

**BEFORE THE ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION  
OF THE STATE OF CALIFORNIA**

**Implementation of Renewable Portfolio Standard  
Legislation** (Public Utilities Code Sections 381, 383.5,  
399.11 through 399.15, and 445 [SB 1038], [SB 1078])

Committee Order on RPS Proceedings and CPUC  
Collaboration (March 2003)

Docket No. 03-RPS-1078  
RPS Proceeding

**Phase 2 Implementation**

**COMMENTS OF CHATEAU ENERGY, INC. ON  
RENEWABLE PORTFOLIO STANDARD  
PHASE 2 IMPLEMENTATION**

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**COMMENTS OF CHATEAU ENERGY, INC. ON  
RENEWABLE PORTFOLIO STANDARD  
PHASE 2 IMPLEMENTATION**

Chateau Energy, Inc. (CEI) respectfully submits comments on the Phase 2 implementation issues of the Renewable Portfolio Standard (RPS) discussed during the collaborative staff workshops held on May 12, 2003 (Day 1) and May 13, 2002 (Day 2) at the California Energy Commission (CEC). The purpose of the workshops was to develop recommendations for addressing RPS issues related to the distribution of supplemental energy payments, the process for certifying electricity generation facilities, and for developing the tracking system for the RPS. These comments specifically address the questions that pertain to repowering of CEI's Mesquite Lake Renewable Power Plant by number as they were presented in the workshops. CEI is not responding to all questions; the questions without comments are not included and numbering may not be consecutive. Lack of comment at this time does not preclude subsequent consideration.

**I. Day 1: Supplemental Energy Payment (SEP) Payment Guidelines**

*1. How should the CEC define "New" for the purpose of SEP eligibility? For example, should "New" be defined as coming online after a specific date? If so, what date is appropriate? If such a date is chosen, does the "New" designation apply forever, or does it expire after some period of time?*

The electrical corporations are required to increase their total procurement of eligible renewable energy resources by at least an additional 1 percent of retail sales per year, resulting in 20 percent by December 31, 2017.<sup>1</sup> The initial baseline for setting the annual procurement targets is established by using the actual percentage of retail sales procured from eligible renewable energy resources in 2001.<sup>2</sup> "New" should be defined as a renewable generation facility that comes online after January 1, 2002 (after the baseline year) for the purpose of SEP eligibility. This definition should be conditioned that no public goods funds have been or will be accepted through any other program by the generator for renewable energy generation.

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<sup>1</sup> Public Utilities Code (PUC) § 399.15(b)(1)

<sup>2</sup> PUC § 399.15(a)(3)

SEPs can only be “paid for the lesser of 10 years, or the duration of the contract with the electrical corporation”.<sup>3</sup> Therefore, “new” expires at the same time as the eligibility for SEPs. Once the contract duration or 10 years has been reached, the facility is no longer “new” and cannot reapply for SEPs.

*2. Repowered renewable generation facilities are eligible for SEPs “if the capital investment to repower the existing facility equals at least 80 percent of the value of the repowered facility.” Section 383.5 (d)(3) How should the CEC confirm that a repowered renewable generation facility meets this standard?*

The definition of the facility in this context must be considered to be that portion of the industrial complex dedicated to the process stream specific to electrical generation (feed, conversion, generation), and without land evaluation. The valuation of those existing elements of the facility dedicated to the process stream that are not replaced during reconstruction should be based upon the remaining useful life of those elements, taking into account depreciation and salvage value, if any. The value of the repowered facility must be determined by an engineering economic analysis, and not a real estate appraisal.

*3. Are renewable generation facilities that began receiving or have had funds encumbered from the New Account before January 1, 2002 eligible for SEPs? If yes, what conditions if any, would apply to the award of SEPs for these facilities?*

Facilities that began receiving funds from the New Account before January 1, 2002 should generally not be eligible for SEPs, unless circumstances beyond their control resulted in an interruption in funding. In those cases, eligibility should be considered on a case by case basis. The amount of SEPs awarded should be reduced by the amount already received from the New Account.

Facilities that have had funds encumbered but have not received funds should be eligible for SEPs. The intent of the RPS is to bring renewable generation facilities online; past awardees that were unable to implement a project and never received funds due to circumstances beyond their control must not be penalized. Their projects were already screened and found acceptable, and should if anything, receive preference. Prior awardees should definitely not be required to release prior awards before assurance that a) contract is signed, and b) SEPs are approved. In all cases, however, prior award allocations should be relinquished before actually receiving SEPs, to eliminate double payment.

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<sup>3</sup> PUC § 383.5(d)(2)(A)(iii)

4. *To whom can SEPs be made: the facility owner/operator; the retail supplier; and/or potentially an intermediary that has taken possession of the renewable generation from the renewable generation facility and has the contract with the retail seller?*

Payment should be made using the same path and mechanism established in the power purchase agreement (PPA).

5. *What are the performance standards for paying SEPs? Are there any circumstances where SEPs would be paid when generation has not occurred?*

“Performance Standards” for payment of SEPs should be the same conditions of the PPA that the generator must honor in supplying energy to the Investor Owned Utility (IOU), NOT separate documents impinging on that contract. Ensuring certainty of SEP to both the generator and the purchasing entity (IOU or otherwise) should be based on adherence to power purchase contract terms and conditions.

6. *On what frequency should SEPs be paid?*

Payment should be made in accordance with the contract terms established in the PPA.

7. *Under what circumstances should SEPs be terminated for a facility? How would termination provisions in the CEC’s SEP agreements affect the ability of new projects to secure financing, if at all?*

Any and all termination clauses for SEP allocation must be included in the power purchase contract terms and conditions. CEI agrees with the general consensus of workshop participants that the CEC needs to discuss this aspect with financier representatives, as cost of increased risk potential posed by loss of SEPs impacts multiple aspects of RPS implementation. Insurance may be critically altered, annual procurement target attainment could be compromised, and liquidated damages could result from termination of necessary supplemental energy generation payments.

8. *SEPs are to be awarded only to facilities eligible for funding. At what point in the procurement process is funding eligibility established? At what point in the procurement process should funds be encumbered? How does the encumbering of funds, or the state's budget deficit, affect the ability of new projects to secure financing, if at all?*

To receive approval from the California Public Utilities Commission (CPUC) and the CEC for a proposed contract in response to a Request for Offer (RFO) solicitation from a participating retail energy sales entity (IOU or otherwise), the RPS requires that the bid first pass a “Least-cost and Best-Fit” (LCBF) analysis. This ensures competitive, needs-based renewable energy product procurement. A Utility reviewing bids received in response to a RFO needs to be certain that those bidding are indeed eligible to participate in the RPS. **Thus,**

**eligibility must be established *before* the RFO is issued, and be documented *in* the generator's bid submission.**

From the bids submitted by eligible RPS participants that pass the LCBF, the agencies must next determine, with recommendations from the energy provider and based upon supportive materials from the bidder, that there is a relative positive value of that bid for progress toward the goals of the RPS beyond those “electric product” attributes addressed in the LCBF analysis.

CEI introduced in its CPUC Opening Brief (filed to R.01-10-024 on April 28, 2003) and at the CEC workshop, the concept that “Rank Ordering” is encoded as the earliest step allowing the CPUC/CEC to “restack” bids coming from IOUs after LCBF analysis. The code provides for, “... *rank ordering AND selection of least-cost and best-fit renewable resources*”<sup>4</sup> [emphasis added]; the code does not stipulate *rank ordering BY selection of least-cost and best fit renewable resources*.

Unless “pre-certification” is developed in some way that ensures in advance that *all* participants submitting bids will be of equal value to the RPS, this *rank ordering* step (as TURN noted in the workshop) is the “first cut” for the CEC and the CPUC to make decisions regarding a bid project's relative value for meeting overall RPS goals.

Until the agencies physically have (a) a group of bids, (b) a market price referent, and (c) a prioritization or rank ordering, the CEC cannot determine if there are “sufficient” Public Goods Charge funds for the solicitation, nor negotiate the contractual manner by which those funds might be “made available.”<sup>5</sup> **Bids receiving highest priority at the step of Rank Ordering should be first to be ensured of SEP funding; this step is therefore also the first point that the CEC should *encumber* SEP funds** through contract with the generator. Approval of PPAs would then be firmly based on resource eligibility, procurement needs analysis, supplemental funding availability, *and* on RPS goal relevance.

9. *Under what conditions, if any, should the CEC facilitate or administer auctions for SEPs?*

CEI agrees with the general consensus of the workshop that auctions should not become a programmatic part of SEP payment allocation, being a different construct inappropriate to the RPS.

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<sup>4</sup> PUC § 399.14(a)(2)(B)

<sup>5</sup> PUC § 399.15(a)

10. Under what conditions, if any, should the CEC apply targets, milestones, or other conditions as requirements for SEP payment?

CEI agrees with general workshop consensus that any and all targets, milestones, or other conditions as requirements for SEP should be built into the contract.

11. The CEC has authority to require a forfeitable bid bond or other financial guaranty from applicants competing for funding. Under what conditions should the CEC exercise this authority? Which form(s) of financial guaranty are appropriate for the CEC to accept?

Bid bonds are required by public agencies when soliciting bids for public works projects for which plans and specifications for construction are issued to contractors. Their primary purpose is to protect the public agency in the event the “lowest responsible bidder” withdraws its bid after the bidding period has ended, resulting in a higher price to the agency for construction of the project.

SEPs are intended to “cover the above market costs of renewable resources”,<sup>6</sup> not pay for the construction of new generation facilities. Once the generator begins receiving SEPs, substantial resources have already been dedicated to the project, a PPA is in place and energy is being produced. The CEC’s risk at this point is minimal; protection through a bid bond or other financial guaranty is not warranted.

12. The CEC has authority to consider establishing caps on SEPs.

i. On what basis, if any, should SEPs be capped?

a. Per unit production;

b. By time period, such as a utility’s procurement cycle;

c. By retail seller or category of retail seller (e.g., UDC, ESP);

d. Relative to the market price referent or the balance remaining in the New Account.

e. Other?

ii. What methodology should the CEC adopt to confirm that the “substantial economic and environmental benefits” condition exists?

Allocation of available SEP funds among the expected annual renewable procurement solicitations by all retail energy sellers will require at a minimum, establishment of a “soft cap” as discussed in the workshop. This would be a rough percentage of all available funds that might be dedicated to any one solicitation, against which agencies would judge sufficiency of funds for selected bids and subsequent fund encumbrment per rank order priority.

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<sup>6</sup> PUC § 383.5 (d)(2)(A)

A “firm cap” is probably not advisable; flexibility needs to be built into the methodology, such that agencies may ensure not only that IOU annual procurement targets can be met, but that adjustments for over-arching RPS goals can be made.

“Substantial Economic and Environmental Benefit” should be a determination applied by the CEC and the CPUC upon review of all bid information and resource-specific data attendant to a bid emerging from LCBF analysis. RPS goal pertinence should initially be petitioned with proof by the bidder, as received first by the IOU in bid packet and then by the CEC and the CPUC at the Rank Ordering step discussed above. The CEC/CPUC could ask for additional proof or otherwise require bidder to substantiate claims, either when in question, or perhaps when the above determination was being considered as a ranking priority.

*13. The CEC has the responsibility to manage funds given multiple retail sellers and categories of retail sellers. Whether or not caps are established, should the CEC allocate available funding among retail sellers or retail seller categories?*

As workshop consensus established, funds must be found “sufficient” per solicitation, indicating that no single solicitation should ever expend an undue percentage of available funds. Each retail seller, each year, exhibits certain “needs” characteristics upon which the agency may base an apportionment of available funds.

*14. The CEC may provide funding preference based on the following: 383.5 (d)(2)(F) In awarding funding, the Energy Commission may provide preference to projects that provide tangible demonstrable benefits to communities with a plurality of minority or low-income populations. How should the CEC establish that such a condition exists? Under what conditions would such a preference be applied?*

This is a clear encoding of regulatory empowerment to meet one element of RPS long-term goals, and could best be accomplished at the rank ordering step as described.

To a degree, all such consideration of non-electric RPS criteria as these impinging on PPAs must first be dictated by formal decisions coming from the CPUC R.01-10-024. ALJ Allen’s up-coming determinations of methodology for establishing market price referent (MPR) and LCBF may or may not include measures to ensure RPS goals other than electric product. Mandated RPS goal attainment therefore may not be fully managed from within LCBF and/or MPR processes; CEI again suggests that those elements *not* included by Order Instituting Rulemaking should be addressed at bid *rank ordering*.

*15. If funding demand exceeds supply, how should the CEC allocate funding among eligible facilities?*

CEI has addressed this issue in comment to Question 8: Stepwise, top down through rank ordering priorities established by the CPUC/CEC review of bids, following successful passage of IOU analysis by LCBF.

*16. In the implementation of the New Renewables Resources Account from 1998 to 2002 under Senate Bill 90 (Chapter 854, Statutes of 1996), projects were limited to receive no more than 25 percent of the funds available from each auction. Should such a limit remain in place consistent with the prior program provisions?*

This arbitrary constraint is not appropriate to the RPS implementation.

*17. How will the awarding of SEPs interact with the CEQA requirements for project development?*

The CEC should consider that some projects (repowers, for example) may already be CEQA compliant. In instances involving federal land, money or personnel, both CEQA and NEPA may apply, and there are differences: NEPA considers economic impact, while CEQA in general does not. Part of proof of *positive* attributes, or “benefits” attendant to a project should follow from environmental CEQA/NEPA determinations of “significant impact”, defined as an environmentally *negative* project attribute. Since determination of positive *and* negative attributes may impact bid selection and SEP allocation, both federal and state environmental assessment does impact the attainment and overall balance of RPS long-term goals. Compliance with mitigation measures from environmental review will be under the purview of the local agency (City or County). Providing proof of environmental compliance should be included in conditioning language in the contract, along with those aspects directly related to overall eligibility of the resource for RPS participation.

*18. What entities are responsible for reporting the term of the contract for eligible generation (383.5 (d)(2)(A)(iii)) and the actual generation eligible for SEPs?*

Such reporting responsibilities should be clearly defined in the standard terms and conditions of each PPA. No additional overlays should be necessary, external to the contract.

## **II. Day 2: Certification Process and Accounting System**

### **A. Certification Process for Eligible Renewable Energy Resources**

*1. How does the implementation of the California RPS change the scope of registration*

*of renewable generation facilities? Should all renewable generation facilities in the state be registered?*

“Mandatory” registration should apply to all renewable generators intending to participate in any procurement process mandated to follow RPS. “Voluntary” registration should be available, and encouraged, for all others. Where non-renewable energy generators are already registered, such databases should be used, and interfaced with those registering renewable generators. Identifying existing data streams, modifying them slightly if need be to broaden their applicability, and coordinating among existing resources are always preferable to creating new data collection and management systems.

*2. Under the RPS, the CEC will be responsible for certifying existing and new renewable generation facilities wishing to qualify for SB 1038 funding and/or RPS compliance. Certification of renewable generation facilities will be required for facilities included in baseline, those that are eligible to meet the annual obligation, and those that are eligible for supplemental energy payments. Are there any other certification categories that should be considered?*

New categories of “eligible renewable resources”, and accompanying certification of new types of renewable energy generation technologies, are to be expected and encouraged in the future. The system structure thus should accommodate current energy resource category diversity and be open to change as new renewable options can be certified.

*3. Under what circumstances would certification of renewable generation facilities need to be renewed, updated, amended or withdrawn?*

Consistent with the PPA; any changes in the “Project” pursuant to the contract should be assessed to determine if this would change the Certification.

*4. Currently, registration of renewable generation facilities includes a Declaration statement confirming the accuracy of the application information. Does the certification of facilities for RPS purposes change the standard of review by the CEC for applications for registration or certification of renewable generation facilities? Should the CEC physically perform random audits at certified facilities?*

The CEC should carefully differentiate between “Registration”, “Certification” and “Verification”. Registration programs simply generate a sizeable “list” of participants, and need not develop much “data depth” for any one registrant’s profile. “Certification” produces fewer but more data intensive entrants, and is best suited to generator-initiated data submission for “self-certification”, including third-party audits paid for by generators if and when considered critical by CEC for individual criteria of eligibility. “Verification” becomes the “enforcement” step whereby the CEC is mandated and empowered to ensure credibility. CEC can strengthen

the structure by spot-checks and occasional audits at all steps, yet sheer volume of data suggests scarce resources should be concentrated on the last two.

*5. What data sources should be acceptable for reporting related to certification of eligible renewable generation facilities?*

The concept of “Renewable Attributes” creates a new and uncertain addition to otherwise rather standard electrical generation data. The CEC should use existing data streams and databases whenever possible, including all permit-related environmental submissions of the generator.

*6. What kind of data and documentation should facilities be required to collect and maintain to substantiate their use of renewable fuels, as in the case of biomass or solid waste conversion facilities, or their water use, in the case of small hydro?*

First, the CEC must determine who the “lead agency” is with primary purview: who has legal oversight for each specific point of eligibility criteria. Expect the generator to provide proof from the agency of purview for that point, for self-certification and for subsequent reporting as necessary to ensure on-going compliance. Don’t try to create a new program when one already exists under different purview. If no other agency has legal responsibility for oversight, as may well happen with emerging technologies, interagency agreements may be needed, eventually to include new legislative considerations. Yet do not impede implementation for lack of existing control infrastructure. This “reporting and documentation path” should be stipulated as Terms & Conditions of the contract, with a bi-lateral agreement to modify contracts in the future as necessary to keep up with changing regulations, legislative interpretations, and technical fact-finding.

## **B. Accounting and Verification System**

### **Accounting System Purposes and Geographic Scope**

*1. Are there any other primary functions that an optimal accounting system should be designed to accommodate?*

*2. How do you interpret the requirement that the system be used to verify ‘retail product claims’ (does this mean fuel source disclosure)? Does ‘retail product claims’ mean anything more than this?*

*3. Are there any other secondary functions for which such an optimal accounting system might be designed?*

*4. Which, if any, of these secondary functions do you think the optimal accounting system should be designed to address?*

*5. Which, if any, of these secondary functions do you think an interim accounting should be designed to address?*

6. *If imported or renewable energy generated outside of California is eligible for the California RPS, is there any additional data (beyond what is being collected for CA generators) that will be needed or should be collected under either a contract-path or electronic accounting system?*

7. *Should the accounting system only account for California RPS-eligible renewable generation, or should it be part of a larger system such as a Western Electricity Coordinating Council -wide system? Why? If a WECCwide system should be developed, that is the recommended process for doing so?*

8. *If California does not participate in a western states accounting system, are there reconciliation needs with other state accounting systems? If yes, what?*

9. *Should data collection be addressed for customer-sited and off-grid generation in the optimal accounting system? In the interim accounting system? If so, then how?*

In addition to daily and annual data management, the chosen accounting system must facilitate data analyses for assessment of RPS program status toward long-term mandated goal. There must be a means to redirect statewide efforts with focused solicitations as needed. System accounts should include (in addition to retail provider data) specific data for customer-side generation, whether or not grid connected. This can facilitate measures of efficiency, cost effectiveness, and system resilience. For example, optimization for Combined Heat & Power may include a shift between wholesale grid power sales and on-site utilization.

There is already an active, viable, global market for renewable energy credits (RECs), and that marketplace has functionally separated such “REC” trading from sale of energy per se. As noted in the workshop, “the genie is already out of the bottle”. Sales of energy and credits may be bundled for convenience or on demand, but *tracking* must occur independently for each, as separate data streams for separate commodities. Transfer of energy is a physical act; this is not true for transfer of an electronic account credit for benefits agreed upon in the marketplace as having value. That credit need only be uniquely identified.

California’s system should be set up 1) to track RECs under the state’s RPS first, and 2) transition to participation in a western states system. With out-of-state generators eligible to participate in the RPS, the system must ultimately be able track all RECs applicable to a facility and not just those allocated to energy in California.

### **Facilitating Broad Retail Provider Compliance**

10. *Should the optimal accounting system used for the investor owned utilities also be used for other California retail providers? What about the interim system?*

11. *Do any of the accounting system options described in the background materials have particular design characteristics that make them especially effective in facilitating other retail providers’ compliance with the RPS?*

The accounting system should facilitate both mandatory and volunteer retail provider participation from the start (see response to question 1). The RPS is intended to involve the broad diversity of energy providers, but currently *must* involve only one major category. Early inclusion in the program allows better communications with providers not currently under mandate to participate. Increased awareness among voluntary participants, via a system open to their questions and comments, should greatly streamline future programmatic actions. Already, non-mandated providers (municipalities, for example) are expressing confusion and finding little access to pertinent information.

### **Sequencing of Accounting System Design**

*12. How should an interim system be designed?*

*13. Is it possible to adapt any existing CEC or CPUC systems to be used for interim system needs? If so, which and how?*

Three steps in implementation became clear in Workshops:

- (a) Immediate needs are recognized, including steps to provide certification and facilitate participation in the next two procurement cycles;
- (b) Interim system development, allowing data stream identification and collation, interagency collaboration agreement institutionalization, and integration with regional operations;
- (c) Long-term refinement for flexible, resilient “Optimal” system performance.

### **Type of Accounting System**

*14. Are there any other accounting and verification options that the Energy Commission should consider?*

*15. What are the advantages and disadvantages of a contract-path system?*

*16. What are the advantages and disadvantages of an automated electronic system?*

*17. What are the advantages and disadvantages of any other accounting system identified in question # 14 above?*

*18. Does the current and future uncertainty about the use of renewable certificates in California impact the type of accounting system that should be developed?*

Automated systems are certainly preferred over manual, case-by-case “contract path” assessment, for implementation of a long-term “optimal” model. The diversity of individual characteristics for which data must be collected and managed appears very complex in concept, but such tasks are perfectly suited to computerized relational database applications. Interfaces are becoming relatively intuitive, and automation is far less costly to maintain once established.

Case-by-case assessment will be absolutely essential to meeting immediate and intermediate needs of RPS procurement implementation. During these early steps, a “hands-on” knowledge of the contract path by the CEC will be necessary for each participant. Data generated on resource-specific characteristics of each category of eligible renewable resource during preliminary implementation will begin to define the matrix of diverse, criteria-driven data categories needed as (concurrently) an automated electronic system is developed. “Contract path” assessment may prove most useful for verification, facilitating enforcement of eligibility criteria when each step prior to generation must be deconstructed to test a generator and/or a retail energy provider’s claims.

Public ease and certainty in accepting financial risks associated with new project development requires an open forum. It is acceptable to be “creating the rules as we go”, when the participants feel empowered to work *with* the agencies, rather than be directed blindly *by* those same agencies during what is obviously a trial period.

#### **Types of Information the Accounting System will Track**

19. *What types of data are required to verify RPS compliance (under a contract-path system vs. an automated electronic system)?*

20. *Do data or system needs differ for verification of baseline compliance versus additional annual obligation compliance?*

21. *What types of data are required to ensure that renewable energy output is counted only once for the purpose of meeting the renewables portfolio standard of this state or any other state (under a contract-path system vs. an electronic system)?*

22. *What types of data are required to verify product claims under a contractpath system vs. an electronic system?*

23. *Can product claims and RPS compliance both be verified using the same type of accounting system?*

24. *Secondary Functions: What types of data are required to track voluntary wholesale trading of renewable energy or renewable energy certificates (what are the sources of such data under a contract-path system vs. an automated, electronic system)?*

25. *Is the collection of these data compatible with other data collection described above?*

Data categories should be kept separate, rather than aggregated. Analysis can selectively aggregate later; tracking individual data streams may be critical to establishing credibility through claim verification.

Labor relations, particularly regarding out-of-state RPS participants, will impact bids. Whatever the final determinations regarding “fairness” and legal standing, data identifying labor relation differences should be categorically logged from system onset. On the other hand,

receipt of state funding through most other programs typically requires that state prevailing wage laws be honored, with verification provided by submission of payroll certifications prior to release of funds. How this issue is addressed in the RPS program still requires resolution.

Each individual item impacting eligibility for any one renewable generator should become a universal data category. Non-applicability is an acceptable data entry; lack of a required data element can cripple later analyses. Agency verification of product claims must rely on the ability to work backwards through the contract path, as noted previously. Thus every critical juncture in that contract path must be in some way represented as an individual category of data.

Questions have arisen during the CPUC and CEC workshops regarding monetization of attributes. Lack of a clear method to value an attribute should not preclude inclusion of a data category; simple scalar ranking, even presence-absence, provides useful information.

#### **Implementation**

*28. Should the accounting system be web accessible?*

*29. What data should be available to the public?*

*30. How frequently should it be updated?*

Confidentiality always will enter the equation of data management. Access to sensitive information is necessary for agency oversight and verification; public access to that same information is not. It is worth noting, however, that creation of an enforcement mechanism for “Verification”, one that tracks stepwise through the contract path, legally avails others of that same information, if necessary for court case challenges.

Far more important to the public would be the analyses and results performed by or under the direction of the public agencies, for purposes of attaining RPS goals. Programmatic direction will be impacted by knowledge gained through data analysis, and the public should be closely informed as to program status and change.

Developers considering participation in the program have different information needs; these will constantly test the line of confidentiality, as private corporate market assessment inherently must seek out sensitive information upon which to base fiscal risk. Clear rules of access must be established and maintained regarding competitive access.

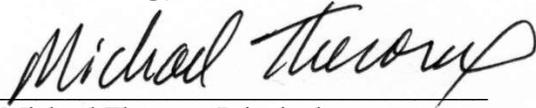
### III. Summary

- Supplemental Energy Payments are intended to promote renewable development through provision of state funds augmenting the above market cost of renewable resources.
- Marketing of “Green Power” has cash value, and verification of seller’s claims that the power generated is indeed renewable, is in the Public’s best interest.
- Construct programs to facilitate, not obstruct, RPS implementation. This requires accounting that can determine status of RPS long-term goal attainment, in addition to maintaining daily and yearly information flow of generation and sale.
- No “late game” surprises: maintain as a high priority, provision of certainty of SEP payment allocation for bids surviving LCBF analyses, IOU selection, and CPUC/CEC rank ordering.
- Standardize and simplify wherever possible. Deal with unusual instances on case-by-case basis, rather than building complex rulemakings. Yet it is essential that the matrix of data to be collected be broad and diverse, representative of the breadth and diversity inherent in the renewable energy generation marketplace.
- Allow for programmatic changes through time as needed to address under-represented elements of RPS over-arching goals. Data should be constructed to facilitate later analyses of each mandated RPS goal.
- Differentiate sequence and timing between:
  - (a) Registration, the least data-intensive step, relies on bidder’s submission of information.
  - (b) Certification, again based on generator data submission, but requires CEC/CPUC per-case assessment, and
  - (c) Verification, perhaps more “enforcement” oriented, may require “back-tracking” the contract path.

Chateau Energy, Inc. stands ready to reply to the California Energy Commission, and to the Collaborative Committee, and to answer questions as needed on the above materials.

Respectfully submitted this 16th day of May, 2003 at Sacramento, CA.

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**CERTIFICATE OF SERVICE**

I, Michael Theroux, certify that I have on this 16<sup>th</sup> day of May 2003 caused the foregoing **COMMENTS OF CHATEAU ENERGY, INC.** on the Energy Commission Docket No. 03-RPS-1078, to be served on the California Energy Commission, Dockets Office, 1516 Ninth Street, Sacramento, CA, by electronic mail and the United States Postal Service.

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

Executed this 16<sup>th</sup> day of May 2003 at Auburn, CA.

By:   
Michael Theroux, Principal