

**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
BEAR VALLEY ELECTRIC SERVICE (U 913-E), A DIVISION OF
GOLDEN STATE WATER COMPANY**

Jedediah J. Gibson
Ellison, Schneider & Harris, L.L.P.
2600 Capitol Avenue, Suite 400
Sacramento, CA 95816
Telephone: (916) 447-2166
Facsimile: (916) 447-3512
Email: jjg@eslawfirm.com

June 28, 2013

Attorneys for Bear Valley Electric Service

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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”), Bear Valley Electric Service (U 913-E) (“BVES”), a division of Golden State Water Company (“GSWC”), submits the following Renewables Portfolio Standard (“RPS”) Procurement Plan. In accordance with the Assigned Commissioner’s Ruling, BVES provides the following responses to sections 6.1 through 6.4 and section 6.12.

I. Background.

A. Renewable Competitive Solicitation Efforts of BVES.

BVES has long sought to meet its RPS procurement targets and will continue to strive to meet the new RPS targets established by the California Public Utilities Commission (“Commission” or “CPUC”). Between 2006 and 2012, BVES issued seven requests for proposals (“RFPs”) that included requests for renewable energy and/or renewable energy credits (“RECs”); the most recent RFP seeking RPS-eligible products was issued June 29, 2012.¹ Unlike the 2011 REC-only RFP, the June 2012 RFP for RECs also sought pre-2011 volumes in addition to its current and future compliance period needs so that BVES could fulfill its shortfalls

(deficits) from the twenty percent-by-2010 RPS era as promulgated by Decision 12-06-038. In addition to the pre-2011 shortfall, BVES sought a ten-year contract beginning in 2013 and ending no sooner than December 31, 2023 to meet its RPS procurement obligations.

To allow for full compliance on an annual basis,² in its 2012 RFP BVES sought to procure both “Base” RECs and “Option” RECs. Base RECs represent RECs that BVES is obligated to purchase and is confident will be needed to meet its RPS requirement. Option RECs represent an additional amount of RECs that BVES may need to supplement the Base RECs to account for fluctuations in retail load. That is, Option RECs are anticipated to be needed by BVES in order to satisfy RPS requirements that are dependent on varying, and potentially higher than forecasted, retail sales. The ultimate goal, then, of the 2012 RFP for RECs was to achieve full RPS compliance with one single contract easily administered by a small utility. Given that BVES is able to utilize RECs for all RPS obligations, the one-contract approach seemed like an attractive, highly valuable goal that would benefit customers. After identifying a successful bidder, negotiations for a long-term contract for unbundled RECs began in September 2012. On February 12, 2013 GSWC, on behalf of its BVES division, filed Advice Letter 277-E with respect to its RPS agreement for the purchase of RECs. There have been no protests filed to date and CPUC approval of Advice Letter 277-E is still pending.

B. Past Renewable Bilateral Transaction Efforts of BVES.

In addition to the competitive RFP solicitation efforts described above, BVES has pursued several bilateral transactions with developers and suppliers, with limited success. BVES’ difficulty in the past in acquiring RPS resources stems, in part, from its relatively small

¹ BVES issued two RFPs in 2011 and one in 2012; the second 2011 RFP and the 2012 RFP requested REC-only offers and did not invite bidders to submit bundled RPS energy offers.

² D.12-06-038 does not enforce annual requirements but sets goals; RPS compliance will formally be determined by compliance period (e.g. 2011-2013, 2014-2016 and 2017-2020).

annual procurement requirement when compared to the three largest California IOUs as well as large municipal utilities. Renewable developers have seemed unwilling to sell a portion of a power plant's output to BVES when they can sell their project's entire output to one of the large IOUs or municipal utilities in the state. The need to shape resources to BVES' demand and energy requirements and BVES' winter peak has even further frustrated the effort to acquire resources.

Despite these obstacles, BVES submitted two bilateral transactions to the CPUC for approval in June and July 2011.³ As described in greater detail in BVES' 2012 RPS Procurement Plan, while one of the CPUC-submitted bilateral contracts was approved by the CPUC, neither bilateral contract performed well.⁴

However, going forward, BVES should have greater success in acquiring RPS-eligible products due to more favorable legislation and regulatory rules. Decision 11-12-052 formally excludes BVES from adhering to the RPS portfolio content category procurement requirements so long as all other procurement requirements for compliance with the RPS are met.⁵ Based on this exemption from the portfolio content category restrictions, BVES can satisfy its entire procurement obligation under the RPS program using procurement from the third portfolio content category (§ 399.16(b)(3)), including unbundled RECs. Because unbundled RECs are likely to be the least expensive and easiest to procure of the portfolio content category products,

³ Before pursuing the two bilateral transactions that were submitted for CPUC approval, BVES sought a transaction involving a proposed BVES-owned in-line hydro project utilizing a wastewater line near BVES' service territory. The Board of the local water authority, however, voted not to move forward with the project. In addition, BVES also explored a joint project with a major cement company near BVES' territory that would have included wind energy; however, BVES determined that cost, viability and timeline issues presented a level of risk such that it stopped pursuing the project

⁴ The landfill gas generator associated with the first bilateral contract was shuttered (*see* Resolution E-4507) and the second bilateral contract required use of biogas from a biogas production facility that ceased production (*see* D.11-06-023).

with lower costs to ratepayers, it makes sense for BVES to procure unbundled RECs to meet its RPS targets.

II. 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 requests:

Provide a written description assessing annual and multi-year portfolio supplies and demand in relation to the RPS requirement, the RPS program, and the RPS program’s overall goals to determine the retail seller’s optimal mix of eligible renewable 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. Lastly, it must also explain how the quantitative analysis provided in response to section 6.5 supports the assessment.

⁶ BVES filed comments on October 27, 2011 supporting the CPUC’s interpretation of SB 2 (1X) exempting BVES from adhering to the product content category requirements. BVES’ comments are available at <http://docs.cpuc.ca.gov/efile/CM/146454.pdf>.

A. Assessment of annual and multi-year portfolio supplies and demand in relation to RPS requirements, the RPS program, and the RPS program’s overall goals.

BVES will endeavor to take full advantage of RECs to meet its RPS obligations. As stated in its 2012 RPS Procurement Plan, BVES, in consultation with top management from GSWC, determined a multi-pronged strategy for RPS compliance:

1. BVES will pursue REC-only transactions for RPS compliance. The impetus for this component of the strategy lies mainly in the fact that BVES is permitted the unrestricted use of unbundled RECs in SB 2 (1X) as resolved in Decision 11-01-025. The REC decision verified BVES’ exemption from the procurement cap imposed on other California retail sellers.
2. SB 2 (1X) expanded the RPS program to 33% by 2020 and exempted BVES from the quantity requirements of the different portfolio content categories or “buckets” of RPS products.⁶ These changes enable BVES to use RECs for 100% of its RPS compliance.
3. Unlike bundled renewable energy which can be subject to intermittent production, and thus delivery, RECs will more easily be incorporated into BVES’ supply portfolio. Therefore, RECs present the “least cost, best fit” (“LCBF”) RPS product option for BVES’ RPS compliance.⁷ The RPS statute requires utilities to select renewable resources that are least cost, including the direct costs of renewable energy generation and any indirect costs due to integration of the resource and needed transmission investment. In addition, utilities are required to consider renewable resources that best fit their system needs.

BVES is currently seeking approval of a long term (ten year) REC-only contract intended to fully satisfy BVES’ RPS requirements through year 2023 beginning in 2013 (including past deficits and procurement obligations). After 2023, BVES will forecast its retail sales to determine its RPS needs beyond the expiration of its expected ten year contract. In the event there are changes to the RPS program that alter RPS procurement obligations, BVES will reflect any changes in its RPS procurement plan with the CPUC and act on that plan, including issuance of RFPs, to best ensure RPS compliance.

⁶ BVES filed comments on October 27, 2011 supporting the CPUC’s interpretation of SB 2 (1X) exempting BVES from adhering to the product content category requirements. BVES’ comments are available at <http://docs.cpuc.ca.gov/efile/CM/146454.pdf>.

⁷ LCBF criteria were determined in Decision 04-07-029.

B. BVES' need for resources with specific deliverability characteristics, including peaking, dispatchable, baseload, firm, as-available, and ability or willingness to be curtailed and operational flexibility.

While the RPS procurement obligation is an energy-based requirement, because BVES can utilize RECs to meet its RPS procurement requirements, there is no need to secure procurement from resources with specific delivery or operational characteristics. BVES will meet its resource adequacy ("RA") requirements through traditional generation procurement. BVES will continue to procure and schedule energy deliveries with the California Independent System Operator ("CAISO"), procuring conventional energy and Ancillary Services.

C. Description of how procurement will meet BVES' load forecasts and address overall energy portfolio requirements, recent legislation, other Commission proceedings, other agency requirements, and other policies or issues that would impact RPS demand and procurement.

BVES will seek to procure sufficient RPS-eligible RECs to meet its forecasted targets for each multi-year compliance period. Under the existing RPS program, certain procurement from short term contracts and § 399.16(b)(3) procurement cannot be carried forward from one compliance period to the next. Accordingly, BVES will seek to avoid over-procuring any Category 3 RECs from short term contracts to avoid the risk of stranded procurement, or resell surplus procurement if such transactions can be timely completed.

As stated above, because BVES can utilize RECs to meet its entire RPS procurement obligation, procurement will not impact BVES' overall energy portfolio or the requirements related to that portfolio.

D. Need for and plan for procuring portfolio content category requirement.

As described above, BVES is exempted from meeting the portfolio content category requirements. Accordingly, BVES will use its traditional LCBF process to procure cost-effective REC-only transactions to meet its RPS targets.

III. Project Development Status - § 399.13(a)(5)(D) (Section 6.2 of the Assigned Commissioner’s Ruling).

Section 6.2 of the Assigned Commissioner’s Ruling asks retail sellers to:

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 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.

A. Update on development schedule for resources not yet online.

BVES does not have any contracts with renewable energy resources that are not yet capable of delivering generation. BVES has a long term contract (pending per AL 277-E) for firm⁸ RECs, which will be generated by existing, online facilities in the Western Electricity Coordinating Council (“WECC”).

B. Impact of schedule on BVES’ net short and procurement decisions.

As BVES is not contracting with any projects under development, the project development schedule will not impact BVES’ ability to meet its RPS procurement obligations. BVES’ pending contract, once approved, will allow sufficient resources already online to supply BVES the amount of RECs it forecasts it needs for RPS compliance (pre-2011 and current compliance period).

IV. 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:

⁸ Firm RECs are not unit contingent.

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 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.

A. Description of potential issues that could delay RPS compliance.

BVES' may utilize RECs for 100% of its RPS compliance. BVES currently has pending before the CPUC a ten year REC-only contract.⁹ BVES expects the CPUC to approve the contract; however, obtaining CPUC approval in time to meet the RPS goals for pre-2011 deficits and the current compliance period is vital to achieving RPS compliance. Therefore, not obtaining CPUC approval for its ten year REC contract is BVES' most substantial risk to not achieving RPS compliance. BVES strongly believes that its RPS contract is good for its ratepayers because RECs are much less costly than bundled RPS energy and will keep administration costs to a minimum. Another risk BVES faces that could delay compliance is having "all its eggs in one basket" with one counterparty. If the counterparty fails to deliver or perform, then BVES' RPS compliance would be in jeopardy. It is important to note that BVES has attempted to address this risk through contractual language. Given its small size and limited resources, and most importantly minimizing ratepayer costs, BVES believes the one-contract approach is an appropriate strategy to achieve RPS compliance.

⁹ See Advice Letter 277-E.

B. Description of steps taken to minimize compliance delays.

As part of its bid evaluation process under the 2012 RFP for RECs (discussed in Section II above), BVES considered risk factors that included the ability to hold the price for a certain time period, the credit quality of the counterparty, and an understanding of the CPUC regulatory process for RPS-obligated IOUs. BVES determined that the successful bidder and counterparty to its ten year REC contract offered the least amount of risk with respect to BVES achieving RPS compliance. In addition, in mid-May 2013, BVES reached out to the Energy Division's ("ED") Renewable Procurement and Resource Planning Department to determine if there were any problems or concerns and if ED had a target date for approval of BVES' contract. ED did not mention any material issues with BVES' contract that could bar approval of the contract and hinder BVES' ability to achieve full compliance with the RPS. If CPUC approval is not obtained in a timely manner, BVES will have no choice but to consult with the CPUC about its compliance status.

C. Description of the impact of delays on BVES' net short and procurement decisions.

Compliance delays are less likely to impact BVES based on BVES' ability to use RECs to meet its RPS procurement requirements. However, the timing of obtaining CPUC-approval of its ten year REC contract could prevent BVES from meeting its RPS goals.

V. 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 asks retail sellers to provide the following:

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.

A. Assessment of risk in the RPS portfolio in relation to RPS compliance.

As discussed in Section IV above, BVES has contracted for a long-term REC transaction that is currently pending CPUC approval. With statute and CPUC rules permitting BVES to use RECs for 100% of its RPS compliance, there is little risk to BVES' RPS portfolio in relation to its RPS compliance.

B. Impact of risk on BVES' net short and procurement decisions.

Any inability to attain timely CPUC approval of its currently pending ten year REC purchase agreement will adversely impact BVES' net short RPS position and impact BVES' future procurement decisions. Additionally, contract failure would also adversely impact BVES' net short and cause BVES to alter its procurement decisions in the future.

VI. Cost Quantification (Section 6.12 of the Assigned Commissioner's Ruling).

Section 6.12 of the Assigned Commissioner's Ruling asks retail seller to provide the following:

To support the Commission's reporting to the legislature pursuant to §§ 836 and 910 , PG&E, SCE, SDG&E, Bear Valley, and CalPeco are required to include the information described in Table A, below, in their proposed 2013 RPS Procurement Plans. This information could also be used to inform the Commission's development of a cost containment mechanism, pursuant to §§399.15(c)-(h).

In accordance with Section 6.12 of the Assigned Commissioner's Ruling, BVES provides the following information:

Table A
RPS Procurement Information Related to Cost Quantification

Row	Item	Description
1.	Actual Direct Expenditures – per year	2003-2011: \$0 2012: 1) \$ [REDACTED] Technology: Landfill gas-to-energy; ¹⁰ 2) \$ [REDACTED] Technology: Landfill gas to energy [REC-only] 2013: \$0 (to date)
2.	Actual REC Procurement (MWh) – per year	2003-2011: 0 MWh 2012: 1) 2,231 MWh; Technology: Landfill gas-to-energy; ¹¹ 2) 10,827 MWh; Technology: Landfill gas-to-energy [REC-only] 2013: 0 MWh (to date)
3.	Forecast Direct Expenditures – per year	N/A ¹²
4.	Forecast REC Procurement (MWh) – per year	N/A ¹³
5.	Incremental Rate Impact – per year ¹⁴	\$/kWh 2003-2011: \$0 2012: \$0 2013: \$0 2014: \$0 2015: \$0 2016: \$0 2017 ¹⁵ : \$.00148 2018: \$.00105 2019: \$.00019 2020: \$.00019 2021: \$.00103 2022: \$.00000 2023: \$.00000 2024 ¹⁶ : \$.00000 2025: (\$.00016)

¹⁰ Energy delivered in 2011 and RECs transferred to BVES' active WREGIS sub-account in 2012

¹¹ Ibid.

¹² As noted elsewhere in this 2013 RPS Procurement Plan, BVES is awaiting approval of Advice Letter 277-E.

¹³ Ibid.

¹⁴ Assumes a continued 33% requirement and a REC price equal to the price BVES will pay in the tenth year of its ten year contract for years 2024-2030.

¹⁵ BVES will file to adjust amortization rate in its 2017 GRC; this will include amortization of all REC costs from 2012 through 2016 effective 1/1/2017

¹⁶ Years 2017 to 2024 assume that BVES adjusts amortization rate annually.

		2026: \$.00000
		2027: \$.00000
		2028: \$.00000
		2029: \$.00000
		2030 ¹⁷ : \$.00000

VII. Conclusion.

BVES continues to make all reasonable efforts to meet its RPS procurement requirements. With the ability to use 100% RECs, BVES plans to use RECs to meet its RPS targets and is currently awaiting CPUC approval of a ten year REC purchase agreement that is forecasted to satisfy all of BVES' RPS procurement requirements. BVES will seek to ensure that there is no stranded procurement under the existing prohibition on carrying forward procurement from short term contracts or § 399.16(b)(3) products. BVES has taken steps to reduce compliance delays and contract risks based on its ability to use RECs to meet its entire RPS obligation. BVES' procurement strategy is relatively simple and is unlikely to change and it therefore is confident it will achieve RPS compliance by the end of 2013 and all subsequent years.

Dated: June 28, 2013

Respectfully submitted,

/s/
Jedediah J. Gibson
Ellison, Schneider & Harris, LLP
2600 Capitol Avenue, Suite 400
Sacramento, CA 95816
Telephone: (916) 447-2166
Facsimile: (916) 447-3512
Email: jjg@eslawfirm.com

Attorneys for Bear Valley Electric Service

¹⁷ Years 2025 to 2030 assume that BVES exactly meets RPS requirements.

