

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**FILED**06/30/21
12:37 PM

June 30, 2021

Agenda ID #19661
Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 14-10-003:

This is the proposed decision of Administrative Law Judge Hymes. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's August 5, 2021 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ ANNE E. SIMON

Anne E. Simon

Chief Administrative Law Judge

AES:mph

Attachment

Decision **PROPOSED DECISION OF ALJ HYMES (Mailed 6/30/2021)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Create a Consistent Regulatory Framework for the Guidance, Planning and Evaluation of Integrated Distributed Energy Resources.

Rulemaking 14-10-003

ORDER CLOSING RULEMAKING 14-10-003

Summary

As illustrated in the Background Section of this decision, the Commission has largely resolved the issues it set out to accomplish through development of the Competitive Solicitation Framework for distributed energy resources, pilots of two additional frameworks for the procurement of distributed energy resources, and updates on the cost-effectiveness analysis framework for distributed energy resources. While these actions have continuing related activities, as discussed below, the continuing activities can be more appropriately resolved in other rulemakings. Accordingly, Rulemaking 14-10-003 is closed.

1. Background

On October 2, 2014, the Commission approved the Order Instituting Rulemaking (R.) 14-10-003 to consider the development and adoption of a regulatory framework to provide policy consistency for the direction and review of demand-side resource programs. Following workshops and party comments, the Commission adopted Decision (D.)15-09-022, which recognized the relationship with R.14-08-013, the Distribution Resources Plan proceeding, and revised the scope of the rulemaking to focus on the integration of distributed energy resources.¹ D.15-09-022 redefined the objective as the creation of a regulatory framework that looks at the entire energy production and delivery system and includes a determination of how best to source distributed energy resources needed by the utilities based on determinations made in R.14-08-013.²

A February 26, 2016 *Joint Assigned Commissioner and Administrative Law Judge Ruling and Amended Scoping Memo* revised the scope of R.14-10-003 to include four broad issues: 1) development of a competitive solicitation framework targeting the reliability needs within the areas identified by the Interconnection Capacity Analysis and the Locational Net Benefits Analysis performed in R.14-08-013; 2) Continued development of technology-neutral cost-effectiveness methods and protocols; 3) Leveraging the work being performed through the Distribution Resource Plans proceeding's Demonstration Projects; and 4) the Utility role, business models and financial interests with respect to distributed energy resources deployment.

¹ D.15-09-022 at 7.

² *Id.* at 7-8.

The Commission explored Issues 1, 3, and 4 above through workshops, party proposals, and party comments, and adopted D.16-12-036, *Decision Addressing Competitive Solicitation Framework and Utility Regulatory Incentive Pilot*. The Competitive Solicitation Framework has since been incorporated into R.14-08-013, as the foundation of the Distribution Investment Deferral Framework.

With respect to the development of technology-neutral cost-effectiveness methods and protocols (issue 2 above), the Commission has adopted the following decisions: D.16-06-007, *Decision to Update Portions of the Commission's Current Cost-Effectiveness Framework*; D.17-08-022, *Decision Adopting Interim Greenhouse Gas Adder*; D.19-05-019, *Decision Adopting Cost-Effectiveness Framework Policies for All Distributed Energy Resources*; and D.20-04-010, *2020 Policy Updates to the Avoided Cost Calculator*.

On February 12, 2018, the assigned Commissioner issued a second amended scoping memo, which added the following issue to this rulemaking: Design, for Commission consideration and adoption, alternative sourcing mechanisms or approaches that satisfy distribution planning objectives. On February 11, 2021, following workshops and the filing of party proposals and comments, the Commission approved D.21-02-006, *Decision Adopting Pilots to Test Two Frameworks for Procuring Distributed Energy Resources That Avoid or Defer Utility Capital Investments*.

2. Continuing Activities Should be Addressed in Focused Rulemakings

While the issues in this proceeding have largely been resolved, we recognize there are continuing activities from Rulemaking 14-10-003 that require additional Commission determinations. Most notably, the Avoided Cost Calculator, which has been previously addressed in this proceeding, is scheduled

to begin its biennial major update process in August. Further, the Competitive Solicitation Framework has evolved into the Distributed Investment Deferral Framework (DIDF). While revisions are currently addressed through a process in R.14-08-013, the Commission will need to monitor and adjust as needed. Similarly, the recently adopted pilots to test the two frameworks for procuring distributed energy resources should also continue to be monitored for any modification and further evaluation. As discussed separately below, these issues should be resolved in more focused rulemakings and the Commission should close this proceeding.

We begin with ongoing issues related to distributed energy resource procurement. On June 24, 2021, the Commission adopted the *Order Instituting Rulemaking to Modernize the Electric Grid for a High Distributed Energy Resources Future (High DER Rulemaking or R.21-06-017)*. The purpose of the High DER Rulemaking is to prepare the electric grid for a high number of distributed energy resources, including those specific to transportation electrification and as defined in Assembly Bill 327 and Public Utilities Code Section 769.³ The High DER Rulemaking will also address ongoing distributed energy resource procurement issues from this proceeding as well as R.14-08-013.⁴ We find it reasonable to continue to monitor the distributed energy resources procurement frameworks developed and adopted in R.14-10-003, in the High DER rulemaking to ensure appropriate coordination of the current efforts with new efforts.

With respect to the Avoided Cost Calculator and related cost-effectiveness issues, activities are ongoing. The schedule for the biennial major update of the

³ *High DER Rulemaking* at 1.

⁴ *Ibid.*

Avoided Cost Calculator was established by the Commission in D.19-05-019 and D.20-04-010 directed that the schedule for the 2022 major updates to the Avoided Cost Calculator would begin with a staff-led workshop on August 1, 2021 in R.14-10-003 or a successor proceeding. In addition, in D.19-05-019, the Commission approved the performance of several studies related to cost-effectiveness, including work related to the Avoided Cost Calculator and quantifying hydrofluorocarbon reduction co-benefits. The Commission will need to review the outcomes of these studies and allow for public comment. Given the breadth of cost-effectiveness activities, we find it prudent to address these issues in a stand-alone rulemaking, which the Commission anticipates will be initiated no later than September 2021. A September commencement will allow for the current Avoided Cost Calculator major update schedule to remain in place.

With issues of this rulemaking either having been resolved or having a more appropriate rulemaking to address them, the Commission should close Rulemaking 14-10-003.

3. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Kelly A. Hymes in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

4. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Kelly A. Hymes is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The issues in Rulemaking 14-10-003 have been largely resolved.
2. There are continuing activities from Rulemaking 14-10-003 that require Commission determinations.
3. The High DER Rulemaking will address ongoing distributed energy resource procurement issues from this proceeding.
4. It is reasonable to continue to monitor the distributed energy resources procurement frameworks developed and adopted in R.14-10-003, in the High DER rulemaking to ensure appropriate coordination of the current efforts with these new efforts.
5. The schedule for the biennial major update of the Avoided Cost Calculator was established by the Commission in D.19-05-019.
6. D.20-04-010 directed that the schedule for the 2022 major updates to the Avoided Cost Calculator would begin with a staff-led workshop on August 1, 2021 in R.14-10-003 or a successor proceeding.
7. In D.19-05-019, the Commission approved the performance of several studies related to cost-effectiveness, including work related to the Avoided Cost Calculator and quantifying hydrofluorocarbon reduction co-benefits.
8. The Commission will need to review the outcomes of the cost-effectiveness studies and allow for public comment.
9. Given the breadth of cost-effectiveness activities, it is prudent to address the continuing activities in a stand-alone rulemaking.

Conclusions of Law

1. The Commission should close Rulemaking 14-10-003.

O R D E R

IT IS ORDERED that:

1. Rulemaking 14-10-003 is closed.

This order is effective today.

Dated _____, at San Francisco, California.