

BEFORE THE PUBLIC UTILITIES COMMISSION OF  
THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue  
Implementation and Administration of  
California Renewable Portfolio Standard  
Program.

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

**NOTICE OF EX PARTE COMMUNICATION**

Pursuant to Rules 8.2(c), 8.3, and 8.5 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates (DRA) gives notice of the following oral and written *ex parte* communications. The first occurred on November 5, 2012 at approximately 1 p.m. in the Commission's San Francisco office and lasted approximately twenty minutes. DRA initiated the communications with Commissioner Mike Florio's advisor Matthew Tisdale. Attending the meeting on behalf of DRA were Cheryl Cox, Selena Huang, and Diana Lee.

DRA explained that it generally supported the current proposed decision (PD) that would approve the renewable portfolio standard (RPS) compliance plans of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E), but suggested two modifications and one clarification to protect ratepayers from overpaying beyond RPS targets. As explained in the attached handout distributed at the meeting, the Commission should modify the PD to ensure that:

1) Investor-owned utilities 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.t

After the meeting, DRA sent the attached email to Mr. Tisdale on November 6, 2012 at 2:08 PM.

Respectfully submitted,

/s/ DIANA L. LEE

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November 6, 2012

# ATTACHMENTS



## 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.***

**From:** Cox, Cheryl  
**Sent:** Tuesday, November 06, 2012 2:08 PM  
**To:** Tisdale, Matthew  
**Cc:** Lee, Diana; Huang, Xiao Selena  
**Subject:** DRA Response to Question on RPS Project Success Rate

Hi Matthew -

Following-up on our conversation yesterday on the RPS Procurement Plan PD, I wanted to clarify that DRA's analysis determining that 77% or higher should be used as a project success rate, based on data from the March 2012 IOU Compliance Reports and Project Development Status reports considered...

- Contracts were fully executed
- 4 project milestones as indicators of potential success: 1) secure financing; 2) obtain all major permits; 3) CPUC approval; 4) begin construction
- DRA's finding of an average project failure rate of 23% (between 2002-2009), and therefore concluded that IOUs should utilize nothing lower than 77% as a failure rate

I'm also attaching an electronic version of DRA's hand-out from the meeting, for your convenience.

cheryl

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