



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Continue  
Implementation and Administration of  
California Renewables Portfolio Standard  
Program.

Rulemaking 11-05-005  
(Filed May 5, 2011)

**COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO IN  
RESPONSE TO THE ASSIGNED COMMISSIONER'S RULING  
IDENTIFYING ISSUES AND SCHEDULE OF REVIEW FOR 2012  
RENEWABLE PORTFOLIO STANDARD PROCUREMENT PLANS**

In accordance with the April 5, 2012, Assigned Commissioner's Ruling Identifying Issues and Schedule of Review for 2012 Renewables Portfolio Standard Procurement Plans Pursuant to Public Utilities Code Sections 399.11 Et. Seq. and Requesting Comments on New Proposals (ACR), the City and County of San Francisco (CCSF or City) respectfully files these comments. The City commends Commissioner Ferron for focusing on an important issue facing ratepayers, the unprecedented escalation in transmission costs.

As the City noted in its recent comments in the long-term procurement planning proceeding (Rulemaking 12-03-014), a large number of expensive transmission projects identified through the California Independent System Operator's (CAISO) interconnection process are already included in the CAISO's most recent transmission plan. The City supports the renewable portfolio standard (RPS) and recognizes that some increase in transmission costs may be necessary to achieve the state's ambitious goal for renewables. However, only 11,000MW-13,000MW of additional renewable generation capacity is needed to meet the 33% RPS goal,

whereas there are more than 40,000MW of renewables projects currently in the CAISO existing generation interconnection queue.<sup>1</sup>

Thus, many of the renewable projects for which transmission projects are planned, are unlikely to be needed. However, the CAISO facilitates construction of **all** transmission facilities included in the CAISO transmission plan. And ratepayers are ultimately responsible for the cost of all network upgrades, including those identified during the interconnection process.<sup>2</sup> Moreover, although the City has urged the CAISO to impose a cost-effectiveness assessment on interconnection-driven transmission projects, the CAISO has denied this request for the bulk of the interconnection-driven transmission projects currently planned. If all the transmission facilities currently in the most recent CAISO transmission plan are built, there is a very high risk of over building with major cost impacts on ratepayers. The ACR explains how the CAISO's unrealistic estimates of new generating projects are also creating problems for renewable generation developers. The Commission must take steps now to ensure both just and reasonable rates, and a sustainable electric grid that supports the State's RPS goals.

The inclusion of excess transmission in the current CAISO transmission plan stems from a number of problems: 1) the least-cost best-fit (LCBF) analysis does not appear to incorporate the best and complete information about the transmission costs associated with the projects that are evaluated; 2) perhaps because the focus of new resource acquisition has been on renewables, the investor owned utilities (IOUs) may be seeking to use renewables to meet their resource adequacy requirements in a manner that is not the most cost effective; and 3) the Commission

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<sup>1</sup> CAISO Board of Governors Briefing Memo, May 16, 2012.

<sup>2</sup> Network upgrades required as a result of generator interconnections (including those required for deliverability) can be paid for by a participating transmission owner (PTO), if the owner so elects, or are initially paid for by the interconnecting generators. In either case, ratepayers ultimately reimburse the PTO or the generators for these costs. CAISO Tariff, Appendix Y, Sections 12.3.1 and 12.3.2.

has not questioned (or, to the City's knowledge, formally reviewed) use of the CAISO's unduly stringent deliverability requirements for the purpose of qualifying resources to provide resource adequacy (RA).

The Commission's determinations in this proceeding – regarding the IOUs' process for soliciting and evaluating proposals, developing short lists, and ultimately contracting with or building RPS projects – are critical to ensure that transmission costs are accurately assessed together with generation costs, such that the truly LCBF projects are selected. The City commends Commissioner Ferron for recognizing some of the problems with past and current practices that have resulted in inclusion of excess transmission in the current CAISO transmission plan, and proposing alternatives to address it. The City's comments address these proposals. The City strongly recommends that the Commission hold a focused workshop to address the fundamental problems listed above, and approaches to ameliorate them, before parties must determine whether to move for evidentiary hearings.

I. The City Supports Use of the Most Accurate Transmission Related Information Available, to Undertake LCBF Evaluations, Including Estimates of All Transmission Costs Associated with Each Potential Project (New Proposals 7.3 and 7.4.).

The ACR makes two related recommendations:

1) 7.3: Use transmission cost estimates from the California Independent System Operator (CAISO) interconnection studies (or equivalent) to undertake LCBF evaluations in the Investor Owned Utilities (IOU) bidding processes, rather than the estimates from the Transmission Ranking Cost Report (TRCR); and

2) 7.4: Create two short lists, one for generators that have not obtained Generator Interconnection Process (GIP) phase II study results, and one for generators that have, and only

allow IOUs to execute and submit to the Commission for cost recovery approval, contracts with generators that have GIP phase II study results.

The City supports the thrust of these two proposals, to seek to use the most accurate transmission cost information available in the LCBF evaluations, and to limit the IOUs' authority to enter into power purchase agreements (PPAs) and seek cost recovery for these, until there is increased certainty about related transmission costs.

With respect to use of cost estimates from the CAISO GIP study process rather than estimates from the TRCR, Pacific Gas and Electric (PG&E) and San Diego Gas and Electric Company (SDG&E) variously seek flexibility to use either TRCR or GIP estimates, depending on which each IOU deems to be "the best information available," and SDG&E points out that TRCR costs have the advantage of being public. Nonetheless, Southern California Edison (SCE) and PG&E both indicate that where GIP study cost estimates are available, they are generally used. The City is very concerned about the generally opaque nature of the LCBF evaluations undertaken by the IOUs, and does not see the need to keep transmission costs confidential. But even if GIP study cost estimates remain confidential, the Commission should still require use of the most accurate information available.

The IOUs' responses highlight another issue of at least as much importance. SCE's comments suggest that GIP study cost estimates will not include deliverability network upgrades (DNU's). SCE's Comments on ACR at 6. The Commission should require all generator bids to be evaluated in the LCBF process using accurate estimates of **all** transmission costs associated with a particular project that will ultimately be funded by ratepayers, including network upgrades and DNU's.

The City similarly supports the spirit behind recommendation 7.4. In their comments, PG&E and SCE express some concern about the mechanical application of the two short lists process recommended in 7.4. SCE argues that creating two short lists is unnecessarily complex. Rather, SCE recommends that all potential sellers should be required to have phase I studies (or the equivalent), and IOUs should be precluded from contracting with and seeking cost-recovery for contracts with sellers without a phase II study (or equivalent). PG&E agrees with the first SCE recommendation, but seeks flexibility to contract with sellers before a phase II study is available. San Diego Gas and Electric (SDG&E) generally seeks flexibility.

SCE's proposal may be the most practical. It generally achieves the objectives of proposal 7.4 without undue complication. In fact, the Commission could require that IOUs only sign power purchase agreements (PPAs) with generators having a signed generator interconnection agreement to ensure that IOUs contract only with projects that are far enough along the development process to provide some additional certainty about a project's viability and cost.

The City is concerned about IOU requests for a large degree of flexibility in the LCBF evaluation process. Particularly in light of the current highly confidential nature of the LCBF assessment, the inability of most stakeholders to participate in the process, and the highly technical nature of evaluating transmission costs, it is important for the guidelines for the process to be clear and known to all parties. Waiting until a project is sufficiently real and its costs adequately defined before execution and approval of a PPA protects ratepayers by ensuring that contractual commitments are made only once sufficiently certain information about costs is available.

## II. The City Strongly Supports Efforts to Minimize Transmission Costs (New Proposal 7.7).

As noted earlier, the City enthusiastically supports Commission efforts to minimize transmission costs. The City considers that an important first step is to ensure that the LCBF evaluation fully incorporates all transmission costs related to a particular project, as the City recommended in the first section of these comments, and that transmission cost estimates be as accurate as possible.

The ACR's proposal for a cap on assumptions about renewables development in certain areas may also be a useful component in the effort to contain transmission costs. Of course, as the IOU comments illustrate, the devil is in the details. How and where will a cap be applied? Which network or deliverability transmission projects are excessively expensive? How will limited transmission capacity be rationed and allocated?

The City recommends a focused workshop to address the undue escalation of transmission costs, including evaluation of 1) the ACR's cap proposal, 2) approaches to ensure the IOUs procure RA as cost-effectively as possible, and 3) whether to continue to use the CAISO's overly stringent deliverability requirements to establish the criteria for RA credit. During the workshop, the following issues should be explored:

- 1) The Commission should closely examine IOU efforts to buy capacity for RA purposes from RPS projects, and ensure that DNU costs of deliverability are accurately weighed against the RA benefits of a fully deliverable RPS resource. As a component of such an investigation, the Commission should explore allowing renewables developers to bundle energy-only offers with capacity from existing and deliverable resources into a combined product, if this is commercially feasible.

2) The Commission should assess whether it is appropriate to continue to use the overly conservative CAISO deliverability criteria for purposes of assigning RA value to generators. To the City's knowledge, the Commission has only formally reviewed and ruled on use of CAISO deliverability criteria for purposes of assessing local capacity requirements.<sup>3</sup>

III. Conclusion.

The City strongly supports the ACR's focus on moderating transmission cost increases. The Commission should energetically pursue improvements to the procurement process to ensure that the State achieves its RPS goals without the currently projected unnecessary and excessive transmission cost increases.

Respectfully submitted,

Dated: June 27, 2012

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<sup>3</sup> See e.g. May 22, 2012, ALJ Gamson Proposed Decision in R.11-10-023, Phase 1, Ordering Paragraph 2 at 37, and discussion at 7.

**VERIFICATION**

I am an employee of the City and County of San Francisco, Public Utilities Commission, a city and county, and am authorized to make this verification on its behalf.

I have read the **COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO IN RESPONSE TO THE ASSIGNED COMMISSIONER'S RULING IDENTIFYING ISSUES AND SCHEDULE OF REVIEW FOR 2012 RENEWABLE PORTFOLIO STANDARD PROCUREMENT PLANS** dated June 27, 2012. The factual statements in this document are true to the best of my own knowledge, information or belief.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 27th of June, 2012 at San Francisco, California.

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**Margaret Meal**

Manager of Regulatory and Legislative Affairs, Power Enterprise  
San Francisco Public Utilities Commission