

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Continue
Implementation and Administration of
California Renewables Portfolio Standard
Program.

Rulemaking 11-05-005
(Filed May 5, 2011)

**REPLY COMMENTS OF THE
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES
ON RPS PLANS AND NEW PROPOSALS**

July 18, 2012

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Reply Comments on the Investor-Owned Utilities' (IOUs') Renewable Portfolio Standard (RPS) Program Plans and the New Proposals. These Reply Comments are timely filed and served pursuant to the Commission's Rules of Practice and Procedure and the Assigned Commissioner's Ruling Identifying Issues and Schedule of Review for 2012 Renewables Portfolio Standard Procurement Plans Pursuant to Public Utilities Code Section 399.11 Et Seq. and Requesting Comments on New Proposals issued on April 5, 2012 (April 5 ACR).

**I.
SPECIFIC ASPECTS OF THE IOUS' RPS PLANS ARE THE FOCUS OF
COMMENTS OFFERED BY MULTIPLE PARTIES, INCLUDING CEERT.**

In its Opening Comments on the IOUs' 2012 RPS Plans, CEERT addressed several issues arising from the plans individually and collectively and responded to the "new proposals" offered in the April 5 ACR.¹ In these Reply Comments, CEERT focuses on several issues that were common to the comments offered by multiple parties, including CEERT. Those issues or concerns include treatment of (1) integration costs and renewable resource evaluation, (2) Imperial Valley Resources, (3) product preferences, and (4) success rate assumptions.

¹ CEERT filed its Opening Comments on June 22, 2012, in advance of the due date for those comments (June 27).

A. Integration Costs and Renewable Resource Evaluation

In its Opening Comments, CEERT responded to the Investor Owned Utilities' (IOUs') proposals on "market valuation" cost criteria included in their respective Least Cost Best Fit (LCBF) methodologies, in particular, "integration costs," also listed in the April 5 ACR's Proposal for "Standardized Variables in LCBF Evaluation."² Specifically, CEERT recommended, and continues to recommend, that: "To the extent that the Commission intends that an 'integration cost adder' is to be considered in this RPS Planning cycle, it is incumbent upon the Commission to hold that promised 'public forum' [in Decision (D.) 11-04-030] where all stakeholders can participate in the development of this adder."³ With respect to Pacific Gas and Electric Company's (PG&E's) proposal to "to use an integration cost adder of \$7.50/MWh (2008\$)," CEERT objected to use of this "adder" since it was not one vetted in such a public forum, but, instead represented a dated assumption made by a consulting firm for use in its proposed long term scenario planning.⁴

Multiple parties made these same points in their Opening Comments, including BrightSource Energy, Inc. (BrightSource), the Independent Energy Producers Association (IEP), Large-Scale Solar Association (LSA), Division of Ratepayer Advocates (DRA), California Wind Energy Association (CalWEA), TransWest Express LLC (TransWest), and SolarReserve, LLC (SolarReserve). In this regard, each stressed the importance of public input and the need for promptly scheduled, focused workshops to develop a record in support of what and how

² April 5 ACR, at pp. 16-17; CEERT Opening Comments, at p. 20.

³ CEERT Opening Comments, at pp. 20-23. As noted there, in D.11-04-030, the Commission declined to adopt Southern California Edison Company's (SCE's) and San Diego Gas and Electric Company's (SDG&E's) proposed use of "non-zero integration cost adders" in their RPS plans, noting that the Commission had previously rejected such proposals and that "such costs, if any, need to be developed with public review and comment." (D.11-04-030, at p. 23.)

⁴ CEERT Opening Comments, at p. 22.

“integration costs” will be calculated and applied in this round of RPS Procurement Plans.⁵ As stated by BrightSource, in doing so, the Commission also needs to be “thoughtful about integration costs in determining what is procured, and where it is procured from, in terms of both technology and geographical diversity.”⁶

In addition to CEERT, CalWEA, IEP, and DRA also objected to PG&E’s use of its proposed integration cost adder since it “does not satisfy the procedural protections required by the Commission,” was “not developed with public input,” “fails to transparently describe how the integration cost bid adder would be applied,” and is not supported by “empirical data.”⁷ As DRA states, the “methodology behind the calculation” has not been “thoroughly explained and vetted by parties” and the Commission “should not assume this price accurately reflects the cost of integrating intermittent resources today.”⁸ Clearly, at this point, only an integration cost adder developed in a public forum can or should be used in evaluating and selecting RPS bids.

As to evaluation and procurement of renewable resources generally, CEERT’s Opening Comments also emphasized that the Commission must ensure that each solicitation is consistent with the RPS statute and is “based on credible, supportable, and, to the extent possible, uniform assumptions and protocols between the IOUs that advance a fair, transparent procurement process that is geared to yielding the most realistically and reasonably priced, viable, and diverse projects.”⁹ This same sentiment, urging “increased transparency in RPS Procurement,” especially to ensure robust and diverse renewable portfolios with the highest value to ratepayers, was echoed in the Opening Comments of CalWEA, CalEnergy Generation Operating Company

⁵ BrightSource Comments, at pp. 2-3; LSA Comments, at pp. 5-6; IEP Comments, at p. 13; DRA Comments, at pp. 12, 14; TransWest Comments, at p. 3; SolarReserve Comments, at pp. 8-9.

⁶ BrightSource Comments, at p. 9.

⁷ CalWEA Comments, at pp. 12-14; IEP Comments, at p. 13.

⁸ DRA Comments, at p. 13.

⁹ CEERT Comments, at p. 11.

(CalEnergy); Ormat Technologies (Ormat), and the City and County of San Francisco (SFCity).¹⁰ It is for this reason, along with significant differences and changes to the IOUs' RPS Plans made in apparent response to SB 2 1X, that CEERT renews its request made in its Opening Comments that the Commission also "hold a workshop immediately for the purpose of creating a compliance checklist for the IOUs' 2012 RPS Plans," to ensure consistency in these Plans with current law and Commission precedent.¹¹

B. Imperial Valley Resources

In its Opening Comments, CEERT objected to the complete failure of all of the IOUs' 2012 RPS Plans to address Imperial Valley resource adequacy and procurement issues consistent with Commission decisions (D.08-12-058, D.09-06-018, D.11-04-030), the Assigned Commissioner's Ruling (ACR) issued in this proceeding on June 7, 2011 (June 7 ACR), and, most recently, the letter dated May 16, 2012, sent by CPUC Commission President Michael R. Peevey, California Energy Commission (CEC) Chair Robert Weisenmiller, and CPUC Commissioner Michel Florio to the President of the CAISO, Steven Berberich. This letter was appended to the Opening Comments of both CEERT and CalEnergy.

The need to consider and appropriately "promote cost-effective development of renewable resources through the Imperial Valley" and to avoid or eliminate barriers in the IOUs' RPS Plans and proposals to that procurement was also stressed in the Opening Comments filed by CalEnergy, the Imperial Irrigation District (IID), and 8minutenergy Renewables LLC (8minutenergy).¹² Each, along with CEERT, has asked that the Commission direct the IOUs to address Imperial Valley resource issues consistent with Commission precedent and direction to

¹⁰ CalWEA Comments, at p. 4; CalEnergy Comments, at pp. 16-19; Ormat Comments, at pp. 2-3; SFCity Comments, at p. 5.

¹¹ CEERT Comments, at p. 12.

¹² IID Comments, at pp. 4-12; CalEnergy Comments, at pp. 3, 5, 9-11; 8minutenergy Comments, at pp. 1-7.

ensure that renewable development in that area is appropriately considered and treated in the IOUs' 2012 RPS Plans. As stated by CalEnergy, it is incumbent that those plans "either remove preferences that discriminate against RPS eligible projects which lie outside their service territory or outside the CAISO control area, or order that remedial measures be adopted to require that the IOUs adopt a preference for imports from the Imperial Valley that would place them in an equivalent status to a project in the CAISO control area with CAISO-approved interconnection studies."¹³

C. Product Preferences

In its Opening Comments, CEERT also expressed concern with procurement "preferences" identified by the IOUs in their 2012 RPS Plans that will shape or limit the RPS "products" they will procure. As those comments make clear, CEERT does not believe that these limitations are supported by statute and may, in fact, inappropriately limit robust competition and inject unnecessary confusion and uncertainty in that process.¹⁴

These same views were also expressed in Opening Comments submitted by IEP, DRA, IID, and SolarReserve. In this regard, IEP, DRA, and SolarReserve all question the merits of SCE, for example, "narrow[ing] its next solicitation to Category 1" products, especially when such a "strategy" is inconsistent with the law and could prove more costly for ratepayers.¹⁵ As DRA states, "solicitations should be as competitive and robust as possible and excluding entire categories of products from solicitations will unnecessarily increase the cost of RPS compliance to ratepayers."¹⁶ Further, IID and SolarReserve have commented that imposing the additional restriction of requiring interconnection with CAISO balancing area authorities (BAAs) only is

¹³ CalEnergy Comments, at p. 11; emphasis removed.

¹⁴ CEERT Opening Comments, at pp. 4-5, 14.

¹⁵ DRA Opening Comments, at p. 5.; IEP Comments, at p. 14; SolarReserve Comments, at p. 4.

¹⁶ DRA Opening Comments, at p. 6.

contrary to statute (SB 2 1X) and discriminates against projects not interconnected to the CAISO.¹⁷ To that end, the Commission should direct the IOUs to remove any such inappropriate barriers or restrictions in their RPS solicitations.

D. Success Rate Assumptions

In its Opening Comments, CEERT urged the Commission to adopt “a uniform ‘success’ or ‘failure’ rate of 60% and 40% [respectively]...consistent with historical trends unless an individual IOU can demonstrate, based on the last two years of experience, that a specific ‘portfolio’ has in fact produced a different rate of success.”¹⁸ CEERT emphasized the importance of this “rate” assumption to ensure “‘steady’ progress” by each IOU toward a 33% RPS and to establish each IOU’s “minimum margin” of renewables procurement.¹⁹ CEERT was particularly concerned by wide variations among the IOUs in their individually assumed “success rates” and deviations from the success rate (60%) currently assumed by the Energy Division.²⁰

DRA in its Opening Comments, however, supports the much lower “success” rate assumed by PG&E on claims that the IOUs have “become more experienced in developing renewable projects” or the contract termination rate will decrease as the “market matures.”²¹ CEERT, however, objects to these claims, similar to PG&E’s assertions of its “observations” or “general trends,” being used as support for a success rate higher than assumed now by Energy Division, especially given increased, not decreased, risks to timely renewable project completion. In addition to the risks identified in the IOUs RPS Plans, IEP notes in its comments that “additional risks for project developers” now also include ongoing, lengthy review periods of submitted PPAs by the Commission and the “long lead-times contemplated in the RPS

¹⁷ IID Comments, at pp. 15-17; SolarReserve Comments, at pp. 2, 4-5.

¹⁸ CEERT Opening Comments, at p. 17.

¹⁹ *Id.*, at p. 15.

²⁰ *Id.*, at p. 16.

²¹ DRA Comments, at pp. 3, 15.

Plans.”²² Clearly, this important assumption of project “success” can only be raised from the current 60% assumption based on concrete evidence of increased success of projects now under contract achieving operational status.

II. CONCLUSION

CEERT appreciates the opportunity to offer both Opening and Reply Comments on IOUs’ RPS Plans and the ACR’s new proposals and incorporates its positions in both herein. CEERT believes that, as the Opening Comments of many parties reflect, there are key, threshold directions and considerations that must be undertaken by the Commission in reviewing and approving any final IOU 2012 RPS Procurement Plan.

Respectfully submitted,

July 18, 2012

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²² IEP Comments, at pp. 2-3.

VERIFICATION

(Rule 1.11)

I am the attorney for the Center for Energy Efficiency and Renewable Technologies (CEERT). Because CEERT is absent from the City and County of San Francisco, California, where I have my office, I make this verification for said party for that reason. The statements in the foregoing Reply Comments of the Center for Energy Efficiency and Renewable Technologies on RPS Plans and New Proposals, have been prepared and read by me and are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct and executed on July 18, 2012, at San Francisco, California.

Respectfully submitted,

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