

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

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

U 39 E

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

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)
RESPONSE TO PLACER COUNTY AIR POLLUTION CONTROL DISTRICT'S
MOTION TO SUPPLEMENT THE RECORD**

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Dated: May 27, 2014

Pacific Gas and Electric Company

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Pursuant to California Public Utilities Commission (“Commission”) Rule 11.1(e), Pacific Gas and Electric Company (“PG&E”) respectfully submits this response to the Placer County Air Pollution Control District’s (“Placer”) *Motion to Supplement the Record To Summarize Previously Filed Cal Fire White Paper Within the Phase of this Proceeding Concerning the Implementation of SB 1122 (the Bioenergy FIT Program)* (“Motion”).

PG&E does not oppose Placer’s request to supplement the record with the revised California Department of Forestry and Fire Protection (“Cal Fire”) whitepaper attached to the Motion. As PG&E noted in earlier comments filed in this proceeding¹, it is imperative that the Commission provide Senate Bill (“SB”) 1122 participants with a clear delineation of what is deemed sustainable forest management feedstock to ensure full compliance.² PG&E is supportive of the efforts by Placer, the Sierra Nevada Conservancy, and Cal Fire (collectively “Stakeholders”)

¹ See PG&E’s Opening Comments on Administrative Law Judge’s Ruling Seeking Comments on Staff Proposal on Implementation of SB 1122, December 20, 2013, and PG&E’s Reply Comments on Administrative Law Judge’s Ruling Seeking Comments on Staff Proposal on Implementation of SB 1122, January 16, 2014.

² See PG&E’s Opening Comments on Administrative Law Judge’s Ruling Seeking Comments on Staff Proposal on Implementation of SB 1122, December 20, 2013, pp. 1-2.

to bring about a consensus definition of byproducts of sustainable forest management. However, the revised whitepaper raises several policy issues and questions that warrant a formal comment period by parties in this proceeding. By way of example, some of the issues that PG&E would raise regarding the whitepaper include:

- Eligible Byproduct Sources: The Stakeholders propose that Infrastructure Clearance Projects should be defined as “biomass feedstock derived from fuel reduction activities undertaken by or on behalf of a utility or local, state or federal agency for the purposes of protecting infrastructure including but not limited to: power lines, poles, towers, substations, switch yards, material storage areas, construction camps, roads, railways, etc.” PG&E believes this definition should include all utility Right-of-Way (“ROW”) fuel reduction activities done for the purpose of protecting infrastructure, and therefore be expanded to include water conveyance systems (canals, penstocks, flumes, tunnels etc.), gas lines and telecommunication lines. Additionally, PG&E recommends adding biomass feedstock originating from fuel reduction projects undertaken by Non-Governmental Organizations (NGO) such as Fire Safe Councils, Homeowners’ Associations and other community-based entities to the definition of Fire Safe Clearance Activities.
- Certification, Verification, and Monitoring: PG&E agrees with the recommendation that there should be a process for certification, verification, and monitoring of facility feedstock to be utilized (and paid for) by facility owners to verify that eligible forest biomass feed stocks are being utilized. The proposal suggests that a Registered Professional Forester would conduct the certification of the fuel, and that random audits will be conducted by a third party and paid for by the facility owner to verify facility compliance. PG&E appreciates the effort made by the Stakeholders in outlining a third-party verification and auditing process, as such a requirement is essential to achieving the Legislature’s objectives to develop bioenergy technologies and to harness specific bioenergy feedstocks. This also protects customer interests by ensuring that projects do not bid into the category with the highest price if they are not providing the customers with the benefits provided by that category. However, there are a number of needed clarifications to this proposal. Specifically, further clarity is needed around (1) who will be conducting the third party audits (PG&E assumes it will not be the Registered Forester who certifies the feedstock), (2) who will be certifying and training the third-party verifiers and auditors themselves, and (3) how frequently the verification will be conducted by said third-party. These issues should be clarified in a formal discussion within this proceeding.
- Compliance: The Stakeholders recommended that compliance with biomass feedstock supply mix criteria be determined based on a 5-year rolling average. PG&E does not object to such a proposal, but this proposal needs to be examined

further in a formal forum to allow all parties to provide input. PG&E would like to clarify that third-party verification will be held on an annual basis (with a document provided to both the Commission and the utility) but that compliance will be determined using the most recent five years of verification information about feedstock use at the facility. Furthermore, additional compliance requirements would be needed for years 1-5 (since a 5-year rolling average cannot be applied) to ensure project owners are not taking advantage of SB 1122 prices without incenting the use of the bioenergy feedstocks the Legislature had determined should be encouraged under the SB 1122 program. As such, the requirement that 80% of the feedstock must be from the SB 1122 category in which the project bid into should be applied on an annual basis until year five, when it will be modified into a rolling average to enable a reasonable level of time and flexibility for a facility to conform to the requirements of the statute.

The Stakeholders also recommend that the Commission develop a process that brings the biomass feedstock supply mix into conformance with the eligibility requirements, if it is determined that a given facility is out of compliance. PG&E believes that this would be redundant if a 5-year rolling average process is applied for compliance, since projects will now have enough flexibility to ensure compliance and should therefore not be granted additional leeway in meeting compliance with the SB 1122 statute.

- Power Purchase Agreement (“PPA”) Termination: PG&E believes that strong language around compliance would be needed both in the Commission’s decision implementing SB 1122 and in the PPA terms. Establishing a 5-year rolling average provides facilities will ample opportunities to ensure compliance with the feedstock category. As such, if it is determined that a facility is in violation of the feedstock requirements under the PPA agreement signed with a utility on a 5-year rolling average basis (*i.e.*, the average amount of SB 1122 feedstock from the appropriate category used by the facility is at least 80% of the eligible feedstock for that period), the PPA should have automatic termination provisions.
- Fuel Switching: The Stakeholders also recommend that the Commission develop a process for facilities to alter the eligible biomass feedstock mix. It is unclear if this recommendation is intended to allow Category 3 facilities to switch among the four different types of sustainable forest management feedstocks outlined in the white paper – which would be permissible under the statute – or to switch to a feedstock from a different SB 1122 category (for example, from forest waste, or Category 3, to agricultural waste, or Category 2). PG&E would have significant concerns with the latter proposal, as such a proposal could negatively impact prices and undermine compliance in the program, likely leading to market malfunction in the price adjustment mechanism. Moreover, such a recommendation would undermine the Legislature’s intent to ensure the promotion of all SB 1122 technology categories by requiring specific MW targets for each category, and would require input from all stakeholders.

If the Commission grants the Motion to supplement the record, other parties in this proceeding should be given an opportunity to comment on the revised whitepaper. This will ensure that the Commission has a robust record when it is considering the recommendations in the whitepaper.

Respectfully submitted,

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By: /s/ Charles R. Middlekauff
 CHARLES R. MIDDLEKAUFF

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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: May 27, 2014

VERIFICATION

I am an employee of PACIFIC GAS AND ELECTRIC COMPANY, a corporation, and am authorized to make this verification on its behalf. I have read the foregoing *PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E) RESPONSE TO PLACER COUNTY AIR POLLUTION CONTROL DISTRICT'S MOTION TO SUPPLEMENT THE RECORD* dated May 27, 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 27th of May, 2014 at San Francisco, California.

/s/ Karen Khamou

KAREN KHAMOU
Manager, Renewable Energy Policy and Planning
Pacific Gas and Electric Company