

**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)

**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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SUBJECT INDEX OF RECOMMENDED CHANGES

Pursuant to Commission Rule of Practice and Procedure 14.3(b), PG&E provides the following index of its recommended changes to the *Proposed Decision Adopting Long-Term Procurement Plans Track 2 Assumptions and Scenarios* (“PD”) issued by Administrative Law Judge Gamson:

- The current “base” proposal for imports, 13,308 megawatts (“MW”), should be modified to 10,350 MW, which is consistent with the California Energy Commission’s import estimate.
- The forecasted energy and capacity assumptions used for the Renewable Portfolio Standard (“RPS”) portfolios in each scenario erroneously remain constant from 2020 through 2034 and yield portfolios that do not meet the 33% RPS mandate. The RPS portfolios should be modified to meet the 33% mandate in each first tier scenario and for all years beyond 2020.
- The PD should provide clarity as to whether or not parties have the option to submit alternative analyses in this proceeding which would consider alternate assumptions and scenarios.
- The PD should encourage the California Independent System Operator (“CAISO”) to test sensitivities when using the Replicating Transmission Planning Process (“RTPP”) Scenario for Transmission Planning in Central California. Specifically, the CAISO should be encouraged to run a number of sensitivities in its 2013/14 Transmission Planning Process including the same PV build out for the Greater Fresno / Westlands Area (*i.e.*, 200 MW) that is contained in the other First Tier Scenarios.
- The Investor Owned Utilities’ bundled procurement plans (Track 3) should be allowed to include analyses based upon other scenarios or assumptions in addition to the Commission’s Base Scenario assumptions.

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Pursuant to California Public Utilities Commission (“Commission”) Rule of Practice and Procedure 14.3(a), Pacific Gas and Electric Company (“PG&E”) respectfully submits these opening comments on the Proposed Decision Adopting Long-Term Procurement Plans Track 2 Assumptions and Scenarios (“PD”) issued by Administrative Law Judge Gamson.

PG&E appreciates the opportunity to provide further comments on the scenarios and assumptions that will be used in this proceeding. PG&E generally supports the PD and believes that the decision addresses many complex issues surrounding Track 2 of the 2012 Long-Term Procurement Plan (“LTPP”) proceeding. However, as described below, PG&E has some remaining concerns about the assumptions and scenarios, and thus provides recommendations that will further improve this proceeding. PG&E addresses each of its proposed modifications below and provides in Appendix A specific proposed language for the Ordering Paragraphs.

Pacific Gas and Electric Company

I. ISSUES WITH ASSUMPTION AND SCENARIOS

A. **The Base Assumption For Imports Should Reflect The Historical Expected Imports of 10,350 MW As Calculated By The California Energy Commission.**^{1/}

The current “base” proposal for imports, 13,308 megawatts (“MW”), overstates the expected contribution of imports to meet the California Independent System Operator’s (“CAISO”) system planning requirements. While the import number has been reduced from the originally proposed amount of 16,649 MW, it is still significantly higher than the actual amount of hourly net imports observed by the CAISO for any hour in the last ten years.^{2/} Furthermore, this higher assumption does not account for the expected decline of excess resources in neighboring regions. Relying on physical limits is very likely to overestimate the potential contribution of imports to the system given the uncertainty as to whether or not those external resources will truly be available. If these assumed imports are not available when needed, this can ultimately result in dropped load due to system reliability reasons. For these reasons, the California Energy Commission’s import estimate of 10,350 MW is the appropriate choice to use as the “base” assumption for imports as part of the Standardized Planning Assumptions (“SPA”) for Track 2 of the 2012 LTPP.

B. **The Renewable Portfolios Should Reflect The 33% Renewable Portfolio Standard (“RPS”) Mandate In Each First Tier Scenario In Years Beyond 2020.**

While several refinements have been made over the last few months to develop reasonable RPS portfolios for this analysis, PG&E remains concerned that assumptions regarding the 33% RPS mandate are not appropriately reflected. Specifically, the forecasted energy and capacity assumptions used for the RPS portfolios in each first tier scenario erroneously remain constant from 2020 through 2034, which yields portfolios that do not meet the 33% RPS

^{1/} California Energy Commission’s Summer 2012 Electricity Supply and Demand Outlook; Appendix D; located at: <http://www.energy.ca.gov/2012publications/CEC-200-2012-003/CEC-200-2012-003.pdf>.

^{2/} CAISO observed maximum historical actual observed imports into the CAISO of 12,400 MW. See CAISO Comments on Standardized Planning Assumptions and Study Scenarios dated October 5, 2012.

mandate. For example, in scenarios where the net managed demand is assumed to increase, which are all scenarios except the High Distributed Generation (“DG”)/Demand Side Management (“DSM”) scenario, holding the RPS portfolio build out constant through the time horizon results in RPS portfolios that do not reflect meeting the 33% RPS mandate in years beyond 2020. In addition, since the net managed demand decreases over time in the High DG/DSM scenario, this will result in RPS portfolios that go significantly above the 33% RPS mandate. Accurately reflecting the 33% RPS mandate is critical for two reasons: 1) since detailed modeling and results for the 2012 LTPP will be focused on the year 2022; and 2) because renewable penetration levels will significantly affect the need for capacity and flexible resources. Therefore, it is important that RPS portfolios meet the 33% mandate in each scenario for years beyond 2020. Moreover, if assumptions that are adopted in an LTPP Track 2 decision are to be carried forward to the analyses for use in the LTPP Track 3 Bundled Procurement Plan, it is necessary for the Investor Owned Utilities (“IOUs”) to assume that the 33% mandate is met.

C. The High Demand Forecast Scenario Should Receive The Same Careful Attention As Other First Tier Scenarios When Deciding On A Final Range Of Need.

PG&E agrees with the PD’s proposed priority in which the scenarios should be analyzed. In particular, conducting the Replicating Transmission Planning Process (“RTPP”) Scenario (which reflects a high demand forecast) as the first scenario after the Base underscores how important this scenario is to provide a system needs analysis with a meaningful range of possible outcomes. PG&E appreciates that inclusion of this scenario attempts to achieve the goal of “more effectively coordinating generation and transmission resource planning”^{3/} between the Commission and the CAISO. However, PG&E continues to have concerns regarding the underlying assumptions for this scenario, such as the assumptions for demand-side management programs and transmission-related investments in the Fresno area.

^{3/} PD, Appendix A, Section VIII.B.

In addition to improved coordination between the Commission and the CAISO, PG&E believes that this particular scenario satisfies a more relevant goal for the 2012 LTPP, which is to broaden the consideration of outcomes that are critical in long-term planning. Specifically, this scenario gives the analysis a wide enough range of possible futures to evaluate. While PG&E does not agree with the underlying assumptions of this scenario, PG&E believes that the resulting managed loads could easily reach the levels indicated in this proposed scenario through a variety of other reasonable future events.^{4/} Given the important information that the results from this scenario will provide, PG&E requests that this scenario receive the same level of careful attention as the other first tier scenarios when deciding on a final range of system or bundled procurement need.

D. The Commission Should Encourage The CAISO In Its 2013/14 Transmission Planning Process To Test Sensitivities When Using The RTPP Scenario.

The RTPP Scenario assumes a significantly higher build out of photovoltaics (“PV”) in the Greater Fresno/Westlands Area by 2022 compared to all other First Tier Scenarios. The comparison is stark, approximately 1,500 MW of PV for Greater Fresno area/Westlands in RTPP vs. 200 MW for Greater Fresno Area/Westlands for all other First Tier Scenarios. Transmission planning studies are extremely sensitive to the location of assumed new generation, and for the Greater Fresno/Westlands Area the presence of 1,300 MW of incremental PV has a significant impact on the nature and amount of network high voltage transmission that is needed for local reliability and the delivery of renewables in Central California.

The Commission should encourage the CAISO to test sensitivities when using the RTPP Scenario for Transmission Planning in Central California. Specifically, the CAISO should be encouraged to run a number of sensitivities in its 2013/14 Transmission Planning Process including the same PV build out for the Greater Fresno/Westlands Area (*i.e.*, 200 MW) that is contained in the other First Tier Scenarios. To be clear, PG&E is not asking the Commission to

^{4/} See PG&E Comments, filed October 5, 2012, at pp. 3-4.

change the RTPP Scenario or add sensitivities within the 2012 LTPP. Instead, PG&E is asking that when the Commission transmits the RTPP Scenario to the CAISO, the transmittal should encourage the CAISO to look at important sensitivities in the transmission studies the CAISO conducts as part of the 2013/14 CAISO Transmission Planning Process.

II. THE COMMISSION SHOULD CLARIFY WHETHER PARTIES WILL BE ALLOWED TO PROPOSE THEIR OWN ASSUMPTIONS AND SCENARIOS FOR ANALYSIS IN TRACK 2.

The record in this proceeding is currently silent on whether the Commission will allow parties to submit analyses that reflect their own scenarios or assumptions, and not solely rely on the assumptions that the Commission has proposed in the SPA for the Track 2. The logistics required for any party to undertake its own analysis are complex and requires ample time and direction from the Commission to prepare and submit. Therefore, the opportunity, or not, for other parties to submit alternative analyses that they consider relevant to a Commission decision should be explicitly determined in the Commission's Track 2 decision.

III. THE COMMISSION SHOULD DIRECT THAT THE BASE SCENARIO IS NOT THE ONLY SCENARIO THAT CAN BE USED FOR ANALYSIS IN THE IOUS' BUNDLED PROCUREMENT PLANS IN TRACK 3.

The PD directs the IOUs to use the adopted SPAs from the Base Scenario in this Track 2 decision in their ongoing bundled procurement plans that will be filed as part of Track 3 of the 2012 LTPP.^{5/} PG&E requests that the Commission clarify that the IOUs' bundled procurement plans can include analyses based upon other scenarios or assumptions in addition to the Commission's Base Scenarios assumptions. For this 2012 LTPP, that includes any of the other first-tier scenarios that the SPA contains as well as the option for any party to submit their own scenarios and assumptions. Consequently, Ordering Paragraph 3 of the Proposed Decision should be modified to read:

“Southern California Edison Company, San Diego Gas & Electric Company and Pacific Gas and Electric Company shall use the base

^{5/} PD, Appendix A, Section I.

scenario and assumptions in Attachment A as one of the scenarios
for purposes of their bundled plan forecasts in this proceeding.”

IV. CONCLUSION

With the modifications described above, PG&E supports the PD.

Respectfully submitted,

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APPENDIX A

**PROPOSED MODIFICATIONS TO PROPOSED DECISION
ORDERING PARAGRAPHS**

Pursuant to Rule 14.3(b), PG&E provides the following proposed modifications to the Ordering Paragraphs in the Proposed Decision. Underlining represents additions and strikethrough represents deletions.

Ordering Paragraphs

3. Southern California Edison Company, San Diego Gas & Electric Company and Pacific Gas and Electric Company shall use the base scenario and assumptions in Attachment A as one of the scenarios for purposes of their bundled plan forecasts in this proceeding.