

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to  
Promote Policy and Program  
Coordination and Integration in Electric  
Utility Resource Planning.

Rulemaking 04-04-003  
(Filed April 1, 2004)

**POST-WORKSHOP REPLY COMMENTS  
OF THE DIVISION OF RATEPAYER ADVOCATES ON THE ASSIGNED  
COMMISSIONER'S RULING REGARDING NEXT STEPS IN  
PROCUREMENT PROCEEDING**

**I. INTRODUCTION**

Pursuant to the schedule set forth in Assigned Commissioner Peevey's Ruling on December 2, 2005 inviting comments and post-workshop comments on next steps in the procurement proceeding, the Division of Ratepayer Advocates (DRA) submits the following comments addressing issues at the workshop held on December 14, 2005 and the recommendations of certain parties in their post-workshop comments.

Most of the post-workshop recommendations remain at a level of generality that render them too vague for DRA's unreserved support. However, DRA generally supports the following recommendations: 1) The Commission should address the need determination expeditiously but clarify the scope and substance of the need inquiry it will be making ahead of time; 2) The Commission should proceed to workshops for the evaluation of need, but reserve time and opportunity for hearings, if parties believe that hearings may be necessary after the workshops have concluded; 3) The Commission should address cost allocation issues as expeditiously as possible, perhaps through workshops and briefing, as well, but not allow the issue to impede progress on the LTPP or the process.

All other recommendations that are not critical to the LTPP decision should be denied.

## **II. PG&E'S RECOMMENDATION FOR NEED DETERMINATION HAS MERIT**

DRA generally supports the recommendations for determination of need provided the Commission clarifies the scope of the need determination, and acknowledges that the Investor Owned Utilities (IOUs) currently have authority to procure for near term need. Thus, DRA supports PG&E's recommendation for a need determination because PG&E acknowledges this near term authority.

If there is to be a shortened review of need prior to the filing of the LTPPs, then it would be beneficial for the California Energy Commission (CEC) to update relevant IEPR data to the extent it can do so quickly for this purpose. The timetable laid out by PG&E in its comments appears to be reasonable. Likewise, the goal of avoiding hearings by efficient use of workshops is also reasonable.

It is important to note that PG&E has recommended that the IOUs file testimony with their respective plans, even before any decision to hold hearings. DRA commends this recommendation as testimony will further aid participation of parties in the workshops by more fully explaining the rationales behind the various proposals in the plans. Testimony will also give more credibility to process even if hearings are never held.

However, DRA reiterates that *if* the purpose of this shortened need phase is to be the basis for a new round of procurement before or concurrent with the filing of new LTPP, then it is vitally important that priorities to fill this need be well articulated such that trade-offs can be explicitly examined. This means 1) honoring the loading order of the Energy Action Plan II; 2) reemphasizing the renewable energy targets and the means to achieve them; and 3) identifying energy efficiency and distributed generation options and goals that go beyond those currently articulated. Further, the ISO's new transmission plan must be accounted for both in this early physical need determination and in the LTPP phase.

This need determination should be made as an input to the LTPPs along with other LTPP parameters the Commission may want addressed, and the results of the LTPP process by way of Commission decision in November should be the basis of new long-term procurement authorization.

### **III. THE COMMISSION SHOULD CLARIFY THE COST ALLOCATION/BENEFIT ISSUES THAT ARE IMPLICATED IN THE 2006 LONG TERM PLANNING PROCEEDING**

Many parties recommend that the Commission initiate a process within this LTPP proceeding to address cost allocation and benefit issues that affect the utilities' long term planning outlook, but no party has yet defined the issue as it is uniquely implicated in the LTPP. DRA acknowledges the importance of these cost allocation issues and urges the Commission must address them sooner or later.

As a preliminary step, the Commission should adopt a definition of the cost benefit and allocation issues that would be determined within the parameters of the LTPP proceeding. This definition will ensure that all the parties are discussing the same thing when they raise this issue in their filings. At the moment it appears that San Diego Gas & Electric Company's (SDG&E) concerns are slightly different from PG&E's and SCE's concerns, and vice versa. Similarly, the other Load Serving Entities (LSE) may have slightly different concerns on the issue.

Once a definition is adopted, the Commission may then determine whether, and to what extent, the costs allocation and benefit issues are critical in reaching a decision in this proceeding. In the meantime, initiating a process to address this issue, under this LTPP proceeding, (or in the Resource Adequacy proceeding or the Direct Access docket) will not be at odds with other steps the Commission is taking towards a decision in the LTPP.

DRA agrees that cost allocation issues must be tackled early on in this proceeding. And DRA tends to agree with some parties that the issues herein are part legal and may benefit from briefing, and part project-specific as different projects will have different allocation ramifications. There may be a need for the development of some generic

method and regulatory mechanism to first determine an allocation and then allow the relevant LSE customers to pay accordingly. Similar issues will come up in resource adequacy and it would seem logical that some coordination is needed between these two proceedings with respect to this issue.

**IV. THE COMMISSION SHOULD NOT ADDRESS THE HYBRID MARKET AGAIN IN THIS PROCEEDING**

DRA agrees with SCE that the Commission should not address the Hybrid Market issues again in this LTPP proceeding. Many policies that may contribute or clarify the resource planning future of the State remain unresolved, but the LTPP should not necessarily try to resolve these policies before developing a framework for future resources.

The Commission should give the utilities more guidance on the parameters of the issues they have to address in the LTPP proceeding so as not to have unresolved disputes in related proceedings impede the progress of the LTPP proceeding. While the ACR's next steps were understandably broad, the breadth of the determination to be made in this proceeding should not be left to the parties beyond these reply comments.

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Additionally, the Commission should provide clear guidance on how the CEC's transmittal report will be used, including a mechanism for updating its conclusions and resolving the data accuracy disputes some parties have mentioned concerning that report.

Respectfully submitted,

/s/ NOEL OBIORA

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Noel Obiora  
Staff Counsel

Attorney for the Division of Ratepayer  
Advocates

California Public Utilities Commission  
505 Van Ness Ave.  
San Francisco, CA 94102  
Phone: (415) 703-5987  
Fax: (415) 703-2262

January 12, 2006

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of “**POST-WORKSHOP REPLY COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON THE ASSIGNED COMMISSIONER’S RULING REGARDING NEXT STEPS IN PROCUREMENT PROCEEDING**” in **R.04-04-003** by using the following service:

**E-Mail Service:** sending the entire document as an attachment to an e-mail message to all known parties of record to this proceeding who provided electronic mail addresses.

**U.S. Mail Service:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on January 12, 2006 at San Francisco, California.

/s/ Perrine D. Salariosa  
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PERRINE D. SALARIOSIA