

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)

**THE DIVISION OF RATEPAYER ADVOCATES' LATE NOTICE
OF EX PARTE COMMUNICATION**

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December 15, 2011

Pursuant to Rule 8.4 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") gives notice of the following ex parte communication with Damon Franz, Energy Advisor to Commission President Michael Peevey.

DRA initiated the communication, which occurred on Wednesday, December 7, 2011, at approximately 1:30 p.m. at the offices of California Public Utilities Commission. The communication was oral. Two handouts were provided, which are attached to this notice. Attachment A is a summary of DRA's position on key Long Term Procurement Plan ("LTPP") issues. Attachment B focuses on DRA's recommended changes to Southern California Edison Company's ("SCE's") greenhouse gas ("GHG") procurement plan (discussed below). The meeting lasted approximately 30 minutes.

Representing DRA were Cheryl Cox (Policy Advisor), Peter Spencer, and Jordan Parrillo (Regulatory Analysts), and Karen Paull (Interim Chief Counsel).

At the meeting, DRA summarized its positions on the principal issues to be addressed in a forthcoming proposed decision on "Track I" and "Track III" issues. Ms. Paull summarized the principal provisions of the multiparty Settlement Agreement on Track I issues that is currently pending before the Commission and reiterated DRA's support of the Settlement.

DRA analysts also discussed San Diego Gas & Electric Company's ("SDG&E") request for procurement authority, and explained how the authority requested far exceeds any showing of need for local resources in SDG&E's territory, and even by SDG&E's own analysis contains a 200MW "cushion."

Finally, DRA summarized its position on GHG procurement issues before the Commission in this proceeding. DRA urged the Commission to accept the utilities' GHG procurement plans, with limited modifications to SCE's GHG Procurement Plan to ensure that GHG transactions are cautiously approached during the early years of cap and trade. DRA also emphasized that to comply with the goals of AB 32, all future long term procurement planning should involve an analysis that captures the economic effects of reducing GHG emissions from an IOU's portfolio, whereas the current IOU GHG

procurement plans narrowly focus on procuring GHG compliance products (allowances and offsets) each year.

DRA briefly mentioned the other topics addressed in the handout, but did not discuss them at any detailed level. DRA regrets that this notice is being filed three days late, due to an inadvertent oversight.

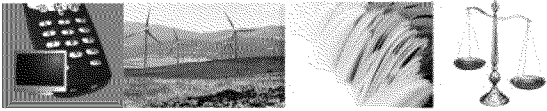
/s/ CHARLYN HOOK

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ATTACHMENT A



Contact: Cheryl Cox, DRA Policy Advisor - (415) 703-2495 - cxc@cpuc.ca.gov

PROCEEDING NO: R.10-05-006

December 2011

Commission Action: PD Expected by end of 2011

Long-Term Procurement Proceeding: Tracks I and III

DRA Position: The Commission should approve the multi-party Settlement Agreement on system, local, and renewable integration needs and adopt DRA's recommendations to 1) deny SDG&E procurement authority; and 2) approve utility GHG procurement plans with modifications.

Background

- The forthcoming PD on Tracks I and III will address multiparty Settlement Agreement filed on August 3, 2011 and remaining unresolved procurement issues.
 - ▶ **Settlement Agreement:**
 - System and Local Resource needs for PG&E and SCE
 - Renewable Integration (RI) needs
 - ▶ **Unresolved Issues:** SDG&E's request for new local capacity resources and various procurement policy issues.

Settlement Agreement is Supported by a Majority of Parties

- Signatories: SCE, SDG&E, PG&E, DRA, TURN, CLECA, CASIO, CalWEA, CCC, CBA, CAC, EPUC, Calpine, GenON, CEERT, NROC, NRG, VoteSolar, WPTF
- Provides that no new resources are authorized in this LTPP cycle for PG&E's and SCE's system and local areas.
- Parties agree CAISO's study on Resource Integration (RI) needs is incomplete and that:
 - ▶ Model results based on CPUC-required planning assumptions show no need for additional "flexible" (load following) resources in the 2012-2020 planning period.
 - ▶ CAISO model must be further developed to provide reliable basis for determining what resources are needed to provide local and system reliability and integrate intermittent renewable resources.
 - ▶ Model refinement is under way and can be considered in the next LTPP cycle.

SDG&E Does Not Sufficiently Demonstrate Local Need Request

- SDG&E requests 415 MW to meet Local Area Requirements, but SDG&E's analysis only shows a maximum need of 180 MW (in 2020).
- SDG&E's need assessment is based on its alternative planning assumptions, not the CPUC-approved Standardized Planning Assumptions.
 - ▶ SDG&E's need assessment does not adequately account for energy efficiency and demand response programs and other preferred resources.



IOU GHG Procurement Plans are Reasonable, with Modifications to SCE's Plan

- The upfront standards proposed by PG&E and SDG&E appropriately balance the long-term risks and the flexible authority for procuring GHG compliance products.
- SCE proposes forward procurement transaction limits that are too aggressive given the uncertainties related to the carbon market in the early years of ARB's GHG Cap-and-Trade Regulation.
- DRA supports the limited use of offsets to meet compliance obligations (8% limit as established by ARB) because they can reduce the compliance costs that will be passed on to ratepayers.
- SCE's request for authorization to engage in transactions for offsets that are not currently approved by ARB poses an unnecessary risk to ratepayers.
- A rigorous analysis for long-term procurement planning that captures the economic effects of reducing GHG emissions is needed in all future LTPP cycles.

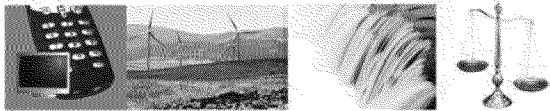
Other Issues

- **Calpine's Request for a CPUC-Mandated RFO for Existing Resources:** Request has not been justified by any showing that it is unable to meet its going forward costs.
- **Energy Division Staff's One-Year Contracting Limit with Once-Through-Cooling Units:** Unnecessarily limits the IOUs' flexibility to ensure system reliability through 2020 and will likely result in additional costs.
- **SCE's Request for a New Proceeding to Consider a CAISO-run Capacity Market:** The request should be denied:
 - ▶ It would require the CPUC to cede jurisdiction over Resource Adequacy to FERC.
 - ▶ The existing framework for Resource Adequacy under CPUC oversight is working.

DRA Recommendations

- Adopt the Settlement Agreement.
- Deny SDG&E's request for 415 MW.
- Adopt the IOUs' GHG Procurement Plans with DRA's recommended modifications to SCE's plan.
- Deny Calpine's Request for a CPUC-mandated RFO.
- Reject Energy Division staff's *one-year contracting limit with once-through-cooling units*.
- Reject SCE's request for a new proceeding to consider a CAISO-run capacity market.

ATTACHMENT B



DRA Recommendation(s)

✕✕ DRA's proposed modifications to SCE's forward procurement transaction limits:

***DRA's Proposed
GHG Transaction Rate Authority
Limits on Forward Procurement and Sales***

Transaction Year	Compliance Period 1 (2012-2014)	Compliance Period 2 (2015-2017)	Compliance Period 3 (2018-2020)
2012	AN*	50%	0%
2013	AN	50%	0%
2014	AN	AN	50%
2015	AN	AN	50%
2016	N/A	AN	75%
2017	N/A	AN	AN
2018	N/A	AN	AN
2019	N/A	N/A	AN
2020	N/A	N/A	AN
2021	N/A	N/A	AN

*AN: As Necessary to close out open GHG position and meet compliance obligations

***SCE's Proposed
GHG Transaction Rate Authority
Limits on Forward Procurement and Sales***

Transaction Year	Compliance Period 1 (2012-2014)	Compliance Period 2 (2015-2017)	Compliance Period 3 (2018-2020)
2011	AN*	50%	33%
2012	AN	50%	33%
2013	AN	75%	33%
2014	AN	AN	50%
2015	AN	AN	50%
2016	N/A	AN	75%
2017	N/A	AN	AN
2018	N/A	AN	AN
2019	N/A	N/A	AN
2020	N/A	N/A	AN
2021	N/A	N/A	AN

*AN: As Necessary to close out open GHG position and meet compliance obligations