

**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 TERRA-GEN POWER, LLC ON RENEWABLE
AUCTION MECHANISM ISSUES**

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In response to the *Administrative Law Judge's Ruling Requesting Comments on the Renewable Auction Mechanism*, dated December 31, 2013, and the Energy Division's summary and questions on the future of the RAM program, Terra-Gen Power, LLC submits these comments.

I. THE DEADLINE FOR COMMERCIAL OPERATION SHOULD NOT BE EXTENDED

The original RAM proposal required a project to begin commercial operation within 18 months of the date the power purchase agreement was executed.¹ Due to permitting requirements, 18 months proved to be impractical for many projects. As a result, the Commission extended the commercial operation deadline to 24 months after the date the PPA was approved.²

The Energy Division paper asks whether the 24-month deadline, one of the tests

¹ D.10-12-048, p. 90.

² Res. E-4489.

of the viability of a proposed project, should be modified.³

In Terra-Gen's experience, 24 months is a sufficient time to bring a viable RAM project (*i.e.*, less than 20 MW) to commercial operation while still respecting the original intent of the RAM program--to facilitate the quick development of relatively small-scale renewable energy projects.

A 24-month deadline to achieve operation is a reasonable way to separate viable projects from projects that may never begin operation. If a small-scale project requires more than 24 months to achieve commercial operation, that in itself is a strong indication of the types of problems (*i.e.*, permitting, financial, technical, environmental) that may prevent the project from reaching commercial operation. In addition, the project has a one-time option to extend the commercial operation period for six months, if necessary. If the project is unable to meet the commercial operation deadline (or other milestones in the Renewables Portfolio Standard or RAM programs), the utility has the ability to terminate the power purchase agreement and should exercise that discretion to clear out unviable projects so that viable projects may move forward.

Terra-Gen notes that in late 2012 the Commission rejected proposals to extend the period to achieve commercial operation from 24 months to 36 months because of a concern that the longer period "would simply result in less viable projects becoming eligible to participate in RAM."⁴ That concern remains valid, and the commercial operation period should not be extended.

II. CONCERN ABOUT SUBDIVIDING PROJECTS TO MEET THE RAM SIZE LIMIT SHOULD NOT INHIBIT EFFICIENCY

As the Energy Division paper notes, the relatively small size limit for RAM

³ Energy Division Summary and Questions, pp. 21-22.

⁴ Res. E-4546, p. 27.

projects raises a concern that developers will artificially split up larger projects to meet the RAM size limit.⁵ One response to this concern is to expand the RAM or create a RAM-like program for somewhat larger projects, perhaps in the 20 MW to 40 MW range. One possibility is that projects of up to 40 MW that have Firm Capacity Deliverability Status could be eligible for the RAM, because the greater cost of obtaining FCDS could then be spread over a greater number of MW.

At the same time, the Commission should not let a concern that projects will be subdivided to qualify for the RAM unreasonably discourage RAM developers' efforts to be more efficient. For example, several RAM-scale projects could share interconnection facilities without sacrificing their character as separate RAM projects. Similarly, an expansion of an existing facility could make efficient use of the interconnection and administrative buildings of the existing facility while meeting the essential purpose of the RAM program and meeting the other RAM eligibility requirements.

⁵ Energy Division Summary and Questions, p. 21.

Respectfully submitted this 30th day of January, 2014 at San Francisco, California.

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By /s/ Suzy Hong
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VERIFICATION

I am the attorney for Terra-Gen Power, LLC in this matter. Terra-Gen is absent from the City and County of San Francisco, where my office is located, and under Rule 1.11(d) of the Commission's Rules of Practice and Procedure, I am submitting this verification on behalf of Terra-Gen for that reason. I have read the attached "Comments of Terra-Gen Power, LLC on Renewable Auction Mechanism Issues," dated January 30, 2014. 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 is true and correct.

Executed on this 30th day of January, 2014, at San Francisco, California.

/s/ Suzy Hong

Suzy Hong