**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)

REPLY COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION ON PROPOSED DECISION CONDITIONALLY ACCEPTING 2012 RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLANS

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November 5, 2012

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I. INTRODUCTION

Pursuant to the California Public Utilities Commission's ("CPUC" or "Commission") Rule of Practice and Procedure 14.3, the California Wind Energy Association ("CalWEA") respectfully submits these reply comments on the *Proposed Decision of Administrative Law Judge DeAngelis Conditionally Accepting 2012 Renewables Portfolio Standard Procurement Plans and Integrated Resource Plan Off-Year Supplement* ("PD").

CalWEA has reviewed the comments on the PD provided by other parties, including those submitted by Pacific Gas and Electric Company ("PG&E") and San Diego Gas & Electric Company ("SDG&E"), and recommends that the Commission should:

1. Reject SDG&E's request to delay its 2012 Renewables Portfolio Standard ("RPS") solicitation to late Q1 2013;
2. Reject PG&E's renewed request to apply its proposed integration cost adder; and
3. Reject PG&E's renewed request to apply its proposed portfolio adjusted value ("PAV") metric for scoring bids.

Each of these recommendations is addressed in greater detail below.

II. ARGUMENT

A. The Commission Should Reject SDG&E's Request To Delay Its 2012 RPS Solicitation To Late Q1 2013

SDG&E proposes that it should have the flexibility to delay issuance of its RPS request for offers ("RFO") until late Q1 2013 because it needs additional time to determine the extent of

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its RPS need. SDG&E explains that it has several executed contracts with significant milestones occurring over the next few months, and its RPS needs may change for this solicitation if it appears that some of these projects might fail. SDG&E claims that it would be wasteful to solicit bids it may not need and that, if its needs change after the RFO is issued, it will be too late to inform the market of its updated needs.[1]

The Commission should reject SDG&E's proposal. The current proposal for the production tax credit ("PTC") extension would provide the PTC only for projects that commence construction prior to the end of 2013.[2] To ensure that the investor-owned utilities ("IOU") have an opportunity to take advantage of the economic benefits to ratepayers resulting from the PTC extension, the IOU solicitations should occur as soon as possible. Waiting to issue the solicitation until late Q1 2013 would not allow sufficient time for evaluation of bids, development of the shortlist, negotiation of a PPA, and Commission approval of a PPA in sufficient time for a PTC-eligible project to commence construction by the end of 2013. Thus, SDG&E's proposal could foreclose an opportunity to contract with viable PTC-eligible projects.

Moreover, SDG&E's concern about the need for greater definition of its RPS need prior to issuing the solicitation is overstated. SDG&E can issue a solicitation for its full potential need with an explanation that it may not need certain products if certain conditions occur. Market participants already understand that not every bid gets shortlisted. However, based on participation in the 2011 solicitations, there likely is still substantial interest in having an opportunity to compete for a contract with SDG&E. Therefore, the Commission should reject SDG&E's proposal to delay its solicitation until late Q1 2013.

B. The Commission Should Reject PG&E's Renewed Request To Apply A Non-Zero Integration Cost Adder

PG&E continues to argue that the Commission should adopt the integration cost adder that it recommended in its 2012 RPS Plan.[3] The PD properly rejects the PG&E proposal because

[1] SDG&E Comments at 5-8.

[2] A proposal to extend the PTC for projects that start construction in 2013 won bipartisan support from the Senate Finance Committee on August 2, 2012, as part of an overall "tax extenders" package. The bill awaits action by the full Congress, expected in its lame-duck session after the November elections. *See e.g.,* http://www.reuters.com/article/2012/10/19/us-utilities-windpower-usa-idUSBRE89I0TX20121019.

[3] PG&E Comments at 2-6.

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it has not been subject to a thorough public review using data from the CAISO control area.[4] Nothing has changed since PG&E's original proposal. The Commission has repeatedly refused to allow imposition of a non-zero integration cost adder until one can be developed in a public process with stakeholder participation.[5] As evidenced by the comments of many stakeholders, the time has come for that public process to begin. However, PG&E should not be permitted to apply an arbitrary adder while that process unfolds.

The PD also correctly states that integration costs for renewables are under further review in the 2012 long-term procurement plan ("LTPP") proceeding, Rulemaking 12-03-014.[6] PG&E takes issue with this aspect of the PD, asserting that the LTPP is examining only the long-term need for new flexible resources to integrate renewables and is not considering the ongoing operating costs of the balancing resources which are needed today to integrate renewables.[7] CalWEA first observes that the long-term integration costs being investigated in the LTPP case are precisely the costs which should be used in the RPS, which is a procurement process for long-term resources. As recognized in the settlement in the 2010 LTPP case (Rulemaking 10-05-006), which the Commission adopted in Decision 12-04-046, parties have yet to identify any long-term procurement needs that result from integrating up to 33% renewables. CalWEA agrees that ongoing operating costs should also be included in the integration adder, but PG&E's proposed "proxy" integration adder of $8.50 per MWh is not based on any data on the CAISO's ongoing costs to integrate existing renewables. Rather, PG&E copies a proxy that was developed independently by consulting firm E3 for use in greenhouse gas modeling in Rulemaking 06-04-009 and adopted for modeling purposes in the LTPP proceeding only "in the absence of more rigorous analysis of California-specific integration costs."[8]

However, such CAISO data is beginning to become available. For example, the CAISO has been tracking the costs associated with the Flexible Ramping Constraint ("FRC") which it implemented in January 2012 to ensure that it has adequate ramping capability within each hour to integrate all supplies, including existing renewables. The CAISO has reported that FRC costs

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[4] PD at 26-28.
[5] *See e.g.,* D. 04-07-029 at 12-14; D. 07-02-011 at 56; D. 08-02-008 at 44; D. 11-04-030 at 23.
[6] PD at 27.
[7] PG&E Comments at 4.
[8] *See* February 10, 2011 Administrative Law Judge's Ruling Modifying System Track I Schedule and Setting Pre-Hearing Conference, Attachment 2, "Standardized Planning Assumptions (Part 2 – Renewables) for System Resource Plans", R. 10-05-006, at n. 18.

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attributable to all supply sources amounted to just $1.0 million in the first quarter of 2012.[9] This is a very small cost – when these costs are allocated to specific supply sources, CalWEA expects that the share of costs attributable to ongoing integration costs for intermittent renewables will be less than $0.50 per MWh – more than an order of magnitude below the $8.50 per MWh "proxy" which PG&E would have the Commission adopt. CalWEA will be presenting this data and other information to the Commission in comments responding to Commissioner Ferron's September 12 and October 5 Assigned Commissioner Rulings in this proceeding, which address forward-looking changes to the RPS procurement program. Until the Commission can conduct a public process to review actual California data on integration costs, CalWEA is confident that integration costs for intermittent renewables are much closer to zero than to PG&E's $8.50 per MWh. Therefore, the Commission should reject PG&E's proposed integration cost adder.

C. The Commission Should Reject PG&E's Renewed Request To Apply Its Proposed PAV Metric For Scoring Bids

PG&E also reiterates its request to be permitted to supplement the net market value ("NMV") least-cost, best-fit ("LCBF") calculations required of all IOUs with its own PG&E-specific calculations of PAV. In response to the PD's conclusions that PG&E's PAV may duplicate the NMV calculation and lacks the specificity needed for bidders to understand the impact on their bids, PG&E provides a five-page "supplement" to its original PAV description.[10]

As an initial matter, the Commission should not allow IOUs to supplement their RPS Procurement Plans in response to the PD. This proceeding already afforded PG&E an opportunity to update its RPS Procurement Plan in response to comments and reply comments on PG&E's original RPS Procurement Plan, including criticisms relating to the PAV proposal. The Commission should not provide PG&E a third bite at the apple at this late hour, without sufficient time or process for other parties to review and respond fully.

In addition, PG&E's updated PAV proposal still appears to duplicate portions of the NMV calculation. For example, PG&E proposes to discount some intermittent bids by as much as 20% based on the fact that the energy provided by those intermittent projects is not "firm" energy. PG&E attempts to distinguish this from the NMV calculation's integration cost adder by stating that the integration cost adder is based on system impacts, whereas PG&E's "firmness"

[9] CAISO, "Flexible Ramping Products - Revised Draft Final Proposal" (dated August 9, 2012), at 42, reporting on the FRC data from January 1 through March 31, 2012.
[10] PG&E Comments at 6-7, Attachment 1.

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adjustment is based on impacts to PG&E's portfolio. PG&E's attempt at distinction misses the mark. PG&E's "firmness" adjustment is based on the perception of costs imposed on PG&E to integrate the intermittent resource. This is the equivalent of an integration cost adder, which, as discussed above, the Commission has repeatedly instructed PG&E not to apply until it can be developed in a public process with stakeholder participation.

Finally, PG&E's updated PAV proposal continues to apply arbitrary adjustments to bids that obscure the benefits of the standardized NMV calculation. For example, PG&E's proposed tenor adjustment would apply adjustments ranging from -10 to +10 dollars per MWh based on the contract term length, but PG&E fails to explain why the 20 dollar per MWh range is appropriate, other than to state that this reflects PG&E's preference. Thus, the values are arbitrary, and PG&E is inappropriately attempting to represent a qualitative preference as a quantitative difference in bids.

The LCBF already permits a utility to explain why a qualitative attribute justifies bid selection. PG&E's inappropriate attempt to quantify qualitative preferences would obscure the reality that PG&E is basing selections on qualitative attributes. Accordingly, the Commission should reject PG&E's renewed request to apply its PAV methodology.

III. CONCLUSION

For the foregoing reasons, the Commission should adopt the recommendations set forth in these comments.

Respectfully submitted,

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November 5, 2012

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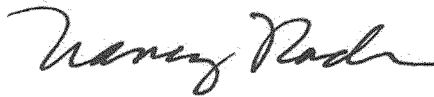
VERIFICATION

I, Nancy Rader, am the Executive Director of the California Wind Energy Association. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of *Reply Comments of the California Wind Energy Association on Proposed Decision Conditionally Accepting 2012 Renewables Portfolio Standard Procurement Plans* are true of my own knowledge, except as to the 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.

Executed on November 5, 2012 at Berkeley, California.



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