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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Consider Distributed Energy Resource Program Cost-Effectiveness Issues, Data Access and Use, and Equipment Performance Standards.

Rulemaking 22-11-013

**ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING PARTY
COMMENTS ON FUNDING FOR AN AVOIDED TRANSMISSION AND
DISTRIBUTION COST STUDY**

1. Background

As stated in the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo), Commission staff will be conducting a study to analyze avoided transmission and distribution (T&D) costs, in accordance with Decision (D.) 22-05-002.¹ D.22-05-002 notes that the current method of estimating avoided transmission costs needs improvement and determines that a study on avoided T&D costs is needed to more accurately estimate these costs.²

2. Avoided T&D Cost Study

The primary purpose of the avoided T&D cost study (Study) is to examine how to estimate avoided T&D costs more accurately. The results of the Study will be used to update the ACC during the 2026 ACC Update cycle so that future iterations of the ACC can more accurately estimate avoided T&D costs.

¹ Scoping Memo at 5-6.

² D.22-05-002 at 74-75.

2.1. Scope of the Study

The objective of the Study is to help the Commission better understand the marginal costs of constructing and maintaining T&D infrastructure. To accomplish this objective, the Study will need to examine the factors that contribute to the needs of building more T&D infrastructure and how distributed energy resources (DERs) can help California defer or avoid those needs. Modeling will also be needed to calculate the best estimated avoided T&D costs using various input factors.

Key questions the Study will address include:

- Assessment of the Commission’s current method for valuing marginal transmission and distribution avoided costs.
- Assessment of the possible methods to estimate avoided T&D costs, which may include, but are not limited, to:
 - o using the costs of transmission projects that were planned but later canceled as the basis for avoided transmission costs;
 - o developing a plan based on a counterfactual load forecast, such as the “No New DER” scenario that has been used to determine other avoided costs;
 - o using historical data and data from other jurisdictions to develop “what if” scenarios of possible configurations of California’s transmission infrastructure if electricity demand were different.
- Assessment of possible methods to estimate marginal transmission and distribution costs by climate zone or more granular geographic areas.³

³ These methods should be able to attribute costs by climate zones, which are determined by the California Energy Commission.

2.2. Contractor and Funding

The Commission intends to contract with a consultant to conduct the avoided T&D costs study. Based on the complexity of the Study as detailed in the scope above, the Commission estimates that \$1.5 million dollars is appropriate.

Similar to funding authorized for the ACC Updates, Energy Division will seek reimbursement for any incurred costs, up to the maximum authorized amount, from Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company (altogether, IOUs) through their respective ACC memorandum accounts, according to the allocation set in Rulemaking (R.) 13-11-005.⁴ Similar to costs incurred for the ACC Update, the IOUs shall seek recovery of these costs in their respective general rate cases.

If the Study needs additional funding in the future, unspent funds authorized for the ACC Update processes may be used to cover the costs of the Study. If there are unspent funds left over after covering the costs of the Study, these unspent funds may be used for future ACC updates.

2.3. Additional Scope for the Contract

In addition to the Avoided T&D Cost Study, the scope of the contract will also include creating a permanent gas greenhouse gas (GHG) adder. The ACC currently uses an interim gas GHG adder based on the cost of building electrification. This gas GHG adder is an estimate of the likely value of reducing gas sector GHG emissions. This research would help refine the estimated value

⁴ ACC Update costs recorded in the ACC memorandum accounts are reimbursed in the same manner, in which the allocation of costs between the IOUs use the same allocations determined in R.13-11-005.

of gas sector GHG emissions that can be avoided by DERs. Lastly, Staff may elect to include additional research in this contract to support the work in Track One.

3. Party Comments

Through this Ruling, parties are given an opportunity to provide comments on whether the Commission should authorize \$1.5 million dollars in ratepayer funding for an avoided T&D costs study. The schedule for party comments on this issue is set forth in the table below:

Opening Comments	December 22, 2023
Reply Comments	January 5, 2023

IT IS RULED that parties may serve and file comments on the relevant issues discussed in this Ruling according to the schedule set forth above.

Dated December 8, 2023, at San Francisco, California.

/s/ ELAINE LAU

Elaine Lau
Administrative Law Judge