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VIA E-MAIL
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AND BY U.S. MAIL

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 11-IEP-1G
1516 Ninth Street
Sacramento, CA 95814-5512

DOCKET	
11-IEP-1G	
DATE	NOV 08 2011
RECD.	NOV 08 2011

Re: Renewables Portfolio Standard: Comments of Pacific Gas and Electric Company on the revised Executive Summary for the draft *Renewable Power in California: Status and Issues*

I. INTRODUCTION

Pacific Gas and Electric Company (“PG&E”) appreciates the opportunity to provide comments on the California Energy Commission’s (“CEC”) proposed revisions to the Executive Summary of the draft report *Renewable Power in California: Status and Issues*. PG&E first filed comments on the draft report on October 5, 2011. In the comments below, PG&E focuses its comments on the “Recommended Strategies” section of the revised Executive Summary. PG&E is well-positioned to achieve the RPS requirements and is supportive of strategies that streamline processes and allow renewable developers to get to market more quickly. While all of the recommended strategies are intended to foster achievement of RPS goals and create jobs in California, careful analysis is needed to ensure that the recommended strategies will actually create long-term, sustainable jobs and not adversely affect customers and businesses by causing ever-higher electric rates. PG&E supports strategies that balance safe, reliable electric service, with cost to customers and environmental impact. To the extent the recommendations help streamline processes that could lower the cost of renewable development in California, PG&E is supportive of these recommendations. However, PG&E is concerned that elements of some recommendations may adversely affect customers and business. Careful assessment is needed before certain recommendations are fully implemented.

II. PG&E SUPPORTS PRIORITIZATION OF GEOGRAPHIC AREAS FOR RENEWABLE DEVELOPMENT

Developing planning initiatives that facilitate timely permitting for renewable energy projects, while advancing conservation goals, is essential. PG&E is very supportive of initiatives like the Desert Renewable Energy Conservation Plan (DRECP), which identified and mapped areas for renewable energy development and areas for conservation. Initiatives like DRECP provide upfront review and guidance for developers as to where to site projects, and hopefully result in a streamlined permitting process if a developer chooses to focus on areas designated for renewable development. PG&E hopes that similar efforts are undertaken and continued throughout the State.

Improving agency coordination and creating single points of contact within the state and between local, state, and federal agencies will also help advance renewable energy development. For example, the Renewable Energy Action Team successfully acted as project champion and single point-of-contact for solar thermal developers going through the CEC's siting process. PG&E recommends that a similar, single-point-of-contact model be adopted to coordinate other efforts across local, state, and federal permitting activities. In particular, most project activity in California is now focused on PV and wind facilities, which will be sited and permitted mainly by county authorities. Thus, the State must take its lessons learned in driving the siting of solar thermal facilities by the CEC and transfer that knowledge and experience to county processes in order to build on its successes to date.

III. A BETTER UNDERSTANDING OF THE TOTAL COSTS TO CUSTOMERS OF ADDING MORE RENEWABLES IS ESSENTIAL, BUT MORE ANALYSIS IS NEEDED TO UNDERSTAND THE IMPACT OF PAYING FOR NON-MONETIZED EXTERNALITIES

PG&E is supportive of efforts to better understand the total "all-in" cost to customers for adding renewables to the system, including the cost of integration and interconnection. Such an analysis will help policymakers better understand how higher levels of renewables will affect customers' bills, as well as the potential for affecting the state's economy.

Recommendation #2 includes permitting among the elements of where a better understanding of costs is needed. PG&E is not certain that an analysis of permitting costs for utility-scale projects will yield any meaningful information, given that the costs to permit a facility are highly variable and dependent on technology, location, environmental mitigation, proximity to cultural resources, and other issues. Conversely, an assessment of the permitting cost for customer-side generation, which is largely set at the local government level, may be helpful in better understanding the challenges small developers face at the local level. However, unless the State is able to require local governments to institute uniform permitting fees in all jurisdictions, it is not clear what the value is for assessing permitting costs per se.

Recommendation #2 also includes a “value assessment” for system and non-energy benefits, including reduced public health costs, attributable to renewable resources and technologies. Air Resources Board data show that California’s natural-gas-fired power plants are not major categories of air pollutant emissions (e.g., power plants emit about 1% of NOx emissions statewide), so the public health benefits may be small. While renewables do not emit greenhouse gases, this benefit is already reflected in mechanisms used to evaluate renewables prices (e.g., the Market Price Referent already contains a greenhouse gas emissions adder.) Nevertheless, such an assessment may be helpful, although PG&E is concerned about the conclusion that the value assessment should be “ultimately” monetized prior to the completion of the assessment. It is premature to conclude that benefits that are currently non-monetized should be monetized and paid to generation developers, rather than allowing utility customers to keep their money. While PG&E supports considering externalities as a sensitivity measure for ranking resources, PG&E believes customers should not be required to pay suppliers higher prices under power purchase agreements or via explicit adders. Furthermore, there may be other alternatives to incenting renewable development that should be explored prior to paying for non-monetized benefits that will only further increase customer rates. In any event, should the CEC pursue such a strategy, it must quantify the impact of this policy on customers’ rates and assess whether this policy will help create jobs across the economic spectrum in California or adversely impact California’s economy because of significant increases in customer electric bills.

Similarly, Recommendation #4 should be carefully examined to understand the impact of additional incentives on customer rates and the potential of higher electric rates to cause business to leave California. Today, California has the most aggressive renewables and greenhouse gas emission reduction goals in the nation. However, despite this commitment to environmental leadership, businesses that got their start in California are leaving the state and locating in less expensive areas like Mississippi and Oregon. Offering some businesses incentives to stay in California will only further increase the rates of non-participating businesses and could actually result in a loss of jobs, rather than job creation.

IV. RESEARCH AND DEVELOPMENT AND SMART GRID ARE IMPORTANT TOOLS IN ADVANCING RENEWABLES

Recommendation #3 focuses on a strategy to minimize the integration needs at the distribution level. Absent from the discussion, however, is the role that research and development can play in reducing customer costs and improving storage technologies. While Recommendation #5 focuses on existing state and federal financing and incentive programs, it appears to focus on short-term incentives, like federal cash grants and loan guarantees, instead of the longer-term research and development efforts to study issues like renewables integration and new technologies. Analysis, testing, and piloting of new technologies using utility systems and customers is essential to demonstrating whether research and development can lead to actual customer and energy policy benefits.

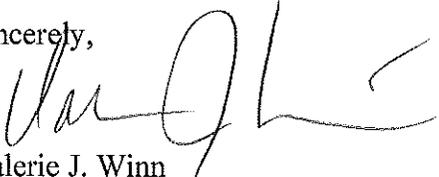
PG&E suggests that Recommendations #3 be modified to include research and development focusing on system solutions. For example, the three investor-owned utilities have proposed a 5-year cooperative research and development agreement with the Lawrence Livermore National Laboratory known as the California Energy Systems for the 21st Century Project. It is expected that this initiative, when completed, will provide valuable information on cyber security, electric resource planning and electric and gas system operations. Such information may help the IOUs build a more resilient, reliable grid, protect customer information privacy, model more dynamic, real-time operational issues, and better understand the impact of intermittent resources and develop appropriate mitigation plans.

Lastly, the Smart Grid Deployment Plan, as proposed by PG&E, contains numerous proposals to support renewables and distributed generation research and development. These initiatives include development of better forecasting tools, integrating and managing large-scale renewable resources, and enhancing grid system monitoring and control. As we develop strategies and recommendations for integrating renewable resources, we should ensure that we are looking at all possible tools, including the Smart Grid, to achieve the renewables goals in the most cost-effective way for customers. PG&E's Smart Grid Deployment Plan indicates that its proposed projects and initiatives could, over the next 20 years, lower energy procurement costs by \$600 million to \$1.4 billion, avoid operating and maintenance costs by \$100 million to \$200 million and avoid carbon dioxide emissions of 1.4 to 2.1 million metric tons. As the CEC develops recommendations and strategies to achieve the RPS targets, it should consider other initiatives already underway and work to avoid duplication of effort, which would cause unnecessarily higher costs to customers.

V. CONCLUSION

PG&E looks forward to working with the CEC and all stakeholders to implement strategies that will advance renewable development in California.

Sincerely,



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cc: S. Korosec by email (suzanne.korosec@energy.state.ca.us)