BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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REPLY COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON RESOURCE PLANNING ASSUMPTIONS – PART 2 (LONG-TERM RENEWABLE ASSUMPTIONS) – TRACK 1

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I. INTRODUCTION

Pursuant to the Administrative Law Judge's (ALJ's) Ruling Revising the Schedule for the Proceeding Regarding Staff's Proposals for Resource Planning Assumptions Part 2 (Long Term Renewable Resource Planning Standards), issued on June 22, 2010, the Division of Ratepayer Advocates (DRA) submits the following comments responding to comments filed by Southern California Edison (SCE), Pacific Gas and Electric Company (PG&E), San Diego Gas and Electric Company (SDG&E), California Wind Energy Association (CalWEA), the Center for Energy Efficiency and Renewable Technology (CEERT), Large-Scale Solar Association (LSA), the FIT Coalition and the Union of Concerned Scientists (UCS) on July 12, 2010. Those comments addressed the renewables portfolio standard (RPS) long-term resource planning assumptions and responded to six questions on the assumptions and scenarios proposed by the administrative law judge (ALJ) in the June 22, 2010 ruling.

DRA's main points in our reply comments are as follows:

- DRA agrees with parties that recommend the discounted core should include all signed RPS contracts.

- DRA disagrees with parties that recommend applying an arbitrary failure rate on the contracts included in the discounted core.
- DRA agrees with PG&E that it would be beneficial for Staff to provide further clarity on the planning assumptions and the uncertainty of transmission timing assessments.
- DRA agrees with parties that it would be beneficial for Staff to provide further clarity on how the long term renewable resource planning standards will be used in the 2010 LTPP. DRA further recommends that Staff provide process flow diagrams of the long term renewable resource planning study and interaction with the 2010 LTPP.

II. DRA SUPPORTS THE INCLUSION OF A DISCOUNTED CORE BUT RECOMMENDS THE CONTRACT CRITERIA BE MODIFIED

In theory, the concept of incorporating a discounted core into the scenarios to more appropriately account for renewable resources and determine future renewable resource needs is a good idea, but the criteria for determining what the discounted core should be comprised of requires modification to be effective and useful in the 2010 LTPP.

Of the parties that commented on the renewable resource planning assumptions, many raised the issue of modifying the project screening criteria for the discounted core which leads to a general disagreement on which criteria are the most appropriate for determining the discounted core's resource makeup. In particular PG&E states that it "supports the concept of a discounted core that reflects the utilities' existing procurement obligations and approximates the "sunk costs" that ratepayers will incur regardless of future policy decisions."[1] PG&E's understanding of what the discounted core was intended to achieve appears to differ slightly from what other parties may have understood of the proposal. Nonetheless, PG&E had concerns about the approach and results of the discounted core analysis with which DRA concurs. First, PG&E is concerned that the screening criteria for the discounted core could lead to an unwarranted

[1] PG&E Comments p. 12.

advantage for some types of technology. Specifically, PG&E questions the value of data adequacy as a discounted core criterion in a long-term plan that spans more than a decade. PG&E correctly notes that the time required to reach data adequacy is more a reflection of bureaucratic lag than it is an indicator of overall project viability. DRA agrees with this assessment and sees it as a larger problem with using the discounted core as an input assumption at this time. PG&E also identified some large projects contributing over 1,400 GWh annually that would not have been counted in the discounted core in its present design. This is a costly error for ratepayers.

Other parties offered their inputs as to the criteria of the discounted core. LSA argues that projects receiving American Recovery and Reinvestment Act funding and other government support should be given "substantial weight" in assessing their success among other projects included in the discounted core.[2] CalWEA argues that including a "commercial core" of projects in the scenarios is not consistent with a "least regrets" approach of CAISO's Revised Transmission Planning Process (RTPP) and advocates that the "least regrets" methodology be utilized for resource planning.[3] UCS/NRDC recommend that projects in the discounted core be categorized as "winners" or "losers" to assess the likelihood of development. Finally, the FIT Coalition, UCS, and SCE all argue that the discounted core should include a 25% discount probability to account for contracted projects that fail to develop.

DRA generally agrees with parties that the project screening criteria for the discounted core needs to be modified before it can be useful to the resource planning assumptions. Specifically, DRA agrees with PG&E that "it is important that the discounted core accurately reflect the commercial transactions that have occurred."[4] Thus, DRA recommends that all signed contracts be included in the discounted core as these are projects on which the developer and utility have a contractual obligation. It is imperative that all resources be accounted for to give the most accurate figures to

[2] LSA, 10.

[3] CalWEA, 3, 5.

[4] PG&E's Comments, p. 13.

influence the planning assumptions. The report would be less effective if it omits large quantities of renewable resources simply because they are not guaranteed. DRA does not believe a 25% discount us necessary to replace the discounted core or to account for projects that may never develop.

DRA differs with PG&E in the solution for the problem. PG&E recommends that ED require a signed power purchase agreement (PPA) and a filed permit application in order to maintain a long-term perspective on project viability. DRA would rather see ED use only approved PPAs as the requirement. The same bureaucratic lag that makes "data adequacy" a false criterion, also makes "a filed permit" a false criterion. There is never any guaranty that a filed permit would be granted or not delayed so long that it becomes impractical or too expensive to build the project.

Green Power Institute (GPI) also questions whether using a methodology that relies heavily on the stage of development of a renewable resource project is the best way to determine the discounted core. Hence, GPI recommends using a probabilistic factor that represents whether the project will successfully achieve operational status in accordance with contracted specifications. It is unclear why GPI proposed probability factor would be more accurate than the criterion currently in the model. One seems as speculative as the order until GPI explains what that probability factor would be or how it would be derived. The more important question, given GPI's recommended correction is: how important is it to capture these projects already in development in a manner different from just capturing the fact that they are Commission approved contracts and how much better does it make the model to do so for this LTPP? DRA feels it is more important to focus parties energies on the renewable integration studies that would be used in this proceeding than in trying to correct or perfect the discounted core model at this time. DRA agrees with San Diego Gas & Electric's comments which state that the "discounted core is not sufficiently robust that it should be the only RPS future state, based on existing contracts, that is studied."[5]

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[5] SDG&E's Comments, p. 7.

III. THE UNCERTAINTY OF TRANSMISSION TIMING ASSESSEMENT

Many parties raise important issues regarding the accuracy of the methodology and automated timeline pool used to establish the "Transmission Timeline Assumptions," but DRA still believes this tool presents a realistic starting point for planning purposes. PG&E presents some constructive comments for making the process better and notes that there needs to be a better understanding of the assumptions used to develop the "Development Length." SCE makes a more prescriptive recommendation that changes the specific developmental lengths used in the assumption with its own numbers.

DRA believes that PG&E has recommended the better approach, which is to seek clarification and understanding of the specific assumptions driving the time-length used in the Timeline Assumptions. SCE's proposed changes to the numbers used in the assumption have the same problem as the ED's assumptions. It's still not clear what underlying assumptions or conclusions led SCE to believe that its numbers are better than ED's numbers. Further, in many instances, SCE's changes to the timelines are such neat round figures of half-dozen years or double the number in the Timeline Assumptions that they seem more speculative than the model SCE was trying to criticize.

The issue of timing for the development of transmission infrastructure has been a constant and difficult problem in electricity planning in the state. Even the line between conceptual development and outright implementation was blurred in the recent past. The utilities are the most directly impacted by this issue and have valuable experience that can be used to make the current model better. DRA encourages ED to draw as much as it can from the utilities comments as well as use data requests to develop as much information as it can for making this model timeline better for this LTPP. As SDG&E noted, "[t]he timeline tool is very instructive and helpful."[6]

[6] SDG&E's Comments, p. 5.

IV. STAFF SHOULD FURTHER CLARIFY HOW THE LONG TERM RENEWABLE RESOURCE PLANNING STANDARDS WILL BE USED IN THE 2010 LTPP

In general, opening comments reflect widespread confusion regarding how the long-term renewable resource planning standards will be used in the 2010 LTPP.[7] DRA agrees with parties concerns and recommend that Staff further clarify how the study will be implemented and results integrated into the 2010 LTPP. A good first step would be to provide process flow diagrams which would provide parties with a visual representation on how the renewable study will be implemented (with inputs and outputs) as well as how the renewable study results will be integrated into the overall 2010 LTPP.

DRA believes Staff has already provided some indication of how the renewable study will be used.[8] Specifically, DRA's interpretation of the Renewable Assumptions is that one result of the effort will be the selection of a single state-wide preferred renewable scenario. In turn, the selected state-wide renewable scenario will be disaggregated, with resources "allocated" (as specified) to each IOU for planning purposes.[9] And though the report does not explicitly say so, the IOU-allocated resources would then be entered into the associated IOU's Load and Resource (L&R) Table in Line 11 (RPS Additions NQC (Including Imports)).[10] DRA hopes that Staff will confirm DRA's understanding of the process and/or clarify the process for all parties benefit. In addition, Staff should provide process flow diagrams of both the long term renewable study process as well as the interaction between the renewable study and the 2010 LTPP process.

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[7] For example see SCE's Comments, pp. 2-3; PG&E's Comments, p. 2 ; Large-Scale Solar Association Comments pp. 1-4 ; CalWEA Comments p. 10 ; CEERT Comments p. 2, 12.

[8] Attachment 1 – Planning Standards for System Resource Plans-Part II, Long-Term Renewable Resource Planning Standards (Renewable Assumptions), June 22, 2010, Section IV Next Steps pp. 36-37.

[9] Renewable Assumptions, Section IV.2 IOU-Specific Allocations of RPS Portfolios, pp. 36-37. for example 1.) Remove any POU resources from each portfolio; 2.) Allocate public ED database projects to the IOUs; 3.) Allocate confidential ED database projects to the IOUs; 4.) Allocate generic projects to load on a pro-rata basis for each resource type in each zone.

[10] Attachment 1 - Energy Division Proposal: Standardized Load and Resource Tables for System Resource Plans, May 28, 2010, p. 2.

Respectfully submitted,

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July 16, 2010

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I hereby certify that I have this day served a copy of **REPLY COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON RESOURCE PLANNING ASSUMPTIONS – PART 2 (LONG-TERM RENEWABLE ASSUMPTIONS) – TRACK 1** to the official service list in **R.10-05-006** by using the following service:

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Executed on **July 16, 2010,** at San Francisco, California.

/s/ Charlene D. Lundy
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