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Northern California Power Agency (NCPA) Comments on the Draft 2015 Integrated Energy Policy Report

Additional submitted attachment is included below.

BEFORE THE CALIFORNIA ENERGY COMMISSION

In the matter of:

**2015 INTEGRATED ENERGY POLICY REPORT
(2015 IEPR)**

Docket No. 15-IEPR-01

*RE: Draft 2015 Integrated Energy
Policy Report*

NORTHERN CALIFORNIA POWER AGENCY COMMENTS ON THE DRAFT 2015 INTEGRATED ENERGY POLICY REPORT

The Northern California Power Agency¹ (NCPA) appreciates the opportunity to provide these comments to the California Energy Commission (CEC or Commission) regarding the Draft 2015 Integrated Energy Policy Report (Draft 2015 IEPR).

I. INTRODUCTION

NCPA commends the Commission on compiling a comprehensive review of the many important issues impacting the electricity sector. NCPA also appreciates staff's efforts in outreach to other state agencies, as California's vision of reducing greenhouse gas emissions to 40% below 1990 levels by 2030 will require continued coordination between a number of state agencies – including this Commission, the California Public Utilities Commission (CPUC), the California Air Resources Board (CARB), and the California Independent System Operator (CAISO), as well as close collaboration with the California citizens, businesses, and industries that will be called upon to effect the aggressive reduction targets. This will be particularly important to the energy sector, as the energy sector is directly impacted by the 2030 reduction goals for greater renewable energy procurement, increased penetration of energy efficiency, and reduced utilization of natural gas resources, in addition to changes resulting from increased electrification of the transportation sector and the impacts on electric generation and transmission facilities resulting from the prolonged drought and recent wildfires. The electric sector will also be uniquely impacted by CARB's work on the State Plan for implementation of the U.S. Environmental Protection Agency's Clean Power Plan.

NCPA is a California Joint Power Agency established in 1968 by a consortium of locally owned electric utilities to make joint investments in energy resources that would ensure an affordable, reliable, and sustainable supply of electricity for customers in its member

¹ NCPA is a not-for-profit Joint Powers Agency, whose members include the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah, as well as the Bay Area Rapid Transit District, Port of Oakland, and the Truckee Donner Public Utility District, and whose Associate Member is the Plumas-Sierra Rural Electric Cooperative.

communities. NCPA members include municipalities, a rural electric cooperative, and other publicly owned entities for which the not-for-profit agency provides such services as the purchase, aggregation, scheduling, and management of electrical energy. NCPA owns, operates and maintains a fleet of power plants that is among the cleanest in the nation, providing reliable and affordable electricity to approximately 700,000 Californians. NCPA made early investments in renewable energy when it developed two geothermal power plants and built a 250 megawatt hydroelectric facility. Many years later, these resources continue to generate reliable, emission-free electricity for its member communities. NCPA's mix of geothermal, hydroelectric, solar, and natural gas resources is well positioned to help its members achieve California's goal of a 33% Renewable Portfolio Standard (RPS) by 2020, and will provide the foundation to help NCPA members reach the 50% RPS goals by 2030.

Without a doubt, the electricity sector plays a crucial role in the State's GHG reduction strategy. This is evidence not only by the scope of the Draft 2015 IEPR, but by the information addressed during the recent 2030 Target Scoping Plan Update Workshop. All of California's utilities will be impacted. NCPA and its members have consistently increased their procurement of renewable energy and have invested in the cleanest and most technologically advanced gas-fired generation. California's utilities will now be called on to meet an increasing renewable energy target, while continuing to ensure the safe and reliable provision of electricity to their customers-owners. These challenges can be met, but it is imperative that the state's GHG reduction goal setting and IEPR recommendations realistically assess and take into account the constraints faced by the electricity sector.

In these comments, NCPA focuses on a few of the issues raised in the Draft 2015 IEPR that most directly impact electric utilities, including energy efficiency and decarbonizing the electricity sector. These issues are similarly addressed in the initial scope of work for the 2030 Target Scoping Plan Update, and NCPA urges the Commission to continue to reach out and collaborate with its sister agencies in the implementation of measures and programs aimed at meeting the state's GHG reduction goals. Specifically, NCPA urges the Commission to address each of the following in the context of carrying out the recommendations set forth in the Draft:

- Ensure that implementation of energy efficiency standards, benchmarks, and usage disclosures is carried out in a manner that maximizes penetration and GHG reductions without overstating the benefits or underestimating costs and ancillary implications;
- Decarbonizing the electricity sector should be focused on reductions from high-emitting resources and should not constrain the ability of the state to continue to utilize highly efficient and crucially necessary natural gas fired generation;
- Recommendations in the IEPR should focus on recently adopted mandates and realistic targets and not rely on theoretical technologies;
- Research and work related to drought impacts and climate change are important to protecting the reliability of the electric supply.

II. MAJOR AREAS OF INTEREST TO NCPA

Energy Efficiency

The Draft 2015 IEPR places considerable emphasis on energy efficiency, and the introduction itself notes that “*energy efficiency is key in all pathways to a low-carbon energy system.*” (Draft IEPR, p. p. 1) Furthermore, during the October 20 Workshop, Commissioner McAllister identified energy efficiency as one of the overarching themes of this year’s Draft. Indeed, energy efficiency is a key GHG reduction tool, and NCPA’s 14 retail utilities have collectively spent more than \$100 million on energy efficiency programs over the past decade, reducing demand for electricity by more than 350 gigawatt hours during that time.

NCPA and its member utilities remain committed to aggressively pursuing all cost-effective energy efficiency opportunities. However, as NCPA noted in comments on the Scoping Plan Update, despite the importance of energy efficiency as a tool to reduce GHG emissions at the macro level, it may not always be the most cost-effective solution at the micro level, nor is it always feasible to deploy, particularly in existing buildings. To a large extent, even with the aid of government subsidies and utility rebates, energy efficiency deployment is governed by individual consumer choices and financial investments. To that end, NCPA supports measures that continue efforts to educate customers on the benefits of energy efficiency and develop ways to increase the penetration of energy efficiency technologies in both new and existing buildings. The measures outlined in the Draft IEPR are important tools to facilitate increased penetration of energy efficiency, but they must also be tempered and deployed in a manner that recognizes the sensitivities some California businesses have with regard to electricity usage.

Existing Building Energy Efficiency.

In SB 350, the Legislature explicitly states that the Commission shall only adopt goals to achieve a cumulative doubling of statewide energy efficiency savings “to the extent doing so is cost-effective, feasible, and will not adversely impact public health and safety.”² The Draft IEPR does not reference this critically important caveat. To date, no analysis has been completed to evaluate whether or not the additional 20% reduction in building energy use, as depicted in Figure 5 (draft IEPR, page 21), is cost-effective, feasible, and will not adversely impact public health and safety. Consistent with well-established principles that govern the development of energy efficiency codes and standards for appliances and buildings, it is imperative the Commission adopt aspirational goals for 2030 that are realistic and do not rely on unproven or commercially unavailable technology.

The Commission’s determination of the 2030 energy efficiency goal needs to recognize that the pursuit of energy savings may conflict with other state priorities and objectives. NCPA offers two examples where Commission policies prioritize a competing objective over attainment of energy savings in both new and existing buildings:

² Section 25310 (c) (1) of the Public Resources Code

- In the 2013 California Building Energy Efficiency Standards, the CEC adopted stringent new provisions for voluntary lighting retrofits in nonresidential buildings. The 2013 standards introduced new requirements regarding lighting controls and acceptance tests that triggered the need to pull building permits and use higher-skilled labor. While more stringent codes for existing buildings will result in higher energy savings per project, fewer projects are likely to be pursued as some building owners are deterred from pursuing voluntary retrofits.
- In the draft 2016 California Building Energy Efficiency Standards, the Commission proposes to increase the amount of the compliance credit that builders can claim through the installation of solar PV panels as an alternative to satisfying the energy savings requirements for High Performance Attics and High Performance Walls. This may create a situation where PV installations may be a more attractive option for a customer looking to best manage their energy usage.

Access to Building Consumption Data.

The draft IEPR discusses the importance of customer access to “data for informed decisions” and the additional information that utilities and building owners will need to provide under recently signed Assembly Bill (AB) 802 (Draft IEPR, pp. 26-27). NCPA supports the overarching premise that equipping building owners with energy usage data on their buildings can help drive energy-saving investments in existing buildings. We look forward to working with the Commission on developing a balanced regulatory process that meets the needs of building owners while protecting the privacy of individual customers.

NCPA remains concerned about the Commission’s interest in publicly disclosing the energy usage of buildings as described on page 26 and 27. In particular, there are commercial and industrial customers of NCPA Member utilities who are very concerned about data privacy, including energy use data. This information is vital to their successes as competitive businesses in California and in a world market. These customers go to great pains to protect all operational data, including and especially energy use, as it reflects greatly on the status of the business such as production increases/slowdowns, shift schedules, retooling, testing cycles other competitive intelligence factors. The high level of international competition in certain industries and sensitivities to potential impacts on publicly traded stocks and securities, demand operational data privacy.

In addition to customer concerns about protecting operational data, there is a practical issue about using the Portfolio Manager for the purposes of benchmarking and comparing buildings with atypical usage patterns that do not correspond to a business type as organized by ENERGY STAR ®.

NCPA appreciates the motivation behind the Commission’s proposal to make building energy usage data more public, but a one-size-fits-all approach is not warranted given the operational sensitivity to some buildings owners and customers. To that end, NCPA looks forward to working with the Commission and other stakeholders in drafting regulations to

implement AB 802 in a manner that increases the transparency of energy usage without compromising the businesses currently located in those buildings.

POU Energy Efficiency Procurement.

On page 38 of the draft IEPR, the Commission greatly mischaracterizes POU savings as having “not been modified or verified by independent EM&V studies.” On the contrary, POUs conduct EM&V on a regular basis to ensure that the programs being offered are based on accurate and appropriate energy savings data. These independent EM&V studies are publicly available on POU websites with links that are shared with the Commission as part of public power’s annual energy efficiency report. We strongly disagree with the assertion that it is “impossible to gather and analyze the actual results.” The Commission has yet to question or comment or otherwise communicate an issue accessing or analyzing the EM&V reports that are publicly available. NCPA welcomes the Commission’s analysis of the independent EM&V reports that are currently available and is willing to answer any of the Commission’s questions regarding these reports.

The Draft states that “greater collaboration among the Energy Commission, utilities and a growing list of stakeholders will be involved in assessing whether existing EM&V approaches to post-program reporting are adequate, or if a new direction is needed that will include the measurement of POUs GHG reductions.” (Draft IEPR, p. p. 38) In the 2015 edition of *Energy Efficiency in California’s Public Power Sector*, POUs responded to Commission staff requests to provide additional data. In particular, Commission staff requested that POUs provide gross energy (kWh) and demand (kW) savings, in addition to the net savings that have historically been reported. In addition, POUs also acquiesced to the Commission request that POUs calculate an estimate of the greenhouse gas emission savings associated with the reported energy savings. NCPA appreciates our collaborative relationship with the Commission and looks forward to continuing to work together to provide meaningful data in furtherance of achieving the state’s clean energy goals.

The Electricity Sector

Along with energy efficiency, the Draft 2015 IEPR has a significant focus on decarbonizing the electricity sector and increasing renewable energy procurement. Admittedly, it is unlikely that California could achieve its climate change goals without significant changes in its electricity portfolios. However, efforts to decarbonize the electricity sector must continue to recognize related implications from transportation electrification, reliability, and increased renewable penetration. The 2015 IEPR should acknowledge the critical role that natural gas plays in ensuring the safe and reliable supply of electricity across the state.

Natural gas is an important fuel source for electric generation and reliability.

The Draft 2015 IEPR references the importance of natural gas by noting that “[n]atural gas provides a flexible energy source for a wide number of applications, including support for intermittent renewables, and is used in California for generating electricity, . . .” (Draft IEPR, p. 167) Indeed, fossil-fuel generation, such as highly efficient natural gas generation facilities like

the Lodi Energy Center, play a crucial role in ensuring both the reliability of renewable resources and the ability to integrate renewable resources into the grid. The Lodi Energy Center includes “fast start” combined-cycle natural gas turbines that not only are highly efficient but also are designed to facilitate the integration of new intermittent renewables, such as solar and wind, and help California meet its ambitious renewable portfolio standard targets. NCPA urges the Commission to explicitly recognize the importance of natural gas-fired generation to the electricity sector in the recommendations that focus on decarbonizing electric generation.

Underscoring all aspects of the IEPR is the need to ensure reliability. While the Draft recognizes that one stakeholder has questioned the role that natural gas plays in over-generation of electricity at times when high levels of solar power are generated, as more fully addressed in comments previously filed before this Commission, attributing over-generation to natural gas resources without a detailed analysis of the role these plants play fails to provide a meaningful or useful analysis.³ NCPA urges the Commission not to dismiss the crucial role that natural gas plays in both allowing greater levels of renewable electricity to be integrated into the grid and ensuring reliability, and to continue to address the nuances of this issue as part of the ongoing process to evaluate the impacts of both increased renewable integration and greater decarbonization of the electric supply. As California works to integrate even greater levels of renewable energy into the grid, NCPA cautions against moving too quickly towards curtailing natural gas generation and its spinning reserve value to voltage control and response. Even the E3 Study that recommended decarbonizing fuels, as part of the “transitions” necessary for decarbonizing the California economy, noted the ongoing importance of this resource (Draft IEPR, p. 77). NCPA urges the IEPR recommendations to do likewise.

Electrification of the transportation sector will impact the electricity sector.

The Draft notes that “A key measure to meet these air quality standards is electrification of the transportation sector which, coupled with increased renewables in the electricity sector, is critical to meeting GHG reduction goals.” (Draft IEPR, p. p. 14) It also recognizes the impacts of decarbonizing the transportation sector on electricity, but proposes coordinating new renewable procurement to meet the increased demand. The Draft finds that “decarbonizing the transportation sector should be a primary focus of the state’s climate goals, and policies in the electricity sector must build on policies to reduce emissions from the transportation sector. For example, new renewable procurement should go hand-in-hand with increased electric loads from electrification of the transportation sector. If they are not in lock-step, then California will not realize the full potential of the GHG reduction potential from decarbonizing the electricity sector.” (Draft IEPR, p. p. 56) While renewable procurement will continue to increase, NCPA strongly cautions against over-reliance on renewables to meet all of the potential increased demand for electricity. For example, renewable procurement is already being utilized to meet

³ See CMUA June 8, 2015 comments regarding May 11 IEPR Workshop (http://docketpublic.energy.ca.gov/PublicDocuments/15-IEPR-06/TN204944_20150608T163913_Anthony_Andreoni_Comments_CMUA's_Comments_on_CEC's_IEPR_Worksho.pdf)

existing electricity demand resulting from the closure of coal-fired generation facilities, but out-of-state retirements also put upward pressure on natural gas demand. (*See Staff Presentation, Integrated Energy Policy Report Commissioner Workshop: Highlights of the Natural Gas Outlook Report, November 3, 2015, p. 24*) Also, while storage is currently seen as the answer in smoothing out the intermittent nature of many forms of renewable generation, that technology is early in its commercial development cycle and not yet capable of providing the needs of Californians for reliable power at all hours of the day and night.

The Clean Power Plan will drive emission reductions from affected electric generation units.

Emissions from electricity generation will also be driven by the EPA's Clean Power Plan. Reducing emissions from affected electric generation facilities goes directly to the purpose of the CPP, and as CARB works on the State Plan to implement the CPP, the importance of interagency coordination is further highlighted. The CPP envisions multiple avenues for reducing EGU emissions, including the core building block of increasing the efficiency of existing resources.

Strategic Transmission Investment Planning, RETI 2.0, and the Energy Imbalance Market must all be viewed in the context of statewide implications, and not merely as a means to greater renewable penetration.

The Commission's work on the Strategic Transmission Investment Plan and the nascent development of the RETI 2.0 process should facilitate greater coordination and understanding of transmission constraints and opportunities throughout the west. California will not be able to deploy the level of renewables necessary to meet its emission reduction goals without looking beyond its own borders and partnering with neighboring states. NCPA supports the integrated coordination between the CEC, CPUC, and CAISO, as well as the commitment to establish a robust process for review of this issue that includes all stakeholders. While greater regional coordination and interaction are important, the State must proceed cautiously before embracing a single means by which to accomplish this goal. The Draft IEPR references the EIM as "an important tool to help integrate renewables." (Draft IEPR, p. 79) NCPA cautions against embracing a single approach, such as the EIM, without further addressing the practicalities of implementation or how implementation of a mandatory EIM would impact the state's electricity markets, including how the costs will be allocated among various stakeholders. NCPA urges the CEC to temper its recommendation in Chapter 3 to transform the California ISO into a regional organization, and rather work towards greater collaboration while assessing the myriad operational, feasibility, and cost implications associated with such a regional entity. NCPA supports the Commission's efforts to look for ways to ensure an efficient and reliable grid, but believes that specific recommendations regarding the exact manner in which that should be pursued are premature. These efforts and discussions regarding grid integration need to recognize potential Clean Power Plan implications, as well as potential carbon cost implications owing to the AB 32 requirement to account for emissions from imported electricity.

The IEPR should focus on efforts to achieve the current GHG emission reduction, energy efficiency, and renewable energy procurement goals.

The Draft IEPR recommends that “State energy planning and procurement process should therefore be conducted under the assumption that 50 percent by 2030 renewable target is a floor, not a ceiling” (Draft IEPR, p. 86). NCPA appreciates that the IEPR is forward thinking, but believes that this kind of a statement can distract from the very real issues presented by the recently codified 50% RPS mandate. The legislature very recently passed, and the Governor just signed SB 350, which includes not only the increased RPS requirement, but also includes mandates regarding energy efficiency and intent language regarding electrification goals. The State’s immediate efforts should be focused on implementing these stretch goals, and the mandates set forth in SB 350. Utilities’ energy planning and procurement processes should focus on meeting the 50% renewables target in concert with the associated energy efficiency and GHG reduction mandates. NCPA recommends that the final 2015 IEPR focus on the current targets – including the mandated energy efficiency targets, increased renewable energy procurement requirements, and implications associated with CPP compliance, and not project higher requirements at this time.

The IEPR should embrace a suite of opportunities and maximum flexibility.

NCPA agrees with the Southern California Edison’s suggestion that the state “pursue a suite of opportunities to achieve GHG goals while maintaining reliability and affordability.” (Draft IEPR, p. 79) This recommendation goes hand in glove with the POUs’ call for maximum flexibility in implementing plans and measures that affect the greatest benefits at the least costs. Such an approach allows the affected entities to utilize just those options that would provide the “best fit” in their portfolios and specific to their demographic and resource needs. Likewise, having available a range of options would itself help the smaller entities, by providing them with choices to achieve and meet the state’s goals and their own operational requirements. NCPA urges the Commission to include this recommendation in the final IEPR.

California Drought and Climate Change Research

The very fact that the Draft 2015 IEPR includes separate discussions on the drought and the status of climate change research helps to underscore the significance of these issues to the energy sector. As noted during the recent 2030 Target Scoping Plan Update Workshop, California’s natural and working lands are highly impacted by the current drought and play an important role in achieving the State’s GHG reduction goals. Of importance to the energy sector is the direct connection between the impacts on these lands and the electricity sector. This is because increased wildfire threats directly impact the safe and reliable provision of renewable electricity resources located in forested areas.

NCPA has first-hand experience in this regard. In September 2015, the Valley Fire in and around Middletown, California burned more than 70,000 acres, releasing significant levels of GHG emissions into the atmosphere. The fire also damaged several geothermal electric generation facilities as well as transmission lines at the Geysers, reducing the availability of

clean, renewable energy to California consumers and jeopardizing a highly-successful wastewater disposal system for Lake County.

While NCPA was able to bring its geothermal plant operations back online with a week of the fire, many of the geothermal facilities operated by other organizations in the Geysers are still too damaged to operate and may be offline for several months, adversely impacting the availability of geothermal power for some time to come. Similarly, the Butte Fire, which affected Amador and Calaveras Counties, threatened to shut down and potentially destroy equipment and transmission for a 250 megawatt hydroelectric plant. These fires disrupted the supply of renewable energy to California consumers, which would likely need to be replaced with fossil fueled generation. Aside from the personal human toll associated with the wildfires⁴, there is a huge environmental toll in terms of GHG emissions that has yet to be fully understood. The Commission's focus on research is crucially important and should continue.

III. CONCLUSION

NCPA appreciates the opportunity to provide these comments on the Draft 2015 IEPR and looks forward to continuing to work with the CEC and other stakeholders to ensure that California can meet its aggressive GHG reduction goals while continuing to provide safe, reliable, and reasonably priced electricity to its residents and businesses. Please do not hesitate to contact the undersigned or Scott Tomashefsky at 916-781-4291 or scott.tomashefsky@ncpa.com with any questions.

Dated this 16th day of November, 2015.

Respectfully submitted,



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⁴ Several NCPA employees who work at the geothermal facilities were among the hundreds of Californians that lost their homes in the Valley Fire.