



DRA

Division of Ratepayer Advocates
California Public Utilities Commission

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June 17, 2013

CPUC, Energy Division
Attention: Tariff Files, Room 4005
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Subject: Comments of the Division of Ratepayer Advocates (DRA) on Draft Resolution E-4589 on Advice Letter (AL) 3795-E, or Request For Approval Of A Third Amendment To A Power Purchase Agreement (PPA) between Arlington Wind Project, LLC (Arlington) and of Pacific Gas and Electric (PG&E).

INTRODUCTION

The Division of Ratepayer Advocates (DRA) hereby submits these comments on Draft Resolution E-4589. This draft resolution proposes to approve AL 3795-E, which requests Commission approval of a third amendment to the power purchase agreement (PPA) between Arlington Wind Project, LLC (Arlington) and of Pacific Gas and Electric (PG&E). DRA objects to Draft Resolution E-4589 for the following reasons:

- Draft Resolution E-4589 dismisses part of DRA's protest to AL 3795-E by misquoting DRA as stating the third amendment has "no ratepayer benefit."¹ DRA protested that "the amendment provides no ratepayer benefits *over the current contract*,"² leaving unanswered whether there is sufficient *increased* ratepayer benefit to justify AL 3795-E's proposed price increase;
- Draft Resolution E-4589 erroneously concludes AL 3795-E's requested increased price is reasonable. It inconsistently compares this price to "shortlisted projects resulting from PG&E's 2009 RPS Solicitation and RPS contracts recently executed by PG&E,"³ which are from different years (2010 and 2012, respectively). AL 3795-E's requested increased price should be compared to PG&E's most recent shortlist when Draft Resolution E-4589 was issued; and

¹ Draft Resolution E-4589, p. 9.

² Draft Resolution E-4589, p. 4.

³ Draft Resolution E-4589, Fourth Finding and Conclusion, p. 17.

- Draft Resolution E-4589 concludes that “generation from the Rattlesnake Road facility fits the portfolio need requirements of PG&E’s RPS portfolio.” In fact, the generation is unnecessary for PG&E’S actual, current RPS portfolio needs.

BACKGROUND

On November 21, 2008, the Commission approved the original Arlington PPA via Resolution E-4204. The original maximum PPA price, which includes the cost of firming and shaping services as well as possible price adjustments, is \$103.31/MWh. On January 26, 2011, PG&E submitted AL 3795-E to the Commission, requesting approval of a third amendment concerning the Rattlesnake Road facility (Rattlesnake facility) to the Arlington PPA. Due to an increase in Bonneville Power Administration’s (BPA) wind integration charge (WIC), AL 3795-E seeks to raise the maximum price for Rattlesnake facility to \$ [REDACTED] /MWh. PG&E asserts the increased WIC made it necessary for PG&E and Arlington to renegotiate the existing PPA.⁴

DISCUSSION & RECOMMENDATION

DRA objects to Draft Resolution E-4589, as its findings and conclusions are based on a number of factual errors. DRA urges the Commission to deny AL 3795-E.

A. NEITHER THE COMMISSION NOR PG&E HAS ADDRESSED DRA’S CONCERN THAT THE PRICE INCREASE PROPOSED IN AL 3795-E SHOULD BE ACCOMPANIED BY A PROPORTIONAL INCREASE IN RATEPAYER BENEFIT

In Draft Resolution E-4589, the Commission states that it “disagrees with DRA’s concern that the third amendment to the Arlington Wind PPA facility **provides no ratepayer benefit.**”⁵ The Commission further states that the third amendment to the Arlington PPA will continue to provide “PG&E with delivery of firmed and shaped RPS-eligible generation in both the near-term and long-term,” and “denies DRA’s protest on this basis.”⁶ DRA’s protest, however, was that “the amendment **provides no ratepayer benefits over the current contract.**”⁷ The amended contract provides the same benefits as the original contract. However, the amended contract provides those same benefits at a higher price, resulting in an overall decrease in value for ratepayers.

In its response to DRA’s protest, PG&E did not justify the price increase with any additional ratepayer benefits; it merely stated that “PG&E was required to renegotiate the PPA in

⁴ PG&E AL 3795-E, submitted January 26, 2011, P. 1.

⁵ Draft Resolution E-4589, p. 9. Emphasis added.

⁶ Ibid.

⁷ Draft Resolution E-4589, p. 2. Emphasis added.

order to ensure continued delivery,” because [REDACTED]
[REDACTED]. Without additional ratepayer value, the price increase requested in
AL 3795-E is unjustified.

B. THE PRICE RESULTING FROM AL 3795-E SHOULD HAVE BEEN COMPARED TO PG&E’S MOST RECENT RPS SHORTLIST

In Draft Resolution E-4589, the Commission concludes the price increase requested in AL 3795-E is reasonable “compared to shortlisted projects resulting from PG&E’s 2009 RPS Solicitation and RPS contracts recently executed by PG&E.”⁸ Nearly two and a half years have elapsed since AL 3795-E was submitted to the CPUC for approval, the renewable generation market has significantly evolved during that interim, and the underlying assumptions PG&E and Draft Resolution E-4589 use to support of AL 3795-E are outdated. The Commission should compare AL 3795-E’s price with the results of PG&E’s most recent 2012 RPS Solicitation to determine reasonableness.¹⁰

AL 3795-E would raise the price of PG&E’s PPA with Arlington to \$ [REDACTED] /MWh.¹¹ In contrast, in PG&E’s 2012 RPS Solicitation shortlist, the highest [REDACTED] price is \$ [REDACTED] /MWh, while the average [REDACTED] price is a significantly lower \$ [REDACTED] /MWh.¹² Since the contract at issue is a Renewable Energy Credit (REC)-only contract, an even more accurate comparison to AL 3795-E is another REC-only contract. PG&E’s 2012 RPS Solicitation shortlist has a [REDACTED], priced at \$ [REDACTED] /MWh, over \$ [REDACTED] /MWh lower than the price proposed by AL 3795-E.¹³ By any of these metrics, the price increase proposed by AL 3795-E is unreasonable.

C. THE COMMISSION SHOULD CONSIDER PG&E’S CURRENT RPS POSITION WHEN EVALUATING HOW THE RATTLESNAKE FACILITY FITS PG&E’S RPS PORTFOLIO NEEDS

In its response to DRA’s protest, PG&E argued that “[e]nsuring [c]ontinued [d]eliveries [n]ecessitated [r]enegotiating the PPA.”¹⁴ Draft Resolution E-4589 concludes that “[g]eneration from the Rattlesnake Road facility fits the portfolio need requirements of PG&E’s RPS portfolio.”¹⁵ Draft Resolution E-4589 cites the RPS targets mandated by SB 2 (1X),¹⁶ but neglects to consider the actual, current status of PG&E’s RPS portfolio. However, using PG&E’s

⁸ PG&E response to DRA protest for AL 3795-E, submitted March 2, 2011. P. 2.

⁹ Draft Resolution E-4589, Fourth Finding and Conclusion, p. 17.

¹⁰ The Commission has broad discretion under Public Utility Code Section 701 to do so.

¹¹ Draft Resolution E-4589, p. 22.

¹² PG&E response to informal DRA data request on RAM and RPS, received April 30, 2013.

¹³ PG&E’s Final 2012 RPS Shortlist, submitted to PG&E PRG members May 8, 2013.

¹⁴ PG&E response to DRA protest for AL 3795-E, submitted March 2, 2011. P. 2.

¹⁵ Draft Resolution E-4589, p. 17.

¹⁶ Draft Resolution E-4589, p. 9.

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OWN [REDACTED]

— The Rattlesnake facility's contract expires in 2023.

In other words, PG&E's [REDACTED]. PG&E does not need generation from the Rattlesnake facility; it is [REDACTED] at any price.

CONCLUSION

For the above reasons, DRA recommends that the Commission deny approval of AL 3795-E. Please contact David Siao at ds1@cpuc.ca.gov or (415) 703-5251 with any questions regarding these comments.

/s/ Chloe Lukins

Chloe Lukins, Program Manager
Division of Ratepayer Advocates

cc: President Michael Peevey, CPUC
Commissioner Carla Peterman, CPUC
Commissioner Michel Florio, CPUC
Commissioner Catherine Sandoval, CPUC
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Service List R.11-05-005 (Public Version)

¹⁷ PG&E PRG, Quarterly RNS Update, slide 2. June 11, 2013.