

**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)

**REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)
ON PROPOSED DECISION ADOPTING PREFERRED SYSTEM PORTFOLIO
AND PLAN FOR 2017-2018 INTEGRATED RESOURCE PLAN CYCLE**

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April 15, 2019

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (the “Commission”), San Diego Gas and Electric Company (“SDG&E”) provides these reply comments concerning the proposed *Decision Adopting Preferred System Portfolio and Plan for 2017-2018 Integrated Resource Plan Cycle* (the “PD”).

The PD evaluates the first round of individual integrated resource plan (“IIRPs”) filed by Commission-jurisdictional load-serving entities (“LSEs”) and adopts a Preferred System Portfolio (“PSP”) for the 2017-2018 integrated resource planning (“IRP”) cycle. The PD also initiates a “procurement track” to facilitate procurement of specified resources by LSEs, including Community Choice Aggregators (“CCAs”).

II. DISCUSSION

A. *The PD Properly Characterizes the Commission’s Statutory Authority*

The PD establishes a “procurement track” within the IRP process and concludes that the Commission “should consider exercising its authority to require long-term commitments to renewable integration resources by CCAs . . .”^{1/} Although the Commission clearly defined the extent of its statutory authority over the resource planning and procurement activities of CCAs in

^{1/} PD, Conclusion of Law 18.

Decision (“D.”) 18-02-018, parties representing CCA interests continue to challenge the Commission’s jurisdiction in this area. For example, Peninsula Clean Energy Authority (“PCE”) and East Bay Community Energy (“EBCE”) argue that the PD “blurs the statutorily-mandated jurisdictional roles that the CCA governing boards and the Commission play within the iterative IRP process.”^{2/} They assert that “[n]othing in sections 454.51 or 454.52 directs CCA procurement,” and further that “only an individual CCA governing board has the authority to direct an individual CCA’s actual procurement.”^{3/} California Community Choice Association (“CalCCA”), similarly, argues that the Commission does not have authority to order CCAs to procure renewable integration resources and asserts that the Commission must instead require the investor-owned utilities (“IOUs”) to procure on behalf of the CCAs and allocate the costs to CCA customers.^{4/}

These claims lack merit and must be rejected. The PD properly identifies the significant concerns that currently exist regarding the CCAs’ collective inaction regarding long-term procurement of renewable integration resources, and correctly characterizes the Commission’s jurisdiction over CCAs’ procurement activities. Public Utilities Code Section 366.2(a)(5), provides that each CCA program “is solely responsible for all generation procurement activities on behalf of the [CCA program’s] customers, *except where other generation procurement arrangements are expressly authorized by statute.*”^{5/} Section 454.51 expressly authorizes the Commission to require CCAs to undertake long-term procurement of renewable integration

^{2/} Opening Comments of Peninsula Clean Energy Authority (“PCE”) and East Bay Community Energy (“EBCE”) on the Proposed Decision (“PCE/EBCE Comments”), p. 5.

^{3/} *Id.*

^{4/} Opening Comments of California Community Choice Association on the Proposed Decision (“CalCCA Comments”), p. 5.

^{5/} Emphasis added. All statutory references herein are to the Public Utilities Code unless otherwise noted.

resources. To wit, Section 454.51(a) requires the Commission to identify through the IRP process a “diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy in a cost-effective manner” and Section 454.51(d) provides that “[i]f the commission finds this [renewable integration] need is best met through long-term procurement commitments for resources, *community choice aggregators shall also be required to make long-term commitments for resources.*”^{6/}

CalCCA’s assertion that the optimal approach to meeting the objectives of Section 454.51 is for the Commission to order the IOUs to undertake the necessary long-term procurement of renewable integration resources and allocate the related costs to CCA customers is directly at odds with its position taken in other proceedings, such as the Commission’s Power Cost Indifference Adjustment (“PCIA”) proceeding,^{7/} that future “on-behalf-of” procurement by the IOUs should be minimized or eliminated. Moreover, it makes little sense to expect IOU bundled service customers, who will soon be in the minority, to undertake long-term procurement on behalf of the majority of customers in the region who are not served by an IOU.

While the CCAs’ much-touted procurement of renewable resources is commendable, it fails to fully satisfy the objectives of Section 454.51(a). Given the primary role that CCAs will play in the coming years in ensuring achievement of California’s procurement-related policy goals, it is critical that the Commission maintain oversight and, where necessary, exercise its authority to require long-term procurement of renewable integration resources. The PD properly recognizes the Commission’s responsibility in this regard, as well as the Commission’s authority to do so under Section 454.51(d). Accordingly, the claims to the contrary offered by PCE/EBCE and CalCCA should be rejected.

^{6/} Emphasis added.

^{7/} Rulemaking (“R.”) 17-06-026.

B. Reliability Issues are Properly Addressed in the Instant Proceeding

PCE/EBCE assert that “[w]hile it is appropriate to assess reliability impacts, the actual actions to address reliability issues are squarely in the Resource Adequacy (“RA”) proceeding.”^{8/} This claim is incorrect. The Commission’s RA proceeding focuses on compliance with near-term (1-3 years out) local, system and flexible RA requirements, typically with existing reliability resources. The need for *new* long-term reliability resources to meet *long-term* forecasted need is not addressed in the RA proceeding.

Historically, this analysis was performed in the Commission’s Long-Term Procurement Plan (“LTPP”) proceeding; a separate track within the LTPP proceeding was established to study and identify long-term need for capacity resources on both local and system levels. Given long lead-times for permitting and construction of new resources, the establishment in the LTPP of a forecasted system and/or local capacity need was necessary to ensure that a future identified RA need could be filled by the construction of a new resource in a timely manner.

Going forward, the IRP proceeding will essentially replace the LTPP proceeding as the venue for forecasting long-term capacity need and authorizing procurement of new reliability resources. The IRP proceeding must consider future long-term capacity need, with the goal of ensuring the existence of adequate reliability resources to allow LSEs to meet the requirements established in the RA proceeding. Accordingly, PCE/EBCE’s assertion must be rejected. The PD properly characterizes the IRP proceeding’s role in ensuring system reliability and the need for the Commission to consider a broad range of reliability issues, including both near-term and long-term reliability, as well as the need for both new and existing resources.^{9/}

^{8/} PCE/EBCE Comments, p. 4, footnote 3.

^{9/} PD, pp. 128-129.

C. Claims Regarding IRP Input Assumption Must be Carefully Evaluated

The Commission should reject assertions regarding IRP modeling assumptions that are cited as fact, but are not adequately supported. For example, Protect Our Communities (“POC”) asserts definitively that battery prices are declining and that IRP modeling does not properly reflect this fact, citing as support for its claim a Twitter post referring to analysis contained in a Bloomberg New Energy Finance (“BNEF”) report.^{10/} However, the full report by BNEF presents a more nuanced view, ignored by POC, noting the perspective of some stakeholders that “battery prices are increasing, not falling.”^{11/} While the Commission may reasonably determine that certain price input assumptions contained in the PD require adjustment, it should not do so based upon unsubstantiated claims that are outside the record.^{12/}

III. CONCLUSION

For the reasons set forth herein, the Commission’s final decision should adopt the recommendations described above and in SDG&E’s opening comments.

Respectfully submitted this 15th day of April, 2019.

/s/ Aimee M. Smith

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^{10/} *The Protect Our Communities Foundation Comments on Proposed Decision Adopting Preferred System Portfolio and Plan for 2017-2018 Integrated Resource Plan Cycle* (“POC Comments”), p. 2, Figure 1 (citing a Twitter post excerpting analysis included in BloombergNEF, *A Behind the Scenes Take on Lithium-ion Battery Prices*, March 5, 2019).

^{11/} BloombergNEF, *A Behind the Scenes Take on Lithium-ion Battery Prices*, March 5, 2019. Available at: <https://about.bnef.com/blog/behind-scenes-take-lithium-ion-battery-prices/>

^{12/} See Rule 14.3(c).