

**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 CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE,
SIERRA CLUB CALIFORNIA, UNION OF CONCERNED SCIENTISTS, CLEAN
COALITION AND COMMUNITY ENVIRONMENTAL COUNCIL ON THE
PROPOSED DECISION ON LONG TERM PROCUREMENT PLAN
SCENARIOS AND ASSUMPTIONS**

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California Environmental Justice Alliance, Sierra Club California, Union of Concerned Scientists, Clean Coalition and Community Environmental Council (“Joint Parties”) respectfully submit these reply comments on the *Proposed Decision Adopting Long-Term Procurement Plans Track 2 Assumptions and Scenarios*, (PD) issued on November 20, 2012. These comments are filed and served pursuant to rules 14.3, 1.9, and 1.10 of the California Public Utilities Commission’s (CPUC or Commission) Rules of Practice and Procedure.

I. The CHP Level in the Base Case Is Unrealistic and Should Be Revised.

Joint Parties agree with the California Cogeneration Council (CCC) that the base case unreasonably assumes that *no* new Combined Heat and Power (CHP) will be developed in the next ten years.¹ The Commission should at least assume mid-level CHP for its base case. The current proposed assumption for the base case ignores existing CHP programs and is inconsistent with CHP forecasts. For instance, the Governor’s Clean Energy Jobs plan calls for an additional 6,500 MW of CHP in the State by 2030,² and the AB 32 Scoping Plan sets a goal of 4,000 MW

¹ See CCC Comments on Track II PD; PD at Attachment, p. 13. Sierra Club and CEJA also raised this issue in October 5, 2012 comments.

² Clean Energy Jobs Plan, http://gov.ca.gov/docs/Clean_Energy_Plan.pdf.

of new CHP by 2020.³ These figures comport with the economic potential for CHP, which has been identified as 6,500 MW by 2030.⁴

In addition, the 2010 Qualifying Facility and Combined Heat and Power Program Settlement Agreement (CHP Settlement), entered into by numerous parties, “encourage[s] the continued operation of the state’s existing CHP facilities, and the development, installation, and interconnection of new, clean and efficient CHP Facilities.”⁵ In pursuit of this goal, the CHP settlement also sets binding MW targets that utilities must meet.⁶ For instance, SCE must procure 1,402 MW of CHP by the end of 2020.⁷ Even if a utility breached its settlement obligations in procuring new CHP, CHP representatives can file for reinstatement of Public Utility Regulatory Policy Act purchase obligations with FERC.⁸ Pursuant to the settlement, utilities have launched RFOs for CHP facilities and have already begun to submit Advice Letters to the Commission as a result of its RFO for many MW of new CHP.⁹

In addition to pursuing the MW target under the CHP Settlement, utilities are also required to participate in the CHP Feed in Tariff (FIT) under AB 1613.¹⁰ Under the AB 1613 FIT, the utilities are required to purchase excess electricity from eligible CHP systems.¹¹ CHP is also a qualifying facility under the Self-Generation Incentive Program (SGIP) program.¹² Given the MW targets under the CHP settlement, as well as other CHP programs and the recent ICF

³ *CARB Scoping Plan, December 2008, at p. 44.*

⁴ *CEC Pier Report, Combined Heat and Power Assessment – Final Consultant Report, prepared by ICF International, April 2010, at p. C-9.*

⁵ D.10-12-035 at p. 37.

⁶ *Id.*, Attachment A (Settlement Agreement Term Sheet) at p. 8.

⁷ *Id.*, Attachment A (Settlement Agreement Term Sheet) at p. 27.

⁸ *Id.* at pp. 23-24.

⁹ *See e.g.*, Advice Letter-2772-E (Aug. 31, 2012), *available at* <http://www.sce.com/NR/sc3/tm2/pdf/2772-E.pdf> (seeking Commission approval for 80 MW new CHP facility); Advice Letter 2770-E (Aug. 31, 2012) *available at* <http://www.sce.com/NR/sc3/tm2/pdf/2770-E.pdf> (seeking Commission approval for a new 39.2 MW CHP facility).

¹⁰ *See* Cal. Pub. Util. Code § 2841(a)-(b)(1).

¹¹ *See id.*; *see also* D.09-12-042 at p. 2.

¹² D.11-09-015 at p. 2; *see also* D.11-12-030 at p. 1 (adopting an annual budget of \$83 million for the SGIP).

forecast, at least the mid-level CHP should be in the base case scenario. The Commission has previously rejected use of a zero MW incremental CHP assumption,¹³ and it should do so here.

II. A Higher RPS Target Should Be Evaluated in This Proceeding.

Joint Parties disagree with SCE's comments that a 40% RPS by 2030 Sensitivity should not be evaluated at this time. This LTPP is the opportunity to evaluate the policy road-map to determine what steps are necessary to meet the State's goals. To this end, Joint Parties believe that a higher RPS target needs to be evaluated in this proceeding, and that the long-term target in the scenarios should not be set at a static, overly conservative 40% RPS. Under California's RPS law, all utilities must increase their renewable procurement from 20% in 2013 to 33% in 2020.¹⁴ If a 13% increase can be achieved in seven years, an additional 7% should be a relatively modest long-run target. A minimum 55% RPS target for 2030 is consistent with the current growth rate in renewables, and is likely still conservative given that the costs of solar and other renewable resources are expected to continue to decrease. Sierra Club, UCS and Community Environmental Council argued that a 55% RPS target and aggressive demand side targets are the most appropriate target for long-term modeling in this proceeding. Not only is a higher target feasible, but a significantly higher target will likely be necessary to meet California's long-term GHG goals, which will likely require the electricity generating capacity of the state to be almost entirely replaced with near zero-emission technology by 2050.¹⁵

The whole point of modeling an additional ten-year time period is to begin understanding the implications of making additional investments in renewable energy in order to meet the state's long-term greenhouse gas emission reduction goals. Of course, this long-range analysis

¹³ D.12-01-033 at pp. 32-33.

¹⁴ Cal. Pub. Util. Code §399.11(a).

¹⁵ See J. Williams, et. al, The Technology Path to Deep Greenhouse Gas Emissions Cuts by 2050: The Pivotal Role of Electricity, Science, Vol. 335, no. 6064 at p. 53-59 (January 2012). See, e.g., Cal. Council on Sci. and Tech., "California's Energy Future – The View to 2050," p. 35 (May 2011).

will have less detail than the analysis covering the next ten years because uncertainties multiply quickly the further forecasts extend into the future. This is not a reason, as SCE argues, to reject the 40% RPS scenario. CAISO's request to eliminate this scenario¹⁶ should be similarly denied. CAISO should be required to make a good effort to model all the priority scenarios including this one.

III. The Replicating TPP Scenario Will Waste Valuable Modeling Resources.

Joint Parties agree with TURN that the TPP scenario is so extreme that it will not provide any useful information.¹⁷ Rather than shedding light on the policy choices facing the Commission, it models an unrealistic scenario that assumes that California will cease obtaining reductions from energy efficiency and demand response and presumably the corresponding cessation in funding for these programs during the ten year planning period. Although Joint Parties understand the impetus to model the scenario put forth by CAISO in its planning process, this modeling will not provide a useful benchmark for analysis. As TURN points out, modeling this scenario as one end of the spectrum would lead “another inconclusive, relatively unhelpful, set of disparate future need projections. The result would be confusion rather than clarity.”¹⁸

CAISO urges the Commission to further adopt its unrealistic world view that represents their version of business as usual that simply cannot continue in a carbon constrained world. In its opening comment, CAISO now proposes to use it replicating TPP scenario as the “operational scenario,”¹⁹ because it uses a 1-in-5 peak load forecast. Joint Parties share TURN's concern about CAISO's use of the 1-in-5 peak loads in the modeling.²⁰ CAISO's proposal would not, as

¹⁶ See CAISO Comments on Track II PD, p. 5

¹⁷ See TURN Comments on Track II PD, p. 2.

¹⁸ *Id.*, p. 3

¹⁹ See CAISO Comments on Track II PD, pp. 2-3.

²⁰ See TURN Comments on Track II PD, p. 3.

CAISO avers, provide a “realistic” “bookend.”²¹ Even with CAISO’s offer to include a low value level for energy efficiency, the use of this scenario would reflect and model a sea change in California energy policy. Thus, it should be rejected.

CONCLUSION

Joint Parties respectfully request that the Proposed Decision adopt the positions recommended in these comments.

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Respectfully submitted,

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²¹ See CAISO Comments on Track II PD, p. 2.