

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to
Integrate and Refine Procurement
Policies and Consider Long-Term
Procurement Plans.

Rulemaking 10-05-006
(Filed May 6, 2010)

**COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES
ON THE PROPOSED DECISION APPROVING MODIFIED
BUNDLED PROCUREMENT PLANS**

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I. INTRODUCTION

Pursuant to the Commission’s Rules of Practice and Procedure, Article 14, the Division of Ratepayer Advocates (DRA) submits these opening comments on the Proposed Decision (PD).

The PD approves the long-term bundled procurement plans of the three Investor Owned Utilities (IOUs), with important modifications to the plans of Pacific Gas & Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E). The PD provides important clarifications on the Commission’s procurement oversight responsibilities pursuant to Public Utilities Code section 454.5, and on what constitutes “upfront standards” required by that statute. It also clarifies that the “Loading Order” imposes an ongoing obligation on the IOUs to seek out cost-effective preferred resources, even if minimum targets have been met. DRA supports the PD but recommends additional clarification on three issues:

1. A process to ensure that the IOUs’ procurement plans comply with the Loading Order requirements.

2. A process to address how the IOUs should balance Least Cost Dispatch with State and program mandates like the Renewables Portfolio Standard (RPS) goal.
3. Clarify that the IOUs must continue to report Congestion Revenue Rights (CRRs) awards and nominations to the Procurement Review Group (PRG).

II. DISCUSSION

A. Compliance with the Loading Order

The PD clarifies how the IOUs are to comply with the Loading Order requirements as set forth in the Energy Action Plan and the last long-term procurement planning (LTPP) decision, (D.) 07-12-052. It does this by concluding that the IOUs' obligation to procure resources as prescribed in the Loading Order is "ongoing" rather than finite, meaning that the Loading Order continues to apply to all utility procurement (i.e. filling their "net short" positions), even if pre-set targets for certain preferred resources have been achieved.¹ The PD reiterates this centrality of the Loading Order and requires the IOUs to procure preferred resources "to the extent they are feasibly available and cost effective."² It further clarifies that the IOUs should procure energy efficiency and demand response resources if they can "reasonably" do so.³

DRA fully supports the PD's conclusion that compliance with the Loading Order is an ongoing utility obligation. However, the PD could provide more clarification on how the utilities' day-to-day procurement practices should be changed, or how the IOUs should determine what preferred resource alternatives are "feasible" and/or "cost effective." DRA's previous filings in this proceeding called for a "robust analysis" in the IOU procurement plans that addresses the cost effectiveness of preferred resources in the context of a GHG-constrained system, and that captures the economic effects of reducing GHG emissions from a mix of short, medium and long-term procurement choices. For example, are the IOUs' short and medium term procurement decisions accurately incorporating a GHG price or the potential opportunity costs of reducing GHG

¹ Proposed Decision Approving Modified Bundled Procurement Plans (PD), p. 20.

² PD, p. 21.

³ PD, p. 21.

emissions?⁴ For these reasons, DRA recommends that the following ordering paragraph be added to the PD:

“5(a). We direct ED staff to continue to work with the IOUs and other interested parties to develop a process (e.g., workshops) to develop recommendations on how, specifically, the IOUs should implement the requirement that utility procurement must comply with the loading order on an ongoing basis while maximizing cost-effectiveness.”

B. Least Cost Dispatch

In testimony and briefs DRA called for additional guidance on how the IOUs should balance Least Cost Dispatch (LCD) with the Renewables Portfolio Standards program (RPS) goals, in light of PG&E’s testimony on LCD. PG&E’s testimony pointed out the need to consider factors such as RPS requirements in addition to incremental cost when deciding when to dispatch and/or curtail renewable and other preferred resources.⁵ To ensure that the LCD requirement is not overlooked, DRA recommends that this issue be considered as an integral issue in the Loading Order workshops recommended above.

C. PG&E’s Congestion Revenue Right (CRR) Reporting Requirements

The PD is silent on PG&E’s proposed changes to current Congestion Revenue Rights (CRR) reporting requirements, which DRA opposed. This omission, which may have been an oversight, could be read as Commission approval of the requested change. The Final Decision should clarify whether the requested change to CCR reporting is or is not approved.

⁴ This objective was expressly acknowledged in the last LTPP decision (D.07-12-052), which states “...the utilities should be actively engaged in projecting absolute emissions for various procurement scenarios, estimating the costs of those plans for various GHG allowance prices, and making procurement decisions based on these assessments.” D.07-12-052, p. 244.

⁵ Ex. 101-C, PG&E BPP, II-4; PG&E agreed with the need for further direction to balance the Commission’s competing policy objectives. Reply Testimony of PG&E, p. II-5, lines 12-14 and P. II-6, lines 10-12. *See also*, Ex. 400-C, Testimony of DRA, pp. 34 -35, lines 24 (p. 34), 1 -3 (p.35) and Ex. 103-C, DRA Opening Brief, p. 1.

Pursuant to Resolution E-4135, PG&E is currently required to provide its Procurement Review Group (PRG) with a listing of proposed monthly CRR nominations both for allocation and auction.⁶ In its Track II testimony, PG&E proposed to cease reporting CRR nominations that are not cleared or awarded on the grounds that it is impractical to provide monthly CRR information prior to the nomination deadline.⁷ DRA stated in its responsive testimony that the PRG should continue to have access to information about PG&E's CRR nominations, including those that do not clear.⁸ The Final Decision should clarify that PGE's proposal to limit the reporting of CRR nominations to the PRG is not approved by adding an Ordering Paragraph stating:

“23. PG&E's proposal to cease reporting CRR nominations that are not awarded or cleared is denied.”

III. CONCLUSION

For the foregoing reasons, the Commission should adopt the PD with the limited modifications recommended above.

Respectfully submitted,

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⁶ Ex. 101-C, PG&E Bundled Procurement Plan, pp. F-1 to F-2.

⁷ *Id.*, p. F-2.

⁸ Ex. 400, DRA Testimony on Track II Plans, p. 33.

Appendix A
Proposed Changes to Ordering Paragraphs

New Ordering Paragraphs:

5(a). We direct ED staff to continue to work with the IOUs and other interested parties to develop a process (e.g., workshops) to develop recommendations on how, specifically, the IOUs should implement the requirement that utility procurement must comply with the loading order on an ongoing basis while maximizing cost-effectiveness.

23. PG&E's proposal to cease reporting CRR nominations that are not awarded or cleared is denied.