

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Develop
an Electricity Integrated Resource
Planning Framework and to Coordinate
and Refine Long-Term Procurement
Planning Requirements.

Rulemaking 16-02-007
(Filed February 11, 2016)

**COMMENTS OF CALPINE CORPORATION ON
PROPOSED DECISION**

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I. INTRODUCTION

Pursuant to the Rule 14.3 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure, Calpine Corporation (“Calpine”) offers the following comments on the *Decision Adopting Preferred System Portfolio and Plan for 2017-2018 Integrated Resource Plan Cycle* (“Proposed Decision”).¹

Calpine largely supports the Proposed Decision. In particular, Calpine appreciates the Proposed Decision’s careful handling of reliability and gas-fired generation issues, including its recognition of the risks of reliance on imports to maintain reliability.² For example, Calpine strongly agrees that:

...even by 2030, if we meet our GHG emissions goals, the need for natural gas resources to help support system reliability will not be reduced to zero. While we are focused on minimizing the operation of fossil-fueled resources to the extent possible, especially in disadvantaged communities, there will still be the need to contract with existing natural gas resources needed to maintain system

¹ A table of authorities and subject index, as identified in Rule 14.3, are not necessary for these comments; thus this footnote is intended to satisfy the Rule 14.3 requirement.

² Proposed Decision, at 130.

reliability as well as affordable electricity in the state while this broader transition is underway.³

Calpine looks forward to working with the Commission and other parties to determine the need for natural gas resources and how those natural gas resources should be procured.

Calpine also supports the Proposed Decision's designation of the (modified) Reference System Portfolio ("RSP") as the Preferred System Portfolio ("PSP"). Calpine agrees with the Proposed Decision's arguments that the RSP reflects a cleaner, more balanced, and more reliable portfolio.⁴ In particular, Calpine agrees with the inclusion of more geothermal in the PSP by using the RSP.⁵

Calpine also supports the introduction of a procurement track of the proceeding to at least consider procurement to meet integrated resource planning goals that are not achieved through load serving entity ("LSE")-specific procurement.⁶ Calpine elaborates on a few additional aspects of the Proposed Decision below.

II. CRITERIA POLLUTANT REPORTING

The Proposed Decision notes that several LSEs failed to submit Integrated Resource Plans ("IRPs") that meet criteria pollutant reporting requirements.⁷ While Calpine believes that LSEs should meet Commission reporting requirements, Calpine notes (again), that criteria pollutants and their impact on local air quality requires further analysis. While the Commission may continue to

³ Proposed Decision, at 133, 158 (Finding of Fact 33).

⁴ Proposed Decision, at 105-106.

⁵ In previous comments, Calpine supported the Hybrid Conforming Portfolio ("HCP") as the PSP because it more accurately reflects LSEs' planned procurement. Given that the Proposed Decision suggests that the Commission intends to conform procurement to the portfolio that it considers optimal, i.e., the RSP, Calpine agrees that it makes sense to designate the RSP as the PSP.

⁶ Calpine believes that the Proposed Decision frames the right procurement policy questions. *See e.g.*, Proposed Decision, at 135-136.

⁷ Proposed Decision, at 20.

require LSEs to report general information concerning the locations of resources they have procured and estimates of emissions from those resources, such information will have limited usefulness until there is better analysis to link those emissions estimates to local air quality impacts. In particular, it is important to understand the specific conditions under which NO_x from gas-fired generation forms ozone and particulate matter and how those pollutants are transported downwind from gas-fired generation sources.⁸ No such analysis has been conducted or introduced in this proceeding so far. In addition, to the extent it is determined that gas-fired generation impacts local air quality, the magnitude of the impact needs to be considered in the context of impacts from other sources. Calpine hopes to be able to share analysis with the Commission later this year that will shed light on these issues.

III. GAS-FIRED GENERATION

Calpine appreciates the Proposed Decision's recognition that significant portions of the gas-fired generation in the PSP apparently have not been secured through 2030.⁹ This contracting shortfall highlights the importance of ensuring that the Resource Adequacy program is sufficiently robust to secure needed gas-fired generation on a year-to-year basis and/or the need for intermediate- or long-term procurement to secure needed gas-fired generation. (As Commissioner Randolph noted at the April 4th all-party meeting, it may be possible to secure gas-fired generation on more favorable financial terms if it is procured for longer terms.)

IV. GEOTHERMAL

Calpine appreciates the Commission's recognition of the value of geothermal by selecting the RSP as the PSP. Notably, the RSP has significantly more geothermal than the HCP. One issue

⁸ See Proposed Decision, at 94 (recognizes that emissions from gas-fired generation may not impact local air quality where they are emitted).

⁹ See Proposed Decision, at 134-135 (Table 7).

the Proposed Decision does not address explicitly is the retention of existing renewable resources, including existing geothermal resources. Calpine notes that the low levels of existing gas-fired generation in LSE plans that the Proposed Decision cites as justification for potential procurement are mirrored by low levels of existing geothermal resources in LSE plans.¹⁰ The Proposed Decision suggests that the new procurement track of the instant proceeding will focus on diverse renewables among other resources.¹¹ To that end, Calpine urges the Commission not to overlook existing geothermal resources in any procurement that emerges from the procurement track.

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¹⁰ *Ibid.*

¹¹ *See e.g.*, Proposed Decision, at 156 (Finding of Fact 19).

APPENDIX A

No proposed revisions to the Proposed Decision.