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.	R.12-03-014 (Filed March 22, 2012)

REPLY COMMENTS OF SIERRA CLUB CALIFORNIA, THE UNION OF CONCERNED SCIENTISTS, THE NATURAL RESOURCES DEFENSE COUNCIL, AND THE COMMUNITY ENVIRONMENTAL COUNCIL ON THE ENERGY DIVISION'S REVISED DRAFT SCENARIOS FOR THE LONG-TERM PROCUREMENT PLANNING PROCEEDING

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Pursuant to the September 25, 2012 "Revised Assigned Commissioner's Ruling Setting Forth Standardized Planning Scenarios For Comment," Sierra Club California, the Union of Concerned Scientists, the Natural Resources Defense Council, and the Community Environmental Council ("SC/UCS/NRDC/CEC") respectfully submit these reply comments on the "Revised Scenarios for use in Rulemaking 12-03-014" provided as Attachment A to the September 25, 2012 Ruling.

I. The Commission's Base Case should include the best estimate of committed and uncommitted energy efficiency savings, and we conservatively recommend using the low estimate of energy savings from the Big Bold Energy Efficiency Strategies (BBEES) and the incremental amount of "naturally occurring savings".

SC/UCS agree with NRDC/Community Environmental Council, and SC/UCS/NRDC/CEC agree with the Division of Ratepayer Advocates ("DRA"), and the California Environmental Justice Alliance ("CEJA") that the Commission should include low-level estimates of energy savings from the Commission's Big Bold Energy Efficiency Strategies ("BBEES") in the Base Case scenario.[1] We recommend the Commission include the low estimate of 1,281 MW of savings in 2022.[2] Making a conservative assumption in the Base Case about the energy savings expected from the BBEES program is reasonable given that the Commission has already approved many of the programs that will account for much of these savings.

Additionally, SC/UCS agree with NRDC/Community Environmental Council that the Commission should account for all of the programmatic savings deemed "naturally-occurring." In the ALJ Ruling, all of the scenarios fail to include the full amount of programmatic savings that were deemed "naturally-occurring" and that were not embedded in the forecasts already. In the Base Case, the Commission should account for the total amount of savings that will occur from the efficiency programs identified in the CPUC's energy efficiency potential study,[3] after accounting for what is incremental to the Energy Commission's baseline forecast. The CEC calculated that the total amount of "naturally-occurring" savings was 1,961 MW in 2022, and the

[1] NRDC/Community Environmental Council, p.7; DRA, pp.3-4; CEJA, p.9.
[2] 1,476 GWh in 2022. CEC, *Incremental Impacts of Energy Efficiency Policy Initiatives Relative to the 2009 Integrated Energy Policy Report Adopted Demand Forecast Attachment A: Technical Report*, Consultant Report, Table ES-4: Summary of Incremental Uncommitted Peak Demand Savings (MW) across All Goals Cases, p. viii (January 2010).
[3] CPUC/Navigant, *Analysis To Update Energy Efficiency Potential, Goals, And Targets For 2013 And Beyond* (May 2012). Available at: http://www.cpuc.ca.gov/NR/rdonlyres/6FF9C18B-CAA0-4D63-ACC6-F9CB4EB1590B/0/2011IOUServiceTerritoryEEPotentialStudy.pdf

portion that was incremental was 1,132 MW.[4] Therefore, the Commission should include in the Base Case the additional 1,132 MW of programmatic savings that were deemed "naturally occurring" but have not yet been included in the forecasts.

Omitting the BBEES savings, and savings from utility programs that will occur naturally would call into question this proceeding's compliance with the state's Loading Order and Cal. Public Utilities Code § 454.5(b)(9)(C) (requiring procurement to first meet unmet need through available EE and DR). Directing the investor-owned utilities ("IOUs") to pursue these savings, and to include some of them in their 2013-2014 portfolios, but failing to include these savings in the Commission's own procurement proceeding, would fall short of treating energy efficiency as a resource, let alone the top priority resource, which is required the Loading Order and state law. In order to comply with the with these requirements, we recommend that the CPUC's Base Case include both the low estimate of BBEES savings and the incremental amount of "naturally occurring" savings.

II. The Commission's scenarios should reflect the demand response benefits from programs that have been adopted by the Commission.

SC/UCS/NRDC/CEC agree with DRA that it is unreasonable for the Commission to assume no energy benefits will occur from Pacific Gas and Electric's ("PG&E's") Peak Time Rebate ("PTR") program.[5] DRA points out that PG&E itself recommends the Commission assume the PTR program is fully implemented by 2014, and the Commission adopted PTR

[4] 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) (and accompanying spreadsheet discussed at June 18, 2012 DAWG meeting: California Energy Commission, *Compare NOS-Price effects inc-unc EE*, Mid Savings tab, MW row, "Difference, CEC Incremental Price Effects and total NOS" (June 18, 2012).
[5] DRA, p.5.

savings for PG&E through 2030 in Decision 09-03-026.[6] Consistent with our comments above, SC/UCS/NRDC/CEC believe that energy benefits forecasted from programs the Commission has already adopted should be assumed in the Base Case scenario. To assume otherwise would send a message that the achievement of these programs is not expected and undercut program benefits by allowing for procurement of additional unneeded resources.

III. The Commission should explore higher RPS scenarios in the 2012 LTPP

SC/UCS/NRDC/CEC strongly disagree with Southern California Edison ("SCE") that "It is premature to investigate a 40% RPS at this time."[7] The final RPS compliance period that requires additional RPS investments (2018-2020) is less than six years away. Given the planning time the IOUs and grid operators need to make cost-effective investments in renewables and related infrastructure, it is imperative that the Commission begin thinking about the future role of renewable energy in California. SCE states that future RPS scenarios should not be contemplated because the state currently lacks "a clear understanding of the likely cost and reliability impacts of moving beyond a 33% RPS…"[8] This, however, is a major reason *why* the higher RPS should be modeled. SC/UCS/NRDC/CEC submit that the LTPP proceeding is the most appropriate venue to gain such an understanding. Moreover, as stated in our initial comments, SC/UCS/NRDC/CEC believe that beginning the discussion of how increased levels of renewables may help the state achieve its 2050 emission reduction goals[9] is imperative and that limiting the analysis to a 40% RPS scenario in 2030 is inadequate and could lead the Commission into decisions that will be inconsistent with attainment of these state emission

[6] *Ibid.*
[7] SCE, p.7.
[8] *Ibid.*
[9] Executive Order S-3-05. http://www.dot.ca.gov/hq/energy/ExecOrderS-3-05.htm.

reduction goals. For this reason, all four organizations have recommended the Commission analyze a scenario that assumes 40% RPS by 2020 and 55% RPS by 2030. [10] In modeling this scenario, the Commission should also assume aggressive increases in energy conservation, efficiency, demand response and local renewables to reduce projected overall energy demand.

IV. The Commission should not treat the Replicating TPP Case as baseline scenario

SC/UCS/NRDC/CEC disagree with the California Independent System Operator ("CAISO") that the Replicating TPP case "is an appropriate case for determining the initial potential need."[11] As the Sierra Club and UCS stated in their initial comments, "The Commission should not waste resources modeling scenarios that have no basis in reality and that do not conform to the State's legal requirements for the LTPP."[12] Decision D.07-12-052 established an expectation that future LTPP scenarios would be consistent with the State's loading order and established energy policy goals and requirements. Characterizing a scenario- which omits the contributions of preferred resources expected to occur in previously adopted programs- as "initial need" or a "baseline" could be misinterpreted by parties as a conclusion of the most likely scenario to occur. This point is also thoughtfully articulated by The Utility Reform Network ("TURN") in its initial comments:

> However, TURN suggests the Commission, in any final adoption of such scenarios, reiterate clearly its commitment to key assumptions of its Base Scenario– many of which reflect specific state energy planning policies and goals – and the role of alternate scenarios as means of testing "what happens if" rather than as principal planning scenarios. TURN is concerned that, without such guidance, other parties to this

[10] SC/UCS, p.4; NRDC/Community Environmental Council, p.9.
[11] CAISO, p.4.
[12] SC/UCS, p.4.

process will flout the results of a single favorite sensitivity as being somehow definitive, regardless of possible different results from other scenarios and sensitivities.[13]

V. The Commission should reject the CAISO's request to limit the LTPP analysis to a single planning period.

The Commission has proposed analyzing a second planning period (years 11-20) using simplified planning assumptions. SC/UCS/NRDC/CEC believe this analysis is prudent because it will help the State begin to understand the needs of the electricity system in the years following 2020. Having even a rough idea of our future electricity needs will be beneficial in reducing the likelihood of being caught unprepared or rushing to make important investments for meeting future energy policy needs. For this reason, SC/UCS/NRDC/CEC strongly support the Commission's efforts to analyze this second planning period, and oppose the CAISO's recommendation to limit the LTPP analyses to years 1 through 10.[14]

VI. Modeling additional scenarios should be adequately justified and not take priority over Commission-approved scenarios.

In its initial comments, SCE requests clarification from the Commission that parties are allowed "to submit analysis of their own scenarios using their own datasets and not just use the datasets the Commission has proposed."[15] While SC/UCS/NRDC/CEC do not object to this principle, the Commission should explicitly state that any additional modeling may not displace resources that would otherwise be deployed for analyzing the Commission-developed scenarios,

[13] TURN, p.1.
[14] CAISO, p.9.
[15] SCE, p.9.

and that parties must obtain Commission approval before additional modeling begins.[16] In addition, parties should be expected to explain why the Commission-developed scenarios do not adequately represent the range of expected conditions in 2020 and provide evidence that the additional scenarios are consistent with the state's energy policies.

VII. The Commission should reject SDG&E's request to reduce the amount of distributed solar resources in the RPS Calculator

SC/UCS/NRDC/CEC disagree with San Diego Gas and Electric's ("SDG&E's") request that the Commission reduce the Base Case assumption for distributed solar in the San Diego area to reflect the historical project success rate of renewable projects in general.[17] SDG&E points out that the project success rate for RPS projects in California is around 60% and suggests that the Commission assume a project success rate for distributed solar that is "close to" 60%.[18] The success rate of distributed solar projects, however, should not be equated with renewable projects in general. Distributed solar projects are not dependent on building new transmission lines or upgrading existing transmission infrastructure. The process for obtaining necessary environmental permits is more certain and requires less time because the projects are smaller and will generally have fewer environmental mitigation issues to resolve. Furthermore, most if not all of the distributed solar resources that will be built in California will be required to come online in a relatively short amount of time in order to receive payment. This is true for all projects under the Renewable Auction Mechanism program or the AB 1969 or SB 32 feed-in

[16] We note that a similar issue arose in the prior LTPP proceeding. The Commission should be clear on this issue to avoid the situation that occurred last time. *See* Administrative Law Judge's Ruling Granting Motion To Modify System Track I Schedule, R.10-05-006, at 11 (May 31, 2011) (criticizing the utilities and CAISO for " start[ing] the model runs without seeking prior approval of the changes").
[17] SDG&E, p.3.
[18] *Ibid.*

tariff programs. If a project fails to meet its delivery deadline, that electricity will likely be replaced by another project in the queue. For these reasons, SC/UCS/NRDC/CEC do not believe it would be appropriate for the Commission to assume distributed solar projects will face the same level of project failure that larger-scale renewable energy projects have faced in the past.

VIII. The Commission's 2030 scenarios should reflect the growth of demand-side solar in years 2022 through 2034

The Commission's high DG DSM scenarios for both 2020 and 2030 account for the incremental PV that is embedded in the CEC's Integrated Energy Policy Report through 2022 and add additional incremental PV through 2022 to reflect the Commission's decision recalculating the net metering cap.[19] SC/UCS/NRDC/CEC is concerned that the Commission's 2030 scenario assumes increasing amounts of incremental demand-side CHP between 2022 and 2034, but assumes no increase in incremental PV or energy efficiency after 2022. SC/UCS/NRDC/CEC understand that the Commission's 2030 scenario is a rough sketch of the future and that it's not possible to make precise predictions of resource additions that far in advance. However, the June 27 Assigned Commissioner's Ruling stated that a 2030 scenario would be run to inform resources choices today and future policy discussions.[20] Since it's important that future energy policies focus on reducing electricity consumption and transitioning towards more clean generation sources, it's reasonable that the Commission make general assumptions in the 2030 scenario about the future incremental increases in energy efficiency and

[19] D.12-05-036.
[20] ACR, June 27, 2012, p.9.

demand-side PV. Furthermore, we reiterate our request from initial comments that the Commission construct the 2030 scenario to achieve a 55% RPS by 2030.

Thank you for your consideration of these comments.

Respectfully submitted,

/s/

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