January 3, 2019

President Michael Picker
Commissioner Liane M. Randolph
Commissioner Martha Guzman Aceves
Commissioner Clifford Rechtschaffen

RE: California Public Utilities Commission Proposed Decision in the Resource Adequacy Rulemaking

Dear President Picker and Commissioners:

We write to express our concerns and strongly urge you to reject the Proposed Decision (PD) issued November 21, 2018 regarding Resource Adequacy (RA).

Track II of the CPUC's RA proceeding was supposed to refine the RA program based on guidance provided by the Track I Decision, D.18-06-030. In Track II, the Commission asked parties to propose central buyer structures, and multi-year local RA procurement requirements, with the expectation that implementation would begin in 2020. Parties developed and presented a range of options to address reliability challenges, maintain stability, and further investment in green resources. Unfortunately, the PD dismissed party proposals in favor of an Energy Division proposal that had little party support.

California has been a leader in fighting climate change, and the Commission has aggressively sought to green the electricity sector. This PD is a step backwards, both on grid decarbonization, and on renewables integration. The PD puts investor-owned utilities (IOUs) in an *exclusive* central buyer role for local RA and allows IOUs to recover RA costs through non-bypassable charges. This has two especially pernicious effects.

1. An IOU as central buyer model makes it challenging, if not impossible, for the load-serving entities (LSEs) investing in renewable *energy* in local areas to buy *RA* associated with these projects. This is because these LSEs have no certainty of getting credit for their investments in local RA. So instead of investing in solar plus storage, for example, LSEs will seek solar energy-only deals. This basically means LSEs will not be participating in developing the storage projects needed to phase out gas-fired plants.

2. Shifting cost recovery from the generation side of the bill to the distribution side disincentivizes LSE investments in distributed energy resources (DERs) that reduce peak load (e.g., energy efficiency and demand response). This is because LSEs, who have no input into the distribution side of the bill, cannot monetize their investments in load reductions in local areas.

Finally, the IOUs do not want to be the central buyer. SDG&E has said this outright. PG&E has said that it is only willing to serve in this role for a very limited time. To the extent that IOUs are willing to take on the central buyer role at all, they have asked for significant rate concessions. It is imprudent to force ratepayers to bear the credit and other administrative costs of requiring IOUs to serve in a role that they do not even want. The Commission has not fully analyzed these administrative costs, nor compared them to any cost savings expected to be realized by implementing a "full" central buyer model.

Most parties agree that a "residual" rather than "full" central buyer model is the better choice. A "residual" model:

- maintains existing incentives for individual LSEs to invest in fossil-free and load-reducing resources,
- protects parties' interests in existing long-term contracts,
- minimizes administrative costs to be borne by ratepayers, and
- solves the reliability challenges the Commission has identified as warranting a central buyer in the first place.

To move from where the PD landed to a "residual" approach will require a procedural revamp. The Commission needs to conduct workshops to flesh out and then more fully develop a record to support and adopt a "residual" central buyer framework. Realistically, this would entail implementation in 2021 at the soonest, rather than 2020. Given that the use of CAISO backstop mechanisms has actually declined in the past year, the urgency underpinning the Commission's original timeframe no longer holds, and ensuring a minimal amount of market disruption and a more robust solution that promotes environmental goals is worth taking the time to get right.

Based on the above, we strongly urge the Commission to reject the PD, consider and select a more appropriate "residual" central buyer model in Track III, and aim for implementation in 2021.

Sincerely,

Tom Buttgenbach, President and Chief Executive Officer, 8minutenergy Renewables LLC
Jennifer Chamberlain, Executive Director, Market Development, CPower

Kenneth Sahm White, Director, Policy & Economic Analysis, Clean Coalition
Jason Ellsworth, Chief Executive Officer, Clēnera, LLC
Will Eberle, Director, Government Relations and External Affairs, E.ON North America
Nicolas Chaset, Chief Executive Officer, East Bay Community Energy
Luke Dunnington, Chief Operating Officer, Intersect Power
Shalini Swaroop, General Counsel, MCE
Johnny Casana, External Affairs & Government Relations Manager, Pattern Development
Janis Pepper, Chief Executive Officer, Peninsula Clean Energy
Emily Kirsch, Founder and Chief Executive Officer, Powerhouse
Hans Isern, Senior Vice President, Origination, SPower
Lori Mitchell, Director, San Jose Clean Energy
Girish Balachandran, Chief Executive Officer, Silicon Valley Clean Energy
Alexander McDonough, Vice President of Public Policy, Sunrun