

DOCKETED

Docket Number:	16-RPS-02
Project Title:	Appeal by Los Angeles Department of Water & Power re Renewables Portfolio Standard Certification Eligibility
TN #:	213452
Document Title:	393 AB 2196 Legislative History Assembly Analysis 05.15.12 (Bates Nos. LA002898-LA002900)
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ASSEMBLY THIRD READING

AB 2196 (Chesbro and Gatto)

As Amended May 15, 2012

Majority vote

UTILITIES & COMMERCE	10-0	NATURAL RESOURCES	6-1
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Ayes: Bradford, Buchanan, Fong, Furutani,
Gorell, Huffman, Ma, Skinner,
Swanson, Valadao

Ayes: Chesbro, Brownley, Dickinson,
Huffman, Monning, Skinner

Nays: Grove

APPROPRIATIONS	12-0
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Ayes: Fuentes, Blumenfield, Bradford,
Charles Calderon, Campos, Davis,
Gatto, Hall, Hill, Lara, Mitchell,
Solorio

SUMMARY: Affirms the eligibility as a "renewable electricity generating facility" an electricity generating facility that uses landfill gas, digester gas or another renewable fuel delivered to the facility through a common carrier pipeline. The bill conditions this eligibility upon the transaction meeting eligibility and verification criteria comparable to those criteria statutorily applicable to other renewable energy sources. This bill will qualify for Renewable Portfolio Standard (RPS) eligibility pipeline biomethane contracts executed prior to January 1, 2012, and condition enrollment upon enactment of AB 1900 (Gatto) of this legislative session.

EXISTING LAW:

- 1) Requires increasing amounts of electricity generated per year to be obtained from eligible renewable energy resources.
- 2) Specifies that California's Renewable Portfolio Standard is 33% by 2020.
- 3) Requires investor owned utilities (IOUs), publicly owned utilities (POUs), and retail sellers to meet RPS.
- 4) Requires all RPS-eligible facilities must be within the Western Electricity Coordinating Council (WECC) Categories 1, 2 or 3.
- 5) Establishes procurement category requirements for eligible generation and deadlines for reaching targets:
 - a) Category 1: Directly connected or scheduled to a California Balancing Authority, at least:
 - i) 50% by 12/2013;

- ii) 65% by 12/2016; and,
 - iii) 75% by 12/2020 and thereafter.
- b) Category 2: Must be located within WECC transmission grid and the electricity must be firmed and shaped with substitute electricity to provide incremental electricity that is scheduled into a California Balancing Authority, no minimum or maximum.
- c) Category 3: Unbundled renewable energy certificates, no more than:
- i) 25% by 12/2013;
 - ii) 15% by 12/2016; and,
 - iii) 10% by 12/2020 and thereafter.

FISCAL EFFECT: According to the Assembly Appropriations Committee, minor costs in 2012-13 in the tens of thousands of dollars to the California Public Utilities Commission (PUC) to consider the bill's refinement of pipeline biogas eligibility for RPS purposes and to consider application of that refined eligibility to the state's IOUs (PUC Utilities Reimbursement Account). (PUC reports it will need the efforts of an administrative law judge, equivalent to half of a personnel year (PY), to oversee a formal proceeding to determine how statutory balanced-portfolio electricity procurement requirements should be applied to procurement of biogas delivered via common carrier gas pipeline. PUC's workload claim is reasonable. However, the office protests, somewhat convincingly, that the pipeline biogas controversy was not created by this bill, as evidenced by the California Energy Commission's recent decision to suspend its RPS certification of pipeline biomethane contracts, and that PUC, therefore, would still need a proceeding to consider pipeline biomethane RPS eligibility, absent this bill.)

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.

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