BEFORE THE PUBLIC UTILITIES COMMISSION OF
THE STATE OF CALIFORNIA

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

R.08-02-007
(Filed February 14, 2008)

COMMENTS OF THE CALIFORNIA LARGE ENERGY CONSUMERS
ASSOCIATION AND THE CALIFORNIA MANUFACTURERS
AND TECHNOLOGY ASSOCIATION IN RESPONSE TO THE
QUESTIONS POSED IN THE AUGUST 11, 2008, CPUC STAFF NOTICE
OF WORKSHOP ON PLANNING SCENARIOS AND METRICS

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August 22, 2008
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The California Large Energy Consumers Association (CLECA) and the California Manufacturers and Technology Association (CMTA) herein provide their limited responses to the questions posed in the August 11, 2008, CPUC Notice of August 28, 2008 Energy Division Workshop on Planning Scenarios and Metrics.

Scenario Development Information Template - An Increased CHP Scenario

CLECA and CMTA support the development of a scenario that addresses increased penetration of on-site combined heat and power (CHP) technology. Such a scenario is consistent with the California Air Resources Board’s (ARB’s) Scoping Plan for achieving the greenhouse gas (GHG) mitigation required under AB 32. The ARB Scoping Plan calls for 4000 MW of new CHP. We note that this is less than the California Energy Commission’s (CEC’s) high CHP scenario of 7340 MW of CHP. CLECA/CMTA also recommend that the level of CHP not be combined with an assumption of implementation of rooftop solar photovoltaic (PV) technology pursuant to the California Solar Initiative (CSI), since these are very different initiatives.

An increased CHP scenario should include an adjustment of utility load forecasts to take into account the fact that this CHP would displace utility bundled load, although it might also produce additional power that could be sold into the electricity market. Certainly, a scenario of 4000 MW of CHP state-wide would require an adjustment to the forecasted bundled utility load. In addition, an increased CHP scenario would also
require alternative environmental assumptions regarding emissions of GHG and criteria pollutants. This would require an inclusion of an appropriate mix of bottoming cycle and topping cycle technology and their different emission profiles. The E3 studies have not yet included this distinction and the use of the E3 results would assume that all the new CHP is topping cycle.

**Metrics**

There are two issues that CLECA/CMTA would like to address. The first is the overlap between the reliability indices raised in the metrics section of the workshop notice and those being considered in R. 08-04-012, the Commission’s proceeding on planning reserve margins (PRM). In that docket, the Commission is considering what PRM should be used as part of long-term procurement and how it should take into account loss of load probabilities (LOLP) and loss of load expectation (LOLE). We had expected that the decision in that docket would inform the utilities’ future long-term procurement plan (LTPP) filings. Thus, for scenario development purposes, addressing these distinctions appears to be premature. In addition, it is important to point out that the value of lost load (VOLL) varies significantly by class of service. Thus, the use of a single VOLL figure may well over- or under-estimate the appropriate target, depending on the customer class.

The second issue is the appropriate metric to address the economic impact on customers. The workshop notice reviews the possibility of using levelized average retail rate, NPV revenue requirement, levelized average bill, and pre-conservation average retail rate, among other metrics. CLECA/CMTA would like to point out that these metrics will affect different customer groups differently. For example, bill impact will be net of the adjustments in usage due to energy efficiency (EE) and, possibly, CHP. The impact of average rate changes among customer groups will be a function of class cost allocation, which is at the discretion of the Commission. Revenue requirement is a simple standard, although its impact on customers will be a function of their usage patterns, and thus the cost per kWh, on average will increase if usage decreases. All in all, in order to avoid issues of cost allocation and usage patterns, CLECA/CMTA recommend a simple analysis of impact on revenue requirement for bundled customers.
We appreciate the opportunity to provide our input in this important stakeholder process.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I, Christina Karo, certify:

I am employed in the City and County of San Francisco, California, am over eighteen years of age and am not a party to the within entitled cause. My business address is Davis Wright Tremaine, LLP, 505 Montgomery Street, Suite 800, San Francisco, California 94111-3834.

On August 22, 2008, I caused the following to be served:

COMMENTS OF THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION AND THE CALIFORNIA MANUFACTURERS AND TECHNOLOGY ASSOCIATION IN RESPONSE TO THE QUESTIONS POSED IN THE AUGUST 11, 2008, CPUC STAFF NOTICE OF WORKSHOP ON PLANNING SCENARIOS AND METRICS

via electronic mail to all parties on the service list R.08-02-007 who have provided the Commission with an electronic mail address and by First class mail on the parties listed as “Parties” and “State Service” on the attached service list who have not provided an electronic mail address.

/s/Christina Karo

Christina Karo