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March 9, 2011

Electronic Delivery

California Energy Commission  
Dockets Office, MS-4  
1516 Ninth Street  
Sacramento, CA 95814

Re: Docket No. 11-IEP-1

Docket Office:

Please find attached PG&E's comments in response to the Revised Scoping Order for the 2011 Integrated Energy Policy Report. Please contact me should you have any questions.

Sincerely,

Attachment

**DOCKET**

**11-IEP-1**

DATE MAR 09 2011

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**PACIFIC GAS AND ELECTRIC COMPANY COMMENTS IN RESPONSE TO THE IEPR  
COMMITTEE'S DRAFT REVISED SCOPING ORDER  
11-IEP-1**

Dear Commissioners:

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to offer comments on the California Energy Commission's (CEC) Revised Scoping Order for the 2011 Integrated Energy Policy Report (IEPR). Accordingly, PG&E provides the following comments and recommendations for the CEC's consideration. The lack of comment on any particular topic, however, should not be perceived as a lack of interest and PG&E fully intends to participate in the upcoming slate of workshops in support of the 2011 IEPR.

Our brief comments below:

**I. Implementation of State Environmental and Energy Policies**

As Commissioner Weisenmiller noted at a recent IEPR workshop on air credit scarcity in the South Coast, the multiple complementary (and sometimes competing) environmental and energy policy initiatives on offer before the CEC can resemble a "Rubik's Cube." The interdependencies and contingencies associated with meeting state policy goals through various supply and demand-side approaches while simultaneously balancing cost, level playing field and grid reliability concerns represent a healthy tension for policymakers and market participants. Transparent, publicly vetted analyses of issues such as energy efficiency forecasting, the impacts of increased penetration of "localized generation" (i.e., distributed generation) and intermittent renewable resources on the system, and the retirement or replacement of once-through-cooled generation can provide decision makers with key insight into the interdependencies and tradeoffs associated with new policies. As the CEC helps to implement Governor Brown's Clean Energy Jobs Plan using the California Clean Energy Future as a roadmap, PG&E urges the Commission to consider the grid reliability and customer cost implications of these multiple policy initiatives comprehensively, and in close coordination with similar efforts being conducted in other regulatory forums.

For example, as the CEC is aware, there are several proceedings at the CPUC where work is being done to examine the growth potential for distributed generation (DG) and associated technical issues for the distribution system. PG&E encourages the CEC to actively participate in those discussions, in particular the Renewable Distributed Energy Collaborative (ReDEC), to inform the 2011 IEPR. There are several related issues with respect to DG that would be appropriate topics for the IEPR. First, there is a knowledge gap with respect to the technical issues surrounding distribution-system reliability and operations under a high-DG-penetration scenario that the CEC could help close. The 2011 IEPR should take an integrated approach to examining the cost-effectiveness of how DG, energy efficiency, and DR might help meet state policy goals. Second, the CEC could consider how to define DG for California energy policy purposes, with an emphasis on developing a wider understanding among stakeholders that policy goals for "retail" DG (where the power generated is used onsite) lead to very different applications and cost structures than policy goals for "wholesale" DG (where the power is delivered onto the grid).

**II. San Bruno**

Several investigations and proceedings are underway by federal and state agencies, including the National Transportation Safety Board and the California Public Utilities Commission, to consider and take action on the public safety and energy reliability implications of the tragic San Bruno accident. PG&E has been and remains absolutely committed to fully cooperating with these investigations and proceedings to determine the root cause of the San Bruno accident so we can make pipelines safer industry-wide and help prevent similar tragedies in the future. The NTSB, CPUC and the federal Pipeline and Hazardous Materials Safety Administration are the



lead agencies engaged in these investigations and proceedings, which have resulted in detailed examination of voluminous information. To avoid duplication and so that the Energy Commission can benefit from and build upon the information and conclusions generated by the current proceedings, PG&E recommends that the Energy Commission focus its efforts on potential impacts on reliability that may result from reduced pressure and other directives from the NTSB and CPUC, and on power plant siting issues related directly to natural gas interconnection.

### **III. Public Goods Charge Reauthorization**

PG&E continues to believe that there is a role for the state to continue to support public interest energy research. At the same time, the electricity and natural gas market and policy landscape looks much different today than when AB 1890 authorized the PGC. As the entities responsible for achieving many of the state's energy policy goals, the IOUs are uniquely incentivized to make more strategic RD&D investments, and accordingly should play a significant role in RD&D decisions. PIER-funded research administered by the CEC has at times been too broad and unfocused. Therefore PG&E welcomes the opportunity to discuss strategic planning that can align RD&D with our state's ambitious energy goals and the near-term needs of utilities. PG&E's RD&D priorities in the near term focus on applied projects and programs that leverage and expand upon existing IOU efforts. These include (but are not limited to) smart grid and grid modernization, testing and demonstration technologies focused on utility operations to improve and enhance reliability while integrating renewables, energy storage, demand response, PEVs, DG, and other low-carbon generation deployment.

In addition to recognizing that IOUs have a greater incentive today than prior to deregulation to invest in research that is aligned with the state's ambitious energy goals, the PIER program should reflect contributions from both IOU and POU customers as a statewide RD&D program. Furthermore, PG&E suggests that the 2011 IEPR recommend a restructuring that includes improved coordination and collaboration among participating utilities, governance and administration that shortens the award process and reduces administrative costs, and program goals guided by a statewide strategic plan based on achieving the state's energy goals while providing tangible benefits to consumers. Finally, the IEPR should focus on means of safeguarding PGC funds from raids to benefit the state General Fund.

PG&E appreciates the opportunity to provide our comments and recommendations with respect to the Revised Scoping Memo for the 2011 IEPR. We look forward to working with the Commission as it addresses the critical environmental and energy issues facing the state.