BEFORE THE ENERGY COMMISSION OF THE STATE OF CALIFORNIA

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 STAFF WORKSHOP RE: **Pipeline Biomethane**

COMMENTS OF THE

AGRICULTURAL ENERGY CONSUMERS ASSOCIATION

on RPS Proceeding

Michael Boccadoro
925 L Street, Suite 800
Sacramento, CA 95814
Telephone: (916) 441-4383
Facsimile: (916) 441-4132
E-Mail: mboccadoro@dolphingroup.org

For Agricultural Energy Consumers Association

Date: September 30, 2011

INTRODUCTION

The Agricultural Energy Consumers Association (AECA) offers the following additional written comments on the Staff Workshop on the Use of Biomethane Delivered via the Natural Gas Pipeline System for California's Renewable Portfolio Standard. AECA participated in the public workshop offering brief verbal comments at that time.

AECA represents the energy interests of states leading agricultural organizations and their 40,000-plus statewide members and energy ratepayers. AECA has also been at the forefront of efforts to establish a commercial biogas industry in California. AECA's comments are therefore focused on the broad public policy implications of allowing imported biomethane into California for use in meeting the states RPS requirements.

AECA's basic position is that the CEC should preclude or greatly limit the use of imported biomethane toward compliance with California RPS requirements. Unless curtailed, out-of-state biomethane producers and in-state public and investor-owned utilities will eviscerate the goals and intent of California's aggressive greenhouse gas (GHG) reduction and renewable energy mandates.

DISCUSSION

The California legislature has enacted very aggressive environmental mandates for the reduction of greenhouse gases (AB 32) and the production and use of renewable energy (SB 2X1). These mandates will have potentially significant and far-reaching economic implications for California's farming operations, businesses, energy ratepayers and the overall economic competitiveness of the state. As we move forward with implementation, it is critical for California regulators to recognize the overlapping nature of these measures and move forward in a strategic and complementary fashion. The energy sector is a major contributor (over 34%) to California's overall greenhouse gas emissions. As the CEC and CPUC move forward to implement the RPS it is important for both Commissions to also ensure the state's efforts to simultaneously reduce in state GHC emissions are not compromised. Equally important, it is critical for the Commission to not lose sight of the potential significant economic implications of these mandates and the promise that both measures would create new "green jobs" for California's struggling economy.

Governor Brown has been very clear about the intent of the RPS, ***"This bill will bring many important benefits to California, including stimulating investment in green technologies in the state, creating tens of thousands of new jobs, improving local air quality, promoting energy independence, and reducing greenhouse gas emissions. "***

So far, this promise of investment, green jobs and GHG reduction is not being realized as it relates to the biogas and biomethane industries in California. Based on the testimony provided at the workshop it is clear that California's RPS proposal has sparked a great deal of interest and investment by out-of-state biomethane producers desiring to sell biogas to California energy producers anxious to meet their RPS requirements. Existing state policies appear to have facilitated this end run on the state's environmental mandates. While out of state biomethane nominated to California based gas-fired generation facilities may indeed be a creative way of meeting the state's RPS, this creative scheme fails miserably on delivering the other benefits promised by California's aggressive environmental mandates. It is quite clear from the Governor's and legislative leader's proclamations that the intent of the laws was to foster benefits in California, not Texas, Pennsylvania and other places east of the Rocky Mountains. While biomethane investment and development in these other places is no doubt a positive outcome, it does not provide renewable energy investment, GHG reduction, air quality benefits or even a single job in the golden state. California ratepayers, taxpayers and businesses should not be asked to incentivize investment in other states. Our tax structure, energy rates and myriad of other environmental mandates already place California farms, livestock operations, food processors and other businesses at a significant competitive disadvantage with our out of state competitors. If we are going to be asked to bear the burden of these higher costs it is imperative the promised benefits must accrue directly to Californians.

As long as California's energy policies permit questionable biomethane delivery schemes and incentivize out of state development of biomethane projects, the capital investment will continue to flow to other areas of the country. Landfill gas projects will continue to be developed in other areas since California currently precludes in-state injection of landfill gas. Investment in dairy digesters will continue in states with lower environmental barriers and lower costs. Capital will continue to flow directly to those areas outside of California with the potential to generate the highest return on investment… period!

California's energy policies need to be refocused to encourage in-state development of biogas. Significant interest and potential exists for California to develop a robust biomethane industry that provides significant renewable energy, GHG and air quality benefits. Equally important, a robust in-state industry will create thousands of new construction and permanent jobs so desperately needed by California's struggling economy. California's unemployment rate at 12.1 percent is the second highest in the country and a full three percentage points higher than the U.S. average.

CONCLUSION

The CEC must work cooperatively with other California regulators and policymakers to encourage the development of a robust biogas generation and biomethane injection industry in California. The first step in doing so is the elimination of incentives and counterproductive policies that encourage and facilitate out-of-state investment at direct expense to California development and benefits. The CEC should immediately curtail or greatly limit the use of out-of-state biomethane for meeting California RPS mandates. Second, the CEC and other policymakers must take proactive steps to encourage the development of a robust in-state biogas industry including the establishment of specific goals and incentives to promote the development of in-state projects. Proactive steps include, but are not limited to, capital outlay grants and energy purchase programs designed to incubate the industry.

California ratepayers, taxpayers and farmers deserve the full benefits promised by California's aggressive environmental mandates. It is now the CEC's duty to ensure the benefits of a robust biomethane industry materialize right here in the Golden State.

Dated: September 30, 2011

Respectfully submitted,

/s/ MICHAEL BOCCADORO

Michael Boccadoro
On behalf of
Agricultural Energy Consumers Association

925 "L" Street Suite 800
Sacramento, CA 95814
Telephone: (916) 447-6206
Fax: (916) 441-4132
mboccadoro@dolphingroup.org