

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

Order Instituting Rulemaking to Implement
Dairy Biomethane Pilot Projects to
Demonstrate Interconnection to the Common
Carrier Pipeline System In Compliance with
Senate Bill 1383.

R.17-06-015
(Filed June 15, 2017)

**PACIFIC GAS AND ELECTRIC COMPANY'S REPLY COMMENTS ON
THE SENATE BILL 1383 DAIRY PILOT PROJECT DRAFT
SOLICITATION**

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I. INTRODUCTION

Pursuant to Administrative Law Judge Michelle Cooke’s email ruling dated February 12, 2018, Pacific Gas and Electric Company (PG&E) submits its reply comments on the Senate Bill (SB) 1383 dairy pilot joint utility draft solicitation served on all parties on the R.17-06-015 service list.

II. RATEPAYER RESPONSIBILITY FOR INCLUSION OF FUTURE DAIRIES AFTER THE CONCLUSION OF THE SB 1383 BIDDING PROCESS

In its opening comments, California Bioenergy LLC (“CalBio”) seeks clarity on the “phased approach” of scoring dairy clusters. The “Joint Utility Draft Solicitation for SB 1383 Dairy Pilot Projects” (Joint Solicitation) in Chapter 1, Section 3.3 provides for the submittal of bids in either a “phased-approached or the full cluster plan”.^{1/} PG&E recommends that parties should be required to submit solicitation bids that reflect a single infrastructure requirement

^{1/} “A group of dairy operations can submit one Application to develop centralized dairy digesters, known as a “cluster” or “hub and spoke” project and describe the phased-approached or the full cluster plan (e.g., construction, operation timeline, number of dairies in total cluster and amount of biomethane that will be generated in each phase of the cluster construction). The phased approachedcluster project must include a signed lease and feedstock agreement, not just a letter of interest or future addition...” (Joint Solicitation, Chapter 1, Section 3.3)

describing the forecasted full-phase build-out of a project. In fairness to all solicitation bidders and ratepayers, the *potential* addition of dairies should be assessed as the need arises, and the developer should be responsible for additional infrastructure costs, if any, that might arise after the solicitation bidding process concludes.

III. WITHHOLDING OF INFRASTRUCTURE COST REIMBURSEMENT

CalBio offers that a certain percentage of collection line infrastructure cost reimbursement should be subject to progress payments reflecting the percentage of work completed. PG&E recognizes that numerous factors, many of which are outside the control of project owners, may contribute to schedule delays and supports CalBio's proposal in concept. PG&E defers to the Selection Committee to provide a reimbursement schedule for collection line infrastructure costs.

IV. MINIMIZING LONG-TERM RISK AND IMPACT ON PROJECT EVALUATION

CalBio correctly describes the higher flow potential and operating pressures of transmission pipelines as compared to distribution lines, and offers (as one solution) that project scoring during the solicitation bid assessment process be amended to account for the higher compression cost of the transmission lines. CalBio provides two potential methods to offset the differences: (i) a project should not be "penalized" for a higher cost of compression; and (ii) that a project owner pay the utilities for the difference in compression costs between a distribution line and a transmission line. PG&E is not supportive of these options offered by CalBio to affect the solicitation bid scoring regimen. The bid scoring methodology is specifically designed to account for scenarios such as injection into distribution versus transmission lines, and the potential distances between projects and utility pipeline injection points. The analysis of solicitation bids will encapsulate all identified factors, and the projects will be scored based on their overall viability and cost.

CalBio addresses the potential of project risk caused by post-implementation changes in customer demand and pipeline conditions by offering that if future pipeline operating conditions

change such that biomethane cannot be delivered as originally contemplated, utility ratepayers should pay to relocate the project to the nearest transmission line. PG&E is not supportive of utility ratepayers bearing the cost of relocating projects in the event that future demand decreases on a pipeline.

V. CONFIDENTIALITY OF REPORT INFORMATION

The Leadership Counsel For Justice and Accountability (Leadership Counsel) states that solicitation applications should be made immediately public by the state agencies to allow for review of community impacts and mitigation methods, documentation of community engagement and other records (p.3). PG&E disagrees with this proposal.

First, the state agencies (Commission, California Air Resources Board and California Department of Food and Agriculture) will have access to all solicitation application information and are fully capable of assessing the concerns raised by the Leadership Counsel. Second, the applications may include confidential market-sensitive and trade secret information that needs to be maintained as confidential in order to protect the proprietary interests of market participants and to protect the solicitation process from market manipulation to the detriment of market participants and consumers. As such, and as stated in the draft solicitation, PG&E recommends that confidential information be excluded from public disclosure by the state agencies and that if confidential information is necessary to disclose, a non-disclosure agreement (NDA) be required to protect confidential information furnished by the Applicants and utilities from disclosure to market participants.

VI. CONCLUSION

PG&E appreciates the opportunity to provide these reply comments offering further input into the final solicitation document to be approved by the Selection Committee in this proceeding.

