



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

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Application of Pacific Gas and Electric Company for Approval of the Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, And Recovery of Associated Costs Through Proposed Ratemaking Mechanisms.

Application 16-08-006  
(Filed August 11, 2016)

(U 39 E)

**RESPONSE OF THE INDEPENDENT ENERGY  
PRODUCERS ASSOCIATION**

**INDEPENDENT ENERGY PRODUCERS  
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Dated: September 15, 2016

Attorneys for the Independent Energy Producers  
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As permitted by Rule 2.6(c) of the Commission’s Rules of Practice and Procedure, the Independent Energy Producers Association (IEP) submits its response to the application of Pacific Gas and Electric Company (PG&E) for authority to retire the Diablo Canyon Power Plant. Consistent with Rule 2.6(c), IEP does not object to the authority sought in the application.

**I. IEP’S RESPONSE**

IEP notes that Section 2 of the Joint Proposal presented in PG&E’s application proposes to procure about 4,000 GWh of energy efficiency and other greenhouse gas (GHG)-free energy to replace the energy production of Diablo Canyon. Diablo Canyon, however, is capable of generating more than 18,000 GWh per year.<sup>1</sup> Thus, even if the Joint Proposal is approved and successfully implemented, about 14,000 GWh will need to be obtained each year after 2025, when Unit 2 retires, to replace the energy now generated by Diablo Canyon. The application

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<sup>1</sup> Application, p. 4.

acknowledges that “additional resources beyond those specified in the Joint Proposal may be needed on a system-wide basis to replace the output of Diablo Canyon,” and states its expectation that this shortfall will be addressed primarily through the Integrated Resource Planning (IRP) process underway in Rulemaking (R.) 16-02-007.<sup>2</sup>

R.16-02-007 is grappling with the difficult issue of implementing the legislative instruction to implement IRP, and no procurement is likely to be authorized in R.16-02-007 until 2018, at the earliest. IEP is concerned that if the Commission relies on the IRP process to be completed before any procurement of replacement resources is undertaken, the resources needed to meet the demand for electricity starting in 2024, when Unit 1 retires, will not be available. Moreover, the combination of the retirement of Diablo Canyon, the retirement of coastal generation units to meet Once-Through Cooling requirements, and unexpected retirements of gas-fired units due to market conditions could result in a pressing need for new resources even before Unit 1 retires in 2024.

On September 1, 2016, IEP filed comments on the Renewables Portfolio Standard (RPS) procurement plans in R.15-02-020. In those comments, IEP noted how the expiration of federal tax incentives for development of renewable energy and the availability of unprecedentedly low-cost capital presented a unique and fleeting opportunity for development of renewable resources. The Commission should consider those same factors as it deliberates on how, and how quickly, to replace the 18,000 GWh of energy now produced by Diablo Canyon.

**II. PG&E’S PROPOSED CATEGORY, NEED FOR HEARINGS, ISSUES, AND SCHEDULE (RULE 2.6(D))**

IEP has no objection to PG&E’s proposed category, need for hearings, and schedule. IEP suggests that the statement of issues should include:

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<sup>2</sup> Application, p. 9.

- Is there a need by 2024 for procurement of resources in addition to those proposed in the Joint Proposal?
- Should PG&E or other load-serving entities be authorized to undertake additional procurement to ensure that the State has sufficient resources to meet the demand for electricity when the Diablo Canyon units retire?

Respectfully submitted September 15, 2016 at San Francisco, California.

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