

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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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)

**OPENING COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES
ON ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING
COMMENT ON AN INTERIM GREENHOUSE GAS ADDER**

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I. INTRODUCTION

The Office of Ratepayer Advocates (ORA) respectfully submits these reply comments pursuant to the *Administrative Law Judge's Ruling Requesting Comment on an Interim Greenhouse Gas Adder* (Ruling) issued April 3, 2017 in the Integrated Distributed Energy Resources (IDER) docket. The Ruling seeks party comment on an Energy Division Staff Proposal (Staff Proposal) recommending adoption of an interim greenhouse gas (GHG) avoided cost adder to be applied as an input in the Avoided Cost Calculator (ACC) used to evaluate Distributed Energy Resource (DER) cost-effectiveness.

In the discussion below, ORA recommends that the Commission should establish a date certain for sunseting the application of any interim GHG adder that may be adopted in this proceeding.

II. DISCUSSION

A. **The Commission should establish a date certain for sunseting the application of any interim GHG adder that may be adopted in this proceeding**

The Staff Proposal for an interim GHG adder seeks a short-term solution to the challenge of minimizing market disruption and adverse consequences in existing programs – particularly energy efficiency (EE) programs – while the Commission considers an appropriate method for optimizing energy procurement and valuation to meet state goals. Ultimately, the appropriate venue for determination of a GHG value for cost-effectiveness purposes is the Integrated Resource Planning (IRP) proceeding.¹ The scope of the IRP includes the development of methods to reliably estimate the marginal cost of GHG abatement in the energy sector that would facilitate portfolio optimization

¹ *Reply Comments of the Office of Ratepayer Advocates on Administrative Law Judge's Ruling Taking Comment on Staff Proposal Recommending a Societal Cost Test* at p. 2.

for supply- and demand-side resources that achieve the state's GHG reduction goals as cost-effectively as possible.²

As soon as the Commission adopts a marginal cost of abatement in the IRP, it should update the ACC to apply the adopted value in DER cost-effectiveness tests. This ensures that DER planning proceedings include consistent and accurate resource portfolio assumptions and conclusions made in the IRP. However, as the Staff Proposal notes there is a timing mismatch between the IRP's consideration of the marginal cost of GHG abatement and the need to adopt estimates of EE potential and goals that can feed into the upcoming 2018 Integrated Energy Policy Report (IEPR).³ Because the Staff Proposal's recommended interim adder is based on analysis that has not been subject to party scrutiny in this or any other proceeding,⁴ there is a substantial risk (which could increase over time) that any adopted interim adder may incorrectly value the marginal GHG abatement of DERs and lead to inefficient allocation of ratepayer resources.

In order to minimize the risk of improper DER valuation compounding over time, the Commission should adopt a date certain for the sunset of the interim value, after which time it will no longer be used in the ACC. ORA suggests that an appropriate date for the sunset is May 1, 2018, which is the deadline for the next scheduled update of the ACC, or the adoption of an applicable GHG abatement marginal cost in the IRP, whichever comes first.^{5 6}

² Joint Scoping Memo And Ruling Of Assigned Commissioner and Administrative Law Judge, in R.16-02-007, issued on May 26, 2016, at p. 8.

³ Staff Proposal at p. 2.

⁴ The Staff Proposal is based in part on a preliminary analysis of marginal GHG abatement costs produced by the RESOLVE model for use in the IRP. To date this analysis and the inputs and assumptions upon which it is based have not been published by Energy Division Staff, vetted by stakeholders, or entered the record in the IRP.

⁵ In a letter dated April 12, 2017, Energy Division requests relief from the requirement in D.16-06-007 to update the avoided cost calculator by May 1, 2017 due to the recent adoption of updates to the ACC and delays in securing consultant contracts. Energy Division states that it next plans to update the ACC by May 1, 2018.

⁶ The Commission could also extend the interim GHG adder sunset date certain in the ACC update resolution, if necessary.

III. CONCLUSION

For the foregoing reasons, ORA respectfully requests the Commission adopt the recommendations contained herein.

Respectfully submitted,

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