

CALIFORNIA ENERGY COMMISSION

1516 Ninth Street
Sacramento, California 95814

Main website: www.energy.ca.gov

02-REN-1038**DOCKET****11-RPS-01**DATE AUG 16 2011RECD. AUG 16 2011

In the matter of:)

Developing Regulations and Guidelines)
for the 33 Percent Renewables Portfolio)
Standard)

and)

Implementation of Renewables)
Investment Plan Legislation)

Docket No. 11-RPS-01

Docket No. 02-REN-1038

NOTICE OF STAFF WORKSHOP
RE: **Pipeline Biomethane**

Staff Workshop on the Use of Biomethane Delivered via the Natural Gas Pipeline System for California's Renewables Portfolio Standard

California Energy Commission staff will conduct a workshop to solicit public comments on the use of biomethane delivered to an electric generating facility via the natural gas pipeline system for California's *Renewables Portfolio Standard*. Energy Commission commissioners may attend the staff workshop.

September 20, 2011

1:30 p.m. to 4:30 p.m.

CALIFORNIA ENERGY COMMISSION

1516 Ninth Street

First Floor, Hearing Room B

Sacramento, California

(Wheelchair Accessible)

Remote Attendance and Availability of Documents

Internet Webcast - Presentations and audio from the meeting will be broadcast via the Energy Commission's WebEx web meeting service. For details on how to participate via WebEx, please see the "Remote Attendance" section toward the end of this notice. Documents and presentations for this meeting will be available online at:

www.energy.ca.gov/portfolio/documents/index.html

Purpose

The purpose of the staff workshop is to solicit comments from interested parties on the use of biomethane received into the natural gas pipeline system for use at an RPS-eligible electric generating facility in California's Renewables Portfolio Standard (RPS) program. Given the recent changes in law pursuant to the passage of Senate Bill X1-2,¹ staff is interested in re-evaluating the Energy Commission's eligibility criteria for biomethane as they relate to the new law.

The staff would like parties to comment on if and how biomethane injected into the natural gas pipeline for delivery to an RPS-eligible electric generating facility meets the requirements in the law under SB X1-2.

The *Renewables Portfolio Standard Eligibility Guidebook, Fourth Edition (RPS Guidebook)* describes the eligibility requirements and process for certifying renewable resources using pipeline biomethane as eligible for California's RPS. Staff is interested in gathering stakeholder input on the eligibility criteria for pipeline biomethane, along with information regarding the pipeline biomethane industry, the natural gas pipeline system as it relates to biomethane delivery, and other related topics. Please direct your responses to the list of questions provided in Attachment A.

In addition to comments on eligibility requirements of pipeline biomethane in California's RPS, staff seeks further input on the barriers to the receipt of biomethane into California's natural gas pipeline system. A list of barriers to in-state biomethane identified in the 2011 Bioenergy Action Plan² have been summarized and can be found in Attachment B. Considering these barriers, please comment on whether changes to the current RPS eligibility criteria for biomethane might have any effect on the in-state biomethane industry or its development.

Background

SB X1-2 defines a "renewable electrical generation facility" as a facility that uses, among other technologies and fuels, biomass, digester gas, and landfill gas, and any additions or enhancements to the facility using that technology. These provisions have not changed since the law established the RPS with the passage of Senate Bill 1078³ in 2002. The law does not define the terms "biomass," "digester gas," or "landfill gas," and is likewise silent as to whether these fuels must be used on the site of the fuel's production to generate electricity for purposes of the RPS. Nor does the law specify

¹ SB X1-2, Simitian, Chapter 1, Statutes of 2011, First Extraordinary Session. SB X1-2 amends pertinent provisions in Public Resources Code 25740 through 25751, and amends and/or adds Public Utilities Code Sections 399.11 through 399.31.

² 2011 Bioenergy Action Plan, Prepared by the California Energy Commission for the Bioenergy Interagency Working Group, March 2011. CEC-300-2011-001-CTF.

³ SB 1078, Sher, Chapter 515, Statutes of 2002.

how these fuels, if produced offsite, should be delivered to a power plant for purposes of generating electricity.

RPS eligibility of “biogas” as a separate category of renewable resources was first addressed in the Second Edition of the RPS Eligibility Guidebook which was adopted by the Energy Commission on March 14, 2007.⁴ The inclusion of “biogas” in the Second Edition of the RPS Eligibility Guidebook was the result of an inquiry in 2006 seeking clarification regarding the eligibility of digester gas produced at a dairy. Instead of utilizing the digester gas to generate electricity onsite (which would be considered an eligible digester gas facility for purposes of RPS eligibility), there was interest in using the natural gas pipeline system to transport the digester gas to a designated power plant for use in generating electricity. The Second Edition of the RPS Eligibility Guidebook addressed the eligibility of biomethane injected into a natural gas pipeline in the “Hybrid Systems” section of the guidebook. Few changes were made to the eligibility requirements for biogas injected into a natural gas pipeline in the Third Edition of the RPS Eligibility Guidebook, published in January 2008, other than to rename the Hybrid Systems section to “Renewable Facilities Using Multiple Fuels.”

The Fourth Edition of the RPS Eligibility Guidebook, published in January 2011, introduced a number of changes to the treatment of biogas injected into the natural gas pipeline system. Some of the more noteworthy changes were the creation of the biogas section as a stand-alone section, the introduction of the term “pipeline biomethane,” and clarifying the delivery requirements for delivering biogas (now called pipeline biomethane, or biomethane) for use in an RPS-eligible electric generating facility.

Written Comments

Written comments on the workshop topics must be submitted by 5:00 p.m. on September 30, 2011. Parties should note that Docket Number 03-RPS-1078 has been replaced by a new docket number, 11-RPS-01, for the Energy Commission’s RPS proceedings. Parties under Docket Number 03-RPS-1078 will automatically be added to the new distribution list for Docket Number 11-RPS-01.⁵ Please include the docket numbers 02-REN-1038 and 11-RPS-01 and indicate *RPS Proceeding* in the subject line or first paragraph of your comments. Please hand deliver or mail an original copy to:

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 11-RPS-01
and

⁴ California Energy Commission, Renewables Portfolio Standard Eligibility Guidebook, Second Edition, March 2007. <http://www.energy.ca.gov/2007publications/CEC-300-2007-006/CEC-300-2007-006-CMF.PDF>

⁵ Docket Number 03-RPS-1078 will also remain in effect until the completion of activities already begun under that docket, such as the RPS Procurement Verification Report for years 2008 through 2010, after which time it will be closed.

Docket No. 02-REN-1038
RPS Proceeding
1516 Ninth Street
Sacramento, CA 95814-5512

The Energy Commission encourages comments by e-mail. Please include your name or organization's name in the name of the file. Those submitting comments by electronic mail should provide them in either Microsoft Word format or as a Portable Document (PDF) to [docket@energy.state.ca.us]. **One paper copy** must also be sent to the Energy Commission's Docket Unit.

Participants may also provide an original and 10 copies of their comments at the beginning of the workshop. All written materials relating to this workshop will be filed with the Dockets Unit and become part of the public record in this proceeding.

Public Participation

The Energy Commission's Public Adviser's Office provides the public assistance in participating in Energy Commission activities. If you want information on how to participate in this forum, please contact the Public Adviser's Office at (916) 654-4489 or toll free at (800) 822-6228, by FAX at (916) 654-4493, or by e-mail at [PublicAdviser@energy.state.ca.us]. If you have a disability and require assistance to participate, please contact Lou Quiroz at (916) 654-5146 at least five days in advance.

Please direct all news media inquiries to the Media and Public Communications Office at (916) 654-4989, or by e-mail at [mediaoffice@energy.state.ca.us].

If you have questions on the technical subject matter of this meeting, please contact Kate Zocchetti, RPS Unit Supervisor, at (916) 653-4710, or by e-mail at [kzocchet@energy.state.ca.us].

Remote Attendance

You can participate in this meeting through WebEx, the Energy Commission's online meeting service. Presentations will appear on your computer screen, and you listen to the audio via your telephone. Please be aware that the meeting's WebEx audio and on-screen activity may be recorded.

Computer Log-on with Telephone Audio:

1. Please go to <https://energy.webex.com> and enter the unique meeting number: 927 788 304
2. When prompted, enter your name and other information as directed and the meeting password: meeting@130

3. After you log-in, a prompt will ask for your phone number. If you wish to have WebEx call you back, enter your phone number. This will add your name on the WebEx log so that we know who is connected and have a record of you participating by WebEx.

If you do not wish to do that, click cancel, and go to step 4. Or, if your company uses an older switchboard-type phone system where your line is an extension, click cancel and go to step 4.

4. If you didn't want WebEx to call you back, then call 1-866-469-3239 (toll-free in the U.S. and Canada). When prompted, enter the meeting number above and your unique Attendee ID number, which is listed in the top left area of your screen after you login via computer. International callers can dial in using the "Show all global call-in numbers" link (also in the top left area).

Telephone Only (No Computer Access):

1. Call 1-866-469-3239 (toll-free in the U.S. and Canada) and when prompted enter the unique meeting number above. International callers can select their number from <https://energy.webex.com/energy/globalcallin.php>

If you have difficulty joining the meeting, please call the WebEx Technical Support number at 1-866-229-3239.

The service list for revisions to the *Renewables Portfolio Standard Eligibility Guidebook* and *Overall Program Guidebook* is handled electronically. Parties interested in receiving these notices may sign up for the "renewable" list server through the website www.energy.ca.gov/listservers/index.html. Scroll down the Renewable Energy Lists and select the "renewable" list to receive electronic information via your e-mail address.

Date: August 16, 2011

Electronic Mail List: renewable

Attachment A: Pipeline Biomethane Discussion Points

The Renewables Committee is interested in stakeholder input on the following questions and topics. Comments and information provided at the workshop may be used to inform the RPS Guidebook revision process relating to pipeline biomethane.

1. The fourth edition of the RPS guidebook requires biomethane to be delivered to California or the electricity generation facility if it is located outside of California before it can be used in the generation facility. Given the two separate pipeline systems in California is it appropriate to require:
 - a. Delivery of biomethane to the gas pipeline system in California from which the facility accepts delivery of gas, or directly to the electricity generation facility if it is located outside of California, or
 - b. Delivery of biomethane directly to the electricity generating facility.
2. Should the Energy Commission consider adding any location requirements to sources allowed to provide biomethane to facilities participating in California's RPS in addition to any restrictions implied by required delivery agreements?
3. The Energy Commission currently allows backhaul and forward haul transportation agreements that are either firm or interruptible to be considered eligible delivery methods, should the Energy Commission:
 - a. Retain the current requirements?
 - b. Restrict delivery to only forward haul transportation?
 - c. Restrict delivery to only firm transportation agreements?Please provide reasoning for your response.
4. Should any delay be allowed in the consumption of biomethane at the electric generating facility once it has been delivered to California or the electricity generating facility? If so, please specify what reasons for delays should be allowed and what, if any, limits should be imposed on the delay. Explain your answer. If no delay should be allowed, please explain why.
5. How should the Energy Commission treat biomethane imbalances resulting from differences between scheduling and use of the biomethane?
 - a. Specify why such imbalances could occur, and if they should be allowed. Please explain.
 - b. What limits are placed on imbalances by pipelines, and should the Energy Commission enforce stricter limits on imbalances? Please explain.
 - c. What is the magnitude of imbalances in natural gas deliveries, and how do imbalances in biomethane deliveries differ?
6. What records should an applicant for an electric generating facility using pipeline biomethane be required to maintain and provide to the Energy Commission in the event of an audit process. How will these records ensure that the biomethane has not been claimed for use by more than one entity and all delivery and eligibility requirements have been met?

Attachment B: Barriers to Instate Biomethane Injection into a Natural Gas Pipeline

The following barriers have been summarized from the 2011 Bioenergy Action Plan.¹ Please provide update on these barriers to instate biomethane injection into a natural gas pipeline or any additional barriers that are not addressed.

- Biomethane quality standards and pipeline interconnection
 - o California utilities do not have uniform biomethane quality standards and the standards in place may not be appropriate for biomethane, most standards were designed for natural gas injection.
 - o Current utility tariffs require project developers to pay for the costs of the interconnection which is a large cost barrier.
- Biomass-to-biomethane conversion technologies
 - o The commercially available conversion technologies, such as anaerobic digestion, are generally limited to high moisture (non-woody) feedstocks.
 - o New technologies are in development, but have high capital costs and other economic, regulatory, and development barriers.
- Statutory and regulatory issues
 - o Statute currently prohibits the injection of landfill gas, despite allowing landfill gas from out-of-state to be scheduled into California; other states allow landfill gas to be injected into their systems that deliver gas into the California system.

¹ O'Neill, Garry, John Nuffer. 2011. **2011 Bioenergy Action Plan**. California Energy Commission, Efficiency and Renewables Division. Publication number: CEC-300-2011-001-CTF.