

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



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Application of Pacific Gas & Electric Company and
San Diego Gas & Electric Company for Approval of
Their Separate Emerging Renewable Resource
Programs (U 39-E) (U 902-E)

Application 07-07-015
(Filed July 18, 2007)

**COMMENTS SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)
ON THE ALTERNATE PROPOSED DECISION OF COMMISSIONER**

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December 8, 2008

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**I.
INTRODUCTION**

Pursuant to the Commission's Rules of Practice and Procedure, San Diego Gas & Electric Company ("SDG&E") hereby files its comments on the Alternate Proposed Decision of Commissioner Simon ("AD") in the above captioned proceeding.

**II.
BACKGROUND**

The Commission should approve the Emerging Renewable Resources Program ("ERRP") Application as filed for the reasons set forth in the record developed in this proceeding. In the event the Commission chooses not to adopt the ERRP Application as filed, then the AD should be approved with the modifications suggested by SDG&E herein.

The ERRP Application asks for approval of a funding mechanism and governance structure to oversee the development of ERRP projects. SDG&E accepts the AD's rejection without prejudice of this distinctive part of the ERRP Application, which deals with the funding mechanism, approval and governance.

However, the ERRP Application also requests approval of proposed projects by both PG&E and SDG&E. The AD approves funding for PG&E's WaveConnect project but rejects funding for both PG&E's Solar Center and SDG&E's Biomethane Demonstration Project. The

AD unfortunately rejects SDG&E's Biomethane Demonstration Project without stating any specific reasons for its rejection. SDG&E urges the Commission to modify the AD and approve SDG&E's Biomethane Demonstration Project for the reasons set forth below.

III. COMMENTS

In the ERRP Application, SDG&E presents and requests approval of a well thought out, well developed, reasonably priced biomethane recovery project that would provide significant help to California in meeting its very ambitious GHG and long-term renewable goals, supported by substantial, uncontroverted evidence to that effect. The AD itself takes no issue with the facts SDG&E presents in support of its Biomethane Demonstration Project or the benefits that it could produce. In fact, the AD acknowledges that SDG&E's Biomethane Demonstration Project possesses the potential to help California meet its GHG and long-term renewable goals.

(AD, p. 12)

Yet, without explanation, the AD refuses to authorize SDG&E to pursue its Biomethane Demonstration Project. Apparently, the AD rejects SDG&E's Biomethane Demonstration Project as an indistinguishable and integral part of the approval and governance mechanism. SDG&E submits that doing so is equivalent to throwing out a very valuable baby with unwanted bathwater. The Commission should approve the SDG&E Biomethane Project on its own uncontroverted merits which SDG&E restates in summary below.

IV. BIOMETHANE PROJECT SUMMARY

As reflected in the record, SDG&E has requested up to \$4 million to fund installation and demonstration of an emerging wastewater to biogas (or bio-methane) energy conversion technology and commission biogas cleaning equipment at one or more installations in order to produce pipeline quality biomethane gas.

As pointed out by SDG&E, natural gas pipeline quality biomethane is recognized as a significant potential resource in reduction of GHGs and meeting the RPS goals. SDG&E's Biomethane Demonstration Project will help accelerate the development and commercialization of technologies that can reduce the release of methane gas emissions. The global warming potential of methane gas released to the atmosphere is approximately 21 times greater than CO₂. With regard to achieving the 33% RPS target by 2020, it is unlikely that incremental improvements in established renewable technologies will by themselves be adequate. Accelerating the development of biomethane technology can help fill that gap, especially because SDG&E expects that the biomethane technology will be commercial by 2010 or sometime thereafter. However, the current biomethane development in the State of California is limited to biomethane from manure and waste streams other than wastewater.

Wastewater biomethane development presents dual benefits – reduction of carbon dioxide due to flaring of biogas at site, and displacement of an equal amount of natural gas. Currently there are over 200 wastewater plants in CA. Many of these plants flare the excess biogas generated as a result of the wastewater treatment process. According to the CEC PIER's preliminary roadmap for development of biomass in California, the statewide potential for wastewater biomethane is approximately 10 trillion Btu, or approximately 1400 GWh of Electric Energy Equivalent. Development of a wastewater biomethane industry may also in the future pave the way for development of landfill gas projects that have a potential six times as large as wastewater biomethane in California. Considering the benefits that accrue due to such a demonstration facility, the risk of inactivity is high.

However, there has been very limited activity from private developers in wastewater biomethane development for pipeline injection due to a multitude of issues that a commercial scale demonstration project in State of California can effectively address. These include:

- a) Higher risk perception on the part of developers and financiers due to lack of demonstrated facilities in the US.
- b) Lack of developed protocols to regulate gas quality – raw biogas from wastewater may have a higher level of contamination compared to manure based biogas hence a higher degree of diligence is needed for commercial scale deployment.
- c) Lack of region specific test and operational data available to utilities to make informed decisions on specification of equipment needed to maintain gas quality.
- d) Lack of region specific emission data available for permitting agencies to streamline the siting and permitting process and make informed decisions.
- e) Lack of demonstration of newer and more efficient technologies to meet existing guidelines for permitting, emissions, gas quality and pipeline injection in California.
- f) Uncertainty resulting from the current economic downturn.

It has been argued by the developer and research communities that without a commercial scale demonstration by stakeholders, the necessary resource development will not materialize in California in the foreseeable future. This demonstration project will help validate the technology and ultimately the economic model for the wastewater to biogas conversion application. Without such funding, the Commission will deny California an exceptional opportunity to help meet its expansive GHG and RPS goals.

For the above stated reasons, SDG&E respectfully requests the Commission to modify the AD to authorized SDG&E's Biomethane Demonstration Project as requested in the ERRP Application.

Respectfully submitted,

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