

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
NOTICE OF EX PARTE COMMUNICATION**

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March 19, 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 communications:

1. On March 15, 2012, at 11:30 a.m., representatives from DRA met with Damon Franz and and Scott Murtishaw, advisors to Commission President Michael Peevey, for approximately 30 minutes.
2. Also on March 15, at 1:00 p.m., representatives from DRA met with Colette Kersten, advisor to Commissioner Catherine Sandoval, for approximately 30 minutes.

With respect to both meetings, DRA initiated the communication, and the meetings were held at the offices of California Public Utilities Commission. A handout was provided, which is attached to this notice. Representing DRA were Cheryl Cox (Policy Advisor), Chris Ungson, and Jordan Parrillo (Regulatory Analysts).

At the meeting, DRA summarized its positions on the Proposed Decision (PD) issued in this proceeding on System Track I and Rules Track III issues, focusing on its recommended changes to the PD on the GHG issues, UOG procurement policy framework, and the assignment of individual projects to Independent Evaluators. DRA's position is more fully explained in Attachment A – the handout used at the meetings.

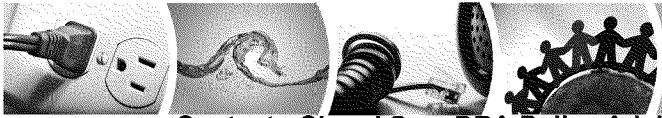
/s/ CHARLYN HOOK

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ATTACHMENT



DRA

DIVISION OF RATEPAYER ADVOCATES

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

PROCEEDING NO:

R.10-05-006

Date: March 2012

Commission Agenda: March 22, 2012

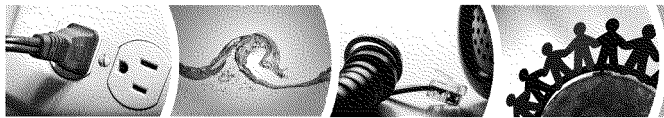
Long Term Procurement Planning Proposed Decision Tracks I and III

DRA Position: The Commission should adopt the Proposed Decision (PD) with modifications.

Overview of Proposed Decision

- **Multi-Party Settlement Agreement on Track I:** Adopts deferment of determination of need for new system-wide resources, including additional flexible generation, until CAISO completes Renewable Integration Study and it is vetted at the CPUC.
- **Once-through-Cooling (OTC) Contracting Policy:** Allows IOUs to sign Power Purchase Agreements (PPAs) with OTC facilities up to the OTC facility's compliance deadline as set forth by the State Water Resources Control Board (SWRCB).
 - ▶ Requires a Tier 3 advice letter for contracts less than 5 years.
 - ▶ Requires an application for contracts greater than 5 years.
- **Utility-Owned Generation (UOG) Procurement:** Adopts a policy framework for an even playing field between UOG and competitive generation:
 - ▶ IOU must first hold an RFO before proposing UOG.
 - ▶ If PPA solicitation fails, then IOU can file a CPCN application for UOG procurement.
 - ▶ Guidelines are provided for CPCN process to facilitate comparability of UOG and PPAs.
 - ▶ Applicable to conventional resources (policy framework for renewable procurement deferred to RPS proceeding).
- **GHG Compliance Instruments:** Provides authority to procure allowances, allowance forwards and futures, and offsets in order to comply with GHG cap-and-trade regulation.
- **Independent Evaluators (IEs):** Agrees CPUC management is preferable but administrative barriers (e.g., state contracting process) require utility management of the contracts.
- **CAISO-run Auctions for New Capacity:** Rejects SCE's proposal to open a new proceeding.
- **Calpine's Proposal:** Rejects proposal to require solicitations for existing power plants that do not have contracts with IOUs.

(over)



DRA Recommendation for Modifications to Proposed Decision

1. The policy framework established for UOG procurement should apply to both conventional and renewable generation until the policy framework for UOG procurement for renewables is established in the RPS proceeding (R.11-05-005).
 - ▶ A clear, established policy framework for renewable resources is required for regulatory certainty and to avoid complexity, controversy, inefficiency, and delays.
 - ▶ The record does not distinguish between procurement of fossil and renewable resources.
2. The purchase of GHG offset forwards should be allowed.
 - ▶ Do not pose an additional risk if the sufficient protections adopted in the PD are maintained (i.e., seller assumes invalidation risk).
 - ▶ May be less expensive, as they provide developers with greater financial certainty and less risk.
3. The ARB's 8% quantitative limit should be imposed on GHG offsets for a compliance period, and not annually.
 - ▶ PD's requirement of an 8% annual limit is not consistent with the ARB's approach.
4. The IOUs should be able to procure, in limited situations, GHG compliance instruments through bilateral transactions (including brokers) without utilizing a competitive RFO process.
 - ▶ A competitive RFO process likely will not be the most efficient and cost-effective manner to transact in all situations, such as transactions for a small quantity or in a limited time frame.
5. The PD should clarify the requirements regarding purchasing GHG compliance instruments on exchanges.
 - ▶ After a specific exchange is approved by the CPUC, no advice letter process should be required for authorization of future transactions.
6. Energy Division (ED) staff should make the final decision on the assignment and management of Independent Evaluators (IEs) for individual projects:
 - ▶ Delegation to ED staff would partly resolve the conflict of interest concern of the IOUs hiring their own evaluators so that the process is actually "independent."