

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue  
Implementation and Administration of California  
Renewables Portfolio Standard Program.

Rulemaking 11-05-005  
(Filed May 5, 2011)

**REPLY COMMENTS OF THE CALIFORNIA WASTEWATER CLIMATE  
CHANGE GROUP ON IMPLEMENTATION OF NEW PORTFOLIO CONTENT  
CATEGORIES FOR THE RENEWABLE PORTFOLIO STANDARD PROGRAM**

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For the California Wastewater Climate Change  
Group

Date: August 19, 2011

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**Introduction**

Pursuant to the Commission's Rules of Practice and Procedure, the California Wastewater Climate Change Group (CWCCG) submits these reply comments on the *Administrative Law Judge's Ruling Requesting Comments On Implementation Of New Portfolio Content Categories For The Renewables Portfolio Standard Program* (Ruling).

**Discussion**

In its opening comments on the Ruling, CWCCG recommended that unbundled renewable energy credit (REC) transactions be included in the first portfolio content category (Category One) for RECs associated with renewable energy produced by facilities meeting the criteria of Section 399.16(b)(1) and whose energy is consumed onsite, as addressed in Issue Ten of the Ruling. The opening comments of the other parties regarding Issue Ten indicate strong support for this position amongst a broad spectrum of stakeholders. The following points further emphasize CWCCG's position and the associated benefits that this position holds for California.

CWCCG

CWCCG limits its reply comments specifically to the minority of opening comments that were in opposition to including any unbundled RECs in Category One.

CWCCG has read the reply comments of the County Sanitation Districts of Los Angeles County (Sanitation Districts), and is in agreement with these reply comments. In particular, CWCCG is in agreement with the key statements outlined by the Sanitation Districts in response to the arguments against inclusion of any unbundled RECs in Category One. The reasoning given for these statements is consistent with the language of SB 2 (1x) and the intent of the legislation, and recognizes the benefits that qualifying unbundled RECs provide to California and its electricity customers. These statements are as follows:

- The explicit reference to unbundled RECs in § 399.16(B)(3) does not mean that unbundled RECs are excluded from Category One
- Category One unbundled RECs are distinct and can be subject to a robust and straightforward verification process
- Category One unbundled RECs provide the benefits that are the purpose of SB 2 (1x)
- Inclusion of qualifying unbundled RECs in Category One would provide flexibility to comply with the RPS requirements and therefore contribute to lower compliance costs
- Section 399.16(b)(1) does not require energy delivery for products to qualify for Category One

In particular, CWCCG is not in agreement with the comments that claim Category One RECs are not distinct and do not provide California customers with the same value as bundled

transactions<sup>1</sup>. Comments submitted by The Utility Reform Network claimed that inclusion of any unbundled RECs in Category One “would eliminate any meaningful distinction between bundled and unbundled REC transactions and seriously complicate efforts to determine compliance”<sup>2</sup> and that, “The fact that the unbundled REC is tied to a generator directly connected to a CBA (California Balancing Authority)... does not change its value to the customers of a retail seller”<sup>3</sup>. However, biogas-powered renewable generation that is interconnected with a CBA at the transmission or distribution level and is consumed onsite at California wastewater treatment plants provides the same “unique benefits to California” described in Section 399.11(b) as bundled transactions. The “unique benefits” provided by these facilities include:

- Displacement of fossil fuel consumption within the state by utilization of biogas.
- Addition of electrical generating facilities in the Western Electricity Coordinating Council service area, specifically within California.
- Meeting the state’s climate change goals by reducing fossil fuel-related greenhouse gas emissions.
- Promoting stable retail rates for electric service. Some wastewater facilities export surplus electrical generation to utilities at contracted prices.
- Meeting the state’s need for a diversified and balanced energy generation portfolio. The firming power of biogas generation complements intermittent renewable resources like wind and solar.

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<sup>1</sup> See Comments of The Utility Reform Network (TURN) pages 5-6; Comments of Iberdrola Renewables pages 10-11; Comments of Sempra Generation page 6.

<sup>2</sup> See TURN comments page 5.

<sup>3</sup> See TURN comments pages 5-6.

- Assistance with meeting the state’s resource adequacy requirements.
- Contribution to the safe and reliable operation of the electrical grid by providing a reliable electric supply (biogas production is consistent) and congestion relief. Urban wastewater facilities are typically located near load centers where congestion may be an issue.

In addition, including qualifying unbundled RECs from biogas-powered renewable generation facilities at California wastewater treatment plants in Category One also fulfills the program objective provided in section 25740.5(c) of the Public Resources Code (section 5 of SB 2 (1x)):

*The program objective shall be to increase, in the near term, the quantity of California’s electricity generated by renewable electrical generation facilities located in this state, while protecting system reliability, fostering resources diversity, and obtaining the greatest environmental benefits for California residents.*

Category Three unbundled RECs are from facilities that do not have a first point of interconnection with a California balancing authority or with distribution facilities used to serve end users within a California balancing authority area. In contrast to unbundled RECs that qualify for Category One, Category Three unbundled RECs do not provide the “unique benefits to California” listed in Section 399.11(b) or fulfill the program object to increase renewable electrical generation facilities located in the state. Therefore, Category One unbundled RECs are in fact distinct from Category Three unbundled RECs, and this distinction is precisely why transactions for RECs from facilities that qualify for Category One status are grouped with other

transactions that provide comparable benefits to California, while transactions for RECs from facilities that do not qualify as Category One are classified as Category Three transactions.

Including qualifying unbundled RECs from biogas-powered renewable generation at California wastewater treatment plants in Category One also fulfills a second program objective listed in section 25740.5(d) of the Public Resources Code (section 5 of SB 2 (1x)):

*An additional objective of the program shall be to identify and support emerging renewable technologies in distributed generation applications that have the greatest near-term commercial promise and that merit targeted assistance.*

Support for this objective is also in line with Governor Brown’s Clean Energy Jobs Plan (Plan), which calls for the state to produce an additional 12,000 MW of renewable “localized electricity generation,” defined as onsite or small energy systems located close to where energy is consumed<sup>4</sup>. The Plan highlights the benefits of localized generation, stating that it “can be constructed quickly (without new transmission lines) and typically without any environmental impact.” As a whole, it is stated that the Plan “will produce a half a million new jobs in the next decade.”

Including qualifying unbundled RECs associated with renewable generation from California wastewater treatment plants that is consumed onsite in Category One will help encourage the growth of renewable localized generation, furthering the goals of Governor Brown’s Plan and creating California jobs. The potential contribution of California wastewater treatment plants to these goals is highlighted in the 2009 CEC Staff Paper, *Combined Heat and*

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<sup>4</sup> See [http://www.jerrybrown.org/sites/default/files/6-15%20Clean\\_Energy%20Plan.pdf](http://www.jerrybrown.org/sites/default/files/6-15%20Clean_Energy%20Plan.pdf)

*Power Potential at California's Wastewater Treatment Plants*<sup>5</sup>. This Staff Paper reported the following estimates for renewable biogas-powered generation at California wastewater treatment plants:

- 35 MW of existing biogas-fueled combined heat and power (CHP) renewable electricity generation capacity
- 90 MW of additional wastewater CHP capacity possible from biogas that is currently being flared or from treatment plants that do not currently have the technology in place to produce biogas
- 450 MW of additional capacity can be achieved through co-digestion of other high-strength organic wastes, such as food and dairy waste

To maximize the development of this in-state renewable energy resource, CWCCG strongly supports the inclusion of qualifying unbundled RECs associated with in-state renewable energy generation that is consumed onsite in Category One.

## **Conclusion**

Biogas-powered generation facilities at California wastewater treatment plants that use the power onsite comply with Section 399.16(b)(1)(A) and confer the benefits described in Section 399.11(b). Therefore, the sale of unbundled RECs associated with these facilities should be considered a Category One transaction. This is consistent with the intent of Senate Bill 2 (1x) and will provide direct benefits to the state. Inclusion of unbundled REC transactions originating from qualifying generation facilities in Category One will stimulate the development of

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<sup>5</sup> Kulkarni, Pramod. 2009. *Combined Heat and Power Potential at California's Wastewater Treatment Plants*. California Energy Commission. CEC-200-2009-014-SF.

additional biogas-powered generation at California wastewater treatment plants that will help California meet its RPS goals.

Respectfully submitted this 19th day of August, 2011 in Santa Ana, California.

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By \_\_\_\_\_



For the California Wastewater Climate  
Change Group



## VERIFICATION

I am a consultant representing the California Wastewater Climate Change Group and am authorized to make this verification on its behalf. I have read the foregoing “Reply Comments of the California Wastewater Climate Change Group on Implementation of New Portfolio Content Categories for the Renewable Portfolio Standard Program,” and am informed and believe that the matters stated therein are true. I declare under penalty of perjury that the foregoing is true and correct.

Executed this 19th day of August 2011, in Santa Ana, California.

A handwritten signature in cursive script, appearing to read "Zeynep Erdal".

By: Zeynep Erdal