

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
(Filed March 22, 2012)

**REPLY COMMENTS OF THE
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES ON
ENERGY DIVISION'S STANDARD PLANNING ASSUMPTIONS STRAW PROPOSAL**

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Reply Comments on the Energy Division's Straw Proposal on Standard Planning Assumptions to be used in the Investor Owned Utilities (IOUs') Long Term Procurement Plans (LTTPs) ("Straw Proposal"). These Reply Comments are filed and served pursuant to the Commission's Rules of Practice and Procedure and the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge ("Scoping Memo") issued in this proceeding on May 17, 2012.

**I.
INTRODUCTION**

During workshops held in April and May 2012, the Commission's Energy Division presented and discussed its Straw Proposal for LTTP Standard Planning Assumptions ("Straw Proposal"). On May 23, 2012, Energy Division distributed a Straw Proposal "Comment Template," in which parties were to address, for each item listed, whether the assumptions used by the Energy Division were appropriate, should be different, and should be consolidated.

CEERT did not file Opening Comments, but has reviewed both the Straw Proposal and the Opening Comments filed on May 31, 2012. CEERT joins many of these commenting parties in citing specific shortcomings of the Straw Proposal, particularly those that understate the contributions of such resources as energy efficiency or demand response or otherwise skew the

assumptions in favor of fossil fuel resource procurement.¹ CEERT does not believe that adopting standard planning assumptions geared to such an outcome – increased reliance on fossil fuels – is consistent with this State’s energy policies (e.g., Renewable Portfolio Standard (RPS) Program or reduced Greenhouse Gas emissions) or the Commission’s “loading order” for energy resources identified in its Energy Action Plan. CEERT, therefore, asks the Commission to direct revisions be made to the Straw Proposal to ensure that the resources highest in the “loading order” be evaluated appropriately.

II.

CEERT SUPPORTS THE MANY COMMENTING PARTIES THAT HAVE IDENTIFIED SHORTCOMINGS IN THE “PROBLEM STATEMENT,” “GUIDING PRINCIPLES,” AND ASSUMPTIONS IN THE STRAW PROPOSAL THAT ARE CONTRARY TO STATE AND COMMISSION ENERGY POLICY AND GOALS.

The Energy Division’s Straw Proposal is rooted in a “Problem Statement” and “Guiding Principles” that are not designed to recognize or further California’s and the Commission’s energy policies, particularly, adherence to the Energy Action Plan’s “loading order,” by which energy efficiency and demand response are the preferred resources to meet energy needs.² This critical shortcoming has been identified by a wide range of parties, including Sierra Club California (Sierra Club), Natural Resources Defense Counsel/Vote Solar Initiative (NRDC/VoteSolar), and EnerNOC, Inc. Failing to follow those policies will, as EnerNOC states, result in planning that is inconsistent with stated Commission policy and will, in turn, undermine those policies by “creating inefficient, duplicative investments, and placing unnecessary burdens on ratepayers.”³

¹ See, e.g., Sierra Club California (Sierra Club) Opening Comments, at p. 1.

² See, e.g., Energy Action Plan II, at p. 2.

³ EnerNOC Opening Comments, at p. 3.

Thus, the “Problem Statement,” which should be “frame[d]...in an outcome neutral manner” that articulates “the full breadth of considerations relevant to scenario development,”⁴ not only fails to capture these policies and preferences, but ignores them completely by assuming, in the first instance, that “infrastructure” *will be* built to meet customer demand. This conclusion regarding the intent of the “Problem Statement” is inescapable since, in the context of the LTPP, additional “infrastructure” can refer only to the need for additional *fossil fuel generation resources* in the planning horizon that is the focus of the proceeding.

As the Sierra Club correctly points out in its Opening Comments, the result is a “Problem Statement” that is flawed for being “skewed toward development of additional fossil fuel infrastructure at the expense of other system resources such as efficiency and storage” and for “omit[ting] consideration of the achievement of the State’s environmental objectives and overall system benefits in scenario planning.”⁵ Similarly, NRDC/Vote Solar point to the need for the Commission to “explicitly include demand side resources in its guiding question in order to be consistent with the State’s and this Commission’s loading order.”⁶ NRDC/Vote Solar also correctly point out that it will be necessary for the Commission to include “estimates of incremental uncommitted energy efficiency” to account for the full impacts of future efficiency.⁷

Further, even if some new infrastructure might be needed to maintain reliability, as the Calpine Corporation (Calpine) states in its Opening Comments, “it will also require maintaining existing infrastructure and/or utilizing existing infrastructure more efficiently.”⁸ In fact, as the Energy Action Plan’s “loading order” intends, reliance first on such “preferred” resources as energy efficiency and demand response, as well as the continued, efficient use of “existing

⁴ Sierra Club Opening Comments, at p. 1.

⁵ *Id.*, at pp. 1-2.

⁶ NRDC/Vote Solar Opening Comments, at p. 3.

⁷ *Id.*

⁸ Calpine Opening Comments, at p. 2.

infrastructure” and increased reliance on renewable generation, may avoid the need for any additional fossil fuel “infrastructure” in the planning period. What should certainly be avoided is inappropriately extending the life of uneconomic, thermal/fossil generation, especially where cost-effective energy efficiency, demand-side, or renewable resource alternatives exist.

The Problem Statement and Guiding Principles of the Straw Proposal also ignore California’s environmental goals designed to achieve longer term reductions in carbon emissions and greater reliance on energy efficiency, demand response, and renewable generation. As the Sierra Club notes, the Straw Proposal is geared to creating a “planning structure that looks only at the cheapest resources” while “fail[ing] to consider *the value* or *the function* that specific resource choices provide to the consumer, to the electric grid, and to the environment.”⁹

The emphasis in the Guidelines on assumptions taking a “realistic view of expected policy-driven resource achievements” implies that these goals are not “realistic” or that this assessment needs to be made (without any articulated standards) before those goals can be pursued. No such requirement or precondition exists for the Commission to continue to adhere to its “loading order” or State-mandated GHG emissions reduction goals. CEERT, therefore, supports Sierra Club’s recommendation that, at the least, the Problem Statement be modified to, among other things, replace “resources” for the word “infrastructure,” and ensure that the goal is to achieve a “mix of resources” that minimizes costs, but also “optimizes the environmental and energy system benefits” to customers in the planning horizon.¹⁰

CEERT also agrees with those parties who have cited to and asked the Commission to avoid incorrect “overstatements” or “understatements” of resource or load projections. To begin with, Sierra Club correctly points out that overstatements of load growth, especially in the

⁹ Sierra Club Opening Comments, at p. 3; emphasis original.

¹⁰ Sierra Club Opening Comments, at pp. 2-4.

absence of any currently available conclusive examination by this Commission or the California Energy Commission (CEC), “will bias the analysis in favor of excessive infrastructure and cost” and should be avoided.¹¹

Further, in addition to the need to account for the “full impacts” of future efficiency, as NRDC/VoteSolar have noted, EnerNOC in its Opening Comments states that the Straw Proposal’s assumptions for demand response are “overly conservative, will understate demand response contributions, and, in turn, overstate new resources needs,” a result that the Commission should be planning to avoid.¹² At a time when the Commission and the California Independent System Operator (CAISO) are focused on renewable integration and the potential need for “flexible capacity,” any standard planning assumptions or scenarios should recognize that demand response can provide “balancing capabilities faster and more cost-effectively than traditional generation.”¹³

In fact, from CEERT’s perspective, the Commission’s goal in adopting standard planning assumptions should not be to minimize or incorrectly avoid reliance on preferred resources, but in fact should provide and more fully incorporate an aggressive scenario by which the “loading order” and State energy goals, from GHG emission reductions to increased reliance on renewable generation, are achieved. That scenario should also value resources according to the value they bring to the system using existing or planned transmission. Without a holistic accounting of the value that proposed system resources provide to the system, the approach towards developing such resources (including transmission and generation resources) will at best be haphazard and will not necessarily result in least cost best fit planning.

¹¹ Sierra Club Opening Comments, at p. 8.

¹² EnerNOC Opening Comments, at p. 2.

¹³ EnerNOC Opening Comments, at p. 6.

III. CONCLUSION

For the reasons stated herein, CEERT respectfully requests that the Commission direct revisions to the Energy Division's Straw Proposal consistent with Commission and State energy policies, in particular, the "loading order," GHG emission reduction goals, and renewable energy targets. CEERT supports revisions to the Problem Statement offered by the Sierra Club and urges the Commission to reevaluate and correct understatements of preferred loading order resources, such as energy efficiency and demand response, as reflected in the comments of NRDC/VoteSolar and EnerNOC. CEERT believes that the Commission's goal should be to adopt LTPP standard planning assumptions that fully incorporate and reflect State energy policies and reasonable assumptions for reliance on or procurement of preferred resources.

Respectfully submitted,

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