BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes	Rulemaking 20-05-003 (Filed May 7, 2020)

REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) ON THE ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS ON STAFF PROPOSAL TO ALLOW TEMPORARY BRIDGE RESOURCES TO MEET DIABLO CANYON REPLACEMENT OBLIGATIONS

DANIEL S. HASHIMI
MARIA V. WILSON

Pacific Gas and Electric Company
300 Lakeside Drive, Law Department
Oakland, CA 94612
Telephone: (415) 982-9071
E-Mail: Daniel.Hashimi@pge.com

Attorney for
PACIFIC GAS AND ELECTRIC COMPANY

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I. INTRODUCTION

Pursuant to the *Administrative Law Judge's Ruling Seeking Comments on Staff Proposal to Allow Temporary Bridge Resources to Meet Diablo Canyon Replacement Obligations*, dated May 21, 2024 ("May 2024 Ruling"), Pacific Gas and Electric Company ("PG&E") hereby submits its reply comments to the California Public Utilities Commission ("Commission") and provides its responses to the proposed criteria, in the May 2024 Ruling, that provides load serving entities ("LSE") with a bridge option to meet their mid-term reliability ("MTR") obligations as an "interim" measure (e.g., a zero-emitting bridging option) for the Diablo Canyon Power Plant replacement requirement category ("DCPP Replacement").[1]

II. PG&E'S REPLY COMMENTS

A. PG&E Opposes the Additional Requirements Put Forth by the Environmental Defense Fund for Import Bridge Resource Contracts.

In Opening Comments, the Environmental Defense Fund ("EDF") stated "staff should revise the Proposal to account for, and minimize to the extent feasible, increases in out-of-state GHGs." EDF goes on to offer examples of how the Commission could enforce such a

[1] All references herein to a party's "Opening Comments" are to such party's comments submitted in this proceeding on June 11, 2024.

requirement, including only permitting contracts with out-of-state resources if they provide proof that an equivalent amount of environmental attributes have been retired in the Western Renewable Energy Generation Information System, or a requirement for LSEs to submit a bridge import contract and provide an explanation of how such contracts will not cause an increase in out-of-state green-house-gas emissions.[2] PG&E disagrees, such additional and explicit requirements on bridge compliance options are unnecessary, overly restrictive and are likely to result in unnecessary higher costs for customers.

In its Opening Comments PG&E presented an alternative and better suited compliance pathway,[3] the Renewables Portfolio Standard ("RPS") adjustment option, which should address the concerns outlined by EDF but provide a more feasible and verifiable mechanism under California's existing RPS and cap-and-trade programs. An RPS adjustment is a commonly used product that already qualifies under cap-and-trade and RPS compliance regimes; further background on this matter is provided in PG&E's Opening Comments.[4] PG&E urges the Commission to adopt this additional compliance option which achieves the desired outcome but without the negative consequences in EDF's proposal.

While PG&E believes some LSEs may procure bridge resources that may comply with EDF's proposal, through the use of RPS adjustments, however such resources may not be sufficiently available to satisfy such narrower criteria. Thus, EDF's proposal for such stringent requirements should be rejected to protect customers against unnecessary higher costs that will worsen existing customer affordability concerns.

Furthermore, EDF assumes that Energy Division Staff has not already considered out-of-state impacts in the context of Senate Bill ("SB") 100 in the May 2024 Ruling. In fact, the May 2024 Ruling is consistent with D.23-02-040 which considered out-of-state impacts in determining what import contracts could be used for bridging purposes. As noted by Shell

[2] EDF Opening Comments, p. 1 and p. 4.
[3] PG&E Opening Comments, p. 4.
[4] *Id*.

Energy North America (US), L.P. d/b/a Shell Energy Solutions ("Shell Energy") in Opening Comments,[5] in D.23-02-040, the Commission determined firm import contracts could be used for bridging purposes, even if they included a mix of natural gas-fueled and/or unspecified resources, "because it is not likely to be a long-term arrangement and not likely to result in any increase or incremental capacity that is fossil-fueled to be built. Rather, it serves only as a temporary reliability hedge until such time as the LSE's clean resources come online."[6] As such, in D.23-02-040, the Commission determined the temporary and short-term nature (i.e., not more than three years) of the bridge option would not contradict the enactments of SB 100 and deemed it permissible, without the need for additional requirements such as those proposed by EDF. In the May 2024 Ruling and consistent with D.23-02-040, an LSE may not use a zero-emitting bridge contract to meet its DCPP Replacement for a time period longer than three years. Therefore, the proposed rules for DCPP Replacement bridge resources which are temporary and short-term in nature, comply with the Commission's previous determination on out-of-state impacts regarding SB 100, and do not require the additional and stringent requirements proposed by EDF. As such, PG&E opposes the need for additional requirements put forth by EDF and, instead, recommends that the Commission adopt PG&E's proposal for an RPS adjustment option for bridging purposes.

B. PG&E Supports Southern California Edison Company's Proposal for a Tier 1 Advice Letter Approval Process for RPS-Eligible Bridge Contracts and Opposes Public Advocates' Proposal for a Tier 2 Advice Letter.

Southern California Edison Company ("SCE") correctly recommends a modification to criteria six "to clarify that a purchase, swap, or sale of RPS energy and/or renewable energy credits ("RECs") procured for Diablo Canyon bridge contract purposes may be submitted for approval under a Tier 1 advice letter ("AL") with a demonstration that the transaction is reasonable." PG&E understands SCE's proposed modification to apply to MTR bridge contracts that an IOU may procure pursuant to its bundled procurement plan that will also be claimed for

[5] Shell Energy Opening Comments, p. 1 and p. 3.
[6] D.23-02-040, p. 40.

RPS compliance purposes, per D.21-06-035, Ordering Paragraph ("OP") 14. In these cases, the expediency of a Tier 1 AL is needed given the short-term nature of bridge contracts.[7] SCE also notes that RPS contracts approved under investor-owned utility ("IOU") RPS procurement plans typically require a Tier 3 AL,[8] however, this process is much more time-consuming and requiring a Tier 3 AL process for bridge contracts could limit the IOUs' ability to effectively use the bridge compliance option. Given this inconsistency in the approval process, SCE notes that any RPS resources or RECs procured to meet an MTR bridging requirement should also count towards meeting an IOU's RPS position.[9]

PG&E urges the Commission to adopt the proposed modification. A Tier 1 AL for RPS energy and REC purchases, sales, or swaps is necessary given the short-term nature of bridge resource procurements, and is consistent with current regulatory requirements for short-term RPS contracts.[10] The IOUs should also be able to pursue bridge contracts without uncertainty as to whether the contracts will also qualify for an IOU's RPS position.

Importantly, PG&E further notes that the Commission is considering in Rulemaking ("R.") 24-01-017 whether to eliminate the Tier 1 AL processes for short-term RPS-eligible procurements and has adopted a scoping memo targeting resolution of this issue in late 2024.[11] To the extent that additional flexibility is granted for IOU short-term procurement in the RPS docket, those later-adopted processes should be permitted for the purpose of short-term RPS-eligible bridge contracts as well. In other words, to the extent the Commission eliminates the Tier 1 AL process for short-term RPS-eligible procurement, if there is any RPS-eligible bridge procurement executed in 2025 or beyond (after the IOUs' respective 2024 RPS Plans go into

[7] For non-RPS bridge transactions, PG&E believes the language in condition #6 of the May 2024 Ruling should apply.
[8] PG&E notes this is not the case for short-term RPS contracts that are consistent with an IOU's RPS Plan. See infra note 10.
[9] SCE Opening Comments, pp. 3-4.
[10] D.23-12-008, pp. 71-72, OP 20 (stating "Investor-owned utilities requests for approval for long-term procurement contracts must be through a Tier 3 Advice Letter process and a Tier 1 Advice Letter for contracts less than five years of contract term, consistent with Decision 14-11-042 for procurement of products for Renewables Procurement Standard compliance.").
[11] R.24-01-017, Assigned Commissioner's Scoping Memo and Ruling, (May 9, 2024).

effect), the Commission should authorize procurement based on that criteria adopted in the RPS docket for short-term RPS procurement conducted for the purposes of short-term MTR bridging.

In the same vein, the California Public Advocates Office at the Public Utilities Commission, ("Public Advocates") proposes that the Commission require the IOUs to submit an AL outside of the current IOUs' quarterly compliance reporting process for review of each IOU's bridge resource procurements, specifically through a Tier 2 AL. PG&E opposes this modification for the reasons outlined above and reiterates the need for expediency, which could be through the use of a Tier 1 AL or what is ultimately adopted in the RPS docket. This is critical for the IOUs because the need for bridge resource procurements can happen with little notice as a reaction to project delay announcements by project developers. In addition, a Tier 2 AL approval process unnecessarily increases the administrative burden for the Commission's Staff and LSE staff associated with such short-term procurement options. As such, the Public Advocate's proposal should be rejected.

C. PG&E Re-Iterates Additional Compliance Items Put Forth in its Opening Comments, Addressing San Diego Gas & Electric Company's Request for Additional Creative Solutions.

In Opening Comments, San Diego Gas & Electric Company ("SDG&E") supported the May 2024 Ruling to allow zero-emitting bridge contracts to meet the DCPP Replacement obligations under specified conditions. SDG&E also stated, however, that "it may not be the case that all LSEs are able to secure sufficient bridge resources to replace DCPP given the nature of the product," and specifically requested exploration of alternative DCPP Replacement options.[12] PG&E agrees with SDG&E in its support to address the problems associated with the DCPP Replacement category. Further, in Opening Comments, PG&E outlined additional compliance options which would fit within the spirit of exploring additional creative solutions as requested by SDG&E, including: (1) to allow for unspecified power in cases that involve California Air Resource Board ("CARB") approved RPS adjustments, (2) to permit the use of

[12] SDG&E Opening Comments, p. 3.

existing energy-only resources to serve as a bridging option, and (3) to grant Energy Division Staff the authority to issue further guidance on what counts as specified power.[13] PG&E's additional compliance options should be adopted as they are consistent with rules used by other California agencies in the record of this proceeding.[14] Granting Energy Division Staff the authority to issue further guidance on specified power would ensure timely adjustments and/or clarifications as LSE procurement and bridging for DCPP Replacement compliance obligations develop.

III. CONCLUSION

PG&E respectfully requests that the Commission adopt a bridging option for the DCPP Replacement category and adopt PG&E's proposed modifications and clarifications based on its Opening Comments and responses provided herein.

[13] PG&E Opening Comments, pp. 4-5.
[14] *Id*.

Respectfully Submitted,

DANIEL S. HASHIMI
MARIA V. WILSON

By: */s/ Daniel S. Hashimi*
DANIEL S. HASHIMI

Pacific Gas and Electric Company
300 Lakeside Drive, Law Department
Oakland, CA 94612
Telephone: (415) 982-9071
E-Mail: Daniel.Hashimi@pge.com

Attorney for
PACIFIC GAS AND ELECTRIC COMPANY

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