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)

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

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Dated: December 5, 2011

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

I. PG&E's and SDG&E's Plans Are Deficient

The Proposed Decision is correct in finding that both Pacific Gas and Electric (―PG&E‖) and San Diego Gas and Electric (―SDG&E‖) failed to meet their burden of proof with each of their bundled procurement plans. Both IOUs disavowed the standard planning values that are included in their respective Bundled Plans, claiming that the numbers in the plans were merely ―illustrative.‖ Sierra Club agrees with the proposed decision that SDG&E and PG&E in their respective filings were―saying that it does not matter what comes out of this proceeding – they will procure whatever they want, in whatever quantity they think best.‖[1] Now faced with a finding that their plans are deficient, PG&E and SDG&E want to remedy their inadequate plans by filing changes through an advice letter.[2] Upon realizing that their first approach did not work,

[1] Proposed Decision, p. 12.
[2] Opening Comments Of Pacific Gas And Electric Company (U 39 E) On Proposed Decision Approving Modified Bundled Procurement Plans (―PG&E's Comment‖) p. 7; Comments of San Diego Gas & Electric Company (U 902 E) on Proposed Decision Approving Modified Bundled Procurement Plans, p. 10-11.

PG&E and SDG&E literally change course at the eleventh hour after a Proposed Decision has not gone their way. This approach could undermine the integrity of the LTPP process.

Sierra Club agrees with the comments of The Energy Producers and Users Coalition and the Cogeneration Association of California which argue that if an IOU files a defective plan, it should live with the consequences and not be granted the opportunity to proceed with pre-approval of procurement.[3] Public Utilites Code section 454.5 does not entitle Investor Owned Utilities (―IOUs‖) to pre-approval of their procurement plans. If the IOUs perpetually believe that their procurement plans will be approved irrespective of the case that the IOUs make in their plans, the IOUs will never have the incentive to file plans that conform with the Commission's directives.

In this case, Sierra Club proposed in the alternative that all three IOUs be held to the standardized planning assumptions and the other corrections to the assumptions articulated in the Proposed Decision.[4] Both PG&E and SDG&E appear to propose procurement limits to conform with the standardized planning assumptions. If this is the case and the Commission adopts the other corrections to the assumptions in the Proposed Decision such as those for combined and heat power, Sierra Club supports approval of these plans with the appropriate modification. However, the IOUs should be strictly warned that in the next iteration of the proceeding deficient procurement plans may be denied outright.

II. The Proposed Decision's Loading Order Policy Is Sound.

PG&E's opening comments illustrate why the Proposed Decision is correct in requiring procurement in accordance with the loading order— even beyond the minimums established by

[3] Comments of Cogeneration Association of California on Proposed Decision, p. 1 and Comments of and Energy Producers and Users Coalition on Proposed Decision, p. 2.
[4] Comments of Sierra Club California on the Proposed Decision Approving Modified Bundled Procurement Plans, p. 5.

the Commission. PG&E states that this procurement should be cost-effective. Sierra Club agrees. However, PG&E points out that it could be exposed to specific price risks from convential procurement such as—higher-than anticipated natural gas prices and costs for GHG emissions allowances.‖[5] In reality, procurement greater than the loading order, particulary energy efficiency and demand response, reduce IOU exposure to these price risks. These risks are, therefore, not entirely beyond PG&E's control.

Furthermore, PG&E's arguments against consistent application of the loading order to all procurement are invalid. PG&E also argues against applying the loading order to resources above the minimum because—the utilities are already required to procure all available cost effective resources in other proceedings. Therefore, the open position effectively represents the unmet resource need after the utilities have already procured all available cost-effective preferred resources.‖[6] However, the fact that there is a requirement to procure all cost effective resources does not imply that the utilities have met that requirement. PG&E also argues that certain short term resource needs cannot be met with higher loading order resources.[7] However, those—short term‖ needs might only have arisen because of failure to procure the higher order resources earlier. Moreover, the Proposed Decision's loading order policy allows the State to further comply with its energy and policy goals including the reduction of greenhouse gases.

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[5] PG&E's Comments, p. 5.
[6] *Id.*, p. 9
[7] *Id.*, p. 3.

Respectfully submitted,

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