

**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 12-03-014
(March 22, 2012)

**COMMENTS OF THE INDEPENDENT ENERGY PRODUCERS
ASSOCIATION ON THE PLANNING STANDARDS STRAW
PROPOSAL**

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ASSOCIATION

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The Independent Energy Producers Association (IEP) offers its comments on the 2012 Energy Division Straw Proposal on LTPP Planning Standards. The planning assumptions and scenarios developed in this proceeding will inform overall system planning and drive the resource needs and the procurement activities of the investor-owned utilities for the next few years. IEP is concerned that the Straw Proposal focuses too narrowly on scenarios that reflect variations on relatively normal conditions, on the understandable assumption that an average of past events is likely to align with an average of future events. The times when system reliability has been most severely challenged, however, in 2000-01 and 2006, were years when abnormal weather conditions combined with rapid economic and demand growth (in 2006), gas supply interruptions (in 2000-01), and other abnormal circumstances to push the grid up to and at times beyond its capabilities.

IEP recognizes the near-impossibility of modeling abnormal circumstances that are by definition unpredictable. To provide a better picture of the system's resiliency in the face of abnormal circumstances, however, IEP recommends studying an additional scenario that

addresses high load growth paired with an extreme weather event. IEP also suggests a revision to the retirement scenarios proposed for the Planning Standards to better recognize the risks and uncertainties associated with continued use of once-through cooling (OTC) under the policy established by the State Water Resource Control Board (SWRCB).

The LTPP Planning Standards Should Include a Scenario that Addresses a Robust Economic Recovery Paired with an Extreme Weather Event. IEP is concerned that the Straw Proposal does not include a scenario that addresses robust economic growth paired with an extreme weather event. During the informational workshop on May 17, 2012, a few parties commented that the planning assumptions used in the long-term procurement plan (LTPP) proceeding should include a scenario that addresses high load growth paired with an extremely hot summer. IEP agrees that this scenario should be included in the 2012 LTPP planning assumptions. In response to parties' requests to include such a scenario in the 2012 LTPP planning assumptions, staff suggested that this scenario was not needed in this year's planning cycle and that the scenario would be considered in a future planning cycle.

Excluding this scenario from the current planning process, as staff suggests, is short-sighted. Currently, state and federal policies and stimulus funds are geared toward encouraging rapid economic recovery. Recent data indicates that these policies are taking hold and that economic recovery is underway. In these circumstances, a scenario that pairs rapid economic growth with an extreme weather event is certainly not unreasonable or unrealistic. As California learned in 2006, the pace of economic recovery can accelerate quickly and catch planners off-guard. (In 2006, rapid economic growth and a sustained heat storm lead to a 5% increase in demand in a single year, and as a result the Commission took extraordinary and expedited actions to attempt to add generation capacity to the system in less than a year.) The

Commission should not defer its consideration of a high load growth/extreme weather scenario until a later LTPP.

Accordingly, IEP recommends that the Commission should include a high load growth scenario that adopts annual average increases in demand similar to the demand growth rate recorded for 2002-2007. In addition to this growth rate, the planning assumptions should include a hot summer (*i.e.*, extreme weather event) to illustrate the peak demand that may occur. The analysis should also include, as part of this scenario, a sensitivity that assumes that all uncommitted Energy Efficiency and demand side management resources are unavailable.

Because the LTPP planning horizon extends ten years out, it would be a mistake not to include a robust economic recovery/extreme weather event scenario in the 2012 LTPP planning standards. Furthermore, staff indicated that the resources determined in the LTPP will feed into the 2013-2014 California Independent System Operator's Transmission Planning Process. As transmission takes approximately 7-10 years to plan, permit, and build, it is crucial for the Commission to include a high load/extreme weather event scenario as part of the current planning process. If this scenario is not considered in the 2012 LTPP proceeding, the appropriate generation needed to reliably serve the grid and the transmission to support that generation may not be available when abnormal events occur.

The Uncertainties Surrounding Track 2 Compliance Require a Planning Assumption that Track 2 Resources Will Retire by the Compliance Deadline. In addition, the LTPP Planning Standards should not assume that resources proposing "Track 2" OTC compliance will be available in the mid-level retirement scenario. Staff's straw proposal assumes that resources intending to rely on continued use of OTC under Track 2 of the SWRCB's policy will succeed in achieving Track 2 compliance and operate indefinitely. The

Track 2 compliance process is uncertain at best, and first requires that the SWRCB concur that Track 1, which effectively requires the elimination of OTC use, is technically infeasible. Track 2 then involves three years of site-specific monitoring to establish a baseline on which compliance will be determined, and ultimately requires the use of structural or operational measures which may or may not be feasible to achieve stringent reductions in impacts on marine life. In summary, Track 2 compliance may simply be infeasible despite the good faith and best efforts of the resource owner. Due to the significant uncertainty surrounding Track 2, the mid-level retirement scenario should replicate the high retirement scenario and assume that Track 2 resources are retired by the applicable OTC compliance deadline.

For these reasons, IEP respectfully urges the Commission to include a high growth/extreme weather event scenario in the analyses performed in the 2012 LTPP and to modify the mid-level retirement scenario to assume that Track 2 OTC resources are retired by the applicable OTC compliance deadline.

Respectfully submitted this 31st day of May, 2012 at San Francisco, California.

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