

**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 11-05-005
(Filed May 5, 2011)

**COMMENTS OF CAENERGY GENERATION
OPERATING COMPANY ON THE PROPOSED DECISION
OF ALJ DEANGELIS CONDITIONALLY ACCEPTING
2012 RENEWABLES PORTFOLIO STANDARD
PROCUREMENT PLANS AND INTEGRATED RESOURCE
PLAN OFF-YEAR SUPPLEMENT**

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CalEnergy Generation Operating Company (“CalEnergy”) files this comment under Rule 1.13 of the Commission’s Rules of Practice and Procedure regarding the Proposed Decision (“PD”) of Administrative Law Judge (“ALJ”) DeAngelis conditionally accepting 2012 renewables portfolio standard (“RPS”) procurement plans and integrated resource plan off-year supplement. The period for public review and comment of the PD for this Rulemaking ends October 29, 2012. This comment is timely filed.

CalEnergy is a leader in the operation, development and production of energy from diversified fuel sources including natural gas and geothermal. CalEnergy has operations in the United States that generate more than 1,460 megawatts of electric power and steam. CalEnergy operates 10 geothermal generating plants in the Salton Sea Known Geothermal Resource Area in Southern California’s Imperial Valley, which delivers RPS-eligible energy to investor-owned and publicly-owned utilities.

CalEnergy wishes to address four issues: (1) the PD's conclusion no preference should be given to CAISO-interconnected projects over other projects; (2) the PD's conclusion PG&E, SCE, and SDG&E should not each assume a 1,400 MW maximum import capacity ("MIC") from the Imperial Irrigation District ("IID") Balancing Authority Area in the Imperial Valley ("IID Balancing Authority Area" or "Area"); (3) the PD's determination the Commission will continue to monitor renewable procurement activities in the IID Balancing Authority Area but will decline requests for additional oversight mechanisms; and (4) the PD's determination a zero-value integration cost adder should be deferred pending public comment and review.

I. No Preference Shall be Given to CAISO-Interconnected Projects

CalEnergy supports the PD's conclusion that no preference shall be given to California Independent System Operator ("CAISO")-interconnected projects over projects interconnected elsewhere.¹ CalEnergy previously expressed concern that the investor-owned utilities ("IOUs") strongly preferred to contract for RPS-eligible resources with projects that are or will be interconnected with the CAISO's Balancing Authority Area.² The IID Balancing Authority Area is not CAISO-interconnected; CalEnergy contended the IOUs' bias would disadvantage IID Balancing Authority Area energy projects, and urged the Commission to require PRS plans to be modified to eliminate provisions that discriminate against IID Balancing Authority Area renewable resources.³

II. IOU Assumption of 1,400 MW Maximum Import Capacity from Imperial Irrigation District Balancing Authority Area Projects

CalEnergy supports the PD's determination the IOUs should assume a maximum import capacity of not less than 1,400 MW from within the IID Balancing Authority Area in the

¹ PD at p. 16, Finding of Fact No. 4.

² *Comments of CalEnergy Generation Operating Company on Renewable Portfolio Standard Plans and New Proposals for RPS Implementation*, R.11-05-005 (June 27, 2012), at p. 10 ("CalEnergy Comment").

³ *Id.* at p. 11.

Imperial Valley as a part of bid evaluation.⁴ This determination is consistent with prior Commission decisions.⁵ This determination is also in line with CAISO's recent modification of its Reliability Requirements Business Practice Manual regarding MIC calculation, which now includes the Imperial Valley intertie between the IID Balancing Authority Area and CAISO balancing areas.⁶ As discussed in Section III, *infra*, the assumption of a minimum of 1,400 MW MIC from the IID Balancing Authority Area is crucial to ensuring development of RPS procurement projects in the Area, which is the Commission's stated policy.

CalEnergy does not, however, agree with the PD's mandate the IOUs should not *each* assume a 1,400 MW MIC from the IID Balancing Authority Area. The PD states such an assumption could result in "a number of complications," including the utilities overvaluing imports from the IID Balancing Authority Area, and "equity concerns" regarding bids at other interties.⁷ These concerns are based largely on theoretical future problems posed by PG&E, SCE, and SDG&E. While it may not be necessary at this time for the Commission to specifically apportion the 1400 MW import capacity amongst IOUs, the PD's statement that the utilities should not each *individually* assume a certain level of output from the IID Balancing Authority Area is confusing and could lead to the utilities undervaluing resources from the Area. CalEnergy believes that the PD should not impose a prohibition on the utilities' use of the 1400 MW MIC figure. CalEnergy believes it is preferable to simply state that the Commission continues to support the 1400 MW figure and allow the utilities to use that figure in evaluating proposed imports from the IID Balancing Authority Area. In the theoretical situation where the utilities collectively grant short list status to IID Balancing Authority Area imports greater than

⁴ PD, at p. 18.

⁵ R.11-05-005, *Assigned Commissioner's Ruling Regarding Resource Adequacy of RPS Projects in the Imperial Irrigation District Balancing Authority Area* (June 7, 2011).

⁶ PD, at p. 17.

⁷ *Id.* at pp. 18-19, Conclusion of Law No. 3.

1400 MW, the Commission staff can identify this issue and it can be reviewed depending on the actual import capacity recognized by the CAISO at that time.

CalEnergy believes this is a very unlikely scenario as the utilities have not contracted for any new resources to be imported from the IID Balancing Authority Area in recent solicitations, other than projects that are directly interconnected to the new SDG&E Sunrise transmission project. It is important to understand that such projects that directly connect to the Sunrise line do not reduce the 1400 MW of import capacity between the IID Balancing Authority Area and the CAISO. Accordingly, the potential for overcontracting IID Balancing Authority Area resources is extremely unlikely, and the PD should be modified to eliminate the prohibition on all three utilities assuming the 1400 MW MIC figure for purposes of evaluating projects bid into their service territories. This confusing prohibition is based on speculation, and will lead to continued undervaluing of IID Balancing Authority Area resources.

III. Continued Monitoring of RPS Procurement and Possible Remedial Measures

CalEnergy supports the PD's mandate that Commission Energy Division Staff continue to monitor RPS development in the IID Balancing Authority Area, and that the IOUs provide a specific assessment of the offers and contracted projects in the Imperial Valley region in future RPS procurement plans filed with the Commission.⁸

This commitment furthers a well-established Commission policy in favor of fostering RPS project growth in the IID Balancing Authority Area. In D.09-06-018 the Commission required IOUs to hold a special Imperial Valley bidders conference, and to perform specific proposal and project monitoring, as part of the 2009 RPS solicitation. Later, in D.11-04-030 the Commission restated its intention to continue specific monitoring of IID Balancing

⁸ PD, at pp. 16, 81, Conclusion of Law No. 1.

Authority Area proposals and projects to ensure adequate consideration of such projects by utilities.⁹

CalEnergy is concerned, however, by the PD's refusal to adopt any related remedial measures.¹⁰ As indicated above, so far as CalEnergy is aware, the only recent RPS contracts accepted by the utilities are projects that directly connect to the Sunrise transmission project. None of the geothermal projects located throughout the IID Balancing Authority Area have succeeded in being selected by the utilities, in spite of adequate interconnection capacity to the CAISO and very low integration costs. For this reason, CalEnergy believes that while continued monitoring of IID Balancing Authority Area RPS projects is vital, it is not sufficient.

In decisions addressing both the 2009 and 2011 RPS Procurement Plans, the Commission identified various remedial actions that it will consider taking if sufficient procurement does not result under existing long term procurement procedures in effect.

In D.09-06-018, at pp. 16-18, the Commission stated,

“...[I]f Imperial Valley projects resulting from the 2009 solicitation are not approved by the Commission prior to our approval of the 2010 RPS Procurement Plans then we will consider remedial measures for the 2010 Plans. We identified three:

- Require utilities to automatically shortlist all Imperial Valley proposals that are received in the solicitation so that the projects receive special consideration;
- Include an Imperial Valley bid evaluation metric in the LCBF methodology to give preference to Imperial Valley resources, and;
- Require each utility to conduct a special Imperial Valley RPS solicitation.

Several parties support some or all remedial measures if there are an inadequate number of Imperial Valley projects resulting from the 2009 solicitation. For the reasons explained below, however, we are persuaded by CalWEA, SCE and others that it is premature to adopt remedial measures now. We encourage parties to recommend remedial measures later if the 2009 solicitation produces an unacceptable result....

⁹ D.11-04-030, at pp. 24-26.

¹⁰ PD, at pp. 81-82, Conclusion of Law No. 1.

Nonetheless, we will consider remedial measures if future evidence shows the [Least Cost Best Fit] methodology fails to properly value Imperial Valley resources and their unique access to transmission, or that there are other infirmities. Those measures might include automatic shortlisting, a special bid evaluation metric, special solicitation, or other remedies a party may propose. The expense and environmental consequences of Sunrise, just as with any significant infrastructure project, demand nothing less. *We will not hesitate to use all regulatory tools at our disposal so that reasonable, cost-effective renewable resources enabled by Sunrise are developed.* (See D.08-12-058, at 263., emphasis added)”

The PD expressly declines to consider implementing these, or any other remedial measures, because it believes RPS procurement in the IID Balancing Authority Area is sufficiently robust.¹¹ CalEnergy believes this conclusion is not supported by the facts, particularly in view of the limited number of contracts granted to projects directly connected to the Sunrise project. The PD’s view of the RPS procurement market in the IID Balancing Authority Area is also undercut by its own conclusion, coming three pages later, that the IOUs should not individually rely on a certain level of output from the Area because it is not certain Area projects will be able to deliver.¹² CalEnergy disagrees with this assertion, but if the Commission actually believes this is the case, the PD should implement one or more of the remedial measures suggested in recent decisions to ensure the delivery shortfall foretold by the IOUs does not come to pass. The Commission’s proposed range of remedial measures includes:

- 1) Requiring the utilities to automatically shortlist all IID Balancing Authority Area proposals that are received in the solicitation so that the projects receive special consideration;
- 2) Including an IID Balancing Authority Area bid evaluation metric in the LCBF methodology to give preference to Area resources, and;

¹¹ PD, at p. 15.

¹² *Id.* at pp. 18-19.

3) Requiring each utility to conduct a special IID Balancing Authority Area RPS solicitation.

The key fact is that to date the utilities have not taken steps in the RPS procurement process to access the available renewable resources in the IID Balancing Authority Area, other than a limited number of projects which directly connect to Sunrise. Having worked diligently with the CAISO to establish that there is sufficient transfer capacity to bring such resources from the IID Balancing Authority Area to the load centers on the utilities' grids, it should be disconcerting to the Commission that such transfer capacity remains unused, and the renewable resources in the Area are still an afterthought in the RPS process.

IV. Adoption of a Non-Zero Integration Cost Deferred Pending Public Comment

CalEnergy disagrees with the PD's determination adoption of a non-zero integration cost must be deferred pending the outcome of extensive public comment and review.¹³ Integration costs for various categories of renewable resources are being widely discussed, although no concrete figures for the annual cost of integrating such resources have been adopted for inclusion in the RPS plans of the utilities. While parties may continue to propose more sophisticated analyses of integration costs and offer suggestions about how to allocate them, CalEnergy urges the Commission to take action in this RPS Plan cycle to adopt some level of integration costs. This would begin the process of appropriately valuing intermittent resources, even as more precise measures of integration costs are developed. In addition, the Commission should mandate that such integration costs should not be imposed on renewable resources that are not subject to wide variation in generation, as such generators do not contribute to the need for additional generation for integration. This would exempt from

¹³ PD, at pp. 27-28, Conclusion of Law No. 9.

integration costs geothermal power projects and other renewable resources that can demonstrate the ability to offer consistent deliveries of power at baseload levels.

The PD relies on the fact that renewable integration needs and costs are being considered in R.12-03-014, in support of its abdication. CalEnergy believes the proper forum for determining the propriety of adopting non-zero integration costs is this proceeding. Allowing an issue that has been raised by, and directly affects, all parties to this proceeding--the IOUs, CalEnergy, the Division of Ratepayer Advocates, BrightSource Energy, CalWEA, CEERT, IEP, LSA, and TURN¹⁴--to be decided in a separate proceeding on a separate timeline will further delay appropriate recognition of integration costs, as well as create delays and a substantial amount of additional work for all parties down the line. CalEnergy therefore urges the Commission to decide the issue of adoption of integration costs in this Rulemaking.

V. Conclusion

CalEnergy urges the Commission to refrain from prohibiting the IOUs from individually assuming 1,400 MW maximum import capacity from the IID Balancing Authority Area projects. The prohibition is based on speculative harms, at best, and will likely inhibit proper valuation of IID Balancing Authority Area resources that the Commission is committed to nurturing. CalEnergy further urges the Commission to adopt at least some of the proposed remedial measures to ensure its goal of growing Area RPS procurement is attainable. CalEnergy also commends the Proposed Decision for committing to continuing monitoring of renewable procurement activities in the IID Balancing Authority Area, and for declaring that no preference should be given to CAISO-interconnected projects over non-interconnected projects. Finally, the Commission should commence the inclusion of integration costs in RPS analysis in this proceeding, even as it further considers more precise means of calculating such costs.

¹⁴ PD, at pp. 26-27.

Respectfully submitted October 29, 2012 at San Francisco, California.

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