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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue
Electric Integrated Resource Planning and
Related Procurement Processes.

Rulemaking 20-05-003

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

This Scoping Memo and Ruling sets forth the issues, need for hearing, schedule, category, and other matters necessary to scope this proceeding pursuant to Public Utilities Code Section 1701.1. and Article 7 of the Commission's Rules of Practice and Procedure (Rules).

1. Procedural Background

The Commission initiated this Order Instituting Rulemaking (OIR) on May 7, 2020 as a continuation of the previous electricity Integrated Resources Planning (IRP) Rulemaking (R.) 16-02-007. Initial comments on the scope and schedule contained in the OIR were filed on or about June 15, 2020 by 40 parties in 35 sets of comments.

Also on June 15, 2020, the assigned Administrative Law Judge (ALJ) issued a ruling setting a Prehearing Conference (PHC) and seeking parties' comments on a proposed three-year schedule for the IRP proceeding, which would be a departure from the previous two-year cycle schedule adopted in Decision (D.) 18-02-018.

On or about July 6, 2020, 34 sets of parties filed combined reply comments in response to the OIR and initial comments on the proposed three-year schedule contained in the June 15, 2020 ALJ ruling.

A telephonic PHC was held on July 14, 2020 to discuss the issues of scope, determine the need for hearing, set the schedule for resolving the matters, and address other matters as necessary.

The majority of the discussion at the PHC centered around two sets of issues:

- 1) whether a two- or three-year cycle schedule is appropriate; and
- 2) which of two options put forth by the ALJ at the PHC to use to guide the scope and schedule of this proceeding:

Option 1: emphasizing aggregation and processing of the individual IRPs filed by all load-serving entities (LSEs) on September 1, 2020, leading to adoption of a preferred system portfolio (PSP) by the end of 2021; or

Option 2: conducting targeted locational analysis for any or all of the following planning and procurement challenges:

- Analysis of specific individual gas plant retirements that will be needed by 2030, with particular attention to plants located in disadvantaged communities.
- Specific analysis of long-term local reliability needs in local capacity areas. Several parties suggested starting with the Los Angeles Basin or Greater Fresno local areas, since these are load pockets with known and long-standing air quality issues.
- Replacement power for Diablo Canyon.
- Designation of the need to procure specific, or at least specific amounts of, long-duration storage projects, which would likely be large and location-specific.
- Designation of the need for out-of-state wind or offshore wind, in particular geographic areas, to

support transmission development to access the resources.

Even though Option 1 and Option 2 were presented as mutually exclusive, due to finite staff and consulting resources, at the PHC several parties argued that the Commission should proceed in parallel with both options. Among parties that stated a strong preference for one option over the other during and after the PHC, the clear majority of parties was in favor of Option 2, conducting more locational analysis of various types, and placing less emphasis on analysis of the individual LSE IRP filings. Different parties had different reasons for their emphasis on Option 2, likely due to particular interest either in one particular type of resource or a general desire to see more direct influence of the proceeding activities over procurement and development of additional electricity resources.

By July 24, 2020, 29 sets of parties filed reply comments in response to the June 15, 2020 ALJ ruling and the discussion held at the July 14, 2020 PHC, with final thoughts on the scope and schedule for this proceeding.

Subsequent to these events in the proceeding, on August 14 and 15, 2020, the California Independent System Operator (CAISO) instituted rolling outages in the state due, at least in part, to the lack of available electric capacity on those days. While the root causes are still being considered, those events also have bearing on the scope and schedule for this proceeding.

The ALJ and I very much appreciate parties' thoughtful comments and input about priorities and emphasis in this proceeding in the near term. After considering the numerous comments filed by and the discussion at the prehearing conference, coupled with recent events, I have determined the issues and initial schedule of the proceeding to be set forth in this scoping memo.

2. Issues

This section discusses the issues planned to be resolved in this proceeding, organized generally into the tracks used in the June 15, 2020 ALJ ruling and the prior IRP rulemaking (R.16-02-007), including:

- General IRP oversight issues;
- Procurement Track;
- Adoption of a Preferred System Portfolio (PSP);
- Recommendations for the California Independent System Operator's (CAISO's) Transmission Planning Process (TPP); and
- Development of the next Reference System Portfolio (RSP).

Each of these categories is discussed in more detail below.

First, I expect the question of a two-year or a three-year cycle to be included in an upcoming decision. On the topic of whether to pursue Option 1 (aggregation of individual IRPs into a PSP) or Option 2 (additional locational analysis of various types) as characterized during the PHC, after consultation with Commission staff, I have opted to take a bit of a hybrid approach as described further below. We intend to proceed to evaluate the individual IRP filings of the LSEs, but weave in specific location-oriented analyses requested by parties, in a prioritized manner. Our first priority will be to start with further work on resources to replace the capacity associated with the Diablo Canyon Nuclear Plant retirement in 2024 and 2025 and to continue to ensure reliability in the intervening years. These resources would be in addition to the 3,300 megawatts (MW) of procurement already required by D.19-11-016.

We will also continue planning for procurement of long-lead-time resources that may be needed in the next decade, including long-duration storage, out-of-state wind, and offshore wind, among other resources. Further,

we will continue improving the analytical tools and methodologies we have for evaluating reliability needs, both at the system and the local level.

However, the outages experienced in August 2020 due, at least in part, to inadequate supply resources have caused me to reevaluate the urgency of conducting analysis around potential retirement of additional natural gas capacity in specific local areas that may be needed as both local and system resources. While I am cognizant of the issues faced by the communities in which natural gas power plants are located, for the moment it seems unnecessary and likely ill-advised to emphasize planning for additional capacity retirement until: the additional capacity required in D.19-11-016 is operational; the individual IRPs recently filed have been aggregated and the need for procurement orders determined; and we have had the chance to reevaluate the reliability situation for the CAISO system generally. This locational analysis will still occur, but a slight delay will allow sufficient time to conduct appropriate procurement analysis.

It is also worth noting that the RSP currently in place, adopted in D.20-03-028, only contemplates the need for a small amount of retirement of natural gas resources by 2030, because they are still needed for reliability, at least until the other renewable and storage resources are procured to make the RSP a reality. The Commission likely will reevaluate the greenhouse gas (GHG) target associated with the RSP, but that comprehensive analysis will need to be conducted with reliability in mind. Changes to our reliability framework will also likely be considered in parallel, in the context of the resource adequacy rulemaking (R.19-11-009).¹ In addition, Commission staff will continue working with parties to determine how best to analyze the potential need for retention of

¹ See also D.20-03-028 at 40, for more discussion about planning reserve margin and loss of load expectation metrics.

natural gas generation resources in the 2030 time frame. Further details of the planned activities associated with the IRP scope options are included in the sections immediately below.

2.1. General IRP oversight issues

As discussed at the PHC and in the June 15, 2020 ALJ ruling, one key issue to be resolved early on in this proceeding is whether the ongoing schedule for the IRP proceeding should have a two-year or a three-year cycle. Parties have filed numerous comments on the pros and cons of both options, and what issues should be resolved under each of the alternatives. I expect a proposed decision to be issued based on the record already developed in response to the June 15, 2020 ALJ ruling and the discussion at the PHC. This issue must be resolved in a decision of the Commission because the two-year cycle was originally established in D.18-02-018.

In addition, in this category of general issues, I expect the proceeding will need to continue to keep in its scope the filing requirements related to the individual IRPs required from all LSEs (currently every two years) and any updates and improvements that will be needed before the next round of individual IRP filings, currently expected in 2022. For example, Commission staff have begun working with the California Energy Commission on refining and advancing the development of individual LSE load forecasts.

Another issue that is currently being considered in the current renewables portfolio standard (RPS) implementation proceeding (R.18-07-003) is whether and how to integrate consideration of the annual RPS plan filings with the IRP filing requirements handled in this proceeding. The Commission may decide to have certain RPS-related matters handled in the context of the filing of the IRPs.

There may be other general issues related to the organization and governance of the IRP oversight process that may emerge; these issues will remain in the scope of this proceeding. The same is true for any issues related to the ongoing implementation of Public Utilities Code Sections 454.51 and 454.52, which are the two code sections that created the IRP process originally. As in R.16-02-007, any issues related to the ongoing implementation of and compliance with those two code sections will be addressed in this proceeding.

Finally, in terms of general policy issues to be included in the scope of this proceeding, the ongoing interagency work (with the California Air Resources Board and the California Energy Commission) on the implementation of Senate Bill 100 (DeLeón, 2018) may be considered in this proceeding venue, as needed.

2.2. Procurement Track

Also similar to R.16-02-007, there will be a procurement track in this proceeding, addressing both the broad framework for requiring and conducting procurement of electric energy and capacity, including issues around the potential need for backstop procurement and allocation of related procurement costs, as well as procurement orders or other Commission actions.

Initially, the proceeding will need to resolve questions surrounding the capacity procurement ordered in D.19-11-016, in response to comments and replies from parties already received in July and August 2020, in response to a June 5, 2020 ALJ ruling.

Next, we will turn our attention to the need for ensuring reliability and GHG emissions reductions during and after the upcoming retirement of the Diablo Canyon Nuclear Plant. While we have been planning for the retirement of Diablo Canyon for some time, as detailed in the discussion in D.19-04-040, the outages of August 2020 have highlighted ongoing concern that we have adequate

resources in place to ensure system reliability when Diablo Canyon retires. For this reason, the next priority in the procurement track of this proceeding will be to focus specific analysis around the 2,280 MW of retiring capacity and the plans of the LSEs to replace it.² Each LSE was required to address this topic in its individual IRP. We intend to analyze those plans and each LSE's specific progress toward procuring its proportional share of Diablo Canyon replacement capacity, in the procurement track of this proceeding. After evaluating the LSEs' plans, Commission staff will compile an overall assessment and gap analysis to inform a procurement order to supplement planned capacity investments.

To support this analysis and potential procurement order, Commission staff will propose a broad framework to establish how to ensure that procurement is generally consistent with the optimal portfolio of resources developed in the planning track. It will also address how procurement is required during this IRP cycle, as well as raise ideas about how the process can mature in the next cycle and beyond.

In addition, in the procurement track, the following items will be within the scope of this proceeding, and we will conduct activities associated with them roughly in this priority order:

- Evaluation of development needs for long-duration storage, out-of-state wind, offshore wind, geothermal resources, and any other resources with long development lead times.
- Local reliability needs, emphasizing the Los Angeles Basin and Greater Fresno areas first.

² Note that 2,280 MW of baseload capacity of Diablo Canyon will translate into a great deal more nameplate capacity if replaced with renewables or storage to provide the same amount of effective load carrying capacity value.

- Analysis of the need for specific natural gas plants in local areas, with particular emphasis on impacts on disadvantaged communities.

I also expect that after aggregating the resources included in the individual IRP filings out to 2030 and analyzing the reliability and emissions profile of that aggregated portfolio (as discussed further below), we will need to consider additional procurement requirements.

2.3. Preferred System Portfolio Development

As with the prior cycle of IRP conducted in R.16-02-007, for this proceeding Commission staff will aggregate the electricity resources included in the individual IRPs submitted on September 1, 2020.

To support this work, any deficiencies identified in individual IRP filings will be flagged and additional information sought from the LSEs, as necessary.

The aggregated portfolio will be analyzed for its reliability, cost, and GHG emissions characteristics, using production cost modeling and supplemental staff analysis. That analysis will be used to inform a staff recommendation for a PSP to be adopted by the Commission.

As mentioned in the prior section, depending on the outcome of this analysis, more procurement of particular types of resources may be necessary to support fulfillment of the PSP for this cycle of IRP. If so, additional procurement requirements will also be considered.

2.4. Transmission Planning Process

It is likely, though not a foregone conclusion, that the PSP analysis described in the prior section will lead to a portfolio to be transmitted by the Commission to the CAISO for use in its TPP analysis. This PSP development will not be in time for the upcoming TPP process for 2021-22, however. Therefore, this proceeding will need to evaluate the appropriate portfolio(s) for use in the

2021-22 TPP cycle, prior to a full analysis and evaluation of a PSP, likely for the 2022-23 TPP cycle.

In addition, this proceeding will be the venue for receiving the ongoing results of the CAISO TPP processes, in order to use them to update our analyses for planning and procurement purposes. Every cycle of TPP results creates information that can be used in the next round of IRP analysis. That feedback loop will continue to be utilized in this proceeding.

Also to support TPP analysis, Commission staff have been working on improving and refining approaches to mapping of electricity resources to specific locations on the transmission system. Specifically, a methodology will be developed to map battery storage resources in the IRP resource portfolios transmitted to the CAISO. This will include, for the first time, mapping of battery storage within base case portfolios.

2.5. Reference System Portfolio Development

Finally, there is always work to do to update assumptions and develop scenarios to inform the next cycle of the IRP process. As currently structured by D.18-02-018, the first step in the next IRP cycle will be to consider a new RSP, unless and until the Commission decides to change that approach. To the extent that a new round of RSP analysis is conducted, this proceeding will be the venue for developing and vetting the resource assumptions associated with that analysis in preparation for the next IRP cycle. That information includes, but is not limited to, resource potential, cost, and emissions information, as well as baseline information about the resources already delivering or under contract with LSEs.

3. Need for Evidentiary Hearing

The Commission preliminarily determined that hearings may be needed in this proceeding, with issues to be determined later. So far, I have not heard any specific issues where facts are in dispute. The only party to raise specific issues that they felt would require hearings was Protect Our Communities Foundation, which raised concerns about the cost projections contained in the RESOLVE model. However, cost forecasts are an area where facts cannot necessarily be determined, which is the reason for the ability of models to analyze scenarios and sensitivities, to account for the uncertainties associated with the cost projections. Therefore, I do not find that this issue alone will require evidentiary hearings. However, there may be issues that arise in the future for which the Commission would benefit from the rigor of evidentiary hearings. Therefore, this scoping memo preserves the determination that the Commission may hold hearings in this proceeding, but it will be incumbent on parties requesting hearings to identify specific facts in dispute, at the time those issues arise.

4. Schedule

The following schedule is adopted here and may be modified by the ALJ and/or myself, as required to promote the efficient and fair resolution of the Rulemaking.

Items shown in *italics* have already occurred.

Item/Event	Date
Procurement Track	
<i>Ruling on backstop procurement and cost allocation</i>	<i>June 5, 2020</i>
<i>Party comments on backstop procurement and cost allocation</i>	<i>July 22, 2020</i>

<i>Reply comments on backstop procurement and cost allocation</i>	<i>August 7, 2020</i>
Commission staff conducts analysis of LSE commitments to address Diablo Canyon replacement power, as included in individual IRPs	Fall 2020
Proposed decision addressing backstop procurement and cost allocation (emanating from D.19-11-016)	October 2020
Commission decision on backstop procurement and cost allocation	November 2020
Ruling circulating Diablo Canyon replacement power analysis, gap analysis, and proposing procurement strategy for any additional needed power, along with proposed broader framework for IRP procurement	January 2021
Possible workshop on results of staff analysis on Diablo Canyon procurement (and associated procurement framework)	January 2021
Party comments on Diablo Canyon analysis	February 2021
Reply comments on Diablo Canyon analysis	March 2021
Proposed Decision on Diablo Canyon analysis	April 2021
Commission Decision on Diablo Canyon analysis	May 2021
LSEs file annual IRP data update, including procurement progress toward D.19-11-016 requirements	May 2021
Ruling seeking additional comments on longer-term elements of a procurement framework, including plans for long lead-time resources	Second Quarter 2021
Party comments on longer-term elements of procurement framework	Third Quarter 2021
Commission decision-making included with adoption of PSP (see PSP section below)	

2021-22 Transmission Planning Process	
Ruling seeking comments on proposed portfolio(s) and busbar mapping methodologies for 2021-22 TPP	October 2020
Party comments on proposed portfolio(s) for 2021-22 TPP	November 2020
Reply comments on proposed portfolio(s) for 2021-22 TPP	November 2020
Proposed Decision recommending portfolio(s) for 2021-22 TPP	January 2021
Commission adoption of decision recommending portfolio for 2021-22 TPP	February 2021
2022-23 TPP recommendations will proceed with PSP development (see PSP section below)	
Preferred System Portfolio Development	
<i>LSE IRP filings</i>	<i>September 1, 2020</i>
Modeling Advisory Group meeting examining GHG emissions benchmarking and modeling differences	Fall 2020
Ruling on resubmittals of information for deficient LSE IRPs, if needed	Fall 2020
Workshop on reconciled portfolio aggregation of all LSE IRPs	First Quarter 2021
Production cost modeling of portfolio aggregations	First Quarter 2021
Workshop on options for preferred system portfolio and any associated procurement required, as well as 2022-23 TPP portfolio	Second Quarter 2021
Ruling proposing PSP, procurement, and 2022-23 TPP portfolio	Second Quarter 2021
Proposed Decision adopting PSP, procurement, and 2022-23 TPP portfolio	Third Quarter 2021
Commission decision adopting PSP, procurement, and 2022-23 TPP portfolio	Fourth Quarter 2021

Based on this schedule, we expect this proceeding will be resolved within 36 months. As required by Public Utilities Code Section 1701.5, the reason this proceeding will extend beyond the basic 18-month timeframe is that the topics in this rulemaking are complex and ongoing. The Commission expects always to have a rulemaking on IRP implementation open, in order to resolve any issues associated with planning and procurement of electric resources to support the reliability, cost, and environmental goals of the state with respect to the electric sector.

In addition to considering the current round of individual IRP filings, this proceeding will also become the venue for development of inputs, assumptions, and scenarios associated with the next cycle of the IRP process, and it is administratively less burdensome to keep open an existing proceeding in preparation for the new one, to ensure no timing gaps or lags.

5. Alternative Dispute Resolution (ADR) Program and Settlements

The Commission's ADR program offers mediation, early neutral evaluation, and facilitation services, and uses ALJs who have been trained as neutrals. At the parties' request, the assigned ALJ can refer this proceeding to the Commission's ADR Coordinator. Additional ADR information is available on the Commission's website.³

Any settlement between parties, whether regarding all or some of the issues, shall comply with Article 12 of the Rules of shall be served in writing. Such settlements shall include a complete explanation of the settlement and a complete explanation of why it is reasonable in light of the whole record, consistent with the law and in the public interest. The proposing parties bear the

³ See D.07-05-062, Appendix A, § IV.O.

burden of proof as to whether the settlement should be adopted by the Commission.

6. Category of Proceeding and *Ex Parte* Restrictions

This ruling confirms the Commission's preliminary determination⁴ that this is a ratesetting proceeding. Accordingly, *ex parte* communications are restricted and must be reported pursuant to Article 8 of the Rules.

7. Public Outreach

Pursuant to Public Utilities Code Section 1711(a), I hereby report that the Commission sought the participation of those likely to be affected by this matter by noticing it in the Commission's monthly newsletter that is served on communities and businesses that subscribe to it and posted on the Commission's website.

In addition, the Commission served the Order Instituting Rulemaking on the following proceedings to ensure wide distribution:

#	Topic	Proceeding Number
1	Greenhouse Gas Proceeding for Electric Utilities	R.11-03-012
2	Greenhouse Gas Proceeding for Gas Utilities	R.14-03-003
3	Climate Adaptation	R.18-04-019
4	Resource Adequacy Requirements	R.17-09-020 and R.19-11-009
5	Energy Efficiency	R.13-11-005
6	Demand Response	R.13-09-011 and A.17-01-012 et al.
7	Net Energy Metering	R.14-07-002
8	Evaluation of Integrated Distributed Energy Resource Programs	R.14-10-003
9	Distribution Resources Plan Rulemaking	R.14-08-013
10	California Solar Initiative and Distributed Generation	R.12-11-005

⁴ OIR, at page 17 and Ordering Paragraph 7.

#	Topic	Proceeding Number
11	Renewables Portfolio Standard Program	R.18-07-003 and R.15-02-020
12	Energy Storage	A.20-03-002 et al.
13	Transportation Electrification	R.18-12-006
14	Electric Program Investment Charge Research and Development	R.19-10-005

8. Intervenor Compensation

Pursuant to Public Utilities Code Section 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by 30 days after the prehearing conference. In addition, parties who were already deemed eligible to claim intervenor compensation in R.16-02-007 were not required, according to the OIR, to file a new notice of intent in this proceeding, as long as their bylaws and plans for participation have not changed.

9. Response to Public Comments

Parties may, but are not required to, respond to written comments received from the public. Parties may do so by posting such response using the “Add Public Comment” button on the “Public Comment” tab of the online docket card for the proceeding.

10. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission’s procedures or has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao/> or contact the Commission’s Public Advisor at 866-849-8390 or 866-836-7825 (TYT), or send an e-mail to public.advisor@cpuc.ca.gov.

11. Filing, Service, and Service List

The official service list has been created and is on the Commission's website. Parties should confirm that their information on the service list is correct, and serve notice of any errors on the Commission's Process office, the service list, and the ALJ. Persons may become a party pursuant to Rule 1.4.

When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocol set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the date scheduled for service to occur. Rule 1.10 requires service on the ALJ of both an electronic and a paper copy of filed or served documents; however, the ALJ in this case prefers not to receive paper copies, so electronic-only service is preferred in this proceeding. When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must not send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at process_office@cpuc.ca.gov to request addition to the "Information Only" category of the official service list pursuant to Rule 1.9(f).

12. Assignment of Proceeding

Commissioner Liane M. Randolph is the assigned Commissioner and Julie A. Fitch is the assigned ALJ and presiding officer for the proceeding.

IT IS RULED that:

1. The scope of this proceeding is described in Section 2 herein.
2. The schedule of this proceeding is set forth in Section 4 herein.
3. Evidentiary hearings may be needed in this proceeding.
4. In the event that evidentiary hearings are held, Administrative Law Judge Julie A. Fitch is designated as Presiding Officer.
5. The category of the proceeding is ratesetting.
6. This proceeding is subject to the ex parte communication rules applicable to ratesetting proceedings stated in Article 8 of the Commission's Rules of Practice and Procedure.

Dated September 24, 2020, at San Francisco, California.

/s/ LIANE M. RANDOLPH

Liane M. Randolph
Assigned Commissioner