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

Order Instituting Rulemaking to Develop
an Electricity Integrated Resource
Planning Framework and to Coordinate
and Refine Long-Term Procurement
Planning Requirements

Rulemaking R-16-02-007

**RESPONSE OF THE GREEN POWER INSTITUTE, UNION OF CONCERNED
SCIENTISTS, ENVIRONMENTAL DEFENSE FUND, CENTER FOR ENERGY
EFFICIENCY AND RENEWABLE TECHNOLOGIES, SIERRA CLUB, AND
CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE TO THE PETITION
OF JOINT PARTIES FOR MODIFICATION OF DECISION NO. 18-02-018**

March 26, 2018

Gregory Morris, Director
The Green Power Institute
2039 Shattuck Ave., Suite 402
Berkeley, CA 94704
(510) 644-2700
gmorris@emf.net

Laura Wisland
Union of Concerned Scientists
500 12th Street, Suite 340
Oakland, CA 94607
(510) 809-1565
lwisland@ucsusa.org

Larissa Koehler
Environmental Defense Fund
123 Mission Street, 28th Floor
San Francisco, CA 94105
(415) 293-6093
lkoehler@edf.org

Sara Steck Myers
Center for Energy Efficiency and Renewable
Technologies
122 – 28th Avenue
San Francisco, CA 94121
(415) 387-1904
ssmyers@att.net

Matt Vespa
Earthjustice
50 California St., Suite 500
San Francisco, CA 94111
(415) 217-2123
mvespa@earthjustice.org
Attorney for Sierra Club

Deborah Behles
California Environmental Justice Alliance
1904 Franklin Street, Suite 610
Oakland, CA 94612
(415) 841-3304
Deborah.behles@gmail.com

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I. INTRODUCTION AND SUMMARY

Pursuant to Rule 16.4 of the Commission’s Rules of Practice and Procedure, the Green Power Institute (GPI), the Union of Concerned Scientists, the Environmental Defense Fund, the Center for Energy Efficiency and Renewable Technologies, the Sierra Club, and the California Environmental Justice Alliance (Environmental Responders) provide this response to the Petition of Joint Parties for Modification of Decision No. 18-02-018.¹ As discussed further below, the Environmental Responders strongly support additional Commission consideration of the impact of the retirement of Diablo Canyon within this proceeding. The retirement of Diablo Canyon, if not thoughtfully considered now, has the potential to significantly increase air pollution and greenhouse gases by the middle of the next decade.

¹ *Petition of Joint Parties for Modification of Decision No. 18-02-018*, Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements, R.16-02-007 (Feb. 28, 2018).

I. INTRODUCTION AND SUMMARY

The Environmental Responders support the Petition for Modification's (PFM) request to modify Decision (D.) 18-02-018, "to provide direction regarding procurement of GHG-free resources to prevent any increase in GHG emissions after the generating units at Diablo Canyon are retired, as planned, in 2024-2025."³ However this step, by itself, will not provide the direction necessary for the load-serving entities (LSEs) to fully address the impact of the retirement of Diablo Canyon. To consider replacement procurement for Diablo Canyon in the IRP proceeding, the Commission must affirmatively and formally identify this topic as one that needs to be addressed in this proceeding. The Environmental Responders believe that consideration of replacement procurement for Diablo Canyon is well within the scope of this proceeding,⁵ but should be explicitly identified in an amendment to that scope. Further, the Commission should open a new track in the IRP proceeding to explicitly consider replacement procurement for the planned closure of Diablo Canyon nuclear power plant, in accordance with D. 18-01-022 in A. 16-08-006.⁶

The four petitioners behind the PFM are a subgroup of the Joint Parties that filed the original Application to close Diablo Canyon nuclear power plant at the conclusion of its current operating licenses, including the principal applicant, PG&E.⁷ In recognition of the fact that Diablo Canyon is California's largest carbon-free generator, the Application requested not only to shutter Diablo Canyon, but to perform some amount of early replacement procurement of greenhouse-gas-free resources in order to avoid letting the retirement of

³ *Id.* at 5.

⁵ The scope identified for R.16-02-007 is very broad and covers all aspects of long-term procurement planning pursuant to existing statutory requirements and those added by SB 350 (Scoping Memo, at pp. 3-12.)

⁶ *Decision Approving Retirement of Diablo Canyon Nuclear Power Plant*, Application of Pacific Gas and Electric Company for Approval of the Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, and Recovery of Associated Costs Through Proposed Ratemaking Mechanisms (U39E), A.16-08-006 at 2 (issued Jan. 16, 2018) ("Replacement procurement issues will be addressed in the Integrated Resource Planning proceeding").

⁷ Application of Pacific Gas and Electric Company for Approval of the Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, and Recovery of Associated Costs Through Proposed Ratemaking Mechanisms (U39E), A.16-08-006 (Aug. 11, 2016).

Diablo Canyon lead to an increase in system-wide greenhouse-gas emissions, as happened with the unplanned closure of San Onofre.⁸

The Decision settling the Diablo Canyon Application approved the retirement of the facility in 2024/2025, and specified unambiguously that it is the intention of the Commission that the retirement be accomplished without causing an increase in greenhouse-gas emissions.⁹ However, rather than deal with the request in the Application to engage in early replacement procurement for Diablo Canyon, the Decision deferred all actions on replacement procurement to the IRP proceeding.¹⁰

The Environmental Responders are concerned that the IRP proceeding is not explicitly considering how to make up for the gap in capacity that will be caused by the retirement of Diablo Canyon. Below, we propose the steps necessary to start considering replacement procurement consistent with D.18-01-022.

II. DISCUSSION

The PFM asks the Commission to make two additions to D.18-02-018, adding a new Finding of Fact and a new Conclusion of Law to the Decision, both of which provide impetus to LSEs to include considerations of replacement procurement for Diablo Canyon in their individual IRPs. While the Environmental Responders support the addition of the PFM's proposed Finding of Fact and Conclusion of Law, we believe additional steps must be taken to fully carry through on the Commission's stated intention in D.18-01-022 – that is, to ensure that the planned closure of Diablo Canyon does not lead to an increase in greenhouse gas emissions. Our concern is well-founded, as modeling results on the current

⁸ *Id.* at 4 (“The Parties jointly propose that Diablo Canyon be replaced with a GHG-free portfolio of energy efficiency, renewables and energy storage”).

⁹ *Decision Approving Retirement of Diablo Canyon Nuclear Power Plant, Application of Pacific Gas and Electric Company for Approval of the Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, and Recovery of Associated Costs Through Proposed Ratemaking Mechanisms (U39E)*, A.16-08-006 at 21-22 (issued Jan. 16, 2018) (“It is the intent of the Commission to avoid any increase in greenhouse gas emissions resulting from the closure of Diablo Canyon”) (emphasis preserved).

¹⁰ *Id.* at 22.

IRP Reference System Plan show a significant increase in system-wide greenhouse-gas emissions coinciding with the closure of Diablo Canyon.

While the Scoping Memo in the IRP does not reference Diablo Canyon by name, it does allow for consideration of “other resource-specific proceedings,” and certainly anticipates consideration of all resource types and needs to fulfill the SB 350 IRP obligations.¹¹ To fully address the impact of Diablo Canyon’s retirement several steps are needed, including: (1) a ruling opening a new track in the proceeding dedicated to replacement procurement for Diablo Canyon, including requiring additional workshops, rulings, and modeling to address Diablo Canyon’s retirement; (2) a workshop and an opportunity to file comments to discuss potential modeling and information necessary to address the retirement; (3) a threshold ruling specifying which entities should be responsible for planning for replacement resources and how cost allocation issues will be handled; and (4) an update to the current modeling to ensure that no bump in air pollution or greenhouse gas emissions occurs as a result of the retirement. These steps, each of which are further described below, are consistent with and in furtherance of the Commission’s direction in D.18-01-022.¹²

(1) A Ruling Requiring Additional Consideration of the Diablo Canyon Retirement

The Environmental Responders request that the Commission issue a ruling opening a new track in the proceeding dedicated to Diablo Canyon replacement procurement, and setting forth a process to ensure that it will provide LSEs the guidance necessary to consider the greenhouse gas impact of Diablo Canyon’s retirement and replacement resources within their IRP filings. Replacement procurement should include consideration not only of energy efficiency and renewable energy, but also integrating resources such as demand response and storage. The additional steps we recommend are further described below (steps 2-4).

¹¹ Scoping Memo, at pp. 3-12.

¹² *Decision Approving Retirement of Diablo Canyon Nuclear Power Plant*, Application of Pacific Gas and Electric Company for Approval of the Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, and Recovery of Associated Costs Through Proposed Ratemaking Mechanisms (U39E), A. 16-08-006 at 2 (issued Jan. 16, 2018) (“Replacement procurement issues will be addressed in the Integrated Resource Planning proceeding”).

(2) An Expedited Stakeholder Process to Determine Necessary Modeling and Guidance

Next, the Environmental Responders request an expedited process to determine what modeling and procedural rulings are necessary to provide sufficient guidance to LSEs to consider Diablo Canyon's retirement within their IRPs. A shortened schedule is necessary, as the LSEs are already preparing their IRPs, which are due on August 1. The expedited process could include one workshop and one opportunity for comments on threshold and related issues.

(3) A Threshold Ruling Related to LSE Responsibility

A basic threshold question that must be answered for LSEs to fully consider the Diablo retirement is which LSEs will be responsible for planning for the replacement of Diablo Canyon. This is not a simple question, given the number of LSEs that operate in the PG&E system territory, and given the fact that Diablo Canyon is a system resource. In addition to providing guidance on LSE responsibility, the Commission should also articulate how it will determine cost allocation related to the Diablo Canyon's replacement power.

(4) An Update to Current Modeling

The Environmental Responders further request that the Commission update its current modeling to ensure that no bump in air pollution or greenhouse gas emissions occurs as a result of the Diablo Canyon retirement. The IRP model identifies an optimal solution set for the California electric sector that achieves a set constraint on greenhouse gas emissions for 2030, but the closure of Diablo Canyon is nothing more than a specification to the model to close a generator at a given time. The model is not programmed to avoid a spike in emissions in 2024/2025 when the retirement occurs. This gap in information needs to be filled to ensure that the Reference Plan provides the guidance necessary for LSEs to plan for Diablo Canyon's retirement.

III. PROPOSED SCHEDULE

The Environmental Responders offer the following proposed schedule, for the Commission's consideration, broken down by the four proposed steps described above.

Step 1 - Initial Ruling

4/13 Ruling granting PFM, amending the Scoping Memo and schedule, and opening new track in IRP

Step 2 - Expedited Stakeholder Process

Week of 4/16 Workshop described in item no. 2 above

4/26 Stakeholder comments on workshop and threshold issues

5/3 Stakeholder reply Comments on workshop and threshold issues

Step 3 - Threshold Issues Ruling

May Ruling on threshold issues

Step 4 - Modeling Update

May-June Include modeling update issues as a discussion item in the MAG process

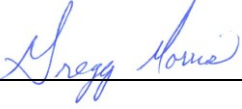
July-August Update model to include explicit consideration of the retirement of Diablo Canyon in 2024/2025

IV. CONCLUSION

The Environmental Responders recommend that the Commission amend D.18-02-018 as requested in the PFM, and further that the Commission open a new track in the IRP proceeding to consider the need for replacement procurement for Diablo Canyon, consistent with D.18-01-022. Failure to do so virtually ensures that the closure will lead to a spike in emissions, which is an unacceptable set-back in the achievement of ambitious climate and clean-energy goals.

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Respectfully Submitted,



Gregory Morris, Director
The Green Power Institute
a program of the Pacific Institute
2039 Shattuck Ave., Suite 402
Berkeley, CA 94704
ph: (510) 644-2700
e-mail: gmorris@emf.net

Laura Wisland
Union of Concerned Scientists
500 12th Street, Suite 340
Oakland, CA 94607
(510) 809-1565
lwisland@ucsusa.org

Sara Steck Myers
Attorney for CEERT
122 – 28th Avenue
San Francisco, CA 94121
ph: (415) 387-1904
ssmyers@att.net

Larissa Koehler
Environmental Defense Fund
123 Mission Street, 28th Floor
San Francisco, CA 94105
(415) 293-6093
lkoehler@edf.org

Deborah Behles
California Environmental Justice Alliance
1904 Franklin Street, Suite 610
Oakland, CA 94612
(415) 841-3304
Deborah.behles@gmail.com

Matt Vespa
Earthjustice
50 California St., Suite 500
San Francisco, CA 94111
(415) 217-2123
mvespa@earthjustice.org
Attorney for Sierra Club