

AMENDED IN SENATE JUNE 14, 2016

AMENDED IN ASSEMBLY MAY 27, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2206

Introduced by Assembly Member Williams

February 18, 2016

An act to add Section 39734 to the Health and Safety Code, and to add Section 784.1 to the Public Utilities Code, relating to ~~biomethane~~ energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2206, as amended, Williams. ~~Biomethane: interconnection and injection into common carrier pipelines: research. Renewable gas.~~

~~Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including gas corporations. Existing~~

(1) The California Global Warming Solutions Act of 2006 establishes the State Air Resources Board as the state agency responsible for monitoring and regulating sources emitting greenhouse gases. The act requires the state board to adopt regulations to require the reporting and verification of statewide greenhouse gas emissions and to monitor and enforce compliance with this program. The act requires the state board to adopt a statewide greenhouse gas emissions limit, as defined, to be achieved by 2020 equivalent to the statewide greenhouse gas emissions level in 1990. Existing law requires the state board to complete a comprehensive strategy to reduce emissions of short-lived climate pollutants, as defined, in the state.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including gas corporations. The

California Renewables Portfolio Standard Program requires the Public Utilities Commission to establish a renewables portfolio standard requiring all retail sellers, as defined, to procure a minimum quantity of electricity products from eligible renewable energy resources, as defined, at specified percentages of the total kilowatthours sold to their retail end-use customers during specified compliance periods.

This bill would require the state board, in coordination with the Public Utilities Commission, to adopt a policy to increase the production and use of renewable gas, as specified, generated by either an eligible renewable energy resource that meets the requirements of the California Renewables Portfolio Standard Program or direct solar energy, as specified.

(2) Existing law authorizes the commission to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable. Existing law authorizes certain public utilities, including gas corporations, to propose research and development programs and authorizes the commission to allow inclusion of expenses for research and development in the public utility's rates. Existing law requires the commission to consider specified guidelines in evaluating the research, development, and demonstration programs proposed by gas corporations.

The California Renewables Portfolio Standard Program requires the commission to adopt policies and programs that promote the in-state production and distribution of biomethane. Existing law requires the commission to adopt, by rule or order, (1) standards for biomethane that specify the concentrations of constituents of concern that are reasonably necessary to protect public health and ensure pipeline integrity and safety, as specified, and (2) requirements for monitoring, testing, reporting, and recordkeeping, as specified. Existing law requires a gas corporation to comply with those standards and requirements and requires that gas corporation tariffs condition access to common carrier pipelines on the applicable customer meeting those standards and requirements.

This bill would request the California Council on Science and Technology to undertake and complete a study analyzing the regional and gas corporation specific issues relating to minimum heating value and maximum siloxane specifications adopted by the commission for biomethane before it can be injected into common carrier gas pipelines. If the California Council on Science and Technology agrees to undertake and complete the study, the bill would require each gas corporation

operating common carrier pipelines in California to proportionately contribute to the expenses to undertake the study with the cost recoverable in rates. The bill would authorize the commission to modify certain available monetary incentives to allocate some of the incentive moneys to pay for the costs of the study so as to not further burden ratepayers with additional expense. If the California Council on Science and Technology agrees to undertake and complete the study, the bill would require the commission, within 6 months of its completion, to reevaluate requirements and standards adopted for injection of biomethane into common carrier pipelines and, if appropriate, change those requirements and standards or adopt new requirements and standards, giving due deference to the conclusions and recommendations made in the study.

Under

(3) *Under* existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because certain provisions of the bill would be a part of the act and a violation of an order or decision of the commission implementing its requirements would be a crime, this bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) California imports 91 percent of its natural gas, which is
- 4 responsible for 25 percent of the state’s emissions of greenhouse
- 5 gases.
- 6 (b) California made a commitment to address climate change
- 7 with the California Global Warming Solutions Act of 2006
- 8 (Division 25.5 (commencing with Section 38500) of the Health
- 9 and Safety Code) and the adoption of a comprehensive strategy to

1 reduce emissions of short-lived climate pollutants (Chapter 4.2
2 (commencing with Section 39730) of Part 2 of Division 26 of the
3 Health and Safety Code). For California to meet its goals for
4 reducing emissions of greenhouse gases and short-lived climate
5 pollutants, the state must reduce emissions from the natural gas
6 sector and increase the production and distribution of renewable
7 and low-carbon gas supplies.

8 (c) Biomethane is gas generated from organic waste through
9 anaerobic digestion, gasification, pyrolysis, or other conversion
10 technology that converts organic matter to gas. Biomethane may
11 be produced from multiple sources, including agricultural waste,
12 forest waste, landfill gas, wastewater treatment byproducts, and
13 diverted organic waste.

14 (d) Biomethane provides a sustainable and clean alternative to
15 natural gas. If 10 percent of California's natural gas use were to
16 be replaced with biomethane use, emissions of greenhouse gases
17 would be reduced by tens of millions of metric tons of carbon
18 dioxide equivalent every year.

19 (e) Investing in biomethane would create cobenefits, including
20 flexible generation of electricity from a renewable source that is
21 available 24 hours a day, reduction of fossil fuel use, reduction of
22 air and water pollution, and new jobs.

23 (f) Biomethane can also be used as transportation fuel or injected
24 into natural gas pipelines for other uses. The most appropriate use
25 of biomethane varies depending on the source, proximity to existing
26 natural gas pipeline injection points or large vehicle fleets, and the
27 circumstances of existing facilities.

28 (g) The biomethane market has been slow to develop in
29 California because the collection, purification, and pipeline
30 injection of biomethane can be costly.

31 (h) Biomethane is poised to play a key role in future natural gas
32 and hydrogen fuel markets as a blendstock that can significantly
33 reduce the carbon footprint of these two fossil-based alternative
34 fuels.

35 (i) Biomethane is one of the most promising alternative vehicle
36 fuels because it generates the least net emissions of greenhouse
37 gases. According to the low-carbon fuel standard regulations
38 (Subarticle 7 (commencing with Section 95480) of Article 4 of
39 Subchapter 10 of Chapter 1 of Division 3 of Title 17 of the
40 California Code of Regulations) adopted by the State Air Resources

1 Board, vehicles running on biomethane generate significantly
2 lower emissions of greenhouse gases than vehicles running on
3 electricity or fossil fuel-derived hydrogen.

4 (j) The California Council on Science and Technology was
5 established by California academic research institutions, including
6 the University of California, the University of Southern California,
7 the California Institute of Technology, Stanford University, and
8 the California State University, and was organized as a nonprofit
9 corporation pursuant to Section 501(c)(3) of the Internal Revenue
10 Code, in response to Assembly Concurrent Resolution No. 162
11 (Resolution Chapter 148 of the Statutes of 1988).

12 (k) The California Council on Science and Technology was
13 uniquely established at the request of the Legislature for the
14 specific purpose of offering expert advice to state government on
15 public policy issues significantly related to science and technology.

16 (l) It is in the public's interests, and in the interest of ratepayers
17 of the state's gas corporations, that the policies and programs
18 adopted by the Public Utilities Commission be guided by the best
19 science reasonably available.

20 *SEC. 2. Section 39734 is added to the Health and Safety Code,*
21 *to read:*

22 *39734. (a) For purposes of this section, "biogas" has the same*
23 *meaning as in Section 25420.*

24 *(b) To meet the state's renewable energy, low-carbon fuel, and*
25 *waste diversion goals, the state board, in coordination with the*
26 *Public Utilities Commission, shall adopt a policy that is consistent*
27 *with existing state policies and programs to increase the production*
28 *and use of renewable gas, including biogas, generated by either*
29 *of the following:*

30 *(1) An eligible renewable energy resource that meets the*
31 *requirements of the California Renewables Portfolio Standard*
32 *Program (Article 16 (commencing with Section 399.11) of Chapter*
33 *2.3 of Part 1 of Division 1 of the Public Utilities Code).*

34 *(2) Direct solar energy.*

35 *(c) In adopting the policy described in subdivision (b), the state*
36 *board shall ensure that eligible renewable gas provides direct*
37 *benefits to the state's environment by reducing or avoiding all of*
38 *the following:*

39 *(1) Emissions of criteria pollutants.*

40 *(2) Emissions that adversely affect the waters of the state.*

1 (3) *Nuisances associated with the emission of odors.*

2 ~~SEC. 2.~~

3 ~~SEC. 3.~~ Section 784.1 is added to the Public Utilities Code, to
4 read:

5 784.1. (a) The Legislature requests that the California Council
6 on Science and Technology undertake and complete a study
7 analyzing the regional and gas corporation specific issues relating
8 to minimum heating value and maximum siloxane specifications
9 for biomethane before it can be injected into common carrier gas
10 pipelines, including those specifications adopted in Sections 4.4.3.3
11 and 4.4.4 of commission Decision 14-01-034 (January 16, 2014),
12 Decision Regarding the Biomethane Implementation Tasks in
13 Assembly Bill 1900. The study shall consider and evaluate other
14 states’ standards, the source of biomethane, the dilution of
15 biomethane after it is injected into the pipeline, the equipment and
16 technology upgrades required to meet the minimum heating value
17 specifications, including the impacts of those specifications on the
18 cost, volume of biomethane sold, equipment operation, and safety.
19 The study shall also consider whether different sources of biogas
20 should have different standards or if all sources should adhere to
21 one standard for the minimum heating value and maximum
22 permissible level of siloxanes. The study shall develop the best
23 science reasonably available and not merely be a literature review.
24 In order to meet the state’s goals for reducing emissions of
25 greenhouse gases and short-lived climate pollutants and the state’s
26 goals for promoting the use of renewable energy resources in place
27 of burning fossil fuels, the California Council on Science and
28 Technology, if it agrees to undertake and complete the study, shall
29 complete the study within nine months of entering into a contract
30 to undertake and complete the study.

31 (b) (1) If the California Council on Science and Technology
32 agrees to undertake and complete the study pursuant to subdivision
33 (a), the commission shall require each gas corporation operating
34 common carrier pipelines in California to proportionately
35 contribute to the expenses to undertake the study pursuant to
36 Sections 740 and 740.1. The commission may modify the monetary
37 incentives made available pursuant to commission Decision
38 15-06-029 (June 11, 2015), Decision Regarding the Costs of
39 Compliance with Decision 14-01-034 and Adoption of Biomethane
40 Promotion Policies and Program, to allocate some of the moneys

1 that would be made available for incentives to instead be made
2 available to pay for the costs of the study so as to not further burden
3 ratepayers with additional expense.

4 (2) The commission’s authority pursuant to paragraph (1) shall
5 apply notwithstanding whether the gas corporation has proposed
6 the program pursuant to Section 740.1.

7 (c) If the California Council on Science and Technology agrees
8 to undertake and complete the study pursuant to subdivision (a),
9 within six months of its completion, the commission shall
10 reevaluate its requirements and standards adopted pursuant to
11 Section 25421 of the Health and Safety Code relative to the
12 requirements and standards for biomethane to be injected into
13 common carrier pipelines and, if appropriate, change those
14 requirements and standards or adopt new requirements and
15 standards, giving due deference to the conclusions and
16 recommendations made in the study by the California Council on
17 Science and Technology.

18 ~~SEC. 3.~~

19 *SEC. 4.* No reimbursement is required by this act pursuant to
20 Section 6 of Article XIII B of the California Constitution because
21 the only costs that may be incurred by a local agency or school
22 district will be incurred because this act creates a new crime or
23 infraction, eliminates a crime or infraction, or changes the penalty
24 for a crime or infraction, within the meaning of Section 17556 of
25 the Government Code, or changes the definition of a crime within
26 the meaning of Section 6 of Article XIII B of the California
27 Constitution.