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CPUC Energy Division

From: Joint Parties

CC: Parties in R.07-05-025

Date: October 22, 2010

Re: Phase III Issues in Direct Access Rulemaking R.07-05-025

Joint Parties Report on Ensuring Uniform Compliance with Resource Requirements

Summary of Working Group

On July 12-13 2010, a workshop was held by Energy Division regarding Phase III issues in the Commission's Direct Access Rulemaking. The issues were split into three working groups covering 1) switching rules, transitional bundled service rate updates and Electric Service Provider ("ESP") Financial Security Requirements; 2) process improvements; and 3) ensuring uniform compliance with resource requirements as between Investor Owned Utilities ("IOUs") and ESPs. Parties agreed to report progress to Energy Division on each of the working groups by November 15, 2010 and include any recommendations either substantively, procedurally, or both.

This report discusses the areas of consensus and non consensus of the joint parties on ensuring uniform compliance with resource requirements. As reflected herein, the Joint Parties agree that all issues associated with ensuring uniform compliance between IOUs and ESPs and cost allocation issues are all being addressed, have pending decisions, or are within the scope of other Commission proceedings and do not need to be addressed within the context of Direct Access OIR ("DA OIR") Phase III. Details of each resource requirement and what venue it is or should be addressed in are described below.

Resource Adequacy ("RA")

Issue - Ensuring that the same RA requirements are applicable as specified in statute in SB 695. System RA issues have been addressed as a part of R.09-10-032 and earlier dockets. ESPs and IOUs are now subject to the same compliance requirements. A Local RA true-up mechanism, which the Commission adopted for 2010 is in place, however a similar mechanism is needed for 2011 and beyond.

Joint Recommendation - The Commission should resolve the Local RA true-up as a part of R.09-10-032.

Areas of non-consensus - None

Renewable Portfolio Standards ("RPS")

Issue - Ensuring that the same RPS requirements for IOUs are applicable to ESPs as specified in statute in SB 695.

Joint Recommendation - Issues are currently being addressed in R.08-08-009 and there is no need for litigation of these issues in the DA OIR proceeding. Proposed decisions were issued in R.08-08-009 and A.06-02-012.

Areas of non-consensus - Parties have differing opinions with regard to whether the proposed decisions should be adopted as drafted and whether they fully implement SB 695, but agree that those issues will be determined in the other proceedings, and need not be addressed in the DA OIR proceeding.

Green House Gas (“GHG”)

Issue - Ensuring that the same GHG requirements are applicable to IOUs and ESPs as specified in statute in SB 695.

Joint Recommendation – The rules for GHG requirements have not yet been adopted; therefore recommendations on the requirements are premature. CARB has authority to implement GHG compliance requirements. Parties agree that ensuring uniform compliance with respect to GHG implementation should be addressed through CARB and consequently need not be addressed in the context of this proceeding. However, see Qualifying Facility/Combined Heat &Power (“QF/CHP”) issues below, which some parties believe relate to GHG reduction. With respect to compliance costs incurred by the IOUs to satisfy GHG requirements, any rules ultimately adopted by the CPUC should ensure that migrating load cannot shift its fair share of GHG compliance costs on bundled service customers.

Areas of non-consensus - Parties are not in agreement that QF/CHP issues are included in the uniform compliance requirements of SB 695

Cost Allocation

Issue – SB 695 requires that the net capacity costs of resources acquired by the IOU at the direction of the CPUC to meet system and local reliability needs for the benefit of all customers should be allocated to all benefitting customers, including DA and Community Choice Aggregation (“CCA”) customers, along with associated RA credits.

Joint Recommendation - Issues have been scoped as a part of the Long Term Procurement Plan Track III (R.10-05-006). A ruling was issued September 14, 2010, calling for comments identifying any differences between SB 695 and existing procurement rules, and requesting proposals or refinements to the cost allocation method for consideration. Therefore, this issue will be addressed in LTPP proceeding, and there is no need to address these issues in this proceeding.

Areas of non-consensus - None

Qualifying Facility/Combined Heat and Power Costs

Issue – Whether SB 695 mandates for (i) imposing the “same requirements” with respect to implementation of AB 32 and (ii) cost allocation for facilities that are deemed to meet reliability requirements that benefit all customers are applicable to QF/CHP facilities, including the

facilities that have been proposed in recently proposed QF/CHP settlement that is pending before the Commission.

Joint Recommendation - There is no agreement among the parties that there is any SB 695 statutory obligation with respect to QF/CHP, and therefore there is no joint recommendation on this topic. The parties do acknowledge that related issues are being addressed with respect to the QF/CHP settlement proposal referenced above.

Areas of non-consensus - Parties disagree as to whether there is any SB 695 statutory obligation with respect to QF/CHP.

Feed in Tariffs Costs/Requirements

Issue – Whether the SB 695 mandates for imposing the same requirements and cost allocation apply to FITs.

Joint Recommendation - The AB 1613 cost allocation issue being addressed in R.08-06-024 (the proceeding to implement AB 1613). The requirements for expanded renewable FIT (described above) are being addressed in R.08-08-009, including applicability to non-IOU LSEs. Therefore, these issues are being dealt with in other proceedings, and do not need to be addressed in this proceeding.

Areas of non-consensus – Many. Parties disagree as to whether SB 695 mandates with respect to same requirement and/or cost allocation apply to FITs.