

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

Order Instituting Rulemaking to Integrate  
and Refine Procurement Policies and  
Consider Long-Term Procurement Plans

Rulemaking R-10-05-006

**TESTIMONY OF THE GREEN POWER INSTITUTE  
ON THE 2010 LONG-TERM PROCUREMENT PLANS, TRACK III**

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2 **TESTIMONY OF THE GREEN POWER INSTITUTE**  
3 **ON THE 2010 LONG-TERM PROCUREMENT PLANS, TRACK III**

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7 **Introduction**

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9 Pursuant to the Dec. 3, 2010, *Scoping Memo* for this proceeding, and a series of follow-  
10 up *Rulings* culminating in the June 13, 2011, *Administrative Law Judge's Ruling*  
11 *Addressing Motion for Reconsideration, Motion Regarding Track I Schedule, and Rules*  
12 *Track III Issues*, as well as our participation in a recent Settlement agreement among a  
13 large group of parties on track I issues, the Green Power Institute (GPI) respectfully  
14 submits *Testimony of the Green Power Institute on the 2010 Long-Term Procurement*  
15 *Plans, Track III*, in R.10-05-006, the **Order Instituting Rulemaking to Integrate and**  
16 **Refine Procurement Policies and Consider Long-Term Procurement Plans.**

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18 **Greenhouse-Gas Product Procurement**

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20 There are several issues being addressed in Track III for which testimony is being taken at  
21 this time. The GPI is providing testimony only on the greenhouse-gas product-  
22 procurement issue. The June 10, 2011, *ALJ's Ruling* states:

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24 On the fourth issue - utility procurement of greenhouse gas related products - each utility's  
25 testimony should provide a proposed greenhouse gas management framework (including  
26 evaluation of greenhouse gas risks associated with utility-owned generation, bilateral  
27 contracts, and spot market purchases), and explain how such a greenhouse gas management  
28 framework would govern the utility's proposed upfront achievable standards for greenhouse  
29 gas allowance and offset procurement.  
30

31 GPI's major concern is that the utilities be prevented from engaging in arbitrage-for-profit  
32 of greenhouse-gas products. Other greenhouse-gas markets around the world have had  
33 mixed results. It is not the intent of AB 32 to create new arbitrage-for-profit  
34 opportunities. Rather, the intent is simply to require the utilities to reduce their  
35 greenhouse-gas emissions. R.11-03-012 is addressing issues concerning the use of funds

1 accruing from the free distribution of emissions allowances to the utilities, but some  
2 related issues probably will also be managed in this proceeding, as well as issues  
3 regarding the procurement, by utilities, of the allowances they will need to support their  
4 own operations. We urge the Commission to do what it can to ensure that the utilities are  
5 granted only that authority required to procure and sell the greenhouse-gas-related  
6 products needed to conduct their business, while limiting ratepayer exposure to costs.

7  
8 **PG&E**

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10 Page ES-2 of PG&E’s greenhouse-gas procurement plan states:

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12 Given that the California Air Resources Board (“CARB”) first Cap-and-Trade compliance  
13 period is scheduled to commence on January 1, 2012, and the first CARB auction is  
14 scheduled to be held on February 14, 2012, PG&E is requesting Commission approval on  
15 its overall GHG proposal by no later than December 16, 2011.” PG&E also states on p. 3  
16 22: “in order for PG&E to fully participate in Cap-and-Trade at the start of the program, it is  
17 imperative that PG&E receives a final decision on this approval request prior to December  
18 16, 2011.  
19

20 In fact the ARB has delayed the onset of the compliance portion of the cap-and-trade  
21 program until calendar year 2013, and the Commission has already ruled, in R.11-03-012,  
22 against the need to render a quick, interim Decision on the use of allowance revenues.  
23 Similarly, there is no longer any urgency here.

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25 Page 3-9 of PG&E’s *Testimony* states: “PG&E requests that the Commission approve the  
26 following GHG-related products:  
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Product	Description
GHG Allowance	A compliance instrument accepted by CARB providing the right to emit one mtCO <sub>2</sub> e to satisfy obligations under the Cap-and-Trade regulation.
GHG Offset	A compliance instrument representing a verified emission reduction that is accepted by CARB in lieu of a GHG Allowance to satisfy obligations under the Cap-and-Trade regulation.

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29  
30 GPI supports this request, recognizing that allowances and offsets are the two types of  
31 compliance instruments that form the basis of CARB’s cap-and-trade plan.

1 Page 3-10 states: “PG&E requests authorization to amend its existing 2006 Conformed  
2 LTPP or the BPP (when it is approved) to procure the GHG Products described above  
3 using the following procurement methods:  
4

Transaction Process	Description
CARB Auction	Authorization to procure GHG Allowances through any CARB Auction in accordance with the Cap-and-Trade regulation.
Allowance Price Containment Reserve	Authorization to procure GHG Allowances through CARB’s Allowance Price Containment Reserve.

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7 GPI supports PG&E’s request. It would have been preferable to resolve these greenhouse-  
8 gas issues prior to the filing of Bundled Plans, but since this was not the case we support  
9 PG&E’s request to modify their Bundled Plan in order to take into account greenhouse-  
10 gas compliance, prior to final approval by the Commission.

11

12 Page 3-11 states: “PG&E requests that the Commission approve the following  
13 procurement strategy for GHG-related products.” What follows, eight pages of text, has  
14 been entirely redacted by PG&E, raising substantial concerns for GPI. Neither SCE nor  
15 SDG&E saw fit to redact **any** of their GHG-procurement plans, and it is not clear why  
16 PG&E feels that so much of its plan must be redacted. Without knowing the details of  
17 PG&E’s procurement strategy GPI cannot support PG&E’s proposal.

18

19 ***SCE***

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21 SCE’s greenhouse-gas compliance proposal seeks to treat the procurement of greenhouse-  
22 gas instruments in a manner similar to how it procures fuel, using a combination of  
23 contracts of varying terms and other hedging strategies. We have no comment on SCE’s  
24 greenhouse-gas product procurement plan.

25

26 ***SDG&E***

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28 SDG&E states, in its greenhouse-gas compliance plan (p. 4, emphasis in original): “As  
29 noted above, the Cap-and-Trade Program is currently scheduled to become effective on

1 January 1, 2012. **Accordingly, SDG&E submits this GHG product procurement and**  
2 **hedging proposal as a specific proposal that must be approved by the Commission**  
3 **by the end of this calendar year.”** As with PG&E’s similar comments, GPI notes that  
4 the cap-and-trade program has been postponed for a year, and will begin on Jan. 1, 2013.  
5 There is no urgency to create interim rules before the end of December, 2011, that are not  
6 sufficiently vetted.

7  
8 SDG&E states (p. 13): “SDG&E expects to add a GHG allowance tracking system, not  
9 only to track its expected need for allowances, but also to track the allowances and offsets  
10 SDG&E has procured, and the resulting remaining open position.” GPI recommends that  
11 SDG&E set a date certain for creating the GHG allowance tracking system.

12  
13 **Conclusion**

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15 The 2010 LTPP cycle is the first in which the utilities have attempted to compile  
16 procurement plans for greenhouse-gas compliance products. This circumstance, as well  
17 as the fact that the cap-and-trade system itself is still under development and has not yet  
18 begun the startup phase, makes these plans very preliminary and speculative in nature.  
19 We believe that they represent adequate starts, and will require continuing updating and  
20 modification as the markets take effect and begin to mature.

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23 Dated August 4, 2011, at Berkeley, California.  
24 Respectfully Submitted,  
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