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

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| Application of San Diego Gas & Electric Company (U902E) for Authority to Implement Optional Pilot Program to Increase Customer Access to Solar Generated Electricity. | Application 12-01-008 (Filed January 17, 2012) |
| And Related Matters. | Application 12-02-040<br>Application 14-01-007 |

# CLEAN COALITION COMMENTS ON THE PROPOSED DECISION


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# CLEAN COALITION COMMENTS ON THE PROPOSED DECISION

## I. INTRODUCTION

In accordance with Rule 14.3(a) of the California Public Utilities Commission's ("the Commission") Rules of Practice and Procedure, the Clean Coalition submits the following comments on the Proposed Decision Approving Green Tariff Shared Renewables Program for San Diego Gas & Electric Company, Pacific Gas & Electric Company and Southern California Edison Company Pursuant to Senate Bill 43 ("Proposed Decision") filed on December 30, 2014.

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement, interconnection, and realizing the full potential of integrated distributed energy resources, such as distributed generation, advanced inverters, demand response, and energy storage. The Clean Coalition also designs and implements programs for utilities and state and local governments—demonstrating that local renewables can provide at least 25% of the total electric energy consumed within the distribution grid, while maintaining or improving grid

reliability through community microgrids. The Clean Coalition participates in numerous proceedings in California and before other state and Federal agencies.

**Summary of Recommendations**

- Avoided Transmission Access Charges should be recognized as a benefit of the Green Tariff Shared Renewables (GTSR) Program and should be credited to customers.
- Avoided Transmission Access Charges should be included in the methodology for calculating locational grid benefits to be developed by the investor owned utilities ("IOUs").
- The Clean Coalition agrees with the Proposed Decision that the statutory requirement that renewable energy resources be located in reasonable proximity to enrolled participants must be more explicitly and directly implemented by the IOUs.
- The Clean Coalition agrees with the Proposed Decision that the statutory requirement that renewable energy resources be located in reasonable proximity to enrolled participants must be more explicitly and directly implemented by the IOUs.
- The Commission should find that evaluation of locational value advances statutory requirements of the GTSR Program.
- The Commission must address issues in the selection of disadvantaged communities for the Environmental Justice component of the GTSR Program, in that certain regions are disproportionately represented by the current selection tool; the Clean Coalition supports regional rankings of disadvantaged communities.
- The Clean Coalition supports consideration of race and ethnicity in the selection of disadvantaged communities.

## II. COMMENTS ON THE PROPOSED DECISION

### *a. The Commission Should Recognize Avoided Transmission Access Charges as a Benefit of Local Distributed Generation to Be Credited to Green Tariff Shared Renewables Customers, Separate From Distribution System Locational Values to be Determined in Future Distribution Resource Planning.*

The Proposed Decision notes Clean Coalition's position throughout this proceeding, that "credits should be included to reflect distribution system benefits for the [Green Tariff Shared

Renewables] GTSR program."[1] The Clean Coalition believes a full valuation of the benefits of distributed energy resources is appropriate, not just of distribution system benefits, but other benefits we identified in this proceeding. Such a full valuation is especially appropriate for projects that are part of the GTSR program. As the Clean Coalition stated:

> In addition to protecting non-participating ratepayers from cost-shifting, the legislature intended for GTSR participants to "access the benefits of onsite generation." These benefits should include the direct financial value of onsite generation, such as long-term price certainty benefits of GTSR renewable generation contracts and the locational value of distributed generation projects.[2]

The Proposed Decision states that full calculation of the distribution system benefits (also known as locational value) of a project is not appropriate at this stage of the GTSR proceeding, because additional analysis, such as calculation of line losses, must first occur.[3] Thus, the Proposed Decision cites the Distribution Resources Planning rulemaking, R.14-08-013 as the appropriate forum for these determinations, noting that one of the purposes of that rulemaking is to evaluate locational grid benefits.[4]

However, avoided Transmission Access Charges ("TACs") are a very significant component of locational grid benefits that may not be evaluated within R.14-08-013, as discussed in Section II.a.2 below. There is a danger that if avoided TACs is not identified as a benefit of GTSR projects, and is subsequently not covered within R.14-08-013, that these clear benefits of GTSR projects will be lost to GTSR customers.

The Clean Coalition described TACs in testimony:

> Transmission related costs of delivering energy from remote generation are often combined into costs that are charged by the transmission operators. In California, these costs are called Transmission Access Charges (TACs). This is a flat "postage stamp" fee for every kWh delivered to the distribution system from the transmission grid. TACs are

[1] Proposed Decision, p. 111.

[2] Clean Coalition's Reply Comments to Opening Comments and Testimony by San Diego Gas & Electric Company and Pacific Gas & Electric Company, filed Dec. 20, 2013, pp. 1-2.

[3] *See* Proposed Decision, p. 112, agreeing with comments by San Diego Gas & Electric Company.

[4] *See Id*., citing AB 327, Stats. 2013, ch. 611.

avoided when energy is delivered directly to the distribution system to serve loads on the same substation.[5]

*1. TACs Are Avoided Costs that Can Be Easily Calculated for a Particular Project.*

TACs are avoided costs that can be easily identified and calculated for a particular project. The Clean Coalition described the process to calculate avoided TACs in the case of projects located within PG&E service territory; a similar calculation can be performed for the other IOUs:

> The High Voltage TAC is currently charged at $8.86/MWh and is consistent throughout the CAISO system. The Low Voltage TAC applies to the CAISO operated portion of systems within each individual utility service territory. For PG&E, the use rate charged is currently $6.057/MWh, resulting in a total 2013 charge of $14.92/MWh (1.492¢/kWh). While the threshold definition of sub-transmission voltage and ISO operation varies between utilities, comparable cost allocation occurs either through ISO charges or internal utility accounting.
>
> TAC rates have increased at an annualized rate exceeding 15% since 2005 as new transmission dependent generation has been approved, and new transmission capacity is far more costly than maintaining existing capacity. CAISO mid value estimates for the rate of increase in TAC charges will be substantially less than the recent trend and prior CPUC estimates, as illustrated below. Utilizing CAISO's current projected average future estimate of 7% nominal escalation (5% real) over the next 20 years, the levelized current value of avoidable TAC charges applicable to a 20 year distributed generation power purchase agreement is 2.4¢/kWh. . . .
>
> The Clean Coalition recommends the following test for assigning avoided TAC costs to the value of an eligible project. Any portion of the generator's output that is below minimum coincident load (MCL) at the substation level will not utilize the transmission system, and therefore should be credited for avoided TAC costs. Any portion of the generator's output that is above MCL at the substation level will be deemed to backfeed to the transmission system and will not be credited for avoided TAC costs.
>
> For example, if 90% of the output of a generator falls below MCL, and 10% of the output is above MCL, then the 10% of the output would be presumed to backfeed to the transmission system and would be associated with TAC charges. The project would be associated with the additional value of avoided TAC charges and avoided future TAC rate increases for 90% of its output over the course of its 20-year contract.[6]

[5] Clean Coalition's Rebuttal Testimony Regarding PG&E and SDG&E Applications to Establish GTSR ("Clean Coalition Rebuttal Testimony"), served Jan. 10, 2014, p. 5.

[6] Clean Coalition Rebuttal Testimony, pp. 5-6.

Current TACs are set values that can be easily referenced. There is no dispute over the current cost of paying TACs. Similarly, using the formula above, the portion of a project that results in avoided TACs can be accurately established. Thus, establishing a value for avoided TACs is appropriate at this stage of the proceeding.

Avoided TACs are very similar to avoided generation in that they can be readily identified and credited. The Proposed Decision recognizes a Generation Credit for GTSR projects:[7] it should similarly recognize a credit for avoided TACs. The Commission may only credit GTSR customers' rates with Commission-approved costs and values,[8] and the Generation Credit has already been established by statute and Commission precedent, unlike avoided TACs. However, the GTSR proceeding would be the most appropriate forum in which to approve a credit for avoided TACs. This is so because of the particular nature of the GTSR program, which seeks to place projects in close proximity to participating GTSR customers.

2. *GTSR Projects Deliverable to Local Loads Avoid TACs; Transmission Access Charges May Not Be Evaluated by the Commission in the Distribution Resources Planning Proceeding.*

All energy delivered through the transmission system incurs fixed CPUC approved Transmission Access Charges at the current Tariff rates. Energy delivered to customers directly through the distribution grid does not incur these charges, regardless of whether it may benefit the local distribution grid or avoids any distribution system costs. Because the TAC is already established by Tariff, Distribution Resource Planning analysis (DRP, R.14-08-013) is not needed to establish the value. In contrast, Distribution Resource Planning will consider local physical distribution grid needs and other values that are yet to be defined. As a result, the DRP process may not consider TACs and cannot be relied upon to capture this value for GTSR participating ratepayers.

Mirroring a customer with onsite generation, GTSR generation serving local loads will lead to less need for energy to be delivered over transmission lines. The Generation Credit recognizes the avoidance of generation costs. For a customer with onsite generation, they

[7] *See* Proposed Decision, pp. 106-07.

[8] *See* Cal. Pub. Util. Code § 2833(m).

receive a Generation Credit that recognizes that their generation has resulted in avoided generation, and the Proposed Decision approves this credit for GTSR customers, for renewable projects that are not onsite. In order to ensure that participating and non-participating ratepayers maintain mutual indifference and avoid cross subsidization, similar credit should exist that recognizes the avoidance of the "postage stamp" costs of sending the energy over transmission lines for any GTSR procured local generation not requiring transmission at the applicable High Voltage (HV) and Low Voltage (LV) TAC rates.

The particular nature of the GTSR program makes it the most appropriate forum for Commission approval of a credit for avoided TACs. As discussed below, the GTSR program contemplates renewable projects located in reasonable proximity to participating GTSR customers. Thus, the generation will be in reasonable proximity to demand. Such a requirement for GTSR projects, unique among renewable programs, is conducive to distribution level projects that avoid TACs.

Moreover, because avoided TACs may be viewed as a specific customer benefit, as opposed to a grid benefit, the benefit of avoided TACs may not be addressed within R.14-08-013. The Clean Coalition urges the Commission to approve a credit for avoided TACs in this proceeding, which is the most appropriate.

In the alternative, the decision in this proceeding should recognize avoided TACs as a benefit of GTSR projects that should be addressed by R.14-08-013. If avoided TACs are not addressed in that proceeding, the decision should order the IOUs to calculate avoided TACs as part of the methodology of locational grid benefits that is to be produced by the IOUs after a decision in R.14-08-013.

*3. SB 43 Requires that Participants Receive the Benefits of Onsite Generation.*

The legislature passed SB 43 in order to provide the opportunity to participate in renewable energy to customers who could not participate in onsite generation:

> A green tariff shared renewables program seeks to build on the success of the California Solar Initiative by expanding access to all eligible renewable energy resources to all ratepayers who are currently unable to access the benefits of onsite generation.[9]

If a customer is to receive all of the benefits of onsite generation, then the customer should be credited with the avoided TACs resulting from the project. The legislature charged the Commission with ensuring that GTSR participants not only paid all of the costs of the project, but that they also received all the benefits of the renewable projects:

> A participating customer's rates shall be debited or credited with any other commission-approved costs or values applicable to the eligible renewable energy resources contained in a participating utility's green tariff shared renewables program's portfolio.[10]

TACs are Commission-approved charges. As demonstrated above, and in uncontested testimony in this proceeding[11], avoided TACs can be accurately and definitively calculated for a particular project. Thus, in order for a customer to receive the full benefits of onsite generation, that customer should receive an appropriate credit for avoided TACs. Failure to allocate this credit will improperly transfer significant costs to GTSR customers and discourage subscription to the GTSR program and projects.

*b. The Clean Coalition Supports the Proposed Decision's Process for Recognizing Locational Grid Benefits.*

The Clean Coalition recognizes that, other than for avoided TACs, R.14-08-013 may be a more appropriate forum for the Commission to analyze and decide on the calculation of locational grid benefits. The Clean Coalition is an active participant in the proceeding, and will evidence the most accurate calculations of locational value. Reliance on the Distribution Resources Planning proceeding is a cautious, deliberative means to ensuring that locational value is properly measured. Once a decision regarding locational value is made in R.14-08-013, the Commission must ensure that it is implemented for GTSR. Thus, the Clean Coalition supports the Proposed Decision's direction to the IOUs to propose a methodology for calculating

[9] Cal. Pub. Util. Code §2831(b).

[10] Cal. Pub. Util. Code § 2831(m).

[11] *See* Clean Coalition Rebuttal Testimony Regarding Pacific Gas and Electric Company's and San Diego Gas and Electric Company's Applications to Establish the Green Tariff Shared Renewables Program ("Clean Coalition Rebuttal Testimony"), served on Jan. 10, 2014, pp. 5-8.

locational grid benefits for the GTSR program, based on the findings resulting from R.14-08-013.[12] As discussed above, such a methodology should include avoided TACs if the Commission does not address these benefits in R.14-08-013. The Clean Coalition will monitor this Advice Letter process to ensure that it will properly implement the calculation of locational value.

While the Proposed Decision refers the calculation and integration of locational value into the GTSR program to another rulemaking, the Commission may appropriately make some statements about the role of locational value within the GTSR program here. As will be demonstrated below, proper calculation of locational value advances many of the statutory requirements specific to the GTSR program.

The locational value of a project, as described by the Clean Coalition in testimony and comments in this proceeding, measures the value of a project in terms of matching generation to the load needs of a community. The value is largely in the form of avoided transmission costs and the need for transmission upgrades. This locational value will recognize a value for project located near coincident load. Thus, locational value advances a statutory requirement of the GTSR project, while also measuring real benefits of a project to the energy grid. Valuation of locational benefits will incent projects to be located near the need for energy load while keeping program portfolio costs low enough to attract high customer participation. If locational value is not accurately reflected in the valuation of the GTSR programs, projects will not be properly recognized for the ratepayer benefits they offer, and projects located near communities will face great difficulty competing against the unweighted bid price of non-local projects.

Recognition of locational value also helps achieve the statutory requirement of locating smaller projects within disadvantaged communities. Part of the value of smaller projects is that they can be tailored to meet the load needs and siting constraints of a local community. Consideration of locational value serves to balance these factors. Otherwise, smaller projects will need to compete against larger projects' economies of scale on busbar price alone without weighing the cost of delivering that power to load or other more qualitative goals. Recognition of locational value will advance the state and Commission goal of locating small projects within

[12] *See* Proposed Decision, p. 112.

disadvantaged communities through a process that accurately reflects the actual benefits of a project to the energy grid.

*c. The Statutory Requirement that Renewable Energy Resources Be Located in Reasonable Proximity to Enrolled Participants Should Be More Explicitly Implemented.*

SB 43 requires that "[t]o the extent possible, a participating utility shall seek to procure eligible renewable energy resources that are located in reasonable proximity to enrolled participants."[13] The Clean Coalition notes that requirement applies not just to a particular component of the program, but to the entire GTSR program. The Proposed Decision notes the IOU proposals to enforce this statutory requirement: PG&E's proposal to track customer enrollment and to work with these communities to find projects; SDG&E's proposal to use proximity to enrolled participants as a tie-breaker for similarly priced projects; and SCE's proposal to limit projects to those within its service territory.[14]

The Clean Coalition agrees with the Proposed Decision that the IOUs proposed approach is only a starting point, and "that SB 43 ultimately requires a more directed approach to locating projects."[15] A much more directed procedure must be in place in order to achieve the statutory vision for projects located close to enrolled participants. Locating projects within the service territory of one of the large IOUs is much too general of an approach, and the other IOU proposals for implementing the reasonable proximity requirement are too vague. The Clean Coalition supports the Proposed Decision's adoption of PG&E's of tracking communities with enrollees to all three IOUs, and also agrees that this is merely a starting point for fulfilling the need to site projects close to enrollees.[16] The Proposed Decision also correctly notes that the procurement mechanisms adopted for the GTSR program – RAM and ReMAT – do not include the means to favor location criteria.[17] The Clean Coalition will participate in the next phase of

[13] Cal. Pub. Util. Code § 2833(e).

[14] *See* Proposed Decision, pp. 32-33.

[15] Proposed Decision, p. 33.

[16] *See id*.

[17] *See id*., p. 34.

the proceeding, exploring means to ensure that projects are located in reasonable proximity to enrolled participants.

1. *Recognition of Locational Value Advances the Statutory Requirement that Renewable Energy Resources Be Located in Reasonable Proximity to Enrolled Participants.*

The Clean Coalition suggests that appropriate recognition of locational value can serve as a reasonable proxy that implements the statutory requirement of proximity to enrolled participants. Much locational value derives from the proximity of a distributed energy resource near a source of demand – such as enrolled participants. Benefits such as: 1) Avoided Transmission Access Charges; 2) Avoided Future Transmission Increases; 3) Local Capacity Value; 4) Avoided Transmission System Impact Costs; and 5) Avoided Line Losses are all dependent on the distributed energy resource being optimally sited where there is demand.

The Clean Coalition recognizes that the Proposed Decision in this proceeding has not quantified locational value, and thus it cannot rule that it may currently serve as a proxy to measuring proximity to enrolled participants. However, the Commission may now recognize that proper evaluation of locational grid benefits advances the statutory requirement that GTSR project are located near the demand created by enrolled participants. The Clean Coalition urges that the Commission make this finding at this stage of the proceeding.

*d. There are concerns with the selection of disadvantaged communities for the Environmental Justice component.*

The Clean Coalition would like to identify some issues that may arise in the selection of disadvantaged communities for the Environmental Justice ("EJ") component of the GTSR program, as currently contemplated by the Proposed Decision. The Clean Coalition is hopeful that these issues may be addressed, if not with the final decision in this phase of the proceeding, then in the next phase of the proceeding.

SB 43 requires that 100 MW of the GTSR be reserved for communities identified by the California Environmental Protection Agency ("Cal EPA") as the most disadvantaged

communities.[18] The Proposed Decision chose the CalEnviroScreen tool, developed by the Cal EPA, as the means of selecting the communities for the EJ component.

An initial review of the October 2014 results of the CalEnviroScreen 2.0[19] demonstrates that the 20% most disadvantaged communities identified are disproportionately located in certain regions of California. This disproportionate location of disadvantaged communities identified by the CalEnviroScreen will make identifying communities eligible for the EJ component within other regions of California more difficult.

For example, only 18 census tracts (out of 1596 total census tracts identified as the 20% most disadvantaged – the standard set by SB 43 and the Proposed Decision) are located within the San Diego Gas & Electric Company's service territory. Thus, while SDG&E's retail sales constitute 10.5% of retail sales, (and thus SDG&E would be charged with procuring 10.5% of the procurement of the EJ component), SDG&E only contains 1.1% of the census tracts identified as the most disadvantaged by the CalEnviroScreen. Locating an EJ project within SDG&E's service territory will be much more problematic.

Other regions throughout California are also likely to be under-represented in the list of the most disadvantaged identified by the CalEnviroScreen. For example, in the entire city and county of San Francisco, only one census tract is represented in the 20% disadvantaged threshold. Although Clean Coalition could not perform a thorough analysis of all of the 1596 disadvantaged census tracts at this time, an initial review points to a lack of eligible census tracts located within the San Francisco Bay Area. Certain regions of California are underrepresented among the CalEnviroScreen results, and it may be difficult to site projects there under the EJ component.

The California Environmental Justice Alliance ('CEJA") recognized that the above situation might be problematic if the EJ component was allocated proportionate to retail sales. As CEJA stated "[a] retail sales approach would unfairly disadvantage communities in a situation where a utility's percentage of the state's EJ communities exceeds it percentage of retail

[18] *See* Cal. Pub. Util. Code § 2833(d)(1)(A).

[19] Available as an Excel spreadsheet at <http://oehha.ca.gov/ej/pdf/CES20UpdateOct2014.xlsx>.

sales."[20] However, the Proposed Decision chooses to proportion the EJ component according to each IOUs share of retail sales.[21] Generally, statewide programs are allocated by proportion of retail sales. The Clean Coalition understands and agrees with the Proposed Decision's reasoning in ensuring that each IOU is a full participant in the GTSR program and the EJ component. However, a solution to the problem identified above must be addressed in the next phase of the proceeding.

One possible solution, suggested by Senator Lois Wolk – the author of SB 43 in an *ex parte* letter filed by CEJA, is to work "with the CalEPA to use the latest version of the tool CalEnviroScreen 2.0, to develop *regional* rankings of the most impacted communities in each region."[22] The Clean Coalition believes that SB 43 provides the flexibility to the Commission to work with the Cal EPA to develop a more appropriate selection mechanism, based on the CalEnviroScreen, as long as it stays true to the intent of SB 43. In the *ex parte* letter Senator Wolk states that the statute provides such flexibility.

Moreover, the section of SB 43 that established the EJ Component established fairly flexible procedures for identifying disadvantaged communities. The statute requires that 100 MW of the GTSR be "located in areas previously identified by the Cal EPA as the most impacted and disadvantaged areas."[23] "Previous" identification by the Cal EPA does not foreclose manipulation of the CalEnviroScreen tool to make it more appropriate for selection of communities for the EJ Component of the GTSR program.

The statute requires that the "communities shall be identified by census tract, and shall be determined to be the most impacted 20 percent based on results from the best available cumulative impact screening methodology."[24] The "most impacted 20 percent" does not specify if it refers to the most impacted communities in all of California, or within other area groupings. The Clean Coalition believes that it is within the intent of SB 43 to select the most impacted 20

[20] Opening Brief of CEJA, filed March 21, 2014, p. 16.

[21] *See* Proposed Decision, p. 52.

[22] Notice of *Ex Parte* Communication by CEJA, dated June 11, 2014, Attachment A (June 4, 2014 letter from Senator Lois Wolk to Commissioner Peevey).

[23] Cal. Pub. Util. Code § 2833(d)(1)(A).

[24] *Id.*

percent within each region, as suggested by the CEJA ex parte. Selection of communities within each region will make participation by each IOU, especially SDG&E, less problematic. The Proposed Decision appears to contemplate fine-tuning of the EJ Component selection process in the next phase of the proceeding, as it will consider inclusion of race and ethnicity measures into the selection process. The Clean Coalition urges consideration of selection of the EJ Component by region in the next phase as well.

*e. Race and Ethnicity Should Be Included in the Selection Criteria for the EJ Component.*

The Proposed Decision considers a proposal by CEJA to include race and ethnicity in the selection criteria for the EJ Component, but defers a decision on the proposal for the next phase of the proceeding.[25] The Clean Coalition supports this proposal. As CEJA noted, the first version of the CalEnviroScreen tool included race and ethnicity as a selection metric, so it is appropriate to re-introduce it in the version of the CalEnviroScreen used for the EJ Component.

Moreover, inclusion of race and ethnicity may ameliorate some of the regional imbalance that the current CalEnviroScreen 2.0 demonstrates. Inclusion of race and ethnicity may open up communities for inclusion in the EJ component, such that there are more options for developers looking to site EJ projects. The Clean Coalition will participate in the next phase of the proceeding to explore this issue.

[25] *See* Proposed Decision, p. 52.

## III. CONCLUSION

The Clean Coalition appreciates the opportunity to comment on the Proposed Decision in this proceeding.

Respectfully submitted,

/s/Enrique Gallardo
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Policy Director
Clean Coalition

Dated: January 20, 2015

## Appendix A: Proposed Findings of Fact, Conclusions of Law, and Orders

### Proposed Findings of Fact

Avoided Transmission Access Charges are benefits that can be easily identified and calculated for a particular project.

Green Tariff Shared Renewables Projects delivered to local loads avoid Transmission Access Charges.

Transmission Access Charges are already established by tariff and may not be addressed within R.14-08-013.

### Proposed Conclusions of Law

Green Tariff Shared Renewables customers should receive the benefits of onsite generation.

Avoided Transmission Access Charges are a benefit of local distributed generation that should be credited to Green Tariff Shared Renewables customers.

Recognition of Locational Value advances the statutory requirement that renewable energy resources be located in reasonable proximity to enrolled participants.

### Proposed Order

The methodology for calculating locational grid benefits developed by the IOUs subsequent to the decision in R.14-08-013 should include calculations of avoided Transmission Access Charges. If avoided Transmission Access Charges are not addressed in the decision for R.14-08-013, the IOUs should develop a methodology based on the evidence in this proceeding...