

**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)

**PRE-WORKSHOP COMMENTS OF THE NATURAL RESOURCES DEFENSE  
COUNCIL (NRDC) ON THE ASSIGNED COMMISSIONER'S RULING  
REGARDING NEXT STEPS IN PROCURMENT PROCEEDING**

December 12, 2005

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)

**PRE-WORKSHOP COMMENTS OF THE NATURAL RESOURCES DEFENSE  
COUNCIL (NRDC) ON THE ASSIGNED COMMISSIONER’S RULING  
REGARDING NEXT STEPS IN PROCURMENT PROCEEDING**

**1. Introduction and Summary**

The Natural Resources Defense Council (NRDC) respectfully submits these pre-workshop comments, in response to 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.

NRDC offers these high-level comments regarding some of the process and content issues requested by the ACR. In summary:

- NRDC strongly supports providing more opportunities for parties to comment early in the proceeding before the IOUs file their integrated resource plans (IRP).
- Resource *fuel* types should be incorporated into the portfolio-level planning and analysis as part of the LTPP process.
- The GHG adder and GHG performance standard should be included in the IOU procurement plans.
- The review of need for new generation should include a detailed review of how energy efficiency is accounted for in the demand forecasts and resource needs provided by the CEC.

**2. NRDC strongly supports providing more opportunities for parties to comment early in the proceeding before the IOUs file their IRPs.**

NRDC strongly supports the ACR in its statement that “we wish to do more work prior to the filing of procurement plans to ensure that the filings will meet the full needs of the Commission.” (p. 8) We also support the iterative process of updating the IOU procurement policies and practices described on page 10 of Appendix A and generally providing more opportunities for parties to comment before IOUs file their integrated resource plans (IRPs).

It will be extremely helpful to have more upfront comments in the upcoming long-term procurement plan planning proceeding (LTPP), when parties’ comments can help inform the utilities’ analyses at the start of the process. This approach of front-loading the comment process will be much more beneficial than having parties offer their comments after the fact once the utilities have filed their plans, when it is difficult and time-consuming for the utilities to go back and redo their analysis to respond to parties’ concerns.

**3. Resource fuel types should be incorporated into the portfolio-level planning and analysis as part of the LTPP process.**

NRDC supports the ACR’s call for an integrated resource planning (IRP) process, as part of the review of long-term resource plans (p. 6). However, in order for the IRPs to be fully useful, different resource types that are identified *must* include different fuel types (i.e., general amounts of natural gas, conventional coal, IGCC, etc.) expected in the portfolio. This detail goes beyond the information submitted as part of the California Energy Commission’s (CEC) *Integrated Energy Policy Report* (IEPR) process, which only asked load-serving entities to submit plans with “generic [fossil fuel] resources.” And although the ACR states that “plans will include...different resource types,” the last round of long-term plans interpreted resource types to only differentiate between the dispatchability of resources (e.g., baseload, peaking, etc.). We urge the Commission to clarify that “different resource types” includes different *fuel* types.

The procurement plans filed by the utilities should enable the Commission and the public to answer basic questions, such as: If we pursue the path outlined, what will

California's fuel mix be in 10 years? Will it be adequately diverse? What will be the overall cost to customers? What risks will customers face? Will the environmental impact associated with the electricity industry increase or decrease? These decisions have significant implications for California's economy and environment and should not be ignored. Without a meaningful analysis (on the portfolio level) of the different resource fuel types that the LSEs may see in their competitive solicitations or may consider building, the LSE's plans will provide little meaningful information about the likely future composition of California's electricity system, or the costs, risks and environmental impacts that customers can expect. Statewide resource mix projections also have important implications for California's ability to meet the Governor's aggressive greenhouse gas reduction goals; to meet the greenhouse gas performance standard for baseload generation; and to comply with the loading order contained in the Energy Action Plan, which specifies that clean fossil-fueled generation is preferred before other fossil fuel-based alternatives.

**4. The GHG adder and GHG performance standard should be included in the IOU procurement plans.**

The greenhouse gas (GHG) adder is already required by the Commission to be one of the issues filed as part of the IOU procurement plans. Pages 10-11 of the ACR's Appendix A seems to suggest that incorporating the GHG adder is optional, by asking, "Which of the following issues needs to be filed as part of the IOU procurement plans?" In Decision 04-12-048, the Commission directs that "the IOUs will use the [GHG adder] value adopted in R.04-04-025 in their next LTPPs when modeling alternative resource portfolios and selecting a preferred portfolio." (Ordering Paragraph 17) The specific GHG adder values were subsequently adopted in D. 05-04-024, and the use of the values should be included in the IOUs' procurement plans.

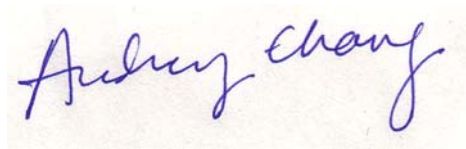
An additional issue that should be discussed in the procurement proceeding is the greenhouse gas performance standard for baseload generation recommended by the IEPR and supported by the Commission's October 6, 2005 policy statement. The standard will directly impact the IOUs' procurement, and should be addressed in these procurement proceedings.

**5. The review of need for new generation should include a detailed review of how energy efficiency is accounted for in the demand forecasts and resource needs provided by the CEC.**

When reviewing the need for new generation, the procurement proceedings must be clear about how energy efficiency is accounted for. Although the CEC's *Transmittal Report* clarifies to some extent how energy efficiency is accounted for in the demand and supply forecasts, more questions remain. It is essential that the state's energy forecast be absolutely explicit about assumptions regarding accounting of energy efficiency efforts.

Dated: December 12, 2005

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 matter of R.04-04-0003** 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 December 12, 2005 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)