

**Concurrence of Commissioner Timothy Alan Simon
Decision Conditionally Accepting 2011 Renewables Portfolio Standard
Procurement Plans and Integrated Resource Plan Supplements**

Introduction

This Decision¹ makes a number of important improvements and updates to our renewable procurement planning requirements for Investor Owned Utilities (IOUs) and Multi-Jurisdictional Utilities (MJUs), and thus marks another step forward in California’s Renewable Portfolio Standard (RPS) programs. In particular, I am pleased that we are incorporating a greater level of specificity and utility control in the provisions of economic curtailment and related modifications to pro-forma contract terms.² Another essential element of this Decision is the required use of integration cost adders associated with ancillary services to ensure greater reliability in lieu of increased variability in generation and/or load.³ However, in concurrence with this Decision, on a forward looking basis I want to ensure that the California Public Utilities Commission (CPUC) incorporates additional economic considerations in our RPS procurement planning process and “Least Cost Best Fit” (LCBF) contract evaluations.

Evaluating the Impacts of Renewable Targets on the California Economy

In the signing ceremony of SB2x⁴ Governor Edmund Brown, Jr. reiterated that 33 percent is the floor and not the ceiling of renewable procurement, and accordingly envisions 40 percent as an achievable RPS goal.⁵ I support this ambitious long term objective, but we must remain vigilant that we balance our environmental goals with a healthy economy. This mandate will require a more selective process by the CPUC in examining the quality and cost-effectiveness of individual contracts that we approve. This is imperative to meet the energy needs of California’s commercial and industrial customers, which could see substantial increases in electricity bills if we fail to foster adequate competition in our renewable portfolio. I have concerns that increased electricity costs and limited Direct Access could result in job losses, even as clean technology development in California is premised in part on the hope of increased economic activity.

¹ Decision Conditionally Accepting 2011 Renewables Portfolio Standard Procurement Plans and Integrated Resource Plan Supplements (D.11-04-030), April 14, 2011.

² *Id.* at 12-13.

³ *Id.* at 22.

⁴ Senate Bill 2x (Simitian, D-Palo Alto), signed into law on April 12, 2011, raises California’s Renewable Portfolio Standard target to 33%.

⁵ See <http://www.latimes.com/news/local/la-me-renewable-energy-20110413,0,3118203.story> for details about Governor Brown’s speech at the signing ceremony in Milpitas, California on April 12, 2011.

Accordingly, a heightened focus on energy efficiency and demand response technologies is critical to California achieving a balance between greenhouse gas emissions reductions and competitive advantage in attracting and retaining business opportunities. To this end, I remain concerned that our rapid pursuit of renewable generation is overly incremental and ad hoc in deployment.

Tracking the True Cost of Renewable Generation

To achieve a cost effective and balanced energy mix we must evaluate the full fuel cycle costs of renewable generation when weighing incremental procurement choices. As we examine firming and shaping needs for renewable generation, we cannot ignore the magnitude of shale gas discoveries across the U.S. and the positive impact this can have on the full fuel cycle cost of clean energy alternatives. For instance, when combined with other domestic shale gas supplies, the Utica⁶ and Marcellus shale plays could offer up to 200 years of natural gas supply. Shale exploration is not without controversy, as the hydraulic fracking debate continues. With effective environmental management of exploration, vast gas supplies may give a low cost energy advantage to competing states. Additionally, as we explore and advance energy storage options,⁷ it is clear that a comprehensive policy on fuel options is critical.

New Targets, New Technological and Economic Considerations

Our new legislative mandates⁸ require increasingly complex analyses of alternative supply- and demand-side energy resources in our long term procurement planning processes. While I am very supportive of our continued RPS development, I challenge this Commission and staff to expand our understanding of the comprehensive costs of California's clean tech pursuits. In doing so, I believe we will establish the discipline necessary to carefully weigh all procurement options by considering some of the practical results and consequences of our decisions on the welfare of all customer classes. Accordingly, I concur with this Decision, and look forward to monitoring our progress as renewable procurement evolves and presents challenges in our broad long term procurement planning process.

⁶ See discussion of Utica and other shale formations at <http://oilshalegas.com/uticashale.html>.

⁷ Order Instituting Rulemaking Pursuant to Assembly Bill 2514 to Consider the Adoption of Procurement Targets for Viable and Cost-Effective Energy Storage Systems (R.10-12-007) issued December 21, 2010.

⁸ SB2x requires that we reach 20% renewables by the end of 2013, 25% renewables by the end of 2016, and 33% by the end of 2020.