

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue
Implementation and Administration of California
Renewables Portfolio Standard Program.

R.11-05-005

**COMMENTS OF
SHELL ENERGY NORTH
AMERICA (US), L.P.
ON THE RENEWABLE NET
SHORT METHODOLOGY**

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Date: July 18, 2012

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In accordance with the Ruling issued on July 11, 2012 by Presiding Judge Regina M. DeAngelis, Shell Energy North America (US), L.P. (“Shell Energy”) submits its comments on the Energy Division’s proposal on the renewable net short methodology. Shell Energy’s comments focus on the question whether the Energy Division’s proposed methodology is appropriate for ESPs. See Proposal at p. 2. In fact, the renewable net short calculation is of no value in determining whether an ESP is making progress toward its long-term RPS procurement compliance obligation. ESPs should not be required to provide a renewable net short calculation in their RPS procurement plans.

I.

INTRODUCTION

The Energy Division proposal defines an LSE’s “renewable net short” as the amount of new generation that is necessary for the LSE to meet or exceed its RPS procurement requirement. Proposal at p. 1. An LSE’s renewable net short is calculated by subtracting the

LSE's RPS supply forecast from its forecasted RPS procurement requirement. *Id.* The Energy Division's proposal anticipates that each LSE will include its renewable net short calculation in the "quantitative assessment" that is provided as a part of its annual RPS procurement plan. *Id.* at p. 2.

In accordance with the Assigned Commissioner's April 5, 2012 Ruling ("ACR"), the LSE's annual RPS procurement plan must provide a projection of its customer load, a projection of its RPS procurement requirement, and a projection of its RPS supplies for the next ten years. *See ACR* at p. 8. It is not practical, however, to require an ESP to provide a renewable net short calculation for a ten-year period as a part of its annual RPS procurement plan.

First, as discussed in Shell Energy's May 23, 2012 RPS procurement plan, an ESP cannot predict, within any meaningful range, the level of its customer load for any period longer than the next year. As a result, an ESP cannot predict the level of its forecasted RPS procurement requirement.

Second, many ESPs that purchase RPS supplies to meet their RPS procurement obligation also purchase and sell RPS supplies in the wholesale market. RPS supplies held by an ESP at any given time may be used for its retail load, or may be sold to other LSEs or publicly-owned utilities. The RPS quantities held by an ESP under a short-term or long-term contract thus may or may not be used to meet the ESP's RPS procurement requirement. As a result, any renewable net short calculation provided by an ESP could distort the Commission's picture of the RPS supplies available to the ESP for RPS compliance.

For these reasons, it is impractical to require an ESP to include a renewable net short calculation in its RPS procurement plan. Regardless of the methodology adopted by the

Commission for the renewable net short calculation, this calculation should not have to be provided by ESPs for a long-term procurement plan.

II.

CALCULATION OF AN ESP'S RENEWABLE NET SHORT IS NOT USEFUL FOR PURPOSES OF ASSESSING AN ESP'S PROGRESS TOWARD RPS COMPLIANCE

A projection of an ESP's customer load, its RPS procurement, and its renewable "net short" calculation over the next ten years is not practical for the purpose of measuring whether an ESP is making progress toward meeting its long-term RPS procurement target. As noted in Shell Energy's May 23, 2012 RPS procurement plan, most end-use customers that are eligible for direct access are only willing to commit to a one-year contract with an ESP. Because the level of participation in the direct access market is capped, and because ESPs must compete against each other – and the IOUs – for customer load, an ESP cannot predict the size of its customer load beyond the next year. An ESP cannot assume that its current customer load will grow – or even remain the same – over the ten-year forecast period in the RPS procurement plan.

For this reason, it is impossible for an ESP to predict its RPS procurement obligation on a long term basis, and it is difficult for an ESP to purchase RPS supplies under long-term contracts to meet anticipated RPS procurement requirements. Because an ESP does not know how much load it will be serving on a long term basis, an ESP cannot purchase a long term RPS supply with the expectation that it will use 100 percent of the contract quantities for RPS compliance. It may be that the ESP will sell all or a portion of the long-term RPS supply to another RPS-obligated entity.

In D.11-01-026 (January 13, 2011), the Commission stated that it "does not ... review and approve ESPs' contracts" (pp. 19-20), and "has no responsibility for the price reasonableness of ESP procurement ..." (p. 22). If an ESP enters into a long-term RPS contract, the ESP is

responsible for the costs under the contract, even if the ESP's anticipated load does not materialize. This difference in regulatory treatment distinguishes an ESP's procurement planning from the procurement planning undertaken by an IOU. For this added reason, an ESP cannot provide a reliable renewable net short calculation over a long term period.

The uncertainty associated with an ESP's load forecast and its RPS supply forecast makes calculation of an ESP's renewable net short pointless for purposes of assessing whether an ESP is progressing toward meeting its long-term RPS compliance obligation. For this reason, ESPs should not be required to provide a renewable net short calculation in their RPS procurement plans.

IV.

CONCLUSION

The Commission-adopted renewable net short calculation should not be imposed on ESPs. ESPs should not be required to provide a renewable net short calculation in their RPS procurement plans.

Respectfully submitted,



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VERIFICATION

I am an officer of Shell Energy North America (US), L.P. and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or 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 July 18, 2012, at Spokane, Washington.



Michael E. D'Arienzo
Vice President – Commercial, Industrial & Aggregators
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