

December 15, 2015

The Honorable Michael Picker, President  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**Re: Implementation of SB 350 (De Leon)**

Dear President Picker:

On December 2, 2015, the California Public Utilities Commission (Commission) held the first of what may be a series of workshops to “initiate consideration of the new resource optimization and integrated planning requirements established by Senate Bill (SB) 350. (De Leon, 2015).” The Independent Energy Producers Association (IEP) applauds this dialogue with stakeholders and, equally important, among the individual Commissioners.

SB 350 has a number of provisions that impact the Commission’s integrated planning efforts. For example, in addition to directing the Commission to rely upon zero carbon emitting resources to the extent reasonable when conducting integrated resource planning, PU Code Section 454.52(a) lists certain actions the Commission *may* take related to its integrated resource planning (IRP) efforts and any procurement derived from those plans, including authorizing all-source procurements and approving procurement of relatively higher cost resources that reduce overall greenhouse gas emissions. Equally important, PU Code Section 454.52(d) prescribes that, “In order to reduce redundancy and increase efficiency, the process adopted pursuant to subdivision (a) [the process to file an integrated resource plan] *shall* incorporate, and not duplicate, any other planning processes of the Commission. [Emphasis added]

In light of the many SB 350 prescriptions, the workshop properly raised a number of critical questions and concerns regarding the future direction of resource planning at the Commission. For example, what is the role of the resource Loading Order adopted in 2005? What is the role of the RPS in light of an IRP? Should the Commission (and by extension other energy agencies) fundamentally re-think its approach to planning and procurement, including the RPS? What is the trade-off between grid reliability and creating an “optimal portfolio” to achieve the purposes of SB 350?

IEP appreciates these broad questions being raised at the beginning of the effort to consider how best to implement SB 350, and I offer the following thoughts for your consideration:

***First, the primary goal should be to render infrastructure investment decisions in a timely and effective manner.*** Irrespective of whether the IRP has a 5-year, 10-year, or 50-year planning horizon, the critical objective must be to make decisions related to infrastructure investment in a timely and efficient manner. The Commission’s mission must be to ensure that decisions are made sufficiently early to ensure that critical infrastructure is installed when and

where needed to ensure a reliable supply of power to customers at a reasonable cost. Planning tools and decision-making processes that inhibit timely and effective decision-making are not helpful and could undermine grid reliability. The Commission needs to avoid the age-old problem of “paralysis by analysis.”

***Second, what SB 350 prescribes for integrated resource planning is not new or revolutionary; and, existing regulatory structures are more than adequate to achieve the IRP goals of SB 350.*** California has been a pioneer in integrated energy planning (i.e. IRP) going back to the 1980s and continuing to this day. The California Energy Commission prepares a biennial Integrated Energy Policy Report (IEPR), including integrated demand and supply forecasting. This forecast is the foundation of the Commission’s Long-Term Procurement Plan (LTPP) and the Renewable Portfolio Standard (RPS) baselines, as well as the primary input into the CAISO’s Transmission Planning Process (TPP). Moreover, the Commission employs the LTPP to integrate obligations and procurement mandates prescribed in statute (e.g. RPS, Bio-energy, Storage, Energy Efficiency, etc.) matched against need. Furthermore, the Commission already employs “all-source” procurement to enable preferred, low and zero GHG emitting resources to compete head-to-head against thermal resources on a least-cost/best-fit basis.

While SB 350 sets a requirement to rely on zero-emitting resources to the extent reasonable, the cost of GHG emissions reductions is already integrated in energy planning and procurement. Energy facilities that have carbon emissions above a de minimus amount are required to purchase carbon allowances and these costs are incorporated in their operations and dispatch decisions. Moreover, the California cap-and-trade program establishes a price for reducing a ton of carbon which is market-based and per se reasonable. Finally, to the extent that GHG emissions need to be considered uniquely in procurement decisions (e.g., RPS, LTPP, RA, “all-source” solicitations), a GHG-emissions factor could be reasonably integrated into the commission-approved least-cost/best-fit bid evaluation protocol(s) and easily applied to all procurement activities governed by the Commission.

Accordingly, the SB 350 prescription to consider “zero carbon-emitting resources to the extent reasonable” is not necessarily difficult, it is not particularly new, and it does not necessitate a fundamentally new approach to energy planning and procurement.

***Third, keep it simple.*** Planning and forecasting is an art and never will be a science. Even with perfect information about the present, forecasts will be wrong. Given the increasing emphasis on intermittent renewable resources and emerging technologies to serve future load and meet future reliability requirements, particularly at the distribution level, even “precise” modeling will not be an accurate predictor of future events. Furthermore, the complex, optimization modeling at the nodal level sought by some is unlikely to provide marginally better information to the Commission to enable it to make the critical infrastructure investment decisions required in a timely manner.

Overall, I urge the Commission to approach SB 350 implementation from a decision-making perspective, and ask the question: what is necessary *and sufficient* for the Commission to do its job? Moreover, I urge the Commission to resist the planning trap of doing nothing until everything knowable is known regarding the potential needs of the electric grid.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jan Smutny-Jones', with a long horizontal stroke extending to the left.

Jan Smutny-Jones  
Chief Executive Officer

Cc: Commissioner Michel Florio  
Commissioner Catherine Sandoval  
Commissioner Carla Peterman  
Commissioner Liane Randolph  
Tim Sullivan, Interim Executive Director  
Ed Randolph, Director, Energy Division