

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

Order Instituting Rulemaking to Create a  
Consistent Regulatory Framework for the  
Guidance, Planning, and Evaluation of  
Integrated Distributed Energy Resources.

Rulemaking 14-10-003  
(Filed October 2, 2014)

**REPLY BRIEF AND REPLY COMMENTS OF THE  
CALIFORNIA WIND ENERGY ASSOCIATION  
ON PROPOSED UPDATES TO THE AVOIDED COST CALCULATOR**

Nancy Rader  
California Wind Energy Association  
1700 Shattuck Ave., #17  
Berkeley, CA 94709  
Telephone: 510-845-5077 x1  
E-mail: [nrader@calwea.org](mailto:nrader@calwea.org)

***On behalf of the California Wind  
Energy Association***

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**REPLY BRIEF AND REPLY COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION ON PROPOSED UPDATES TO THE AVOIDED COST CALCULATOR**

**I. INTRODUCTION AND SUMMARY**

Pursuant to the Administrative Law Judge’s (“ALJ”) Ruling Confirming Use of Recommendations from Rulemaking 14-08-013 and Introducing Staff Proposal for Major Updates to Avoided Cost Calculator dated November 20, 2019, Rule 13.11 of the Commission’s Rules of Practice and Procedure, Decision (D.) 19-05-019, and the extensions of time granted via ALJ Hymes’ November 22, 2019 email and the Executive Director’s December 5, 2019 letter, the California Wind Energy Association (“CalWEA”) respectfully submits this Reply Brief and Reply Comments in response to the December 17, 2019, opening filings of the Coalition of California Utility Employees (“CUE”), the Joint Investor-Owned Utilities (“Joint IOUs”),<sup>1</sup> the Public Advocates Office (“PAO”), the Solar Energy Industries Association and Vote Solar (“SEIA/VS”) and The Utility Reform Network (“TURN”). Pursuant to the direction provided by ALJ Hymes, these opening filings include comments on the Energy Division’s Staff Proposal for Major Updates to Avoided Cost Calculator (“Staff Proposal”) and opening briefs on major updates to Avoided Cost Calculator (“ACC”).<sup>2</sup>

CalWEA argued in testimony that the ACC must, as a matter of law and policy, be aligned as closely as possible with the Commission’s Integrated Resources Planning (“IRP”) process, which has become central to California’s goal of optimally achieving its greenhouse gas goals reliably and at least cost.<sup>3</sup> CalWEA maintains that the Commission should, as articulated by many parties, align its decisions on each aspect of the ACC as closely as possible with the

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<sup>1</sup> The Joint IOUs are comprised of Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company.

<sup>2</sup> All references to these parties, unless otherwise specified, are to their combined opening briefs and comments.

<sup>3</sup> Exhibit WEA-01 at pp. 1-3.

Commission’s IRP process such that that each component of the ACC reflects the actual, marginal costs that a utility avoids by procuring DERs.

## **II. REPLY BRIEF AND REPLY COMMENTS ON PROPOSED UPDATES TO THE AVOIDED COST CALCULATOR**

### **A. The ACC Must Be Aligned as Closely as Possible with the Commission’s IRP Process**

In testimony, CalWEA argued that the ACC must, as a matter of law and policy, be aligned as closely as possible with the Commission’s IRP process, which has become central to California’s goal of optimally achieving its greenhouse gas goals reliably and at least cost.<sup>4</sup> CalWEA explained that such alignment is also essential to maintain equitable access to essential services and to support the electrification of end-uses in other economic sectors, as California shifts to an increasingly electricity-driven economy to achieve its carbon-reduction goals.<sup>5</sup>

CalWEA documented that the concept that the Commission should evaluate the various resource options – including demand-side options – for meeting the state’s clean-energy goals on a consistent basis is grounded in statute and in prior Commission decisions.<sup>6</sup> CalWEA noted that, while considerations other than cost will come into play in Commission decision-making, total costs (net of benefits) associated with each program or technology must be made on a consistent, transparent basis so that the Commission is able to make informed, effective trade-offs between costs and other objectives in achieving state policy goals. The IRP process is intended to evaluate all options, both supply- and demand-side, on an equal basis using consistent inputs and assumptions.

These points were not contested in rebuttal testimony or opening briefs<sup>7</sup> and are reinforced in the opening briefs and comments of the PAO (“the IRP must inform the ACC by revealing what the supply-side alternatives to DERs are and what the costs of those supply-side

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<sup>4</sup> Exhibit WEA-01 at pp. 1-3.

<sup>5</sup> *Id.* at p. 1.

<sup>6</sup> *Ibid.*

<sup>7</sup> The rebuttal testimony of SEIA/VS stated only that “In 2013, in enacting AB 327, the Legislature directed that the NEM successor tariff should ensure that renewable DG ‘continues to grow sustainably.’” Exhibit SVS-02 at p. 10, lines 11-13. Similarly, the opening brief of SEIA/VS (at p. 2) states only that “all changes to the ACC must be carefully calibrated to continue to support the legislative intent that DERs continue to be viable options for customers and significant sources of preferred resources to support the state’s carbon reduction efforts.”

resources are”);<sup>8</sup> the Joint IOUs (“The Joint IOUs agree with Staff that the IRP resource plan “represents the best thinking on how to reliably meet anticipated system needs at the lowest cost”),<sup>9</sup> and CUE (“For the ACC to be useful, ... its values must be consistent with the IRP to accurately compare the cost-effectiveness of DERs with non-DER resources”).<sup>10</sup>

Therefore, the Commission’s decisions on the ACC must be guided by the principle that the ACC should be aligned with the IRP as closely as possible. Such alignment requires that each component of the ACC reflect the actual, marginal costs that a utility avoids by procuring DERs. Introducing into the ACC any values that are unsupported by the record or sound reasoning would amount to placing a hidden “thumb on the scale” that would inappropriately favor DERs and raise the cost of achieving the state’s carbon-reduction goals.

**B. The Staff Proposal Generally Aligns the ACC with IRP, But Should Be Modified and/or Clarified to Improve that Alignment, and Proposals that are Inconsistent with IRP Must Be Rejected**

The Staff Proposal generally and appropriately aligns the ACC model with the IRP proceeding so that DERs are evaluated based on the avoided costs produced in that “master proceeding.”<sup>11</sup> However, as several parties have pointed out, several clarifications and modifications to the Staff Proposal are necessary to fulfill that objective. As the Joint IOUs state, “[a]ny proposed modifications specific to certain technologies or programs should be reviewed outside the IDER ACC and in the appropriate venue.”<sup>12</sup> Moreover, party proposals that would markedly depart from IRP, including but not limited to those noted below, must be rejected.

**1. The 2020 ACC major update should use the final, adopted version of the RSP**

CalWEA concurs with the Joint IOUs that the final, not the proposed, version of the RSP must be used as the basis for the 2020 major update to the ACC because major changes to the RSP are possible, if not likely, and such changes could materially change the inputs to the

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<sup>8</sup> PAO at p. 5.

<sup>9</sup> Joint IOUs at 2.

<sup>10</sup> Opening Brief and Comments of CUE at p. 6 (citing Exh. CUE-01, p. 1, lines 4-12).

<sup>11</sup> Joint IOUs at p. 2, quoting Staff Proposal at p. 6.

<sup>12</sup> Joint IOUs at p. 2,

ACC.<sup>13</sup> Major changes occurred in the 2017-18 IRP cycle between the draft and the final RSP and, based on a review of party comments, similar changes can reasonably be expected to occur in the current cycle.

**2. The Commission should adopt the “No New DER” modeling approach for energy and capacity values, without a sensitivity case**

CalWEA agrees with the Joint IOUs<sup>14</sup> and SEIA/VS<sup>15</sup> that the “No New DER” case – where DERs are evaluated as candidate resources along with supply-side resources – is the appropriate one for evaluating the avoided costs of DERs. As SEIA/VS correctly point out, “the RSP is based on an inherent assumption that all of the new DERs that are included in the RSP forecast are cost-effective at the marginal costs modeled in the RSP. But this may or may not be true.” Indeed, for example, the proposed RSP includes a level of behind-the-meter photovoltaics (“BTM PV”) in baseline (assumed) resources that is based on the premise that current net energy metering tariffs will continue, and without evaluating (even in a sensitivity case) the cost-effectiveness of this assumption.<sup>16</sup> Accepting this assumption would, as SEIA/VS point out, create “circular reasoning that conflicts with the basic purpose of the ACC to evaluate all future DERs.”

Similarly, we agree with the Joint IOUs that no purpose would be served in running a sensitivity in which DERs are not replaced with the most cost-effective supply resources because, absent new DERs, supply resources would in fact be added to meet reliability and GHG reduction targets.<sup>17</sup>

As the Joint IOUs<sup>18</sup> and PAO<sup>19</sup> point out, however, the Staff’s No New DER approach is presented at a high level and requires further development either in implementation or in the ACC minor update process in 2020.

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<sup>13</sup> Joint IOUs at p. 3.

<sup>14</sup> Joint IOUs at p. 6.

<sup>15</sup> SEIA/VS at p. 13.

<sup>16</sup> R.16-02-007, Ruling on Proposed Reference System Portfolio and Related Policy Actions (Nov. 6, 2019) at p. 8-9 and Attachment A. (CalWEA ran RESOLVE with a more moderate increase in BTM solar capacity than assumed in the RSP, which produced savings of \$278 million annually. See CalWEA’s December 17, 2019, comments on the Commission’s Nov. 6, 2019, IRP Ruling.)

<sup>17</sup> Joint IOUs at p. 5.

<sup>18</sup> Joint IOUs at p. 6.

<sup>19</sup> PAO at footnote 16.

**3. Proposals for special GHG adders are inconsistent with IRP and should be rejected**

As explained and documented by CUE and other parties,<sup>20</sup> Staff's proposal with respect to the proposed GHG adder "abandons the principle of integrating ACC values with the IRP planning process because of values it views as unfavorable coming out of the IRP process. The fix Staff proposes results in unequal treatment of supply- and demand-side resources."<sup>21</sup>

CalWEA agrees with CUE and other parties that, if there is a problem with GHG values, the IRP modeling should be adjusted and applied to both supply- and demand-side resources, which will result in the Commission being correctly informed of the most efficient means of meeting the state's GHG goals at least cost as it makes policy decisions.

Similarly, as explained by TURN and the Joint IOUs,<sup>22</sup> SEIA/VS's proposal to inflate avoided cap and trade allowance costs to account for potential reductions in methane leakage does not reflect actual avoided utility costs, and is therefore incongruous with IRP. Any consideration of values not incorporated in IRP should be incorporated in the Societal Cost Test, if at all.

**4. No value should be adopted for avoided distribution and transmission costs**

Many parties have amply documented why no value should be incorporated into the ACC for avoided distribution and transmission costs. The PAO documented why any non-zero estimate of the value of avoided distribution costs at this time is likely to be uncertain and inaccurate; rather, a zero value for avoided distribution costs would align with the findings of the Distributed Resources Planning ("DRP") Staff Paper on unspecified distribution deferral value.<sup>23</sup> Not only is no clear record evidence available that DERs are capable of deferring transmission costs, DERs may increase congestion problems in certain areas.<sup>24</sup>

CUE explains why the Staff Proposal's proposed avoided cost adder for "unspecified" transmission costs should be rejected: it is factually unsupported and, to the extent that it recommends an adder based on CAISO congestion costs, those costs are already reflected in the

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<sup>20</sup> See PAO at p. 25 and the Joint IOUs at p. 18-22.

<sup>21</sup> CUE at p. 3.

<sup>22</sup> TURN Opening Brief at p. 12; Joint IOUs at pp. 38-42.

<sup>23</sup> PAO at section IV.

<sup>24</sup> PAO at p. 20.

IRP's modeling of energy prices.<sup>25</sup> The Joint IOUs provide additional reasoning and evidence to support this point.<sup>26</sup>

TURN draws on the extensive record developed in the DRP proceeding (R.14-08-013) to show why SEIA/VS's proposal for a large transmission adder is theoretically incomplete and factually erroneous, failing to take into account the load declines following the 2009 recession (cited by CAISO as the reason it postponed transmission upgrades), national lighting standards, and the growth pattern of rooftop solar.<sup>27</sup> The Joint IOUs explain and document at length why both approaches offered by SEIA/VS (one based on a comparison of historical and forecast loads to historical and forecast transmission expenditures, and the other based on the CAISO's Transmission Access Charge) are flawed "because they ignore the complex set of reliability-based needs that typically drive transmission upgrades and presume that transmission upgrades and costs could have been deferred by DERs."<sup>28</sup>

#### **5. Avoided resiliency and reliability costs should not be included in the ACC**

Many parties also argue persuasively that the SEIA/VS proposal to add "resiliency/reliability" benefits to the ACC is unsupported. The PAO points out that, since no consumption can occur from the grid during an outage, the storage or storage plus solar resource cannot avoid any costs.<sup>29</sup> TURN states that it is not aware of proposals or intentions by anyone to avoid grid hardening or any other utility investment in wildfire mitigation due to the expectation that customers will install private backup energy systems.<sup>30</sup> In any case, as the Joint IOUs point out, the Commission is still in the scoping phase of its proceeding addressing the reliability and resiliency offered by microgrids, and therefore SEIA/VS's proposal to add a new category of avoided costs to the ACC to account for reliability and resiliency benefits of DERs is premature. Moreover, any such benefits are likely to be participant-specific and unable to provide the kind of broad, system-wide benefits that the ACC is intended to capture.<sup>31</sup>

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<sup>25</sup> CUE at p. 3-4.

<sup>26</sup> Joint IOUs at 37-38.

<sup>27</sup> TURN Opening Brief at section II.

<sup>28</sup> Joint IOUs at 59-68 (Opening Brief, section D).

<sup>29</sup> PAO at p. 8.

<sup>30</sup> TURN Opening Brief at p. 11-12.

<sup>31</sup> Joint IOUs at p. 86.

As the Joint IOUs noted, the Commission should decide in the relevant DER program proceedings whether and under which circumstances any cost-sharing is appropriate.<sup>32</sup>

### **III. CONCLUSION**

Wherefore, for the above reasons, the Commission should seek to align the ACC major update with the IRP process by ensuring that each element of the ACC represents avoided utility costs represented in the IRP plan that is adopted by the Commission.

Respectfully submitted,

/s/ Nancy Rader  
Nancy Rader  
Executive Director  
California Wind Energy Association  
1700 Shattuck Ave., #17  
Berkeley CA 94709  
Telephone: (510) 845-5077 x1  
Email: nrader@calwea.org

***On behalf of the California Wind Energy Association***

December 30, 2019

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<sup>32</sup> *Id.* at p. 87.



## VERIFICATION

I, Nancy Rader, am the Executive Director of the California Wind Energy Association. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of “Reply Brief and Reply Comments of the California Wind Energy Association on Proposed Updates to the Avoided Cost Calculator” are true of my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on December 30, 2019, at Berkeley, California.

/s/ Nancy Rader  
Nancy Rader  
Executive Director  
California Wind Energy Association