

CALIFORNIA WASTEWATER CLIMATE CHANGE GROUP

November 24, 2010

California Energy Commission
Dockets Office, MS-4
RPS Proceeding
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DOCKET
02-REN-1038

DATE	NOV 24 2010
RECD.	NOV 24 2010

Re: RPS Proceeding Docket No. 03-RPS-1078 and Docket No. 02-REN-1038

Ladies and Gentlemen:

The mission of the California Wastewater Climate Change Group (CWCCG) is to address climate change policies, initiatives, and challenges through a unified voice advocating for California wastewater community perspectives. Collectively, CWCCG members treat over 90% of the municipal wastewater in California, including beneficial use of biosolids and biogas for renewable energy generation. We commented previously on the California Energy Commission (CEC)'s proposed revisions to the RPS Eligibility Guidebook and the Overall Program Guidebook, and we appreciate this opportunity to submit further comment on the revised drafts. We applaud CEC's efforts to promote biogas and biosolids as eligible renewable energy resources, and we offer the following feedback on the Guidebooks.

Renewables Portfolio Standard Eligibility Guidebook

Biogas and Biomethane

Many wastewater utilities currently generate biogas, process it if needed, and then use that biogas to generate renewable energy onsite. In the discussion of biogas on page 20 of the Guidebook, it states "In the event that both the fuel processing and electric generating facilities are operated by the same entity none of the renewable attributes associated with the gas used to produce RPS eligible electricity may be sold to another entity." This implies that a self-generating entity such as a wastewater treatment plant would not be able to sell RECs or any other green attributes associated with the energy they are generating. We do not understand the need for such a blanket restriction and suggest that this language be removed or clarified to specifically address issues of double-counting if that is the intent.

With respect to pipeline biomethane, we believe that the new provisions are unnecessarily restrictive. For example, the Guidance states that "The biomethane must be used at a facility that has been certified as RPS-eligible. As part of the application for certification, the applicant must attest that the RPS-eligible biomethane will be designated to that facility or nominated to the LSE-owned pipeline serving the designated facility." We believe that it would be impractical and add little value to track the biomethane through the pipeline system and ensure that it is designated for a particular eligible facility.

Eligibility for Projects that have Received Funding

CEC noted in the previous draft RPS Eligibility Guidebook that "a facility that received ratepayer-funded

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incentives may now be RPS eligible if it has been demonstrated to the CPUC, or applicable authority, that the facility has provided sufficient benefit to the ratepayers or has repaid the funds it has received.” CWCCG supports eligibility for projects funded through SGIP, CSI, and other grant-funding initiatives. Many wastewater utilities have undertaken solar projects, taking advantage of state incentives. Further, some biogas projects such as fuel cells are more cost-competitive with state subsidies, which put them on a more even playing field with fossil fuel technologies. The fact that accepting state funding makes a project perpetually ineligible for RECs does not seem consistent with California’s overall goals of promoting renewable energy and unnecessarily penalizes distributed generation projects.

In addition, many wastewater agencies that take advantage of state incentives are in a position to oversize their projects, meaning a portion may be funded through a state grant but the remainder is self-funded. This is particularly true for use of funds like CSI, where there is MW limit on the grant, but many wastewater agencies have the opportunity to build additional capacity. At a minimum, the energy generated by these projects over and above state funding caps should be eligible for RPS.

Overall Program Guidebook

Digester Gas. As stated in our previous comments, we believe that the reference to animal wastes, remains, and tallow in the definition of “digester gas” is misleading given that the vast majority of digester gas currently in production is from the digestion of municipal wastewater sludge (i.e. human wastes). We recommend the following change:

Digester gas — gas from the anaerobic digestion of organic wastes, ~~including, but not limited to animal wastes, remains, and tallow.~~

If the stricken wording is to remain, we suggest that “sewage sludge” or “biosolids” also be added as an example.

Green Attributes. The new definition of “green attributes” states, “If the Project is a biomass or biogas facility and Seller receives any tradable Green Attributes based on the greenhouse gas reduction benefits or other emission offsets attributed to its fuel usage, it shall provide Buyer with sufficient Green Attributes to ensure that there are zero net emissions associated with the production of electricity from the Project.” We question why this burden is placed on biomass and biogas facilities and believe it places an unfair burden on biogas and biomass projects relative to other renewables. Overall, the “green attributes” definition reads like a policy statement rather than a definition and is out of place in the document.

Market Price Referent. This new definition states, “The basis for the MPR is the presumptive costs of constructing, owning and operating a new conventional generation power plant with fixed-price fuel costs.” A recent ruling by the Federal Energy Regulatory Commission (Order Granting Clarification and Dismissing Rehearing, 133 Federal Energy Regulatory Commission Para. 61,059), however, found that in states where a Renewables Portfolio Standard is in place, the MPR can consider avoided cost of renewable energy generation rather than just conventional generation. This ruling paves the way for higher feed-in-tariffs to incentivize distributed renewable generation. In its implementation of SB 32, signed into law in 2009, the CPUC will be considering this ruling as it begins proceedings to set feed-in-

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tariffs for renewable energy in California. It is therefore inappropriate for this Guidebook to assume that the MPR, based on a new conventional generation power plant with fixed-price fuel costs, will continue to determine the price paid for renewable energy generation. We suggest that the CEC clarify that future feed-in tariff prices may not be strictly tied to the definition for MPR once the FERC ruling and SB 32 processes are completely implemented.

Renewable Energy Credit. We offer several comments on this definition:

- The proposed definition focuses specifically on electricity generation. We recommend that the definition be broadened to include all types of renewable energy generation, including thermal energy. Several other states have broadened their RPS programs to include thermal energy, which incentivizes solar thermal as well as cogeneration (combined heat and power) using renewable fuels such as biogas.
- It should be explicitly stated that for any energy used on site (such as under net energy meeting or an excess-sales feed-in-tariff), the customer retains the RECs for its own purposes.

Thank you again for the opportunity to provide written comments on these proposed revisions. Please contact me if you have any questions at (510) 206-3820 or jkepke@ch2m.com.

Sincerely,



Jacqueline Kepke, P.E.

Program Manager

California Wastewater Climate Change Group