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)

RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN OF SOUTHERN CALIFORNIA TELEPHONE & ENERGY (SCT&E)

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July 29, 2013

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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 July 23, 2013 email from Administrative Law Judge DeAngelis granting the request for extension of time to file 2013 RPS Procurement Plans, SCT&E submits the following Renewables Portfolio Standard ("RPS") Procurement Plan. SCT&E is an electric service provider ("ESP") registered with the California Public Utilities Commission ("Commission" or "CPUC") to serve commercial customers in California participating in the direct access program. SCT&E undertakes its procurement activities to meet regulatory and commercial obligations while managing market and regulatory risks. However, at this time, SCT&E carries no load for commercial customers and will endeavor to answer the following questions to the best of its ability.

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 requests:

Provide a written description ass essing 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 con sider, 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 cha racteristics, 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 th e 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 legis lation, 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 ne ed 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.

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.*

Because retail suppliers typically do not have retail customer contract commitments that exceed 36-months, 10-year and 20-year forecasts are difficult to make and subject to change. Due to this forecasting uncertainty and the current direction of the company, SCT&E seeks to secure commercial commitments consistent with the RPS regulatory obligation compliance horizon, and its ability to manage the market risks associated with longer term purchases.

B. *SCT&E's need for RPS resources with specific deliverability characteristics, including peaking, dispatchable, base load, firm, as-available, as well as willingness to be curtailed, operational flexibility, or other factors.*

The RPS procurement obligation is an energy-based obligation for the applicable percentage of megawatt hours ("MWhs") over the particular compliance period. Accordingly, SCT&E does not generally procure RPS eligible generation for capacity or ancillary service characteristics. Instead, except as noted below, capacity requirements are procured separately consistent with RA obligations, and ancillary services needed for load following, voltage support, and regulation are purchased through the California Independent System Operator ("CAISO") ancillary service markets.

In instances where it may procure energy and capacity from an RPS-eligible resource, the RA value is going to vary pursuant to CAISO and CPUC RA counting rules for the particular technology, and therefore will likely be a secondary consideration when compared to the delivery of RPS-eligible megawatt-hours. SCT&E will typically procure RPS resources for its portfolio based on the facility's expected energy deliveries into a California Balancing Authority, consistent with the RPS law. Moreover, because the RA program's policies and associated procurement obligations continue to evolve in the near term, and because SCT&E's ability to optimize RA portfolio build out is compromised by utility procurement that is given cost allocation methodology ("CAM") treatment, it is difficult for SCT&E to develop long-term RA capacity procurement forecasts.

C. *Description of how procurement will meet SCT&E's load forecasts.*

SCT&E seek to balance its future regulatory obligations and RPS product type at the time it commences serving load to customers. At this time, the company does not foresee serving commercial customer within a four to five year time.

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

SCT&E anticipates undertaking RPS procurement from the regional market in a manner that optimizes available supplies consistent with established RPS procurement requirements. Currently, SCT&E will seek to optimize its procurement to include procurement of renewable Distributed Generation ("DG") as part of its RPS portfolio as market rules develop for the use of DG to meet the RPS requirements.

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 requests:

> 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 co py 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.
B. Impact of schedule on SCT&E's net short and procurement decisions

The electrical corporations file the Project Development Status Reports, and so an update of this report is not applicable to SCT&E.

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 requests:

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.

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

SCT&E, a competitive retail provider, is presently not serving load to customers.

B. Description of steps taken to minimize compliance delays.

SCT&E does not undertake any transmission development, so it is not in a position to address alleviation of interconnection timing or transmission availability issues. At the submission of this document, SCT&E is actively engaged on an ongoing basis in the natural gas energy markets out of state and abroad, and will enter into renewable transactions to meet state requirements when opportunities arise. SCT&E's ongoing and active monitoring of market conditions is a key element of its ability to avoid and/or minimize compliance delays.

C. Description of the impact of delays on SCT&E's net short and procurement decisions.

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 requests:

Provide a wr itten 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.

At present, apart from the delay issues described above, the risks described in Section 6.4

are not applicable to SCT&E's portfolio as this time.

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 quantitati ve 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 prov ided in an Excel spreadsheet or based on the most recently directed renewable net short methodology.

SCT&E has serves no load at this time so, therefore, is unable to make a forecast for this document.

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 h ow 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 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 w ith RPS requirements, regulatory risk, over procurement 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. f. Identification and quantification of likely impacts of optimization strategy on ratepayers, shareholders, and market.

A. *Specification of objectives of portfolio optimization strategy.*

As described above, SCT&E does not have retail customer contract commitments.

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

SCT&E optimizes its portfolio for California loads on a horizon commensurate with future customer commitments and regulatory obligations. SCT&E undertakes RPS procurement consistent with the regulatory obligation's compliance horizon from resources available within the regional market in a manner that optimizes supplies against its RPS procurement obligation as it changes over time, namely, the "total volume requirement" and the "content

category mix requirement".

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

1. Description of how metrics are measured or valued (e.g. PPA costs 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 y GWh or x reduction in rates by contracting for y number of curtailment hours.

As stated above, SCT&E is presently not serving load to customers. In the future, however, SCT&E would procures resources based upon customer commitments and regulatory obligations. Procurement will be structured to satisfy RPS obligations for each compliance period together with the remainder of customer energy requirements. Resource adequacy capacity procurement may be undertaken as a separate product. SCT&E will seek to maximize value within and across compliance periods from RPS-eligible contracts while also minimizing the potential stranding of RPS energy due to statutory restrictions to the banking of surplus renewable deliveries procurement and related restrictions on resale of delivered volumes. In this way, SCT&E seeks to avoid over-procuring volumes, avoids the need to resell any surplus generation and thereby optimize value of energy delivered to customers.

D. Identification of risks (e.g. non -compliance with RPS requirements, regulatory risk, over procurement 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.

Limiting the potential stranding of procurement that cannot be carried forward is a crucial step to optimizing procurement and managing costs in the future for SCT&E and its customers. SCT&E manages the potential risk of non-compliance by undertaking procurement from resources that

will operate near commercial operations. SCT&E will strive to accurately forecast future near-term loads and procure a sufficient mix and volume of RPS products to satisfy its RPS procurement obligations in a manner that provides value to its customers.

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

Based on its best estimate of future customer demand, SCT&E undertakes RPS procurement consistent with the regulatory obligation's compliance horizon, and its ability to manage the market risks associated with mandatory longer-term purchases. Consistent with its risk management practices, SCT&E will build its portfolio to satisfy its regulatory obligations and the corresponding customer demand.

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

SCT&E's optimization strategy will strive to reach a balance that ensures SCT&E is providing electric supply that its customers are willing to pay for that covers the costs of the supply and a reasonable compensation for SCT&E as the supplier. By seeking to satisfy its RPS and other regulatory procurement obligations within a competitive retail market structure by structuring its portfolio and managing market risks for its customers, the company seeks to balance the delivery of strong commercial value to customer with a market-based opportunity for return.

VII. Conclusion

SCT&E provides this submission in compliance with the May 10, 2013 Assigned Commissioner's Ruling. As described herein, SCT&E takes its RPS energy procurement compliance obligations seriously and is actively engaged with the Commission's processes in developing the RPS implementation requirements.

Dated: July 29, 2013 Respectfully submitted,

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