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Integrated Resource Planning and Related  
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**OPENING COMMENTS OF THE UNION OF CONCERNED SCIENTISTS AND THE  
NATURAL RESOURCES DEFENSE COUNCIL ON THE RULING SEEKING  
COMMENTS ON NATURAL GAS ISSUES**

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*For Union of Concerned Scientists*

*For Natural Resources Defense Council*

Dated: October 21, 2021

# **OPENING COMMENTS OF THE UNION OF CONCERNED SCIENTISTS AND THE NATURAL RESOURCES DEFENSE COUNCIL ON THE RULING SEEKING COMMENTS ON NATURAL GAS ISSUES**

Pursuant to the October 13, 2021 Administrative Law Judge’s “Email ruling inviting comments on natural gas issues” (“Ruling”), the Union of Concerned Scientists (“UCS”) and the Natural Resources Defense Council (“NRDC”) respectfully submit these opening comments.

## **INTRODUCTION AND SUMMARY**

UCS and NRDC thank the California Public Utilities Commission (“CPUC” or “Commission”) for the opportunity to comment on the Midterm Reliability (“MTR”) Analysis<sup>1</sup> conducted by the California Energy Commission (“CEC”) and the CPUC Gas Upgrades staff paper (“Staff Paper”).<sup>2</sup> UCS and NRDC do not support gas capacity upgrades at existing plants, and we urge the Commission not to require such resource-specific procurement nor to allow it to count towards the requirements of D.21-06-035.

Within these comments, UCS and NRDC provide feedback on the CEC’s MTR analysis and respond to specific issues in the Ruling. We also offer the following summary of the conclusions and recommendations contained within these comments:

- The CEC’s MTR analysis shows that mid-term grid reliability requirements will be met with the clean resource procurement required by D.21-06-035. A portfolio of clean resources can ensure grid reliability just as well as gas resources, and procurement of additional gas resources is not necessary to ensure grid reliability.
- The Commission should conduct additional RESOLVE analysis that examines lower greenhouse gas (“GHG”) emissions goals to better understand the economics of gas capacity upgrades.
- The Commission should not permit gas capacity upgrades at existing sites to count towards the procurement requirements of D.21-06-035. Gas capacity upgrades are not necessary to ensure grid reliability, they may not be economic when considering more aggressive electric sector decarbonization targets, and

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<sup>1</sup> CEC, *Midterm Reliability Analysis* (September 2021). (“CEC MTR analysis”)

<https://efiling.energy.ca.gov/GetDocument.aspx?tn=239881&DocumentContentId=73322>

<sup>2</sup> CPUC, *Considering Gas Capacity Upgrades to Address Reliability Risk in Integrated Resource Planning* (October 2021). (“CPUC Staff Paper”) <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/integrated-resource-plan-and-long-term-procurement-plan-irp-ltpp/2019-2020-irp-events-and-materials/cpuc-gas-upgrades-staff-paper-october-2021.pdf>

they are not prudent when the Commission still lacks any long-term plan for the state's gas fleet.

## **COMMENTS ON CEC'S MIDTERM RELIABILITY ANALYSIS**

In opening comments on the PSP ruling, UCS commented at length on the findings and implications of the CEC's MTR analysis.<sup>3</sup> UCS and NRDC will not repeat that discussion here, but we note that the conclusions of the MTR analysis have not changed in the final version. The two main conclusions of the analysis were:

1. "The ordered resource procurement for 2023 through 2026 appears to be sufficient to meet a 1 day in 10-year loss of load expectation (LOLE) target, indicating system reliability."<sup>4</sup>
2. "The reliance on zero-emitting resources does not appear to diminish reliability compared to procuring thermal resources."<sup>5</sup>

Because the ordered procurement of clean resources will meet grid reliability standards and because clean resources ensure grid reliability just as well as gas resources, UCS and NRDC believe that the CEC's MTR analysis shows there is no need to require procurement of additional gas resources for reliability.

## **COMMENTS ON SPECIFIC ISSUES**

### **Issue 1: The assumptions and conclusions of the RESOLVE analysis that includes gas capacity upgrades as a candidate resource.**

The CPUC conducted new analysis, presented in the Staff Paper, examining the extent to which RESOLVE selects gas capacity upgrades under different circumstances. The Staff Paper includes several scenarios using a range of costs ("low", "high", and "very high" costs) and two different levels of available gas capacity upgrades (122 MW and 880 MW), based on information from the CEC. Ultimately, the results of the analysis show RESOLVE selecting all the available gas capacity upgrades in all scenarios except the "very high cost" scenario, where

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<sup>3</sup> UCS, *Opening Comments of the Union of Concerned Scientists on the Ruling Seeking Comments on Proposed Preferred System Plan* (September 27, 2021), pp. 5-7.

<sup>4</sup> CEC MTR analysis, p. 2.

<sup>5</sup> Ibid.

less than half the available gas upgrades are selected.<sup>6</sup> Depending on the scenario, the results show modest to significant cost savings<sup>7</sup> and a small increase in CAISO GHG emissions, along with a decrease in WECC-wide GHG emissions.<sup>8</sup>

While UCS and NRDC recognize that the modeling methodology and underlying assumptions are nearly identical to the Integrated Resource Plan (“IRP”) modeling conducted for the Preferred System Plan (“PSP”) ruling, we have one main concern with this analysis.

As UCS discussed in reply comments on the PSP ruling,<sup>9</sup> it appears highly likely that the Commission will soon need to reduce the 2030 GHG emissions target for California’s electric sector down to 30 million metric tons (“MMT”). The California Air Resources Board (“CARB”) has already drafted scenarios for their 2022 Scoping Plan Update, and all four scenarios under consideration involve reducing electric sector emissions to 30 MMT (or lower) by 2030.<sup>10</sup> With that in mind, UCS and NRDC are concerned by the fact that all the scenarios examined in the Staff Paper merely reduce GHG emissions to 38 MMT by 2030. Under more stringent decarbonization targets, gas plant upgrades may no longer be economic, in which case RESOLVE would not select those resources because capacity needs would be better met by resources that also meet these incremental emissions reduction requirements. UCS and NRDC urge the Commission to conduct further analysis with a 30 MMT emissions target to ensure that any decisions regarding gas plant upgrades are “future-proofed” against the high likelihood of planning for a 30 MMT emission target in the next cycle of the IRP. Otherwise, gas plant upgrades that appear to be economic now may turn out to be a waste of ratepayer money while planning for more stringent decarbonization targets.

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<sup>6</sup> CPUC Staff Paper, pp. 11-2.

<sup>7</sup> Ibid, p. 13.

<sup>8</sup> Ibid, p. 14.

<sup>9</sup> UCS, *Reply Comments of the Union of Concerned Scientists on the Ruling Seeking Comments on Proposed Preferred System Plan* (October 11, 2021), pp. 1-3.

<sup>10</sup> CARB, *2022 Scoping Plan Update – Draft Scenario Inputs Technical Workshop* (September 30, 2021), slide 20. [https://ww2.arb.ca.gov/sites/default/files/2021-09/carb\\_presentation\\_sp\\_scenarioinputs\\_september2021.pdf](https://ww2.arb.ca.gov/sites/default/files/2021-09/carb_presentation_sp_scenarioinputs_september2021.pdf)

**Issue 2: Whether gas capacity upgrades at existing sites should be considered as eligible resources for the procurement requirements of D.21-06-035? If so, which of the various procurement process steps of D.21-06-035 would need to be amended, and how?**

For three reasons, UCS and NRDC believe that gas capacity upgrades at existing sites should *not* be considered as eligible resources for the procurement requirements of D.21-06-035.

First, as discussed above in response to Issue 1, further analysis should be conducted to determine whether or not gas capacity upgrades would reduce overall costs. The Staff Paper is narrowly focused on scenarios with a 38 MMT emissions target in 2030, and before acting, the Commissions should analyze scenarios with a 30 MMT emissions target in 2030.

Secondly, as California decarbonizes its electric grid, the fate of the gas fleet remains unclear. Until the Commission has a long-term vision for the role California's gas fleet may play in a decarbonized grid (without putting our emissions reduction targets at risk and while keeping electric rates affordable), it does not seem prudent to make significant investments in the gas fleet. For example, investments in gas plant upgrades that increase plant operations may go against the state's environmental justice goals,<sup>11</sup> increasing air pollution emissions in disadvantaged communities and prolonging the lifespans of gas plants in disadvantaged communities. In addition, as California begins to phase out its gas transmission and storage infrastructure (e.g. Aliso Canyon), some gas plants may not be able to continue operating, making upgrades at those plants a near-sighted and likely uneconomic choice. Given all the uncertainty around the future of the gas fleet, UCS and NRDC do not believe the Commission should permit capacity upgrades at gas plants to count towards the procurement requirements of D.21-06-035.

Finally, in its discussion of fossil-fueled resources, D.21-06-035 expresses doubts that the state will be able to maintain grid reliability through the transition to clean energy,<sup>12</sup> calling for additional grid reliability analysis before requiring the procurement of fossil-fueled resources.<sup>13</sup> As discussed earlier, the CEC's MTR analysis clearly addresses the Commission's grid reliability concerns, demonstrating that a portfolio of clean resources can ensure grid reliability just as well as gas resources and that additional fossil-fueled resources are not required.

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<sup>11</sup> See PUC Code §454.52(a)(1)(I)

<sup>12</sup> D.21-06-035, p. 39.

<sup>13</sup> Ibid, pp. 42-3.

However, the Commission appears to be intent on allowing the procurement of gas resources, and the Staff Paper attempts to justify such procurement not on the basis of grid reliability needs, but affordability. Since the Commission is no longer attempting to address urgent grid reliability concerns, the Commission need not address this potential affordability issue through ad hoc analysis with a rushed comment period. Further analysis and long-term planning should be conducted before the Commission green-lights gas capacity upgrades.

## **CONCLUSION**

UCS and NRDC thank the Commission for its consideration of these comments.

Respectfully submitted,

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