

**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 R.11-05-005

**COMMENTS OF THE GREEN POWER INSTITUTE ON THE ALTERNATE
PROPOSALS FOR A PROCUREMENT EXPENDITURE LIMITATION**

October 23, 2013

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COMMENTS OF THE GREEN POWER INSTITUTE ON THE ALTERNATE PROPOSALS FOR A PROCUREMENT EXPENDITURE LIMITATION

Pursuant to the July 23, 2013, *Administrative Law Judge's Ruling Requesting Comments on Staff Proposal for a Methodology to Implement Procurement Expenditure Limitations for the Renewables Portfolio Standard Program*, as modified by the September 9, 2013, *Ruling* by ALJ Simon granting an extension to file Comments, in Proceeding R-11-05-005, **the Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program**, the Green Power Institute (GPI), the renewable energy program of the Pacific Institute for Studies in Development, Environment, and Security, provides these *Comments of the Green Power Institute on the Alternate Proposals for a Procurement Expenditure Limitation*.

SCE Proposal

SCE's alternative proposal for a procurement expenditure limitation is **not** an improvement on the Staff Proposal, for which parties' *Comments* were filed on September 26. In fact, SCE's alternative proposal is based on a completely arbitrary construct, and in the opinion of the GPI it is designed more to provide retail sellers an excuse from meeting their RPS obligations, rather than being designed to provide them with the resources they reasonably and prudently need in order to achieve their RPS program mandates.

SCE's proposal is based on setting an arbitrary limit on the cost of RPS contracts, which they name the "acceptable renewable rate," or ARR. The proposed ARR is defined as being equal to the conventional cost of generation times 1.25. This proposal has a number of problems that go beyond the simple fact that a twenty-five percent premium is itself a completely arbitrary construct, and is not based on producing a just and reasonable result, which should be the test of the appropriateness of any contract.

One problem with comparing an RPS contract with the conventional cost of generation is that the two items are not really comparable. The conventional cost of generation is a

short-term measure that is subject to adjustment as shifts occur in fuel markets. RPS contracts, in contrast, are long-term, fixed price agreements that, among other features, provide the state's ratepayers with insurance against upswings in fuel markets. In addition, RPS energy is delivered at lower environmental impact than conventional energy, is greenhouse-gas free or better, and provides significant economic benefits in regions of the state that are particularly hard hit by the economic slowdown.

The greater problem with SCE's alternative proposal for a PEL is that its overall orientation is contrary to the guiding principles, as articulated in the staff proposal. The second and third guiding principles on page 7 of the July 23, 2013, *Ruling Requesting Comments* on a PEL, are to reflect and minimize the costs of achieving and maintaining the 33-percent RPS goal. The SCE alternative proposal is more concerned with providing retail sellers with an excuse from having to meet their RPS requirements, rather than ensuring that they have the resources they need in order to comply, as long as prudent-procurement practices are employed. As an illustration of this orientation, we note that the second subsection under the heading of Benefits of SCE's Alternate Proposal, Subsection III.B., is titled: *SCE's Alternate Proposal Provides a Well-Defined Plan for When an IOU Reaches Its Procurement Expenditure Limitation*.

SCE's alternative proposal is not consistent with the letter or the intent of SB 2 (1X), and should be rejected.

Joint CalWEA / Large Solar Proposal

Unlike the SCE alternative proposal, which is truly an alternative to the Staff Proposal, the joint alternative proposal of CalWEA and the Large Scale Solar Association is more of a proposed modification of the Staff Proposal, rather than a completely different proposal. The Joint Alternative Proposal makes two significant changes to the Staff Proposal. We question the value of their first proposed change, and support their second proposed change.

The first suggested change in the Joint Alternative Proposal is to extend the timeframe of the PEL calculation from 10 years to 20 years. We understand the reasoning behind their desire to extend the timeframe, but we just don't trust the math. As we noted in our September 25, 2013, Comments on the Staff Proposal:

Although it is true that many RPS contracts have a term of longer than 10 years, we believe that a 10-year timeframe for the PEL is more than sufficient for purposes of monitoring the cost of the program. We note that projections made ten years into the future already push the limits of credulity. Projecting longer into the future is guesswork at best. Moreover, since the proposed PEL is a budgeting tool, we believe that if there are indeed cost issues with a new, 20-year contract that has been submitted for Commission approval, those problems will show up within the figures that are covered by the 10 years of the PEL planning horizon. [Sept. 25, 2013, Comments of the GPI, pg. 5.]

The second suggested change in the Joint Alternative Proposal provides greater rigor to the determination of whether there should be a Finding of Disproportionate Rate Impacts associated with an RPS procurement. In particular, we endorse their insistence that the non-RPS scenario, which by definition does not have to be compliant with the RPS statutes, nevertheless should be required to be compliant with other relevant state laws, including AB 32. Far too often the baseline, "business as usual" scenario used in these kinds of analysis is hopelessly flawed by allowing it to skirt all laws and policy initiatives under consideration by the state. In order to construct a baseline non-RPS scenario for analytical use in this particular application it is necessary to excuse it from the RPS statutes. But excusing it from other relevant legal requirements allows it to look extremely cheap while ignoring its environmental performance, and lessening the environmental impact of that kind of scenario is the essential rationale behind the RPS statutes in the first place.

Conclusion

The alternative proposal of SCE is not an improvement on the staff proposal, and should not be pursued further. The alternative proposal of the Joint Parties deserves further consideration of its proposed methodology for a determination of disproportionate rate impacts. We cannot endorse their proposal to increase the timeframe employed in the staff proposal from ten to twenty years.

Dated October 23, 2013

Respectfully Submitted,

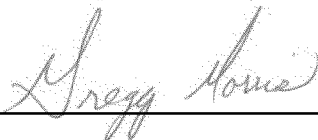


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VERIFICATION

I, Gregory Morris, am Director of the Green Power Institute, and a Research Affiliate of the Pacific Institute for Studies in Development, Environment, and Security. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of *Comments of the Green Power Institute on the Alternate Proposals for a Procurement Expenditure Limitation*, filed in R.11-05-005, are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

Executed on October 23, 2013, at Berkeley, California.



Gregory Morris