BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA


Rulemaking 14-08-013
(Filed August 14, 2014)

A.15-07-002
A.15-07-003
A.15-07-005
A.15-07-006
A.15-07-007
A.15-07-008

RESPONSE OF BIOENERGY ASSOCIATION OF CALIFORNIA, CALIFORNIA ASSOCIATION OF SANITATION AGENCIES, CALIFORNIA ENERGY EFFICIENCY INDUSTRY COUNCIL, CENTER FOR SUSTAINABLE ENERGY, CLEAN COALITION, COMMUNITY CHOICE PARTNERS, COMMUNITY ENVIRONMENTAL COUNCIL, COMVERGE, INC., ENERGYHUB, ENERNOC, INC., ENPHASE ENERGY, ENVIRONMENTAL DEFENSE FUND, LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION, MARIN CLEAN ENERGY, NATURAL RESOURCES DEFENSE COUNCIL, SAN FRANCISCO BAY AREA REGIONAL ENERGY NETWORK, SOLAR ENERGY INDUSTRIES ASSOCIATION, SOUTHERN CALIFORNIA REGIONAL ENERGY NETWORK, THE UTILITY REFORM NETWORK, VOTE SOLAR, AND THE WORLD BUSINESS ACADEMY TO THE APPLICATIONS FOR APPROVAL OF DISTRIBUTION RESOURCES PLANS BY PACIFIC GAS AND ELECTRIC COMPANY (U 39 E), SOUTHERN CALIFORNIA EDISON COMPANY (U 338 E), AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)

August 31, 2015

Julia Levin
Executive Director
Bioenergy Association of California (BAC)
P.O. Box 6184
Albany, CA  94706
510-610-1733
jlevin@bioenergyca.org

Greg Kester
Director of Renewable Resource Programs
California Association of Sanitation Agencies
1225 8th Street, Suite 595
Sacramento, CA 95814
916-446-0388
gkester@casaweb.org
Margie Gardner  
Executive Director  
California Energy Efficiency Industry Council  
1535 Farmers Lane, Suite 312  
Santa Rosa, CA 95405  
Telephone: (916) 390-6413  
policy@efficiencycouncil.org

Stephanie Wang  
Senior Policy Attorney  
Center for Sustainable Energy®  
426 17th Street, Suite 700  
Oakland, CA 94612  
415-659-9958  
stephanie.wang@energycenter.org

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

Tim Lindl  
Attorney for Community Choice Partners  
Keyes, Fox & Wiedman  
436 14th Street, Suite 1305  
Oakland, CA 94612  
510-314-8385  
tlindl@kfwlaw.com

Tam Hunt  
Attorney for the Community Environmental Council  
26 W. Anapamu St., 2nd Floor  
Santa Barbara, CA 93101  
(805) 214-6150  
tam@communityrenewables.biz

Matt McCafree  
Senior Director Regulatory Affairs  
Comverge, Inc.  
415 McFarlan Road, Suite 201  
Kennett Square, PA 19348  
Telephone: 484-734-2206  
Facsimile: 678-827-0467  
mmccafree@comverge.com

Erika Diamond  
VP and GM of Energy Markets  
EnergyHub  
232 3rd St C201  
Brooklyn, NY 11215  
718.522.7051 x39  
diamond@energyhub.net

Mona Tierney-Lloyd,  
Senior Director, Regulatory Affairs,  
EnerNOC, Inc.  
P.O. Box 378,  
Cayucos, CA 93430  
Office: (805)995-1618  
Mobile: (415)238-3788  
mtierney-lloyd@enernoc.com

Jason Simon  
Director of Policy Strategy  
Enphase Energy  
1420 N. McDowell Blvd  
Petaluma, CA 94954  
707-763-4784, x7531  
jsimon@enphaseenergy.com

Larissa Koehler  
Attorney  
Environmental Defense Fund (EDF)  
123 Mission Street, 28th Floor  
San Francisco, CA 94105  
415-293-6093  
lkoehler@edf.org
Erin Grizard
Director, Government and Regulatory Affairs
Bloom Energy
1299 Orleans Drive
Sunnyvale, CA 94089
916-201-7944
erin.grizard@bloomenergy.com

Carlos Lamas-Babbini
California Demand Response Programs
CPower
58 Mt. Tallac Ct.
San Rafael, CA 94903
415-492-8984
carlos.lamasbabbini@cpowercorp.com
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RESPONSE OF BIOENERGY ASSOCIATION OF CALIFORNIA, CALIFORNIA ASSOCIATION OF SANITATION AGENCIES, CALIFORNIA ENERGY EFFICIENCY INDUSTRY COUNCIL, CENTER FOR SUSTAINABLE ENERGY, CLEAN COALITION, COMMUNITY CHOICE PARTNERS, COMMUNITY ENVIRONMENTAL COUNCIL, COMVERSE, INC., ENERGYHUB, ENERNOC, INC., ENPHASE ENERGY, ENVIRONMENTAL DEFENSE FUND, LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION, MARIN CLEAN ENERGY, NATURAL RESOURCES DEFENSE COUNCIL, SAN FRANCISCO BAY AREA REGIONAL ENERGY NETWORK, SOLAR ENERGY INDUSTRIES ASSOCIATION, SOUTHERN CALIFORNIA REGIONAL ENERGY NETWORK, THE UTILITY REFORM NETWORK, VOTE SOLAR, AND THE WORLD BUSINESS ACADEMY TO THE APPLICATIONS FOR APPROVAL OF DISTRIBUTION RESOURCES PLANS BY PACIFIC GAS AND ELECTRIC COMPANY (U 39 E), SOUTHERN CALIFORNIA EDISON COMPANY (U 338 E), AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)

I. Introduction

Regional Energy Network, The Utility Reform Network, Vote Solar, and the World Business Academy (collectively, the “Joint DRP Parties”) respectfully submit responses to the Applications for Approval of Distribution Resources Plans filed on July 1, 2015 filed by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E) and Southern California Edison Company (SCE) (collectively, the “utilities,” “Investor-Owned Utilities” or IOUs). In accordance with Rule 1.8(d), the Joint Parties have authorized NRDC to file and serve this document on their behalf. NRDC will also file additional individual comments separately. These responses pertain specifically to the Distribution Resources Plans (DRPs or “Plans”) filed by the IOUs.

II. Joint Response to the Distribution Resource Plans of Parties Seeking the Most Effective Use of Distributed Energy Resources (DERs)

The Joint DRP Parties support policies that will advance the most effective utilization of Distributed Energy Resources (DERs) to help achieve the State’s energy and environmental objectives. The aim of the DRP proceeding is to create an efficient, flexible, and cost-effective distribution grid that is “plug-and-play” for DERs, which will require the right set of incentives, a modernized grid, and streamlined interconnection to enable the full potential of DERs.

A. The Distribution Resource Plans are a Productive Step Forward

The Joint DRP Parties appreciate the considerable effort by the IOUs to develop the DRPs and in particular their work to analyze integration capacity and the potential locational value of DERs. The DRPs are a critical step towards optimizing the cost, reliability, and environmental benefits of these resources. Nevertheless, much work remains to be done to meet the requirements specified in the Commission’s guidance and to achieve its objectives for the DRPs and for DER integration. The Joint DRP Parties support moving forward quickly with further developing and approving the parts of the plans that can be considered “no regrets” activities, i.e., those activities that will be beneficial to achieving the Commission’s objectives regardless of any other decisions that will follow, after the further discussion and assessment required to establish a solid foundation for those additional decisions. As one

1 The Joint DRP Parties reserve comments on areas not specifically addressed in this document, and may file individual comments that expand on the areas addressed herein, as well as on areas that are not addressed in this document.

example, the IOUs’ collaboration on the Locational Net Benefits Methodology (LNBM) is a promising step forward; however, it should be further developed, discussed among stakeholders, and deployed as quickly as possible. Additionally, it is clear to the Joint DRP Parties that some portions of these plans, including the tariffs/contracts and grid modernization investment sections, must be reevaluated in conjunction with further consideration of the framework for valuing and integrating DERs (see Sections B and C below).

B. **A Forum is Needed to Develop a Clear Vision of the Fundamental Attributes of a Modern Grid, and a Policy Framework for Valuing and Integrating DERs**

The Joint DRP Parties are generally supportive of the “More Than Smart” concept of sequentially “walking” before “jogging” and “running.”3 Even when walking, however, it is important to have a sense of direction – as some paths are more promising than others, and some can lead away from the Commission’s objectives, unnecessarily increasing the costs and difficulties of achieving a least-cost, least-emissions modern grid. Several portions of the DRPs make it clear that a broader discussion is urgently needed to develop a policy framework for valuing and integrating DERs. We acknowledge the Guidance Ruling’s statement that market design and business model issues should not be addressed in the DRPs at this time,4 and are not recommending a NY REV-style5 approach for this proceeding. However, the IOUs’ DRP applications make assumptions about fundamental issues that instead should be determined by the Commission through a robust collaborative process that enables broad stakeholder participation. We believe that a focused assessment of key issues through such multi-stakeholder engagement will inform the DRPs and assist the Commission in guiding the development of California’s energy system.

The Joint DRP Parties recommend a focused, in-depth collaborative forum on foundational issues to determine the general direction for the valuation and integration of DERs. Topics that should be addressed in this forum include:

- **Development of a clear vision of the fundamental attributes of a modern grid** and the potential roles for DERs in providing grid services and in system operations and management.

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4 Guidance Ruling at 5 (filed Feb. 06, 2015).
• **Options for compensating DERs** for their roles in providing grid services, as well as in system operations and management. This includes a framework for valuing DERs to ensure a clear path from identification of need to deployment, delivery, and verification of resources. Compensation should account for the *total* benefits of DERs both at the distribution and network levels. The mechanisms for compensation could include standard tariffs, contracts, markets, and other incentives to encourage cost-effective deployment of DERs that provide net benefit to the distribution system and/or the network. The DRPs are currently insufficient to meet the Guidance Ruling’s requirement to address this topic.

• **Models for owning, managing, and aggregating DERs**, including potential roles of IOUs, customers, local governments, non-IOU load serving entities, and third parties. Several of the IOUs’ demonstration projects and proposed grid investments incorporate assumptions about these roles that should be further explored before beginning any major work that is dependent on them.

Additional clarity around these issues is required to avoid unnecessary, inefficient expense, as well as to avoid foreclosing options that hold promise to attain the State’s energy and climate policy goals. For example, the DRPs, as filed, could pave the way for unnecessary grid infrastructure expenses that could otherwise be deferred or avoided with proper deployment and utilization of DERs (see Section C below). The consideration of alternative paths, and the range of technologies increasingly available to meet future needs, is essential before we move forward with anything beyond the “no regrets” activities described previously.

The Joint DRP Parties also acknowledge that the proposed decision (PD) in the Integrated Demand Side Resources (IDSR) proceeding could provide an important forum for a subset of these issues. However, as currently written, the PD does not appear intended, or adequate, to address the questions raised here regarding (i) the vision of the role of DERs within the modern grid, and (ii) the DER ownership, management, and aggregation approaches that would best serve that vision.

**Request:** The Joint DRP Parties ask that the Commission:
1) Include in the DRP proceeding or other identified proceedings a collaborative process for addressing the three issues contained in the bullets above, and

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7 *Decision Adopting an Expanded Scope, a Definition, and a Goal for the Integration of Demand Side Resources, Order Instituting Rulemaking to Create a Consistent Regulatory Framework for the Guidance, Planning, and Evaluation of Integrated Demand Side Resources Programs, R. 14-10-003* (filed Aug. 13, 2015).
2) Reject any portion of the utilities’ DRPs that presupposes a certain business model or vision of a modern grid until these issues have been examined through a collaborative public forum.

C. Grid Investments and Pilot Projects Should be Designed to Support Cost-Effective Modernization and be Compatible with Varied Ownership and Operation of DERs

The Joint DRP Parties are concerned that the proposed demonstration projects and grid modernization investments are overly focused on utility investments, and that much of these proposed investments would duplicate or preclude the opportunity for customers, local governments, non-IOU load serving entities, or third parties to provide the same services and capabilities. The IOU-proposed pilots and demonstration projects do not explore the potential roles and values that DERs could offer. The utility-centric approach could also result in higher costs to bill payers while reducing the use and realized value of non-utility assets, and thereby inhibit optimal adoption of DERs and the associated customer and societal benefits.

Grid investment and demonstration projects, where possible, should focus on non-discriminatory access and optimal utilization of all possible assets – without presumption of ownership – so as to best realize the goals of the DRP process. It is unclear if the proposed grid investments\(^8\) consider the functionality of DERs and their potential ability to defer distribution system upgrades, or whether the proposed investments would have been necessary to replace aging infrastructure or meet growing needs regardless of the addition of DERs. Some of these investments should also be informed by the activities described in Section B.

**Request:** The Joint DRP Parties ask that the IOUs identify those grid investments required for the demonstration projects, and that all other grid modernization investments should be informed by the activities described in Section II.B.

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D. Streamlining Interconnection Procedures Needs to be a Greater Priority

The DRP Guidance states that the goal of this proceeding is to create a distribution grid that is “plug-and-play” for DERs.\(^9\) Interconnection issues apply to all DERs except energy efficiency and demand response, and current interconnection procedures are often expensive and time-consuming. The DRPs do not sufficiently address this overarching issue, and offer little with regard to streamlining interconnection procedures for DERs. While the DRPs submitted are a major step forward, there is little currently contemplated in these documents that would streamline interconnection, particularly for DERs that wish to interconnect in locations where they provide a net benefit to the grid. We urge the Commission to clarify in this proceeding which rulemaking will address interconnection cost and streamlining issues to work toward the plug-and-play capabilities contemplated in the DRP Order Instituting Rulemaking and the DRP Guidance.

Request: The Joint DRP Parties ask the Commission to clarify the next steps and appropriate forum for streamlining interconnection for DERs.

E. The DRPs Do Not Take the Customer Perspective into Account

Customer participation will be vital to the success of efficiently integrating DERs. However, the DRPs do not consider the value proposition to the customer, how customers might be best encouraged to contribute to system benefits (including avoiding infrastructure investment), or how customers might be targeted such that both the customer and system receive the largest possible benefit. In addition, existing customer investments in DERs do not seem to be accounted for, at least at the locational level, which will lead to inaccurate forecasts and over-investment in infrastructure and energy procurement.

Request: The Joint DRP Parties ask the Commission to direct the utilities to include the customer perspective in their analyses, and to clearly identify the value proposition to customers.

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\(^9\) The Joint DRP Parties emphasize streamlining interconnection for DERs that provide a net benefit in a particular location, particularly where a resource can defer or avoid distribution capital investments. See Assigned Commissioner’s Ruling on Guidance for Public Utilities Code Section 769 - Distribution Resource Planning, Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769, R. 14-08-013 at 3 (filed Feb. 06, 2015).
F. The Commission Should Require Transparency for Modeling Methods and Results

In order to better understand the results of the various utility analyses, stakeholders need to have access to a more precise accounting of how the IOUs conducted their respective analyses. While the IOUs explain at a high level the various analyses that are conducted, such as the Integration Capacity Analysis, Locational Net Benefits Methodology, and DER growth forecasting, there is little detail about the underlying assumptions and methods that led to those results or how specific DERs are treated in the analysis. As one example, load-modifying resources, including energy efficiency, demand response, electric vehicles, and energy storage, have not been accurately incorporated into utility integration capacity analyses or the DER growth scenarios. These technologies, along with other DERs, are viewed primarily as “challenges” rather than “solutions,” minimizing the importance of these valuable resources. There is also no indication of how the state’s loading order is preserved in the DRPs.

Moreover, there appears to be some lack of consistency between the IOUs in methodology and approach that could confound results and cloud the Commission’s deliberations. Results without detail and inconsistencies without explanation confuse the picture, and preclude meaningful comparison of DRPs. The IOUs should also clarify how planned

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10 As one example, it is not enough to merely explain the physical constraint/opportunity level of each circuit and line segment in kW or MW terms, but the value at each distribution location must also be defined in terms of cost. The physical constraint level and the value (in LMC/DMC) are both necessary to enable meaningful comparisons and to use the information provided.

upgrades to the grid are incorporated into the analyses, as well as how the modeling reflects the potential for DERs to increase hosting capacity or otherwise defer upgrades. These issues raise concerns regarding the transparency and use of results from the analysis – the Joint DRP Parties simply do not have enough information to fully evaluate the DRPs in their current form.

The assumptions and logic behind demonstration pilots also needs to be fleshed out in greater detail. The Joint DRP Parties do not want to delay the important lessons that can be expected from some of the demonstration projects, but their assumptions and objectives must be more clearly identified. For example, what do the IOUs anticipate that the demonstrations will show? And, if the planned demonstration projects are successfully executed, what anticipated benefits can be derived from them, and what actions will result from what is learned?

**Request:** The Joint DRP Parties ask the Commission to require greater detail, transparency, and consistency in methods across the three IOUs.

G. The Plans Should Explicitly Identify How Greenhouse Gas (GHG) and Short-Lived Climate Pollutant (SLCP) Emissions Will Be Reduced

The DRP Guidance Ruling found that the overarching goal of the DRPs should be to help meet California’s climate protection goals by enabling increased deployment of cost-effective, emissions-reducing DERs.\(^{12,13}\) The DRPs should therefore consider the GHG and SLCP impacts of alternative investments – including the extent to which DERs that reduce emissions could displace traditional GHG-emitting supply-side resources. The Commission should require that the DRPs expressly identify where, when, and how DERs can defer system investments and provide grid services and other upstream benefits (such as landfill diversion and

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\(^{12}\) Guidance Ruling at 3 (stating “Consistent with AB 32 and Executive Order S-21-09, in order to deliver benefits, major energy policies initiatives should support the achievement of 2020 and 2050 greenhouse gas (GHG) reduction targets. The DRPs are no different. This also recognizes the fact that the underlying rationale for promoting increased deployment of the DERs specified by statute is that they have a critical role to play in meeting California’s policy of significantly reducing GHG emissions from the State’s electricity and transportation systems”).

\(^{13}\) Those goals must now include the reduction of SLCPs under SB 605 (Lara, 2014) and the Strategy to Reduce SLCPs adopted by the California Air Resources Board. Senate Bill 605 (Lara, 2014), [http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201320140SB605](http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201320140SB605); California Air Resources Board, *Short-Lived Climate Pollutant Reduction Strategy Concept Paper* (May 7, 2015), [http://www.arb.ca.gov/cc/shortlived/concept_paper.pdf](http://www.arb.ca.gov/cc/shortlived/concept_paper.pdf).
wildfire reduction) to reduce GHG, SLCP and other emissions, as well as consider ways in which DER deployment and future DER growth can directly reduce the costs of achieving GHG and SLCP objectives.

**Request:** The Joint DRP Parties ask the Commission to require the IOUs to identify how the DRPs will inform transmission planning and long term procurement planning in terms of where, when, and how DERs can defer system investments and provide grid services to reduce GHG, SLCP, and other emissions.

### H. The DRPs Should Identify Specific Actions to Coordinate with other State Agencies to Achieve Important State Goals and Policies Related to DERs

Successful DRPs depend on coordination with and participation by other California agencies to maximize the benefits of the DRPs and to achieve other important state policies. At a minimum, the Commission and IOUs should coordinate with state agencies responsible for implementing the State’s climate change, public health, and safety programs, including coordinating the permitting and interconnection of DER projects funded with cap-and-trade revenues and/or the Electricity Program Investment Charge (EPIC).

**Request:** The Joint DRP Parties ask the Commission and the IOUs identify specific opportunities to coordinate with other state agencies to achieve important State goals and policies related to DERs.

### III. Conclusion

The Joint DRP Parties appreciate the opportunity to offer these comments, and we look forward to working collaboratively with the Commission, the utilities, and other stakeholders to advance the most effective utilization of Distributed Energy Resources (DERs) to help achieve the State’s energy and environmental objectives.

Dated: August 31, 2015

Respectfully submitted,

/s/
Julia Levin
Executive Director
Bioenergy Association of California (BAC)
P.O. Box 6184
Albany, CA  94706
510-610-1733
jlevin@bioenergyca.org

/s/
Greg Kester
Director of Renewable Resource Programs
CA Association of Sanitation Agencies
1225 8th Street, Suite 595
Sacramento, CA 95814
916-446-0388
gkester@casaweb.org
/s/
Marcel Hawiger
Staff Attorney
The Utility Reform Network
785 Market Street, Suite 1400
San Francisco, CA 94103
(415) 929-8876
marcel@turn.org

Jim Baak
Program Director – Grid Integration
Vote Solar
360 22nd Street, Suite 730
Oakland, CA 94612
(415) 817-5064
jbaak@votesolar.org

/\nLaurence G. Chaset
Counsel to the World Business Academy
Keyes, Fox & Wiedman LLP
436 14th Street, Suite 1305
Oakland, CA 94612
Phone: 510.314.8386
Fax: 510.225.3848
lchaset@keyesandfox.co

/s/
Erin Grizard
Director, Government and Regulatory Affairs
Bloom Energy
1299 Orleans Drive
Sunnyvale, CA 94089
916-201-7944
erin.grizard@bloomenergy.com

/s/
Carlos Lamas-Babbini
California Demand Response Programs
CPower
58 Mt. Tallac Ct.
San Rafael, CA 94903
415-492-8984
carlos.lamasbabbini@cpowercorp.com