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

Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes.	R.20-05-003

REPLY COMMENTS OF CALIFORNIA COMMUNITY CHOICE ASSOCIATION ON THE PROPOSED DECISION AND ALTERNATE PROPOSED DECISION REQUIRING PROCUREMENT TO ADDRESS MID-TERM RELIABILITY (2023-2026)

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I. INTRODUCTION

The California Community Choice Association[1] (CalCCA) submits these Reply Comments pursuant to Rule 14.3(d) of the California Public Utilities Commission (Commission) Rules of Practice and Procedure on Administrative Law Judge Fitch's proposed *Decision Requiring Procurement To Address Mid-Term Reliability (2023-2026)* (PD), filed May 21, 2021; and Commissioner Rechtschaffen's *Alternate Proposed Decision Requiring Procurement To Address Mid-Term Reliability (2023-2026)* (APD), filed May 21, 2021.

II. THE COST AND TIME NECESSARY TO CONDUCT A ROBUST LOSS OF LOAD EXPECTATION (LOLE) STUDY PRIOR TO ORDERING PROCUREMENT BEYOND THE MID-NEED SCENARIO IS WORTH ENSURING ANY RELIABILITY BENEFITS GIVEN THE POTENTIAL SIGNIFICANT COSTS

CalCCA continues to strongly support the adoption of the mid-need scenario procurement requirement of 7,500 MW, given the absence of analysis and modeling by the Commission to demonstrate that ordering the additional 4,000 MW required by the high-need scenario is necessary for reliability purposes. In opening comments, while some parties also opposed the adoption of the high need requirement,[2] even others such as PG&E who accepted the high-need requirement requested that the Commission establish a "workable process to systematically analyze and determine needs for CAISO system reliability" based on the "failure of the IRP process" demonstrated by this PD/APD.[3]

An important goal of the IRP process is to control costs for electric customers. Section 454.51(a) of the Public Utilities Code directs the Commission to "identify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable

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[1] California Community Choice Association represents the interests of 22 community choice electricity providers in California: Apple Valley Choice Energy, Baldwin Park Resident Owned Utility District, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

[2] *See* AePR Opening Comments at 2-4; TURN Opening Comments at 2-4; Green Power Institute's Opening Comments at 1-4; Opening Comments of Middle River Power, LLC at 6.

[3] PG&E Opening Comments at 5-7 ("[t]he current PD/APD and the 2019 procurement track decision point to a failure of the IRP process to identify reliability planning needs and anticipate hurdles that need to be resolved for new resources to come online in a timely manner," and recommending an appropriate analysis, including an LOLE study for identifying CAISO system reliability procurement and for establishing a new planning reserve margin, and a stakeholder driven post-mortem analysis to assess the drivers of the current capacity shortfall).

energy in a cost-effective manner."[4] Section 454.52(a)(1)(D) further affirms that load-serving entities, in filing their IRP plans, should "minimize impacts on ratepayers' bills."[5]

Cost issues should be given more weight in this mid-term reliability analysis considering electric bill affordability issues the Commission has identified in other venues. According to the "Utility Costs and Affordability of the Grid of the Future" white paper initially presented at the Commission's February 24, 2021 En Banc on Energy Rates and Costs, electric rate projections through 2030 demonstrate that:

> for energy price sensitive households, bills are expected to outpace inflation over the coming decade. The implication is that… energy bills will become less affordable over time."[6]

The En Banc's white paper projections did not account for the PD/APD's 11,500 MW of proposed new build, and the affordability problem that might result.

In its opening comments, SCE presents its modeling regarding the actual costs of the Commission's addition of 4,000 MW by 2026.[7] SCE states that its "modeling shows a need for approximately 7,500 MW by 2026."[8] SCE further states that the additional 4,000 MW will actually not be required until 2030, and that "there has not been sufficient analysis justifying that all of this procurement must be accelerated to 2026."[9] In fact, SCE finds that ordering the procurement of "7,500 MW by 2025 and the remaining 4,000 MW in 2026 to 2030 ***saves customers approximately $2 billion in [net present value] system-wide by 2030.***"[10]

It is unclear whether the PD/APD complies with the Public Utilities Code and its clear mandate to control costs, or if it aligns with the Commission's other policy priorities as stated in the Rates En Banc White Paper. The PD cites no data or record showing any analysis of the cost impacts of the ordered procurement, and it is not known if the Commission considered whether the proposed

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4 Cal. Pub. Util. Code §454.51(a).

5 *Id.* at §454.52(a)(1)(D).

6 Utility Costs and Affordability of the Grid of the Future: An Evaluation of Electric Costs, Rates, and Equity Issues Pursuant to P.U. Code Section 913.1 (Rates En Banc White Paper) at 5. https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/EnergyElectricity_and_Natural_Gas/Senate%20Bill%20695%20Report%202021_En%20Banc%20White%20Paper.pdf

7 SCE Opening Comments at 5-6.

8 *Id.* at 5.

9 *Id.* at 6.

10 *Id.* (emphasis in original).

procurement targets are cost-effective, or if they would unduly impact ratepayers' bills with unneeded resources.[11] The only way to produce meaningful data on system costs is to perform system modeling.[12]

There is little downside risk in adopting the mid-need scenario (7,500 MW) now, with the commitment to conduct a full LOLE study in the next few months before committing to "final" procurement targets. In the worst case, the modeling affirms the need and mix of resources which can be developed to meet the 2026-2030 window. However, if the modeling shows a lower need or identifies a more cost-effective mix of resources, substantial cost savings to ratepayers could be realized.

III. THE PROCUREMENT ALLOCATION TO EACH LSE SHOULD BE BASED ON PEAK LOAD SHARE, AS SET FORTH IN THE PD/APD

CalCCA supports the PD's/APD's adoption of a load share, hybrid peak load/energy allocation, rather than a contract allocation method, to allocate procurement requirements to all LSEs.[13] PG&E and TURN request modification of the PD/APD to require that the allocation be on a contract basis to account for LSE portfolio positions.[14] As set forth in CalCCA's Opening Comments on the ALJ Ruling, the contract position allocation method would have to be modified to be equitable to all LSEs.[15] The contract position method gives the IOUs 100 percent credit for PCIA portfolio resources, despite the allocation of cost responsibility for those resources to departing load customers. On balance, this will increase the proportion of new, accelerated resource costs that will be borne by CCA customers. Unlike IOU customers, however, there is no mechanism to provide compensation for these above-market costs. Unless PCIA resources are allocated *pro rata* among LSEs to determine their contract position, the Commission must utilize the hybrid peak load allocation approach as set forth in the PD/APD.

IV. THE COMMISSION HAS PROVIDED NO EVIDENCE THAT PROCUREMENT OF INCREMENTAL FOSSIL-FUEL RESOURCES IS NECESSARY TO INCREASE RELIABILITY

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[11] Middle River Power LLC states that "[T]he Commission or parties [cannot] opine as to whether this procurement satisfies the Commission's obligations to ensure affordable rates, because no analysis regarding the potential costs of this procurement has been made." Middle River Opening Comments at 6.

[12] ALJ's Ruling Seeking Feedback on Mid-Term Reliability Analysis and Proposed Procurement Requirements, R.20-05-003, February 22, 2021; see CalCCA Opening Comments at 4-6; California Community Choice Association's Comments on ALJ's Ruling Seeking Feedback on Mid-Term Reliability Analysis and Proposed Procurement Requirements, March 26, 2021 (CalCCA Opening Comments on ALJ Ruling) at 2-6; California Community Choice Association's Reply Comments on ALJ's Ruling Seeking Feedback on Mid-Term Reliability Analysis and Proposed Procurement Requirements, April 9, 2021 at 2-4.

[13] PD at 52-53. On issues for which the PD and APD do not differ, CalCCA cites only to the PD.

[14] PG&E Opening Comments at 8; TURN Opening Comments at 9-11.

[15] CalCCA Opening Comments on ALJ Ruling at 5.

CalCCA agrees with SCE, TURN, CEERT, CEJA, the Sierra Club, Defenders of Wildlife, the Union of Concerned Scientists, and Vote Solar who contend that the Commission errs in requiring the IOUs to procure fossil-fueled capacity (in a range between 500MW-1,500 MW in the PD/APD), because the Commission has failed to demonstrate the need for such incremental gas generation or how this procurement will improve reliability or customer costs.[16] The Commission even admitted in the PD/APD that it chose to include the fossil fuel requirement as "insurance" amongst a "hierarchy of less-than-ideal choices" and cited the need to retain "public confidence" in the Commission's environmental goals for the electric sector.[17] However, the Commission has not identified the exact reliability attributes that will be met only by fossil fuel resources rather than by other resources or a combination of such resources. As a result, CalCCA urges the Commission to remove the fossil fuel requirement.

If, however, the Commission moves forward with its requirement for fossil fuel resources or a blend of fossil fuel and alternative fuels (such as green hydrogen), CalCCA supports the opening comments of Wärtsilä, North American, Inc. which requests that the Commission not restrict such alternative fuels to only green hydrogen, but also allow alternative carbon neutral fuels (such as bio-methane and ammonia) and/or technology configurations that can be used to achieve the same or greater GHG reduction at potentially lower costs.[18]

V. THE COMMISSION SHOULD CLARIFY HOW RESOURCES ARE COUNTED TO ENSURE COMPLIANCE WITH THE PROCUREMENT ORDER

CalCCA requests that the Commission provide the following modifications and clarifications regarding LSE compliance obligations with procurement requirements that were raised in opening comments. First, as raised by AReM and the City of San Francisco/Peninsula Clean Energy, the Commission should provide a reduction of non-IOU LSE procurement obligations for any procurement by the IOUs with cost recovery from the LSEs through the CAM (such as fossil-fueled procurement by the IOUs).[19] Second, given the range of potential procurement obligations of the IOUs regarding fossil-

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[16] SCE Opening Comments at 10; TURN Opening Comments, at 5; CEERT Opening Comments at 8; CEJA, Sierra Club, and Defenders of Wildlife Opening Comments at 4-8; Vote Solar Opening Comments at 7-11; Union of Concerned Scientists Opening Comments at 3-4.

[17] PD at 38, 41.

[18] Wärtsilä Opening Comments at 2-3. CalCCA was served with the Opening Comments of Wärtsilä, but acknowledges that the Commission has not yet granted Wärtsilä's Motion for Party Status or accepted the Opening Comments for filing.

[19] AReM Opening Comments at 4-6; CCSF/PCE Opening Comments at 9.

fueled resources in the PD/APD, Table 7 should be clarified to show how such fossil-fuel requirements impact each LSE's overall minimum requirements.[20]

VI. THE COMMISSION SHOULD REMOVE OR UPDATE THE 85% CAPACITY FACTOR FOR FIRM ZERO-EMITTING RENEWABLES

PG&E requests that the Commission remove or update the 85% capacity factor requirement with respect to the 1,000 MW of firm zero-emitting resources required in the PD/APD,[21] reasoning that the 85% capacity factor "does not make sense for the CAISO's system with sustained high solar generation throughout the day, especially during non-summer months."[22] PG&E reasons that such a high capacity factor resource will lead to mid-day negative prices and renewable curtailment, and that it is unclear if such a resource actually exists other than a nuclear resource.[23] CalCCA agrees that mandating procurement of a resource available with such high frequency given other resources in the portfolio is not supported by the record, and that further investigation is necessary into whether this high capacity factor will preclude most resources from qualifying as a firm zero-emitting resource.

VII. CALCCA SUPPORTS THE REPLY COMMENTS FILED BY SAN DIEGO COMMUNITY POWER

San Diego Community Power (SDCP) has been in communication with CalCCA and is providing reply comments regarding the allocation of requirements with respect to new CCAs currently forming. CalCCA supports the comments filed by SDCP in this regard.

VIII. CONCLUSION

CalCCA appreciates the opportunity to submit these Reply Comments and requests adoption of the recommendations proposed herein.

Respectfully submitted,

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California Community Choice Association

June 15, 2021

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20 SVCE/3CE Opening Comments at 12; CCSF/PCE Opening Comments at 8-9.

21 PD at 34.

22 PG&E Opening Comments at 14.

23 *Id.*