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

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	Rulemaking 14-08-013
And Related Matters.	Application 15-07-002 Application 15-07-003 Application 15-07-006
<b>(NOT CONSOLIDATED)</b>	
In the Matter of the Application of PacifiCorp (U901E) Setting Forth its Distribution Resource Plan Pursuant to Public Utilities Code Section 769.	Application 15-07-005
And Related Matters.	Application 15-07-007 Application 15-07-008

**ADMINISTRATIVE LAW JUDGE'S RULING MODIFYING  
THE DISTRIBUTION INVESTMENT DEFERRAL FRAMEWORK PROCESS**

**Summary**

This *Ruling* modifies the Distribution Investment Deferral Framework (DIDF) process and filings with respect to the Independent Professional Engineer (IPE) scope of work and provides the updated 2020-2021 DIDF cycle schedule.

Attachments A and B include a listing of the IPE-specific reforms discussed in this *Ruling* and the updated IPE scope of work.

In addition, this *Ruling* authorizes the use of reimbursable funds for Energy Division to hire a consultant team to support the Distribution Resources Plans (DRP) proceeding and DIDF development. A schedule organized according to Pre-Distribution Planning Advisory Group (DPAG), DPAG, and Post-DPAG activities of the DIDF is also provided in this *Ruling*. A subsequent ruling will be circulated to address all other DIDF reform topic areas.

## **1. Background**

In Decision 18-02-004, the Commission adopted the DIDF. Building upon the Competitive Solicitation Framework developed in the companion Integration of Distributed Energy Resources proceeding,<sup>1</sup> the DIDF established an ongoing annual process to identify, review, and select opportunities for third party-owned distributed energy resources (DERs) to defer or avoid traditional capital investments by the investor-owned utilities (IOUs) on their electric distribution systems. Decision 18-02-004 ordered the IOUs to implement the DIDF as an annual planning cycle that would result in the selection of distribution upgrades for deferral through the competitive solicitation of DERs.

The DIDF implemented in 2018 and 2019 with the expectation that it would be evaluated and revised after each cycle to improve the process. To that end, the assigned Administrative Law Judge (ALJ) issued a *Ruling Requesting Answers to Questions to Improve the Distribution Investment Deferral Framework Process* on February 25, 2019 (*February 25, 2019 Ruling*). Based on these comments, the ALJ issued a *Ruling Modifying the Distribution Investment Deferral*

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<sup>1</sup> Rulemaking 14-10-003.

*Framework Process* on May 7, 2019 (*May 7, 2019 Ruling*). The parties have proposed additional recommendations for DIDF reform throughout the 2019 DIDF cycle, the IPE, and Energy Division staff. A *Ruling Requesting Comments on Possible Improvements to the 2020 Distribution Investment Deferral Framework Process* was subsequently issued on November 8, 2019 (*November 8, 2019 Ruling*), and the contents of this *Ruling* further modify the DIDF.

Eight parties provided comments in response to the *November 8, 2019 Ruling*: California Energy Storage Alliance (CESA), California Public Advocates Office (PAO), Coalition of California Utility Employees (CUE), Green Power Institute (GPI), Pacific Gas & Electric (PG&E), San Diego Gas & Electric (SDG&E), Solar Energy Industries Alliance/Vote Solar (SEIA/Vote Solar), and Southern California Edison (SCE). Based on party comments as well as the other sources of comments and input mentioned above, this *Ruling* makes the following modifications to the DIDF which will go into effect for the 2020-2021 DIDF cycle, including the Distribution Planning Advisory Group (DPAG) process and Request for Offers (RFO) solicitations.

## **2. Party Comments on Verification, Validation, and IPE Review Process**

Party comments on Items 21, 28, and IPE P from the *November 8, 2019 Ruling* are summarized in this section.

CESA had no recommendation to improve the IPE review process but finds that the IPE's observations and analysis have been helpful and insightful. GPI generally supported the IPE recommendations presented in the *November 8, 2019 Ruling*, but recommended that the IPE review include a more thorough verification and validation of the prioritization metrics. GPI expressed concern that the metrics unnecessarily eliminate planned investments from consideration for DER implementation.

PAO provided an appendix of recommendations to improve the IPE review process based on SCE's Grid Needs Assessment/Distribution Deferral Opportunity Report (GNA/DDOR) filing. PAO states that many of the recommendations are applicable to all three IOUs. PAO is also concerned that while the IPE evaluations have improved, they have not reached the point where the results can be independently validated or verified. PAO requests that a verification and validation plan be developed in the first quarter 2020 such that the verification and validation process can begin in May 2020 as recommended by the IPE. The plans would be specific to each IOU. PAO requests that plan development be a public process and the specific deliverables be identified for the IPE. PAO further requests that pay for performance provisions be included in the IPE contracts.

GPI's reply comments generally supported PAO's assessment of the IPE review process and need for improved verification and validation. GPI expressed urgent concern about SDG&E's prioritization metrics, stating that they must be vetted or replaced while the DRP proceeding remains open such that there is not a lasting impact on the efficacy of the DIDF. GPI recommended further vetting of the SCE and PG&E prioritization metrics as well.

PG&E and SCE support engaging with the IPE earlier to improve data organization and coordination. PG&E states that stability in the DIDF requirements will facilitate improved data organization and coordination across IOUs, and hiring the IPE earlier in the DIDF process with a clear IPE scope that is not subject to revision, will facilitate IOU data organization and coordination up front, while also reducing the need for verification and validation after publication. SCE states that vetting the forecasting methodology, input data, and assumptions through the Distribution Forecasting Working Group with the IPE

would improve the time constraints that occurred in 2019 for IPE report completion. SCE supports the verification and validation work.

PG&E and SCE, however, do not support modification to the IPE review process, and SDG&E made no recommendations for improvements. SCE notes that the verification and validation process and associated data collection requires significant implementation effort and does not support increasing the number of components to be reported, verified, and validated. In its reply, SCE stated that PAO's comments about the shortcoming of the verification and validation process completed in 2019 fail to acknowledge the significant data-based work accomplished by the IPE. In its reply comments, PG&E states that while parties generally agree that IPE verification and validation work is valuable, no parties provided justification for why expanding the IPE review process would be cost effective for ratepayers. SDG&E commented that the twelve verification and validation steps identified by PAO to improve the IPE's review would require a significant overhaul of the IPE review process and replicate the work IOU distribution planning personnel already perform. Implementing the steps would require far more resources than the IPE has at its disposal, states SDG&E.

### **3. Party Comments on Planning Standards**

Party comments on Items 26, 27, and IPE D from the *November 8, 2019 Ruling* are summarized in this section.

CUE agrees with and restates Item 7 from the *November 8, 2019 Ruling* that all reliability needs identified in the GNA/DDOR filings should be those earmarked within the planning horizon to require mitigation as defined in an adopted reliability planning standard or guide. Per CUE, to do otherwise would subject ratepayers to needless costs.

CESA also supports the use of adopted reliability planning standards to identify reliability needs and investments that could be deferred. As the IOUs include more planned investments with back-tie benefits and needs, CESA recommends greater planning standards documentation to support stakeholder review of the reasonableness of the planned investments and the determination of service requirements for DER solutions to address these reliability needs.

PAO recommends that the DIDF process should consider all possible distribution grid investment projects for deferral through DER projects, including IOU reliability investment requests other than back-ties.

The IOUs do not support a review of their planning standards. PG&E states that it would be out of scope. SCE states it should be assumed that all reliability needs identified are those that SCE believe meet a threshold for cost-effective mitigation. SDG&E agrees that a conventional wires solution selected to address an identified distribution need should be cost-effective relative to other feasible alternatives. SDG&E further states that back-tie planning has been an integral part of SDG&E's distribution capacity planning for decades and is also a byproduct of its circuit design and construction standards.

#### **4. Party Comments on Filing Comparisons and Other Load Data**

Party comments on Item IPE Q from the *November 8, 2019 Ruling* are summarized in this section.

GPI recommends that SCE and SDG&E provide detailed, tabulated summary tables showing the types and amounts of grid needs, planned investments, and candidate deferrals identified each cycle similar to the ones

PG&E provided.<sup>2</sup> This would allow for a comparison to filings from prior years and among the three IOUs.

SDG&E prefers that new reporting requirements not be added to the DIDF. SDG&E claims that since the IEPR forecast is based on various top-down system-level variables such as economic and demographic data, attempting to introduce bottom-upload additions may create unreconcilable discrepancies within the forecast methodology and CEC timing.

SCE states that a requirement to compare net load forecasts from previous GNA/DDORs with recorded loads would add a great deal more effort to an already extensive DIDF planning and reporting process. SCE argues that it would not provide increased value to stakeholders related to the selection of deferrable projects.

## **5. Discussion Regarding Updated IPE Scope of Work and DIDF Schedule**

Party comments regarding IPE work completed for the 2019-2020 DIDF cycle and future IPE work are summarized above. This section provides a discussion of the comments received and updates to the IPE scope of work.

This *Ruling* agrees with the parties that the IPE review is valuable. In addition, there is a need for various types and degrees of improvement as reflected in the comments by PAO, GPI, SEIA, CESA and the IOUs. The IOU business processes required to develop the GNA/DDOR filings are complex, and the IPE process needed to adequately review the filings continues to be refined and developed with each DIDF cycle. Within the DIDF is instilled an overarching theme of continual improvement whereby reforms are implemented

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<sup>2</sup> PG&E GNA 2019 at 15-18; and PG&E DDOR 2019 at 7-10.

annually, and incremental adjustments are made by Energy Division as needed as part of the ongoing evaluation and reform of the DIDF process.<sup>3</sup>

The IPE scope of work outlined in Attachment B provides for improvement to the IPE review process based on comments received and clarifies that the development of IPE review plans for each IOU will be overseen and approved by Energy Division. It is important the IPE has sufficient time to prepare the IPE Plans in advance of the GNA/DDOR filings and that after the filings, the IPE has the cooperation and coordination of the IOUs necessary to collect the data needed for review in time to prepare the *IPE Preliminary Analysis of GNA/DDOR Data Adequacy* and *IPE DPAG Report* identified in Attachment B.

This *Ruling* further agrees with parties and the IPE that planning standards that lead to the identification of reliability needs should be reviewed. The reliability needs should not be limited to back-ties. Instead, the IOUs should provide the IPE with planning documentation that supports the identification of all reliability needs. At this time, a formal review of IOU planning standards is not required as it could be a significant undertaking. However, Energy Division should discuss the 2020 GNA/DDOR filings with the IPE to determine if inconsistencies and shortcomings in the IOU planning standards exist and whether further review should be prioritized for future DIDF cycles.

This *Ruling* agrees with the IPE that feedback to the CEC about any additional local, known loads should be shared with the CEC for potential consideration in the Integrated Energy Policy Report data, if they are not already being shared. A check to compare the net load forecasts in the prior-year's GNA/DDOR filings with the actuals reported in the subsequent-year's filings

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<sup>3</sup> *May 7, 2019 Ruling* at 13 and 16.



would be valuable. This should be added to the IPE scope of work, but this *Ruling* declines to order the IOUs to include the results of this check in their GNA/DDOR filing documents at this time since they are already complex. The IPE should summarize the outcome of this check in the IPE DPAG Reports.

To further assist the IPE with DPAG Report completion, an *IPE Post-DPAG Report* deliverable is included within the IPE scope of work. The IPE Post-DPAG Report will review and compare overall IOU DIDF compliance and make recommendations for process improvements and DIDF reform. This will allow the IPE DPAG Reports to focus on verification and validation execution, vetting of deferral prioritization results, and the other IPE review processes defined in the IPE Plans. The Post-DPAG Reports will include a comparison of the scope of each IOU's GNA/DDOR filing to inform future DIDF reform. The comparison will include (by IOU) the number of facilities evaluated; number of grid needs identified and total capacity need; number of reliability needs, voltage needs, reactive power needs, and any other needs; total number and cost of planned investments; number of candidate deferral opportunities identified and deferrals carried forward to RFO launch; estimated total deferral value in the RFOs; and other comparison data as determined by Energy Division in consultation with the IPE.

As stated in the *May 7, 2019 Ruling*, the IPE shall report directly to Energy Division to prepare its deliverables and conduct its analyses for DIDF implementation. The term of the IPE scope of work shall be the entire DIDF cycle, which starts on January 1 each year to plan for Pre-DPAG and DPAG implementation and concludes on July 31 the following year after all RFOs are concluded and all DIDF reforms are implemented. IPE scopes of work for each

DIDF cycle will overlap. Planning for the next DIDF cycle will begin while RFO implementation and DIDF reform work is completed for the prior DIDF cycle.

As shown in Attachment B, the IPE's scope of work is defined within the Pre-DPAG, DPAG, and Post-DPAG periods, although some of the work may be conducted earlier or later than the official start of these periods as defined by Energy Division for each DIDF cycle. The scope of work may be modified by Energy Division as needed for the IPE to successfully complete each task. The IOUs will promptly submit a Tier 1 Advice Letter to notice changes in scope should a scope change differ significantly from the scope described in Attachment B. Minor changes should not necessitate an Advice Letter filing.

## **6. Schedule for Annual DIDF Implementation**

Pre-DPAG and Post-DPAG activities are added to the 2020-2021 DIDF cycle schedule to align with the IPE Scope of Work presented in Attachment B. The Pre-DPAG and Post-DPAG activities may include workshops, new, expanded, or re-opened working groups, and IOU presentations and deliverables as required by Energy Division on an annual basis. During the Post-DPAG period and in consultation with the IPE, Energy Division may identify exemplary GNA/DDOR documentation components, analytical approaches, or data strategies implemented by one or more IOUs and require that each IOU implement the reform in future DIDF cycles.

Updates to the DRP Data Portals shall occur on or before August 30<sup>th</sup>, such that the IOUs can focus on the GNA/DDOR filing deadline while allowing for sufficient time to post the results online. The IOUs shall provide draft RFO materials to Energy Division for review on December 10, 2020. Annual DIDF reform comments are due on January 20, 2021. If needed, Energy Division may further alter this schedule with advance notice provided to the service list.

**DPAG Schedule for 2020-2021 DIDF Cycle**

<b>Activity*</b>	<b>Date*</b>
<b>Pre-DPAG 2020</b>	
Pre-DPAG meetings and workshops, including Draft IPE Plans review	May 2020**
<b>DPAG 2020</b>	
IOU GNA/DDOR filings, Final IPE Plans circulated	August 15, 2020
IOUs update DRP Data Portals with GNA/DDOR data	August 30, 2020
IPE Preliminary Analysis of GNA/DDOR data adequacy circulated	September 5, 2020
DPAG meetings with each IOU	September 15, 2020 (week of)**
Participants provide questions and comments to IOUs and IPE	September 25, 2020
IOU responses to questions	October 5, 2020
Follow-up IOU meetings via webinar	October 10, 2020 (week of)**
IPE DPAG Reports	October 25, 2020
DIDF Advice Letters submitted	November 15, 2020
<b>Post-DPAG 2020 and 2021</b>	
Provide draft RFO launch materials to Energy Division for approval in consultation with IPE and IE	December 10, 2020
Launch RFOs for DERs	January 15, 2021 (or within 30 days of DIDF Advice Letter approval if approval is after December 15, 2020)

**DPAG Schedule for 2020-2021 DIDF Cycle**

Activity*	Date*
Annual DIDF reform comments due	January 20, 2021
IPE Post-DPAG Report	February 5, 2021
Comments on IPE Post-DPAG Report and replies to January 20 reform comments due	February 15, 2021

Notes:

\*Activities and dates may be altered by Energy Division based on comments received during Pre-DPAG activities or as needed. Where dates fall on a weekend, the activity is intended to occur on the following Monday.

\*\*Meeting dates to be assigned by Energy Division during the Pre-DPAG period.

**7. Additional DRP and DIDF Technical Support**

This *Ruling* authorizes the use of reimbursable funds for Energy Division to hire a consultant team to validate DRP Data Portal<sup>4</sup> data and investigate, recommend, and track portal improvements; support annual DIDF implementation and cross-proceeding coordination; evaluate and test complex DIDF process standardization and reform concepts; and investigate and develop the means for optimizing the siting and sizing of DERs, which may include accessing and analyzing large datasets from the utilities and other sources. The analysis and development of DER sourcing mechanisms and technical support related to distribution resources planning may also be provided.

Funding was approved in 2018 pursuant to Budget Change Proposal (BCP) 8660-012-BCP-2018-GB (Reduce Carbon Emissions). The BCP was approved to

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<sup>4</sup> The DRP Data Portals hosted by the three IOUs provide Integrated Capacity Analysis, Locational Net Benefit Analysis, GNA/DDOR, and other data to the public to support, among other goals, the siting and sizing of customer-owned DERs, public vetting of the IOU's GNA/DDOR filings, and third-party bidding on distribution deferral opportunities.

broadly support the Commission's review of the impacts of DERs on the electric system, grid modernization needs to facilitate DER integration, and policy development to achieve optimal levels of DERs on the electric grid. Up to \$4,000,000 over four years was authorized.

**IT IS SO RULED.**

Dated April 13, 2020, at San Francisco, California.

/s/ ROBERT M. MASON III

Robert M. Mason III  
Administrative Law Judge

# **ATTACHMENT A**

**Attachment A**

**Listing of Schedule and IPE-Specific Reforms for the 2020-2021 DIDF Cycle**

1. IPE-specific reforms for the 2020-2021 DIDF Cycle are implemented within the IPE Scope of Work presented in Attachment B.
2. IOU contracts with the IPE for the full scope of work identified in Attachment B shall be executed by the IOUs to allow for IPE Plan development to begin as soon as possible, ideally on or before **April 17, 2020**.
3. The IOUs shall work with the IPE and Energy Division to develop IPE Plans specific to each IOU such that the IPE can submit the Draft IPE Plans to Energy Division for review on or before **May 15, 2020**.
4. The IPE scope of work may be modified by Energy Division as needed for the IPE to successfully complete each assignment. The IOUs will promptly submit a Tier 1 Advice Letter to notice changes in scope should a scope change differ significantly from the scope described in Attachment B. Minor changes should not necessitate an Advice Letter filing.
5. As required by Energy Division on an annual basis, Pre-DPAG and Post-DPAG activities may include workshops; new, re-opened, suspended, or modified working groups (e.g., Distribution Forecast Working Group); and IOU presentations and deliverables.
6. During the Post-DPAG period and in consultation with the IPE, Energy Division may identify exemplary GNA/DDOR documentation components, analytical approaches, or data strategies implemented by one or more IOUs and require that each IOU implement the reform in future DIDF cycles.

*(end of Attachment A)*

# **ATTACHMENT B**



## **Attachment B**

### **IPE Scope of Work for DIDF Implementation**

#### **Term**

- January 1st each year to July 31st the following year with the term subject to update by Energy Division if needed to support each DIDF cycle.

#### **Pre-DPAG Period**

- Develop an *IPE Plan* for each IOU describing the GNA/DDOR review process and detailed approach to Verification and Validation of all data used by the IOUs to prepare their DIDF filing materials.
  - Verification and Validation will include a thorough investigation of the following IOU processes, among others:
    - Collecting circuit loadings and performing weather adjustments;
    - Determining load and DER annual growth on the system level;
    - Disaggregating load and DER annual growth to the circuit level;
    - Checking sum of all disaggregated load and DERs against system-level values;
    - Adding incremental known loads to circuit level forecasts;
    - Developing load, DER, and net load profiles and determining net peak loads;
    - Adjusting for extreme weather;
    - Comparisons to equipment ratings to determine if ratings will be exceeded;
    - Incorporating load transfers, phase transfers, correcting data errors;
    - Compiling GNA tables showing need amount and timing; and
    - Following the IOU's planning standard and/or planning process.
  - GNA/DDOR report review will include an in-depth analysis of the following IOU steps, among others:
    - Developing recommended solutions (planned investments);
    - Implementing the IOU's planning standards and/or planning process;
    - Estimating capital costs for planned investments;

- Developing list of candidate deferral projects through application of screens (timing and technical);
  - Developing operational requirements;
  - Prioritization of candidate deferral projects into tiers;
  - Calculating LNBA values; and
  - Comparing prior-year forecast and actuals at circuit level for candidate deferral projects.
- Work directly with the IOUs and Energy Division to develop draft plans as needed. Development of the draft IPE Plans may include, among other activities:
    - Meeting with the IOUs and Energy Division to identify and understand each business process and tool used to complete their GNA/DDOR filings.
  - Facilitate or participate in stakeholder workshops to receive feedback on the IPE Plans.
  - Review and incorporate comments in the final IPE Plans.
  - Submit final IPE Plans to Energy Division and the IOUs with recommendations for future improvements to the plans.
  - Other technical support assignments as defined by Energy Division to ensure the IPE and Energy Division will receive from the IOUs the data and cooperation necessary to complete the required evaluation of the GNA/DDOR filings.

### **DPAG Period**

- Participate in all workshops and meetings during the DPAG period. Prepare and deliver presentations or handouts as requested by Energy Division (e.g., final IPE Plan presentations).
- Develop an *IPE Preliminary Analysis of GNA/DDOR Data Adequacy* for all three IOUs.
- Review any comments on the preliminary analysis that may be received and discuss the results with Energy Division.

- Facilitate meetings with Energy Division and the IOUs to correct data inadequacies and prepare further documentation and provide technical support as needed.
- Fully implement each IPE Plan as defined in the final IPE Plans.
- Develop an *IPE DPAG Report* for each IOU presenting GNA/DDOR review findings and Verification & Validation outcomes.
- Submit the draft reports to Energy Division for review and (if necessary) to the IOUs to check for confidential information that may be included or to clarify specific details.
- Circulate the final IPE DPAG Reports to stakeholders (public and confidential versions).
- Other technical support assignments as defined by Energy Division to ensure the DPAG process is successfully completed.

#### Sample Size

- The scope of review conducted by the IPE for each IOU process may encompass the full set of circuits/projects or a subset/sample of circuits or projects. Where sampling is determined to be appropriate by the IPE in consultation with Energy Division, the size of the sample set for each case will be determined by the IPE based on the application of engineering judgement.

#### Post-DPAG Period

- Develop a single *IPE Post-DPAG Report* covering all three IOUs; comparing their current and prior filings; evaluating DIDF DER procurement, operational, cost, and contingency planning outcomes; reviewing IOU compliance; and making recommendations for process improvements and DIDF reform.
- Coordinate with and support the Independent Evaluator (IE) with IE activities and the development of IE reports as needed.
- Submit the draft report to Energy Division for review and (if necessary) to the IOUs to check for confidential information that may be included.

- Submit the final report to Energy Division and prepare public versions as needed.
- Support Energy Division with their review of DIDF reform comments, including comments on any IPE tasks.
- Support Energy Division's review of RFO materials and RFO outcomes.
- Attend RFO and procurement meetings and provide technical support as requested by Energy Division.
- Coordinate with the Independent Evaluator to support their evaluation and provide technical support at the discretion of Energy Division.
- Other technical support assignments as defined by Energy Division to develop and evaluate potential DIDF reforms and track and evaluate deferral opportunities that may be subject to ongoing review in other proceedings (e.g., pursuant to General Order 131-D).

**List of IPE DIDF Deliverables**

1. *IPE Plan* for each IOU describing the GNA/DDOR review process and approach to Verification & Validation for the underlying data.
2. *IPE Preliminary Analysis of GNA/DDOR Data Adequacy* for all three IOUs.
3. *IPE DPAG Report* for each IOU presenting GNA/DDOR review findings and Verification & Validation outcomes.
4. *IPE Post-DPAG Report* covering all three IOUs, comparing their filings, reviewing compliance, and making recommendations for process improvements and DIDF reform.

*(end of Attachment B)*