

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue
Implementation and Administration of
California Renewables Portfolio Standard
Program.

R.11-05-005

NOTICE OF EX PARTE COMMUNICATION

John W. Leslie
Luce, Forward, Hamilton & Scripps LLP
600 West Broadway, Suite 2600
San Diego, California 92101
Tel: (619) 699-2536
Fax: (619) 232-8311
E-Mail: jleslie@luce.com

Attorneys for Shell Energy North America (US), L.P.

Date: November 21, 2011

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue
Implementation and Administration of California
Renewables Portfolio Standard Program.

R.11-05-005

NOTICE OF EX PARTE COMMUNICATION

In accordance with Rule 8.4 of the Commission's Rules of Practice and Procedure, Shell Energy North America (US), L.P. ("Shell Energy") files this notice of an ex parte communication that occurred on Wednesday, November 16, 2011. The ex parte communication was oral and written. Written materials were provided and are attached to this notice. The communication occurred in a meeting room on the fifth floor of the Commission's San Francisco headquarters.

I.

The ex parte communication occurred through a meeting between representatives of Shell Energy and Sara Kamins, advisor to Commissioner Ferron. Shell Energy's representatives were Marcie Milner, Vice President, Regulatory Affairs; and John Leslie, the undersigned outside attorney. Shell Energy's representatives met with Ms. Kamins from approximately 11:30 a.m. to 12:05 p.m. The attached written materials were provided during the meeting. The communication was initiated by the undersigned. The meeting lasted approximately 35 minutes.

II.

The purpose of the meeting was to discuss Presiding Judge Anne Simon's October 7, 2011 proposed decision ("PD") on the portfolio content categories under SBX1 2. The following matters were addressed:

First, Ms. Milner asked that the Commission clarify the PD to ensure that the classification of an RPS-eligible transaction (Bucket One; Bucket Two) remains the same when the transaction is transferred, as long as the REC has not been retired for RPS compliance. Ms. Milner noted that the way the PD is currently written, virtually all Bucket One products that are transferred from one entity to another will be classified as Bucket Three products in the hands of the transferee. This interpretation of the statute will dramatically increase the cost of RPS supplies to consumers. Ms. Milner stated that market participants must have certainty that the RPS products they purchase will retain their classification when they are sold or until the REC is retired. Ms. Milner stated that market liquidity is dependent on maintaining the classification of an RPS product, even upon transfer. Market liquidity translates to lower costs to consumers.

Second, the Shell Energy representatives urged the Commission to limit Bucket Three products to those RPS products that do not qualify under Bucket One or Bucket Two. Ms. Milner stated that if the original transaction is eligible under Bucket One or Bucket Two, the product should not be re-classified as a Bucket Three product when the REC is transferred to another party. The undersigned stated that the statutory language is clear that Bucket Three is a "residual" category for RPS products that do not qualify under Bucket One or Bucket Two. The Commission should adhere to the language of the statute. Ms. Milner stated that increasing the RPS-eligible products that qualify for Bucket One (in accordance with the statutory language) will reduce costs to consumers, thus promoting Commissioner Ferron's objective to achieve cost containment.

Third, the Shell Energy representatives stated that the PD should be modified to remove any conditions on "firmed and shaped" transactions that are not included in the statute. The definition of a firmed and shaped product should be consistent with the CEC's definition in the

current RPS Eligibility Guidebook, with only the added requirement that the substitute energy must be “incremental.” It should not be a requirement that the substitute energy be purchased “simultaneously” with the purchase of the RPS-eligible energy. Firmed and shaped products should qualify under Bucket Two as long as the substitute energy is “scheduled into a CBA” within the same calendar year that the RPS-eligible energy is generated. In addition, there should not be a prohibition against re-selling the RPS-eligible energy to the generator. There should be no restriction on the re-sale of the RPS-eligible energy. Finally, the additional terms and conditions proposed by TURN also should be rejected because these conditions have no basis in the statute.

III.

Written materials that were used in the meeting are attached. To obtain a copy of this notice, please contact:

Sue Pote
Luce, Forward, Hamilton & Scripps LLP
600 West Broadway, Suite 2600
San Diego, California 92101-3391
Tel: (619) 699-5464
E-Mail: spote@luce.com

Respectfully submitted,



John W. Leslie
Luce, Forward, Hamilton & Scripps LLP
600 West Broadway, Suite 2600
San Diego, California 92101
Tel: (619) 699-2536
Fax: (619) 232-8311
E-Mail: jleslie@luce.com

Date: November 21, 2011

Attorneys for Shell Energy North America (US), L.P.

101719607.1

Shell Energy North America (US), L.P.
Meeting With Sara Kamins
November 16, 2011

Subject: Presiding Judge Anne Simon's October 7 Proposed Decision on "Portfolio Content Categories"

Objective: The PD must be modified to meet the four goals articulated by Commissioner Ferron at the Commission's November 10 meeting:

- Cost containment to reduce the burden on ratepayers;
- Rules that are simple to implement and follow;
- Minimize disruption to the market; and
- Adhere to the language of the statute.

1. **Transferability:** The classification of an RPS-eligible transaction (Category One; Category Two) must remain the same when the transaction is transferred, as long as the REC has not been retired for RPS compliance.

- Market participants must have certainty that the RPS product they purchase will retain its classification when they sell it or until they retire the REC.
- LSEs must have the ability to buy or sell RPS products when they are long or short on RPS supplies to meet their RPS compliance obligation.
- Market liquidity is dependent on maintaining the classification of an RPS product and results in lower costs to consumers.
- Failure to allow transferability, or altering the classification after-the-fact, will result in higher prices and stranded costs that will ultimately be borne by ratepayers.

2. **Unbundled RECs:** According to the statute, Category Three includes only those RPS products that do not qualify under Category One or Category Two.

- Whether or not the REC is "bundled" with the energy, the energy produced at an in-State RPS-eligible facility is scheduled into a CBA (Category One).
- By definition, a firm and shaped product (Category Two) matches an unbundled REC with substitute energy.
- The Commission cannot alter the portfolio content categories outlined in the statute. As proposed, most products will be unbundled RECs, which will dramatically increase costs to consumers.

3. **Firmed and shaped:** Products should qualify under Category Two as long as the substitute energy that is matched with the unbundled REC is "incremental" and is "scheduled into a CBA" within the same calendar year that the RPS-eligible energy is generated. No additional conditions should be imposed.

- Substitute energy should not have to be purchased at the same time as the acquisition of the RPS-eligible energy.
- There should be no prohibition on the re-sale of the RPS-eligible energy.
- Additional conditions (fixed price; term of contract; origin of substitute energy) would severely limit Category Two products. These conditions have no basis in the statute.
- An RPS contract entered into prior to December 10, 2011 satisfies the requirements for a "firmed and shaped" product under Category Two if, at the time the contract was executed, the transaction met the "delivery" requirements in the CEC's RPS Eligibility Guidebook.

Below are the labeled sections of the attached E-Tag, excerpted meter data and corresponding explanations:

1. Tag code, tag information: Date and time of transaction. This provides the Commission the ability to confirm the date(s) the transaction occur(s).
2. Market Path: Financial Path (buying/Selling chain). In this example, you can see that the market path originated in Portland General's Control Area (PGEMPG) and was then transferred to Shell Energy, identified by CORPW.
3. Physical Path: This field represents the physical path of the energy from generation to load. In this example, the Commission can confirm that the source is the eligible renewable generator, Bigelow Canyon, and that the sink is California, NP15. If the source reflects PGE or any other ID, any associated MWs would be ancillary and the LSE or marketer could not claim those as directly delivered.
4. Energy and Transmission Profiles: This data reflects the hourly energy scheduled, transmission contracts
5. Specific Example: 7/9/2011 Hour Ending (HE) 5:00 - 34 MW
6. Specific Example: 7/9/2011 Hour Ending (HE) 15:00 - 10 MW
7. Transmission Product: In this field, the Commission can ascertain the type of OASIS transmission that was utilized. In this example, 7-F represents firm transmission

Below are the labeled sections of the Bigelow Canyon generator meter data excerpted from the attached spreadsheet that correspond with the tag examples in the energy and transmission profiles listed in items 5 and 6 above:

8. Specific Example: 7/9/2011 Hour Ending 5:00 25500 kWh (25.5 MW)
9. Specific Example: 7/9/2011 Hour Ending 15:00 33400 kWh (33.4 MW)

As this data demonstrates, in Hour Ending 5:00, more energy was scheduled than was generated. Therefore, the product content category one volume would be the amount generated or 25.5 MWs. Conversely, in Hour Ending 15:00, more energy was produced by the generator than was delivered into California. In this case only 10 MWs would count in product content category one. Shell Energy's approach is to calculate the "lesser of" as reflected in items 10 and 11 below. With respect to the case where more energy is generated than delivered, the excess energy will produce RECs in WREGIS, but those would only be eligible for the California RPS as product content two or three depending on whether or not the entity delivered power.

Below are the labeled sections of the SENA calculation of Out of State renewable energy transformed into product content category one RECs:

10. Shell Energy's calculation of product content category one RECs created from an out of state generator delivered to California on firm transmission, as produced: The lesser of the CEC certified generator meter data (25.5) by hour versus the tagged volume (34) MW physically delivered in California
11. Shell Energy's calculation of product content category one RECs created from an out of state generator delivered to California on firm transmission, as produced: The lesser of the CEC certified generator meter data (33.4) by hour versus the tagged volume (10) MW physically delivered in California

1

BPAT_PGEMPG0281760_CISO

Tag Information				Contact Information	
GCA	PSE	Tag Code	LCA	PSE Code	PGEMPG
BPAT	PGEMPG	0281760	CISO	PSE Contact	Donna Garcia
Start Date: 07/08/2011 00:00				PSE Phone	(503)464-7410
Stop Date: 08/01/2011 00:00				PSE Fax	(503)464-7608
Time Zone: PD				Gen Contact	Tagging Mailbox
Transaction Type: Normal				Gen Phone	(360)418-2878
Tag MWh at generator (original / final): 28800 / 22950				Gen Fax	(360)418-8740
				Load Contact	NA Prescheduling
				Load Phone	(916)351-2495
				Load Fax	(916)351-4486
				Comment	CORP SALE below II - 60963A

17	Adjustment	PGEMPG (PSE)	07/10/2011 09:21	APPROVED
16	Adjustment	PGEMPG (PSE)	07/10/2011 06:14	APPROVED
15	Adjustment	PGEMPG (PSE)	07/9/2011 13:20	APPROVED
14	Adjustment	PGEMPG (PSE)	07/9/2011 12:17	APPROVED
13	Adjustment	PGEMPG (PSE)	07/9/2011 11:17	APPROVED
12	Adjustment	PGEMPG (PSE)	07/9/2011 10:17	APPROVED
11	Adjustment	PGEMPG (PSE)	07/9/2011 08:29	APPROVED
10	Adjustment	PGEMPG (PSE)	07/9/2011 07:52	WITHDRAWN
9	Adjustment	PGEMPG (PSE)	07/9/2011 07:29	APPROVED
8	Adjustment	PGEMPG (PSE)	07/9/2011 06:51	APPROVED
7	Adjustment	PGEMPG (PSE)	07/9/2011 06:39	APPROVED
6	Adjustment	PGEMPG (PSE)	07/9/2011 06:18	APPROVED
5	Adjustment	PGEMPG (PSE)	07/9/2011 04:33	APPROVED
4	Adjustment	PGEMPG (PSE)	07/9/2011 03:44	APPROVED
3	Adjustment	PGEMPG (PSE)	07/9/2011 02:38	APPROVED
2	Curtailment	BPAT (CA)	07/8/2011 23:10	APPROVED
1	Curtailment	CISO (CA)	07/8/2011 16:44	APPROVED
0	Creation	PGEMPG (PSE)	07/7/2011 11:28	APPROVED

Market Path			
PSE	Product	Contract	Misc(Token/Value)
PGEMPG	G-F		
CORPW	L		

3

Physical Path															
CA	TP	PSE	POR	POD	Sched Entities	Contract	Misc(Token/Value)								
BPAT		PGEMPG	BIGLOWCANYON												
	BPAT	PGEMPG	Biglow	JohnDay	BPAT										
	PGE	CORPW	JohnDay	Malin500	BPAT										
		CISO	CORPW	MALIN500	NP15	CISO	<table border="1"> <tr><td>CISO CONTRACT</td><td>NONE</td></tr> <tr><td>CISO PRODUCT</td><td>ENBY</td></tr> <tr><td>CISO RES ID</td><td>ENBY MALIN500 I P CAT</td></tr> <tr><td>RPS ID</td><td>02963A</td></tr> </table>	CISO CONTRACT	NONE	CISO PRODUCT	ENBY	CISO RES ID	ENBY MALIN500 I P CAT	RPS ID	02963A
CISO CONTRACT	NONE														
CISO PRODUCT	ENBY														
CISO RES ID	ENBY MALIN500 I P CAT														
RPS ID	02963A														
CISO		CORPW	NP15												

Energy and Transmission Profile MW (out of)									
Date	Start	Stop	Gen	BPAT			PGE		
			MW	Trans	75857440	MW	Trans	71472976	MW
07/08/2011	00:00	17:00	50	50	50	50	50	50	50
07/08/2011	17:00	18:00	47	50	50	47	50	50	47
07/08/2011	18:00	23:12	50	50	50	50	50	50	50
07/08/2011	23:12	00:00	37	50	50	37	50	50	37
07/09/2011	00:00	04:00	50	50	50	50	50	50	50
07/09/2011	04:00	05:00	34	34	34	34	34	34	34
07/09/2011	05:00	06:00	19	19	19	19	19	19	19
07/09/2011	06:00	07:00	24	24	24	24	24	24	24
07/09/2011	07:00	08:00	8	8	8	8	8	8	8
07/09/2011	08:00	09:00	10	10	10	10	10	10	10
07/09/2011	09:00	10:00	15	15	15	15	15	15	15
07/09/2011	10:00	11:00	18	18	18	18	18	18	18
07/09/2011	11:00	12:00	50	50	50	50	50	50	50
07/09/2011	12:00	13:00	14	14	14	14	14	14	14
07/09/2011	13:00	15:00	10	10	10	10	10	10	10
07/09/2011	15:00	06:00	50	50	50	50	50	50	50
07/10/2011	00:00	07:00	50	50	50	50	50	50	50
07/10/2011	07:00	08:00	0	0	0	0	0	0	0
07/10/2011	08:00	11:00	50	50	50	50	50	50	50

5

6

Transmission Allocation			
TP	Owner	Product	OASIS
BPAT	PGEMPG	7-F	75857440
PGE	CORPW	7-F	71472976
CISO	CORPW	7-F	CRLP_MALIN500_I_F_DA1

Field	Value(s)	Applies To
Meter Point	Biglow Canyon Bank 2 In (3296)	All
Date Range	07/06/2011 - 07/31/2011	All
Unit of Measure	kWh	Usage
Scaling Type	Energy without Estimates	Usage
Include Subtotals?	Y	Usage

Hourly Usage

Src	Day	Scale	1	2	3	4	5
MV90	7/6/2011	E	25800	27700	28800	2600	27200
MV90	7/7/2011	E	104700	84000	65700	0	0
MV90	7/8/2011	E	161200	160600	157200	146800	142900
MV90	7/9/2011	E	65700	58300	45400	3900	25500
MV90	7/10/2011	E	133800	80500	38400	41400	43500

8

Field	Value(s)	Applies To
Meter Point	Biglow Canyon Bank 2 In (3296)	All
Date Range	07/06/2011 - 07/31/2011	All
Unit of Measure	kWh	Usage
Scaling Type	Energy without Estimates	Usage
Include Subtotals?	Y	Usage

Hourly Usage

Src	Day	Scale	14	15
MV90	7/6/2011	E	500	1300
MV90	7/7/2011	E	152300	154400
MV90	7/8/2011	E	60000	62400
MV90	7/9/2011	E	17000	33400
MV90	7/10/2011	E	23600	35100

9

Date/Time	HE1	HE2	HE3	HE4	HE5	HE6	HE7	HE8	HE9	HE10	HE11	HE12	HE13	HE14	HE15	HE16
7/1/2011																
7/2/2011																
7/3/2011																
7/4/2011																
7/5/2011																
7/6/2011	22	27.7	20	10	6	23	26.1	27.6	5.4	0	0	0	0	0	0	0
7/7/2011	50	50	50	50	0	0	50	50	50	50	50	50	50	50	50	50
7/8/2011	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
7/9/2011	50	50	45.4	31.9	25.5	18	13.5	8	10	15	8.3	5.6	8.5	10	10	50
7/10/2011	50	50	38.4	41.1	43.5	33.5	0	0	25	15.9	31.9	22.5	21.1	22.6	35.1	0
7/11/2011	50	50	50	48.2	48.2	49.4	47.9	37.3	35	22.6	12.6	12.3	9	15	25	50

11