

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

Order Instituting Rulemaking to Address Natural Gas
Distribution Utility Cost and Revenue Issues Associated
with Greenhouse Gas Emissions

Rulemaking 14-03-003
(Filed March 13, 2014)

**PREHEARING CONFERENCE STATEMENT OF
WASTE MANAGEMENT**

WASTE MANAGEMENT
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Waste Management (WM) and its subsidiary Wheelabrator Technologies respectfully submit this prehearing conference statement with regard to the Order Instituting Rulemaking to Address Natural Gas Distribution Utility Cost and Revenue Issues Associated with Greenhouse Gas Emissions (Filed March 13, 2014 and issued March 19, 2014). WM is involved with 10 biomethane-to-pipeline facilities nationwide¹ that are designed to inject biomethane into the natural gas pipelines for ultimate use by natural gas consumers and therefore has interest in issues related to natural gas compliance with the California Global Warming Solutions Act of 2006 (AB 32) and pursuant adoption by the

¹ WM owns and operates the biomethane facility located at American Landfill in Waynesburg Ohio. We supply gas to third-party facilities at the Live Oak landfill in Atlanta Georgia, the Westside landfill in Three Rivers, Minnesota, the Stony Hollow landfill in Dayton, Ohio, the South Hills landfill in Library, Pennsylvania, the Laurel Highlands landfill in Johnstown Pennsylvania, the Shade landfill in Cairnbrook, Pennsylvania, the Southern Alleghenies landfill in Davidsville, Pennsylvania, the Monroeville landfill in Monroeville, Pennsylvania and the Valley landfill in Irwin, Pennsylvania.

California Air Resources Board of the Cap and Trade program that is a subject of this Order. We deliver landfill gas at nine of these landfills to third-party developers who sell processed gas to natural gas pipelines and we own and operate one landfill gas project where biomethane is delivered to a dedicated pipeline. WM has an interest in developing biomethane generation projects at all 10 of its gas-producing landfills that we operate in California. Development of these biomethane-to-pipeline projects in California will have the direct and beneficial effect of lowering greenhouse gas emissions that otherwise would be emitted into the atmosphere by natural gas usage. Substitution of biomethane for fossil natural gas as a source of electricity directly meets the goal of AB 32 and the Cap and Trade program.

We urge the Commission to consider using some portion of revenues derived by sale of allowances by the natural gas utilities for development of biomethane facilities. The Commission issued this week an Amended Scoping Order and Ruling in R.13-02-008 setting a schedule to determine and allocate responsibility for the cost of injecting biomethane into common carrier pipelines.² The Amended Scoping Order and Ruling is a continuation of the rulemaking that set stringent standards, monitoring and recordkeeping requirements for biomethane. The rulemaking will determine who pays for compliance, but not how those costs can be mitigated to ensure that biomethane is available for California's natural gas customers. Regardless of the party in R. 13-02-008 that is deemed ultimately responsible for the cost of compliance with these stringent standards, funding must be

² Amended Scoping Memo and Ruling Of Assigned Commissioner and Administrative Law Judge, Rulemaking 13-02-008, Order Instituting Rulemaking to Adopt Biomethane Standards and Requirements, Pipeline Open Access Rules, and Related Enforcement Provisions, Issued April 9, 2014.

available to ensure biomethane is competitive or facilities will not be built and the consumer will be denied the benefit of lower greenhouse gas emissions.

Natural gas distributors have a Cap and Trade compliance obligation beginning in 2015 for the CO₂ emissions attributable to natural gas delivered in their pipelines. Emissions of CO₂ only can be lowered by reducing the amount of natural gas delivered by the utilities or by substituting fossil natural gas with biomethane. If biomethane is unavailable and utilities do not reduce their natural gas deliveries as mandated by the Cap and Trade program, then the alternative for the gas utilities will be to purchase emission allowances. The cost of compliance will be borne by the utilities and their customers. The environmental damage resulting from the increased emissions will be borne by all.

There is a direct and immediate benefit to encouraging biomethane and lowering emissions of CO₂ that achieves the ultimate goal of AB 32 and the Cap and Trade program. For this reason, we ask that the Commission incorporate within the scope of this proceeding consideration for the use of some portion of allowance revenues in support of biomethane development and compliance. The continuation of R13-02-008 can determine the allocation of costs between parties to biomethane development, but it is not the forum to determine sources of funding for those expenditures. This proceeding is a proper forum, and we urge the Commission to provide for consideration of this issue.

Furthermore, we ask that the Commission be cognizant of facilities similar to Wheelabrator's Norwalk CHP facility that is party to a legacy power purchase agreement.

Proposed rule changes by CARB to the Cap and Trade program³ provide that the Norwalk facility, and others similarly situated, will receive cost recovery for compliance with the program. However, the proposed provisions as they relate to legacy contract holders should not alter the position that emissions attributed from combustion of natural gas at legacy contract facilities should be subtracted from natural gas supplier's obligations such that the facility is not billed nor is the supplier liable for compliance costs. Legacy contract facilities are regulated as covered facilities. The facilities should not be obligated to pay compliance costs associated with natural gas usage from the natural gas supplying utility. In turn, the utility should not be responsible for natural gas emissions attributed to legacy contract facilities as long as the facility is eligible for cost recovery pursuant CARB's regulations.

Finally, we urge support for the position advocated by the Independent Energy Producers Association (IEPA) with regard to allocation of costs between core and non-core gas customers as described in their submission and incorporated here by reference.

In summation, WM respectfully urges Assigned Commissioner and Administrative Law Judge to clarify in the Scoping Memo and Ruling for this proceeding that (1) consideration will be given to use of revenues for the development of biomethane; (2) legacy contract holders will not pay the cost of natural gas compliance with the Cap and Trade program: and, (3) noncore natural gas

³ California Air Resources Board (ARB) 15-Day Modifications to the originally proposed regulation text of title 17, California Code of Regulations, sections 95802, 95811, 95812, 95813, 95814, 95821, 95830, 95831, 95832, 95833, 95834, 95841.1, 95851, 95852, 95852.1.1, 95852.2, 95853, 95856, 95857, 95870, 95890, 95891, 95892, 95893, 95894, 95895, 95910, 95911, 95912, 95913, 95914, 95920, 95921, 95922, 92923, 95942, 95970, 95971, 95972, 95973, 95974, 95975, 95976, 95977, 95977.1, 95978, 95979, 95979.1, 95980, 95980.1, 95981, 95981.1, 95982, 95983, 95984, 95985, 95986, 95987, 95990, 96022, including Appendix A, Appendix B, and Appendix C. Released March 21, 2014.

customers who are electric generators will not be subject to any costs or treatment of greenhouse gas emissions eventually adopted by the Commission in this proceeding.

Respectfully submitted April 10, 2014 at Sacramento, California.

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By /s/ Charles White

Charles White

VERIFICATION

I am an employee of Waste Management and am authorized to make this verification on its behalf. I have read the foregoing Prehearing Conference Statement of Waste Management dated April 10, 2014. The statements in the foregoing documents are true of my own knowledge, except as to matters which are therein stated on information and 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 this 10th day of April, 2014, in Sacramento, California.

s Charles White

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