

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking Regarding  
Policies, Procedures and Rules for  
Development of Distribution Resources  
Plans Pursuant to Public Utilities Code  
Section 769.

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

And Related Matters.

Application A.15-07-002  
Application A.15-07-003  
Application A.15-07-006

**(Not Consolidated)**

In the Matter of the Application of  
PacifiCorp (U901E) Setting Forth its  
Distribution Resource Plan Pursuant to  
Public Utilities Code Section 769.

Application 15-07-005  
(Filed July 1, 2015)

And Related Matters.

Application A.15-07-007  
Application A.15-07-008

**COMMENTS OF  
THE OFFICE OF RATEPAYER ADVOCATES  
ON ASSIGNED COMMISSIONER'S RULING  
ON TRACK 3 ISSUES**

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## I. INTRODUCTION

Pursuant to an Assigned Commissioner Ruling on August 9, 2017 (ACR),<sup>1</sup> and an Administrative Law Judge (ALJ) Ruling on August 12, 2016 (August 12 Ruling),<sup>2</sup> the Office of Ratepayer Advocates (ORA) submits these comments on the proposal to consolidate and prioritize issues identified for Track 3 of the Distribution Resource Plans (DRP) proceeding.<sup>3</sup> Track 3 issues were first identified in the January 27, 2016 Scoping Memo and Ruling of Assigned Commissioner and Assigned Administrative Law Judge (Scoping Memo).<sup>4</sup>

ORA files these comments pursuant to its statutory mission to obtain the lowest possible utility rates, consistent with reliable and safe service levels. These comments are timely filed in compliance with the August 12 Ruling, which extended the comment deadline from August 16, 2016 to August 22.

ORA appreciates the opportunity to comment on the Assigned Commissioner's (AC) proposals for Track 3. ORA looks forward to continue working with the Investor -Owned Utilities (IOUs), California Public Utilities Commission (CPUC) staff and other parties to cost-effectively integrate distributed energy resources (DER) according to Public Utilities (P. U.) Code Section 769.

In consideration of the AC's request for comments to "consolidate and prioritize many of the issues identified for Track 3 of this proceeding,"<sup>5</sup> ORA's recommendations on the Track 3 issues include the following:

- ORA supports the proposed issues for Track 3 as presented in the ACR.
- The issues within the sub-tracks should be reorganized to clarify their purposes and to better organize the process. The sub-tracks should be reordered to prioritize the most impactful issues first.

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<sup>1</sup> Assigned Commissioner's Ruling On Track 3 Issues (ACR), August 9, 2016.

<sup>2</sup> Email Ruling Extending Deadline for Track 3 Comments, August 12, 2016.

<sup>3</sup> Assigned Commissioner's Ruling On Guidance For Public Utilities Code Section 769 – Distribution Resource Planning, R. 14-08-013, February 6, 2015.

<sup>4</sup> Scoping Memo And Ruling Of Assigned Commissioner And Administrative Law Judge, Including Deconsolidation Of Certain Proceedings And A Different Consolidation of Other Proceedings, Rulemaking (R.) 14-08-013 January 27, 2016.

<sup>5</sup> ACR, pg. 1.

- No additional sub-tracks need to be established.
- The proposed sub-tracks should be reordered with the determination of appropriate grid modernization investments and cost recovery as the first priority, so the DRP can guide reasonableness review of Southern California Edison's (SCE) pending 2018 General Rate Case (GRC).

## II. DISCUSSION

### A. Background

The Scoping Memo established three tracks for the DRP proceeding: Track 1 addresses methodological issues (i.e., development of the Integration Capacity Analysis and Locational Net Benefits Analysis methodologies); Track 2 addresses the DRP demonstration and pilot projects; and Track 3 addresses remaining policy issues not covered in the other two tracks or in other proceedings. The Scoping Memo envisioned 22 separate issues for consideration in Track 3.<sup>6</sup> These policy issues include topics such as competitive neutrality, grid modernization, utility business models, coordination with other proceedings and other agencies, forecasting DER adoption, and the relationship of the DRP process with established distribution planning and cost recovery processes.<sup>7</sup>

The ACR proposes the elimination of 14 of these 22 issues from further consideration because the issues are either addressed in other tracks of DRP proceeding or are addressed in the Integrated Distributed Energy Resources (IDER)<sup>8</sup> proceeding. The ACR proposes sorting these remaining 8 issues (issues 3, 8, 9, 15, 18, 20, 21, and 22) into the following sub-tracks:

- Sub-track 1: DER Adoption and Distribution Load Forecasting (items 8, 9, and 18).
  - In this track, the parties will consider the need to forecast DER adoption and loads at various levels of distribution system disaggregation; methodologies and data sources for distribution-level forecasting; and coordination with ongoing forecasting activities in the Integrated Energy Policy Report (IEPR), Long-Term Procurement Plan (LTPP), Transmission Planning Process (TPP), and any other applicable demand

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<sup>6</sup> Scoping Memo, pg. 10-12.

<sup>7</sup> ACR pg. 2.

<sup>8</sup> See Joint Assigned Commissioner and Administrative Law Judge Ruling and Amended Scoping Memo, R. 14-10-003, February 26, 2016 (distinguishing the roles of R.14-10-003 and R.14-08-013).

forecasts in determining the DER growth scenarios and/or anticipated investments in the distribution system to maintain reliability.

- Sub-track 2: Grid Modernization Investments (items 3 and 15).
  - In this track, the parties will consider what grid modernization functions need to be deployed to support full DER integration. As a result of this sub-track, the Commission may develop guidelines to govern utilities' future requests for funding related to grid modernization.
  
- Sub-track 3: Integration of DRP into Planning and Cost Recovery Processes (items 20, 21, and 22).
  - In this track, the parties will consider the processes for integrating DRPs into utility distribution planning and investment, including how the identification of deferral opportunities or other high value locations for DER deployment will lead to solicitations for DER services (or other market opportunities) and will inform utility investment requests in General Rate Cases.<sup>2</sup>

## **B. ORA Response to the ACR Questions**

The ACR proposed three questions related to the proposal for addressing the Track 3 issues identified in the Scoping Memo. The questions, along with ORA's comments, are below.

### ***Question 1.***

*Should items 3, 8, 9, 15, 18, 20, 21, and 22 from the list in the Scoping Memo be grouped into the three sub-tracks described above? Should any other items from the Scoping Memo list be included in one of the three sub-tracks?*

### **ORA Response To Question 1**

ORA supports the inclusion of the proposed issues for Track 3 as presented in the ACR. The eight remaining issues have not yet been covered in the DRP proceeding. However, ORA suggests a reorganization of the sub-tracks as presented by the ACR. This reorganization will clarify the purposes of the sub-tracks, as well as allow the CPUC to prioritize the issues in a way that will address key issues in a timely manner. ORA's proposed changes are described below, with the rationale for the proposed prioritization provided in ORA's response to Question 3 below:

- Sub-track 1 – “Cost Sub-track”: Grid Modernization Investments and Cost Recovery (Issues 3, 15, 21):

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<sup>2</sup> ACR pg. 4-5.

- In this track, the parties will consider what grid modernization investments are required to support DER integration, how investments will be deferred by DER, and how both grid modernization investments and the use of DER to defer grid investments will be covered in the GRC.
- Sub-track 2 – “Planning Sub-track”: Integration of DRP into a Distribution Planning Process (Issues 20, 22):
  - In this track, the parties will consider the processes for updating DRPs and integration into utility distribution planning, including the identification of deferral opportunities or other high value locations for DER deployment that will lead to solicitations for DER services (or other market opportunities).<sup>10</sup>
- Sub-track 3 – “Forecasting Sub-track”: DER Adoption and Distribution Load Forecasting (Issues 8, 9, 18):
  - This track is unchanged from the ACR.

This reorganization of the sub-tracks organizes the proposed issues into sub-tracks that can be broadly characterized as cost (Sub-track 1), planning (Sub-track 2), and forecasting (Sub-track 3) sub-tracks, respectively. The organization of these sub-tracks is important, since they will allow the Commission to appropriately address the Track 3 issues in the most prudent and efficient manner.<sup>11</sup> This will be discussed further below in response to Question 3.

***Question 2.***

*Should any additional sub-track be established? If so, which of the items in the Scoping Memo list would be included? Provide a detailed justification of the need for the additional track, describing specifically what issues need to be addressed and why.*

**ORA Response To Question 2**

ORA does not recommend any additional sub-tracks.

***Question 3.***

*Should the proceeding address three sub-tracks, and any additional sub-track you recommend, in any particular order? Provide your rationale for the recommended prioritization.*

**ORA Response to Question 3**

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<sup>10</sup> Issue 22 includes a reference to “investment.” ORA proposes that all discussion of investment and cost recovery be addressed in Sub-Track 1.

<sup>11</sup> It is possible that these sub-tracks may be evaluated concurrently or in a different order in the future, but current constraints make ORA’s proposed order its preference at this time.

ORA suggests that the proposed sub-tracks be addressed in the order presented by ORA in response to Question 1, as listed above. The primary reason for ORA's proposed prioritization is to focus on issues that the Commission could reasonably resolve in this proceeding in time to inform the next GRC application, which SCE is scheduled to file on September 1, 2016.

The issue of grid modernization cost recovery has already been raised by utilities. In 2015, PG&E filed its 2017 GRC application, A.15-09-001, which included a new program, the DER Integration Capacity (DERIC) program.<sup>12</sup> This program sought to make proactive grid modernization investments based on a modified ICA tool. ORA opposed this program, in part because it prejudged the outcome of the DRP proceeding.<sup>13</sup> ORA's analysis also concluded that "DERIC strives to use Distributed Energy Resources as a tool to increase distribution expenditures rather than to reduce them as intended by the Legislature and the CPUC."<sup>14</sup> A settlement agreement regarding that application was filed on August 3, 2016.<sup>15</sup>

SCE has also broached the subject of grid modernization in a Motion to Establish a Grid Modernization Memorandum Account (GM Memo Account) filed on July 28, 2016.<sup>16</sup> SCE's Motion asked for a GM Memo Account requesting to track the spending of approximately \$137 Million in grid modernization investments planned for 2016 and 2017.<sup>17</sup> On July 28, 2016,

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<sup>12</sup> Application Of Pacific Gas And Electric Company For Authority, Among Other Things, To Increase Rates And Charges For Electric Gas And Service Effective On January 1, 2017. (U39M), A. 15-09-001, September 1, 2015.

<sup>13</sup> ORA Report On The Results Of Operations For Pacific Gas And Electric Company Test Year 2017 General Rate Case Electric Distribution Capital Expenditures, Part 1 of 2, Exhibit ORA-10, filed April 8, 2016 in A.15-09-001. See pages 7-20.

<sup>14</sup> *Id.* at 15.

<sup>15</sup> Joint Motion Of Office Of Ratepayer Advocates, The Utility Reform Network, Alliance For Nuclear Responsibility, Center For Accessible Technology, Coalition Of California Utility Employees, Collaborative Approaches To Utility Safety Enforcement, Consumer Federation Of California, Environmental Defense Fund, Marin Clean Energy, Merced Irrigation District, Modesto Irrigation District, National Diversity Coalition, Small Business Utility Advocates, South San Joaquin Irrigation District, And Pacific Gas And Electric Company For Adoption Of Settlement Agreement dated August 2, 2016 in A.15-09-001.

<sup>16</sup> Motion of Southern California Edison Company (U 338-E) To Establish A Grid Modernization Memorandum Account, July 13, 2016.

<sup>17</sup> Response Of The Office Of Ratepayer Advocates To The Motion Of Southern California Edison Company (U 338-E) To Establish A Grid Modernization Memorandum Account, July 28, 2016.

ORA filed a response opposing SCE's motion (ORA's July 28 Response).<sup>18</sup> ORA's response noted that SCE's request for the establishment of a GM memo account highlights the need for the Commission to hold a Track 3 workshop on a grid modernization investment framework soon.<sup>19</sup>

Finally, SCE is scheduled to file its 2018 GRC on September 1, 2016. A recent press article suggests SCE will make specific requests for distribution grid upgrades to support DER growth.<sup>20</sup> ORA believes that Track 3 tasks should be prioritized to focus on providing guidance regarding SCE's pending GRC requests for distribution grid modernization. Proposed Sub-track 3 tasks, forecasting and coordination with other proceedings, are important to getting accurate projections of need, but it is unlikely that integration with other CPUC proceedings and other agencies will be completed in time to support the review of SCE's GRC application.

Similarly, proposed Sub-track 2, the Integration of DRP into a Distribution Planning Process, is an important topic, since the findings from this sub-track may drive revisions to that GRC process because it may alter where utilities site DER projects, or what projects utilities propose. SCE would not be able to implement these changes into its 2018 GRC in a timely manner.<sup>21</sup> In contrast, ORA's proposed Sub-track 1 addresses threshold questions that can help determine the reasonableness of SCE's pending GRC request.

Pacific Gas and Electric's (PG&E) 2017 GRC schedule provided approximately five months after the application filing date for intervenor testimony, and 14 months for issuing a proposed decision. If a similar schedule is adopted for SCE's GRC, this would provide time for debate, recommendations, and a CPUC ruling or decision on proposed Sub-track 1. This would

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<sup>18</sup> *Id.*

<sup>19</sup> *Id.* at 1, 9.

<sup>20</sup> "In response, capital expenditures will be 'lumped into two buckets' in the rate case SCE intends to file with the CPUC on Sept. 1. The first bucket will consist of 'traditional' investments, such as replacing aging infrastructure, adding new customer connections, upgrading information technology and maintaining SCE's generators. The second will reflect investments in the modernization of the utility's distribution system to facilitate the growth of DER. Craver said the CPUC has 'provided only some early direction on preferred technologies and required investments' for modernization. Mullin, Robert. "Southern California Edison Preparing for Distributed Energy Future," *RTO Insider*, August 1, 2016. Available at <http://www.rtoinsider.com/southern-california-edison-distributed-energy-29785/>. Last accessed August 17, 2016.

<sup>21</sup> Even if it is possible for SCE to incorporate findings from Sub-track 2 in a revised application in 2017 following a ruling or decision on these topics, ORA recommends the CPUC not take this approach. This would result in an unacceptable delay that would impact not only SCE's application, but also SD&E's 2019 GRC to be filed in 2018, since the CPUC as well as any intervenors would have to handle two GRCs at the same time.

in turn provide a solid foundation for determining if SCE's grid modernization requests are reasonable or not.

### III. CONCLUSION

For the reasons stated herein, ORA recommends the following:

- Reorganize the proposed issues into the three sub-tracks ORA described above.
- The Commission should not include additional sub-tracks into Track 3.
- The Commission should address the sub-tracks in the order proposed by ORA.
- Grid modernization and GRC coordination issues should be resolved in a timely manner.
- The Commission should address Sub-track 1 in the DRP, as proposed by ORA, in a workshop as soon as possible to get resolution on these important issues.

Respectfully submitted,

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