



Agricultural Energy Consumers Association

April 24, 2013

Adam Schultz
Energy Division Staff
California Public Utilities Agency
San Francisco, California

RE: COMMENTS ON DRAFT CONSULTANT REPORT ON SMALL-SCALE BIOENERGY

Dear Mr. Schultz:

Agricultural Energy Consumers Association (AECA) appreciates the opportunity to review and comment on the Draft Consultant Report on small-scale bioenergy released April 9. AECA represents the interests of the state's farmers, agricultural processors and dairy producers, including California's leading agricultural trade associations and producer groups. We agree with many of the report's general findings, but offer the following comments and concerns on specific issues. AECA would also like to associate ourselves with the comments submitted by the Bioenergy Association of California (BAC), of which we are a member. AECA was a co-sponsor of SB 1122 and played a major role in its development and passage and, as a result, has a vested interest in its timely and effective implementation.

A. Modifications to ReMAT First and Foremost

First and foremost, AECA strongly agrees with the Draft Report's finding that modifications to the existing ReMAT program are necessary to ensure the timely and successful participation by bioenergy projects generally and agricultural and dairy projects specifically. The report's conclusion that the current ReMAT rules would lead to a 33 month delay for projects to begin operation is inconsistent with the Legislature's clear intention to accelerate small-scale bioenergy development. We concur with the report that lack of industry maturity and experience developing projects makes some of the eligibility screens difficult or impossible to pass. We also suggest changes to ReMAT to address utility caused delays, including interconnection delays.

The report highlights some of the most important issues and modifications needed for successful implementation of SB 1122:

- Need to adjust the starting price or accelerate the price adjustment schedule to lead to industry and sector appropriate power purchase prices (page 5.6);
- Shorten timeline for interconnection (pages 1.8 and 5.6);

- Adjust the minimum number of bidders to reflect infancy of industry at this stage (page 5.6);
- Recognize need for an “operational learning curve” and greater contract flexibility until sufficient experience is gained on these projects in California (page 1.7);
- Reconsider definition of “strategically located” to recognize that most small-scale agricultural bioenergy projects will be rural-based and will be co-located at sites where feed stocks and fuel sources are located. As a result, they are not moveable; and
- Need for feed stock definitions and limitations and ongoing feed stock verification (pages 1.1 and 1.8).

B. Definitions and Verifications

AECA concurs with BAC that the Draft Report and, more importantly, implementation utilize appropriate definitions of waste categories consistent with the language of SB 1122.

AECA also strongly concurs with the report findings that a minimum percentage of feed stocks be set for qualification and annual verification be established to ensure ongoing compliance. **For the dairy and agricultural bioenergy sector, AECA recommends 90% be established as the minimum requirement for agricultural residues and feed stocks.** This level of minimum requirement is consistent with the statute and industry practice. For example, on-farm dairy digesters will be utilizing only dairy manure from their own operations. On-farm digesters choosing to utilize other waste streams would be more appropriately categorized as co-digestion and compete in Category One. Equally important, the 90% minimum residue and feed stock requirement will ensure that true agricultural projects are price competitive allowing ratepayers and the state to receive the significant environmental air quality and GHG benefits associated with these projects.

Feed stock compliance should initially be certified by the project proponent, and then verified annually to ensure ongoing compliance.

C. Quantification of Ratepayer and Other Benefits

AECA concurs with the Draft Report that it would be very valuable to identify and quantify the full range of benefits, as well as costs of bioenergy. For agricultural projects these can include significant environmental co-benefits including air quality, GHG reductions, and water quality benefits. AECA will be happy to work with CPUC staff and consultants on this important effort.

D. Resource Potential and Allocation

As BAC points out in their comments, a more thorough and complete estimate of resources is necessary and should be a primary focus of the workshop. Resource allocation

by utility is another critical workshop discussion and will be more effective once more complete estimates of resource potential are achieved. As the Draft Report points out, resource potential by IOU varies greatly and an effective mechanism to distribute allocations will need to be developed. Finally, AECA strongly believes that any reallocation of megawatts from one category to another is best driven by program experience and should not be addressed at this time.

E. Dairy Digester Development

AECA is greatly concerned by the Draft Report's finding (section 5.4.1) that PG&E and SDG&E will not support dairy projects in their service territories. This issue can be addressed in a number of ways, including appropriate definitions and minimum allocations for each of the ag and dairy sectors as envisioned by the Legislature to develop the dairy biogas market because of its tremendous GHG reduction ability.

AECA again appreciates the opportunity to provide comments on the Draft Report and looks forward to a productive workshop and further conversations with Energy Division staff to address these and other issues regarding efficient and effective implementation of SB 1122.

Sincerely,

A handwritten signature in black ink that reads "Michael Boccadoro". The signature is written in a cursive, flowing style.

Michael Boccadoro
Executive Director