

**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)

**RESPONSE OF SIERRA CLUB CALIFORNIA, CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE, AND THE UTILITY REFORM NETWORK TO THE MOTION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) TO MOVE THE TRACK 3 MULTI-YEAR PROCUREMENT REQUIREMENT ISSUE TO THE RESOURCE ADEQUACY PROCEEDING, AND TO DEFER REMAINING TRACK 3 ISSUES**

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Pursuant to Rule 11.1 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Sierra Club California ("Sierra Club"), the California Environmental Justice Alliance ("CEJA") and The Utility Reform Network ("TURN") (hereafter "Joint Parties") respond to Pacific Gas and Electric Company's ("PG&E") July 31, 2012 motion to move the Track 3 multi-year procurement requirement issue to the resource adequacy proceeding ("RA"), and to defer remaining Track 3 issues.<sup>1</sup> This Response also addresses CAISO's Response in Support of PG&E's Motion.<sup>2</sup>

**ARGUMENT**

**I. The Multi-Year Procurement Requirement Issue Should Remain in LTPP.**

PG&E's request that the multi-year procurement requirement issue be moved to the Resource Adequacy Proceeding ("RA") should be rejected, because all issues related to

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<sup>1</sup> Motion of Pacific Gas And Electric Company (U 39 E) to Move The Track 3 Multi-Year Procurement Requirement Issue To The Resource Adequacy Proceeding, And To Defer Remaining Track 3 Issues ("PG&E Motion").

<sup>2</sup> Response of the California Independent System Operator Corporation to the Motion of Pacific Gas and Electric Corporation to the Motion of Pacific Gas and Electric Company to Move the Multi-Year Procurement Requirement Issue, Filed September 28, 2012 in Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations ("CAISO Response").

procurement of new resources should stay in the LTPP and this proposal appears to be inconsistent with this structure. PG&E's request both undermines the planning function of LTPP and potentially radically changes the RA proceeding. The current LTPP addresses both local reliability and system need over a ten year period. LTPP will determine if there is a reliability or flexibility need, both of which are hotly contested issues. If there is a need, then the LTPP proceeding will address the best method for filling that need.<sup>3</sup> The multi-year procurement issue relates to how to fill need if it is found. Making decisions about multi-year procurement separate from the analysis of why that procurement is necessary makes little sense. Moreover, both PG&E and the CAISO refer to a „growing consensus“ regarding the need for ensuring (a) that flexible capacity is procured with RA capacity and (b) that a multi-year forward procurement mechanism is necessary.<sup>4</sup> The Joint Parties dispute that such a consensus has been reached and the Commission should not rely on such representations in addressing PG&E's motion.

CAISO argues in response that moving this issue to RA would promote administrative efficiency,<sup>5</sup> but exactly the opposite would happen. The renewable integration modeling that is part of Track 2 will help define the flexibility needs. Yet, in support of the motion, CAISO argues that flexibility issues should be bifurcated. CAISO explains that “[i]t is extremely important to procure flexible capacity to meet ISO needs as grid conditions evolve toward a cleaner, greener and more diverse energy supply portfolio.”<sup>6</sup> Even though the LTPP is specifically addressing the nature and make-up of the “cleaner, greener . . . energy supply portfolio,” CAISO urges the Commission to make decisions about how to procure for this future in a different proceeding, RA. CAISO, at least in part, created this two proceeding problem

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<sup>3</sup> See, e.g., Administrative Law Judge's Ruling Seeking Comment on Workshop Topics, Sept. 14, 2012 (questions addressing best method for filling any LCR need).

<sup>4</sup> PG&E Motion, p. 2; CAISO Response, p. 1.

<sup>5</sup> CAISO Response, p. 2.

<sup>6</sup> *Id.*

when it raised the flexibility issue in RA.<sup>7</sup> The Commission should find that administrative efficiency supports keeping the multi-year procurement requirement issue in Track 3 of LTPP, because LTPP is where all the consideration of the grid needs is being considered.

Furthermore, RA has traditionally been about allocating existing resources on a one-year basis. The multi-year procurement requirement issue could result in the procurement of new resources, if there is need. If so, this would radically change the decision made in RA by potentially adding the procurement of new resources to RA. It would further confuse matters, because need would be addressed in one proceeding and the method of how to fill it in another.

**II. Track 3 Should be Deferred to Early Next Year but Not Until After Track 2 is Completed.**

PG&E request to defer Track 3 should be modified. PG&E requests that all other Track 3 issues be deferred until after Track 2 issues are resolved.<sup>8</sup> In effect, this proposal would move all other Track 3 issues to the next iteration of the LTPP, because Track 2 will finish near or at the end of this round of the LTPP. The Joint Parties oppose PG&E proposal because there are several important issues in Track III which need to be resolved before 2014. Nevertheless, the Joint Parties agree that the schedule is extremely tight given the numerous upcoming deadlines related to Tracks 1 and 2 issues and request a reasonable deferral of Track 3 issues. The Joint Parties propose that Track 3 begin at the end of January or in early February.

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<sup>7</sup> *Id.*, (“ISO . . . proposed that the CPUC institute an interim RA solution with an explicit flexible capacity requirement beginning in the 2014 compliance year, and that CPUC staff stakeholders and the ISO work collaboratively to create more durable and sustainable RA solution for implementation beginning in the 2017 compliance year.”)

<sup>8</sup> PG&E Motion, pp. 3-4.

## CONCLUSION

For the foregoing reasons, PG&E's Motion to Transfer should be denied and its Motion to Defer should be modified to defer Track 3 till the end of January or the start of February, but not until Track 2 is completed.

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