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Re: SB X1-2: RPS Reporting and Verification – Comments of Bear Valley Electric Service

Bear Valley Electric Service (“BVES”), a division of Golden State Water Company, hereby submits these comments on the joint staff working group of the California Energy Commission (“CEC”) and the California Public Utilities Commission (“CPUC”) reporting and verification requirements for the Renewables Portfolio Standard (“RPS”) program under Senate Bill No. 2 of the California Legislature’s 2011 First Extraordinary Session (“SB X1-2”).

As described more fully below, BVES has different RPS requirements than other utilities based on its unique characteristics and procurement requirements. Accordingly, any CEC and CPUC reporting and verification requirements should reflect these unique traits and strive to use the simplest process possible to achieve the intended results. Specifically, the CEC and the CPUC development of new tracking and portfolio content category (“PCC”) verification efforts should avoid imposing unnecessary processes on BVES as it is not subject to the same PCC obligations and limitations as California’s other investor-owned utilities (“IOUs”). For BVES, data from the Western Renewable Energy Generation Information System (“WREGIS”)

accounting system can be relied upon to verify virtually all of BVES' RPS procurement eligibility validations.¹

I. Introduction and Background

A. Unique Characteristics of BVES

BVES is a small investor owned electric utility in the Big Bear Lake recreational area of the San Bernardino Mountains that provides electric distribution service to approximately 21,900 residential customers in a resort community with a mix of approximately 40% full-time and 60% part-time residents. Its service area also includes about 1,400 commercial, industrial and public-authority customers, including two ski resorts. BVES' service territory is indirectly connected to the California Independent System Operator ("CAISO") via Southern California Edison's distribution system under a Wholesale Distribution Access Tariff ("WDAT").

BVES has a relatively small customer base when compared to California's largest IOUs. Thus, the intricacies of the RPS program and its associated compliance, reporting and verification requirements, result in a disproportionately larger administrative burden on a per-customer basis than is realized by California's largest IOUs. The Legislature, in adopting RPS requirements, and the CEC and the CPUC in implementing those RPS requirements, has recognized BVES' differences. As well, the CEC and the CPUC should continue to recognize the different requirements that apply to BVES based on its unique characteristics, as well as the disproportionate impacts borne by BVES due to RPS reporting and compliance.

¹ The limited exception would be any PCC 1 or PCC 2 procurement undertaken by BVES, which is not anticipated to take place.

B. Unique Treatment of BVES

BVES, as a small IOU, is subject to different RPS requirements as provided in Public Utilities Code Section 399.18. Pursuant to Section 399.18, BVES is not subject to the limitations on the use of procurement in each PCC established by Public Utilities Code Section 399.16. The CPUC has confirmed and explicitly recognized this exemption from the PCC limitations.²

Based on its exemption from the PCC restrictions, BVES can, and plans to, satisfy its entire procurement obligation under the RPS program using procurement from PCC 3 (§ 399.16(b)(3)), the category that includes unbundled renewable energy credits (“RECs”). Unbundled RECs will be the most economic and easily integrated RPS procurement option for BVES to meet its RPS targets. Accordingly, as described more fully in BVES’ RPS Procurement Plan dated May 23, 2012,³ and as authorized by the CPUC, BVES expects to exclusively use unbundled RECs under a long-term contract (at least 10 years) to meet its RPS procurement obligations making additional review and verification of PCC 1 and PCC 2 procurement unnecessary for BVES.

²Ordering Paragraph 16 of CPUC Decision (“D.”) 11-12-052 provides:

The procurement of small and multi-jurisdictional utilities that meet the requirements of Pub. Util. Code §§ 399.17 and 399.18 may count for compliance with the California renewables portfolio standard without regard to the limitations on the use of each portfolio content category established by Pub. Util. Code § 399.16(c), so long as all other procurement requirements for compliance with the California renewables portfolio standard are also met.

Pages 63-64 of the same decision provide a similar rationale for BVES’ exemption from the limitations on the use of PCCs.

³ BVES’ May 23, 2012 RPS Procurement Plan is available at <http://docs.cpuc.ca.gov/PublishedDocs/EFILE/RESP/167271.PDF>.

II. Comments on RPS Procurement Reporting and Verification under SB X1-2

A. RPS Procurement Reporting and Verification Process

As described above, BVES is not subject to the PCC usage limitations and intends to satisfy all of its future RPS obligations under a long-term contract for PCC 3 products.

Therefore, BVES does not anticipate any need to report, let alone verify, procurement of PCC 1 or PCC 2 products. For these reasons, the CEC and CPUC reporting and verification approach for BVES should be able to rely exclusively on WREGIS Certificates.

At the November 30, 2012 workshop, CEC and CPUC staff presented a reporting proposal that would require at least four (4) separate WREGIS retirement subaccounts, and possibly up to 8 separate retirement subaccounts if additional accounts are required for different types of PCC 1 procurement. Although BVES is located within the CAISO balancing authority area and has the ability to procure generation from the different PCC categories, BVES only anticipates procuring PCC 3 products, as such procurement will minimize customer costs. As some of that procurement came from contracts entered into prior to June 1, 2010, BVES will also procure PCC 0 products. Accordingly, the only retirement subaccounts that are likely to be used by BVES are the PCC 0 and PCC 3 product category subaccounts. Nevertheless, BVES does not believe the additional PCC 1 retirement subaccounts proposed by the CEC and CPUC are necessary. Instead, only one retirement subaccount should be used for PCC 1 products. This will help to avoid unnecessary complexities and keep administrative costs low. A more limited number of retirement subaccounts will avoid additional work from both retail sellers and the CEC and CPUC in the event that the CEC and CPUC verification process determines that a product was improperly classified. As RECs cannot be unretired, using a simpler subset of retirement subaccounts will help to avoid after-the-fact corrections and shifting or reapplying

RECs that have already been retired. Therefore, the CEC and CPUC should not require the use of multiple PCC 1 retirement subaccounts, as such additional complexity and corresponding administrative costs are unnecessary and could needlessly increase customer costs.

With regard to the CEC and CPUC process to verify procurement, BVES notes that the process to verify BVES' procurement should be a relatively simple task, as BVES plans to procure only PCC 3 products in the future. BVES supports the use of WREGIS data to verify PCC 3 procurement as this is the simplest and most cost-effective manner to do so. Additional documentation or reports would not be required to verify PCC 3 procurement, as WREGIS will include all necessary data for the CEC and CPUC to accurately verify such procurement and avoid any risk of double counting.

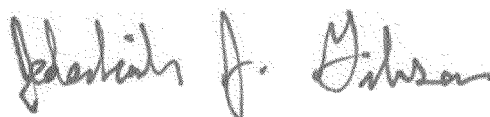
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III. Conclusion

The CEC and CPUC process for tracking and validating RPS compliance should continue to recognize the unique characteristics of, and distinct RPS requirements that apply to, BVES. These unique traits should make the RPS reporting and verification process for BVES relatively straightforward. However, the CEC and CPUC should avoid adding unnecessary, additional levels of complexity to the RPS reporting and verification process. For this reason, only one PCC 1 retirement subaccount should be used to reduce the potential for complications that can arise due to mischaracterizing initial procurement. By adopting a simple and straightforward reporting and verification methodology that will avoid needless complexity, time and expense for BVES and the energy agencies, the CEC and CPUC will help to minimize customer costs.

Respectfully submitted,



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