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**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
) and
) Docket No. 02-REN-1038
)
) RPS Proceeding
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**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMMENT ON WORKSHOP ON THE USE OF BIOMETHANE
DELIVERED VIA THE NATURAL GAS PIPELINE SYSTEM
FOR CALIFORNIA'S RPS**

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I. INTRODUCTION AND SUMMARY

The Southern California Public Power Authority (“SCPPA”)¹ respectfully submits this comment on the California Energy Commission (“Commission”) staff workshop held on September 20, 2011 (“Workshop”) on the use of biomethane delivered into natural gas pipeline systems for use in RPS-eligible electricity generating stations to meet California’s Renewables Portfolio Standard (“RPS”).

¹ SCPPA is a joint powers authority. The members are Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles Department of Water and Power, Imperial Irrigation District, Pasadena, Riverside, and Vernon. This comment is sponsored by Anaheim, Azusa, Burbank, Cerritos, Colton, Glendale, Imperial Irrigation District, Los Angeles Department of Water and Power, and Pasadena.

SCPPA thanks the Commission for holding the Workshop to discuss this important issue. SCPPA's responses to the questions raised at the Workshop are set out in detail below. SCPPA urges the Commission to adopt the following positions and policies:

- Biomethane is a valuable renewable energy resource that has several benefits for electric utilities and their ratepayers. It is highly cost-effective compared to other sources of renewable energy, does not require new transmission infrastructure, supports the integration of variable renewable energy and promotes the reliability of electricity supply.
- No additional delivery, location, or transportation requirements should be imposed on biomethane in forthcoming revisions to the Commission's RPS Eligibility Guidebook. Any additional requirements would increase the cost of using biomethane and increase the cost of complying with the RPS without providing any corresponding environmental benefits.
- Delays in the combustion of biomethane should be allowed. Such delays occur from time to time as part of the normal operation of gas pipeline and storage systems and electricity generating facilities.
- Operators of generating facilities using biomethane already maintain sufficient records to enable full audits of biomethane from the point at which biomethane is injected into the pipeline to the actual use of biomethane at the generation facility.
- The ability to use pipeline-quality biomethane from in-state sources, including landfills, would assist utilities to meet their RPS targets cost-effectively. The key barrier to the use of in-state biomethane is the prohibition in California gas utility tariffs against accepting landfill gas into the gas utility systems.

- The Commission should continue to process applications for certification of generating facilities combusting biomethane under the rules in effect on the date the application was submitted to the Commission.

Some parties have claimed that there is an issue about whether generation utilizing biomethane should be included in portfolio content category one under Senate Bill (“SB”) X1 2. This is not an issue as far as generation at gas-fired generating facilities operated by SCPPA members is concerned. All those facilities are located in or directly connected to California. Thus, generation at those facilities would clearly be in portfolio content category one.

To the extent to which some parties may still think that there is an SBX1 2 portfolio content categorization issue, the issue is not within the scope of this phase of Docket No. 11-RPS-01. This phase addresses criteria for determining whether a resource should be found to be an eligible renewable resource. The subsequent question about the portfolio content categorization of resources that are determined to be eligible renewable resources has been raised in a separate phase of Docket No. 11-RPS-01 in relation to which the Commission staff issued a “Concept Paper” on August 26, 2011. SCPPA supports the position presented by the California Municipal Utilities Association in September 12, 2011 comments on the Concept Paper that SBX1 2 gives publicly owned utilities the authority to implement their own rules for placing eligible renewable energy resource electricity products in each of the three SBX1 2 portfolio content categories so long as those rules are consistent with SBX1 2.

II. BIOMETHANE HAS AN IMPORTANT ROLE IN A SUCCESSFUL RPS PROGRAM.

SCPPA members support California’s expanded RPS program and aim to meet its ambitious renewable energy targets or (in some cases) the higher targets set by the members’ governing boards.

However, SCPPA members face particular challenges in meeting these goals. Most SCPPA members are currently fully resourced with a nominal load growth forecast. Therefore SCPPA members have few if any “unmet long-term generation resource needs”² and may be required to take the expensive step of displacing existing owned generation or long term purchase contracts to accommodate the RPS.

Procuring new renewable energy resources is a lengthy process. From the start of negotiation to execution of a contract may take one to two years. The commercial operation date of new renewable projects is usually two to four years after contracts are signed. Furthermore, projects are often delayed.

In-state solar and wind renewable energy resources, in particular, are very limited for the short term, especially the first compliance period under SBX1 2, due to typical project development issues (including siting difficulties) and ongoing transmission constraints. Biomethane, by contrast, has several advantages as a way of meeting the RPS targets:

- It can be immediately integrated into an energy portfolio, assisting regulated entities to meet the 20 percent SBX1 2 compliance obligation for 2011-2013.
- It meets the SBX1 2 criterion of being a least-cost, best-fit and viable resource.³
- It is a viable alternative to fossil fuel, displacing natural gas and potentially displacing coal.
- It can be used reliably in generation facilities which can be dispatched both to meet local load profiles and to accommodate variable renewable sources (solar, wind, etc.).
- It increases resource diversity, one of the objectives of the RPS program.⁴

² SBX1 2 Public Utilities Code (“PUC”) §399.30(a).

³ SBX1 2, PUC § 399.13(a)(4)(A).

⁴ SBX1 2, Public Resources Code (“PRC”) §25740.5(c).

- No additional power transmission infrastructure is needed, saving time and costs and avoiding the environmental impact of new infrastructure.
- It can be stored to match a utility’s energy needs with no adverse impact on the natural gas pipeline system.
- It is easily auditable from source to sink using existing gas tariff protocols.

Without using biomethane, it will be more difficult to reach the SBX1 2 RPS targets and the cost of doing so – a cost that will be directly reflected in electricity rates – will be greater. For these reasons, some of which are discussed in more detail below, the Commission should continue to allow the use of biomethane for RPS purposes without additional restrictions.

III. RESPONSES TO WORKSHOP QUESTIONS FOR PANEL A

A. Question 1: Delivery requirements

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.

The biomethane delivery requirements in the existing RPS Eligibility Guidebook should be retained. The key requirements are (1) injection of the biomethane into a natural gas pipeline system that is either within the Western Electricity Coordinating Council (“WECC”) region or interconnected to a natural gas pipeline system located in the WECC region that delivers gas to California and (2) contracts for delivery of the gas with every pipeline transporting the gas from the injection point to California. The RPS Eligibility Guidebook states:

The applicant, or authorized party, must enter into contracts for the delivery (firm or interruptible) or storage of the gas with every pipeline or storage facility operator transporting or storing the gas from the injection point *to* California (or to the electric generation facility if the electric generation facility is located outside of California). Delivery contracts with the pipeline operators may be for delivery with or against the physical flow of the gas in the pipeline.⁵

These requirements were formulated less than twelve months ago in the process of adopting the fourth edition of the RPS guidebook in January 2011.

Both option (a) and option (b) above are more restrictive than the current requirements. Both options impose requirements regarding the flow of gas *within* California rather than *to* California. SBX1 2 does not require making the delivery requirements more restrictive that they are currently.

Once the biomethane reaches California, its path within California should not be relevant for RPS purposes as long as the gas is consumed in an RPS-eligible electricity generating station in California. The provider of biomethane should be permitted to choose the most economical path that is available to reach the point of delivery to the California buyer, which is usually the Southern California Gas Company (“SoCalGas”) or Pacific Gas and Electric Company (“PG&E”) citygate. Adding new restrictions on the flow of gas within California will have the potential to raise the cost of procuring biomethane and therefore the cost of complying with the RPS.

The benefits of creating electricity from a renewable resource such as biomethane are independent of how the biomethane is delivered to the RPS-eligible electric generation facility in California.

⁵ Commission Renewables Portfolio Standard Eligibility Guidebook 4th ed., p. 20 (Jan. 2011) (emphasis added).

B. Question 2: Location requirements

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?

The Commission should not impose location requirements for biomethane sources.

Neither existing regulations nor SBX1 2 provide any basis for doing so. Imposing unnecessary restrictions on the sources of biomethane will raise the cost to ratepayers of complying with the RPS.

Biomethane source location requirements are not required in order to protect in-state renewable energy development. As discussed at the Workshop and in the comments of the Coalition for Renewable Natural Gas, the total potential supply of additional biomethane across the United States that could be made available to California purchasers is quite low – approximately 60,000 decatherms per day, the equivalent of about 350 megawatts of additional capacity at average heat rates. Given the high SBX1 2 RPS targets, unrestricted use of biomethane from outside California will not prevent the uptake of other forms of renewable energy.

Use of biomethane should be encouraged as it diversifies energy supply, reduces reliance on natural gas imports, and supports the integration of variable renewable resources such as wind and solar. Perhaps most importantly, by using existing gas pipelines, biomethane also leaves electricity transmission capacity available for other forms of new renewable electricity.

C. Question 3: Transportation requirements

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?

SCPPA supports option (a), retaining the current requirements. Allowing flexibility in transporting biomethane to the RPS-eligible generating station permits the transporter to minimize transportation costs by selecting the most economical transportation path.

In addition, it may be physically necessary to allow backhaul as well as forward haul transportation arrangements. The direction of gas flow on a pipeline may change from time to time based on demand and supply, operational constraints and other factors in accordance with tariffs, rules and regulations of the Federal Energy Regulatory Commission (“FERC”) and the California Public Utilities Commission (“CPUC”), but beyond the control of buyer and seller. Flow direction in natural gas pipeline system is analogous to electricity flow in the transmission systems. It is not reasonable to require a supplier to commit, at the start of a 10-year biomethane supply contract, to forward haul transportation along a particular path throughout the delivery period. (Long-term contracts are required in order to provide the financial certainty needed to invest in biomethane projects.)

The more restrictions that are placed on how biomethane is transported to the generating facility, the greater the cost associated with delivering the biomethane to the generating station without any corresponding environmental benefit. The increased cost must be passed through to the ratepayer.

D. Question 4: Delay in combustion of biomethane

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.

Delays in combustion of biomethane, once it has been delivered to California, should be allowed for any period of time and for any reason, as long as the biomethane purchaser is able to show that it purchased the relevant amount of biomethane, the biomethane was delivered to California, and the relevant amount of gas was combusted. The records to show delivery into California, scheduling to the generation facility, any imbalances and make-up thereafter, and any gas holding mechanisms such as storage, parking, etc., can be obtained from the pipeline operators or gas distribution company. The decision as to when to combust the biomethane should be left to the generating facility operator, which has an overriding obligation to ensure the safety and stability of electricity supply.

Delays in delivering or combusting biomethane will occur for the same reasons that delays in delivering or combusting natural gas occur. For example, delays in transporting gas within California may occur if the delivering utility curtails service or reduces available capacity due to scheduled or unscheduled maintenance requirements, geological events, or accidents, or if an upstream pipeline interrupts service for similar reasons. As a specific example, SoCalGas may need to take some pipelines out of service or to reduce pressure temporarily pursuant to its proposed Pipeline Safety Enhancement Program. Generating facility operators may need to store gas for use during periods when there are reductions in flowing gas supply.

Delays in combustion at the RPS-eligible generating facility may result from scheduled or unscheduled maintenance, an unplanned shutdown, work stoppages, or equipment failures. In addition, a plant operator may choose to store biomethane for use when needed to balance fuel supply with electricity demand.

Delays in either delivery or combustion of biomethane may create imbalances, causing the operator of the generating facility to re-schedule the delivery of the biomethane from storage or an imbalance account on the delivery system serving the facility. CPUC-approved gas tariffs

provide settled rules to handle these imbalances. Full record-keeping is required under these tariffs, and records can be provided by the certified facility on the Commission's request.

In every case, the facility operator's first priority is to operate in a safe and prudent manner and any external limitations (such as those imposed by the Commission) would by necessity be subordinate to these factors.

There will be a cost to the generating facility if it wishes to store biomethane, or if biomethane delivery fluctuations cause the facility to exceed the imbalance tolerance established pursuant to the tariffs. Furthermore, the facility operator will only be able to generate RECs when renewable energy is actually generated. Therefore the facility operator will have an incentive to minimize delays in either delivery or combustion of biomethane.

The Commission should not impose restrictions on the date of biomethane combustion. Instead, it should focus on the records required to audit biomethane purchases, delivery, storage (if any), and ultimate combustion of the fuel.

E. Question 5: Biomethane imbalances

5. How should the Energy Commission treat biomethane imbalances resulting from differences between scheduling and use of the biomethane?

Biomethane imbalances should be treated in the same manner as natural gas imbalances. It is not possible, nor is it necessary to distinguish between natural gas and biomethane imbalances once the biomethane is in the gas pipeline system. CPUC-approved tariffs thoroughly cover the treatment of gas imbalances.

a. Specify why such imbalances could occur, and if they should be allowed. Please explain.

Imbalances may occur for several reasons. Gas, including biomethane, is scheduled in advance of delivery in accordance with standard tariff procedures. However, the amount of biomethane that is actually generated on a particular day may not match the amount that is

scheduled. As discussed in response to Question 4 above, the transporter may also have operational constraints that affect the amount of gas it can transport in any one period, and the generating facility receiving the gas may have operational constraints on the amount of gas it can combust, or needs to combust, in any one period.

For the reasons set out in response to Question 4, the Commission should not impose restrictions on biomethane imbalances that are additional to the restrictions applying to natural gas under the CPUC-approved tariffs. It is not clear why imbalances are relevant in the context of the RPS, given that RECs are generated on the basis of power actually generated, not scheduled fuel or power.

b. What limits are placed on imbalances by pipelines, and should the Energy Commission enforce stricter limits on imbalances? Please explain.

Imbalance limitations are fully described in the tariffs covering interstate pipelines and gas utility transmission services. Stricter limits imposed by the Commission would conflict with tariff provisions approved by FERC for interstate pipelines and CPUC for California gas utilities. Additionally, stricter limits would not add any intrinsic value to the renewable attributes of biomethane.

c. What is the magnitude of imbalances in natural gas deliveries, and how do imbalances in biomethane deliveries differ?

SoCalGas customers including the SCPPA members are allowed a monthly imbalance (the difference between scheduled deliveries and combustion) of +/- 10 percent of burns except when tighter requirements are imposed during the winter. This 10 percent imbalance tolerance is specified in the SoCalGas tariff, and the cost of providing the tolerance is embedded in the customer rate. The imbalance rules apply to all forms of gas that is transported by SoCalGas, including biomethane.

F. Question 6: Biomethane records

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?

An electric generating facility using pipeline biomethane can facilitate a Commission audit by maintaining as a shipper, or causing its shipper to maintain, pipeline scheduling and balancing records, electronic bulletin board schedules of nominations and confirmations, invoices showing a chain of title from the source of the biomethane to the customer meter, storage, and parking transactions with package numbers identifying the gas as biomethane and its source. Such records provide a complete picture of the delivery and use of the claimed biomethane and will prevent double-claiming.

The California Air Resources Board (“ARB”) proposes to accept such records for the purposes of its cap and trade program. The ARB also proposes detailed annual verification requirements for biomethane, and will develop a biofuel certification program, addressing many of the same concerns the Commission has raised.

IV. RESPONSES TO WORKSHOP QUESTIONS FOR PANEL B ON IN-STATE BIOMETHANE

A. Question 1: Benefits of using biogas

1. Biogas can be utilized as an energy resource or disposed of by flaring. Biogas can be used to produce energy in heating, electricity generation, and transportation applications.

- Are there environmental benefits to using biogas for energy production vs. flaring?
- Are there additional benefits beyond air quality?
- Is electricity generation the highest and best use of biogas?

Utilizing biogas as an energy resource instead of flaring the methane has multiple environmental benefits. First, utilizing the biogas as an energy resource for electricity generation or as a transportation fuel replaces fossil fuel with renewable fuel, reducing lifecycle greenhouse gas (“GHG”) emissions. Second, if biogas is transported by an interstate pipeline or gas distribution company for consumption in a power plant, the biogas would be upgraded to meet pipeline quality specifications, reducing the potential for the release of criteria pollutants that might occur if the biogas were flared on site.

Off-site electric generation from combustion of biomethane at baseload generating facilities is typically more efficient than on-site combustion, leading to fewer GHG emissions from combustion. This further reduces air quality impact locally, for example at the landfill or digester plant. Local air quality impact at the generation facility is not affected as biomethane typically displaces the equivalent amount of natural gas and both fuels have same emissions.

Utilizing biogas as an energy resource provides benefits beyond reducing GHG emissions and improving air quality. Biogas is a domestic energy resource. Utilizing biogas thus has the same benefits as using any other domestically produced fuels such as improving the balance of payments and enhancing national security. Utilizing biogas to obtain such non-environmental benefits is superior to utilizing domestically produced fossil fuel insofar as utilizing biogas results in the use of an asset that might otherwise be wasted through flaring.

Combined heat and power would be highest and best use of biogas. However, this option is not viable in most situations. Efficient power generation is the next best use of biogas. The cost of using biomethane to generate electricity per megawatt hour is much less than the cost of most other renewable resources.

B. Question 2: Benefits to ratepayers of in-state biomethane

2. How does use of pipeline quality biomethane produced from in-state sources benefit California ratepayers?

If pipeline-quality biomethane produced in California could be injected into the natural gas pipeline system (for example, if the gas tariffs that currently prohibit such injection were amended), California ratepayers would benefit in several ways. In-state pipeline-quality biomethane would be an additional source of load-responsive renewable energy that is less expensive than other forms of renewable energy. It would provide greater fuel diversity and increase the pool of available renewable energy resources, increasing the competitiveness of the renewable energy market and increasing the reliability of the supply of renewable energy. The cost of meeting the RPS targets would be reduced.

C. Question 3: Quality of non-landfill biogas

3. Consider the following for biogas sources not derived from landfill gas.

- Please provide a description of utility gas quality standards as they relate to biomethane received into the natural gas transportation pipeline.
- Can biomethane - not derived from landfill gas - be injected into pipelines serving California customers without causing harm to public health or degrading pipeline safety?

The gas-fired electricity generating facilities of SCPA members are served through the SoCalGas system. All gas that is delivered into the SoCalGas system must meet the requirements of CPUC General Order No. 58A and the gas quality standards in the SoCalGas tariff, Rule No. 30.I, Gas Delivery Specifications, unless the quality of delivered gas is covered in agreements between SoCalGas and the upstream entity delivering natural gas (such as an interstate pipeline) to SoCalGas.⁶ Biomethane (other than methane from landfill gas, which is discussed below) can be injected into the SoCalGas system without causing harm to public health or degrading public safety because the biomethane must meet the gas quality standards specified in SoCalGas tariff, and those standards have been reviewed and approved by the CPUC.

D. Question 4: Quality of landfill biogas

4. Consider the following for biogas sources derived from landfill gas.

- Can landfill gas consistently meet the CPUC’s Standards for Gas Service in the State of California General Order 58-A, which requires the concentration of vinyl chloride be limited to less than 1,170 parts per billion by volume?
- Can landfill gas be injected into pipelines serving California customers without causing harm to public health or degrading pipeline safety?

It appears from the Gas Technology Institute (“GTI”) presentation at the Workshop that landfill gas can consistently meet the CPUC’s Standards for Gas Service under the CPUC’s General Order No. 58-A. Paragraph 7.e of General Order 58A provides that no regulated gas utility including SoCalGas may knowingly purchase landfill gas if that landfill gas, when supplied to a customer, “contains vinyl chloride in a concentration greater than 1,170 parts per billion by volume.” At the Workshop, GTI Executive Director Daniel S. LeFevers said that GTI has collected and analyzed samples from six landfills and that no vinyl chlorides were found in any sample.⁷ It appears at the present time that landfill gas could be injected into pipelines serving California customers without causing harm to public health or degrading public safety.

SoCalGas Rule No. 30.I.3.o provides: “Gas from landfills will not be accepted or transported.” Insofar as the SoCalGas tariff contains that blanket ban on accepting landfill gas into the SoCalGas system, SoCalGas Rule No. 30.I does not include the General Order 58-A.7.e quality provisions regarding vinyl chloride.

E. Question 5: Challenges relating to in-state biogas

5. What are the biggest challenges to developing in state biogas resources? What are the biggest challenges to injecting

⁶ See SoCalGas tariff, Rule No. 30.I.1.

⁷ The GTI presentation is available on the Commission website at: http://www.energy.ca.gov/portfolio/documents/2011-09-20_workshop/presentations/

biomethane, regardless of source, into the natural gas pipeline in California?

From the point of view of biomethane purchasers, the biggest challenges to the utilization of in-state biomethane are the prohibitions on landfill gas in the SoCalGas and PG&E tariffs. Landfill gas is the most widely available and cost-effective source of biomethane. However, the PG&E Gas Rule No. 21 (“Transportation of Natural Gas”) states in section C.14 that “Gas from landfills will not be accepted or transported under this Rule.” Similarly, SoCalGas Rule No. 30 (“Transportation of Customer-Owned Gas”) states in section I.3(o) that “Gas from landfills will not be accepted or transported.” These rules go beyond the requirements of the “Hayden amendment”⁸ because they prohibit the gas utilities from receiving and transporting landfill gas regardless of whether it has been treated to pipeline quality.

The South Coast Air Quality Management District’s proposed changes to its Rule 1110.2 on emissions from gaseous- and liquid- fueled engines will make on-site power generation from combustion of landfill gas more expensive. This will reduce the potential for such projects and increases the importance of allowing landfill gas, appropriately treated, to be injected into the natural gas pipeline system in, particularly, southern California.

V. ADDITIONAL BIOMETHANE ISSUES

A. The Commission must continue processing certification applications under current rules.

The Commission should continue to process applications for certification of RPS-eligible generating facilities under its existing RPS guidelines in as expeditious a manner as possible. (Ideally, the Commission should commit to processing applications within a stated timeframe, as some other agencies do.)

⁸ Cal. Health and Safety Code § 25421.

Applications should be assessed under the RPS guidelines that apply on the earlier of the date when the application was submitted to the Commission or the date when the biomethane started flowing under the relevant contract, regardless of whether a subsequent edition of the RPS guidebook is issued by the time the Commission assesses the application. To do otherwise would be contrary to the standard practice of avoiding retroactive application of new rules, including the Commission's own previous practice.

If processing of currently submitted applications were frozen until the fifth edition of the RPS guidebook is issued, and the applications were then assessed in accordance with the fifth edition, the result would be intolerable uncertainty for entities that have applied for certification. In order to be able to apply for certification, gas flow must have commenced, meaning that entities have already invested significant amounts of money in developing biomethane resources and have entered into and started performing under biomethane procurement contracts that were agreed based on the existing rules. Entities may be forced to breach, amend or terminate existing contracts with serious financial implications if their applications become subject to yet-to-be-developed new rules that may change the requirements relating to biomethane.

B. Facility operators should be allowed to specify the unit at which biomethane is combusted.

To prevent wasting a scarce and valuable resource, the fifth edition of the Commission's RPS guidebook should allow the operator of a generating facility with multiple generating units to specify the units at which the biomethane is combusted. For example, the operator may specify that the biomethane was combusted at the unit with the lowest heat rate of the units that were operating during the biomethane delivery period.

C. Arguments regarding the ineligibility of out-of-state biomethane are untenable.

At the Workshop reference was made to the requirement that the electricity generating facility “use” the renewable fuel,⁹ in support of the argument that out-of-state biomethane is not an eligible renewable energy resource because California generating facilities do not directly combust that biomethane. The wording regarding the “use” of the fuel in SBX1 2 is unchanged from SB 107 (2006).¹⁰ Biomethane injected into the California gas system in accordance with the requirements of the RPS Guidebook is currently accepted as being “used” by the generating facility to generate renewable energy. As SBX1 2 does not change this wording, it cannot be argued that SBX1 2 imposes new requirements regarding the use of fuel that would exclude out-of-state biomethane.

Furthermore, this interpretation of “use” is overly broad. If this interpretation were accepted, biomethane from in-state as well as out-of-state sources would be excluded, as direct “use” cannot be shown for any particular molecules of biomethane in the natural gas pipeline system.

The application of PUC section 399.12(h)(3)(A) to biomethane was also discussed at the Workshop. This section relates to the de minimis use of non-renewable fuels to generate renewable energy:

(3)(A) An electricity generated by an eligible renewable energy resource attributable to the use of nonrenewable fuels, beyond a de minimis quantity used to generate electricity in the same process through which the facility converts renewable fuel to electricity, shall not result in the creation of a renewable energy credit. ...

This section does not apply to the combustion of a mix of biomethane and natural gas at a generating facility, because only the fraction of the electricity attributable to the biomethane is

⁹ SBX1 2, PRC § 25741(a)(1).

¹⁰ SB 107, PRC § 25741(b)(1).

considered to be renewable energy in accordance with the formula set out in the current RPS Guidebook.¹¹ PUC section 399.12(h)(3)(A) has no role in any discussion of the eligibility of out-of-state biomethane as a renewable energy resource.

VI. CONCLUSION

SCPPA urges the Commission to consider these comments when revising the RPS guidebooks and preparing any regulations applying to biomethane. SCPPA appreciates the opportunity to submit these comments to the Commission.

Respectfully submitted,

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¹¹ Commission Renewables Portfolio Standard Eligibility Guidebook 4th ed., pp. 32-33 (Jan. 2011).