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Dockets Office, MS-4  
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**DOCKET**

**06-IEP-1 / 03-RPS-1078**

DATE Jul 7-2006

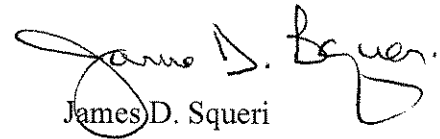
RECD. Jul 7-2006

**Re: Docket No. 06-IEP-1 and 03-RPS-1078**

Dear Docket Office:

Attached please find the Comments of Powerex Corp. on the 2006 Integrated Energy Policy Report Update - RPS Mid-course Review to be filed in the above-referenced dockets.

Very truly yours,

  
James D. Squeri

Enclosure

2879/001/X78971.v1  
07/07/06

CALIFORNIA ENERGY COMMISSION

Informational Proceeding and ) Docket 06-IEP-1  
Preparation of the 2007 Integrated )  
Energy Policy Report )  
and )  
Implementation of Renewables ) Docket No. 03-RPS-1078  
Portfolio Standard Legislation ) RPS Proceeding  
(Public Utilities Code Sections 381, )  
383.5, 399.11 through 399.15, and 445; )  
[SB 1038], [SB 1078]) )  
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**COMMENTS OF POWEREX CORP.  
ON  
THE MID-COURSE REVIEW OF THE RENEWABLES PORTFOLIO STANDARD**

**I. Introduction**

In their workshop on July 6, 2006, the California Energy Commission Integrated Energy Policy Report Committee (Committee) and California Public Utilities Commissioner John Bohn will hear public comments regarding the “2006 Integrated Energy Policy Report Update - RPS Mid-course Review.” The Committee has also invited interested parties to submit written comments addressing the referenced mid-course review of the Renewables Portfolio Standard (RPS).

Powerex is submitting these comments on the mid-course review of the RPs for the Committee’s and Commissioner Bohn’s consideration. Powerex is the marketing subsidiary of British Columbia Hydro and Power Authority (BC Hydro). Powerex sells power at wholesale in the United States pursuant to market-based rate authority granted by the Federal Energy Regulatory Commission, including supply from competitively-priced qualifying renewable

(small hydro, biomass and landfill gas) generation facilities. Powerex wishes to support and participate in California's RPS Program and appreciates the opportunity to comment on the priorities that Powerex believes should be considered in order to increase out-of-state participation in California's RPS and therefore move California closer to achieving its RPS objectives.

## **II. Comments on the Mid-course Review of the Renewables Portfolio Standard**

### **Contract Failure and Facilitation of the Contracting Process**

First, on the issue of contract failure and facilitation of the contracting process, Powerex believes that allowing RPS contract terms of less than 10 years will increase the supply of renewable generation to the California IOUs. It will certainly allow Powerex, and similarly situated renewable energy aggregators, to offer RPS products when Powerex has excess renewable capability from our portfolio of renewable resources, such as small run-of-the-river hydro. It will also provide out-of-state suppliers like Powerex with the incentive to further build up its renewable portfolio based on a portfolio of shorter term contracts that mitigates the risk of excessive reliance on longer-term agreements in the face of a developing RPS market.

### **Transmission Deliverability Requirement**

Second, the transmission deliverability requirement for out-of-state generators needs to be reviewed and revised to better reflect the physical realities of scheduling between external control areas and the California ISO control area. Specifically, where the renewable generation is part of the control area of the supplying party, then the supplier should be allowed to schedule from its control area to the California ISO control area. This change, coupled with allowing banking and firming of intermittent out of state renewable resources, should increase the volume of offers from out of state suppliers and allow the energy to count towards the IOUs resource

adequacy requirement.<sup>1</sup> In addition, Powerex believes that the recommendation in the Consultant Report to “relax” delivery for out-of-state generators by allowing delivery to nearby market hubs and substations with utilities managing delivery into the state may not be the most cost-effective way to ensure renewable energy delivery to the IOU customers. Powerex believes that the out-of-state supplier may be in a better position to manage the transmission congestion risk and take on the obligation to deliver the energy into the California ISO control area, resulting in lower costs to the IOU customers. In general, allowing out-of-state renewable energy suppliers greater flexibility in how to deliver the physical energy to the IOU customers will result in greater renewable energy being offered at competitive prices.

### **Renewable Facility Certification and Registration**

Lastly, Powerex believes that improvements to the Commission’s certification and registration process for out of state renewable facilities are needed that (i) recognize third party certification of out-of- state facilities and (ii) allow registration by parties that have the contractual rights but not ownership rights to the renewable facility. These improvements will further facilitate renewable supply offers from out-of-state renewable generation aggregators like Powerex.

### **III Conclusion**

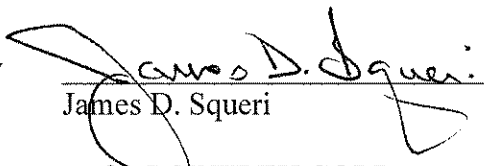
Powerex believes that there is significant renewable energy development potential in the Pacific Northwest (PNW) which the Commission itself has recognized in its past reports. Out-of-state renewable energy suppliers and aggregators will have greater incentive to offer PNW renewable energy to California of varying contract duration if Powerex’s recommended improvements to the RPS program are adopted. Ultimately, the changes recommended by Powerex will facilitate the development of PNW renewable generation resources to the benefit of California and the Western Interconnection as a whole.

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<sup>1</sup> Banking and firming is described in the April 19, 2006 California Public Utilities Commission Staff White Paper on Renewable Energy Certificates and allows intermittent renewable resources to true up the generation and delivery of energy.

Respectfully submitted this 7th day of July, 2006 at San Francisco, California.

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