BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Create a Consistent Regulatory Framework for the Guidance, Planning, and Evaluation of Integrated Distributed Energy Resources.	Rulemaking 14-10-003 (Filed October 2, 2014)

REPLY COMMENTS OF SIERRA CLUB, NATURAL RESOURCES DEFENSE COUNCIL, CLEAN COALITION, KAREY CHRIST-JANER, ROBERT BOSCH LLC, VOTE SOLAR, COMVERGE, INC., ENERNOC, INC., AND CPOWER ("JOINT PARTIES") ON THE PROPOSED DECISION TO UPDATE PORTIONS OF THE COST-EFFECTIVENESS FRAMEWORK

May 31, 2016

William Rostov
Sara Gersen
Earthjustice, Attorneys for Sierra Club
50 California Street, Suite 500
San Francisco, CA 94111
415-217-2000
wrostov@earthjustice.org
sgersen@earthjustice.org

Merrian Borgeson
Natural Resources Defense Council
111 Sutter St., 21st Floor
San Francisco, CA 94104
415-875-6100
mborgeson@nrdc.org

Kenneth Sahm White
Clean Coalition
16 Palm Ct.
Menlo Park, CA 94025
831-425-5866
sahm@clean-coalition.org

Mark D. Detsky
Dietze and Davis, P.C.
Attorneys for Karey Christ-Janer
2060 Broadway, Suite 400
Boulder, CO 80302
303-447-1375
MDetsky@dietzedavis.com

Andrew Yip
Robert Bosch LLC
4009 Miranda Avenue
Palo Alto, CA 94304
650-852-3048
Andrew.Yip@us.bosch.com

Jim Baak
Vote Solar
360 22nd Street, Suite 730
Oakland, CA 94612
415-817-5064
jbaak@votesolar.org

David P. Lowrey
Director, Regulatory Strategy
Comverge, Inc.
8105 Calmosa Avenue
Whittier, CA 90602
626-260-2698
dlowrey@comverge.com

Mona Tierney-Lloyd
Senior Director, Regulatory Affairs
EnerNOC, Inc.
P. O. Box 378
Cayucos, CA 93430
805-995-1618
mtierney-lloyd@enernoc.com

Peter Dotson-Westphalen, CEM
Jennifer A. Chamberlin
CPower
201 Edgewater Drive, Suite 293
Wakefield, MA 01880
781-214-7523
peter.d.westphalen@cpowerenergymanagement.com
jennifer.chamberlin@cpowerenergymanagement.com

Order Instituting Rulemaking to Create a Consistent Regulatory Framework for the Guidance, Planning, and Evaluation of Integrated Distributed Energy Resources.	Rulemaking 14-10-003 (Filed October 2, 2014)

REPLY COMMENTS OF SIERRA CLUB, NATURAL RESOURCES DEFENSE COUNCIL, CLEAN COALITION, KAREY CHRIST-JANER, ROBERT BOSCH LLC, VOTE SOLAR, COMVERGE, INC., ENERNOC, INC., AND CPOWER ("JOINT PARTIES") ON THE PROPOSED DECISION TO UPDATE PORTIONS OF THE COST-EFFECTIVENESS FRAMEWORK

Pursuant to Rule 14.3 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Sierra Club, Natural Resources Defense Council (NRDC), Clean Coalition, Karey Christ-Janer, Robert Bosch LLC, Vote Solar, Comverge, Inc., EnerNOC, Inc., and CPower ("Joint Parties") respectfully reply to the comments submitted May 25, 2016, on the Proposed Decision to Update Portions of the Cost-Effectiveness Framework.

I. Introduction.

The Joint Parties agree with the opening comments of Vote Solar, the Joint DR Parties, CEEIC, SolarCity, and CLECA in supporting the proposed decision's (PD) update of the cost effectiveness framework by eliminating the role of the resource balance year (RBY) in measuring the capacity benefits of distributed energy resources (DERs).[1] Although TURN provisionally supports removing the RBY, we urge the Commission to reject TURN's proposal to eliminate the RBY only on an interim basis. The IOUs and ORA raise several flawed arguments against this update, which the Commission should reject.

[1] Vote Solar at 1-2; Joint DR Parties at 2-3; CEEIC at 2-3; SolarCity at 4; CLECA at 2.

II. The PD Accurately Describes the Opportunity to Update the Cost-Effectiveness Framework to Fully Recognize the Capacity Benefits of DERs and the Commenters Do Not Show Otherwise.

The IOUs and ORA question the accuracy of the PD's assessment of the RBY and related issues. The IOUs describe various aspects of the PD as "imprecise," "inappropriate[]," "incorrect," "a fundamental misunderstanding," and "erroneous[]."[2] ORA warns that the PD could lead to "locking in an inaccurate and artificially inflated capacity value for DERs."[3] These criticisms are in error. The PD's discussion of the RBY is clear, well-reasoned, and thoroughly considers the stakeholders' positions.[4] The Commission should reject the IOUs' and ORA's policy disagreements with the PD for the reasons articulated in the PD.

The Commission should also reject TURN's proposal to eliminate the role of the RBY only on an interim basis.[5] TURN adds some valuable insight regarding the potential need for local and flexible capacity, as opposed to general system capacity, to effectively avoid new generation.[6] However, we note that most DERs *will* provide local and/or flexible capacity, and that there are numerous efforts currently ongoing at the Commission and at the California Energy Commission (CEC) to better understand the local capacity and flexible capacity values of DERs. The PD should not be modified to assume, in advance, a specific change at a future date as TURN proposes: "the avoided cost calculator must be modified to ensure that only resources that qualify for local or flexible capacity in the LTPP are valued using the long-term avoided cost of new capacity starting in 2018."[7] If the Commission decides to reevaluate avoided generation capacity costs in the next several years, the Commission should take a close look at all the relevant data and studies conducted in the interim. It is also unclear how the avoided cost

---

[2] Joint IOUs at 7-10.
[3] ORA at 2.
[4] PD at 12-17.
[5] TURN at 4.
[6] TURN at 3-4.
[7] TURN at 4-5.

calculator could or should be "modified" as TURN suggests. In addition, it is unrealistic for the Commission to follow TURN's proposed implementation timeline.

III. The PD Will Not Increase Greenhouse Gas Emissions.

The IOUs argue that the PD's update to valuing DER capacity benefits could increase greenhouse gas emissions by creating a bias for certain energy efficiency (EE) measures.[8] The IOUs appear to assume that there is a permanently fixed EE budget, and the funds are distributed among EE projects solely based on cost-effectiveness scores.[9] The loading order disproves this assumption, by requiring the procurement of *all* cost-effective EE and demand response before building new generation capacity. Investment in carbon-free DERs firmly place California on the path towards low carbon future as required by SB 350. The IOUs' argue that "GHG emissions… are related to energy use and not capacity."[10] While this is technically true, investments in new fossil fuel plants at the expense of DERs sets the wrong course for California. DERs will reduce greenhouse gas emissions by meeting electricity needs from non-fossil resources. DERs also avoid or defer the need to build new conventional power plants which will become stranded assets in the grid of the future. Avoiding the build-out of these unnecessary assets protects ratepayers and maintains focus on investment in the clean energy resources critical to achievement of California's aggressive decarbonization targets.

IV. The IOUs' Claim that the Update will Negatively Affect Other Proceedings is False.

The IOUs argue that the update somehow "runs the risk" of interfering with a necessary discussion in the IRP.[11] This argument is baseless and erroneous. The IRP process is governed

---

[8] Joint IOUs at 12; ORA at 2-3.
[9] ORA makes a similar argument, which seems to assume that there is a permanently fixed budget for all DERs, which is allocated solely based on cost-effectiveness scores (ORA at 2). This is not how the Commission funds DERs and such a system is not under consideration.
[10] Joint IOUs at 12.
[11] Joint IOUs at 12.

by specific criteria in SB 350,[12] which are entirely consistent with the PD's updates to the avoided cost calculator.

The IOUs then argue that the PD ignores SB 350's requirement to identify a diverse and balanced portfolio of resources to ensure a reliable electricity supply that provides optimal integration of renewable energy in a cost-effective manner.[13] In fact, an updated avoided cost calculator will be a useful tool as the Commission satisfies this requirement. The IOUs simply disagree with the PD's judgment regarding how to evaluate the cost effectiveness of DERs.

The IOUs also argue that PD could have implications for how PG&E allocates marginal capacity costs in its rate design proceeding.[14] The PD does not affect PG&E's rate design proceeding. The PD does not contemplate whether it is reasonable to identify and use an RBY in any context other than the avoided cost calculator in the DER cost-effectiveness methodology.

V. The Commission Should Not Delay this Update.

ORA asks the Commission to not revise its methods for estimating capacity costs until the IDER Cost Effectiveness Working Group studies the update's ratepayer impacts.[15] Sierra Club, NRDC, Clean Coalition, Karey Christ-Janer and Vote Solar are active members of the working group, which has already served its function with regard to this update: the working group identified pros and cons of maintaining the status quo and failed to reach a consensus policy recommendation, leaving the Commission to exercise its informed judgment. The cost-effectiveness working group is not set up or equipped to perform the analysis of ratepayer impacts that ORA requested in its opening comments. Moreover, ORA does not explain how the update could possibly have a significant adverse impact on ratepayers.

[12] Pub. Utilities Code § 454.52.
[13] Joint IOUs at 13.
[14] Joint IOUs at 13-14.
[15] ORA at 2.

The IOUs argue that the Commission should not update the methodology for estimating capacity values until after developing an evidentiary record on the issue.[16] The Commission has already decided to develop DER valuation methodologies in a quasi-legislative phase of this proceeding.[17] The IOUs' request for hearings is untimely.[18] The request is also misguided. The Commission has developed expertise on this issue in multiple proceedings and Commission can make this policy decision based on the reasons set forth in the PD.

VI. Conclusion.

Sierra Club, NRDC, Clean Coalition, Karey Christ-Janer, Robert Bosch LLC, Vote Solar, Comverge, Inc., EnerNOC, Inc., and CPower encourage the Commission to adopt the PD.

Dated: May 31, 2016

Respectfully submitted,

Sara Gersen
/s/ William Rostov
Earthjustice, Attorneys for the Sierra Club
50 California Street, Suite 500
San Francisco, CA 94111
415-217-2000
sgersen@earthjustice.org
wrostov@earthjustice.org

Merrian Borgeson
Natural Resources Defense Council

[16] Joint IOUs at 5-7.
[17] D.15-09-022 at 29.
[18] OIR at 18.

111 Sutter St., 20th Floor
San Francisco, CA 94104
415-875-6100
mborgeson@nrdc.org

/s/ Kenneth Sahm White
Clean Coalition
16 Palm Ct
Menlo Park, CA 94025
831-425-5866
sahm@clean-coalition.org

Mark D. Detsky
Dietze and Davis, P.C.
Attorneys For Karey Christ-Janer
2060 Broadway, Suite 400
Boulder, CO 80302
303-447-1375
MDetsky@dietzedavis.com

/s/ Andrew Yip
Robert Bosch LLC
4009 Miranda Avenue
Palo Alto, CA 94304
650-852-3048
Andrew.Yip@us.bosch.com

Jim Baak
Vote Solar
360 22nd Street, Suite 730
Oakland, CA 94612
415-817-5064
jbaak@votesolar.org

/s/ David P. Lowrey
Director, Regulatory Strategy

Comverge, Inc.
8105 Calmosa Avenue
Whittier, CA 90602
626-260-2698
dlowrey@comverge.com

/s/ Mona Tierney-Lloyd
Senior Director, Regulatory Affairs
EnerNOC, Inc.
P. O. Box 378
Cayucos, CA 93430
805-995-1618
mtierney-lloyd@enernoc.com

/s/ Peter Dotson-Westphalen, CEM
Jennifer A. Chamberlin
CPower
201 Edgewater Drive, Suite 293
Wakefield, MA 01880
781-214-7523
peter.d.westphalen@cpowerenergymanagement.com
jennifer.chamberlin@cpowerenergymanagement.com