CPUC

Clean Coalition comments on Small-Scale Bioenergy report (April 9, 2013)

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I. Introduction

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to local energy systems through innovative policies and programs that deliver cost-effective renewable energy, strengthen local economies, foster environmental sustainability, and enhance energy security. To achieve this mission, the Clean Coalition promotes proven best practices, including the vigorous expansion of Wholesale Distributed Generation (WDG) connected to the distribution grid and serving local load.

The Clean Coalition drives policy innovation to remove major barriers to the procurement, interconnection, and financing of WDG projects and supports complementary Intelligent Grid (IG) market solutions such as demand response, energy storage, forecasting, and communications. The Clean Coalition is active in numerous proceedings before the California Public Utilities Commission and other state and federal agencies throughout the United States, in addition to work in the design and implementation of WDG and IG programs for local utilities and governments.

A summary of our comments follows:

- SB 1122 requires the three big utilities to procure "at least" 250 MW of bioenergy. Due to the Bioenergy Report's finding that there is more than four times this potential in terms of bioenergy feedstock in California, we urge the Commission to consider increasing the program size, with specified cost containment mechanisms.
- In order to contain costs to ratepayers, we urge the Commission to impose a $192.50/MWh price cap, which is the same figure that the Clean Coalition and SCE have previously supported with respect to SB 32's

ReMAT (which is the pricing mechanism that SB 122 falls under), and to impose a $12/MWh maximum price increase between bimonthly periods, as DRA has suggested with respect to ReMAT.

- The Clean Coalition supports Option 2 – MW allocation by resource availability.
- We also suggest a number of small changes in the LCOE calculator.

I. Discussion

A. General comments

The Clean Coalition looks forward to working with the Commission and other stakeholders on implementing this important legislation. Our hope is that SB 1122 will truly kickstart the bioenergy market in California, which has lagged many other jurisdictions in this area. The Clean Coalition supported SB 1122 as part of the coalition that helped it to pass, and we remain fully supportive of bioenergy technologies.

1. The statutory deadline is at risk

SB 122 requires implementation by the Commission by June 1, 2013. It appears under the current timeline that the Commission will not meet this deadline so we request that the Commission specify for stakeholders how it intends to comply with this deadline. We are also concerned that Option 2 for capacity allocation will require more time for implementation. We support Option 2 (allocation by resource availability), but this will likely exacerbate the deadline issue.

2. The Commission should consider expanding the program size

SB 1122 requires the utilities to procure "at least" 250 MW of bioenergy (Pub. Util. Code section 399(f)(2)).[1] We urge the Commission to use the discretion granted by SB 1122 to consider expanding this capacity. The draft Bioenergy Report ("Draft Report") concluded that there is about 1,200 MW of state-wide resource availability for bioenergy projects, with about 1,000 MW in the three IOUs' service territories. As such, limiting this new program to only 250 MW sells California short in terms of our potential for bioenergy. There are various ways such an increase could be done and we look forward to discussing this issue as the proceeding develops.

We recommend that the Commission consider program expansion under the cost limitations described below. This expansion will help California achieve the Governor's 12,000 MW Distributed Generation goal, the 33% by 2020 RPS, AB 32's climate mitigation goals, and will help create new jobs and other ancillary economic benefits. Even if the Commission opts not to expand the program at this time, we believe the below cost containment measures are prudent.

3. A price cap of $192.50/MWh and $12/MWh maximum price increase should be imposed

The Clean Coalition is fully supportive of bioenergy but we are also concerned about the projected costs of bioenergy due to the fact that California's bioenergy market is still very nascent. As an additional measure for containing costs, we

[1] "By June 1, 2013, the commission shall, in addition to the 750 megawatts identified in paragraph (1), direct the electrical corporations to collectively procure at least 250 megawatts of cumulative rated generating capacity from developers of bioenergy projects that commence operation on or after June 1, 2013…"

recommend, as we have recommended for SB 32 more generally, a price cap of $192.50/MWh – the same price cap that SCE has previously supported. While the draft report suggests that current costs may be relatively high – averaging around $150/MWh for new projects at this time – it is a certainty that as the market ramps up costs will decrease. And this is exactly how the ReMAT pricing mechanism works: as interest grows in the new program, the offered PPA price will fall. So while we suggest at this time a price cap of $192.50/MWh, we feel that it is very likely the case that PPAs will be accepted at far lower prices for the large majority of bioenergy projects. The price cap, accordingly, acts as an upper bound and an "insurance policy" for ratepayers that will probably not have any actual impact on PPA prices for most bioenergy projects.

We also support DRA's previous suggestion of a maximum $12/MWh price increase between bimonthly periods, as an additional means for containing costs. This means that prices will increase between bimonthly periods at a level no more than $12/MWh, regardless of how many increases have occurred previously. As is, D.12-05-035's ReMAT mechanism could lead to far higher price increases if no subscriptions occur for some time.

4. Other comments

P. 1-7 of the Draft Report states that interconnections that cost from $858,000 to $2.6MM "may not meet the definition of a 'strategically located' project." However, strategically located is defined in D.12-05-035 as no more than $300,000 in network upgrade costs, which is independent of the total interconnection cost. Moreover, there is a buy-down right in the proposed IOU tariff, such that a developer wishing to be eligible for a ReMAT PPA can buy down any excess above this figure. We look forward to fleshing out this issue further as the Commission's implementation of SB 1122 continues.

B. Commission questions

Energy Division asked the following questions in its transmittal email:

(1) Whether the resource potential estimates included in this draft study are accurate? (see, Section 3.0 Resource Quantification, and Appendices A and B)

The Clean Coalition has no comments on this issue at this time.

(2) Whether there is a preference, and the rationale for such a preference, for one of the resource allocation options described for allocating SB 1122 technology targets by utility? (see, Section 5.4)

The Clean Coalition supports Option 2 (p. 1-9) because of the following reasons:

- As the Draft Report points out, resource availability is spread unevenly in each utility service territory.
- There is no compelling reason that each utility should be held to procurement levels based on customer load
- It is more important that state-wide procurement of renewables reach certain levels than that each utility be held to certain requirements.
- Allocating procurement levels based on customer load would probably not be as cost-effective for ratepayers as allocation by resource availability.
- Ratepayer impacts from procurement targets that are based on resource availability will be small enough to support expansion of the program as described above, particularly if the Commission imposes the cost cap and price increase cap that we recommend.

(3) Whether the levelized cost of electricity (LCOE) estimates included in this draft study, as developed by the attached Excel model, are reasonable? If you believe that the cost estimates are not reasonable, please provide publicly available source data to support your assertions. (see, Section 4.0 Levelized Cost of Generation Estimates)

The Clean Coalition at this time only points out a few terminology/labeling issues:

- The "costs of generation" line item in the calculator tab should be re-named "PPA price." As is, it's a confusing designation.
- "Fuel cost" at H19 in the Entries tab should be enumerated in $/MMBTU rather than $/MBTU (M means 1,000; MM 1,000,000)
- N7 in the Calculator should be "capital cost" rather than "cap cost"

(4) Whether the general characterization of the current state of the small-scale bioenergy market in this study is accurate? (various locations throughout the study)

The Clean Coalition has no comments on this issue at this time.

April 24, 2013.

_____/s/_____

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