BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

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Order Instituting Rulemaking to Consider Distributed Energy Resource Program Cost-Effectiveness Issues, Data Access and Use, and Equipment Performance Standards.	**Rulemaking 22-11-013** **(Filed November 17, 2022)**

CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION REPLY COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING ISSUING UPDATED 2026 AVOIDED COST CALCULATOR STAFF PROPOSAL FOR PARTY INPUT

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The California Large Energy Consumers Association (CLECA)[1] submits these reply comments responding to the opening comments of other parties on the California Public Utilities Commission's (Commission) Revised 2026 Avoided Cost Calculator (ACC) Staff Proposal (Revised Staff Proposal) pursuant to the June 5, 2026, *Administrative Law Judge's Ruling Issuing Updated 2026 Avoided Cost Calculator Staff Proposal For Party Input* (Ruling).

I. INTRODUCTION

These reply comments respond to the opening comments filed on June 18 and 19, 2026, on the Revised Staff Proposal. As a threshold matter, reliability and ratepayer protection are

[1] CLECA member companies produce goods essential for daily life, including critical infrastructure, oxygen for hospitals, and food distribution. CLECA members represent the steel, cement, industrial and medical gas, glass, beverage, minerals processing, cold storage, and pipeline transportation industries. Their aggregate electric demand is about 500 Megawatts, which is equivalent to the electricity consumption of approximately 470,000 average California households. CLECA members are large, high load factor and high voltage industrial electric customers in California for whom the price of electricity is essential to their competitiveness and for whom the reliability of electricity service is critically important. For both reasons, CLECA member companies have participated for decades in the Base Interruptible Program (BIP), providing reliability demand response to the grid in times of need.

not subordinate to the State's greenhouse gas (GHG) reduction goals. Public Utilities Code section 451 requires that utility service be just and reasonable.[2] Section 364 requires the Commission to ensure adequate supply to maintain reliability.[3] Finally, the Integrated Resource Plan (IRP) statute treats reliability and GHG reduction as coequal objectives.[4] An ACC that artificially suppresses generation capacity (GC) value undermines grid reliability, and the cost-effectiveness of the Base Interruptible Program (BIP) and other reliability resources upon which the IRP relies.

II. MULTIPLE PARTIES SUPPORT GREATER TRANSPARENCY AND A ROBUST PROCESS FOR REVIEWING THE CALCULATIONS AND THE LATEST INPUT ASSUMPTIONS

Whichever methodology the Commission ultimately adopts, multiple parties agree that parties must have a meaningful opportunity to review the actual calculations and the most recent input assumptions before any methodology is finalized. CLECA strongly agrees.

PG&E, which supports the refinements, states that an "additional workshop would have been productive for stakeholders" and "suggests the Commission create additional opportunities for stakeholder feedback."[5] SDG&E, which also supports the revised model, asks Energy Division to "publish a side-by-side comparison of outputs under the revised and prior Integrated Calculation approaches for at least one common year or input set," so that parties

[2] Pub. Util. Code § 451 ("All charges demanded or received by any public utility … for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable.")
[3] Pub. Util. Code § 364(a) and (b).
[4] Pub. Util. Code §§ 454.51 et seq.
[5] Pacific Gas and Electric Company's (U 39 M) Opening Comments on Administrative Law Judge's Ruling, R.22-11-013 (June 18, 2026) (PG&E Comments) at 2.

can "assess whether the revised implementation introduces material discontinuities in avoided cost results."[6]

Other parties make similar points. The Joint RENs (BayREN and 3C-REN) urge that "the Commission should not codify any methodologies while the ACC foundations are under active review,"[7] and SoCalREN "recommends deferring these changes until their impacts are more thoroughly assessed."[8]

The Revised Staff Proposal is a significant departure from both the prior Staff proposal and prior ACC cycle models. CLECA therefore urges that, before any methodology is finalized, the Commission release the model with the updated IRP input assumptions and the calculated results, and afford parties a formal opportunity to comment on both the methodology and the results. Finally, smoothed and unsmoothed values, and pre- and post-cap values, should be reported together to ensure that the effect of each adjustment step is transparent and directly observable.

[6] Opening Comments of San Diego Gas & Electric Company (U 902 M) to Administrative Law Judge's Ruling Issuing Updated 2026 Avoided Cost Calculator Staff Proposal for Party Input, R.22-11-013 (June 19, 2026) (SDG&E Comments) at 2–3.
[7] Comments of Association of Bay Area Governments and County of Ventura on Administrative Law Judge's Ruling Issuing Updated 2026 Avoided Cost Calculator Staff Proposal for Party Input, R.22-11-013 (June 19, 2026) (Joint RENs Comments) at 4.
[8] Southern California Regional Energy Network (CPUC #940) Opening Comments on the Revised 2026 Avoided Cost Calculator Staff Proposal, R.22-11-013 (June 19, 2026) (SoCalREN Comments) at 6.

III. PRUDENT DESIGN ADJUSTMENTS SHOULD BE INCORPORATED INTO ANY FINAL VERSION OF THE REVISED STAFF PROPOSAL

A. THE GHG CAP MUST BE APPLIED WITHIN THE INTEGRATED CALCULATION

CLECA's opening comments explained that the GHG cap must be applied within the Integrated Calculation (IC), rather than to its final output which suppresses generation capacity value and results in insufficient avoided costs to cover the modeled resources.

SEIA explains that, if a cap is applied, it "must be applied before the GHG value is input into the IC, so that the generation capacity value can increase to compensate for the capped GHG values and ensure that the hybrid resource modeled in the ACC fully recovers its costs."[9] SEIA "strongly opposes" applying the cap "to the final GHG value (after the integrated calculation …)," because doing so "would clearly result in a combination in the final ACC of capped avoided GHG costs and lower generation capacity costs that do not allow the marginal hybrid resource to fully recover its costs."[10]

The Joint RENs reach the same result, describing the post-IC cap as a "selective ceiling" that "predetermines outcomes": "The cap is the binding constraint wherever the shadow price would otherwise be higher; the choice of input would no longer determine the outcome, the cap does."[11]

CLECA continues to recommend that the cap be set at the Base social cost of carbon; but wherever the cap is set, it must be enforced within the IC so that GC is appropriately

[9] Comments of Solar Energy Industries Association on Revised Staff Proposal for the 2026 Avoided Cost Calculator, R.22-11-013 (June 19, 2026) (SEIA Comments) at 4.
[10] SEIA Comments at 4–5.
[11] Joint RENs Comments at 3.

calibrated in every year the cap binds, rather than applied afterward in a manner that strands GC and total avoided cost values below the level required for cost recovery.

B. THE INTEGRATED CALCULATION RESOURCE PANEL SHOULD BE EXPANDED BEYOND A SINGLE HYBRID SOLAR AND STORAGE RESOURCE

CLECA's opening comments urged that the IC be built on a diverse, IRP-representative resource mix rather than a single narrow solar-plus-storage hybrid. SEIA agrees that expanding the resource mix is appropriate and its modeling confirms that expanding the panel increases avoided generation capacity value.

SEIA reports that "[a]dding geothermal results in increases in the avoided generation capacity results (above the floor) in 2026-2027 and in the 2040s, indicating that geothermal may be the marginal resource in those years," and that "[t]he current IC model is simple enough that adding more resources is not hard to do."[12] SEIA further notes that, in D.24-08-007, the Commission agreed "that the Integrated Calculation should include all resources selected in the IRP that are reasonably expected to provide marginal GHG and capacity value," and contemplated that Staff would implement this for the 2026 ACC.[13]

Expanding the panel was already directed by the Commission, more accurately represents the IRP resource mix, and produces more reasonable results by appropriately valuing generation capacity.

[12] SEIA Comments at 9–10.
[13] SEIA Comments at 9 (citing Decision on 2024 Avoided Cost Calculator, D.24-08-007 (Aug. 8, 2024) at 22).

C. THE TRANSITION DATE FROM FOUR-HOUR TO EIGHT-HOUR STORAGE SHOULD BE CORRECTED

The Revised Staff Proposal changes the hybrid resource's storage component from four-hour to eight-hour storage in 2036. SEIA demonstrates that this date is inconsistent with the IRP build pattern and that correcting it raises avoided generation capacity above the floor.

SEIA observes that "the addition of 4-hour storage essentially ends in 2028, while a significant amount of 8-hour storage (9 GW) is built from 2028-2031," and concludes that "a transition year in the range of 2029-2031 would be more appropriate." Critically, "[t]he earlier transition to 8-hour storage appears to produce a significant increase (above the floor) in avoided generation capacity costs in the 2030s."[14]

CLECA supports correcting the transition date to the 2029-2031 range, consistent with the adopted IRP portfolio.

D. THE CALCULATED GENERATION CAPACITY VALUES SHOULD BE SMOOTHED

The Revised Staff Proposal smooths the GHG shadow-price input but not the calculated generation capacity output.

SCE explains that "smoothing this single input to the Integrated Calculation does not sufficiently mitigate fluctuations in the final calculated results," and "proposes the final calculated generation capacity values be smoothed using the same rolling average that is used for avoided GHG costs."[15] SEIA likewise cautions that the RECC-based methodology "can produce volatile results in years when there are step changes in resource costs," identifying

[14] SEIA Comments at 9 & Fig. 2.

[15] Opening Comments of Southern California Edison Company (U 338-E) on the Administrative Law Judge's Ruling Issuing Updated 2026 Avoided Cost Calculator Staff Proposal for Party Input, R.22-11-013 (June 19, 2026) (SCE Comments) at 2.

2029 as such a year, and concludes that these "step changes in resource costs in 2029 need to be smoothed in order to avoid wide, anomalous swings in marginal generation capacity values."[16]

CLECA agrees and reiterates its recommendation to adopt SEIA's equal-weighting smoothing correction, together with a ten-year smoothing window, applied to the calculated GC result and not merely to the GHG input.

IV. THE GENERATION CAPACITY SHADOW PRICE IS NOT A SOUND BASIS FOR CALIBRATING THE INTEGRATED CALCULATION

SCE proposes that the calculated GC value be "calibrated" against the RESOLVE generation capacity (planning reserve margin) shadow price, on the theory that "understated ELCC values for hybrid resources would artificially inflate the ACC's generation capacity value."[17] CLECA does not agree that calibration to the GC shadow price is appropriate.

First, the premise is not established. The hybrid resource's ELCC has not been shown to be understated, and may in fact be overstated: the solar-plus-storage hybrid is not itself included in the IRP's ELCC modeling, and the proposal derives the hybrid ELCC by simply adding the separate solar and battery ELCCs. Accordingly, there is no IRP-modeled hybrid ELCC against which the ACC value can be said to be "inflated."

Second, the GC shadow price is a poor proxy for the avoided cost of generation capacity. The IRP base case includes the procurement the Commission has already ordered for reliability, and treats annually re-contracted resources such as shed demand response as available in the

[16] SEIA Comments at 8, n.13.
[17] SCE Comments at 2.

base case. Where those reliability procurements and resources are assumed into the base case, the planning-reserve-margin constraint may be non-binding but that does not mean generation capacity has no value. It simply means that the required reliability resources have been included in the IRP base portfolio. This shortcoming of PSP shadow prices as proxies for ACC costs was acknowledged in the 2024 ACC documentation, as CLECA detailed in its opening comments.[18]

Third, and most fundamentally, the GC shadow price assumes the very demand-response and other DER resources in the IRP base case that this ACC process exists to value. Using the GC shadow price to set the avoided cost of those same resources is tautological: it presumes their contribution into the base case and then returns a near-zero marginal value, ensuring that the resources the ACC is intended to value are valued at nothing. GC value should therefore be anchored to the IRP resource cost, as CLECA recommended in its opening comments, rather than calibrated to the GC shadow price.

V. SUMMARY OF RECOMMENDATIONS

CLECA respectfully recommends that the Commission:

1) Before fixing any methodology, release the model with updated IRP inputs and calculated results, and provide a formal opportunity for comment on both the methodology and the data;
2) Apply any GHG cap within the Integrated Calculation so that generation capacity is recalibrated in every binding year, with the cap set at the Base social cost of carbon;

[18] California Large Energy Consumers Association Opening Comments on Administrative Law Judge's Ruling Issuing Updated 2026 Avoided Cost Calculator Staff Proposal for Party Input, R.22-11-013 (June 19, 2026) (CLECA Comments) at 12.

3) Expand the IC resource panel beyond solar and storage, consistent with D.24-08-007;

4) Correct the four-hour-to-eight-hour storage transition date to the 2029-2031 range;

5) Smooth the calculated generation capacity values, adopting SEIA's equal-weighting correction with CLECA's proposed ten-year window; and

6) Decline to calibrate the generation capacity value to the GC shadow price, and instead anchor capacity to the IRP resource cost.

VI. CONCLUSION

The California Large Energy Consumers Association appreciates the opportunity to provide these reply comments and looks forward to further engagement in this proceeding.

Respectfully submitted,

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CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION

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