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Order Instituting Rulemaking to Continue
Electric Integrated Resource Planning and
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Rulemaking R.20-05-003

**REPLY COMMENTS OF THE GREEN POWER INSTITUTE ON THE
PROPOSED DECISION ON BRIDGE RESOURCES TO REPLACE
THE DIABLO CANYON POWER PLANT**

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REPLY COMMENTS OF THE GREEN POWER INSTITUTE ON THE PROPOSED DECISION ON BRIDGE RESOURCES TO REPLACE THE DIABLO CANYON POWER PLANT

Pursuant to Rules 1.2, 14.3 and 14.6 of the Commission’s Rules of Practice and Procedure, in Proceeding R-20-05-003, the **Order Instituting Rulemaking to Continue Electricity Integrated Resource Planning and Related Procurement Processes**, the Green Power Institute (GPI), the renewable energy program of the Pacific Institute for Studies in Development, Environment, and Security, provides these *Reply Comments of the Green Power Institute on the Proposed Decision on Bridge Resources to Replace the Diablo Canyon Power Plant*.

Reply Comments

1. PG&E’s concerns over scarce and high-cost eligible bridge resources provides further evidence that the Proposed Decision should be withdrawn.

Opening comments by PG&E raise concerns that “the Proposed Decision may be too limited to provide necessary relief, especially with respect to affordability.”¹ PG&E further states:

PG&E cautions that a failure to adopt the additional creative RPS-adjustment compliance option proposed by PG&E could result in the inability of LSEs to meet the bridge requirements or the inability to meet these requirements without exorbitant costs, jeopardizing reliability and/or affordability. PG&E is particularly concerned that the requisite qualifying resources may not exist or could prove to be unaffordable to our customers, at a time when there are increasing rate pressures and non-utility-related cost pressures on our customers.²

In the same comments, PG&E generally supports adopting the Proposed Decision, stating that it addresses procurement delay challenges in a “reasonable manner,” and that bridge resources are necessary in part given: “... the opportunity for ratepayer savings.”³ PG&E’s opening comments directly contradict themselves twice. First, by stating that the Proposed Decision addresses DCPD replacement delays in a “reasonable manner” while at the same time raising concerns that

¹ Opening Comments of Pacific Gas and Electric Company (U 39 E) on the Proposed Decision Allowing Bridge Resources for Alternative Compliance with Diablo Canyon Replacement Resource Category in Decision 21-06-035, August 29, 2024. p. 2.

² Ibid, p. 4.

³ Ibid. p. 3.

requisite qualifying resources may not exist. Note that GPI raised concerns about eligible bridge resource scarcity in our comments on the DCPP replacement bridge ruling.⁴ Second, PG&E concurrently states that the PD may result in exorbitant ratepayer costs and that it provides an opportunity for ratepayer savings. PG&E clearly wants an alternative compliance mechanism, but its comments ultimately suggest that the PD will fail to stopgap DCPP replacement capacity delays, and that successful bridge contracts may in fact come at an “exorbitant” cost to ratepayers. These concerns support GPI’s recommendation that the PD be withdrawn in favor of protecting ratepayers, upholding existing Decisions D.21-06-035, D23-02-040, and D.24-02-047, and accounting for D.23-12-036.

2. PG&E fails to provide any evidence that a reliability shortfall is likely in 2025.

PG&E also claims that bridge resource provisions are necessary to address 2025 reliability concerns, yet it provides no evidence of whether reliability concerns persist in 2025 after accounting for all online capacity including the DCPP extension and the Strategic Reliability Reserve.⁵ Claims of a reliability shortfall in 2025 should be backed by an updated need assessment that includes all online capacity that is incremental to the D.21-06-035 baseline, including DCPP and the Strategic Reliability Reserve. GPI urges the IRP proceeding to take into consideration all Commission Decisions, including D.23-12-036, which formally extended DCPP operations through 2029/2030 to address anticipated near-term reliability concerns stemming from IRP-managed procurement. It is prudent to determine whether there is in fact a reliability shortfall in 2025, and whether bridge contracting for DCPP replacement capacity will duplicate DCPP capacity, unnecessarily increasing ratepayer costs.

The combination of ordering short-term bridge contracting that may not be readily available, that could come at an “exorbitant” cost, and that appear to be redundant to online DCPP capacity is especially concerning for ratepayer affordability in the near-term. The three-pronged objective of the IRP proceeding is to balance cost, reliability, and emission reduction goals. The Proposed Decision is poised to order bridge procurement that will likely exceed the adopted 0.1 LOLE reliability standard at a high cost to ratepayers and with minimal to no long-term impact on

⁴ Reply Comments of The Green Power Institute on the Ruling Seeking Comments on Staff Proposal to Allow Temporary Bridge Resources to Meet Diablo Canyon Replacement Obligations, June 21, 2024, pg. 7.

⁵ Opening Comments of Pacific Gas and Electric Company (U 39 E) on the Proposed Decision Allowing Bridge Resources for Alternative Compliance with Diablo Canyon Replacement Resource Category in Decision 21-06-035, August 29, 2024. pg. 3.

emission reduction goals. This would fail to balance or even achieve any of the three IRP objectives. GPI urges that the Proposed Decision be withdrawn in favor of upholding the existing Decisions that currently govern DCPD replacement capacity procurement order compliance, enforcement, and bridging (i.e. D.21-06-035, D.23-02-040, D.23-12-036 and D.24-02-047).

3. The Proposed Decision should not be modified to adopt PG&E’s recommended “creative” compliance solution allowing RPS-adjustments to qualify as DCPD replacement bridge resources.

PG&E’s comments suggests that the alternative DCPD bridge resource compliance mechanism as proposed has a relatively low likelihood of resolving the anticipated DCPD replacement procurement order shortfall by the June 1, 2025, deadline.⁶ PG&E recommends expanding the compliance mechanism to include RPS adjustments as a “creative solution.”

GPI strongly recommends withdrawing the Proposed Decision and upholding the existing Decisions that currently govern DCPD replacement procurement order compliance, enforcement, and bridging (i.e. D.21-06-035, D.23-02-040, D.23-12-036, and D.24-02-047). In the event that the Proposed Decision is advanced, we strongly recommend rejecting RPS-adjustments as a qualifying DCPD replacement capacity bridge solution.

PG&E argues that rejecting the RPS-adjustment proposal is “inconsistent with other portions of the Proposed Decision that are tethered to CARB’s Cap-and-Trade program and RPS requirements.”⁷ Adopting existing program definitions supports cross-proceeding consistency and interfaces. However, the IRP proceeding is under no obligation to adopt all RPS and CARB Cap-and-Trade elements. The IRP proceeding clearly has an objective that is complementary to, yet distinct from both the RPS and CARB Cap-and-Trade programs. For example, the RPS program accounts for annual volumes of total RPS-eligible energy use, while the IRP is currently focused on incremental resource buildout via RPS-eligible and zero-emitting capacity additions necessary to achieve state emission reduction targets. The IRP does not, for example, limit resource portfolios to the RPS compliance requirement that 60 percent of retail sales must come from RPS-eligible energy deliveries by 2030. Nor does it currently apply the Product Content Categories that dictate RPS program compliance. There is absolutely no precedence or

⁶ Ibid. p. 4.

⁷ Ibid, p. 4.

requirement for the IRP to adopt all RPS or Cap-and-Trade compliance mechanisms, such as RPS-adjustments.

It is, however, necessary to adequately justify adopting RPS-adjustments as a compliance mechanism that achieves the IRP proceeding objectives and DCPD replacement requirements, which PG&E fails to do. The DCPD replacement procurement order is designed to bring incremental RPS-eligible and zero-emission capacity online relative to the baseline and in alignment with statutory DCPD replacement requirements.^{8,9} Closer inspection of the Cap-and-Trade RPS-adjustment mechanism does require eligible RECs to be bundled with the energy product, however, the adjustment also requires that the RECs be from energy that is not delivered to California (i.e. no CA “sink”), and permits the use of banked RECs.¹⁰ RECs with vintages as far back as 2013 are eligible for RPS-adjustments. Permitting use of the RPS-adjustment mechanism to qualify as a DCPD replacement bridge would open a pathway to use REC vintages prior to the DCPD replacement procurement compliance year, meaning that the energy was already delivered in a year prior to the year of need. Banked RECs from energy used outside California and applied as a DCPD bridge are not incremental resources, would not reduce or stabilize emissions in California, and would not supplant DCPD capacity with eligible resources in a DCPD replacement compliance year. This “creative solution” does not “fulfill the *spirit* of the Diablo Canyon replacement requirements in D.21-06-035 (emphasis added),” as required in D.24-02-047.¹¹

Regarding “creative solutions,” the Decision also states:

We do agree with GPI, however, that an unspecified import contract or a contract with an emitting resource would not meet the spirit, due to requirements that Diablo Canyon’s eventual retirement not increase emissions. Thus, any clean firm energy contract contemplated would need to be with an RPS-eligible or non-emitting resource.¹²

Thus, PG&E’s is also incorrect in stating that “Such bridge resources are not required to be RPS-eligible by any prior decision or law.”¹³ Allowing RPS-adjustments to unspecified imports as an

⁸ D.21-06-035, pgs. 44-45.

⁹ D.24-02-047, pg. 123.

¹⁰ Reporting and Verification Guidance for RPS Adjustment Claims, March 15, 2019, pgs. 2, 7.

¹¹ D.24-02-047, pg. 3.

¹² Ibid. pg. 123.

¹³ Opening Comments of Pacific Gas and Electric Company (U 39 E) on the Proposed Decision Allowing Bridge Resources for Alternative Compliance with Diablo Canyon Replacement Resource Category in Decision 21-06-035, August 29, 2024. pg. 5.

alternative compliance mechanism that permits the use of banked RECs for energy delivered outside of California does not meet the spirit of the DCPD replacement order or the statutory DCPD replacement requirements, and does not qualify under eligibility limitations established in D.24-02-047. If the Proposed Decision advances, GPI strongly recommends retaining the decision to reject PG&E's proposal that would permit the use of RPS-adjustments as an eligible DCPD replacement bridge resource.

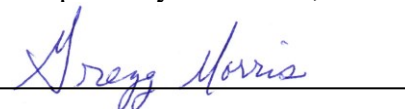
Conclusion

DCPD replacement procurement order next steps should quantitatively account for the DCPD extension, which was approved outside the IRP proceeding, and the new Strategic Reliability Reserve to avoid duplicative reliability stopgap procurement. If the anticipated reliability shortfall is already closed, the IRP should uphold existing IRP Decisions that already govern DCPD replacement procurement order compliance and enforcement. Withdrawing the Proposed Decision is the best option to protect ratepayers from potentially "exorbitant" costs of DCPD replacement bridge resources that may be too scarce to close the anticipated procurement order shortfall. If the adopted Decision maintains the PD's approval of bridge resources, then it should be amended to allow re-contracting of existing resources with expiring contracts. It is also not prudent for the IRP proceeding to adopt an RPS-adjustment compliance mechanisms that does not support IRP procurement order objectives.

We urge the Commission to adopt our recommendations herein.

Dated September 3, 2024.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Gregory Morris". The signature is written in a cursive style and is positioned above a horizontal line.

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