

**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

**COMMENTS OF THE COGENERATION ASSOCIATION OF CALIFORNIA AND  
THE ENERGY PRODUCERS AND USERS COALITION**

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December 12, 2005

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Pursuant to the December 2, 2005 ACR<sup>1</sup>, the Cogeneration Association of California<sup>2</sup> (CAC) and the Energy Producers and Users Coalition<sup>3</sup> (EPUC) (jointly, CAC/EPUC) submit the following comments on the ACR and Appendix A to the ACR.

**I. A Review Of The Need For New Generation In California.**

The ACR is correct that a key issue to be addressed in the future procurement proceeding is the need for new generation in California. Such inquiry should focus on the utilization and procurement of existing California

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<sup>1</sup> Assigned Commissioner's Ruling Regarding Next Steps in Procurement Proceeding (ACR) (December 2, 2005)

<sup>2</sup> CAC represents the power generation, power marketing and cogeneration operation interests of the following entities: Coalinga Cogeneration Company, Mid-Set Cogeneration Company, Kern River Cogeneration Company, Sycamore Cogeneration Company, Sargent Canyon Cogeneration Company, Salinas River Cogeneration Company, Midway Sunset Cogeneration Company and Watson Cogeneration Company.

<sup>3</sup> EPUC is an ad hoc group representing the electric end use and customer generation interests of the following companies: Aera Energy LLC, BP America Inc. (including Atlantic Richfield Company), Chevron U.S.A. Inc., ConocoPhillips Company, ExxonMobil Power and Gas Services Inc., Shell Oil Products US, THUMS Long Beach Company, Occidental Elk Hills, Inc., and Valero Refining Company - California.

generation and not be restricted to an analysis solely of yet to be developed “new” generation. Encompassed in the “review of the need for new generation in California” must be an evaluation of practices and procedures to maintain existing California generation online so that the Commission is not conducting its analysis off of an ever eroding generation baseline. This is particularly critical for existing generation which provides resources needed for reliability in resource constrained areas. As a part of this process, the Commission should also examine requirements for existing generation to repower or conduct the upgrades necessary to continue efficient service to the State and any obstacles which may exist to this effort.

**II. A Review Of Long-Term Procurement Plans, Including An Integrated Resource Planning Process For All IOU Planning Areas.**

The ACR states that “[a] main driver of the procurement proceeding is to ensure that long-term procurement planning is happening consistent with the laws and policies of the State.” (ACR, Appendix A at 7) To this end, the ACR commits to using “the recently adopted Energy Action Plan II (EAP II) as our guidepost in the future procurement proceeding.” (ACR at 7) The ACR notes:

*Under the EAP II, the State’s energy agencies have jointly developed a set of priorities for energy policy. Many of these priorities are directly relevant to the procurement rulemaking, and we will consider the EAP II priorities as we establish the priorities for the rulemaking. (Id.)*

Moreover, the ACR cites to the California Energy Commission’s (CEC) 2005 Integrated Energy Policy Report (IEPR) and the “procurement-related recommendations” therein “which will be considered during the rulemaking.” (Id.) The ACR’s commitment to utilizing the IEPR in the procurement proceeding is

consistent with both the Commission's prior pronouncements as well as State law.

The March 14, 2005 Assigned Commissioner's Ruling (March ACR) addressed how the 2005 IEPR and 2006 Commission procurement proceedings would be coordinated.<sup>4</sup> Specifically, the March ACR sets forth what should be included in the CEC's Transmittal Report as follows:

*As part of the 2005 IEPR process, the CEC will also prepare a "Transmittal Report" for use by the CPUC in the 2006 procurement proceeding; that document will contain the specific information identified in Commissioner Peevey's ACR issued September 16, 2004, in R.04-04-003, and in D.04-12-048. (ACR at 6)*

Attachment A to the September 16, 2004 ACR sets forth the specific information required. Attachment A notes in pertinent part that the "*CEC's 2005 Integrated Energy Policy Report ("IEPR") process will estimate need for resource additions, evaluate policies and recommend appropriate resource strategies for the state to meet forecasted load on a biennial cycle.*" This process includes but is not limited to recommending "*broad, statewide resource preference policies.*" Attachment A goes on to note that the "*CPUC's procurement process will produce IOU-specific procurement plans, require competitive generation solicitations, incorporate needed transmission upgrades and guide preferred resource acquisition to ensure resource adequacy on a biennial cycle beginning in 2006.*" As part of this process the "*CEC provides ranges of likely need and resource assessment for individual IOUs and statewide policy preferences from*

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<sup>4</sup> Assigned Commissioner's Ruling Detailing How The California Energy Commission 2005 Integrated Energy Policy Report Process Will Be Used In The California Public Utilities Commission's 2006 Procurement Proceedings And Addressing Related Procedural Details, R.04-04-003, March 14, 2005

*IEPR.*” (emphasis added) Accordingly, the ACR’s commitment to consider the IEPR’s recommendations is completely consistent with Commissioner Peevey’s direction through the March ACR.

The ACR’s utilization of the IEPR in the 2006 procurement process is also consistent with Section 25302(f) of the Public Resources Code which provides in pertinent part that:

*For the purpose of ensuring consistency in the underlying information that forms the foundation of energy policies and decisions affecting the state, those entities<sup>5</sup> shall carry out their energy –related duties and responsibilities based upon the information and analyses contained in the [IEPR].*

Accordingly, resource plans submitted in the procurement proceeding should demonstrate how they are consistent with both the EAP II loading order as well as the policy recommendations contained in the IEPR for the Commission’s consideration. To assist in this process the Commission may develop a common framework to provide guidance to the respondents in developing their resource plans. The Commission should also develop appropriate enforcement mechanisms to facilitate compliance with the common framework and state procurement policy.

### **III. Updates To IOU Procurement Policies and Practices; Including Review And Approval Of New 10-Year Procurement Plans.**

As discussed above, the Commission should insure that IOU procurement policies, practices and procurement plans are consistent with both State policy

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<sup>5</sup> [the Public Utilities Commission, the Office of Ratepayer Advocates, the State Air Resources Board, the Electricity Oversight Board, the Independent System Operator, the Department of Water Resources, the California Consumer Power and Conservation Financing Authority, and the Department of Transportation.]

and State law. This would include compliance with the EAP II loading order and the procurement-related policy recommendations contained in the IEPR. This would also include an evaluation of how IOU actual procurement of resources matches up with planned resource procurement.

#### **IV. CONCLUSION**

These comments are preliminary in nature and will be supplemented through the workshop and hearing process. CAC/EPUC look forward to the opportunity to work with the Commission and parties to address these very important issues.

Dated: December 12, 2005

Respectfully submitted,

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