BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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

REPLY COMMENTS OF NEXTERA ENERGY RESOURCES, LLC ON PROPOSED DECISION IMPLEMENTING PORTFOLIO CONTENT CATEGORIES FOR THE RENEWABLES PORTFOLIO STANDARD PROGRAM

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On behalf of NextEra Energy Resources, LLC

November 1, 2011

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Pursuant to Article 14 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), NextEra Energy Resources, LLC ("NextEra") submits these reply comments addressing the opening comments of The Utility Reform Network ("TURN") on the Proposed Decision of Administrative Law Judge Simon Implementing Portfolio Content Categories for the Renewables Portfolio Standard Program ("Proposed Decision").

TURN proposes to impose several additional requirements for transactions to qualify as "firmed and shaped" products under California Public Utilities Code Section 399.16(b)(2) ("Section 399.16(b)(2)" or "category 2"). TURN proposes that transactions should qualify as category 2 products only if: (1) the incremental substitute energy is procured under a contract having the same duration as the underlying power purchase agreement ("PPA") with the eligible renewable resource; (2) the transaction (*i.e.*, both the PPA and the substitute purchase contract) has a minimum duration of five years; (3) the substitute electricity is purchased at a fixed price that provides hedging value to the procuring retail seller; and (4) the energy used to "firm and shape" the renewable generation is provided from the same Western Electricity Coordinating Council subregion as the renewable generation. As explained below, these added restrictions are not supported by the statutory language and would unduly impair retail sellers' ability to acquire and utilize category 2 products to meet their renewables portfolio standard ("RPS") compliance obligations.

First, TURN's proposed restrictions are not supported by the statutory definition of "firmed and shaped eligible renewable energy resource electricity products providing

incremental electricity and scheduled into a California balancing authority." As the Proposed Decision observes, the two key terms in this definition are "firmed and shaped" and "incremental." Although the legislation did not define these terms, TURN's proposed conditions are so specific and restrictive that they cannot simply be read into the statute. If the Legislature had intended to restrict transactions in the manner proposed by TURN, the restrictions would have been included in Section 399.16(b)(2). The statute merely requires a category 2 product to include the scheduling of "incremental" energy into a California balancing authority. It does not support TURN's proposed restrictions on the source of the incremental energy, the duration of the contract to procure the incremental energy, or the price of the incremental energy.

Second, TURN is mistaken in its argument that additional restrictions are necessary to distinguish a "firmed and shaped" product in category 2 from unbundled RECs and other category 3 products. The distinguishing features of a category 2 product are the purchase of bundled energy and RECs from a resource outside of California, and the delivery of incremental energy into California. The purchase of a bundled product and the bundling of the purchased REC with incremental, imported energy distinguishes this product from a category 3 transaction, in which no energy is associated with the purchase of an unbundled REC. As stated above, the statute simply does not support added restrictions on how the incremental energy can be purchased or where it must originate.

Third, TURN's proposal to impose minimum contract terms and to require the same contract durations for the bundled PPA and the substitute energy purchase agreement are not realistic or consistent with current market conditions, and would increase retail sellers' costs to utilize category 2 products. The Proposed Decision recognizes that firm transmission rights are not a required element of a category 1 product.[1] It follows that firm transmission rights are also not a required element of a category 2 firmed and shaped product. This is critical because many delivery points into California (*i.e.*, CAISO tie points) are not liquid trade hubs. Although it is possible to procure energy for delivery into these tie points on a short- and intermediate-term basis, delivery on a long-term basis (such as under a substitute energy purchase contract that must be of the same duration as a long-term bundled PPA) would require a long-term transmission agreement. In essence, requiring a substitute energy contract to be of the same

duration as a long-term PPA would obligate the retail seller to procure long-term transmission rights. This would add significant costs and create significant barriers for the execution of firmed and shaped products. It also would create an even greater disincentive (compounding the disincentive already created by the preference for category 1 products) for retail sellers to enter into long-term bundled PPAs for out-of-state resources. The end result is that TURN's proposed requirement for matching the contract durations would simply limit the number of firmed and shaped transactions. This would be contrary to the statute, which specifically allows firmed and shaped transactions and adequately distinguishes the three categories. The Proposed Decision's findings are consistent with the statute and provide the flexibility required to enable transactions in each category.

Finally, TURN's concerns about the hedging value of a substitute energy purchase may be valid in the context of evaluating a utility's long-term procurement plan and its mechanisms for ensuring price stability, but hedging value and price stability are not required elements of any of the portfolio content categories. These criteria simply cannot be supported as part of a valid interpretation of Section 399.16(b)(2).

For these reasons, the Commission should not adopt TURN's proposed restrictions on firmed and shaped products.

NextEra appreciates the opportunity to submit these reply comments and urges the Commission to adopt the Proposed Decision with the modifications recommended in NextEra's opening comments.

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[1] Proposed Decision, pp. 22.

Respectfully submitted,

/s/ Kerry Hattevik

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On behalf of NextEra Energy Resources, LLC

November 1, 2011

VERIFICATION

I, Kerry Hattevik, am the Director of West Market Affairs of NextEra Energy Resources, LLC. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the November 1, 2011 Reply Comments of NextEra Energy Resources, LLC on Proposed Decision Implementing Portfolio Content Categories for the Renewables Portfolio Standard Program are true of my own knowledge, except as to the matters which are therein 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 as of November 1, 2011 at El Cerrito, California.

/s/ Kerry Hattevik

Kerry Hattevik
Director of West Market Affairs
NextEra Energy Resources, LLC