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California Energy Commission
1516 Ninth Street
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RE: DOCKET NO. 09-IEP-1A 2009 INTEGRATED ENERGY POLICY REPORT (2009 IEPR). Sempra Energy Utilities' Comments on the *California Energy Commission's Draft 2009 IEPR*

Dear Commissioners:

As in past years, the 2009 Draft Integrated Energy Policy Report ("IEPR") represents a substantial effort on the part of the Energy Commission, its staff, and the numerous parties that participated in the various workshops. The Sempra Energy Utilities ("SEu") (San Diego Gas and Electric Company and Southern California Gas Company) support many elements of the report such as its continued support of the state's loading order for electric resources and recognition that a major challenge facing policy makers is the need to balance the state's environmental goals with the need for reliable and affordable energy supplies. Rather than comment on every section the SEu either agree or disagree with, our written comments focus on a few of the major themes in the report.

1. COORDINATION BY STATE AGENCIES:

Throughout the Draft IEPR, the need for better coordination between the various state agencies is highlighted. SEu strongly support this recommendation. Although SEu recognizes that much of this must be agreed to by the agencies themselves, we would be glad to work with regulators and policymakers to help formulate a solution. The solution must ensure consistency in regulatory determinations and avoid unnecessary re-litigation of the same issues before several different regulatory agencies, while at the same time providing the appropriate degree of deference to the expertise and jurisdiction of each agency.

The need for better coordination is highlighted in almost every section of the Draft IEPR. The need for coordination is especially critical in achieving the state's renewable energy goals. We would prefer to see more substantial recommendations from the Commission. Stating that the agencies need to work together and proposing a specific plan and time line for resolving the issues, are two very different things.

2. STATE WIDE ENERGY POLICIES SHOULD APPLY EQUALLY TO ALL SERVICE PROVIDERS

Prior to issuing the final report, the Draft should be carefully reviewed to make sure it clearly states that energy policies being proposed in the report should apply equally to all energy suppliers. We recognize that implementation of state agencies policies by various energy providers within the state will vary based on each provider's jurisdictional status; i.e., the governmental and/or regulatory structure applicable to each provider. Nevertheless, to the extent the IEPR makes recommendations on implementing state agencies policies, such implementation should apply equally. Specifically, to the extent the Investor Owned Utilities

(IOUs) are carrying out various programs, the IEPR should recommend that the Publicly Owned Utilities (POUs) undertake programs of equivalent responsibility and effect.

3. STATE WIDE ENERGY POLICIES REQUIRE UNAMBIGIOUS SUPPORT FOR SUPPORTING INFRASTRUCTURE

As the RPS requirements increase, a commensurate need for infrastructure solutions must also be supported. The IEPR identifies needed studies around solutions for smart grid infrastructure, renewable energy and CAISO specific requirements. Absent a clear, unambiguous strategy and policy, the infrastructure needed will remain on the drawing board and available only as PowerPoint ware, not hardware. The IEPR needs to develop very near-term, 2-3 year strategies and policies to ensure legislators support the entire renewables infrastructure.

4. COST IMPLICATIONS OF THE POLICY RECOMMENDATIONS

One disappointing element of the draft IEPR is that it is silent on the cost implications of the various policies it is recommending. The IEPR recognized that a major challenge facing policy makers is the need to balance the state's environmental goals with the need for reliable and affordable energy supplies. SEu believes that providing consumers with reasonably priced electricity and natural gas is their paramount responsibility.

However, the draft report is silent on the cost to consumers of achieving the many goals in the report. While the energy efficiency (EE) section does target achieving cost effective levels of energy efficiency—which should result in lower bills to consumers over the long run—the costs of such programs are frequently imposed in the short term while the benefits are realized over the long-tem. This means that EE programs also impose upward pressure on rates in the short term in addition to the costs of achieving other goals reflected the report. Many of the other recommended policies in the report will result in *higher* costs to consumers in the long- and short-term. It is important that policy makers who read this report understand the costs that implementing such polices have on consumers and examine whether or not the recommended polices are the lowest cost way to achieve the state's objectives.

It is disappointing that the IEPR seems to criticize the California Public Utilities Commission's (CPUC's) Long Term Planning Process when it states that:

"…under the CPUC's general interpretation that minimizing ratepayer costs requires it to make choices that balance resource preference goals with just and reasonable rates." [1]

If the state wants to have a robust economy, then it needs to realize that having affordable energy is part of the equation. Thus, the cost and benefits of various policy choices should be clearly spelled out. If this assessment cannot be integrated into the current IEPR, it needs to be included in future IEPRs.

5. SUPPORT FOR EXAMINING THE STATE'S BIOENERGY ACTION PLAN

SEu supports the recommendation that the State's *Bioenergy Action Plan* be updated. We believe this update needs to include the requirement that digester gas be processed to a level of quality acceptable for injection into the natural gas pipeline system. In many cases it is more cost effective and practical to inject the biogas into the natural gas pipeline system than it is to use the biogas to create on-site electricity.
If biogas is converted to electricity on-site, a number of issues can arise. First, it could be difficult to license a generation facility at many of these locations, such as in the South Coast Air Quality Management District

[1] CEC's Draft 2009 IEPR, Page 206

– depending on the type of generator used (e.g., engines, microturbines, fuel cells). Second, on-site electric generating plants will most likely be operated to use the fuel at the time it is produced, which can result in electricity production during periods when electricity has relatively low value (e.g., during off-peak hours). When biogas is injected into the natural gas pipeline system it can be managed like natural gas supplies, including use of existing natural gas storage facilities and pipeline hourly flexibility. Many electric generators use natural gas storage and related services to manage their daily and hourly gas supplies. The CEC should explore where California policies can be better achieved by processing the gas to conditioning the gas pipeline quality and then injecting it into the existing gas pipeline system. This would allow the biogas to be burned in the existing fleet of natural gas-fired power plants. In many cases, these plants are more efficient and cleaner than a dedicated plant at the gas source. Such a strategy would allow for the existing natural gas-fired generating power plant fleet—that is critical to integrating renewable power—to become partially "renewable" themselves.

Respectfully submitted,

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