

AMENDED IN SENATE MARCH 29, 2016

**SENATE BILL**

**No. 1153**

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**Introduced by Senator Cannella**

February 18, 2016

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~~An act to add Section 784.5 to the Public Utilities Code, relating to biomethane. An act to add Section 38561.5 to the Health and Safety Code, relating to greenhouse gases.~~

LEGISLATIVE COUNSEL'S DIGEST

~~SB 1153, as amended, Cannella. Energy: gas: biomethane: California Renewable Natural Gas Act. Greenhouse gases: scoping plan: biomethane.~~

~~The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The act requires the state board to prepare and approve a scoping plan for achieving the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions and to update the scoping plan at least once every 5 years.~~

~~This bill would require the state board, as a part of the update to the scoping plan, to provide a comprehensive overview of state efforts to encourage the development of in-state biomethane and renewable natural gas.~~

~~Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including gas corporations. 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. The California Renewables Portfolio Standard Program requires the~~

~~commission to adopt policies and programs that promote the in-state production and distribution of biomethane.~~

~~This bill would additionally require the commission to consider and adopt policies to increase the production and availability of in-state pipeline biomethane significantly. The bill would require the commission to adopt a biomethane feed-in tariff program and to open a proceeding to consider making recoverable as part of the rate base gas corporation capital investments that facilitate pipeline biomethane development and injection at in-state projects.~~

~~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 the provisions of this 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-no.~~

*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 has enacted numerous policies to reduce the*
- 4     *emissions of greenhouse gases and increase the use of renewable*
- 5     *energy resources and renewable fuels.*
- 6     *(b) California has numerous programs to incentivize and*
- 7     *encourage the development of biogas, biomethane, and renewable*
- 8     *natural gas projects.*
- 9     *(c) Despite a regulatory environment encouraging renewable*
- 10    *energy production and greenhouse gases emissions reductions,*
- 11    *the development of biomethane and other renewable natural gas*
- 12    *projects continues to lag in the state.*
- 13    *(d) Obstacles to increased biomethane and renewable natural*
- 14    *gas projects should be identified and addressed.*

1 (e) Investments in dairy waste digesters, landfill diversion  
2 programs, and anaerobic digesting at wastewater treatment  
3 facilities provide significant reductions in the emissions of  
4 greenhouse gases, including methane, for the state.

5 (f) A coordinated effort by state agencies should be undertaken  
6 to address remaining obstacles and identify additional incentive  
7 programs, if needed, to encourage the increased development of  
8 instate biomethane and renewable natural gas projects.

9 SEC. 2. Section 38561.5 is added to the Health and Safety  
10 Code, to read:

11 38561.5. As a part of the update of the scoping plan required  
12 pursuant to subdivision (h) of Section 38561, the state board shall  
13 provide a comprehensive overview of state efforts to encourage  
14 the development of instate biomethane and renewable natural gas.  
15 The overview shall include, but not be limited to, all of the  
16 following:

17 (a) The role of biomethane and renewable natural gas in the  
18 state's efforts to reduce the emissions of greenhouse gases.

19 (b) The estimated amount of renewable natural gas that can  
20 cost-effectively be developed from the state's organic waste  
21 streams, including the waste, agricultural, dairy, and forestry  
22 sectors.

23 (c) Estimated cost-effectiveness of the various waste streams.

24 (d) Analysis of current market conditions for renewable natural  
25 gas in California.

26 (e) Overview of current programs to encourage development  
27 of biomethane and renewable natural gas.

28 (f) Identification of obstacles to increased development of instate  
29 biomethane and renewable natural gas.

30 (g) Identification of solutions for legislative consideration to  
31 address obstacles identified in subdivision (f) and encourage  
32 increased instate biomethane and renewable natural gas  
33 development, including, but not limited to, incentive programs and  
34 grants, preferential loan programs to enhance project financing,  
35 and market stabilization programs, such as contracts for  
36 differences, tax credits, and biomethane purchase programs.

37 ~~SECTION 1. This act shall be known and may be cited as the~~  
38 ~~California Renewable Natural Gas Act.~~

39 ~~SEC. 2. Section 784.5 is added to the Public Utilities Code, to~~  
40 ~~read:~~

1     ~~784.5.—In order to meet the state’s climate change, low-carbon~~  
2 ~~fuel, and renewable energy goals, the commission shall consider~~  
3 ~~and adopt policies to increase the production and availability of~~  
4 ~~in-state pipeline biomethane significantly, and shall do both of the~~  
5 ~~following:~~

6     ~~(a) Adopt a biomethane feed-in tariff program requiring the~~  
7 ~~state’s gas corporations to procure, through long-term contracts,~~  
8 ~~a specified amount of biomethane that is produced by in-state~~  
9 ~~projects. In determining this amount, the commission shall~~  
10 ~~consider, among other issues, all of the following:~~

11     ~~(1) The availability of cost-effective in-state biomethane~~  
12 ~~production opportunities.~~

13     ~~(2) The economic impacts on ratepayers.~~

14     ~~(3) Existing market conditions, including demand in the~~  
15 ~~distributed, renewable energy, and low-carbon transportation fuel~~  
16 ~~sectors.~~

17     ~~(b) Open a proceeding to consider making recoverable as part~~  
18 ~~of the rate base gas corporation capital investments that facilitate~~  
19 ~~pipeline biomethane development and injection at in-state projects.~~  
20 ~~The proceeding shall identify and consider all of the following:~~

21     ~~(1) Obstacles to pipeline biomethane injection projects.~~

22     ~~(2) Costs and benefits to gas corporation ratepayers.~~

23     ~~(3) Benefits of meeting the state’s renewable energy, greenhouse~~  
24 ~~gas reduction, and petroleum use reduction goals.~~

25     ~~SEC. 3.—No reimbursement is required by this act pursuant to~~  
26 ~~Section 6 of Article XIII B of the California Constitution because~~  
27 ~~the only costs that may be incurred by a local agency or school~~  
28 ~~district will be incurred because this act creates a new crime or~~  
29 ~~infraction, eliminates a crime or infraction, or changes the penalty~~  
30 ~~for a crime or infraction, within the meaning of Section 17556 of~~  
31 ~~the Government Code, or changes the definition of a crime within~~  
32 ~~the meaning of Section 6 of Article XIII B of the California~~  
33 ~~Constitution.~~