BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA


And Related Matters.

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

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.

And Related Matters.

Application 15-07-005 (Filed July 1, 2015)
Application A.15-07-007
Application A.15-07-008

REPLY COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES ON ASSIGNED COMMISSIONER’S RULING REQUESTING ANSWERS TO STAKEHOLDER QUESTIONS SET FORTH IN THE ENERGY DIVISION STAFF WHITE PAPER ON GRID MODERNIZATION

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I. INTRODUCTION

Pursuant to the May 16, 2017 Assigned Commissioner’s Ruling [ACR] Requesting Answers to Stakeholder Questions Set Forth in the Energy Division Staff White Paper on Grid Modernization in Track Three of the Distribution Resources Plan (DRP) Proceeding, the Office of Ratepayer Advocates (ORA) provides the following reply comments to other parties’ June 19, 2017 opening comments regarding Grid Modernization. Opening comments were filed by the Clean Coalition; the Environmental Defense Fund (EDF); the Green Power Institute (GPI); the Interstate Renewable Energy Council, Inc. (IREC); ORA; Pacific Gas and Electric Company (PG&E), on behalf of itself, and Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) (collectively, the Joint investor-owned utilities (Joint IOUs)); the Solar Energy Industries Association (SEIA) and Vote Solar (collectively, the Solar Parties); Siemens; and the Utility Reform Network (TURN). ORA provides responses to these parties’ comments below.

II. DISCUSSION

A. Responses to Joint IOU Comments

ORA appreciates that the Joint IOUs made their position on modifications to the existing distribution planning processes clear, as best summarized by the following statement: “Any significant modifications to those [existing] processes could risk the IOUs’ ability to install essential grid infrastructure in a timely fashion and jeopardize the ability of the IOUs to provide safe and reliable electric service to all customers.”¹ However, the Joint IOUs’ position preserves the status quo of limited stakeholder access to their currently closed distribution planning processes by keeping the vast majority of Grid Modernization investments exclusively within the purview of the General Rate Case rather than illuminating elements of the distribution planning processes to stakeholder review within the DRP, as envisioned by the Staff White Paper. ORA opposes the

¹ Joint IOUs’ Comments, p. 11, emphasis added.
majority of the Joint IOU recommendations, with exceptions as noted in the following discussion.

The Joint IOUs’ position is articulated generally in the introduction of their comments, and clarified through responses to the Staff White Paper questions. ORA characterizes the Joint IOU recommendation as follows:

1. Define Distributed Energy Resource (DER) related Grid Modernization narrowly, limited to local distribution deferral projects, and define and review these projects via processes to be developed in the Distribution Deferral Track of the DRP (Track 3.3) and the Integrated Distributed Energy Resources (IDER) proceeding; and

2. All other Grid Modernization should be proposed and evaluated in the regular General Rate Case cycle, which “could” be enhanced with additional detail regarding DERs.²

The two-step process proposed by the Joint IOUs limits the impact this proceeding can and should have on the distribution planning process, prevents the transparency sought by the Commission and stakeholders, and limits the ability of DERs to achieve all possible benefits for ratepayers. ORA provides the following observations and recommendations for Commission consideration:

1. The Joint IOUs’ proposal seeks to minimize DRP influence on the General Rate Cases for the 2018-2020 test year (TY);

2. The long-term Grid Modernization “blueprint” should not be developed outside of the DRP process;

3. If the process proposed in the Staff White Paper (or a similar process) is not implemented, most stakeholders’ will continue to have difficulty in accessing the IOUs’ distribution planning processes;

² Joint IOUs’ Comments, p. 4.
4. The proposed Grid Needs Assessment in the Staff White Paper will likely not require additional analytical and planning effort for the IOUs than is required for the existing distribution planning processes. However, ORA acknowledges that the Grid Needs Assessment creates an additional reporting burden for IOUs;

5. ORA agrees that full-scale Grid Modernization deployment should be informed by existing IOU demonstration projects;

6. The IOU distribution planning processes may identify projects for inclusion in a General Rate Case request, but projects are not authorized for construction in a General Rate Case; and

7. The Joint IOUs’ proposed process relies on pending developments in DRP Track 3.3 and IDER.

The Joint IOUs’ comments indicate a desire for the DRP process to have minimal impact on the existing General Rate Case process. This is most clearly articulated in the response to Question 19: “SCE’s General Rate Case must be evaluated on its own merits based upon the evidence and testimony presented in that proceeding,” and “SCE’s 2018 General Rate Case must not be contingent upon ongoing policy development in this DRP proceeding.” The Joint IOUs seek to maintain the status quo, and do so by citing to a decision issued prior to the enactment of Assembly Bill (AB) 327 and the DRP Order Instituting Rulemaking (OIR). The Joint IOUs’ comments suggest that the DRP should not impact any of the IOUs’ upcoming General rate Case applications, such that if adopted, DRP Grid Modernization guidance would have no impact until SCE’s 2021 TY application.

The Joint IOUs’ narrow definition of DER-related Grid Modernization as limited to local investments where DER is used to defer traditional distribution infrastructure will

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Joint IOUs’ Comments, pp. 16-17.

AB 327 (Perea, 2013).

See Joint IOUs’ Comments, footnote 8, p. 17.
limit the DRP guidance on other types of DER-related distribution system investments.\textsuperscript{6} This attempt to limit the applicability of the DRP proceeding in IOU ratemaking is not consistent with AB 327 or DRP guidance to date.\textsuperscript{7} ORA recommends in its opening comments that unless the IOUs make a clear and compelling showing of local need, Grid Modernization requests should not be approved through General Rate Cases in advance of guidance from all tracks of the DRP proceeding, and that a Memorandum Account be used for any approved investments to ensure that IOUs bear the risk if proposed investments are not consistent with pending DRP guidance.\textsuperscript{8}

In response to question 15 in the Staff White Paper,\textsuperscript{9} the Joint IOUs state that “if the utility has developed such a blueprint of proposed grid investments over a longer timeframe, it can be included in the utility’s General Rate Case.”\textsuperscript{10} So for example, since SCE has articulated a long-term Grid Modernization plan in its DRP and General Rate Case filings, it would continue to do so, but PG&E and SDG&E would not be bound to provide a long-term Grid Modernization plan in their respective distribution resource plans. Each IOU should be required to provide a Grid Modernization blueprint. Solar parties recommend that such a blueprint be provided as part of the Grid Modernization Plan, which would be separate from the General Rate Case.\textsuperscript{11} This is a valid alternative to ORA’s proposal that the Grid Modernization Plan be included in the General Rate Case filing, and that the Grid Modernization blueprint be part of subsequent DRP filings.\textsuperscript{12}

\textsuperscript{6} Joint IOUs’ Comments, p. 7. The Joint IOUs’ Comments refer to “enable local distribution services” in many places, but the only service discussed in the comments is distribution deferral.
\textsuperscript{7} See Public Utilities Code Section 769(b)(4).
\textsuperscript{8} ORA Comments, pp. 15-17.
\textsuperscript{9} Staff White Paper, p. 28. “As an alternative to filing Grid Modernization Plans every three years, should the Grid Modernization Plans provide a more general blueprint of proposed grid investments over a longer timeframe?”
\textsuperscript{10} Joint IOUs’ Comments, p. 14.
\textsuperscript{11} Solar Parties’ Comments, pp. 19 and 21.
\textsuperscript{12} ORA Comments, p. 25.
The Joint IOUs recommend that the Staff-proposed Grid Needs Assessment process be replaced by a list of proposed distribution deferral projects that the IOUs have reviewed with their Distribution Planning Advisory Group and an Independent Professional Engineer, which could also potentially be posted to IOU websites prior to documenting DER solicitation results through an advice letter filing.\textsuperscript{13} ORA opposes this recommendation because it would result in the publication of only the results of the distribution planning process specific to distribution deferral projects. This approach provides a vastly lower level of transparency compared to the amount of information proposed by the California Public Utilities Commission (CPUC) Staff and expanded upon by ORA.\textsuperscript{14} This concern is illustrated by a recent example: On March 2, 2017 ORA issued a data request (DR) to the Joint IOUs seeking information on the state of DER deployment and Grid Modernization in their respective serve territories.\textsuperscript{15} SDG&E was the only IOU to provide a complete response to this DR, which was not provided until May 16, 2017.\textsuperscript{16} The IOUs’ delay in getting the requested distribution system data suggests that they may have difficulty accessing data in their own data systems and compiling and validating that data for external review. In addition, SCE stated that it is considering limiting the confidential information it will share via documents or spreadsheets, and that it may instead ask CPUC and ORA staff to visit SCE facilities to

\textsuperscript{13} Joint IOUs’ Comments, pp. 4, 5, 10, and 11.

\textsuperscript{14} ORA Comments, p. 22.

\textsuperscript{15} The DR asked for information on substations and distribution circuits including capacities, reliability, levels of DER, levels of automation and monitoring, and basic information such as location. The DR anticipated that some data might be considered confidential, so it included questions asking about data sources and which data was considered to be confidential. The same data request questions were posed to the Joint IOUs in the following data requests (DRs) issued in R. 14-08-013 on March 2, 2017: SDG&E DRP DR-005 R1, SCE DRP DR-005 R1, and PG&E DRP DR-014 R1. The revised DR added one question, Question 3.bj, compared to the original version issued February 27, 2017.

\textsuperscript{16} PG&E provided responses on March 10 and March 24, 2017, but some data was not provided and the data was not provided in the format requested. PG&E is waiting for ORA feedback before providing additional data. SCE provided a response on March 10, 2017 that included no data, but did provide an estimate of the time to gather each type of data, ranging from “up to 2 weeks” to “beyond 8 weeks.” SCE provided a partial set of data including data originally designated as “up to 2 weeks” on May 3, 2016.
ORA does not know whether the delayed responses to this DR are due to technical limitations, concerns about data security, or another reason. Nevertheless, the result is a significant lack of transparency that needs to be overcome. The Grid Needs Assessment and Grid Modernization Plan processes proposed in the Staff White Paper, with the modifications recommended by ORA, will provide the appropriate review and scrutiny of the DPP.

Referring to the Staff White Paper proposed Grid Needs Assessment and Grid Modernization Plan processes, the Joint IOUs state that “it is simply not feasible to have any unnecessary new and duplicative review, discovery and/or approval processes for annual distribution plans.” While ORA agrees that unnecessary new and duplicative processes are unfeasible, ORA does not agree with the Joint IOUs’ proposed solution. For one, in light of the fact that increased transparency is a fundamental component of the DRP’s objectives, ORA strongly disagrees with the Joint IOU characterization that illuminating the distribution planning process is “unnecessary.” Without transparency regarding IOUs’ determination of need and proposed solutions, stakeholders will have no way to vet the IOUs’ requests and provide cost-effective alternatives or evaluate whether the IOUs’ requests are necessary at all. Additionally, the primary role of the proposed Grid Needs Assessment is to document the existing IOU DPP results, which should not require any new or duplicative analysis by the IOUs. As discussed in ORA’s opening comments, a first step in determining a process that leverages existing IOUs’ DPP efforts with minimal new effort is for each IOU to provide the results of the 2016/2017 DPP

ORA met with SCE at its Pomona facility on May 12, 2017 to discuss DR SCE DRP-005 R1, and this statement was made by the Manager of Regulatory Policy. In advance of this meeting, ORA specifically requested to view SCE’s “SAP, MDI, EMS, and mapping systems” which were cited as sources of substation and circuit data. ORA was not provided access to this data during the May 12, 2017 meeting. DR SCE DRP-008, Question 2, asks SCE to explain why ORA was not provided access and requested SCE to respond by July 7, 2017.

Joint IOUs’ Comments, p. 3.

ORA recognizes that requiring all DPP related needs and solutions to be publicly reviewed and subjected to CPUC decision making process every year creates an additional workload for IOUs as well as parties.

Joint IOUs’ Comments, p. 3.
The degree of review of the Grid Needs Assessment is a separate issue. While ORA has proposed a rigorous form of review via application, this is only for initial iterations. The Solar Parties recommend a Tier 3 advice letter process. ORA is open to consideration of an advice letter process once requirements for the overall format and content of the Grid Needs Assessment is established and IOUs have demonstrated compliance with the requirements.

In response to question 3, the Joint IOUs state that “some commercial technology applications may first need to be demonstrated in the field before scaling up to actual utility-scale deployment.” ORA agrees, and has further recommended that scaling up to utility-scale deployment be contingent on the results of related demonstration projects.

Referring to the Staff White Paper proposed Grid Needs Assessment and Grid Modernization Plan processes, the Joint IOUs state that one of two objectives of the distribution planning processes is “to identify new distribution projects that need to be reviewed and approved in the Commission’s next General Rate Case decisions.” This only explains half the process. Once a General Rate Case decision is issued by the Commission authorizing a revenue requirement, IOUs have the flexibility to allocate funding to specific projects as needed to fulfil their responsibility to provide safe and reliable service per Public Utilities Code Section 451. Authorization for detailed design and construction of specific projects, as well as establishing and authorizing specific project budgets, is an internal and closed IOU process that follows the annual distribution planning process. If ratepayer funding is limited because an IOU did not make a compelling case to increase rates in the General Rate Case as required by Public Utilities

21 ORA Comments, p. 23.
22 ORA Comments, p. 24.
24 Joint IOUs’ Comments, p. 9.
25 ORA Comments, p. 9.
26 Joint IOUs’ Comments, p. 3.
Code Section 454(a), an IOU is still required to make investments to provide safe and reliable service even if some shareholder funding is required.

The IOUs propose to use informal review mechanisms such as the Distribution Planning Advisory Group and Independent Professional Engineer, which have yet to be developed within track 3.3 of the DRP, as substitutes for the annual Grid Needs Assessment/Grid Modernization Plan regulatory review process envisioned by the Staff White Paper. The IOUs’ proposal would limit important stakeholder review and input into the Commission’s decision-making process and would prejudge the distribution deferral procedures that will be developed in track 3.3 of the DRP. Even if the Distribution Planning Advisory Group and Independent Professional Engineer process is adopted in track 3.3 of the DRP, and the scope of that process includes a review of distribution deferral projects, the Distribution Planning Advisory Group and Independent Professional Engineer review will not be a substitute for stakeholder review within a regulatory venue, which is a more appropriate process for evaluating DER-driven Grid Modernization investments.

B. Responses to Siemens

Siemens, a provider of utility scale DER services, noted two general recommendations for the implementation of Grid Modernization:

1. “The Commission should continue its traditional strategy of providing guidelines for distribution planning (rather than performing extensive detailed individual project reviews), but expand the scope of the guidelines to account for the rapid growth in DERs.”

2. “The utilities should conduct their distribution planning, identify projects where DER could be a good alternative, and make those results available.”

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27 Siemens Comments, p. 4.
28 Siemens Comments, p. 5.
ORA disagrees with Siemens’ recommendations. The Commission is already highly involved in the distribution planning process, mainly through the review and approval of the IOUs’ triennial General Rate Cases. The recommendation that the Commission should not be involved in examining individual projects directly contradicts one of the primary functions of the Commission in the promotion of safe and reliable service while allowing for a fair return on utility investment. Without the examination of individual projects, the Commission would not be able to determine whether or not the utility was sufficiently performing this core function.

Furthermore, the IOUs already perform the function of identifying potential DER alternatives, so this suggestion does not significantly alter the status quo. As the Staff White Paper notes, the existing utility planning process includes both evaluation and implementation of potential grid investment alternatives. The entire reason for the Grid Modernization process is to update and open up the process to allow other stakeholders to have a say in the process. Siemens’ recommendation does not accomplish this key goal of the DRP proceeding.

Siemens makes a number of recommendations based on the specific Staff White Paper questions. Overall, ORA supports Siemens’ specific recommendations, except for the ones identified in the discussion below.

In response to Question 6, Siemens recommends that the Commission should move forward with the Grid Needs Assessment and Grid Modernization Plan processes, but limit the processes to projects that pass viability screens for deferral by DERs. Although the Staff White Paper mentions the use of a viability screening, this suggestion was part of a longer list that also includes projects that would increase hosting capacity for autonomous DER growth in high-value areas, as well as relatively large, non-routine DER-related investments. Moreover, Siemens makes no mention of how

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29 Staff White Paper, p. 19.
30 Siemens Comments, p. 5.
31 Staff White Paper, p. 22.
such a “viability screen” would be defined. Limiting the types of projects solely to an undefined screening process is not a reasonable recommendation.

In response to Question 11, Siemens recommends that the Grid Modernization Plans should be limited to reviewing system-wide proposed investments. ORA disagrees with this recommendation. Although a review of system-wide proposed investments is important, ORA maintains that the Grid Modernization Plan process should provide for a review of location-specific Grid Modernization investments as well. Ignoring location-specific Grid Modernization investments would essentially ignore a significant number of DERs that the Commission expects to be adopted through market and policy mechanisms or distribution investment deferral. Including both types of investments will better inform the public and stakeholders of the interrelationship between system-wide and location-specific investments, and will provide a clearer picture of the development of Grid Modernization overall.32

C. Responses to Clean Coalition

Clean Coalition’s comments are primarily guided by the recommendation that any development towards an improved Grid Modernization process must be geared towards the adoption of a Distribution System Operator (DSO), which will organize and manage a wide array of DERs.33 While consideration of a DSO is outside the scope of this Grid Modernization discussion,34 ORA notes that the Staff White Paper and ORA’s proposal are sufficiently flexible to accommodate a DSO framework.

Clean Coalition calls for the need to analyze an “accelerated growth forecast” of DER deployment, based on where additional marginal DER deployment would become viable under market and policy changes as part of the Grid Modernization process. The purpose of the Grid Modernization process is to identify where DER investment can meet a need, not to accelerate the growth of DERs solely for the sake of having more DER

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32 ORA Comments, p. 25.
33 Clean Coalition Comments, p. 2.
34 Assigned Commissioner’s Ruling on Track 3 Issues, October 21, 2016, p. 6.
installed. Furthermore, trying to model the potential policy and market changes which currently do not exist would make more difficult an already complicated and uncertain forecasting analysis. There is already a significant amount of uncertainty within DER and load forecasts.\textsuperscript{35} Introducing additional uncertainty would make it very difficult to rely upon any analysis of grid need. Instead, the Commission should take up this proposal in Track 3, sub-track 1 of this proceeding, where DER growth scenario methods are currently under consideration.

In response to Question 9, Clean Coalition recommends the consideration of a hybrid Grid Needs Assessment system, “with a major three year Grid Modernization Plan submitted with each General Rate Case and supplemental Grid Modernization Plans developed each year to feed into the distribution grid planning process that would allow adjustments to address policy or economic developments since the last General Rate Case.”\textsuperscript{36} ORA supports this recommendation since the Grid Needs Assessments in ORA’s proposal will essentially serve the same purpose as the non-General Rate Case year Grid Modernization Plans in Clean Coalition’s proposal, and the Grid Modernization Plan in ORA’s recommendation is comparable to the General Rate Case year Grid Modernization Plan in Clean Coalition’s proposal. ORA’s focus is on ensuring that the process includes all of the necessary planning information within the appropriate timeframe for stakeholders to be able to participate in a meaningful manner.

**III. CONCLUSION**

ORA respectfully requests that the Commission adopt ORA’s recommendations in the forthcoming decision on the Grid Modernization process.

\textsuperscript{35} ORA Comments, p. 19.

\textsuperscript{36} Clean Coalition Comments, p. 9.
Respectfully Submitted,

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