

**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
BEAR VALLEY ELECTRIC SERVICE (U 913-E), A DIVISION OF
GOLDEN STATE WATER COMPANY**

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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, Bear Valley Electric Service (U 913-E) (“BVES”), a division of Golden State Water Company (“GSWC”), submits the following RPS Procurement Plan. In accordance with the Assigned Commissioner’s Ruling, BVES provides the following responses to sections 6.1 through 6.4, 6.6, 6.8, 6.9, 6.11, 6.13 and 6.14. Additionally, in accordance with the RNS Ruling, BVES includes its Renewable Net Short (“RNS”) calculation and responses to questions on the RNS.

I. Background and Summary of Renewable Competitive Solicitation Efforts of BVES

BVES has long sought to meet its RPS procurement targets and will continue to strive to meet the new RPS targets established by the California Public Utilities Commission (“Commission” or “CPUC”). Between 2006 and 2012, BVES issued seven requests for proposals (“RFPs”) that included requests for renewable energy and/or renewable energy credits

(“RECs”); the most recent RFP seeking RPS-eligible products was issued June 29, 2012.¹

Unlike the 2011 REC-only RFP, the June 2012 RFP for RECs also sought pre-2011 volumes in addition to its current and future compliance period needs so that BVES could fulfill its shortfalls (deficits) from the twenty percent-by-2010 RPS era as promulgated by Decision 12-06-038. In addition to the pre-2011 shortfall, BVES sought a ten-year contract beginning in 2013 and ending no sooner than December 31, 2023 to meet its RPS procurement obligations.

To allow for full compliance on an annual basis,² in its 2012 RFP BVES sought to procure both “Base” RECs and “Option” RECs. Base RECs represent RECs that BVES is obligated to purchase and is confident will be needed to meet its RPS requirement. Option RECs represent an additional amount of RECs that BVES may need to supplement the Base RECs to account for fluctuations in retail load. Given that BVES is able to utilize RECs for all RPS obligations, the one-contract approach seemed like an attractive, highly valuable goal that would benefit customers. On February 12, 2013 GSWC, on behalf of its BVES division, filed Advice Letter 277-E with respect to its RPS agreement for the purchase of RECs. On July 29, 2013 the Commission issued Resolution E-4604 approving BVES’ Advice Letter 277-E and BVES’ ten year REC-only contract with Iberdrola Renewables, LLC (“Iberdrola”). Commencing in 2013, the contract with Iberdrola is intended to fully satisfy BVES’ RPS requirements through year 2023 (including past deficits and procurement obligations).

¹ BVES issued two RFPs in 2011 and one in 2012; the second 2011 RFP and the 2012 RFP requested REC-only offers and did not invite bidders to submit bundled RPS energy offers.

² D.12-06-038 does not enforce annual requirements but sets goals; RPS compliance will formally be determined by compliance period (e.g. 2011-2013, 2014-2016 and 2017-2020).

II. RPS Procurement Plan – BVES 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 requests retail sellers to:

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 wells 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.

1. Assessment of annual and multi-year portfolio supplies and demand in relation to RPS requirements, the RPS program, and the RPS program's overall goals.

BVES' past and future RPS procurement plans take full advantage of RECs to meet its RPS obligations. As stated in its 2012 and 2013 RPS Procurement Plans, BVES, in consultation with top management from GSWC, determined a multi-pronged strategy for RPS compliance:

1. BVES pursued and the Commission approved REC-only transactions for RPS compliance. The impetus for this component of the strategy lies mainly in the fact that BVES is permitted the unrestricted use of unbundled RECs in SB 2 (IX) as resolved in Decision 11-01-025. The REC decision verified BVES' exemption from the procurement cap imposed on other California retail sellers.
2. SB 2 (IX) expanded the RPS program to 33% by 2020 and exempted BVES from the quantity requirements of the different portfolio content categories or "buckets" of RPS products.³ These changes enable BVES to use RECs for 100% of its RPS compliance.
3. Unlike bundled renewable energy which can be subject to intermittent production, and thus delivery, RECs will more easily be incorporated into BVES' supply portfolio. Therefore, RECs present the "least cost, best fit" ("LCBF") RPS product option for BVES' RPS compliance.⁴ The RPS statute requires utilities to select renewable resources that are least cost, including the direct costs of renewable energy generation and any indirect costs due to integration of the resource and needed transmission investment. In addition, utilities are required to consider renewable resources that best fit their system needs.

BVES sought and obtained approval of a long term (ten year) REC-only contract intended to fully satisfy BVES' RPS requirements through year 2023 beginning in 2013 (including past deficits and procurement obligations). As contract expiration nears, BVES will forecast its retail sales to determine its RPS needs beyond the expiration of its ten year contract. In the event there are changes to the RPS program that alter RPS procurement obligations, BVES

³ BVES filed comments on October 27, 2011 supporting the CPUC's interpretation of SB 2 (IX) exempting BVES from adhering to the product content category requirements. BVES' comments are available at <http://docs.cpuc.ca.gov/efile/CM/146454.pdf>.

⁴ LCBF criteria were determined in Decision 04-07-029.

will reflect any changes in its RPS procurement plan with the CPUC and act on that plan, including issuance of RFPs, to best ensure RPS compliance.

2. BVES' need for resources with specific deliverability characteristics, including peaking, dispatchable, baseload, firm, as-available, and ability or willingness to be curtailed and operational flexibility.

While the RPS procurement obligation is an energy-based requirement, because BVES can utilize RECs to meet its RPS procurement requirements, there is no need to secure procurement from resources with specific delivery or operational characteristics. BVES will meet its resource adequacy ("RA") requirements through traditional generation procurement. BVES will continue to procure and schedule energy deliveries with the California Independent System Operator ("CAISO"), procuring conventional energy and Ancillary Services.

3. Description of how procurement will meet BVES' load forecasts and address overall energy portfolio requirements, recent legislation, other Commission proceedings, other agency requirements, and other policies or issues that would impact RPS demand and procurement.

Under its existing contract, BVES plans to procure sufficient RPS-eligible RECs to meet its forecasted targets for each multi-year compliance period. Under the existing RPS program, certain procurement from short term contracts and § 399.16(b)(3) procurement cannot be carried forward from one compliance period to the next. Accordingly, BVES will seek to avoid over-procuring any Category 3 RECs from short term contracts to avoid the risk of stranded procurement, or resell surplus procurement if such transactions can be timely completed.

As stated above, because BVES can utilize RECs to meet its entire RPS procurement obligation, procurement will not impact BVES' overall energy portfolio or the requirements related to that portfolio.

4. RPS lessons learned over the past year, including RPS trends and potential future trends.

As described above, BVES is exempted from meeting the portfolio content category requirements and has used its traditional LCBF process to procure cost-effective RECs to meet its RPS targets. Based on BVES' ability to meet its RPS procurement obligations economically with a single contract, BVES does not have any important lessons or trends to report apart from continuing to support the requirements applicable and flexibility provided to BVES to ensure RECs can be procured economically to limit costs to ratepayers.

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 asks retail sellers to:

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.

1. Update on development schedule for resources not yet online.

BVES does not have any contracts with renewable energy resources that are not yet capable of delivering generation. BVES has a long-term contract (approved per Resolution E-4604) for firm⁵ RECs, which will be generated by existing, online facilities in the Western Electricity Coordinating Council ("WECC").

⁵ Firm RECs are not unit contingent.

2. Impact of schedule on BVES' net short and procurement decisions.

As BVES is not contracting with any projects under development, the project development schedule will not impact BVES' ability to meet its RPS procurement obligations. BVES' approved contract will allow sufficient resources already online to supply BVES the amount of RECs forecast for RPS compliance.

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.

1. Description of potential issues that could delay RPS compliance.

BVES' may utilize RECs for 100% of its RPS compliance and currently has an approved ten year REC-only contract that is anticipated to fully satisfy BVES' RPS requirements through year 2023. Therefore, having obtained CPUC approval for its ten year REC contract BVES' has minimized the risk of failing to meet RPS procurement obligations under the current regulatory regime. BVES strongly believes that its RPS contract is good for its ratepayers because RECs are much less costly than bundled RPS energy and will keep administration costs to a minimum. One risk BVES faces that could interfere with compliance is having "all its eggs in one basket" with one counterparty. If the counterparty fails to deliver or perform, then BVES' RPS compliance would be in jeopardy. It is important to note that BVES has attempted to address

this risk through contractual language and by the selection of an established entity in the RPS market. Given its small size and limited resources, and most importantly minimizing ratepayer costs, BVES believes the one-contract approach is an appropriate strategy to achieve RPS compliance.

2. Description of steps taken to minimize compliance delays.

As part of its bid evaluation process under the 2012 RFP for RECs (discussed in Section II above), BVES considered risk factors that included the ability to hold the price for a certain time period, the credit quality of the counterparty, and an understanding of the CPUC regulatory process for RPS-obligated IOUs. BVES determined that the successful bidder and counterparty to its ten year REC contract offered the least amount of risk with respect to BVES achieving RPS compliance. Resolution E-4604 approved BVES' long-term REC-only contract, so BVES anticipates that it will not face any compliance delays.

3. Description of the impact of delays on BVES' net short and procurement decisions.

Although BVES does not anticipate any delays in meeting its RPS procurement obligations, it must be noted that compliance delays are less likely to impact BVES based on BVES' ability to use RECs to meet its RPS procurement requirements. Therefore, BVES does not expect any delays or impacts to its net short or procurement processes.

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 asks retail sellers to provide the following:

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.

1. Assessment of risk in the RPS portfolio in relation to RPS compliance.

As discussed in Section IV above, BVES has contracted for a long-term REC-only transaction that has been approved. With statute and CPUC rules permitting BVES to use RECs for 100% of its RPS compliance, there is little risk to BVES' RPS portfolio in relation to its RPS compliance. Additionally, BVES' long-term REC-only contract is not dependent on any one resource or project. Instead, any CEC-certified Eligible Renewable Energy Resource ("ERR") whose output qualifies for the California RPS program can be the source of the RECs used by BVES to achieve RPS compliance. As a result, BVES faces little to no risk that a project under contract will be delayed or terminated. If a project were delayed or terminated, Iberdrola can obtain RECs from other CEC-certified RPS facilities to provide BVES.

2. Impact of risk on BVES' net short and procurement decisions.

Contract failure would adversely impact BVES' net short and cause BVES to alter its procurement decisions in the future. Similarly, any regulatory changes that disallowed BVES from meeting its RPS procurement obligations using 100% RECs would adversely impact BVES' net short and require new procurement decisions going forward.

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

Section 6.6 of the Assigned Commissioner’s Ruling asks retail sellers to provide the following:

[A] methodology and inputs regarding the utility’s proposed minimum margin of over-procurement metric. The methodology should be representative of and consistent with the utility’s inputs and assumptions in section 6.5. Also, the metric should be used to calculate the utility’s procurement needs pursuant to section 6.5. Additionally, use of any sensitivities or scenarios should be described. If the utility’s assumed minimum margin of over-procurement is not used to calculate a utility’s net short provided in response to section 6.5, then the utility should clearly describe the reasons and any assumptions or other additional methodologies used to calculate the utility’s proposed over-procurement. Reasons and assumptions should be supported with quantitative information to the extent possible.

Although the Assigned Commissioner’s Ruling provides that BVES’ RPS Procurement Plan should provide the information required in section 6.6,⁶ section 6.6 itself provides that only “PG&E, SCE, and SDG&E [are directed] to identify in their proposed 2014 RPS Procurement Plans the assumed minimum margin of procurement above the minimum procurement level.”⁷ Additionally, section 6.6 seeks a methodology and inputs regarding the utility’s proposed minimum margin of over-procurement consistent with the inputs and assumptions in section 6.5. BVES is not required to provide the quantitative information described in section 6.5.⁸ Based on this direction in the Assigned Commissioner’s Ruling, BVES does not believe that the Commission intended for BVES to address this issue. Nevertheless, BVES provides the following response regarding the “minimum margin” of procurement.

⁶ Assigned Commissioner’s Ruling, p. 8.

⁷ *Id.* at § 6.6, p. 13.

⁸ *Id.* at p. 8.

As described above, BVES has entered into a contract with Iberdrola in order to fully satisfy its RPS procurement obligations. Due to the limitations on “banking” excess unbundled RECs, and BVES’ goal to minimize costs to its ratepayers, BVES intends to procure sufficient RECs to meet its RPS requirements and will seek to minimize and avoid the over-procurement of RECs to meet RPS procurement targets. If the amount of RECs BVES retires in a compliance period exceeds its RPS targets, those RECs would be ineligible for banking forward to a future compliance period and would accordingly result in unnecessary stranded costs for BVES’ ratepayers. Accordingly, BVES does not plan to procure RECs in excess of its RPS procurement targets. Instead, as described above, BVES’ contract for RECs includes “base” RECs and “option” RECs to ensure that BVES has the capability to address fluctuations in retail sales and corresponding RPS targets and procure sufficient RECs to meet its RPS procurement obligations.

F. Consideration of Price Adjustment Mechanisms - § 399.13(a)(5)(E) (Section 6.8 of the Assigned Commissioner’s Ruling).

Section 6.8 of the Assigned Commissioner’s Ruling asks retail sellers to provide the following:

[D]escribe how price adjustments (e.g., index to key components, index to Consumer Price Index, price adjustments based on exceeding transmission or other cost caps, etc.) will be considered and potentially incorporated into contracts for RPS-eligible projects with online dates occurring more than 24 months after the contract execution date. Discuss how the price adjustments will maximize value for ratepayers and minimized potential risks to ratepayers.

As described above, BVES has entered into a contract to satisfy all of its RPS procurement obligations through 2023 and accordingly does not anticipate a need for additional contracts prior to the expiration of its current RPS contract. BVES’ approved contract includes fixed prices through 2023 and does not contain price adjustment mechanisms. By their very nature, fixed prices translate into a quantifiable low risk to ratepayers. Furthermore, because

unbundled RECs are likely to be the least expensive of the portfolio content category products, value for BVES' ratepayers is maximized. Additionally, the contract utilizes facilities that are already existing and online. Accordingly, this issue is inapplicable to BVES as BVES will not utilize price adjustments in its existing RPS contract.

G. Cost Quantification (Section 6.9 of the Assigned Commissioner's Ruling).

Section 6.9 of the Assigned Commissioner's Ruling asks retail sellers to provide the following:

To support the Commission's reporting to the Legislature pursuant to §§ 836 and 910, PG&E, SCE, SDG&E, BVES, Liberty Utilities LLC, and PacifiCorp are required to include the information described in Table A, below, in their proposed 2014 RPS Procurement Plans.

BVES' information regarding cost quantification is included in Table A, below.

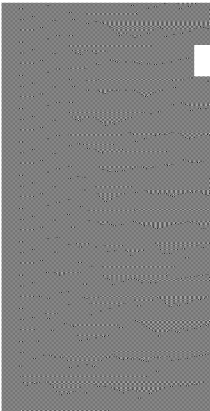
**Table A
RPS Procurement Information Related to Cost Quantification**

Row	Item	Description
1.	Actual Direct Expenditures – per year	2003-2011: \$0 <div style="background-color: black; width: 100%; height: 20px; margin: 5px 0;"></div> 2014: \$ 0 (through March 26, 2014)
2.	Actual REC Procurement (MWh) – per year	2003-2011: 0 MWh 2012: 1) 2,231 MWh; Technology: Landfill gas-to-energy; ¹¹ 2)10,827 MWh; Technology: Landfill gas-to-energy [REC-only] 2013: 131,790 MWh ¹²

⁹ Energy delivered in 2011 and RECs transferred to BVES' active WREGIS sub-account in 2012

¹⁰ Due to the timing of payments, BVES paid in 2014 an additional [REDACTED] for RECs retired in 2013 for the 2013 compliance year. However, since the payment was made in 2014 the dollar amount is not included in row one above. Additionally, the dollar amount includes payment for RECs used to satisfy pre-2011 and 2011-2013 RPS obligations.

¹¹ Ibid.

		2014: 0 MWh (through March 26, 2014)
3.	Forecast Direct Expenditures – per year	 2024: \$0 2025: \$0 2026: \$0 2027: \$0 2028: \$0 2029: \$0 2030: \$0
4.	Forecast REC Procurement (MWh) – per year	2013: 131,790 2014: 32,655 2015: 35,837 2016: 38,865 2017: 42,425 2018: 45,444 2019: 48,455 2020: 51,661 2021: 51,640 2022: 51,594 2023: 51,617 2024: 0 2025: 0 2026: 0 2027: 0 2028: 0 2029: 0 2030: 0

¹² The amount of RECs/MWh shown includes RECs procured to satisfy remaining pre-2011 and 2011-2013 RPS obligations.

5.	Incremental Rate Impact – per year ¹³	\$/kWh 2003-2011: \$0 2012: \$0 2013: \$0 2014: \$0 2015: \$0 2016: \$0 2017 ¹⁴ : \$.00148 2018: \$.00105 2019: \$.00019 2020: \$.00019 2021: \$.00103 2022: \$.00000 2023: \$.00000 2024 ¹⁵ : \$.00000 2025: (\$.00016) 2026: \$.00000 2027: \$.00000 2028: \$.00000 2029: \$.00000 2030 ¹⁶ : \$.00000
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H. Imperial Valley (Section 6.11 of the Assigned Commissioner’s Ruling).

Section 6.11 of the Assigned Commissioner’s Ruling “direct[s] PG&E, SCE, and SDG&E to report on the Imperial Valley results from the 2013 solicitation.” Notably, this directive does not and should not apply to BVES. Although elsewhere the Assigned Commissioner’s Ruling directs BVES to provide the information required in section 6.11,¹⁷

¹³ Assumes a continued 33% requirement and a REC price equal to the price BVES will pay in the tenth year of its ten year contract for years 2024-2030.

¹⁴ BVES will file to adjust amortization rate in its 2017 GRC; this will include amortization of all REC costs from 2012 through 2016 effective 1/1/2017

¹⁵ Years 2017 to 2024 assume that BVES adjusts amortization rate annually.

¹⁶ Years 2025 to 2030 assume that BVES exactly meets RPS requirements.

¹⁷ Assigned Commissioner’s Ruling, p. 8.

BVES believes this directive to be a misstatement. However, whether or not the Commission intended Section 6.11 to apply to BVES, BVES has no results to report.

I. Redlined Copy of Plans Required (Section 6.13 of the Assigned Commissioner’s Ruling).

The Assigned Commissioner’s Ruling requires that “[t]he IOUs must provide a redlined copy for the Commission’s Energy Division Staff, the ALJ and any party who requests a copy.” In accordance with the Assigned Commissioner’s Ruling, BVES is separately providing a version of its 2014 RPS Procurement Plan that is “redlined” to identify changes from its 2013 RPS Procurement Plan to Energy Division Staff and the ALJ. If any party requests a copy of the redlined version, BVES will provide them with a copy.

J. 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.” Section 451 of the Public Utilities Codes provides, in part that:

Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities, as defined in Section 54.1 of the Civil Code, as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.

On July 29, 2013, the Commission issued Resolution E-4604 approving BVES’ Advice Letter 277-E and BVES’ ten year REC-only contract with Iberdrola. Beginning in 2013, the contract with Iberdrola fully satisfied BVES’ RPS requirements through year 2023 (including past deficits and procurement obligations).

BVES assessed the terms and conditions of its contract with Iberdrola and concluded that it is consistent with the provisions of Public Utilities Code Section 451. By entering into a REC-

only contract to meet its RPS obligations, BVES is contributing to the State's RPS goals.

Overall, meeting RPS goals has a positive effect on public health.

Because the contract between Iberdrola and BVES involves only the purchase of unbundled RECs by BVES (and not physical power), there will be no impact on BVES' delivery of energy to its customers nor its energy portfolio, including the planning and administration of physical power supply contracts. Additionally, the contract does not require a change in facility operations at BVES since the unbundled RECs originate from facilities not interconnected with BVES' utility system. As such, the contract will not interfere with the safe operation of BVES facilities nor will it adversely affect safety and reliability of service. Further, the contract does not alter existing agreements or any facility operations. Because the contract does not require a change in facility operations, there are no incremental safety implications associated with this agreement beyond the status quo; therefore the contract will not adversely affect the public's health and safety.

III. RPS Procurement Plan – Renewable Net Short

On July 6, 2012, BVES submitted a motion requesting that it be exempted from any obligation to provide an RNS calculation.¹⁸ Additionally, on March 12, 2014, along with Liberty Utilities (CalPeco Electric) LLC ("Liberty Utilities"), BVES submitted joint comments on the staff proposal for revising the methodology to calculate the RNS.¹⁹ BVES' motion and the joint comments explained why the Commission should exempt BVES from any obligation to provide an RNS calculation. Although the Commission has never responded directly to BVES' motion,

¹⁸ BVES' July 6, 2012 Motion is available at <http://docs.epuc.ca.gov/PublishedDocs/EFILE/MOTION/170208.PDF>.

¹⁹ The March 12, 2014 joint comments are available at <http://docs.epuc.ca.gov/PublishedDocs/Efile/G000/M089/K095/89095026.PDF>.

the Commission has historically exempted BVES from having to provide an RNS calculation, and should continue to do so going forward.

Accordingly, BVES was pleased to see that the Assigned Commissioner’s Ruling provides that BVES’ RPS Procurement Plan “should be tailored to the limited customer base and the limited resources of a small utility” and therefore BVES is “not required to provide the quantitative information described in section 6.5.”²⁰ This quantitative information includes “quantitative data, methodologies, and calculations relied upon to assess [BVES’] RPS portfolio needs and *RPS procurement net short*.”²¹ However, the RNS Ruling ignores the clear language of the Assigned Commissioner’s Ruling exempting BVES from having to provide an RNS calculation and requires that *all* retail sellers provide such a calculation, in addition to other information related to the RNS. The RNS Ruling and the updated staff methodology for calculating the RNS (“Staff Methodology”) fail to address BVES’ motion or March 12, 2014 comments. Additionally, neither the RNS Ruling nor the Staff Methodology provides any explanation or justification as to why BVES should now be required to provide an RNS calculation. BVES maintains that it should not be required to provide an RNS calculation, for the reasons presented in its motion and comments, incorporated herein by reference. However, based on instructions from Commission staff and ALJ DeAngelis, BVES provides an RNS calculation as required in the RNS Ruling.

A. RNS Standardized Reporting Template

As required by the RNS Ruling, BVES provides the standardized reporting template for its RNS attached hereto as Appendix A. As described in BVES’ March 12, 2014 comments, many of the inputs and assumptions used in the standardized template are tailored to California’s

²⁰ Assigned Commissioner’s Ruling, p. 8.

three largest investor-owned utilities (“IOUs”). For example, the Annual Bundled Retail Sales Forecast relies on the Long-Term Procurement Plan (“LTPP”) proceedings and LTPP procurement plans, from which BVES has been exempted.²² BVES’ exemption from the LTPP proceeding is based upon, among other things, the disproportionate impact participation in the proceeding would have on its customers. Additionally, the “Pre-approved Generic RECs” input uses “pre-approved RPS procurement programs such as: Renewable Auction Mechanism (RAM) solicitations, Renewable Feed-in-Tariff (FIT), SB 1122, and Solar Photovoltaic Programs (SPVP)”, all of which do not apply to BVES.²³ Accordingly, the standardized reporting template does not make sense when applied to BVES. For these reasons, and as instructed by Commission staff, BVES will leave the inapplicable sections of the template blank or populate the template to the best of its ability based on BVES’ own internal estimates and forecasts.

B. BVES Response to Questions on the RNS

In accordance with the RNS Ruling, BVES provides the following responses to questions posed in Appendix D of 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?

BVES does not anticipate any difficulties securing RECs under its approved long-term REC-only transaction and does not envision any impacts to REC deliveries or its RNS. As BVES is permitted to use unbundled RECs to satisfy 100% of its RPS obligations, there is little risk to BVES’ RPS portfolio in relation to its RPS compliance. Additionally, BVES’ long-term REC-only contract is not dependent on any one resource or project. Instead, any ERR whose

²¹ *Id.* at 12, emphasis added.

²² *See* Resolution E-4232 (exempts BVES from the filing of procurement plans).

output qualifies for the California RPS program can be the source of the RECs used by BVES to achieve RPS compliance. As a result, BVES faces little to no risk to satisfy RPS obligations through REC deliveries and does not anticipate any impact to its RNS.

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.

BVES anticipates increases in future bundled retail sales forecasts, as outlined in its RNS calculation attached hereto as Appendix A. However, based upon BVES' ability to satisfy RPS procurement obligations using unbundled RECs, as well as the flexibility provided to BVES under its approved REC-only contract, BVES anticipates that it will continue to satisfy its RPS procurement obligations with no impact to its RNS.

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

As BVES' long-term REC-only contract is not dependent on any one resource or project, curtailment of any one resource should not impact projected RPS deliveries and BVES' subsequent RNS.

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

BVES does not have any contracts with renewable energy resources that are not yet capable of delivering generation, so success rates of individual RPS projects will not impact BVES' RNS.

²³ See Staff Methodology, App. B.

- 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?**

BVES does not have any contracts with projects in development.

- 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.**

Due to the limitations on “banking” excess unbundled RECs, and BVES’ goal to minimize costs to its ratepayers, BVES will seek to minimize the amount of RECs above its PQR and only intends to procure sufficient RECs to meet its RPS requirements, as described in Section II.E, above.

- 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.**

See BVES’ response to question 6 above.

- 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.**

BVES’ approved long-term REC-only contract is designed to minimize risk and provide BVES the flexibility to meet its entire RPS procurement obligations. BVES is not contracting with any facilities that are not already operating and has the ability to procure RECs from various ERRs to meet its procurement obligations. Furthermore, due to the restrictions on carrying forward excess unbundled RECs from one compliance period to another, BVES will minimize over-procuring RECs. Accordingly, BVES will minimize any VMOP.

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.

It is most cost-effective for BVES to meet its entire procurement obligations using unbundled RECs, which minimizes BVES' need to over-procure.

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?

Yes. As described in BVES' February 21, 2013 petition for modification of D.12-06-038, submitted jointly with PacifiCorp and Liberty Utilities,²⁴ if the RPS rules are modified to properly account for the treatment of excess procurement to account for the unique RPS procurement requirements of California's small and multi-jurisdictional utilities, BVES will have the opportunity to bank prior bundled procurement and apply such procurement to future RPS compliance obligations, thereby avoiding additional RPS procurement. Accordingly, the Commission should approve the February 21, 2013 petition for modification.

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?

BVES is “not subject to the requirements and limitations [on] the use of procurement in each portfolio content category.”²⁵ Accordingly, BVES may meet its entire RPS procurement obligations using unbundled REC procurement. BVES' optimal portfolio to minimize costs to its ratepayers is to satisfy its entire RPS procurement obligation utilizing unbundled RECs, as allowed under the RPS rules.

²⁴ The petition for modification is available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M042/K159/42159935.PDF>.

²⁵ D.11-12-052, p. 63; *see also* D.11-12-052, Ordering Paragraph 16.

APPENDIX A

**BEAR VALLEY ELECTRIC SERVICE (U-913 E), A DIVISION OF
GOLDEN STATE WATER COMPANY
RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN**

RNS STANDARDIZED REPORTING WORKBOOK

Variable	Calculation	Item	Deficit from RPS prior to Reporting Year	2011 Actuals	2012 Actuals	2013 Actuals	2011-2013	2014 Forecast	2015 Forecast	2016 Forecast	2014-2016	2017 Forecast	2018 Forecast
		Forecast Year	51				CP1				CP2		
Annual RPS Requirement													
A		Bundled Retail Sales Forecast (LTPP)		137	131	133	401	143	146	149	438	152	154
B		RPS Procurement Quantity Requirement (%)		27%	20.0%	20.5%	20.0%	21.7%	23.3%	23.1%	23.3%	27.3%	20.0%
C	A*B	Gross RPS Procurement Quantity Requirement (GWh)		27	26	27	80	31	34	37	102	41	45
D		Voluntary Margin of Over-procurement											
E	C+D	Net RPS Procurement Need (GWh)	51	27	26	27	80	31	34	37	102	41	45
RPS-Eligible Procurement													
Fa		Risk-Adjusted RECs from Online Generation	51	27	26	28	82	45	36	39	120	42	45
Faa		Forecast Failure Rate for Online Generation (%)											
Fb		Risk-Adjusted RECs from RPS Facilities in Development											
Fbb		Forecast Failure Rate for RPS Facilities in Development (%)											
Fc		Pre-Approved Generic RECs											
Fd		Executed REC Sales											
F	Fa + Fb + Fc - Fd	Total RPS Eligible Procurement (GWh)	51	27	26	28	82	45	36	39	120	42	45
F0		Category 0 RECs		2			2						
F1		Category 1 RECs					-						
F2		Category 2 RECs					-						
F3		Category 3 RECs	51	25	26	28	80	45	36	39	120	42	45
Gross RPS Position (Physical Net Short)													
Ga	F-E	Annual Gross RPS Position (GWh)	0	0	0	2	2	14	2	2	18	1	1
Gb	F/A	Annual Gross RPS Position (%)		20%	20%	21%	0.203890299	32%	25%	26%	0.273741523	28%	30%
Application of Bank													
Ha	H - Hc (from previous year)	Existing Banked RECs above the PQR											
Hb		RECs above the PQR added to Bank											
Hc		Non-bankable RECs above the PQR				2		14	2	2		1	1
H	Ha+Hb	Gross Balance of RECs above the PQR											
Ia		Planned Application of RECs above the PQR towards RPS Compliance											
Ib		Planned Sales of RECs above the PQR											
J	H-Ia-Ib	Net Balance of RECs above the PQR											
J0		Category 0 RECs											
J1		Category 1 RECs											
J2		Category 2 RECs											
Expiring Contracts													
K		RECs from Expiring RPS Contracts											
Net RPS Position (Optimized Net Short)													
La	Ga + Ia - Ib - Jc	Annual Net RPS Position after Bank Optimization (GWh)		0	0		2				18		
Lb	(La + Fb + Fc - Fd) / A	Annual Net RPS Position after Bank Optimization (%)		20%	20%	20%	0.20	0.22	0.23	0.25	0.27	0.27	0.29

Note: Fields in grey are protected as Confidential under CPUC Confidentiality Rules

Note: Values are shown in GWhs

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
		CP3													
156	158	619	160	161	163	165	167	168	169	170	171	172	172	173	173
31%	33%	0.303673016	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%
48	52	204	53	53	54	54	55	55	56	56	56	57	57	57	57
48	52	204	53	53	54	54	55	55	56	56	56	57	57	57	57
48	52	188	52	52	52	-	-	-	-	-	-	-	-	-	-
48	52	188	52	52	52	-	-	-	-	-	-	-	-	-	-
48	52	188	52	52	52	-	-	-	-	-	-	-	-	-	-
0	(0)	(16)	(1)	(2)	(2)	(54)	(55)	(55)	(56)	(56)	(56)	(57)	(57)	(57)	(57)
31%	33%	0.303673016	32%	32%	32%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
						52	52	52	52	52	52	52	52	52	52
-	(0)	(16)	(1)	(2)	(2)	(54)	(55)	(55)	(56)	(56)	(56)	(57)	(57)	(57)	(57)
0.31	0.33	0.30	0.32	0.32	0.32	-	-	-	-	-	-	-	-	-	-

Facility Name	Technology	Contract Expiration Date	MW	Expected Annual Generation (GWh)	Location	PCC Classification
N/A contract not facility specific	N/A contract not facility specific	12/31/2023	N/A contract not	52	N/A contract not facility specific	PCC3

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 June 11, 2014 at Sacramento, California.

/s/

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