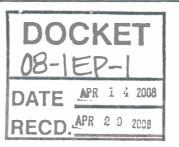
CALIFORNIA ENERGY COMMISSION

1516 Ninth Street Sacramento, California 95814

Main website: www.energy.ca.gov





In the matter of:)	Docket No. 08-IEP-1
)	
Preparation of the)	NOTICE OF COMMITTEE
2008 Integrated Energy Policy Report)	SCOPING HEARING
Update and the 2009 Integrated Energy)	
Policy Report	ĺ	

Notice of Committee Hearing

The Integrated Energy Policy Report (IEPR) Committee will hold a hearing to receive input from all interested parties on the scope of the 2008 IEPR Update and the 2009 IEPR. Commissioner Jeff Byron is the Presiding Member and Chairman Jackalyne Pfannenstiel is the Associate Member. Other Commissioners may attend and participate in this hearing. The hearing will be held on:

MONDAY, APRIL 28, 2008
10:30 a.m.
CALIFORNIA ENERGY COMMISSION
1516 Ninth Street
First Floor, Hearing Room A
Sacramento, California
(Wheelchair Accessible)

Audio from this meeting will be broadcast over the Internet. For details, please go to: www.energy.ca.gov/webcast/

To participate in the meeting by phone, please call **888-552-9191** by 10:30 a.m. Passcode: **IEPR** Call Leader: **Suzanne Korosec**

Purpose

The IEPR Committee has prepared a preliminary list of key issues for the 2008 IEPR Update and the 2009 IEPR (see Attachment A) to be discussed at the April 28, 2008 hearing. The Committee will take public comment on the proposed scope of the reports and also welcomes additional recommendations from all interested parties on key topics and issues that should be addressed in this proceeding. Following the hearing, the Committee will issue a scoping order based on input received that identifies the specific

issues on which Energy Commission staff will focus in developing the 2008 IEPR Update.

The IEPR Committee anticipates releasing a more detailed list of potential topics and accompanying questions for the 2009 IEPR during summer 2008, followed by a Scoping Hearing and Scoping Order. However, the Committee is also seeking preliminary input from stakeholders at the April 28, 2008 Scoping Hearing on potential additional areas of focus for the 2009 IEPR.

Process

Senate Bill 1389 (Bowen and Sher, Chapter 568, Statutes of 2002) requires the Energy Commission to "conduct assessments and forecasts of all aspects of energy industry supply, production, transportation, delivery and distribution, demand, and prices. The Energy Commission shall use 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." (Public Resources Code § 25301(a)). This assessment and associated policy recommendations are reported and adopted every two years.

SB 1389 also requires the Energy Commission in alternate years to prepare an energy policy review to update analyses from the IEPR or raise energy issues that have emerged since the release of the IEPR.

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. To ensure a full and complete record in this proceeding, this data must be submitted in a timely way. 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" (Public Resources Code § 25300(d)).

On April 16, 2008, the Energy Commission will consider adoption of an Order Instituting Information Proceeding to gather and assess information to assist the Energy Commission in preparing the 2008 IEPR Update and the 2009 IEPR. The adoption of this order will ensure that the Committee assigned to this proceeding can collect information related to specific topics that will be addressed in the 2008 IEPR Update and the 2009 IEPR.

SB 1389 directs state government entities to use the information and analyses contained in the adopted IEPR to carry out their energy-related duties and responsibilities. During this proceeding, the Energy Commission will coordinate closely with other agencies to ensure consistency in the underlying information used to develop the report.

Hearing Participation

The Committee is seeking the active participation of interested parties in this proceeding. Interested parties are invited to participate before and during this hearing, and attendees are strongly encouraged to participate in discussions. If you wish to present your comments to the Committee at the hearing, you may contact Suzanne Korosec at (916) 654-4516 or by e-mail at [skorosec@energy.state.ca.us] by Thursday, April 24, 2008. Presentation requests received on the day of the hearing will be accommodated to the extent that time allows. The Committee will also take general comment from the public immediately following the presentations.

Comments

The Committee will take comments either orally at the hearing or through written comments. The Committee requests that written comments on hearing topics be submitted by 5:00 p.m. on Wednesday, April 30, 2008. Please include the docket number 08-IEP-1 and indicate "2009 Integrated Energy Policy Report Scope" in the subject line or first paragraph of your comments.

The Energy Commission encourages comments by e-mail. Please include your name or organization's name in the name of the file. Those submitting comments by electronic mail should provide them in either Microsoft Word format or as a Portable Document File (PDF) to [docket@energy.state.ca.us]. **One paper copy** must also be sent to the Energy Commission's Docket Unit at the address shown below.

Parties may also submit comments in hard copy. Please hand deliver or mail an original plus 10 paper copies to:

California Energy Commission Dockets Office, MS-4 Re: Docket No. 08-IEP-1 1516 Ninth Street Sacramento, CA 95814-5512

Participants may also provide an original and 10 copies at the beginning of the workshop. All written materials relating to this workshop will be filed with the Dockets Unit and become part of the public record in this proceeding.

Public Participation

The Energy Commission's Public Adviser's Office provides the public assistance in participating in Energy Commission activities. If you want information on how to participate in this forum, please contact the Public Adviser's Office 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]. If you have a disability and require assistance to participate, please contact Lou Quiroz at (916) 654-5146 at least five days in advance.

The service list for the 2009 IEPR and the 2008 IEPR Update and associated key topic proceedings is handled electronically. Notices and document for these proceedings are posted to the Energy Commission website at [http://www.energy.ca.gov/2009 energy policy/]. 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].

Please direct all news media inquiries to the Media Office at (916) 654-4989, or by email at [mediaoffice@energy.state.ca.us]. Technical questions should be directed to Suzanne Korosec, Assistant Director for Policy Development, at (916) 654-4516 or by e-mail at [skorosec@energy.state.ca.us].

JEFFREY D. BYRON

Commissioner and Presiding Member Integrated Energy Policy Report Committee

JACKALYNE PFANNENSTIEL

Chairmar Lánd Associate Member Integrated Energy Policy Report Committee

Date posted: April 14, 2008

Attachment A Proposed Scope of 2008 integrated Energy Policy Report Update and 2009 Integrated Energy Policy Report

The Integrated Energy Policy Report (IEPR) Committee intends to develop the 2008 IEPR Update and the 2009 IEPR concurrently, with work beginning in 2008 on the detailed assessments, analyses, and forecasts for the 2009 IEPR that are required by Senate Bill 1389. The 2008 IEPR Update will focus on a subset of specific energy issues that the Committee has identified as needing immediate attention, and will be developed in a shorter timeframe than the 2009 IEPR. Due to the focused nature and shorter timeframe of the 2008 IEPR Update, the proposed scope for that effort shown below provides much more detail than the proposed scope of the 2009 IEPR which follows. After receiving input at the Scoping Hearing, the Committee will issue a Scoping Order for the 2008 IEPR Update.

For the 2009 IEPR, the Committee proposes to further explore the topics raised in the 2008 IEPR Update in addition to the statutory requirements for the report. The Committee anticipates releasing a more detailed list of potential topics and accompanying questions for the 2009 IEPR during summer 2008, followed by a Scoping Hearing and Scoping Order. However, the Committee is also seeking preliminary input from stakeholders at the April 28, 2008 Scoping Hearing on potential additional areas of focus for the 2009 IEPR.

2008 IEPR Update

The IEPR Committee proposes to include six topics in the 2008 IEPR Update:

- Analysis of physical and market changes necessary for California's electric system to support a minimum of 33 percent renewables by 2020.
- Analysis of the interaction of energy efficiency goals and programs and demand forecasting methods.
- Changes to electricity procurement practices to standardize assumptions, extend the period of analysis, and more adequately incorporate risk in the portfolio of projected resources.
- A summary of an assessment of the Diablo Canyon and San Onofre Nuclear Generating Station nuclear power plants to determine the potential vulnerabilities to a major disruption from a major seismic event or plant aging as required by Assembly Bill 1632.
- A summary of an evaluation of the California Public Utilities Commission's Self Generation Incentive Program to determine the costs and benefits of providing ratepayers subsidies for renewable and fossil fuel "ultraclean and low-emission distributed generation" as required by Assembly Bill 2788.

 Discussion of the joint Energy Commission/California Public Utilities Commission AB 32 recommendations for the electricity and natural gas sectors anticipated to be adopted in August 2008.

1. Achieving 33 Percent Renewables by 2020 (and potentially more by 2050)

California's Renewables Portfolio Standard was introduced in 2002 (Senate Bill 1078, Sher, Chapter 516, Statutes of 2002) with the goal of increasing the portion of electricity derived from renewable resources and sold to retail customers to 20 percent by 2017. In 2006, that goal was accelerated to 20 percent renewables by 2010 (Senate Bill 107, Simitian, Chapter 464, Statutes of 2006). Further, the Governor, the Energy Commission, and the California Public Utilities Commission (CPUC) have endorsed an enhanced target of 33 percent renewables by 2020.

The RPS is an important tool for meeting the state's greenhouse gas emission reduction goals. A transformed energy system, with a very high penetration of renewables, will be necessary to meet the aggressive greenhouse gas emissions targets set in Assembly Bill 32. The California Climate Action Team report identified achieving 33 percent renewable energy by 2020 as one of the key strategies for reducing greenhouse gas emissions in California, and some parties are envisioning 50 percent renewables by 2050. While investor-owned utilities have made some progress toward the 20 percent by 2010 target, the statewide resource mix (which includes other load serving entities such as publicly owned utilities) is at the same level as in 2002, 11 percent. This course is not on track to meet either the RPS or AB 32 goals.

There have been many concerns raised about the ability to achieve the target of 33 percent renewables by 2020 given potential impacts on both the physical system and on the electricity market as a whole. As part of the 2008 IEPR Update, the IEPR Committee proposes to identify those potential impacts based on analyses done by the Energy Commission, the CPUC, the California Independent System Operator (California ISO), and others to better understand what physical, operational, and market changes would need to occur to support a level of 33 percent renewables by 2020. The IEPR Committee intends to coordinate closely with the CPUC and the California ISO in evaluating the impacts of a 33 percent scenario.

Examples of some analyses that have occurred to date or are in process include:

- Achieving a 33% Renewable Energy Target, (CPUC) November 2005, http://docs.cpuc.ca.gov/word_pdf/misc/051102 FinalDraftReport RenewableEnergy.
 pdf/misc/051102 FinalDraftReport RenewableEnergy.
- Intermittency Analysis Project Final Report, (Energy Commission) July 2007, (http://www.energy.ca.gov/2007publications/CEC-500-2007-081/CEC-500-2007-081.PDF)

- Integration of Renewable Resources, (California ISO) November 2007, (http://www.caiso.com/1ca5/1ca5a7a026270.pdf
- CPUC decision 07-12-052 052 directed "parties to work with ED [Energy Division] to refine a methodology for resource planning and analysis that will allow the [IOUs] to adequately address the issue of a 33% renewables target by 2020 in subsequent LTPPs [long-term procurement plans] (p.256)." This issue has also been placed in the scope of the CPUC's Order Instituting Rulemaking to Integrate and Refine Procurement Policies Underlying Long-term Procurement Plans (R.08-02-007).
- Renewable Energy Transmission Initiative Phase 1A Draft Report, (RETI Coordinating Committee) March 2008
 (http://www.energy.ca.gov/2008publications/RETI-1000-2008-001/RETI-1000-2008-001-D-HI-RES.PDF)
- A joint Energy Commission/CPUC investigation of impacts of a feed-in tariff (technology-specific, fixed, long-term guaranteed contract prices for renewables) that will begin in 2008 as called for in the 2007 IEPR, which may help inform the analysis of price impacts of increasing levels of renewables.

The preliminary analysis in the 2008 IEPR Update will also lay the groundwork for exploring the feasibility of even higher renewable targets that may be needed for the state to meet its long-term greenhouse gas reduction goals by 2050.

The IEPR Committee asks parties to identify any additional studies that have examined the impacts of high levels of renewables on electricity systems. In addition, the Committee seeks input on what additional evaluation (and by whom) is needed to identify system changes that would need to occur to support higher levels of renewables.

Questions that the 2008 IEPR Update should address include:

- How can current electricity procurement processes (both RPS and all-source solicitations) be improved to ensure consistency with California's loading order and the CPUC's decision that renewables should be the "rebuttable presumption" in all source procurement?
- What are the major factors that are contributing to or causing delays in RPS contracts, and what can be done to mitigate the risk of contract failure?
- Will adding large amounts of renewables to the system increase wholesale or retail electricity rates? How could potential increases be mitigated?
- What expansions and upgrades are needed in the existing transmission and distribution infrastructure to accommodate high levels of renewable generation?

- Are there promising technologies that should be fostered to significantly improve the electric grid's resiliency and affordability with high levels of renewables?
- What operational and physical changes will need to be made to the system to maintain reliability and allow integration of high levels of renewable generation?
- What are the likely impacts of high levels of renewables on natural gas supplies and prices?
- What are the environmental concerns with developing large-scale renewable facilities, such as solar thermal, on sensitive lands? Can we deploy strategies that mitigate environmental impacts?

2. Energy Efficiency Projections and Demand Forecasting

The 2007 IEPR identified the need to better understand the overlap between the Energy Commission's demand forecasting methodology and projections of the impacts from the CPUC's energy efficiency goals for investor-owned utility voluntary energy efficiency programs with respect to the CPUC's energy efficiency goals. One objective is to illuminate the amount of energy efficiency already in the Energy Commission's demand forecasts, whether explicit or implicit, as the foundation for understanding the incremental impacts of additional utility programs, market effects, direct price impacts, and other motivations. A second objective is to determine the amount and cost of achieving additional energy efficiency potential. The 2008/2009 IEPR committee held a workshop on March 11, 2008 to begin addressing this issue.

The Energy Commission's demand forecasts are used in a variety of venues, including the CPUC's long-term procurement and energy efficiency proceedings, transmission planning, and development and analysis of the impacts of efficiency strategies in the AB 32 greenhouse gas emission reduction proceedings. Significant work remains to understand how energy efficiency programs and goals and the Energy Commission's forecasting methodology overlap. Questions include:

- How can the Commission further delineate the energy efficiency impacts implicit in the demand forecast and assist in understanding projections of the incremental savings to be expected from additional energy efficiency programs or strategies?
- What new projection capabilities are suitable to use in conjunction with the demand forecasts for examining alternative energy efficiency strategies 10-30 years ahead, such as zero-emission building goals, in support of long-term GHG emission reduction goals?

 What collaboration among utilities, the CPUC, and other entities is necessary or desirable to refine demand forecasting methods and create needed energy efficiency projection capabilities?

3. Electricity Procurement Practices

The 2007 IEPR recommended developing a common portfolio analytic methodology as a core focus of the 2008 IEPR Update with the objective of influencing the long-term procurement plans filed by investor-owned utilities with the CPUC.

The 2007 IEPR also recommended that long-term procurement plans should use common assumptions across utilities to the maximum extent practicable; extend over a 20- to 30-year period of analysis; discount future fuel costs at the same social discount rate used in standard-setting activities unless these costs are shown to be shareholder liabilities; and make evaluation of potential costs to consumers a focus of procurement decisions, including costs of environmental impacts.

Many of the issues that were raised in the 2007 IEPR are expected to be within the scope of Phase I of the recently opened CPUC Order Instituting Rulemaking on long-term procurement. CPUC and Energy Commission staff are collaborating in this phase of the proceeding, with a decision tentatively expected in December 2008. The precise scope of the 2009 IEPR with respect to electricity procurement practices will depend on developments in the current CPUC proceeding. Staff of both agencies anticipate that there may be additional investigation and analysis suggested by Phase I of the current long-term procurement plan proceeding, and that the 2009 IEPR will be a logical forum in which to continue.

In the interim, however, the IEPR Committee seeks input from parties on other issues related to the long-term procurement of electricity, including but not limited to addressing the following questions:

- How should environmental impacts be incorporated into long-term procurement? Should utilities use a 20-year or longer analysis period?
- What are the consequences of using a social discount rate (as used to evaluate the Energy Commission's building standards) in evaluating alternative utility portfolios? To the extent that utilities make decisions that pay off over a much longer time horizon, how would the investment community treat efforts to add debt or equity?

¹ CPUC, R.08-02-007, http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/78966.htm.

4. Assessment of Nuclear Plant Vulnerability

Assembly Bill 1632 (Blakeslee, Chapter 722, Statutes of 2006) directs the Energy Commission to compile and assess existing scientific studies by experts in the subject areas to determine the potential vulnerabilities of Diablo Canyon and the San Onofre Nuclear Generating Station to a major disruption due to a seismic event or plant aging. This assessment is to be adopted on or before November 1, 2008 and included in the 2008 IEPR Update.

The Energy Commission held a public workshop on December 12 to present and receive public comments on a draft study plan, which was then finalized in January 2008 (available on-line at http://www.energy.ca.gov/ab1632/documents/2008-01-30_STUDY_PLAN.PDF). A draft consultant report is anticipated at the end of June with a public workshop in mid-July, followed by release of the Committee Draft Report at the end of September. The Energy Commission will consider the report for adoption in late October 2008, and include a summary of the report's findings in the 2008 IEPR Update..

5. Evaluation of the Self Generation Incentive Program

Assembly Bill 2788 (Lieber, Chapter 617, Statutes of 2006) requires the Energy Commission, in consultation with the California Public Utilities Commission and the California Air Resources Board, to evaluate on or before November 1, 2008 the costs and benefits of providing ratepayer subsidies for renewable and fossil fuel "ultraclean and low-emission distributed generation." The bill stipulates that this evaluation will be conducted as part of the Energy Commission's IEPR.

"Ultraclean and low-emission distributed generation" is defined in Public Utilities Code section 353.2 as follows:

As used in this article, 'ultraclean and low-emission distributed generation' means any electric generation technology that meets both of the following criteria:

- 1) Commences initial operation between January 1, 2003, and December 31, 2008.
- 2) Produces zero emissions during its operation or produces emissions during its operation that are equal to or less than the 2007 State Air Resources Board emission limits for distributed generation, except that technologies operating by combustion must operate in a combined heat and power application with a 60-percent system efficiency on a higher heating value.

Assembly Bill 2778 states that the Energy Commission "shall include recommendations for changes in the eligibility of technologies and fuels under the Self-Generation Incentive Program, and whether the level of subsidy should be adjusted after considering its conclusions on costs and benefits pursuant to this subdivision."

A kick-off meeting for this effort was held on March 27, 2008. A draft consultant report is anticipated in July 2008, followed by a workshop in August. A final report is anticipated to be completed in December 2008. The 2008 IEPR Update will include a summary of the report's findings and recommendations.

6. Greenhouse Gas Implications for the Electric and Natural Gas Sectors

The California Global Warming Solutions Act of 2006 requires the California Air Resources Board (ARB) to consult with the CPUC and Energy Commission on establishing an effective and useful structure to reduce greenhouse gas emissions for the electricity and natural gas sectors. In March 2008, the CPUC and the Energy Commission made joint recommendations to the ARB on the point of regulation and complementary principles for implementing Assembly Bill 32.

The final phase of the joint proceeding will focus on developing a recommendation to the ARB on the preferred approach to the allocation or auctioning of allowances, expected in August 2008. In addition, the next phase will conduct detailed modeling and analysis for the electricity and natural gas sectors to estimate cost and rate impacts of different compliance strategies.

However, it is not expected that all questions will be answered in that time frame. The 2008 IEPR Update will include a brief summary of the August decision and identify outstanding questions and any need for additional analysis or discussion to be undertaken in the 2009 IEPR.

2009 IEPR

The IEPR Committee proposes to include the following topics in the 2009 IEPR, consistent with the requirements of Senate Bill 1389 (Bowen and Sher, Chapter 568, Statutes of 2002). The Committee also seeks input on whether the IEPR should focus on a subset of specific topics and if so, what those topics should be.

Electricity and Natural Gas Forecasting and Assessment:

- Supply trends and price outlook, both wholesale and retail.
- Forecasts of statewide and regional demand, including: annual, seasonal, and peak; demand growth factors; evaluation of best, worst, and average conditions for long-range forecast; and impacts on natural gas demand of increasing renewable resources.
- Evaluation of supply adequacy.
- Examination of the long-term procurement process to better understand how the state's loading order is being addressed in the procurement framework, and how to ensure at the same time a competitive market that allows independent producers to compete.
- Assessment of infrastructure and system availability, reliability, and efficiency.
- Impacts on public health and safety, the economy, resources, and the environment of supply, demand, and the system.

- Effects of load management efforts.
- Ability of the market to meet public interest objectives, including: economic benefits, competitive, low-cost reliable services, customer information and protection, environmental sensitivity, and improved market performance.
- Continued evaluation under the scenario analysis effort undertaken in the 2007 IEPR of trade-offs of various resource portfolios under various greenhouse gas regulatory outcomes.

Strategic Transmission Investment Plan:

- Update of the 2007 Strategic Transmission Investment Plan.
- Actions needed to develop and maintain cost-effective, reliable transmission system.
- California's transmission challenges and recommendations for overcoming those challenges.
- Recommendations for in-state transmission corridor planning and in-state transmission projects.

Transportation Fuels, Technologies, and Infrastructure Forecasting and Assessment:

- Trends in supply and demand.
- Forecasts of wholesale and retail prices for petroleum, petroleum products, and alternative transportation fuels.
- Forecasts of seasonal and annual transportation fuel demand, both statewide and regionally, and factors leading to demand growth.
- Evaluation of supply, technology, and infrastructure adequacy.
- Discussion of any changes needed to the state's contingency plan.
- Evaluation of alternative transportation energy scenarios and effects.
- Recommendations to improve efficiency, reduce petroleum dependency, and improve environmental performance.

Environmental Performance of Electric Generation Facilities:

- · Assessment of facility efficiency and emission control technologies
- Evaluation of displacement or reduction of operation of existing facilities, and associated effects.
- Consideration of statewide policy efforts to address impacts of once-through cooling and associated impacts on both existing and new facilities as well as potential impacts on reliability.

Public Interest Energy Trends and Strategies:

- Evaluate additional achievable energy efficiency and conservation measures and technologies; implement load management.
- Evaluate progress toward the state's existing Renewables Portfolio Standard goals and discuss system changes needed to support higher targets, including transmission additions or upgrades.
- Discuss status of efforts to pursue research, development, demonstration, and commercialization of new energy technologies in the electricity, natural gas, and transportation sectors.

 Evaluation of efforts to reduce statewide greenhouse gas emissions and address the impacts of climate change on California, stimulate energy-related business, and protect and enhance the environment.

The proposed schedule for the 2008 IEPR Update and 2009 IEPR is shown below.

PROPOSED SCHEDULE:

2008 IEPR Update	
Issue Order Instituting Informational	April 16, 2008
Proceeding	
Scoping hearing	April 28, 2008
Issue IEPR Committee Scoping Order for	May 12, 2008
2008 IEPR Update	
Initiate data collection and analysis	April 28, 2008
activities	
Hold public workshops on specific topics	June-July 2008
Release Committee Draft 2008 IEPR	Early September 2008
Update	
Committee hearing on draft report	Late September 2008
Issue Committee Final 2008 IEPR Update	October 2008
Adopt final 2008 IEPR Update	November 5, 2008

2009 IEPR	
Issue Order Instituting Informational	April 16, 2008
Proceeding	
Scoping hearing	April 28, 2008
Initiate data collection and analysis	April 28, 2008
activities	
Scoping hearing for 2009 IEPR	June 2008
Issue IEPR Committee Scoping Order for	July 2008
2009 IEPR	
Hold public workshops on specific topics	January – June, 2009
and issue staff white papers summarizing	
findings and recommendations on specific	
topics	
Hold Committee hearings on specific	July – August 2009
topics	
Issue Committee Draft 2009 IEPR	September 2009
Committee hearing on Draft 2009 IEPR	September 2009
Issue Committee Final 2009 IEPR	October 2009
Business Meeting adoption	November 2009