



CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION

915 L STREET, SUITE 1460 • SACRAMENTO, CALIFORNIA 95814
(916) 326-5800 • (916) 326-5810 FAX • www.cmua.org

DAVID L. MODISETTE, EXECUTIVE DIRECTOR

March 23, 2012

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11-RPS-01

DOCKET

02-REN-1038

DATE MAR 23 2012

RECD. MAR 23 2012

California Energy Commission
Dockets Office, MS-4
Docket No. 11-RPS-01 & 02-REN-1038
RPS Proceeding
1516 Ninth Street
Sacramento, CA 95814-5512

Re: CMUA Comments on CEC's Notice to Consider Suspension of the RPS Eligibility Guidelines Related to Biomethane

The California Municipal Utilities Association (CMUA) thanks the California Energy Commission (Commission) for the opportunity to provide comments on this issue. CMUA opposes the proposed suspension of the RPS eligibility guidelines relating to biomethane. As you are aware, biomethane is a low-cost, valuable resource that has long been recognized by California as a renewable fuel. CMUA provided comments to the Commission last November on the need and importance of using biomethane from out-of-state, as well as in-state sources.

CMUA is representing the interests of our members on this important issue, as our members provide electricity to over one-fourth of California's citizens.

While some have questioned the use of biomethane as a renewable fuel, from landfills and in particular from out-of-state sources, the vast majority of electric utilities and other industries support biomethane as a renewable resource. Furthermore, existing policy within the Global Warming Solutions Act of 2006, AB 32, under the Air Resources Board's Cap and Trade Program allows a new biomethane gas source that is provided under a contract on or after January 1, 2012, either as a new or as an expansion of an existing source, be treated as a zero-emissions source (Title 17 CCR §95852.1.1(a)).

Should the Commission continue to consider the suspension, a meeting to consider this should not take place on March 28, 2012, but should be delayed for 30 days to allow a greater opportunity for stakeholder input.

The Commission's suspension notice provides a very short time frame to identify and discuss the issues. Additional time is needed given the importance of the issue, and the negative impact the suspension may have on our members' current contracts for biomethane, reducing their ability to achieve the renewable energy targets.

Below, CMUA provides an amendment to the suspension order.

Biomethane as a Renewable Resource

CMUA supports the use of biomethane as a renewable resource to help meet California's renewable energy goals. SB1X 2 does not provide any additional limitation on the use of biomethane. The fifth draft version of the RPS Eligibility Guidebook continues to treat biomethane as an eligible renewable fuel. CMUA believes that the Commission should continue to treat biomethane as an eligible renewable resource, as the benefits of using biomethane in gas-fired generation facilities are significant.

- Biomethane is cost-effective, supports the goal of fuel diversity, and helps to support the integration of intermittent renewables. These characteristics make biomethane particularly valuable as California implements its RPS requirements.
- In light of the upward pressure that increased renewable requirements will put on rates, it is necessary to utilize any low-cost renewable resources to the fullest extent possible.
- In order to maintain grid reliability, California will need generating resources with the ramping capabilities that can support this integration. The added value provided by biomethane to gas-fired generating facilities will assist these facilities in remaining economically viable, and therefore, able to operate for a longer period of time.
- A policy change in the treatment of biomethane under the RPS guidebook could result in significant financial loss and additional expense for utilities to replace the planned renewable resource, not to mention the likelihood of rate increases for those entities that have already entered into contracts.

Proposed Amendment to the Suspension Order

The suspension order will create significant issues for a very limited number of existing, signed contracts that publicly-owned utilities (POUs) have for the delivery of pipeline biomethane from out-of-state suppliers. These issues include:

1. Planned facility certifications, pre-certifications, and certification amendments that have not been applied for due to: (a) gas not currently flowing as specified in the contract over time; (b) facility currently off-line due to repairs; and (c) future repowering schedules.

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2. Unplanned facility certifications and pre-certifications that may be needed due to:
(a) unexpected changes in biomethane deliveries from the source in future years;
and (b) forced outages of dedicated facilities, forcing a need for changing the certification to a different facility.
3. Uncertainty about whether existing applications submitted to the Commission will be deemed incomplete after the suspension (which will require re-certification).
4. Contracts with provisions to increase biomethane delivery in future years.

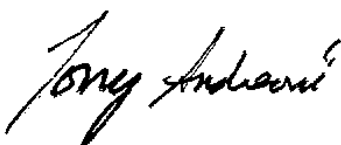
The concern with all four of these issues is that following the suspension, the Commission may change the rules under which the utilities have been operating, in good faith, to implement these very few existing signed contracts, including facility pre-certification and certification to use the biomethane from these existing signed contracts. Please note that we are not talking about new contracts, or future amended contracts, or any new biomethane above that provided in these existing signed contracts.

We believe these issues can be resolved in the suspension order by simply providing that for any existing, signed contracts for the delivery of biomethane as of March 28, 2012 (the date of possible approval by the Commission), all activities involving the implementation of these contracts, including Commission certification of facilities to use the quantities of biomethane provided in these contracts, shall be governed in the future by the RPS Eligibility Guidebook and the Overall Program Guidebook for the Renewable Energy Program which was applicable at the time the contracts were signed.

If the Commission implements a suspension, the limited number of existing contracts for biomethane should continue to be eligible under the current rules, including all pending applications for certification and pre-certification that has not yet been approved by the Commission. All applications for pre-certification and certification arising out of contracts executed before the date of the suspension should be processed under the current rules, regardless of whether the application is submitted after the date of the suspension.

CMUA supports the written comments submitted by our members on the use of biomethane, and appreciates this opportunity to provide these comments to the Commission. We look forward to working with Commission staff in order to meet the statewide renewable energy goals.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Andreoni". The signature is fluid and cursive, with a large initial "T" and "A".

Tony Andreoni, P.E.
Director of Regulatory Affairs