

January 15, 2014 L. Jan Reid

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 13-12-010
(Filed December 19, 2013)

REPLY COMMENTS OF L. JAN REID ON PLANNING ASSUMPTIONS

January 15, 2014

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I. Introduction

Pursuant to the December 19, 2013 email ruling (Ruling) of Administrative Law Judge (ALJ) David Gamson, I submit these reply comments on the planning assumptions and scenarios proposed at the December 18, 2013 workshop in the Long Term Procurement Plan (LTPP) proceeding. Reply comments are due on Wednesday, January 15, 2014. I will send this pleading to the Docket Office using the Commission's electronic filing system on the due date, intending that it be timely filed.

II. Summary and Recommendations

I have relied on state law and past Commission rulings in developing Recommendations concerning the standardized planning assumptions and scenarios. I recommend the following:¹

1. The Commission should not assign a high priority to the Trajectory Scenario unless that scenario is modified consistent with the comments of most of the parties in this proceeding. (pp. 2-5)
2. The Commission should not adopt the proposals of the Office of Ratepayer Advocates (ORA) or Pacific Gas and Electric Company (PG&E) concerning modeling priorities. (pp. 5-6)
3. The Commission should not adopt Southern California Edison Company's (SCE's) proposal concerning the modeling of energy storage. (p. 6)
4. The Commission should not allow resource planners to change the planning assumptions as suggested by San Diego Gas & Electric Company (SDG&E). (p. 7)

¹ Citations for these recommendations and proposed findings are given in parentheses at the end of each recommendation and finding.

III. Proposed Findings

My recommendations are based on the following proposed findings.

1. The Commission has an obligation under Public Utilities Code Section (PUC §) 451 to protect ratepayers and to ensure that rates are just and reasonable. Consistent with PUC § 451, the Commission must protect ratepayers from resource over-procurement associated with uncertainties such as changes in load faced by the IOUs.
(pp. 5-6)

IV. Modeling Priorities

The Office of Ratepayer Advocates (ORA) recommends that the Commission adopt the following three scenarios for use in the Operating Flexibility modeling: (ORA Comments, p. 1)

- Trajectory Scenario (base case)
- High Load Scenario
- Expanded Preferred Resources Scenario

A. The Trajectory Scenario

The ORA argues that: (ORA Comments, p. 1)

The Trajectory Scenario or base case should be considered the highest priority for the Operational Flexibility modeling. This scenario is most likely to reflect the future policy and procurement directives of the State's energy agencies in the near future. The High Load scenario will incorporate increased demand to reveal any potential strain on system resources.

I believe that although a Trajectory Scenario (base case) is a necessary part of the LTPP modeling process, the currently proposed Trajectory Scenario has numerous shortcomings as indicated by the comments of the parties. Parties have commented that:²

- The planning assumptions will inaccurately indicate a need for very expensive transmission projects. (City and County of San Francisco [CCSF] Comments, pp. 1-2.)
- The Commission should include a scenario with the realistic RPS and demand side reductions necessary to achieve greenhouse gas goals and requirements. (California Environmental Justice Alliance [CEJA], p. 1) Similar, although not duplicative comments, were filed by Eagle Crest Energy Company (pp. 1-3)
- Energy Storage should count for its maximum capacity value and be dispatchable. (CEJA, p. 5)
- Facility age may not be the best predictor of retirement dates. (CEJA, p. 6)
- The capacity value of energy storage, demand response, and demand side resources should not be adjusted downward to account for locational and operational uncertainty. (CEJA, p. 7)
- The forecast of Photovoltaic Solar (PV) is likely to prove low given the significant deployment of distributed generation that has already begun. (CEJA, p. 9)

² This is a partial list of the parties' comments. It does not include every comment by every party.

- Pumped Hydro energy storage should be included in the planning assumptions. (California Energy Storage Alliance, pp. 2-3)
- The current range of scenarios is at odds with the Commission's stated goals in the demand response (DR) rulemaking, R. 13-09-011. (California Large Energy Consumer's Association, p. 2)
- The Energy Division should use the historical growth rate of demand response in order to estimate more accurately the future magnitude of demand response. (L. Jan Reid, p. 12)
- The requirement that renewable energy must be deliverable should be deleted from the Trajectory Scenario. (California Wind Energy Association (CWEA), pp. 3-4)
- The environmental scoring component should be eliminated. (CWEA, pp. 4-5)
- The planning assumptions and scenarios fail to address Community Choice Aggregation loads. (Marin Clean Energy, pp. 2-3)
- Advanced pump storage is excluded from consideration. (Nevada Hydro, pp. 2-13)
- The Commission should use at least the "Mid" case estimates of AAEE in the Trajectory Scenario. (National Resources Defense Council (NRDC), pp. 6-9)
- The scenarios are not sufficient to cover the current policy issues facing the CPUC; and do not provide a full, reasonable, or factually accurate representation of the most likely scenarios. (Protect Our Communities, pp. 3-4)

- All procurement authorized in the LTPP Track 1 decision should be incorporated into the standardized planning assumptions. (Southern California Edison Company (SCE), p. 3)
- Energy Storage should be excluded from the base case model run. (San Diego Gas & Electric Company, p. 8)
- The Commission should not assume zero capacity value for distribution and customer-sited energy storage. (Union of Concerned Scientists and the Sierra Club, pp. 5-6)
- The Trajectory Scenario fails to address plug-in electric and hybrid electric vehicles for the purpose of integrating higher levels of renewable resources. (Vote Solar Initiative, p. 2)

If the proposed Trajectory Scenario were to be accepted by the Commission, it would not reflect the most likely view of the future or of future energy policy. Therefore, the Commission should not assign a high priority to the Trajectory Scenario unless that scenario is modified consistent with the comments of most of the parties in this proceeding.

B. High Load Scenario

The ORA argues that “The High Load scenario will incorporate increased demand to reveal any potential strain on system resources.” (ORA Comments, p. 1) Pacific Gas and Electric Company (PG&E) “recommends that the trajectory and high load scenarios be given the highest priority as those two scenarios will provide the most useful information regarding likely resources needs in 2024.” (PG&E Comments, p. 10)

The High Load scenario could lead the Commission to authorize costly over procurement of resources at substantial expense to ratepayers. The NRDC has shown that the California Energy Commission load forecasts have always overestimated actual load in the ten-year planning horizon. (NRDC Comments, pp. 14-15) Due in part to the forecast error problem, a high load scenario is no more important than the low load scenario proposed by Reid. (See Reid Comments, pp. 4-5)

The Commission has an obligation under Public Utilities Code Section (PUC §) 451 to protect ratepayers and to ensure that rates are just and reasonable. Consistent with PUC § 451, the Commission must protect ratepayers from resource over-procurement associated with uncertainties such as changes in customer load.

Therefore, the Commission should not adopt the proposals of ORA or of PG&E concerning modeling priorities.

V. Energy Storage

SCE opposes the inclusion of energy storage in the 2014 LTPP modeling effort. SCE argues that “If energy storage is included in the base forecast, it may be difficult to identify whether that energy storage is being utilized in an efficient manner.” (SCE Comments, p. 4)

SCE does not discuss whether other resources are being used in an efficient manner – only energy storage. If the Commission adopts SCE’s proposal, it will lead to the unnecessary procurement of expensive fossil fuel resources. Consistent with PUC § 451, the Commission must protect ratepayers from resource over-procurement.

Therefore, the Commission should not adopt SCE’s proposal concerning the modeling of energy storage.

VI. Planning Assumptions

San Diego Gas & Electric Company (SDG&E) argues that:

Thus, as the scope of the 2014 LTPP becomes further defined, it will be necessary to refine the assumptions. The Commission should permit resource planners to apply their expert judgment in order to make necessary determination and then document the basis for such determinations in the study results.

The LTPP studies are not simply a planning exercise, nor do they constitute an academic study. The planning assumptions will affect the modeling results. If planning assumptions change, the modeling results will change.

Parties will refer to the modeling results in order to increase the credibility of their testimony and comments. Thus, the planning assumptions will have real consequences in the 2014 LTPP cycle.

If the Commission adopts SDG&E's proposal, it will have effectively transferred regulatory authority from the Commission to "resource planners," to the possible detriment of ratepayers. Therefore, the Commission should not adopt SDG&E's proposal concerning the development of planning assumptions.

VII. Conclusion

The Commission should adopt Reid's recommendations for the reasons given herein.

* * *

Dated January 15, 2014, at Santa Cruz, California.

/s/

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VERIFICATION

I, L. Jan Reid, make this verification on my behalf. The statements in the foregoing document are true to the best of my knowledge, except for those matters that are stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Dated January 15, 2014, at Santa Cruz, California.

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