BEFORE THE ENERGY COMMISSION
OF THE STATE OF CALIFORNIA

In the matter of: Staff Workshop on Amending the California Energy Commission's Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities	)))))	Docket No. 14-RPS-01

California Energy Commission
DOCKETED
14-RPS-01
TN 73500
JUL 28 2014

COMMENTS FROM THE LOS ANGELES DEPARTMENT OF WATER AND POWER (LADWP) TO STAFF WORKSHOP ON AMENDING THE CALIFORNIA ENERGY COMMISSION'S (CEC's or Energy Commission's) ENFORCEMENT PROCEDURES FOR THE RENEWABLES PORTFOLIO STANDARD (RPS) FOR LOCAL PUBLICLY OWNED ELECTRIC UTILITIES (POUs)

John R. Dennis
Chief Compliance Officer – Power System
Los Angeles Department of Water and Power
111 North Hope Street, Room 921
Los Angeles, CA, 90012
Telephone: (213) 367 – 0881
Email: John.Dennis@ladwp.com

Dated: July 28, 2014

BEFORE THE ENERGY COMMISSION
OF THE STATE OF CALIFORNIA

In the matter of: Staff Workshop on Amending the California Energy Commission's Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities	)))))	Docket No. 14-RPS-01

COMMENTS FROM LADWP TO STAFF WORKSHOP ON AMENDING CEC'S ENFORCEMENT PROCEDURES FOR THE RPS FOR LOCAL POUs

Pursuant to the procedures established by the CEC in the Notice of Staff Workshop on Amending CEC's Enforcement Procedures for the RPS for Local POUs, LADWP respectfully submits these comments in response to Attachment A of the Staff Workshop notice on Amending the CEC's Enforcement Procedures for the RPS for Local POU.

The City of Los Angeles (City of LA) is a municipal corporation and charter city organized under the provisions set forth in the California Constitution. LADWP is a proprietary department of the City of LA, pursuant to the Los Angeles City Charter, whose governing structure includes the Mayor, the fifteen-member City Council, and a five-member Board of Water and Power Commissioners (Board). LADWP is the third largest electricity utility in the state, one of five California Balancing Authorities, and the nation's largest municipal utility, serving a population of over four million people, LADWP is a vertically integrated utility, both owning and operating the majority of its generation, transmission and distribution systems. LADWP has annual sales exceeding 23 million megawatt-hours (MWhs) and has a service territory that covers 465 square miles in the City of LA and most of the Owens Valley. The transmission system serving

the territory totals more than 3,600 miles and transports power from the Pacific Northwest, Utah, Wyoming, Arizona, Nevada, and California to Los Angeles.

LADWP appreciates the opportunity to comment on the Staff Workshop on Amending the CEC's Enforcement Procedures for the RPS for Local POUs. In addition, LADWP supports the comments being filed concurrently by the California Municipal Utilities Association (CMUA) and the Southern California Public Power Authority (SCPPA). LADWP submits answers to the following topics outlined in "Attachment A:" Topic 2) on "Portfolio Content Category for POU-Owned or Procured Distributed Generation (DG) System;", and Topic 5) on the "Contract Amendments and Excess Procurement".

2. Portfolio Content Category for POU-Owned or Procured DG System

The Energy Commission is exploring whether generation from a RPS-certified facility consisting of a distributed generation system either owned by a POU or from which the POU procures generation could be classified as PCC1 under PUC §399.16 (b)(1) and §3203 of the POU regulations. Is it appropriate to classify generation from an RPS-certified DG system as PCC1 if it is either owned by a POU or the POU procures bundled electricity generation from the DG system? If so, under what conditions?

Issue: It may be appropriate under the statute and regulations to characterize electricity generation from POU-owned DG systems as PCC1, because: i) the DG facility is owned by the POU, ii) ownership is synonymous with procurement under PUC §399.12 (f), iii) the DG system is interconnected to a California Balancing Authority (CBA) or distribution facilities used to serve end user within a CBA, and iv) the POU (as the owner of the DG system) is acquiring both the electricity generation and the associated renewable energy credits RECs/WREGIS Certificates) from the DG system as a bundled product.

a. *Are there circumstances when it would <u>not</u> be appropriate to classify electricity generation from a POU-owned DG system as PCC1? Would it matter if the electricity generation was immediately sold to a POU customer, rather than transmitted to the POU's distribution system? This could occur where the POU-owned DG systems was located on the customer's site.*

LADWP cannot foresee an instance where a POU-owned DG system could be excluded from PCC1. These installations are already under the ownership of a POU, which is no different than the procurement and classification of larger RPS-eligible projects.

LADWP is concerned about the classification of installations pursuant to its Solar Incentive Program (SIP). In particular, LADWP's SIP provides ratepayer-funded incentives for residential and commercial customers to install solar photovoltaic systems on their facilities. LADWP's SIP has been in existence prior to Senate Bill (SB) 2 (1X), and has enabled the successful installation of over 105 Megawatts (MW) of generation capacity.

LADWP's SIP program is unique in the sense that on top of SB 1 incentives, LADWP offered a premium to SIP's participants in order to claim both the electricity generation and the associated renewable energy credits (RECs) for its RPS goals. Nearly all participants took the additional incentives. This transaction should be treated no differently than the standard procurement of RPS eligible generation and should qualify as a bundled PCC 1 product. Classifying these resources otherwise would severely diminish their value.

If the installation occurred prior to June 1, 2010, then it is also appropriate to categorize such procurement under PCC 0[1], regardless if the product is obtained bundled or unbundled.

[1] Portfolio Content Category 0 (PCC 0) is commonly referred to as the "Grandfathered Resources" bucket, which is essentially the categorization of resources pursuant Section 3202(a)(2)(A).

LADWP's SIP installations adhere to the Public Utilities Code (PUC) Section 399.16 (b) "goals of procuring the least-cost and best-fit electricity products", and the definition of an "Eligible Renewable Energy Resource" as well as the criteria set forth in PUC Section 399.16 (b)(1)(A), as these facilities are connected to distribution systems that serve end users within a CBA.

Therefore, the CEC should qualify these DG as a renewable energy resource electricity product that meets the portfolio content category under PUC Section 399.16(b)(1)(A) and the CEC Enforcement Procedures for the RPS for Local POU (Enforcement Procedures)[2] Section 3203(a)(1)(B) as long as they are connected to distribution system within a CBA.

Issue: POU-owned DG systems can be distinguished from DG systems owned by a customer or third party to offset the customer's on-site load. When a DG system is owned by the customer or a third party to offset the customer's on-site load, some or all of the electricity generated by the DG system is consumed on-site. Typically, under this scenario only the RECs associated with the generation from the DG system and the net surplus generation from the system is available to be procured by a POU. The RECs associated with the electricity generation consumed on-site would be unbundled and classified as PCC3, and the RECs associated with the net surplus electricity generation from the system would be characterized as PCC1. This is consistent with the net-energy metering provisions of PUC §2827 (h), which provides that an electric utility shall own any RECs for net surplus electricity purchased pursuant to the utility's net surplus electricity compensation rate, and that any RECs associated with electricity generated by the customer-generator and utilized by the customer-generator shall remain the property of the customer-generator.

> *Under what circumstances, if at all, would it be appropriate to classify electricity generation from a customer-owned or third party-owned DG system as PCC1, when that electricity generation is used to meet the customer's on-site load?*

As mentioned above, LADWP offered an additional premium to its customer or the third party that allows LADWP to retain electricity generation and RECs from such systems for the purposes of the LADWP's compliance towards the RPS. In this

[2] California Code of Regulations, Title 20, Division 2, Chapter 13, Sections 3200-3208

scenario, there is a contractual arrangement between LADWP and the customer to explicitly count electric generation from such systems for the purposes of the POUs compliance towards the RPS. As such, this contractual arrangement enables the DG system to qualify as PCC1.

b. *Would it be appropriate for a POU to procure all of the bundled electricity generated by a customer-owned DG system and then immediately sell back to the customer all of the commodity electricity to serve the customer's on-site electrical load and claim the procurement as PCC1? Could such a transaction comport with §3203 (a)(1) of the Energy Commission's regulations that precludes a POU from buying a bundled electricity product and then reselling the underlying electricity from the bundled product back to generator from which the electricity product was purchased?*

It would be appropriate for a POU to procure all of the bundled electricity generated by a customer-owned DG system and then immediately sell back to the customer all of the commodity electricity to serve the customer's on-site electrical load and claim the procurement as PCC1.

c. *If the customer installed the DG system to offset the customer's on-site load, and the system is being operated for this purpose, is the system's electricity generation available to be procured by a POU? How would the generation under such a transaction compare with generation from a central station facility that uses a portion of the facility's generation to satisfy on-site load, and sells the facility's net surplus generation to a utility via a power purchase agreement? An example of a central station facility could be a biomass facility that uses a portion of the facility's electricity generation to meet the on-site electrical load of related timber milling operations. How would your response differ, if at all, if a third party owned and installed the system?*

Please see response to part c above.

d. *How, if at all, would the net-energy metering provisions of PUC §2827 be implicated if a POU were to procure all of the bundled electricity generated by a customer owned DG system and then immediately sell back to the customer all of the commodity electricity to serve the customer's on-site electrical load?*

Please see response to part d above.

5. Contract Amendments and Excess Procurement

The Energy Commission is seeking input on whether the Energy Commission's regulations for POUs should address subtraction of short term contracts for purposes of excess procurement. Please consider and respond to the following issue and question. Issue: Section 3206 (a)(1)(A) of the Energy Commission's regulations requires that electricity products procured under contracts of less than 10 years in duration be subtracted from the calculation of excess procurement, unless the electricity product is deemed "count in full." However, the regulations do not currently address how the term of the contract is calculated when the original contract term is amended. For example, if the term of the original contract is 7 years, and the contract is amended shortly before it ends to add an additional 5 years, should the term of the contract now be considered 12- years for purposes of calculating and subtracting excess procurement or should the 5-year addition be considered the term for calculating and subtracting excess procurement, since the duration of time from the amendment date to the end of the original contract is less than 10 years.

> *a. Should the regulations be clarified regarding the term of amended contracts for purposes of calculating and subtracting excess procurement? If so, how and why?*

The regulations should be clarified and address how to calculate the total term of the contract if the original contract is amended: The amendment is explicitly extending the term of the contract. LADWP believes the total contract term should be the original contract term including the amended term for purposes of calculating excess procurement.

LADWP remains committed to transitioning to a greater usage of a renewable energy resource mix in a cost-effective manner while maintaining grid reliability. LADWP appreciates this opportunity to comment on the concept paper. LADWP looks forward to continue working with the CEC in this proceeding.

Dated: July 28, 2014

Respectfully Submitted,

By: John R. Dennis
Chief Compliance Officer – Power System
Los Angeles Department of Water and Power
111 North Hope Street, Suite 921
Los Angeles, CA, 90012
Telephone: (213) 367 – 0881
Email: John.Dennis@ladwp.com