

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

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

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

**COMMENTS OF SUSTAINABLE CONSERVATION ON DRAFT CONSULTANT REPORT
ON SMALL-SCALE BIOENERGY**

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FOR Sustainable Conservation

April 24, 2013

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I. INTRODUCTION

In accordance with the April 9, 2013, guidance from the Energy Division of the California Public Utilities Commission (“Commission”), Sustainable Conservation submits these comments on the April 9, 2013 draft consultant report on small-scale bioenergy (“Report”). Sustainable Conservation has long advocated for policies that would promote greater deployment of biogas technology, particularly in agricultural and food processing applications.

Sustainable Conservation applauds the Commission for realizing the necessity of a thorough examination of whether current policies and programs will meet the objectives of Senate Bill 1122. During the proceedings that led to the adoption of the Renewable Market Adjusting Tariff (“ReMAT”), Sustainable Conservation on numerous occasions suggested that the Commission prepare exactly this type of report. The findings in the Report support the positions Sustainable Conservation has taken throughout this proceeding, especially:

- The universe of biogas generators who might participate in the ReMAT is extremely small, in fact so small that many of the tenets of the ReMAT may not be easily applied to this category of generators;
- The Commission may need to modify the ReMAT to facilitate participation in the program directed by SB 1122;
- Interconnection continues to be a challenge for biogas generators.

The comments below explore these elements of the draft Report. They also identify potential errors in the report’s underlying assumptions.

II. ReMAT MAY REQUIRE MODIFICATION FOR BIOGAS

The draft Report discusses potential modifications the Commission may need to consider to meet the requirements of SB 1122. These include larger price step changes or a faster ramp in pricing; decreasing the number of projects that must be in the queue; accepting international project development experience; a seller concentration limit; and price caps. Interestingly, the Report does not discuss whether the Commission might instead develop a simpler tariff, as many parties have suggested over the years. The adoption of ReMAT was a policy decision by the Commission. While ReMAT may be an appropriate tool for small solar projects, the Report lends support to the conclusion that it is overly complex for the emergent small scale biogas industry. The Commission should include in the Report a discussion of other contract vehicles that could meet the requirements of SB 1122. This should include a survey of the contract vehicles used in other states and countries where biogas is more widely deployed.

The Report recommends on p. 5-5 a price cap for biogas projects. This is contrary to SB 1122. The point of the program is to bring sufficient biogas resources to market that prices begin to decline, as they have in the solar industry over the many years that the State has subsidized solar generation technology. At the same time that the Report identifies a cost structure for biogas that comports with the costs that have been submitted in earlier phases of these deliberations by parties including Sustainable Conservation, the Report also notes without detail that there may be opportunities for biogas generators to sell other byproducts in other markets, thereby offsetting costs. The cost structure analysis in the draft Report is not complete.

III. INTERCONNECTION PROBLEMS MUST BE RESOLVED

The Report explores the challenges that biogas generators have faced in interconnecting to the grid. The Report does not adequately examine the fact that most biogas generators are

interconnecting at the distribution level, not the transmission level. The Report also should provide more data on the actual interconnection costs for the few biogas projects it cites, on pp. 4-7 through 4-9. This has long been a topic in the ongoing Rulemaking on interconnection, R.11-09-001. Sustainable Conservation continues to advocate in that proceeding for cost certainty for generators.

IV. CLARIFICATIONS FOR THE REPORT

The Report beginning on p. 4-2 provides analysis of the cost for dairy biogas and agricultural digesters. The Report states: “The basis for this cost estimate was a complete mix, stand-alone facility at large flushed freestall dairy consisting of roughly 5,500 head of cattle.” It then goes on to state “Few individual dairies in the state are larger than this size; while a larger project would likely have a lower LCOE, most dairies would be this size or smaller.” The California Department of Food and Agriculture’s 2012 Dairy Statistics Annual reports the average number of cows on dairies in California is 1,100. Even if there are cows on a dairy farm not currently being milked, it seems unlikely the actual number of cows would be as high as 5,500. The Levelized Cost of Energy (“LCOE”) spreadsheet circulated by the Energy Division on April 9 does not easily indicate where the 5,500 herd input is used in the LCOE calculation. Sustainable Conservation suggests the report should clarify the average herd size number used in the LCOE estimates for dairy cattle manure.

The Report also states that it would be relatively easy transport manure to a central location for biogas digestion. The Report does not provide any estimates of the costs or associated greenhouse gas emissions involved with this activity.

On p. 5-6, the Report identifies potential tariff modifications that the Report claims might stimulate the market for small biogas generation. The Report continues to work within the

confines of the ReMAT, which is simply not an appropriate tariff vehicle for biogas, as the findings of the report show. All of the options listed also describe potential negative consequences. The Report must consider the fundamental question of whether there is a different, more appropriate tariff vehicle for this class of generators.

V. CONCLUSION

The Report provides good data on the challenges that small biogas generators face in the current market. It does not go far enough to examine options to the ReMAT.

Respectfully submitted,



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April 22, 2013

Verification

I am the representative for the Sustainable Conservation. Sustainable Conservation is absent from the County of Alameda, California, where I have my office, and I make this verification for Sustainable Conservation for that reason. 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 April 24, 2013, at Oakland, California.



Jody London
FOR Sustainable Conservation