

**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)

**THE PROTECT OUR COMMUNITIES FOUNDATION REPLY  
COMMENTS ON PROPOSED DECISION ADOPTING PREFERRED SYSTEM  
PORTFOLIO AND PLAN FOR 2017-2018 INTEGRATED RESOURCE PLAN CYCLE**

Tyson Siegele  
Energy Analyst

Protect Our Communities Foundation  
4452 Park Boulevard, #202  
San Diego, CA 92116  
(619) 295-2072  
[Tyson@ProtectOurCommunities.org](mailto:Tyson@ProtectOurCommunities.org)

Dated: April 8, 2019

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Pursuant to the March 18, 2019 Proposed Decision of Administrative Law Judge Julie Fitch, (“PD”), the Protect Our Communities Foundation (“POC”) submits the following reply comments.

**I. Fossil fuels are not a renewable energy integration resource.**

SDG&E and PG&E support the PD’s interpretation of the definition of “renewable integration resources.”<sup>1</sup> The PD functionally defines renewable integration resources as any resource up to and including fossil fuels. The PD states, “Renewable and storage resources alone are not sufficient, at present, based on existing technologies and costs, to provide enough renewable integration services to result in electric system reliability at the system level.” POC disagrees with SDG&E and PG&E’s support for the PD’s interpretation of renewable integration resources as allowing fossil resources to be counted for renewable integration; POC recommends that the PD eliminate fossil fuels from its definition of renewable integration resources. POC’s opening comments detail that multiple LSEs have either already achieved 100 percent GHG-free

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<sup>1</sup> SDG&E comments at pp 8-10; and PG&E comments at pp 4-5.

energy supply or will do so by 2021.<sup>2</sup> If multiple LSEs can eliminate GHG-causing electricity generation by 2021 while providing cost effective services, then fossil fuels should not be considered an integration resource.

POC supports the steps needed to maintain a reliable grid, and at the same time, supports LSEs' right to achieve reliability through GHG-free energy, storage, demand response, curtailment, or other methods that eliminate fossil fuels from the California electricity grid. POC agrees with The Utility Reform Network ("TURN") that the procurement track proposed by the PD should tackle, as a priority, threshold definitional issues like this one – what resources should be included under the umbrella of renewable integration resources.<sup>3</sup>

## **II. The PD should be revised to eliminate consideration of out-of-state energy.**

POC disagrees with the California Independent System Operator's ("CAISO") assertion that two policy driven sensitivities should be reviewed.<sup>4</sup> As POC stated in its opening comments, Commission assumptions about OOS resources of ultra-cheap wind resources no longer pencil out. In order to maintain a cost-effective system as well as eliminate concerns about resource shuffling, the Commission should stop further review of out-of-state resources and should not transmit an alternate scenario for CAISO consideration. In doing so the Commission impermissibly delegates its essential authority to another.<sup>5</sup>

## **III. The Commission should correct modeling assumptions and inputs before proceeding with the procurement track.**

Several parties supported the addition of a procurement track to the Integrated Resource Plan ("IRP") proceeding. POC agrees only if the procurement track anticipated by the PD first tackles threshold and definitional issues – and resolves the inaccuracies in the modeling assumptions that result in a critical data lag that disconnects Commission actions from what is happening in the real world. A procurement track is needed if modeling results expose near term reliability concerns. Reliability concerns did not surface in the last round of modeling, despite

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<sup>2</sup> See, "The Protect Our Communities Foundation Comments on Proposed Decision Adopting Preferred System Portfolio and Plan For 2017-2018 Integrated Resource Plan Cycle" (April 8, 2019) at p 14.

<sup>3</sup> See, "Opening Comments Of The Utility Reform Network On The Proposed Decision Of Alj Fitch Adopting Preferred System Portfolio And Plan For 2017-2018 Integrated Resource Plan Cycle" (April 8, 2019) at p 1.

<sup>4</sup> See, "Comments of the California Independent System Operator Corporation" (April 8, 2019) at p 2.

<sup>5</sup> See *Southern California Edison Company v. Pub.Util.Com.*, *supra*, 227 Cal.App.4th at p. 195; *Ventura Cnty. Waterworks v.Pub.Util.Com.* (1964) 61 Cal.2d 462, 465.

that modeling containing old and thus inaccurate assumptions of the costs and availability of renewables.

POC agrees with TURN that the IRP process should move from a theoretical modeling exercise and should instead contain accurate and up to date analyses and assumptions so that the IRP process can become a real – and accurate – coordinated planning tool.<sup>6</sup> POC further agrees with TURN that “the procurement track” proposed in the PD prioritize the tackling of key threshold questions of integrating Resource Adequacy and procurement issues into real-world scenarios, as POC has long advocated in the LTPP and IRP proceedings. Moreover, POC agrees with TURN that a priority for the procurement track should be to assess the costs as well as the benefits of proposed LSE procurement, especially as it relates to OOS procurement, as POC has detailed that much of the OOS resources proposed fail the least-cost best-fit tests.

Further, a procurement track is needed if the LSEs’ IRPs do not meet the mandatory GHG threshold requirements, and in that respect, POC agrees with CEJA and Sierra Club.<sup>7</sup> GHG levels in the electricity sector are not meeting state mandates, but we do not clearly know this to be the case because the modeling by the Commission inaccurately reports GHG emissions. Thus, modeling revisions are the proper course of action before pursuing a procurement track. Additionally, specific IRPs need to be updated to incorporate more GHG-free energy to displace GHG emitting generators. To accomplish this goal, the Commission’s modeling must accurately reflect real world GHG emissions and use accurate renewable energy cost inputs.

CEJA and Sierra Club comment, “The Commission should ensure that California is not creating incentives for natural gas facilities to operate longer than necessary.”<sup>8</sup> POC agrees and offers an answer to this problem that the modeling assumptions be updated to reflect reality. Thereafter, a procurement track could address procurement requirements for individual LSE if LSEs are not meeting state GHG mandates. However, without accurate modeling, proceeding immediately to a procurement track cannot meet the Commission’s stated goal of optimizing statewide electricity procurement. POC disagrees with CEJA and Sierra Club that the

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<sup>6</sup> TURN comments at pp 2-3.

<sup>7</sup> CEJA/Sierra Club comments, at p 3.

<sup>8</sup> See, “Comments of California Environmental Justice Alliance and Sierra Club on The March 18, 2019 Proposed Decision Adopting Preferred System Portfolio and Plan For The 2017-2018 Integrated Resource Plan Cycle” (April 8, 2019) at p 2.

Commission at this point knows which resources are optimal for procurement.<sup>9</sup> As POC noted in its opening comments, the Commission is assuming battery costs will be 4 times higher than Bloomberg New Energy Finance is projecting and that solar PV will be 3.5 times higher than GTM research is projecting.<sup>10</sup> In fact, even though the price of PV solar and storage are both still dropping rapidly, the Commission projects that both solar and storage will cost more in 2030 than it does today. Until the Commission updates its modeling inputs to align with real world conditions, and then proceeds with new modeling runs, a procurement track will undoubtedly select more fossil fuel-based resources than is optimal or cost-effective. New inputs and assumptions for the 2019-2020 modeling should be incorporated before moving to the procurement track.

**IV. The Commission should only allow procurement of fossil fuel resources on short term contracts or it will risk sub-optimal cost and environmental outcomes.**

POC agrees with the Union of Concerned Scientists and the Natural Resources Defense Council's comments where they state "there is no looming reliability crisis that requires attention in the IRP proceeding."<sup>11</sup> And that if we act as though there is then, "there is a risk to locking in longer-term contracts with natural gas resources as more clean resources come online, replacing energy and reliability services currently provided by natural gas resources."<sup>12</sup> POC agrees with CEJA and the Sierra Club when they disagree with the PD's proposed fossil fuel procurement: "we disagree with the Commission's focus on retaining natural gas in the procurement track. This track should be used to ensure that the optimal preferred resources are being developed in the right places to start phasing out our reliance on natural gas."<sup>13</sup>

As stated in section (I) POC detailed several methods for replacing fossil fuel generation that provide an answer to other parties' concerns with short and long term contracting for fossil generation, including mandatory demand response. POC agrees with NRDC and other environmental parties that short-term contracts are the best fossil fuel options because they allow California to integrate rapidly new technology for less expensive renewable energy sources as

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<sup>9</sup> CEJA/Sierra Club comments, at p 2.

<sup>10</sup> POC comments, at pp 3-5.

<sup>11</sup> See, "Comments of The Union Of Concerned Scientists and The Natural Resources Defense Council On Decision Adopting Preferred System Portfolio and Plan For 2017-2018 Integrated Resource Plan Cycle" (April 4, 2019) at p 4.

<sup>12</sup> *Ibid.*

<sup>13</sup> CEJA/Sierra Club comments, at p 2.

they become available. Innovation, technology deployment, and GHG-free generation cost declines will continue and will rapidly force fossil fuels out of the market unless fossil fuel generators are awarded long-term or medium-term contracts, all underscoring POC's agreement with NRDC and UCS about the use only of short-term contracts and only as a last resort.

## **V. Conclusion**

For the reasons stated above, the PD should be changed to reflect that fossil fuels are not a renewable energy integration resource and should not be considered so by the Commission. Moreover, the PD should reject long-term fossil fuel contracts in the procurement track because they discourage new renewable energy integration and new renewable energy resources. Finally, accurate modeling inputs and assumptions must be used to determine optimal purchase decisions in any procurement track pursued by the Commission as a result of this Decision.

Respectfully submitted,

/s/ Tyson Siegele

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Tyson Siegele  
Energy Analyst  
Protect Our Communities Foundation  
4452 Park Boulevard, #202  
San Diego, CA 92116  
[Tyson@ProtectOurCommunities.org](mailto:Tyson@ProtectOurCommunities.org)

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