

**Comments of the Natural Resources Defense Council (NRDC) on the
2012 Integrated Energy Policy Report (IEPR) Update**

Docket No. 12-IEP-1D
RE: Workshop on Renewable Power Costs
June 5, 2012

Submitted by:
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I. Introduction and Summary

The Natural Resources Defense Council (“NRDC”) appreciates the opportunity to offer these comments on the issues discussed at the California Energy Commission’s (“CEC” or “Commission”) *2012 Integrated Energy Policy Report Update* (“IEPR Update”) committee workshop on Retail Rate and Cost Issues with Renewable Development, held on May 22, 2012. NRDC is a nonprofit membership organization with a long-standing interest in minimizing the societal costs of the reliable energy services that Californians demand. We represent our nearly 100,000 California members’ interests in receiving affordable energy services and reducing the environmental impact of California’s energy consumption.

NRDC greatly appreciates the Staff’s hard work to develop the IEPR Update, but requests that a number of key points be examined to ensure a balanced analysis of renewable energy costs. Specifically, NRDC recommends that the IEPR Update reflect the full societal costs of where renewable projects are sited and the mitigated costs of renewables integration stemming from differentiated resources and location diversity. With appropriate planning, the goals of increased reliance on renewables and minimization of costs to utilities and electricity customers need not be in conflict. In order to fully evaluate renewable resources, environmental costs and benefits of a diversity of resources should be considered in the planning process. Additionally, NRDC urges the CEC to consider the economic burden that raising fixed costs would have on low income utility customers.

Our comments are summarized as follows:

1. NRDC urges the Commission to include the full societal costs of siting renewable projects on pristine rather than degraded land in its total cost estimate of relevant renewable projects.
2. NRDC recommends that the CEC consider the full value of differentiated resources and location diversity when weighing renewable projects’ costs.

3. NRDC urges the Commission to address the significant impact increased fixed costs would have on all customers' ability to affect their electric bill through efficiency and conservation and the particular impacts on low income utility customers, who are currently protected from cost shifting under net energy metering.

II. Discussion

- 1. NRDC urges the Commission to include the full societal costs of siting renewable projects on pristine rather than degraded land in its total cost estimate of relevant renewable projects.**

NRDC is engaged in the siting process for renewable energy projects. Installing renewable energy projects on pristine land with wildlife or conservation value imposes greater societal costs that should be considered in the total cost estimate. Projects in high-conflict areas are also more likely to have cost and time overruns due to permitting challenges and litigation. Siting projects on land that is already disturbed, degraded, or polluted however, maximizes redevelopment opportunities with fewer environmental conflicts and competing interests. Encouraging renewable development on chemically altered, drainage impaired, or marginally productive farmland, specifically, should also be a major policy goal. Additionally, renewable energy projects sited on degraded lands advance climate mitigation goals while containing costs, reducing environmental impacts, and creating jobs and economic development for workers in California. We therefore urge the CEC to consider the siting of renewable energy projects when evaluating the total cost estimate of renewables.

- 2. NRDC recommends that the CEC consider the full value of differentiated resources and location diversity when weighing renewable projects' costs.**

Broader geographical diversity of resources and differentiated resources minimizes the costs of integration into the utility grid. All renewable resources have variable production, however, with greater resource and geographic diversity, variable production will be uncorrelated allowing for more opportunities to balance renewable projects with other renewable sources. This, in turn, reduces reliance on gas generation, and provides increased price stability and greater electric system reliability. We therefore urge the Commission to consider the full value of differentiated resources and location diversity, including the minimized integration costs, when evaluating the costs of renewable power.

- 3. NRDC urges the Commission to address the significant impact increased fixed costs would have on all customers' ability to affect their electric bill through efficiency**

and conservation and the particular impacts on low income utility customers, who are currently protected from cost shifting under net energy metering.

Fixed charges on utility bills reduce the ability of all customers to affect their electric costs through increased efficiency and conservation. Low income and low usage customers are likely to be most impacted by any increase in utility fixed charges. While NRDC has not reviewed any CEC analysis of how the existing rate structure induces efficiency and conservation, current CEC analysis of retrospective energy efficiency savings depict significant savings from “price and market effects.” Increasing fixed charges will reduce or eliminate incentives to reduce consumption through efficiency.

Furthermore, the impacts of net metering on low income customers’ rates have been frequently distorted. Low income and low usage utility customers are currently protected from rate increases. Therefore, purported increased costs from net metering are not shifted from upper tier customers participating in the net energy metering program to low income CARE customers. Additionally, we note that the Public Utilities Commission (PUC) recently announced in Decision 12-05-036 “Re Calculation of the Net Energy Metering Cap” that it will analyze the costs and benefits of net energy metering to determine the true impact of the program and any cost shifting onto non-solar customers. We urge the CEC to consider the toll on low income customers and on efficiency incentives to lower energy bills if fixed utility costs were raised.

III. Conclusion

Thank you for the opportunity to comment on these issues related to the IEPR Update and Workshop on Renewable Power Costs, and for considering our recommendations. We look forward to continuing to work with the CEC and Staff to identify and implement effective policies to meet California’s carbon reduction and renewable energy development needs.

Sincerely,



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