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)

PUBLIC VERSION

RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN OF COMMERCE ENERGY, INC.

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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 Sections 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, Commerce Energy, Inc. ("Commerce Energy") submits the following Renewables Portfolio Standard ("RPS") Procurement Plan. In accordance with the Assigned Commissioner's Ruling, Commerce Energy 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 Commerce Energy:

Commerce Energy is not developing and does not own any renewable generation that would qualify under the California RPS program. Instead, Commerce Energy purchases renewable energy under third- party contractual agreements that will range from short-term to long-term contracts to meet its RPS procurement obligations, including the requirement to procure a minimum amount of long-term renewable contracts.

Commerce Energy does not typically forecast out 20 years as requested by the Assigned Commissioner's Ruling. Not only do Commerce Energy's internal systems not support a 20 year planning horizon, but Commerce Energy's load changes on a yearly basis as its load is fully contestable, making any forecast more than a few years out incredibly speculative and effectively useless. Commerce Energy's load forecast process includes a five year historical analysis of past, current and future expected load, including factors such as climate, switching trends, demand response programs and the competitiveness of the market to determine final load forecasts. The final forecast is derived using combined data of customer billed historical usage

and load profiles from the utility for non interval meters. For interval customers the forecast is derived from Settlement Quality Meter Data ("SQMD"). Furthermore, Commerce Energy's forecast includes an attrition rate and probability of drop.

With respect to the RPS program and RPS procurement planning, Commerce Energy will follow its typical process when projecting retail sales for RPS compliance purposes. Commerce Energy will purchase renewable energy on an annual basis based on projected sales, hedging against risks with other procurement options. This procurement process will account for the various portfolio content category requirements, and will ensure that Commerce Energy has sufficient procurement from each portfolio content category to satisfy the requirements of Public Utilities Code Section 399.16(c). Commerce Energy will seek to meet its resource adequacy ("RA") obligations through the procurement of non-renewable energy and will put little emphasis on what type of capacity or ancillary service characteristics are associated with its renewable procurement.

After the end of each year and each compliance period, Commerce Energy will true up its purchases and re-evaluate its retail sales data, to help ensure it will purchase and procure sufficient renewable energy to meet its RPS procurement and portfolio content category requirements, as well as other RPS requirements once they are finalized by the Commission.

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 updates 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 Commerce Energy:

Commerce Energy is not currently developing any renewable facilities and is not under contract with any renewable facilities under construction. Additionally, Commerce Energy does not submit Project Development Status Reports. Accordingly, as there is no development update to report, development schedules will not impact Commerce Energy'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 6.2 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 Commerce Energy:

Potential issues that could delay RPS compliance such as inadequate transmission capacity, permitting delays, interconnection delays and other circumstances do not apply to Commerce Energy as Commerce Energy does not own generation. Renewable energy will be purchased from a third-party generator or seller on the open market to satisfy Commerce

Energy's RPS procurement obligations. Long-term contracts and agreements will be set up with a reliable supplier and such contracts will allow Commerce Energy to shift purchases and make arrangements with other parties, if necessary, to ensure that Commerce Energy can remain compliant under the RPS program rules. Unless there is a market shortage on eligible RPS products, Commerce Energy sees no reason for a compliance delay.

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 Commerce Energy:

Commerce Energy does not have any existing contracts with facilities in development or under construction so compliance delays will not impact Commerce Energy's ability to satisfy RPS procurement requirements. Risk factors such as lower than expected generation, variable generation, resource availability (e.g., biofuel supply, water, etc.), and other impacts to renewable resources are accounted for when Commerce Energy enters into a contract based on Commerce Energy's knowledge of market conditions and renewable energy markets or explicitly through contractual terms in the executed contracts between Commerce Energy and the renewable generation supplier.

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 Commerce Energy:

As described above, Commerce Energy's load is fully contestable and retail sales and procurement forecasts are highly speculative at best. Due to the speculative nature of any information provided, Commerce Energy maintains that any net short calculation will not provide sufficiently reliable or accurate information to help the Commission with any meaningful analysis. However, while Commerce Energy does not feel it is appropriate to provide any quantitative information at this time and questions the meaningfulness of any information provided, Commerce Energy provides the following net short calculations in accordance with the Assigned Commissioner's Ruling.

Annual RPS Risk-adjusted Net Short Calculation

Year	Annual RPS Risk-adjusted Net Short Calculation (MWh) (Bundled Retail Sales Forecast * RPS Procurement Quantity Requirement + Voluntary Margin of Over-Procurement) – (Online Generation + Risk-adjusted Forecast Generation + Pre-approved Generic Generation)[1]
2011	(490,483 * 0.20 + 0) – (94,104 + 0 + 0) = 3,992.6[2]
2012	([redacted] * 0.20 + 0) – (35,000 + 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	(371,282 * 0.27 + 0) – (0 + 0 + 0) = 100,246.14
2018	(352,718 * 0.29 + 0) – (0 + 0 + 0) = 102,288.22
2019	(335,082 * 0.31 + 0) – (0 + 0 + 0) = 110,075.42
2020	(318,328 * 0.33 + 0) – (0 + 0 + 0) = 105,048.24
2021	(318,328 * 0.33 + 0) – (0 + 0 + 0) = 105,048.24
2022	(318,328 * 0.33 + 0) – (0 + 0 + 0) = 105,048.24
2023	(318,328 * 0.33 + 0) – (0 + 0 + 0) = 105,048.24
2024	(318,328 * 0.33 + 0) – (0 + 0 + 0) = 105,048.24
2025	(318,328 * 0.33 + 0) – (0 + 0 + 0) = 105,048.24

[1] *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.

[2] As Commerce Energy's load is fully contestable and forecasts are highly speculative, Commerce Energy does not procure resources beyond what is required under the RPS program and accordingly does not have a specific "voluntary margin of over-procurement." Commerce Energy has no contracts with facilities in development or forecast to come online and does not typically contract with such facilities. Therefore, Commerce Energy has no "risk-adjusted forecast generation." Similarly, Commerce Energy has no "pre-approved generic generation".

2026	(318,328 * 0.33 + 0) – (0 + 0 + 0) = 105,048.24
2027	(318,328 * 0.33 + 0) – (0 + 0 + 0) = 105,048.24
2028	(318,328 * 0.33 + 0) – (0 + 0 + 0) = 105,048.24
2029	(318,328 * 0.33 + 0) – (0 + 0 + 0) = 105,048.24
2030	(318,328 * 0.33 + 0) – (0 + 0 + 0) = 105,048.24

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[3]

For Commerce Energy, the Total RPS Risk-adjusted Net Short = 1,911,797.3 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

[3] *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 Commerce Energy:

A. Specification of objectives of portfolio optimization strategy.

Commerce Energy will seek to procure renewable energy at the lowest possible cost to meet its RPS procurement obligations. The procurement efforts undertaken will consider the numerous requirements of the RPS program, including portfolio content category requirements, long-term contracting requirements, and restrictions on carrying forward certain procurement as excess procurement. Total RPS procurement obligations will be compared to and assessed against current and future load forecasts, market conditions and expectations, and other risk factors described above.

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

Commerce Energy will strive to optimize its RPS procurement by procuring renewable resources based on customer commitments and load forecasts. As described above, Commerce Energy's load forecast process includes a five year historical analysis of past, current and future expected load, including factors such as climate, switching trends, demand response programs and the competitiveness of the market to determine final load forecasts. Furthermore, Commerce Energy's forecast includes an attrition rate and probability of drop. By procuring renewable

resources to meet Commerce Energy's load forecasts, Commerce Energy will help avoid over-procurement of renewable resources, minimize stranded procurement, and unnecessary expenditures on renewable products. By evaluating current needs and market conditions on an annual and compliance period basis, Commerce Energy will maximize procurement and minimize costs for customers.

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 described in response to Section 6.1 above, Commerce Energy will seek to meet its RA obligations through the procurement of non-renewable energy and will put little emphasis on what type of capacity or ancillary service characteristics are associated with its renewable procurement. When undertaking renewable procurement and assessing renewable energy markets and sources, Commerce Energy will also evaluate the various nuances of the RPS program, considering portfolio content category needs, banking limitations, and long-term contracting requirements. This assessment is undertaken on both an annual basis and compared across compliance periods, to ensure that procurement will meet Commerce Energy's procurement obligations at the lowest cost and avoid potential stranding of procurement in the event that it is not needed in the current compliance period but cannot be carried forward as excess procurement.

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.

Because Commerce Energy's load changes on a yearly basis as its load is fully contestable, making any forecast more than a few years out incredibly speculative and effectively useless, one of the largest risks for Commerce Energy is over-procurement of non-bankable renewable products. Accordingly, Commerce Energy will strive to ensure that any procurement is needed for the compliance period in which it is procured or that it may be carried forward as excess procurement and applied to a subsequent compliance period.

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

Commerce Energy will continue to procure renewable products from competitive markets, while hedging risks through careful assessment of need and program specific requirements and restrictions. Efforts to procure the most economic product needed to meet current and expected loads will help Commerce Energy satisfy the objectives of the RPS program.

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

Although Commerce Energy's procurement optimization strategy will seek to satisfy its RPS procurement obligations at the lowest cost, there is no way to avoid increased expenditures for a variety of reasons. For example, not only will RPS procurement targets increase in each compliance period, but targets for category 1 products, inevitably the most expensive product,

also increase in each compliance period. Additionally, restrictions on re-sales and transfers of renewable procurement coupled with restrictions on banking certain procurement will likely lead to stranded costs for procurement that cannot ultimately be used for the RPS program. Nevertheless, Commerce Energy will continue to work to satisfy all of its RPS procurement obligations at the lowest possible cost.

VII. Conclusion

In accordance with the Assigned Commissioner's Ruling, Commerce Energy provides this RPS procurement plan. As described herein, Commerce Energy plans to fully comply with and meet the RPS procurement, portfolio content category product, and other RPS requirements going forward. Commerce Energy looks forward to working with the Commission on these issues and helping California meet its renewable goals.

Dated: June 28, 2013

Respectfully submitted,

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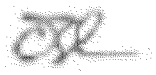
VERIFICATION

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 La Palma, California.



Blake Lasuzzo, Vice President, Supply