

**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 NATURAL RESOURCES DEFENSE COUNCIL (NRDC)  
ON THE ASSIGNED COMMISSIONER'S RULING REGARDING NEXT STEPS  
IN PROCUREMENT PROCEEDING**

January 12, 2006

Audrey Chang  
Natural Resources Defense Council  
111 Sutter St., 20th Floor  
San Francisco, CA 94104  
415-875-6100  
[AChang@nrdc.org](mailto:AChang@nrdc.org)

**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 NATURAL RESOURCES DEFENSE COUNCIL (NRDC)  
ON THE ASSIGNED COMMISSIONER'S RULING REGARDING NEXT STEPS  
IN PROCUREMENT PROCEEDING**

**1. Introduction and Summary**

The Natural Resources Defense Council (NRDC) respectfully submits these post-workshop reply comments, pursuant to the schedule outlined in the "Assigned Commissioner's Ruling Regarding Next Steps in Procurement Proceeding," (ACR) dated December 2, 2005. NRDC is a non-profit membership organization with a long-standing interest in minimizing the societal costs of the reliable energy services that Californians demand.

In these comments, we respond to parties' post-workshop comments filed on January 5, 2006. To the extent where we address similar issues as we did in our pre-workshop comments filed on December 12, 2005, we tried to clarify those comments rather than repeat them, and intend these comments to supplement our pre-workshop comments. In summary, our comments are as follows:

- NRDC requests the Commission clarify whether this proceeding is the proper forum in which to address the GHG performance standard.
- Integrated resource planning is an entirely appropriate process for California's utilities.
- NRDC supports DRA's position that the review of need for generation must not lose sight of the EAP. As such, the review of need and the LTPPs should take into account the EAP's preference for energy

efficiency, renewable energy, and clean fossil generation through the projection of different fuel types.

- While NRDC agrees with SDG&E that there is no need to readdress the use of the GHG adder in procurement evaluations, the IOUs should include in their plans details about how they apply the GHG adder, and parties should be given opportunities to comment on whether they are applied appropriately.
- NRDC disagrees with SDG&E that utilities should not follow a standard outline for plans.

**2. NRDC requests that the Commission clarify whether this proceeding is the proper forum in which to address the GHG performance standard.**

As we were unable to attend the workshop held on December 14, 2005, nor access an online recording of the workshop, we are unclear whether our pre-workshop comments regarding the greenhouse gas (GHG) performance standard as a topic for the procurement proceedings have been addressed. We urge the Commission to clarify whether this proceeding is the proper forum for addressing the GHG performance standard, or if there will be a separate proceeding that will specifically address this issue.

**3. Integrated resource planning is an entirely appropriate process for California's utilities.**

NRDC strongly disagrees with SDG&E and SCE's claim that an IRP process is not compatible to California. Although California's market structure differs from other states', aspects of IRP performed elsewhere can still be applied to California. A comprehensive IRP process involves weighing resource options and examining the risk, costs, and environmental impacts of the utilities' long-term plans. California's IOUs can and should analyze and evaluate the risk of their long-term plans, and minimize these risks by optimizing their resource portfolios, thereby providing the greatest benefits to the state's consumers.

SDG&E states that "there is no need for the Commission to establish a different integrated planning process" separate from implementing the preferred loading order and

the Energy Action Plan (EAP) (p. 12). On the contrary, the EAP simply offers policy guidance for the utilities, and does not constitute integrated resource planning (IRP) in and of itself.

**4. NRDC supports DRA’s position that the review of need for generation must not lose sight of the EAP. As such, the review of need and the LTPPs should take into account the EAP’s preference for energy efficiency, renewable energy, and clean fossil generation though the projection of different *fuel* types.**

It is clear that most parties believe that a review of need for new generation is one of the first steps that will be necessary in the upcoming procurement proceeding. However, we support the Division of Ratepayer Advocates’ (DRA) position that “consideration of that need must be done in the context of the EAP [Energy Action Plan II] and the loading order.” (p. 5) As DRA points out, the state’s top priority resources, in particular energy efficiency, are those that have a short lead time, compared to the long lead time of building new fossil fuel generation resources.

Beyond the energy efficiency, renewable energy, and distributed generation that DRA highlights, we must also remember that the EAP also differentiates between fossil fuel resources: “To the extent efficiency, demand response, renewable resources, and distributed generation are unable to satisfy increasing energy and capacity needs, we support clean and efficient fossil-fired generation.”<sup>1</sup> Clearly, “clean” fossil fuel generation is preferred over “dirty” fossil fuel generation. The different fuel and technology types (e.g., natural gas, conventional coal, IGCC, etc.) of new generation have a direct effect on how clean or dirty (i.e., emissions levels) the generation will be. Thus, as we recommended in our pre-workshop comments submitted on December 12, 2005, NRDC urges the Commission to clarify that different *fuel* type projections will be included in the LTPP process.

As SDG&E notes, “the accepted role of the long-term plan is to provide the road map for future acquisitions.” (p. 17) By looking across the LTPPs of the LSEs, we can examine California’s energy road map and evaluate the state’s ability to meet the

---

<sup>1</sup> California Energy Commission and California Public Utilities Commission, *Energy Action Plan II*, September 21, 2005, p. 2.

Governor's aggressive greenhouse gas reduction goals and comply with the loading order preference for clean fossil-fueled generation and other public policy objectives.

We clarify and emphasize that this examination of different fuel types would *not* involve listing of individual projects; we agree with PG&E that “the goal of the proceeding is not to identify specific generation or transmission projects” (p. 10) While it would of course be premature for LSEs to evaluate the probability of procuring individual projects, it is reasonable to expect that LSEs possess the ability to project aggregate capacity additions by resource fuel type under different likely scenarios. Without this fuel type distinction within the fossil fuel procurement plans, the IOUs would be unable to “show a forecast of GHG emissions and how the plans are progressing toward state goals,” (p. 18) as SDG&E supports.

**5. While NRDC agrees with SDG&E that there is no need to readdress the use of the GHG adder in procurement evaluations, the IOUs should include in their plans details about how they apply the GHG adder, and parties should be given opportunities to comment on whether they are applied appropriately.**

As we stated in our pre-workshop comments, whether or not the IOUs should use the GHG adder is no longer an issue of debate, as the adder values have already been adopted by the Commission. However, NRDC disagrees with SDG&E that the GHG adder should not be part of the 2006 procurement planning docket (p. 16). The application of the GHG adder should remain a transparent process. NRDC urges the Commission to require the IOUs to provide details in their procurement plans about how the adder is applied to their procurement plans and in their analyses. These details should be available for public comment, so that parties have the opportunity to comment on whether the adders are applied appropriately.

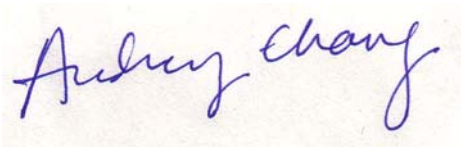
**6. NRDC disagrees with SDG&E that utilities should not follow a standard outline for plans.**

SDG&E does not support a standard plan outline for the IOUs (p. 14). NRDC recommends that the Commission, as in previous years, ask the utilities to agree to a standard outline for the plans. Although we recognize the uniqueness of each utility's

situation, a standard outline for plans is useful for outside parties to be able to easily find the particular information they may seek. At the very least, NRDC supports SDG&E's proposal of "the development of a standard table for organizing the resource plan data," (p. 14) if not the entire plans.

Dated: January 12, 2006

Respectfully submitted,



---

Audrey Chang  
Staff Scientist  
Natural Resources Defense Council

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the **“Pre-Workshop Comments of the Natural Resources Defense Council on the Assigned Commissioner’s Ruling regarding Next Steps in Procurement Proceeding” (R.04-04-003)** to all known parties of record in this proceeding by delivering a copy via email or by mailing a copy properly addressed with first class postage prepaid.

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



---

Shari Walker  
Natural Resources Defense Council  
111 Sutter St., 20<sup>th</sup> Floor  
San Francisco, CA 94104  
415-875-6100  
[Swalker@nrdc.org](mailto:Swalker@nrdc.org)