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

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 PACIFIC GAS AND ELECTRIC
COMPANY (U 39E) TO THE MARCH 18, 2019 PROPOSED
DECISION ADOPTING PREFERRED SYSTEM PORTFOLIO
AND PLAN FOR 2017-2018 INTEGRATED RESOURCE PLAN
CYCLE**

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I. INTRODUCTION

Pursuant to Rule 14.3(d) of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) respectfully submits these reply comments on Administrative Law Judge Fitch's proposed "Decision Adopting Preferred System Portfolio and Plan for 2017-2018 Integrated Resource Plan Cycle" (Proposed Decision or PD), issued on March 18, 2019. In these reply comments, PG&E briefly addresses:

(1) the Commission's jurisdiction over procurement by Community Choice Aggregators (CCAs);

(2) proposed changes to target the removal of fossil fueled resources;

(3) the Proposed Decision's compliance with Senate Bill (SB) 1090 (Monning, 2018);

and

(4) whether the Commission should continue to plan for Diablo Canyon Power Plant's (Diablo Canyon's) retirement in 2024/2025.

II. THE PROPOSED DECISION CORRECTLY DETERMINES THAT THE COMMISSION HAS JURISDICTION TO REQUIRE CCAS TO PROCURE RESOURCES NEEDED TO INTEGRATE RENEWABLES AND ENSURE RELIABILITY.

The Proposed Decision holds that “the Commission should consider exercising its authority to require long-term commitments to renewable integration resources by CCAs in a new ‘procurement track’ of this [Integrated Resource Plan (IRP)] proceeding.”^{1/} This conclusion prompts the California Community Choice Association (CalCCA) to assert that the Commission does not have the authority to direct CCAs to procure.^{2/} PG&E disagrees. CalCCA cites virtually all of Public Utilities Code Section 454.51 except for the most relevant sentence: “If the commission finds [a 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.*”^{3/} The Commission has reasonably interpreted the plain language of this statute to grant it the authority, if not mandate, to order CCAs to procure needed resources.

Furthermore, if CCAs are unwilling or unable to fulfill requirements imposed upon them in the procurement track of this proceeding, then strong consideration should be given to the creation of a central buyer in the form of a state special purpose entity, as advocated by San Diego Gas & Electric Company (SDG&E),^{4/} to perform this function for them. The costs of all such backstop procurement should be allocated exclusively to the load-serving entities that were unwilling or unable to meet the procurement requirements determined to be their responsibility in the procurement track of this proceeding.

1/ Proposed Decision, p. 161 (COL 18).

2/ CalCCA Opening Comments, pp. 7, 13.

3/ Cal. Pub. Util. Code § 454.51(d). Note that at least one CCA concedes that this provision gives the Commission authority to mandate procurement. *See* City and County of San Francisco Comments, pp. 3-4.

4/ SDG&E Opening Comments, pp. 7-8.

III. THE COMMISSION SHOULD REJECT FUEL-SPECIFIC MODELING CONSTRAINTS.

In their opening comments, the California Environmental Justice Alliance (CEJA) and the Sierra Club (SC) proposed changes specifically targeting the removal of natural gas-fired generation.^{5/} The Union of Concerned Scientists (UCS) and the Natural Resources Defense Council (NRDC) propose to limit the scope of the IRP's procurement track to remove consideration of long-term contracts for natural gas plants, suggesting that only the Resource Adequacy (RA) proceeding should be tasked with considered gas plant retention needs.^{6/} Without statutory support, these proposed changes would add fuel-specific policy constraints in the IRP process that go beyond the broader, statutory IRP objectives of reliability, cost, and greenhouse gas (GHG) reduction.

The proposed changes are inappropriate, unnecessary, and have no evidentiary basis since they have not been vetted in the proceeding. The impacts of natural gas-fired generation – both positive (in balancing the system) and negative (in GHG and air pollution emissions) – are already captured by the statutory set of IRP objectives. These objectives are translated into a common set of IRP modeling constraints, so resources of all types and vintages can compete fairly in the development of an optimal system portfolio. Upon conclusion of the planning activities, the Commission must be able to consider procurement activities in response to the IRP modeling results, including those needed for resource retention or procurement to maintain reliability. To add another modeling “constraint” for a specific set of resources or to disallow the Commission to consider all resource options in its IRP procurement track introduces unwarranted bias and threatens the integrity of the core IRP planning exercise. For these reasons, PG&E believes the proposed changes by CEJA/SC and UCS/NRDC should be rejected and urges the Commission to impartially consider the optimal mix of resources needed to meet the GHG, affordability, and reliability objectives of IRP.

5/ CEJA/SC Opening Comments, Appendix A, pp 2-3.

6/ UCS/NRDC Opening Comments, pp. 2-4.

IV. THE PROPOSED DECISION FULFILLS THE COMISSION’S OBLIGATIONS UNDER SENATE BILL 1090.

The Green Power Institute (GPI), among other parties, argues that the Proposed Decision is inconsistent with the legislative direction in SB 1090.^{7/} Women’s Energy Matters (WEM), in contrast, argues that the Proposed Decision satisfies the legal requirements of SB 1090.^{8/} PG&E agrees with WEM that the Commission has reasonably interpreted and implemented SB 1090.

SB 1090 directed the Commission to “ensure that integrated resource plans are designed to avoid any increase in emissions of greenhouse gases as a result of the retirement of the Diablo Canyon Units 1 and 2 powerplant.”^{9/} The Proposed Decision states that the IRP modeling assumes “the replacement power in the amount of Diablo output is already being replaced by GHG-free resources prior to the retirement of the nuclear plant.”^{10/} In sum, the Proposed Decision correctly concludes that “[b]y utilizing the assumption that the two Diablo Canyon units will retire in 2024 and 2025, as we did with the formulation of the RSP adopted in D.18-02-018, we are already planning for the emissions impact of that action.”^{11/} PG&E supports the Proposed Decision’s conclusion that the Commission has complied with SB 1090.

PG&E also agrees with the Proposed Decision’s determination that its adopted IRP methodology “will allow the LSEs collectively to plan for the purchase of power in an orderly fashion to serve the load that was previously served by Diablo Canyon output” since “each LSE is required to plan to serve their portion of that load in general, regardless of the planned retirement of any particular power plant.”^{12/} As discussed in PG&E’s Opening Comments, since Diablo Canyon is a system resource providing benefits to all of the CAISO balancing authority area, and given the dramatic load departure that has occurred since even the time that PG&E proposed shutting down Diablo Canyon, all LSEs serving load within the CAISO balancing

7/ See, e.g., GPI Opening Comments, p. 6.

8/ WEM Opening Comments, p. 1.

9/ See Cal. Pub. Util. Code § 712.7(b).

10/ *Id.*, p. 143 (citing D.18-02-018, p. 41).

11/ *Id.*, p. 143.

12/ *Id.*, p. 145.

authority area should have a responsibility to procure resources needed to avoid an emissions increase as a result of the retirement of Diablo Canyon.

V. THE COMMISSION SHOULD CONTINUE TO PLAN FOR DIABLO CANYON’S RETIREMENT IN 2024/2025 PER D.18-01-022.

WEM continues to argue that Diablo Canyon should be shut down before 2024/2025.^{13/} The Commission already carefully considered the future operation of Diablo Canyon and the timing of its retirement, deciding that “PG&E’s proposal to retire Diablo Canyon Unit 1 by 2024 and Unit 2 by 2025 is reasonable, and should be approved.”^{14/} The Commission should continue its approach in the IRP to plan for Diablo Canyon’s retirement per the schedule approved in D.18-01-022. WEM’s request to modify the IRP Proposed Decision to model an early shutdown of the plant should be rejected.

VI. CONCLUSION

PG&E supports the Commission’s adoption of the Proposed Decision with the modifications set forth in Attachment A to PG&E’s Opening Comments.

Respectfully Submitted,

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13/ WEM Opening Comments, pp. 1-10.

14/ See D.18-01-022, p. 58 (Conclusion of Law 1); *see also id.*, p. 59 (Ordering Paragraph 1) (approving the retirement of Diablo Canyon in 2024/2025).