



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF
CALIFORNIA**

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**Order Instituting Rulemaking to Implement the
California Renewables Portfolio Standard Program**

**RULEMAKING 06-02-012
(Filed February 16, 2006)**

**ADMINISTRATIVE LAW JUDGE'S RULING
REQUESTING POST-WORKSHOP RESPONSES ON TRADABLE
RENEWABLE ENERGY CREDITS**

**Comments On
Scope of Proceedings
Issues to be Considered**

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November 29, 2007**

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RENEWABLE ENERGY CREDITS

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Central California Power (CCP) is pleased to present the following responses to the Post Workshop Comments submitted:

CCP is in agreement with the Statement presented by the IEP regarding the “Proposed Guiding Principles. RECs should be utilized to make renewable projects more commercially viable and also enhance the delivery of renewable power.

With regards the IEP Statement (b) in Attachment A entitled: *“Tradable RECs will provide buyers and sellers of RPS-eligible generation with additional contracting flexibility in the near term and long term”*. CCP would like to amend IEP’s statement *“From a developer perspective, this enhanced product differentiation and market flexibility will enhance the market value of the generation facility, improve financing, and make more viable the project as a whole”*.

CCP would like to add this comment to the above statement: “A more viable project is usually a function of more project revenue. Granted, a tradable REC provides an additional attribute but only if the developer is permitted to reap some of the monetary rewards of renewable energy credit trading revenues then does the overall statement become valid”. As yet the question of whether or not there is a monetary reward for the developer and the amount of the reward still requires resolution.

With regard the IEP answer to *“Dr. Weiss asserts that the REC supply is very elastic up to capacity. He further suggests that this leads to a boom/bust cycle”*.

CCP entirely agrees with the IEP statement: *“As a result, we disagree with Dr. Weiss that the REC supply will necessarily be characterized by boom/bust cycles. Programmatic stability, from both a regulatory and legislative perspective, is critical to ensure a stable market in RECs”*.

CCP disagrees with Pilot Power Group Inc. (PPG’s) statement located in the fourth sentence in the second paragraph. PPG states:

What is required to satisfy RPS program standards is not electric energy, but renewable/environmental attributes of energy generated by qualifying renewable facilities.

That statement is not correct. The feature unique to renewable energy is that the energy is generated from fuels that are adjudicated to be renewable and that the generation plant is certified by the California Energy Commission (CEC) to be a renewable energy generation facility. This writer has stated many times that the environmental attributes do not have to accompany the Renewable Energy Credits in order for REC trading to occur. RECs and emissions attributes are two entirely different and separate items. The important thing to remember in the classification of renewable energy is the renewableness of the energy, which is a function of it's being generated in a "facility" certified by the CEC as a renewable facility and the energy is created by a fuel adjudicated to be "renewable". While there may be a reduction in emissions created by renewable energy, this may result in the creation of "Emissions Reduction Credits" (ERCs). However, without the renewable accreditation of the energy there is no REC, therefore the ERCs created by using the renewable fuel and the RECs connected with renewable energy generation are really two distinct, separate, different, issues.

There is validity in the PPG statement that:

A REC is a REC regardless of when it is unbundled from the associated energy.

PPGs following statement which is included below for reference should be amended to remove the term "renewable/environmental". The word attributes is sufficient.

The renewable/environmental attributes of a tradable REC are exactly the same as the renewable/environmental attributes of an equal volume of bundled renewable energy—strip away the energy through unbundling or through consumption, and you are left with the identical renewable/environmental attributes.

CCP agrees with the PG&E statement: *It is the Commission's role to determine whether contract prices for renewable power are reasonable. In the same manner, the Commission could determine a reasonable price for RECs. PG&E agrees with the principles espoused in the staff report to consider bundled and unbundled transactions on a consistent basis, and recommends the CPUC adopt a \$35/mwh price benchmark, but not a hard and fast price cap for use in evaluating REC transactions.*

CCP wishes to reiterate: We believe that a REC price cap should be established. Further, CCP would recommend that REC pricing be conducted under rigorous CPUC scrutiny to prevent unscrupulous gouging. A regulated market is a controlled price market. In addition CCP would suggest adding the following: The establishment of a body within

the Commission to undertake the pricing of both the price of the renewable energy and the cost of the REC. Further, the price of a REC should remain constant with respect to whether it was created from As-Generated or Reliable (Dispatchable) renewable energy. As a general statement, CCP does not agree with any REC time limits regarding tradability or compliance. As with an Emissions Reduction Credit (ERC) there is no time limit in which the attribute must be traded, CCP believes that the same criteria should be extended to RECs.

In addition, the authorization of unbundled RECs for RPS compliance does not require any sweeping changes to the existing RPS rules. It is unnecessary for the Commission to engage in a lengthy dialogue regarding the authorization to use unbundled RECs for RPS compliance. Instead, the Commission should focus on clearly defining the attributes and compliance rules with respect to unbundled, tradable RECs and ensuring that all LSEs may use them equally.

It appears there is an overwhelming consensus about the desirability and the need for RECs, the points of dispute appear to be minor and should be rather readily resolved therefore CCP believes that Evidentiary Hearings are not needed.

CCP would like to thank the Commission for the opportunity to present these responses to Comments and looks forward to a timely resolution

Respectfully submitted,

/ S /

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November 29, 2007

CERTIFICATE OF SERVICE

To All Parties with E-Mail Addresses on Service List R.06-02-012:

Attached in pdf format is a copy of CENTRAL CALIFORNIA POWER'S POST-WORKSHOP RESPONSES in response to "ALJ RULING REQUESTING POST-WORKSHOP RESPONSES ON TRADABLE RENEWABLE ENERGY CREDITS. This document was e-mailed to the CPUC Docket Office on November 5, 2007. This document was served by e-mail to all parties on the service lists R06-02-012, R06-05-027, R06-03-004, R06-04-009 who have provided the Commission with e-mail addresses.

Executed: November 29, 2007 in Fresno California.

If you have any problems opening the documents, I can be reached at (559) 917-5064.

Sincerely,

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