

**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)

**NARRATIVE REPORTING PORTION OF THE PRELIMINARY ANNUAL 33%
RENEWABLES PORTFOLIO STANDARD COMPLIANCE REPORT OF
BEAR VALLEY ELECTRIC SERVICE (U-913 E),
A DIVISION OF GOLDEN STATE WATER COMPANY**

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Pursuant to the “Instructions” tab of the Preliminary Annual 33% Renewables Portfolio Standard (“RPS”) Compliance Report template for small investor-owned utilities (“IOUs”) (“RPS Compliance Report”), Bear Valley Electric Service (U 913 E) (“BVES”), a division of Golden State Water Company, submits the following narrative responses as part of its RPS Compliance Report.

I. Narrative Reporting Requirements.

A. Narrative Reporting Requirements for all Retail Sellers.

- 1. The status of any necessary siting and permitting approvals from federal, state, and local agencies for those eligible renewable energy resources procured by the retail seller that have not yet attained their commercial on-line dates.**

All of BVES’ procurement comes from facilities that have already attained their commercial on-line dates.

- 2. Identification of all procurement from eligible renewable energy resources located outside California and within the WECC during the period covered by the report.**

BVES plans to procure the majority of its procurement from a single contract for unbundled RECs with Iberdrola Renewables, LLC (“Iberdrola”). These unbundled RECs are not

tioned to a specific eligible renewable energy resource (“ERR”) but may come from one or more ERRs that are certified by the California Energy Commission and qualify as an ERR. Once those RECs have been transferred to BVES’ Western Renewable Energy Generation Information System (“WREGIS”) account, BVES can then specifically identify the ERRs associated with the REC procurement.

3. Identification of all procurement of unbundled renewable energy credits (“RECs”) during the period covered by the report.

Based on BVES’ ability to use 100% unbundled RECs to meet its RPS procurement requirements,¹ BVES plans to satisfy all of its future RPS procurement goals using unbundled RECs to minimize customer costs. BVES has only three (3) contracts for renewable procurement. Of these, two (2) are for unbundled RECs. As described above, the majority of BVES’ renewable procurement will come from a single contract with Iberdrola. Additionally, Resolution E-4507 approved BVES’ purchase of 10,827 unbundled RECs from the County Sanitation District No. 2 of Los Angeles.

4. Recommendations to remove impediments to making progress toward achieving the renewable energy resources procurement requirements established by statute and implemented by Commission decision.

BVES’ biggest obstacles to meeting its procurement requirements in the past have resulted from difficulties finding renewable facilities willing to sell to BVES largely based on BVES’ relatively small annual procurement requirement when compared to the three largest California IOUs as well as large municipal utilities. Renewable developers have seemed unwilling to sell a portion of a power plant’s output to BVES when they can sell their project’s entire output to one of the large IOUs or municipal utilities in the state. The need to shape

¹ See Pub. Util. Code § 399.18(b). See also D.11-12-052, Ordering Paragraph 16.

resources to BVES' demand and energy requirements and BVES' winter peak has even further frustrated the effort to acquire resources.

Fortunately, however, it appears that BVES' probability of success in acquiring RPS-eligible products is improving due to more favorable legislation and regulatory rules. Decision 11-12-052 formally excludes BVES from adhering to the RPS portfolio content categories so long as all other procurement requirements for compliance with the RPS are also met.² Based on this exemption from the portfolio content category restrictions, BVES can satisfy its entire procurement obligation under the RPS program using unbundled RECs. Because unbundled RECs are likely to be the least expensive of the portfolio content category products, with lower costs to ratepayers, it makes sense for BVES to procure unbundled RECs to meet its RPS targets.

Based on BVES' ability to use RECs for 100% of its RPS compliance, BVES will continue to solicit REC transactions from counterparties who own or are developing renewable generation facilities. Therefore, there is a risk that permitting or other construction delays by a counterparty developing renewable generation facilities will impact BVES' ability to comply with the RPS procurement requirements, assuming insufficient replacement supplies exist. Additional issues that could delay RPS compliance include withdrawal of bids (which has occurred in the past), termination of an executed contract or termination of a contract under negotiation, limited availability of RECs and further regulatory or legislative changes that impede renewable contracting or alter eligibility. As a small utility, BVES could meet its procurement targets through a contract with one party, thereby having "all its eggs in one basket," which presents a risk should the contract fail to deliver/perform.

² See D.11-12-052, Ordering Paragraph 16.

A remaining risk for BVES to meet its procurement goals is the timing of obtaining CPUC-approval of REC contracts. Any delay or rejection of BVES' procurement contracts will adversely impact BVES' net short RPS position and impact BVES' future procurement decisions. While BVES strives to meet its procurement goals, it urges the Commission to act as expeditiously as possible to review and approve renewable procurement contracts, particularly for those contracts that will satisfy the majority of BVES' procurement obligations.

B. Narrative Reporting Requirements for Electrical Corporations

- 1. The current status and progress made during the prior year toward construction of, and upgrades to, transmission and distribution facilities and other electrical system components owned by that electrical corporation to interconnect eligible renewable energy resources and to supply the electricity generated by those resources to load. The narrative must specifically include, but is not limited to, the status of planning, siting, and permitting of transmission facilities by federal, state, and local agencies.**

As BVES can, and plans to, satisfy its entire RPS procurement obligation using unbundled RECs, it is unnecessary for BVES to upgrade its transmission and distribution facilities to meet its RPS goals. Additionally, due to the unique characteristics of BVES' service territory, ERRs are unlikely to be developed in or around the service territory. Accordingly, to minimize customer costs, BVES is not currently constructing or upgrading its existing transmission and distribution facilities to interconnect ERRs.

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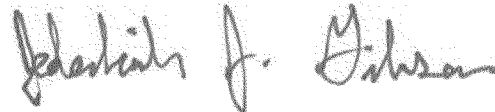
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II. Conclusion.

BVES will continue to make all reasonable efforts to meet its RPS procurement requirements and looks forward to working with the Commission to implement the RPS program.

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Respectfully submitted,



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