



DRA

*Division of Ratepayer Advocates
California Public Utilities Commission*

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CPUC, Energy Division
Attention: Tariff Files, Room 4005
505 Van Ness, Avenue
San Francisco, CA 94102

**Subject: DIVISION OF RATEPAYER ADVOCATES COMMENTS ON DRAFT
RESOLUTIONS E-4433 OPTIONS A AND B**

SUMMARY OF POSITION

The Division of Ratepayer Advocates (DRA) supports Option A of Draft Resolution E-4433 which denies the Power Purchase Agreement (PPA) between Pacific Gas & Electric Company (PG&E) and Mojave Solar, LLC, an affiliate of Abengoa Solar, Inc. DRA opposes Option B of Draft Resolution E-4433, which approves the project.

BACKGROUND

On July 19, 2011 PG&E filed Advice Letter (AL) 3876-E, requesting approval of a PPA between PG&E and Mojave Solar. The proposed PPA is a 25-year contract for a 250-megawatt concentrating solar power parabolic trough project. Its annual output will be approximately 617 gigawatt-hours starting in July of 2014. On September 19, 2011, the CPUC issued two Draft Resolutions on this AL. Draft Resolution Option A rejects the proposed PPA while Draft Resolution Option B approves it with modifications.

The Draft Resolutions acknowledge that under both Option A and Option B, “this contract is significantly more costly than other procurement opportunities available to PG&E, including projects from the 2009 and 2011 RPS solicitations.”¹ Furthermore, PG&E has not demonstrated a need for this project² and likely will not have RPS need at the time this facility is scheduled to come online. Finally, the net market value (NMV) of the instant offer is not competitive with either 2009 or 2011 RFO offers, nor bilateral offers available to PG&E.³

¹ Draft Resolutions E-4433 Option A and Option B, p. 2.

² Draft Resolutions E-4433 Option A and Option B, Finding 2.

³ Draft Resolutions E-4433 Option A and Option B, Finding 4.

DISCUSSION

Option B identifies the primary reason for approval of this high-priced project: the value of adding it to California's renewable fleet. Option B finds that this outweighs the project's high cost.⁴ The value attributed to the project is the fact that it is a highly viable solar thermal project (lacking only Commission approval with all other permits being secured) which will "enhance the resource diversity of PG&E's portfolio."⁵ Additionally, Option B of the Resolution states that, "operating characteristics of solar thermal may be superior to other intermittent resources due to the properties of steam generation."⁶ However, AL 3876-E, contains no analysis of the value of resource diversity and favorable operational characteristics. There is no demonstration of the value of these factors to ratepayers or what a reasonable market premium would be. Cost-effectiveness calculations are necessary if the addition of resource diversity and operational flexibility are to be monetized, yet PG&E has presented no estimate of their value.

PG&E's ratepayers will, in this instance, be signing up for 25 years of substantially higher payments for each RPS-eligible megawatt-hour. If resource diversity is the justification for a higher-than-market price, then it is fair to require PG&E to justify the value of resource diversity. Note that differences in production profile, for example, are already captured in a resource's Net Market Value (NMV) so resource diversity must provide additional benefits to justify a higher price.

Finally, Abengoa's price and NMV are not at all competitive (see Confidential Attachment). It is very hard to imagine that the potential resource diversity and favorable operational characteristics this facility has to offer – once appropriately valuated – could possibly justify its high price and low NMV.

RECOMMENDATION

DRA is opposed to Option B for all the reasons summarized in these comments.

Please contact Yuliya Shmidt at (415) 703-2719 if you have any questions about these comments.

/s/ Cynthia Walker

Cynthia Walker, Program Manager
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Division of Ratepayer Advocates

cc: President M. Peevey; Commissioner T. Simon; Commissioner C. Sandoval; Commissioner M. Florio; Commissioner M. Ferron; S. Simon; P. Douglas; Director of the Energy Division J. Fitch; General Counsel F. Lindh; Chief Administrative Law Judge K. Clopton; Honesto Gatchalian, Maria Salinas, Sean Simon, Service List R.11-05-005

⁴ Draft Resolution E-4433 Option B, p. 2.

⁵ Draft Resolution E-4433 Option B, p. 2.

⁶ Draft Resolution E-4433 Option B, p. 18.

**ATTACHMENTS
(REDACTED)**