March 8, 2013

Mary Nichols, Chairman
California Air Resources Board
1001 "I" Street
Sacramento, California 95814

RE: **California Wastewater Climate Change Group Comments Regarding the Development of the Cap-and-Trade Auction Proceeds Investment Plan**

Dear Chairman Nichols:

The mission of the California Wastewater Climate Change Group (CWCCG) is to address climate change policies, initiatives, and challenges through a unified voice advocating for California wastewater community perspectives. Collectively, CWCCG members treat over 90% of the municipal wastewater in California, including beneficial use of products such as biosolids and biogas. We appreciate this opportunity to comment on the Development of the Cap-and-Trade Auction Proceeds Investment Plan.

The treatment of wastewater in California provides a significant potential to reduce greenhouse gas emissions through the generation of base-loaded energy from renewable fuels (e.g., digester gas), and the beneficial re-use of treated wastewater, which lessens the demand for potable water. In addition, the generation of biosolids at many facilities provides an opportunity for producing a compost product that reduces the need for petroleum intensive fertilizers, as well as an additional energy source when the biosolids are processed into a renewable fuel. Finally, wastewater treatment facilities provide a ready-made infrastructure of anaerobic digester capacity which can play a vital role in the California programs to divert the organic component of municipal solid waste (MSW).

Currently, it is the practice of many larger wastewater treatment facilities to digest solids from the wastewater treatment process and utilize the resultant methane rich digester gas to generate much of their on-site energy needs. However, financial barriers exist to utilizing the renewable energy potential of medium to small treatment plants. Additionally, the operation of facilities with existing energy generation are threatened by the need for costly air pollution devices, resulting from increasingly stringent air quality regulations that could cause these

facilities to shut down in favor of more economical flaring, forgoing a valuable renewable energy source. Therefore, CWCCG recommends that a portion of the auction proceeds be directed to:

- Funding the use of renewable energy produced at smaller to medium-sized wastewater treatment facilities. An example for use of these auction proceeds would be the funding of a biogas treatment process that enables pipeline injection of treated digester gas. Digester gas is a low carbon fuel, equivalent to landfill gas which is recognized as having one of the lowest carbon intensities of all renewable fuels. A treated biogas fuel could be used directly in vehicles as a low carbon fuel, or in power plants counting towards the State's 33% RPS mandate.
- Existing biogas-fueled energy facilities, to fund air pollution control equipment to meet increasingly stringent air quality regulations (e.g., SCAQMD Rule 1110.2). In the absence of adequate funds, the steep price of retrofitting combustion equipment with advanced air pollution control equipment (e.g., SCRs on I.C. engines), will cause many facilities to cease operating the combustion equipment and simply flare the "must manage" biogas, resulting in an overall increase in greenhouse gas emissions.

The movement of water and wastewater in California has been documented by CARB and others to consume up to 19% of the energy produced in the state. Wastewater can be processed in advanced treatment facilities to potable water standards and beneficially re-used to recharge groundwater supplies, or for other direct potable water uses. These facilities are local to communities they serve and will offset the need for energy-intensive imported water. However, advanced treatment processes are costly, and there is often a need to pump the treated water to more distant storage facilities. Therefore, CWCCG recommends that a portion of the auction proceeds be directed to:

- Assisting municipal wastewater treatment facilities in funding both the construction of advanced wastewater treatment facilities, and the infrastructure to transport the treated wastewater to storage facilities.

The State of California has developed increasingly stringent goals for diversion of MSW from landfills. In many cases this avoids methane production at landfills, a potent greenhouse gas. The organic component of MSW, one target of diversion programs, can be managed in controlled anaerobic digesters. This process produces methane gas in a biological process similar to what occurs in landfills, however, organics are more efficiently and completely processed in these controlled digesters, and 100% of the gas is captured and can be utilized as a

renewable fuel. Municipal wastewater treatment facilities are uniquely situated in communities to play a vital role in managing organics, such as food waste, from the general municipal solid waste stream by utilizing their existing digestion capacity. Existing digesters can be used for this purpose if additional capacity exist, however, in many circumstances existing infrastructure exist (e.g., available land and piping) to construct new digesters. Digestion is only one component of organics management; the incoming organics also need to be handled and processed, requiring new infrastructure for this purpose. Therefore, CWCCG recommends that a portion of the auction proceeds be directed to:

- Financing the infrastructure at municipal wastewater treatment facilities to provide the necessary digestion capacity to handle and manage organics resulting from state-wide MSW diversion programs.

Conclusion:

Wastewater treatment facilities provide a unique opportunity to produce renewable fuels, provide infrastructure for beneficial re-use of recycled water, and manage the organic constituent from MSW diversion programs in existing or new digesters. Fully utilizing this potential can provide significant reductions in greenhouse emissions in California. However, funding is needed to realize this potential. Directing auction proceeds from the AB32 Cap-and-Trade program to this purpose can help fully develop this potential now and into the future.

Members of CWCCG would be glad to meet and discuss these issues more fully at your convenience. We appreciate the opportunity to comment on the Auction Proceeds Investment Plan. Feel free to contact Frank Caponi at (562)699-7411 x2460 with any questions or comments regarding this submittal.

Sincerely,

Frank Caponi

Frank Caponi
Interim Program Manager
California Wastewater Climate Change Group

cc: Cliff Rechtschaffen, Senior Advisor to Governor Brown
Matt Rodriquez, Secretary, California Environmental Protection Agency
Scott Smithline, Deputy Director, CalRecycle