WASTE MANAGEMENT

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March 4, 2014

Commissioner Janea A. Scott
Lead Commissioner, 2012 Integrated Energy Policy Report Update
California Energy Commission
Dockets Office, MS-4
RE: Docket No. 14-IEP-1
1516 North Street Sacramento, CA 95814-5512

Submitted via email at docket@energy.ca.gov

RE: Docket # 14-IEP-1; Waste Management Comments on Scope of the 2014 Integrated Energy Policy Report Update

Dear Commissioner Scott:

We appreciate the opportunity to submit these comments on behalf of Waste Management and Wheelabrator Technologies Inc. on the Scope of the 2014 Integrated Energy Policy Report Update (the "Report").

Introduction

Waste Management 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 136 beneficial-use landfill gas projects. Many of these facilities operate in California. In addition, Waste Management has recently focused on investing in emerging technologies for converting waste materials into renewable energy through its Organic Growth Group.

Wheelabrator Technologies is a wholly owned subsidiary of Waste Management and the owner/operator of safe, clean and renewable power across the United States, including 17 waste-to- energy power plants and its Shasta Energy Plant in Anderson, California, that generates electricity from wood waste.

Wheelabrator's Norwalk Energy power plant, a Combined Heat and Power facility, produces electricity sold to the local utility and provides steam and chilled water to meet the needs of a co-located state hospital.

We commend the Commission on its continued focus on clean energy programs. In particular, our comments encourage the Commission's support for policy directives and public funding that increase bioenergy generation.

Sub-docket 14-IEP-1B: The Alternative and Renewable Fuel and Technology Program Should Encourage Waste-Derived Fuels

The stated emphasis of the 2014 Report on transportation and in particular, the Alternative and Renewable Fuel and Technology Program, is a laudable approach, and presents an opportunity to highlight the benefits of a diverse supply of fuels. One such important source of renewable fuel is waste. Development of energy from waste should be encouraged for a multitude of reasons. Energy from waste technologies generate extremely low emissions and are thus very clean technologies.

They are also a source of very low carbon energy. Your sister agency, the California Air Resource Board, has evaluated numerous pathways for the development of low carbon fuels for transportation purposes under California's Low Carbon Fuel Standard (LCFS). The fuels with the lowest carbon intensity are overwhelmingly fuels that are produced from waste materials. This is true regardless of whether a waste derived fuel is used to produce transportation fuel or to produce electricity.

In particular, the 2014 Report should strongly support biomethane-derived fuel and oppose any restrictions on the eligibility placed on biofuel produced from landfills. While WM respects and cooperates with California policies to encourage the diversion of waste from landfills, landfills will continue to be a significant beneficial source of biomethane for the foreseeable future. Landfill biomethane resources that currently exist should not be ignored.

In all respects, biomethane that is produced from landfills offers all the environmental and energy benefits resulting from pre-landfill feedstocks, while meeting the Energy Commission's goal of maintaining a portfolio of diverse fuels and technologies and helping to meet the long-term goal of seeing multiple types of in-state biofuel production succeed. The Commission should encourage demonstration of the commercial viability of biomethane and biogas-to-energy projects.

Landfill gas is the largest existing source of biogas currently collected in California. CalRecycle estimates only about 53% of collected landfill gas is used beneficially to produce electricity or fuels. The remaining 47% is flared and its energy wasted. California can make significant progress in meeting

its environmental goals by encouraging beneficial conversion of waste into transportation fuel. The 2014 Report should recognize the advantages of waste-derived fuels and in particular, the Report should encourage biofuels produced from biomethane, including both "pre-landfill" and landfill-derived biomethane. In other words, the Energy Commission should clearly recognize the GHG benefits of all forms of waste derived biomethane.

Sub-docket 14-IEP-1E: Emphasis in the Assessment of California's Energy Supply Should Be Placed on Keeping Existing Bioenergy Generation Operational

We respectfully caution the Commission that its electricity update may be too narrow if focused only on economic and demographic projections and consumption data. The assessment of California's electricity infrastructure planning and procurement challenges should also focus on maintaining resource adequacy and reliability. In its assessment of procurement challenges faced by the state, the Commission should consider the importance of a diverse electricity portfolio, and set as a priority support for California's existing biomass and bioenergy facilities that generate electricity from a variety of wastes. These base-load facilities provide essential reliability, stability and diversity.

Many new technologies that can use waste as an energy production feedstock are best sited near urban energy demand -- *and* their generation is base-load energy, not intermittent. Conversely, California's traditional biomass facilities are typically located in rural areas, creating much-needed jobs and lowering the risk of fire in the State's less populated areas by using forest wastes to generate electricity.

California is reaping the benefit of policies that support bioenergy, but it cannot and should not lose sight that economic hard times have hit bioenergy operations in similar fashion to other segments of our economy. In addition, bioenergy facilities also have shouldered increasing economic burdens from newly enacted policies and regulations. The resulting impact threatens existing generation from bioenergy sources. The Commission should recommend in the Report programs that protect California's existing bioenergy assets.

For example, the State's approximately 30 biomass facilities lost $16 million annually in support when the Public Goods Charge (PGC) expired in 2011 and the Electric Program Investment Charge (EPIC) that replaced the PGC failed to allot funding for existing biomass operations. The PGC funds had provided support to the existing biomass power industry, enabling it not only to continue to operate, but also enabling full operations during times when revenues are at their lowest. The result of the program was that the state's biomass industry operated at a high capacity factor throughout the first decade of the new century. However, circumstances have drastically changed for these generators in the past three years.

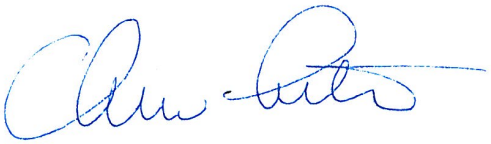
Many biomass facilities completed contract amendments with their purchasing utility for the remaining years of their old Power Purchase Agreements (PPAs), and these new amendments were thought to be sufficient to allow them to continue operating. But that is not always the case, and several facilities have closed or curtailed operations despite contract amendments.

The Commission can help protect and promote the State's biomass facilities. We ask that the Commission take the opportunity in the 2014 Report to recommend new programs for biomass in California. Such programs should promote the use of targeted kinds of biomass resources (e.g., agricultural and in-forest residues) that are both expensive to produce, and provide particularly valuable public benefits when used for energy production. BioEnergy facilities are far more preferable than the practices of open burning for agricultural wastes, or allowing forest biomass to accumulate as overgrowth material in California's increasingly fire-prone forests. Smaller communities near California's forests would greatly benefit from fuel incentive programs that lower the risk of devastating fires and support for biomass generation from among the most expensive of biomass fuel sources to produce: in-forest residues. The fuel- production alternative also provides many more jobs in rural communities than conventional disposal.

Conclusion

Thank you for the opportunity to provide comment on the Scope of the 2014 Integrated Energy Policy Report Update. Please contact me if you have questions about these comments or require further information.

Respectfully submitted,



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