

April 27, 2009

California Energy Commission
Dockets Office, MS-4
Re: Docket No. **09-IEP-1K**
1516 Ninth Street
Sacramento, CA 95814-5512

DOCKET	
09-IEP-1K	
DATE	APR 27 2009
RECD.	APR 27 2009

Re: 2009 Integrated Energy Policy Report (IEPR) – Docket
No. 09-IEP-1K: Transportation Fuel Infrastructure

To Whom It May Concern:

Southern California Edison Company (SCE) appreciates the opportunity to submit these additional comments following the April 14-15, 2009 Workshop on the transportation fuel infrastructure. SCE's additional comments focus first on SCE's recommendations to facilitate development of electric transportation in California. Second, SCE offer its comments on a presentation of the Western States Petroleum Association (WSPA) as it relates to Combined Heat and Power (CHP).

With regard to facilitating the development of electric transportation in California, it is important to maximize the differential between the cost of electricity and the cost of fossil fuel for fueling transportation vehicles to create the maximum incentive for consumers to purchase Plug-In Hybrid Electric Vehicles (PHEV) and Battery Electric Vehicles (BEV). Carbon credits for switching from gasoline powered vehicles to BEV or PHEV should be passed to consumers, through the utilities, to keep costs as low as possible for them. It is very important to carefully analyze potential cost drivers for consumers to avoid creating incentives not to adopt use of BEV and PHEV.

Necessary to development of BEV and PHEV is research on stationary and secondary use of advanced automotive batteries. SCE urges the California Energy Commission (CEC) to initiate analysis of the potential to use energy storage (both on and off board of the BEV or PHEV) to support ancillary services necessary for reliable function of the electric grid.

With regard to the WSPA presentation on CHP, SCE requests that the CEC consider the putative merits of encouraging CHP in a holistic manner consistent with the loading order. The CEC has strongly supported lighting improvements and reduced energy consumption from appliances in standby mode and electric chargers when plugged in but not in use. These innovations will lower off peak loads. The CEC has also strongly supported expanded use of renewable energy, including wind resources that tend to deliver in off peak periods. Supporting baseload CHP facilities that also produce power during off peak hours may create over-generation problems that could require the curtailment of wind resources in contravention of the loading order, or even threaten electrical system reliability. Energy storage devices may help mitigate these

impacts, but the CEC should carefully consider the optimal balance of cost effective technology choices before drawing conclusions regarding CHP. Also, the CEC should consider the longer-term consequences of supporting new baseload fossil-fueled power plants that will likely operate beyond the AB 32 compliance period, which ends in 2020.

WSPA made a number of assertions about barriers to CHP development that should not be accepted uncritically. WSPA asserts that there are no real “market” alternatives for sales of excess power from CHP. To the contrary, there are competitive wholesale generation markets for both energy and capacity in California. With the California Independent System Operator’s (CAISO) market redesign and technology update (MRTU) operational, there is a readily available day a-head energy market in California available to larger CHP units. In addition, smaller CHP units able to qualify as QFs may have a standard offer contract available..

WSPA asserts that avoided cost pricing under Public Utilities Regulatory Policy Act of 1978 (PURPA) “won’t bring new [megawatts].” The purpose of PURPA was to stimulate development of CHP and renewable resources by requiring utilities to purchase power at the utilities’ avoided cost. Avoided cost is what the Utilities would pay if they did not purchase power from Qualifying Facilities (QFs) under PURPA. Many QFs have been developed in California under avoided cost pricing. There is simply no basis for WSPA’s assertion that avoided cost pricing is too low to assure development of more CHP. There are many market opportunities for development of CHP in California.

Finally, SCE agrees with WSPA that CHP can be an emissions reduction measure when it efficiently serves both electrical and thermal load. That being said, some CHP facilities operational efficiencies are not high enough to effectively reduce emissions.

If you have any questions or need additional information about SCE’s comments, please do not hesitate to contact me at (916) 441-2369.

Very truly yours,

/s/ Manuel Alvarez

Manuel Alvarez