enXco
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02-REN-1038

DOCKET

11-RPS-01

DATE SEP 19 2011

RECD. SEP 20 2011

September 19, 2011

California Energy Commission
1514 Ninth Street
Sacramento, CA 95814

Re: Developing Regulations and Guidelines for the 33 Percent Renewables Portfolio Standard and Implementation of Renewables Investment Plan Legislation Docket No. 11-RPS-01 and Docket No. 02-Ren-1038

Gentlemen:

enXco is a owner, developer and operator of renewable energy projects in North America. Our main offices are based in San Diego California and we have developed over 3,300 MW of renewable energy projects. enXco is very interested in western US resources and we have been quite active in the state of California.

enXco is also an owner of two biogas projects in operation outside of the state of California. These projects would not be as viable without the ability to deliver our biogas to the California market and the state would not benefit from the low cost of energy from these projects. These projects are part of a balanced utility portfolio, which is useful in meeting overall supply obligations. Attachment A to this letter summarizes the benefits of our projects to the state.

Please let us know if you have any questions or if we can provide you with additional information.

Best regards,

James Schretter
Vice President

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Attachment A

Summary of Policy Arguments in Favor of Continuing to Allow California Load-Serving Entities to Procure Out-of-State Biomethane and Generate "Bucket No. 1" Renewable Power

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The California Energy Commission ("CEC") allows California load-serving entities to buy biomethane that is shipped to the load-serving entity via the interstate pipeline system, use the biomethane as a fuel for the production of renewable power at in-State facilities and generate bundled RECS for the electricity. These rules should not be changed. Biomethane is an important renewable fuel that can allow the State to achieve its goal of drawing 33 percent of its power needs from renewable, sustainable energy resources by 2020.

1. Biomethane produced at out-of-state facilities will not displace new, in-State renewable power generation that is incentivized under the California RPS.
    a. Biomethane displaces fossil fuel natural gas that will otherwise be used in California's natural gas power facilities – which provides 57% of the State's power.
    b. In-state natural gas power facilities provide dispatchable, base load power that will be required to firm and shape the variable power production from large-scale solar and wind power projects being developed in the State to meet the RPS requirements.
    c. Based on a moderately aggressive estimate of the amount of biomethane that may be made available to California utilities over the next 3-5 years we believe that the renewable power generation capacity that may be fueled by out-of-state biomethane is approximately 290 MWs – barely 3% of the 9,085 MWs of total capacity required to meet the State's 33% mandate by 2020. This estimate assumes that as many sizeable projects are developed in the next 3-5 years as have been completed in the past thirty.

2. Biomethane is a fuel and should not be singled out for discriminatory treatment under the RPS.
    a. Out-of-state biomethane is a renewable fuel that can be imported into the State to produce renewable electricity in the State – the power generation continues to occur in State as required under the RPS.
    b. Out-of-state biomethane should not be treated differently than any other renewable, biomass derived fuel which is imported into California to generate renewable power.
    c. Out-of-state biomethane should be allowed to have the same flexibility (back haul, forward haul, imbalances IT/FT, etc.) as natural gas transported using the interstate pipeline system.

3. Biomethane is a cost-effective way to increase the State's renewable power supply.
    a. Biomethane burned at in-State facilities can produce renewable power for as little as $0.07 a KWHr without any new investment required in transmission lines.

4. Use of biomethane at in-State facilities improves California's energy infrastructure reliability and creates investment within the State.
    a. California depends on natural gas from outside the State for more than half of its power needs.
    b. Biomethane injected into the natural gas interstate pipeline system and shipped to California improves both the reliability and cost effectiveness of the State's renewable portfolio program which can help reduce rate increases and disruptions of service that might otherwise be caused by increased reliance on intermittent renewable resources.
    c. Increased use and investment in biomethane-fueled power generation facilities that use the fuel in California utilizes California infrastructure and creates jobs operating and maintaining that infrastructure.
    d. Any disqualification of biomethane projects currently selling into the California renewables market would be particularly disruptive to the projects as well as setting a detrimental barrier for future renewables in California.

5. Use of biomethane at in-State facilities to generate power provides benefits to California rate-payers.
    a. Use of biomethane is cost-effective and will reduce the cost of meeting the RPS mandate, benefiting California rate-payers.
    b. Biomethane burned at California power generation facilities reduces the carbon emissions associated with California's natural gas consumption by up to 90%, which is considerable.

6. Successful development of renewable power projects requires stability and consistency in regulation and incentive programs.
    a. Existing State barriers to biomethane production make development of successful biomethane fuel production projects in-State extremely difficult or impossible.
    b. Many companies based in California have been forced to develop successful biomethane production facilities outside of the State due to existing state barriers and are today selling their renewable fuel product in California to help California meet its demand for renewable energy.
    c. Successful development of biomethane production projects in-State depends on the continued ability of producers to import and sell their out-of-state product in the State – until such time as the regulatory

climate and utility position on biomethane in the State is conducive to development of in-State projects.

7. It is no more difficult to verify the production and use of biomethane that is produced outside the State and used at an in-State power generation facility than it will be to verify the production of biomethane at an in-State facility. In all cases there are auditable third party meter and transportation records that can confirm the volumes produced and used to generate renewable power. The CEC maintains a successful track-record of auditing these projects under existing rules.