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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
(NOT CONSOLIDATED)	
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 ON ESTRELLA SUBSTATION DISTRIBUTION DEFERRAL OPPORTUNITY

This *Ruling* orders Pacific Gas and Electric Company (PG&E) to launch a Distribution Investment Deferral Framework (DIDF) Request for Offers (RFO) solicitation for the Estrella Substation deferral opportunity no later than October 30, 2020. The solicitation will seek to procure Distributed Energy Resources (DERs) to address the capacity needs identified in PG&E's 2020 Grid

Needs Assessment/Distribution Deferral Opportunity Report (GNA/DDOR) filing.

1. Background

PG&E included the distribution components of the proposed Estrella Substation planned investment in their 2018 and 2019 GNA/DDOR filings. In 2018, PG&E identified capacity needs that would be addressed by Estrella Substation, if built, and ranked the planned investment as a Tier 2 candidate deferral opportunity. PG&E did not propose it for solicitation due primarily to the Forecast Certainty metric calculation results as shown in Attachment A to this *Ruling*. PG&E used the expected 2024 substation in-service date as the need date for the Forecast Certainty calculation. By comparison, Tier 1 candidate deferrals are described by PG&E as the most likely to be deferred by DERs. The Tier 1 candidates shown in Attachment A were proposed for solicitation in the 2018 PG&E DIDF RFO.

In 2019, PG&E identified reliability needs in addition to the capacity needs that would be addressed by the proposed Estrella Substation. With the addition of reliability needs, PG&E reduced the Estrella Substation ranking to a Tier 3 candidate deferral opportunity as shown in Attachment A. The Energy Division asked PG&E to consider prioritization with only the capacity needs and an in-service date occurring in 2022. Under this hypothetical scenario, it would rank Tier 1 as shown in Attachment A.

It has since been determined that the need date rather than in-service date will be used for Forecast Certainty metric calculations. See Reform No. 24c in the *Administrative Law Judge's Ruling Modifying the Distribution Investment Deferral Framework – Filing and Process Requirements* issued on May 11, 2020 (*May 11, 2020 Ruling*). Furthermore, the *May 11, 2020 Ruling* determined that the Forecast

Certainty metric does not apply to projects filed with the commission pursuant to General Order (GO) 131-D, such as, the Estrella Substation project (Reform No. 24d).¹ PG&E's forecast dates for the capacity needs are further discussed in the next section.

1.1. Clarification of DIDF Reform 24d

This *Ruling* clarifies that the Forecast Certainty metric shall not apply to Post-Application Project prioritization rankings. Reform 24d in the *May 11, 2020 Ruling* only used the term, "Pre-Application Projects." As stated in the *May 11, 2020 Ruling*, "the Forecast Certainty metric on the whole appears to be of limited value for Pre-Application Projects because the utility cannot address the associated needs with the proposed project until a permit is received, and it is not possible for the utility to predict with certainty the permitting timeframe." This same statement is also relevant to Post-Application Projects.

2. Estrella Substation Grid Needs and Cost Estimates from 2018 to 2020²

In 2018, PG&E reported to the Energy Division's California Environmental Quality Act (CEQA) unit that a 4.3 Megawatts (MW) distribution capacity deficiency is forecast to occur in 2026 for the Paso Robles Distribution Planning Area (DPA).³ PG&E indicated that the proposed Estrella Substation would

¹ Pre-Application Projects are transmission and sub-transmission projects with associated distribution components under CPUC jurisdiction that are expected to be filed with the Commission pursuant to GO 131-D. Post-Application Projects are the same types of projects except an application has already been filed with the Commission. The Estrella Substation project was filed with the Commission in 2017 pursuant to GO 131-D (proceeding Application (A.) 17-01-023) and is considered a Post-Application Project.

² The values list in this section are identified in Attachment B to this *Ruling*.

³ A.17-01-023, Joint Application of NextEra and PG&E for Permits to Construct Estrella Substation, NextEra and PG&E's Updated Appendix G to Exhibit B (Joint PEA) Re Estrella Substation, June 20, 2018, at UG-16.

address this need. In their 2018 GNA/DDOR filing, PG&E identified a lower, 3.41 MW capacity need. In addition, the GNA/DDOR forecast is more granular and identified needs for specific circuits and banks within the DPA that could occur earlier than 2026, with the earliest needs forecast to occur in June 2018. PG&E estimated that the distribution components of the proposed substation would cost \$10 million.^{4,5}

In their 2019 GNA/DDOR, PG&E identified 5.9 MW of needed distribution capacity to be addressed by Estrella Substation with the earliest needs occurring in 2019 for various circuits and banks within the DPA. Their estimated cost for the distribution components of the proposed substation increased to \$18.5 million.^{6,7} PG&E also identified several reliability needs that would be addressed by the proposed substation. According to PG&E, however, the reliability needs have existed since at least 2009 without being addressed, and they do not have plans at this time to address each of the issues should Estrella Substation not be constructed.⁸ It is not clear why reliability needs were not included in PG&E's 2018 GNA/DDOR filing.

Furthermore, the proposed Estrella Substation would not fully address each of the reliability issues. PG&E stated to the Energy Division that "the Planned Investment for Estrella Substation would be able to pick-up

⁴ Appendix 4 to Rulemaking (R.) 14-08-013, 2018 Grid Needs Assessment Report of Pacific Gas and Electric Company (U 39 E), Pursuant to Ordering Paragraphs 2.D, and 2.E of D.18-02-004, June 1, 2018.

⁵ Appendix B to PG&E's 2018 Distribution Deferral Opportunity Report, R.14-08-013, September 4, 2018.

⁶ Appendix 6.5 to PG&E's 2019 Grids Needs Assessment, R.14-08-013, August 15, 2019.

⁷ Appendix B to PG&E's 2019 Distribution Deferral Opportunity Report, R.14-08-013, November 15, 2019.

⁸ PG&E Data Response ED_019-Q-18_Rev01 to the Energy Division on September 24, 2019.

approximately 5 MW of the 14 MW the [Cholame] substation is forecasted to serve “[in the event the Cholame 70-kV radial feed arrangement experienced an N-1 contingency].” The potential N-1 contingency (i.e., outage of the single 70-kV line), however, “does not result in any impacts to the transmission system and as such does not result in any NERC [North American Electric Reliability Corporation] or CAISO [California Independent System Operator] reliability standards violations,” said PG&E. A new 70-kV transmission line from the proposed Estrella Substation to the existing Cholame 70-kV Substation would resolve the potential Cholame N-1 contingency but would need to be brought forward to CAISO for review and approval.⁹

In 2020, PG&E updated its forecast for the Energy Division’s CEQA unit. A capacity need is no longer forecast for the overall DPA through 2029. However, a 1.68 MW overload specific to San Miguel Substation is forecast to occur in 2020 and increase to 3.31 MW by 2029.¹⁰ Attachment C to this *Ruling* provides the recorded peak loads for the Paso Robles DPA from 2007 through 2019. A sharp decrease from 190.3 MW to 168.1 MW occurred between the 2018 and 2019 recorded peak loads. Prior to 2017, peak loads had been increasing in the DPA with 164.74 MW recorded in 2014 and 195.1 MW recorded in 2017.¹¹ Although the peak load recorded in 2019 was lower than 2015, an upward trend remains. The peak load for 2020 will not be available from PG&E until spring or

⁹ *Ibid.*

¹⁰ Table 4 from May 2020 update to the A.17-01-023, Joint Application of NextEra and PG&E for Permits to Construct Estrella Substation, NextEra and PG&E's Updated Appendix G to Exhibit B (Joint PEA) Re Estrella Substation.

¹¹ Table 2 from May 2020 update to the A.17-01-023, Joint Application of NextEra and PG&E for Permits to Construct Estrella Substation, NextEra and PG&E's Updated Appendix G to Exhibit B (Joint PEA) Re Estrella Substation.

summer 2021. The cost estimate will be updated in PG&E's 2020 GNA/DDOR filing.

3. Solicitation for Capacity Needs

PG&E estimates that Estrella Substation will be operational by 2024, but as shown in the previous section, PG&E reports that a 1.68 MW capacity need at San Miguel Substation already exists in 2020. Capacity needs for individual circuits and banks within the Paso Robles DPA may also exist or be forecast, but this will not be known until PG&E submits its 2020 GNA/DDOR filing. Given that capacity grid needs already exist that cannot be addressed by the proposed substation solution until at least 2024, and PG&E continues to forecast load growth, PG&E should seek to address the capacity needs by DIDF solicitation.

While this could delay addressing the distribution reliability needs identified by PG&E, as explained in the previous section, PG&E's response to the Energy Division indicates that resolving the reliability needs has not been prioritized. Furthermore, to fully resolve the reliability needs could require additional review and approval by the CAISO of a new 70-kV line.

Commission review of the proposed project under proceeding A.17-01-023 is still in early stages. The timeframe for Commission decision remains unclear, with the prehearing conference for proceeding A.17-01-023 set to move forward after circulation of the Draft Environmental Impact Report (Draft EIR).¹² The scope and schedule of proceeding A.17-01-023 cannot be established until after the pre-hearing conference, and the Energy Division currently expects Draft EIR circulation to occur by September 2020 at the latest. It is not certain how controversial the proposed project may be, but if the proposed substation is

¹² Order Extending Statutory Deadline, July 31, 2018, A.17-01-023, at 2.

approved, the Energy Division estimates it would take 18 to 24 months after closing the proceeding to complete planning and construction. Hence, it remains unclear when and if a traditional solution (*i.e.*, the proposed project or similar “wired” solution) to each of the distribution capacity needs could be operational.

One indicator that the DIDF solicitation for capacity needs may be successful is provided in the *Behind-the-Meter Solar plus Storage Adoption Propensity Analysis* prepared as part of the Energy Division’s environmental review for proceeding A.17-01-023.¹³ The study finds that behind-the-meter (BTM) DER resources in combination with front-of-the-meter (FOM) resources, have the potential to cost-effectively defer the distribution components of the proposed Estrella Substation. The study states that as of 2019, about 17,000 customers (residential and commercial/industrial) of the roughly 75,500 customers studied within the Paso Robles DPA meet the criteria for economically-efficient adoption of BTM resources. Adoption by a relatively small fraction of the customers could resolve two of the three capacity needs studied (Paso Robles Circuit 1104 and Templeton Substation Bank No. 3). The third capacity need (San Miguel Substation Bank No. 1) could be partially resolved by customer DER adoption, but a FOM DER or traditional solution would still be required, according to the study.

In addition, a DER procurement could have resiliency benefits. While it is not clear to what extent procured DERs could provide resiliency services, PG&E should report to the Energy Division about resiliency benefits that may be

¹³ *Behind-the-Meter Solar plus Storage Adoption Propensity Analysis*, Estrella Substation and Paso Robles Area Reinforcement Project, January 2020, prepared for the California Public Utilities Commission, prepared by Kevala Analytics, Inc., available here:

<https://www.cpuc.ca.gov/environment/info/horizonh2o/estrella/index.html>.

realized based on solicitation outcomes. A number of distribution circuits within the Paso Robles DPA extend through elevated or extreme fire threat areas according to the CPUC FireMap.¹⁴

4. Solicitation Requirements

PG&E shall launch a DIDF RFO for the Estrella Substation deferral opportunity no later than October 30, 2020. The following requirements apply to the RFO:

1. The RFO shall be administered pursuant to Decision 18-02-004 (D.18-02-004) and R.14-08-013 proceeding Rulings and requirements unless altered by this *Ruling*.
2. PG&E need not file an advice letter requesting approval to launch the RFO.
3. RFO materials and bid submission forms shall allow for FOM, BTM, and BTM in combination with FOM DER offers, and all forms of resource ownership shall be allowed (e.g., utility owned, third-party owned, customer owned, and joint ownership) without any bias towards a specific ownership model. If PG&E has compelling reasons why allowing utility-owned DER bids is not feasible, they may present these reasons to the Energy Division in writing at least 30 days in advance of the RFO. Energy Division shall make the determination about PG&E's request (if it occurs) in consultation with the Assigned Commissioner and Administrative Law Judge.

¹⁴ <https://ia.cpuc.ca.gov/firemap>.

4. PG&E shall provide all RFO materials to the Energy Division, Independent Professional Engineer, and Independent Evaluator for their joint review no less than three weeks prior to RFO launch.
5. DER solutions shall be solicited for the capacity grid needs associated with Estrella Substation identified in PG&E's 2020 GNA/DDOR filing. The cost cap shall be determined based on the Estrella Substation unit cost identified in PG&E's 2020 GNA/DDOR filing.
6. From the date of RFO issuance, neither the cost cap nor forecast grid needs may be updated prior to DER deferral contract execution.
7. Within five months of RFO issuance, PG&E shall file a Tier 2 advice letter for DER contract approval or submit the required documentation as specified in Reform No. 41.¹⁵
8. If feasible, PG&E shall issue the FMC Substation and Estrella Substation RFOs at the same time.¹⁶

IT IS SO RULED.

Dated July 23, 2020, at San Francisco, California.

/s/ ROBERT M. MASON III

Robert M. Mason III
Administrative Law Judge

¹⁵ See Attachment A to *Administrative Law Judge Ruling Modifying the Distribution Investment Deferral Framework – Filing and Process Requirements*, May 11, 2020, R.14-08-013.

¹⁶ On May 7, 2020, PG&E emailed the Energy Division that they anticipate RFO launch for the FMC Substation deferral opportunity in October 2020 after reviewing the results of their existing Energy Efficiency program on the associated grid needs.