

**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.

R.04-04-003
(Filed April 1, 2004)

**POST-WORKSHOP REPLY COMMENTS OF
THE UNION OF CONCERNED SCIENTISTS
ON LONG-TERM PROCUREMENT PLANNING**

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Dated: January 12, 2006

POST-WORKSHOP REPLY COMMENTS OF THE UNION OF CONCERNED SCIENTISTS ON LONG-TERM PROCUREMENT PLANNING

The Union of Concerned Scientists (“UCS”) appreciates the opportunity to provide these reply comments to the January 5, 2006 round of post-workshop comments following the Commission’s December 14, 2005 Workshop on Long-Term Procurement Planning. UCS’s reply comments respond primarily to comments filed by the three IOUs regarding the role and importance of integrated resource planning (“IRP”) in the upcoming long-term procurement plan (“LTPP”) cycle.

In summary, UCS’s comments are that contrary to the IOUs’ IRP-related comments, the IRP process as described both in the December 2, 2005 “Assigned Commissioner’s Ruling Addressing Next Steps in Procurement Proceeding” (“ACR”) and in the Commission Staff accompanying work plan proposal is an appropriate, integral, and indispensable part of the upcoming LTPP process, that it should not be given short shrift, and that the Commission should consider extending the overall LTPP schedule to ensure that the IRP and other aspects of the LTPP process are given the attention they deserve.

In their January 5 post-workshop comments SCE, SDG&E, and PG&E generally downplayed the role and importance of IRP in the LTPP cycle while other parties, particularly IEP, highlighted the continuing importance of IRP in conducting sound energy planning. SCE accords IRP “lowest priority” in the upcoming LTPP process, PG&E omits its mention in its proposed roadmap, and SDG&E appears to suggest that the existence of the state’s Energy Action Plan II (“EAP II”) makes any further IRP efforts unnecessary. On the other hand, IEP points out that making rational, informed tradeoffs between competing resource options is as important as ever, and that the methods for doing so in today’s regulatory environment will need to be adapted from those used during the era of vertically integrated utilities.

The December 5 ACR clearly describes IRP as integral to the LTPP process:

...respondents will be asked to generate integrated resource plans. These integrated resource plans will be the primary forum for considering resource alternatives, and plans will be reviewed in the context of existing procurement policies (including policy targets and constraints), resource planning trade-offs, the loading order and the least cost/best fit criteria.

Plans will include analysis of the tradeoffs between transmission and generation, as well as different resource types, bearing in mind policy, availability, the loading order, and least-cost best fit. ACR at 6.

The Staff work plan proposal also clearly identifies IRP as an integral part of the LTPP process, and has accordingly scheduled two days of workshops early in this process to better define what IRP ought to mean in today's regulatory environment. Among the questions raised by the Staff proposal are: *how* IRP can be implemented, not *whether* it ought to be; *how far* can we go during 2006 in developing a comprehensive IRP methodology, not *whether* we ought to; and *how* IOU performance can be measured against IRP objectives, not *whether* it should be. There was nothing in any parties' oral or written workshop comments that suggest that any of these questions ought not to be addressed.

SDG&E is correct to invoke the state's EAP II as providing important policy guideposts in the development of IOUs' integrated resource plans, but as noted by the ACR, EAP II provides policy guidance, whereas IRP also necessarily also addresses *methods* for implementing EAP II's policy priorities. By itself, EAP II does not and is not intended to provide sufficient *methodological* guidance as to how resource tradeoff decisions are to be made, nor does it establish specific parameters for scenarios to be evaluated in the resource plans.

UCS finds it difficult to understand how the use of an IRP process in fashioning LTPPs could be accorded "lowest priority" or even omitted from the LTPP process without doing serious harm to the reasoned consideration of resource alternatives and tradeoffs that is at the heart of the IRP process. We urge the Commission to give IRP a high priority in the LTP process.

The underlying imperative of IRP is to fashion procurement plans that provide needed energy services at least overall cost to society¹ in concert with established policies and statutes. Indeed, in expressing its skepticism about the present-day importance of IRP, SCE correctly identified this core goal of IRP: "...minimizing costs...typically is the goal of integrated resource planning..." SCE post-workshop comments at 7. Clearly, this goal still holds, and it is only through a rigorous, rational process of comparing

¹ In an IRP context and as used here, "least overall cost" is inclusive of environmental and other relevant social costs in addition to those economic costs that can be measured directly.

various resource options to each other that the least-cost mix of resources can be determined. It is therefore crucially important that the Commission maintain its proposed focus on implementing a substantive IRP process, one which takes its essential policy guidance from the state's EAP II.

Moving sooner rather than later to develop an updated IRP process is important because in spite of the policy guidance provided by the EAP II, IOU procurement has been occurring largely in an *ad hoc* fashion, and resource options have not been evaluated rigorously against possible alternatives to determine whether they in fact move the IOUs and the state as a whole toward the provision of clean, reliable energy services in accordance with adopted policy objectives at least overall cost to society. Deferring the IRP process would simply perpetuate such *ad hoc* procurement, which UCS trusts is not the Commission's intent.

Some parties have noted that submitting to an IRP process would consume valuable time. This is of course true, but the IRP process called for by the Commission is itself valuable and necessary, so the solution is not to eliminate or de-emphasize IRP but to construct a workable schedule in which all the necessary steps in the LTPP process are given sufficient attention. In this regard, UCS believes that the Staff's proposed work plan schedule may be overly ambitious. UCS urges the Commission to consider extending the overall LTPP schedule so that important steps in the process are not unduly rushed.

Finally, as NRDC points out in its December 12 ACR comments, in the IOUs' IRP processes the resource fuel types should be specified in the development of the LTPPs, and the GHG adder and GHG performance standard should be meaningfully and accurately reflected in the LTPP development process. Each LTPP should also include one or more scenarios consistent with achieving a 33 percent Renewables Portfolio Standard by 2020, as has been called for by the Governor.

UCS appreciates the opportunity afforded by the Commission to provide these reply comments and looks forward to working actively with the Commission and other parties in the upcoming LTPP cycle.

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Respectfully submitted,

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Dated: January 12, 2006

CERTIFICATE OF SERVICE

I, Jennifer Boynton, certify that I have, on this date, caused the foregoing POST-WORKSHOP REPLY COMMENTS OF THE UNION OF CONCERNED SCIENTISTS ON LONG-TERM PROCUREMENT PLANNING to be served by electronic mail, or for any party for which an electronic mail address has not been provided, by U.S. Mail on the parties listed on the Service List for the proceeding in California Public Utilities Commission Docket No. R.04-04-003.

I declare under penalty of perjury, pursuant to the laws of the State of California, that the foregoing is true and correct.

Executed on January 12, 2006 in Berkeley, California.

Jennifer Boynton