

August 19, 2014

**VIA E-MAIL DOCKET@ENERGY.
CA.GOV**California Energy Commission
Dockets Office, MS-4
Re: Docket No. [14-IEP-1C]
1516 Ninth Street
Sacramento, CA 95814-5512Re: PG&E's Comments on the California Energy Commission Lead Commissioner Workshop on Integrating Environmental Information in Renewable Energy Planning Processes**I. INTRODUCTION**

Pacific Gas and Electric Company ("PG&E") appreciates the opportunity to provide comments on the issues covered in the August 5, 2014 California Energy Commission ("CEC") Lead Commissioner Workshop on Integrating Environmental Information in Renewable Energy Planning Processes (the "Workshop").

PG&E's comments focus on three key issues that respond to the Workshop discussion: (1) PG&E's support for landscape-scale and regional planning efforts, as exemplified by the Desert Renewable Energy Conservation Plan ("DRECP") process; (2) the importance of not second-guessing or preempting the planning and environmental review activities conducted by the jurisdictional land use agencies during the California Public Utilities Commission's ("CPUC") review of Power Purchase Agreements ("PPA"); and (3) PG&E's support for greenhouse gas ("GHG") reductions as a guiding principle for future policymaking.

II. PG&E SUPPORTS AGENCY COORDINATION AND LANDSCAPE-SCALE LAND USE PLANNING.

PG&E appreciates the efforts of the Energy Commission and other agencies represented at this workshop to streamline and coordinate the environmental review, permitting, and planning processes for new renewable energy facilities. While California's existing environmental review and permitting requirements have worked well to achieve dual goals of environmental protection and GHG reductions through renewable energy development, PG&E supports state and federal level policy initiatives to better coordinate land management, environmental review, and permitting activities to facilitate landscape-scale and regional planning.

Landscape-level planning that protects sensitive species and habitats and identifies low-conflict zones for renewable development can help achieve clean energy goals in a way that minimizes the impacts that these projects could have on sensitive natural resources and improves the efficiency and costs of the permitting process. For these reasons, PG&E supports collaborative and comprehensive landscape planning efforts, such as the DRECP process, that identify appropriate zones for expedited development and improve the timing and efficiency of the overall permitting process. Landscape planning for renewable energy that determines priority areas for development, appropriate mitigation, and transmission can help minimize siting and investment risks in those areas for developers and utilities. Landscape planning can also supplement environmental data that are valuable to agencies and stakeholders that seek to identify potential environmental risks associated with proposed renewable energy projects.

III. THE PPA REVIEW AND APPROVAL PROCESS SHOULD INCORPORATE BUT NOT SECOND-GUESS OR PREEMPT LAND USE PLANNING AND ENVIRONMENTAL REVIEW PROCESSES.

While all parties will benefit from greater coordination between jurisdictional land use agencies, California should be careful not to create duplicative or even conflicting environmental review processes. PG&E is concerned that recent proposals to conduct substantive additional environmental reviews during the process of soliciting, executing, and CPUC approval of RPS PPAs could lead to jurisdictional conflicts and effectively mire renewable procurement without any additional benefit.

Currently, investor-owned utilities (“IOUs”), like PG&E, and the CPUC use a CPUC-approved Project Viability Calculator (“PVC”) when evaluating the competitiveness and viability of proposed RPS PPAs. The PVC properly takes into account the *procedural status* of environmental review and permitting by the jurisdictional land use authority, but does not attempt to second-guess the outcome of that environmental review or require a duplicative environmental review process. For example, a bid will receive a higher PVC score) if its lead land use agency (e.g., a County, the Energy Commission, or the U.S. Bureau of Land Management) has issued a final permit or decision on the project, which would also require that all necessary environmental review has been completed.^{1/} A project scores only half as many points (5 points in the permitting category) if it has only submitted its application for the applicable land use permit and that application has been deemed complete. Similarly, projects that have not yet submitted an application for the applicable land use permit receive even fewer points (either 2 or 0 points, depending on whether any fatal permitting/environmental flaw has been identified). This approach recognizes that as projects move further along in the environmental review and permitting processes, they become more viable because those that cause significant, unmitigated environmental impacts will be weeded out. The existing approach

^{1/} See CPUC, Project Viability Calculator (available at <http://www.cpuc.ca.gov/PUC/Templates/RPS.aspx?NRMODE=Published&NRNODEGUID=%7b722CB59B-003C-476F-BE7B-D6EABE6DC003%7d&NRORIGINALURL=%2fPUC%2fenergy%2fRenewables%2fprocurement%2ehmt&NRCACHEHINT=Guest#ProjectViability>).

also appropriately defers to the jurisdictional land use agencies to conduct the substantive environmental review and does not try to duplicate or second-guess the outcome of that process.

Importantly, a PPA does not authorize a developer to begin construction. Rather, as a term and condition of the PPA, a developer must still complete all required federal, state, and local permitting processes, secure financing, and complete final design of a project that allows for construction of the project within the cost constraints established by the PPA. Thus, the existing PPA review and approval process does not ignore environmental review, but rather allows the land use agency that is in the best and most knowledgeable position to review concrete designs and authorize physical changes to the environment.

It is also worth noting that failure to receive environmental permits because of environmental impacts has not been a major cause of PPA failure in PG&E's experience. The viability of RPS projects has steadily increased in the past years, and as a result, relatively few RPS projects in PG&E's portfolio have been terminated or failed specifically because of permitting obstacles. Based on PG&E's experience with RPS project terminations, interconnection, financing, and other non-environmental issues have been more significant drivers of project failure.

While PG&E supports holistic and comprehensive approaches to environmental issues and has actively participated in efforts to facilitate coordination across jurisdictions to rationalize the siting of new renewable generation facilities, if the CPUC were to conduct duplicative environmental reviews of projects seeking PPAs, it would hinder the renewable development process without any significant gain in efficiency, transparency, or market certainty. Such proposals would require the CPUC to massively expand the existing PPA review process to try to conduct landscape-scale planning based upon second-hand knowledge of ongoing planning efforts by the jurisdictional permitting authorities. Rather than solve an existing problem, this would very likely create new and difficult agency coordination problems.

Fortunately, there are far better ways to plan for renewable energy development. As noted in Section I, above, and discussed at the Workshop, federal, state, and local agencies with the jurisdiction over siting of renewable facilities can establish areas that are preferred for the siting of renewables and areas where renewables cannot be sited, or can only be sited under certain conditions. Additionally, these agencies can work together, as they have sought to do in the DRECP, to harmonize designations across jurisdictions to create the landscape-scale plans. Such plans will further help to "nip in the bud" projects that have unacceptable environmental impacts, since they will presumably make clearer to power developers areas in which a potential project will be unviable from an environmental perspective. Thus, in sum, PG&E recommends that the focus of environmental and land use planning remain on coordination between the jurisdiction land use agencies and not be expanded to the PPA execution and approval processes.

IV. PG&E SUPPORTS FOCUSING ON GHG REDUCTIONS AS A GUIDING PRINCIPAL FOR FUTURE POLICY MAKING.

Policy makers are already considering further increasing the state's renewable resources as a way to reduce the State's GHG emissions. However, looking at a future where increasing amounts of power will come from renewable and intermittent resources will require thoughtful and informed policy discussions to ensure that the operational, technical, and economic challenges of a higher RPS are well understood and that viable solutions to those challenges have been examined. Incremental renewable energy will certainly be part of California's clean energy future, however we believe there is a need for more broad-based policy solutions that can optimize GHG reductions across multiple sectors.

PG&E believes the State should begin transitioning towards a technology-neutral, cost-effective clean energy policy, rather than developing additional technology-specific mandates. Policy that supports a wide range of tools to reduce energy use and provide clean energy in a cost-effective manner will best serve Californians. Future policies should consider energy efficiency, demand response, efficient combined heat and power, and renewables, as well as the wealth of carbon-free resources we already have -- like large hydroelectric facilities, and our existing nuclear power facility. All of these resources together can provide a diversified clean energy portfolio to power California in a safe, reliable, environmentally sensitive, and cost-effective way.

V. CONCLUSION

PG&E appreciates the opportunity to comment on the issues discussed during the August 5 Workshop. Please contact me if you have any questions or wish to discuss matters further.

Sincerely,

/s/

Madeline R. Silva

cc: Al Alvarado by email [Al.Alvarado@energy.ca.gov]
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