



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)

**REPLY 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 reply comments. The City remains concerned about the potential for large increases in transmission costs and urges the Commission to adopt improvements to the procurement process that reduce costs for ratepayers while achieving RPS goals. In particular:

- The City disagrees with the Independent Energy Producers (IEP) that Commission action to control transmission costs is unnecessary in light of the improvements by the California Independent System Operator (CAISO) to the generator interconnection process and that IOUs should be denied tools to control unanticipated increases in transmission costs.
- The City agrees with the California Wind Energy Association's (CALWEA) comments that giving bidders the flexibility to bundle renewable energy from renewable portfolio standard (RPS) facilities with Resource Adequacy (RA) from other sources, as proposed by Southern California Edison (SCE), is constructive.
- The City agrees with CALWEA that the California Independent System Operator's (CAISO) deliverability criteria are unduly stringent.
- The City agrees with CALWEA that the procurement process should be as transparent as possible.
- The City urges the Commission to schedule a workshop to discuss alternatives to moderate the escalation in transmission costs, followed by an opportunity for evidentiary hearings.

I. The City Disagrees with IEP that Proposed Changes to the Generator Interconnection Process will Address Concerns About the Dramatic Growth in Transmission Costs and that Ratepayers Should Shoulder the Risk of Undue Transmission Project Cost Increases.

IEP opposes the proposal in the ACR to cap transmission costs, and allocate transmission capacity. IEP claims that the "CAISO has undertaken significant modifications to the interconnection process " and implies that these, combined with a requirement that all shortlisted bidders have completed at least a phase 1 interconnection study, will adequately address the concerns the cap is intended to address. See IEP Comments at 23. Moreover, IEP opposes the proposal by SCE to terminate power purchase agreements (PPA) if ratepayer funded transmission costs become excessive and the proposal by San Diego Gas and Electric Company (SG&E) to cap transmission interconnection costs paid for by the Investor Owned Utilities (IOUs). See IEP Comments at 14, 15 and 18. The City also disagrees with CALWEA's suggestion that the ACR's cap/allocation proposal is unnecessary to avoid unnecessary transmission costs. See CALWEA Comments at 8-9.

The City disagrees with IEP's suggestion that the CAISO modifications to the interconnection process will adequately moderate the undue escalation of transmission costs. First, modifications that make generators responsible for certain transmission network upgrade costs will only apply to projects in Cluster V and beyond,¹ whereas projects up to Cluster IV include three times the capacity needed to meet the State's 33% RPS goal. As PG&E admits, a cap could be useful to moderate the cost of transmission projects for clusters IV and earlier. See PG&E RPS 2012 Renewable Energy Procurement Plan (Draft Version) at 73-74 (May 23, 2012). Thus, improvements in the generator interconnection process that benefit ratepayers do not apply to a large volume of the projects needed to meet the RPS standard.

¹ See FERC Docket No. ER 12-1855-000 for the CAISO's *Transmission Planning-Generator Interconnection Procedures tariff amendment filing* submitted on May 25, 2012.

Further, the modifications to the interconnection process that will apply to Cluster V and beyond still leave ratepayers responsible for all reliability and certain (local) deliverability network upgrade costs. Since ratepayers will remain responsible for all reliability and certain local deliverability network upgrade costs, the Commission must remain vigilant about ensuring that only transmission projects that are economic and needed are built.

Accordingly, notwithstanding the proposed changes to the interconnection process being pursued by the CAISO, the Commission should 1) remain focused on ensuring that in comparing RPS projects against each other the IOUs accurately factor in related transmission costs to be borne by ratepayers; 2) allow the IOUs to incorporate features in their PPAs to preclude an open-ended commitment to pay for any transmission costs; and 3) explore other alternatives such as the cap posited in the ACR to control the growth of transmission costs.

II. The City Agrees with CALWEA and SCE that RPS Developers Should be Given the Flexibility to Partner with Other Resources to Supply Resource Adequacy.

In its RPS plan, SCE explains that it will allow RPS resource developers to bundle their energy with RA capacity from third parties and that it will afford developers flexibility on when and for how long projects must offer RA capacity. SCE RPS Procurement Plan at 28-29. CALWEA's opening comments argue that allowing bidders to provide RA from third party suppliers will allow the market to address the “problematic” deliverability requirements described in the ACR. CALWEA Comments at 8-9. The City agrees with CALWEA and SCE that allowing renewable generation developers flexibility on whether and how to offer RA products in addition to RPS products is constructive.

This approach contrasts with PG&E's insistence that it has a preference for projects that offer both RA and RPS credit. See PG&E RPS 2012 Renewable Energy Procurement Plan

(Draft Version) at 37. The IOUs should be required to implement the least-cost strategy for obtaining all the RPS and RA resources they need. There is no policy reason to favor obtaining both RA and RPS credit from one resource unless it is less expensive than obtaining these products separately.

The Commission should require the IOUs to 1) obtain RPS and RA in the least-cost manner, regardless of whether this outcome is achieved by purchasing RPS and RA resources from the same facility or by purchasing the products individually; and 2) allow RPS developers flexibility in offering RA credit, including flexibility to bundle RPS energy with third party RA products. Moreover, additional mechanisms (such as the cap proposed in the ACR) are needed to ensure that ratepayers do not have to pay for unduly expensive and unnecessary transmission upgrades.

III. The City agrees with CALWEA that the California Independent System Operator's (CAISO) deliverability criteria are unduly stringent.

CALWEA explains that the CAISO's deliverability requirements are unduly stringent. See CALWEA Comments at 9-10. The City agrees with CALWEA that the Commission should encourage the CAISO to revise the methodology and assumptions used in its interconnection study processes for deliverability purposes and relax its deliverability criteria to reflect more realistic and more likely system conditions.² See *id.*

IV. The City agrees with CALWEA that the Procurement Process Should be More Transparent.

In responding to the ACR's proposal to standardize the calculation of net market value for use in the least-cost, best-fit evaluation, CALWEA stresses the importance of maximizing transparency and the public disclosure of least-cost best-fit inputs. CALWEA Comments at 3-4.

² See the City's comments in the long-term procurement proceeding for more details on how the CAISO's deliverability criteria should be reformed. Comments of the City and County of San Francisco, 5-21-12 in R.12-03-014, at page 6.

The City agrees. The procurement process is extremely opaque to the majority of stakeholders that do not have access to confidential information. The City is concerned that the extreme growth in transmission costs results at least in part from the lack of transparency. The City appreciates the efforts of consumer advocates to advocate for reasonable costs; but these advocates have inadequate time, resources and, consequently, expertise to meaningfully critique the transmission plans and projects that are identified in the context of the generator interconnection process. The City agrees with CALWEA on the importance of maximizing transparency.

V. The City urges the Commission to Schedule a Workshop to Discuss Alternatives to Moderate the Escalation in Transmission Costs, Followed by an Opportunity for Evidentiary Hearings.

The ACR provides that motions for evidentiary hearings are due on the date these reply comments are due. Transmission cost issues are sufficiently important to merit evidentiary hearings, if issues cannot be resolved through workshops. The City recommends a focused workshop to explore alternatives to moderate the growth of transmission costs. Initially, workshops are preferable to hearings because the issues are complex, interconnected and can be highly technical. The City asks that parties be allowed to request evidentiary hearings at the conclusion of the workshop process if they consider that such hearings would be useful at that time. The City notes moreover that at least in the case of PG&E and SCE there is no urgency for approval of the 2012 RPS procurement plans since these IOUs' RPS draft plans do not show a need for additional RPS deliveries until 2019 (PG&E) and 2018 (SCE).

VI. Conclusion.

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. The Commission should schedule a workshop to explore alternatives to control escalating transmission costs and provide an opportunity for evidentiary hearings after the workshop.

Dated: July 18, 2012

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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 **REPLY 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 July 18, 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 18th of July, 2012 at San Francisco, California.

/S/

Margaret Meal

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