

**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 ENVIRONMENTAL DEFENSE FUND ON THE PROPOSED
DECISION ADOPTING PREFERRED SYSTEM PORTFOLIO AND PLAN FOR 2017-18
INTEGRATED RESOURCE PLAN CYCLE**

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission (CPUC) Rules of Practice and Procedure, Environmental Defense Fund submits these reply comments on the proposed decision (PD) issued on March 18, 2019.¹ In these comments, EDF focuses on the following:

- The appropriateness of using a modified Reference System Plan (RSP) rather than the Hybrid Conforming Portfolio (HCP);
- The importance of gathering cost information from load-serving entities (LSEs);
- The necessity of crafting a portfolio that prioritizes a variety of distributed energy resources (DERs);
- The need to require complete criteria pollutant information; and
- The role of the Commission in ensuring the closure of Diablo Canyon does not cause an increase in greenhouse gas (GHG) emissions.

¹ *Decision Adopting Preferred System Portfolio and Plan for 2017-18 Integrated Resource Plan Cycle*, Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements, R. 16-02-007 (Mar. 18, 2019) (Proposed Decision).

II. DISCUSSION

A. *The Commission's Decision to Adopt a Modified RSP is Appropriate.*

In the PD, the Commission states that evaluation of the HCP showed “the individual resource choices by the LSEs collectively did not result in a diverse and balanced portfolio of resources needed to ensure a sufficiently reliable or environmentally beneficial statewide electricity resource portfolio.”² EDF concurs and echoes the comments of parties like the Natural Resources Defense Council (NRDC) and the Union of Concerned Scientists (UCS) who state “the emissions estimate from the HCP were outside the 2030 electric sector emissions range recommended by the California Air Resources Board.”³ A portfolio that, per the Air Resources Board, does not adequately enable progress towards Senate Bill 32 targets, is unacceptable. To that end, EDF thinks the adoption of a modified RSP for this cycle is appropriate.

B. *The Commission Should Continue to have Oversight Over the IRP Process*

In opening comments, Shell Energy states “the Commission does not have authority over the prices paid or the prices charged by ESPs” and that “ESP cost information is not relevant to the Commission’s IRP process.”⁴ Shell’s first argument is irrelevant, as the Commission admits that they cannot exert control over this particular aspect of an electric service provider’s (ESP) IRP⁵ – and this is not the rationale for the Commission’s request for this information. Asking for

² *Id.* at 2.

³ *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, Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements*, R. 16-02-007 at 2 (Apr. 8, 2019).

⁴ *Opening Comments of Shell Energy North America (US), L.P. on the Presiding Judge’s March 18, 2019 Proposed Decision Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements*, R. 16-02-007 at 2 (Apr. 8, 2019).

⁵ *Decision Adopting Preferred System Portfolio and Plan for 2017-18 Integrated Resource Plan Cycle, Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to*

information in order to have a holistic picture of an IRP and exerting undue control over a particular component of an LSE's business are two fundamentally different things; and, as per Public Utilities Code 454.51 and 52, the power of the Commission to ask for information that can aid in determination of the appropriateness of an individual IRP is not in dispute. Given that a goal of the IRP process is to minimize ratepayer cost, and ensure that the system as a whole is clean, cost-effective, and reliable, it is difficult to see how the Commission can effectively do that without having a complete set of information from all LSEs. A mild inconvenience on Shell's part – particularly without a compelling rationale for their refusal to cooperate – does not constitute a good enough reason for this deliberate omission.

C. The Commission Should Rely on Clean Energy Resources to the Extent Possible.

In several parts of the PD, the Commission makes reference to the idea that natural gas is essential for reliability, implying that fossil fuel resources will continue to be necessary in significant quantities leading to 2030. For instance, it states “that while no new natural gas-fired power plants are identified in the 2030 new resource mix, the modeling also shows that existing gas-fired plants are needed in 2030 as operable and operating resources, providing a renewable integration service” and “eliminating natural gas-fueled resources altogether by 2030, while maintaining reliability, would require technological solutions well beyond any of those that have been surfaced or analyzed in this proceeding to date.”⁶

Despite this language, and the fact that some portion of the existing natural gas resources may indeed be necessary in the near future, the language in the PD suggesting that all existing natural gas power plants need to remain on the system between now and 2030 is improper.

Coordinate and Refine Long-Term Procurement Planning Requirements, R. 16-02-007 at 18 (Mar. 18, 2019) (Proposed Decision) (“we agree that the Commission does not approve CCA or ESP rates”)

⁶ *Id.* at 129.

Rather, the Commission must recognize the rapid evolution of clean energy solutions and put the State on track to focus more on procurement of clean alternatives, such as distributed energy resources (DERs). In this way, they can ensure the state reduces reliance on natural gas to the extent feasible. Pursuant to recent reports, such as one published by the Rocky Mountain Institute (RMI), DERs and other clean resources can provide many of the same services that natural gas can. According to RMI, alternatives to traditional thermal plants—which are largely clean energy portfolios made up of energy efficiency, demand flexibility, variable renewable energy, and battery energy storage—are becoming increasingly viable. As RMI states, “experience across the country suggests that clean energy portfolios can provide all of the same technical services as thermal power plants” – particularly if market rules put them on an even playing field with conventional resources.⁷ Because of falling costs, RMI’s analysis shows that clean energy resources are likely to be more cost-effective as a whole than just the operating costs of gas-fired power plants within the next twenty years. In other words, DERs and other clean energy resources are able to provide many of the same services natural gas can more cleanly while also saving ratepayers money. As such, EDF reiterates that their use should be prioritized.

D. The Commission Must Ensure that Deficiencies in IRP Filings are Remedied.

Several parties commented on the need to remedy deficiencies, notably the Commission’s recognition that several IRPs had inadequate information on criteria pollutants. For example, the California Environmental Justice Alliance (CEJA) and Sierra Club state the PD “requires...LSEs that did not evaluate criteria pollutants in their plans to complete the analysis.”⁸ In the same

⁷ Mark Dyson, *et al.*, *The Economics of Clean Energy Portfolios*, Rocky Mountain Institute (2018) at 23, <https://rmi.org/insight/the-economics-of-clean-energy-portfolios/>

⁸ *Comments of California Environmental Justice Alliance and Sierra Club on the March 18, 2019 Proposed Decision Adopted Preferred System Portfolio and Plan for the 2017-18 Integrated Resource*

vein, CEJA and the Sierra Club state “the Commission should take the additional step of clarifying that it will issue penalties on the non-compliant LSEs and take any other appropriate enforcement measures.”⁹ EDF agrees. The IRP proceeding will only be successful if all filings are held to the same standard – if not, it becomes much less likely that critical GHG targets will be met, or that this proceeding will allow for the procurement of cost-effective clean resources in line with SB 100 mandates.

E. The Commission Must More Robustly Consider the Impact of the Diablo Canyon Closure.

Multiple parties state the importance of ensuring the closure of Diablo Canyon nuclear power plant is handled by the Commission in a way that does not ultimately lead to an increase in GHG emissions. For example, Friends of the Earth and the Natural Resources Defense Council state SB 1090 “expressly requires the Commission to ensure that retiring the generating units at Diablo Canyon in 2024-2025 does not lead to *any* increase in GHG emissions”¹⁰ while the Green Power Institute states while it is encouraging “to know that the 2030 [GHG] target can be met, that is not at all the same thing as retiring Diablo Canyon without causing a spike in greenhouse-gas emissions.”¹¹ EDF agrees. As a consistent participant both in this proceeding and the Diablo Canyon application in which PG&E first proposed to close this plant, EDF has long been a proponent of ensuring through a varied portfolio, which includes robust amounts of

Plan Cycle, Decision Adopting Preferred System Portfolio and Plan for 2017-18 Integrated Resource Plan Cycle, Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements, R. 16-02-007 at 1 (Mar. 18, 2019).

⁹ *Id.* at 7.

¹⁰ *Comments of Joint Parties on Proposed Decision Issued March 18, 2019*, Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements, R. 16-02-007 at 2 (Apr. 8, 2019) (original emphasis preserved).

¹¹ *Comments of the Green Power Institute on the Proposed Decision of ALJ Fitch*, Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements, R. 16-02-007 at 6 (Apr. 8, 2019).

DERs, that the capacity of Diablo does not result in an increase of emissions. Anything less by the Commission – including the assurance in the PD that overall GHG targets will still be met, even if emissions in some years goes up¹² – does not meet the intent of SB 1090 or the explicit direction made in the decision closing the previous application.¹³ As such, EDF urges the Commission to ensure that LSEs have an affirmative obligation to replace the capacity of Diablo Canyon in a way that does not increase emissions.

III. CONCLUSION

EDF thanks the Commission for the opportunity to submit these reply comments.

Respectfully signed and submitted on April 15, 2019.

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¹² *Decision Adopting Preferred System Portfolio and Plan for 2017-18 Integrated Resource Plan Cycle*, Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements, R. 16-02-007 at 143 (Mar. 18, 2019) (Proposed Decision).

¹³ *Decision Approving Retirement of Diablo Canyon Nuclear Power Plan*, Application of Pacific Gas and Electric Company for Approval of the Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, and Recovery of Associated Costs Through Proposed Ratemaking Mechanisms (U39E), A. 16-08-006 at 21-22 (“It is the intent of the Commission to avoid any increase in greenhouse gas emissions resulting from the closure of Diablo Canyon”) (original emphasis preserved).