, the pipeline biomethane for which an electricity generating facility receives RPS credit never physically receives the biomethane. Rather, the facility receives gas from a pipeline interconnected to the biomethane facility. But the pipeline interconnection may be very indirect, cover a distance of thousands of miles, and carry gas that flows away from California, west to east. CEC has assumed the biomethane displaces an equivalent amount of natural gas in the pipeline so that gas removed by the electricity facility from the other end of the pipeline, regardless of its physical composition or source, may be considered biomethane for RPS compliance purposes.

Earlier this year, in response to these concerns, CEC suspended its RPS certification of pipeline biomethane contracts to allow time to consider the appropriateness of pipeline biomethane's RPS eligibility. CEC, however, granted RPS eligibility to previously certified biomethane pipeline contracts.

Some electric utilities and other interested parties express concern over CEC's action and the effect disqualification of pipeline biomethane from RPS eligibility will have on electric utilities' ability to meet RPS obligations and the cost to Californians of doing so.

Analysis Prepared by: Susan Kateley / U. & C. / (916) 319-2083

FN: 0005808

LA002525