

BEFORE THE CALIFORNIA ENERGY COMMISSION

California Energy Commission DOCKETED 14-RPS-01
TN 73355 JUL 10 2014

In the matter of:) Docket No. 14-RPS-01
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Amendments to Regulations Specifying) STAFF WORKSHOP
Enforcement Procedures for the) RE: Enforcement Procedures for
Renewables Portfolio Standard for) the Renewables Portfolio Standard
Local Publicly Owned Electric Utilities) for Publicly Owned Electric Utilities
)
) July 10, 2014

Comments of the City of Roseville’s Electric Utility (Roseville Electric) on the Proposed Pre-Rulemaking Draft Amendments to Regulations for Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities

Thank you for the opportunity to provide written comments on the California Energy Commission’s proposed pre-rulemaking amendments to the renewables portfolio standard (RPS) regulations pursuant to the Energy Commission notice dated June 27, 2014, and workshop held on July 11, 2014.

Section 2 – Portfolio Content Category for POU-Owned or Procured DG Systems

Generally, Roseville supports allowing POU-owned DG systems to qualify for portfolio content category one, but we have no specific comments on this issue at this time.

Section 3 – Definition of “retail sales”

While clarification may be useful to some POUs, Roseville does not believe that any changes should be made that would require POUs to exclude certain loads from their retail sales calculations. In some cases, certain loads that could appropriately be excluded from retail sales are so small that the effort to calculate the amount does not justify the minimal savings in renewable energy purchases. Roseville does support clarifications to what can be excluded as long as the regulations don’t require exclusion of specific loads.

Section 3 – Definition of “resale”

Roseville has no objections to the definition of resale being clarified in the regulations; however, the current definition along with additional guidance provided by Energy Commission staff has sufficed for our purposes to date. At this point we do not have any specific recommendations for the changes to the definition of resale.

Section 5 – Contract Amendments and Excess Procurement

Yes, the regulations should be modified to clarify that amendments to the term (length) of a contract do NOT result in subtracting energy from the contract for the purposes of calculating excess procurement. This should apply to not only to short-term contracts that become long-term contracts after amended (as in the Issue presented in Attachment A), but also for long-term contracts that have the term extended.

While not specifically identified in the issue presented, Roseville requests that the Energy Commission also consider allowing contract amendments that result in short-term increases (one to two years) in generation from the contract to not be subtracted for purposes of calculating excess procurement.

Allowing contract amendments that modify the term, or provide short-term generation increases will allow POUs to help offset unforeseen increases in load (retail sales) or unexpected loss of generation under other contracts, without destroying a POUs long-term excess procurement retirement strategy. This is especially true toward the end of a compliance period when there is limited time to replace needed generation to meet the RPS requirements. From experience during the first compliance period, acquiring short-term contract at the end of a compliance period can be very difficult, let alone trying to acquire long-term contracts at reasonable prices to protect ratepayers; especially when counterpartys know you are in need of near-term generation to meet your RPS compliance.

And what if a POU only needs short-term energy to replace energy lost due to fire or storm damage (as an example) at a long-term contract facility? A POU operating under an excess procurement strategy essentially has two options: 1) go out and procure energy under a short-term contract and throw the excess procurement strategy out the window (any short-term contract in a portfolio will completely destroy excess procurement) and hope you have not already over retired portfolio content category one (PCC1) or PCC2 energy that would be lost; or 2) given the scenario identified here simply apply for a Waiver of Timely Compliance. While most POUs will prefer to meet the RPS requirements by procuring the necessary percentages of renewable energy,

without feasible options to procure short-term energy without destroying long-term strategies, they are most likely going to opt for the Waiver route. This will result in less renewable energy procurement than would have otherwise occurred if POUs are allowed to amend the contract term and generation amount, while still counting all the energy from the contracts for purposes of excess procurement.

Short-Term Contracts under Excess Procurement

Following the same logic and arguments presented above for replacement of generation (RECs) due to unforeseen circumstances, Roseville recommends the Energy Commission consider allowing short-term contracts to count for purposes of excess procurement under specific circumstances. As stated previously, we believe the Energy Commission should consider exceptions for situations where a POU has contracted for sufficient renewable energy and RECs to meet their projected RPS obligation, but due to unforeseen circumstances (loss of generation from an existing contract due to damage or underperformance; unanticipated load increases; etc.) the POU's percentage of renewables will be lower than the percentage required under the RPS regulations for a given compliance period. The provisions for a short-term contract exception could limit the length of the contract to qualify for such an exception.

As discussed above, a POU retiring RECs under an excess procurement strategy would have this strategy destroyed if they enter into a short-term contract under the current regulations. A POU confronted with the situation described here would clearly have the necessary justification to apply for a Waiver of Timely Compliance. Unless the regulations are modified to include provisions that allow POUs to procure short-term renewables under specific circumstances without destroying their excess procurement retirement strategy, POUs are going to be forced to go the waiver route.

Portfolio Content Category Three (PCC3) Contracts under Excess Procurement

While not specifically addressed in the issue presented in Attachment A, but in line with the excess procurement provisions, Roseville is putting forward the following issue for consideration by the Energy Commission. In order to make the excess procurement provision more meaningful, and allow POUs to take advantage of this provision as envisioned, Roseville suggests that the Energy Commission revisit the requirement that energy from PCC3 contracts less than ten years in length (short-term contracts) be subtracted from the total energy subject to the excess procurement provisions. While Roseville understands why the requirement that all contracts be long-term in order to apply the excess procurement provisions was re-introduced in the final 15-day language in 2013, we strongly believe that PCC3 energy should be removed from this requirement. Understanding that one of the arguments for requiring long-term contracts is to spur the development of new facilities, it must be pointed out that under no

circumstance will a developer be able to finance and build a renewable facility based on a PCC3 contract. Additionally, unbundled RECs (lowest cost and value RECs) have been a result of “stranded” RECs that a developer/facility was unable to sell through a PCC2 or PCC1 contract. Why would a facility owner commit for 10 years to sell their product at the lowest possible value (PCC3 vs PCC1 or PCC2).

The logic behind requiring PCC3 contract to be long-term is counter intuitive from a renewable energy development and business standpoint. It should instead be used to allow renewable generators/developers that were unable to sell the bundled energy and REC to sell the unbundled RECs and make their facilities more profitable.

Finally, finding someone willing to offer a long-term PCC3 contract has been extremely difficult. While we have spoken with counterparties that have indicated that they may be willing to provide such a contract, they have typically been at a rather significant premium, especially in the out years of the contract. In some cases as much as three to six times higher than short-term PCC3 RECs which will ultimately translate into higher rates for our customers.

Roseville again thanks the Energy Commission for the opportunity to provide comments on proposed pre-rulemaking modification to the RPS regulations.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Tony Gonçalves', with a stylized flourish at the end.

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