BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.	Rulemaking 10-05-006 (VSK) (Filed May 6, 2010)

COMMENTS OF SIERRA CLUB CALIFORNIA ON PROPOSED DECISION APPROVING MODIFIED PROCURMENT PLANS.

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INTRODUCTION

Sierra Club California ("Sierra Club") respectfully submits the following comments on the Proposed Decision Approving Modified Bundled Procurement Plans ("Proposed Decision").

The Proposed Decision approves each Investor Owned Utility's ("IOU") bundled procurement plan with modifications made by the Commission.[1] Sierra Club agrees that the plans are deficient, but submits that the IOUs' plans should be denied. The IOUs should be required to conform their plans to the final decision and refile these modified plans before the Commission approves them, or, if the Commission proceeds with its proposal to modify the procurement plans, Sierra Club requests that the procurement limits imposed by the Commission be generally based on the standardized planning assumptions. Any procurement beyond those assumptions should not be held just and reasonable under Section 454.5, and should require further review, as this could result in excess procurement and unnecessarily higher customer bills.

Sierra Club agrees with several of the Commission's findings. Sierra Club strongly supports the Commission's decision to require that the IOUs apply the loading order to all procurement decisions, "even if pre-set targets for certain preferred resources have been

[1] Proposed Decision, p. 1.

achieved."[2] Sierra Club also supports the finding that both Pacific Gas and Electric ("PG&E") and San Diego Gas and Electric's ("SDG&E") failure to rely on the standardized planning assumptions in their bundled plans makes their plans deficient.[3] Sierra Club agrees that requiring the use of standardized planning assumptions will promote transparency and allow IOU's bundled plans "to be more readily comparable," providing for "meaningful comparative analysis of the utilities' procurement plans."[4] The standardized planning assumptions also generally support the loading order and the state's environmental policies, which are placed at risk if IOU's are allowed to deviate from the assumptions. In addition, the Proposed Decision properly allows for updating the standardized planning assumptions with more realistic information such as the Marin Energy Authority's load numbers.[5] Below, Sierra Club focuses on issues about which it disagrees with the Proposed Decision.

I. SCE's Procurement Limits Should Be Based on the Standardized Planning Assumptions, Not on SCE's Preferred Assumptions.

The Proposed Decision authorizes Southern California Edison ("SCE") to generally use its "preferred assumptions" and base its procurement limits on those assumptions. Although Sierra Club supports setting limits on the amount of procurement to make a just and reasonable finding and thus, pre-authorize procurement, [6] SCE's limit is set too high. Allowing SCE to use its "preferred assumptions" potentially undermines the clean energy policy goals of the Commission and conflicts with the policy articulated in the Proposed Decision of having comparable plans and holding the IOUs accountable to the loading order and greenhouse gas

[2] Proposed Decision, p. 20.
[3] *Id*, p. 10-11, 15.
[4] *Id*, p. 6.
[5] *Id*, pp. 29-30.
[6] *Id*, p. 7.

reductions.[7] Procurement limits based on SCE's preferred assumptions authorize SCE to make short-term procurement within the next five years that does not conform with energy efficiency and demand response targets set by the Commission. In effect, the Proposed Decision finds that SCE's proposed procurement is just and reasonable, despite the fact that it does not meet these policy goals. The Commission recognized that this situation could occur and cautioned that, if it did, the IOUs could nonetheless potentially be held accountable in other proceedings.[8] Yet, the purpose of the Section 454.5 procurement is to preauthorize procurement with no further reasonableness review. Unfortunately, the logical inference from the Proposed Decision is that a rate recovery can be just and reasonable even if it does not conform with Commission policy.

Furthermore, allowing SCE to use its "preferred assumptions" potentially conflicts with the Proposed Decision's holding that "the loading order applies to all utility procurement, even if pre-set targets for certain preferred resources have been achieved."[9] For example, "the standardized planning assumptions are based upon the Commission's loading order,"[10] but SCE's "preferred assumptions" result in less energy efficiency savings than projected by the Commission, which in turn fall short of the AB 32 Scoping Plan targets for efficiency.[11] In addition, "SCE's proposed ratable rate limits still allow for some accelerated procurement of electrical capacity within a five-year window when market conditions are more favorable than historically high-priced periods," according to SCE's testimony.[12] Although the Commission allowed the parties to submit alternative scenarios, the Commission should not ratify SCE's

[7] *See Id.*, pp. 6, 20-21.
[8] *Id.*, pp. 21-22.
[9] *Id.*, p. 20.
[10] Proposed Decision, p. 20.
[11] *See, e.g.,* Track II Reply Brief of Sierra Club, pp. 4-7.
[12] Exh. 202, p. 56.

"preferred assumptions" because these assumptions conflict with the loading order and the State's ambitious energy goals.

The Decision should be changed to require that SCE's procurement decisions be based on the standardized planning assumptions with updated combined heat and power numbers as required by the proposed decision. As the Proposed Decision explains "the standardized planning assumptions that are being used in this proceeding were developed through an exhaustive and open process, involving a wide range of stakeholders."[13] Allowing SCE's assumptions to be adopted rejects the open process and wide stakeholder input in favor of a narrow utility perspective. In addition, "the record in this proceeding relies heavily upon the standardized planning assumptions that the utilities were required to use in preparing their proposed procurement plans."[14] The soundest footing for a finding for just and reasonable rates is one based on those standardized planning assumptions and not on SCE's preferred assumptions.[15]

II. PG&E's and SDG&E's Caps Should Be Conformed with the Standardized Planning Assumptions.

The Proposed Decision correctly finds that PG&E and SDG&E have not proposed procurement plans that meet the requirements of Section 454.5. These plans are deficient because neither PG&E nor SDG&E met its burden to show that its proposed procurement is just and reasonable. The Proposed Decision recognizes this deficiency but then sets limits for PG&E and SDG&E that effectively allow PG&E and SDG&E to procure as if the standardized planning assumptions were inconsequential. Although the Proposed Decision admits that the

[13] *Id.*, p. 5.
[14] *Id.*, p. 6.
[15] As articulated in other submissions, Sierra Club believes that the standardized planning assumptions are too conservative, but irrespective of Sierra Club's disagreement with these assumptions, the assumptions do provide a basis in the record for making a just and reasonable finding.

record of proceeding "is relatively sparse on what constitutes just and reasonable rates," the Proposed Decision authorizes a ten percent system cap over the standardized planning assumptions and, in doing so, authorizes procurement that is higher than forecasts in the procurement plans.[16] The Proposed Decision notes that "a 10% system average rate increase due to procurement costs is significantly higher than what the utilities are forecasting in their procurement plans."[17] Even though the Proposed Decision explains that it would be an abdication of the Commission's duty to allow PG&E and SDG&E to simply do what they want irrespective of the standardized planning assumptions,[18] the Proposed Decision sets a cap so high that the practical effect is to give PG&E and SDG&E the great leeway in their procurement decisions that it cautions against. Essentially, PG&E's and SDG&E's need to come back for further review and authorization would be greatly diminished. Trying to fix PG&E's and SDG&E's failure to meet their burden of proof puts the decision on untenably thin ice. The Commission should simply reject these plans, or alternatively, the Commission should hold PG&E and SDG&E to the standardized planning assumptions included in their plan and incorporate the updated numbers for direct access and combined heat and power as required by the Proposed Decision. If PG&E and/or SDG&E need further authorization beyond this amount, each IOU can come back to the Commission and make a case for the additional rates for the procurement it seeks.

CONCLUSION

Sierra Club respectfully requests that the Commission use the standardized planning assumptions, with certain updated information required by the Proposed Decision, as the basis for determining just and reasonable rates for each IOU. In particular, all IOUs should be

[16] Proposed Decision, pp. 13- 14.
[17] *Id.*, p. 14.
[18] *See* Proposed Decision, pp. 10-11.

required to meet the clean energy policy requirements of the state, and not have procurement plans that undermine environmental targets and create excess costs.

Respectfully submitted,

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