

**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 R-10-05-006

**REPLY COMMENTS OF THE GREEN POWER INSTITUTE
ON THE PROPOSED DECISION OF ALJ ALLEN**

March 19, 2012

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Introduction

Pursuant to Rules 14.3 and 14.6 of the Commission's Rules of Practice and Procedure, the Green Power Institute (GPI) respectfully submits these *Reply Comments of the Green Power Institute on the Proposed decision of ALJ Allen*, in R.10-05-006, the **Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans**. We address issues in the *Opening Comments* of PG&E and SCE.

Track I Issues

We disagree with PG&E's request to modify the discussion in the PD regarding the settlement agreement. The PD begins its discussion of the Settlement by noting that it was reached by a broad group of parties who often disagree, and that: "The proposed settlement is, in essence, a punt [PD, page 5]." This means, by our understanding, that the Settlement does not settle anything beyond a current finding that no determination of need has been made at this time.

We do not believe that the PD mischaracterizes the Settlement. It would be a shame if the language in the final Decision was honed to favor one position over others among the settling parties.

Track III Issue: Greenhouse Gas Product Procurement

As we noted in our *Opening Comments*, all greenhouse-gas emissions allowances will be created by the ARB, and distributed according to ARB-published rules for the cap-and-trade program. The first compliance period for the cap-and-trade program does not begin until next January, 2013. In anticipation of the new

program going into effect next year, the ARB will hold the first auction of allowances later this year (currently scheduled for August, 2012, pre-selling vintage 2013 allowances). Our point is that this is such a new market that so far not one single allowance has been issued, and nobody knows exactly how the market will develop.

PG&E and SCE both request that the PD be modified to allow them greater flexibility in procuring greenhouse-gas compliance products, including allowing them to purchase allowances and possibly offsets through brokers and exchanges, and bilaterally without RFOs under specified conditions. We prefer the cautious approach that has been taken in the PD. At this point in time, there are no brokers or exchanges offering real allowances, because there are no allowances. In view of the fact that the ARB will be the sole source of all allowances, we are concerned about creating a situation in which would-be-brokers enter the initial allowance auctions along with the utilities and other entities with compliance obligations to satisfy, and in the process unnecessarily bid-up the price of the allowances for everybody.

Ultimately the allowance market could develop into a functioning, competitive marketplace, complete with the kinds of financial instruments and players that are available in traditional markets. As that process progresses, the Commission should make it increasingly accessible to the utilities for their use in procuring compliance obligations at lowest cost to their customers. For now, while the market is initially being launched, the PD's limitations on procurement options are sound, and should stand.

We do wish to support SCE's request that the 8-percent limit on the use of offsets be applied on a compliance-period basis, rather than an annual basis. We believe that that is the correct interpretation of the statute. Of course, any limits are only as good as the enforcement mechanism that backs them up.

Dated March 19, 2012, at Berkeley, California.

Respectfully Submitted,



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