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

OPENING COMMENTS OF THE PUBLIC ADVOCATES OFFICE ON THE PROPOSED DECISION ADOPTING GUIDING PRINCIPLES FOR THE AVOIDED COST CALCULATOR AND ESTABLISHING A DISTRIBUTIONAL EQUITY ANALYSIS PROCESS

GAUTAM DUTTA
Attorney for

Public Advocates Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2108
Email: Gautam.Dutta@cpuc.ca.gov

JAMES AHLSTEDT
Analyst

Public Advocates Office
California Public Utilities Commission
320 West 4th St., Suite 500
Los Angeles, CA 90013
Phone: (415) 703-3196
Email: James.Ahlstedt@cpuc.ca.gov

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I. INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits these Opening Comments on the October 14, 2026 *Proposed Decision Adopting Guiding Principles for the Avoided Cost Calculator and Establishing a Distributional Equity Analysis Process* (PD), pursuant to Rule 14.3 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure.[1]

The PD adopts accuracy, consistency, and transparency as the three guiding principles of the avoided cost calculator (ACC).[2] However, the Commission should correct the following technical errors to eliminate ambiguous language about the guiding principles:

- Change the term "demand-side avoided costs" to "avoided cost of demand side resources."
- Add the word "utility" to the phrase "…clearly identifiable and quantifiable *utility* costs supported by reliable, relevant and sufficiently documented information" (emphasis added).
- Add the word "utility" to the phrase "…or that are not reasonably attributable to avoided *utility* costs from DERs" (emphasis added).

These revisions do not change the meaning of text in the PD. Instead, they serve to remove any ambiguity from the type of costs which the ACC may reflect.

II. DISCUSSION

A. The Commission Should Use the Term "Avoided Cost of Demand-Side Resources" to Avoid Ambiguity About the Type of Resources Whose Values the ACC Reflects

The Commission should use the term "avoided cost of demand-side resources" instead of "demand-side avoided costs," where the PD refers to the types of resources whose values the ACC estimates. The PD states that "[p]arty comments generally did not support adopting equity as a guiding principle for the ACC whose purpose is to calculate

[1] See *Decision Adopting Guiding Principles for the Avoided Cost Calculator and Establishing a Distributional Equity Analysis Process*, Rulemaking (R.) 22-11-013, October 14, 2026.

[2] PD, Ordering Paragraph (OP) 1 at 23.

demand-side avoided costs" (emphasis added).[3] In D.20-04-010, the Commission found the purpose of the ACC to be to "determine the primary benefits of distributed energy resources across Commission proceedings, the primary benefits being the avoided costs related to the provision of electric and natural gas service."[4] In other words, the purpose of the ACC is to determine the avoided cost of demand-side (distributed energy) resources.

In contrast, the PD states the purpose of the ACC is to calculate "demand-side avoided costs." This term could erroneously signify avoided costs to the owner of the demand-side resource, such as resiliency benefits, instead of correctly signifying relevant avoided utility costs related to the provision of electric and natural gas service, as defined in D.20-04-010. The Commission further found that participant benefits (such as reliability and resiliency benefits) are not the types of avoided costs which the ACC was intended to reflect.[5]

Elsewhere, the PD makes no claim that the purpose of the ACC is to calculate avoided costs to the owners of demand-side resources. In fact, the PD consistently reaffirms the fact that the ACC should reflect "cost categories which utilities avoid," not cost categories avoided by owners of demand-side resources.[6] Therefore, the PD's statement that the purpose of the ACC is to calculate "demand-side avoided costs" constitutes a technical error.[7] The Commission should (1) correct the technical error in the PD, and (2) use the term "avoided cost of demand-side resources" instead of "demand-side avoided costs."

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[3] PD at 12.

[4] *2020 Policy Updates to the Avoided Cost Calculator*, D.20-04-010, R.14-10-003, April 24, 2020, at 4.

[5] D.20-04-010, Findings of Fact (FoF) 90 at 85.

[6] PD at 10 ("The ACC data inputs should include cost categories which utilities avoid through deployment of behind-the-meter resources as well as clearly identifiable and quantifiable costs supported by reliable, relevant and sufficiently documented information.") (emphasis added).

[7] PD at 12.

B. The Commission Should Clarify That the ACC Reflects Utility Avoided Cost Values

To avoid ambiguity, the Commission should add the word "utility" to phrases in the PD that describe the types of avoided costs whose values the ACC may reflect. The PD describes the types of costs that the ACC may reflect as follows:

> The ACC data inputs should include cost categories which utilities avoid through deployment of behind-the-meter resources as well as clearly identifiable and quantifiable costs supported by reliable, relevant and sufficiently documented information.[8]
>
> ****
>
> The ACC should continue to reflect avoided costs for the electric and gas systems and should not incorporate costs or benefits that are outside the scope of the ACC or that are not reasonably attributable to avoided costs from DERs.[9]

While these descriptions conform with the purpose of the ACC adopted in D.20-04-010, they also include technical errors – because each description fails to explicitly state that the ACC should reflect "utility costs", not "costs" in general.

For example, while the first description correctly identifies "cost categories which utilities avoid," it also identifies "quantifiable costs." However, "quantifiable costs" may include non-utility costs which the Commission does not include within the ACC. Similarly, while the second description correctly identifies "avoided costs for the electric and gas systems", it also identifies costs that are "reasonably attributable to avoided costs from DERs." Costs that are "reasonably attributable to avoided costs from DERs" may include non-utility costs which the ACC should not reflect.

The Commission can correct these technical errors and remove ambiguity, by using the term "utility costs" instead of "costs" in these descriptions. Doing so will not change the intent of the PD's descriptions and will only improve the accuracy of the language and alignment with the adopted purpose of the ACC.

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[8] PD at 10.

[9] PD at 12.

III. CONCLUSION

The Commission should correct technical errors in the PD by using the terms "avoided costs of demand-side resources" and "utility costs" in the PD. In this manner, the PD will avoid ambiguous language and will conform with the purpose of the ACC. Appendix A to these comments includes the proposed revisions to the text of the PD.

Respectfully submitted,

/s/ GAUTAM DUTTA
Gautam Dutta
Attorney

Public Advocates Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-2108
Email: Gautam.Dutta@cpuc.ca.gov

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APPENDIX A

Recommended additions are underlined. Recommended deletions are ~~struck through~~.

Text

Text at 10:

The ACC data inputs should include cost categories which utilities avoid through deployment of behind-the-meter resources as well as clearly identifiable and quantifiable utility costs supported by reliable, relevant and sufficiently documented information.

Text at 12:

The ACC should continue to reflect avoided costs for the electric and gas systems and should not incorporate costs or benefits that are outside the scope of the ACC or that are not reasonably attributable to avoided utility costs from DERs.

Text at 12:

Party comments generally did not support adopting equity as a guiding principle for the ACC whose purpose is to calculate ~~demand-side~~ avoided costs of demand-side resources.