BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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

Rulemaking R-08-02-007

PRE-WORKSHOP COMMENTS OF THE GREEN POWER INSTITUTE
ON PLANNING SCENARIOS & METRICS

August 22, 2008
Gregory Morris, Director
The Green Power Institute
a program of the Pacific Institute
2039 Shattuck Ave., Suite 402
Berkeley, CA 94704
ph: (510) 644-2700
fax: (510) 644-1117
gmorris@emf.net
Introduction

Pursuant to the August 13, 2008, Notice of August 28, 2008 Energy Division Workshop on Planning Scenarios & Metrics and Data Request (Data Request), the Green Power Institute (GPI) respectfully submits these Pre-Workshop Comments of the Green Power Institute on Planning Scenarios & Metrics, in R.08-02-007, the Order Instituting Rulemaking to Integrate and Refine Procurement Policies Underlying Long-Term Procurement Plans. Our comments address the issues and questions posed in the Data Request.

Planning Scenarios and Sensitivities

The Data Request asks whether there is a useful distinction to be made between scenario analysis and sensitivity analysis. We believe that the answer is yes, there is indeed a useful distinction between these two terms, and that Staff’s proposed definitions are more than adequate. Our preference would be that all of the utilities analyze a Commission-specified set of designated scenarios in their LTPPs, and that in the process of analyzing each scenario the utilities perform sensitivity analysis that will identify parameters that drive the solutions. The sensitivity analysis should elucidate what the implications of alternative assumptions are for those parameters.

The GPI believes that a small set of scenarios should be designated for use in the next cycle of the LTPPs, certainly no more than five. All scenarios should, at a minimum, meet all existing rules, regulations, and statutes, both at the outset, and throughout the LTPP planning horizon. Unfortunately, this statement is not as simple as it might appear, particularly with respect to the application of AB 32, the Global Warming Solutions Act of 2006. The AB 32 statutes set a statewide emissions target, but leave it to regulators to
determine how to distribute the compliance burden among sectors. Although the details of the AB 32 regulatory framework are still in the formative stage, we think that it would be irresponsible to assume that the electric-utility sector will not have to make a significant contribution to the overall effort. Exactly what this means for the utilities is difficult to say, particularly recognizing that all signs point to the adoption of a compliance system based on a generator / first deliver point-of-regulation. This is a matter that, in our opinion, warrants discussion at the upcoming Workshop.

The GPI would like to propose three scenarios that, we believe, should be evaluated by each utility in the next LTPP cycle: a properly-constituted base-case, a scenario based on the final ARB Scoping Memo, and a scenario based on no new fossil generators. We would envision that the base-case will be constructed with as much flexibility as possible, subject to complying with a specified set of parameters based on existing statute and rules. We do not believe that the base-case scenario should be a “business-as-usual” scenario that fails to comply with existing and future requirements, such as the 20-percent RPS, existing efficiency standards, or AB 32. The ARB Scoping-Memo scenario should incorporate all of the prescriptive measures that are adopted in the final ARB document (e.g. 33 percent RPS, enhanced efficiency targets), as well as the overall emissions target that is adopted for the electricity sector. The no-new-fossil scenario that we are proposing is offered in the spirit of Al Gore’s We Can Solve the Climate Crisis challenge. In this scenario, efficiency and carbon-free generation provide for all load growth and retirements of existing generators.

We believe that the utilities should be encouraged to include scenarios of their own choosing in the LTPPs, in addition to the Commission-specified standard scenarios, should they consider it useful to do so.

**Metrics**

The first question on page 10 of the Data Request, under the category of Metrics, asks whether the four categories of metrics that are discussed in the document should be
supplemented with any additional categories. We would like to offer one additional
category, and argue for a more prominent role for one of the existing categories. The
additional category that should be added is economic-stimulus benefits, including the
creation of jobs, and the provision of economic development benefits, especially in rural
and disadvantaged communities.

The category that we would like to see given more prominence (see question no. 4 in the
Data Request) is environmental performance. Most of the programs that require utilities
to procure a different mix of products than they otherwise would, in the absence of the
programs, are predicated on addressing environmental issues. Thus, in order to judge the
efficacy of the programs, it is important to include a robust set of environmental metrics in
the evaluation. Many of the important environmental categories are measures of physical
flows, such as emissions of criteria pollutants and greenhouse gases. Projecting these
physical measurements into the future is in some ways more meaningful than the cost
analyses, which rely on predictions of highly uncertain future market conditions, against a
backdrop of an evolving regulatory environment. There are also environmental metrics
that are less easily quantified than some of the physical flows, although that does not mean
that they are less important. While it is true that environmental considerations are an
intrinsic component of the development of the generators that are candidates to fill a
utility’s supply portfolio, that does not mean that there are no residual environmental
concerns that need to be addressed, particularly looking toward the carbon-constrained
world of the near future.

The last bullet point under question no. 3 in the Data Request asks: “Which risk is likely
to be more important: the risk associated with exposure to natural gas prices, or the risk
associated with exposure to CO₂ allowance prices?” The answer is that it depends, in no
small part, on the design of the AB 32 regulatory system that eventually emerges. We
believe that there are a variety of ways to design the program that will provide a
reasonable measure of price stability for the emissions allowances, including selling all or
most of the allowances into the market at an administratively-set price during the
beginning of a cap-and-trade program, then transitioning to an auction-based mechanism as the marketplace matures. As long as most natural-gas fired generators operate under tolling-type arrangements, which, in the future are likely to include a component for CO₂ emissions allowance requirements, then the price volatility associated with these generators will be mostly related to fuel-price fluctuations, and not to fluctuations in the price of the emissions allowances. This assumes, of course, no manipulation in the marketplace.

We look forward to a lively discussion during the Workshop.

Dated August 22, 2008, at Berkeley, California.

Respectfully Submitted,

Gregory Morris, Director
The Green Power Institute
   a program of the Pacific Institute
2039 Shattuck Ave., Suite 402
Berkeley, CA 94704
(510) 644-2700
gmorris@emf.net
PROOF OF SERVICE

I hereby certify that on August 22, 2008, in Berkeley CA, I have served a copy of PRE-WORKSHOP COMMENTS OF THE GREEN POWER ON PLANNING SCENARIOS & METRICS, upon all parties listed on the Service List for this proceeding, R-08-02-007. All parties have been served by email or first class mail, in accordance with Commission Rules.

Gregory Morris