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California State Senate

SENATOR
TED W. LIEU

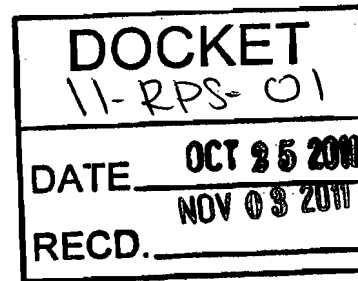
TWENTY-EIGHTH SENATE DISTRICT

11-RPS-01
CHAIR
LABOR AND INDUSTRIAL
RELATIONS

MEMBER
APPROPRIATIONS
ELECTIONS AND
CONSTITUTIONAL AMENDMENTS
INSURANCE
VETERANS AFFAIRS



October 25, 2011



Chairman Robert B. Weisenmiller, Ph.D.
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

RE: Commission Treatment of Biomethane under the Renewable Portfolio Standard

Dear Chairman Weisenmiller:

I have been informed the California Energy Commission (CEC) is considering altering the Renewable Portfolio Standard (RPS) and the treatment of biomethane gas, also known as renewable natural gas (RNG). I am concerned about any such proposed actions for the reasons set forth below.

At issue is California's ability to produce, import and transport landfill biogas throughout the state. There have been Legislative and regulatory attempts to change the rules to facilitate in-state production of biomethane from landfills. It is my understanding that current California utility tariffs prohibit the acceptance of RNG generated from California landfills into the California pipeline system – a move that essentially prohibits the most economical and mature process to generate in state RNG – forcing the state to seek out of state biomethane generation. As a result, California-based companies have invested heavily in out-of-state infrastructure and RNG transportation, investing tens of millions of dollars in out-of-state biogas projects. These investments have provided a reliable source of RNG that will allow California to meet the ambitious goals of AB 32 and the RPS goals of the California.

I have been told the CEC is considering eliminating out-of-state RNG procurement and interstate distribution under its rulemaking authority. The issue before the CEC to change incentives for out-of-state biogas will significantly challenge the viability of numerous biomethane projects that currently support California's RPS and Low Carbon Fuel Standard. This action would jeopardize California's ability to meet the RPS and Low Carbon Fuel Standard and would reduce much needed job opportunities in this sector. Such an action would also put at risk research and development opportunities for the State of California – as we try to lead the nation in the Green Technology economy.

Proposed changes in the RPS program rules that occur without legislative action and based on special interest advocacy will create massive uncertainty in the marketplace. California is depending on the marketplace to build and finance the new, renewable resources required to meet the RPS. Such market uncertainty and the elimination of out-of-state renewable natural gas from the RPS equation will cause a substantial loss in the Green Technology sector. California based companies will be forced to curtail their California renewable fuel operations and will be unable to access capital to invest in RNG projects in California. Furthermore, rate increases from the RPS will be significantly higher and the energy grid will be made less reliable as the only renewable resources in the state will be wind and solar, all of which will require massive investments in new transmission lines.

Because of these issues, I strongly support continued importation of biomethane from out-of-state sources, while incentivizing in state production to further private sector investment in California's renewable energy future. It does not make any sense to eliminate out-of-state biogas when we have no in-state biogas generation. Until we get in-state biogas, it would appear unwise to eliminate out-of-state biogas, which is a vital source for California to meet our ambitious RPS goals.

I appreciate your prompt consideration of my concerns. Please feel free to contact me directly at (916) 651-2028. Thank you very much.

Sincerely,

A handwritten signature in cursive script that reads "Ted W. Lieu".

TED W. LIEU
Senator, 28th District

Cc:

Commissioners, California Energy Commission
Executive Director, California Energy Commission
The Honorable Darrell Steinberg, Senate President pro Tempore