

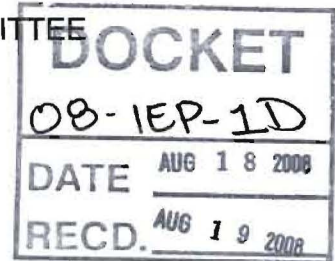
**CALIFORNIA ENERGY COMMISSION**

1516 Ninth Street  
Sacramento, California 95814

Main website: [www.energy.ca.gov](http://www.energy.ca.gov)



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

**Notice of Committee Workshop**

The Integrated Energy Policy Report (IEPR) Committee will hold a workshop to conduct a discussion on various topics related to electricity procurement as part of the overall examination of procurement practices in the *2008 IEPR Update* and *2009 IEPR*. Commissioner Jeffrey Byron is the Presiding Member and Chairman Jackalyn Pfannenstiel is the Associate Member. Other Commissioners from the Energy Commission or California Public Utilities Commission may attend and participate in this hearing. The hearing will be held:

**MONDAY, AUGUST 18, 2008**  
10 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/](http://www.energy.ca.gov/webcast/)

To participate in the meeting by phone,  
please call **888-566-5914** by 10 a.m.  
Passcode: **IEPR** Call Leader: **Suzanne Korosec**

**Purpose**

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 California Public Utilities Commission (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 evaluate potential costs to consumers of procurement decisions, including costs of environmental impacts.

This issue is within the scope of Phase I of the CPUC's Order Instituting Rulemaking on long-term procurement (R.08-02-007), and staffs of the CPUC and Energy Commission are working collaboratively in this phase of the proceeding toward a decision tentatively expected from the CPUC 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.

## Topics and Questions

In the Scoping Order for the 2008 IEPR Update, issued May 15, 2008, the IEPR Committee directed the staff to report in the 2008 IEPR Update on the status of those collaborative efforts, and to examine several issues associated with procurement. Based on the issues identified in the Scoping Order, this workshop will focus on the following topics and questions:

- Status of the CPUC and Energy Commission staff collaboration in the CPUC's 2008 Long-Term Procurement Proceeding (R.08-02-007) and progress toward implementing 2007 IEPR recommendations regarding the standardization of assumptions, extending the period of analysis, and more adequately incorporating risk into the evaluation of potential utility portfolios.
- Incorporating environmental impacts into long-term procurement:
  1. Are environmental impacts adequately considered in the evaluation of long-term procurement plans?
  2. Does the current procurement process consider environmental impacts in a manner that encourages the selection of projects that can be brought to completion? How can or should the procurement and facility siting processes be linked so as to facilitate the successful development of selected resources in a timely fashion?
- Consequences of using a social or risk-adjusted discount rate for the fuel cost component of resource and portfolio costs.

The context for the following questions is provided in Attachment A, a staff white paper on *Discounting Future Fuel Costs at a Social Discount Rate*.

3. If utilities are required to meet a Renewables Portfolio Standard (RPS), is it appropriate to use a risk-adjusted discount rate for natural gas cost streams when evaluating portfolio costs if the RPS has been put in place to mitigate fuel cost risk? What about if the RPS has been implemented for reasons other than fuel cost risk? Or if the RPS does not represent a binding constraint (that is, if least-cost, best-fit procurement yields amounts of renewable energy in excess of the RPS)?
4. If the CPUC's Long-Term Procurement Proceeding requires that utility long-term procurement plans be evaluated over a suitably wide range of natural gas prices and associated uncertainties, would using a risk-adjusted discount rate for natural gas cost streams be appropriate when determining portfolio costs? This assumes that

the purpose of determining the sensitivity of portfolio costs to different fuel prices is to evaluate the trade-off between expected portfolio costs and risk.

5. Should risk-adjusted discounting of fuel costs be used when comparing bids received in response to a Request For Offer (RFO)? In the presence of an RPS? When accompanied by portfolio analysis as described in Question #2? If not, are there other adjustments for risk that can or should be used?
  6. If natural gas fuel costs were to be discounted at a risk-adjusted rate, are there risk costs related to technologies that do not use natural gas that should be similarly treated to maintain analytical consistency?
  7. If risk-adjusted discounting is appropriate for present valuing of natural gas costs, should the discount rate be based on a social discount rate or some other measure? If based on a social discount rate, how should that rate be derived?
- Additional investigation and analysis needed in the *2009 IEPR* on the above topics:
    8. What assessments of utility portfolios and resource planning should be done in the *2009 IEPR* to complement and not duplicate those being considered in the 2008 and 2010 Long-Term Procurement Proceeding at the CPUC?
    9. If assessments of potential utility portfolios in the post-2020 period should be undertaken as part of the *2009 IEPR*, what questions should they seek to answer? Why would assessments of utility portfolios rather than of resource development on a statewide basis be necessary?
    10. Should greenhouse gas related analysis be considered, given uncertainties surrounding GHG regulation?

## Workshop Participation

The Committee invites all interested parties to participate before and during this workshop, and attendees are strongly encouraged to participate in discussions. If you wish to make a formal presentation or present your comments to the Committee at the workshop, please contact Suzanne Korosec at (916) 654-4516 or by e-mail at [skorosec@energy.state.ca.us] by Thursday, August 14, 2008. Presentation requests received on the day of the workshop will be accommodated to the extent that time allows. The Committee will also take general comments from the public immediately following any presentations.

## Comments

The Committee will take comments at the workshop or written comments. The Committee requests that written comments on workshop topics be submitted by 5 p.m. on Monday, August 25, 2008. Please include the docket number 08-IEP-1D and indicate "2008 Integrated Energy Policy Report Update" 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 to:

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

Participants may also provide an original copy 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, Elena Miller, 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 *2008 IEPR Update* is handled electronically. Notices and documents for this proceeding are posted to the Energy Commission website at [[http://www.energy.ca.gov/2008\\_energypolicy/index.html](http://www.energy.ca.gov/2008_energypolicy/index.html)]. 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 e-mail at [mediaoffice@energy.state.ca.us]. Technical questions on the subject matter of this notice 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].

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JEFFREY D. BYRON  
Commissioner and Presiding Member  
Integrated Energy Policy Report Committee

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JACKALYNE PFANNENSTIEL  
Chairman and Associate Member  
Integrated Energy Policy Report Committee

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