

October 5, 2012 L. Jan Reid

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)

COMMENTS OF L. JAN REID ON STANDARDIZED PLANNING SCENARIOS

October 5, 2012

L. Jan Reid
3185 Gross Road
Santa Cruz, CA 95062
Tel/FAX (831) 476-5700
janreid@coastecon.com

TABLE OF CONTENTS

	Page
I. Introduction	1
II. Summary and Recommendations.....	1
III Proposed Findings.....	2
IV. Combined Heat and Power	3
V. Scenarios	3
A. Replicating the Transmission Planning Process	3
B. Nuclear Retirement	4
C. Environmental Sensitivity	5
VI. Assumptions	5
A. Demand Response	5
B. Commercial On-Line Date	6
VII. Conclusion	6

I. Introduction

Pursuant to the September 25, 2012 Assigned Commissioner's Ruling (ACR) of Commissioner Michael Florio, I submit these comments on the proposed standardized planning scenarios in the Long Term Procurement Plan (LTPP) proceeding.

II. Summary and Recommendations

I have relied on state law and past Commission rulings in developing recommendations concerning the standardized planning scenarios. I recommend the following:¹

1. The Commission should set a planning period of 10 years, from 2013-2022. (pp. 2-2)
2. The Commission should assume that Combined Heat and Power (CHP) is a supply-side resource with a magnitude equal to 100% of the statewide CHP goal. (p. 3)
3. The Replicating TPP scenario should be eliminated from consideration by the Commission. (pp. 3-4)
4. An Early Nuclear Retirement scenario should be performed for the planning period 2013-2022. The Early Nuclear Retirement scenario should include both the Diablo Canyon and San Onofre facilities. (pp. 4-4)
5. The Commission should mandate that an environmental sensitivity be performed as part of the standardized planning scenarios. (p. 5)
6. For planning purposes, the Commission should assume the peak time rebate savings estimated by PG&E. (pp. 5-5)
7. The Commission should assume a commercial on-line date that is 809 days after a project has been approved. (p. 6)

¹ Citations for these recommendations and proposed findings are given in parentheses at the end of each recommendation and finding.

III. Proposed Findings

My recommendations are based on the following proposed findings:

1. A 20-year planning period is not reasonable because the LTPP is limited to the period 2013-2022. (pp. 2-2)
2. The 2008 Energy Action Plan Update (EAP) points out that “In addition, new combined heat and power applications could play a large part in avoiding future greenhouse gas emissions due to the combined efficiency of the heat and power portions of the project. The 2007 IEPR contains policy support for such installations.” (EAP, p. 15)
3. The Commission cannot unilaterally terminate its preferred resource policies because these policies are part of an agreement between the CPUC and the California Energy Commission. (pp. 3-4)
4. The Commission has an obligation under Public Utilities Code Section (PUC §) 451 to protect ratepayers and ensure that rates are just and reasonable. (pp. 5-5)

The ACR states that “The planning period is established as twenty years in order to take into consideration the major impacts of infrastructure decisions now under consideration.” (ACR, Attachment, p. 7)

The 20-year planning period is inconsistent with Guiding Principle IV.B, which states that “Assumptions should reflect real-world possibilities, including the stated positions or intentions of market participants.” (ACR, Attachment, p. 7) In this case, the ACR assumes that a 20-year planning period is reasonable.

A 20-year planning period is not reasonable because the LTPP is limited to a 10-year period. Very little useful information would be gained from a 20-year analysis; and a 20-year analysis is not consistent with real-world possibilities due to the timeframe of the LTPP. Therefore, the Commission should set a planning period of 10 years, from 2013-2022.

IV. Combined Heat and Power

The ACR would effectively ignore the benefits of combined heat and power (CHP) by treating CHP as both a demand-side and a supply side resource with a magnitude equal to only 81% of the statewide CHP goal.

The Energy Action Plan is a legally binding agreement between the California Energy Commission (CEC) and the CPUC. The 2008 Energy Action Plan Update (EAP) points out that: (EAP, p.15)

In addition, new combined heat and power applications could play a large part in avoiding future greenhouse gas emissions due to the combined efficiency of the heat and power portions of the project. The 2007 IEPR contains policy support for such installations.

Consistent with the EAP, the Commission should assume that CHP is a supply-side resource, equal to 100% of the statewide CHP goal.

V. Scenarios and Sensitivities

Energy Division Staff proposes four scenarios as high priority, and a second tier of two scenarios to be modeled if time and resources allow. Staff also recommends that the Early Nuclear Retirement and Environmental sensitivities not be modeled for the period 2013 and 2022. I discuss some of these scenarios and sensitivities below.

A. Replicating the Transmission Planning Process

The Replicating the Transmission Planning Process (TPP) scenario should be deleted because it is based on an unrealistic assumption that is inconsistent with Guiding Principle IV.B. The Replicating TPP scenario assumes that the Commission will terminate preferred resource policies (other than RPS) and reduce demand response. (See Energy Division Presentation, August 24, 2012, Slide 8)

The Commission cannot unilaterally terminate its preferred resource policies because these policies are part of an agreement between the CPUC and the California Energy Commission. (See 2008 Update, Energy Action Plan) It is highly unlikely that both the CPUC and the CEC will agree to change the Energy Action Plan and eliminate their demand-side management and preferred resource policies. Therefore, the Replicating TPP scenario should be eliminated from consideration by the Commission.

B. Nuclear Retirement

Staff recommends the modeling of an early San Onofre Nuclear Generating Station (SONGS) Retirement scenario. I note that early nuclear retirement, not just the early retirement of the San Onofre facility, is an issue in this proceeding. The Scoping Memo has stated that: (Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, May 17, 2012, p. 8)

A major purpose of this proceeding is to maintain and ensure reliability in CPUC-jurisdictional areas in California over a long-term planning horizon. This requires anticipation of changes in both supply and demand. To accomplish this, it is important to consider the potential retirement of existing plants, the likelihood of relicensing of nuclear power plants, changes in mandates for renewable power, development of energy storage facilities, increased energy efficiency and demand response resources, and the developing of distributed generation resources.

An Early Nuclear Retirement scenario would provide valuable information to both the Commission and the parties and would assist in the Commission's resolution of the nuclear retirement issue. Therefore, I recommend that an Early Nuclear Retirement scenario be performed for the planning period 2013-2022. The Early Nuclear Retirement scenario should include both the Diablo Canyon and San Onofre facilities.

C. Environmental Sensitivity

As mentioned previously, Staff has removed the environmental sensitivity from the list of modeled sensitivities. The Environmental Sensitivity replaces the commercial portfolio with the environmental portfolio. This is an important sensitivity because it will indicate the problems associated with moving from a commercial portfolio to an environmental portfolio. Therefore, the Commission should mandate that an environmental sensitivity be performed as part of the standardized planning scenarios.

VI. Assumptions

Below, I comment on the demand response and commercial on-line date assumptions common to most of the proposed scenarios.

A. Demand Response

The ACR states that: (ACR, Attachment, p. 25, Item 10)

No changes will be made to the event-based demand response forecast in the supply side assumptions. At this time, PG&E's peak time rebate program is still pending before the Commission, and any required savings are still unclear.

The Commission has an obligation under Public Utilities Code Section (PUC §) 451 to protect ratepayers and ensure that rates are just and reasonable. Consistent with PUC § 451, the Commission must protect ratepayers from resource over-procurement associated with uncertainties such as the estimation of the magnitude of demand response. In this instance, the Commission should risk overestimating supply in order to protect ratepayers from the potential overprocurement of fossil fuel resources. Therefore, I recommend that the Commission assume the savings estimated by PG&E for planning purposes.

B. Commercial On-Line Date

The ACR states that "For existing resources with no documented commercial online date (COD), assume 1/1/2000 for retirement accounting purposes." (ACR, Attachment, p. 25, Item 10)

In this instance, Staff's proposal is not reasonable and could lead to the overprocurement of resources. Staff relies on the CEC's list of siting cases, (http://www.energy.ca.gov/sitingcases/all_projects.xls). I used the same document and calculated that projects came online in an average of 809 days after the project was approved. Therefore, I recommend that staff assume a COD which is 809 days after a project has been approved.

VII. Conclusion

The Commission should adopt Reid's recommendations for the reasons given herein.

* * *

Dated October 5, 2012, at Santa Cruz, California.

/s/

L. Jan Reid
3185 Gross Road
Santa Cruz, CA 95062
Tel/FAX (831) 476-5700
janreid@coastecon.com