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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

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

**ASSIGNED COMMISSIONER'S RULING IDENTIFYING ISSUES AND
SCHEDULE OF REVIEW FOR 2012 RENEWABLES PORTFOLIO STANDARD
PROCUREMENT PLANS PURSUANT TO PUBLIC UTILITIES CODE
SECTIONS 399.11 ET SEQ. AND
REQUESTING COMMENTS ON NEW PROPOSALS**

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1. Summary

Pursuant to the authority provided in Pub. Util. Code § 399.13(a)(1),¹ today's ruling identifies issues and sets a schedule for the Commission's review of the 2012 Renewables Portfolio Standard (RPS) Procurement Plans and of related documents for electric corporations. Pursuant to § 365.1² and Decision (D.) 11-01-026,³ this ruling also identifies the filing requirements applicable to electric service providers (ESPs).

¹ Section 399.13(a)(1) orders the Commission to "direct each electric corporation to annually prepare a renewable energy procurement plan...to satisfy its obligations under the renewables portfolio standard." All subsequent code section references are to the Public Utilities Code unless otherwise indicated.

² Section 365.1 was enacted by Senate Bill (SB) 695 (Kehoe, Stats. 2009, ch. 337) and provides, among other things, for the phased and limited reopening of direct access transactions in the service territories of the three large utilities. The statute also requires that, once the Commission has begun the process of reopening direct access, the Commission shall equalize certain program requirements between the three large utilities and "other providers," including ESPs. Section 365.1 expressly exempts community choice aggregators from its requirements and does not address small and multi-jurisdictional utilities. Consequently, D.11-01-026 did not address RPS procurement requirements as they apply to community choice aggregators or small and multi-jurisdictional utilities. This ruling begins to address small and multi-jurisdictional utilities.

³ Pursuant to § 365.1, D.11-01-026 found that almost all significant RPS requirements currently apply equally to large investor-owned utilities and ESPs. The decision adds to the RPS obligations of ESPs, such as the filing of RPS procurement plans for Commission approval. D.11-01-026 at Ordering Paragraph 1.

The Commission has adopted a framework for consideration of RPS Procurement Plans for electric corporations in prior decisions. The most recent decision is D.11-04-030.⁴ Consistent with the general process outlined in D.11-04-030 and the additional requirements imposed by SB 2 1X,⁵ this ruling requires the filing of proposed RPS Procurement Plans for 2012 and sets forth the information required therein. After the Commission considers these proposed procurement plans, the Commission will issue a decision on these plans, consistent with the direction set forth in § 399.13(a)(1).⁶

In addition, this ruling seeks comments on several new proposals to modify the existing RPS procurement and review process. These new proposals are set forth at section 7, herein. Parties may file comments on these new proposals as set forth in the schedule at Attachment A. A second ruling may be issued within the next few weeks with additional proposals to modify the existing RPS procurement and review process. This second ruling will include a schedule for comments by parties.

Additional background on the RPS procurement process is set forth below together with the issues to be considered and the procedural schedule (Attachment A).

⁴ In D.11-04-030, the Commission adopted RPS Procurement Plans for the year 2011.

⁵ SB 2 1X (Simitian, Stats. 2011, ch. 1) enacted in the First Extraordinary Session of the Legislature (effective on December 10, 2011, the 91st day after the end of the special session in which it was enacted.)

⁶ Section 399.13(a)(1) states that the Commission shall review and accept, modify, or reject each utilities' RPS Procurement Plan prior to the commencement of renewable energy procurement pursuant to this Article 16 of the Public Utilities Code.

2. General Requirements for 2012 RPS Procurement Plans

The Order Instituting Rulemaking (OIR) initiating this proceeding was adopted by the Commission on May 5, 2011. An initial prehearing conference was held on June 13, 2011. The *Scoping Memo and Ruling of Assigned Commissioner* (Scoping Memo) was issued July 8, 2011. The Scoping Memo noted, among other things, that recent legislation, SB 2 1X, made a number of changes to the RPS Program.⁷ Most notably, SB 2 1X extended the RPS procurement goal from 20% of retail sales of all California electrical corporations, ESPs, and Community Choice Aggregators (CCAs) by the end of 2010, to 33% of retail sales of electrical corporations, ESPs, CCAs and publicly-owned utilities by the end of 2020.⁸

SB 2 1X also modified or changed many details of the RPS Program. These details have, in part, been addressed in several recent Commission decisions, including D.11-12-020, (*Decision Setting Procurement Quantity Requirements for Retail Sellers for the Renewables Portfolio Standard Program*, issued December 1, 2011) and D.11-12-052 (*Decision Implementing Portfolio Content Categories for the Renewables Portfolio Standard Program*, issued December 15, 2011).

In addition, SB 2 1X modified certain requirements applied to the RPS Procurement Plans. Consistent with legislative changes and additional

⁷ The RPS Program is codified at §§ 399.11 *et seq.* The RPS Program was first established by SB 1078 (Sher, Stats. 2002, ch. 516), which set a goal for retail sellers of providing 20% of their retail sales from eligible renewable energy resources by 2017. SB 107 (Simitian, Stats. 2006, ch. 464), accelerated the 20% goal to 2010, as well as making other changes in the RPS program. *See also*, OIR (May 5, 2011) for this proceeding at 1 and 7.

⁸ The Commission has jurisdiction, for RPS purposes, over the first three groups of retail sellers and not over publicly-owned utilities. *See* §§ 399.12(j) and 399.30(p).

programmatic refinements contained herein, compliance with all of the requirements set forth below is required by Pacific Gas and Electric Company (PG&E), Southern California Electric Company (SCE), San Diego Gas & Electric Company (SDG&E) (collectively investor-owned utilities or IOUs). Small and multi-jurisdictional utilities are subject to a subset of these requirements. ESPs are also subject to a subset of these requirements, as described below.

When filed with the Commission, all of the proposed 2012 RPS Procurement Plans must achieve the following:

1. Describe the overall plan for procuring RPS resources for the purposes of satisfying the RPS Program requirements while minimizing cost and maximizing value to ratepayers. This includes, but is not limited to, any plans for building utility-owned resources, investing in renewable resources, and engaging in the sales of RPS procurement.
2. The various aspects of the plans themselves must be consistent. For instance, bid solicitation protocol should be consistent with any statements and calculations regarding a utility's procurement net short position.
3. The plans should be complete in describing and addressing procurement (and sales) of RPS eligible resources such that the Commission may accept or reject proposed contracts based on consistency with the approved plan, including any calculation of procurement net short position.
4. Electric corporations should work collaboratively to the extent possible to make the format of the plans as uniform as possible so as to enable parties, bidders, and the Commission to easily access, review and compare the plans.

Attachment A to this ruling is the procedural schedule for the Commission's review of the 2012 RPS Procurement Plans. Updates to the filed proposed 2012 RPS Procurement Plans may be provided consistent with the adopted 2012 schedule set forth at Attachment A.

3. Utilities Subject to Section 399.17

SB 2 1X revises the RPS procurement requirements for multi-jurisdictional utilities and their successors⁹ and allows these utilities to meet their RPS procurement obligations without regard to the portfolio content category limitations in § 399.16.¹⁰ It also continues the ability of a multi-jurisdictional utility, i.e., PacifiCorp, to use an Integrated Resource Plan (IRP) prepared for regulatory agencies in other states to satisfy the RPS Procurement Plan requirement, so long as the IRP complies with the requirements specified in § 399.17(d), as discussed in more detail below.¹¹

In D.08-05-029, the Commission required multi-jurisdictional utilities to provide supplements to their IRPs in years in which the multi-jurisdictional utilities did not prepare an IRP. Because SB 2 1X sets new procurement plan standards and, in addition, this ruling sets new plan requirements, the prior framework which permitted an IRP supplement needs to be reviewed and possibly adjusted.

Therefore, for 2012, PacifiCorp should file its 2011 IRP, with an explanation of how the IRP meets or does not meet the requirements of § 399.17(d). To the extent that the IRP does not meet the requirements of § 399.17(d), PacifiCorp must provide appropriate supplementary material.

⁹ PacifiCorp is a multi-jurisdictional utility for RPS purposes. California Pacific Electric Company (CalPeco) is a successor entity (previously Sierra Pacific Power Company) under § 399.17 and not a multi-jurisdictional utility because it has customers only in California.

¹⁰ § 399.17(b).

¹¹ See D.08-05-029 for a description of the IRP process.

In addition, PacifiCorp must supply any of the information required in sections 6.1 through 6.5 of this ruling and not provided in the IRP.

CalPeco, on the other hand, does not prepare an IRP because it is not subject to the jurisdiction of another state. It should, therefore, prepare an RPS Procurement Plan subject to the same requirements as a small utility under § 399.18.

4. Utilities Subject to Section 399.18

SB 2 1X makes special provisions for the two small utilities existing at the time the legislation was drafted.¹² Section 399.18(b) allows a small utility to meet the RPS procurement obligations without regard to the portfolio content category limitations in § 399.16.

A small utility must file a procurement plan pursuant to § 399.13(a)(5), but it should be tailored to the limited customer base and the limited resources of a small utility.

Accordingly, BVES, as well as CalPeco, should prepare a procurement plan providing the information required in sections 6.1 through 6.4 of this ruling. BVES and CalPeco are not required to provide the quantitative information described by section 6.5 in a separate submission but may provide quantitative information to support the written assessments.

¹² Section 399.18(a)(1) describes Bear Valley Electric Service (BVES). Section 399.18(a)(2) describes the former Mountain Utilities. Mountain Utilities was purchased by Kirkwood Public Utility per D.11-06-032. Mountain Utilities is no longer considered a retail seller subject to the Commission's RPS jurisdiction.

5. Electric Service Providers

As provided in D.11-01-026, ESPs must file RPS Procurement Plans. Many of the new requirements of § 399.13(a)(5) do not reasonably apply to ESPs. Therefore, each ESP must file a proposed RPS Procurement Plan that complies with the requirements of sections 6.1 through 6.5, below.

6. Specific Requirements for 2012 RPS Procurement Plans

As discussed in this section, the Procurement Plans must include all information required by statute as well as quantitative analysis supporting the retail seller-s qualitative assessment of its portfolio and future procurement decisions. The 2012 plans must also address proposals for implementing new statutory requirements.

Responses to all sections except sections 6.5 and 6.10 shall be provided qualitatively in writing. Responses to sections 6.5 and 6.10 shall be provided in a numerical/quantitative format to support the written responses to sections 6.1 – 6.4, and 6.6. Methodologies and formats for both sections 6.5 and 6.10 may be further fleshed out by Energy Division staff and parties, as described below. The procurement plans should be non-confidential, to the greatest extent possible, and all sources of information must be identified with citations, if any. All assumptions underlying these responses must be clearly stated.

6.1. Assessment of RPS Portfolio Supplies and Demand - § 399.13(a)(5)(A)

Provide a written description assessing annual or multi-year portfolio supplies and demand to determine the retail seller's optimal mix of eligible renewable energy resources. In addition, the assessment should consider, at a minimum, a 10-year planning horizon. This written description must include the retail seller's need for RPS resources with specific deliverability characteristics,

such as, peaking, dispatchable, baseload, firm, and as-available capacity. It should also address the retail seller's need for and plan for procuring resources that satisfy the three portfolio content categories of RPS procurement.¹³ This written description must explain how the proposed renewable energy portfolio will align with expected load curves and durations. It must also explain how quantitative analysis provided in response to section 6.5 supports the assessment.

**6.2. Potential Compliance Delays -
§ 399.13(a)(5)(B)**

Describe in writing any potential issues that could delay RPS compliance, including inadequate transmission capacity and the relationship, if any, to deliveries and project development delays by, for example, permitting, interconnection, or other circumstances. Describe the steps taken to account for and minimize these potential compliance delays. The potential compliance delays included in the written description must be reflected in the quantitative analysis provided in response to section 6.5. Given this analysis, discuss how the compliance delays will impact the retail seller's net short and its procurement decisions.

**6.3. Project Development Status Update -
§ 399.13(a)(5)(D)**

Provide a written status update on the development schedule of all eligible renewable energy resources currently under contract but not yet delivering generation. This written status update may rely upon the most recent filed

¹³ See D.11-012-052, *Decision Implementing Portfolio Content Categories for the Renewables Portfolio Standard Program*, issued December 15, 2011

Project Development Status Reports¹⁴ but must elaborate upon these reports. Providing a copy of the Project Development Status Report will not be a sufficient response. The status updates provided in the written description must be reflected in the quantitative analysis provided in response to section 6.5, below. Given this analysis, discuss how the status updates will impact the retail seller's net short and its procurement decisions. Project Development Status Reports shall continue to be filed twice a year based on a schedule directed by the Commission's Energy Division Director.

6.4. Risk Assessment - § 399.13(a)(5)(F)

Provide a written assessment of the risk of failure to build or of construction delay for eligible renewable energy resource projects currently under contract. The risk assessment provided in the written description must be reflected in the quantitative analysis provided in response to section 6.5. Given this analysis, discuss how the risk assessment will impact the retail seller's net short and its procurement decisions. The written assessment must explain how quantitative analysis provided in response to section 6.5 supports this response.

6.5. Quantitative Information - §§ 399.13(a)(5)(A), (B), (D) and (F)

In addition to the written descriptive responses to section 6.1 through 6.4, provide quantitative data, methodologies, and calculations relied upon to assess the retail seller's RPS portfolio needs and procurement net short. This

¹⁴ In D.06-05-039 the Commission adopted the requirement that the IOUs submit Project Development Status Reports providing information on whether each Commission-approved RPS project is on target with the project's milestones and projected initial operation date. Section 6.3 is a new requirement for RPS procurement plans pursuant to SB 2 1X.

quantitative analysis must take into account, where appropriate, the quantitative discussion requirement by sections 6.1-6.4, above. As stated above, the portfolio assessment should be for a minimum of ten years in the future. The responses must be clear regarding the quantitative progress made towards RPS requirements and the specific risks to the electrical corporation's RPS procurement portfolio. Risks may include, but are not limited to, project development, regulatory, and market risks. The quantitative response must be provided in an Excel spreadsheet or similar format.

The Commission's Energy Division Staff will hold a workshop for retail sellers and all interested parties to develop a methodology, inputs, and format, as needed, for reporting the quantitative information required here. This will include a discussion on the definition of the net short to be calculated for the RPS Procurement Plans and the extent to which it takes into account a utility's need to satisfy future electric load and/or RPS procurement requirements. The date of this workshop will be announced in the near future. Once a methodology is developed, it shall be incorporated in either the draft or final 2012 Procurement Plans, depending on the availability of the final methodology.

**6.6. "Minimum Margin" of Procurement -
§ 399.13(a)(4)(D)**

Section 399.13(a)(4)(D) provides, in part, that the Commission shall adopt, by rulemaking, "[a]n appropriate minimum margin of procurement above the minimum procurement level necessary to comply with the renewable portfolio standard to mitigate the risk that renewable projects planned or under contract are delayed or canceled."

This ruling directs PG&E, SCE, and SDG&E to identify in their proposed 2012 RPS Procurement Plans the assumed minimum margin of procurement

above the minimum procurement level necessary to comply with the RPS Program to mitigate the risk that renewable projects planned or under contract are delayed or cancelled.

Each proposed 2012 RPS Procurement Plan shall include a methodology and inputs regarding the utility's proposed minimum margin of over-procurement metric. The methodology should be representative of and consistent with the utility's inputs and assumptions in section 6.5. Also, the metric should be used to calculate the utility's procurement needs pursuant to section 6.5. Additionally, use of any sensitivities or scenarios should be described. If the utility's assumed minimum margin of over-procurement is not used to calculate a utility's net short provided in response to section 6.5, then the utility should clearly describe the reasons and any assumptions or other additional methodologies used to calculate the utility's proposed minimum margin of over-procurement.

6.7. Bid Solicitation Protocol, Including Least Cost Best Fit Methodologies - § 399.13(a)(5)(C) and D.04-07-029

Pursuant to § 399.13(a)(5)(C), 2012 RPS Procurement Plans must include a bid solicitation protocol setting forth the need for eligible renewable energy resources. Solicitations shall be consistent with portfolio assessment provided in sections 6.1 through 6.5 and the utility's net short position. Additionally, solicitations should be specific regarding what quantity of products are being requested and the deliverability characteristics, required online dates, term lengths, and locational preferences desired. The bid solicitation protocol should include, at a minimum, a solicitation schedule and pro forma agreements. Bid solicitations shall also include a detailed description of the utility's least cost best fit (LCBF) methodology consistent with D.04-07-029.

6.8. Estimating Transmission Cost for the Purpose of RPS Procurement and Bid Evaluation - Transmission Ranking Cost Report Required

Indirect costs such as those needed for transmission investments and ongoing electrical corporation expenses resulting from integrating and operating renewable energy resources are to be taken into account in the evaluation of renewable energy bids pursuant to D.04-06-013 and D.04-07-029. The IOUs' TRCRs provide estimated cost data used in the LCBF bid evaluation process and in the investor owned utilities' relative ranking of bids.

In D.04-06-013,¹⁵ the Commission directed PG&E, SCE and SDG&E to file TRCRs. The general purpose of the TRCRs is to enable the consideration of transmission costs in the relative ranking of bids in response to an RPS procurement solicitation. Using information from the TRCRs, project developers incorporate estimated costs related to transmission upgrades into their bids and the investor owned utilities rely on these cost estimates for the ranking of these bids.

Consistent with D.04-06-013 and as part of the 2012 RPS Procurement process, PG&E, SCE and SDG&E shall file a draft TRCR in accordance with the schedule at Attachment A.

While this ruling directs the IOUs to file TRCRs, this ruling also proposes new processes to more accurately estimate transmission costs for project bids and bid ranking. Two new proposals, set forth at section 7, seek comments from parties on methods of incorporating transmission cost estimates from California Independent System Operator (CAISO) Generation Interconnection Procedures

(GIP) studies into the development and evaluation of bids in the shortlist process.

**6.9. Consideration of Price Adjustment Mechanisms -
§ 399.13(a)(5)(E)**

Pursuant to § 399.13(a)(5)(E), describe how price adjustments (e.g., index to key components, index to Consumer Price Index, price adjustments based on exceeding transmission or other cost caps, etc.) will be considered and potentially incorporated into contracts for RPS-eligible projects with online dates occurring more than 24 months after the contract execution date. Discuss how the price adjustments will maximize value for ratepayers and minimize potential risks to ratepayers.

6.10. Cost Quantification

Pursuant to SB 836 (Padilla, Stat. 2011, ch. 600, § 1)¹⁶ the Commission reported on February 3, 2012 to the California Legislature the costs of all electricity procurement contracts for eligible renewable energy resources that have been approved by the Commission.¹⁷ Information was provided by PG&E, SCE, and SDG&E and reported in the following broad categories: utility, technology, and year (for each year from 2003 through 2011).

To build upon the analysis provided in compliance with SB 836, PG&E, SCE and SDG&E are required to include the information described in Table A,

¹⁵ *Interim Opinion Adopting Methodology for Consideration of Transmission Costs in the RPS Procurement* (June 9, 2004) at 45.

¹⁶ Adding § 911 to the Pub. Util. Code.

¹⁷ Commission's Renewables Portfolio Standard Quarterly Report, 4th Quarter 2011. This report can be found at <http://www.cpuc.ca.gov/PUC/energy/Renewables/index.htm>.

below, in their proposed 2012 RPS Procurement Plans. It is expected that this information could be used to supplement the information provided in the comments to the January 24, 2012 Ruling¹⁸ and the Commission's consideration of a cost containment mechanism, as well as the implementation of § 399.15(c) which states, in part, that "The commission shall establish a limitation for each electrical corporation on the procurement expenditures for all eligible renewable energy resources used to comply the renewables portfolio standard."

PG&E, SCE, and SDG&E shall coordinate with the Commission's Energy Division Staff to provide responses using a standardized methodology and format. Responses should be non-confidential to the greatest extent possible.

Table A
2012 RPS Procurement Information Related to Cost Quantification

Row	Item	Description
1	Actual Expenditures - per year	Total dollars expended on all RPS-eligible generation for every year from 2003 to present year. Forecasts shall be reported by technology and reported for each year.
2	Forecast Future Expenditures - per year	Total dollars forecasted to be spent on all RPS-eligible generation approved to date for every year up to 2020. Forecasts shall be reported by technology and reported for each year from 2012-2020.
3	Incremental Rate Impact - per year	Total actual and forecasted annual rate impacts from the procurement of RPS eligible generation from 2003-2020.

¹⁸ R.11-05-005, Administrative Law Judge (ALJ) ruling dated January 24, 2012, *Administrative Law Judge's Ruling Requesting Comments on Procurement Expenditure Limitations for the Renewables Portfolio Standard Program* at 3.

6.11. Important Changes to Plans Noted

A statement identifying and summarizing the important changes between the 2011 and 2012 RPS Procurement Plans must be included. This summary could be in a table or bullet point format, but it should not be a reprint of the two plans with strike-out and underlined inserts. In addition to identifying and summarizing the important changes, the plan should also include a brief explanation and justification for each important change from 2011 to 2012.

6.12. Redlined Copy of Plans Required

A version of the 2012 RPS Procurement Plan that is “redlined” to identify the changes from the 2011 plan must be included with the 2012 RPS Procurement Plans. The IOUs must provide a redlined copy for the Commission’s Energy Division Staff, the ALJ and any party who requests a copy. (This is separate from the Important Changes item above.)

7. New Proposals for Comment by Parties

This ruling issues the following proposals for comment by parties. Comments regarding the strengths and weaknesses of these proposals should be filed according to the schedule set forth in Attachment A.

7.1. New Proposal – Standardized Variables in LCBF Market Valuation

The IOUs’ LCBF analysis of 2012 bid must allow bids to be ranked by their net market value metrics. The calculated net market values should be based on the following calculation that incorporates the benefits and costs of the resource offered, where all units are in dollars per megawatt hour:

Net Market Value: $R = (E + C) - (P + T + G + I)$

Adjusted Net Market Value: $A = R + S$

Where: R = Net Market Value

A = Adjusted Net Market Value
E = Energy Value
C = Capacity Value
P = Post-Time-of-Delivery Adjusted Power Purchase Agreement Price
T = Transmission Network Upgrade Costs
G = Congestion Costs
I = Integration Costs
S = Ancillary Services Value¹⁹

If there are additional standard values or costs to be incorporated that are consistent with D.04-07-029, provide a description of the parameter, how it should be valued, and a rationale for why it should be included in the LCBF methodology. The LCBF inputs and calculations of the inputs should be consistent with Long-Term Procurement Plan authorizations, be reviewed and verified for reasonableness and accuracy by an Independent Evaluator (*See* section 7.2), and publicly disclosed to the greatest extent possible.

It is clear that this net market value methodology can be applied to RPS resources that satisfy the portfolio content category requirements of § 399.16(b)(1). Discuss whether this methodology can also be applied to resources that are categorized pursuant to § 399.16(b)(2) and § 399.16(b)(3) and, if modifications are required, explain these modifications.

¹⁹ As defined by Federal Energy Regulatory Commission (FERC) in 75 FERC ¶ 61,080 (1996), ancillary services are those services necessary to support the transmission of electric power from seller to purchaser given the obligations of control areas and transmitting utilities within those control areas to maintain reliable operations of the interconnected transmission system. In Order 888, FERC defined six ancillary services: (1) scheduling, system control and dispatch; (2) reactive supply and voltage control from generation service; (3) regulation and frequency response service; (4) energy imbalance service; (5) operating reserve – synchronized reserve service; and (6) operating reserve – supplemental reserve service.

This proposal does not address the overall review and modification of LCBF, as identified in the July 8, 2011 *Scoping Memo and Ruling of Assigned Commission*. A full review and modification of the LCBF methodology, including inputs for specific net market value variables, will be addressed separately.

Comments regarding the strengths and weaknesses of this proposal should be filed according to the schedule set forth in Attachment A.

7.2. New Proposal - Preliminary Independent Evaluator Report

In D.06-05-039, the Commission adopted the requirement of Preliminary and Final Independent Evaluator Reports for the IOUs. The purpose of Independent Evaluator Reports is to assess the entire IOU bid solicitation, evaluation, and selection process. Currently, the preliminary report is submitted with the IOU's shortlist, and the final report is submitted with IOU's advice letter that requests Commission approval of the contracts that result from the solicitation.²⁰

It is proposed that the Preliminary Independent Evaluator Report be split into two parts, such that the portion of the report on the bid solicitation materials, including LCBF methodology is submitted with the IOU's proposed RPS Procurement Plan. The remaining portions of the Preliminary Independent Evaluator Report (review of the bid solicitation, evaluation, and selection process) would be submitted with the IOU's shortlists.

Thus, the Preliminary Independent Evaluator Report would address the clarity of the solicitation materials with regards to, but not limited to,

²⁰ D.09.06-050 extended the requirement for Independent Evaluator Reports to bilateral contracts.

procurement targets and objectives, LCBF criteria, and how LCBF criteria (both quantitative and qualitative) would be used in the evaluation of bids.

Additionally, the Preliminary Independent Evaluator Report should describe the calculations and analysis used to verify the reasonableness, accuracy, strengths, weaknesses, and fairness of the LCBF methodology and various criteria. For example, the Independent Evaluator Report would describe what supplemental calculations were performed to verify the reasonableness and accuracy of the resource adequacy valuation methodology used in the LCBF evaluation.

Additionally, the Independent Evaluator Report would provide recommendations for improving the LCBF methodology. In their plans, the IOUs would state if and how their proposed plans address any concerns stated by the Preliminary Independent Evaluator Report.

Comments regarding the strengths and weaknesses of this proposal should be filed according to the schedule set forth in Attachment A.

7.3. New Proposal - Use CAISO Transmission Cost Study Estimates in LCBF Evaluations

As noted in section 6, above, the IOUs' TRCRs provide transmission cost estimates used in the LCBF methodologies and evaluations of bids. This ruling proposes that, to the extent transmission cost estimates from CAISO GIP studies (or equivalent) are available, the IOUs rely on this data for their LCBF evaluations rather than the cost estimates from the TRCRs to more accurately reflect a bid's value to the ratepayers.

Comments regarding the strengths and weaknesses of this proposal should be filed according to the schedule set forth in Attachment A.

7.4. New Proposal - Create Two Shortlists Based on Status of Transmission Study

As noted above in section 6, IOUs currently rely upon TRCRs for the relative ranking of bids. To more accurately understand a proposed project's total cost and the value to ratepayers, the above proposal suggests that more accurate estimates of transmission costs based on CAISO GIP engineering studies should be relied upon by the IOUs for the relative ranking of bids. This ruling also proposes that, to gain further insights into a potential projects total cost and the value to ratepayers, an evaluation of a project's costs earlier in the procurement process would also be beneficial. To achieve this goal, this ruling proposes as follows:

First, after an IOU selects bids for its final shortlist, the IOU divides the shortlist into two categories - (1) a Primary Shortlist, and (2) a Provisional Shortlist. Shortlisted bids that have obtained CAISO GIP Phase II study results (or equivalent)²¹ or executed Interconnection Agreements would form the Primary Shortlist.²² The remaining shortlisted bids would form the Provisional Shortlist. After receiving CAISO GIP Phase II study results (or equivalent), a shortlisted bid may move from the Provisional Shortlist to the Primary Shortlist as long as the bid, considering the transmission costs as provided in the Phase II study, is still of comparable value

²¹ Bids for projects that will be interconnecting at the distribution level and have alternatively completed either its Facilities Study or has passed the Fast Track screens; or if the project will interconnect outside of CAISO or the investor-owned utility's jurisdiction and has achieved the equivalent interconnection progress they may also be on a Primary Shortlist.

²² Bids already interconnected or bids not requiring any transmission system upgrades may be on a Primary Shortlist.

and viability compared to the bids the utility originally shortlisted.²³ The final shortlist (consisting of both the Primary and Provisional lists) would be submitted to the Commission for approval.²⁴

Second, only bids from the Primary Shortlist may be executed and submitted to the Commission for cost recovery approval. The goal of the second part of this proposal is to ensure that the project's total cost and the value to ratepayers are both considered by the IOU and the Procurement Review Group²⁵ prior to contract execution.

This proposal differs from past solicitation processes in which only one shortlist is compiled and a contract could be executed at any stage of the transmission interconnection process.

Comments regarding the strengths and weaknesses of this proposal should be filed according to the schedule set forth in Attachment A.

7.5. New Proposal - Shortlists Expire After 12 months

This ruling proposes that shortlisted bids be executed within 12 months from the day that the IOU submits its final shortlist (consisting of both the Primary and Provisional lists) to the Commission for approval. If this deadline cannot be met, the IOU is not permitted to subsequently execute a contract for

²³ The IOUs solicitation schedules will be directed in a decision approving their Plans. The schedule, to the extent possible, will align with CAISO's GIP cluster study schedule.

²⁴ D.11-04-030 directed the IOUs Shortlist Reports to be filed by Tier 2 Advice Letters.

²⁵ In D.02-08-021, the Commission required the IOUs to establish Procurement Review Groups to consult with the utility and review the details of the utility's: 1) overall procurement strategy; 2) proposed procurement processes including, but not limited to, Requests For Offers; and 3) proposed procurement contracts, before those contracts are submitted to the Commission for review.

the same project on a bilateral basis, and the project must be bid into the next RPS solicitation.

This proposal differs from past shortlists in which shortlist bids could remain shortlisted by a utility indefinitely and a contract could be executed at any time.

Comments regarding the strengths and weaknesses of this proposal should be filed according to the schedule set forth in Attachment A.

7.6. New Proposal - Two-Year Procurement Authorization

In the past, the annual RPS solicitations have been authorized by the Commission's approval of the IOUs' annual RPS Procurement Plans. This ruling proposes to modify the Commission's annual RPS procurement and planning process by recommending that IOUs be authorized in their 2012 RPS Procurement Plans to procure RPS-eligible resources over the next two years, 2012 and 2013. This proposal recommends that, during this two year period, the Commission authorize the IOUs to hold one solicitation per calendar year at their discretion. However, if more than one IOU chooses to hold a solicitation in a particular year, the IOUs' solicitations must occur simultaneously. This proposal would not require that a solicitation be held each year and would not impose any requirements on ESPs or small utilities regarding their solicitation processes.

Under this two-year procurement authorization proposal, an IOU would file and seek Commission approval of its RPS Procurement Plan in Year One (i.e., 2012). After obtaining Commission approval, an IOU may at its discretion hold a solicitation. In Year Two (the year no RPS Procurement Plan is filed), the IOU must file a Tier 3 Advice Letter to explain why it is or is not intending to hold a

solicitation. The Tier 3 Advice Letter shall contain a Supplemental Procurement Plan that supports the IOU’s decision and shall consist of an updated RPS Portfolio Assessment (e.g., section 6.1 through 6.5, herein) and updated bid solicitation materials, if appropriate (*see* Table B, below, for an a schedule example). Under this proposal, the next RPS Procurement Plan would be filed in 2014 and continue on a biennial basis and reflect a two year RPS procurement authorization.

Comments regarding the strengths and weaknesses of this proposal should be filed according to the schedule set forth in Attachment A.

Table B
Example of Proposal for Two Year Procurement Authorization

Entity	Year One/2012	Year Two/2013
IOUs	File RPS Procurement Plans for years 2012 and 2013	File Supplemental RPS Procurement Plan
Electric Service Providers	File RPS Procurement Plans for years 2012 and 2013	Additional filings in 2013 not required.
Multi-Jurisdictional Utilities²⁶	File annual Integrated Resource Plan supplement at the same time as other utilities and ESPs file RPS procurement plans	File Integrated Resource Plan when filed with other jurisdictions; supplement within 30 days
Small Utilities	File RPS procurement plans for years 2012 and 2013	Additional filings in 2013 not required.

²⁶ This proposal represents no change to the requirements set forth in D.08-05-029.

7.7. New Proposal - Utilize the Commission's RPS Procurement Process to Minimize Transmission Costs

In an effort to minimize costly transmission upgrades resulting from RPS procurement, this ruling proposes that the Commission's RPS procurement review process limit the IOUs execution of power purchase agreements to projects of high value and viability by limiting the total capacity of power purchase agreements executed in certain areas.

In general, concerns exist about the large volume of generation projects in the CAISO's pre-cluster five interconnection queues. Specifically, developers of generation projects claim that they are impeded from obtaining power purchase agreements and project financing due to the interplay between two factors: the large CAISO queue volume and the requirement that RPS generation projects provide resource adequacy capacity.²⁷ As a result of the interplay between these two factors, developers claim the deliverability status of their projects are tied to costly, long lead-time transmission network upgrades, many of which may never be built.

In an effort to minimize these costly network upgrades, this ruling sets forth a proposal for utilizing the RPS procurement review process to limit execution of power purchase agreements to projects of high value and viability by limiting the total capacity of power purchase agreements in certain areas so as to avoid triggering unnecessary reliability or deliverability upgrades. This

²⁷ Resource adequacy or RA is a program that ensures that adequate physical generating capacity dedicated to serving all load requirements is available to meet peak demand and planning and operating reserves, at or deliverable to locations and at times as may be necessary to ensure local area reliability and system reliability.

problem is more fully described below. Comments regarding the strengths and weaknesses of this proposal should be filed according to the schedule set forth in Attachment A.

7.7.1. The Problem – Costly Network Upgrades

When a generation project developer requests interconnection to the CAISO controlled grid, the CAISO identifies the grid upgrades required for the project to achieve two key milestones: (1) the upgrades required, if any, to connect to the grid and operate without adversely affecting grid reliability, and (2) the upgrades required, if any, for the project to be classified as “deliverable” so that the resource is eligible to provide resource adequacy capacity to load-serving entities (LSEs) for the RA requirements.

The grid upgrades required for a generator to have full capacity deliverability status (referred to as “delivery network upgrades” or “DNU”) are typically significantly larger and more costly than the upgrades required to ensure reliable interconnection (referred to as “reliability network upgrades” or “RNU”). The grid upgrades needed for any particular generator will depend on the sizes, resource types and locations of all other generators with earlier interconnection requests in the queue. Therefore, when the volume of projects in the queue is large, as it is today (containing roughly four times the amount of new generation that is actually needed to meet LSE RPS requirements), the CAISO’s interconnection studies show that full capacity deliverability status for projects later in the queue will require very costly DNU in some areas that would take until the latter part of this decade to complete. It is likely that some of these costly upgrades will later be found not to be needed because a large amount of generation has or will drop from the queue. As a result, any given generation

project faces uncertainty as to whether and when the upgrades it needs to obtain deliverability will be built.

All of the above occurs in a context where LSEs place value on the RA component in bids. Consequently, developers must either include RA capacity as part of their renewable energy projects or include substantial contract price discounts to projects that cannot guarantee RA capacity. The result is that developers of potentially desirable generation projects are impeded from obtaining power purchase agreements and even project financing because the large interconnection queue volume and the de facto requirement to provide RA capacity are tying their deliverability status to costly, long lead-time network upgrades many of which may never be built. (This situation is referred to as the “problematic” DNU in the discussion below.)

In a technical bulletin posted on January 31, 2012, the CAISO described a revised study approach for determining the DNU required for projects in queue clusters 1-2 (to be applied again later this year to clusters 3-4) that will eliminate the need for the “problematic” DNU described above and thereby facilitate progress by project developers in obtaining power purchase agreements and project financing.²⁸ Essentially, the CAISO’s approach scales back the volume of new generation for purposes of determining needed delivery network upgrades, in key areas of the grid that give rise to the problematic upgrades, to levels that more realistically reflect the actual procurement requirements of LSEs rather

²⁸ The January 31, 2012 technical bulletin and an accompanying technical study report on the results for clusters 1 and 2 are posted at this link: <http://www.caiso.com/informed/Pages/BulletinsReportsStudies/TechnicalBulletins/Default.aspx>.

than the excessive volumes currently in the interconnection queue. As a result, the remaining volume in each area will no longer trigger the problematic upgrades, unless collective LSE procurement exceeds volume thresholds that the CAISO will specify in public information based on its engineering studies.

7.7.2. The Proposal - Minimize Costs

A key assumption in the CAISO's proposal is that the IOUs and other buyers keep their collective procurement amounts within the thresholds specified by the CAISO for each grid area that would, if exceeded, trigger costly DNU. Outlined below is a proposal for utilizing the Commission's RPS procurement review process to limit the total volume of power purchase agreements executed by the IOUs to projects of high value and viability without triggering unnecessary reliability or deliverability upgrades. The proposed process would follow this sequence of steps:

1. The CAISO, after determining - based on engineering studies - the amount of deliverability for new generation projects that the grid can support in each study area without requiring additional high-cost DNU, will net out the amount of power purchase agreements that are already executed in each study area, based on information to be provided by the Commission. The amount of full capacity deliverability megawatts that remains after this netting will be considered available in the annual RPS procurement process.
2. Once the IOUs' RPS Procurement Plan is approved by the Commission, the IOUs initiate the annual solicitation process: issue their Requests for Offers, receive offers, and develop their shortlists of preferred offers.
3. The IOUs file a Report in this proceeding, R.11-05-005, or the successor proceeding with draft shortlists so the Commission's Staff can assess the potential impact of the IOUs collective procurement based on their draft shortlists.

4. Based on the shortlists, if total volume of megawatts shortlisted by all IOUs at a study grid area is within the thresholds, as they are determined by CAISO, in the specific study areas of the grid, no Commission action will be taken. If the total volume of megawatts shortlisted collectively by the IOUs exceeds the threshold in any area, then the Commission will apply a rationing procedure, as set forth below, to reduce the IOUs' shortlists to a collective volume of megawatts that is within the CAISO determined thresholds.
5. Pursuant to the rationing procedure, the Commission's Staff will utilize the rankings performed by the IOUs based on need, project viability, and project value, and will prioritize the best ranked projects among the three IOUs until the available deliverability is fully accounted for. The Commission's Energy Division Director will then communicate the results to the CAISO so CAISO can validate that the selected subset of megawatts is fully deliverable. The Commission's Energy Division Director will then communicate the validated results to the IOUs and will direct them to limit execution of power purchase agreements according to the rationed thresholds
6. If a shortlisted project is not among the best ranking subset that fulfills the rationed threshold, the IOUs may keep the bid on its shortlist. However, the bid may only be executed if a better ranking bid does not result in an executed contract. Thus, the lower ranking bid may fill the threshold megawatts that were allocated to the IOUs from a specific study area.
7. IOUs will finalize their respective shortlists and file these with the Commission by Tier 2 Advice Letter.²⁹
8. In conjunction with implementing this coordination process, this proposal suggests the Commission will also need to limit the time that a bid may be shortlisted to 12 months, meaning that if a shortlisted project does not obtain an executed power purchase agreement within 12 months after the shortlist is issued, the

²⁹ D.11-04-030 directed IOUs' Shortlist Reports to be filed by Tier 2 Advice Letters.

remaining projects on the shortlist must be bid into the next procurement solicitation to obtain a power purchase agreement. (See section 7.5.)

Consistent with the schedule at Attachment A, comment on: (1) if the problem as described as described herein is properly identified and defined; (2) the strengths and weakness of the proposal, as described herein (3) identify any implementation issues that should be addressed before such a proposal is implemented and (4) suggest alternative proposals.

8. Schedule

Parties may file comments, reply comments and other pleadings in response to the new proposals, the RPS Procurement Plans, and the Integrated Resource Plans. The schedule is set forth at Attachment A. After review of the record in the proceeding, the Commission will accept, modify, or reject each plan or Integrated Resource Plan as required by §§ 399.14(a)(1) and (c).

IT IS RULED that:

1. As required by § 399.13(a)(5) of the Public Utilities Code, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall file a proposed 2012 Renewables Portfolio Standard Procurement Plan that addresses the elements stated herein.
2. As required by § 399.13(a)(5) of the Public Utilities Code and Decision 08-05-029, PacifiCorp shall file proposed Integrated Resource Plan that address the elements stated herein.
3. As required by § 399.13(a)(5) of the Public Utilities Code, Bear Valley Electric Service and California Pacific Electric Company, LLC shall file proposed 2012 Renewables Portfolio Standard Procurement Plans that address the elements stated herein.

4. As required by § 365.1 of the Public Utilities Code and Decision 11-01-026, Electric Service Providers shall file proposed 2012 Renewables Portfolio Standard Procurement Plans that address the elements stated herein.

5. The procedural schedule for the Commission's consideration of the 2012 Renewables Portfolio Standard Procurement Plans and Integrated Resource Plans is set forth at Attachment A. This schedule may be adjusted as needed by the assigned Commissioner or Administrative Law Judge.

6. Comments on the new proposals set forth herein may be submitted consistent with the schedule set forth at Attachment A.

Dated April 5, 2012, at San Francisco, California.

/s/ MARK J. FERRON

Mark J. Ferron
Assigned Commissioner

Attachment A
Procedural Schedule for the
2012 Renewables Portfolio Standard Procurement Plans

Row #	ITEM	DATE
1	Assigned Commissioner's Ruling setting scope and schedule for annual Procurement Plans and TRCRs	Issued: 4/5/12
2	Letters to prospective developers requesting information for TRCRs, as needed to update TRCRs	4/11/12
3	IOUs and ESPs file Proposed annual RPS Procurement Plans and IOUs' and ESPs Comments on Proposals	5/23/12
4	Party Comments on RPS Plans and New Proposals	6/27/12
5	Draft TRCRs filed	6/27/12
6	Reply comments on RPS Plans and New Proposals	7/18/12
7	Motions requesting evidentiary hearing (note: If a motion is filed and granted, a revised schedule may be issued.)	7/18/12
8	Comments on draft TRCRs	7/18/12
9	Motion to update RPS Plans [<i>note 1</i>]	8/1/12
10	Projected date for issuance of Proposed Decision	3 rd Quarter 2012
11	Assigned Commissioner's Ruling on TRCRs	TBD
12	Projected date for Commission vote on Proposed Decision	4 th Quarter 2012
13	IOUs issue Request For Offers for Solicitations or otherwise pursue approved RPS procurement Plan	4 th Quarter 2012

[1] Updates are not intended to the form and format of the plan but may be appropriate for limited elements based on changed circumstances or recent information (e.g., new legislation, recent Commission decision, new regulation of the California Independent System Operator, harmonization of definitions within contract for specific terms).

(END OF ATTACHMENT A)