**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) |
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PUBLIC VERSION

# RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN OF LIBERTY POWER HOLDINGS LLC

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# RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN OF LIBERTY POWER HOLDINGS LLC

Pursuant to the May 10, 2013 *Assigned Commissioner's Ruling Identifying Issues and Schedule of Review for 2013 Renewables Portfolio Standard Procurement Plans Pursuant to Public Utilities Code Section 399.11 et seq. and Requesting Comments on a New Proposal* ("Assigned Commissioner's Ruling") and the May 23, 2013 email from Administrative Law Judge DeAngelis granting the request for extension of time to file 2013 RPS Procurement Plans, Liberty Power Holdings LLC ("Liberty Power") submits the following Renewables Portfolio Standard ("RPS") Procurement Plan. In accordance with the Assigned Commissioner's Ruling, Liberty Power provides the following responses to sections 6.1 through 6.6.

## I. Assessment of RPS Portfolio Supplies and Demand - § 399.13(a)(5)(A) (Section 6.1 of the Assigned Commissioner's Ruling)

Section 6.1 of the Assigned Commissioner's Ruling provides:

> Provide a written description assessing annual and multi-year portfolio supplies and demand in relation to RPS requirements, the RPS program, and the RPS program's overall goals to determine the retail seller's optimal mix of eligible renewable energy resources.
>
> The assessment should consider, at a minimum, a 20-year time frame with a detailed 10-year planning horizon that takes into account both portfolio supplies and demand. This written description must include the retail seller's need for RPS resources with specific deliverability characteristics, such as, peaking, dispatchable, baseload, firm, and as-available capacity as well as

> any additional factors, such as ability and/or willingness to be curtailed, operational flexibility, etc.
>
> This written description must also explain how the proposed renewable energy portfolio will align with expected load curves and durations. Where applicable, assessment should also identify and incorporate impacts of overall energy portfolio requirements (not just RPS portfolio requirements), recent legislation, other Commission proceedings (e.g. Long-Term Procurement Plans Proceeding), other agencies requirements, and other policies or issues that would impact RPS demand and procurement.
>
> Additionally, the assessment should address the retail seller's need for and plan for procuring resources that satisfy the three portfolio content categories of RPS procurement. [footnote omitted.] Lastly, it must also explain how the quantitative analysis provided in response to section 6.5 supports the assessment.

**Response of Liberty Power:**

Liberty Power does not own any renewable generation that would qualify under the California RPS program and is not developing any such generation. To meet its RPS procurement obligations, Liberty Power purchases renewable energy under third- party contractual agreements. These agreements range from short-term to long-term contracts and are designed to meet its RPS procurement obligations. Long-term contracts are necessary to ensure that Liberty Power satisfies the requirement to procure a minimum amount of long-term renewable contracts.

Although the Assigned Commissioner's Ruling requests forecast data for a "20-year time frame with a detailed 10-year planning horizon," Liberty Power does not typically forecast out 10 years, let alone 20 years. Liberty Power's load is fully contestable and fluctuates yearly, making it impractical and pointless to forecast out 10 or 20 years. Instead, Liberty Power uses a five year load forecast process, which includes a historical analysis of past, current and future expected load. This forecast process ultimately determines a final load forecast by considering a

number of factors, including customer trends and available programs, climate, general market competitiveness, historical customer usage and load profiles, data from non interval meters as well as Settlement Quality Meter Data, and attrition rates and customer drop probabilities.

For RPS purposes, Liberty Power will follow its typical process when projecting retail sales and will purchase renewable energy on an annual basis based on projected sales, hedging against risks with other procurement options. This procurement process will also account for the various requirements of the RPS program, including portfolio content category requirements. Resource adequacy ("RA") obligations will be satisfied primarily through Liberty Power's procurement of non-renewable energy as Liberty Power will put little emphasis on what type of capacity or ancillary service characteristics are associated with its renewable procurement.

Annually, as well as at the end of each compliance period, Liberty Power will true up its purchases and re-evaluate its retail sales data to help ensure it will satisfy the requirements of the RPS program.

## II. Project Development Status Update - § 399.13(a)(5)(D) (Section 6.2 of the Assigned Commissioner's Ruling)

Section 6.2 of the Assigned Commissioner's Ruling provides:

> Provide a written status update on the development schedule of all eligible renewable energy resources currently under contract but not yet delivering generation. This written status update may rely upon the most recent filed Project Development Status Reports [footnote omitted] but must elaborate upon these reports and should differentiate status based on whether projects are pre-construction, in construction, or post-construction. Providing a copy of the Project Development Status Report will not be a sufficient response. The status updates provided in the written description must be reflected in the quantitative analysis provided in response to section 6.5, below. Given this analysis, discuss how the status updates will impact the retail seller's net short and its procurement decisions for a 10-year planning horizon.

**Response of Liberty Power:**

Liberty Power is not currently developing any renewable facilities and is not under contract with any renewable facilities under construction. Furthermore, as an electric service provider, Liberty Power is not subject to the same requirements as investor-owned utilities and does not submit Project Development Status Reports. Accordingly, development schedules will not impact Liberty Power's net short or its procurement decisions.

## III. Potential Compliance Delays - § 399.13(a)(5)(B) (Section 6.3 of the Assigned Commissioner's Ruling)

Section 6.3 of the Assigned Commissioner's Ruling provides:

> Describe in writing any potential issues that could delay RPS compliance, including, but not limited to inadequate transmission capacity, delayed substation construction, financing, permitting, and the relationship, if any, to deliveries and project development delays. Describe the steps taken to account for and minimize these potential compliance delays. The potential compliance delays included in the written description must be reflected in the quantitative analysis provided in response to section 6.5. Given this analysis, discuss how the potential compliance delays will impact the retail seller's RPS net short and its procurement decisions.

**Response of Liberty Power:**

Many of the potential issues described in Section 6.3 such as inadequate transmission capacity, permitting delays, interconnection delays and other circumstances do not apply to Liberty Power because Liberty Power does not own generation. Instead, Liberty Power will meet its RPS procurement requirements through the purchase of renewable energy on the open market from a third-party generator or seller. Liberty Power will strive to establish flexible long-term contracts and agreements to ensure that Liberty Power can remain compliant under the RPS program rules. Barring a market shortage on eligible RPS products, Liberty Power does not envision a reason for a delay in complying with the RPS program.

## IV. Risk Assessment - § 399.13(a)(5)(F) (Section 6.4 of the Assigned Commissioner's Ruling)

Section 6.4 of the Assigned Commissioner's Ruling provides:

> Provide a written assessment of the risk in the RPS portfolio in relation to RPS compliance requirements. Risk assessment should describe risk factors such as those described above regarding compliance delays, as well as the following: lower than expected generation, variable generation, resource availability (e.g., biofuel supply, water, etc.) and impacts to eligible renewable energy resource projects currently under contract. The risk assessment provided in the written description must be reflected in the quantitative analysis provided in response to section 6.5 and section 6.6. Given this analysis, discuss how the risk assessment will impact the retail seller's net short and its procurement decisions. The written assessment must explain how quantitative analysis provided in response to section 6.5 supports this response.

**Response of Liberty Power:**

Liberty Power does not have any existing contracts with facilities in development or under construction, so many of the risks described in Section 6.4 do not apply to Liberty Power. Liberty Power typically accounts for potential events of lower than expected generation, variable generation, resource availability, and impacts to facilities by monitoring market conditions, actively participating in renewable energy markets, and accounting for such risks in negotiated contracts with renewable facilities.

## V. Quantitative Information - §§ 399.13(a)(5)(A),(B), (D) and (F) (Section 6.5 of the Assigned Commissioner's Ruling)

Section 6.5 of the Assigned Commissioner's Ruling provides:

> In addition to the written descriptive responses to section 6.1 through 6.4, provide quantitative data, methodologies, and calculations relied upon to assess the retail seller's RPS portfolio needs and RPS procurement net short. This quantitative analysis must take into account, where appropriate, the quantitative discussion requirement by sections 6.1-6.4, above. As stated above, the portfolio assessment should be for a minimum of 20 years in the future. The responses must be clear regarding the

> quantitative progress made towards RPS requirements and the specific risks to the electrical corporation's RPS procurement portfolio. Risks may include, but are not limited to, project development, regulatory, and market risks. The quantitative response must be provided in an Excel spreadsheet or based on the most recently directed renewable net short methodology.

**Response of Liberty Power:**

As previously noted, Liberty Power's retail electric load is fully contestable and forecasts of retail sales and procurement are highly speculative at best. Although Liberty Power does not feel that providing any forecasts data will be beneficial based on the highly speculative nature of any information provided, Liberty Power provides the following net short calculation to comply with the Assigned Commissioner's Ruling.[1]

[1] Assigned Commissioner's Ruling, p. 6.

Annual RPS Risk-adjusted Net Short Calculation

| Year | Annual RPS Risk-adjusted Net Short Calculation (MWh)<br><br>(Bundled Retail Sales Forecast * RPS Procurement Quantity Requirement + Voluntary Margin of Over-Procurement) – (Online Generation + Risk-adjusted Forecast Generation + Pre-approved Generic Generation)[2] |
|---|---|
| 2011 | (15,726 * 0.20 + 0) – (0 + 0 + 0) = 3,145[3] |
| 2012 | ([redacted] * 0.20 + 0) – (0 + 0 + 0) = [redacted] |
| 2013 | ([redacted] * 0.20 + 0) – (0 + 0 + 0) = [redacted] |
| 2014 | ([redacted] * 0.217 + 0) – (0 + 0 + 0) = [redacted] |
| 2015 | ([redacted] * 0.233 + 0) – (0 + 0 + 0) = [redacted] |
| 2016 | ([redacted] * 0.25 + 0) – (0 + 0 + 0) = [redacted] |
| 2017 | (28,467 * 0.27 + 0) – (0 + 0 + 0) = 7,686 |
| 2018 | (28,467 * 0.29 + 0) – (0 + 0 + 0) = 8,255 |
| 2019 | (28,467 * 0.31 + 0) – (0 + 0 + 0) = 8,825 |
| 2020 | (28,467 * 0.33 + 0) – (0 + 0 + 0) = 9,394 |
| 2021 | (28,467 * 0.33 + 0) – (0 + 0 + 0) = 9,394 |
| 2022 | (28,467 * 0.33 + 0) – (0 + 0 + 0) = 9,394 |
| 2023 | (28,467 * 0.33 + 0) – (0 + 0 + 0) = 9,394 |
| 2024 | (28,467 * 0.33 + 0) – (0 + 0 + 0) = 9,394 |
| 2025 | (28,467 * 0.33 + 0) – (0 + 0 + 0) = 9,394 |

[2] *See* August 2, 2012 Administrative Law Judge's Ruling (1) Adopting Renewable Net Short Calculation Methodology (2) Incorporating the Attached Methodology into the Record, and (3) Extending the Date for Filing Updates to 2012 Procurement Plans ("August 2nd ALJ Ruling"), Attachment A, pp. 5-6.

[3] Based on the fact that Liberty Power's load is fully contestable and forecasts are highly speculative, Liberty Power does not procure resources beyond what is required under the RPS program and accordingly does not have a specific "voluntary margin of over-procurement." Furthermore, Liberty Power has no "risk-adjusted forecast generation" because Liberty Power has no contracts with facilities in development or forecast to come online and does not typically contract with such facilities. Additionally, Liberty Power has no "pre-approved generic generation".

| | |
|---|---|
| 2026 | (28,467 * 0.33 + 0) – (0 + 0 + 0) = 9,394 |
| 2027 | (28,467 * 0.33 + 0) – (0 + 0 + 0) = 9,394 |
| 2028 | (28,467 * 0.33 + 0) – (0 + 0 + 0) = 9,394 |
| 2029 | (28,467 * 0.33 + 0) – (0 + 0 + 0) = 9,394 |
| 2030 | (28,467 * 0.33 + 0) – (0 + 0 + 0) = 9,394 |

Total RPS Risk-adjusted Net Short Calculation

Total RPS Risk-adjusted Net Short = $\sum_{2011\text{-}2020 + 10 \text{ years}}$ Annual RPS Risk-adjusted Net Short – Eligible Excess Procurement[4]

For Liberty Power, the Total RPS Risk-adjusted Net Short = 169,553 MWh.

## VI. Portfolio Optimization Strategy

Section 6.6 of the Assigned Commissioner's Ruling provides:

> Based on the above assessment provided in response to sections 6.1 – 6.5, include an RPS Portfolio optimization strategy for the next ten years. The scope of the optimization strategy should cover how ratepayer costs are minimized, portfolio value is maximized, RPS compliance is met and maintained, and risk [footnote omitted] is managed. Specifically, a response should include:
>
> a. Specification of objectives of portfolio optimization strategy;
> b. Description of methodology or model used to define portfolio optimization strategy;
> c. Identification of metrics (e.g. PPA costs, energy value, capacity value, interest costs, carrying costs, transaction costs, etc.) within methodology or model;
>  i. Description of how metrics are measured or valued (e.g. PPA costs in $ per megawatt-hour (MWh) based on executed contracts or forward REC prices in $/MWh based on internal forecasts);
>  ii. Description of how metrics are maximized/minimized in optimization strategy and quantification of metric based on optimization strategy (e.g. x million in ratepayer costs avoided

[4] *See* August 2nd ALJ Ruling, Attachment A, p. 6.

by selling y gigawatt-hours (GWh) or x reduction in rates by contracting for y number of curtailment hours);

d. Identification of risks (e.g. non-compliance with RPS requirements, regulatory risk, overprocurement of non-bankable RPS-eligible products, etc.) and constraints included in optimization strategy;
    i. Description of metrics used to measure risk (e.g. value-at-risk, likelihood of non-compliance);
    ii. Identification of appropriate ranges of risks identified;
e. Description of activities and overall range of transactions planned to optimize portfolio; and
f. Identification and quantification of likely impacts of optimization strategy on ratepayers, shareholders, and market.

**Response of Liberty Power:**

A. Specification of objectives of portfolio optimization strategy.

As described above, Liberty Power plans to purchase renewable energy on an annual basis at the lowest possible cost, while also considering current and projected sales, risks, and the various nuances of the RPS program, including restrictions on banking of certain procurement and portfolio content category requirements. To meet these objectives, Liberty Power will strive to establish flexible renewable contracts and agreements to maximize the value of procurement.

B. Description of methodology or model used to define portfolio optimization strategy.

By monitoring market conditions, actively participating in renewable energy markets, and accounting for risks in negotiated contracts with renewable facilities, Liberty Power can meet its procurement obligations at the least cost to its customers. Liberty Power uses a five year load forecast process, which includes a historical analysis of past, current and future expected load. This forecast process ultimately determines a final load forecast by considering a number of factors, including customer trends and available programs, climate, general market competitiveness, historical customer usage and load profiles, data from non-interval meters as well as Settlement Quality Meter Data, and attrition rates and customer drop probabilities.

Liberty Power's procurement decisions are determined based on its forecasts, which determine the amount of procurement that will be needed to meet requirements, which is then purchased on the open market from third-party generators or sellers.

C. Identification of metrics (e.g. PPA costs, energy value, capacity value, interst costs, carrying costs, transaction costs, etc.) within methodology or model.

1. Description of how metrics are measured or valued (e.g. PPA cost in $/MWh based on executed contracts or forward REC prices in $/MWh based on internal forecasts).
2. Description of how metrics are maximized/minimized in optimization strategy and quantification of metric based on optimization strategy (e.g. x million in ratepayer costs avoided by selling yGWh or x reduction in rates by contracting for y number of curtailment hours.

As previously noted, Liberty Power does not procure renewable resources to meet capacity or ancillary service requirements and instead uses non-renewable energy to meet these requirements. When procuring renewable products, Liberty Power evaluates price trends and costs on an annual basis and across compliance periods while also accounting for portfolio content category classification and the ability for procurement to be banked forward into future compliance periods. This not only enables Liberty Power to meet its obligations at the lowest possible cost, but helps minimize stranded costs by avoiding over-procurement of non-bankable products.

D. Identification of risks (e.g. non-compliance with RPS requirements, regulatory risk, overprocurement of non-bankable RPS-eligible products, etc.) and constraints included in optimization strategy.

1. Description of metrics used to measure risk (e.g. value-at-risk, likelihood of non-compliance).
2. Identification of appropriate ranges of risks identified.

Liberty Power's biggest risk is the over-procurement of renewable products that cannot be carried forward as excess procurement. This risk is compounded by the fact that Liberty

Power's load is fully contestable and fluctuates yearly, making it impossible to accurately forecast for the future. For these reasons, Liberty Power will seek to optimize procurement by ensuring that it may be procured and used for the current compliance period based on near-term forecast information. Furthermore, to the extent possible, Liberty Power will seek to procure bankable renewable products at the most economic price to help avoid stranded procurement and unnecessary procurement expenditures. As described above, Liberty Power does not contract with facilities that have not achieved commercial operation, thereby avoiding many operational risks.

E. Description of activities and overall range of transactions planned to optimize portfolio.

As described above, Liberty Power will strive to undertake procurement at the lowest possible cost to meet the various requirements of the RPS program, including portfolio content category requirements and banking restrictions. Procurement is undertaken through the purchase of renewable energy on the open market from a third-party generator or seller, based on load forecasts and current loads.

F. Identification and quantification of likely impacts of optimization strategy on ratepayers, shareholders, and market.

Liberty Power will seek to satisfy its RPS procurement obligations, as well as its other regulatory obligations, at the least possible cost without stranding procurement, thereby keeping costs as low as possible for its customers. However, banking restrictions, long-term contracting requirements, and increasing targets for the most costly renewable product, portfolio content category 1, will necessarily require Liberty Power to increase procurement expenditures to meet the RPS program's requirements.

## VII. Conclusion

In accordance with the Assigned Commissioner's Ruling, Liberty Power provides this RPS procurement plan and looks forward to working with the Commission on these issues and helping California meet its renewable goals.

Dated: June 28, 2013

Respectfully submitted,

/s/

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## VERIFICATION

I am an officer of the reporting corporation herein, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the forgoing is true and correct.

Executed on June 28, 2013 at Fort Lauderdale, Florida.

/s/
Harris Rosen, Vice President, Law & General Counsel