

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 THE UTILITY REFORM NETWORK
ON PROCUREMENT REFORM PROPOSALS



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COMMENTS OF THE UTILITY REFORM NETWORK ON PROCUREMENT REFORM PROPOSALS

Pursuant to the directions in the “Second Assigned Commissioner’s Ruling Issuing Procurement Reform Proposals and Establishing a Schedule for Comments on Proposals” (“ACR”), the Utility Reform Network (“TURN”) respectfully submits these comments.

The proposals provide more specific guidance for reviewing RPS contracts and shortlists and are intended to expedite RPS contract evaluation and approval. TURN provides only limited comments at this time due to various resource constraints.

Updated Information for Amended Contracts and Non-Standard Contracts (Section 4.4)

The ACR requires that contract valuation be updated “using the most current forward curve information within one week prior to filing” the requisite advice letter (amended contracts) or application (non-standard contracts). TURN strongly supports the use of updated data for contract valuation and comparison to other bids. However, in order to ensure the best apples-to-apples comparison, TURN recommends that the contract valuation be performed using *both* recent forward curve data as well as the forward curve data which were utilized for evaluating the most recent shortlist.

Unbundled RECs (Section 4.5)

The ACR proposes that unbundled REC contracts be reviewed for price reasonableness by comparing them *only* to other unbundled REC contracts.

Limiting the potential cohort in this manner may limit the comparison pool of bids and artificially increase prices paid for RECs. There is no justification for reviewing unbundled RECs on their own based on any unique value of these products. By definition, unbundled REC contracts provide only the RECs, and thus have less value than bundled products.

Prices for bundled products include the value of both the REC and the underlying energy. The REC component of a bundled product can be inferred by comparing the bundled product price to current energy prices for conventional energy with similar qualities (term, delivery location, etc.), thus determining the “renewable premium.” Indeed, the net market value calculated by utilities as part of the existing contract evaluation process represents the implied REC price.

Unbundled REC products should thus be compared against both other REC products and the implied REC prices of recent bundled transactions. While in theory one would expect unbundled REC prices to be lower than the implied premiums in bundled products, the number of new bids and the favorable

supply cost curves of recent projects has been such as to significantly lower renewable premiums required by developers. It would make absolutely no sense to select an unbundled REC transaction over a bundled transaction with an equal or lower renewable premium, since the bundled transaction will by definition provide additional value to California ratepayers (local environmental emissions reductions, jobs, etc.).

Non-Standard Contracts – Question 18

The ACR proposes that non-standard contracts, as well as contracts that are expected to provide more than one percent of an IOU's bundled sales, should be filed as an application and reviewed pursuant to standards identified in Table 5. The ACR asks whether there are additional circumstances warranting the filing of an application, and specifically asks whether contracts that “would cause a rate impact above a certain amount” should be submitted via an application.

TURN does not see the “actionable” need to require a separate “rate impact” analysis for individual contracts. An individual contract may have a large rate impact due to its size, irrespective of whether its price is competitive or not, and the ACR already proposes to review contracts above a certain size of energy delivered. The reasonableness of price terms is addressed by the various other suggested reforms in bid review and analysis. Total ratepayer impacts should be controlled by properly evaluating and comparing the price terms of all

bids, and by implementing expeditiously the procurement expenditure limitation methodology newly created by SB 1x2.

November 20, 2012

Respectfully submitted,

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VERIFICATION

I, Marcel Hawiger, am an attorney of record for THE UTILITY REFORM NETWORK in this proceeding and am authorized to make this verification on the organization's behalf. The statements in the foregoing document are true of my own knowledge, except for those matters which are stated on information and belief, and as to those matters, I believe them to be true.

I am making this verification on TURN's behalf because, as an attorney in the proceeding, I have unique personal knowledge of certain facts stated in the foregoing document.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on November 20, 2012, at San Francisco, California.

_____/s/_____

Marcel Hawiger
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