

**DOCKET**

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Patrick Serfass
Executive Director (ex officio)

To: California Energy Commission (CEC)
From: The American Biogas Council (ABC)
Subject: Docket No. 11-RPS-01 and 02-REN-1038
RPS Proceedings
Date: September 30, 2011

The American Biogas Council (ABC) represents 127 companies dedicated to the development of anaerobic digestion technologies and the expanded use of biogas. Our member companies include biogas project developers, landowners, anaerobic digestion providers, waste water companies and utilities.

CEC recently requested comments on the treatment of out of state biomethane projects at its September 20th hearing (Attachment A). The ABC encourages the CEC to uphold its existing treatment towards out of state biomethane. The current version of the RPS Eligibility Guidebook provides the appropriate framework for biomethane providers to help meet California's long term goals for renewable energy. California's recognition of biomethane combusted within the state as a bundled renewable energy resource (as opposed to an unbundled renewable energy credit) provides the pricing support needed for these capital intensive projects to be undertaken. Regulatory certainty is also crucial for project developers to continue to make investments. Therefore, we urge CEC to maintain its current approach towards out of state biomethane.

In particular, ABC believes that:

1. CEC should require biomethane either to be delivered to the California gas pipeline system, or, if and only if the generation facility is located outside California, to the facility itself.
2. CEC should not impose geographic restrictions on the location of the biomethane projects.
3. CEC should allow for flexibility in the types of transportation agreements for the delivery of biomethane.
4. CEC should allow biomethane to be stored and used as needed by the generation facilities and CEC should follow FERC and pipeline rules with respect to system imbalances.
5. CEC should continue current practices on the records required for biomethane deliveries to California end users.

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We believe CEC's existing framework for out of state biomethane will help California utilities meet their RPS obligations, keep costs low for California rate payers, and support California in meeting its greenhouse gas emissions reduction goals while providing the regulatory certainty needed for the continuation of biomethane resource development.

1. CEC should require biomethane either to be delivered to the California gas pipeline system, or, if and only if the generation facility is located outside California, to the facility itself.

ABC believes that the current physical delivery requirements under the RPS guidebook are appropriate, because they ensure that the biomethane that is used to generate renewable power under California's RPS is, in fact, placed in the resource pool that feeds California's natural gas demand. Adding a requirement for biomethane to be delivered to specific in-state California facilities would impose additional costs without yielding any benefit in the administration of the RPS.

For facilities outside of California, it is appropriate to require that the gas be delivered to the facility, as this ensures that the biomethane is placed into the pool of gas which feeds California's natural gas demand.

2. CEC should not impose geographic restrictions on the location of the biomethane projects.

The availability of sufficient biogas and proximity to pipeline infrastructure are the primary determinants of where a biomethane project is developed. Restricting the project location to WECC or the western U.S. could effectively prevent resources from being developed at all, at least in the near term. At present, no projects in WECC are injecting pipeline quality biomethane into the gas grid.

The nature of the natural gas production and distribution infrastructure in the United States is such that geographic distance is not the most relevant factor in determining whether biomethane commodity may be easily or reliably transported to the California market. California consumes significant quantities of conventional natural gas that is transported to the California market primarily from Canada, the Rockies and Texas. This gas is transported via the interstate pipeline system. Proximity to the interstate pipeline system is the primary determinant of the ease of transportation of biomethane to the California market.

The key requirement that the CEC has imposed is that producers must contract for physical delivery of their product to the California gas pipeline system (or the electrical generation facility if outside of California). This ensures that the biomethane is delivered alongside the conventional natural gas resource that feeds California demand. Geographic limitations would arbitrarily limit the state's access to this valuable renewable energy product and the broader competitive market for its production. Given that so much of California's food production is shipped throughout the US and food waste is a key feedstock in the generation of biogas/biomethane, allowing biomethane from an equally broad geographic area is consistent with the role that California plays in the national arena.

3. CEC should allow for flexibility in the types of transportation agreements for the delivery of biomethane.

CEC should not require that biomethane providers use only forward haul or firm transportation agreements. Natural gas is produced, distributed and consumed in highly variable quantities every day. Patterns of distribution can also change dramatically based on new production and new sources of consumption. The natural gas industry uses forward haul, firm and interruptible transportation to help manage the variability of the system. Any requirement that physical delivery be achieved by one particular type of transportation arrangement would be impractical and potentially eliminate producers' ability to comply with the CEC requirements and deliver biomethane to the California market.

For example, firm transportation that may currently be available may not remain so as distribution and consumption patterns change. In addition, pipeline directional flows may change seasonally or based on new supply/demand consumption patterns. Therefore, allowing market participants the flexibility to choose the appropriate transportation agreement while still requiring that the biomethane is physically delivered (nominated and scheduled as currently required) is the most practical approach.

4. CEC should allow biomethane to be stored and used as needed by the generation facilities and CEC should follow FERC and pipeline rules with respect to system imbalances.

One of the primary benefits of biomethane is that it can be stored and used when needed (for example, to fill in the intermittency of renewable resources such as wind or solar). In addition, nomination of biomethane into and out of storage can be tracked effectively using standard practices in the natural gas industry (e.g. pipeline reconciliation reports). Given the accuracy with which the physical path of biomethane deliveries can be tracked, there is no need to restrict or prevent the use of storage in any way. In fact, by allowing biomethane providers the flexibility to use the resource as needed, it can help manage the variability of other renewable resources.

System imbalances are best managed to current FERC and pipeline standards within the natural gas industry. Imbalances serve a dual function in allowing both the producer to manage through variable production and it allows the end user to manage consumption variability. Production of biomethane tends to be more volatile than natural gas due to the fact that landfills, anaerobic digestion facilities, and waste water treatment biogas generating facilities have more variability than traditional gas wells due to operational difficulties and variability in gas production. Offsetting imbalances are used to manage large swings in biomethane production relative to the nominations to power generators. These imbalances should be allowed because they allow for the ability to more efficiently manage gas volumes and thus allowing for the renewable energy to be dispatchable.

5. CEC should continue current practices on the records required for biomethane deliveries to California end users.

A generating facility should be required to maintain pipeline reports to support any invoices received for biomethane, as well as all attestations provided to the generating facility by the fuel production facility and pipeline biomethane delivering entity as required under the current CEC Eligibility Guidebook. These existing practices ensure that an auditable trail is available if needed by CEC to verify the production, delivery, and usage of biomethane by California end users.

The American Biogas Council appreciates this opportunity to express its support for the existing framework towards out of state biomethane. With continued regulatory certainty, biomethane developers will be able to make new investments in anaerobic digesters, waste water treatment facilities, and landfill projects while providing a valuable renewable resource to California to meet its RPS.

Sincerely,



Patrick Serfass
Executive Director
and the 127 Members of the American Biogas Council (ABC):

2G-Cenergy Power Systems Technologies Inc	Douglas Ross - Independent
AAT America Inc	Effluential Synergies LLC
AEA Natural Systems	Eisenmann Corporation
AgPower Group, LLC	Electrigaz Technologies Inc
AgroEnergy	Element Markets, LLC
Aikan North America, Inc	enbasys gmbH
Alten LLC	Endeavor Electric Inc
Great Plains Institute	Energy Solutions-OTB, LLC
American Crystal Sugar Company	Energy Systems Group
Anchor-International, LLC	Entec Biogas USA
Andgar Corporation	Environmental Credit Corp.
Andrew Moss	Environmental Fabrics
BBI International	EnviTec Biogas AG
Ben Grodsky	Essential Consulting Oregon, LLC
BioCycle	Evergreen Recycling Inc
BioEnergy Technologies, Inc.	Everstech Consulting
BIOFerm Energy Systems	Exergy New Energy
Bio-Methatech Canada	Fair Oaks Dairy
BTS Italia Srl/GmbH	FBi Buildings, Inc
California Bioenergy LLC	Ferdowsi University of Mashhad
Caterpillar	FGH Keogh & Associates, PLLC
Christiaens Group	Flotech Services NA, Ltd.
City of Des Moines Wastewater	Freeman White
Clean Energy Fuels Corporation ++	Gaia Strategies
Clean World Partners ++	GaiaRecycle, LLC
Clear Horizons LLC	GE Energy (General Electric) ++
Coker Composting & Consulting	Geomembrane Technologies Inc
Columbia Business School	GHD, Inc
Cornerstone Environmental Group	Green Power Conferences
Dane County Department of Public Works, Highway and Transportation	Grober Group of Companies
David Border Composting Consultancy	Guascor North America
Deaton & Associates, LLC	Harvest Power, Inc ++
District of Columbia Water and Sewer Authority (DCWASA)	Homeland Renewable Energy, Inc
DODA USA, Inc	Humboldt Waste Mgmt Authority ++
	JSH International

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LANDTEC North America, Inc ++
 McGuireWoods LLP
 Mercuria Energy America, Inc
 ML Strategies
MT-Energie USA Inc. ++
Municipal Biogas ++
 MWM of America, Inc
 National Association of Clean Water Agencies
 National Milk Producers Federation
 NEO Energy, LLC
 Northeast Energy Systems/Western Energy Systems
 Northern Biogas
 O'Brien & Gere
 OmniGreen Renewables
 Organic Matters, Inc
 Organic Waste Systems, Inc.
 Pace Energy and Climate Center
 Pecos Valley Biomass Corp
 Peyton Wise
 Quest Recycling Services
 Reading Electric Renewables
 REEthink, Inc
 Rollicast Energy, Inc.
 Ron Skinner
 Ronald Puthoff
 Ros Roca
 Sandvik Process Systems
 SCC Americas

Scenic View Dairy, LLC
 Science Policy Works International
 Sheland Farms
 Siemens Industry, Inc.
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 Turning Earth LLC
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 University of Wisconsin - Platteville
 US Composting Council
 UTS Residual Processing LLC
 Vaughan Company, Inc
Verliant Energy Partners ++
 VOW resources
Waste Management ++
 Yield Energy, Inc.
Zero Waste Energy LLC ++

++ Indicates the 12 ABC member companies that have operations in California.

****In a recent ABC survey, 26 companies reported that they have projects in the pipeline that they are hoping to develop in California.**