BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program	))))	R.11-05-005

REPLY COMMENTS OF THE CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION ON THE PROPOSED DECISION IMPLEMENTING PORTFOLIO CONTENT CATEGORIES FOR THE RENEWABLES PORTFOLIO STANDARD PROGRAM

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Implement Commission Regulations Relating to the Safety of Electric Utility Substations	))))	R.11-05-005

REPLY COMMENTS OF THE CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION ON THE PROPOSED DECISION IMPLEMENTING PORTFOLIO CONTENT CATEGORIES FOR THE RENEWABLES PORTFOLIO STANDARD PROGRAM

In accordance with Rule 14.3 of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure, and *the Proposed Decision Implementing Portfolio Content Categories for the Renewables Portfolio Standard Program* ("PD"), dated October 7, 2011, the California Municipal Utilities Association ("CMUA") respectfully submits these reply comments on behalf of its members.

I. INTRODUCTION

CMUA strongly agrees with the PD's treatment of biomethane:

> If a generation facility that the CEC certifies as RPS-eligible is using a fuel that the CEC finds is RPS-eligible, and the facility is directly interconnected with the transmission or distribution system in a California balancing authority area, or has its electricity output scheduled into a California balancing authority without substitution of electricity from another source, or is dynamically transferred, the facility's output could be classified as meeting the criteria for section 399.16(b)(1).[1]

[1] PD at 36 (footnote omitted).

This position is broadly supported by a variety of interest groups. However, The Utility Reform Network ("TURN") and a collection of solar interest groups ("Joint Solar Parties")[2] each filed comments on the PD arguing that biomethane that is injected into the natural gas pipeline system outside of California and delivered into the state should be classified as a portfolio content category 3 resource.

II. RESPONSE TO COMMENTS ON THE PD

1. Comments Filed by TURN

TURN's arguments are largely based on policy. TURN argues that: (1) biomethane transactions have no impact on the operation of existing resources in California; (2) most biomethane cannot physically be delivered into a California Balancing Authority; (3) out-of-state biomethane does not reduce air pollution in California; and (4) biomethane does not provide resource adequacy benefits.[3] CMUA strongly rejects each of these assertions. However, even if true, these arguments do not alter the reasoning expressed in the PD: there is no statutory basis for altering the portfolio content category of a resource based on the location of the injection of the underlying fuel. TURN's comments make no arguments based on the language of SB 2 (1X) supporting an interpretation different than the current position proposed in the PD. The Commission should disregard the comments filed by TURN.

Beyond the legal flaws in TURN's comments, the policy arguments also lack merit. Biomethane provides a significant benefit to in-state natural gas resources because it will help keep generating units viable that otherwise may not continue to operate. Such resources will be essential to California's future reliability needs, particularly in the light of the coming increase in intermittent resources. The ramping capabilities of natural gas resources will be needed to

[2] The Solar Alliance, the California Solar Energy Industries Association, and the Vote Solar Initiative jointly filed comments on the PD.
[3] TURN Comments at 1-4.

integrate these intermittent renewables into the grid. Further, these resources are often close to load and provide local capacity benefits.

Additionally, TURN's comments exaggerate the risks associated with the use of biomethane. TURN argues that:

> If the Commission does not modify this element of the PD, there is a real danger that ESPs, CCAs and POUs are likely to rely heavily on pipeline biomethane from Texas, Pennsylvania and the Midwest to satisfy a significant portion of future RPS requirements. This loophole could cause a major reduction in the anticipated development of new renewable resource capacity in the coming years and undermine the Governor's ambitious goals for the construction of new renewable generation in California under the RPS program.[4]

While it is true that some smaller entities, such as POUs and ESPs, may rely on biomethane to meet a portion of their RPS requirements, the total available capacity from biomethane is very small. It is very unlikely that the use of a biomethane to meet a fraction of the overall statewide RPS goal will cause a "major reduction" in the development of new renewable resources.

2. Comments Filed by the Joint Solar Parties

The Joint Solar Parties similarly argue that in-state energy production associated with biomethane injected out-of-state cannot be classified as portfolio content category 1 because the biomethane is not physically delivered to California.[5] The Joint Solar Parties go on to argue that "the Commission must consider the source of the renewable fuel the same way it considers the source of renewable electricity credits in determining product category."[6] Such a distinction is not found in the SB 2 (1X) portfolio content category requirements. Section 399.16(b)(1) deals only with the location of the electric generating resource. The Commission cannot and should not impose additional restrictions on portfolio content category 1 resources that are not found in SB 2 (1X).

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[4] TURN Comments at 3-4.
[5] Joint Solar Parties Comments at 6.
[6] *Id.*

III. CONCLUSION

CMUA appreciates the opportunity to submit these reply comments.

Dated: November 1, 2011

Respectfully submitted,

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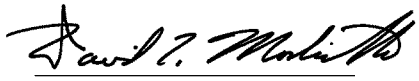
VERIFICATION

I am an officer of the California Municipal Utilities Association, 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 that the foregoing is true and correct.

Executed on November 1, 2011 at Sacramento, California.



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