
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**
Senator Ben Hueso, Chair
2019 - 2020 Regular

Bill No: SB 457 **Hearing Date:** 4/2/2019
Author: Hueso
Version: 2/21/2019 As Introduced
Urgency: No **Fiscal:** Yes
Consultant: Nidia Bautista

SUBJECT: Biomethane: gas corporations

DIGEST: This bill extends the sunset date, by five additional years, of an existing incentive program for biomethane projects administered by the California Public Utilities Commission (CPUC).

ANALYSIS:

Existing law:

- 1) Establishes the CPUC has regulatory authority over public utilities, including gas corporations. (California Constitution, Article XII)
- 2) Authorizes the CPUC to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable. (Public Utilities Code §451)
- 3) Requires the CPUC to modify the monetary incentive program adopted in Decision 15-06-029 (June 11, 2015), in specified respects and to extend the program, as modified, until December 31, 2021. (Public Utilities Code §399.19)
- 4) Requires the CPUC to adopt policies and programs that promote the in-state production and distribution of biomethane. (Public Utilities Code §399.24)
- 5) Requires the CPUC to adopt pipeline access rules that ensure that each gas corporation provides nondiscriminatory open access to its gas pipeline system to any party for the purposes of physically interconnecting with the gas pipeline system and effecting the delivery of gas. (Public Utilities Code §784)
- 6) Requires the CPUC, in consultation with the California Air Resources Board (ARB), to consider adopting specific biomethane procurement targets or goals for each gas corporation, as specified. Requires the CPUC to take certain

actions in regards to the development and procurement of the targets or goals. (Health and Safety Code §25421)

- 7) Requires the California Energy Commission (CEC) to hold public hearings to identify in its Integrated Energy Policy Report impediments that limit procurement of biomethane in California, including, but not limited to, impediments to interconnection, and to offer solutions. (Public Resources Code §25326)
- 8) Requires the CPUC to adopt standards that specify the concentrations of constituents of concern that are found in biomethane, and to adopt monitoring, testing, reporting, and recordkeeping protocols, to ensure the protection of human health and the integrity and safety of pipelines and pipeline facilities. (Health & Safety Code §25421 et seq.)

This bill:

- 1) Extends the sunset date of an existing CPUC administered program for biomethane from 2021 to 2026.
- 2) Extends the date by when the existing statutory section for the incentive program for biomethane projects requires repeal from January 1, 2022 to January 1, 2027.

Background

What is biomethane? Biomethane is biogas that has been cleaned and processed to remove impurities. Biomethane is an energy source made available from materials derived from biological sources. These sources include biomass waste including forest and other wood waste, agriculture and food processing waste, organic urban waste, waste and emissions from wastewater treatment facilities, landfill gas and other organic wastes sources. This type of waste can be used for liquid fuels, as the breakdown of carbon-based material results in a gaseous mixture of carbon dioxide (CO₂) and methane. Although this process occurs naturally, resulting in significant greenhouse gas (GHG) emissions, the gas can be captured and utilized through anaerobic digesters that speed up the process. In addition, the natural decomposition of organic materials in municipal solid waste landfills provides an opportunity to capture landfill gas. This captured gas, or “biogas”, contains methane and CO₂, along with other gasses. Biogas can be processed further to remove CO₂ and other impurities and be converted to “pipeline” quality methane or “biomethane.” Although the combustion of biogas releases CO₂, it also destroys methane, which is a more potent GHG than CO₂

because of its global warming potential. Biomethane is considered carbon neutral because CO₂ that would be released into the atmosphere is utilized and thereby removed from the atmosphere. The usage of biomethane can also displace energy consumption from fossil fuels, thereby decreasing carbon intensity.

CPUC Biomethane Projects Incentive Program. The CPUC adopted a five-year monetary incentive program effective June 11, 2015 (Decision 15-06-029) to encourage biomethane producers to design, construct, and to successfully operate biomethane projects that interconnect with the gas utilities' pipeline systems. The program was codified by the Legislature in AB 2313 (Williams, Chapter 571, Statutes of 2016). AB 2313 also increased the incentive amount per project from \$1.5 million to up to \$3 million for a single production facility and \$5 million for a dairy cluster biomethane project, defined as three or more dairies in close proximity, to allow for the inclusion of gathering line costs as a qualifying interconnection expense. Under the program, eligible biomethane projects can receive up to 50 percent of the project's interconnection costs only after the projects are built and operating. The statewide funding for the monetary incentive program is capped at \$40 million total.

According to the CPUC there are three types of costs that one is likely to encounter in developing and operating a biomethane project in California. These costs consist of the following:

- a) The pre-injection costs incurred prior to the injection of biomethane into the utility pipeline;
- b) The interconnection costs incurred in order to interconnect the biomethane facility with the utility pipeline; and
- c) The post-injection ongoing costs of maintaining and operating the biomethane facility and the pipeline access.

Need for extension of the sunset date. The monetary incentive is available to eligible projects until December 31, 2021, or until the program has exhausted its \$40 million cap. According to the CPUC, there have been interconnection incentives awarded to two separate production facilities. The amount of incentive money remaining is \$34 million. There is no "project queue" for the interconnection incentive because the CPUC awards the monetary incentives as a reimbursement, only once a project has been interconnected to the pipeline system and gas flows for 30 out of 40 days (depending on the interconnection agreement). The CPUC is, however, aware that there are several planned and under-development biomethane production projects that intend to utilize the incentive but need more time to complete their project and demonstrate production before they

can be awarded the incentive. These projects are not likely to be completed and flowing gas until after the current December 31, 2021 sunset.

This bill will maintain the current cap on the Biomethane Incentive Program, and, therefore, only allows for the remaining \$34 million of the monetary funds. By extending the sunset date of the program by five years, the funding will ensure that projects currently in development and those looking to develop are afforded a few more years to complete, connect, and operate their interconnection projects.

Prior/Related Legislation

SB 1440 (Hueso, Chapter 739, Statutes of 2018) required the CPUC, in consultation with the ARB, to consider adopting specific biomethane procurement targets or goals for each gas corporation, as specified. The bill also requires the CPUC to take certain actions in regards to the development of the targets or goals and the procurement of the biomethane to meet those targets or goals.

AB 2313 (Williams, Chapter 571, Statutes of 2016) increased the monetary incentive amounts available to biomethane projects and directs the CPUC to consider whether to allow the costs of utility infrastructure for biomethane interconnection with the natural gas pipeline network recovery to be recovered in utility rates.

AB 1900 (Gatto, Chapter 602, Statutes of 2012) required the CPUC to adopt new health and safety standards for landfill gas, to hold public hearings to identify impediments to in-state biomethane use, and develop policies and programs to increase the in-state use of biomethane.

AB 2196 (Chesbro, Chapter 605, Statutes of 2012) clarified the definition of an eligible renewable electrical generation facility to include a facility that generates electricity utilizing biomethane delivered through a common carrier pipeline if the source and delivery of the fuel can be verified by the CEC.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

Coalition For Renewable Natural Gas
Southern California Gas Company

OPPOSITION:

California Environmental Justice Alliance
Center For Community Action & Environmental Justice
Center For Food Safety
Food & Water Watch
Leadership Counsel For Justice And Accountability
People Demanding Action
Progressive Democrats Of America
Progressive Democrats Of America, California
Sierra Club California

ARGUMENTS IN SUPPORT: According to the author:

“This bill is a modest extension of the sunset date for an existing biomethane incentive program administered by the CPUC. This bill does not increase the available funding beyond what was originally established, \$40 million. Instead, this bill attempts to better align the availability of the incentive program with newly established policy in SB 1440 (Hueso, 2018).”

ARGUMENTS IN OPPOSITION: Those opposed to this bill express concerns about the promotion of “renewable natural gas” stating that “digesters and the biogas they produce create more obstacles toward achieving a cleaner energy future than they resolve.” The opponents raise concerns about the impacts of factory farms in California and concerns that this bill will help “incentivize expansion of large dairy operations, and the pollution and other adverse impacts that accompany them.” The organizations raise concerns about the local impacts of these operations in communities in the San Joaquin Valley, in particular. The opposition also raise concerns about the state’s cumulative efforts to invest in dairy digesters and their desire to have the state (taxpayers and ratepayers) to instead incentivize farming practices that promote environmental and human health.

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