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** (Filed May 5, 2011)

SIERRA CLUB COMMENTS ON THE PROPOSED DECISION CONDITIONALLY ACCEPTING 2012 RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLANS

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure, Sierra Club hereby submits these Comments on the Proposed Decision of Administrative Law Judge Regina DeAngelis. The Proposed Decision conditionally accepts 2012 Renewables Portfolio Standard Procurement Plans, including some proposals initially set forth in the April 5, 2012 Assigned Commissioner's Ruling ("Ruling"). We note that many proposals contained in the April 5, 2012 Ruling require additional development and comment by Parties to ensure that they implement the Renewables Portfolio Standard in a way that achieves better value for ratepayers and benefits for the environment.

II. THE COMMISSION SHOULD CONTINUE TO EVALUATE ADDITIONAL VARIABLES TO THE NET MARKET VALUATION.

Sierra Club and several other parties commented that the Net Market Valuation should include additional variables, including environmental benefits, greenhouse gas reductions and fossil fuel reductions.[1] EnergySource, IEP and Ormat also commented regarding the inclusion of additional variables such as job creation benefits, tax benefits, tax revenues, curtailment, and also debt equivalence.[2] We commend the Commission for recognizing that "the addition of these variables to the NMV calculation could potentially add to the robustness of the calculation,"

[1] Sierra Club Comments, June 27, 2012, at 2.
[2] EnergySource comments, June 27, 2012 at 5; IEP Comments, June 27, 2012, at 18; Ormat Comments, June 27, 2012, at 3.

despite that the evidence to quantify these values is still in development. Sierra Club recommends for the Commission to hold a workshop and solicit comment in advance of the 2013 RPS Procurement Plans on the topic of including these values in the calculation.

While Sierra Club did not comment on the PG&E proposal for a non-zero integration cost adder, we agree with BrightSource, CalWEA, CEERT, IEP, LSA, and TURN that an integration cost adder should be developed in a public forum at the Commission to ensure that parties may evaluate and comment on the evidence.

III. THE ONE-YEAR PROCUREMENT PLAN CYCLE AND 12 MONTH CONTRACT EXECUTITION PERIOD IS REASONABLE WHILE SIGNIFICANT PROCUREMENT REFORM PROPOSALS ARE UNDER CONSIDERATION.

The proposal for bids shortlisted by the utilities to be executed within 12 months is reasonable in the context of expected significant revisions to RPS Procurement Proposals. Sierra Club argued that this timeframe helps ensure that stale bid data is not relied upon for determining reasonableness of a proposed contract's price and value, and would allow for a more current examination of the most competitive options at the time of contract execution.[3] The Commission introduced a number of "Procurement Reform Proposals" via a Second Assigned Commissioner's Ruling on October 5, 2012. Many of these proposals would affect the outcome of the utilities' RPS Solicitations if adopted. Sierra Club anticipates that many of these proposals

[3] Sierra Club Comments, June 27, 2012, at 4.

improve the procurement process to incorporate improved value for ratepayers and the environment, and would effectively be delayed by one year if the shortlist resulting from the 2012 solicitation expired after 24 months as initially proposed. This scenario would result in committing ratepayers to projects in 2013 that might not comport with the pending reform proposals. This aspect of the Proposed Decision allows for the Commission's reform proposals to take effect soon after adoption, and should be adopted. In recognition of the concern that the shorter timeframe limits the negotiation period and could impact project schedules, we note that subsequent to the adoption of procurement reform proposals, a longer timeframe may be reasonable and should be considered in the 2013 RPS Procurement Plans.

IV. THE COMMISSION SHOULD NOT EXCLUDE PROJECTS SMALLER THAN THREE MW FROM CONSIERATION SINCE THE RE-MAT HAS NOT YET DEMONSTRATED SUCCESS.

The Proposed Decision directs PG&E and SDG&E to amend their 2012 RPS Procurement Plans so the minimum size of projects is a nameplate capacity of three MW, based on the rationale that sufficient opportunities for sellers with smaller projects exist in other renewable programs.[4] Sierra Club generally finds that projects smaller than three MW will have difficulty competing in a RPS Solicitation in part due to transactional costs, where a unique power purchase agreement must be negotiated. However, Sierra Club questions whether the condition that there are sufficient opportunities for sellers has arisen yet. The Commission has

[4] Proposed Decision at 42.

adopted a pricing decision for the Re-MAT, or Section 399.20 Feed-in Tariff program, and has yet to adopt a Decision adopting the Standard Form Contract for the program. The pricing Decision additionally excluded projects smaller than three MW from participation in the Renewable Auction Mechanism.[5] While it is unlikely that many small projects will be competitive in a procurement solicitation requiring significant soft costs, project developers may consider bundling smaller projects into a bid for the utility solicitations. The Proposed Decision may inadvertently leave small projects without a viable opportunity for buyers. Sierra Club urges that projects smaller than three MW be accepted for consideration for the 2012 RPS Procurement Solicitation because the RE-MAT has not launched yet and its success cannot be evaluated. The RE-MAT is also a very limited program, with capacity divided among the three investor-owned utilities and into bimonthly periods such that in some service territories, sellers could have as little as one project opportunity per utility per period. Accordingly, Section 4.4.2 should be struck from the Proposed Decision.

In addition, we note that the Proposed Decision is ambiguous as to whether a bundled bid containing constituent projects smaller than three megawatts is covered by this direction to the utilities. At the least, the direction should clarify that a bid containing a bundle of smaller projects remains eligible.

V. SIERRA CLUB SUPPORTS CONTINUED CONSIDERATION OF IMPROVEMENTS TO LEAST COST-BEST FIT AND MODIFICATIONS TO THE PROJECT VIABILITY CALCULATOR.

[5] D.12-05-035.

Sierra Club commented that the Project Viability Calculator should be updated to better implement Least-Cost Best Fit ("LCBF") principles to benefit ratepayers and the environment. While the Proposed Decision declines at this time to pursue modification of how viability is currently applied by the utilities within the LCBF methodologies, we commend the Commission for including this topic for review and comment as set forth in the October 5, 2012 Assigned Commissioner's Ruling and September 12, 2012 Amended Scoping Memo.

VI. SIERRA CLUB SUPPORTS CONTINUED CONSIDERATION OF THE EFFORT TO MINIMIZE OVERALL TRANSMISSION COST.

The Proposed Decision declines to address at this time the proposal in the April 5, 2012 ACR regarding minimizing overall transmission costs.[6] We commend the Commission for its intent to continue consideration of this issue as the proceeding continues. Sierra Club agrees in part with several parties that opposed the proposal as set forth that it was primarily qualitative and narrowly defined. As noted in the Proposed Decision, Sierra Club's support of this proposal should be recognized as supportive in concept[7] due to the potential to avoid triggering costly network upgrades to a system that can accommodate equivalent or greater renewable electricity capacity, with a procurement planning process and method that is optimized to minimize impacts on transmission costs and the environment. We agree that the Commission should hold a

[6] Proposed Decision at 71.
[7] Proposed Decision at 73.

workshop and solicit comment to improve the design of this proposal and to consider the perspectives of all Parties.

Respectfully Submitted,

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October 29, 2012

VERIFICATION

I am the attorney for Sierra Club and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in this pleading are true.

I declare under penalty of perjury that the matters stated in this pleading are true and correct.

Executed on the **29th day of October, 2012**, at Berkeley, California.

/s/ Andy Katz

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