BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration, and Consider Further Development of, California Renewables Portfolio Standard Program.	Rulemaking 15-02-020 (Filed February 26, 2015)

REPLY COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION REGARDING THE RPS PROCUREMENT PLANS OF THE INVESTOR-OWNED UTILITIES

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September 16, 2016

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I. INTRODUCTION AND SUMMARY

Pursuant to the California Public Utilities Commission ("Commission") Assigned Commissioner and Assigned Administrative Law Judge' s Ruling Identifying Issues and Schedule of Review for 2016 Renewables Portfolio Standard ("RPS") Procurement Plans, dated May 17, 2016 ("ACR"), and the E-Mail Ruling Granting, in Part, the Investor Owned Utilities' request for an extension of time to produce the 2016 RPS Procurement Plans, as communicated to the parties by SCE on June 13, 2016, the California Wind Energy Association ("CalWEA") respectfully submits these reply comments in response to opening comments filed on the draft 2016 RPS Procurement Plans ("2016 Plans) filed by the IOUs on August 8, 2016.

Specifically, CalWEA responds to the opening comments of the Independent Energy Producers Association ("IEP") and the joint comments of the investor-owned utilities ("IOUs"), San Diego Gas & Electric Company, Pacific Gas and Electric Company, and Southern California Edison Company ("Joint IOU Comments"). In summary, CalWEA argues that the Commission should:

- accelerate RPS procurement targets beyond the minimum targets to capture the near-term availability of federal wind energy tax benefits. This will produce ratepayer savings and support the continued operation and repowering of the state' s original wind energy project fleet; and

- require CCAs, ESPs, and Small Utilities to comply with current law and file supplements to their RPS Plans. This information will aid the Commission in its Integrated Resource Planning process.

II. THE COMMISSION SHOULD ACCELERATE RPS PROCUREMENT BEYOND THE MINIMUM TARGETS

CalWEA strongly supports IEP' s call for the Commission to act now to accelerate the procurement of RPS-eligible resources beyond the minimum targets established by statute. CalWEA agrees with IEP that:

> [t]he Commission should clearly establish that the utilities' forecasted RPS net short positions represent a minimum procurement obligation; that the statutory RPS targets are not a ceiling on RPS procurement; and that the utilities (and Electric Service Providers (ESPs) and [Community Choice Aggregators] (CCAs), as appropriate) should conduct RPS solicitations in 2017 and 2018 to increase the delivery of low-cost energy from RPS-eligible resources to a Commission-specified percentage of retail sales that exceeds the statutory minimums, consistent with Least-Cost and Best-Fit ("LCBF") procurement principles."

IEP at p. 2. These opportunities include, most importantly, federal tax incentives for wind energy that will phase out by 2019. Promoting near-term contracts for wind energy is particularly important for small wind energy projects whose PURPA contracts are expiring. Moreover, Energy Division staff has demonstrated that advance procurement of wind energy is cost effective. We elaborate on these points below.

A. Projects with Expiring QF Contracts Need a Market Now

Under the first Jerry Brown administration, California pioneered renewable energy development by successfully implementing the federal Public Utility Regulatory Policies Act (PURPA) of 1978. Virtually all renewable energy projects that were operating in California prior to the adoption of the RPS in 2002 were "qualifying facilities" (QFs) operating under "standard offer" PURPA contracts. Most of these contracts were 30 years in length.

Approximately 1,600 MW of QF wind contracts have expired in the past two years or will expire by 2020. Data from the American Wind Energy Association indicate that almost

1,000 MW of these projects are still comprised of 1980s-vintage wind turbine technology.[1] However, QF contracts are expiring at a time when there has been a considerable slow-down in the RPS market. Therefore, more and more projects are selling into the CAISO market with prices currently in the low-2-cent range. These prices are not sufficient to cover the maintenance and repair costs of aging facilities, let alone sufficient to support repowering with new technology. As a result, California is gradually losing production from wind facilities in areas with the highest-quality wind resources.[2]

Many of the legacy wind projects that have not yet repowered and whose contracts expire by 2020 are small in size; all are under 75 MW. Un-repowered projects with a nameplate capacity of 50 MW or less total at least 700 MW and, of that, projects with a nameplate capacity of 20 MW or less total about 325 MW.[3] These projects do not have economies of scale over which to spread their fixed costs (e.g., permitting, interconnection and transactions costs). Aggregating these small projects is often exceptionally difficult (and costly) because of differences in interconnection points, land lease agreements, contract expiration dates and other factors.

The ability to obtain federal tax benefits will greatly improve the economic competitiveness of wind repowers, as well as wind projects generally; conversely, without the tax credit, small legacy projects will have a difficult time surviving. Under the wind energy production tax credit ("PTC") phase-out schedule adopted by Congress in 2015, only 80% of the PTC value will be available in 2017, 60% in 2018, 40% in 2019 and nothing after that. Signing PPAs in 2017 for energy deliveries at a later time is essential in order to capture at least 80% of the wind PTC value.[4] This is why, especially for legacy California wind projects, it is essential for each of the IOUs and other retail sellers to consider the cost-effectiveness of accelerated RPS compliance in 2016 RFOs.

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[1] Projects that have recently been or are in the process of repowering have been subtracted from the total.

[2] At least eight projects totaling 20 MW shut down in 2015 at the expiration of their QF contracts for economic reasons; at least another 20 MW is similarly expected to go offline in 2016. In addition, production can be expected to decline from facilities that cannot be fully maintained.

[3] Data compiled by CalWEA from the investor-owned utilities' 2014 CPUC RPS compliance filings and data provided by AWEA.

[4] Projects that are able to qualify for the PTC in 2016 under safe harbor provisions may obtain 100% of PTC value for contracts signed in 2017.

B. Energy Division Work Shows Advance Purchase of Wind Energy Will Reduce Costs

Solar and wind energy have complementary output profiles; therefore, studies show that a 2030 50% renewable energy portfolio that includes both solar and wind energy will substantially reduce curtailment and, therefore, substantially reduce costs.[5] More specifically, Energy Division staff found earlier this year that total RPS portfolio costs could be lowered by $227 million/year by adding 1,294 MW of additional wind into the portfolio in 2018 to replace solar energy, comparing 2030 costs to a default scenario.[6] These savings are attributed to capturing the PTC value and to serving load more cost-effectively due to wind's complementarity with the solar profile in 2030. As explained above and by IEP, however, without Commission action, there will be little RPS market to support wind projects in the near-term.

Energy Division's analysis adds further weight to IEP's analysis, which showed that, with no federal incentives available to wind projects in 2022, the RPS Calculator shows levelized fixed costs that are l3% higher than in 2019. IEP at p. 6. Thus is it clear that IEP's call for accelerating RPS procurement under LCBF principles, and particularly focusing on the phase-out of the wind PTC, will save ratepayers substantial RPS compliance costs. The Commission should direct the IOUs to capture those savings.

III. THE COMMISSION SHOULD REQUIRE ALL RETAIL SELLERS TO FILE RPS PLAN SUPPLEMENTS

In the Joint IOU Comments, the utilities requested that the Commission require all retail sellers, including CCAs, ESPs, and Small Utilities, to comply with current law and file supplements to their RPS Plans. The IOUs explained that RPS Plan requirements have expanded for retail sellers other than electrical corporations as a result of modifications to law enacted by SB350 and codified at Public Utilities Code Section 399.13 et seq. CalWEA concurs with the IOUs.

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[5] CPUC and CAISO planning models have demonstrated that the concentrated daytime output profile of solar photovoltaic projects will lead to very significant curtailment of all renewable and particularly solar energy over the next decade. See, e.g., Draft 2016 RPS Portfolios, RETI 2.0 Plenary Group Meeting, slide 12 (3/18/16) (CPUC presentation by Forest Kaser); E3's Draft Renewable Portfolios for CAISO SB 350 Study presented at a February 8, 2016, CAISO Public Workshop; and E3's Investigating a Higher Renewables Portfolio Standard in California (January 2014), at p. 15.

[6] R.15-02-020, *Energy Division Staff Paper on Draft RPS Portfolios for Generation and Transmission Planning,* at Tables 5 and 6 (March 9, 2016) (attachment to CPUC Ruling dated March 14, 2016).

The Commission' s Integrated Resource Planning process will be aided by a greater understanding of how all retail sellers "determine the optimal mix of eligible renewable energy resources with deliverability characteristics that may include peaking, dispatchable, baseload, firm, and as-available capacity," as well as the retail seller' s need for renewable energy resources of each deliverability characteristic, as required under 399.13(a)(5).

Respectfully submitted,

/s/ Nancy Rader

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September 16, 2016

VERIFICATION

I, Nancy Rader, am the Executive Director of the California Wind Energy Association. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of "Reply Comments of the California Wind Energy Association Regarding the RPS Procurement Plans of the Investor-Owned Utilities" are true of my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

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

Executed on September 16, 2016, at Berkeley, California.

/s/ *Nancy Rader*

Nancy Rader
Executive Director
California Wind Energy Association