



WASTE MANAGEMENT

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February 8, 2013

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



Via Email: docket@energy.ca.gov and RPS33@energy.ca.gov

Subject: Docket numbers 11-RPS-01 and 02-REN-1038 – Renewables Portfolio Standard

Dear Energy Commission:

Thank you for the opportunity to comment on the Staff Concept Paper and questions posed in Section D of the concept paper for Implementation of Assembly Bill 2196 Pertaining to the Renewables Portfolio Standard Program. We understand comments are due by 5 pm PST on Friday, February 8, 2013.

Waste Management (WM) is the leading provider of comprehensive waste management and environmental services in North America. The company serves approximately 20 million municipal, commercial, industrial and residential customers through a network of 390 collection operations, 294 transfer stations, 266 active municipal solid waste (MSW) landfill disposal sites, 121 recycling facilities, 34 organic processing facilities and 131 beneficial-use landfill gas projects. Many of these facilities operate in California.

WM currently has two contracts to provide out-of-state landfill gas to the Pasadena and Burbank public utility districts to generate in-state renewable electricity in accordance with the provisions of SB 1x2 and the CEC Renewable Guidelines that were in effect at

the time these contracts were executed (RPS Eligibility Guidebook, 4th Edition). These contracts were entered into during August 2011 with delivery of biomethane commencing in October 2011 and duly certified by and reported to the CEC.

However, WM has yet to receive full compensation for this biomethane delivery due to uncertainty of its “Bucket 1” status under SB 1x 2. The full value of our contracted delivery of biomethane to Burbank and Pasadena hinges on whether the electricity generated by Burbank and Pasadena meets the Portfolio Content Categories (PCC) specified in Public Utilities Code Section 399.16 – and is considered to be “Bucket 1” within that context as provided by PUC 399.12.6(a) enacted by AB 2196.

WM believes that the provisions of AB 2196 provide very clear recognition that the power generated from this imported biomethane is PCC eligible and is, in fact, a Bucket 1 energy resource. Our reading of the staff concept paper is consistent with that understanding. As written, the staff concept paper appears to provide substantiating support that our Biomethane contracts, briefly described above, are – or will be – eligible for Bucket 1 treatment under the California RPS. With this understanding, WM strongly supports the language of the staff concept paper as proposed, with the following requested clarifications:

- ***Who determines Bucket eligibility for each project?*** The one area of further clarification WM requests in the staff concept paper is a clear description of the process for making a Bucket 1 determination on individual projects within the framework of the PCC. WM requests and would appreciate the staff concept paper including a description of the CEC process for rendering a determination of Bucket eligibility for biomethane deliveries to meet California’s RPS. In other words, when and how will the CEC be able to confirm Bucket 1 eligibility for the biomethane to electricity project mentioned above?
- ***Biomethane Gas delivery increases after April 1, 2014.*** It is understood that sources that were not identified in either the Biomethane agreement or in the S-5s submitted to CEC prior to March 29, 2012 cannot be delivered and count under the PPC specified in PUC 399.16 and 399.12.6(a). However, WM believes that increases that are allowed in the contracts that were executed prior to March 29, 2012 and otherwise eligible for PCC consideration may continue to increase such deliveries after April 1, 2014 – when such increased deliveries are provided for in the contract. Honoring existing contracts, up to the full contract quantity and that are consistent with the provisions of the PUC is the very foundation of AB 2196. WM would appreciate a clearer articulation of this provision of the law in the staff concept paper. Frankly, we are confused by the reading of items 7 and 8 on page 6 of the staff concept paper. If a contract provides for future increases at the discretion of the seller or options by the seller to increase gas deliveries -- that are included in the contract quantity under the

original agreement or any amendments prior to March 29, 2012 -- then WM believes that such options are not in any way restricted as a PCC under PUC 399.16 and 399.12.6(a). WM would appreciate clarification of this in the staff concept paper.

- ***Biomethane delivered prior to certification.*** WM requests the staff concept paper clearly indicate that biomethane deliveries made prior to certification are eligible as PCC sources once the project has been certified by the CEC. This distinction does not appear to be addressed.
- ***Flexibility in Transport path.*** When the CEC adopted the biomethane “moratorium” on March 28, 2012 it indicated that pathways for delivering gas to California could not be changed pending final resolution by the CEC. However, once the “moratorium” is lifted by CEC action, we believe that the staff concept paper should clearly indicate that projects that are eligible as PCC procurement are afforded transport flexibility. The future development of natural gas and pipeline capacity in North America and the affect it may have on alternative pipeline capacities is not easily predicted. Situations will certainly arise when project developer may need to modify its transport pathway to deliver the biomethane to California. The staff concept paper should clearly indicate that such modifications, as long as the provisions of PUC 399.16 and 399.12.6(a) are complied with, are perfectly acceptable.

Finally, the staff concept paper in Section D starting on page 19 poses a number of questions related to the verification of the delivery of gas through the utility pipeline system. WM has prepared the attached white paper on the verification of biomethane deliveries for your consideration. This white paper address many of the questions you raised in Section D. As documented in the attached white paper, WM believes that there exists sufficiently robust protocols for track the delivery of biomethane through the various pipelines delivering gas to California. The amount of out-of-state biomethane that will be delivered to California in accordance with the provisions of AB 2196 is very small. WM believes that the existing system of tracking gas deliveries is sufficient given the relatively small volume of gas involved.

However, should the CEC believe additional verification is necessary, the existing Third Party verification system established by the California Air Resources Board to verify the deliveries of biomethane to California users to track the GHG benefits of biomethane fuel sources could also be utilized for this purpose. WM believes it would be relatively straightforward to modify the CARB GHG verification procedures to provide for the parallel verification of biomethane resources for RPS uses as well.

Please let us know if you have any questions or require further information.

Sincerely,

Charles A. White, P.E.
Director of Regulatory Affairs/West

Attachment: WM White Paper on Pipeline Biomethane Transmission Verification.

cc: Kate Zocchetti, CEC, Kate.Zocchetti@energy.ca.gov

***Attachment to WM CEC Comment Letter Regarding Docket numbers
11-RPS-01 and 02-REN-1038 – Renewables Portfolio Standard***

***Waste Management White Paper on
Biomethane Pipeline Transmission
Verification***

Much like electricity, natural gas or biomethane is accounted for in systems that track each unit in a transportation pool. Many electricity projects that currently qualify for in state use are scheduled in from out of state and the electricity never makes it to California. It is accounted for through scheduling the electricity systems or ISO's (Independent System Operator's) that are market monitors. Operating under the direction of FERC (Federal Energy Regulatory Commission) electricity is accounted for in the Cal ISO through the concept of pooling. Each unit of electricity coming into the "pool" either from a generation unit in the state or out is accounted for and allocated to a load or user. Electricity comes into the pool and out and the net will be the generation matching the load.

Natural gas systems work in a similar fashion, but are more directed. While electricity can flow in almost any direction, the pooling concept, natural gas or biomethane is limited to specific pipelines and actual pathways along the pipelines.

A pipeline nomination is given by a shipper (company transporting on a pipeline) to a pipeline that essentially requests the pipeline to recognize, account for, and physically implement a transportation transaction for that shipper. Specifically, a nomination must include the following details to ensure that the pipeline can perform the requested service:

1. Shippers transportation contract number
2. Delivering party's transportation contract number
3. Start date
4. Stop date
5. Shippers receipt location
6. Shippers receipt amount
7. Shippers delivery amount
8. Receiving party's transportation contract number

Once the pipeline has received a nomination from a shipper, the pipeline goes through a confirmation procedure. A pipeline confirms a shipper's nomination by matching all of the details in the confirmation with the same specifics in the nominations from the delivering party and receipt party. If any of the relevant information from either the shipper's delivering party or the shipper's receiving party does not match the information on the shipper's nomination, the nomination will not be confirmed.

When a nomination is confirmed, the pipeline schedules the gas flow. This is the process whereby the pipeline notifies its operations that the pipeline should expect the amount of gas in the shipper's nomination to flow through the shipper's designated receipt meter and the shippers

designated delivery meter. After the shipper's receipt and delivery has been scheduled, the pipelines will maintain the information on the scheduling process. The transaction, however is not complete.

Scheduling is only what the pipeline expects to happen on its system. Because the measuring period covers a 24 hour period, pipeline operators do not know what gas supply was actually received and delivered until the day after it is scheduled to flow. The pipeline must balance all scheduled and allocated receipts into its system with scheduled and allocated deliveries out of its system. As a result, a shipper's transportation activity is controlled by the pipeline's measuring and operations system. If a pipeline has disruptions, either physical or mechanical, the scheduled deliveries will be "cut". Electricity scheduling is much less measurable as it enters a "pool" where there is much less control of where the physical power travels.

Each pipeline owner charges for the use of their facilities. They manage and record all the flows in and out through their measurement and accounting systems on a daily basis. All the flows from each party participating in the pipeline system are balanced on a daily basis. Each daily flow is confirmed by the pipeline and recorded in a contract report. When using multiple pipelines, confirmation of volumes must be provided by each pipeline. As stated before, there is a direct contract path for transmission of biomethane. Each pipeline in the process has regulated measurement and confirmation for the flow through their pipelines.

Environmental Attributes

Since all environmental attributes travel with the biomethane and are recorded and confirmed by each pipeline transmission unit, there is a clear path of ownership to the electric generator. From creation or collection of the biogas and transportation there are no attributes that are transferable beyond the biomethane itself, it is just generated and delivered in its raw form. Once it is combusted, it generates attributes that can be transferred, such as carbon credits or renewable energy credits. There is no mechanism to sell credits from biomethane before it is combusted. In this case, all the biomethane will be combusted in generators located in California. The generators then follow current processes to ensure qualification with AB 2196.