

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Integrate and  
Refine Procurement Policies and Consider Long-  
Term Procurement Plans

R.13-12-010  
(Filed December 19, 2013)

**COMMENTS ON PRELIMINARY SCOPING MEMO  
BY THE ALLIANCE FOR RETAIL ENERGY MARKETS**

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Consultant to the  
**ALLIANCE FOR RETAIL ENERGY MARKETS**

February 3, 2014

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The Alliance for Retail Energy Markets<sup>1</sup> (“AReM”) respectfully submits these comments, in accordance with Ordering Paragraph 6 of Rulemaking (“R.”) 13-12-010 (“Rulemaking”) and Rule 6.2 of the Commission’s Rules of Practice and Procedure. AReM has no comments on the proposed schedule, the proposed categories for each Track of the Rulemaking, or the need for hearings. Further, AReM does not object to the proposed scope outlined in the Rulemaking.<sup>2</sup> However, the Preliminary Scoping Memo states that the Commission “may choose to consider” an increase in the investor-owned utilities’ (“IOUs”) procurement targets for Combined Heat and Power (“CHP”) facilities as established in Decision (“D.”) 10-12-035.<sup>3</sup> At the same time, the Preliminary Scoping Memo is silent regarding critical related issues, such as alternatives to IOU procurement and proper cost allocation if expanded IOU procurement is authorized. Accordingly, AReM respectfully requests that the Commission clarify in the forthcoming Scoping Memo that the scope of the Rulemaking includes the additional CHP-related issues identified by AReM and discussed below.

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<sup>1</sup> AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California’s direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

<sup>2</sup> R.13-12-010, pp. 8-13.

<sup>3</sup> R.13-12-010, Preliminary Scoping Memo, Procurement Oversight and Rules, Issue 4, p. 12.

**I. TO THE EXTENT THE COMMISSION CONSIDERS INCREASED CHP PROCUREMENT TARGETS, THE COMMISSION SHOULD ALSO CONSIDER ALTERNATIVES TO IOU PROCUREMENT AND RELATED COST ALLOCATION ISSUES.**

The CHP Settlement,<sup>4</sup> including IOU procurement targets, was adopted in D.10-12-035.

In adopting the Settlement, the Commission elected to require procurement by the IOUs with net capacity costs and associated benefits assigned to direct access and community choice aggregator (“CCA”) customers.<sup>5</sup> In taking this action, the Commission elected not to adopt CHP procurement targets for electric service providers (“ESPs”) and CCAs, which was the preferred alternative of the settling parties.<sup>6</sup> However, the Commission clearly signaled in D.10-12-035 that it was open to re-considering this cost allocation approach in a future proceeding:

We remain open to consideration, in a future proceeding, of proposals whereby ESPs and CCAs may opt out of IOU procurement and procure CHP resources on their own behalf.<sup>7</sup>

Therefore, AReM respectfully requests that any consideration of increasing CHP procurement targets also include consideration of CHP procurement by ESPs and CCAs on their own behalf, as promised in D.10-12-035. ESPs have demonstrated success in meeting procurement requirements for Resource Adequacy and Renewable Portfolio Standards. Most recently, the Commission adopted a new procurement target for Energy Storage that applies to ESPs.<sup>8</sup> The Commission should reasonably consider such an option here as well.

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<sup>4</sup> Direct access parties were excluded from the settlement negotiations and thus were not part of the settlement reached.

<sup>5</sup> D.10-12-035, p. 56.

<sup>6</sup> CHP Settlement Term Sheet, Section 6.3.2, pp. 31-32, A.08-11-001 *et al*, filed October 8, 2010: “The Parties prefer that the non-IOU LSEs procure their respective shares of the CARB CHP RRM by entering into their own PPAs with CHP Facilities.”

<sup>7</sup> D.10-12-035, p. 56.

<sup>8</sup> See, D.13-10-040, Ordering Paragraph 5, p. 77.

In addition, related cost allocation issues require resolution, if increased IOU procurement targets are adopted and/or ESP/CCA targets are approved. AReM's suggested preliminary list of issues is:

- Evaluate the appropriateness of continuing the cost allocation mechanism for any increased IOU CHP procurement targets.
- Determine the types of CHP contracts that are solely recoverable from bundled customers.
- Establish that bundled customers are responsible for all future IOU CHP procurement, if ESPs/CCAs have their own procurement targets,

AReM respectfully requests that these cost allocation related issues also be included within scope for the Rulemaking.

## II. **CONCLUSION.**

As discussed herein, AReM has identified additional issues that should be added to the scope of the Rulemaking to the extent the Commission considers increasing IOU procurement targets for CHP. Accordingly, AReM respectfully requests that the Commission clarify in the final Scoping Memo that these additional issues are to be included within scope. AReM thanks the Commission for attention to these issues.

Respectfully submitted,



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