

CALIFORNIA PUBLIC UTILITIES COMMISSION

**PATHFINDER RENEWABLE WIND ENERGY AND
ZEPHYR POWER TRANSMISSION, LLC COMMENTS ON
THE RENEWABLE RESOURCE PORTFOLIOS FOR THE
2013-2014 TRANSMISSION PLANNING PROCESS PROPOSED BY
THE CALIFORNIA PUBLIC UTILITIES COMMISSION**

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**PATHFINDER RENEWABLE WIND ENERGY AND
ZEPHYR POWER TRANSMISSION, LLC COMMENTS ON
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PROPOSED RENEWABLE RESOURCE PORTFOLIOS FOR
THE 2013-2014 TRANSMISSION PLANNING PROCESS**

Pathfinder Renewable Wind Energy (“Pathfinder”) and Zephyr Power Transmission, LLC (“Zephyr”) respectfully submit these comments on the California Public Utilities Commission’s (“Commission”) proposed renewable resource portfolios for the 2013-2014 Transmission Planning Process (“TPP”).

I. INTRODUCTION AND BACKGROUND

Zephyr is a Delaware limited liability company established for the purpose of developing and financing the Zephyr transmission project, a proposed 975 mile, 3,000 MW high voltage, direct current merchant transmission line project that will originate near Chugwater, Wyoming and terminate south of Las Vegas, Nevada in the Eldorado Valley (“Zephyr Project”) with an interconnection to the California Independent System Operator (“CAISO”) controlled grid. Pathfinder is in the development stages of a 3,000 MW wind generation project and associated mitigation land proposal in Wyoming, and has contracted with the Zephyr Project for delivery to California. The Zephyr Project is being developed to enable extremely high quality wind generation resources to be delivered to the California markets.

A workshop to discuss the Commission’s 33% Renewable Portfolio Standard (“RPS”) Calculator and proposed portfolios for the 2013-2014 TPP was held at the California Energy Commission (“CEC”) in Sacramento on December 19, 2012. Based on the presentations at the workshop, these comments are focused on two apparent problems with the Commission’s methodologies. First, the data used and assumptions made for out-of-state resources inappropriately discount the value of these projects. Second, the Commission overvalues distributed generation (“DG”) in the project scoring by not taking into account DG interconnection costs.

II. COMMENTS

A. The Commission's Methodology Incorrectly Discounts the Values and Potential Contribution from Out-of-State Resources

1. The Commission's scoring of out-of-state projects employs outdated data when more current and accurate data is available

Based on the discussion at the December 19, 2012 workshop, the 33% RPS calculator uses two-year old data collected from the Renewable Energy Transmission Initiative process to determine the out-of-state resources assumed for each Competitive Renewable Energy Zone ("CREZ"). This data is out-of-date, and Pathfinder and Zephyr suggest that better data can be gathered from the Western Governors' Association's ("WGA") Western Renewable Energy Zones ("WREZ") initiative. In March 2012, WGA issued a report titled "Renewable Resources and Transmission in the West; Interviews on the Western Renewable Energy Zones Initiative." This report provides updated assumptions for out-of-state resources that apparently are not included in the 33% RPS Calculator.¹

Generally, the source of data underpinning the Commission's calculations have not been provided. For example, in response to a comment made during the December 19, 2012 workshop in regards to a lack of citations and explanations for the assumptions underlying the net short calculation, Commission Staff indicated that data source citations would be provided. Pathfinder and Zephyr have not seen this information posted on the Commission or CEC websites,² and is unaware whether this information has been emailed to interested parties. Similarly, it was explained that the net short calculation assumed 12,600 GWh from out-of-state

¹ The March 2012 WREZ Report identifies reductions in the cost for wind integration and capital costs, increases in wind capacity factors, and an improved approach to modeling wind resources. The March 2012 WREZ Report is available at http://www.westgov.org/reports/cat_view/95-reports/263-2012.

² The following websites have been reviewed for new materials posted since the workshop: <http://www.Commission.ca.gov/PUC/energy/Procurement/LTTP/2012+LTTP+Tools+and+Spreadsheets.htm>, and at http://www.energy.ca.gov/2013_energypolicy/documents/2012-12-19_workshop/presentations/.

resources and that this figure is based on a CEC staff report. During the workshop and in a follow-up request, Commission Staff was not able to provide the name or location of this report.

Considering the importance of the data sources used in the renewable resource portfolio methodology, it is important that the Commission provide clear citations to the sources for all data underlying the proposed portfolios and that this information accessible for review and comment, as well.

2. The assumption that out-of-state resources will be allocated to home state RPS obligations is incorrect

The 33% RPS Calculator allocates the lowest cost out-of-state projects to host states until all non-California renewable program targets for 2022 are satisfied. This is factually incorrect, misstates the nature of the regional market for incremental renewable generation, and must not be accepted as fact in developing the Commission's recommended portfolio. In fact, it implicitly assumes that each state has preferential access to in-state renewable generation, which is inconsistent with both federal policy on interstate competition and with the Constitutional principle of non-discriminatory interstate commerce. Although Senate Bill 2 (1X) imposes a preference for renewable procurement from facilities located within a California balancing authority and out-of-state facilities that can deliver into a California balancing authority, California load-serving entities have the flexibility and authority to contract with both in-state and out-of-state resources, including and up to the entire output of a facility. In many cases, out-of-state generation can be permitted much more quickly and at lower costs than similar in-state facilities. Moreover, the geographic or geologic conditions that may make for rich renewable resource areas do not simply stop at state boundaries, so it is illogical to simply presume that those resource development opportunities should be ignored. Furthermore, it is incorrect to presume that out-of-state resources are developed to serve local markets.

The CAISO's interconnection queue provides direct evidence of a large number of out-of-state projects seeking to deliver into California and serve those loads. Projects will seek to sell generation to the best market and have no obligation to serve the local market. Throughout the western region, it is California's market that is the most desirable based on the state's aggressive renewable goals. Accordingly, the Commission's proposed portfolios do not accurately reflect the existing regional marketplace for renewables, nor the flexibility or discretion that California load-serving entities have to contract for renewable resources that best fit their RPS procurement requirements.

3. When valuing out-of-state resources, the rankings fail to take into account the generally lower costs of permitting and development for these projects

It is commonly accepted and known that the permitting and development process for renewable resources in California is much slower and more expensive than in other states. The net-cost scoring of out-of-state resources in the Commission's 33% RPS Calculator does not take this into account. The scoring should consider the impacts of longer and more costly generation permitting and development costs for California projects and how such costs will impact the overall costs of generation.

4. When determining the environmental score for out-of-state resources, the Energy Commission should request data from out-of-state resources

During the Energy Commission's Staff's presentation on the methodology for environmental scoring, it was explained that a neutral score of 50 was applied for all non-California projects. In response to a comment that some out-of-state projects may better fit the more preferential Category 1, CEC Staff explained that they simply didn't have the data, and therefore assumed a neutral position for out-of-state projects. Pathfinder and Zephyr disagree that the data was not, or could not be made available. Requests for the necessary data could have been made directly to the projects with low effort by the CEC.

B. The Commission Incorrectly Assumes No Costs for Distributed Generation

Based on our review of the 33% RPS Calculator spreadsheets, the Commission's assumptions regarding the cost of DG are flawed because they effectively double count DG benefits. Not only do DG facilities receive a preference based on the presumption that a DG facility will not require new transmission, but this preference is doubled by simultaneously assigning non-DG facilities costs for transmission. If a facility avoids new transmission, it will have a transmission cost of zero, which will be reflected in the project evaluation. Therefore, a preference or advantage over facilities requiring new transmission is already established through that excluded cost. It is improper to confer an additional preference for avoided transmission by assigning both a cost for additional transmission as well as a separate discount for avoided transmission since this is the same cost element. To properly compare the potential transmission avoidance benefits of renewable facilities, the CAISO should instead evaluate only the transmission costs required for a facility without conferring an additional discount for avoided transmission. This avoids the problem of assigning twice the transmission avoidance properties to those facilities that do not require additional transmission.

III. CONCLUSION

Pathfinder and Zephyr greatly appreciate the Commission Staff's efforts in updating the 33% RPS Calculator and the acceptance of comments for the 2013-2014 TPP cycle. For the reasons described above, Pathfinder and Zephyr suggest that the methodology for the proposed

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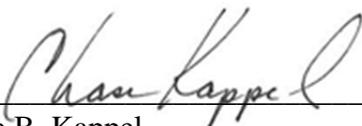
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portfolios be further revised to recognize the contribution and cost-effectiveness of out-of-state renewable generation.

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Respectfully submitted,

By: _____

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