

**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 ENERGY COMMISSION'S
INCREMENTAL ENERGY EFFICIENCY FORECAST**

INDEPENDENT ENERGY PRODUCERS
ASSOCIATION

Steven Kelly, Policy Director
Amber Riesenhuber, Policy Analyst
1215 K Street, Suite 900
Sacramento, CA 95814
Telephone: (916) 448-9499
Facsimile: (916) 448-0182
Email: steven@iepa.com
amber@iepa.com

Dated: August 8, 2012

GOODIN, MACBRIDE, SQUERI,
DAY & LAMPREY, LLP

Brian T. Cragg
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
Email: bcragg@goodinmacbride.com

Attorneys for the Independent Energy Producers
Association

**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 ENERGY COMMISSION'S
INCREMENTAL ENERGY EFFICIENCY FORECAST**

On August 1, 2012, the Energy Division circulated the California Energy Commission's Incremental Energy Efficiency Forecasts. The Incremental Energy Efficiency Forecasts are meant to be reflected in the Commission's long-term procurement plan (LTPP) proceeding as a key component in determining a managed forecast for procurement purposes.¹ The Commission's conclusions about the treatment of energy efficiency have a direct bearing on critical issues to California consumers, including impacts on overall system planning and grid reliability, as the utilities strive to procure needed resources to serve consumer demand and maintain an adequate planning reserve margin.

As provided in the *Assigned Commissioner's Ruling on Standardized Planning Assumptions* of July 27, 2012, the Independent Energy Producers Association (IEP) offers its comments on the forecasts.

IEP is concerned that placing too much faith in the availability of incremental uncommitted energy efficiency may put California in a poor planning position. As the term

¹ California Energy Commission: *Energy Efficiency Adjustments for a Managed Forecast: Estimates of Incremental Uncommitted Energy Savings Relative to the California Energy Demand Forecast 2012-2022*, July 18, 2012, page 1.

“uncommitted” suggests, these resources may or may not materialize during the forecast period. Some stakeholders have suggested that the Commission should assume for planning purposes that the highest energy efficiency value will be achieved, consistent with California’s policy goals. However, unrealistic assumptions about uncommitted energy efficiency could potentially leave the state in a bind if forecasted levels of energy efficiency and other demand-side management do not materialize as expected.

In previous comments on the LTPP Planning Standards Straw Proposal, IEP recommended studying a scenario that addressed high load growth paired with an extreme weather event and a sensitivity that assumes that all uncommitted energy efficiency and demand-side management resources are unavailable.² The purpose of running this scenario is to recognize abnormal, yet realistic, circumstances (*i.e.*, severe weather conditions combined with rapid economic and demand growth) that push the electric system to its limits. Particularly in an environment where new generation facilities typically take at least 5-7 years to build, California must plan far enough in advance to have adequate resources available to meet growing electricity demands.

A recent report from the California Climate Change Center indicates that energy demand is increasing, and this increasing demand will be offset only partially by improved energy efficiency.³ Applying aspirational but unrealistic forecasts of uncommitted energy efficiency in the modeling of future demand can skew the perception of actual demand and understate the real amount of electrical generation needed to serve consumer demand adequately. IEP fully supports California’s energy policy goals, but planning based on hoped-for levels of

² See *Comments of the Independent Energy Producers Association on the Planning Standards Straw Proposal*, May 31, 2012.

³ *Our Changing Climate 2012 Vulnerability & Adaptation to the Increasing Risks from Climate Change in California-Brochure*, July 2012, page 7.

voluntary demand reduction (*i.e.*, energy efficiency and demand response) may result in involuntary demand reduction (*i.e.*, blackouts). Furthermore, the costs of involuntary demand reduction are not shared evenly across either geographic regions or demographic groups. The Commission needs to ensure that sufficient generating capacity exists to avoid involuntary demand reduction.

To ensure that efficient, reliable and affordable generation will exist when needed, the Commission should adopt realistic, not optimistic, energy efficiency assumptions. IEP respectfully urges the Commission to limit its faith in uncommitted resources and instead to adopt a conservative planning approach that will result in adequate generation resources to support California's future energy needs.

Respectfully submitted this 8th day of August, at San Francisco, California.

GOODIN, MACBRIDE, SQUERI,
DAY & LAMPREY, LLP
Brian T. Cragg
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
Email: bcragg@goodinmacbride.com

By /s/ Brian T. Cragg

Brian T. Cragg
Attorneys for the Independent Energy
Producers Association