

**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 COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION  
ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING RESPONSES TO  
QUESTIONS AND COMMENT ON STAFF AMENDED PROPOSAL ON  
SOCIETAL COST TEST**

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

*On behalf of the California Wind  
Energy Association*

May 7, 2018

**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 COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION  
ON ADMINISTRATIVE LAW JUDGE’S RULING SEEKING RESPONSES TO  
QUESTIONS AND COMMENT ON STAFF AMENDED PROPOSAL ON  
SOCIETAL COST TEST**

In response to the *Administrative Law Judge’s Ruling Seeking Responses to Questions and Comment on Staff Amended Proposal on Societal Cost Test* (“Ruling”), dated March 14, 2018, the California Wind Energy Association (“CalWEA”) submits these reply comments to parties’ opening comments.

**I. GENERAL COMMENTS**

CalWEA generally supports the opening comments of the Independent Energy Producers Association (“IEP”); Pacific Gas and Electric Company (“PG&E”), San Diego Gas & Electric Company (“SDG&E”), Southern California Gas Company (“SoCalGas”) and Southern California Edison Company (“SCE”) (collectively, the “Joint Utilities”); and the Utility Reform Network (“TURN”). In addition, we concur with sentiments expressed by the Office of Ratepayer Advocates (“ORA”) and Advanced Energy Economy (“AEE”).

Specifically, as stated by AEE (at p. 4), “the Commission must address the disconnect between supply-side and demand-side resource valuation.” And, as stated by TURN (at p. 7), “[i]t makes no difference to the environment whether carbon is abated with clean resources connected to the distribution or transmission system.” For these reasons, the Amended Staff Proposal is headed down the wrong path by proposing to apply societal values only to distributed energy resources (“DERs”). Placing this “thumb on the scale” for DERs is fundamentally at odds with the purpose of Integrated Resources Planning established in SB 350, which is to compare all resources on the same basis so as to achieve the state’s various goals at least cost.

Instead of adopting inflated environmental values for application only in DER programs, the Commission should prioritize the development of the common resource valuation methodology (“CRVM”) for the next IRP cycle as called for by ORA and the Joint Utilities. The CRVM will promote consistent, technology-neutral evaluation in a more robust stakeholder process.

Our more specific replies on each question posed by the Ruling are presented below.

## II. RESPONSES TO QUESTIONS ON AMENDED STAFF PROPOSAL

### **1. Explain why the Commission should or should not adopt the modified TRC and PAC tests as replacements for the existing TRC and PAC tests.**

CalWEA agrees with the Joint Utilities, in their reply to Question 1, that the Commission should modify the existing TRC and PAC tests by approving the use of the GHG Planning Prices adopted for the IRP proceeding as the societal GHG value. We join the Joint Utilities (in their answer to question 6) in strongly disagreeing with the approach taken in D.18-02-018 to set a GHG Adder for DER cost-effectiveness that diverges from the GHG Planning Price provided for supply-side resource planning in LSE IRPs. As the Joint Utilities note (at p. 11), this approach “creates an unequal playing field among resources that threatens the achievement of state goals at the least cost.” Moreover, as TURN explained, the Staff’s proposed TRC and PAC tests include a GHG adder that greatly exceeds the GHG Adder adopted for DERs in the IRP proceeding, representing the maximum prices expected to be incurred by ratepayers; this tilts the playing field even further.

CalWEA agrees with the Joint Utilities that the appropriate way to address the Commission’s stated reason for identifying a higher GHG price forecast for DERs – that many DERs were not optimized as candidate resources in the IRP, and therefore the GHG abatement values did not accurately reflect the impact of DERs – is to work on optimizing DERs in IRP, not to establish a GHG price forecast that is unreasonably high, as demonstrated in the comments of TURN and the Joint Utilities.

### **2. Explain why the Commission should or should not also adopt a modified Ratepayer Impact Measure (RIM) test that is modified in the same manner as the TRC and PAC tests.**

CalWEA agrees with the Joint Utilities that the Commission should adopt a modified RIM test only if that test uses the IRP GHG Planning Prices, which best reflect the cost of avoided GHG emissions actually incurred by customers. As TURN notes in its answer to

Question 2,<sup>1</sup> the RIM test “provides the most valuable perspective of the four cost-effectiveness tests on the actual impact of a program on utility rates, critical to the Commission’s decision-making.” Using unduly high GHG values in the RIM test would not accurately measure customer rate impacts.

- 3. Explain why the Commission should or should not adopt the Societal Cost Test as an additional test to be used initially for information purposes only. If the Commission adopts the Societal Cost Test as an additional test, explain why the commission should or should not then allow each resource proceeding to determine how (if at all) to use the test in decisionmaking.**

CalWEA strongly agrees with IEP that the Societal Cost Test should be used only “if applied uniformly and consistently across all resources in the context of IRP planning.” Use of the SCT should inform the overall optimal resource portfolio under IRP planning and not be used for any particular program outside of the IRP context. Using the SCT within silos would result in uneconomic procurements that are not aligned with IRP results.

- 4. Explain why the Commission should or should not require all distributed energy resources activities that currently use the TRC and PAC tests to instead use the modified TRC, modified PAC, and Societal Cost tests.**

Again, CalWEA strongly agrees with IEP that “any approach that enables the unique application of cost-effectiveness tests undermines integrated resource planning.”

- 5. Explain why the Commission should or should not revise its nomenclature such that the value for the greenhouse gas adder used in the modified TRC and PAC tests is referred to as the “avoided cost of carbon abatement” and the greenhouse gas adder value used in the Societal Cost Test is referred to as the “avoided social cost of carbon.”**

CalWEA agrees with the Joint Utilities that the GHG adder used in the modified TRC and PAC tests should not be called “the avoided cost of carbon abatement” until it actually does reflect that avoided cost rather than an inflated value. As stated by ORA, using “avoided cost of carbon abatement” would be misleading because it represents an “incomplete depiction of carbon abatement costs as it does not allow direct comparison of all carbon abatement options such as the use of supply-side renewable resources.”

---

<sup>1</sup> Unless otherwise noted, references to parties’ comments relate to their answer to the indicated question.

**6. Explain why the Commission should or should not determine the “avoided cost of carbon abatement” in R.16-02-007. Explain why the Commission should or should not adjust this value in order to avoid double counting.**

CalWEA agrees with ORA that the Commission should determine the avoided cost of carbon abatement in the IRP proceeding once IRP modeling dynamically incorporates both supply- and demand-side resources. In addition, as IEP noted, IRP is the also proper proceeding to address other environmental factors embedded in the Commission’s cost-effectiveness tests.

**7. Explain why the Commission should or should not adopt the high impact value, developed by the Interagency Working Group on Social Cost of Greenhouse Gases, as the “social cost of carbon.”**

CalWEA agrees with TURN and IEP that the Commission should not adopt the “high impact value” for application only to DERs as recommended by staff. Again, if a social cost of carbon is used, the same value should be applied to all supply- and demand-side resources on a consistent basis and should be included in integrated resources planning to guide GHG-reduction targets. As TURN stated, “the potential use of the societal cost test to authorize budgets for specific DSM and DER resources, without comparing those resources to clean energy supply resources, such as utility-scale generation, which can also include distributed generation procured under the RAM and ReMAT tariffs, ...would artificially inflat[e] the cost effectiveness of such resources.”

**8. Explain why the Commission should or should not adopt a 3 percent discount rate for the Societal Cost Test.**

Here again, CalWEA agrees with TURN that "all supply and demand-side resources [should be compared] on an apples-to-apples basis” and that the Commission “must move away from the paradigm of treating each DER and utility-side resource as individual silos.” Therefore, a lower discount rate should be used in the Societal Cost Test only if applied to all supply- and demand-side resources on a consistent basis and should primarily be used in integrated resources planning to guide GHG-reduction targets.

**9. Explain why the Commission should or should not use the USEPA COBRA Tool to compute and adopt an Interim Air Quality Adder until a more robust model can be developed. If you believe that another model should be used, explain why and provide a detailed description of how that model should be used instead.**

CalWEA has no comment on the COBRA Tool, other than to state, once again, that air quality adders should be used in the Societal Cost Test only if applied to all supply- and demand-side resources on a consistent basis and should primarily be included in integrated resource planning to guide GHG-reduction targets and other IRP objectives.

**10. Explain why the Commission should or should not authorize Staff to continue to study and analyze improvements to the distributed energy resources cost-effectiveness framework, including the development of a common resource valuation method, and issue reports on its findings and subsequent proposals. Are there additional improvements that should be considered?**

CalWEA agrees with ORA and the Joint Utilities that priority should be placed on the development of the CRVM for incorporation into the next IRP planning cycle in 2019 to promote consistent, technology-neutral evaluation and robust stakeholder participation.

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***

May 7, 2018

## 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 Comments of the California Wind Energy Association on Administrative Law Judge’s Ruling Seeking Responses to Questions and Comment on Staff Amended Proposal on Societal Cost Test” 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 May 7, 2018, at Berkeley, California.

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