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BEFORE THE CALIFORNIA ENERGY COMMISSION

In the Matter of:)
)
Developing Regulations and Guidelines for the 33)
Percent Renewables Portfolio Standard (RPS))

Docket No. 11-RPS-01

**COMMENTS FROM THE
LOS ANGELES DEPARTMENT OF WATER AND POWER (LADWP) TO THE
CALIFORNIA ENERGY COMMISSION'S (CEC or ENERGY COMMISSION)
NOTICE OF LEAD COMMISSIONER WORKSHOP
TO SCOPE A FUTURE EDITION OF THE
RENEWABLES PORTFOLIO STANDARD ELIGIBILITY GUIDEBOOK**

February 18, 2014

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Pursuant to the procedures established by the CEC in the Notice of Lead Commissioner Workshop to Scope a Future Edition of the Renewables Portfolio Standard Eligibility Guidebook, dated December 26, 2014, the LADWP respectfully submits these comments in response to several topics presented at the workshop.

I. INTRODUCTION

The City of Los Angeles is a municipal corporation and charter city organized under the provisions set forth in the California Constitution. LADWP is a proprietary department of the City of Los Angeles, pursuant to the Los Angeles City Charter, whose governing structure includes the Mayor, fifteen member City Council, and a five-member Board of Water and Power Commissioners (Board). As the third largest electricity utility in the state, one of five California Balancing Authorities and the nation’s largest municipal utility serving a population of over four million people, LADWP is a vertically integrated utility, both owning and operating the majority of its generation, transmission and distribution systems. LADWP has annual sales exceeding 23 million megawatt-hours (MWhs) and has a service territory that covers 465 square miles in the City and most of the Owens Valley. The transmission system serving the territory totals more

than 3,600 miles that transports power from the Pacific Northwest, Utah, Wyoming, Arizona, Nevada, and California to Los Angeles.

California's most recent legislation for its RPS Program requires "each local publicly owned electric utility to procure a minimum quantity of electricity products from eligible renewable energy resources." Since LADWP is a local publicly owned electric utility (POU), it is required to comply with Senate Bill (SB) 2 (1X).

II. LADWP REMAINS COMMITTED TO ITS REGULATORY OBLIGATIONS

As a result of combined regulatory mandates for increased renewable energy, emissions performance standard on fossil fuel generation, energy efficiency, solar roofs, reduction in greenhouse gas (GHG) emissions, and the elimination of once-through cooling from coastal power plants, LADWP is facing a utility-wide transformation and making billions of dollars in investments on behalf of its ratepayers to replace about 70 percent of its resources over the next 17 years that it has relied upon for the last 50 years.

Prior to the enactment of SB 2 (1X), the City of Los Angeles was committed to the active procurement of renewable energy as part of its long-term resource mix. On May 23, 2005, the Board adopted the LADWP RPS Policy that established the goal of increasing its renewable energy resources to 20 percent of its energy sales to retail customers by 2017, with an interim goal of 13 percent by 2010. On April 11, 2007, the Board amended the LADWP RPS Policy by accelerating the goal of requiring 20 percent of energy sales to retail customers to be generated from renewable resources by December 31, 2010. In 2010, LADWP achieved its RPS goal of 20 percent renewables.

Per SB 2 (1X), LADWP has subsequently amended its RPS Policy to incorporate an enforcement component and has proactively acquired renewable energy resources such as wind and solar facilities that meet the RPS guidelines established by the State of California. LADWP continues to procure renewable resources and is on track to meet the 33 percent renewables target by 2020.

III. COMMENTS

The LADWP would like to take this opportunity to thank CEC staff and Commissioner Hochschild for their work on implementing several pieces of legislation into the currently-effective Enforcement Procedures¹ (Regulations) and Renewables Portfolio Standard Eligibility Guidebook (Guidebook). These comments present LADWP's position on various topics raised at the workshop. LADWP supports the comments being filed concurrently by the California Municipal Utilities Association (CMUA) and the Southern California Public Power Authority (SCPPA).

a. 90 Day Certification Requirement

In general, LADWP supports the retention of the requirement to submit a certification application within 90 days of Commercial Operation Date (COD) of a facility. Given the amount of pre-certification/certification applications submitted versus facilities with expected COD dates, LADWP understands the CEC's need to reduce its administrative burden with a process that essentially "weed's out" applications for projects that never come to fruition. However, as raised by several entities at the workshop, there are extenuating circumstances that prevent entities from submitting such applications within 90 days. It is not reasonable to void eligibility of multi-year

¹ Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities. California Energy Commission. Publication Number CEC-300-2014-002-CMF

projects that have cost several (even hundreds of) millions of dollars for generation prior to submitting the certification application.

LADWP supports the concept of developing an extension/waiver process that allows utilities to submit a certification application past the 90 day requirement. For example, one such extension/waiver process would require approval from the Executive Director for a facility that fails to submit a certification application within 90 days of the COD. The extension/waiver request would require an entity to demonstrate that a good faith effort was made to meet the deadline. This additional waiver process should sufficiently encourage utilities to submit applications on a timely basis.

b. Optionalize the Paper Process

At the RPS Compliance Reporting Webinar for POUs held on January 14, 2014, LADWP requested that the CEC allow fields in their excel spreadsheet forms to be editable or sizeable. This recommendation came from the need to have fields modified to allow for legible printouts. Typically, when data entered into a field exceeds the field size, the printout of the form will display a series of ##### characters. These printouts are the physical copies that the CEC receives via mail.

At the Workshop, CEC staff indicated that they do not intend on modifying the fields for their reporting forms. This decision really affects the physical copy submittal to the CEC. If entities are not allowed to modify or size fields, the form printouts become unwieldy and very difficult to read.

As suggested at the workshop, the LADWP recommends that the CEC make hardcopy submittals optional, with a preference for electronic submittals in the Guidebook. The hardcopy submittals provide limited benefits to the pre-certification and

certification process, which would likely only be used when the CEC's electronic system is experiencing technical issues. This would facilitate a streamlined process and could limit the physical administrative burden on the CEC.

c. Changes in Law

As raised in previous comments, LADWP still remains concerned over change in Law and the retroactive application of new eligibility requirements on grandfathered projects. Change in Law risks affect all contracts/agreements executed for compliance with California's RPS moving forward. The overall concern is which party should bear the risk of changes in law: The Utility or the Developer. This concern can significantly increase the cost and/or risk of a project, as well as complicate the project's underwriting process to the point of infeasibility. This is not a speculative risk: it is real and has already affected several POUs and developers. Developers constantly point to the Biomethane Moratorium installed March 29, 2012, which instituted economic impacts on historical decisions. As such, parties do not want to accept the Change of law liability impacting certification or PCC contingencies without substantially increasing the costs.

In order to foster a successful RPS program, a guidebook with well-defined and evergreen requirements needs to be established that entities and developers can depend on. Without this certainty, the capital costs associated with the procurement of a project drastically increase. The CEC needs to be cognizant that changes (whether they be considered miniscule or not) have a significant effect on procurement decisions made by POUs and will impact meeting compliance.

d. Precertification Process

LADWP supports the retention of the existing pre-certification process, as the pre-certification process provide some benefits:

1. It allows entities to count test energy that would otherwise be lost;
2. Allows developers to demonstrate to potential buyers that they are abiding by the CEC certification procedures; and
3. It allows developers to a method of reassurance that their project is at least in-queue with the CEC.

LADWP does understand the CEC's issue with the current certification process, as there is a large volume of pre-certification applications for projects that will probably never come to fruition. LADWP recommends that the CEC work with stakeholders to improve the pre-certification process. Below are some suggestions that could potentially improve the pre-certification process and potentially alleviate the CEC's backlog of applications:

- A two-way communication process where the CEC can inquire about the status of projects and conversely the developers could provide status updates to the CEC.
- Consider utilizing contractors or third party verifiers to assist the CEC in the precertification backlog.
- With an issued pre-certification, the CEC should provide some initial comments or concerns for the project developer's consideration (i.e. initial screening on whether the project would potentially meet the Guidebook in place, considerations on the type of portfolio content category the project may fall under if certain criteria are met, etc.).

- Develop a Frequently Asked Questions document to address common applicant inquiries to ensure that complete pre-certification applications are submitted to the CEC.
- Once an application for pre-certification is submitted, the CEC would treat the pre-certification as a qualifying condition to allow an entity to count the generation from the time an application for full certification is submitted to the time when the CEC acts on the certification application.

As mentioned above, LADWP supports the CEC preserving the existing pre-certification process and also supports additional efforts to improve the existing process.

IV. Conclusion

The LADWP remains committed to transitioning to a greater usage of a renewable energy resource mix in a cost-effective manner while maintaining grid reliability. LADWP appreciates the opportunity to submit these comments and requests that the Commission further engage in discussions with stakeholders to further improve the Guidebook. LADWP looks forward to continue working with the CEC in this proceeding.

Dated February 18, 2014

Respectfully Submitted,

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