

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

NOTICE OF BUSINESS MEETING

RE: **Biomethane**

DOCKET
02-REN-1038

DATE MAR 23 2012

RECD. MAR 23 2012

COMMENTS OF THE

AGRICULTURAL ENERGY CONSUMERS ASSOCIATION

On the Commission's Notice to Consider Suspension of the RPS
Eligibility Guidelines Related to Biomethane

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

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INTRODUCTION

The Agricultural Energy Consumers Association (AECA) appreciates this opportunity to offer comments on the issue of the proposed suspension of the RPS eligibility guidelines related to biomethane. AECA has been deeply involved in the public policy discussions surrounding biogas development projects in California and at the forefront of efforts to establish a commercial biogas industry in the state. AECA shares the concerns of the CEC and other state policymakers regarding the use of out-of-state biomethane for compliance with California's RPS requirements. AECA participated in the Commission's biomethane workshop in September and provided comments expressing that concern. At the time, AECA stated:

"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."

However, AECA is deeply troubled by the proposed suspension since it would include in-state biogas projects as well. The proposed suspension on all biomethane will further cripple an already struggling in-state biogas industry and lead to potentially significant adverse air quality impacts in the state. For these reasons, **AECA encourages the Commission to move forward with a suspension of out-of-state projects which cannot provide RPS verifiability and enforceability while the CEC and legislature grapple with the complex and increasingly controversial issues surrounding those projects. However, AECA is not aware of any concern with in-state dairy, wastewater, agriculture or urban waste diversion projects which can be verified for RPS compliance, and provide direct environmental benefits.**

IRREPAIRABLE HARM

California has a significant and largely untapped opportunity to generate a highly valued and substantial quantity of renewable energy (well over 2,000 MWs or biomethane production equivalent) from dairy livestock manure, wastewater treatment, organic waste from food processing facilities, urban organic waste and landfill gas. While there have historically been a number of statutory, regulatory and technology deployment hurdles that have hindered the advancement of biogas-to-energy projects in California, these challenges are being addressed through additional research, improvements in permitting processes and economic efficiencies that come with increased development, investment and experience.

Significant attention and public policy discussion is now finally being focused on the benefits of widespread deployment of biogas projects at California dairies, food processing facilities and sanitation agencies to capture and reduce GHG emissions and produce renewable energy. The interest in biogas

projects has increased in recent years as state policymakers identify potential opportunities to reduce GHG emission under the landmark “Global Warming Solutions Act of 2006” – AB 32.

The California Energy Commission’s July 2006 Bioenergy Action Plan for California (Publication number CEC-600-2006-010) recognizes key challenges to the development of bioenergy in California, including a failure of the market to adequately recognize and compensate its benefits, and a range of other impediments, many of which can be address by State action. Toward this end, California regulators have finalized a programmatic EIR to streamline environmental permitting challenges. **Additional efforts are underway in a joint state-federal task force, the Bio-Digester Working Group, to further address barriers to project development. The CEC is an active member of this working group which has added significant momentum to the push to develop in-state projects and develop a commercial industry in the state. That effort is working and a large number of in-state projects are currently in development including a significant number of biomethane injection projects. These biomethane injection projects are at a critical stage of development and will be irreparably damaged by the proposed suspension. As a result, all of the positive work done by the working group will be lost and the effort set back considerably.**

IN-STATE BIOGAS BENEFITS WILL BE LOST

Biogas is a highly valuable energy source. The direct benefits of biogas energy are significant and exceed those of other renewable energy sources. Solar and wind are intermittent. Biogas from all types of projects can provide baseload power and as a result deliver power when other renewables cannot. Dairy digesters also have the unique ability to store gas for 1-3 days and can generate electricity when it is needed or during peak hours. This dispatchability and peaking capability is unique among renewable energy projects.

In-state biogas renewable energy projects also have the greatest potential to reduce greenhouse gas (GHG) production and facilitate California’s ambitious AB 32 goals, one of the key principles of California’s RPS program. Solar, wind and other forms of renewable energy reduce GHGs by displacing the need for conventional fossil-fuel based forms of energy generation such as natural gas. Biogas projects have the significant added benefit of destroying methane, a potential greenhouse gas, 21 times more potent than CO₂. In the PG&E service territory, consider that:

A typical solar or wind energy project produces 0.26 tonnes of greenhouse gas reduction benefits per 1 MWh of energy produced, on average, through the avoidance of grid power. A dairy biogas project provides an estimated 2.2 tonnes tons of greenhouse gas benefits per MWh of renewable energy produced through the avoidance of grid power and destruction of methane. As a result, biogas projects provide 8.4 times greenhouse gas benefits per MW of energy produced.

Dairy digesters alone could result in the destruction of over 5 million tones of CO₂ per year in California, or the equivalent of about 3 million residential customers' homes being carbon neutral.

Biogas projects are capital intensive, with significant local construction dollars being spent fostering economic development and local jobs, another stated goal of the RPS program and Governor Brown. Two hundred MWs, or biomethane equivalent, would result in approximately \$1 billion of capital investment in the state. Biogas projects also likely create more long-term green jobs, relative to solar and wind, due to the demand of project operations. Potential biogas green job creation is statewide as the industry commercializes with a significant benefit to rural agricultural economies which have been especially hard hit by the economic slump. San Joaquin Valley counties with the greatest potential for dairy biogas development suffer from chronic double-digit unemployment and high rates of poverty.

All of these significant in-state benefits will be potentially lost if the Commission moves forward with a blanket suspension of biomethane injection.

SIGNIFICANT UNINTENDED ENVIRONMENTAL CONSEQUENCES

In a recent letter the San Joaquin Valley Air Pollution Control District cautioned the CEC that a blanket suspension would have potentially significant unintended consequences on the environment and public health in the San Joaquin Valley. The District stated in part:

"Our concern is that the decisions the CEC is making under the referenced dockets may very well shut the door on in-state biogas injection, resulting in a serious impact on the health of the residents and the businesses of the San Joaquin Valley. This result is clearly contrary to the intent and plain language of SB x1-2..."

The Air Districts concerns are real and these clearly unintended environmental consequences are alone significant enough to warrant appropriate changes to the proposed blanket suspension of all biomethane injection projects.

CONCLUSION

California's in-state biogas industry is at a critical juncture. The industry has suffered from a number of real and perceived obstacles and barriers that have greatly limited development of successful projects to date. A great deal of effort by state regulators and policymakers has been put forward to provide improved opportunities and the industry is responding. While activity had been largely stagnant for a number of years, a significant renewed interest has started to emerge. AECA is aware of roughly 50 projects that are underway in various critical stages of development. This momentum will be lost if the

CEC acts to suspend consideration of all biomethane injection projects. Not only will the significant number of in-state biomethane injection projects be immediately lost, the action will have a “chilling effect” on proposed electrical generation projects as well. Potential capital investors already perceive the state’s regulatory environment to be difficult or even hostile toward biogas development. This perception adds significantly to the cost of financing projects as banks and other financing entities seek a higher return on investments. The proposed suspension of all biomethane injection projects will greatly add to this perception of hostility toward development in California, increase risk associated with successful development and have a “chilling effect” on the ability to finance projects.

For these reasons, we implore the CEC to take a step back from outright suspension of all biomethane injection projects and find a workable solution that addresses the legitimate concerns with RPS compliance but protects those projects that can document real verifiable and enforceable compliance with California’s RPS and AB32 mandates.

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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