

**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.

Rulemaking 12-03-014
(Filed March 22, 2012)

**REPLY COMMENTS OF THE INDEPENDENT ENERGY
PRODUCERS ASSOCIATION ON THE ALJ'S QUESTIONS AND
REQUEST FOR EVIDENTIARY HEARINGS**

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The Independent Energy Producers Association (IEP) replies to two points raised in the opening comments on the questions posed Administrative Law Judge (ALJ) David Gamson at the prehearing conference on September 4, 2013.

First, in its comments, Sierra Club California states that the “new California Energy Commission (CEC) demand forecast . . . shows a reduction in demand of 1213 MW (under the baseline forecast) in the LA Basin and even more in the adjusted forecast” (p. 2). Sierra Club California also refers to “the latest CEC demand forecast, released in September 2013,” which “will reduce load in the LA Basin by 1213 MW (under the baseline forecast) or 2650 MW (under the adjusted forecast)” (p. 7).

However, Sierra Club California fails to clarify that the cited demand figures were derived from workpapers developed by the CEC *staff* for an October 1 workshop convened “to explore a range of perspectives on the future of end-user energy demand in California over the

next 10 years.”¹ To be clear, the cited figures have **not** been adopted by the CEC and are **not** necessarily even the staff’s final recommendations. It would be premature at best for the Commission to rely on demand forecast figures that were offered for discussion at a workshop and that have not yet been examined and adopted by the full CEC as part of its normal processes.

Several parties have urged the Commission to delay action in Track 4 until the CEC has adopted its 2013 demand forecast as part of its regular Integrated Energy Policy Report (IEPR). IEP does not agree that delay is warranted, but if the Commission decides to await the CEC’s 2013 demand forecast, the Commission should ensure that it considers the *final* demand forecast approved by the CEC in the IEPR, and not preliminary figures developed by the CEC staff for discussion at a workshop.

Second, in its comments, the California Large Energy Consumers Association (CLECA) constructs an argument that begins by noting that Assembly Bill (AB) 327 would allow the Commission to institute residential time-of-use (TOU) rates, that TOU rates could have an effect on load shape, and that the effects on load shape could show up in 2018, 2020, and 2022 (the years of interest in Track 4), leading to CLECA’s conclusion that “There is a significant risk that not taking into account the ability of [TOU] rates to change load shapes will result in over-procurement to meet these very infrequent peaks” (p. 6).

CLECA’s argument rests on a number of contingencies that may or may not come to pass:

- AB 327 allows, but does not require, the Commission to adopt mandatory TOU pricing for electricity beginning in 2018. It is premature at this point to assume that the Commission will exercise that authority by 2018.

¹ AMENDED (New Venue) Notice of Lead Commissioner Workshop on Revised Electricity and Natural Gas Demand Forecasts 2014-2024, available at http://www.energy.ca.gov/2013_energypolicy/documents/2013-10-01_workshop/2013-10-01_Amended_Notice.pdf.

- If the Commission exercises its discretion to adopt mandatory TOU pricing, the particular structure that the Commission will adopt cannot be known at this point, much less the specific effects on demand of the adopted structure.
- The changing load shapes that the California Independent System Operator foresees as more variable renewable energy resources come on line (*i.e.*, the duck graph) could lead to TOU pricing structures designed to address net load, rather than peak load, as CLECA assumes.

IEP has no objection to CLECA's ultimate recommendation—that the Commission should direct the utilities to study the impact on loads of changing rate designs for use in future proceedings—but the Commission should not make any adjustments to the demand forecasts developed in this proceeding based on the assumed results of a chain of contingencies that may ultimately lead to effects that are very different from those CLECA assumes.

IEP respectfully asks the Assigned Commissioner and ALJ to consider these comments as they deliberate on the issues being addressed in Track 4 of this Long-Term Procurement Plan proceeding.

Request for Evidentiary Hearings

After reviewing the testimony served on September 30, IEP concludes that evidentiary hearings will be necessary to test and resolve the factual assertions made in some parties' testimony. IEP therefore respectfully asks the Commission to hold evidentiary hearings on Track 4 issues.

Respectfully submitted this 14th day of October, 2013 at San Francisco, California

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