

**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)

PUBLIC VERSION

**RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN OF
COMMERCE ENERGY, INC.**

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June 11, 2014

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Pursuant to the March 26, 2014 *Assigned Commissioner's Ruling Identifying Issues and Schedule of Review for 2014 Renewables Portfolio Standard Procurement Plans* (“Assigned Commissioner’s Ruling”), the May 21, 2014 *Administrative Law Judge’s Ruling on Renewable Net Short* (“RNS Ruling”), and the May 29, 2014 email ruling of Administrative Law Judge DeAngelis extending the deadline for Renewables Portfolio Standard (“RPS”) Procurement Plans until June 11, 2014, Commerce Energy, Inc. (“Commerce Energy”) submits the following Renewables Portfolio Standard (“RPS”) Procurement Plan. In accordance with the Assigned Commissioner’s Ruling, Commerce Energy provides the following responses to sections 6.1 through 6.4, 6.6, 6.12, and 6.14.

I. Responses to Assigned Commissioner’s Ruling

**A. Assessment of RPS Portfolio Supplies and Demand - § 399.13(a)(5)(A)
(Section 6.1 of the Assigned Commissioner’s Ruling)**

Section 6.1 of the Assigned Commissioner’s Ruling provides:

Provide a written description assessing annual and multi-year portfolio supplies and demand in relation to the RPS requirement, the RPS program, and the RPS program’s overall goals to determine the retail seller’s optimal mix of eligible renewable resources.

The assessment should consider, at a minimum, a 20-year time frame with a detailed 10-year planning horizon that takes into account both portfolio supplies and demand. This written description must include the retail seller's need for RPS resources with specific deliverability characteristics, such as, peaking, dispatchable, baseload, firm, and as-available capacity as well as any additional factors, such as ability and / or willingness to be curtailed, operational flexibility, etc.

This written description must also explain how the proposed renewable energy portfolio will align with expected load curves and durations, as well as how it optimizes cost, value and risk for the ratepayer. Where applicable, assessment should also identify and incorporate impacts of overall energy portfolio requirements (not just RPS portfolio requirements), recent legislation, other Commission proceedings (e.g. R-13-12-010, the long-term procurement plans proceeding), other agencies requirements, and other policies or issues that would impact RPS demand and procurement.

Additionally, the assessment should describe and incorporate RPS lessons learned over the past year, including RPS trends and potential future trends. Lastly, it must also explain how the quantitative analysis provided in response to section 6.5 supports the assessment.

Response of Commerce Energy:

Commerce Energy is not developing and does not own any renewable generation that would qualify under the California RPS program. Instead, Commerce Energy purchases renewable energy under third-party contractual agreements that will range from short-term to long-term contracts to meet its RPS procurement obligations, including the requirement to procure a minimum amount of long-term renewable contracts.

Commerce Energy does not typically forecast out 20 years as requested by the Assigned Commissioner's Ruling. Not only do Commerce Energy's internal systems not support a 20 year planning horizon, but Commerce Energy's load changes on a yearly basis as its load is fully

contestable, making any forecast more than a few years out incredibly speculative and effectively useless. Commerce Energy's load forecast process includes a five year historical analysis of past, current and future expected load, including factors such as climate, switching trends, demand response programs and the competitiveness of the market to determine final load forecasts. The final forecast is derived using combined data of customer billed historical usage and load profiles from the utility for non interval meters. For interval customers the forecast is derived from Settlement Quality Meter Data ("SQMD"). Furthermore, Commerce Energy's forecast includes an attrition rate and probability of drop.

With respect to the RPS program and RPS procurement planning, Commerce Energy will follow its typical process when projecting retail sales for RPS compliance purposes. Commerce Energy will purchase renewable energy on an annual basis based on projected sales, hedging against risks with other procurement options. This procurement process will account for the various portfolio content category requirements, and will ensure that Commerce Energy has sufficient procurement from each portfolio content category to satisfy the requirements of Public Utilities Code Section 399.16(c). Commerce Energy will seek to meet its resource adequacy ("RA") obligations through the procurement of non-renewable energy and will put little emphasis on what type of capacity or ancillary service characteristics are associated with its renewable procurement.

After the end of each year and each compliance period, Commerce Energy will true up its purchases and re-evaluate its retail sales data, to help ensure it will purchase and procure sufficient renewable energy to meet its RPS procurement and portfolio content category requirements, as well as other RPS requirements once they are finalized by the California Public Utilities Commission ("CPUC" or "Commission").

B. Project Development Status Update - § 399.13(a)(5)(D) (Section 6.2 of the Assigned Commissioner's Ruling)

Section 6.2 of the Assigned Commissioner's Ruling provides:

Provide a written status update on the development schedule of all eligible renewable energy resources currently under contract but not yet delivering generation. This written status update may rely upon the most recent filed Project Development Status Reports [footnote omitted] but it must elaborate upon these reports and should differentiate status updates based on whether projects are pre-construction, in construction, or post-construction. Providing a copy of the Project Development Status Report will not be a sufficient response. The status updates provided in the written description must be reflected in the quantitative analysis provided in response to section 6.5, below. Given this analysis, discuss how the status updates will impact the retail seller's net short and its procurement decisions for a 10-year planning horizon.

Response of Commerce Energy:

Commerce Energy is not currently developing any renewable facilities and is not under contract with any renewable facilities under construction. Additionally, Commerce Energy does not submit Project Development Status Reports. Accordingly, as there is no development update to report, development schedules will not impact Commerce Energy's net short or its procurement decisions.

C. Potential Compliance Delays - § 399.13(a)(5)(B) (Section 6.3 of the Assigned Commissioner's Ruling)

Section 6.3 of the Assigned Commissioner's Ruling provides:

Describe in writing any potential issues that could delay RPS compliance, including, but not limited to inadequate transmission capacity, delayed substation construction, financing, permitting, and the relationship, if any, to deliveries and project development delays. Describe the steps taken to account for and minimize these potential compliance delays. The potential compliance delays included in the written description must be reflected in the quantitative analysis provided in response to section 6.5. Given this analysis, discuss how the potential compliance delays will

impact the retail seller's RPS net short and its procurement decisions.

Response of Commerce Energy:

Potential issues that could delay RPS compliance such as inadequate transmission capacity, permitting delays, interconnection delays and other circumstances do not apply to Commerce Energy as Commerce Energy does not own generation. Renewable energy will be purchased from a third-party generator or seller on the open market to satisfy Commerce Energy's RPS procurement obligations. Long-term contracts and agreements will be set up with a reliable supplier and such contracts will allow Commerce Energy to shift purchases and make arrangements with other parties, if necessary, to ensure that Commerce Energy can remain compliant under the RPS program rules. Unless there is a market shortage on eligible RPS products, Commerce Energy sees no reason for a compliance delay.

D. Risk Assessment - § 399.13(a)(5)(F) (Section 6.4 of the Assigned Commissioner's Ruling)

Section 6.4 of the Assigned Commissioner's Ruling provides:

Provide a written assessment of the risk in the RPS portfolio in relation to RPS compliance requirements. Risk assessment should describe risk factors such as those described above regarding compliance delays, as well as, but not limited to, the following: lower than expected generation, variable generation, regulatory risk, resource availability (e.g., biofuel supply, water, etc.) and impacts to eligible renewable energy resource projects currently under contract. The risk assessment provided in the written description must be reflected in the quantitative analysis provided in response to section 6.5. Given this analysis, discuss how the risk assessment will impact the retail seller's net short and its procurement decisions. The written assessment must explain how quantitative analysis provided in response to section 6.5 supports this response.

Response of Commerce Energy:

Commerce Energy does not have any existing contracts with facilities in development or under construction so compliance delays will not impact Commerce Energy's ability to satisfy RPS procurement requirements. Risk factors such as lower than expected generation, variable generation, resource availability (e.g., biofuel supply, water, etc.), and other impacts to renewable resources are accounted for when Commerce Energy enters into a contract based on Commerce Energy's knowledge of market conditions and renewable energy markets or explicitly through contractual terms in the executed contracts between Commerce Energy and the renewable generation supplier.

E. “Minimum Margin” of Procurement - § 399.13(a)(4)(D) (Section 6.6 of the Assigned Commissioner’s Ruling)

See Commerce Energy's response in Section I.A above for a description of Commerce Energy's procurement planning and management strategies. Unlike California's investor-owned utilities, electric service providers (“ESPs”) like Commerce Energy are not subject to the statutory minimum margin of procurement set forth in Public Utilities Code Section 399.13(a)(4)(D). Accordingly, Commerce Energy will seek to procure renewable energy at the lowest possible cost to meet its RPS procurement obligations. The procurement efforts undertaken will consider the numerous requirements of the RPS program, including portfolio content category requirements, long-term contracting requirements, and restrictions on carrying forward certain procurement as excess procurement. Total RPS procurement obligations will be compared to and assessed against current and future load forecasts, market conditions and expectations, and other risk factors described above.

F. Important Changes to RPS Procurement Plan (Section 6.12 of the Assigned Commissioner's Ruling)

Section 6.12 of the Assigned Commissioner's Ruling provides:

A statement identifying and summarizing the important changes between the 2013 and 2014 RPS Procurement Plans must be included. This summary could be in a table or bullet point format, but it should not be a reprint of the two plans with strike-out and underlined inserts. In addition to identifying and summarizing the important changes, the plan should also include an explanation and justification of reasonableness for each important change from 2013 to 2014.

There are no important changes between Commerce Energy's 2013 RPS Procurement Plan and this 2014 RPS Procurement Plan.

G. Safety Considerations (Section 6.14 of the Assigned Commissioner's Ruling)

According to Section 6.14 of the Assigned Commissioner's Ruling, "all entities filing RPS Procurement Plans must incorporate a section on safety considerations." Commerce Energy contracts for the resources needed to meet its RPS procurement requirements, as described in this RPS Procurement Plan. While Commerce Energy may contract for some or all of the output from the RPS-eligible facilities, it does not physically or contractually own and/or operate any of the resources under contract. For Portfolio Content Category ("PCC") 1 and 2 products, the energy is delivered by the supplier pursuant to the rules applicable to the balancing authority. Commerce Energy does not have any responsibility for the safe transmission of energy. In the case of PCC-3 procurement, there can be no safety concerns as there is no energy conveyance. The owners and/or operators of the RPS-eligible resources have the responsibility for the operation of, and all safety considerations associated with the operation of, their facilities under the applicable laws. Commerce Energy has no responsibility or liability for the operation of the facility or for any other safety considerations associated with the operation of those resources

used to meet its wholesale contracts requirements. Therefore, to the best of its knowledge, there are no safety considerations for Commerce Energy to address in this RPS Procurement Plan.

II. Renewable Net Short

A. RNS Calculation

As described above, Commerce Energy's load is fully contestable and retail sales and procurement forecasts are highly speculative at best. Due to the speculative nature of any information provided, Commerce Energy maintains that any net short calculation will not provide sufficiently reliable or accurate information to help the Commission with any meaningful analysis. However, while Commerce Energy does not feel it is appropriate to provide any quantitative information at this time and questions the meaningfulness of any information provided, Commerce Energy provides its net short calculation using the standardized RNS reporting template, included as Appendix A.

It is important to note that many of the inputs and assumptions in the standardized RNS reporting template are only applicable to California's largest investor-owned utilities and do not apply to ESPs. Additionally, the CPUC has limited jurisdiction over ESPs and does not review or approve ESP procurement activities. As the CPUC lacks jurisdiction to require an ESP like Commerce Energy to provide information related to Commerce Energy's confidential internal business determinations, Commerce Energy only provides responses to the applicable sections of the RNS reporting template. Furthermore, given the fact that the standardized template was issued so late, and because the template lacked instructions, Commerce Energy is not providing information related to expiring contracts. Not only does the CPUC already have such information, as provided in Commerce Energy's annual RPS compliance report, but the

Assigned Commissioner's Ruling notes that expiring contract information is only required by the investor-owned utilities.¹

B. Confidentiality

Commerce Energy's RNS calculation provided in Appendix A is redacted to protect confidential information in the public version of Commerce Energy's RPS Procurement Plan. On June 28, 2013, Commerce Energy filed the *Motion of Commerce Energy, Inc. for Leave to File Confidential Material Under Seal* and requested confidential treatment for portions of its 2013 RPS Procurement Plan.² Commerce Energy's 2013 RPS Procurement Plan was approved by the CPUC in D.13-11-024.³ D.08-04-023 concluded that:

An ESP or IOU need not seek confidentiality of regular compliance filings every time it files, but only the first time. The ESP or IOU may simply cite a prior ruling or motion when making subsequent compliance filings. Where the ESP or IOU makes a compliance filing that is not initially accompanied by a motion – e.g., where the filing is made with the Energy Division – the ESP/IOU need only refer back to the initial showing it made to Energy Division in seeking confidentiality for subsequent filings of the same information.⁴

In accordance with D.08-04-023, Commerce Energy references its June 28, 2013 motion and RPS Procurement Plan to support its request to protect and redact confidential information in Appendix A of the public version of its RPS Procurement Plan. Additionally, Commerce Energy has redacted information provided in grey fields of the RNS template in accordance with instructions from Energy Division that such fields are confidential.

¹ See Assigned Commissioner's Ruling, Section 6.10.

² Commerce Energy's June 28, 2013 motion is available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M071/K162/71162291.PDF>.

³ See D.13-11-024, p. 62 and Ordering Paragraph 27.

⁴ D.08-04-023, Ordering Paragraph 9.

C. Responses to Questions in the RNS Ruling

- 1. RPS Compliance Risk – How do current and historical performance of online resources in your RPS portfolio impact future projections of RPS deliveries and your subsequent RNS?**

Commerce Energy hedges purchases of renewable energy against risks, including performance risks. Commerce Energy has not encountered, and does not expect, any performance issues to impact its RNS in the future.

- 2. RPS Compliance Risk – Do you anticipate any future changes to the current bundled retail sales forecast? If so, describe how the anticipated changes impact the RNS.**

Yes. Although Commerce Energy's retail sales loads are fully contestable and likely to change, Commerce Energy will continue to procure to meet its loads and does not anticipate any impacts to its RNS.

- 3. RPS Compliance Risk – Do you expect curtailment of RPS projects to impact your projected RPS deliveries and subsequent RNS?**

Commerce Energy does not expect curtailment to impact deliveries or its RNS.

- 4. RPS Compliance Risk – Are there any significant changes to the success rate of individual RPS projects that impact the RNS?**

Commerce Energy is not currently developing any renewable facilities and is not under contract with any renewable facilities under construction.

- 5. RPS Compliance Risk – As projects in development move towards their COD, are there any changes to the expected RPS deliveries? If so, how do these changes impact the RNS?**

Commerce Energy is not currently developing any renewable facilities and is not under contract with any renewable facilities under construction.

- 6. RECs above the PQR – What is the appropriate amount of RECs above the PQR to maintain? Please provide a quantitative justification and elaborate on the need for maintaining banked RECs above the PQR.**

For ESPs like Commerce Energy, this is a confidential internal business decision that is not subject to CPUC jurisdiction or oversight.

- 7. RECs above the PQR –What are your strategies for short-term management (10 years forward) and long-term management (10-20 years forward) of RECs above the PQR? Please discuss any plans to use RECs above the PQR for future RPS compliance and/or to sell RECs above the PQR.**

For ESPs like Commerce Energy, this is a confidential internal business decision that is not subject to CPUC jurisdiction or oversight.

- 8. VMOP – Provide VMOP on both a short-term (10 years forward) and long-term (10-20 years forward) basis. This should include a discussion of all risk factors and a quantitative justification for the amount of VMOP.**

For ESPs like Commerce Energy, this is a confidential internal business decision that is not subject to CPUC jurisdiction or oversight.

- 9. VMOP – Please address the cost-effectiveness of different methods for meeting any projected VMOP procurement need, including application of forecast RECs above the PQR.**

For ESPs like Commerce Energy, this is a confidential internal business decision that is not subject to CPUC jurisdiction or oversight.

10. Cost-effectiveness – Are there cost-effective opportunities to use banked RECs above the PQR for future RPS compliance in lieu of additional RPS procurement to meet the RNS?

For ESPs like Commerce Energy, this is a confidential internal business decision that is not subject to CPUC jurisdiction or oversight.

11. Cost-effectiveness – How does your current RNS fit within the regulatory limitations for PCCs? Are there opportunities to optimize your portfolio by procuring RECs across different PCCs?

Commerce Energy will seek to procure renewable energy at the lowest possible cost to meet its RPS procurement obligations. The procurement efforts undertaken will consider the numerous requirements of the RPS program, including portfolio content category requirements, long-term contracting requirements, and restrictions on carrying forward certain procurement as excess procurement. Total RPS procurement obligations will be compared to and assessed against current and future load forecasts, market conditions and expectations, and other risk factors described above.

III. Conclusion

In accordance with the Assigned Commissioner's Ruling and the RNS Ruling, Commerce Energy provides this RPS procurement plan. As described herein, Commerce Energy plans to fully comply with and meet the RPS procurement, portfolio content category product, and other RPS requirements going forward. Commerce Energy looks forward to working with the Commission on these issues and helping California meet its renewable goals.

Dated: June 11, 2014

Respectfully submitted,



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APPENDIX A

COMMERCE ENERGY, INC. RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN

RNS STANDARDIZED REPORTING WORKBOOK

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
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Note: Fields in grey are protected as Confidential under CPUC Confidentiality Rules

Note: Values are shown in GWhs

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3	2019 Forecast	2020 Forecast	2017-2020	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast	2032 Forecast	2033 Forecast
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5																
6	160	136	707	123	110	99	89	80	76	73	69	66	62	59	56	53
7	31.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
8	50	45	209	40	36	33	29	27	25	24	23	22	21	20	19	18
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25	0.012477463	0.014679438	0.011316025	0.016310553	0.018122837	0.020136526	0	0	0	0	0	0	0	0	0	0
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Facility Name	Technology	Contract Expiration Date	MW	Expected Annual Generation (GWh)	Location	PCC Classification
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VERIFICATION

I am an officer of the reporting corporation herein, and am authorized to make this verification on its behalf. 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 June 11, 2014 at La Palma, California.



Blake Lasuzzo, Vice President, Supply