



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

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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
(Filed February 11, 2016)

**REPLY COMMENTS OF ENVIRONMENTAL DEFENSE FUND ON
THE ADMINISTRATIVE LAW JUDGE'S PROPOSED DECISION
REGARDING 2019-2020 ELECTRIC RESOURCE PORTFOLIOS**

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I. Introduction

On February 21, 2020 the Commission issued the proposed decision of Administrative Law Judge Julie A. Fitch Regarding 2019-2020 Electric Resource Portfolios.¹ Pursuant the California Public Utilities Commission's (Commission's) Rule 14.3, Environmental Defense Fund (EDF) respectfully submits the following reply comments.

A wide variety of stakeholders in this proceeding encourage the Commission adopt a lower GHG emissions target than found in the Proposed Decision. EDF suggests that the Commission adopt a 30 million metric ton (MMT) greenhouse gas (GHG) emissions target for 2030. We agree with Southern California Edison (SCE) that the Proposed Decision's "46 MMT planning target will not put the electric sector on an appropriate path to meeting California's Senate Bill ('SB') 32 goals for GHG reduction by 2030 and SB 100 goals for carbon neutrality by 2045."² SCE and EDF are also concerned that the Proposed Decision's GHG emissions target

¹ Proposed Decision of ALJ Fitch on 2019-2020 Electric Resource Portfolios to Inform Integrated Resource Plans and Transmission Planning (Feb. 21, 2020) (Proposed Decision).

² Opening Comments of Southern California Edison Company (U 338-E) on Proposed Decision Regarding 2019-2020 Electric Resource Portfolios to Inform Integrated Resource Plans and Transmission Planning, at 2 (March 12, 2020).

does not set California on the least-cost path to decarbonizing the electric sector. Selecting a lower GHG emissions target will send a signal to the market that the Commission will facilitate procurement of clean resources to achieve a decarbonized and reliable grid.

II. To decarbonize cost-effectively, set a GHG emissions target that provides load serving entities ample time to plan for procurement, and then procure, clean energy.

The goal of the Commission's integrated resource planning process is to guide load serving entities' (LSEs') procurement to result in a decarbonized grid at the least cost. Setting a lower GHG emissions target today will enable the Commission to meet this goal. Waiting to set a lower GHG emission target will compress the amount of time available for LSEs to plan for procurement, and then procure needed resources. SCE observes:

planning for the level of clean resources and grid investments needed through 2030 and beyond is *necessary now* and should *span over the next decade* rather than accumulate at the end of the decade. It is critical to get the target right at the onset – the longer insufficient targets . . . are being used, the greater the challenge becomes to . . . affordably reach the state's environmental goals.³

The Commission should provide LSEs, particularly new community choice aggregators, ample time to model their resources needs, set a procurement strategy, and execute that strategy.

With more time to achieve procurement targets, LSEs that do not receive a bid at the right price or with the right resource characteristics can defer procurement to a later date. With less time to achieve procurement targets, resource developers will have the upper hand in negotiations with LSEs, who will fear penalties for missing their procurement requirements. The Commission should provide LSEs more time so that they can use this flexibility if needed. Setting a lower target now will also provide the Commission more time to conduct its reasonableness review, as LSEs will likely acquire some resources earlier. In sum, the

³ *Id.* at 5 (emphasis added).

Commission should set a lower GHG emissions target now in order to avoid providing developers market power.

III. Modeling in this proceeding can show how to create a firm and decarbonized grid.

The Commission should use the modeling in this proceeding—performed by the Energy Division and parties—to figure out how to run California’s electric grid without fossil fuels. The Public Advocates Office’s astutely observes that the Proposed Decision’s reference system plan’s (RSP’s) “unreasonably high gas plant retention level would violate various statutory requirements”⁴ and fails to “account for the rising costs of maintenance for existing gas-fired power plants over the . . . 15-year period” from 2030-2045.⁵ The Commission should not assume that widespread reliance on fossil fueled resources is necessary. Revising the RSP to comply with state law and use accurate gas plant costs will obviate the need for extensive reliance on natural gas resources, even for ramping and balancing services.

The RSP will then show how to replace the supply and services currently provided by natural gas resources with a diversity of clean resources. EDF’s internal modeling shows that we should consider a variety of clean resources in addition to solar and short-duration storage, including additional clean imports, geothermal, carbon capture use and storage, long-duration

⁴ Comments of the Public Advocates Office Responding to the Proposed Decision Regarding the 2019-2020 Electric Resource Portfolios to Inform Integrated Resource Plans and Transmission Planning, at 9 (March 12, 2020). Retaining gas plants conflicts with SB 100, as gas dispatch will contribute to emissions above the range set by the Cal. Air Resources Board; costs are likely to be higher than estimated by the models, conflicting with requirements regarding just and reasonable rates and minimized impacts on ratepayers; reliability may decrease as existing plants age; gas plants produce criteria pollutants, conflicting with requirement to minimize localized air pollutants. *Id. citing* Pub. Util. Code § 454.52(a)(1)(C)-(F).

⁵ *Id.* at 8 (emphasis added). Using estimated maintenance costs developed for 2030 in 2045 is plainly erroneous.

storage, and offshore wind. The Commission should set a lower GHG emissions target to send the market a signal that it will facilitate the procurement of firm and diverse clean energy resources to replace natural gas resources.

The Commission should not select a single technology when adopting procurement targets, but rather specify the services that resources must provide to the grid. For example, the Proposed Decision extensively references procurement of pumped hydro storage but Eagle Crest Energy says that its “development of 973 MW of pumped storage by 2026 is improbable.”⁶ This underscores 1) EDF’s request that the Proposed Decision include technology-neutral references to long-term storage procurement because doing otherwise would unnecessarily provide developers market power; and 2) need for the Commission to set a lower GHG emissions target now to allow a longer time for procurement activities.

IV. Conclusion

If the Commission waits too long to adopt a lower emissions target, it may be too late for the electric sector to make the most cost-effective investments to achieve 2030 climate goals. This could ultimately lead to higher costs for ratepayers in the long term. The only non-renewable resource we should not hesitate to use to decarbonize the grid is time. The downsides of establishing the lower target are minimal, and the consequences of having the target be set too high include lost time for new procurement, higher costs to customers, and a diluted procurement signal for new generation to come online.

⁶ Opening Comments of Eagle Crest Energy on Proposed Decision Regarding Reference System Portfolio and Related Actions, at 2 (March 12, 2020).

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