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ELECTRONIC DELIVERY

California Energy Commission
Docket Office
Attn: Docket No. 08-IEP-1
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512

Re: 2009 Integrated Energy Policy Report (IEPR) Scope

PG&E is pleased to provide comments on the scope of the 2009 Integrated Energy Policy Report (IEPR) proceeding. We have attached our comments to this letter and look forward to working with the CEC over the next year and a half in the development of this important document.

Please feel free to call me at the number above if you have any questions.

Sincerely,

Attachment

PG&E Comments on
Key Issues for the 2009
Integrated Energy Policy Report

PG&E appreciates an opportunity to provide comments on the CEC's ambitious list of policy issues for review in its 2009 Integrated Energy Policy Report (IEPR). We agree with Chairman Pfannenstiel's comments at the opening of the workshop on June 3 that this is a lengthy list, and we recommend the list be prioritized. With that in mind, we offer these thoughts about issues of key importance which the CEC could advance in the 2009 IEPR.

Load Forecasts and Energy Efficiency Potential

In the 2008 IEPR Update, the CEC is making a significant effort to understand the energy efficiency projections embedded in the CEC's demand forecast for both the historical and forecast periods. Furthermore, differences in those projections should be peer reviewed and compared to those of other parties. These energy efficiency projections should be consistent with forecasts embedded in CPUC filings such as the EE goals proceedings, the LTPP, and in filings with CARB for AB 32. We remain ready to help with this endeavor and look forward to its resolution in the 2008 IEPR Update.

In addition, PG&E supports a closer look at alternative load forecasts that may be brought about by climate change itself, the impact of regulatory actions responding to climate change concerns, or other changes in customer usage patterns. For example, both PG&E and the CEC have studies completed or underway looking at what may be the peak-load-increasing impact of hotter summers with less nighttime cooling in the Central Valley. Another example that the CEC has already listed would be to examine the increased electrification that might stem from extensive use of plug-in hybrids and port electrification. Ultimately, the CEC should develop alternative load scenarios, rather than a single-line forecast, to better understand load uncertainty for long-term planning purposes. These alternative forecasts are important scenarios that should be included in the 2009 IEPR.

Renewable progress

PG&E agrees with the CEC that there are several barriers to the state getting significant additional renewable energy on line. The top two issues are building adequate transmission facilities to access renewable resources and ensuring system reliability as increasing amounts of intermittent power enter the system. The inability of the existing transmission infrastructure to accommodate large amounts of remote renewable generation and the time required to expand transmission access to renewable resources both threaten the feasibility of achieving any increase in the state's RPS goals.

PG&E appreciates the CEC's involvement and leadership in these areas, especially in RETI, the Northern California Regional Integration of Renewables (RIR) study, its regularly-produced Strategic Transmission Investment Plan, and other corridor investigations. We will continue to follow and participate in these efforts.

PG&E's Central California Clean Energy Transmission Project (C3ET) is one important element in accessing new renewable generation resources. This project will facilitate the efficient management of renewables and is currently going through the CAISO planning process, with CAISO Board approval expected in the 4th quarter of 2008. C3ET will consist of a new 500 kV double circuit tower line from the Midway substation to a new substation east of Fresno. The project cost is estimated at $1.2 billion, with a scheduled completion date of late 2013.

Reform of the CAISO's interconnection queue is another critical element to accessing new renewable resources in a timely manner. In accordance with a directive from the Federal Energy Regulatory Commission, the CAISO has initiated a stakeholder process to evaluate potential queue management reforms for generator interconnection requests. Reforming the generator interconnection process is critical to getting new renewable generation connected to the transmission system, and planning and constructing transmission network upgrades. It is expected that the CAISO Board will address this matter at its July 9-10 Board meeting, followed by a CAISO tariff filing at the FERC requesting changes to the generator interconnection process. The CEC should review progress in this area in its 2009 IEPR.

Finally, the evaluation of the integration of intermittent resources is also important to determine the cost and operational feasibility of significant expansion of the State's RPS goals. We recognize that the CEC has in past years investigated this issue. The CEC should continue this initiative, given that much remains to be done. The CEC, working together with the CAISO and other parties, can help advance understanding of this issue, and in particular about the increased need for regulation, ramping and supplemental energy services, and the associated costs of these services, given a higher penetration level of intermittent resources. Additional insight is also needed to aid long-term resource planning and procurement processes to determine the amount and type of new resources needed to meet the increased need for these ancillary services, especially taking into account the potential retirement of older fossil units that currently provide some of these services.

Greenhouse Gas Emissions

PG&E encourages the CEC to continue its ongoing effort in the CEC-CPUC AB 32 proceedings, and not attempt to include separate or duplicative greenhouse gas emissions analyses in the 2009 IEPR. The existing AB 32 implementation effort already has robust, extensive modeling and emissions forecasting initiatives underway, and separate analyses in the 2009 IEPR would lead to confusion and duplicative efforts.

Combined Heat and Power

The CEC lists revisiting combined heat and power (CHP) issues in its proposed scope. PG&E suggests that such an examination focus on the potential and costs and benefits of small CHP technologies. Smaller CHP may be a component of some future zero net energy developments. In addition, the CEC staff has the expertise to examine this technology thoughtfully, and to re-examine its earlier potential study.

PG&E does not believe it would be effective, given the extensive list of topics suggested for the 2009 IEPR, for the CEC to focus on strategies to promote large CHP at this time. The CPUC has conducted (in the Avoided Cost Proceeding) and is conducting (in the AB 32 proceeding and the DG OIR) significant examination of the role of CHP in the energy future of California. PG&E suggests that the 2011 IEPR, after the CPUC activity has been implemented, might be a more instructive opportunity to examine the effectiveness of 2007 IEPR recommendations.

Conclusion

The CEC's legislatively mandated IEPR reports have become an important vehicle to bring together a broad number of California energy policy issues. As participants, we understand the challenges of developing such an overview when specific issues are at play at the CPUC, other state agencies, and in many other state and federal forums. We appreciate efforts to streamline this work, such as the CEC and CPUC's regular Energy Action Plan meetings, and the CEC and CPUC staffs' efforts to assure that workshops on various topics are complementary and not redundant. PG&E welcomes this chance to comment on the 2009 IEPR scope, and we look forward to being a participant over the next eighteen months as the CEC studies these issues.