

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



**FILED**

04/15/19  
04:59 PM

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 JOSE CLEAN ENERGY ON THE PROPOSED  
DECISION ADOPTING PREFERRED SYSTEM PORTFOLIO AND PLAN FOR 2017-  
2018 INTEGRATED RESOURCE PLAN CYCLE**

Kevin Fox, Partner  
Keyes & Fox LLP  
436 14<sup>th</sup> St., Suite 1305  
Oakland, California 94612  
Tele: (510) 314-8201  
Email: [kfox@keyesfox.com](mailto:kfox@keyesfox.com)

*Counsel for the San José Clean Energy*

April 15, 2019

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In accordance with Rule 14.3(d) of the Commission’s Rules of Practice and Procedure, San José Clean Energy (“SJCE”) respectfully submits these reply comments on the *Proposed Decision of ALJ Fitch Adopting Preferred System Portfolio and Plan for 2017-2018 Integrated Resource Plan Cycle* (“Proposed Decision”).

The San José City Council voted unanimously to create SJCE on May 2017. SJCE is a community choice aggregation (“CCA”) program that serves the residents of San José and is the largest single-jurisdiction CCA in California. SJCE initiated service on September 1, 2018 and expanded service to commercial and residential customer accounts on February 1, 2019. SJCE filed its 2017/2018 Integrated Resource Plan (“IRP”) plan in this proceeding prior to these launch dates.

SJCE is a member of CalCCA and supports CalCCA’s opening comments and redlines to the Proposed Decision. SJCE files these reply comments to respond to specific misrepresentations of law and inaccurate statements regarding the condition of the record contained in the opening comments of two of the State’s investor-owned utilities (“IOUs”): Pacific Gas & Electric Company (“PG&E”) and Southern California Edison (“SCE”).

In particular, SJCE strongly disagrees with PG&E’s statement in opening comments that “CCAs have not yet shouldered their proportionate burden of reliability resources, particularly natural gas, despite their increasing share of the load.”<sup>1</sup> PG&E’s statement, and the Proposed Decision on this point, fail to fully reflect the extent to which CCAs, and their customers, support procurement of reliability resources, including gas-fired resources.

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<sup>1</sup> PG&E Opening Comments, at 4-5.

As the Proposed Decision recognizes, “CCAs are the LSEs with the vast majority of planned new resource purchases through 2030, reflecting their expectation of growing load.”<sup>2</sup> Like other CCAs, SJCE has, and will continue to, enter into contracts for resource adequacy (“RA”), including contracts with gas-fired facilities. SJCE is committed to long-term procurement and is obtaining funding to effectuate long- and short-term procurement decisions that support both community and State goals. SJCE is also assessing alternatives, including reviewing the power plants that operate in San José to cost effectively reduce emissions while maintaining reliability. SJCE hopes to engage with plant owners and use data to develop sensible long-term plans to achieve these goals in a manner that maximizes benefits to the San José community. SJCE is confident that it can satisfy its IRP-related obligations and sees no need for a “procurement track” to be initiated in this proceeding.

**I. SJCE AGREES WITH CALCCA THAT A “PROCUREMENT TRACK” IS PREMATURE IN THIS PROCEEDING.**

The opening comments of PG&E and SCE in support of a “procurement track” are not supported by the record and are contrary to law.<sup>3</sup> The 2017/2018 IRP plans are the first to be considered under the new IRP process first enacted by SB 350 (2015). In D.18-02-018, the Energy Division designated this first iteration of the IRP process as a trial run to “demonstrate the feasibility of the proposed process”.<sup>4</sup> Opening comments on the Proposed Decision clearly demonstrate that improvements are needed before the results of this IRP cycle can establish a reasonable basis for making significant procurement decisions.

Most concerning, numerous parties identify significant inconsistencies and inaccuracies in the modeling results that the Proposed Decision relies on in adopting a preferred system portfolio (“PSP”).<sup>5</sup> These issues should be addressed and resolved before the Commission relies on the PSP as the basis from which to direct multi-billion dollar statewide electricity procurement decisions that could have negative ratepayer impacts if not carefully managed. California already expects ratepayer costs to increase dramatically due to current and future

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<sup>2</sup> D.18-02-018 at 88.

<sup>3</sup> PG&E Opening Comments, at 5-6; SCE Opening Comments, at 4-9.

<sup>4</sup> D.18-02-018 at 15.

<sup>5</sup> *See, e.g.*, CalCCA Opening Comments, at 8-9; Peninsula Clean Energy and East Bay Community Energy Opening Comments, at 6-13.

wildfire costs. The CPUC should ensure there will be no unnecessary customer rate increases, including to CCA customers, due to IRP modeling shortcomings.

In addition, parties raise important due process concerns regarding specific assumptions that underlie the Proposed Decision's adoption of a modified Reference System Plan ("RSP") as the PSP.<sup>6</sup> Specifically, the proposed decision would adjust the RSP to reflect 2017 Integrated Energy Policy Report assumptions and an assumed 40-year life for natural gas resources. As noted by the parties' opening comments, incorporation of these assumptions has not been subject to sufficient comment and therefore lacks record support.<sup>7</sup> SCE also takes issue with incorporating these assumptions, noting that "inclusion of a 40-year life assumption for fossil-fueled resources over-simplifies the complex analysis necessary to evaluate retirement of fossil-fueled resources."<sup>8</sup> Satisfying State greenhouse gas ("GHG") and reliability goals is critically important to SJCE. We look to the Commission to provide a solid and well supported foundation for determining whether the aggregated actions of California's load-serving entities ("LSEs") will achieve State goals. SJCE does not believe a solid foundation currently exists, and therefore SJCE is concerned that the Proposed Decision would have the Commission move forward with considering procurement decisions upon a questionable foundation.

Finally, SCJE believes the Proposed Decision's application of a new, modified RSP (adopted in 2019) to IRP plans that had already been submitted in 2018 as a basis for ordering a "procurement track" is contrary to both D.18-02-018 and Public Utility Code 454.51. D.18-02-018 orders "a two-year integrated resource planning process, *with each cycle to commence in an odd-numbered calendar year.*"<sup>9</sup> In odd-numbered years, the Commission analyzes and adopts an "optimal electric resource portfolio" and recommends a GHG target for the electric sector.<sup>10</sup> Because the first IRPs were to be filed in 2018, D.18-02-018 adopted an optimal electric resource portfolio and recommended a GHG target for the 2018 Plans.<sup>11</sup> As such, 2018 IRPs were to take into account the RSP targets adopted by the Commission in D.18-02-018, and any

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<sup>6</sup> See, e.g., CalCCA Opening Comments, at 9-10; Peninsula Clean Energy and East Bay Community Energy Opening Comments, at 13-14.

<sup>7</sup> *Id.*

<sup>8</sup> SCE Opening Comments, at 5.

<sup>9</sup> D.18-02-018, Ordering Paragraph 1, at 170 (italics added). See also, Conclusions of Law 1, at 164.

<sup>10</sup> D.18-02-018, Ordering Paragraph 4, at 171. See also, Conclusions of Law 2, at 164.

<sup>11</sup> D.18-02-018, Ordering Paragraph 9, at 172. See also, Conclusions of Law 19, at 167; Finding of Fact 4, at 161; Findings of Fact 7-8, at 161; Findings of Fact 14-17, at 162.

procurement decisions were to focus on whether the aggregated LSE IRPs met the goals established by the Commission before LSEs submitted their plans.<sup>12</sup>

This sequenced, two-step process is reflected in the IRP Statutes. As a first step, Public Utility Code Section 454.51 requires the Commission to: “Identify 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.”<sup>13</sup> As a second step, LSEs develop procurement plans to meet the “balanced portfolio of resources” and achieve the GHG goals previously established by the Commission, with specific allowance for CCAs to submit proposals to satisfy their portion of any need the Commission identifies.<sup>14</sup>

In sharp contrast, the Proposed Decision, as a basis to order a “procurement track”, would adopt a new optimal portfolio in 2019 (the modified RSP) and then retroactively apply new targets to the IRPs that were already submitted in 2018.<sup>15</sup> The Proposed Decision also inappropriately applies SB 100 (2018) requirements in the current IRP cycle as an additional basis for ordering a new “procurement track.” Retroactive application of newly established goals to LSE IRP plans that were already submitted is contrary to both D.18-02-018 and Public Utility Code Section 454.51 and should be rejected as a basis for ordering a “procurement track” at this time.

SJCE is committed to meeting the goals and procurement milestones established by SB 100, but it is inappropriate for the Commission to retroactively apply updated procurement requirements to IRPs that had already been submitted. SB 100 targets should be incorporated into the second IRP iteration, the 2019 IRP planning cycle, with opportunity for LSEs to demonstrate good faith compliance with these accelerated compliance targets in their 2020 IRP submittals to the CPUC, per D.18-02-018 and Public Utility Code Section 454.51.

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<sup>12</sup> D.18-02-018, Ordering Paragraph 5, at 171 (*italics added*). *See also*, Conclusions of Law 3, at 164.

<sup>13</sup> P.U. Code § 454.51(a).

<sup>14</sup> *See* P.U. Code § 454.51(b) and (d); P.U. Code §§ 454.52(a)(1)(A), (2)(A)-(B), (b)(1), and (b)(4).

<sup>15</sup> *See* Proposed Decision at 128-37.

## **II. THE COMMISSION SHOULD DETERMINE RA NEED IN THE RA PROCEEDING AND THEN ALLOW THAT RESULT TO INFORM PROCUREMENT DECISIONS IN THE IRP PROCEEDING.**

There is insufficient record evidence in this proceeding to adopt SCE's reliability threshold mechanism, as SCE proposes in its opening comments,<sup>16</sup> and doing so would be contrary to law. Instead, SJCE agrees with the City and County of San Francisco that "the Commission should explain how procurement in the Resource Adequacy proceeding on a one and a three-year basis will feed into the IRP analysis."<sup>17</sup> SCJE observes that Public Utility Code § 454.52 specifically requires that the IRP planning process "incorporate, and not duplicate, any other planning process of the commission" in order to "eliminate redundancy and increase efficiency".<sup>18</sup> Similarly, the Order Instituting Rulemaking for this proceeding recognized the possibility of "forum shopping," and to prevent this, limited the consideration of issues already being addressed in the RA proceeding.<sup>19</sup> Accordingly, SJCE encourages the Commission to resolve the reliability need question in concert with the CAISO and CEC, as required,<sup>20</sup> in the RA proceeding, and then let the RA proceeding inform the IRP proceeding. This will result in a rational process that avoids the inefficiency of engaging in a discussion of exactly the same topic (is there a reliability need) in both the RA and IRP proceedings.

If the Commission does, however, consider near-term RA procurement in this proceeding, the Commission should recognize that IOUs hold the majority of RA products required to meet existing RA compliance obligations within their service territories. IOU RA holdings may exceed requirements needed for their bundled IOU customers due to substantial migration of load to CCAs, and other LSEs must rely on this excess IOU RA to meet their compliance obligations. The Commission should thus ensure that this excess RA is timely offered to the market under reasonable terms and conditions, as that will maximize opportunities for all LSEs to meet their RA requirements to ensure system reliability and minimize ratepayer costs.

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<sup>16</sup> SCE Opening Comments, at 9-12.

<sup>17</sup> CCSF Opening Comments, at 2.

<sup>18</sup> P.U. Code § 454.52(d).

<sup>19</sup> *Order Instituting Rulemaking*, R.16-02-007, at 25-26 (Feb. 19, 2016).

<sup>20</sup> See P.U. Code § 380(a), (j).

Respectfully submitted by:

/s/ Kevin Fox

Kevin Fox, Partner

Keyes & Fox LLP

436 14th St., Suite 1305

Oakland, California 94612

Tele: (510) 314-8201

Email: [kfox@keyesfox.com](mailto:kfox@keyesfox.com)

*Counsel for the City of San José*

Dated: April 15, 2019