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California Energy Commission
1516 Ninth Street
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RE: Docket Nos. 11-RPS-01 RPS; 03-RPS-1078; and 02-REN-1038. Comments for September 21, 2012 Workshop

Dear Commissioners:

San Diego Gas & Electric Company (“SDG&E”) appreciates this opportunity to provide to the California Energy Commission (the “Commission”) its comments on the Commission’s 2008-2010 RPS Procurement Verification and SB X 1-2 RPS Procurement Verification workshop. The workshop presented an overview of the Renewable Portfolio Standard (“RPS”) procurement reporting and verification processes necessary to close out the prior program and to comply with the new SB X 1-2 framework going forward. As discussed in more detail below, SDG&E has several process and clarification recommendations.

SDG&E’s main concern relative to the contents of the workshop at this point is the timeliness of RPS procurement verification. Under the new SB X 1-2 framework, it would be extremely beneficial for all retail sellers to have verified data as soon as possible. During the workshop, the Commission stated that it would verify data on an annual basis. SDG&E encourages the Commission in this effort with the hope that the CPUC would then be able to provide a determination regarding product content categorization in a similar time frame. This would allow SDG&E to make up any deficiency in meeting product content limitations prior to the end of a Compliance Period or shortly thereafter.

SDG&E also requests that the next edition of the guidebook clarify several topics:

- A. *CEC Verification of Contractual Delivery Requirements for Contracts that Meet the Requirements of PUC Section 399.16(d) (“Grandfathered”)*

The California Public Utility Commission’s (“CPUC”) Decision Implementing Portfolio Content Categories for the Renewables Portfolio Standard Program (D.11-12-052) explained that the repeal of the delivery requirements for RPS eligibility (by SB X 1-2) does not affect existing contractual delivery requirements. As detailed in earlier versions of the CEC’s RPS Guidebook, the CEC was responsible for verifying delivery requirements prior to the effective date of SB X 1-2. The 6th Edition of the Guidebook removes this language, stating instead that the CEC will cease to verify out-of-state deliveries beginning January 1, 2011, with the caveat that NERC e-Tags may be required to verify content categorization in the future. The guidebook does not address the significance of this halt in delivery verification for procurement from grandfathered (399.16(d)) contracts. In its Decision Setting Compliance Rules for the Renewables Portfolio Standard Program (D.12-06-038), the CPUC states that procurement from grandfathered contracts will “count in full” and is outside both the procurement quantity, and portfolio balance requirements. Since there is no longer a delivery requirement nor a need to distinguish between different product content categories for

grandfathered contracts, there is no need for the CEC to continue the administratively burdensome task of verifying delivery from grandfathered contracts. SDG&E recommends that the CEC make this clarification in the next version of the Guidebook.

B. All Renewable Energy Credits (“RECs”) that are Generated by Grandfathered Product Content Category Zero (“PCC0”) Qualifying Facilities (“QFs”) must be Retired Annually

Public Utilities Code sections 399.21(a)(4) and 399.21(a)(5) specify that all QF RECs must be retired on an annual basis as they cannot be sold and may only be used for RPS compliance purposes. The guidebook currently uses the word “automatically” when describing QF REC retirement. Amending “automatically” to read “annually” will ensure absolute clarity.

C. The WREGIS Compliance Report Will Include all RECs Retired Subsequent to the Prior Year’s Report

SDG&E’s understanding of the annual reporting requirement is that each report will include only those RECs retired in the time period between the prior year’s report and the current year’s report (this could include RECs retired pursuant to the 36-month deadline and/or other RECs that a retail seller chooses to retire for compliance). Confirming this will eliminate any confusion as to the data required.

D. Product Content Category One (PCC1) Deliveries Made in Excess of Schedule will Count In Full as PCC1

When the counterparty is the Scheduling Coordinator (“SC”), and would therefore inherently control the facility’s schedule, SDG&E includes a clause in the contract that is intended to discourage the potential for gaming. This clause specifies that SDG&E has no payment obligation to the Seller if the total monthly deliveries exceed the total monthly scheduled deliveries (“positive imbalance energy”) and that SDG&E shall receive all green attributes for this excess energy. SDG&E recommends that the CEC clarify in the next version of the guidebook that this positive imbalance energy qualifies for PCC1 when the facility has a first point of interconnection with a California Balancing Authority (“CBA”). If the facility is instead imported into a CBA, the positive imbalance energy may qualify for PCC2 or PCC3 because the power associated with the product may not be delivered to the CBA along with the Green Attributes. Clarity on specific issues such as this, beyond the general guidance that the CPUC has provided regarding the requirements for PCC1 in the Decision Implementing Portfolio Content Categories for the Renewables Portfolio Standard Program (D.11-12-052), will help to ensure that renewable products are valued correctly.

For the reasons set forth herein, SDG&E encourages the timely annual verification of RPS procurement, and requests that the Commission clarify the rules and expectations surrounding Grandfathered Contract delivery verification, QF retirement, REC retirement and reporting in general, and the classification of PCC1 generation in excess of schedule.

We appreciate the opportunity to comment.

Sincerely,

