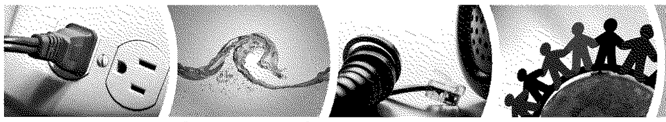

DRA
DIVISION OF RATEPAYER ADVOCATES

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Commission Agenda: November 8, 2012, item #27

RPS Procurement Plans
Proposed Decision

DRA Position: The Commission should adopt the Proposed Decision (PD), but should add /clarify that: (1) IOUs should use a success rate of at least 77% that reflects recent Renewable Portfolio Standard (RPS) contract success rates; (2) IOUs should meet criteria to use voluntary margin of over-procurement; and (3) Ratepayers will not be responsible for network upgrade costs that exceed the amount agreed to by seller and IOU.

Background

- The CPUC is required to direct IOUs and ESPs to submit annual renewable energy procurement plans to meet their RPS obligations. [PU Code 399.13(a)(1)]
- The PD would approve, with some modifications, the IOUs' proposed 2012 RPS Procurement Plans, including:
  - SCE proposed success rate of 60% for projects which are executed, but not yet online.
  - SDG&E proposed success rates of 65%, 56% and 50% for projects which are executed, but not yet online for Compliance Periods 1, 2 and 3 respectively.
  - PG&E proposed success rate of 78% for projects which are executed, but not yet online.
  - PG&E initially proposed to include a voluntary margin of over-procurement in its renewable portfolio which could equal an additional 1-2% of total retail sales, as needed on an annual basis, but its amended Plan states that this may be unnecessary.

IOUs Should Use a Success Rate that Reflects Recent RPS Contract Success Rates

- The project success rate used by an IOU has a direct impact on procurement costs.
- Data from March 2012 IOU Compliance Reports and Project Development Status Reports (PDSR) show that the average success rate for projects solicited between 2002 and 2009 is 77%.
- SCE and SDG&E's 60% success rate for projects which are executed but not yet online is unrealistically low based on the best available Compliance Reports and PDSR.

IOUs Should Meet Criteria to Use a Voluntary Margin of Over-Procurement in Order to Protect Ratepayers from Over-Paying Beyond RPS Targets

- An additional margin of over-procurement is unnecessary for compliance periods in which an IOU is over-procured, as this would exceed the current targets of RPS and thus become unreasonable for ratepayers to bear the costs.
- To prevent over-procurement in circumstances where the IOUs have already over procured, the PD should clarify that the IOUs should:
  - Only be permitted to apply the voluntary margin on an annual or compliance period basis.
  - Be required to use any surplus energy before procuring an additional margin of resources.
  - Justify why a margin is necessary and how it will fill the resource deficit.

Ordering Paragraph 8 Should Explicitly State Ratepayers are Not Responsible for Network Upgrade Costs that Exceed the Amount Agreed to by Seller and IOU

- DRA supports the transmission upgrade cost cap and buy-down provision in the pro forma agreements proposed in the PD.
- To support the PD's conclusion that the transmission upgrade cost terms represent "reasonable means of seeking to limit the total RPS procurement costs to ratepayers," OP #8 should be modified as follows:

> *In the final 2012 Renewables Portfolio Standard Procurement Plan to be filed with the Commission pursuant to the schedule adopted herein, PG&E, SDG&E shall incorporate terms into their respective pro forma agreements regarding termination rights and buy-down provisions in the event that the results of any interconnection study or agreement indicate that network upgrade costs will exceed a specific amount agreed to by seller and the utility. This directive applies to future pro forma agreements filed by PG&E and SDG&E unless otherwise directed by the Commission. While SCE will not hold a 2012 solicitation, this requirement shall apply to future use of its pro forma agreement unless otherwise directed by the Commission.* ***Neither PG&E, SDG&E, nor SCE shall be allowed to recover from ratepayers network upgrade costs that exceed the specific amount agreed to by seller and the utility.***

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