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)

COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLANS

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I. INTRODUCTION

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* (ACR), and Administrative Law Judge (ALJ) Regina DeAngelis's May 23, 2013 e-mail granting the extension of time to file Proposed 2013 Renewable Portfolio Standard (RPS) Procurement Plans and subsequent comments, the Division of Ratepayer Advocates (DRA) respectfully submits the following opening comments on the 2013 RPS Plans of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E).

The Commission is required to direct each electric corporation to submit annual renewable energy procurement plans to meet their RPS obligations.[1] The ACR identifies issues and sets a schedule for the Commission's review of the 2013 RPS Procurement Plans. DRA generally supports the 2013 RPS Procurement Plans of PG&E, SCE, and SDG&E (collectively, the investor-owned utilities or IOUs). However, as detailed below, DRA recommends that the Commission:

- Direct the IOUs to maintain consistency and provide robust information regarding their least-cost best fit (LCBF) criteria;
- Direct the IOUs to adapt their renewable procurement strategies to plan for the emerging market for greenhouse gas (GHG) offset credits;
- Reject PG&E's proposed level of banked procurement to achieve a better balance between ratepayer costs and RPS compliance;
- Require SCE to use a success rate for its second and third compliance periods that better reflects the improving success rates for RPS contracts;
- Find that an additional Minimum Margin of Procurement or Voluntary Margin of Over-Procurement is unnecessary for compliance periods in which an IOU is already over-procured; and
- Ensure that SDG&E's Connected to the Sun Program complies with the principle of ratepayer indifference.

[1] PU Code 399.13(a)(1).

II. DISCUSSION OF ACR ISSUES

A. Bid Solicitation Protocol, Including Least Cost Best Fit Methodologies

Consistent with the ACR's directive on bid solicitation protocol,[2] the Commission should direct the IOUs to maintain consistency and provide robust information regarding their least-cost best fit (LCBF) criteria. DRA's recent review of Advice Letters for RPS shortlists indicates that certain IOUs have submitted shortlists that appear to be inconsistent with the criteria described in their RPS procurement plan's bid evaluation, selection process, and criteria section. In Decision (D.) 04-07-029, the Commission adopted the criteria IOUs use in evaluating which generation projects are both least-cost and best fit for their system needs.[3] When creating their RPS solicitation shortlists, in the interest of transparency and fairness, the IOUs should consistently apply the LCBF criteria described in their respective procurement plans. For example, if a criterion such as location or curtailment is quantified in an IOU procurement plan via energy and capacity value adjustments, it would be inconsistent for the IOU or its Independent Evaluator to then cite location as a qualitative criterion for shortlisting a project. If a criterion is both qualitative and quantitative, the IOU should clearly state and explain this in its procurement plan.

Additionally, IOUs should provide sufficient detail in describing a LCBF criterion to allow for verification by the Commission. Sufficient detail would allow the Commission to clearly understand how the IOU weighted a criterion against other quantitative or qualitative criteria, and determine if the IOU's relative weighing of that criterion was reasonable. As an example, an IOU may cite Executive Order S-06-06 (which requires 20% of RPS eligible procurement to come from biomass)[4] as a

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[2] ACR, p. 15 states "[b]id solicitations shall also include a detailed description of the utility's least cost best fit (LCBF) methodology consistent with D.04-07-029 and D.12-11-016 that clearly describes criteria (e.g., energy value, congestions cost, locational preference, term length, ability to be curtailed, operational flexibility, etc.) and how bids will be valued and evaluated based on the LCBF methodology."

[3] D.04-07-029 is available at http://docs.cpuc.ca.gov/published//FINAL_DECISION/38287.htm

[4] Executive Order S-06-06, issued April 25, 2006, available at http://www.dot.ca.gov/hq/energy/Exec%20Order%20S-06-06.pdf

qualitative reason for shortlisting a project. However, citing policy alone is insufficient for regulators to determine the weight a qualitative criterion should be accorded. Sufficient detail in this case would include an assessment of the timeframe, risk, approximate Gigawatt-hour (GWh) need of an IOU for biomass generation projects, and to what extent this need is being met by other RPS procurement programs. Without sufficient detail, it is impossible to properly weigh a qualitative criterion against other quantitative or qualitative criteria. Conducting the LCBF analysis with sufficiently detailed information may help mitigate the risk of generating suboptimal shortlists that force additional, unnecessary costs onto ratepayers.

B. The Commission should direct the IOUs to adapt their renewable procurement strategies to prepare for the emerging market for GHG offset credits

The ACR states that the RPS program and market continues to change each year due to new legislation and a maturing market.[5] Consequently, the ACR directs the IOUs to include in the RPS Procurement Plans: (1) RPS trends over the past year and potential future trends; and (2) impacts to RPS procurement, including other Commission proceedings.[6] In accordance with these guidelines, the Commission should direct the IOUs to include a discussion of how each IOU plans to prepare for the emerging market for greenhouse gas (GHG) offset credits in their renewable procurement strategies.

The Commission's implementation of the Senate Bill 1122 (SB 1122) bioenergy Feed-in-Tariff (FiT) program is a component of the State's renewable distributed generation plan.[7] SB 1122 directed the Commission to establish a FiT program for at least 250 megawatts (MW) of bioenergy projects with nameplate capacities of 3MW or smaller in the following three feedstock categories: (1) biogas from wastewater plants and green waste; (2) dairy and other agricultural bioenergy; and (3) bioenergy from

[5] ACR p. 17.

[6] Id.

[7] See Senate Bill 1122, available at: http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml;jsessionid=cd36e5138d18004eeb1fc4f367a0?bill_id=201120120SB1122

sustainable forest management material.[8] This tariff is available to projects that commence operations after June 1, 2013.[9] Additionally, PG&E, SCE, and SDG&E must comply with the procurement targets of SB 1122 based on their proportionate share of statewide peak demand.[10] The cost of these SB 1122 projects will be borne by ratepayers. The value of the associated offset credits could directly reduce the cost of these bioenergy projects. Thus, in the interest of fully informed ratemaking decisions, the Commission should require the IOUs to discuss their strategies to prepare for the emerging market of GHG offset credits.

Accordingly, the IOUs should adapt their renewable procurement strategies to prepare for the emerging market for GHG offset credits under the California Air Resources Board's (CARB's) Cap-and-Trade Regulation. Dairy manure digesters are eligible to generate GHG offsets under CARB's Livestock Projects Compliance Offset Protocol of the Cap-and-Trade Regulation.[11] GHG offset revenue represents a significant value and has the potential to greatly improve the economics of dairy-waste bioenergy projects and to significantly lower the levelized costs of electricity (LCOE). It is important to consider this source of revenue for dairy-waste bioenergy projects, especially during the implementation of the SB 1122 bioenergy FiT program, as dairy-waste bioenergy is one of the most expensive resource categories authorized to participate in the program. The IOUs should recognize the benefits of GHG offset revenue to dairy-waste bioenergy projects in their RPS Procurement Plans and consider how the potential for RPS-eligible projects to generate revenue from the sale of GHG offset credits will impact procurement decisions, project valuation, and the negotiation of contract terms moving forward. Thus, the Commission should direct the IOUs to adapt their strategies accordingly.

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[8] Id.

[9] Id.

[10] Id.

[11] California Air Resources Board, Livestock Projects Compliance Offset Protocol of the Cap-and-Trade Regulation. Available at: http://www.arb.ca.gov/cc/capandtrade/protocols/livestock/livestock.htm

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III. DISCUSSION OF IOUs' PROCUREMENT PLANS

A. PG&E's Procurement Plan

DRA generally supports PG&E's 2013 RPS Procurement Plan.[12] PG&E's RPS Procurement Plan states that it is well-positioned to meets its statutory RPS obligations in the near and medium terms, with plans to procure moderate volumes, up to 1,500 GWh in its 2013 RPS solicitation, to reach and maintain long-term RPS compliance.[13] In particular, DRA agrees with and supports PG&E's request for a "technology neutral procurement process, where all technologies can compete as to which projects [offer] the best value to customers at the lowest cost,"[14] as well as PG&E's request for a "reasonable [renewable] integration cost adder for the LCBF methodology as part of LCBF reform in 2013," if possible.[15] However, DRA recommends that PG&E's 2013 RPS Procurement Plan be revised to achieve a better balance between ratepayer costs and RPS compliance, as described below.

1. PG&E's proposed level of banked procurement is excessive and costly to ratepayers

PG&E describes three factors that could impair its ability to meet RPS targets. These include: (1) significant project delays or failures; (2) annual variation in load or generation; and (3) its "pessimistic"/high need scenario, which assumes a ten percent delivery shortfall below PG&E's delivery shortfalls from deterministic forecasts.[16]

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[12] PG&E's 2013 Renewables Portfolio Standard Procurement Plan (PG&E RPS Procurement Plan), filed June 28, 2013.

[13] PG&E RPS Procurement Plan, p. 2.

[14] Id, p. 99.

[15] Id, p. 107. DRA also supported PG&E's request for the Commission to consider integration costs for renewable resources in the 2012 RPS Procurement Plan Cycle (see p. 11 of DRA Compliance Plan Comments, filed June 26, 2012).

[16] PG&E RPS Procurement Plan, pp. 72-74. PG&E describes significant project delays or failures from 2019-2022 as resulting in a 6,500 GWh shortfall, annual variation in load or generation for three years as resulting in a 5,000 GWh shortfall, and delivery shortfalls from deterministic forecasts resulting in an approximately 5,000 GWh shortfall.

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According to PG&E's estimates, the banked procurement needed to meet the shortfall from these factors should they all fully occur, would amount to approximately 16,500 GWh.[17] However, PG&E's Procurement Plan fails to include any risk-analysis to calculate the probability for any of these factors to occur.

A bank of 16,500 GWh is unrealistic as it implicitly assumes an absolute worst-case scenario where all of the possible impairment factors described by PG&E fully occur. Assuming a worst-case scenario is unreasonable; projects may come online earlier than expected, while annual variation in load and generation may also result in surpluses, not just shortages. Therefore, DRA submits that it is reasonable to assume that the actual risk of all three of these factors occurring is less than one hundred percent (100%), and the risk that they will occur to the degree described by PG&E is even lower. PG&E applies a risk adjustment analysis to estimated compliance delays and monthly forecasts of RPS deliveries, but does not currently do so in determining its need for banked procurement.[18] In order to maintain a reasonable level of banked procurement and minimize ratepayer costs, the Commission should require PG&E to perform a risk-adjusted analysis when determining its need in each compliance period for banked procurement to meet the contingencies it has described. Indefinitely maintaining nearly a year's worth of banked RPS compliance is unreasonable because it is neither cost-effective nor necessary for ratepayers. PG&E would in effect be "over-insured" for its RPS obligations.

Further, PG&E has other options for dealing with such RPS procurement target shortfalls. PG&E has stated that it will adjust its annual procurement goals, if necessary, in response to load migration.[19] It can do the same in response to forecasted shortfalls. The shortfalls that PG&E describes happen over several years. Thus, PG&E has sufficient time and more than adequate reserves to respond to any emerging shortfalls. PG&E may also have the opportunity to contract bilaterally with merchant operators as

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[17] Id.

[18] Id, pp. 54, 58.

[19] Id, p. 34.

the renewable generation market evolves, or amend existing contracts to expand the capacity of existing generation. Finally, short-term procurement contracts, particularly those involving Category 3 products, may be a more cost-effective method of dealing with extreme contingencies than excessive banked procurement, and should at least be examined as a cost-minimization option by PG&E. PG&E would only incur the costs of short-term procurement when needed, as opposed to sustaining an ongoing cost for contingencies that may never materialize. The Commission should not accept PG&E's incomplete assessment for banked procurement need. Locking PG&E ratepayers into an excessive level of banked procurement is unrealistic and contrary to PG&E's stated objective to minimize customer costs.[20]

2. It is premature for PG&E to state a preference for Category 1 products based on Category 2 and 3 limits

In its 2013 RPS Procurement Plan, PG&E states its preference for "long-term Category 1 offers with contract start dates in 2020 or later."[21] PG&E maintains this preference because it believes the "ability to use such Category 2 and 3 products for compliance diminishes over time, and therefore its need for those products will also diminish over time."[22] Such a preference is unwarranted and should be rejected by the Commission, as it has the effect of discouraging potentially lower-cost, long-term, and therefore bankable Category 2 and 3 products. Consequently, PG&E's preference for Category 1 products runs counter to its stated objective of minimizing ratepayer costs.[23]

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[20] Id, p. 65.

[21] PG&E RPS Procurement Plan, p. 19. Category 1 products deliver energy and RECs into a California balancing authority (CBA) without substituting electricity from another source, while Category 2 products cannot deliver to a CAB without substituting electricity from another source. Category 3 products are either RECs unbundled from energy or otherwise do not fall into Category 1 or 2.

[22] Id, p. 86. According to current regulations the amount of required Category 1 procurement will increase each compliance period, while the amount of Category 3 procurement allowed will decrease each compliance period. (See http://www.cpuc.ca.gov/PUC/energy/Renewables/hot/33RPSProcurementRules.htm) By the third compliance period (2017-2020), at least 75% of procurement must come from Category 1, and up to 10% of procurement may come from Category 3. Effectively, Category 2 may account for up to 25% of total RPS procurement if no Category 3 procurement is used and the minimum amount of Category 1 is used.

[23] PG&E RPS Procurement Plan, p. 65. Long-term contracts are those at least 10 years in length.

The Commission should also reject PG&E's preference for Category 1 products on the basis of RPS category limits in its 2013 RPS procurement plan. PG&E is dramatically short of approaching these category limits. According to its latest RPS Compliance Report filed at the end of 2012,[24] exactly zero percent of PG&E's procurement is expected to come from Category 2 or Category 3 for all compliance years. PG&E's procurement plan shows 25,396 GWh of projected RPS-eligible procurement is needed in 2020 to meet its 33 percent RPS obligation.[25] If PG&E procured its 1,500 GWh goal for the 2013 RPS solicitation solely from long-term, Category 3 products, it would represent less than six percent (6%) of total RPS procurement, well below the Compliance Period 3 Category 3 limit of ten percent (10%). More importantly, the price of Category 3 products are substantially lower than Category 1 products and offer PG&E a powerful way to minimize ratepayer costs. PG&E could save its ratepayers hundreds of millions of dollars[26] if its 2013 RPS solicitation goal of 1,500 GWh were fulfilled solely with Category 3 products rather than Category 1 products.

B. SCE's PROCUREMENT PLAN

DRA generally supports SCE's 2013 RPS Procurement Plan because it proposes a reasonable planning process for renewable procurement in 2013 and beyond. However, DRA has concerns with two areas of SCE's 2013 RPS Procurement Plan. First, DRA disagrees with SCE's pessimistic assumptions for the success rate of RPS contracts that are executed but not yet online. These assumptions do not adequately reflect the performance of renewables contracts in a maturing market. Second, DRA disagrees with SCE's use of minimum margin of procurement (MMOP) for compliance periods in which it is already over-procured. These two issues along with DRA's analysis of SCE's portfolio are further discussed below.

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[24] 2011 Preliminary Annual 33% RPS Compliance Report of PG&E, Appendix A, filed December 28, 2012.

[25] PG&E RPS Procurement Plan, Appendix 1.

[26] This estimate is derived based on the smallest difference between the confidential, Time-of-Delivery adjusted prices of shortlisted Category 1 and Category 3 projects from PG&E's 2012 RPS solicitation, the 1,500 GWh goal for PG&E's 2013 RPS solicitation, and the minimum long-term contract length of 10 years.

1. Portfolio Assessment

DRA generally agrees with SCE's assessment that it has a long-term need for renewable products and no short-term need.[27] SCE's portfolio optimization strategy is reasonable because cost minimization to customers is maintained while ensuring that RPS procurement goals are met. SCE has taken an inclusive approach to balance competing factors that impact ratepayers, such as evaluating: (1) its renewable procurement need by assessing bundled retail sales; (2) the performance and variability of existing generation; (3) the likelihood of new generation achieving commercial operation; (4) expected online dates; (5) the technology mix; (6) expected curtailment; (7) the level of the existing portfolio that is re-contracted; and (8) the impact of mandatory procurement programs.[28] Such an inclusive strategy helps mitigate ratepayer impact because balancing the factors listed above against each other helps SCE achieve competitive prices for ratepayers.

Additionally, SCE's LCBF evaluation process appears reasonable. SCE proposes to select desirable production profiles based on an objective process that evaluates projects in a quantitative manner rather than carving out a set of deliverability characteristics or load profiles on a qualitative basis.[29]

Nevertheless, DRA disagrees with aspects of SCE's RPS Procurement Plan, and recommends that the Commission direct SCE to revise its plan to reflect the recommendations discussed below.

2. The Commission should direct SCE to use a success rate that better reflects current RPS success rates

In its 2013 RPS Procurement Plan, SCE stipulates its success rates for mandated programs, projects currently online, and projects that may come online during the first, second, and third compliance periods. SCE's assumed success rates are reasonable for mandated programs, contracted projects currently online, and projects expected to come

[27] SCE's 2013 Renewables Portfolio Standard Procurement Plan (SCE RPS Procurement Plan) filed June 28, 2013, p. 7.

[28] Id. p.22

[29] Id.

online during the first compliance period. However, SCE's proposed success rate for projects that may come online during the second and third compliance periods is unrealistically and unreasonably low.

SCE proposes to use an overall 60 percent success rate for projects that may come online during the second and third compliance periods.[30] While SCE argues that there may be significant uncertainties with transmission availability that may continue to be an impediment to bringing new renewable resources online that might make compliance periods two and three less successful.[31] However, SCE does not demonstrate – with verifiable evidence – how these barriers would result in a seemingly low 60 percent success rate. This is especially necessary when SCE's RPS Procurement Plan highlights its proactive measures to ensure project developers achieve commercial operation and success.[32]

DRA believes a 60 percent rate is unreasonably low because contract termination is decreasing as the market matures, more experienced developers are participating in the market, and once a developer has received an executed contract, they more likely than not will fulfill performance obligations.[33] DRA raised this similar concern last year,[34] and the Commission did not specifically require SCE to change its success rate. Rather, in D.12-11-016, the Commission states that it "made no finding on the reasonableness of each utility's success rate," and will address the statutory provision relating to the success rates relied upon by the utilities later.[35] DRA recommends that the Commission address this critical issue at this time and require SCE to discuss and demonstrate how these barriers reasonably result in a 60 percent success rate.

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[30] Id.

[31] SCE RPS Procurement Plan, p. 7.

[32] Id., p. 15.

[33] See Division of Ratepayer Advocates' Comments on Renewable Portfolio Standard Plans, filed June 27, 2012.

[34] Id.

[35] D.12-11-016, p. 9.

3. The Commission should direct SCE to use an additional Minimum Margin of Procurement only if it is not already over-procured

In its 2013 RPS Procurement Plan, SCE stipulates its methodology for its Minimum Margin of Procurement (MMOP). SCE states that in its forecast of its renewable procurement position and need, SCE currently accounts for the risk of project failure and delay associated with contracted projects that are not yet online by using "individual project-specific, risk adjusted success rates for large, near-term projects and a flat 50 [percent] success rate for remaining projects which is based on these projects overall weighted average success rate of approximately 50 [percent]."[36] SCE states that this methodology for discounting expected energy deliveries from projects under development is "modeled to represent project development success rates as well as any contingency that would make meeting the State's RPS goals less likely."[37] SCE also contends that this methodology provides an appropriate MMOP, which is necessary "to mitigate the risk that renewable projects planned or under contract are delayed or cancelled."[38]

The methodology adopted by SCE is reasonable for periods in which it is under-procured. However, an MMOP is unnecessary for compliance periods in which SCE is over-procured. Using an MMOP will lead to procurement in excess of the RPS targets and unreasonable costs for ratepayers. SCE should capture cost-effective savings for ratepayers instead of exposing them to excessive and unnecessary costs. Thus, the Commission should reject SCE's inclusion of MMOP for compliance periods in which it is over-procured.

In conclusion, while DRA generally supports SCE's RPS Procurement Plan, it recommends the Commission direct SCE to revise its plan to reflect the recommendations discussed above.

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[36] Id, p. 25

[37] Id.

[38] Id.

C. SDG&E's PROCUREMENT PLAN

DRA generally supports SDG&E's 2013 RPS Procurement Plan, as many of the changes proposed help meet RPS program compliance targets in a cost-effective manner. In particular, DRA supports SDG&E's consideration of price adjustment mechanisms, including placing a cap on the transmission upgrade costs ultimately borne by ratepayers.[39] DRA also agrees with the general guidelines for SDG&E's procurement of LCBF RPS-eligible resources that will enable SDG&E to achieve the 33 percent RPS targets. However, DRA recommends that SDG&E's Connected to the Sun (CTTS) Program comply with the principle of ratepayer indifference, and that an additional margin of over-procurement is unnecessary for compliance periods in which SDG&E is over-procured.

1. Connected to the Sun Program should comply with the principle of ratepayer indifference

SDG&E's Procurement Plan includes a 20 MW pilot program, CTTS, as its green pricing program.[40] SDG&E states that it believes the program's structure will minimize any impact from the cost of unsubscribed capacity.[41] In addition to claiming the program will be fully subscribed, SDG&E intends to manage any net excess with its Voluntary Margin of Over-Procurement (VMOP). However, this potential excess procurement may improperly impose costs on bundled ratepayers. While SDG&E claims that the program might be fully subscribed, the rate of attrition is definitely an unknown. Therefore, DRA recommends the Commission require SDG&E to specify how the CTTS will: (a) comply

[39] SDG&E's 2013 Renewables Portfolio Standard Procurement Plan, filed June 14, 2013. (SDG&E RPS Procurement Plan), p.37.

[40] Id. pp. 11-12.

[41] Id.

with the principle of ratepayer indifference[42] and (b) be consistent with RPS program rules.[43]

More specifically, since CTTS is a voluntary program, non-participating ratepayers must be indifferent or shielded from the rate impacts. Based on SDG&E's Procurement Plan, if SDG&E buys energy on behalf of CTTS participants and the program is not fully subscribed, any costs resulting from this excess procurement are borne by the bundled ratepayers. SDG&E claims that it may be able to bank or sell excess CTTS energy in the event of over-procurement.[44] However, SDG&E fails to explain how banking or resale will fully compensate bundled ratepayers. Existing energy or energy SDG&E procures up front for CTTS may be more expensive than energy it could purchase in the future. As DRA asserted in response to SDG&E's CTTS Application, if banking this more expensive energy is part of the RPS program, ratepayers will unreasonably pay more than if SDG&E simply buys RPS-eligible megawatts when required under the RPS program.[45] Therefore, SDG&E should ensure that its CTTS program is reasonable and consistent with RPS program rules.[46]

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[42] The principle of ratepayer indifference means that non-participating ratepayers must be shielded from the rate impacts as a result of the CTTS program.

[43] See *Reply Brief of DRA on Legal Issues in A.12-01-008, Application of SDG&E for Authority to Implement Optional Pilot Program to Increase Customer Access to Solar Generated Electricity*, filed April 26, 2013; available at http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=65932015

[44] SDG&E 2013 RPS Procurement Plan, p. 12.

[45] See *Reply Brief of DRA on Legal Issues in A.12-01-008, Application of SDG&E for Authority to Implement Optional Pilot Program to Increase Customer Access to Solar Generated Electricity*, filed April 26, 2013.

[46] DRA understands that these issues may be addressed in Application (A.) 12-01-008, but urges the Commission to require SDG&E to include these measures in the 2013 RPS Procurement Plan in relation to its assessment of portfolio risk factors.

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2. SDG&E should not include a Minimum Margin of Over-Procurement or Voluntary Margin of Over-Procurement for its RPS Risk Adjusted Net Short Calculation for the compliance periods in which it is already over-procured

SDG&E's RPS Risk Adjusted Net Short Calculation provides a MMOP[47] and an additional VMOP. SDG&E states that the MMOP is intended to account for foreseeable project failures or delays, while VMOP is intended to ensure that SDG&E achieves its RPS requirements despite unforeseeable risks.[48] According to SDG&E, the VMOP is designed to ensure that it achieves its RPS goals with a "buffer" to account for unforeseen changes to either the RPS targets or deliveries. As mentioned above, SDG&E's VMOP also includes volumes that it may procure for special customer programs, such as its proposed CTTS pilot program.[49]

It is not clear what percentage of SDG&E's proposed MMOP and VMOP would equate to its additional total retail sales. However, as DRA noted above and in comments on previous RPS Procurement Plans, any MMOP or VMOP should only be utilized if SDG&E assumes a 100 percent success rate for contracts executed but not yet on line.[50] A MMOP or VMOP is unnecessary for compliance periods in which SDG&E is over-procured.[51] This excess beyond the RPS targets generates unreasonable costs for ratepayers to bear. Accordingly, DRA recommends that the Commission reject SDG&E's inclusion of MMOP or VMOP for its RPS Risk Adjusted Net Short Calculation for the compliance periods in which it is already over-procured.

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[47] MMOP refers to a minimum margin of procurement above the minimum procurement level necessary to comply with the RPS to mitigate the risk that renewable projects planned or under contract are delayed or canceled. (See ACR p. 14.)

[48] SDG&E 2013 RPS Procurement Plan, p. 33.

[49] Id.

[50] See e.g., DRA's Comments on Renewables Portfolio Standard Plans, pp. 9-11, filed June 27, 2012.

[51] SDG&E is long for Compliance Periods (CP) 1 and 2, and it is possible that SDG&E will not require additional procurement in CP 3. (SDG&E 2013 Procurement Plan, pp.14-15.)

IV. CONCLUSION

DRA respectfully requests that the Commission adopt DRA's recommendations discussed above.

Respectfully submitted,

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VERIFICATION

I, Matt Miley, am counsel of record for the Division of Ratepayer Advocates in proceeding R.11-05-005, and am authorized to make this verification on the organization's behalf. I have read the

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filed on July 12, 2013. I am informed and believe, and on that ground allege, that the matters stated in this document are true. I declare under penalty of perjury that the foregoing are true and correct.

Executed on July 12, 2013 at San Francisco, California.

/s/ MATT MILEY
Matt Miley
Staff Counsel