

June 11, 2003

California Energy Commission
Re: Docket No. 03-RPS-1078
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5504

Dear Commission:

Re: Southern California Edison's Comments on the Renewables Committee's
Report on Renewables Portfolio Standard Phase I Implementation

Enclosed please find Southern California Edison's comments on the Renewables Committee's
Report on Renewables Portfolio Standard Phase I Implementation, which will be considered for
adoption at today's regularly scheduled Business Meeting.

If you have any questions, please call me at (916) 441-2369.

Sincerely,

Manuel Alvarez

Enclosure

cc: Commissioner John L. Geesman
Commissioner James D. Boyd
Tim Tutt

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

Implementation of Renewables)	Docket No. 03-RPS-1078
Portfolio Standard Legislation (Public)	RPS Proceeding
Utilities Code Sections 381, 383.5,)	
399.11 through 399.15, and 445; [SB)	
1038], [SB1078]))	
_____)	

**SOUTHERN CALIFORNIA EDISON CO. WRITTEN COMMENTS ON
RENEWABLES PORTFOLIO STANDARD PHASE I IMPLEMENTATION**

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Dated: June 11, 2003

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

Implementation of Renewables)	Docket No. 03-RPS-1078
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399.11 through 399.15, and 445; [SB)	
1038], [SB1078]))	Notice of Business Meeting
_____)	

**COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON
RENEWABLES COMMITTEE'S REPORT ON RENEWABLES PORTFOLIO
STANDARD PHASE I IMPLEMENTATION**

During its regularly scheduled Business Meeting on June 11, 2003, the California Energy Commission (the "Commission") will consider whether to adopt the proposed final report (the "Report") issued by the Commission's Renewables Committee (the "Committee"). The Report comprises the Committee's recommendations to the Commission on Phase I issues in the Renewables Portfolio Standard ("RPS") proceeding.

Southern California Edison Company ("Edison") has contributed to the development of the Report, and generally supports the conclusions contained therein. Certain aspects of the Report require clarification, however, as set forth in the following limited comments.

First, the Report must make it clear that Supplemental Energy Payments ("SEPs") administered by the Commission are the exclusive source of funding for above-market costs associated with the RPS program. At page 3 of the Report, however, it is stated that the Commission's specific responsibilities under SB 1078 include allocating and awarding SEPs to "help" cover above-market costs of generating renewable electricity. The use of the word "help" may lead some to infer incorrectly that, contrary to the express language and intention of the RPS Legislation, above market costs may be defrayed through the market price referent established by the California Public Utilities Commission as part of its parallel implementation of the RPS statute in CPUC Docket No. R.01-10-024. Public Utilities Code Section 399.15(a)(2) states unequivocally that utilities shall not be required to pay more than the market price for renewable generation. Public Utilities Code Section 399.13(c) unequivocally states that the Commission is to: "Allocate and award supplemental energy payments pursuant to Section 383.5 to eligible renewable energy resource to cover above-market costs of renewable energy." Although Edison is certain that the

Committee does not intend a construction of these Sections other than that above-market costs are to be funded exclusively by PGC funds, the use of the word “help” in this context may lead to confusion and controversy, and it should be deleted from the Report.

Second, although Edison does not oppose self-certification in principle, the Commission must ensure that adequate notice, reporting, monitoring and compliance mechanisms are also adopted. *See*, Report at p. 7, l. 13. Among other things, the Commission must adopt a mechanism requiring either recertification or reporting by affected facilities on a periodic basis no greater than annually that the facility remains in compliance after the initial self-certification. Such reports should be publicly available. Furthermore, regardless of the self-certification protocols adopted by the Commission, the procuring utility should be free to require commercially-reasonable periodic reporting requirements or monitoring processes.

Third, the Report separates geothermal energy into three categories for purposes of RPS eligibility. *Id.* at p. 5, ¶ 2. The second category of geothermal project defined in the Report is energy from geothermal facilities that began operation before September 26, 1996. The Report states that energy produced by such projects does not count toward meeting a retail seller’s required additional procurement. The Report should be revised to clarify that, unless otherwise ordered by the California Public Utilities Commission, in applying such existing geothermal production to a retail seller’s baseline, such energy production may serve to either eliminate or diminish a retail seller’s annual procurement target (“APT”). For example, if a retail seller procures such non-incremental existing geothermal resources, it may cause such retail seller to exceed the 20% standard established in SB1078, thereby eliminating the retail seller’s APT for the coming year.

Fourth, at pages 7 and 17 of the Report, the Committee recommends that biodiesel can contain no more than 25% fossil fuel and that hybrid technologies can be eligible for the RPS if they use up to, but no more than, 25% fossil fuel. The Committee Report refers to 18 C.F.R. § 292.204(b) as authority for this recommendation, stating that “federal law provides that the content of all fossil fuels used, in the aggregate, may not exceed 25 percent of the total energy input of the facility during a given calendar year.” Reliance on the regulations of the Federal Energy Regulatory Commission (“FERC”) implementing the Public Utility Regulatory Policies Act of 1978 (“PURPA”) is permissible and appropriate notwithstanding the provision in SB1078 Section 399.15(d) that expressly states that “the establishment of a renewables portfolio standard shall not constitute implementation by the commission of the federal Public Utility Regulatory Policies Act of 1978 (Public Law 95-617).” In using such standards, however, the Commission should not do so in piecemeal fashion. Specifically, if the Commission chooses to adopt the fossil fuel allowance provided by FERC’s regulations, it should adopt all of the FERC standards, including the restrictions limiting the use of fossil fuel (i.e., oil, natural gas, and coal) to the specific allowed uses under those regulations, unless otherwise allowed by an explicit FERC order, as follows: (i) ignition, (ii) startup,

(iii) testing, (iv) flame stabilization and control uses, (v) fuel required to prevent unanticipated equipment outages, and (vi) emergencies...(See 18 C.F.R. 292.204(b)(2)). Furthermore, in order to avoid later confusions and controversy, the Report should be revised to state that all energy produced by an eligible renewable resource, so long as it meets the fuel use standards established by PURPA and the FERC, will be included for all purposes of the RPS, including eligibility for PGC funding and credit towards utility compliance with RPS procurement goals.

Finally, the discussion of hybrid technologies at page 17 of the Report requires further clarification. Specifically, the term "a single electricity generation apparatus" should be defined and explained. Edison assumes that the term is intended to refer to facilities using one generator but two potential heat sources (such, as for example, facilities employing solar trough technology that uses steam produced both solar energy and natural gas-fueled boilers in a single steam-turbine generator), If the term and concept are intended to be more inclusive (i.e., to include separate, distinct generation sources such as a natural gas-fueled combustion turbine combined with a wind park), however, the Report should be revised to specify those technologies that are included within the definition. It should be noted that if this is indeed the intent of the Report, Edison is opposed to such an expansive definition of eligible renewable resources.