BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

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 THE CALIFORNIA WIND ENERGY ASSOCIATION ON PROPOSED DECISION SETTING REQUIREMENTS FOR LOAD SERVING ENTITIES FILING INTEGRATED RESOURCE PLANS

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On behalf of the California Wind Energy Association

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I. INTRODUCTION AND SUMMARY

Pursuant to Rule 14.3 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the California Wind Energy Association ("CalWEA") submits these comments on the *Proposed Decision Setting Requirements for Load Serving Entities Filing Integrated Resource Plans* ("Proposed Decision" or "PD") issued by Commissioner Liane Randolph on December 28, 2017.

In summary, these comments argue that the Proposed Decision ignores certain facts related to early procurement that, when considered, lead to an alternate conclusion that load-serving entities ("LSEs") should procure at least 1,145 MW of wind energy in 2018. As Energy Division staff's modeling results have clearly shown, an early procurement of at least this amount of wind-powered generating capacity – while federal tax benefits are still available – will benefit ratepayers and improve resource diversity in a portfolio that staff's modeling shows will be heavily solar-dominated. Greater resource diversity will reduce both economic and system vulnerabilities. The PD's rationale for rejecting early procurement based on load migration issues does not excuse the Commission from addressing the statutory Integrated Resource Planning ("IRP") goals of resource diversity and cost-minimization.[1]

[1] *See* Cal. Pub. Util. Code §454.52(a)(1).

II. ARGUMENT

A. Achievement of the Reference System Plan Requires the Early Procurement of Wind Energy

It is illogical for the Commission to adopt "[t]he optimal portfolio analyzed by Commission staff and represented in the proposed [Reference System Plan]"[2] without directing the early procurement of wind energy to secure that portfolio, because early procurement is inherent to that optimal portfolio. Staff's analysis concluded that "utility-scale solar PV and wind *procured within the next 1-3 years* to take advantage of federal tax credits are part of [the] least-cost solution for 2030."[3] This is particularly true for the 1,145 MW of wind energy resources included in that optimal portfolio,[4] because 2018 is the last year in which wind projects can secure 100% of wind production tax credit ("PTC") benefits,[5] whereas the solar investment tax credit ("ITC") phases out several years later.[6]

Obtaining PTC benefits will be particularly important to the repowering of California's 1980s-vintage wind energy projects with modern turbines, which the PD does not discuss. As CalWEA has described in this proceeding, the particular benefits of repowering, in addition to resource diversity and cost minimization, include continued and more efficient use of existing development sites and infrastructure (i.e., four to five times gain in output), generation of property and sales tax revenue, and job creation.[7] These projects, which are relatively small in size,[8] are likely to have difficulty competing in the market without the benefit of PTCs. As noted

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[2] Proposed Decision, Finding of Fact #7.

[3] *Ruling Seeking Comment on the Proposed Reference System Plan and Related Commission Policy Actions,* Attachment A ("Proposed Reference System Plan") at p. 205, September 19, 2017. Emphasis added.

[4] While the PD and IRP summaries refer to 1,100 MW of wind, the Reference System Plan identified 1,145 MW of wind energy as cost-effective. See staff's July 19, 2017 Inputs-Outputs Summary Table. Additionally, CalWEA showed that the early procurement of far more wind energy capacity – at least 5,000 MW, supported by tax credits, would bring ratepayer benefits (see note 6 *infra* at p.8).

[5] *See* CalWEA's Comments on Proposed Reference System Plan and Related Commission Policy Actions at p. 12 (October 26, 2017); AWEA Comments on Proposed Reference System Plan and Related Commission Policy Actions at Attachment A, p.1 (October 26, 2017).

[6] *See* CalWEA's Comments on Proposed Reference System Plan and Related Commission Policy Actions at table, p. 13 (October 26, 2017).

[7] *Id.* at p.14.

[8] *Id.* at p.3 and Attachment 1.

in the Proposed Decision, many parties, including CalWEA, expressed concern that the Reference System Plan ("RSP") assumes that existing renewable resources will be recontracted and available throughout the planning horizon to 2030.[9] Absent a Commission directive for early procurement, however, such recontracting is far from assured because very little long-term contracting is occurring in the marketplace at present, and finalizing contracts in 2018 is necessary to secure 100% of PTC benefits.

Without an early procurement directive, therefore, California's existing wind energy capacity is likely to continue to decline.[10] As a result, the Commission cannot assume that the "optimal portfolio" will be secured without early procurement, because some 1,000 MW of California's original wind energy resources are at risk; preservation of these resources is required in addition to procurement of the 1,145 MW of incremental wind energy resources included in that optimal portfolio. To ensure that the benefits of the optimal portfolio are at least partially realized, the Commission should direct early procurement of wind energy resources in accordance with the Reference System Plan.

B. Early Procurement of Wind Energy Would Address the State's Goal of Resource Diversity

The purpose of the IRP process is "to achieve the state's policy goals by balancing a system-wide perspective with a consideration of the unique circumstances of each individual LSE."[11] One of those state policy goals is resource diversity, a goal that was not considered in the PD's recommendation to forego early procurement.

In adopting both the IRP and Renewables Portfolio Standard ("RPS") laws, the Legislature has emphasized the importance of resource diversity. As stated in Conclusion of Law 12, the "Commission is required, by Section 454.52[(F)], to 'ensure that load-serving entities … strengthen the diversity, sustainability, and resilience of the bulk transmission and distribution systems, and local communities…'. In addition, Public Utilities Code Section 454.51(a) requires the commission to "[i]dentify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable

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[9] Proposed Decision at p. 37-38.

[10] As documented in CalWEA's previous comments (*supra* note 6 at p.4), California's wind energy capacity declined by 250 MW between 2015 and 2016.

[11] Proposed Decision at p. 13.

energy in a cost-effective manner...'. And, in the RPS statutes, Public Utilities Code Section 399.11(b)(6) states that the RPS program is justified, in part, by the "state's need for a diversified and balanced energy generation portfolio."

As CalWEA has previously discussed, over-dependence on a single renewable resource and technology could create both economic and system vulnerabilities.[12] Economic vulnerability could arise from numerous possible market factors, such as the tariff dispute noted below, land-use policy changes, or changes in raw materials costs. System vulnerabilities will come about as solar PV capacity becomes more than half the state's generation capacity when the daily peak net load is shifting more and more towards late-evening hours. A more diverse portfolio is – by reducing the need for integration resources and by enhancing reliability – essentially an integration resource.[13]

As discussed in the previous section and in CalWEA's previous comments, a significant portion of California's wind energy capacity is at risk. The diversity of California's renewable energy supply would deteriorate without this capacity. As CalWEA has discussed in this proceeding, by diversifying what would otherwise be a solar-dominated portfolio, wind energy will bring integration and reliability benefits that will reduce the need for energy storage and lessen the curtailment of RPS resources.[14]

Finally, we note that the PD anticipates "studying the accelerated electrification of other sectors of California's economy."[15] If such acceleration occurs, it will grow demand for electricity and further increase the need for a diverse renewable energy supply.

C. Securing Greater Diversity with the Early Procurement of Wind Energy Also Addresses the State's Goal of Cost Minimization

The early procurement of wind energy to promote greater resource diversity can be achieved while saving ratepayer dollars, contrary to assertions in the PD.

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[12] *Supra* note 6 at pp. 8-9.

[13] See CalWEA Reply Comments on Proposed Reference System Plan and Related Commission Policy Actions at p. 4 (November 9, 2017).

[14] *Ibid.*

[15] Proposed Decision at p. 119.

Staff's analysis of the RSP demonstrated that early procurement of 1,145 MW of wind energy capacity would save ratepayers $35 million/year.[16] CalWEA's additional modeling runs showed that repowering 1,115 MW of existing capacity could produce similar savings.[17] Therefore, in this instance, the Commission can readily balance resource diversity with another important statutory goal, "[m]inimiz[ing] impacts on ratepayers' bills."[18]

The statements in the Proposed Decision (at p. 81) that "the cost savings estimated by Commission staff that could flow from capturing the federal tax credits are highly uncertain" is without foundation. The PD is at odds with Staff's analysis of the RSP, which found that early procurement will bring cost savings.[19] The PD's statement that "ITC and PTC eligibility rules have different timing requirements, declining benefits, and expiration dates" are statements of fact, not uncertainties, and these facts underscore the urgency of immediate wind procurement.[20]Moreover, these facts suggest that the analysis of costs and benefits may differ across resource types based on their tax credit eligibility, not that the benefits are uncertain. And the PD's statement that "there is no guarantee that all of those [tax] benefits will flow through to ratepayers" ignores the fierce competition that has characterized renewable energy markets in California in recent years and the fact that the available supply of wind energy developments would far exceed an early-procurement target of 1,145 MW.[21] Moreover, the Commission can

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[16] *Supra* note 11 at Attachment 2 (RESOLVE Run Summary), based on CPUC staff analysis (see note 19 *infra)*.

[17] *Id.* at p. 4 and Attachment 2.

[18] Cal. Pub. Util. Code §454.52(a)(1)(D).

[19] CPUC September 19, 2017, *Ruling Seeking Comment on the Proposed Reference System Plan and Related Commission Policy Actions*, Attachment A, slide 190. This slide shows total ratepayer savings of $143 million/year if renewables are acquired with tax credits. CalWEA calculated that $35 million of this derives from wind energy (*supra* note 16).

[20] The fates of the federal wind PTC and solar ITC in the federal tax bill are now clear: the final tax bill passed by Congress and signed into law left wind and solar tax credits wholly intact. While separate changes in the tax bill may alter the appetite of some investors for using tax credits, not all investors are negatively impacted. CalWEA members are optimistic about their ability to finance new and repowered projects in current market conditions. Notably, financing options for wind projects are not limited to tax equity financing; traditional methods (bank or bond financing) are also available and are not necessarily negatively impacted by the tax bill. Additional optionality is possible by opting to use the wind-ITC in lieu of the PTC.

[21]As noted in CalWEA's October 26, 2017, opening comments at p. 12, some 12,000 MW of wind project capacity can be expected to be capable of participating in a wind-only solicitation.

condition its early-procurement directive on solicitation results that deliver or exceed the savings that staff's modeling has shown.

The PD's argument (at p. 81) that "solar tariff actions may result in an increase in costs, rather than capturing a benefit, if procurement was required," does not apply to wind energy, and thus does not provide a basis for forgoing early procurement of non-PV resources that the RSP has identified as cost-effective. To the contrary, the risk of a solar tariff would magnify the benefits of early wind procurement and highlights the need to take swift action to ensure that PTC benefits are captured.

D. Complications Related to Departing Load Are Not Sufficient Reason to Ignore State Policy Goals

Given the refutability of the PD's arguments against early procurement discussed above, particularly with regard to wind energy, the PD's greatest concern would seem to be its last stated rationale: load is shifting to community choice aggregators ("CCAs"), some of which are not yet positioned to be able to take advantage of immediate federal tax credit opportunities; therefore, early procurement would require investor-owned utilities ("IOUs") to undertake procurement, requiring the Commission to "devise a likely-unpopular cost allocation methodology to ensure that the costs are shared by the benefitting customers."[22]

These concerns are without foundation in the IRP statute, and are contrary to plainly stated IRP goals: namely, as discussed above, resource diversity and cost minimization. The fact that appropriate cost allocation may be "unpopular" is not a sufficient basis to ignore statutory IRP goals or delay their implementation. Moreover, CalWEA agrees with the PD (at p. 23) that "statutory language gives the Commission considerable authority over some aspects of CCA procurement, not just planning", because CCA procurements will cause systemic impacts. At least some CCAs may be sufficiently creditworthy in 2018 to comply directly with an early procurement requirement. For those CCAs that are not capable of procuring new or repowered wind projects (which, in part, is why an early procurement directive is needed), existing statutes require the Commission to ensure that there is no cost-shifting, as noted in the PD at p. 12.

Finally, the PD's conclusion with regard to early procurement that – "to address this situation, our efforts are better spent examining opportunities to ensure greater flexibility in the

[22] Proposed Decision at pp. 82-83.

RPS compliance market" – is completely unresponsive to the topic of early procurement and the statutory IRP goals of resource diversity and cost minimization.

III. CONCLUSION

To promote the revitalization of California's existing wind energy resources, ensure the achievement of the resource diversity encompassed in the optimal portfolio identified in the Reference System Plan, and pursue achievement of the statutory IRP goals of resource diversity and cost minimization, the Commission should adopt the recommendations in these comments.

Respectfully submitted,

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On behalf of the California Wind Energy Association

January 17, 2018

APPENDIX. Changes to Findings of Fact and Conclusions of Law

The facts and arguments presented above warrant the following changes to the PD's Findings of Fact and Conclusions of Law.

A. Changes to Findings of Fact

Strike Findings of Fact ("FOF") #10, insert the following FOFs between the present FOF #s 8 and 9, and renumber subsequent Findings:

9. The optimal portfolio assumed that existing renewable resources will continue to operate, but wind projects built in the 1980s are aging and may be economically vulnerable if not repowered.

10. The optimal portfolio shown in Figure 3 includes 1,145 MW of new wind energy resources whose competitiveness may be dependent upon the availability of federal tax credits, the maximum value of which may be available only to projects that secure contracts in 2018.

11. Wind energy will diversify a portfolio that otherwise may be dominated by solar energy resources, bringing integration and reliability benefits while reducing ratepayer costs.

B. Changes to Conclusions of Law

Modify Conclusion of Law ("COL") #s 16 and 20 as follows:

16. The Commission should continue to evaluate the need for long lead-time resources, including out-of-state wind (and other renewables), geothermal, and pumped hydro storage (and other bulk storage) resources in subsequent IRP cycles~~, but should not order procurement activities for these types of resources at this time~~.

20. ~~There is enough uncertainty about the potential benefits of additional renewable procurement now to attempt to capture expiring federal tax credits that the Commission should not order additional procurement now.~~<u>Fostering new or repowered wind energy projects with the support of expiring tax credits will further the IRP goals of resource diversity and cost minimization.</u>

Add, after COL 20, the following COLs and renumber subsequent COLs:

21. The Commission should require each LSE to procure its pro-rata share of the 1,145 MW of new or repowered wind energy resources identified in the optimal portfolio in 2018.

22. Investor-owned utilities should issue requests for offers of new or repowered wind energy resources by the end of Q1 2018.

23. Non-IOU LSEs should declare any intent to meet their pro-rata wind energy target by late-Q2 2018 and report to the Commission on the fulfillment of their pro-rata targets by late-Q3 2018.

24. The Commission should direct any additional IOU procurement necessary to make up for any non-IOU LSE non-fulfillment of wind energy targets by early-Q4 2018.

25. The IOUs should finalize all wind energy contracts and submit advice letters to the Commission by mid-Q4 2018 and the Commission should act on all advice letters by the end of Q4 2018.

26. The Commission should ensure that no cost-shifting occurs due to IOU procurement of wind energy on behalf of any non-IOU LSEs.

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 "Comments of the California Wind Energy Association on Proposed Decision Setting Requirements For Load Serving Entities Filing Integrated Resource Plans" 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 January 17, 2018, at Berkeley, California.

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