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California Energy Commission

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RE: SCPPA Comments on the January 11, 2014 Staff Workshop Regarding Amendments to the California Energy Commission's Enforcement Procedures for the Renewables Portfolio Standard for Publicly Owned Electric Utilities (Regulations) (Docket No. 14-RPS-01)

The Southern California Public Power Authority (SCPPA) appreciates the opportunity to provide these comments regarding the California Energy Commission's proposed pre-rulemaking draft amendments to the Regulations.

SCPPA is a joint powers authority consisting of eleven municipal utilities and one irrigation district. SCPPA members deliver electricity to approximately two million customers over an area of 7,000 square miles, with a total population of 4.8 million people. SCPPA members include the municipal utilities of the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District.

SCPPA strongly encourages the Energy Commission to adopt amendments that would grant "Portfolio Content Category 1" (PCC1) status to Publicly Owned Utilities (POU) -owned or -procured distributed generation systems to best advance in-State renewable energy investments under California's Renewables Portfolio Standard (RPS) while complementing AB 32-related climate change goals. Doing so is especially important as the Portfolio Balance Requirements steadily increase PCC1-required procurement from 50% in the first compliance period to 75% by the third compliance period (2017-2020). It is entirely appropriate for the Energy Commission to classify bundled electricity generation from an RPS-certified distributed generation system as PCC1 that is either owned or procured by a POU.

Solar installations represent 20- to 30-year-long investments by utilities and their customers. The current designation of these installations as RPS-eligible "PCC3" energy severely diminishes the value and incentive for utilities to build or procure them. Moreover, Renewable Energy Credits created from these installations will be phased out before the operating life of the solar panels, since the procurement cap for "PCC3" declines to no more than 10% in 2017. In-state rooftop solar systems clearly meet the PCC1 requirement of having a first point of interconnection within a California Balancing Authority. The Energy Commission could clarify that renewable resources automatically counts as "PCC1" regardless of how it is interconnected to a distribution system to directly serve retail load. Avoiding complicated, costly, and unnecessary interconnection requirements amongst California utilities would protect customer investments and facilitate further development of these resources in an expedited manner. With various tax credits having already expired or set to expire or be reduced, the Commission should act now to *encourage* the installation of and credit for small renewable systems in California. This would help to spur investment in renewable energy and help to meet the State's ambitious climate change goals. Further, the Governor's Clean Energy Jobs Plan notes that "small energy systems located close to where energy is consumed [can] be constructed quickly (without new transmission lines) and typically without any environmental impact."

SCPPA submits answers to the following topics outlined in "Attachment A:" Topic 2) on "Portfolio Content Category for POU-Owned or Procured DG System;" and Topic 3) on the "Definition of 'retail sales'."

SCPPA ANSWERS TO “ATTACHMENT A”
July 11, 2014 Staff Workshop on Amending the California Energy Commission’s
Enforcement Procedures for the Renewables Portfolio Standard
for Local Publicly Owned Electric Utilities

2. Portfolio Content Category for POU-Owned or Procured DG System

The Energy Commission is exploring whether generation from a RPS-certified facility consisting of a distributed generation system either owned by a POU or from which the POU procures generation could be classified as PCC1 under PUC §399.16 (b)(1) and §3203 of the POU regulations. Is it appropriate to classify generation from an RPS-certified DG system as PCC1 if it is either owned by a POU or the POU procures bundled electricity generation from the DG system? If so, under what conditions?

Issue: It may be appropriate under the statute and regulations to characterize electricity generation from POU-owned DG systems as PCC1, because: i) the DG facility is owned by the POU, ii) ownership is synonymous with procurement under PUC §399.11 (f), iii) the DG system is interconnected to a California Balancing Authority (CBA) or distribution facilities used to serve end user within a CBA, and iv) the POU (as the owner of the DG system) is acquiring both the electricity generation and the associated renewable energy credits RECs/WREGIS Certificates) from the DG system as a bundled product.

- a. *Are there circumstances when it would not be appropriate to classify electricity generation from a POU-owned DG system as PCC1? Would it matter if the electricity generation was immediately sold to a POU customer, rather than transmitted to the POU’s distribution system? This could occur where the POU-owned DG systems was located on the customer’s site.*

The Energy Commission should not create artificial and unnecessary barriers to count POU-owned distributed generation (DG) systems as PCC1 that are located on the customer’s side of the meter. Unlike the investor-owned utilities, POUs may prefer to own and operate systems on behalf of their customers. SCPPA also acknowledges that such customer-site DG systems should be properly metered and accounted for. A DG system located on the customer’s site that directly serves a retail customer is just as effective – if not more so – than a DG system located on the distribution or transmission system that then needs to transmit electricity through the grid, because of the avoided line losses. The Energy Commission should *encourage* the ownership of renewable DG systems located closer to retail load, including DG systems located on the customer’s site. SCPPA has urged the Energy Commission to clarify that such renewable resources automatically count as PCC1 regardless of how it is interconnected or not interconnected to a distribution system. There is no compelling policy reason why a POU-owned DG system should not be treated as PCC1. Granting PCC1 credit for POU-owned or -procured systems further recognizes that a number of POUs are already fully resourced. Indeed, the State should grant PCC1 credit for distributed generation systems statewide through policies adopted by both the Energy Commission and the California Public Utilities Commission to help meet California’s growing requirement for “PCC1” category renewables resources.

Issue: POU-owned DG systems can be distinguished from DG systems owned by a customer or third party to offset the customer’s on-site load. When a DG system is owned by the customer or a third party to offset the customer’s on-site load, some or all of the electricity generated by the DG system is consumed on-site. Typically, under this scenario only the RECs associated with the generation from the DG system and the net surplus generation from the system is available to be procured by a POU. The RECs associated with the electricity generation consumed on-site would be unbundled and classified as PCC3, and the RECs associated with the net surplus electricity generation from the system would be characterized as PCC1. This is consistent with the net-energy metering provisions of PUC §2827 (h), which provides that an electric utility shall own any RECs for net surplus electricity purchased pursuant to the utility’s net surplus electricity compensation rate, and that any RECs associated with electricity generated by the customer-generator and utilized by the customer-generator shall remain the property of the customer-generator.

- b. *Under what circumstances, if at all, would it be appropriate to classify electricity generation from a customer-owned or third party-owned DG system as PCC1, when that electricity generation is used to meet the customer's on-site load?*

It would be appropriate to classify a customer-owned or third party-owned DG system as PCC1 if there is an explicit contractual arrangement between the POU and the customer or the third party that allows the POU to explicitly count electricity generation from such systems for the purposes of the POU's compliance towards the RPS or if the POU has provided financial incentives to support the development of the DG system. Existing policy, however, severely diminishes the value and incentive for POUs to support customer developed DG systems. To counteract the result of the expiration of existing various tax credits, the Energy Commission should act now to *encourage* the installation of and proper credit for small renewable systems, particularly of larger solar energy systems on industrial, commercial, and other large building rooftops in support of the State's increasing RPS target.

- c. *Would it be appropriate for a POU to procure all of the bundled electricity generated by a customer-owned DG system and then immediately sell back to the customer all of the commodity electricity to serve the customer's on-site electrical load and claim the procurement as PCC1? Could such a transaction comport with §3203 (a)(1) of the Energy Commission's regulations that precludes a POU from buying a bundled electricity product and then reselling the underlying electricity from the bundled product back to generator from which the electricity product was purchased?*

It would be appropriate for a POU to procure all of the bundled electricity generated by a customer-owned DG system and then immediately sell back to the customer all of the commodity electricity to serve the customer's on-site electrical load and claim the procurement as PCC1. As the technology for DG continues to advance, it may be a win-win for the customer and POUs to structure such an arrangement so that the customer can self-satisfy its electricity commodity needs while preserving the other services that a POU provides to the customer. The prohibition in §3203(a)(1) deals with unbundling of RECs and commodity for wholesale transactions which is functionally, and policy-wise, distinct from the customer-owned DG situation.

- d. *If the customer installed the DG system to offset the customer's on-site load, and the system is being operated for this purpose, is the system's electricity generation available to be procured by a POU? How would the generation under such a transaction compare with generation from a central station facility that uses a portion of the facility's generation to satisfy on-site load, and sells the facility's net surplus generation to a utility via a power purchase agreement? An example of a central station facility could be a biomass facility that uses a portion of the facility's electricity generation to meet the on-site electrical load of related timber milling operations. How would your response differ, if at all, if a third party owned and installed the system?*

Please see response to part c above.

- e. *How, if at all, would the net-energy metering provisions of PUC §2827 be implicated if a POU were to procure all of the bundled electricity generated by a customer owned DG system and then immediately sell back to the customer all of the commodity electricity to serve the customer's on-site electrical load?*

Please see response to part c above.

3. Definition of "retail sales"

The Energy Commission is considering whether the current definition of "retail sales" should be clarified in §3201 (bb) of the Energy Commission's regulations for POUs.

Issue: Based on conversations with POU representatives, it is not clear that POUs are determining their "retail sales" in the same manner. For example, some POUs may be excluding electricity demand from other departments, units, or enterprises

within the municipality, while other POU's may not be doing so. It may be difficult for a POU to determine where to draw the line between the POU/municipality's consumptive demand and "retail sales," particularly if the POU serves related, but separate, entities within or associated with the municipality, such as enterprise zones or joint powers authorities.

- a. *Does the definition of "retail sales" need to be clarified to ensure POU's are properly excluding their consumptive loads in determining retail sales?*

The definition of retail sales does not need to be clarified at this time.

SCPPA appreciates the opportunity to provide these comments to the Energy Commission in this proceeding. We look forward to working with staff as the regulatory proceeding continues.

Respectfully submitted,



Tanya DeRivi
Director of Regulatory Affairs