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)

REPLY COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES ON THE 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 PROGRAM

IRYNA A. KWASNY
Attorney for the Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Tel. (415) 703-1477
Fax: (415) 703-2262
Email: iryna.kwasny@cpuc.ca.gov

DAVID SIAO
COLIN RIZZO
ZHEN ZHANG
Analysts for the Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Tel: (415) 703-2719
Email: david.siao@cpuc.ca.gov

April 3, 2014

I. INTRODUCTION

The Office of Ratepayer Advocates (ORA) respectfully provides these comments in reply to opening comments on 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 Program (2014 Ruling). ORA recommends that:

- If a benchmark year is used to determine the Procurement Expenditure Limitation (PEL) budget, then adjustments must be made for annual Renewable Portfolio Standard (RPS) Procurement Quantity Requirements (PQRs);
- The cost of generic incremental RPS procurement should be included in the PEL budget;
- The Commission adopt SCE's proposed clarification to have overlapping PEL budgets and modify the Revised Staff Proposal to update the PEL budgets every five years; and
- The Commission adopt Staff's proposed Tier 3 Advice Letter review process to ensure that the Commission and stakeholders are adequately informed about an IOU's RPS performance.

II. DISCUSSION

A. If a benchmark year is used to determine the Procurement Expenditure Limitation (PEL) budget, then adjustments must be made for annual Renewable Portfolio Standard (RPS) Procurement Quantity Requirements (PQRs)

A key component of the Revised Staff Proposal is the PEL ratio: "an [Investor Owned Utility's] IOU's forecasted RPS procurement expenditures [numerator] relative to the IOU's forecasted total effective revenue requirement [denominator] over a 10-year period."[1] A second important element of the Revised Staff Proposal is the PEL budget, which is based on the numerator of the PEL ratio: "the IOU's total forecasted RPS procurement expenditures over the 10-year period, including incremental procurement needed to achieve and maintain the RPS procurement."[2]

[1] 2014 Ruling, pp. 4-5.

[2] 2014 Ruling, p. 5.

Southern California Edison (SCE) suggests that "data from the three previous years should be averaged, and used … in the denominator of the PEL Ratio."[3] The Large Users[4] similarly propose that "the basis for the benchmark year should be a three year historical average."[5] If the Commission chooses to use historical costs in the Revised Staff Proposal's methodology to determine the value of the PEL budget, then ORA recommends that the Commission adjust the annual budget amounts to account for the difference between the RPS PQR of that year and the PQR of the benchmark year, in order to maintain a realistic PEL budget.

For instance, assume the Commission is setting a budget for 2014-2023 (with PQRs ranging from 21.7 percent to 33 percent of retail sales) based on a benchmark year composed of the most recent three year historical average of 2010-2012 (which all have a PQR of 20 percent).[6] A budget based on a 20 percent PQR is unlikely to be sufficient for years with a larger PQR, such as 33 percent. The budget for each year in the 2014-2023 PEL budget must be adjusted to account for the percentage change between the benchmark year's RPS PQR and a budget year's PQR. Specifically, the budget from the benchmark year should be multiplied by a dividend, resulting from the PQR of a given budget year divided by the PQR of the benchmark year. Continuing the previous example, the years 2020-2023 have a PQR of 33 percent, while the benchmark years of 2010-2012 have a PQR of 20 percent. Therefore, for the years 2020-2023, the budget from the benchmark year would be multiplied by 1.65, or the dividend of 33 and 20 (the PQR of the budget year divided by the average PQR of the benchmark year, respectively, which in this case is 33 divided by 20 equals 1.65).

B. The Commission should include the cost of generic incremental RPS procurement in the PEL budget

The Revised Staff Proposal's PEL budget is comprised of three parts: the actual procurement expenditures from contracts and utility owned generation (UOG), the forecasted procurement expenditures from contracts and UOG, and the forecasted procurement

[3] SCE Opening Comments on 2014 Ruling, pp. 7-8.

[4] The Large Users consist of the California Large Energy Consumers Association (CLECA), the Energy Producers and Users Coalition (EPUC), and the California Manufacturers and Technology Association (CMTA).

[5] Large Users Opening Comments on 2014 Ruling, p. 6.

[6] Decision (D.) 11-12-020, pp. 2-3.

expenditures (or, costs associated with generic incremental procurement) to meet an IOU's renewable net short (RNS).[7] SCE is concerned that it may violate its PEL budget if its cost assumptions for generic incremental procurement are replaced by higher actual contract costs when such contracts are executed in the future. Therefore, SCE requests that "only actual incurred costs and forecasted costs based on executed contracts should be accounted [sic] against the PEL Budget."[8]

ORA opposes SCE's request because removing cost limitations for the RNS portion of its budget gives an IOU carte blanche for spending on incremental procurement which has not yet been contracted, and is contrary to a PEL budget's purpose of containing costs. If an IOU is unable to stay within its PEL budget for legitimate reasons, then the Commission may, among other actions, modify the IOU's PEL.[9] Further, the Revised Staff Proposal already addresses SCE's concerns. To address forecast error, the Revised Staff Proposal "includes an administrative process in the fourth year of the 10-year PEL period, when the renewable resource cost assumptions are updated."[10] Finally, SCE's proposed overlap in the 10 year budget, discussed below, would eliminate SCE's concern.

C. The Commission should adopt SCE's proposed clarification to have overlapping PEL budgets and modify the Revised Staff Proposal to update the PEL budgets every five years

SCE proposes that the Commission clarify that 10 year PEL budgets will be set every four years, resulting in overlapping PEL budgets.[11] Currently, the Revised Staff Proposal only updates the existing 10 year budget in its fourth year, so that "in the later years of a budget, IOUs would have no forward-looking budget information to reference when planning and contracting for future procurement activities."[12] ORA supports SCE's proposal that - in addition to updating the components of the current budget for the existing 10 year period with revised forecasts - an overlapping budget for the next 10 years should also be set. Adopting overlapping PEL budgets

---

[7] 2014 Ruling, pp. 14-15.
[8] SCE Opening Comments on 2014 Ruling, pp. 4-5.
[9] Senate Bill 2 (1X) (Simitian, 2011).
[10] 2014 Ruling, p. 10.
[11] SCE Opening Comments on 2014 Ruling, pp. 2-4.
[12] Id.

in this manner would allow for meaningful evaluation of the cost of future procurement while setting limits on renewable procurement costs.

However, ORA believes that setting a new PEL budget as well as updating the existing budget at five years rather than four is preferable. This would reduce complexity and administrative burden, as a five year cycle would result in only two active budgets at any given time, instead of the two or three which would result from a four year time frame. This would also be consistent with the Joint Parties' suggestion that a budget "be established for a ten-year period every five years."[13] Therefore, the Revised Staff Proposal should clarify that the update would take place at every five years and use updated budget numbers and establish overlapping PELs.[14]

D. The Commission should adopt Staff's proposed Tier 3 Advice Letter review process

The Joint Parties propose that an IOU seek a waiver from the Commission for further RPS procurement when it reaches 100 percent of its PEL.[15] San Diego Gas and Electric Company (SDG&E) argues that the Advice Letter review process proposed by Staff does "not serve the public's interest."[16]

ORA disagrees with the Joint Parties' proposal and SDG&E's argument. Allowing the IOU to attain 100 percent of its PEL *before* it seeks a waiver denies the Commission the opportunity to fulfill the legislative mandate of Senate Bill (SB) 2 (1X) and to protect ratepayers. SB 2 (1X) states that if a IOU cannot comply with the PEL, then the Commission may modify the IOU's PEL; investigate, and identify why the IOU exceeded its PEL; and notify the Legislature of its findings.[17] In order to comply with this mandate, the Commission must implement a review process to ensure that it is adequately and timely informed about an IOU's RPS performance *before* an IOU reaches its PEL, especially if the IOU is at risk of not maintaining its RPS requirements. The Commission should ensure a timely, adequate, and

---

[13] Joint Revised Alternate PEL Proposal, p. 8.
SCE Opening Comments on 2014 Ruling, p. 4.
[15] Joint Revised Alternate PEL Proposal, p. 11.
[16] SDG&E Opening Comments on 2014 Ruling, p. 11.
[17] Senate Bill 2 (1X) (Simitian, 2011).

transparent review process over an IOU's PEL to ensure that ratepayers are protected and the RPS requirements are maintained.

III. CONCLUSION

ORA reiterates its support for Staff's revised PEL methodology with the recommendations discussed in these reply comments.

Respectfully submitted,

/s/ IRYNA A. KWASNY

____

Iryna A. Kwasny

Attorney for the Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Tel. (415) 703-1477
Fax: (415) 703-2262
Email: iryna.kwasny@cpuc.ca.gov

April 3, 2014

VERIFICATION

I, Iryna A. Kwasny, am counsel of record for the Office of Ratepayer Advocates in proceeding R.11-05-005, and am authorized to make this verification on the organization's behalf. I have read the **REPLY COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES ON THE 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 PROGRAM** filed on April 3, 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 are true and correct.

Executed on April 3, 2014 at San Francisco, California.

/s/IRYNA A. KWASNY
Iryna A. Kwasny
Staff Counsel