

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 BEAR VALLEY ELECTRIC SERVICE (U-913 E), A DIVISION OF
GOLDEN STATE WATER COMPANY, ON REVISED STAFF PROPOSAL AND
UPDATED ALTERNATIVE PROPOSALS FOR A METHODOLOGY TO IMPLEMENT
PROCUREMENT EXPENDITURE LIMITATIONS FOR THE RENEWABLES
PORTFOLIO STANDARD PROGRAM

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TABLE OF CONTENTS

I. Introduction..... 1

II. Based on BVES’ Unique Characteristics and RPS Procurement Requirements, the Commission Should Exempt BVES From Any Obligation to Adopt a PEL2

III. If the Commission Adopts a PEL for BVES, the PEL Must Reflect BVES’ Unique Characteristics and Ability to Meet RPS Targets Using Unbundled RECs5

IV. Conclusion 7

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I. Introduction

Pursuant to the February 20, 2014 Administrative Law Judge’s Ruling Requesting Comments on Revised Staff Proposal and Updated Alternative Proposals for a Methodology to Implement Procurement Expenditure Limitations for the Renewables Portfolio Standard (“ALJ Ruling”), Bear Valley Electric Service (U 913 E) (“BVES”), a division of Golden State Water Company, submits the following comments on the revised proposals to implement a procurement expenditure limitation (“PEL”) for the Renewables Portfolio Standard (“RPS”) program. Based on the unique characteristics of BVES, as well as the different RPS requirements applicable to it, BVES requests that, at this time, no PEL be implemented for BVES. If, however, a PEL is adopted for BVES, the PEL must be appropriately tailored to reflect the unique attributes and requirements applicable to BVES.

BVES’ position is ultimately based on Public Utilities Code Section 399.18, which affords BVES the ability to meet its RPS procurement requirements “notwithstanding any procurement content limitation in Section 399.16.”¹ In implementing the Public Utilities Code,

¹ See Pub. Util. Code § 399.18(b).

the California Public Utilities Commission (“Commission”) found that BVES is “not subject to the requirements and limitations [on] the use of procurement in each portfolio content category.”² Accordingly, BVES may meet its entire RPS procurement obligations using procurement from the third portfolio content category (§ 399.16(b)(3)), including unbundled Renewable Energy Credits (“RECs”). As unbundled RECs are significantly less expensive than bundled renewable products, based on the current PEL proposals, BVES does not anticipate ever reaching a PEL or having the Commission determine that, in the unlikely event that it did reach its PEL, additional procurement of unbundled RECs would exceed a “de minimis” increase in rates.”³ For these reasons, the administrative burdens of implementing and adopting a PEL for BVES far outweigh any potential benefits a PEL may provide. Therefore, the Commission should exempt BVES from any requirement to adopt a PEL at this time.

Based on the requested exemption from a requirement to adopt a PEL for BVES, these comments focus on BVES’ unique characteristics and RPS requirements that warrant the exemption. Therefore, these comments do not address the questions in the ALJ Ruling in detail.

II. Based on BVES’ Unique Characteristics and RPS Procurement Requirements, the Commission Should Exempt BVES From Any Obligation to Adopt a PEL.

BVES is currently planning to satisfy its RPS procurement obligations using solely unbundled RECs.⁴ Based on its plans to maximize the use of unbundled RECs, and to avoid more expensive bundled renewable products, BVES should be able to satisfy RPS procurement obligations more economically than California’s large IOUs based on the price differences

² D.11-12-052, p. 63; *see also*, D.11-12-052, Ordering Paragraph 16.

³ Pub. Util. Code § 399.15(f).

⁴ *See*, June 28, 2013 Renewables Portfolio Standard Procurement Plan of Bear Valley Electric Service (U 913-E), a Division of Golden State Water Company, available at

between unbundled RECs and bundled renewable products. BVES expects this price difference to continue, or increase, going forward based on the RPS portfolio content category requirements. The RPS portfolio content category requirements applicable to most retail sellers reduce the allowable quantity of unbundled RECs while increasing the quantity of bundled products that must be used to meet RPS procurement targets. Therefore, based on the economic principles of supply and demand, the cost of unbundled RECs should decrease in the future as the demand for such RECs decreases.

For these reasons, any PEL proposal or assessment of disproportionate rate impacts adopted by the Commission is incredibly unlikely to determine that BVES' renewable procurement exceeds the PEL or results in disproportionate rate impacts. For example, the staff PEL proposal sets the PEL Budget as "the IOU's total forecasted RPS procurement expenditures over the 10-year period, including incremental procurement needed to achieve and maintain the RPS procurement quantity requirements."⁵ Using unbundled RECs, which are expected to become even more economical going forward, it is hard to envision how BVES would exceed its PEL budget in the future.

Additionally, the staff PEL proposal would use a PEL Ratio, based on the "ratio of an IOU's forecasted RPS procurement expenditures relative to the IOU's forecasted total effective revenue requirement over a 10-year period" to determine whether procurement causes a disproportionate rate impact.⁶ Again, as BVES will maximize the use of unbundled RECs to meet RPS procurement targets, BVES' PEL Ratio will be significantly lower than that of the

<http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M071/K162/71162605.PDF>. **BVES' RPS Procurement Plan was approved in Decision 13-11-024** (*see*, Ordering Paragraph 23).

⁵ ALJ Ruling, p. 5.

⁶ ALJ Ruling, p. 4.

large IOUs. Therefore, it is very doubtful that the Commission would ever determine that BVES' renewable procurement results in disproportionate rate impacts.

Finally, the staff PEL proposal determines whether an IOU is excused from additional renewable procurement based on whether that additional procurement results in a de minimis rate impact. The de minimis rate impact assessment is satisfied and utilities may procure additional renewables if "incremental RPS procurement is available that has a positive net market value."⁷ Although the net market value methodology adopted in D.12-11-016 only applies to California's three largest IOUs, BVES is confident that a similar assessment by the Commission would determine that additional procurement of unbundled RECs by BVES would fall within the de minimis threshold and thereby be allowed.

Based on these considerations, at this time, it does not make sense to implement and adopt a PEL for BVES. The PEL would, in all likelihood, never be reached by BVES and continued procurement of unbundled RECs by BVES would almost certainly be determined not to cause a disproportionate rate impact or exceed a de minimis rate impact. However, the administrative complexities of implementing, adopting, and reporting information related to the PEL, by both BVES and the Commission, would be significant, particularly given BVES' limited customer base. Therefore, the most efficient and economical course of action at this time, to limit administrative burdens and associated costs that would be passed on to BVES' limited number of customers, is to exempt BVES from having to adopt a PEL.⁸

⁷ ALJ Ruling, p. 25.

⁸ In the unlikely event that unbundled REC prices significantly increase, or the RPS requirements are modified for BVES, BVES could, at that time, assess whether continued renewable procurement could potentially cause a disproportionate rate impact. If it appeared possible for renewable procurement to result in a disproportionate rate impact, BVES could, at that time, request that the Commission implement a PEL for BVES via a Tier 3 advice letter.

III. If the Commission Adopts a PEL for BVES, the PEL Must Reflect BVES' Unique Characteristics and Ability to Meet RPS Targets Using Unbundled RECs.

Although BVES believes it to be vastly simpler, more efficient, and more economical to exempt it from any requirement to adopt a PEL at this time, if the Commission does require a PEL for BVES, the PEL must reflect BVES' unique characteristics and requirements. For example, as renewable procurement for BVES will consist of unbundled RECs, RPS expenditures and the PEL budget would be significantly simpler to calculate. This will simplify proposed calculations in the staff PEL proposal, such as the methodologies for calculating actual and forecasted procurement from executed contracts or utility-owned generation.

Accordingly, the Commission could simply adopt a straightforward PEL proposal for BVES, based on the price of unbundled RECs. This approach would calculate the PEL as the average cost of an unbundled REC multiplied by BVES' procurement quantity requirement ("PQR"). This number could be set as the PEL budget for BVES, as it would accurately forecast the expected cost to meet the RPS PQR.

$$\text{PEL Budget} = \text{Unbundled REC Price} * \text{PQR}$$

Where the "Unbundled REC Price" is based on the average unbundled REC price in California, as determined by the Commission using publicly available information.

The recommended PEL approach above is advantageous as other inputs in the staff PEL proposal may not be appropriate for BVES. For example, the proposal relies upon an "incremental procurement 'need' [of] the [renewable net short] RNS."⁹ However, BVES is not required to provide an RNS calculation.¹⁰ Similarly, the proposal provides that "procurement

⁹ ALJ Ruling, p. 15.

¹⁰ See April 5, 2012 Assigned Commissioner's Ruling Identifying Issues and Schedule of Review for 2012 Renewables Portfolio Standard Procurement Plans Pursuant to Public Utilities Code Sections 399.11 et seq. and Requesting Comments on New Proposals, p. 7 (determining that BVES is "not required to provide the quantitative information described by section 6.5" or provide an RNS calculation); see also,

expenditures associated with the RNS calculation should be based on resource costs taken from a publicly available source, such as the RPS Calculator.”¹¹ However, the RPS Calculator is tailored to California’s three largest IOUs, not BVES. Furthermore, the proposal relies on “a standardized method to determine the net market value (NMV) of an RPS procurement contract.”¹² Again, the standardized methodology to calculate the NMV is only applicable to California’s three largest IOUs. Accordingly, if a PEL is adopted for BVES, it must be adjusted to account for these differences.

August 2, 2012 Administrative Law Judge’s Ruling (1) Adopting Renewable Net Short Calculation Methodology (2) Incorporating the Attached Methodology into the Record , and (3) Extending the Date for Filing Updates to 2012 Procurement Plans, Attachment A, p. 3 (adopting an RNS calculation methodology applicable to all retail sellers except for BVES and the other small IOU); *see also*, 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, p. 8 (finding that BVES is “not required to provide the quantitative information described by section 6.5” and did not need to provide an RNS calculation); *see also*, March 12, 2014 Joint Comments of Bear Valley Electric Service (U-913 E), a Division of Golden State Water Company, and Liberty Utilities (CalPeco Electric) LLC (U 933-E) on Staff Proposal for Revising the Methodology Used to Calculate the Renewable Net Short for Procurement to Meet the California Renewables Portfolio Standard.

¹¹ ALJ Ruling, p. 19.

¹² ALJ Ruling, p. 25.

IV. Conclusion

For the reasons enumerated above, the Commission should exempt BVES from any requirement to adopt a PEL at this time. If, however, the Commission does require a PEL for BVES, the PEL must recognize BVES' unique characteristics and RPS requirements and should be based upon the price of unbundled RECs. BVES looks forward to working with the Commission and other parties on this issue.

Dated: March 19, 2014

Respectfully submitted,

/s/

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VERIFICATION

I am the attorney for Bear Valley Electric Service (“BVES”), a division of Golden State Water Company, and am authorized to make this verification on its behalf. BVES is absent from the County of Sacramento, California, where I have my office, and I make this verification for that reason. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the forgoing is true and correct.

Executed on March 19, 2014 at Sacramento, California.

/s/
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