

STATE OF CALIFORNIA

Public Utilities Commission  
San Francisco

**M e m o r a n d u m**

**Date:** July 31, 2012

**To:** The Commission  
(Meeting of August 2, 2012)

**From:** Lynn Sadler, Director  
Office of Governmental Affairs (OGA) — Sacramento

**Subject:** **SB 1122 (Rubio) – Renewable Biomass and Biogas Projects.**  
**As amended: June 28, 2012**

**LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: OPPOSE UNLESS AMENDED**

**SUMMARY OF BILL:**

This bill requires the California Public Utilities Commission (CPUC) to direct electrical corporations to collectively procure at least 250 MW of capacity from biomass and biogas projects by June 1, 2013. The bill also requires the PUC to encourage gas and electric utilities to develop and offer programs and services that facilitate the development of biogas by June 1, 2013.

**SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:**

There are currently several procurement programs (annual RPS solicitations, Feed-in-Tariff (FiT), Renewable Auction Mechanism, and Qualifying Facilities) that allow for electricity procurement from small biomass and bioenergy facilities. Through these existing programs the three large IOUs have 48 CPUC-approved biomass and biogas contracts for electricity from facilities less than or equal to 3 MW in their RPS portfolios, representing a total of 60 MW. However, some biomass technologies and some fuel sources for biomass facilities have not been able to participate in the programs.

The CPUC has recently approved CPUC Decision (D.) 12-05-035 which adopted revisions to the FiT program. The revisions include: expanding the size of the program, increasing the maximum eligible project size, creating separate procurement opportunities for different product types based on generation profile, and creation of a market adjusting pricing mechanism. The three product types adopted by D.12-05-035 are: peaking as-available, non-peaking as-available, and baseload. The division of the FiT program into three product types will provide market access to a diverse range of

technologies, including biomass and biogas. For example, the baseload category could be used by distributed biomass and biogas generation projects, whereas solar photovoltaic projects would be eligible in the peaking as-available category and wind projects in the non-peaking as-available category.

Thus, instead of modifying the FiT program, the biomass and biogas developers targeted by this bill could be encouraged to take advantage of the recently revised FiT program.

The revised FiT program is designed to utilize a market-based mechanism to procure cost-effective renewable projects while minimizing transaction costs and administrative complexities. D.12-05-035 adopts the Renewable Market Adjusting Tariff (Re-MAT) to allow market response to determine the offered FiT price. The Re-MAT will operate independently for each of the three product types defined above. If there is no subscription, or only minimal subscription, of the FiT allocation for a particular product type in a given month, the Re-MAT mechanism will increase the price the following month. In the reverse, if there is significant subscription of the FiT allocation for a particular product type in a given month, then the price will decrease the following month. Therefore, the revised feed-in-tariff program already creates a carve-out for baseload products. Additionally, the Re-MAT will adjust the offered FiT price for baseload projects compared only against market participation in the FiT program by other baseload projects.

Creating a separate category for bioenergy projects could undermine the efficacy of the Re-MAT mechanism itself. The Re-MAT mechanism can only operate effectively when there is sufficient capacity available at regular intervals to allow market competition to drive the price adjustments. This bill's overly prescriptive directive of multiple sub-categories by bioenergy technology would result in such little capacity available on a monthly basis and correspondingly such low levels of market competition, that the Re-MAT mechanism would be rendered incapable of responding to market demand.

Alternatively, the goal of this bill is to specifically promote specific biomass technologies or fuel sources that may not be able to compete with other technologies in the baseload category of the FiT. For example, dairy digesters face higher compliance costs with their local air districts vs. biomass facilities located in the northern part of the state and that higher cost could result in them being crowded out of the baseload category. Over time, a number of proposals have been made that create procurement programs for some of the technologies promoted in this bill. The other proposals have either run counter to FERC requirements that procurement programs be set at the utility's avoided costs or have costs that are too low to promote the technology. If there is a desire to promote the technologies advanced in this bill, the creation of specific categories in the current FiT program appears to be the most cost effective approach.

#### **SUMMARY OF SUGGESTED AMENDMENTS:**

This bill could be substantially simplified so as to not undermine the recently revised Feed-in-Tariff program while at the same time minimize implementation and administrative complexity and achieve the bill's goal of an additional market space for bioenergy developers.

The bill should be amended to add a definition for "startup developers." The phrase is used in proposed Section 399.20(f)(2) and Section 399.20(f)(2)(B).

This bill should be amended to simplify proposed Section 399.20(f)(2). Implementation of the bill and administration of the revised program would be simpler if a 250 MW bioenergy category were added incrementally on top of the already implemented 750 MW Feed-in-Tariff program.

The bill should be amended to remove the division of the 250 MW by bioenergy technology types as proposed in Section 399.20(f)(2)(B). The added complexity is not consistent with the overall goal of the Feed-in-Tariff program to be a procurement program with reduced transaction and administrative complexities. Additionally, it will undermine the recently revised Feed-in-Tariff program because the division of the 250 MW reduces the market size such that cost-effectiveness of the Renewable Market Adjusting Tariff (Re-MAT) within the Feed-in-Tariff program will not be achieved. Additionally, the competitive solicitation process directed in proposed Section 399.20(f)(2)(B) is not consistent with the current Feed-in-Tariff program in which contracts are executed on a "first-come, first-served" basis. The addition of a single new product type exclusively for biomass and biogas projects (without sub-categories) should accomplish the overall goal of this bill – to provide a dedicated market opportunity for these technologies, while at the same time maintaining compatibility with the revised Feed-in-Tariff program. If it is desired, a less favorable option would be to split the additional 250 MW category between biomass and biogas, but the Re-MAT will be less efficient possibly increasing costs to ratepayers.

The bill should be amended to either remove proposed Section 399.20(f)(2)(D) or combine Section 399.20(f)(2)(D) with proposed Section 399.20(f)(2)(B) because it is not consistent with the Feed-in-Tariff program. Under the Feed-in-Tariff program (and RPS program), the utilities select the offers, not the CPUC; thus the CPUC should not be directed to select least-cost, best resources for the electrical corporations.

The bill should be amended to remove the proposed Section 399.20(f)(2)(E). The Commission does not administer any incentive or subsidy programs for biogas and biomass thus it cannot coordinate incentive or subsidy programs with the electrical corporations solicitation of projects.<sup>1</sup>

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<sup>1</sup> While the CPUC has established the collection, purpose, and governance for the Electric Program Investment Charge (EPIC) Decision 12-05-037 directs the California Energy Commission and California's three large IOUs (Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company) to administer the funds, of which, 20 percent are to be used to fund the technology demonstration and deployment of bioenergy projects.

The bill should be amended to remove proposed Section 399.20(f)(2)(F). The addition of valuing greenhouse gas reductions is not consistent with CPUC's RPS and greenhouse gas programs. While RPS-eligible generation reduces an electrical corporation's emissions, if it is a substitute for conventional generation, the reduction of greenhouse gases is a separate product than the renewable energy credit created in the generation of electricity from an RPS-eligible source. For instance, the greenhouse gas reduction created by the capture of methane from a dairy is a separate product than any RECs generated from the burning of that methane for electricity. That is, the dairy could sell the electricity generated from the captured methane and separately sell the greenhouse gas reduction credit under the California Air Resources Board Cap and Trade program. Thus, since the utility's ratepayers do not receive greenhouse gas methane reduction value, it should not be considered in the selection of the resource.

The bill should be amended to remove proposed Section 399.20(f)(2)(G). The proposed bill does not allocate any benefits (e.g. resource adequacy) to electric service providers or community chose aggregator customers, therefore costs related to this bill should not be allocated through nonbypassable charges.

The bill should be amended to remove proposed Section 399.24 which directs the CPUC to encourage the gas and electrical corporations to develop and offer programs that facilitate the development of biogas. The language should be removed because it is similar to language proposed in AB 1900 (Gatto, Chesbro, Hernandez) which focuses on biomethane. Thus, the more appropriate proposed bill for the language is AB 1900.

#### **DIVISION ANALYSIS (Energy Division):**

- 1) SB 1122 would require a new proceeding and stakeholder process to develop and implement the modifications to the Feed-in-Tariff program.
- 2) The small product categories could undermine efficiency and effectiveness of the Feed-in-Tariff program.
- 3) Energy Division staff will need to implement the additional 250 MW biomass and biogas category within our existing FiT.
- 4) The CPUC staff will need to monitor procurement and review and approve the biomass and biogas contracts on an ongoing basis for the duration of the program.

#### **PROGRAM BACKGROUND:**

- 1) The California RPS program was established by Senate Bill (SB) 1078 (Sher, 2002), and has been subsequently modified by SB 107 (Simitian, 2006), SB 1036 (Perata, 2007), and SB 2 (1X) (Simitian, 2011). The RPS program is codified in Public Utilities Code Sections 399.11-399.31. Pursuant to SB 2 (1X), the CPUC requires each retail seller of electricity to procure eligible renewable energy resources so that the amount of electricity generated from eligible renewable resources be an amount that equals 33 percent of the total electricity sold to retail customers in California per year by December 31, 2020.

- 2) Historically, the RPS program has not focused on a particular renewable technology because the RPS procurement process accounts for the value of various technologies through the least-cost, best-fit evaluation process. This process quantifies the costs and benefits of various renewable energy technologies without according any given technology special status.
- 3) Within the RPS Program, Section 399.20 was added to the Public Utilities Code by Assembly Bill (AB) 1969, effective January 1, 2007, to create the Feed-in-Tariff program. The AB 1969 FiT program was limited to projects no greater than 1.5 MW in size. The new SB 32 FiT program increases this maximum project size to 3 MW and is currently being implemented by the CPUC. (Until the new program is effective, the existing program is still in effect.)
- 4) Since 2007, the Legislature has adopted several amendments to Section 399.20, including SB 380, SB 32, and SB 2 (1X), and the Commission has adopted D.07-07-027 implementing the Commission's Section 399.20 FiT program as set forth in AB 1969. On May 24, 2012, the CPUC adopted D.12-05-035 which addresses the amendments to Section 399.20 enacted by SB 380 (Kehoe, 2008), SB 32 (Negrete McLeod, 2009), and SB 2 1X (Simitian, 2011). Primarily, the recently approved decision addresses the pricing mechanism for the FiT program. More general terms and conditions for the FiT program will be addressed in another forthcoming Commission Decision.

#### **LEGISLATIVE HISTORY:**

- 1) AB 1969 (Yee, Ch. 731, Stats. 2006) led to the implementation of Section 399.20.
- 2) SB 380 (Kehoe, Ch. 544, Stats. 2008), SB 32 (Negrete McLeod, Ch. 328, Status. 2009), and SB 2 (1X) (Simitian, Ch. 1, Stats. 2011) have amended Section 399.20.

#### **FISCAL IMPACT:**

- 1) Total Cost per year: \$308,643
- 2) Positions required:
  - 1 Public Utilities Regulatory Analyst V
  - 1 Administrative Law Judge II
  - 0.5 Public Utilities Counsel III
- 3) Implementing this bill will require a new proceeding. A new proceeding would require an additional full-time ALJ II and half of a legal position.
- 4) The Energy Division staff would be required to administer and monitor the program as directed through the new proceeding, as well as review and approve the biomass

and biogas contracts on an ongoing basis for the duration of the program. This would require an additional full-time PURA V.

- 5) Given the recent passage of SB 2 (1X) and the aggressive implementation requirements associated with the statute and the ongoing IOU procurement review and approval process, current RPS staff are fully utilized

**STATUS:**

SB 1122 is pending hearing in the Assembly Appropriations Committee.

**SUPPORT/OPPOSITION:**

Support:     Agricultural Energy Consumers Association  
              Alliance of Western Milk Producers  
              California Association of Sanitation Agencies  
              Caterpillar, Inc.  
              Clean Power Campaign  
              Eastern Municipal Water District  
              Milk Producers Council  
              Solar Turbines Incorporated  
              South San Joaquin Irrigation District

Opposition: None on file.

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**BILL LANGUAGE:**

BILL NUMBER: SB 1122 AMENDED  
BILL TEXT

AMENDED IN ASSEMBLY JUNE 28, 2012  
AMENDED IN ASSEMBLY JUNE 18, 2012  
AMENDED IN SENATE MAY 29, 2012  
AMENDED IN SENATE APRIL 16, 2012

INTRODUCED BY Senator Rubio

FEBRUARY 17, 2012

An act to amend Section 399.20 of, and to add ~~Chapter 7.6 (commencing with Section 2833) to Part 2 of Division 1 of~~ Section 399.24 to, the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1122, as amended, Rubio. Energy: renewable biomass and biogas projects.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities. ~~Existing law, adopted prior to the enactment of the California Renewables Portfolio Standard Program, provides that until the commission completes an electric generation procurement methodology that values the environmental and diversity costs and benefits associated with various generation technologies, the commission shall direct that a specific portion of future electrical generating capacity needed for California be reserved or set aside for renewable resources.~~

*Existing law requires every electrical corporation to file with the commission a standard tariff for electricity generated by an electric generation facility, as defined, that qualifies for the tariff, is owned and operated by a retail customer of the electrical corporation, and is located within the service territory of, and developed to sell electricity to, the electrical corporation. Existing law requires an electrical corporation to make the tariff available to the owner or operator of an electric generation facility within the service territory of the electrical corporation, as specified, until the electrical corporation meets its proportionate share of a statewide cap of 750 megawatts, as specified.*

This bill would ~~make certain legislative findings and declarations regarding new and emerging small and community scale distributed renewable generation technologies. The bill would~~ require the commission, by June 1, 2013, to direct electrical corporations, as defined, to collectively procure at least 250 megawatts of electrical generating capacity from ~~small and community scale~~ startup developers of biomass and biogas projects, as defined. *The bill would authorize the commission to increase the 750 megawatt statewide cap*

*in order to allocate 250 megawatts to startup developers of biomass and biogas projects fueled by specified sources of bioenergy.* The bill would, among other things, require the commission, in implementing ~~that~~ *the 250 megawatt* procurement requirement, to direct each electrical corporation to develop standard contract terms and conditions, as specified, and to provide a streamlined contracting process for ~~the above~~ *that* procurement requirement. The bill would also require the commission, at least once a year, to solicit electricity from ~~small and community scale~~ *startup developers of biomass or biogas projects* through a competitive solicitation process for specified project application categories. ~~The bill would authorize the commission to monitor that solicitation process, and if the commission determines the prices of a bid are not reasonable, suspend the bidding within that project application category.~~  
~~Existing law authorizes the furnishing of utility services by publicly owned public utilities, which are subject to the control of their governing bodies.~~  
~~This bill would specify that before June 1, 2013, each local publicly owned utility that sells electricity at retail to 75,000 or more customers is strongly encouraged to consider and adopt, if appropriate, a procurement target for small and community scale biomass and biogas projects.~~

*The bill would also require the commission to encourage gas and electrical corporations to develop and offer, by December 31, 2013, programs and services to facilitate the development of in-state biogas and to facilitate the conditioning and upgrading of biogas in order to enable biogas to be used for a broad range of purposes, as specified.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

*SECTION 1. Section 399.20 of the Public Utilities Code is amended to read:*

399.20. (a) It is the policy of this state and the intent of the Legislature to encourage electrical generation from eligible renewable energy resources.

(b) As used in this section, "electric generation facility" means an electric generation facility located within the service territory of, and developed to sell electricity to, an electrical corporation that meets all of the following criteria:

- (1) Has an effective capacity of not more than three megawatts.
- (2) Is interconnected and operates in parallel with the electrical transmission and distribution grid.
- (3) Is strategically located and interconnected to the electrical transmission and distribution grid in a manner that optimizes the deliverability of electricity generated at the facility to load centers.
- (4) Is an eligible renewable energy resource.

(c) Every electrical corporation shall file with the commission a standard tariff for electricity purchased from an electric generation facility. The commission may modify or adjust the requirements of this section for any electrical corporation with less than 100,000

service connections, as individual circumstances merit.

(d) (1) The tariff shall provide for payment for every kilowatthour of electricity purchased from an electric generation facility for a period of 10, 15, or 20 years, as authorized by the commission. The payment shall be the market price determined by the commission pursuant to paragraph (2) and shall include all current and anticipated environmental compliance costs, including, but not limited to, mitigation of emissions of greenhouse gases and air pollution offsets associated with the operation of new generating facilities in the local air pollution control or air quality management district where the electric generation facility is located.

(2) The commission shall establish a methodology to determine the market price of electricity for terms corresponding to the length of contracts with an electric generation facility, in consideration of the following:

(A) The long-term market price of electricity for fixed price contracts, determined pursuant to an electrical corporation's general procurement activities as authorized by the commission.

(B) The long-term ownership, operating, and fixed-price fuel costs associated with fixed-price electricity from new generating facilities.

(C) The value of different electricity products including baseload, peaking, and as-available electricity.

(3) The commission may adjust the payment rate to reflect the value of every kilowatthour of electricity generated on a time-of-delivery basis.

(4) The commission shall ensure, with respect to rates and charges, that ratepayers that do not receive service pursuant to the tariff are indifferent to whether a ratepayer with an electric generation facility receives service pursuant to the tariff.

(e) An electrical corporation shall provide expedited interconnection procedures to an electric generation facility located on a distribution circuit that generates electricity at a time and in a manner so as to offset the peak demand on the distribution circuit, if the electrical corporation determines that the electric generation facility will not adversely affect the distribution grid. The commission shall consider and may establish a value for an electric generation facility located on a distribution circuit that generates electricity at a time and in a manner so as to offset the peak demand on the distribution circuit.

(f) (1) An electrical corporation shall make the tariff available to the owner or operator of an electric generation facility within the service territory of the electrical corporation, upon request, on a first-come-first-served basis, until the electrical corporation meets its proportionate share of a statewide cap of 750 megawatts cumulative rated generation capacity served under this section and Section 387.6. The proportionate share shall be calculated based on the ratio of the electrical corporation's peak demand compared to the total statewide peak demand.

(2) *By June 1, 2013, the commission shall direct the electrical corporations to collectively procure at least 250 megawatts of electrical generating capacity from startup developers of biomass and biogas projects. The commission may increase the 750 megawatt statewide cap identified in paragraph (1) in order to allocate 250 megawatts to electric generation facilities fueled by the sources of bioenergy specified in subparagraph (B). The proportionate share*

shall be calculated based on the ratio of the electrical corporation's peak demand compared to the total statewide peak demand. In implementing this paragraph, the commission shall do all of the following:

(A) Allocate the 250 megawatts identified in this paragraph among the electrical corporations.

(B) Direct each electrical corporation to, at least once a year, solicit electricity from startup developers of biomass or biogas projects through a competitive solicitation process for each of the following project application categories:

(i) For dairy digester gas, 85 megawatts.

(ii) For biogas from wastewater treatment, 50 megawatts.

(iii) For agricultural biomass and biogas, 50 megawatts.

(iv) For biomass using byproducts of sustainable forest management, 30 megawatts.

(v) For landfill gas and organic waste diversion, 35 megawatts.

(C) Direct the electrical corporations to develop standard contract terms and conditions that reflect the operational characteristics of the projects, and to provide a streamlined contracting process.

(D) Select the offers that represent the least-cost, best-fit resources for the electrical corporation.

(E) Coordinate, to the maximum extent feasible, any incentive or subsidy programs for biogas and biomass with the solicitation requirement in subparagraph (B) in order to provide maximum benefits to ratepayers and to ensure that incentives are used to reduce contract prices.

(F) Ensure that electrical corporations give priority to resources that result in the most greenhouse gas reductions as part of their contract. As part of the solicitation process, the commission shall require the electrical corporations to evaluate the value of greenhouse gas reductions.

(G) Allocate a proportional share of costs to the electric service provider and community choice aggregator customers through nonbypassable charges.

(g) The electrical corporation may make the terms of the tariff available to owners and operators of an electric generation facility in the form of a standard contract subject to commission approval.

(h) Every kilowatthour of electricity purchased from an electric generation facility shall count toward meeting the electrical corporation's renewables portfolio standard annual procurement targets for purposes of paragraph (1) of subdivision (b) of Section 399.15.

(i) The physical generating capacity of an electric generation facility shall count toward the electrical corporation's resource adequacy requirement for purposes of Section 380.

(j) (1) The commission shall establish performance standards for any electric generation facility that has a capacity greater than one megawatt to ensure that those facilities are constructed, operated, and maintained to generate the expected annual net production of electricity and do not impact system reliability.

(2) The commission may reduce the three megawatt capacity limitation of paragraph (1) of subdivision (b) if the commission finds that a reduced capacity limitation is necessary to maintain

system reliability within that electrical corporation's service territory.

(k) (1) Any owner or operator of an electric generation facility that received ratepayer-funded incentives in accordance with Section 379.6 of this code, or with Section 25782 of the Public Resources Code, and participated in a net metering program pursuant to Sections 2827, 2827.9, and 2827.10 of this code prior to January 1, 2010, shall be eligible for a tariff or standard contract filed by an electrical corporation pursuant to this section.

(2) In establishing the tariffs or standard contracts pursuant to this section, the commission shall consider ratepayer-funded incentive payments previously received by the generation facility pursuant to Section 379.6 of this code or Section 25782 of the Public Resources Code. The commission shall require reimbursement of any funds received from these incentive programs to an electric generation facility, in order for that facility to be eligible for a tariff or standard contract filed by an electrical corporation pursuant to this section, unless the commission determines ratepayers have received sufficient value from the incentives provided to the facility based on how long the project has been in operation and the amount of renewable electricity previously generated by the facility.

(3) A customer that receives service under a tariff or contract approved by the commission pursuant to this section is not eligible to participate in any net metering program.

(1) An owner or operator of an electric generation facility electing to receive service under a tariff or contract approved by the commission shall continue to receive service under the tariff or contract until either of the following occurs:

(1) The owner or operator of an electric generation facility no longer meets the eligibility requirements for receiving service pursuant to the tariff or contract.

(2) The period of service established by the commission pursuant to subdivision (d) is completed.

(m) Within 10 days of receipt of a request for a tariff pursuant to this section from an owner or operator of an electric generation facility, the electrical corporation that receives the request shall post a copy of the request on its Internet Web site. The information posted on the Internet Web site shall include the name of the city in which the facility is located, but information that is proprietary and confidential, including, but not limited to, address information beyond the name of the city in which the facility is located, shall be redacted.

(n) An electrical corporation may deny a tariff request pursuant to this section if the electrical corporation makes any of the following findings:

(1) The electric generation facility does not meet the requirements of this section.

(2) The transmission or distribution grid that would serve as the point of interconnection is inadequate.

(3) The electric generation facility does not meet all applicable state and local laws and building standards and utility interconnection requirements.

(4) The aggregate of all electric generating facilities on a distribution circuit would adversely impact utility operation and load restoration efforts of the distribution system.

(o) Upon receiving a notice of denial from an electrical

corporation, the owner or operator of the electric generation facility denied a tariff pursuant to this section shall have the right to appeal that decision to the commission.

(p) In order to ensure the safety and reliability of electric generation facilities, the owner of an electric generation facility receiving a tariff pursuant to this section shall provide an inspection and maintenance report to the electrical corporation at least once every other year. The inspection and maintenance report shall be prepared at the owner's or operator's expense by a California-licensed contractor who is not the owner or operator of the electric generation facility. A California-licensed electrician shall perform the inspection of the electrical portion of the generation facility.

(q) The contract between the electric generation facility receiving the tariff and the electrical corporation shall contain provisions that ensure that construction of the electric generating facility complies with all applicable state and local laws and building standards, and utility interconnection requirements.

(r) (1) All construction and installation of facilities of the electrical corporation, including at the point of the output meter or at the transmission or distribution grid, shall be performed only by that electrical corporation.

(2) All interconnection facilities installed on the electrical corporation's side of the transfer point for electricity between the electrical corporation and the electrical conductors of the electric generation facility shall be owned, operated, and maintained only by the electrical corporation. The ownership, installation, operation, reading, and testing of revenue metering equipment for electric generating facilities shall only be performed by the electrical corporation.

*SEC. 2. Section 399.24 is added to the Public Utilities Code , to read:*

*399.24. The commission shall encourage gas and electrical corporations to develop and offer, by December 31, 2013, programs and services to facilitate the development of in-state biogas and to facilitate the conditioning and upgrading of biogas in order to enable biogas to be used for a broad range of purposes, including injection into natural gas pipelines, use for onsite power generation, and use at compressed natural gas filling stations for alternative fuel vehicles.*

~~SECTION 1. Chapter 7.6 (commencing with Section 2833) is added to Part 2 of Division 1 of the Public Utilities Code, to read:~~

~~CHAPTER 7.6. RENEWABLE BIOMASS AND BIOGAS PROJECTS~~

~~2833. (a) The Legislature finds and declares the following:~~

~~(1) New and emerging small and community scale distributed renewable generation technologies can greatly reduce greenhouse gas pollution in California, while providing quantifiable benefits to California ratepayers and the environment, contributing to the state's renewable energy, air quality, and climate goals, and providing increased electric system reliability.~~

~~(2) Current commission procurement programs do not fully account for the benefits of methane and other emissions reductions that result from the utilization of low emission biomass and biogas technologies from landfills and organic waste diversion, wastewater~~

~~treatment plants, food and agricultural processing, animal husbandry facilities, byproducts of sustainable forest management and wildfire prevention, and farms.~~

~~— (3) Resource diversity benefits California ratepayers in the long term by reducing both the price of electricity and the risks to the reliability of the electric system.~~

~~— (b) For the purposes of this section, the following terms have the following meanings:~~

~~— (1) "Electrical corporation" means an electrical corporation, as defined in Section 218, that furnishes electricity to more than 100,000 customers.~~

~~— (2) "Small and community scale biogas or biomass projects" means electrical generation projects that are no larger than five megawatts, that were not operative before January 1, 2013, and that comply with the regulations of the air quality management or air pollution control district and all other applicable environmental compliance standards.~~

~~— (c) By June 1, 2013, the commission shall direct the electrical corporations to collectively procure at least 250 megawatts of electrical generating capacity from small and community scale biomass and biogas projects.~~

~~— (d) In implementing this section, the commission shall do all of the following:~~

~~— (1) Allocate the 250 megawatts identified in subdivision (c) among the electrical corporations.~~

~~— (2) Direct each electrical corporation to, at least once a year, solicit electricity from small and community scale biomass or biogas projects through a competitive solicitation process for each of the following project application categories:~~

~~— (A) For dairy digester gas, 85 megawatts.~~

~~— (B) For biogas from wastewater treatment, 50 megawatts.~~

~~— (C) For agricultural biomass and biogas, 50 megawatts.~~

~~— (D) For biomass using byproducts of sustainable forest management, 30 megawatts.~~

~~— (E) For landfill gas and organic waste diversion, 35 megawatts.~~

~~— (3) Direct the electrical corporations to develop standard contract terms and conditions that reflect the operational characteristics of the projects, and to provide a streamlined contracting process.~~

~~— (4) Select the offers that represent the least cost, best fit resources for the electrical corporation.~~

~~— (5) Coordinate, to the maximum extent feasible, any incentive or subsidy programs for biogas and biomass with the solicitation requirement in paragraph (2) in order to provide maximum benefits to ratepayers and to ensure that incentives are used to reduce contract prices.~~

~~— (6) Ensure that electrical corporations give priority to resources that result in the most greenhouse gas reductions as part of their contract. As part of the solicitation process, the commission shall require the electrical corporations to evaluate the value of greenhouse gas reductions.~~

~~— (7) Allocate a proportional share of costs to the electric service provider and community choice aggregator customers through nonbypassable charges.~~

~~— (e) During the bidding process in a solicitation pursuant to subdivision (d), the commission may monitor the bidding process in the solicitation, and, if the commission determines the prices of a~~

~~bid are not reasonable, suspend the bidding within that project application category.~~

~~— 2834. (a) The Legislature finds and declares all of the following:~~

~~— (1) New and emerging community scale distributed renewable generation technologies can greatly reduce greenhouse gas pollution in California, while providing quantifiable benefits to California ratepayers and the environment, contributing to the state's renewable energy, air quality, and climate goals, and providing increased electric system reliability.~~

~~— (2) The Energy Commission has acknowledged in its 2011 Integrated Energy Policy Report that "increased bioenergy production could provide the state with several economic, environmental, and reliability benefits."~~

~~— (3) Significant potential exists for the utilization of low emission biomass and biogas technologies from landfills and organic waste diversion, wastewater treatment plants, food and agricultural processing, animal husbandry facilities, byproducts of sustainable forest management and wildfire prevention, and farms.~~

~~— (4) Resource diversity benefits California ratepayers in the long term by reducing both the price of electricity and the risks to the reliability of the electric system.~~

~~— (b) Before June 1, 2013, each local publicly owned utility that sells electricity at retail to 75,000 or more customers is strongly encouraged to consider and adopt, if appropriate, a procurement target for small and community scale biomass and biogas projects. To achieve that target, each local publicly owned utility shall set an interim deadline of December 31, 2016, and a final deadline of December 31, 2020.~~