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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Rulemaking 10-05-006
(Filed May 6, 2010)

ADMINISTRATIVE LAW JUDGE'S RULING ON RESOURCE PLANNING ASSUMPTIONS – PART 3 (ENERGY EFFICIENCY) – TRACK 1

1. Background

The Administrative Law Judge (ALJ) in this proceeding issued a ruling on May 28, 2010 (Ruling), noticing a series of workshops and transmitting the first of several Energy Division Staff (Staff) proposals regarding procurement planning policies and assumptions. The Ruling stated that rulings would be issued transmitting additional Staff proposals regarding several matters, including the Resource Planning Assumptions – Part 3, related to Energy Efficiency Assumptions to be discussed in Track 1 of the present proceeding. The present ruling transmits Staff's proposals regarding the Resource Planning Assumptions – Part 3 (Energy Efficiency Standards), confirms the workshop and comment schedule for Resource Planning Assumptions – Part 3, and requests comments on specified matters.

2. Resource Planning Assumptions – Part 3 (Energy Efficiency Standards)

In the 2006 Long-Term Procurement Plan (LTPP) Decision (D.) 07-12-052, the Commission reaffirmed its commitment to employing the California Energy Commission's (CEC) demand forecast as the "state's official load forecast."

Authorization to procure new resources in D.07-12-052 was based on an assumption that 80-100 percent¹ of the impact of California Public Utilities Commission's (CPUC) Energy Efficiency (EE) goals was already embedded in the CEC's 2007 Integrated Energy Policy Report (IEPR) demand forecast.² However, the decision acknowledged a need for further refinement of these assumptions in the future LTPP decisions, and deferred to the IEPR proceeding to begin to address these issues. Accordingly, CPCU staff devoted considerable time and resources to the 2008 IEPR Update and 2009 IEPR to develop a methodology to "more accurately estimate future EE savings in the CEC forecast."³

In parallel, the 2008 goals update proceeding (R.06-04-040) evaluated scenarios for possible updates to EE goals based on the *2008 Energy Efficiency Goals Update Report* (2008) Goals Study).⁴ The study, developed with technical assistance from Itron, Inc., put forth a new framework to consider savings from

¹ The Commission stated that "[t]his is a reasonable adjustment to properly balance between reliability concerns that could result from understanding the overlap factor and over-procurement that could result from overestimating the overlap factor." (D.07-12-052, at 46).

² The IEPR forecast is known as the California Energy Demand (CED) report for a given IEPR cycle. The report, California Energy Demand 2008-2018 Staff Revised Forecast (CED 2007), was the demand forecast generated in the 2007 IEPR.

³ D.07-12-052, at 46.

⁴ Itron Inc. (2008). Assistance in Updating the Energy Efficiency Savings Goals for 2012 and Beyond: Prepared for the California Public Utilities Commission, Vols. 1 & 2. Attachment to March 25, 2008 Assigned Commissioner's Ruling in R.06-04-010. Available at: www.cpuc.ca.gov/NR/rdonlyres/D72B6523-FC10-4964-AFE3-A4B83009E8AB/0/GoalsUpdateReport.pdf.

utility and non-utility efforts, and generated scenarios based on various levels of savings achieved by these programs.

The 2008 EE goals decision (D.08-07-047) adopted 2012-2020 energy efficiency goals and required the Investor-owned utilities (IOUs) to “use one hundred percent of the interim Total Market Gross (TMG) energy savings goals for 2012 through 2020 in future LTPP proceedings, until superseded by permanent goals.”⁵ This was consistent with the Commission’s previous direction, established in D.04-09-060, that EE goals should be incorporated into LTPP filings.⁶ In the predecessor LTPP proceeding (R.08-02-007), the Commission coordinated its review of “methodologies to estimate firm capacity from demand-side resources for long-term planning and procurement purposes”⁷ with the energy efficiency proceeding (R.06-04-010). Based on the record and information available at the time in the EE proceeding, the Commission adopted the one hundred percent of TMG requirement for procurement planning.

Since D.08-07-047, at least three new sources of information have surfaced, which may have bearing on the Commission’s one hundred percent of TMG decision. First the CEC’s *California Energy Demand 2010-2020 Adopted Forecast* (CED 2009) was released as part of the 2009 IEPR,⁸ which included an estimate of

⁵ D.08-07-047 Ordering Paragraph (OP) 3.

⁶ D.04-09-060, at 52-53.

⁷ R.08-02-007, Order Instituting Rulemaking (OIR), at 11.

⁸ CEC, 2009 Integrated Energy Policy Report, Final Commission Report, December 2009, CEC-100-2009-003-CMF. Available at: www.energy.ca.gov/2009publications/CEC-100-2009-003/CEC-100-2009-003-CMF.PDG.

utility EE program impacts embedded in the forecast. Second, in cooperation with Energy Division staff, the CEC undertook an analysis to quantify the incremental impacts of the Commission's EE goals relative to the 2009 IEPR demand forecast (CEC Incremental EE Report).⁹ Third, the Energy Division recently released a draft report on evaluation, measurement, and verification results related to the IOUs' EE program activities for the 2006-2008 program cycle (Draft Evaluation Report).¹⁰

The OIR in this proceeding provided that "we may address or reassess the Energy Efficiency and Demand Response assumptions utilized in determining future need" while noting that new EE goals would be considered in the proceeding.¹¹

The purpose of this ruling is to seek parties' input in two areas related to energy efficiency inputs to the LTPP system analysis:

1. Appropriate base case assumptions;¹² and
2. Appropriate high and sensitivity case assumptions.¹³

⁹ CEC Committee Report, *Incremental Impact of Energy Efficiency Policy Initiative Relative to the 2009 Integrated Energy Policy Report Adopted Demand Forecast*. Available at: <http://www.energy.ca.gov/2010publications/CEC-200-2010-001/index.html>.

¹⁰ CPUC Energy Division, *Draft 2006-2008 Energy Efficiency Evaluation Report*, April 15, 2010. Available at: www.cpuc.ca.gov/PUC/energy/Energy+Efficiency/EM+and+V/2006-2008+Energy+Efficiency+Evaluation+Report.htm.

¹¹ R.10-05-006 OIR, at 12.

¹² Base Case: A set of input assumptions and parameters that represent the expected or most likely values for each scenario. All scenarios required for analysis in the Scoping Memo shall have the same Base Case assumptions.

¹³ Sensitivities: A test to measure the change in output variable (e.g., cost, resource need) due to a change in input assumptions and parameters. Sensitivity analysis is

Footnote continued on next page

In preparation for the Track 1 Scoping Memo, the assigned Commissioner will consider input regarding whether one hundred percent of TMG goals value should be the base case or a sensitivity case (high or low) assumption for the minimum required analysis in the system resource plans filed in this proceeding. Currently, it is the Commission's policy to use one hundred percent of TMG as the base case scenario, and parties bear the burden of proof to demonstrate if the Commission should deviate from this position. Further, Commission policies require that utilities replace fifty percent of measure decay, affecting the long-term impact of TMG goals.¹⁴

3. Workshop

Pursuant to the Ruling, a workshop has been set for Friday, June 25, 2010 at 9 a.m., in the Commission Auditorium, State Office Building, 505 Van Ness Avenue, San Francisco, California, to discuss the Resource Planning Assumptions – Part 3 (Energy Efficiency Assumptions).

4. Comments

Pursuant to the Ruling, initial comments on the Resource Planning Assumptions – Part 3 (Energy Efficiency Standards) are due on Friday, July 2, 2010. Reply Comments are due on Friday, July 9, 2010.

Parties are encouraged to provide short, clearly worded comments, but no page limit shall be imposed.

conducted by changing one or more input assumptions from the Base Case to an alternative value.

¹⁴ D.09-09-047, at 38-39.

5. Schedule

Proceeding Milestone	Date
Workshop on the Resource Planning Assumptions - Part 3 (Energy Efficiency Standards)	Friday, June 25, 2010 at 9 a.m.
Comments on the Resource Planning Assumptions - Part 3 (Energy Efficiency Standards)	Friday, July 2, 2010
Reply Comments on the Resource Planning Assumptions - Part 3 (Energy Efficiency Standards)	Friday, July 9, 2010

6. Attachments

The following attachments are included with this ruling:

- Attachment 1: Energy Division Proposal for the Resource Planning Assumptions – Part 3 (Energy Efficiency Standards)
- Attachment 2: Energy Division Proposal for the Resource Planning Assumptions – Part 3 (Energy Efficiency Standards) Template.

Therefore, **IT IS RULED** that:

1. The Proposed Resource Planning Assumptions – Part 3 (Energy Efficiency Standards) is transmitted herewith as Attachment 1 with associated template transmitted as Attachment 2.
2. A workshop remains scheduled for Friday, June 25, 2010, at 9 a.m., in the Commission Auditorium, State Office Building, 505 Van Ness Avenue, San Francisco, California, regarding the Resource Planning Assumptions - Part 3 (Energy Efficiency Standards).

3. Comments on the Resource Planning Assumptions – Part 3 (Energy Efficiency Standards) remain due on Friday, July 2, 2010, as described therein.

4. Reply Comments on the Resource Planning Assumptions – Part 3 (Energy Efficiency Standards) remain due on Friday, July 9, 2010, as described herein.

Dated June 22, 2010, at San Francisco, California.

/s/ VICTORIA S. KOLAKOWSKI

Victoria S. Kolakowski
Administrative Law Judge

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Dated June 22, 2010, at San Francisco, California.

/s/ CRISTINE FERNANDEZ
Cristine Fernandez

N O T I C E

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The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

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