January 4, 2019

VIA ELECTRONIC [JAMES.MCGARRY@CPUC.CA.GOV] MAIL

James McGarry
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 9

Re: Informal Reply Comments Regarding Staff's *BioMAT Program Review and Staff Proposal*

Dear Mr. McGarry:

The Agricultural Energy Consumers Association (AECA) appreciates the opportunity to provide these reply comments regarding the Bioenergy Market Adjusting Tariff (BioMAT) Program Review and Staff Proposal (Staff Proposal).[1] AECA responds to the proposal of Southern California Edison Company, Pacific Gas and Electric Company and San Diego Gas & Electric Company (the Joint IOUs) to replace the BioMAT program with a Renewable Auction Mechanism (RAM) process. AECA opposes that proposal. As the Bioenergy Association of California (BAC) explains, "[t]he BioMAT system is not broken, it just needs repair."[2] Replacing BioMAT just as participation is beginning to increase will cause substantial disruption and uncertainty for potential participants and would conflict with program goals. Additionally,

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[1] AECA represents the collective interests of the state's leading agricultural associations, including California Citrus Mutual, Western Growers Association, California Grape and Tree Fruit League, Milk Producers Council, California Dairies, Inc., California Poultry Federation, Almond Hullers and Processors Association, California Grain and Feed Association, Agricultural Council, Western Agricultural Processors Association, and California Cotton Ginners and Growers Association. AECA also works on behalf of the combined interests of several county farm bureaus and more than forty agricultural water districts. AECA's membership is broad based, reflecting family farmers from Redding in the north to San Diego in the south, who grow crops ranging from alfalfa to walnuts. Through its members and membership associations, AECA represents in excess of 40,000 California agricultural producers. Many of our members are vertically integrated and as a result, AECA also represents the interests of numerous food and fiber processing operations located throughout California. Finally, AECA represents the interests of the state's leading dairy digester project developers.

[2] BAC Comments on BioMAT Program Review and Staff Proposal, p. 9.

such an approach would undermine the work the Dairy and Livestock Greenhouse Gas Working Group (authorized by SB 1383 and coordinated by the California Air Resources Board), to review and develop recommendations regarding the BioMAT program.[3] AECA's detailed response is set forth below.

- **The Commission Should Not Transition to a Renewable Auction Mechanism (Staff Proposal, Question 4)**

The IOUs recommend replacing the BioMAT Program with a RAM process. The two primary reasons cited in support of this recommendation are to reduce prices and improve administrative efficiency for the IOUs.[4] While AECA appreciates the importance of ensuring unnecessary costs are not passed on to ratepayers, AECA also reiterates that the BioMAT program was established in recognition of the various barriers bioenergy projects face, and the desire to achieve the benefits such projects offer, including GHG emission reduction benefits. In Decision (D.) 14-12-081, the Commission explained:

> During the legislative consideration of SB 1122, the author's rationale for the new bioenergy mandate was that bioenergy provides resource diversity and environmental benefits, but the FiT as implemented by the Commission at that time did not offer small bioenergy generation resources a fair chance to compete for contracts under the FiT.[5]

Further, in setting the initial starting price for the bioenergy FiT, the Commission acknowledged the difficulties associated with looking to the RAM process for guidance: "Unlike the situation for the general RPS FiT, however, there are no successful bioenergy bidders in RAM. Bioenergy bids have been submitted in RAM auctions, but not selected."[6]

The Joint IOUs fail to recognize these longstanding issues for potential bioenergy projects, or explain how their proposal to shift to the RAM process would avoid them. The Public Advocates Office (PAO) correctly states that "there is no evidence that a RAM format would bring about increased project contracting, result in more competitive prices, or streamline the bioenergy procurement process. If BioMAT participation is low because of barriers to project development, transitioning to a RAM format will not necessarily address these issues."[7] The Joint IOUs have not provided any evidence to counter this point.

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[3] AECA's Informal Comments Regarding Staff's BioMAT Program Review and Staff Proposal, pp. 5-6.
[4] Informal Comments of the Joint IOUs on the BioMAT Program Review and Staff Proposal, pp. 2-4.
[5] D.14-12-081, p. 6 (*citing* the Author's Statement included in Bill Analysis, Assembly Committee on Utilities and Commerce (June 22, 2012), "… Without differentiating small renewable biomass and biogas projects from other renewable distributed generation technologies, opportunities for methane pollution reduction and clean energy generation will not be realized. … ").
[6] D.14-12-081, p. 53.
[7] Informal Comments of the PAO Regarding BioMAT Program Review and Staff Proposal, p. 7. *See also* BAC Comments on BioMAT Program Review and Staff Proposal, p. 6: "[f]ocusing on price elasticity at this point is not at all helpful to advancing the fundamental program goal of accelerating market development (and competition, which requires more market participants)."

The Joint IOUs further fail to justify the reduced potential for methane emission reductions that would result through reduced development of bioenergy projects. As noted above, prior experience shows that bioenergy project bids were never selected in a RAM auction. This suggests that the Joint IOUs' proposal to switch to a RAM process will further impede participation, not stimulate it, contrary to the Staff Proposal goals which seek to "enable expanded program participation."[8] Adding roadblocks to participation means missed opportunities to reduce methane emissions.

All that a switch to a RAM process today would achieve is increased uncertainty and instability for potential bioenergy projects. While the Joint IOUs assert that a blind market auction will achieve "better market pricing,"[9] AECA is concerned that the opposite is true. It is possible that if bioenergy projects were required to compete with projects with substantially different characteristics, including fuel sources and project development costs and economics, bioenergy projects would simply decline to participate, or would submit bids that would never be accepted (consistent with prior experience). Further, it is not clear why the Joint IOUs believe the Least Cost Best Fit (LCBF) methodology is an appropriate fit for bioenergy projects. LCBF may work for solar PV projects, which can respond to location-based price signals, but it is not a good fit for bioenergy projects that typically are sited at or near their fuel source.

Finally, the Joint IOUs' desire to reduce their administrative burdens is not a reasonable basis for switching to ReMAT. In fact, this argument is a red herring – the Joint IOUs strongly imply that their primary goal is to eliminate another feed-in-tariff: "The primary difference in the RAM process would be participants offering in a price rather than being price takers based on a tariffed price adjusting mechanism."[10]

The BioMAT program is the result of legislation requiring procurement of specific quantities of bioenergy from specific categories of resources, in order to promote development of bioenergy projects. Bioenergy projects are more complicated than solar or wind projects, and more in-depth review of bioenergy applications by the IOUs may be necessary. Shifting to a RAM process under the guise of administrative efficiency has the very real potential to further impede development of bioenergy projects, thereby also reducing the GHG emission reductions those projects could provide. The Joint IOUs have not justified a switch to a RAM process based on administrative inefficiency.

- **The Commission Should Consider the Recent Recommendations from The Dairy and Livestock Greenhouse Gas Working Group**

As discussed in AECA's comments, the Dairy and Livestock Greenhouse Gas Working Group, Working Group Subgroup 2, has done work focused on Fostering Markets for Digester Projects and adopted several important recommendations regarding the BioMAT program. Subgroup 2 was convened specifically to review the status of, identify barriers to, and make recommendations towards advancing digester development to further reduce dairy manure

[8] Staff Proposal, p. 1.
[9] Informal Comments of the Joint IOUs on the BioMAT Program Review and Staff Proposal, p. 2.
[10] Informal Comments of the Joint IOUs on the BioMAT Program Review and Staff Proposal, p.3.

methane emissions. AECA provided Subgroup 2's three specific recommendations regarding the BioMAT feed-in-tariff in AECA's comments, and requested that they be taken into account in this proceeding. Switching to a RAM process has the potential to undermine the work and recommendations of Subgroup 2. Potentially, Subgroup 2 would have to start over with a review of a RAM process. AECA recommends that this result be avoided.

Conclusion

AECA respectfully requests that the Commission reject any proposal to replace BioMAT with a RAM process. Transition to RAM at this juncture will increase market confusion and instability and, therefore, not allow the CPUC's stated goals to be met.

AECA appreciates the Commission's consideration of these informal comments and looks forward to participating in additional proceedings relating to BioMAT Program improvements.

Sincerely,

Michael Boccadoro
Executive Director

cc: Service list for R.18-07-003