MEETING NOTICE
AND AGENDA

ENERGY WORKING GROUP
The Energy Working Group may take action on any item appearing on this agenda.

December 15, 2005
11:30 a.m. – 2 p.m.
SANDAG, 7th Floor Conference Room
401 B Street, Suite 800
San Diego, CA 92101-4231

Staff Contact: Rob Rundle (619) 699-6949
rru@sandag.org
Susan Freedman (619) 699-7387
sfr@sandag.org

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To request this document or related reports in an alternative format, please call (619) 699-1900, (619) 699-1904 (TTY), or fax (619) 699-1905.
ITEM # | ACTION
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1. WELCOME AND INTRODUCTIONS | 

+2. MEETING SUMMARY FOR THE NOVEMBER 17, 2005 MEETING | APPROVE

Attached is the meeting summary for the November 17, 2005 meeting. Please review and provide any comments on the summary.

3. PUBLIC COMMENT AND COMMUNICATIONS | COMMENT

Anyone who would like to address the Energy Working Group on a topic not on the agenda should do so at this time.

+4. EWG MEETING SCHEDULE FOR 2006 | INFORMATION/COMMENT

Attached is the schedule for EWG regular session meetings in 2006. They are typically held on the 4th Thursday of each month.

+5. EWG MEMBERSHIP REVISIONS | RECOMMEND

Current and new membership was discussed at the EWG Retreat. Attached is a list of current EWG Members, designated Alternates, and proposed changes to membership. EWG members are encouraged to discuss and make a recommendation to SANDAG’s Regional Planning Committee (RPC) for approval. Invitations to join the EWG will be extended to newly approved members pending RPC approval.

+6. LONG TERM RESOURCE PLAN WORK PROGRAM | DISCUSSION/POSSIBLE ACTION

The CPUC plans to hold a kick-off workshop for the 2006 process on 12/14/05 in San Francisco. The EWG will have opportunity to provide comments on the LTRP process, schedule, and subject matter. The meeting notice is attached. The EWG LTRP work plan will be amended to reflect outcomes of this workshop.
7. REPORTS FROM THE EWG SUBCOMMITTEES

A) Public Policy Subcommittee:

Alan Ball, Qualcomm, will provide an update on the further development of the EWG’s top three legislative priorities for 2006. The subcommittee meets December 12th from 9:30 to 11:30 a.m. at Qualcomm to continue these discussions. The EWG legislative priorities were attached to the November 17, 2005 agenda.

B) Resources Subcommittee:

Steve Hoffmann, NRG, will provide an update on resource modeling efforts for the LTRP project. The framework to be utilized in EWG resource assessments will be presented. The subcommittee held a teleconference on December 9, 2005 from 8:30 to 10 a.m.

8. SUNRISE POWERLINK – TRANSMISSION PLANNING

SDG&E will present its Sunrise Powerlink Project, a proposed transmission corridor for Southern California. The discussion will provide an overview of the proposal, process, and timeframe. It will also encompass how this project fits within the Regional Energy Strategy and how it addresses the preferred loading order. There will be opportunity for comments, questions and answers.

9. SUGGESTED MEETING TOPICS FOR NEXT MEETING

Proposed items for the January agenda include for approval 1) follow-up on a proposed revision to the bi-national guiding principle of the Regional Energy Strategy (all other revisions were adopted at the November 17, 2005 meeting; 2) revised EWG work plan for the LTRP project based and recent activities; and 3) year-end report on the EWG Energy-Saving Pilot Program for Local Cities.

Energy Working Group members should suggest additional items to be discussed at the next or future meetings.

10. ADJOURN

The next EWG meeting will be held January 26, 2006. The meeting will be held at SANDAG from 11:30 a.m. to 2 p.m. in the 7th floor conference room.

+ next to an agenda item indicates an attachment.
To: Energy Working Group
From: SANDAG Staff
Subject: November 17, 2005 Meeting Summary

Members in Attendance:
Art Madrid, La Mesa, East Suburban Cities
Bill Hays, Port of San Diego
Stephen Zolezzi, Food and Beverage Association, Small Business
Alan Ball, Qualcomm, Large Business (Alternate)
Patti Krebs, IEA
Susan Freedman, San Diego Regional Energy Office (Alternate)
Alan Sweedler, San Diego State University Foundation
Marty Hunter, San Diego Labor Council
Skip Fralick, Sierra Club
Robb Anderson, SDG&E (Alternate)

Others in Attendance:
Paul O’Neal, California Power Partners
Jennifer Porter, San Diego Regional Energy Office
David Hicks, Duke Energy
Julie Gelfat, IBEW Local 569
Alex Hart, IBEW 569
Scott Anders, EPIC
JC Thomas, SDG&E
Rob Rundle, SANDAG
Josh Schiffer, SANDAG

1. Welcome and Introductions
Chair Art Madrid called the meeting to order, and the Working Group provided self introductions.

2. Public Comment and Communications
Skip Fralick announced that he resigned his position from the Sierra Club and no longer represents them. He would like the Working Group to consider voting him in as an environmentalist at large.

Rob Rundle, SANDAG, said that the Working Group will discuss expanded membership at December’s meeting, and we will include Skip’s request then.
Alan Ball commented on the fact that the Working Group did not have a quorum at the last couple of meetings. The people who are not here on a regular basis should identify alternates to represent them. Additionally, if they are consistently unable to attend, then we would like them to designate someone else as a permanent member, or to release that seat so we can give it to another qualified person.

Rob Rundle said that he will ask EWG members to identify alternates.

3. Long Term Resource Plan (LTRP) Work Program

Rob Rundle, SANDAG, updated the Working Group on the status of the original LTRP Work Program. We are currently a little behind schedule on item two, “Develop Policy Statement,” item three “Initial Resource Review of MRW Resource Tool,” and item four, “Conduct Analysis of Resource Categories.” Robb Anderson has been working with some subgroups and they are going to start their work in December. We should be able to catch up to our schedule by early January.

4. Regional Energy Strategy (RES) Guiding Principles

Susan Freedman, SDREO, presented the revised Guiding Principles, in particular, the proposed revision of principle 11 on the environment. The original Guiding Principle reads, “All energy usage affects the environment. Any energy policy or program must balance benefits and costs against the impact on the environment.” The Working Group had originally deleted this principle because it was weakly worded. She presented two revisions, one by her and one by Julie Teel, Councilmember Donna Frye. After both revisions were read, the Working Group decided to use Julie Teel’s revision, which reads, “The environmental impacts of energy decisions, programs, policies and projects on air quality, water quality, wildlife, habitat, cultural resources, and aesthetics are of critical concern and must be thoroughly considered and minimized in the decision-making process” after making one change in wording.

Steve Zolezzi, Food and Beverage Association, proposed replacing the word “minimized” with “balanced” in the Teel revision. Patti Krebs agreed with Mr. Zolezzi, stating that “minimized” is too broad a word. The Working Group agreed, but was one member short of a quorum to approve the change.

5. Reports from the EWG Subcommittee

A) Policy Subcommittee:

Alan Ball, Qualcomm, provided an overview of the CPUC Roundtable held October 17, 2005 and the Legislative Forum held October 27, 2005. The subcommittee met last week to review the three legislative priority items that they presented to Senator Kehoe at the Legislative Forum. The subcommittee formed three subgroups to review each of the three legislative priority items. Mr. Ball reviewed the first legislative priority, which states, “Formalize inclusion of Council of Government input to state policymaking processes.” Mr. Ball researched the CPUC’s regulatory code and found that there is nothing that prevents a community group such as the EWG from soliciting community input to provide the CPUC, but nothing encourages it either. He hopes to have a draft of EWG’s thoughts on the legislative priorities completed by the end of November, discussed at the next Policy Subcommittee meeting, and presented to the EWG at the December meeting. Next public policy meeting is scheduled for December 12th at 9:30 to 11 a.m. at Qualcomm.
Patti Krebs, IEA, discussed the upcoming Climate Change Workshop on December 14th, from 8 a.m. to noon at the San Diego Mission Valley Marriott. The workshop agenda is attached to this meeting’s agenda and admittance is free. Please email Patti Krebs to register for this event if you plan on attending.

**B) Resources Subcommittee**

Paul O’Neal, California Power Partners, updated the Working Group on the Resources Subcommittee’s recent activities. The subcommittee formed four subgroups to look at resource assessments. The subgroups are: conventional resources (fossil/nuke) headed by Bob Resley, transmission headed by Paul O’Neal, renewables headed by Skip Fralick, and demand response headed by Tom Blair. The next resources subgroup meeting will be December 5, 2005 from 11 a.m. to 1 p.m.

Art Madrid asked if there is any truth to the argument that we have unlimited resources of oil from the inner core of the earth that is not fossil?

Paul O’Neal answered that it is a controversy called “abiotic oil,” a thesis created by a Russian scientist years ago that claims that there is non-fossil created oil deep in the earth. For the most part, scientists have rebutted this theory. Dr. Alan Sweedler, SDSU Foundation, added that it does not matter if there is unlimited oil in the earth because we still have emission issues to deal with. Climate change, rather than potential supply shortage, is a better argument for switching to non-carbon based fuels.

Art Madrid said that he asked the question because in the future, people will be looking to the EWG as the subject matter expert in all aspects of energy.

The EWG began discussing the SDG&E’s Sunrise Power Link project. Dr. Alan Sweedler asked if the EWG will take a position on the project. Art Madrid answered that we should at some point. Rob Rundle, SANDAG, added that should the EWG take a support/oppose position, it should be on the basis of whether or not it correlates with the RES.

6. Approval of the Minutes from the September 22 and July 28, 2005 Meetings and the Guiding Principles revisions

With the arrival of a tenth EWG member, the EWG now has a quorum and is able to vote on approval items in the agenda. Steve Zolezzi, Food and Beverage Association, motioned to approve the September 22, 2005 and the July 28, 2005 meeting summaries. Art Madrid seconded this motion, and the motion passed unanimously.

Steve Zolezzi, Food and Beverage Association, motioned to approve all revisions to the Guiding Principles, including changing “minimized” to “balanced” on Julie Teel’s proposed revision of principle eleven. The motion was seconded.

Dr. Alan Sweedler, San Diego State University Foundation, expressed concern about principle nine on the San Diego/Baja border issue. He said that it is a very delicate issue to require Mexico to meet the U.S.’s environmental standards. The Working Group debated the guiding principle, but did not come to a consensus.
To move forward, Steve Zolezzi, Food and Beverage Association, amended his motion to approve all revisions to the Guiding Principles, except principle nine. The motion passed unanimously.

7. Suggested Topics for next Meeting

SANDAG staff is recommending two issues to discuss at the next EWG meeting: First, a discussion on adding additional members to the EWG, and Second, an SDG&E presentation on the Sunrise Power Link.

Art Madrid said that time constraints really shorten the discussion times of the meetings. An hour long SDG&E presentation on the Sunrise Power Link with questions, the membership issue, and additional pending items should make a full agenda. The Working Group agreed.

Dr. Alan Sweedler, San Diego State University Foundation, asked if members will receive a list of the proposed new members prior to the next meeting. Rob Rundle, SANDAG, said that the list will be included in December’s meeting agenda.

Susan Freedman, SDREO, announced that Jennifer Porter left the Chamber and joined SDREO. She added that the CPUC made a draft decision last week on the California Solar Initiative. They are calling for an increase of $300 million to the SGIP program for solar PV projects for 2006, and lowering the rebate from $3.50 to 2.80/watt. The CPUC will come up with a ten year program before shortly.

David Hicks introduced himself to the group. He is the public affairs manager for Duke in California and Arizona. The group welcomed him.

8. Adjourn

The meeting was adjourned at 1:30 p.m. The next Energy Working Group meeting is scheduled for December 15, 2005 from 11:30 a.m. to 2 p.m.
EWG MEETING SCHEDULE FOR 2006

January 26
February 23
March 23
April 27
May 25
June 22
July 27
August 24
September 28
October 26
November 16
December 21

LOCATION

SANDAG
7th Floor Conference Room
401 B Street
San Diego, CA 92101-4231

TIME

11:30 a.m. – 2 p.m.
RECOMMENDED MEMBERSHIP OF ENERGY WORKING GROUP
Approved by the SANDAG Board of Directors, December 19, 2003

Following is the recommended list of members of the Energy Working Group. The SANDAG Chairman will appoint the Chair of the Energy Working Group. The Chair likely would be an elected official from the Regional Planning Committee and/or one of the elected officials from the jurisdictions.

Jurisdictions, based on the SANDAG Policy Committee format:
- Representative from each of the four sub-regions
- City of San Diego
- County of San Diego

Others, one each, except as noted:
- Chamber of Commerce/Economic Development Corporation*
- Consumer Advocate
- Department of Defense (DOD)
- Environmental Organizations (2 each)
- Higher Education
- Labor
- Representative of Large Business
- Representative of Small Business
- San Diego County Water Authority
- San Diego Gas & Electric
- San Diego Port District
- San Diego Regional Energy Office

* It is suggested that one representative be from the northern portion of the region and one from the southern portion.

Current Energy Working Group Membership

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<tr>
<th>Elected Officials</th>
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<tr>
<td>Hon. Henry Abarbanel (Co-chair)</td>
<td>North County Coastal</td>
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<td>Hon. Art Madrid (Co-chair)</td>
<td>East County</td>
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<td>Hon. Bob Campbell</td>
<td>North County Inland</td>
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<td>Hon. Steve Casteneda</td>
<td>South County</td>
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<td>Hon. Donna Frye</td>
<td>City of San Diego</td>
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<td>Jeff Grissom</td>
<td>County of San Diego</td>
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<td>Stakeholders</td>
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<td>Bud Irvin</td>
<td>San Diego County Water Authority</td>
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<td>(ALT.) Jesse Dixon</td>
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<td>Jim Callaghan</td>
<td>Large Business (Qualcomm)</td>
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<td>(ALT.) Alan Ball</td>
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<td>Steve Zolezzi</td>
<td>Small Business (Food and Beverage Assoc.)</td>
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<td>Laura Hunter</td>
<td>Environmental Health Coalition</td>
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<td>(ALT.) Rebecca Pearl</td>
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<td>Steve Hoffman</td>
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<td>(ALT.) Paul O’Neal</td>
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<td>Irene Stillings</td>
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<td>Dr. Alan Sweedler</td>
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<td>(ALT.) Rick Van Schoik</td>
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<td>Skip Fralick</td>
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<td>(ALT.) Dan Perkins</td>
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<td>Patti Krebs</td>
<td>Industrial Environmental Association</td>
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<td>Gary Matthews</td>
<td>University of California San Diego</td>
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<td>Ron Mittag</td>
<td>North San Diego Economic Development Corp.</td>
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**POTENTIAL NEW/REVISED MEMBERS**

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<th>Stakeholders</th>
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<td>Skip Fralick / (Alt. Dan Perkins)</td>
<td>Environmentalist-at-large</td>
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<td>Sharon Cooney</td>
<td>Metro Transit System</td>
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<td>Scott Anders</td>
<td>Energy Policy Initiative Center</td>
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<td>US/MEXICO Border Representative</td>
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<td></td>
<td>San Diego Regional Economic Development Corp.</td>
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<td>Representative (*As alternate to N.S.D. EDC)</td>
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**CPUC’s LONG TERM RESOURCE PLAN SCHEDULE and SCOPE for 2006**

**ASSIGNED COMMISSIONER’S RULING (ACR) REGARDING NEXT STEPS IN PROCUREMENT PROCEEDING**

Parties are invited to submit comments on whether the procurement proceeding should include all of the items discussed below (or more), in what order, to what degree, and how the Commission should prioritize or order the work in this proceeding. Parties are encouraged not to argue the merits of various issues, but focus exclusively on the upcoming process, content, and timing. This will all be discussed at the 12/12/05 Workshop in San Francisco.

**Draft Schedule:**

December 12, 2005 ..........Comments due on this Assigned Commissioner’s Ruling (ACR)

December 14, 2005 ..........9:30 a.m. – 2 p.m. - Commission Workshop on Long-Term Procurement Planning  
2 p.m. – 5 p.m. - Commission, CEC, and CAISO Workshop on Transmission Planning Collaboration

January 5, 2006 .............Post Workshop Comments
January 12, 2006 ............Post Workshop Reply Comments
January 2006 .................CAISO issues draft Transmission Study
Late January 2006 ..........Establish New Long-Term Proceeding Rulemaking
Late January 2006 ..........Staff Workshop on Need for New Generation (with Post Workshop Comments and Reply Comments Cycle)
February 2006 ...............Prehearing Conference on new Rulemaking
Late February 2006 ............Staff Workshop on Integrated Resource Planning (two-day) + Staff Workshop on Procurement Policies to be considered in 2006 Filings (with Post Workshop Comments and Reply Comments Cycle)
Late February 2006 ..........Parties File Briefs on Cost and Benefit Allocation of New Generation
March 2006 ..................Staff Workshop on Long-Term Resource Plan Filings. All respondents will present draft proposals on contents of filings based on February workshops; each IOU will present draft plans in half-day workshops
Spring 2006 ..................Draft decision in Confidentiality OIR Phase I
April 2006 ...................Interim Draft Decision on New Generation + Cost and Benefit Allocation
April 2006 ...................Ruling on Resource Plan Filings (if needed)
May 2006 .....................Long-Term Resource Plans Filed Staff Workshops Hosted for Respondents to Present Plans
June 2006 ....................Results of Quarterly Transaction Report Audits
July 2006 .....................Hearings on Procurement Plans
August/Sept. 2006 ..........Post hearing briefs and reply briefs
November 2006 ............Draft Decision to approve long-term procurement plans

**Workshops to Begin Work on Long-Term Planning Issues**

There will be a workshop on December 14, 2005, from 9:30 a.m. – 2 p.m., at the Commission Auditorium, 505 Van Ness Avenue, San Francisco, to consider the process and schedule for the long-term procurement proceeding. Now is the appropriate time to consider how to prioritize all of the work of the 2006 proceeding so that procurement filings will meet the needs of the Commission.
The workshop will be a forum to consider the goals presented in this ACR, and in particular, staff’s draft work plan on how to structure the upcoming proceeding. The goal of this effort is to attempt to reach consensus on the list of priority issues that can be reasonable addressed in the 2006 long-term procurement plans.

The workshop will focus on the process, not the substance, for addressing the issues in the 2006 LTPP proceeding. Respondents and interested parties should be prepared to discuss the critical steps and timetables for addressing each issue. Respondents and interested parties should also carefully review and consider how these steps and timetables relate to ongoing activities of the California Independent System Operator (CAISO), California Energy Commission (CEC) and the Federal Energy Regulatory Commission.

Respondents and interested parties are invited to file comments on this ACR that will serve as pre-workshop comments. Comments on this ACR should be filed by December 12, 2005. Through the comments on this ACR, as well as the workshop and post-workshop comments, staff will develop a road map for the 2006 procurement proceeding that allows sufficient time for respondents and interested parties to develop the full record required to take action on the proceeding’s key issues. This process will guide the development of the new OIR.

APPENDIX A

CPUC Staff Draft Proposal for Long-Term Procurement Planning Proceeding Work Plan

I. INTRODUCTION

The Commission’s Energy Division Staff has developed a draft work plan proposal for how to prioritize and organize the 2006 procurement proceeding. This draft work plan will be discussed in a workshop on December 14, 2005, from 9:30 a.m. to 2 p.m., at the Commission’s Auditorium, 505 Van Ness Avenue, San Francisco. Parties are invited to submit comments on this Assigned Commissioner’s Ruling that will serve as pre-workshop comments.

The purpose of this draft work plan is to identify activities and timelines required to accomplish the proposed goals of the 2006 long-term procurement planning proceeding. For the goals already identified below, staff provides a brief overview of the topic and provides questions that may be addressed as part of that section of the proceeding. The “Proposed Activities” sections outline the process for addressing the issues identified.

Parties are asked to provide comments on Appendix A in a format that mirrors the structure of this document, i.e., along the suggested goals of the proceeding. Additional goals may be suggested. Comments are requested on whether the proposed activities and timelines are feasible and/or sufficient to meet the requirements of the Commission’s procurement policy framework, as well as AB 57 and AB 380. Comments are requested on whether the questions to be addressed as part of each phase of the proceeding are appropriate. Parties should not feel compelled to answer the questions asked below; instead, parties should focus on whether we are asking the right questions, in the right order. Parties are encouraged to identify additional questions or topics which need to
be addressed in each phase. Parties may consider the process of the 2004 LTPP cycle in their comments (e.g., what parts of the process worked best). Parties are asked to comment on staff proposals about the process proposed, i.e., the use of workshops, briefs, testimony, and/or hearings to establish the record required to act in this proceeding. Parties are reminded the purpose of this document and the December 14th workshop are to establish the process and issues, not to argue the merits of the issues.

II. PROPOSED GOALS OF LONG-TERM PROCUREMENT PROCEEDING

As outlined in the attached ruling, the following are the proposed goals of the long-term procurement proceeding.

1. A review of the need for new generation in California, including consideration of temporary and/or permanent mechanisms (e.g., cost allocation and benefit sharing, or some other alternative) which can ensure construction of and investment in new generation in a timely fashion;
2. A review of long-term resource plans, including an integrated resource planning process for all IOU planning areas;
3. Updates to IOU procurement policies and practices, including review and approval of new 10-year procurement plans; and
4. Any procurement policy issues not handled in R.04-04-003 or other procurement related dockets.

III. DRAFT ACTIVITIES TO ACCOMPLISH PROCEEDING GOALS

For each goal outlined above, staff has prepared a tentative timeline and list of activities required to accomplish the goal. Questions that need to be answered by this proceeding are included to illustrate the type of facts that need to be established.

1. Review the Need for New Generation

Given rising concerns about the state’s electricity supply outlook, the lead time required of new generation, and IOU concerns about contracting for new long-term resources, it appears that the review of the need for new generation should be the first issue addressed in the proceeding. In the D.04-12-048, the Commission found that it may be necessary for PG&E and Southern California Edison (SCE) to add some new generation. Since that time, IOUs (SCE in particular via A.05-06-003) have expressed concerns that adding the specified new generation amounts when only bundled customers pay for new generation may be problematic. It is far from ideal to separate this issue from the full integrated resource planning process we envision for 2006, but it may be necessary to address this question first.

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1 For reference, parties may wish to refer to the summary of the 2004 LTPPs that was attached to D.04-12-048 as Appendix A. The document is available at http://www.cpuc.ca.gov/word_pdf/FINAL_DECISION/43225.PDF.
2 See D.04-12-048, Ordering Paragraphs (OPs) 4 and 5.
a. Establishing Factual Need for New Generation

The purpose for addressing this issue first would be to confirm whether there is a factual need for new generation in the state (not just the IOU bundled customers), and if so, identify where is the need. Questions that may be considered in this part of the proceeding include:

- Does the CEC Transmittal Report, or the Transmittal Report in concert with other IEPR documents, establish the timeline on which there is a need for new generation? Do any of the CEC IEPR documents (if so which?) need to be updated in order to identify when there is a need for new generation, and if so, on what timeline should such documents be updated?
- At what level does the need for new generation need to be established—statewide, IOU planning level, zonal, local, or other—in order for the Commission to effectively authorize the construction of new generation? Is this information already readily available in the public record?
- Do OPs 4 & 5 in D.04-12-048 suffice to establish the need for new generation? (If so, it there any further need to review this in an early phase of this proceeding?) Is it possible to separate off cost-allocation treatment of new generation need already acknowledged for Pacific Gas & Electric Company (PG&E) and Southern California Edison Company (SCE) in D.04-12-048, and treat that separately than any additional need for new generation that may be established by the integrated resource planning process later in this proceeding?
- Should the need for new generation be distinguished between generation needed for “reliability,” versus generation needed for “aging plant replacement,” versus generation needed for “compliance with renewable portfolio standards”? Should new generation be divided into different categories so that cost allocation can be apportioned relative to the purpose served by the new generation?
- Is it possible for an early phase of this proceeding to set the need for new generation at a number (e.g., X MW, or a range of X-Y MW) in a set location (e.g., in NP15 or the Greater Bay Area or the Oakland sub-area) in this phase of proceeding, and have the later phase of this proceeding examine the resource supply plans used to meet the need for new generation? Given that the integrated resource planning process described below may reveal that transmission investments obviate the need for some new power plants, how can the State adopt a need determination prior to conducting a full review of the integrated resource plans?

Activity Proposed: Staff proposes a workshop be held in late January to identify the facts already available in the public record to support the need for new generation. The workshop will consider whether additional facts need to be developed as inputs into the Commission’s procurement proceeding. Parties are invited to comment whether this issue requires testimony and hearings, or whether workshops can be used to establish a record. The Assigned Commissioner has already stated that the Commission’s procurement proceeding will not be the forum to re-litigate the IEPR proceeding, and parties should identify how the facts available in the public record are insufficient to meet the goals established above if they argue testimony and hearings are required.
b. Temporary and/or Permanent Mechanism (e.g., Cost Allocation and Benefit Sharing or Other Alternative)

After establishing the need for new generation, the Commission will need to establish the range of options for cost and benefit allocation for new generation. It has been assumed that IOUs will build new generation on behalf of IOU bundled customers. If there is a need to reconsider this issue to ensure additional investments in new generation, then this question may be addressed here.

Questions that may be considered in this part of the proceeding include:

- Does the state immediately require an interim and/or permanent mechanism that allows the costs and benefits of new generation to be allocated across all load-serving entities, or all load-serving entities in a defined geographic location?
- Is it possible or desirable to establish a “new portfolio standard” for all LSEs, so that all LSEs would share in the costs and benefits of new generation?
- Should the cost and benefit allocation mechanism apply to all new generation in IOU planning areas, only new generation identified to meet system reliability needs, or some other specified subset of new generation?
- What are the options for cost and benefit allocation of new generation? (For example, IOUs invest in all new generation in support of IOU bundled customers only, IOUs invest in all new generation in support of all customers in IOU planning areas, a third party invests in new generation in IOU planning areas, or others, etc.) In addition, how should the cost/benefit allocation be integrated into integrated resource planning?
- The Commission has already issued a White Paper that contemplates the creation of a capacity market; however, it is not expected that an independent capacity market will be in place in 2006. Furthermore, it is not expected that, initially, a capacity market alone will support the development of new generation. Is it possible to choose an interim cost and benefit allocation mechanism (or some other alternative) that does not foreclose the possibility of capacity markets?

Activity Proposed: Staff proposes that this issue be the subject of briefs and reply briefs submitted by parties in February 2006. The Commission could jointly consider the need for new generation, and the cost allocation issue, and issue a draft decision on an interim cost allocation mechanism in April 2006. Issuing a decision by April 2006 would allow IOUs to move forward with any new generation Request for Offers (RFOs) in an expeditious manner. Any decision on this issue would be limited, and it would not cover (a) approval of specific contracts; or (b) approval of specific resources to fill resource needs.

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An alternative is for hearings to be held on these issues. Hearings may be required because of the fact that this issue deals with treatment of costs. Parties are welcome to comment here on the process proposed.

A main driver of the procurement proceeding is to ensure that long-term procurement planning is happening consistent with the laws and policies of the State. To that end, we expect that all load serving entities (including IOUs, ESPs, and CCAs) will submit long-term procurement plans so that resource planning can be conducted in an integrated fashion.

All respondents to the proceeding will file resource plans, covering 10 years, with additional detail on the near term (defined as the next two years). Parties will be expected to update the resource plans every two years. As noted in D.04-12-048, the Commission prioritizes resources in a loading order that emphasizes energy efficiency and demand response on the demand side, and favors renewables over fossil-fueled resources on the supply side. Where plans anticipate the need for conventional resources, it will not be acceptable to simply assume that new generation occurs in the anticipated amount, but rather each respondent must describe in detail its plans to acquire or otherwise ensure the investment in such new generation. Resource plans will meet the requirements set forth by the Renewable Portfolio Standard long-term planning decision, D.05-10-014. Filed resource plans should incorporate the ISO’s Transmission Plan (as discussed further below) and explain why alternative resources (such as generation or demand response) are preferred to the transmission projects proposed by the ISO.

Questions that may be considered in this part of the proceeding include:

- How can the Commission establish a process for implementing integrated resource planning as part of the long-term procurement planning proceeding?
- Should electric service providers and/or small IOUs be required to file long-term resource plans? Can they file a subset of information required by the three large IOUs?
- Does the Commission need to establish or adopt an Integrated Resource Planning (IRP) methodology prior to having parties file plans? How much guidance should the Commission provide respondents in filing their resource plans? Given that the development of an IRP methodology is expected to be iterative (i.e., 2006 plans will not be perfect), what can the Commission expect to do in 2006 vs. reserve for future year iterations?
- Can parties use the Supply Plans submitted to the CEC in February 2005 as the basis (or framework) for submitting supply plans to the Commission?
- How should the parties represent local area needs in their resource plans? What are the local areas that need to be considered on a stand alone basis?
- What should be the content (and organizational structure) of the resource plans?
- How should CEC 2005 IEPR (including Transmittal Report, policy recommendations, and other documents, as appropriate) and CAISO Transmission planning study be incorporated into the IRP methodology?
- What should the basis be for the review of plans submitted to the Commission? What should the evaluation metrics be and how should they be established?
- How should parties treat risks and uncertainties in their resource plans?
What assumptions need to be established prior to parties filing resource plans? (For reference, the Commission provided IOUs with a lengthy set of planning assumptions in a June 4, 2004 ruling.)

What should be the method for validating predicted performance to determine whether integrated resource planning objectives of the Commission are met?

What response should the Commission take if plans are inadequate, or approved plans are not implemented?

**Proposed Activities:** Staff proposes that integrated resource planning be the subject of a two-day workshop in late February 2006. Staff would like to provide a IRP straw proposal prior to the workshop and ask parties to file pre-workshop comments. Parties are invited to comment on how that workshop can be structured to facilitate the development of robust resource plans. Parties are encouraged to identify other integrated planning resources that will help the Commission establish an integrated resources planning methodology or framework. Prior to the February workshop, parties will be invited to submit proposals on how to refine the IRP issues identified here. In addition, staff proposes that a second set of workshops be held in March 2006 so that each respondent can present its proposed/draft resource plan for discussion prior to filing. Each IOU would host a half-day workshop to present their plans and get feedback. The workshop comments would help the IOUs refine their plans, as well as establish the contents of a ruling (if necessary) in April 2006 directing parties on how to file plans in May 2006. After filing the final plans in May 2006, additional presentations on the final plans may be held. If necessary, hearings may be held in July 2006 and a draft decision issued by November 2006.

**3. Updates to IOU Procurement Policies and Practices; Including Review and Approval of New 10-year Procurement Plans**

Consistent with AB 57 (Pub. Util. Code § 454.4), the IOUs are required to file procurement plans every two years. In addition to the resource plans discussed in Number 2 above, the IOUs are required to file updates to any of their procurement policies and practices.

Questions that may be considered in this part of the proceeding include:

- Which of the following issues needs to be filed as part of the IOU procurement plans?

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4 Staff is interested to know whether parties could cooperate to prepare such a proposal in advance of the workshop.

5 In D.04-01-050 (p. 178), we directed parties to look at the PacifiCorp 2003 Integrated Resource Plan (see http://www.pacificorp.com/File/File47422.pdf) as a sample for integrated resource planning. Some other Integrated Resource Planning Resources identified by staff include:
Activities Proposed: Staff proposes a workshop in late February 2006 to identify the procurement policies and practices that need to be reviewed in coordination with the long-term resource plans. IOUs would file updates to their procurement plans in May 2006. After filing the final plans in May 2006, hearing may be held in July 2006 and a draft decision issued in November 2006.

4. Any Procurement Policy Issues not Handled in R.04-04-003 or Other Procurement Related Dockets

Numerous other policy issues not handled in R.04-04-003 may be shifted into this successor proceeding. Potential issues for consideration here are review of management audits and others to be identified.

Proposed Activities: Staff proposes no specific activities at this time.