

**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 R.11-05-005

**REPLY COMMENTS OF THE GREEN POWER INSTITUTE ON THE
PROPOSED DECISION ON PROCUREMENT QUANTY REQUIREMENTS**

November 22, 2011

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Pursuant to Rules 14.3 and 14.6 of the Commission's Rules of Practice and Procedure, in Proceeding R-11-05-005, the **Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program**, the Green Power Institute, a program of the Pacific Institute for Studies in Development, Environment, and Security (GPI), provides these *Reply Comments of the Green Power Institute on the Proposed Decision on Procurement Quantity Requirements*.

Several parties, including SCE, SCPPA, and AReM, argue against the PD's adoption of linear projections for constructing the procurement targets for the second and third compliance periods specified by SB 2 (1x). Indeed, SCPPA goes one step further in arguing that the statutorily specified targets of 25 percent and 33 percent are intended to be met only at the end of the year to which they are tagged, not the full year. We note that these parties made the same arguments in their August 30, 2011, *Comments*, and that the PD both acknowledges them and rejects them in favor of the linear model. No new information is presented at this point in the process, and we strongly believe that the Commission should stick with its well reasoned conclusion in the PD.

The PD makes it clear that it rejects the notion that the specified 2016 and 2020 targets should be enforced as single-year compliance obligations, in addition to being the final years of multi-year compliance periods. As a result, SCPPA's concern about whether these targets are intended for the full year to which they are tagged, or the end of the year, is moot. The real issue here is how to set the compliance obligations for the second and third multi-year compliance periods specified in the new legislation, in view of the fact that the targets for the individual years are parameters of the equations that are used for calculating the procurement obligations for the multi-year compliance periods (see equations on pgs. 17-18 of the PD). The legislation granted considerable discretion to the Commission to set these parameters, with the proviso that demonstrable progress be accomplished by retail sellers. In fact, the record of the first phase of the state's RPS

program (2003-2010) shows that the utilities have consistently failed to meet their procurement obligations, leaving legitimate concerns about the likelihood of their meeting future procurement obligations. The solution is not to reward them with reduced obligations, but to present challenging targets that will require a rapid and serious response, and will leave the utilities in a position to achieve the 33-percent standard on an annual basis post 2020. We believe that the policy positions taken in the PD are sound, and should not be weakened.

One of the primary arguments made against the use of targets based on the linear model is that it is not the cheapest possible way to meet the requirements of the law, because it requires a level of renewable procurement that is greater than the minimum required by statute. This argument is wrong on several levels. First, the policy rationale for establishing a renewables policy is not premised on cost minimization – it is based on minimizing the environmental impacts of energy production at reasonable cost. Second, the state has had an RPS policy for nearly a decade, and despite the many protestations that renewables are too expensive, the fact is that to date renewables have added no more than an imperceptible amount to the cost of electricity in California. California electricity is expensive, but renewables are not the cause. Third, it has long been understood that renewables act as a buffer to the fluctuations in the cost of electricity production that are associated with the use of volatile commodities like natural gas. When gas prices are high, fixed-price renewables will keep the overall cost of electricity down. The flip side of this is that when gas prices are low, as they are today, fixed-price renewables may be more costly than low-cost, gas-fired generators, based on a strictly short-term perspective. However, this does not mean that they are more costly on a long-term basis, and this is the context by which they should be judged.

Quite a few of the parties commenting on the PD point out that the procurement quantity requirements that are determined in this PD are only part of the picture that needs to be filled out in order for retail sellers to fully understand their obligations. These parties plead for early action on the remaining issues, and the GPI joins in this plea.

AReM calls for the Commission to conduct a workshop in conjunction with the development of a new reporting template reflecting the new RPS requirements, and the GPI strongly supports this notion. We also argued for a public participation process in the development of the new spreadsheet in our *Comments* on the PD. We note that PG&E, in their *Comments*, suggest that the Decision specify that the now once-annual compliance reports should be due on August 1 of the following calendar year. In the first phase of the RPS program reporting was semi-annual, with the reports due on March 1 and August 1 of the following calendar year. With the transition to a single annual report, we would prefer to see an earlier due date than August 1. In our opinion the reports should be due on May 1 of the following calendar year, and each report should provide corrections, if necessary, for earlier years, as well as the data for the just-completed year.

Finally we wish to support SCE's assertion that the utilities do not have compliance obligations for 2011 under the original RPS program, which would be in addition to their obligations for 2011 under the new legislation, although we don't know whether this needs to be spelled out in this particular document. We do acknowledge, with appreciation, SCE's implicit recognition that their obligations under the original phase of the RPS program, which ran from 2003 – 2010, are neither negated nor superceded by the new phase of the program, which began on January 1, 2011.

Dated November 22, 2011

Respectfully Submitted,

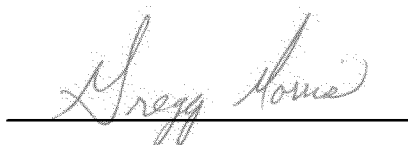


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VERIFICATION

I, Gregory Morris, am Director of the Green Power Institute, and a Research Affiliate of the Pacific Institute for Studies in Development, Environment, and Security. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of *Reply Comments of the Green Power Institute on the Proposed Decision on Procurement Quantity Requirements*, filed in R.11-05-005, are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

Executed on November 22, 2011, at Berkeley, California.

A handwritten signature in cursive script, reading "Gregory Morris", is written above a solid horizontal line.

Gregory Morris