

**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 11-05-005
(Filed May 5, 2011)

**JOINT REPLY COMMENTS OF BEAR VALLEY ELECTRIC SERVICE (U 913-E), A
DIVISION OF GOLDEN STATE WATER COMPANY, AND CALIFORNIA PACIFIC
ELECTRIC COMPANY, LLC (U 933-E) ON ADMINISTRATIVE LAW JUDGE'S
RULING REQUESTING COMMENTS ON PROCUREMENT EXPENDITURE
LIMITATIONS FOR THE RENEWABLES PORTFOLIO STANDARD PROGRAM**

Jedediah J. Gibson
Ellison, Schneider & Harris, LLP
2600 Capitol Avenue, Suite 400
Sacramento, CA 95816
Telephone: (916) 447-2166
Facsimile: (916) 447-3512
Email: jjg@eslawfirm.com

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Attorneys for Bear Valley Electric Service

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Pursuant to the January 24, 2012 Administrative Law Judge’s Ruling Requesting Comments on Procurement Expenditure Limitations for the Renewables Portfolio Standard Program (“ALJ Ruling”), Bear Valley Electric Service (“BVES”) (U 913-E), a division of Golden State Water Company, and California Pacific Electric Company, LLC (U 933-E)¹ (“CalPeco”) hereby submit the following reply comments addressing opening comments on issues in the ALJ Ruling.

I. Any Expenditure Limitation Should Recognize the Varying Characteristics and Sizes of Different Utilities.

A number of parties support a limitation that accounts for the unique characteristics of individual utilities. The Center for Energy Efficiency and Renewable Technologies (“CEERT”), the Green Power Institute (“GPI”), and PacifiCorp all recommend that any adopted limitation should reflect the unique characteristics of each utility.² Furthermore, other parties, including the Independent Energy Producers Association (“IEP”), Pacific Gas and Electric Company

¹ CalPeco also does business in California as “Liberty Energy-California Pacific Electric Company, LLC.” CalPeco has authorized BVES to submit this filing on its behalf.

² See CEERT Comments, p. 8; GPI Comments, p. 2; PacifiCorp Comments, pp. 2-3.

("PG&E"), Southern California Edison Company ("SCE"), San Diego Gas & Electric Company ("SDG&E"), Sierra Club California, and The Utility Reform Network ("TURN"), suggest that utility-specific input should be considered and evaluated in establishing any expenditure limitation.³ BVES and CalPeco support these comments and maintain that the California Public Utilities Commission ("Commission") must ensure that any procurement expenditure limitation mechanism adopted and applied to BVES or CalPeco is reasonably tailored to reflect BVES' and CalPeco's unique circumstances and planning requirements.

If BVES' and CalPeco's recommended approach for a technology or product specific limitation (as described in greater detail in opening comments) is not adopted, BVES and CalPeco recommend that an approach be adopted that will consider the unique characteristics and sizes of each utility. For example, the Division of Ratepayer Advocates ("DRA") recommends that a "bill impact" approach be adopted to establish the cost limitation for each utility, using a mechanism that examines bill impacts as a measure of disproportionate rate impacts.⁴ BVES and CalPeco support such an approach, as well as DRA's recommendation that a set dollar amount be used to determine the bill impact.⁵ Although BVES and CalPeco do not recommend a specific dollar amount at this time, using a limitation based on a dollar per customer month impact metric would be simple and cost effective to implement. Additionally, DRA's "bill impact" approach would effectively apply equally to all utilities, regardless of size, as limitations would be based on impacts to individual customers, not set at an overall target. This avoids disparity between utilities' expenditure limitations, as an overall limit may not account for the varying sizes and customer counts of each utility. DRA's approach effectively

³ See IEP Comments, pp. 9-10; PG&E Comments, p. 4; SCE Comments, p. 5; SDG&E Comments, pp. 3-4; Sierra Club California Comments, p. 1; TURN Comments, p. 1.

⁴ DRA Comments, p. 1.

⁵ *Id.* at 1-2, 7.

solves this problem and uses a limitation that can easily be quantified, implemented and understood.

DRA also suggests that rather than using a dollar amount, the bill impact could be determined by using a percentage impact to customer bills.⁶ Similarly, PacifiCorp suggests using a cost limitation benchmark that is “a percentage of a utility’s total annual revenue requirement.”⁷ BVES and CalPeco agree that a limitation could effectively be implemented based on a percentage, either a set percentage of a customer bill or a percentage of a utility’s total procurement expenditures. Much like setting a limit based on a fixed bill impact dollar amount, by using a set percentage, the limitation would account for the different sizes of utilities and ensure that customer impacts were all capped at the same level. Whatever approach is ultimately adopted by the Commission, it is essential that the limitation effectively and fairly functions for utilities of all sizes.

II. All RPS-Related Expenditures, Including Administrative Costs, Must Be Counted Toward Any Adopted Expenditure Limitation.

Most parties agree that all RPS-related expenditures that count towards RPS-procurement obligations should be applied towards the expenditure limitation.⁸ BVES and CalPeco agree, and maintain that any RPS-related expenditures, including transaction and RPS compliance costs, should be considered as part of the RPS cost limitation. Furthermore, BVES and CalPeco agree with and support the California Wind Energy Association (“CalWEA”), PG&E, Recurrent Energy, and SCE in their recommendations that any expenditure limitation should not impact

⁶ *Id.*

⁷ PacifiCorp Comments, p. 4.

⁸ *See* DRA Comments, pp. 2-4; GPI Comments, p. 2; IEP Comments, pp. 10-11; Large-scale Solar Association Comments, pp. 8-9; PG&E Comments, pp. 4-5; SCE Comments, p. 6; SDG&E Comments, p. 5; Sierra Club California Comments, p. 3; TURN Comments, pp. 1-3; Union of Concerned Scientists Comments, p. 4.

contracts that have already been approved by the Commission.⁹ Any adopted limitation should not reexamine already approved contracts and utilities should continue to be allowed to recover any costs associated with those approved contracts, regardless of how the new limitation is developed and implemented. Finally, BVES and CalPeco support the recommendations made by SCE and TURN that any deliveries of renewable energy made in 2011 or later should count towards the expenditure limitation, regardless of when the contract was entered into or approved by the Commission.¹⁰

III. Any Limitation Must Evaluate the Impact of Individual Contracts Against the Expenditure Limitation.

As described in opening comments, BVES and CalPeco maintain that the procurement expenditure limitation should be applied to individual contracts and contract-related costs. Additionally, BVES and CalPeco support the position taken by IEP, PG&E, Recurrent Energy, SDG&E, and TURN that the limitation methodology should allow the Commission to consider how the costs of a proposed contract count against the adopted limitation to inform the Commission whether to approve or reject the renewable procurement.¹¹

IV. If a Technology or Product Specific Limitation is Not Adopted, At a Minimum, the Limitation Should Apply to Each Compliance Period.

BVES and CalPeco maintain that any adopted limitation should be technology or product specific and should be updated for each compliance period. However, if an overall limitation approach is adopted, the limitation should apply to each compliance period. This position was

⁹ See CalWEA Comments, p. 2; PG&E Comments, pp. 2, 8; Recurrent Energy Comments, p. 2; SCE Comments, pp. 4-5.

¹⁰ See SCE Comments, p. 8; TURN Comments, pp. 3-4.

¹¹ See IEP Comments, p. 21; PG&E Comments, p. 18; Recurrent Energy Comments, p. 2; SDG&E Comments, p. 13; TURN Comments, p. 11.

also advocated by CEERT, SDG&E, and TURN.¹² By establishing an expenditure limitation that covers a shorter time frame, utilities will be better able to ensure that customers avoid disproportionate rate impacts associated with renewable energy procurement. Therefore, at a minimum, BVES and CalPeco recommend that any limitation should apply to and be updated for every compliance period.

V. Clarification of Statutory Terminology is Required Before a Limitation May be Adopted and Implemented.

As described by PG&E in opening comments, it is vital that the Commission clearly and quickly define the terms “disproportionate rate impacts” and “a de minimis increase in rates” before developing the cost limitation methodology.¹³ These terms must be defined so that the limitation methodology can appropriately and effectively prevent “disproportionate rate impacts” and allow additional procurement provided such procurement does not exceed “a de minimis increase in rates,” pursuant to Sections 399.15(d)(1) and 399.15(f).

¹² See CEERT Comments, pp. 21-22; SDG&E Comments, pp. 6-7; TURN Comments, pp. 4-5.

¹³ See PG&E Comments, pp. 2-3.

VI. Conclusion.

As described above and in the joint opening comments of BVES and CalPeco, the Commission should recognize the unique characteristics of BVES and CalPeco and implement a technology-specific cost limitation methodology that would be updated every compliance period.

Dated: March 1, 2012

Respectfully submitted,



Jedediah J. Gibson
Ellison, Schneider & Harris, LLP
2600 Capitol Avenue, Suite 400
Sacramento, CA 95816
Telephone: (916) 447-2166
Facsimile: (916) 447-3512
Email: jjg@eslawfirm.com

Attorneys for Bear Valley Electric Service

VERIFICATION

I am the attorney for Bear Valley Electric Service ("BVES") (U 913-E), a division of Golden State Water Company; BVES is absent from the County of Sacramento, California, where I have my office, and I make this verification for that reason. The statements in the foregoing document are true of my own knowledge, except as to 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.

Executed on March 1, 2012 at Sacramento, California.



Jedediah J. Gibson
Ellison, Schneider & Harris, LLP
2600 Capitol Avenue, Suite 400
Sacramento, CA 95816
Telephone: (916) 447-2166
Facsimile: (916) 447-3512
Email: jjg@eslawfirm.com

Attorneys for Bear Valley Electric Service