State of California

Memorandum

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Date: October 6, 2011

To: California Energy Commission – Kate Zochetti

From: CPUC Energy Division Staff

Subject: Pipeline Biomethane to meet RPS requirements

The California Public Utilities Commission (CPUC) Energy Division Staff (Staff) commends the California Energy Commission for continuing to evaluate requirements to meet the intent of the state's 33% Renewable Portfolio Standard. The comments provided by Staff below are intended to provide background and context as to why out-of-state directed biogas (also called pipeline Biomethane) was precluded from the Self-Generation Incentive Program (SGIP).

In 2009, Decision (D.) 09-09-048 modified SGIP to allow out-of-state directed biogas to qualify as a renewable fuel under the SGIP. D.09-09-048 included out-of-state directed biogas in the program because it was consistent with treatment of biogas in the RPS program and it had the potential to help stimulate the biogas market in California. Specifically, D.09-09-048 states:

> "Allowing directed biogas to qualify as a renewable fuel under SGIP is consistent with treatment of biogas in the RPS program and has the potential to increase participation in SGIP by renewable fuel technologies, increase the amount of electricity produced by renewable generating facilities in California, and increase the market for biogas in California." (D.09-09-048, Conclusion of Law 2, p. 15)

In September 2011, D.11-09-015 was adopted by the CPUC. D.11-09-015 made numerous modifications to SGIP, including precluding directed biogas from out-of-state suppliers to be considered as an eligible renewable fuel. D.11-09-015 provided the following rationale as to why out-of-state directed biogas was no longer included in SGIP:

> "Given the concerns raised regarding the ability to verify out-of-state directed biogas, as well as the lack of local environmental benefits to California ratepayers, we will exclude it from SGIP eligibility. We also note that the two conditions for granting…SGIP to allow eligibility of directed biogas in D.09-09-048 were that the SGIP had an excess of unused carryover funds and that an in-state biogas market would develop as a result. SGIP no longer has an excess of funds, and there has been no significant development of in-state biogas supplies since we granted the petition. However, using renewable biogas and developing California's biogas industry remain important objectives as California transitions to a low-carbon future.

For these reasons, we will retain a separate incentive for biogas utilization for SGIP projects that use biogas from in-state sources." (D.11-09-015, pp. 21-22)

Further, staff notes that administration of directed biogas/pipeline Biomethane contracts pose significant challenges. It is difficult to develop mechanisms that ensure the continuous delivery of biogas due to storage and transport across multiple pipelines. While bulk purchases of biogas technically meet the requirements, they do not stimulate ongoing development of biogas supplies – which was the intent of D.09-09-048. Also, biogas must only be delivered to the city gate instead of to the end-use customer, and ensuring that it is not double-counted or nominated for use by other customers poses another challenge.

Additionally, the Hayden Act[1] requires vinyl chloride testing in California landfill gas for injection into pipelines, which puts California suppliers at a competitive disadvantage to out-of-state suppliers who are not subject to similar requirements.

Energy Division Staff appreciates this opportunity to provide these comments on this topic. If you have further questions, please don't hesitate to contact Neal Reardon (neal.reardon@cpuc.ca.gov) or myself (melicia.charles@cpuc.ca.gov).

Sincerely,

Melicia Charles
Supervisor, Customer Generation Programs
Energy Division
California Public Utilities Commission

1 Hayden Act, Stats 1988 ch 932 § 2 (AB 4037).