

**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 IBERDROLA RENEWABLES ON THE SECOND
ASSIGNED COMMISSIONER'S RULING ISSUING
PROCUREMENT REFORM PROPOSALS AND ESTABLISHING A SCHEDULE FOR
COMMENTS ON PROPOSALS**

November 20, 2012

IBERDROLA RENEWABLES, LLC
Kevin A. Lynch, Vice President of External Affairs
1125 NW Couch Street #700
Portland, OR 97209
Telephone: (503) 796-7108
Facsimile: (503) 796-6906
Email: kevin.lynch@iberdrolaren.com

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Iberdrola Renewables, LLC (“Iberdrola”) offers the following comments in response to the Assigned Commissioner’s Ruling (“ACR”) Issuing Procurement reform Proposals. In the ACR, a series of questions were posed related to procurement reform. Iberdrola responds here to some but not all of the questions, in the order in which they were posed. As a developer and marketer of renewable energy resources and associated products, Iberdrola hopes these comments, based on its commercial and regulatory experiences in California, serve constructively to inform this proceeding.

I. Iberdrola Responses to ACR Questions

In this section, Iberdrola responds to several of the 30 questions posed in the ACR. The numbering system applied here is consistent with the numbering system used in the ACR.

4. Proposals – Streamline and Increase Transparency of the Commission’s RPS Contract Review Process

4.1 Proposal – Standards of Review for IOUs’ Shortlists

1. Provide comments on the strengths and weaknesses of increasing the level of review of IOUs’ shortlists. If an alternative review process or review standards are proposed, include justification for the proposal.

In general, Iberdrola supports increased Commission review of RPS procurement shortlists if the end product of that review is a cleaner, expedited approval of actual executed contracts. As proposed here, Iberdrola is not certain the expedited review of executed contracts is sufficient to warrant greater scrutiny of the shortlists. Iberdrola is concerned that a Tier 2 Advice Letter does not adequately streamline the approval process to offset the inevitable slowdown of the process arising from greater (and longer) shortlist scrutiny.

4.2 Proposal – Establish Date Certain for Request for Commission Approval of Contracts

2. Discuss the strengths and weaknesses of the proposal to set a time requirement for requesting Commission approval of an RPS contract. What impact will it have on the market, ratepayer, and regulator? If an alternative time requirement is proposed, include a justification for the proposal.

Iberdrola very much supports a requirement to submit an advice letter seeking approval of an executed contract within one month of contract execution. The company is less certain about the wisdom of a one-year deadline between approval of the shortlist and contract execution. This proposal may create asymmetric risk to the detriment of the developer/seller given that the buyer has much more ability to influence the timing of contract negotiations within the one-year window. Iberdrola is also concerned that parties not satisfied with the shortlist

decision may seek to create delays that impede the timely execution of contracts for shortlisted projections.

4.3 Proposal – Expedited Review of RPS Purchase and Sales Contracts

3. The above proposal defines expedited review prerequisites differently for contracts , 5 years and those \geq 5 years in term length. Comment on the appropriateness of the 5-year term length distinction. If an alternative is proposed, include a justification for the proposal.

Iberdrola supports a process differentiation between contracts of more or less than five years' duration. The five-year threshold has been adopted in other states (Oregon and Utah, for example) as a threshold for requiring competitive solicitations. Contracts of five years or less almost always involve sales of energy and associated products from facilities already in operation. Conversely, it is much less likely that approval of a contract of five years or less will require assessments of project viability, interconnection, and other standards as a build/no-build decision on a new renewable generation facility almost certainly will not be made based on a contract of five years' duration or less.

4. The above proposal allows for contracts that meet all of the prerequisites to be submitted with Tier 1 and Tier 2 Advice Letters for contracts <5 years in term length and contracts \geq 5 years in term length, respectively. Comment on the appropriateness of the designated Advice Letter Tier. If an alternative is proposed, include a justification for the proposal.

See response to Question #3.

5. The above proposals do not apply to sales contracts five years or greater in term length. Is there a market need to extend an expedited approval process to sales contracts five years or greater in term length?

Iberdrola suggested expedited review of contracts from already-operating facilities is appropriate, even if the contract length is greater than five years. Project viability and delivery

start dates are much, much less significant as issues when the procurement is from existing facilities.

4.4 Proposal – Improve RPS Power Purchase Agreement Standards of Review

A. Proposed Standards of Review for Power Purchase Agreements from Solicitations

8. The above proposal requires contracts to be consistent with an IOU's net short approved in the most recent Procurement Plan. Propose how this criterion could be applied to an individual contract.

Iberdrola does not support applying the IOU “net short” calculation as a ceiling on renewable development. Project development success can be difficult to predict with a series of steps needing to come together, including permits, interconnection agreements, equipment procurement, and actual construction and interconnection. Consequently, the window for which a project is targeted for being added to an IOU portfolio and actual commencement of operations do not always match up. In addition, IOUs should not be penalized for procuring beyond the net short calculation if a resource that is larger than the need is cost-effective for ratepayers. Given the inherent lumpiness of generation procurement, the Commission should avoid overly strict procurement ceilings.

D. Proposed Standards of Review for Power Purchase Agreements that are Beyond the Scope of the Commission's Advice Letter Process.

16. The above proposal proposes that the process by which IOUs must seek Commission approval of RPS contracts be based, in part, on the contracted amount of expected annual generation. Comment on how projects with multiple contracts for total facility capacity and projects with contracts for multiple phases should be treated under the proposal or propose an alternative delineation and justification.

For projects with multiple contracts for total facility capacity, assuming the Commission wants to address a single facility that may sell to multiple parties, Iberdrola suggests the Commission review a contract based on the *pro rata* allocation of output from the facility to the unique buyer which is typically how a contract of this type would be structured.

Respectfully submitted the 20th day of November, 2012.

/s/ Kevin A. Lynch
Kevin A. Lynch
Vice President, External Affairs
Iberdrola Renewables, LLC
1125 NW Couch Street #700
Portland, OR 97209
Phone: (503) 796-7108
Facsimile: (503) 796-6906
Email: kevin.lynch@iberdrolaren.com

VERIFICATION

I, Kevin A. Lynch, am an employee of Iberdrola Renewables LLC, and am authorized to make this verification on its behalf. The matters stated in the foregoing **COMMENTS OF IBERDROLA RENEWABLES ON THE SECOND ASSIGNED COMMISSIONER'S RULING ISSUING PROCUREMENT REFORM PROPOSALS AND ESTABLISHING A SCHEDULE FOR COMMENTS ON PROPOSALS** are true of my own knowledge, except as to matters which are therein stated on information and 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 to the best of my knowledge.

Executed this 20th day of November 2012, at Portland, Oregon.

/s/ Kevin A. Lynch