

**Bear Valley**  
Electric Service  
A Division of Golden State Water Company

November 20, 2009

California Air Resources Board  
Stationary Source Division  
Energy Section  
1001 I Street  
Sacramento, CA 95814

Via e-mail: gcollord@arb.ca.gov

**Subject: Bear Valley Electric Service's Comments on the California Air Resources Board Proposed Concept Outline for the California Renewable Electricity Standard**

On October 30, 2009, the California Air Resources Board (CARB) issued the Proposed Concept Outline for the California Renewable Electricity Standard (RES), a very critical component of the State's renewables future. CARB encourages stakeholders to provide comments on the concept outline in order to help the agency develop regulations for the proposed RES. As a stakeholder highly interested in CARB's work related to RES, Bear Valley Electric Service (BVES), a division of Golden State Water Company (GSWC), is pleased to offer its comments for consideration by CARB as it develops key regulations.

#### **I. Bear Valley Electric Service**

BVES, a small investor owned utility (IOU), owns and operates an electric distribution system that provides electric utility service to about 23,000 customers in its service area in the Big Bear Lake area of San Bernardino County, California. BVES provides electric service primarily to residential customers in a resort community with a mix of full-time and part-time residents, but also to about 1,500 commercial, industrial, and public-authority customers, including two ski resorts. In the summer months, the load in the service area ranges from a minimum of about 11 megawatts (MW) to a peak of about 23 MW. In the winter months, the peak load can reach 43 MW when the snowmaking machines at the ski resorts are operating. BVES owns and operates a natural gas-fired 8.4-MW generation facility in its service area to meet peak demand and purchases wholesale capacity and energy to meet the majority of the demand and energy requirements of its electric customers. While fully supportive of the State's and CARB's efforts toward increased renewables in customer's electrical supply, BVES respectfully requests that CARB consider the potential impacts of a 33%

RES on smaller utilities like BVES that do not have the same range of options or depth of resources as the larger utilities in California.

## **II. Applicability of the Renewable Electricity Standard**

BVES would, most importantly, first like to comment on the fact that CARB staff is exploring a 500 GWh threshold for exemption from the RES. This effort is being made to potentially reduce the administrative burden upon the smallest regulated parties. As one of the smallest regulated IOUs in the State, BVES is in full support of this exemption primarily due to its first hand experience with attempting to meet the current 20% Renewables Portfolio Standard (RPS) mandated by the California Public Utilities Commission (CPUC). While it would strive to meet the 33% goal, BVES has for several years been diligently working to meet the 20% goal; however, to date, despite its strong efforts, BVES has no renewables in its supply portfolio. It has, though, incurred a great administrative and financial burden in its pursuit of renewables due primarily to limited response to its several Request for Proposals (RFPs) and its small, annual renewable requirement (developers would rather sell to a large utility that lends to economies of scale).

Overall, BVES' "small utility renewables needs" are not a good fit in what has proven to be a very competitive renewables market. Therefore, without hesitation, BVES encourages CARB to adopt its 500 GWh RES exemption threshold to assist in reducing the administrative and financial burden upon smaller utilities, and ultimately upon their customers, in California. BVES, however, realizes the many benefits of renewables and, should the threshold not be put in place, will strive to meet a 33% standard should the exemption not be granted.

## **III. Allow Transfer of Renewable Energy Credits from Renewable Energy Sources Generated by Other Entities**

CARB states that the RES will build upon the RPS rather than replace it. BVES has and continues to support the use of Tradable Renewable Energy Credits (TRECs) for compliance with the California RPS and anticipates the CPUC to issue a Final Decision authorizing the use of TRECs. While BVES supports exemption from RES under the proposed threshold of 500 GWh, BVES further supports the use of TRECs for compliance with the RES. However, BVES strongly believes that the three largest investor-owned utilities (PG&E, SCE and SDG&E) should be limited in their ability to utilize TRECs for compliance with RES (and RPS) due to the influence they could possibly have on the procurement of TRECs for RES compliance (and RPS compliance).

In the CPUC's Proposed Decision (PD) on the use of TRECs for RPS compliance, which was issued on March 26, 2009, Administrative Law Judge (ALJ) Simon limits the use of TRECs by the large utilities to no greater than 5% of their Annual Procurement Target (APT) for a period of at least 24 months after such authorization to use TRECs is granted. In addition, the ALJ states that "a

temporary limit on the use of TRECs will support the price stability that is one of the potential benefits of contracts for RPS-eligible energy.”<sup>1</sup> BVES further agrees with the ALJ that “since TRECs come from RPS-eligible generation, and the supply of new RPS-eligible generation not already committed to RPS compliance is likely to be limited, the supply of TRECs in the next few years will be equally limited.”<sup>2</sup> Therefore, a temporary limit on the use of TRECs by the three large investor-owned utilities will provide BVES a better chance at taking advantage of TRECs for its own RPS compliance requirements.

#### **IV. Geographic Eligibility**

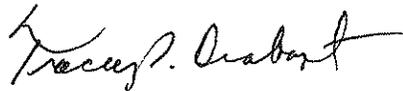
BVES fully supports the position that out-of-state generation facilities connected to the Western Electricity Coordinating Council (WECC) be eligible for the RES. BVES believes that broadening the eligibility, delivery and environmental conditions specific to imported power would increase regulated parties’ ability to achieve California’s aggressive RES goal without having a negative impact on customer costs and “green” jobs in California.

#### **V. Compliance Period Targets / Compliance Schedule**

In the event that BVES must comply with the RES requirements, BVES will strive to meet the 33% target. However, given BVES’ own experience in attempting to comply with the current, CPUC-mandated 20% RPS goal, BVES does not support interim targets and would instead prefer treatment for small utilities that offers as much flexibility as possible in the fulfillment of the RES requirements. Interim targets would only increase BVES’ administrative burden and related costs that customers must ultimately bear in rates.

In closing, BVES appreciates the opportunity to submit comments to CARB as it carefully drafts RES regulations that will have a significant impact on BVES and its small number of customers. If you would like to discuss any of the above information further, please contact me directly at (909) 866-1666.

Sincerely,



Tracey L. Drabant  
Energy Resource Manager

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Rick Lind, EN2 Resources, Inc.

<sup>1</sup> <http://docs.cpuc.ca.gov/efile/PD/99016.pdf>, Section 1

<sup>2</sup> <http://docs.cpuc.ca.gov/efile/PD/99016.pdf>, Section 4.2.3