

**CALIFORNIA ENERGY COMMISSION**

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**STATE OF CALIFORNIA  
ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION**

<b>DOCKET</b>	
06-IEP-1	
DATE	AUG 1 2006
RECD	AUG 2 2006

In the Matter of: ) Docket: 06-IEP-1  
 )  
 Preparation of the )  
 2007 Integrated Energy Policy Report )  
 (IEPR) and the 2006 IEPR Update )

**COMMITTEE SCOPING ORDER**

In this order, the California Energy Commission's Integrated Energy Policy Report Committee (Committee) establishes the general scope of the *2007 Integrated Energy Policy Report (2007 IEPR)* and a schedule of key milestones for completing the report. In addition, the Committee has determined the topics to be addressed in the *2006 IEPR Update*, which is already underway. Chairman Jackalyne Pfannenstiel is the Presiding Member, and Commissioner John L. Geesman is the Associate Member of the Committee.

**Integrated Energy Policy Report Process**

As required by Senate Bill 1389 (SB 1389, Bowen and Sher, Chapter 568, Statutes of 2002), the California Energy Commission conducts "assessments and forecasts of all aspects of energy industry supply, production, transportation, delivery and distribution, demand, and prices." The Energy Commission uses these assessments and forecasts to develop energy policies that conserve resources, protect the environment, ensure energy reliability, enhance the state's economy, and protect public health and safety. (Pub. Res. Code § 25301(a)) The IEPR is adopted every odd numbered year by the Energy Commission. Every even numbered year, the Energy Commission is to prepare an energy policy review to update analysis from the previous IEPR or to raise energy issues that have emerged since the previous proceeding. (Pub. Res. Code § 25302(d))

SB 1389 directs state government entities to carry out their energy-related duties and responsibilities using the information and analyses contained in the adopted report. During the proceeding, the Energy Commission will coordinate closely with other

agencies to ensure consistency in the underlying information in this report that is to be used by state agencies in their energy policy decisions.

The Legislature has found that timely reporting and collection of data "are essential to serve the information and policy development needs of the Governor, the Legislature, public agencies, market participants, and the public." (Pub. Res. Code § 25300(d)) Pursuant to Public Resources Code § 25301(a), the Energy Commission intends to "require submission of demand forecasts, resource plans, market assessments, and related outlooks from electric and natural gas utilities, transportation fuel and technology suppliers, and other market participants." It is important that this data be received promptly to ensure a full development of the record in this proceeding.

### **Scope of the 2007 Integrated Energy Policy Report Proceeding**

In the *2005 Energy Report*, adopted on November 12, 2005, the Energy Commission noted that "(d)espite improvements in power plant licensing, enormously successful energy efficiency programs, and continued technological advances, development of new energy supplies is not keeping pace with the state's increasing demand." The Energy Commission recommended policies and actions to reduce energy demand further, develop a broader range of alternatives energy resources, and improve the state's infrastructure.

Building on the analysis conducted in the 2005 IEPR proceeding and on the resulting recommendations, the Committee released on May 1, 2006, a notice for a hearing to receive comments on a proposed scope for the 2007 IEPR proceeding. In the hearing notice, the Committee provided a preliminary list of key issues for the *2007 IEPR* and included proposed activities for the short-term and long-term components on the IEPR process.

Parties provided the Committee with comments on the proposed scope at the May 12, 2006, public hearing, as well as in writing in accordance with the direction provided in the notice. A transcript of the hearing and parties' written comments are available on the Commission's web page ([http://www.energy.ca.gov/2007\\_energypolicy/index.html](http://www.energy.ca.gov/2007_energypolicy/index.html)). Parties and stakeholders provided thoughtful input, and the Committee has considered these comments in revising the scope of the 2007 IEPR proceeding. As the proceeding moves forward, the Committee will continue to solicit input on the key topics and will engage parties as part of the assessment.

Based on the guidance provided in the 2007 IEPR proceeding scope, the Committee directs the Energy Commission staff (staff) to conduct public workshops in the coming months to develop a more detailed scope for addressing each of these key issues. In doing so, the staff and interested parties should direct their attention and resources to conduct analyses focused on building a record to support recommendations for actions to develop and refine energy policies that conserve resources, protect the environment, ensure energy reliability, enhance the state's economy, and protect public health and safety.

For the 2007 IEPR proceeding, the Committee will continue to emphasize the principles imbedded in the "Loading Order" as adopted by both the Energy Commission and the California Public Utilities Commission. Energy efficiency and renewable energy resources are California's priorities among resources for meeting future energy demands before developing more conventional energy resources. As part of the *2006 IEPR Update*, the Committee will specifically address issues that are jeopardizing the success of the Renewable Portfolio Standard, identify opportunities to improve the state's load management programs, provide a progress report on the development of the *Alternative Transportation Fuel Plan* required by AB 1007, and to provide a summary of the principles of Smart Growth/ Smart Communities.

Research, development, and demonstration (RD&D) investments by the state and federal government and other stakeholders play a key role in meeting the near- and long-term energy and related environmental challenges facing the state. Accordingly, the staff and interested parties, in conducting their analyses, should identify RD&D opportunities that should be pursued to help implement the key electricity, natural gas, and transportation policies identified in the *2007 IEPR*.

### **Participation in the 2007 IEPR Proceeding**

The *2007 IEPR* policy recommendations will be based on the record developed during the proceeding, including data and technical analyses by the staff and by other parties. In addition, analysis and information developed as part of other proceedings at the Energy Commission and by other agencies will be incorporated as appropriate. The Committee has opened a new docket, 06-IEP-1, for the 2007 IEPR proceeding, including the *2006 IEPR Update* topics. Parties will be directed to use this docket and related subdockets when submitting information for the Energy Commission's consideration. It is expected that the results of staff's review of near term topics identified for the *2006 IEPR Update* will further inform the scope of the 2007 IEPR proceeding and is therefore an explicit part of the 06-IEP-1 docket.

The Committee encourages the active participation of all interested and affected parties. While the staff will assess statewide and regional energy issues and develop the required forecasts, additional input by parties on the development of this analysis and results is needed to ensure a complete record. In addition, the Committee requests and will consider data, forecasts, and analyses from all parties on supply, consumption, prices, environmental impacts, and other topics relating to electricity, natural gas, and transportation fuels.

As in previous proceedings, the Committee recognizes that close coordination with federal, state and local agencies is needed to adequately identify and address critical energy infrastructure and related environmental challenges. In addition, input from state and local agencies is needed to develop the information and analyses that these agencies need to carry out their energy-related duties. Therefore, the Committee directs the staff to continue working with federal, state, and local agencies to ensure

their participation in this proceeding. In particular, the Committee welcomes the participation of Commissioner John Bohn on behalf of the CPUC to ensure a more coordinated implementation of the two agencies' responsibilities. Other agencies staff is directed to work with include the California Independent System Operator, the California Air Resources Board, the Department of Transportation, Department of Motor Vehicles, Department of Food and Agriculture, Department of Water Resources, regional boards, port authorities, and other agencies as appropriate.

The Energy Commission's Public Adviser, Margret J. Kim, provides the public assistance in participating in Energy Commission activities. If you would like information on how to participate in this proceeding, please contact the Public Adviser's Office by phone at (916) 654-4489 or toll-free at (800) 822-6228, by FAX at (916) 654-4493, or by e-mail at [pao@energy.state.ca.us].

The service list for the *2007 IEPR* and associated key topic proceedings is handled electronically. Notices and documents for these proceedings are posted to the Energy Commission website [[http://www.energy.ca.gov/2007\\_energypolicy/](http://www.energy.ca.gov/2007_energypolicy/)]. When new information is posted, an e-mail will be sent to those on the energy-policy e-mail list server. We encourage those who are interested in receiving these notices to sign up for the list server through the website [<http://www.energy.ca.gov/listservers/index.html>].

Technical questions should be directed to Lorraine White, IEPR program manager, at (916) 654-4075 or by email at [lwhite@energy.state.ca.us]. News media inquiries should be directed to Claudia Chandler, Assistant Executive Director, at (916) 654-4989 or by e-mail at [mediaoffice@energy.state.ca.us].

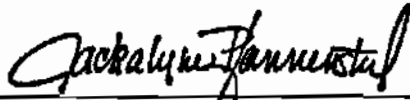
The Committee will provide further direction on the analysis it needs from the staff and other parties following more detailed scoping workshops and input from parties on individual topics in coming months.

## 2007 IEPR Proceeding Schedule

The Committee directs the staff to adhere to the following schedule of key milestones:

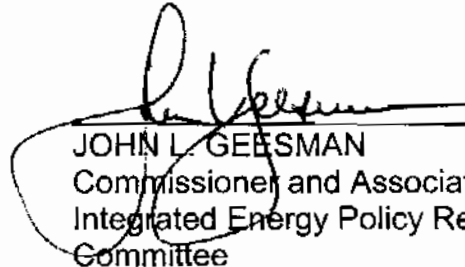
<b>Task/Event</b>	<b>Date(s)</b>
<b>2007 IEPR</b>	
Issued Proposed Scope and Hearing Notice	May 1, 2006
Scoping and issue identification hearing	May 12, 2006
Initiate public workshops for more detailed scoping and planning of specific work efforts	June 15, 2006
Issue IEPR Committee Scoping Order	August 1, 2006
Initiate data collection and analysis activities	August 1, 2006
<b>2006 IEPR Update</b>	
<ul style="list-style-type: none"> <li>• 2006 Update-related analysis and information gathering</li> </ul>	July 1 – August 31, 2006
<ul style="list-style-type: none"> <li>• Public workshops to develop issue papers</li> </ul>	July 17 – September 15, 2006
<ul style="list-style-type: none"> <li>• Draft Committee 2006 IEPR Update report</li> </ul>	October 18, 2006
<ul style="list-style-type: none"> <li>• Committee workshops/hearings on 2006 IEPR Update report</li> </ul>	November 1-8, 2006
<ul style="list-style-type: none"> <li>• Issue Revised Committee 2006 Review report</li> </ul>	November 29, 2006
<ul style="list-style-type: none"> <li>• Adopt final 2006 IEPR Update report</li> </ul>	December 13, 2006
<b>2007 IEPR</b>	
<ul style="list-style-type: none"> <li>• Publication and review of preliminary analyses and results</li> </ul>	January – March 2007
<ul style="list-style-type: none"> <li>• Publication of major staff issue papers</li> </ul>	April – July 2007
<ul style="list-style-type: none"> <li>• Hearings on major staff issue papers and papers from other parties</li> </ul>	June – August 2007
<ul style="list-style-type: none"> <li>• Committee issues draft 2007 IEPR</li> </ul>	September 2007
<ul style="list-style-type: none"> <li>• Committee holds hearings on draft report</li> </ul>	October 2007
<ul style="list-style-type: none"> <li>• Committee issues final 2007 IEPR</li> </ul>	October 2007
<ul style="list-style-type: none"> <li>• Commission adopts final 2007 IEPR</li> </ul>	October 31, 2007
<ul style="list-style-type: none"> <li>• 2007 IEPR transmitted to Governor and Legislature</li> </ul>	November 1, 2007

Date: August 1, 2006



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JACKALYNE PFANNENSTIEL  
Chairman and Presiding Member  
Integrated Energy Policy Report  
Committee



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JOHN L. GEESMAN  
Commissioner and Associate Member  
Integrated Energy Policy Report  
Committee

Note: California Energy Commission's formal name is State Energy Resources Conservation and Development Commission.

## **Attachment A**

### **The Integrated Energy Policy Report Committee's List of Key Topics for the 2007 Integrated Energy Policy Report (IEPR) and 2006 IEPR Update**

This scope and schedule for the 2007 Integrated Energy Policy Report (IEPR) includes activities for the 2006 IEPR Update and overall 2007 IEPR requirements.

### **Key energy resource topics for the 2007 IEPR:**

#### **Reliability, Availability and Security through Diversity**

As in previous reports, the 2005 IEPR described the constrained energy resources that serve California that have resulted in disruptions, price volatility, and adverse economic impacts. In addition to implementing an aggressive plan to improve energy efficiency and the state's energy infrastructure, California must expand its use of renewable and alternative energy resources. A diversified portfolio of energy resources can insulate against disruptions, mitigate price volatility, and increase supply options. As part of the 2007 IEPR, the Energy Commission will continue to evaluate constraints to and opportunities for improving the state's energy system through expanded diversity. Specifically, the 2007 IEPR will:

#### **Electricity & Natural Gas Markets**

- Assess trends in electricity and natural gas supply and demand.
- Develop a forecast of supplies and annual, seasonal, and peak demands.
- Develop a forecast for wholesale and retail electricity and natural gas prices under current and expected market conditions.
- Evaluate the adequacy of the state's infrastructure to deliver needed resources and identify needed actions to assure resource diversity, adequacy, reliability, and deliverability.
- Evaluate the status of long-term procurement and loading order implementation and define mechanisms to ensure priority adoption of energy efficiency and renewable resources.
- Evaluate the long-term procurement plans of the state's utilities and assess alternative future supply portfolios for all load-serving entities using scenario analysis.
- Evaluate methods and options to integrate generation and transmission system planning.
- Evaluate the impacts of the electricity and natural gas systems on public health and safety, the economy, and the environment.

## Transportation Fuels, Technologies and Infrastructure

- Assess trends in transportation fuels, technology and infrastructure development, supply and demand, and prices.
- Evaluate the adequacy of transportation fuels, supply, and infrastructure.
- Assess the risks and impacts of supply disruptions and price shocks.
- Describe petroleum product throughput, market conditions, and constraints.
- Identify opportunities to increase vehicle efficiency and advance technological development.
- Evaluate needed actions to develop cost-effective opportunities and markets for non-petroleum and renewable fuels in California that reduce adverse environmental impacts.

## Environmental Performance of the Energy Sector

- Evaluate environmental performance trends of the state's energy resource systems.
- Assess the geographic distribution of environmental impacts of energy resource development and use.
- Define needed actions to reduce the adverse environmental consequences of future energy supply and demand trends.
- Assess global climate change impacts and mitigating policy strategies.
- Evaluate environmental protection as an energy policy driver.
- Define research investment opportunities to find solutions to adverse environmental impacts of energy resource development and use.

## **2006 IEPR Update**

The purpose of the *2006 IEPR Update* will be to assess the progress made on the critical elements of the 2007 general topics. The Committee has identified four areas in which significant progress is needed during 2006 in order to provide input to the 2007 IEPR proceeding.

Renewables Portfolio Standard. The *2005 IEPR* concluded that statewide renewable procurement is not occurring at a pace that will reach RPS goals by 2010 and, as a result, the RPS process is in need of mid-course review and correction. Among the shortcomings identified are: lack of transparency, overly complex rules, and inconsistent application among retail sellers. With the CPUC, the Energy Commission will investigate whether a simpler, more transparent RPS process would better achieve the state's 2010 goals. One question to be pursued is the likely impact of the CPUC's "rebuttable presumption" for renewables directive for Investor-Owned Utility's all-source procurement.

Load Management. The *2005 IEPR* recommended that the CPUC and the Energy Commission vigorously pursue actions to ensure that the state's demand response goals are met. Among recommended actions were: developing and implementing



dynamic rates for large customers; developing an advanced metering infrastructure; and working with publicly owned utilities to ensure statewide demand response efforts. The Committee recommends that the report update review progress made on the 2005 *IEPR* recommendations to accelerate demand response programs and evaluate additional actions that may be needed, including establishing statewide load management standards. These discussions will include both publicly owned utilities and investor-owned utilities.

Alternative Transportation Fuels Plan. As required by AB 1007 (Pavley), the Energy Commission, with the California Air Resources Board, must develop an *Alternative Transportation Fuels Plan*. Although the legislative deadline is June 2007, the Committee will provide a status report of the plan's development in the 2006 *IEPR Update*. The Committee recommends that the results of the AB 1007 work be incorporated into the 2007 *IEPR*.

Smart Growth / Smart Communities. Because land use decisions have a significant impact on energy use and infrastructure, the Committee recommends that an examination of existing studies and policies related to sustainable land-use planning and opportunities be conducted as part of the 2006 *IEPR Update*. The Committee believes that this topic serves as the nexus for developing distributed renewable generation and efficient transportation in communities. The Energy Commission will collaborate in this effort with the Governor's Office of Planning and Research, as well as other state and local agencies.