

**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)

**COMMENTS OF THE AMERICAN WIND ENERGY ASSOCIATION CALIFORNIA  
CAUCUS ON PROPOSED DECISION ADOPTING PREFERRED SYSTEM  
PORTFOLIO AND PLAN FOR 2017-2018 INTEGRATED RESOURCE PLAN CYCLE**

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## TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	SUMMARY OF RECOMMENDATIONS.....	1
III.	DISCUSSION .....	2
	A. AWEA-CA Supports the Adoption of a Procurement Track that Provides Clear Direction for Future IRP and RPS Filing Requirements. ....	2
	B. In Order to Fulfill the Requirements of SB 350, Make the 2019-20 IRP Cycle a Success and Act Upon the Record for the 2017-18 Cycle Supporting Procurement of RPS Resources, the Commission Should Amend the Proposed Decision’s Findings and Conclusions to Integrate the IRP with the Transmission Planning Process (“TPP”).....	5
IV.	CONCLUSION .....	9

## TABLE OF AUTHORITIES

### CPUC Decisions

Decision 19-02-007.....	4
Decision 17-12-007.....	4
Decision 16-12-044.....	4
Decision 15-12-025.....	4
Decision 12-11-016.....	4

### FERC Decisions

Order 890.....	7
Order 888-A.....	4

## APPENDIX A

### AWEA-CA RECOMMENDED CHANGES TO THE PROPOSED DECISION

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**I. INTRODUCTION**

In accordance with Rule 14.3 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedures, the American Wind Energy Association California Caucus (“AWEA-California”) respectfully offers these comments on the Administrative Law Judge, Julie A. Fitch’s Proposed Decision Adopting Preferred System Portfolio and Plan for 2017-2018 Integrated Resource Plan Cycle.<sup>1</sup> AWEA-California supports the Proposed Decision with certain modifications to the findings of fact.

**II. SUMMARY OF RECOMMENDATIONS**

The American Wind Energy Association of California supports the Commission’s adoption of the Proposed Decision with certain modifications, which are summarized as follows:

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<sup>1</sup> Members of AWEA-CA include global leaders in utility-scale wind energy development, ownership, and operations. Many members also develop and own other energy infrastructure such as transmission lines, utility-scale solar, and energy storage. AWEA-CA is unanimous in its commitment to the need for— and widespread economic benefits derived from—a diverse and balanced resource portfolio in California that reliably and affordably meet state energy demands and environmental goals. The AWEA-CA strives to direct the economic and environmental benefits of utility-scale wind energy to California.

- A. The CPUC should provide more direction for the proposed procurement track so LSEs have certainty and can expeditiously execute procurement needed to comply with the RPS and IRP. The Commission should state that the procurement track will commence this Spring and conclude in 2019 such that the results will be included in the RPS Plans in addition to the May 2020 IRP filings.
- B. The Commission should position the next cycle to meet the SB 350 statutory requirements by conveying the Transmission Planning Process (“TPP”) out-of-state sensitivity as a policy base case and, critically, providing direction to the CAISO to ensure that the analysis performed in the TPP is valuable for future IRPs and procurement activities. AWEA-CA recommends changes to the findings of fact to better reflect the record supporting the savings associated with low cost, high capacity factor wind resources in Wyoming and New Mexico.

### III. **DISCUSSION**

#### A. **AWEA-CA Supports the Adoption of a Procurement Track that Provides Clear Direction for Future IRP and RPS Filing Requirements.**

The CPUC should provide more direction for the proposed procurement track so LSEs have certainty and can expeditiously execute procurement needed to comply with the RPS and IRP. The Commission should state that the procurement track will commence this spring and conclude in 2019 such that the results will be included in the RPS Plans in addition to the May 2020 IRP filings.

The fact that the aggregated LSE IRPs did not collectively meet the requirements of SB 350 is an issue that must be remedied now so the 2019-20 IRP cycle will move beyond a proof of concept and achieve the statutory requirements governing the IRP process. Section 454.52 of the Public Utilities (“PU”) Code directs the Commission to require the filing of IRPs that

collectively ensure that Load Serving Entities (“LSEs”) are planning their portfolios in a way that meets five statutory requirements. Cost minimization and emission reduction requirements of 40% below 2020 levels are two of these statutory elements. AWEA-CA agrees with the conclusion in the Proposed Decision that a system plan that does not meet the emission reduction targets should not be preferred. The adoption of a modified Reference System Plan (“RSP”) that would achieve the 2030 GHG emission reduction requirements is prudent.

The adoption of the RSP is an important reflection point and the Commission should consider how a decision to adopt an RSP in place of LSE’s own plans raises questions about expectations for the next IRP cycle. For the duration of 2019, the goal should be to ensure that a sufficient volume of procurement occurs such that LSEs will be in a position to file RPS Plans in 2019 that meet the statutory requirements of SB 350 (i.e., demonstrating long term contracting) and then file IRPs in May 2020 that will collectively meet the statutory requirements of Section 454.52.

Finally, the procurement track questions posed in the Proposed Decision are the right questions to be asking at this juncture. The Commission should set an aggressive schedule for resolving these questions. To facilitate this discussion, AWEA-CA recommends including the following principles to help inform positions and evaluate potential solutions to these procurement questions.

**Intactness of contracts:** It is essential that any assumption or transfer of contracts from one LSE to another, holds contracts intact. Contracts should not be abrogated either as a result of a utility bankruptcy nor as part of a transfer of RPS obligation from one LSE to another. Contract abrogation threatens to destabilize the electricity sector by signaling that contracts that were previously approved by the CPUC to be ‘just and reasonable’ are no longer honored. This

would curtail future procurement and stifle much-needed investments in clean energy in the State.

**Certainty of procurement obligations:** For procurement going forward, market participants need a clear picture of which entities have procurement need. California's electricity market has lacked this certainty for the past several years: the CPUC has not required an RPS solicitation by a large IOU since 2015 because it has been unclear which LSE would be serving customers and procuring on their behalf in the long-term.<sup>2</sup>

**Transparency in bid evaluations:** Whether in central procurement or ongoing LSE procurement, stakeholders need to know bid selection criteria up front and decisions need to be transparent and apolitical.

**Expediency:** Any new procurement or new entity established to conduct procurement must have the authority and analytical power necessary to stand up quickly to achieve near-term low-cost procurement requirements and to step in to assume contracts if necessary, as an outcome of any regulatory or legal proceeding (e.g. PCIA or bankruptcy).

**Financial stability:** Any new or existing procurement entity assigned procurement responsibility for meeting state standards for reliability and renewable energy procurement should have an investment-grade credit rating and/or bonding authority to ensure that long-term financial obligations can be met and avoid further destabilization of the electricity market.

**Expertise necessary to make prudent decisions on behalf of the ratepayer:** Any procurement entity, whether new or to-be-established, must have the best interests of the ratepayer in mind and be willing to help the state execute its responsibility to serve Californians with a diverse portfolio of electricity that meets standards for reliability, affordability, and

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<sup>2</sup> See: D.19-02-007; 17-12-007; D.16-12-044'; D.15-12-025; D.12-11-016.

decarbonization. As such, any procurement entity in California must serve at the direction of the state's energy agencies and remain somewhat isolated from politics and special interests that could eventually lead to the establishment of market power.

**B. In Order to Fulfill the Requirements of SB 350, Make the 2019-20 IRP Cycle a Success and Act Upon the Record for the 2017-18 Cycle Supporting Procurement of RPS Resources, the Commission Should Amend the Proposed Decision's Findings and Conclusions to Integrate the IRP with the Transmission Planning Process ("TPP").**

Throughout the 2017-18 IRP Cycle, the availability of regional transmission was a significant limitation in the development of the Reference System Plan ("RSP"). Put simply, without a clear pathway to accessing OOS RPS resources, the RSP was unable to meaningfully compare the costs of resources physically within the CAISO against those requiring new transmission to deliver into the CAISO. As the primary mechanism for identifying regional transmission needed to fulfill California's policy goals, the TPP is integral part of the IRP process, and the transmission planning that does or does not happen will have a direct impact on the next IRP cycle. Despite these limitations, parties and the Energy Division compiled a large volume of data supporting the ratepayer cost savings from low-cost renewables that regional transmission planning could unlock. This data is what led to the Energy Division's conclusion that by 2030, the out-of-state policy sensitivity would result in collective ratepayer savings of \$315,000,000 over the policy base case.<sup>3</sup>

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<sup>3</sup> See CPUC Energy Division Staff Published Spreadsheet on Policy-Driven Sensitivity Cases Being Considered for CAISO's TPP Portfolios, (2/28/19), 'charts' tab (difference between cell H161 and I161, available at: [http://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/UtilitiesIndustries/Energy/EnergyPrograms/ElectPowerProcurementGeneration/irp/2018/IRP\\_TPP\\_PolicySensitivityCases\\_ToBePosted.xlsx](http://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/UtilitiesIndustries/Energy/EnergyPrograms/ElectPowerProcurementGeneration/irp/2018/IRP_TPP_PolicySensitivityCases_ToBePosted.xlsx)

In order to realize these savings, the CPUC must act now to start facilitating transmission solutions. The 2019-20 TPP cycle has the potential to determine the network upgrades needed to deliver regional renewable resources, however the Proposed Decision would not achieve this outcome in the next cycle. If CPUC amends the Proposed Decision to convey the out-of-state policy sensitivity as the policy base case, then the CAISO would study transmission upgrades for potential approval in the 2019-20 TPP (i.e., “Category-1” TPP projects). Analysis of transmission availability from the 2019-20 TPP would be complete in time to presumably inform the 2019-20 RSP. In other words, the results of the 2019-20 TPP cycle will inform the cost of supply-side generation resources that may be added in the 2019-20 RSP. It is worth noting, however, that the CAISO would not be required to approve such projects if the TPP studies don’t indicate a need for the transmission upgrades or expansions.

On the other hand, if the CAISO studies out-of-state transmission projects as “Category-2” (i.e., as proposed in the Proposed Decision), then new transmission needed to access the high capacity factor renewables will likely not be presented for approval to the CAISO Board and another IRP cycle may conclude without a robust look at the value of regional renewable energy. If the Commission continues to recommend consideration of OOS renewable generation as a sensitivity only, it is critical that the Commission provide clear direction and granular data to the CAISO to best inform future transmission and generation decisions.

The Commission should take more concrete steps to proactively address this transmission planning issue through the Proposed Decision. Doing so will ensure that the IRP process better fulfills the legislative intent behind SB 350 and will result in a process that is more consistent with federal requirements for regional transmission planning.



Part of the statutory framework for the IRP process includes the discussion of the Legislature's intent for a regional transmission planning process. Specifically, Section 359 of the PU Code provides in part:

It is the intent of the Legislature to provide for the evolution of the Independent System Operator into a regional organization to promote the development of regional electricity transmission markets in the western states and to improve the access of consumers served by the Independent System Operator to those markets.

This legislative intent is also consistent with FERC Orders 888, 890, 1000, and their progeny require regional transmission planning.<sup>4</sup> In FERC stated Order 890, "section 217 of the FPA requires the Commission to exercise its jurisdiction in a manner that facilitates the planning and expansion of transmission facilities to meet the reasonable needs of LSEs. A more transparent and coordinated regional planning process will further these priorities . . ."<sup>5</sup> Despite the need for greater transmission planning, the CAISO has indicated in this proceeding that it does not intend to approve any new transmission that is physically outside of CAISO's Balancing Authority Area as part of its planned analysis of the out-of-state renewable sensitivity in the 2019-20 TPP.

An unwillingness on behalf of the Commission and the CAISO to fully consider regional renewable resources (and the transmission necessary to deliver them to California) would constitute a disservice to California ratepayers, who have been promised a consideration of the lowest-cost portfolio that meets the requirements of both SB 350 and SB 100. Time and again, Energy Division's and the CAISO's models have shown clear ratepayer relief associated with a more diverse renewable portfolio that includes regional transmission to access regional

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<sup>4</sup> FERC Order 888-A

<sup>5</sup> FERC Order 890 at 425, available at: <https://www.ferc.gov/whats-new/comm-meet/2007/021507/E-1.pdf>

renewable energy. It is time for the Commission to turn its models into a study that can form the basis of real decisions to move procurement and transmission planning forward throughout the west, in the interest of low-cost decarbonization and electrification of the economy with the lowest-cost renewable resources available today.

The Commission should recommend to the CAISO that the agencies work together in the 2019-2020 cycle to address the need for regional transmission planning that effectuates the predicted savings of the IRP. The CPUC should amend the PD to find that conveying an out of state policy sensitivity to the CAISO as a policy base and specifically find that ratepayer savings could be approximately \$315,000,000 during the planning horizon. The Commissions should also find that conveying the out-of-state renewable case (formerly ‘Case C’) as a policy base case for the 2019-2020 Transmission Planning Process (“TPP”) cycle will better ensure that LSEs’ May 2020 IRP filings are able to meet the SB 350 directives related to reducing GHG emissions at least cost. Furthermore, the Commission should provide direction to CAISO to ensure that the analysis in the TPP fully considers transmission options to facilitate delivery of the out-of-state resources to CAISO’s intertie. It is not sufficient to simply analyze transmission needed inside of the current CAISO borders.

Finally, during the 2017-18 IRP cycle, some parties expressed reservations that transmission planning for regional resources absent power purchase agreements could lead to stranded to transmission assets. The record is clear that this risk is minimal, but the cost of not planning for regional transmission is considerable (\$315,000,000 in lost ratepayer savings). The Energy Division’s robust analysis supports the policy sensitivity that would enable the delivery of 4,250 MW of regional renewable resources. This sensitivity is a “least regrets” solution because it represents only a fraction of what the state must procure as part of a diverse portfolio.

In particular, the Proposed Decision notes that the out-of-state sensitivity accounts for interregional transmission projects already underway. Moreover, the policy sensitivity is least regrets in the context of the longer-term 2045 GHG targets. For example, under the “high electrification scenario” presented by E3 in the 2018 Integrated Energy Policy Report (“IEPR”) process, E3 concluded that the “best case” renewable integration solutions include a diverse renewable portfolio (44 GW of OOS wind). Cost reductions in solar and storage will reduce the difference in cost between in the In-state renewables case and High Electrification scenario.” Thus, studying and approving transmission needed to access a modest level of regional renewable resources 4,250 MW is a least regrets solution that will prudently chart a path to fulfilling statutory requirements of SB 350.

#### **IV. CONCLUSION**

AWEA-California supports the Proposed Decision adopted a revised Reference System Plan for the 2017-18 IRP cycle and recommends specific changes to the findings of fact and conclusions of law that will better ensure that the next cycle can achieve the SB 350 statutory requirements through an aggregation of LSE’s IRP filings.

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Respectfully submitted,

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## APPENDIX A

### AWEA-CA RECOMMENDED CHANGES TO THE PROPOSED DECISION

#### Revisions to Findings of Fact

Add new Finding of Fact:

**Commission modeling for the 2017-18 IRP cycle demonstrated that a renewable development portfolio based more heavily on out-of-state renewable development, primarily wind from New Mexico and Wyoming could save ratepayers approximately \$315,000,000.**

#### Revisions to Conclusions of Law

13. The Commission should recommend to the CAISO that the PSP adopted in this decision **with the addition of 4,250 MW of out-of-state renewable resources primarily located in Wyoming and New Mexico** should be its reliability base case and policy-driven base case for its 2019-20 TPP.

Add a new Conclusion of Law:

**The Commission should recommend to the CAISO that it fulfill its requirements for regional transmission planning by considering and approving any transmission needed to meet the delivery requirements of the policy base case, irrespective of whether network upgrades are located within its Balancing Authority Area.**

Add a new Conclusion of Law:

**The Commission should conclude the procurement track as expeditiously as possible, such that LSEs can include the results of any procurement in their RPS Plans filed in 2019 and their individual IRP filings in the 2019-20 IRP cycle.**

#### Revisions to Ordering Paragraphs

11. The Commission hereby institutes a procurement track **to be completed in 2019**, alongside the planning activities in this proceeding, in order to evaluate the need for the following types of resources: diverse renewable resources in the near term at levels sufficient to reach the 2030 optimized portfolio, in coordination with the RPS program; near-term resources with load following and hourly or intra-hour renewable integration capabilities; existing natural gas resources; and long-duration (eight hour) storage resources.