

Pote, Sue

Subject: FW: September 13 Meeting with Shell Energy North America (US), L.P.
Attachments: R.11-05-005 (RPS) Shell Energy Comments on New Procurement Targets and Compliance Requirements 8_30_11.PDF; R.11-05-005 Shell Energy's Opening Comments.PDF; R.10-05-006 Shell Energy's Concurrent Reply Brief.pdf
From: marcie.milner@shell.com [mailto:marcie.milner@shell.com]
Sent: Wednesday, September 14, 2011 4:41 PM
To: rmm@cpuc.ca.gov
Cc: Leslie, John
Subject: FW: September 13 Meeting with Shell Energy North America (US), L.P.

Rahmon: It was a pleasure meeting with you yesterday. Thank you so much for taking the time to speak with John Leslie and me about biogas issues and implementation of SBX1 2. As we discussed, I have distilled our three major points in this e-mail. In addition, I have attached the comments that Shell Energy recently filed in the RPS proceeding (R.11-05-005) regarding implementation of SBX1 2, as well as the reply comments filed by Shell Energy in the long term procurement planning (LTPP) proceeding (R.10-05-006) concerning the treatment of out-of-State biogas under the RPS statute.

The points we discussed yesterday were as follows:

Out-of-State biogas delivered to an RPS-eligible "in-State" generation facility (or to any other RPS-eligible generation facility that qualifies under P.U. Code Section 399.16(b)(1)(A)) should continue to be considered an in-State ("Bucket One") product under SBX1 2. Biogas is an eligible renewable resource under existing law and under SBX1 2. Energy produced in-State from eligible renewable resources qualifies as a "Bucket One" product. The CEC has developed and implemented eligibility, delivery and verification requirements for biogas delivered to in-State RPS-eligible generation facilities by pipeline and the ARB is adopting a similar approach. SBX1 2 does not direct the CPUC or CEC to take any action relative to biogas but there are numerous significant implementation issues that the CPUC must address.

For example, the Commission should establish, before the end of this year, a date certain for implementation of SBX1 2. A fixed implementation date will avoid the complexity and confusion associated with cherry-picking a combination of old and new RPS procurement rules. Once an implementation date is set, all RPS procurement contracts entered into prior to the implementation date should be subject to the pre-existing RPS procurement and compliance rules, including but not limited to the current TREC rules, unlimited forward banking rules, and flexible compliance rules. Any contracts for RPS procurement entered into on or after the implementation date should be subject to the rules adopted under SBX1 2, including the product content categories ("buckets"). Parties cannot value risk without regulatory certainty and continuity. A firm implementation date with clearly articulated rules will provide certainty and facilitate the RPS compliance and verification process.

Finally, when the Commission issues its decision implementing the product content categories (buckets) under P.U. Code Section 399.16(b), the Commission should confirm that under Bucket One, as long as an LSE can demonstrate that energy is scheduled from an out-of-State RPS-eligible resource -- "as produced" -- to a California Balancing Authority (CBA), the LSE does not need to maintain "firm transmission" from the RPS-eligible resource to the CBA.

Thanks very much. "Oh, just one more thing" ;-) it was a pleasure meeting you and we appreciated your time. Please don't hesitate to contact me if you'd like additional information or have any questions.

Regards,

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