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DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

COMMENTS ON THE DRAFT 2009 INTEGRATED ENERGY POLICY REPORT

San Francisco, California
October 28, 2009

I. INTRODUCTION

Consistent with its statutory mission to obtain the lowest possible rate for service consistent with reliable and safe service levels, the Division of Ratepayer Advocates (DRA) submits the following comments to California Energy Commission's adoption of the 2009 Integrated Energy Policy Report (IEPR).

II. RECOMMENDATIONS

For ease of reference, DRA's comments are in direct response to the recommendations made by the 2009 Draft IEPR.

1. **IEPR Recommendation**: "The California Public Utilities Commission (CPUC) should encourage the energy and water utilities to transform the market from near-term savings to sustained long-term strategies and activities via performance based incentives, comprehensive packages of energy saving strategies, and decoupling of earnings from energy and water sales."[1]

DRA Response: It is unclear whether this recommendation is focusing on utility shareholder incentive mechanisms or incentives paid to customers based on kWh savings, similar to the California Solar Initiatives' Performance Based Incentive (PBI) structure. Although DRA supports a PBI-like structure for Energy Efficiency, it does not support the current utility shareholder risk/reward incentive mechanism adopted by the CPUC. DRA believes that this incentive mechanism causes the utilities to focus on short-term energy savings versus long-term strategies for energy efficiency. The independent administration of energy efficiency is a more effective means to achieve California's energy savings goals.

2. **IEPR Recommendation:** "The Energy Commission should continue efforts to adopt a statewide load management standard requiring all utilities in the state to adopt some form of dynamic pricing for customers that have advanced meters."[2]

[1] 2009 Draft IEPR, p. 216.
[2] Id. at 217.

DRA Response: DRA disagrees with this recommendation. DRA first notes that the CPUC is the agency with jurisdiction over rate design for utilities in California. The CPUC has already conducted several proceedings dealing with dynamic pricing in which DRA was an active participant. In these proceedings, DRA primarily represented the interests of residential and small commercial customers on rate design issues. DRA opposes mandatory or default dynamic pricing for residential and small commercial customers, and supports voluntary programs. Currently there are voluntary Time of Use Rate schedules and Critical Peak Pricing schedules available for customers. Furthermore, the investor owned utilities (IOUs) are set to offer Peak Time Rebate schedules under which customers would receive an incentive or rebate if they use less electricity on days when capacity is expected to be strained.

The CPUC is moving ahead with plans to implement default dynamic pricing rates for industrial, large commercial and small commercial customers. The residential class was protected from mandatory or default dynamic pricing by AB 1X from the 2001 Legislative session, which prohibited rate increases for usage up to 130% of the baseline allowance. SB 695 which was signed by the Governor on October 11, 2009 contains more detailed provisions on dynamic pricing for residential customers. Public Utilities Code section 745 (b)(2) and (3) state that the Commission shall not require or permit an electrical corporation to employ mandatory or default time-variant pricing without bill protection for residential customers prior to January 1, 2014, or employ mandatory or default real-time pricing, without bill protection for residential customers prior to January 1, 2020.

DRA continues to support voluntary-only dynamic pricing for residential and small commercial customers. DRA would have preferred opt-in time variant pricing continuing past 2014, but supported the provisions in SB 695 that allow the Commission to implement opt-out time variant pricing starting in 2014 for the residential class as part of a package of numerous ratepayer protections that went into SB 695.

3. **IEPR Recommendation**: "The CPUC should immediately implement technology-specific feed-in tariffs for wholesale renewable distributed generation for projects 20 megawatt (MW) or less in size, including simplified and standardized contracts and reasonable prices."[3]

DRA Response: DRA cautions against a call for the "immediate" implementation of a feed-in-tariff ("FIT") for projects up to 20 MW in size due to pending proceedings at the CPUC and recently adopted legislation. First, the legislature has recently enacted SB 32, which calls for an expansion of the current FIT program, which the CPUC must implement. Second, jurisdictional questions remain regarding the implementation of a FIT by the CPUC and the CPUC has yet to rule on these questions. The CPUC is currently conducting a rulemaking proceeding (R.08-08-009) to consider the jurisdictional question as well as a proposed auction mechanism for projects ranging from 1 to 20 MW. DRA recommends that IEPR allow the CPUC to resolve these issues prior to calling for the "immediate" implementation of a FIT program that may not be practicable at this time.

Further, DRA is not convinced that technology-specific FITs are the best way to meet RPS goals with respect to utility-scale projects. The current RPS request for offer (RFO) process has resulted in hundreds of Power Purchase Agreements (PPA) for new renewable capacity. Each of these PPAs has been selected because its value was competitive when compared to market alternatives. The RFOs receive a large number of bids, and any difficulty in developing RPS projects does not seem to be due to failures in the RFO process for larger projects. A FIT for utility-scale projects might duplicate or undermine these efforts to obtain competitive pricing for renewable development. DRA recommends that

[3] Id. at 220.

any expansion of the FIT only apply to projects up to 20 MW, until or unless the current RPS program is found to be inadequate to attract larger projects.

III. CONCLUSION

DRA appreciates the IEPR Committee's consideration and encourages the adoption of a 2009 IEPR that is consistent with these comments.

Respectfully,

/s/ DAVE ASHUCKIAN

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