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**STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION**

In the Matter of:)
)
2012 Integrated Energy Policy Report Update)
)
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Docket No. 12-IEP-1A

**PATHFINDER RENEWABLE WIND ENERGY AND
ZEPHYR POWR TRANSMISSION, LLC COMMENTS ON
2012 INTEGRATED ENERGY POLICY REPORT UPDATE**

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**STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION**

In the Matter of:)
) Docket No. 12-IEP-01
2012 Integrated Energy Policy Report Update)
)
_____)

**PATHFINDER RENEWABLE WIND ENERGY AND
ZEPHYR POWR TRANSMISSION, LLC COMMENTS ON
RENEWABLE NET SHORT UPDATE**

Pathfinder Renewable Wind Energy (“Pathfinder”) and Zephyr Power Transmission, LLC (“Zephyr”) respectfully submit these comments on the California Energy Commission’s (“Commission”) 2012 Draft Lead Commissioner Integrated Energy Policy Report Update (“Draft IEPR”). Pathfinder and Zephyr greatly generally support the goals and policies set forth by the Commission in the Draft IEPR. However, the Draft IEPR’s analysis of actions to meet California’s renewable energy goals does not consider or recognize the contributions that comparatively lower-cost renewable energy production located outside of California will have on the state’s progress to satisfy the Renewables Portfolio Standard (“RPS”). Also, the Draft IEPR should place more weight on the lowest total delivered cost of power from renewable projects.

I. INTRODUCTION AND BACKGROUND

Zephyr is a Delaware limited liability company established for the purpose of developing and financing the Zephyr transmission project, a proposed 975 mile, 3,000 MW high voltage, direct current merchant transmission line project that will originate near Chugwater, Wyoming and terminate south of Las Vegas, Nevada in the Eldorado Valley (“Zephyr Project”) with an interconnection to the California Independent System Operator controlled grid. Pathfinder is in the development stages of a 3,000 MW wind generation project and associated mitigation land proposal in Wyoming and has contracted with the Zephyr Project for delivery to California. The

Zephyr Project is being developed to enable extremely high quality wind generation resources to be delivered to the California markets.

The Commission hosted a workshop on November 7, 2012 to solicit public comments on the Draft IEPR. Public Resources Code Section 25301 orders the Commission to produce bi-annually an IEPR that includes “an assessment of major energy trends and issues facing the state’s electricity, natural gas, and transportation fuel sectors and provides policy recommendations to conserve resources; protect the environment; ensure reliable, secure, and diverse energy supplies; enhance the state’s economy; and protect public health and safety.”¹ These comments focus on the Draft IEPR’s discussion of the Renewable Action Plan, a plan that establishes five general strategies that will aid California in meeting the RPS goal of 33 percent renewables by 2020 at the best cost. The Draft IEPR offers recommendations on the Renewable Action Plan’s five strategies and also suggests actions, implementation steps, and timelines for each recommendation.

II. COMMENTS

A. The 2012 Draft IEPR Update Should Recognize the Existing and Potential Contribution from Out-Of-State Renewable Energy Sources in Realizing the Goals of the Renewable Action Plan

Pathfinder and Zephyr agree with the Commission that California should be positioned for higher renewable goals post-2020, and that the 33 percent by 2020 target is a floor, not a ceiling.² In reaching, and hopefully exceeding, 33 percent renewables by 2020, renewable generation from out-of-state projects is an existing and necessary part of the renewable mix if the Commission truly aims to ensure that the state meets the 33% goal in a cost-effective manner.

The Draft IEPR also recommends the identification of renewable energy development zones in California (Recommendation 2) and conducting an analysis to evaluate generation

¹ Draft IEPR at ii.

² Draft IEPR at 3.

resource requirements through 2030 (Recommendation 3).³ When considered together, these recommendations appear to be overly focused on in-state energy generation, and no attention is paid to the valuable contributions of developing out-of-state renewable projects. We also agree that developments beyond 2020 that should be assessed include displacing coal imports into California and providing energy for electrified transportation, both of which can be achieved with encouraging and allowing projects, such as Pathfinder's, to serve California.⁴ Accordingly, Pathfinder and Zephyr believe it is important that the Commission consider and recognize the importance of out-of-state energy resources in the 2012 IEPR Update.

B. In Strategizing How Best to Maximize Value, the Draft IEPR Should Not Undervalue the Low-Cost, Long-Term Generation in Evaluating the Overall Value of Renewables

Consistent with the goal of reducing costs of the RPS,⁵ Pathfinder and Zephyr agree that the Renewable Action Plan recommendations should focus on the delivery of the lowest total cost power. The Renewable Action Plan strategy “Maximizing Value through Appropriate Assessment of Benefits and Costs” addresses the need to evaluate the cost of projects “beyond technology costs – including costs associated with integration, permitting, and interconnection – and their impact on retail electricity rates.”⁶ Pathfinder and Zephyr agree that these factors, and including determination of the best locations for interconnection to the transmission system to reduce interconnection costs,⁷ should be considered.

However, we encourage that the Commission in any effort to weigh the costs and benefits of integration, permitting and interconnection not lose sight of the most important cost factor-- the actual cost of energy generated—and recognize that many of the integration and permitting costs may be imbedded in the “technology costs” considered in the analysis. A project with a

³ Draft IEPR at 46-49.

⁴ Draft IEPR at 48.

⁵ Draft IEPR at 3, 50.

⁶ Draft IEPR at 50.

⁷ Id.

very economical cost of generation may outweigh the costs of integration and interconnection. Thus, the Strategy 2 of the Renewable Action Plan, Maximizing Value Through Appropriate Assessment of Benefits and Costs, should recognize that the cost of generation may still outweigh the costs of “integration, permitting, and interconnection.”⁸

Additionally, Pathfinder and Zephyr propose that the Commission broaden the Draft IEPR’s examination of the maximum value of renewable energy to include opportunities for long-term stable priced energy supplies. The Commission in consultation with the California Independent System Operator and the California Public Utilities Commission should plan a robust transmission system based on a range of possible scenarios reflecting not only preferred policies but also the inherent uncertainty in predicting the future. Among those preferred policies should be the encouragement of the least cost renewables, regardless of their location, and based on their total cost of power. A potential project that provides long term, stable priced, low cost energy should not be inadvertently discouraged.

The Draft IEPR also provides recommendations to implement the “Maximizing Value” strategy, including creating a statewide data clearinghouse for renewable energy generation planning.⁹ While this recommendation calls for data to support a database that includes information regarding out-of-state renewable energy resources, it does not indicate the type of data that needs to be collected. Pathfinder and Zephyr ask that the Commission further develop this section of the Draft IEPR to further clarify what information will be collected from out-of-state renewable energy resources and how such information will be used in the proposed cost-benefit analysis.

⁸ Draft IEPR at 50.

⁹ Draft IEPR at 62-63.

C. The Draft IEPR Should Acknowledge the Importance of Pre-Permitting Transmission for Multiple Future Scenarios

The Draft IEPR considers the difference between a project development timeline where permitting follows contract approval, and a timeline where the permitting process precedes contract approval.¹⁰ The Renewable Action Plan portion of the Draft IEPR also recognizes that the transmission permitting process needs to be streamlined (Recommendation 11).¹¹ Pathfinder and Zephyr appreciate the Commission's recognition of the fact that more can be done to speed project development by improving transmission planning and permitting. As part of this effort, Pathfinder and Zephyr propose that the Commission also consider the effectiveness of pre-permitting transmission for multiple future scenarios, versus a single narrow renewable project development scenario, as this would be the most sensible and effective means for efficient and timely project development. Greater flexibility in transmission planning can accommodate the uncertainty that is inherent in the development of new generation resources, and transmission planning should not be confined to a narrow or single scenario for resource development. Expanded transmission planning and permitting should consider variations in a recommended resource mix, ensuring that the system plan can accommodate actual future procurement. Such prudent planning would necessarily include a greater level of out-of-state resources, as actual generation outcomes are determined from a competitive process that includes both in-state and out-of-state resources.

Accordingly, Draft IEPR discussions recognizing the importance of the transmission planning process should be revised to recognize that a planning scenario recognizing multiple scenarios of additional resources from both in-state and out-of-state resources will ultimately improve the timeline for actual future project development.

¹⁰ Draft IEPR at 37.

¹¹ Draft IEPR at 60.

D. Pathfinder and Zephyr Support the Draft IEPR's Proposal to Hold Annual Workshops to Assess Progress on IEPR Goals

To monitor and report on the progress toward achieving the actions of the Renewable Action Plan, the Draft IEPR proposes to hold an annual workshop to highlight progress made on the actions contained in the plan and to seek input on additional actions that may be needed to maintain forward momentum. Pathfinder and Zephyr strongly support this proposal, and to ensure that these workshops take place, we further propose that the annual workshops be added to the recommendations listed in the Renewable Action Plan. Establishment of the annual workshop as one of the recommendations under the plan provides further assurance that these workshops will in fact be scheduled and will address the status of the Commission's and other agencies' efforts in accomplishing the purpose of the recommended actions.

III. CONCLUSION

Pathfinder and Zephyr appreciate this opportunity to provide these comments on the 2012 Draft IEPR Update. For the reasons described above, the Draft IEPR should be revised to recognize the contribution and cost-effectiveness of out-of-state renewable generation, and support the establishment of a transmission planning and pre-permitting process with an expanded approach to possible future resource development.

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Respectfully submitted,

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