

February 22, 2010

President Michael R. Peevey
Commissioner John A. Bohn
Commissioner Dian M. Grueneich
Commissioner Nancy E. Ryan
Commissioner Timothy A. Simon

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Dear President Peevey and Commissioners:

Subject: Renewable Energy Credits ("RECs") for the compliance with the California Renewables Portfolio Standard ("RPS").

We write regarding the recent revised Proposed Decision ("PD") of Administrative Law Judge Anne Simon regarding Renewable Energy Credits ("RECs") for the compliance with the California Renewables Portfolio Standard ("RPS").

This PD represents the third attempt to provide Load Serving Entities ("LSEs") with an additional renewables procurement option to meet the State's RPS goals as well as providing additional incentives for the construction of RPS-eligible generation. Nevertheless, after much time and debate, we believe that the PD still does not complete the task. In fact, as currently drafted, the PD restricts renewables supply options for LSEs' customers and creates uncertainty for market participants by re-categorizing existing contracts.

We ask you to reduce the PD back to its original task – the use of unbundled RECs as contemplated in Senate Bill 107. In its current form, the PD complicates this issue by expanding the definition of RECs in a manner that could inappropriately limit access to out-of-state RPS eligible renewable generation. This has resulted in a PD that has garnered little to no support among parties. Moreover, this is at odds with California taking a regional approach to achieving its renewable energy goals. To the extent that the Commission believes that further consideration of out-of-state renewables procurement is required, it should be accomplished through a separate process.

Therefore, we propose the following package solution to keep this PD consistent with its original statutory goal with respect to authorizing tradable RECs and to expeditiously resolve this matter:

- A REC for purposes of an unbundled or tradable renewable energy credit ("TREC") should be defined consistent with the CPUC existing definition of a REC adopted in D.08-08-028.¹
- A TREC transaction for purposes of this CPUC decision is one in which the LSE expressly only purchases RECs, not energy; and
- Each year no more than 20 percent of an LSE's annual procurement target may be met with TRECs and that limit shall sunset within 24 months of the decision unless expressly renewed by the CPUC.

¹ In general, D.08-08-028 defines a REC as "a certificate of proof, issued through the Western Renewable Generation Information System ("WREGIS"), that one megawatt-hour of electricity was generated by an RPS-eligible renewable energy resource and delivered for consumption by California end-use retail customers." For a complete definition, please see http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/86954.pdf at Ordering Paragraph #1.

This package solution would neither limit the renewable supply available an LSE's customers nor impact or reclassify any approved contract. We are only willing to compromise on a 20 percent limit if these key components are adopted as above. Additionally, each of us has other matters that are addressed in our filings and this letter does not represent the entirety of our concerns regarding this PD.

Thank you for your attention to this matter, should you have any questions, please do not hesitate to contact us.



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Matt Burkhart for San Diego Gas and Electric



V. John White for Center for Energy Efficiency and Renewable Technology



Jan Smutny-Jones for Independent Energy Producers Association