

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Integrate and
Refine Procurement Policies and Consider
Long-Term Procurement Plans

Rulemaking No. 12-03-014

(Filed March 22, 2012)

**COMMENTS OF COMPETITIVE POWER VENTURES, POWER
DEVELOPMENT INC. ON TRACK III RULES ISSUES**

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Competitive Power Ventures, Power Development, Inc. (CPV) respectfully submits these comments in response to Administrative Law Judge (ALJ) David M. Gamson’s Ruling Seeking Comment on Track III Issues (the “Ruling”). CPV requests that our comments be considered in the context of the entire Long-Term Procurement Plan (LTPP) Proceeding as well as in the Ruling Seeking Comment on Track III Rules Issues. CPV submitted a Motion for Party Status on April 8, 2013, and requests that these comments be taken into the record in this proceeding following the ALJ’s grant of the motion.

1. Background

a. Competitive Power Ventures

CPV, together with its affiliates, is a developer and owner of natural gas-fired and renewable energy power generation facilities with a long and substantial track record in the California power market. Most recently, CPV has developed the 850MW (nominal)

CPV Sentinel Energy Project (“Sentinel”) which will shortly enter commercial operation in Riverside County, California. The financing and construction of the Sentinel project was made possible by the long-term power purchase agreement (PPA) awarded by Southern California Edison (SCE) after two separate CPUC-approved competitive solicitations. Prior to Sentinel, CPV developed a 650MW combined-cycle project (“Colusa”) in Pacific Gas and Electric’s (PG&E) territory which is currently in commercial operation, also through a CPUC-approved competitive solicitation. CPV is currently developing several other power projects within California.

CPV’s development and project management experience in California, specifically with recent success through the utilities’ Request for Offer (RFO) contract model, and nationally in other restructured electricity markets, gives CPV a broad perspective on power procurement. In that vein, CPV is generally supportive of California’s energy procurement process as compared to the capacity market approach taken in other states (*e.g.*, PJM, New York and New England). To that end, CPV welcomes the opportunity to comment on ways to improve the LTPP process and advancing the important goal of ensuring California maintains the right balance of generation -- new and existing -- at a cost competitive price.

Response to Questions Presented in the Ruling

Below CPV submits its responses to the issues identified by the ALJ for Item 3 of the Ruling. CPV declines the opportunity to opine on the other issues raised in the Ruling.

3. Long-term contract solicitation rules

a. Should the Commission adopt a rule that explicitly indicates that existing power plants may bid upgrades or repowers into new-generation RFOs?

CPV's Response: Yes. The Commission should require that IOU solicitations be open to both existing and new generation to ensure that the broadest range of projects are afforded available commercial opportunities. This will advance the best interest of ratepayers and offer new commercial opportunities to existing generation that all too often have limited commercial opportunities. The term of the contract should be commensurate with the needs of IOU but should also be influenced by the type of facility. An upgraded facility might only be eligible for a shorter duration contract relative to a repowered facility, while a new facility should be offered a longer term contract. The key issue is opening the RFO process to a wider range of resources to foster an environment in which more opportunities are given to more facilities.

- i. How should the existing and upgraded components of the repowers be valued differently in an RFO? How can additions such as energy storage be added to existing facilities and be valued against other types of offers?**

CPV's Response: The attributes and associated cost of the aggregate generation (rather than its components) should be the driver in the RFO. Evaluation of storage should be no different than that of generation -- by ultimately focusing on the cost and capabilities of the product, an all source RFO process should result in the best results for ratepayers.

- ii. Should contracts for repowering or upgrading of facilities be restricted to the same length of contracts as new facilities? If not, please explain why**

there would be different contract lengths or different terms, and how these differences would be reflected in the valuation of the bids.

CPV's Response: No. The IOU's solicitation should specify a minimum and a maximum term into which bidders can exercise their judgment on what makes the most sense for their project. The IOUs can use a valuation methodology that allows this Commission to evaluate whether their selection is in the best interest of ratepayers.

iii. Is there any information (additional or subtracted) from the RFO or application templates that would need to be changed? Would Energy Division review the RFO differently?

CPV's Response: Greater flexibility as to type of generation and term ought to be added to the RFO process. As discussed above, this will provide better opportunities for existing resources and could make better use of such facilities. The Energy Division would need to examine a broader range of projects under this approach, but the outcome would be a better set of options for the IOUs and, ultimately, ratepayers.

iv. How should cost allocation issues be addressed?

CPV Response: At this time, CPV has no response to this question.

v. How would bilateral negotiations for upgraded or repowered facilities be reviewed?

CPV Response: Except in unusual circumstances, these negotiations should be the result of successful competition in an RFO process, which, in turn, needs to be shaped in a way that affords such facilities the opportunity to compete with new facilities. To that end, the

RFOs need to be constructed in a manner that takes into consideration the circumstances of such facilities and avoids effectively excluding them.

2. Conclusion

CPV appreciates the opportunity to submit comments in this proceeding.

Respectfully Submitted,

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