

**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 PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) ON
THE PROPOSED DECISION ADOPTING LONG-TERM PROCUREMENT PLANS
TRACK 2 ASSUMPTIONS AND SCENARIOS**

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Pursuant to the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure 14.3(d), Pacific Gas and Electric Company (PG&E) provides these reply comments on the Proposed Decision Adopting Long-Term Procurement Plans Track 2 Assumptions and Scenarios (PD).

I. ONLY THE FOUR FIRST-TIER SCENARIOS SHOULD BE ANALYZED

PG&E agrees that the first four scenarios listed in the PD are a top priority.^{1/} PG&E also agrees with the California Independent System Operator (CAISO) that “This is a very tight schedule for the ISO to complete four scenario studies and two possible sensitivities.”^{2/}

Therefore, PG&E recommends that only the four first-tier scenarios should be analyzed for Track 2 of the 2012 Long-Term Procurement Plan (LTPP) proceeding. Just as the PD has indicated that the “Early Nuclear Retirement” and “Environmental” sensitivities are not recommended for modeling within the LTPP cycle at this time, PG&E believes the “Stress Peak Case” and “High DG, High DSM, 40% RPS in 2030” sensitivities are also not warranted for modeling at this time.

First, it is not helpful to the analytical process to categorize these two sensitivities as being conducted “if time and resources allow.”^{3/} As was learned during the analyses of the four scenarios in the 2010 LTPP, analysis of four scenarios can already be expected to stretch the limit of time and resources. Further, during the 2012 LTPP cycle there will be even less time devoted to developing, running and analyzing the scenarios.

Second, PG&E is concerned that there is no reliable way to identify the point where it can be determined that more “time and resources” have suddenly become available. PG&E is concerned that any arbitrary determination that there is more time or resources available to conduct further analyses will simply mean that quality will need to be compromised on the first four scenarios to fit in more analyses.

1/ PD, pp. 9-10.
2/ CAISO Comments, p. 6.
3/ PD, p. 9.

Third, if these two additional sensitivities are determined by the Commission to retain their “maybe” status, it creates a large uncertainty in a complicated planning process which has already been demonstrated to benefit from a tight process rather than a relaxed one.

Finally, as the CAISO states, results from these two sensitivities “probably will not be available until the very end of the second quarter of 2013 and possibly early in the third quarter.”^{4/} This is not consistent with the need for a 2012 LTPP decision by the end of 2013.

In order to focus on high quality analyses that yield recommendations for a timely decision by the end of 2013, the two additional sensitivities should not be recommended for modeling in the 2012 LTPP, and the Commission should make that determination now.

II. THE RENEWABLE PORTFOLIO STANDARD TARGET ASSUMPTIONS SHOULD NOT BE INCREASED ABOVE 33 PERCENT

The Clean Coalition’s suggested inclusion of a 55 percent renewable portfolio standard (RPS) target by 2030 should be rejected.^{5/} To justify this high RPS assumption, Clean Coalition states that, “The state of California will need to far exceed the 33% RPS goal in order to meet AB 32 GHG reduction goals.”^{6/}

In fact, additional renewables are just one of the ways that might be available to achieve GHG reduction goals. Energy efficiency, demand response, efficient combined heat and power, hydroelectric power, and AB32 programs are among the many other tools available to reduce GHG emissions in the energy sector. Other tools may be available in other sectors of the economy, as well. Clean energy strategies should consider the full array of carbon-free and low-carbon alternatives. Failing to do so would only serve to increase customer costs.

Further, it is premature to begin discussions of higher levels of RPS at this point since the costs and operational impacts of the 33 percent RPS requirement are still unclear. Discussions of even higher levels of renewables may only serve to distract from the very significant operational

4/ CAISO Comments, p. 6.

5/ Clean Coalition Comments, p. 5.

6/ Clean Coalition Comments, p. 5.

work that remains to be done to achieve to a 33 percent RPS level.

III. THE DIVISION OF RATEPAYER ADOVOCATE'S PROPOSED ASSUMPTIONS FOR PG&E'S PEAK TIME REBATE PROGRAM SHOULD BE REJECTED

The Division of Ratepayer Advocates (DRA) continues to argue that the Commission should increase the assumed savings from PG&E's peak time rebate (PTR) program.^{7/} DRA's proposed changes to the PD should be rejected.

There is a significant question of whether PG&E's PTR will ever be implemented. Based on that, PG&E strongly supports the PD's assumptions regarding the possible savings from PTR as a reasonable and prudent compromise approach.

DRA continues to argue that PTR is inevitable, and that five year old PTR load impact estimates that were developed when PTR was still a conceptual rate should be used in this proceeding. DRA's recommendation ignores the clear evidence to the contrary, evidence which DRA is well aware of, as it acknowledges it in its comments.^{8/} In PG&E's 2010 Rate Design Window hearings, PG&E argued that PTR should not be implemented due to severe flaws in the rate and that, even if the rate were implemented, recent pilots suggest that the load impacts would be a mere fraction of what was previously believed. The PD appropriately acknowledges the extreme uncertainty associated with this rate by excluding any assumed savings from it from the low and mid scenarios. At the same time, the PD also acknowledges the possibility that this rate will be implemented by including it in the high demand response (DR) scenario. Furthermore, the PD does so appropriately by using the most recent and best available public estimate of the potential of PG&E's PTR program. The thoughtful and measured approach of the PD on this issue is clearly superior to DRA's proposal that PTR be treated as certain to be implemented in the mid-scenario, and be attributed an unachievable number of megawatts of savings in the high scenario.

7/ DRA Comments, pp. 2-4.

8/ DRA Comments, p. 3.

