Pacific Gas and Electric Company

DOCKET
03-RPS-1078
DATE MAR 13 2007
RECD. MAR 14 2007

March 13, 2007

Renewables Committee Chair John Geesman
Associate Member Jacqueline Pfannenstiel
California Energy Commission
1516 Ninth Street
Sacramento CA

Re: Committee Draft Revisions to the
Renewables Portfolio Standard Eligibility Guidebook (2nd Ed.)

Dear Commissioners:

Pacific Gas and Electric Company appreciates your efforts to update the CEC's Renewables Portfolio Standard (RPS) Guidebook to reflect the evolution of the RPS marketplace, regulatory trends, and legislative changes.

The renewables team at PG&E has been carefully reviewing each version of your draft RPS Eligibility Guidebook, 2nd edition, to help create clear, reasonably flexible rules that will promote renewables procurement. We have a few comments on the Committee Draft version in the areas of biogas, small hydro, and out of state delivery that we believe will eliminate ambiguity and enhance the procurement process. These suggestions are not extensive and can be incorporated into the Guidelines for issuance at the March 14 Business Meeting as originally scheduled.

1. Biogas.

Whether the point of injection is within the WECC or not should not matter, since the WECC is an electric grid that is not coterminous with the natural gas pipelines that supply electric generation in California.

Pipeline biogas should be acknowledged as a renewable substitute for natural gas to the extent it meets the Guidebook's quality standards and is used by a CEC-certified RPS eligible generating facility. In that case, pipeline biogas may be sourced from wherever pipeline natural gas is sourced. PG&E recommends the following language change to page 30 of the Committee Draft, and the additional changes shown in Appendix 1.

> 2. The gas must be injected ~~at a point within the WECC region,~~ into a natural gas transportation ~~transmission~~ pipeline system that delivers gas into California.

2. Small Hydro.

The eligibility of small hydroelectric facilities was substantially amended during the last Legislative session. Abolition of the difference between baseline and incremental generation, the exception of conduit facilities from certain restrictions, qualifications for new facilities and other changes mean that imposing changes on the outdated format has resulted in guidelines that are hard to understand. (Committee Draft pp. 18-24.) PG&E submits the small hydro guidelines in a more streamlined, yet comprehensive format in the attachment and urges the Commission to revise its small hydro guidelines in this form.

As revised last legislative session, 399.12(b)(1) states that neither a new hydroelectric facility nor a new conduit facility would be an eligible renewable energy resource if it would require a new or increased appropriation or diversion of water from a watercourse. To give meaning to the phrase, “from a watercourse,” the Guidebook should use the Water Code definitions of “appropriation” and “diversion” as drafted, but ADD the Water Code definition of “change in streamflow regime” as part of the Guidebook definitions. Thus, a small hydro or conduit facility could be RPS-eligible if it “appropriated” or “diverted” water so long is it did not result in any change in streamflow regime, as defined. See Appendix 2 – Small Hydro Guidelines.

3. Banked and Shaped Deliveries.

The Committee Draft has already improved the potential for additional out-of-state eligible renewable resources by allowing delivery of “banked” energy from any “balancing authority” in the WECC, so long as the delivery is properly scheduled.

To promote more regulatory certainty regarding the eligibility of these import transactions, increasing the overall supply, and lowering the delivered cost of eligible renewable resources for the benefit of California consumers, PG&E proposes that the Commission make a number of clarifying changes to the delivery requirements section. These suggested changes are specified in the attached redline to the Committee draft. By recognizing that energy can be delivered from any “balancing authority” or trading hub in the WECC, including by wheeling across multiple control areas, for ultimate delivery into California, the CEC will allow retail sellers to optimize the cost-effective procurement of renewable energy from the WECC market in a manner comparable to the way they procure non-renewable energy. PG&E’s suggested changes appear in Appendix 3.

4. Requirements for Resources Located Outside the United States

PG&E has recently received CPUC approval to seek renewables procurement opportunities in the Pacific Northwest, including parts of Canada. Potential Northwest developers have expressed concern that their eligibility requirements could be subject to arbitrary interpretation and result in untenable project delay. The Guidebook requires the project proponent to list all of the California environmental quality requirements that would apply to the facility if it were located in California and explain how the development and operation would be consistent with the California requirements. PG&E is aware that the requirements are rooted in the statutory requirements for out-of-country facilities, but is also sensitive to developers' needs.[1] Although it may be too early in the regulatory process to suggest modifications to the Guideline, PG&E urges the CEC to implement these guidelines in a way that does not discourage out of state resources from selling to the California market.

These important changes to the California RPS eligibility guidelines will expand the market for renewable energy by allowing more renewable generators to secure power purchase agreements with California retail sellers and enabling retail sellers to procure renewable energy at the lowest cost and best portfolio fit for their customers.

PG&E sincerely appreciates the Committee's consideration of our comments on the draft.

Sincerely,

/s/
Les Guliasi
Director, State Agency Relations

cc: James D. Boyd
Jeffrey Byron
Arthur H. Rosenfeld
B. B. Blevins
Heather Raitt
Gabe Herrera
Bill Knox
Jason Orta
Tim Tutt
Susan Brown
John Wilson
Melissa Jones
Kevin Kennedy

Attachments

---

[1] The statutory requirement that applicable to facilities located outside of the United States be developed and operated in a manner that is as protective of the environment as a similar facility located in the state may discourage potential developers from contracting with California retail sellers. (See, Public Resources Code section 25741(b)2(B)(v).)