



**Pacific Gas and
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Electronic Delivery

California Energy Commission
Dockets Office, MS-4
1516 Ninth Street, MS-4
Sacramento, CA 95814

Re: Docket No. 09-IEP-1A

Dockets Office:

Please find attached PG&E's response on the final 2009 Integrated Energy Policy Report. Please contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark K', followed by a long horizontal flourish.

Attachment

**PACIFIC GAS AND ELECTRIC COMPANY COMMENTS IN RESPONSE TO THE CEC'S
INTEGRATED ENERGY POLICY REPORT COMMITTEE FINAL DRAFT OF THE 2009
INTEGRATED ENERGY POLICY REPORT
DOCKET No. 09-IEP-1A**

Pacific Gas and Electric Company (PG&E) is pleased to submit its written comments in response to the recently released Final Integrated Energy Policy Report (IEPR) for 2009 by the California Energy Commission (CEC). We applaud the CEC's hard work in developing a broad set of recommendations and updates from the *Draft IEPR*. While PG&E appreciates such an effort, there are several recommendations that require a response.

The IEPR suggests the CEC is considering several measures to further the notion that "...combined heat and power [be] more widely viewed and adopted as an energy efficiency measure"¹. PG&E has and will continue to support the development of standards which define and promote efficient CHP that reduces GHG emissions. It is important to note that, while most customers can take advantage of energy efficiency opportunities, for CHP the population of customers is generally divided into a small number of customers who can install CHP and the large majority who cannot. Consequently, CHP often involves shifting costs from one group of customers to another group of customers.

Furthermore, to have CHP be "more widely viewed and adopted as an energy efficiency measure"² would put distributed generation (DG) ahead of renewables and on an equal footing with energy efficiency in the loading order. Energy efficiency is placed highest in the loading order precisely because it is the most cost effective and most efficient way to meet the energy needs of California – by reducing demand. Properly developed efficiency standards can ensure that some CHP can at best save a portion of the fuel and GHG emissions of electricity generation alternatives, while energy efficiency and renewable resources displace all the fuel and associated emissions from electricity generation alternatives.

With regard to the IEPR's proposed evaluation of the hybrid market structure³, PG&E welcomes the opportunity to work with the both the CEC and the CPUC to address concerns and identify solutions.

PG&E is pleased to see that the recommendation regarding penalties for non-compliance with RPS mandates was deemphasized in the *Final 2009 IEPR*⁴, though we remain disappointed with the implication that the utilities are an impediment to achieving the State's renewables goals. As the CEC understands as it faces its own statutory deadlines in issuing Applications for Certifications

¹ *Final 2009 IEPR* at pg. 8

² *Ibid.*

³ *Final 2009 IEPR* at pg. 12

⁴ *Final 2009 IEPR* at pg. 227

influence that ultimately affect outcomes. Challenges faced by the utilities in their procurement of RPS-eligible resources are no different. Indeed, the *Final 2009 IEPR* explicitly outlines the significant hurdles and challenges in meeting the RPS mandate: “Challenges with increasing the amount of renewable resources in California’s electricity mix...”, “[i]ntegrating the high levels of renewable resources...will be a major challenge”, “high cost of emissions controls...”, “adding large amounts of renewable resources can have negative environmental effects...”, are all phrases noted in the CEC’s assessment⁵. Rather than emphasize penalties for non-compliance, we urge the CEC to focus its efforts on implementing its additional recommendations seeking to conduct further analyses on integrating higher levels of renewables, supporting CAISO’s ongoing work seeking to identify specific system requirements, and supporting efforts to streamline siting and permitting processes.

⁵ *Final 2009 IEPR* pp.6-7