

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



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Order Instituting Rulemaking to Develop
Additional Methods to Implement the
California Renewables Portfolio Standard
Program.

R.06-02-012

**Renewable Energy Coalition's Response to PG&E, SCE, and SDG&E's
Jointly Filed Petition for Modification of Decision 10-03-021**

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INTRODUCTION

The Renewable Energy Coalition (“Coalition”) is an assumed business name for an Oregon unincorporated association that represents the interests of many renewable energy projects in the Northwest. All of the coalition participants are either Qualifying Facilities (“QFs”) or projects that could or will qualify for QF status under the Public Utility Regulatory Policies Act of 1978 (“PURPA”). The projects are baseload biomass fueled facilities or small hydroelectric projects under 30 MW in capacity. There are no projects that generate intermittently.

The Coalition appreciates the Commission’s efforts in Docket R-06-02-012 and its recent Decision 10-03-021 (“Decision”), and is particularly encouraged by the Commission’s authorizing the use of tradable renewable energy credits (“TRECs”) in meeting California’s laudatory portfolio goals. The clarification allowing the trading of TRECs from out-of-state QFs will be particularly beneficial in meeting the Commission’s goals. In general, the Coalition strongly supports the Petition for Modification of PG&E, SCE, and SDG&E (collectively, the “Joint Utilities”). The Coalition is concerned, however, that several issues may inadvertently derail potential progress in this regard; those concerns are set out below.

DISCUSSION

In general, small Northwest QF projects suffer from a number of regulatory uncertainties as well as currently low short-term (two to four years) avoided-cost prices. These conditions stifle new project development and reinvestment in project improvements; in some cases, they threaten the continued operation of existing QFs. The most promising source of additional funds to overcome these problems is revenue from renewable energy credits. Most Northwest state regulatory bodies have made a clear distinction regarding the ownership of environmental attributes and have specifically recognized that the QF retains such attributes when the power is sold to a regulated utility under a PURPA contract at full avoided- cost prices.

Many Coalition members today are reviewing the eligibility criteria for the California RPS in order to decide whether to commit to substantial new investments. Expansion of eligibility into California's RPS program, as opposed to additional restriction, is needed. Recent Oregon legislation has made most Coalition projects eligible for Oregon's RPS; in the case of small hydroelectric projects the legislation ties eligibility to the Low Impact Hydroelectric Institute's ("LIHI") certification. The Coalition suggests that eligibility into the California RPS program be enhanced, in a more regional approach, to include extending eligibility to post-2005 LIHI certified or recertified hydroelectric projects under 30 MW. The Coalition also suggests cost-effective revisions to repowering standards for pre-2005 biomass facilities which are Oregon-RPS-eligible but are in peril of shutting down due to inadequate short-term avoided cost prices and that currently have no REC value.

The Coalition is quite concerned that elements of the Decision may needlessly

restrict opportunities of both utilities and QFs by unnecessarily overlooking advantages that might be obtained from non-California sources. The key issue arises from the simultaneous limitation on the use of TRECs while creating criteria for currently bundled RECs which may result in most out-of state transactions being considered as REC-only, which in turn may exhaust the 25 percent TREC usage limit. The net result is that, unless there is some modification, there will be more regulatory uncertainty both for QFs and for utilities, less opportunity to attain RPS targets using out-of-state resources, little capacity remaining within the 25 percent TREC usage limitation, and little practical opportunity for additional bundled transactions.

The Commission has limited the Joint Utilities to using no more than 25 percent TRECs in meeting those utilities' annual procurement targets. The Coalition recommends that this limitation be relaxed in order to encourage renewable energy projects for the reasons stated in their petition. Provisions that may frustrate the use of TRECs, at least in the short term, are a particular concern to the Coalition's members; those provisions involve factors such as whether existing bundled contracts may be considered as RECs only (which issue was discussed by the Joint Utilities in their filing) and whether future out-of-state bundled transactions will have to be considered TRECs. These provisions imperil California's possible use of out-of-state QFs' environmental attributes, create unnecessary and significant uncertainty, and may well result in lost opportunities. To resolve this issue the Coalition supports the Joint Utilities' suggestion that the criteria be modified to allow out-of-state transactions to be classified as bundled RECs unless only TRECs are being purchased; at a minimum the Coalition urges that the 25 percent TREC limitation be relaxed. In the

absence of such steps the Coalition believes that the current trend toward shutting down existing biomass projects in the Northwest will increase as long-term, higher-priced power-purchase agreements expire in the absence of no significant potential value for environmental attributes.

The Commission should consider an additional perspective regarding the bundling criteria of out-of-state transactions and the 25 percent limitation on the use of TRECs: If the Commission adheres to this course it will be taking a step away from California's long history of cooperation with other Northwest states in developing and sharing of regional electric resources. The Joint Utilities support a more regional approach, and the Coalition joins in that support. Consequently, the Coalition urges the Commission to modify the Decision to facilitate, for compliance purposes, the bundling of out-of-state RECS with the underlying power and relaxing the limitation on the usage of TRECs.

CONCLUSION

On behalf of its Northwest members the Coalition urges the Commission to relax the 25 percent limitation on TRECs in determining whether utilities have achieved their annual procurement targets. The Coalition also urges the Commission to authorize the bundling of RECs from out-of-state QFs unless TRECs only are being purchased. Making these changes while modifying the Decision as set forth herein will promote a more regional approach as well as enhance both the efficient development of future projects and the continuation of existing regional projects. Finally, taking these steps will be a win-win for California utilities, the state's citizens, and out-of-state QF owners and developers.

DATED this 4th day of May, 2010, at Welches, Oregon; title modified May 6, 2010.

/s/

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the *Renewable Energy Coalition's Response to PG&E, SCE, and SDG&E's Jointly Filed Petition for Modification of Decision 10-03-021* on all parties of record in proceeding *R.06-02-012* by serving an electronic copy on their email addresses of record and by mailing a properly addressed copy by first-class mail with postage prepaid to each party for whom an email address is not available. Hard copies were sent by first-class mail to the following: Larry Eisenstat & Richard Lehfeldt, 3 Phase Renewables. LLC, AOL Utility Corp., Stephen Morrison, Janice Hamrin, and Donald Furman. The list of entities copied electronically follows the signature block.

Executed on May 4, 2010 (title modified May 6, 2010), at Welches, Oregon.

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