BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.	Rulemaking 11-05-005 (Filed May 5, 2011)

REPLY COMMENTS OF L. JAN REID ON RENEWABLE FIT STAFF PROPOSAL

November 14, 2011

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TABLE OF CONTENTS

I. Introduction

Pursuant to the October 13, 2011 Ruling (Ruling) of Administrative Law Judge (ALJ) Regina DeAngelis, L. Jan Reid (Reid) submits these reply comments in Rulemaking 11-05-005 concerning the Staff FIT Proposal for the Renewables Portfolio Standard (RPS) program. Reply comments are due on Monday, November 14, 2011. I will send this pleading to the Docket Office using the Commission's electronic filing system on November 14, 2011, intending that it be timely filed.

The FIT program was initially established by Senate Bill 32 (SB32), which was signed into law on October 11, 2009. SB32 made changes to Public Utilities Code Sections (PUC §s) 387 and 399. Senate Bill 2(1X) was approved by the Governor on April 12, 2011 and will become effective on December 8, 2011. SB2(1X) made additional changes to PUC § 399 and repealed PUC § 387.

II. Summary and Recommendations

I have relied on state law and past Commission decisions in developing recommendations concerning the implementation of Senate Bill 2(1x) (SB2(1X) as it applies to the Feed In Tariff (FIT) program. I recommend the following:[1]

1. The Commission should find that in order for existing generation to count toward the 750 MW cap, the investor-owned utility (IOU) must offer the tariff to existing FIT generators, and the existing FIT generator must switch to the new FIT tariff program. (p. 3)

[1] Citations for these recommendations and proposed findings are given in parentheses at the end of each recommendation and finding.

2. The Commission should ignore the California Wastewater Climate Change Group's (CWCCG) and Sustainable Conservation/Green Power Initiative's (SusCon/GPI) comments on the RAM benchmark issue, because their comments are based on statutory language that no longer exists. (pp. 4-5)

3. The Commission should not establish a cost-based FIT tariff as recommended by SusCon/GPI. (pp. 4-5)

4. The Commission should not accommodate remotely located biogas projects as renewable-energy resource centers. (p. 5)

5. The Commission should not adopt a Wildlife Hazard Reduction Adder as recommended by the Placer County Air Pollution Control District and the County of Madera. (pp. 6-8)

III. Proposed Findings

My recommendations are based on the following proposed findings.

1. State law does not implicitly or explicitly prohibit the counting of existing generation toward the 750 megawatt (MW) FIT cap. (p. 3)

2. The 750 megawatt (MW) program cap applies to FIT tariff generation and not to all FIT generation. (p. 3)

3. Pursuant to Public Utilities Code Section (PUC §) 399.20(b)(3), remotely located centers shall not be considered to be an electric generation facility. Thus, such facilities are not eligible to participate in the FIT tariff. (p. 5)

4. The Commission has never stated that the Renewable Auction Mechanism (RAM) auction results should not be part of the new FIT tariff. (p. 5)

5. The Wildfire Hazard Reduction program proposed by PCAPCD is not cost effective for IOU ratepayers. (pp. 7-8)

6. State law does not require the Commission to establish an adder for FIT generators. (pp. 8-9)

IV. Program Cap

The California Solar Energy Industries Association argues that: (CALSEIA Comments, p. 7)

> CALSEIA opposes the Staff Proposal's recommendation to include "existing contracts" among those eligible to count toward each utility's share of SB 32's 750 [megawatt] MW program. Accepting "existing contracts" reduces the size of the FIT market that SB 32 was enacted to create.

Public Utilities Code Section (PUC §) 387.6(e) states that:

> A local publicly owned electric utility that sells electricity at retail to 75,000 or more customers shall make the tariff available to the owner or operator of an electric generation facility within the service territory of the utility, upon request, on a first-come-first-served basis, until the utility meets its proportionate share of a statewide cap of 750 megawatts cumulative rated generation capacity served under this section and Section 399.20.

The statute does not implicitly or explicitly prohibit the counting of existing generation toward the 750 megawatt (MW) FIT cap. However, it is clear that the cap applies to FIT tariff generation and not to all FIT generation. In order for existing generation to count toward the 750 MW cap, the IOU must offer the tariff to existing FIT generators, and the existing FIT generators must switch to the new FIT tariff program.

V. The RAM Benchmark

The California Wastewater Climate Change Group (CWCCG) and the Sustainable Conservation/Green Power Institute (SusCon/GPI) argue that: (CWCCG Comments, p. 4; SusCon/GPI Comments, p. 7)

> Long before the Commission adopted the RAM, the Legislature recognized the unique circumstances for small projects when it expanded the FiT from 1.5 MW to 3 MW. As stated in Section 399.20(c) "Small projects of less than three megawatts that are otherwise eligible renewable energy resources may face difficulties in participating in competitive solicitations under the renewables portfolio standard program." The Legislature did not intend for projects under 3 MW to compete in auctions. It is therefore difficult to see how using the results of an auction process in which those technologies are not expected to participate would provide an adequate benchmark.

When PUC § 399.20 was amended by SB2(1X), the language quoted by CWCCG and SusCon/GPI was deleted. Therefore, the Commission should ignore CWCGG's and SusCon/GPI's comments on the RAM benchmark issue, because their comments are based on statutory language that no longer exists.

SusCon/GPI argue that "Establishing separate prices for different renewable technologies is a much better policy outcome that will enable specific technologies to help diversify California's renewable energy portfolio." (SusCon/GPI Comments, p. 6)

A portfolio of assets (such as different renewables technology generation) can reduce overall portfolio risk only if the assets are not highly correlated with one another. No party in this proceeding has introduced evidence showing that different renewable FIT technologies will reduce overall portfolio risk, reliability risk, or any other type of risk that impacts ratepayers.

SusCon/GPI also argues that "The Commission Has Already Said RAM Is Not Appropriate." SusCon/GPI Comments, p. 6) SusCon/GPI rely on language in Decision (D.) 10-12-048, in which the Commission stated that "RAM is distinct from a feed-in tariff as that term has traditionally been used." (SusCon/GPI Comments, p. 7) The Commission's statement was true in December, 2010, but it is not true today. I note that D.10-12-048 was issued four months before the requirements of the FIT program were changed by the passage of SB2(1X). The Commission has never stated that RAM auction results were inappropriate for use in establishing the new FIT tariff.

Therefore, the Commission should not establish a cost-based FIT tariff as recommended by SusCon/GPI.

VI. Strategic Location

CWCCG argues that: (CWCCG Comments, p. 11)

> For example, as we have discussed earlier, wastewater biogas projects are expected to be located closer to load centers within small or large population centers. Other biogas projects may be more remotely located, yet they need to be accommodated as renewable energy resource centers.

State law prohibits the Commission from specifically accommodating remotely located generation facilities. Pursuant to PUC § 399.20(b)(3), such remotely located centers shall not be considered to be an electric generation facility. Thus, such facilities are not eligible to participate in the FIT tariff.

VII. Pricing Adders

The County of Madera (COM)[2] argues that: (COM Comments, p. 2)

> As the CPUC considers methodologies to implement the feed-in tariff program for small renewable power generators, there should be consideration for monetizing the value of locating small biopower projects near at risk communities as many are within or near medium and high priority fire landscapes. Strategic and sustainable expansion of these at-risk regions could provide a revenue source to support continued forest fuels reduction activities the while delivering a suite of societal benefits and public good.

In other words, COM wants all ratepayers to subsidize COM's forest fuel reduction activities. The Commission should not create a special adder as recommended by COM for two reasons:

1. There is no legal basis for creating such an adder.
2. The subsidy would be funded by all ratepayers, while the vast majority of benefits would accrue to residents of Madera County.

The Placer County Air Pollution Control District (PCAPCD) recommends that the Commission establish a Wildlife Hazard Reduction Adder of 5.5 cents per kilowatt hour (kWh). PCAPCD estimates that this adder will increase the rates of all IOU ratepayers $20.476 million annually. (PCAPCD Comments, p. 12)

The Department of Forestry and Fire Protection argues that: (PCAPCD Comments, Attachment 2 of Attachment A)

> Wildfire hazards can be reduced by thinning trees and removing brush, which make forests more resistant and resilient to damage, however treatments are very costly. Biopower facilities that utilize forest residues can help underwrite the costs of these treatments, making them feasible for landowners who could not otherwise afford to implement them.

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[2] The County of Madera has failed to provide a searchable file as required by Rule 1.10(c) of the Commission's Rules of Practice and Procedure.

Thus, PCAPCD seeks to increase the rates of all ratepayers in order to fund a Wildfire Hazard Reduction program. I am unaware of any occasion on which the Commission has increased rates in order to fund a program that is not administered by the CPUC.

PCAPCD incorrectly claims that all wildfire hazards are a ratepayer cost. Unless utility equipment is damaged, rates do not increase if wildfires increase, nor do rates decrease if the incidence of wildfires decreases. I note that PCAPCD claims that total wildfire costs from 2006-2019 were $1.19 billion. (PCAPCD Comments, Table 3, p. 7)

PCAPCD states that "From 2006 through 2010, California IOU[s] paid out almost $12 million dollars per year to fire agencies to provide compensation for fire suppression costs incurred fighting fires started by transmission and distribution system caused ignitions." (PCAPCD Comments, p. 9) Thus, ratepayer direct costs for wildfires were, in fact, $60 million over the period 2006-2010, and not $1.19 billion dollars.[3]

Ratepayers have paid for only 5.03% ($60 million divided by $1.19 billion) of the total fire suppression costs claimed by PCAPCD. PCAPCD effectively demonstrates that the program is not cost effective for IOU ratepayers, because ratepayers would pay an additional $20.5 million per year to obtain between $132,000 to $432,000 in benefits. (See Table 1 below)

[3] 5 years multiplied by $12 million/year equals $60 million.

Table 1: Cost Effectiveness of Wildfire Hazard Reduction

Item	Value	Source
Annual Program Cost	$20,476,500	PCAPCD Comments, p. 12
Historical IOU Annual Costs (HAC)	$12,000,000	PCAPCD Comments, p. 9
Minimum Annual Reduction Percentage (MINRP)	1.1%	Calculated from PCAPCD Comments, p. 11
Maximum Annual Reduction Percentage (MAXRP)	3.6%	Calculated from PCAPCD Comments, p. 11
Minimum Annual Benefit (MINAB)	$132,000	HAC x MINRP
Maximum Annual Benefit (MAXAB)	$432,000	HAC x MAXRP
Minimum Cost/Benefit Ratio	.011	MINAB/HAC
Maximum Cost/Benefit Ratio	.036	MAXAB/HAC

Therefore, I recommend that the Commission should not adopt a Wildlife Hazard Reduction Adder as recommended by the COM and PCAPCD.

SusCon/GPI state that "Numerous parties in addition to us have briefed and commented extensively on the requirements under § 399.20 for the FiT price to include the adders dictated in statute." (SusCon/GPI Comments, p. 9)

In order to participate in the FIT program, a generator must be "strategically located and interconnected to the electrical transmission and distribution grid in a manner that optimizes the deliverability of electricity generated at the facility to load centers." (PUC § 399.20(b)(3))

The new statute requires that generators be strategically located, but it does not require the Commission to establish an adder for the owners of FIT generation.

VIII. Conclusion

The Commission should adopt my recommendations for the reasons given herein.

* * *

Dated November 14, 2011, at Santa Cruz, California.

/s/

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VERIFICATION

I, L. Jan Reid, make this verification on my behalf. The statements in the foregoing document are true to the best of my knowledge, except for those matters that are stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Dated November 14, 2011, at Santa Cruz, California.

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