**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 R.11-05-005

COMMENTS OF THE GREEN POWER INSTITUTE ON THE PROPOSED DECISION OF ALJ DEANGELIS

October 29, 2012

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Pursuant to Rules 14.3 and 14.6 of the Commission's Rules of Practice and Procedure, in Proceeding R-11-05-005, the **Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program**, the Green Power Institute, a program of the Pacific Institute for Studies in Development, Environment, and Security (GPI), provides these *Comments of the Green Power Institute on the Proposed Decision of ALJ DeAngelis* (PD).

Before we discuss some of the complex issues dealt with by the PD, we wish to point out what we believe is a typo in the middle of page 4. The text reads: "The Legislature accelerated this goal to 20% by 2012 in Senate Bill 107 …" In fact, SB 107 accelerated the target to 2010, not 2012.

Preferences for Specific RPS Resources

In §6.1, pgs. 20-22, the PD grants the IOUs' request to state preferences for specific kinds of RPS resources in their RPS solicitations. The PD lists project location, delivery start date, length of contract term, and portfolio contract categories as examples of characteristics for which preferences can be expressed. The GPI requests that the Commission add product category (e.g. baseload, as-available) to the list of characteristics for which preferences can be expressed.

Integration Cost Adders

Integration costs have long been a concern at this Commission, as well as at the CEC and CAISIO. So far as we know no official body has yet adopted official integration cost adders, and it would be inappropriate to allow the utilities to preempt the process and introduce their own into the already opaque LCBF process, especially when ongoing, public-participation processes have yet to reach a conclusion. The GPI supports the PD's decision (§4.2.3, pgs. 26-28) to not allow the introduction of integration-cost adders until values have been fully vetted in a public process.

Two Sets of TOD Factors

Section 4.3.3 of the PD, pages 34-37, discusses the Commission's determination to allow the utilities to use two different sets of TOD factors in their solicitations, one for energy-only contracts, and one for full-capacity-deliverability contracts. We certainly understand the rationale for rewarding projects that are willing to pay for the network upgrades necessary to guarantee their continuous access to a receptive grid, but we are concerned that there are two different issues involved here that are being conflated, resulting in a lack of clarity. A self-consistent set of TOD factors should not alter the annual-average price that is being differentiated, but simply supply the factors that describe the differentiation. Mathematically, this means that if a generator were to operate at steady output all of the hours of the year, the average price is the same as the base price for all sets of self-consistent TOD factors.

Our understanding of the two sets of TOD factors approved for use by PG&E and SDG&E in their 2012 solicitations is that they differ mainly in the factors used for the peak-demand period. As such they are not both self-consistent sets of TOD factors, but rather the full-deliverability set of TOD factors is designed to produce a premium over the energy-only set. In other words, applying these two sets of TOD factors to the same base price, by design, will **not** produce the same annual-average price. It might be better to call the energy-only TOD factors the base factors, and the full-deliverability TOD factors the premium factors, so that it is recognized that they are designed to produce different levels of annual revenues, for generators that operate during peak hours.

Projections of Renewable Net Short

One of the major determinations made in this PD (§6.1, pgs. 52-55) is that SCE's request to not hold a 2012 RPS solicitation is granted. We are not going to support or oppose this determination at this point in time, but we do wish to discuss the overriding issue, which is the perception that there is suddenly an overabundance of renewable energy in the California marketplace. In fact, critical examination of the data shows that while there has been an increase in the generation of renewable power in California over the past couple of years as a result of the state's various renewable energy efforts (Figure 1), the recent bump in the renewable content of California's energy supply (Figure 2) is as much a function of the recession, which has reduced the amount of renewable energy needed to meet a given target level, as it is of increasing renewable generation. In other words, if the economy had not crashed in 2008, but rather had continued growing as it had been during the previous two decades, the utilities would be several points short of their procurement targets (20% in 2012) at the present time, not meeting them.

Figure 1

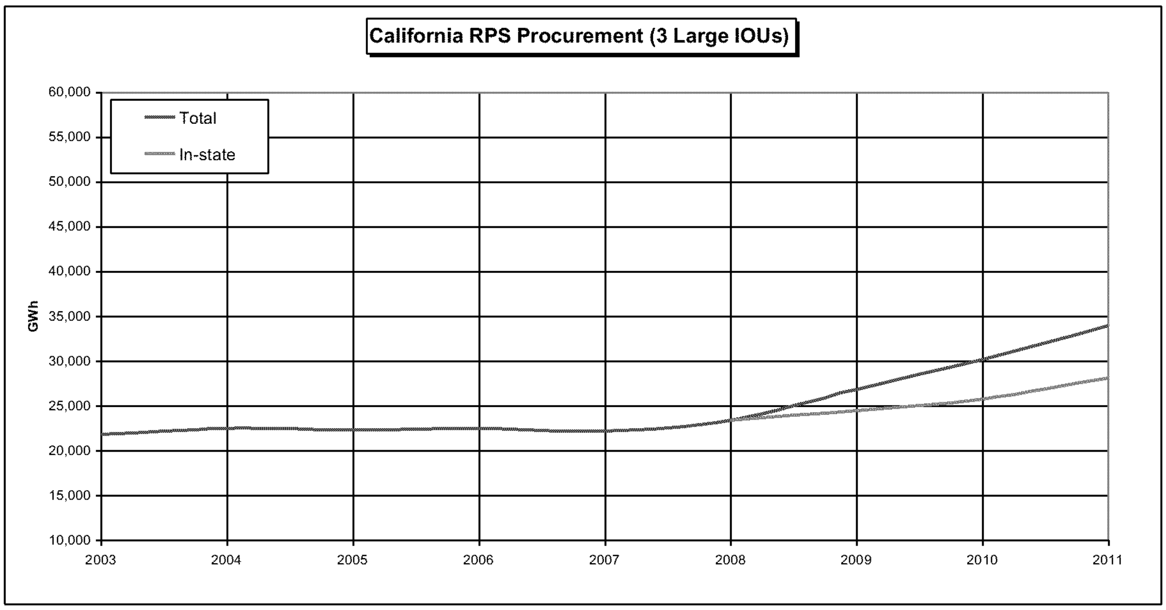

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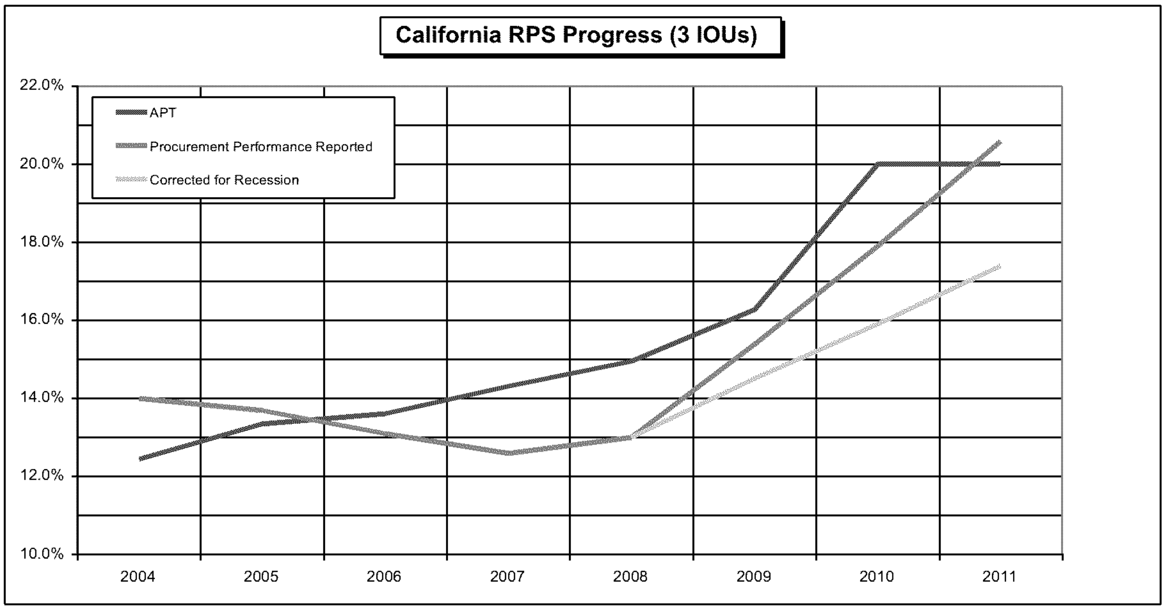
Figure 2



Since reaching their peak in 2008, retail sales for the IOUs have declined for three straight years. The renewable net shorts (RNS) that are being discussed today are all based on a depressed economy, and do not take into account the possibility that there will be a robust recovery, with demand returning to near its pre-recession trajectory, even though few would argue against the desirability of that occurring. Should the economy thrive, the RNSs for the IOUs will be much higher than the numbers that are currently being used to convince regulators and many parties that the need for further RPS procurement is limited. We urge the Commission to include a robust economic-growth scenario in future rounds of RPS procurement plans. We have also expressed our request to include a robust-growth scenario in the LTPP proceeding, R.12-03-014.

In addition to failing to account for the possibility of a strong economic recovery, we believe that the utilities' estimations of their RNSs are too low because they overestimate the amount of renewable energy (RECs) that they will derive from their current portfolios of projects-in-development. The utility-generated RNSs, which are based on their own estimations of which of their current projects-in-development will eventually achieve online status, are determined using confidential information, and thus are not directly challengeable in a publicly-accessible process.

During the June 12, 2012, joint RPS/LTPP workshop on the RNS, representatives from all three IOUs told the workshop that a 60% success probability for RPS contracts is probably on the high side for what they observed during the first decade of the state's RPS program, but they recommended it be used as a rule-of-thumb. Applying the 60% success probability to the current portfolios of projects-in-development suggests that the utilities are seriously overestimating the viability of the projects in their portfolios, and thereby seriously underestimating their RNSs.

Circumstances being what they are today, there is little short-term concern about the supply of renewable energy in California. However, for all of the reasons discussed above, there should be a substantial concern about the adequacy of the renewable-energy supply when an annual requirement of 33 percent goes into effect. Continued additional contracting of all varieties should be strongly encouraged over the next several years.

Dated October 29, 2012
Respectfully Submitted,

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VERIFICATION

I, Gregory Morris, am Director of the Green Power Institute, and a Research Affiliate of the Pacific Institute for Studies in Development, Environment, and Security. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of *Comments of the Green Power Institute on the Proposed Decision of ALJ DeAngelis*, filed in R.11-05-005, 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.

Executed on October 29, 2012, at Berkeley, California.

Gregg Morris

Gregory Morris