

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to
Integrate Procurement Policies and
Consider Long-Term Procurement
Plans

R. _____

ORDER INSTITUTING RULEMAKING**1. Summary**

We open this rulemaking to continue our efforts to ensure a reliable and cost-effective electricity supply in California through integration of a comprehensive set of procurement policies and review of long-term procurement plans (LTPP). The LTPP proceeding is the successor to Rulemaking (R.) 04-04-003¹ and R.01-10-024,² and it will be the forum in which we consider, in an integrated fashion, the Commission's electric resource procurement policies and programs.

¹ *Order Instituting Rulemaking to Promote Policy and Program Coordination and Integration in Electric Utility Resource Planning*, dated April 1, 2004.

² *Order Instituting Rulemaking to Establish Policies and Cost Recovery Mechanisms for Generation Procurement and Renewable Resource Development*, dated October 29, 2001.

We will use the recently adopted Energy Action Plan II (EAP II) as our guidepost in this proceeding.³ Under the EAP II, the State's energy agencies have jointly adopted the goal "for California's energy to be adequate, affordable, technologically advanced, and environmentally-sound." (EAP II, p.2) The agencies developed a set of priorities for energy policy, many of which are directly relevant to this rulemaking. The EAP II priorities for "Electricity Adequacy, Reliability and Infrastructure" and "Electricity Market Structure" identify many key actions that will take place in this proceeding. Among the Key Actions related to this procurement proceeding and a companion rulemaking (R.) 05-12-013, that focuses on resource adequacy issues are:

- Ensure that all load serving entities meet the state's adopted reserve and resource adequacy requirements of a 15-17 percent planning reserve no later than June 2006, through a reasonable mix of short-, medium- and long-term resource commitments. (p.10)
- Provide for the continued operation of cost-effective and environmentally-sound existing generation needed to meet current reliability needs, including combined heat and power generation. (p. 10)
- After incorporating higher loading order resources, encourage the development of cost-effective, highly-efficient, and environmentally-sound supply resources to provide reliability and consistency with the State's energy priorities. (p.10)
- Establish appropriate incentives for the development and operation of new generation to replace the least efficient and

³ Energy Action Plan II was adopted by this Commission in October 2005, and is a joint policy plan by the CPUC and the CEC. See <http://www.cpuc.ca.gov/PUBLISHED/REPORT/50480.htm>.

least environmentally sound of California's aging power plants. (p.10)

- Complete and refine, as necessary, the current investor owned utilities (IOU) electricity procurement process to provide that it is competitive, transparent, fair, proceeds in a timely fashion, and achieves California's resource adequacy requirements. (Key Action under Electricity Market Structure, p.12)

We will also consider the California Energy Commission's (CEC) 2005 Integrated Energy Policy Report (IEPR), for procurement-related recommendations during this and related rulemakings.⁴

In addition to the EAP II and the recent IEPR, the Commission also received guidance from the legislature on procurement issues with the enactment of AB 57 (Stats. 2002, Ch. 850, Sec 3, Effective Sept. 24, 2004, added Public Utilities Code Section 454.5) and AB380 (Stats. 2005, Chapter 367, added Public Utilities Code Section 380). Both pieces of legislation required the Commission to take certain steps with respect to procurement in the State.

To comply with A380, we recently initiated R.05-12-013 as the primary forum for Commission review and implementation of the resource adequacy issues identified in the legislation and statute.

On April 1, 2004, we opened R.04-04-003 to implement the provisions of AB 57 and in that proceeding we reviewed and approved the utility energy procurement plans of the three large IOUs, Pacific Gas and Electric Company (PG&E), Southern California Edison company (SCE) and San Diego Gas &

⁴ CEC's IEPR Report 2005 is available at <http://www.energy.ca.gov/2005publications/CEC-100-2005-007/CEC-100-2005-007-CMF.PDF>

Electric Company (SDG&E) for 2005-2014. This successor rulemaking will review and approve the next cycle of energy procurement plans for 2007-2016.

R.04-04-003 initially named the three IOUs as respondents. Decision (D.) 05-03-013 (as modified by D.05-03-035 and D.05-08-029) modified the April 1, 2004 order that instituted that rulemaking by naming registered Energy Service Providers (ESP) and Community Choice Aggregators (CCA) as respondents for the Resource Adequacy portion of the proceeding. Because this proceeding is a forum for implementing Section 380, which requires that resource adequacy requirements be established for all load serving entities (LSEs), we will adopt a more expansive approach and name as respondents all LSEs as defined in Pub. Util. Code § 380(j).

In R.04-04-003, ESPs have been respondents only to the resource adequacy portion of the proceeding, but not to the long-term planning portion of the proceeding. Section 380 requires the Commission to establish resource adequacy requirements that facilitate the development of new generation capacity and equitably allocate the cost of generating capacity.⁵ To achieve these objectives, the Commission names all LSEs as respondents to this long-term procurement planning proceeding,⁶ although we defer to the Assigned Commissioner and the Assigned ALJ to scope their participation in the proceeding. To meet the

⁵ See Pub. Util. Code § 380(b)(1) and (2).

⁶ D.05-11-025 has determined that Energy Service Providers, Community Choice Aggregators, and Small/Multi-jurisdictional utilities are required to comply with the fundamental aspects of the RPS program, including procuring 20% of their retail sales from renewable energy sources by 2010. The extent to which they are to comply is to be determined in R.04-04-026.

resource adequacy requirements of Section 380 which need to be implemented through the long-term planning process, the Commission will need the participation of all LSEs in the Commission's LTPP process. While we understand that ESPs and CCAs may not be subject to the same regulatory oversight as IOUs, we do expect that the Commission will use this proceeding to find a way to facilitate cooperative planning with all LSEs in order to achieve the objectives of Section 380. Our expectation is that this proceeding will build on the work of previous proceedings, and establish a collaborative planning process, that includes appropriate participation from state agencies, the California Independent System Operator (CAISO), and all LSEs, as appropriate.

2. Background

In R.01-10-024, the Commission worked to give the IOUs procurement authority, often referred to as "AB57 authority," including the authority to sign contracts for up to five years' duration. Utilities resumed procurement on January 1, 2003, and undertook power procurement in 2003 in accordance with Commission approved 2003 short-term plans. In D.03-12-062, the Commission approved the utilities' 2004 short-term procurement plans. In D.04-01-050, the Commission established that each load serving entity has an obligation to acquire sufficient reserves for its customer loads, endorsed a hybrid market structure, and extended utilities' procurement authority into 2005. In R.04-04-003 (especially D.04-12-048), the Commission approved the IOUs' long-term procurement plans and gave the IOUs procurement authority for short, medium, and long term contracts for the planning period 2005 through 2014.

On December 2, 2005, the Assigned Commissioner in R.04-04-003 issued a ruling that expressed an intention to open a new proceeding for the next long-term procurement review cycle.⁷ Attached to the December 2nd ACR was a draft staff proposal for the organization of the upcoming cycle of the procurement proceeding. A workshop was held on December 14, 2005 to discuss the staff proposal, and parties were offered the opportunity to issue pre- and post-workshop comments. The central focus of the workshop and related comments was to inform the efficient development of this OIR, as well as its subsequent scoping memo and schedule.

Several parties⁸ submitted pre-workshop comments on the staff proposal. The December 14, 2005 workshop was attended by numerous agency staff from the CPUC and the CEC, CAISO, all three IOUs (PG&E, SCE and SDG&E), many of the entities that filed pre-workshop comments, and others interested in the issues presented.⁹ Eleven parties¹⁰ submitted post-workshop comments, and eight parties¹¹ submitted post-workshop reply comments.

⁷ Assigned Commissioner's Ruling Regarding Next Steps in Procurement Proceeding (dated December 2, 2005).

⁸ Division of Ratepayer Advocates, California Clean DG Coalition, Mirant California, LLC, Mirant Delta, LLC and Mirant Potero, LLC, Alliance for Retail Energy Markets, Western Power Trading Forum, The Utility Reform Network, PG&E, Sempra Global, Natural Resources Defense Council, SCE, Silicon Valley Leadership Group, Cogeneration Association of California and the Energy Producers & Users Coalition, West Coast Power, Constellation Energy Commodities Group, Inc. and Constellation New Energy, Inc., Californians for Renewable Energy, Inc., San Diego Association of Governments, and Mountain Utilities.

⁹ City of Chula Vista, CLECA, Calpine Corporation (Calpine), City and County of San Francisco, League of Women Voters, Independent Energy Producers (IEP), and Van

Footnote continued on next page

3. Goals of this Proceeding

The primary purpose of this rulemaking is to serve as the Commission's forum to integrate all procurement policies and related programs. A key representation of this integration is the filing, review and adoption of long-term procurement plans by the IOUs. These plans will cover the period 2007 to 2016 and they will reflect all of the decisions made by the Commission since the last filing of long-term plans. In addition, this rulemaking will seek the participation of ESPs and CCAs as contributors to the state's long-term resource planning process. We leave the details of that participation to the Assigned Commissioner and assigned ALJ.

This rulemaking will serve as an umbrella proceeding to handle the procurement policy issues that do not warrant a separate rulemaking and it will provide a place to integrate all of our efforts ongoing in the other procurement related dockets, including:

Horn Consulting, Strategic Energy, CEERT EMS, Union of Concerned Scientists, FERC, Williams, CalWind Energy Associates, McCarthy & Berlin, MRW Associates, San Diego Regional Energy Office, CDWR CERS, Cities of Temucula, Hamet and Muneta, Energy Policy Initiatives Center, CMUA, ESH, FPL Energy, Green Power and SLD Energy Solutions.

¹⁰ PG&E, Independent Energy Producers Association, Southern California Energy, National Grid, San Diego Gas & Electric, Division of Ratepayer Advocates, City and County of San Francisco, WPTF, California Farm Bureau, Alliance for Retail Energy Markets, Constellation Energy Commodities Group, Inc. and Constellation Newenergy, Inc.

¹¹ PG&E, Union of Concerned Scientists, Constellation Energy Commodities Group, Inc. and Constellation Newenergy, Inc., Alliance for Retail Energy Markets, Independent Energy Producers Association, NRDC, Western Power Trading Forum, and Division of Ratepayer Advocates.

1. Community Choice Aggregation (R.03-10-003);
2. Demand Response program plans (A.05-06-006 et al.);
3. Critical Peak Pricing (A.05-01-016 et al.);
4. Distributed Generation (R.04-03-017 and its successor);
5. Energy Efficiency (R.01-08-028 and its successor);
6. Avoided Cost and Qualifying Facility (QF) Pricing (R.04-04-025);
7. Renewable Portfolio Standards (R.04-04-026 and its successor);
8. Transmission OII, I.00-11-001; and Renewable Energy Transmission (I.05-09-005);
9. Confidentiality (R.05-06-040); and
10. Resource Adequacy Requirements (R.05-12-013).

This rulemaking will host any other procurement policy issues that need to be addressed by the Commission in a comprehensive or integrated fashion.

A. Review of the Need for Policies to Support New Generation

The first order of business for this proceeding will be to review additional policies to support new generation and long-term contracts in California, including consideration of transitional and/or permanent mechanisms (e.g., cost allocation and benefit sharing, or some other alternative) which can ensure construction of and investment in new generation in a timely fashion.

B. Review and Adoption of Long-Term Plans

The second order of business for this proceeding will be to serve as the forum for the Commission's biennial procurement review process, established pursuant to AB57, D.04-01-050 and D.04-12-048, which requires that IOUs submit long-term procurement plans that serve as the basis for utility procurement

activities until refinement during the next biennial planning cycle. Long-term procurement plans are the place to comprehensively integrate all Commission decisions from all procurement related proceedings. The long-term plan review process will reflect an integrated resource planning approach to planning for the future of the state's electric system.

4. Interagency Considerations

The Commission established that long-term procurement planning would occur on a biennial basis in D.04-01-050, an approach adopted to ensure appropriate coordination with the CEC's IEPR proceeding. (See D.04-01-050, p. 175.)

In the past few years and especially in R.02-06-001 and R.04-04-003, this Commission has encouraged the active participation of the CEC in its rulemaking endeavors on the decisionmaking side, rather than as party litigants. We invite the CEC to join us in this proceeding by continuing the collaborative approach that both agencies pursued in the development of procurement policy in R.04-04-003. The collaborative approach has been an effective tool to ensure that state agencies are able to communicate and effectuate their joint policy goals. At this point, we do not specify the details of the precise interagency working models that will prove to be most effective in this proceeding. However, the assigned Commissioner and ALJ will work together to develop the necessary interagency working models that will support successful decisionmaking.

5. Preliminary Scoping Memo

In this Preliminary Scoping Memo, we describe the issues to be considered in this proceeding and the timetable for resolving the proceeding. As they consider revising the scoping memo below, we expect the Assigned Commissioner and ALJ to consider fully the record developed in the December 2,

2005 ACR, the staff workshop on December 14, 2005, as well as pre- and post-workshop comments as they prepare a revised scoping memo. Not all details raised in the comments are appropriate for this OIR; rather, we leave some of the detailed decisions to later iterations of the scoping memo.

Our overall objective for this proceeding is to be the forum for review and adoption of the respondents' long-term procurement plans. It is also the forum for our review of the need for a policy to ensure adequate contracting for new resources. Although the IEPR Transmittal Report says "No regulatory barriers to long-term contracting currently exist,"¹² we are concerned with the progress to date in the area of long-term contracting. Therefore we are prioritizing the review of policies needed to support the development of new generation as the first order of business in this proceeding.

In R.05-12-013, we clarified that the Commission intends the new resource adequacy proceeding to review next generation resource adequacy issues, including local resource adequacy requirements, system resource adequacy requirement compliance issues, multi-year requirements, capacity markets, and tradable capacity products. While these issues have significant overlap with the LTPP proceeding, we will coordinate the proceedings (as well as the outcomes) but keep these issues on parallel tracks. Several parties submitted comments on the December 2nd ACR asking for the Commission to consider capacity markets and related matters in the new LTPP proceeding; hopefully it is now clear that we intend to review these matters in the resource adequacy proceeding.

¹² CEC's Transmittal Report is available at: h55p://www.energy.ca.gov/2005publications/CEC-100-2005-008/CEC-100-2005-008-CTF.PDF. p.14.

After careful consideration, the following additional issues are not anticipated to be in the scope of this proceeding: ordering a comprehensive review of the effectiveness of the hybrid market structure to meet the Commission's procurement objectives, a review of the slice of load proposal, and defining or reviewing the future structure of the retail market. While we recognize that these issues are related to procurement, we decline to order a comprehensive review of these policies in the scoping of this proceeding at this time.

Numerous parties raised the issue of allowing both existing and new generation bids in requests for offers (RFOs). This issue was discussed in D.05-12-022, and in that decision the Commission said, "While we did not give any specific instructions in D.04-12-048 to the IOUs for including or excluding bidders from RFOs, we encourage the IOUs to be as inclusive as possible in their RFOs. We will refine the directives for RFOs, as needed, in the 2006 LTPP decision." We defer to the Assigned Commissioner and ALJ as to how to consider refinement of the procurement directive in this proceeding.

In D.05-09-022, the Commission granted limited rehearing of D.04-12-048 on SCE's evidentiary challenge regarding the 50/50 sharing provisions related to construction cost savings from the construction of new power plants. We expect that this issue will be incorporated into the scope of this proceeding, and we defer the details of that incorporation to the Assigned Commissioner and ALJ.

A. Review of the Need for Policies to Support New Generation

The first order of business for this proceeding will be to examine the need for additional policies that support new generation and long-term contracts in California, including consideration of transitional and/or permanent

mechanisms (e.g., cost allocation and benefit sharing, or some other alternative) which can ensure construction of and investment in new generation in a timely fashion.¹³

In comments submitted in response to the Dec. 2nd ACR, parties generally agreed that reviewing the need for policies to ensure new generation gets built in California was an urgent and priority goal for the proceeding. Parties commented that the mechanisms to attract private investment in California generation are not meeting expectations. While independent power producers do not require the Commission's authority to build generation, the CPUC-authorized procurement processes, including the approval of long-term contracts with suppliers, can stimulate such investment.

For example in D.04-12-048, the Commission allowed utilities to recover uneconomic costs of long-term contracts from departing load. (See D.04-12-048, Findings of Fact 33-38, Conclusions of Law 13-15, and OP #10.) Since that decision, concerns have been raised about whether existing policies are sufficient to ensure adequate long-term contracting occurs.

In examining the need for new policies to encourage generation investment, the proceeding may be able to rely on existing need determinations. We defer to the Assigned Commissioner and the ALJ on the degree to which a review of need determinations should be examined in this portion of the proceeding. Several parties pointed out that the need for new generation may be already resolved and may not be an issue of fact; rather the need assessment

¹³ Capacity Markets is currently slated to be considered in Phase 2 of R.05-12-013, and this LTPP proceeding will be carefully coordinated with that review.

conclusions of prior procurement proceedings and the IEPR have established that there is a need for new generation. In addition, the CEC recently prepared and presented a preliminary 5-year outlook for the Energy Action Plan meeting in December.¹⁴

We expect this portion of the proceeding to commence with proposals from parties on the additional policies to support new generation and long-term contracting, due on March 2nd, followed by a two-day staff workshop on or after March 6th. A ruling giving further guidance on the topics to be covered and the agenda for the workshop are forthcoming.

B. Review and Adoption of Long-Term Plans

This proceeding's centerpiece will be the review and adoption of long-term plans. We anticipate the plans will be filed sometime in the summer of 2006. Each IOU's LTPP will include both a 10-year resource plan, as well as details of the actions and policies that the IOU plans to take that will carry out the plan. We expect these plans will incorporate Commission's policies, including EAP II, as well as all Commission decisions in effect at the time of the filing. Decisions expected this spring/summer on local resource adequacy requirements, confidentiality, and avoided costs/qualifying facilities may all need to be incorporated into the LTPP filings.

With respect to resource planning, respondents will be asked to generate comprehensive 10 year resource plans. Parties' 10 year resource plans will be the

¹⁴ See "Electricity Outlook for Summer 2006 and Beyond", presentation by Dave Ashuckian, Manager Electricity Office, California Energy Commission. Posted: December 12, 2005. Available at http://www.energy.ca.gov/energy_action_plan/meetings/index.html#121205.

primary forum for considering resource alternatives, and plans will be reviewed in the context of existing procurement policies (including policy targets and constraints), resource planning trade-offs, the loading order and the least cost/best fit criteria. Plans may include analysis of the tradeoffs between transmission and generation, as well as different resource types, bearing in mind policy, availability, the loading order, and least-cost best fit. We also expect that Greenhouse Gas (GHG) forecasts will be submitted as part of plans. Once adopted, procurement plans will become the basis for numerous future infrastructure applications.

As noted in the ACR on December 2nd, it may be useful to conduct more pre-filing work to ensure that the LTPP filings are useful to the Commission. Parties agreed on the need to hold workshops to determine the key planning assumptions and inputs to be used in the LTPP filings. We encourage this approach. We defer the design of the long-term plan filings, as well as the timing and review of the long-term plan submissions to the Assigned Commissioner and ALJ. It may be appropriate to review procurement plans and practices with respect to some or all of the following: implementation of Least Cost/Best Fit approaches, application of renewables as the rebuttable presumption in procurement, gas hedging practices, level playing field for all market participants, use of IEs, use of procurement review groups, use of all-source solicitations (or RFOs), portfolio risk policies, feedback from short term transaction audits, impact of resource adequacy on procurement practices, use of GHG adder , credit risk policies, RFO processes, etc.

Parties expressed concern over the concept of utilities' conducting integrated resource planning (IRP) in conjunction with their long-term plan filings. Some parties stated that integrated resource planning is a term that only

refers to vertically integrated utilities and their internal tradeoffs between generation and transmission. We expect the Assigned Commissioner and ALJ to develop collaborative planning models that are appropriate to today's market and regulatory conditions. We expect that this planning approach, including application of the IEPR Transmittal Report and CAISO Transmission Study, will be developed publicly and fully vetted in workshops.

6. Category of Proceeding

The Commission's Rules of Practice and Procedure require that an order instituting rulemaking preliminarily determine the category of the proceeding and the need for hearing.¹⁵ As a preliminary matter, we determine that this proceeding is ratesetting because our consideration and approval of the refinements to and further development of procurement policies will impact respondent IOUs' rates.¹⁶ As with earlier procurement proceedings, it appears that the issues may be resolved through a combination of workshops and formal comments (as well as evidentiary hearings). As provided in Rule 6(c)(2), any person who objects to the preliminary categorization of this rulemaking as "ratesetting" or to the preliminary hearing determination, shall state its objections at the PHC. After the PHC in this matter, the Assigned Commissioner will issue a scoping ruling making a final category determination; this final determination is subject to appeal as specified in Rule 6.4.

¹⁵ Rule 6(c)(2).

¹⁶ Rule 5(c).

7. Schedule

A PHC is set for February 28, 2006, at 10:00 a.m. in the Commission's Courtroom at the State Office Building, 505 Van Ness Boulevard, San Francisco, California 94102. At the PHC, the parties should be prepared to discuss the issues addressed in this order, as well as any issues raised in their pre and post workshop comments on the December 2nd ACR. PHC written statements are not requested at this time.

The preliminary schedule for the proceeding, with an initial scheduling emphasis on the review of the need for policies to support new generation is set forth below. The schedule will be discussed at, and further refined following, the PHC. This proceeding will conform to the statutory case management deadline for ratesetting matters, set forth in Pub. Util. Code § 1701.5, and the assigned Commissioner will provide more guidance on this point in the Scoping Memo to be issued following the PHC.

Proceeding Milestone	Date
Rulemaking Adopted	February 16, 2006
Pre-Hearing Conference	February 28, 2006
Proposals Due on policies needed to support new generation and long-term contracting issues	March 2, 2006
Workshop on policies to support new generation and long-term contracting issues	On or after 3/6/2006
Scoping Memo	March 15, 2006
Post-workshop briefs (Revisions to proposals)	March 30, 2006
Reply Briefs	April 15, 2006
Draft Decision on policies to support new generation	May 16, 2006
Final Decision on policies to support new generation	June 15, 2006
Workshops, Pre-Long Term Plan Filing	Spring, 2006

Proceeding Milestone	Date
Long-term plan filings	Summer 2006

8. Parties and Service List

A service list for this rulemaking will be established at the PHC. Electric corporations, ESPs, and CCAs are named as respondents to this rulemaking. We will also serve this order on those who are on the service lists for the following related proceedings:

- R.04-04-003, the existing procurement rulemaking
- R.05-12-013, the resource adequacy rulemaking
- Community Choice Aggregation (R.03-10-003);
- Demand Response program plans (A.05-06-006 et al.);
- Critical Peak Pricing (A.05-01-016 et al.);
- Distributed Generation (R.04-03-017);
- Energy Efficiency (R.01-08-028);
- Avoided Cost and QF Pricing (R.04-04-025);
- Renewable Portfolio Standards (R.04-04-026);
- Transmission OII, I.00-11-001; and Renewable Energy Transmission, I.05-09-005; and
- Confidentiality (R.05-06-040).

Any person or representative of an entity interested in monitoring or participating in this rulemaking who does not make an appearance at the PHC should contact the process office within 20 days of the date of mailing of this order: Commission's Process Office, 505 Van Ness Avenue, San Francisco, California, 94102 (or ALJ_Process@cpuc.ca.gov) asking that his or her name be

placed on the official service list for this proceeding. The service list will be posted on the Commission's web site, www.cpuc.ca.gov, as soon as possible.

Any party interested in participating in this rulemaking who is unfamiliar with the Commission's procedures should contact the Commission's Public Advisor in Los Angeles at (213) 649-4782 or in San Francisco at (415) 703-2074, (866) 836-7875 (TTY - toll free) or (415) 703-5282 (TTY), or send an e-mail to public.advisor@cpuc.ca.gov.

The Commission recently adopted rules for the electronic service of documents related to its proceedings. Rule 2.3.1 of the Rules of Practice and Procedure may be viewed at http://www.cpuc.ca.gov/PUBLISHED/RULES_PRAC_PROC/46095-02.htm#P341_33469. All parties shall comply with the requirements of this rule.

9. *Ex Parte* Communications

This ratesetting proceeding is subject to Pub. Util. Code § 1701.3(c), which prohibits *ex parte* communications unless certain requirements are met (see also, Rule 7(c)). An *ex parte* communication is defined as "any oral or written communication between a decisionmaker and a person with an interest in a matter before the commission concerning substantive, but not procedural issues, that does not occur in a public hearing, workshop, or other public proceeding, or on the official record of the proceeding on the matter." (Pub. Util. Code § 1701.1(c))(4).) Commission rules further define the terms "decisionmaker" and "interested person" and only off-the-record communications between these two entities are "*ex parte* communications."¹⁷

¹⁷ See Rules of Practice and Procedure, Rules 5(e), 5(f), and 5(h).

By law, oral *ex parte* communications may be permitted by any commissioner if all interested parties are invited and given not less than three business days' notice. If such a meeting is granted to any individual party, all other parties must be granted individual *ex parte* meetings of a substantially equal period of time and shall be sent a notice at the time the individual request is granted. Written *ex parte* communications may be permitted provided that copies of the communication are transmitted to all parties on the same day. (Pub. Util. Code § 1701.3(c); Rule 7(c).) In addition to complying with all of the above requirements, parties must report *ex parte* communications as specified in Rule 7.1.

Therefore, **IT IS ORDERED** that:

1. The Commission institutes this rulemaking on its own motion to continue its efforts to ensure reliable and cost-effective electricity supply in California through integration of a comprehensive set of procurement policies and review of long-term procurement plans (LTPP).
2. The load-serving entities named in Appendix A are respondents to this proceeding. Any respondent ESP whose registration is cancelled shall, upon confirmation of the Energy Division, cease to be a respondent.
3. This is the successor proceeding to the Commission's procurement rulemaking, R.04-04-003, with respect to long-term procurement plans and the record developed in that proceeding as to procurement policies and plans is fully available for consideration in this proceeding.
4. The Executive Director shall cause this Order Instituting Rulemaking (OIR) to be served on Respondents, the California Energy Commission, the California Independent System Operator, municipal utilities and other entities listed in Appendix B, and all parties to R.04-04-003, R.05-12-013, R.03-10-003, A.05-06-006,

A.05-06-008, A.05-06-017, A.05-01-016, A.05-01-017, A.05-01-018, R.04-03-017, R.01-08-028, R.04-04-025, R.04-04-026, I.00-11-001, I.05-09-005, and R.05-06-040.

5. A Prehearing Conference is scheduled for February 28, 2006, at 10:00 a.m. in the Commission's courtroom, 505 Van Ness Avenue, San Francisco. A service list will be established at that time.

6. Any person or representative of an entity interested in monitoring or participating in this proceeding that does not make an appearance at the PHC shall send a request to the Commission's Process Office, 505 Van Ness Avenue, San Francisco, California, 94102 (or ALJ_Process@cpuc.ca.gov) asking that his or her name be placed on the official service list for this proceeding.

7. The category of this rulemaking is preliminarily determined to be "ratesetting."

8. The Assigned Commissioner or the ALJ may make any revisions to the scheduling determinations made herein as necessary to facilitate the efficient management of the proceeding.

This order is effective today.

Dated _____, at San Francisco, California.

APPENDIX A**RESPONDENT LOAD SERVING ENTITIES
(Public Utilities Code Section 380(j))****Electric Corporations**

David Coyle (909)
General Manager
Anza Electric Co-Operative, Inc.
58470 Highway 371
Anza, CA 92539-1909

Raymond R. Lee (906)
Chief Operating Officer
Mountain Utilities
P. O. Box 205
Kirkwood, CA 95646

Brian Cherry (39)
Director, Regulatory Relations
Pacific Gas and Electric Company
B10C
P. O. Box 770000
San Francisco, CA 94177

Douglas Larson (901)
Vice President, Regulation
PacifiCorp
201 S, Main
Salt Lake City, UT 84140

Robert Marshall (908)
General Manager
Plumas Sierra Rural Electric Coop.
P. O. Box 2000
Portola, CA 96122-2000

Steve Rahon (902)
Director, Tariff & Regulatory
Accounts
San Diego Gas & Electric Company
CP32C

8330 Century Park Court
San Diego, CA 92123-1548

Mary Simmons (903)
Rate Regulatory Relations
Sierra Pacific Power Company
P. O. Box 10100
6100 Neal Road
Reno, NV 89520-0026

Akbar Jazayeiri (338)
Director of Revenue & Tariffs
Southern California Edison
Company
P. O. Box 800
2241 Walnut Grove Avenue
Rosemead, CA 91770

Ronald Moore (133)
Southern California Water Company
630 East Foothill Blvd.
San Dimas, CA 91773

Electric Service Providers

Michael Mazur (1350)
3Phases Energy Services
2100 Sepulveda Blvd., Suite 37
Manhattan Beach, CA 90266

Frank Annunziato (1158)
American Utility Network (A.U.N.)
10705 Deer Canyon Drive
Alta Loma, CA 91737

Lili Shahriari (1355)
AOL Utility Corp.
12752 Barrett Lane
Santa Ana, CA 92705

Stacy Aguayo (1361)
APS Energy Services Company, Inc.
400 E. Van Buren Street, Suite 750
Phoenix, AZ 85004

Kevin Boudreaux (1362)
Calpine PowerAmerica-CA, LLC
4160 Dublin Blvd.
Dublin, CA 94568

George Hanson (1367)
City of Corona
Department of Water and Power
730 Corporation Yard Way
Corona, CA 92880

Inger Goodman (1092)
Commerce Energy, Inc.
600 Anton Blvd., Suite 2000
Costa Mesa, CA 92626

Bill Chen (1359)
Constellation NewEnergy, Inc.
Two California Plaza
South Grand Avenue, Suite 3800
Los Angeles, CA 90071

Hank Harris (1360)
Coral Power, L.L.C.
4445 Eastgate Mall, Suite 100
San Diego, CA 92121

Adrian Pye (1341)
Energy America, LLC
263 Tresser Blvd.,
One Stamford Plaza, Eighth Floor
Stamford, CT 06901

Robert S. Nichols (1063)
New West Energy
P.O. Box 61868
Mailing Station ISB 665
Phoenix, AZ 85082-1868

E. J. Wright (1369)
Occidental Power Services, Inc.
5 Greenway Plaza, Suite 110
Houston, TX 77046

Thomas Darton (1365)
Pilot Power Group, Inc.
9320 Chesapeake Drive, Suite 112
San Diego, CA 92123

Rick C. Noger (1370)
Praxair Plainfield, Inc.
2711 Centerville Road, Suite 400
Wilmington, DE 19808

Megan Saunders (1364)
Semptra Energy Solutions
101 Ash Street, HQ09
San Diego, CA 92101-3017

Kerry Hughes (1351)
Strategic Energy, Ltd.
7220 Avenida Encinas, Suite 120
Carlsbad, CA 92209

In addition, any electric service provider that, subsequent to the date of the order instituting this rulemaking, becomes registered to provide services within the service territory of one or more of the respondent electric corporations through direct access transactions shall, upon such registration, become a respondent to this proceeding.

Community Choice Aggregators

Any community choice aggregator that, subsequent to the date of the order instituting this rulemaking, becomes registered to provide services within the service territory of one or more of the respondent electric corporations through community choice aggregation transactions shall, upon such registration, become a respondent to this proceeding.

(END OF APPENDIX A)

APPENDIX B
MUNICIPAL UTILITIES

Alameda Power and Telecom
Valerie O. Fong
2000 Grand Street
Alameda, CA 94501

California Department of Water Resources
Peter Garriss
3310 El Camino Avenue, Suite 100
Sacramento, CA 95821

California Department of Water Resources
Susan Lee
3310 El Camino Avenue, Suite 100
Sacramento, CA 95821

City of Anaheim
Stephen Sciortino
201 S. Anaheim Boulevard, Suite 802
Anaheim, CA 92805

City of Anaheim
Mark Frazee
201 S. Anaheim Boulevard, Suite 802
Anaheim, CA 92805

City of Anaheim
Marci Edwards
202 S. Anaheim Boulevard, Suite 802
Anaheim, CA 92805

City of Azusa
Bob Tang
729 North Azusa Avenue
Azusa, CA 91702

City of Banning
Fred Mason
99 East Ramsey Avenue
Banning, CA 92220

City of Burbank
Richard Corbi
164 W. Magnolia
Burbank, CA 91503

City of Colton, Public Utilities
Jeannette Olko
150 South 10th Street
Colton, CA 92324

City of Corona
George Hanson
730 Corporation Yard Way
Corona, CA 92880

City of Glendale
Ignacio Troncoso
141 N. Glendale Avenue, 4th Level
Glendale, CA 91206

City of Palo Alto
Debra Lloyd
250 Hamilton Ave.
Palo Alto, CA 94301

City of Pasadena
Eric Klinkner
150 S. Los Robles Avenue, Suite 200
Pasadena, CA 91101

Lassen Municipal Utility District
65 S. Roop Street
Susanville, CA 96130

City of Riverside
Tom Evans
3900 Main Street
Riverside, CA 92522

City of Riverside
Gary Nolff
2911 Adams Street
Riverside, CA 92504

City of Riverside
LeeAnne Uhler
3900 Main Street
Riverside, CA 92522

City of Santa Clara, dba Silicon Valley
Power
Ken Kohtz
1601 Civic Center Drive, Suite 202
Santa Clara, CA 95050

City of Santa Clara, dba Silicon Valley Power
Junona Jonas
1601 Civic Center Drive, Suite 202
Santa Clara, CA 95050

City of Vernon
Danny Garcia
4305 Santa Fe Avenue
Vernon, CA 90058

City of Vernon
Jorge Somano
4305 Santa Fe Avenue
Vernon, CA 90058

CMUA
Jerry Jordan
915 L Street, Suite 1460
Sacramento, CA 95814

CMUA
Tony Braun
916 L Street, Suite 1460
Sacramento, CA 95814

Imperial Irrigation District
Glenn O. Steiger
333 E. Barioni Blvd.
Imperial, CA 92251

Los Angeles Water & Power
Ron Deaton
111 North Hope Street
Los Angeles, CA 90012

Los Angeles Water & Power
Randy Howard
111 North Hope Street
Los Angeles, CA 90012

Modesto Irrigation District
Allen Short
1231 11th Street
Modesto, CA 95354

Metropolitan Water District Headquarters
Mailing address:
P.O. Box 54153
Los Angeles, CA 90054-0153

Northern California Power Agency
Jim Pope
180 Cirby Way
Roseville, CA 95678

Northern California Power Agency
Don Dame
180 Cirby Way
Roseville, CA 95678

Redding Electric
Jim Fielder
777 Cypress Avenue
Redding, CA 96049

Redding Electric
Tim Nichols
777 Cypress Avenue
Redding, CA 96049

Roseville Electric
Tom Habashi
2090 Hilltop Circle
Roseville, CA 95747

Roseville Electric
Tom Green
2090 Hilltop Circle
Roseville, CA 95747

Sacramento Municipal Utility District
Tom Ingwers
6301 S Street
P.O. Box 15830
Sacramento, CA 95852-1830

Sacramento Municipal Utility District
Jim Shelter
6301 S Street
P.O. Box 15830
Sacramento, CA 95852-1830

SCPPA
Bill Carnahan
225 S. Lake Avenue, Suite 1250
Pasadena, CA 91101

Turlock Irrigation District
Larry Weis
333 East Canal Drive
Turlock, CA 95380

Turlock Irrigation District
Ken Weisel
333 East Canal Drive
Turlock, CA 95380

Western Area Power Administration
Jim Kesselberg
114 Parkshore Drive
Folsom, CA 95630

Western Area Power Administration
Tom Boyko
114 Parkshore Drive
Folsom, CA 95630

· City of Arcadia Water
240 West Huntington Dr. ·
P.O. Box 60021 ·
Arcadia, CA 91066

City of Cerritos
P.O. Box 3127
Cerritos, CA 90703-3127

Coachella Valley Water District
P.O. Box 1058
Coachella, CA 92236

City of Compton Water
205 S. Willowbrook Ave.
Compton, CA 90220

East Valley Water District
3654 E. Highland Avenue, Suite 18
Highland, CA 92346-2607

Eastern Municipal Water District
2270 Trumble Road
P.O. Box 8300
Perris, CA 92572-8300

City of Hercules
111 Civic Drive
Hercules, CA 94547

City of Lakewood
5050 Clark Avenue
Lakewood, CA 90712

El Dorado Irrigation District
2890 Mosquito Road
Placerville, CA 95667

City of Hemet
445 E. Florida Ave.
Hemet, CA 92543

City of Inglewood Water
One Manchester Blvd.
Inglewood, CA 90301

East Bay Municipal Utility District
P.O. Box 24055
Oakland, CA 94623-1055

Gridley Municipal Utilities
685 Kentucky Street
Gridley, CA 95948

Healdsburg Municipal Electric Dept.
401 Grove Street
P.O. Box 578
Healdsburg, CA 95448

Hetch Hetchy Water & Power
City & County of San Francisco
1155 Market Street, 4th Floor
San Francisco, CA 94103

Lodi Municipal Electric System
1331 South Ham Lane
Call Box 3006
Lodi, CA 95242

Lompoc Utility Services/Electrical
100 Civic Center Plaza
Lompoc, CA 93438

Long Beach Gas Department 2
East Spring Street
Long Beach, CA 90806

Ukiah Municipal Utility District
300 Seminary Avenue
Ukiah, CA 95482

Modesto Irrigation District
1231 11th Street
Modesto, CA 95354
P.O. Box 4060
Modesto, CA 95352

Shasta Dam Public Utilities District
P.O. Box 777
Central Valley, CA 96019

Transmission Agency of Northern California
P.O. Box 661030
Sacramento, CA 95866

Placer County Water Agency
P.O. Box 667
Foresthill, CA 95631

City of Moreno Valley
14177 Frederick St.
P.O. Box 88005
Moreno Valley, CA 92552

City of Napa Water
P.O. Box 660
Napa, CA 94559

Northern California Power Agency
180 Cirby Way
Roseville, CA 95678-6420

City of Pittsburg/Pittsburg Power
Company
65 Civic Avenue
Pittsburg, CA 94565

City of Pomona
City Hall
505 South Garey Ave.
Pomona, CA 91766

City of Rancho Cucamonga
10500 Civic Center Drive
Rancho Cucamonga, CA 91730

City of San Bernardino Water
300 North "D" Street
San Bernardino, CA 92418

City of San Diego Water
202 C Street
San Diego, CA 92101

City of San Francisco Water
1155 Market St., 11th floor
San Francisco, CA 94103

City of San Jose
200 East Santa Clara St.
San Jose, CA 95113

City of San Marcos
1 Civic Center Drive
San Marcos, CA 92069

City of Santa Ana Water
James G. Ross
20 Civic Center Plaza, M-21
Santa Ana, CA 92702

Silicon Valley Power
1500 Warburton Avenue
Silicon Valley, CA 95050

City of Santa Cruz Water
100 Loch Lomond Way
Felton, CA 95018

Southern California Public Power Authority
(SCPPA)
225 South Lake Avenue, Ste 1250
Pasadena, CA 91101

City of Sunnyvale
P.O. Box 3707
Sunnyvale, CA 94088-3707

City of Victorville
14343 Civic Drive
P.O. Box 5001
Victorville, CA 92393-5001

Water Replenishment District of So. Ca.
12621 E. 166th Street
Cerritos, CA 90703

City of Woodland
300 First Street
Woodland, CA 95695

City of Alhambra Water
111 South First Street
Alhambra, CA 91801

(END OF APPENDIX B)