



DRA

*Division of Ratepayer Advocates
California Public Utilities Commission*

Joseph Como, Acting Director

505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2544
Fax: (415) 703-2057

<http://dra.ca.gov>

August 14, 2012

Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov

**Subject: Comments of the Division of Ratepayer Advocates on
Draft Resolution E-4520**

The Division of Ratepayer Advocates (DRA) submits these comments in support of Draft Resolution E-4520.

BACKGROUND

On July 24, 2012, the California Public Utilities Commission (Commission) issued Draft Resolution E-4520 (Draft Resolution) denying Pacific Gas and Electric Company (PG&E) approval of four separate Advice Letters: AL 3600-E (and supplemental ALs 3600-E-A and E-B), AL 3632-E (and supplemental ALs 3632-E-A and E-B), AL 3854-E, and AL 3862-E. The Draft Resolution denies these Advice Letters on the basis that:

1. PG&E does not have a need to procure pre-2011 renewable energy credits (RECs) in order to meet its procurement target needs and;
2. That the near-term nature of the REC-only agreements is inconsistent with PG&E's demonstrated compliance need in compliance periods (CP) one and two.

DRA supports the Commission's findings and urges the Commission to approve the Draft Resolution without modifications.

POSITION & RECOMMENDATION

The Draft Resolution denies PG&E approval of four separate energy-only and REC contracts that PG&E executed with Barclays Bank PLC (ALs 3600-E and 3632-E), Sierra

Pacific Industries (AL 3854-E) and TransAlta Corporation (AL 3862-E). DRA agrees with the Commission that these four contracts should be rejected.

First, DRA agrees with the Draft Resolution Findings and Conclusions number 8 which states that “the near-term nature of these REC Agreements is inconsistent with PG&E’s demonstrated compliance need through the first and second compliance periods.”¹ Based on slide 2 of PG&E’s presentation on its RPS Net Short Calculation Methodology, presented at the Commission’s Renewable Net Short workshop on June 12, 2012, after accounting for a risk-adjusted forecast PG&E is well on its way to meet its CP 1 and 2 targets.² Based on the graph in PG&E’s presentation, it is not until mid-2017 that PG&E shows a procurement deficit. Accordingly, the four REC-only transactions, with generation and delivery dates in CP 1 and 2, are not needed to fulfill PG&E’s procurement obligations in these compliance periods.

Second, due to new multi-year procurement targets established in Decision (D.)12-06-038 the *Decision Setting Compliance Rules for the Renewables Portfolio Standard Program*, PG&E no longer has a need to procure RECs associated with pre-2011 generation. Findings and Conclusions 7 of the Draft Resolution correctly notes this fact. As long as PG&E achieves a 14% RPS by 2010, the Commission will waive PG&E’s pre-2011 procurement deficit. For these reasons it would not be in the interest of ratepayers to approve the four contracts given PG&E’s lack of need in CP 1 and 2 and the changes to PG&E’s procurement deficit.

CONCLUSION

For the above stated reasons, DRA supports Draft Resolution E-4520 and recommends the Commission adopt this resolution without modifications.

/s/ Cynthia Walker

Program Manager
Electricity Planning & Policy Branch
Division of Ratepayer Advocates
California Public Utilities Commission

¹ Draft Resolution E-4520 p. 15.

²PG&E’s RPS Net Short Calculation Methodology: <http://www.cpuc.ca.gov/NR/rdonlyres/C7D08605-D6AB-458C-BC1D-B29B906F76AF/0/PGENetShortWorkshopPresentation.pdf>

Energy Division
CPUC
August 14, 2012
Page 3

cc: President Michael Peevey, CPUC
Commissioner Timothy Alan Simon, CPUC
Commissioner Michel Florio, CPUC
Commissioner Catherine Sandoval, CPUC
Commissioner Mark Ferron, CPUC
Karen Clopton, Chief Administrative Law Judge, CPUC
Frank Lindh, General Counsel, CPUC
Edward Randolph, Director, CPUC Energy Division
Paul Douglass, CPUC Energy Division
Adam Schultz, CPUC Energy Division
Service List R.11-05-005