

MONTHLY PROGRESS REPORT FOR CONTRACT NO. 500-00-036

PROJECT 3.1 – DAIRY WASTE TO ENERGY PROJECT

REPORT PREPARED BY: COMMONWEALTH ENERGY TEAM

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What we planned to accomplish this period:

Activities planned for January included submitting and obtaining Commission comments on the draft Project 3.1 *Tactical Marketing Plan*. On-going coordination meetings involving the CE Team and IEUA were to continue and the *Draft Process Recommendation Report* was planned to be submitted to the Commission. Efforts to finalize the internal draft of the Task 3.1.1.b report were planned by the team so that it could be submitted once the comments were received.

On Task 3.1.2, *Site Selection* activities were to continue. Under Task 3.1.3, the *Bench Scale Tests* were also to continue and further coordination was anticipated with IEUA staff regarding the *Bench Scale Tests* and using the results in the design of the co-digestion systems. On Tasks 3.1.6(0) through 3.1.6(5), the CE Team anticipated distributing the drafts to the peer technical reviewers so that comments could be received from them and from the Commission staff by the end of the month.

What we actually accomplished this period:

Task 3.1.1: Assess, Evaluate and Select Animal Waste to Energy Technology

- The *Draft Process Recommendation Report*, which expanded on the *Interim Report*, was completed in December and submitted to the Commission staff and the *Technical Advisory Committee* in January.
- Additional work activity was undertaken related to the *Final Process Recommendation Report* under Task 3.1.1.b. This work centers on activities related to the Project's primary focus: co-digestion and gas cleaning. Once the Task 3.1.1.b report is submitted in February or March 2005, all work on Task 3.1.1 will be completed.

Task 3.1.2: Site Selection and Tactical Marketing Plan

- Efforts on this task focused on finalizing the selection of the optimal sites for the various components of the co-digestion system anticipated to be installed at the IEUA RP-1 treatment plant. This included the materials handling systems, improvements to the gas distribution system, the proposed power generation system, and the associated infrastructure and related equipment.
- A key activity related to this task, as well as all other Project 3.1 tasks, was to follow up on discussions held with Commission Staff on October 15th to review the *Project Implementation Plan* and future research and demonstration activities planned on Project 3.1. A key outcome of the October 15th meeting was the need to develop a plan to bring to market the technologies that are being developed under this Project. Efforts to develop a *Tactical Marketing Plan* were consistent with earlier findings which concluded that co-digestion offers the most potential to improve dairy waste to energy project economics in California. It was determined that the plan needed to be prepared within the next two months, so that it could be considered along with the other results in Project 3.1 before Tasks 3.1.4 and 3.1.5 would be authorized. It was agreed at this meeting that this work would be initiated and funded under Task 3.1.2.b. In December, work was undertaken and discussions were held involving members of the CE Team and IEUA. The draft *Tactical Marketing Plan*, completed in December, was submitted to the Commission on January 14.
- As noted previously, co-digestion efforts were focused on two key areas. First, available co-digestion suppliers were further screened and a preliminary assessment of the key parameters for these supplies was developed earlier. This was necessary so that initial consultation with suppliers could be planned and undertaken most efficiently. Secondly, an evaluation of the RP-1 facility's ability to handle the increased gas production was undertaken. It is necessary to determine what steps would be needed to modify the existing infrastructure at the RP-1 facility so that it can handle the increase in biogas production. This analysis continued and IEUA has been actively involved in evaluating how the increased gas production can be accommodated most effectively within the plant's gas collection and distribution infrastructure. This data collection and analysis effort continued in January and was undertaken in a manner consistent with the concepts addressed in the *Tactical Marketing Plan*. It also reflects the preliminary results of the bench scale testing described below.

Task 3.1.3: Develop Bench Scale and Other Test Plans and Protocols and Prepare Final Design and Test Plan

- Efforts on this task included work on three activities: finalizing the *Bench Scale and Other Test Plans and Protocols* under Task 3.1.3.a, *Conducting the Bench Scale and other Tests* under Task 3.1.3.b, and the *Final Design and Test Plan* under Task 3.1.3.c. The bench scale tests would be undertaken in a stepwise manner in order to optimize the full scale test phase of the co-digestion effort. A draft of the Task 3.1.3.a *Test Plan and Protocol* was prepared and reviewed in

October and distributed to the Commission staff at the October 15th meeting. The initial draft of the *Test Plan* also included a draft of the full scale test plan for the pilot co-digestion project. Additionally, various laboratories were contacted about the use of their facilities for co-digestion tests involving a range of food waste feedstocks. It was determined that the initial bench scale testing would take place at the Orange County Sanitation District (OCSD) because it is a recognized, high-quality laboratory, and this will improve the transfer of results from the program to other co-digestion demonstration applications. Efforts in January included collecting and analyzing samples to be used in the co-digestion bench scale testing. The results will be considered in refining the full-scale pilot plant testing program discussed previously.

- Other activities associated with the *Bench Scale Testing* included collection of samples from the food waste providers supplying the various wastes to be tested and other coordination activities with them. Work on the *Final Design and Test Plan* included efforts to integrate the bench scale testing with the *Final Design*. The proposed *Test Plan* will enable the *Bench Scale Testing* to be used to refine and update the full-scale testing plan. This will allow the design to reflect the ongoing bench scale work that has been completed. Another key activity of this task was quantifying the amount of biogas that could be expected during the testing program as a result of the different food wastes. This information is needed to size the proposed power project.

Task 3.1.6: Conduct Economic and Environmental Assessment

- Limited work was conducted in January. The effort to update the baseline analysis was completed previously as it was determined that it would be necessary to use actual emissions information from the existing operations instead of general emission rate data that was not specific to the project. The draft 3.1.6 report that was finalized in November defined the environmental benefits in accordance with the scope of this project and will enable those benefits to be documented. Particularly relevant are findings related to the new South Coast Air Quality Management District (SCAQMD) rules that will affect dairy operations.
- Air emissions estimates developed under this task were considered in light of the ongoing regulatory activity of the SCAQMD. Extensive coordination with SCAQMD staff was undertaken to ensure that the emissions will meet or exceed the District's pending rules.
- The findings of this environmental benefit work were assembled into a summary report, which was distributed to the Task 3.1.6 technical peer review group and Energy Commission staff for review in January. The review draft was revised so that each separate topic was addressed in an individual appendix and has a stand-alone deliverable. Comments on the review draft were requested by the end of January.

How we are doing compared to our plan:

As indicated in previous reports, the overall efforts on Project 3.1 were delayed pending incorporation of the results of the Commonwealth Business Plan and subsequent guidance from Commission staff. The meeting held with the Commission in March 2004 enabled development of a revised schedule and also permitted CE Team members to focus their efforts on developing a co-digestion and gas cleaning demonstration program that meets the Commonwealth Business Plan and overall PIER Renewables Mini-Grid Program objectives. The overall direction for this project was further enhanced by development of the *Tactical Marketing Plan*, which outlines the market entry and implementation roles of Project Team participants, including Commonwealth Energy and CH2M HILL, in bringing the results of this project into the California marketplace. This draft *Tactical Marketing Plan* was completed in December 2004 and was submitted to the Commission in January.

Preliminary work on the co-digestion projects is being initiated so that the projects can begin as soon as the Commission's feedback is received. This will result in co-digestion and gas cleaning projects starting in March 2005 and being completed over a 9-month testing period. The final reports will be completed in late 2005.

Significant problems or changes:

A key element of the project is the definition and quantification of the environmental and economic benefits of the dairy waste to energy project. This is particularly true for centralized dairy projects, which may offer the best potential for achieving environmental benefits for a range of dairy digestion project options. The CE Team continues to work with IEUA and has pursued cost information for centralized dairy waste to energy projects in a form that can be appropriately used to present the relative benefits of on-farm and centralized facilities in Europe and North America. This topic is being addressed earlier in the program than originally envisioned. Similarly, the program's focus has redirected to co-digestion and gas cleaning. These areas offer considerable potential to make renewable energy more affordable and also align well with Commonwealth's business objectives and the overall priorities of the Program as reflected in the Commonwealth Project *Prioritization Report*.

There are no significant fiscal problems to report during this period and work is proceeding within budget. Progress and expenditures will result in the project being completed on time under a revised schedule and within budget, based upon the near-term acceptance of the revised *Project 3.1 Implementation Plan*.

What we expect to accomplish during the next period:

Activities planned for February include obtaining Commission comments on the draft and finalizing the Project 3.1 *Tactical Marketing Plan: Bringing Co-digestion and New Biogas Electric Power to Market in California*. On-going coordination meetings involving the CE Team and IEUA will continue and it is expected that comments will be received on the *Draft Process Recommendation Report* submitted to the Commission in January. The internal draft of the Task 3.1.1.b report should also be completed by the team so that it can be submitted.

On Task 3.1.2, site selection activities will continue, and will include all the co-digestion, power generation, and associated infrastructure for the project. An initial draft of the *Site Selection* report is to be prepared. Also, comments received on the draft *Tactical Marketing Plan* will be incorporated and the final report will be submitted. The *Bench Scale Tests* will continue with completion expected once all analytical results are received and analyzed. Further coordination is anticipated with IEUA staff regarding the use of the bench scale test results in the design of the co-digestion systems. The *Draft Task Reports* for Tasks 3.1.6(0) through 3.1.6(5) was completed and the CE Team anticipates receiving comments from the peer technical review team and finalizing the report in late February or March.

Status of Milestones and Deliverables:

Table 1 on the following page summarizes the status of Project 3.1 task deliverables as of the end of the current reporting period.

Table 1: Summary of Project Status and Deliverables – Project 3.1

Task No.	Description	Start Date		Due Date		Status (%)
		Planned	Actual	Planned	Actual	
3.1.1a(1)	Technical Memorandum Comparing Plug Flow and Complete-Mix Digestion Performance & Economics	01/24/02	04/04/03	06/27/03	06/27/03	100%
3.1.1a (2)	Preliminary Draft Process Recommendation Report	01/24/02	04/04/03	10/25/03	8/6/04	100%
3.1.1a (3)	Draft Processes Recommendations Report	01/24/02		11/18/03		95%
3.1.1.b	Assess Evaluate, and Select Animal Waste to Energy Technology	01/24/02		01/17/04		95%
3.1.2a & b	a) Site Selection and	01/24/02		12/20/03		80%
	b) Tactical Marketing Plan	10/20/04	10/18/04	1/15/04		95%

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		Start Date		Due Date		
3.1.3a	Bench Scale and Other Test Plan and Protocols	03/25/02	04/04/03	09/10/03		95%
3.1.3b	Conduct Bench Tests	7/14/03	10/18/04	12/5/03		80%
3.1.3c	Design Memorandum and Draft and Final Test Plans	11/20/03	9/16/04	4/8/2004		30%
3.1.6.0 through 3.1.6.6	Conduct Economic and Environmental Assessment – Environmental Benefits Task	07/12/05	12/15/04	12/13/05		95%

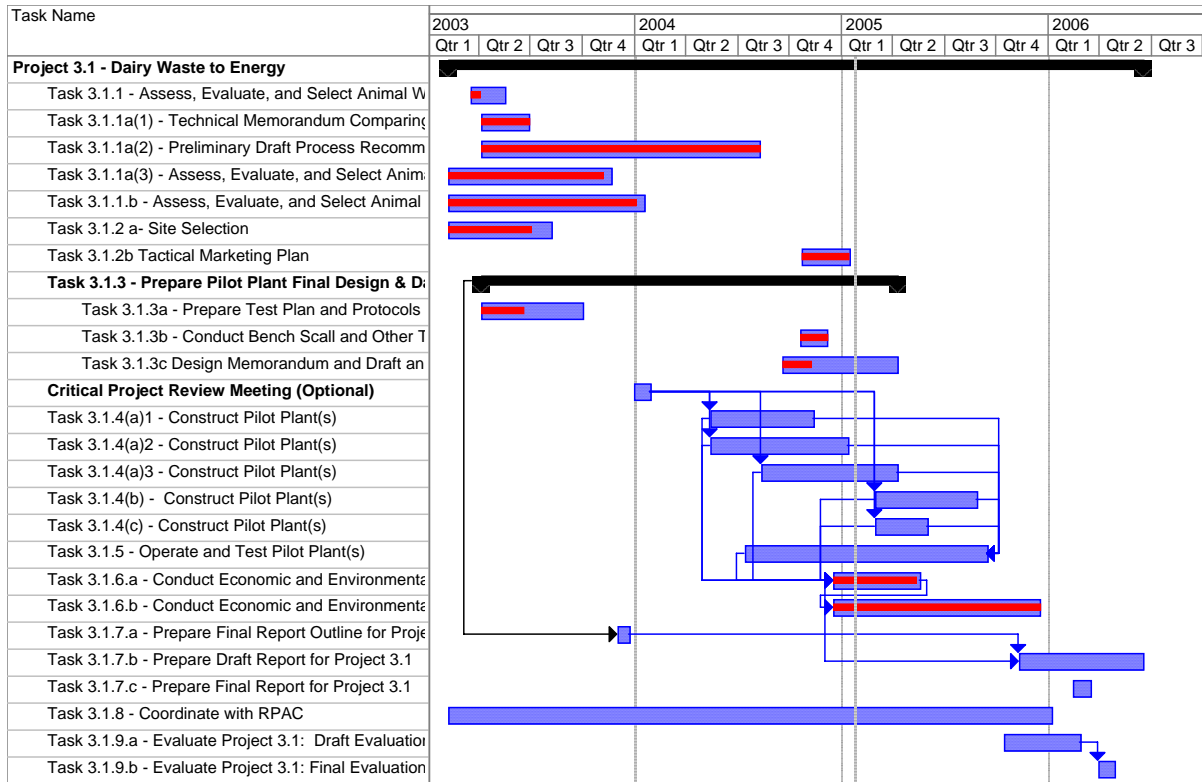
Explanation of any Difference(s) in Schedule

The following discussion provides the explanation for the reported changes in the schedule at the project task/deliverable level.

Task 3.1.1.(a) 3 and 3.1.1.b Draft and Final Process Recommendation Report – The revised implementation plan for Project 3.1 will be finalized once the *Tactical Marketing Plan* is complete. When completed, it will provide a plan and basis for making biogas energy projects in California more affordable using co-digestion. This is expected by March of 2005 enabling the deliverable under the task, which is largely completed, to be submitted in final form.

Task 3.1.3.a – Test Plan and Protocols – The initial *Test Plan and Protocols Report* was based on plans to conduct tests at the IEUA RP-5 treatment facility. Due to comments received from the Commission staff, no CE PIER Program projects are planned at RP-5. The *Test Plan and Protocol Report* has been revised to reflect that situation. In addition, the Test Plan has been revised to be consistent with the Commission Test Plan guidelines, to reflect the results of the discussions held with Commission staff in March 2004, and to incorporate the prioritization effort, which identified co-digestion as the primary focus of Project 3.1.

Overall Schedule for Project 3.1



Overview of Fiscal Status:

Table 2 below summarizes the fiscal status of Project 3.1 by task as of the end of the current reporting period.

Table 2: Fiscal Status by Task – Project 3.1

Task Number	Budget	Invoiced To-Date	Fiscal Status *
3.1.1 a (1)	\$48,000	\$48,000	OT
3.1.1 a (2)	\$72,000	\$72,000	OT
3.1.1 a (3)	\$120,706	\$0	OT
3.1.1.b	\$240,706	\$0	OT
3.1.2	\$171,240	\$0	OT
3.1.3	\$301,177	\$0	OT
3.1.6.0 through 3.1.6.6	\$103,910	\$0	OT

*Fiscal Status – Please indicate if you are “On Track” (OT), OverBudget (OB), or UnderBudget (UB)