



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

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Application of Pacific Gas and Electric Company (U
39 E) for Approval of the Retirement of Diablo
Canyon Power Plant, Implementation of the Joint
Proposal, and Recovery of Associated Costs Through
Proposed Ratemaking Mechanisms.

Application 16-08-006

(Filed August 11, 2016)

RESPONSE OF THE LARGE-SCALE SOLAR ASSOCIATION

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September 15, 2016

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Pursuant to Rule 2.6 of the Commission’s Rules of Practice and Procedure, the Large-scale Solar Association (“LSA”) submits its response to Pacific Gas & Electric (“PG&E”) August 11th *Application for Approval of the Retirement of the Diablo Canyon Power Plant, Implementation of the Joint Proposal, and Recovery of Associated costs Through Proposed Ratemaking Mechanisms* (“Diablo Application”). The Diablo Application was noticed on the Daily Calendar on August 16, 2016 and LSA submits its timely response below.

I. EARLIER AND EXPANDED PROCUREMENT OF RENEWABLES AND OTHER GHG-FREE RESOURCES SHOULD BE CONSIDERED.

LSA does not object generally to the authority sought by the Diablo Application. LSA shares the commitment and interest expressed by PG&E and the Joint Parties in supporting and ensuring a thoughtful plan that ensures the safe retirement of Diablo Canyon and that facilitates California meeting its climate goals in light of the proposed retirement. LSA provides a limited response to the Diablo Application and on Section 2 of the Joint Proposal related to issues of the timing and scope of procurement for

replacement power.

The Joint Proposal sets forth three tranches of procurement for replacement power:

- Tranche 1: early action on energy efficiency for 2,000 GWH installed by 2025;
- Tranche 2: all-source procurement for 2,000 GWH of GHG-free energy or efficiency resources for delivery between 2025-2030 in PG&E's service territory; and
- Tranche 3: 55% RPS commitment by 2031 through 2045.¹

LSA recommends a close examination of the rationale for these proposed tranches and consideration of accelerated timing and scope of procurement for Tranche 2 & 3 for the reasons described below.

With the passage and recent signing of SB 32, California now has a statutory obligation to reduce greenhouse gas emissions (“GHG”) by 40 % below 1990 levels by 2030.² The recent Pathways analysis that looked at what will be needed to achieve this goal indicates that California will likely need to achieve a 60% RPS to ensure this target is met.³ Taking early and aggressive action to replace the carbon-free energy provided by Diablo Canyon with renewables and other GHG-free resources will help ensure that California is solidly on the path to achieve this critical target and that emissions do not

¹ Joint Proposal, Section 2.

² SB 32 (2016), Health & Safety Code § 38566.

³ Slide Presentation, E3, California Pathways GHG Scenario Results (Apr, 6, 2015), Slides 27, *available at:*

https://ethree.com/documents/E3_PATHWAYS_GHG_Scenarios_Updated_April2015.pdf

increase as the Diablo units are shut down.

After reviewing the Diablo Application, LSA has concerns that the Joint Proposal may not go far enough or fast enough to help ensure the climate requirements are met. In addition to concerns about the climate goals, LSA is concerned that the retirement of Diablo Canyon means that a large volume of generation (18,000 GWh, annually) will be coming off-line by 2025 and the Joint Proposal includes modest procurement plans for 4,000 GWh (plus the increased RPS). LSA understands PG&E's proposal is to have the Integrated Resource Planning ("IRP") proceeding evaluate how much replacement power will be needed and how best to replace the remainder of the generation. However, decisions from the still-evolving IRP process may not come in time to enable replacement generation prior to the retirement of Diablo Canyon, making the timing and scope for replacement power in the Diablo Application critical. A close examination of the analysis done to develop the Joint Proposal is prudent so that parties and the Commission can evaluate whether the Joint Proposal is indeed consistent with the state's overall needs and requirements, particularly related to potential for near-term greenhouse gas emission increases as Diablo comes offline and consideration of whether further near-term procurement should be required.

Ensuring that actions authorized from the Diablo Application are sufficiently robust can be accomplished in part by accelerating the proposed procurement for Tranches 2 and 3. Accelerating the procurement for replacement resources from renewables can enable solar resources to be on-line by the time Unit 1 retires in 2024 and for the capture of the significant benefits of the 30% Investment Tax Credit ("ITC"), an overall benefit for ratepayers. For example, holding a solicitation for Tranche 2 resources

in early 2018 (rather than in 2020 as proposed) could allow for the filing of advice letters in late 2018 and Commission approval of contracts before the end of 2019. This timing allows for solar projects to capture the 30% investment tax credit by commencing construction in 2019 (or a 26% ITC if construction is started in 2020) and provide sufficient construction time to come on-line prior January 1, 2024 as required to claim the ITC and in time to replace generation from the retirement of Unit 1. Given the recent substantial declines in the cost of renewable resources and the currently available ITC benefits, LSA recommends early action procurement that includes that both renewables and energy efficiency.

In addition to accelerating the procurement schedule for Tranche 2, clarification is needed on whether PG&E's intent is to enter into long-term contracts for replacement resources in Tranche 2. The inclusion of a minimum of a 5-year term for Tranche 2 procurement suggests to LSA that PG&E may be interested in short(er)-term contracts. Understanding this detail will be important as five-year contract terms are unlikely to support the development of new renewable resources and will likely come at higher prices.

LSA also recommends the acceleration of the Tranche 3, the 55% RPS procurement; in order to ensure sufficient GHG-free replacement power is in place to meet the SB 32 targets and emissions do not increase as the Diablo is shut down. A 55% RPS by 2031 is a good start, but based on the Pathways results noted above, will likely be insufficient to meet the 2030 target. LSA recommends this include advancing the 55% RPS goal to 2024. Overall, LSA recommends the final proposal include acceleration of this procurement so that it sets a realistic course for meeting the state's climate

requirements.

Finally, as renewable developers begin to plan for projects to meet the needs outlined in the Diablo Application, it will be important to understand PG&E's plans related to the transmission currently utilized by Diablo Canyon, including the timing of the release of that transmission capacity. In addition, early clarity around whether PG&E will have a preference for procuring GHG-free resources in its service territory (as we understand it does for energy efficiency) will be helpful. This information will facilitate transmission planning and influence how and where projects are developed.

II. EFFECT OF THE APPLICATION ON THE RESPONDANT

LSA is a non-partisan, solar advocacy association whose purpose is to support market penetration of utility-scale solar technologies through appropriate policy mechanisms. Member companies in the LSA represent leaders in the utility-scale solar industry and owners and developers of the majority of the wholesale solar capacity in California.

LSA and its members will be impacted by the Application as it relates to California's options for integrating higher penetration of renewables, the trajectory for meeting the state's climate goals, the timing of clean energy procurement opportunities and potentially locational or other requirements related to the need for replacement power. The ultimate outcome of this Application will therefore impact LSA member's investment and development decisions including the flow of capital and jobs needed for the development of renewable projects in California.

III. NEED FOR EVIDENTIARY HEARINGS

The issues LSA raises above can likely be addressed without evidentiary hearings; however, issues raised by other parties may require evidentiary hearings.

IV. SCHEDULE

LSA has no objections to the proposed schedule in the Diablo Application.

V. COMMUNICATION OF SERVICE

LSA requests the following representative be placed on the service list as a “party”:

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VI. CONCLUSION

Large-scale Solar Association appreciates the opportunity to submit this response to the Diablo Application.

Dated September 15, 2016

Respectfully Submitted,

/s/ Rachel Gold

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