BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Rulemaking to Adopt Biomethane Standards
and Requirements, Pipeline Open Access
Rules, and Related Enforcement Provisions

JOINT REPLY COMMENTS OF THE BIOENERGY ASSOCIATION OF CALIFORNIA AND THE CALIFORNIA ASSOCIATION OF SANITATION AGENCIES ON THE AMENDED SCOPING MEMO RELATED TO PIPELINE BIOMETHANE COST ISSUES

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The Bioenergy Association of California (BAC) and the California Association of Sanitation Agencies (CASA) submit these Joint Reply Comments on cost issues related to pipeline biomethane. Above all, we urge the Commission to allocate the incremental costs of pipeline biomethane to ratepayers and to allocate a portion of cap and trade revenues to the costs to ensure that this Rulemaking fulfills the purpose of AB 1900, which is to “adopt policies and programs that promote the in-state production and distribution of biomethane.”

I. COST ALLOCATION MUST FURTHER THE PURPOSE OF AB 1900, WHICH IS TO PROMOTE AND FACILITATE IN-STATE BIOMETHANE DEVELOPMENT AND DISTRIBUTION.

BAC and CASA agree with the comments of the Renewable Natural Gas Coalition (RNGC), Waste Management and other parties that interconnection and other costs of pipeline biomethane are significantly higher in California than in other states. BAC and CASA also agree with RNGC that unless some of the costs of pipeline biomethane are allocated to ratepayers, this Rulemaking will not meet the purpose of AB 1900 to facilitate and promote the in-state development and distribution of biomethane. The Commission recognized this concern in D.14-01-034, quoting the ARB/OEHHA report, which stated that “if all of the costs for testing and monitoring of the health based standards, and to maintain pipeline integrity and safety, are placed on the biomethane producer, this may limit the number of viable

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1 AB 1900, SEC. 5, 399.24(a).
2 Opening Comments of RNGC at pages 5, 11-12, 14; Comments of Waste Management at pages 10-14.
3 Opening Comments of RNGC at pages 13-14 and 17.
biomethane production facilities” and encouraged the Commission to “explore ways to minimize the testing cost burden to the biomethane producer.”

BAC and CASA oppose the utilities’ and Office of Ratepayer Advocates’ Comments that assign all costs of biomethane to the suppliers, which would completely defeat the purpose of AB 1900 to promote instate biomethane production and distribution.

II. THE NUMEROUS RATEPAYER BENEFITS OF PIPELINE BIOMETHANE JUSTIFY RATE-BASING THE INCREMENTAL COSTS OF PIPELINE BIOMETHANE.

BAC and CASA agree with the comments of the RNGC and Waste Management that many of the costs of pipeline biomethane should be allocated to ratepayers as the increased development and distribution of biomethane is in ratepayers’ interests. The Public Utilities Code defines “ratepayer interests” to include, among other things:

- The reduction of health and environmental impacts from air pollution;
- The reduction of greenhouse gas emissions related to electricity and natural gas production and use; and
- The increased use of alternative fuels.

The California Air Resources Board (CARB) and the Office of Environmental Health Hazard Assessment (OEHHA), in their Recommendations to the CPUC on AB 1900, recognized that biomethane provides all three of these benefits to California ratepayers. According to their joint report to this Commission, increasing biomethane supports energy diversity as a renewable energy source, reduces greenhouse gas emissions and promotes sustainable waste

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4 D.14-01-034 at page 102.
6 PUC section 740.8
management practices,\textsuperscript{7} which further reduce greenhouse gas emissions and environmental impacts. The two agencies went on to state that “(g)iven the broader public benefits from the increased use of biomethane, we recommend that the CPUC explore ways to minimize the testing cost burden to the biomethane producer, while at the same time ensuring that reasonable and prudent testing is conducted to protect both public health and pipeline integrity and safety.”\textsuperscript{8}

Southern California Gas and San Diego Gas & Electric, in their joint Opening Comments, also recognized that increasing pipeline biomethane provides environmental benefits and reduces greenhouse gas emissions.\textsuperscript{9}

Since the benefits of increasing biomethane fall squarely within the definition of “ratepayer interests,” we urge the Commission to rate-base the incremental costs of pipeline biomethane – those costs that are in addition to or greater than the costs of fossil fuel gas injection. BAC agrees with the comments of RNGC that the costs of biomethane injection that exceed costs of fossil fuel gas injection should be borne by ratepayers, just as ratepayers bear the added costs of renewable electricity.\textsuperscript{10} Renewable natural gas – biomethane – provides many of the same ratepayer benefits as renewable electricity, including diversifying California’s energy supply; reducing greenhouse gas emissions, air pollution and other public health impacts; increasing instate fuel supplies; and developing alternative energy sources.

Alternatively, the Commission could allocate the incremental costs of pipeline biomethane to both ratepayers and developers, as Waste Management proposes.\textsuperscript{11} Because developers would still bear substantially larger costs than fossil fuel developers, however, this alternative will do

\textsuperscript{7} Recommendations to the California Public Utilities Commission regarding Health Protective Standards for the Injection of Biomethane into the Common Carrier Pipeline,” prepared by CARB and OEHHA for the CPUC, May 15, 2013, at page 1.
\textsuperscript{8} Id. At page 5.
\textsuperscript{9} Comments of Southern California Gas and San Diego Gas & Electric on the Amended Scoping Memo, May 23, 2014, at page 7.
\textsuperscript{10} Opening Comments of RNGC at pages 20-21.
\textsuperscript{11} Comments of Waste Management at pages 15-17.
much less to promote biomethane development and distribution than if all incremental costs of pipeline biomethane are borne by ratepayers, as RNGC suggests.

III. CAP AND TRADE REVENUES SHOULD BE USED TO SUBSIDIZE PIPELINE BIOMETHANE TO FURTHER THE PURPOSES OF AB 1900 AND AB 32.

BAC and CASA agree with Waste Management’s comments that the utilities’ cap and trade proceeds should be used to help pay the costs of pipeline biomethane. Similarly, Southern California Gas and San Diego Gas & Electric recommended that “the Commission could also address longer term methods to promote biomethane interconnections by finding that revenues generated by the sale of cap and trade allowances can, in the future, be used to promote biomethane injection.” AB 1900, the CARB-OEHAA Recommendations to this Commission and numerous other state reports and policies recognize that increasing biomethane use provides significant greenhouse gas reductions when used for electricity generation, as a transportation fuel or other fuel.

Both electricity and gas sector revenues from the sale of allowances should be allocated to pipeline biomethane.

A. Electricity Sector Revenues

The Commission has already determined in Decision 12-12-003 that up to 15 percent of the electric utilities’ revenues from the sale of allowances may be spent on clean energy or energy efficiency projects that reduce greenhouse gas emissions, are established pursuant to statute, and are not funded by another source. Since AB 1900 is intended to promote pipeline biomethane development and distribution, and there is not currently another funding source to

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12 Comments at Waste Management at pages 16-17.
14 D.12-12-033, at page 191.
help defray pipeline injection costs, we urge the Commission to determine in this Rulemaking that pipeline injection costs are an appropriate use of the electric utilities’ cap and trade revenues.

B. Gas Sector Revenues

The Commission is currently developing the policies and programs to administer gas sector revenues in Rulemaking 14-03-003. As the OIR states, the scope of that proceeding “broadly includes all issues related to implementation of the GHG Cap-and-Trade Program for natural gas corporations.”15 Since the Commission is required in this Rulemaking, however, to “adopt policies and programs that promote the instate production and distribution of biomethane,”16 we urge the Commission to make findings in this Rulemaking that use of gas sector revenues for pipeline biomethane would further the goals of AB 1900, reduce greenhouse gas emissions and not be funded by another source.

C. Low Carbon Fuel Standard Revenues

Although the Commission is considering the use of revenues from the sale of LCFS credits in Track 2 of Rulemaking 11-03-012, we urge the Commission in this Rulemaking to make a determination that it would be an appropriate use of those revenues to help pay the costs of pipeline injection of biomethane that is contracted to provide low carbon fuels. Since fuels from biomethane are the lowest carbon fuels in existence, lower carbon per mile than electric or fuel cell vehicles,17 it is hard to imagine a better use of LCFS revenues than helping to reduce the costs of pipeline biomethane for transportation fuel use.

I. CONCLUSION

16 Public Utilities Code 399.24(a).
We urge the Commission to allocate the costs of pipeline biomethane in a manner that truly furthers the purpose of AB 1900, which is to facilitate and promote biomethane production and distribution. Given the very strict standards adopted in the first phase of this proceeding, combined with the significant costs of interconnection, increasing pipeline biomethane will require allocating incremental costs to ratepayers and allocating a portion of cap and trade revenues to defray the costs of pipeline biomethane. Both of these are more than justified given the significant greenhouse gas reductions, environmental and other ratepayer benefits of increasing pipeline biomethane.

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Respectfully submitted,

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VERIFICATION

I am a representative of the non-profit organization herein, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and, as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 20th day of June, 2014, at Anaheim, California.

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