



**Pacific Gas and
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California Energy Commission
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Re: Docket No. 09-IEP-1P and 08-GHG OII-1

Docket Office:

Please find attached PG&E's comments on the workshop held June 23, 2009, regarding "Framework for Evaluating Greenhouse Gas Implications of Natural Gas-Fired Power Plants in California."

Please contact me should you have any questions.

Sincerely,

Attachment

**Comments of Pacific Gas and Electric Company Comments in Response to the CEC
Joint Siting and IEPR Committee Workshop on the Framework for Evaluating
Greenhouse Gas Implications of Natural Gas-Fired Power Plants in California
Held June 23rd, 2009
Docket No. 08-GHG OII-1 and 09-IEP-1P**

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to participate in the California Energy Commission (CEC) Siting and IEPR Committee's dialogue addressing the numerous environmental and operational implications of increased deployment of natural gas-fired generation on California's system. PG&E also would like to commend both MRW and CEC staff for their hard work in preparing the Framework report, and continue to pledge our support to both the IEPR and the ongoing GHG OII processes.

PG&E is committed to engaging with the CEC, the California Public Utilities Commission (CPUC), the California Air Resources Board (CARB), and other state resource agencies in order to maintain reliable electric service for our customers as well as meet state mandates for renewable energy deployment and GHG reductions. We respectfully offer the following recommendations and observations:

**I. THE CPUC'S LONG-TERM PROCUREMENT PLAN PROCESS IS THE PROPER FORUM
TO ASSESS NEED FOR NEW NATURAL GAS-FIRED RESOURCES**

PG&E concurs with sentiments expressed from parties at the June 23rd workshop that the Long-Term Procurement Plan (LTPP) process is the right place to perform a need assessment for new natural-gas fired resources. Requiring a need assessment for each plant as it comes before the CEC for its license is inappropriate for two reasons; first, each incremental plant ought to improve the efficiency of the system as a whole and second, what is truly important is the portfolio need assessment which is already done in the LTPP.

For IOUs and potentially for other load-serving entities (LSEs) subject to CPUC jurisdiction there is already a pre-established process, the LTPP proceeding, for the CPUC to review and adopt long-term resource types and quantities with the various roles as outlined in the Report. For example, in the last LTPP decision, the CPUC adopted a LTPP for PG&E which included, after accounting for loading order resources, authority to procure 800-1200 MW of new, efficient, and operationally flexible resources.

Other LSEs subject to CPUC jurisdiction, such as Community Choice Aggregators (CCA) and Direct Access (DA) suppliers, should be subject in future LTPP proceedings to the same requirements to submit a plan for review and approval by the CPUC to facilitate the implementation of policy objectives. For other LSEs not subject to CPUC jurisdiction, it is less clear how the need assessment for new resources is done. Also, the process may vary by entity, so it may be useful for the CEC Staff to research and report about the processes municipal entities follow to identify their resource needs.

II. IMPROVED FLEXIBILITY FOR THE ELECTRICITY SYSTEM IS A KEY ATTRIBUTE OF NATURAL GAS-FIRED GENERATION

With regard to the five roles for new natural gas-fired generation in California identified in the MRW report, PG&E agrees that such resources will not only fill those needs in the near and medium term, but will continue to do so in the long-run. We may find other alternatives going forward, but it is difficult to envision a future without the need for clean, efficient, and flexible conventional gas-fired generation. Indeed, the MRW report concluded that a more flexible system will be required to accommodate the integration of higher levels of intermittent renewable generation.

In addition to the roles mentioned by the Report, we anticipate increased need for new efficient gas-fired generation to fulfill the five roles identified by MRW because of: (1) replacement (or retrofit) of existing once-through cooling steam units currently contributing to local reliability, and integration of intermittent resources and ancillary services; and (2) potentially higher planning reserves and integration needs than assumed by the Report.

III. FURTHER CONSIDERATIONS ABOUT THE RANGE OF RESOURCE TRAJECTORIES ARE NEEDED TO ACCURATELY DEPICT THE GHG IMPLICATIONS OF THOSE TRAJECTORIES

The cases from prior CEC resource scenario efforts are a good start; however, they do not factor in a number of uncertainties that could affect the likely range of resource development trajectories. Such uncertainties may include: (1) the level and mix of renewable resources additions, (2) the range of conservation and energy efficiency (CEE) savings that can be achieved, (3) the need for higher planning reserve margin and flexible resources to integrate increasing amounts of intermittent resources, and (4) the type and amount of combined heat and power that can provide the carbon reduction savings estimated by the California Air Resources Board's Draft Scoping Plan, and (5) the availability of other alternatives to obtain GHG reductions in other sectors (i.e. transportation, industrial, etc.)

IV. THE MRW REPORT PROVIDES FURTHER EVIDENCE THAT NEW GAS-FIRED GENERATION INCREASES THE EFFICIENCY OF THE SYSTEM AND FURTHER STUDIES TO SUPPORT THE SITING OF INDIVIDUAL CASES ARE UNNECESSARY

The MRW report clearly shows that under all of the identified roles of new gas-fired generation, such generation will ultimately result in a more efficient electricity system. A more efficient electrical system results in a net reduction of GHG from the system. Therefore, the integration of new gas-fired generation does not result in cumulatively considerable GHG impacts under CEQA (California Environmental Quality Act). It is not necessary for additional studies to prove this relationship and it is not necessary for the Commission to quantify the amount of reduction in order to make the appropriate finding that a new gas-fired power plant does not result in cumulative GHG impacts.

This is also supported by the role of the LTPP as described by the CPUC. Any facility constructed in accordance with the LTPPs would comply with the loading order, which underpins the analysis and conclusions in the MRW report. For publicly owned utilities, the Commission could consider its procurement policies and its system to support a similar conclusion.