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California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

**RE: Docket # 11-IEP-1A- Lead Commissioner's Final Report
- 2011 Integrated Energy Policy Report (IEPR)**

Dear Commissioners:

As in past years, the 2011 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, San Diego Gas and Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) offer the following final comments on **Chapter 2 – Renewable Electricity Status and Issues**:

- 1) A complete review and analysis of the cost of renewable energy projects necessarily includes an evaluation of their potential impact on utility rates. This is the case because cost increases have a disproportionate impact on some ratepayers such as upper tier residential electricity customers. In order to ensure that the analysis called for in the IEPR on this subject is complete, SDG&E believes that the following underlined language should be added to clarify Recommendation #2 on Page 51:

"Evaluate the cost of renewable energy projects beyond technology costs – including costs associated with integration, permitting, and interconnection – and their effect on retail electricity rates, including the impact of California's Net Energy Metering program under the existing inverted tier structure rate design. This evaluation shall be coupled with a value assessment that could potentially lead to monetizing the various system and non-energy benefits attributable to renewable resources and technologies, particularly those benefits that enhance grid stability and reduce environmental and public health costs."

- 2) The impact of incentives for renewable technologies on rates and the California economy can be very different, depending on the nature and cost of those incentives and what happens to the levels of those incentives as the cost of renewable energy declines. All incentives are not the same, and all incentives are not good public policy. Some incentives are also hidden from the public through obscure ratemaking mechanisms. Excessively generous incentives lead to less renewable deployment per dollar than could otherwise be achieved. As a result, it would be

bad public policy to simply promote any incentives for renewable energy technologies and development projects, without regard to their cost effectiveness and ability to maximize benefits for every dollar spent and without ensuring that the magnitude and nature of the incentive is clear to the public. In order to ensure that these issues are considered before deciding whether or not to promote any particular incentive, SDG&E requests that the following underlined language be added to clarify Recommendation #4 on Page 52:

Promote cost-effective incentives for renewable technologies and development projects that create in-state jobs and support in-state industries, including manufacturing and construction. In implementing this strategy, the state should evaluate how current renewable energy policies and programs are affecting in-state job growth and economic activity, how to maximize the effectiveness of incentives, how to make incentives consistent and transparent, and identify which renewable technologies rely on supply chains that provide the best opportunities for California businesses.

- 3) Table 3 on page 33 of the IEPR, "Proposed Regional DG Targets by 2020," should be eliminated since the data was not developed by CEC staff; is not vital to any of the 2011 IEPR recommendations; will be revisited by the CEC in 2012; and contains an error regarding DG potential in the San Diego area that may mislead IEPR users.

In closing, the Sempra Energy utilities appreciate the opportunity to provide comments on the final 2011 IEPR.

Respectfully submitted,

A handwritten signature in black ink that reads "Mitch Mitchell". The signature is written in a cursive, slightly slanted style.