

Decision 25-11-005 November 20, 2025

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

**DECISION REVISING THE AVOIDED COST CALCULATOR PROCESS,
AND UPDATING THE BUDGET**

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DECISION REVISING THE AVOIDED COST CALCULATOR PROCESS, AND UPDATING THE BUDGET

Summary

This decision revises the biennial process for the upcoming and future Avoided Cost Calculator updates. The decision also increases the budget for consultant costs of the Avoided Cost Calculator biennial updates from \$350,000 to \$1,200,000 per year.

The proceeding remains open.

1. Background

As noted in Decision (D.) 22-05-002, the California Public Utilities Commission (Commission) uses the Avoided Cost Calculator (ACC) to determine the primary benefits of distributed energy resources (DER) across Commission proceedings, the primary benefits being the avoided costs related to the provision of electric and natural gas service. The ACC calculates seven types of avoided costs: generation capacity, energy, transmission and distribution capacity, ancillary services, Renewables Portfolio Standard, greenhouse gas emissions, and high global warming potential gases. The outputs of the ACC feed into the five cost-benefit analyses for DERs as defined by the Standard Practice Manual and prior Commission decisions. In short, it calculates one of the benefits to the system provided by demand side resources avoided costs. These cost-benefit analyses are used by decisionmakers when determining whether or not a specific demand-side program should be approved.

In D.16-06-007, *Decision to Update Portions of the Commission's Current Cost Effectiveness Framework*, the Commission directed that a single avoided cost model should apply to all distributed energy resource proceedings.¹ In D.19-05-019, the Commission approved a formal biennial process, to be conducted

¹ D.16-06-007 at 1, 5-6, Finding of Fact 4, Conclusion of Law 2, and Ordering Paragraph 1.

in Rulemaking (R.) 14-10-003 or a successor proceeding, to ensure that major changes to the ACC are addressed on a regular basis. The current biennial process begins with a workshop facilitated by the Commission's Energy Division (ED) on August 1 of the year prior to the update, where ED Staff presents an initial staff proposal. The biennial schedule also includes the service of opening and rebuttal testimony with an evidentiary hearing held in November and culminating with a proposed decision in Spring of even-numbered years. The Commission through a decision considers proposed changes to the ACC; however, the specific updates to the ACC are implemented after the decision through a subsequent resolution process. During odd-numbered years, minor changes to the ACC can be made solely through the resolution process.

The Integrated Resource Planning (IRP) process (designed in R.16-02-007 and continued in R.20-05-003 and R.25-06-019) is a Commission led process addressing load serving entities' (LSE) generation procurement plans to develop portfolios of electricity resources to ensure procurement meets the state's greenhouse gas reduction goals, while maintaining reliability in a cost effective manner. The portfolios inform procurement of generation resources, and based on the adopted portfolios, the Commission transmits generation portfolios to the California Independent System Operator (CAISO) to inform its Transmission Planning Process (TPP). Additionally, the Commission has ordered jurisdictional LSEs to procure resources to meet reliability needs and manage compliance with those procurement orders.

The IRP Preferred System Plan (PSP) portfolio has been used as the basis for the ACC's calculations, providing the baseline assumptions against which marginal costs can be evaluated. The data the IRP uses includes existing, contracted, and planned resources that the LSEs submit to the Commission in their individual IRP Plans, plus any additional resources the Commission, through this process, finds necessary for system reliability and greenhouse gas emissions goals. In some years,

the PSP that the Commission adopts is also transmitted to the CAISO for their TPP. In years when there is no new PSP portfolio, the Commission has various options for TPP Base Case portfolio adoption, usually including updates to the prior year's TPP Base Case with key input updates made by staff or adjustments made based on the latest IEPR electricity demand forecast.

The Commission transmits at least one TPP portfolio (a "Base Case") to the CAISO for use in their TPP. Typically, in years when the PSP is adopted by the Commission, the ED ACC team uses the PSP portfolio to inform the ACC update proposal.

1.1. Procedural Background

On November 23, 2022, the Commission issued Order Instituting Rulemaking 22-11-013 to achieve consistency of cost effectiveness assessments, improve data access and use, and consider equipment performance standards for DER customer programs.² R.22-11-013, the successor to R.14-10-003, provides the procedural framework for advancing the vision articulated in the Customer Programs Track of the Commission's DER Action Plan 2.0.³ The goal of the DER Action Plan, which R.22-11-013 helps achieve, is to enable all customers to effectively manage their energy usage in a manner that facilitates equitable

² DER customer programs are programs offered to ratepayers by utilities, or other load-serving entities, that enable participants to manage their energy use by purchasing energy efficient or electric generation technologies, making behavioral changes, or engaging in other activities that occur on the customer's premises (often called "behind-the-meter"). They are sometimes referred to as "demand-side management" programs because they allow customers to manage their own demand for electricity or natural gas. They are also referred to as "distributed energy resource" programs since the technologies used may be small, modular devices that can be distributed throughout the electric grid or natural gas system, rather than centrally-stationed like most utility-scale generation (*e.g.*, power plants). This proceeding will use the terms DER or customer programs to refer only to behind-the-meter activities. The term "distributed energy resources" as used elsewhere sometimes includes small, distributed generation or energy storage resources owned or procured by load serving entities.

³ The DER Action Plan 2.0 is currently available at:
<https://www.cpuc.ca.gov/about-cpuc/divisions/energy-division/der-action-plan>.

participation and distribution benefits. The DER Action Plan also aims to align activities across evolving rate design and load flexibility, distribution planning, and IRP objectives.

On May 31, 2023, the assigned Commissioner issued a Scoping Memo and Ruling that bifurcated this proceeding into two phases. Phase One focuses on issues related to cost effectiveness of customer DER programs, including updating the ACC, and policies on improving data usage and access to help customers make informed decisions about adoption, evaluation, and utilization of DERs. Phase Two focuses on developing equipment performance standards.

Phase One has two tracks. Track One examines how to make cost effectiveness assessments more accurate and consistent across DER programs. Track Two examines the rules and requirements to improve data access to facilitate adoption, evaluation, and utilization of DERs by customers and other entities and to improve DER integration with the grid.

In Track One of Phase One, the Commission, among other things, reviews the appropriate updates to the ACC in a biennial review process. On August 8, 2023, the assigned Administrative Law Judge (ALJ) issued a ruling seeking party comments on the ACC Staff Proposal. On August 16, 2023, the Commission's Energy Division held a workshop to discuss the proposed updates.

The following parties timely served opening testimony on October 30, 2023: Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively, the Joint Utilities), the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), Clean Coalition, California Large Energy Consumers Association (CLECA), Coalition of California Utility Employees (CUE), Google LLC (Google Nest), The Protect Our Communities Foundation (PCF), Center for Biological Diversity (Center), Natural Resources Defense Council (NRDC), Small Business Utility

Advocates (SBUA), Southern California Gas Company (SoCalGas), The Utility Reform Network (TURN), and Solar Energy Industries Association (SEIA).

The following parties served rebuttal testimony on November 20, 2023: Cal Advocates, Clean Coalition, CLECA, CUE, Joint Utilities, PCF, SBUA, SoCalGas, SEIA, and TURN. Evidentiary hearings were held on January 23, 2024 through January 25, 2024. On February 21, 2024, the following parties filed opening briefs (Opening Briefs): CLECA, Joint Utilities, Google Nest, TURN, CUE, PearlX Infrastructure LLC (PearlX), NRDC, SBUA, PCF, Center, Cal Advocates, SoCalGas, SEIA, and Clean Coalition. On March 13, 2024, the following parties filed reply briefs (Reply Briefs): SEIA, SBUA, CLECA, SoCalGas, TURN, PCF, Center, CUE, Cal Advocates, Joint Utilities, PearlX, and Google Nest.

On June 17, 2024, the Commission held oral arguments. On August 1, 2024, the Commission issued D.24-08-007 adopting changes to the ACC including a baseline change from the “No New DER” scenario from the IRP’s latest PSP, and integrated calculation for generation capacity and greenhouse gas policy compliance, among other issues.

On April 10, 2025, ED Staff held a workshop to present proposed changes to the biennial update process schedule, discuss core guiding principles, and present a proposed update to the ACC budget.

On April 29, 2025, the assigned ALJ issued a Ruling for Parties to file and serve opening comments and reply comments to the questions presented within the Ruling.

- Do you support ED Staff’s proposed changes to the biennial ACC update process? Why or why not?
- Do you have other recommendations to support streamlining the biennial ACC update process? and,
- ED Staff proposed increasing funding for the ACC update to \$1,200,000 to address historic spending, inflation, and future

improvements to the ACC. Do you support this funding increase? Why or why not.

On May 12, 2025, Opening Comments regarding ALJ's Ruling on Updates to the Avoided Cost Calculator Process and Budget were filed by the following Parties: Clean Coalition; SCE; Vote Solar; Marin Clean Energy; Cal Advocates; Western Riverside Council of Governments; PCF; Center; CLECA; SoCalGas; Association of Bay Area Governments; County of Ventura; SEIA; NREN and PG&E.

On May 19, 2025, Reply Comments regarding ALJ's Ruling on Updates to the Avoided Cost Calculator Process and Budget were filed by the following Parties: SoCalGas; Vote Solar; CUE; Marin Clean Energy; County of Ventura; Association of Bay Area Governments; CLECA; PG&E; SBUA; SEIA; SCE; and CCR REN.⁴

2. Issues Before the Commission

The Commission must consider the ACC schedule updates that the Commission's ED Staff have proposed, and parties have commented on. In addition, the Commission must decide whether a proposed update to the ACC budget is reasonable. The issue of considering and adopting guiding principles for the ACC will be addressed later in the proceeding.

3. Changes to the Biennial Update Process

3.1. Proposal

The Commission adopted the current biennial ACC process in the first ordering paragraph of D.22-05-002:

Table 1

Tentative Schedule for the Biennial Review of the Avoided Cost Calculator	
Approximate Date	Activity
July 15 (of odd-numbered years)	Ruling Introducing Staff Proposal and Noticing Workshop and Adopted Schedule for the Update

⁴ CCR REN means Central California Rural Regional Energy Network

Tentative Schedule for the Biennial Review of the Avoided Cost Calculator	
Approximate Date	Activity
August	Workshop
September 30	Discovery Completed
October	Opening Testimony
November	Rebuttal Testimony
January (of even-numbered years)	Evidentiary Hearing
February	Opening Brief
February	Reply Brief
60 days after the adoption of the Preferred System Plan	Release of Data from the Integrated Resource Planning Proceeding
≤ 90 days (after submission of briefs)	Proposed Decision Issued
≥ 30 days (after issuance of proposed decision)	Proposed Decision Adopted
Six weeks (before issuance of draft resolution)	Issuance of Draft Calculator
Approximately 2 weeks later	Workshop
Approximately 2 weeks later	Informal Comments
Approximately 2 weeks later	Issuance of Draft Resolution Adopting Updated Avoided Cost Calculator

During the last ACC cycle ED Staff identified modification to the process above and presented them at a workshop held on April 10, 2025. During the workshop ED staff proposed the following alternative schedule:

Table 2

Alternate Schedule for the Biennial Review of the Avoided Cost Calculator	
Approximate Date	Activity
February 2026 (estimated)	PSP finalized
April 2026	ACC Update Staff Proposal published
Late April 2026	Opening Comments
Late April 2026	Reply Comments

Alternate Schedule for the Biennial Review of the Avoided Cost Calculator	
Approximate Date	Activity
Mid-May 2026	Party Briefs
Early June 2026	Proposed Decision
Late July or Early August 2026	Proposed Decision Adopted
Early August 2026	Draft Resolution (with Draft Calculator included) published
Mid-August	Workshop on Draft ACC Calculator

ED Staff's alternate schedule eliminates events that staff asserted at the workshop have prolonged the timeline of the proceeding without providing substantive information. The proposed changes are also intended to address parties' concerns about the timing of the release of the ACC. In summary, ED Staff propose to remove the need for evidentiary hearing⁵ and related potential oral arguments as well as the six-week waiting period between publication of the draft calculator and the publication of the draft resolution. ED Staff propose these modifications in anticipation of the Commission adopting the ACC earlier than is possible with the current schedule.

Under the proposed revised schedule from the April 10, 2025 workshop, the 2026 ACC Update Staff Proposal, which is the next anticipated staff proposal in the biennial ACC update process, would be released in April 2026 to align with the adoption of the IRP proceedings' PSP. The ED Staff's proposal contends that these modifications will increase the efficiency of the ACC Update process while giving parties full due process to address concerns and provide feedback.

3.2. Party Comments

In their opening comments CLECA supported the (biennial ACC) process changes in theory but feared that the draft schedule incorporating the proposed changes

⁵ All parties retain the right to request evidentiary hearing if factual matter of dispute emerge during this proceeding.

does not reflect a reasonable timeline for parties to conduct discovery and adequately vet the proposal once it is published.⁶ To address this issue, CLECA proposes that the Commission "clarify that the 2026 ACC Update Staff Proposal will be published as close to the adoption of the finalized IRP PSP as possible, but no later than March 16, 2026" and that the Commission "direct ED staff to hold at least two workshops prior to the release of the 2026 ACC Update Staff Proposal; allow stakeholders to include written testimony or other supporting materials with their comments; and, require that the procedural schedule afford sufficient time for stakeholder discovery, comments and briefing."⁷ CLECA's comments expressed support for the proposed modification to the 2026 ACC Update release date but opposed the proposed truncated procedural schedule.⁸

Vote Solar's comments supported delaying the 2026 ACC update until the final PSP is issued in February 2026.⁹ SEIA's comments mentioned that the ACC update schedule proposed by ED Staff does not provide for a workshop or discovery after the release of the 2026 Staff Proposal.¹⁰

SCE's comments stated that, "SCE is highly supportive of ED staff's efforts to streamline and simplify the biennial ACC update."¹¹ SCE's comments further recommended that the Commission bifurcate the review of the Staff Proposal into two separate tracks: (i) generation and (ii) transmission and distribution (T&D), that can proceed along their own schedules.¹² SCE's comments suggested that the

⁶ CLECA Opening Comments on Administrative Law Judge's Ruling, May 12, 2025 at 10.

⁷ *Id.*, at 9-11.

⁸ *Id.*, at 9.

⁹ Opening Comments of Vote Solar on Administrative Law Judge's Ruling, May 12, 2025 at 3.

¹⁰ Comments of SEIA on Administrative Law Judge's Ruling, May 12, 2025 at 9.

¹¹ Opening Comments of SCE on the Administrative Law Judge's Ruling on the Proposed Changes to the 2026 Avoided Cost Calculator Process and Budget, May 12, 2025 at 6.

¹² *Ibid.*

Commission adjust its schedule to provide for the release of the generation-related portion of the Staff Proposal by Q4 2025, or potentially earlier.¹³

Regarding using the PSP to develop the Staff Proposal, SCE's comments agreed with the Ruling that Staff should, if possible, develop their Staff Proposal using a system plan that is, or largely resembles, the plan that will ultimately be used in the final ACC. SCE's comments further stated that, "it is highly unlikely that the 2024-26 PSP will be available to be used in this ACC cycle."¹⁴ However, according to SCE's comments, the most recently approved IRP system plan that will be available for use in the 2026 ACC will be the plan that is transmitted to CAISO in February 2026 for its 2026-2027 TPP.¹⁵

MCE's comments stated that, "(if) the 2026 ACC Staff Proposal is released in April 2026 introduces potential timing misalignments for the energy efficiency (EE) proceeding.¹⁶ Cal Advocates' comments stated that, "the ACC update schedule should be modified to include time for evidentiary hearings, should they be needed.¹⁷ In addition, Cal Advocates' comments that the proposed schedule be modified to include the option for evidentiary hearings as well as the option for reply briefs.¹⁸

PG&E's comments supported the ED staff's updated ACC biennial process, "PG&E strongly supports Energy Division's proposed changes to the biennial ACC update process."¹⁹ According to PG&E's comments, "Because the input collection

¹³ *Id.*, at 8.

¹⁴ *Id.*, at 7.

¹⁵ *Ibid.*

¹⁶ Opening Comments of MCE on Administrative Law Judge's Ruling on Proposed Changes to the Avoided Cost Calculator Process, May 12, 2025 at 2.

¹⁷ Opening Comments of Cal Advocates on Administrative Law Judge's Ruling on Updates to the Avoided Cost Calculator Process and Budget, May 12, 2025 at 1.

¹⁸ *Ibid.*

¹⁹ PG&E's Opening Comments on Administrative Law Judge's Ruling, May 12, 2025 at 3.

and modeling are conducted before the staff proposal is issued by Energy Division, parties would be better to focus on questions and workshops with those constructing the actual modeling with the inputs.”²⁰ Moreover, parties have been using testimony and hearings to comment on the model after it has been constructed but before the final version has been run, the bulk of the testimony has typically covered broader policy issues.²¹

SoCalGas’s comments indicated that the April 18, 2024 IRP Scoping Memo indicates that the next PSP is expected to be available either late 2026 or early 2027, thus the 2026 ACC will need to use an alternate plan.²² SoCalGas’s comments further suggested, using the IRP’s approved annual TPP Base Case Plan.²³ In their reply comments CCR REN agreed with SoCalGas’s comments that an alternative to the PSP is needed if the PSP is not available and supported SoCalGas’s suggestion to use the TPP instead.²⁴

SEIA comments supported SCE’s and SoCalGas’s proposal to use the IRP’s TPP base case portfolio that is transmitted to the CAISO for use in its TPP instead of the PSP adding that the critical element of ED Staff’s proposal is that the ACC use an IRP plan that is (1) recent and up-to-date, (2) vetted through party comments, and (3) Commission-approved, whether it’s PSP or the TPP.²⁵

CUE’s comments recommended that the Commission allow for discovery but eliminate briefing in the schedule and instead extend the time for party comments.²⁶

²⁰ *Ibid.*

²¹ *Ibid.*

²² Opening Comments of SCG on Administrative Law Judge’s Ruling Requesting Party Comments on the Proposed Changes to the Avoided Cost Calculator Process and Budget, May 12, 2025 at 2.

²³ *Ibid.*

²⁴ Reply Comments of CCR REN on Administrative Law Judge’s Ruling re ACC Guiding Principles and Process Revision, May 19, 2025 at 2-3.

²⁵ Reply Comments of SEIA on Administrative Law Judge’s Ruling, May 19, 2025 at 5.

²⁶ Reply Comments of CUE on Proposed Changes to ACC Process and Budget, May 19, 2025 at 3-4.

3.3. Analysis and Discussion

After reviewing parties' comments and examining the latest IRP Scoping Memo, ED Staff agrees with the position expressed by SCE and SCG in their Opening Comments and by CCR REN and SEIA in their Reply Comments, that the IRP PSP will not be ready by early 2026 due to the recently updated three- year cycle for the PSP, and therefore an alternative is needed.

Based on the biennial cycle of the ACC, and after internal discussions, the Commission concurs that using the IRP's approved TPP base case portfolio transmitted to the CAISO is also reasonable based on the IRP's current anticipated cycle timeline and the ACC's timing needs.

In previous IRP cycles, the Commission has adopted the TPP portfolio in a February voting meeting, and the current IRP schedule is slated to adopt the TPP portfolio in February 2026. Therefore, the timing of the TPP portfolio would align well with the ACC's needs for 2026 based on the proposed revised schedule.

According to SEIA, the critical element of ED Staff's proposal is that the ACC use an IRP portfolio plan that is (1) recent and up-to-date, (2) vetted through party comments, and (3) Commission-approved, whether it is the PSP or the IRP's TPP portfolio.²⁷ We agree that both portfolios meet the essential criteria of ED Staff's proposal. Both the PSP and the IRP TPP portfolio are Commission-adopted products that leverage the same stakeholder-vetted inputs, assumptions and modeling. As such, we find that both can sufficiently serve the purpose of providing the ACC with the baseline assumptions against which marginal costs can be evaluated.

Therefore, it is reasonable to change the language in the proposed ACC Update process changes from IRP PSP to either IRP PSP or IRP TPP base case portfolio. Moving forward, on an ongoing basis, the ACC Update cycle will use the

²⁷ Reply Comments of SEIA on Administrative Law Judge's Ruling, May 19, 2025 at 5.

IRP portfolio that best aligns with the timing needs of the ACC Update cycle, meaning the portfolio that was most recently adopted by the Commission.

Regarding the schedule, SEIA in its Opening Comments, supported by CLECA in its Reply Comments, recommends that a workshop on the 2026 ED Staff Proposal should be held. The Commission agrees with this suggestion, given the reduced timeframe for party input and comments. This workshop will aid party understanding by giving parties the opportunity to ask questions on the proposal before Opening Comments are due. The workshop will also allow ED Staff to address any concerns parties have regarding the proposal before the proposed decision is drafted. To stay on schedule, ED Staff proposes that the workshop be held soon after the release of the 2026 ACC Update ED Staff Proposal and before Opening Comments on the ED Staff Proposal are due.

The Commission finds that with the arguments laid out by SEIA, SCE, and PG&E that one round of comments on the 2026 ACC Update ED Staff Proposal would be sufficient. The Commission agrees with parties that it should reserve time in the month of May for an Evidentiary Hearing, if needed. As PCF, CBD, and the Public Advocates Office have argued in their Opening Comments and CUE in their Reply Comments, potentially contested material issues of fact could emerge during this process, and therefore the Commission must allow for the possibility of Evidentiary Hearings. The Commission agrees and has modified the proposed schedule to allow for the possibility of an Evidentiary Hearing and briefing, should a substantial material factual and/or legal dispute arise. The ACC process changes in the table below applies is adopted on an ongoing basis starting in 2026.

This decision adopts the modified schedule as follows in Table 3:

Table 3

Schedule for the Biennial Review of the Avoided Cost Calculator	
Timing	Event
February 2026	2026-2027 IRP TPP base case portfolio adopted
Late March 2026	ACC Update Staff Proposal published
Early April 2026	Workshop on ACC Update Staff Proposal
Late April 2026	Opening Comments due
Late April 2026	Reply Comments due
May 2026	Evidentiary Hearing (if necessary)
May-June 2026	Briefing (if necessary)
Early June 2026	Proposed Decision published
Late July 2026	Proposed Decision adopted
Early August 2026	Draft Resolution (with Draft Calculator included) published
Mid-August 2026	Workshop on Draft ACC
September 2026	Resolution adopted

4. Avoided Cost Calculator Budget

4.1. Proposal

D.16-06-007 established the current funding for consultant assistance on ongoing ACC updates. While funding in initial years was higher, the decision included a permanent authorization of \$100,000 per year beginning in Fiscal Year 2019 - 2020.²⁸

Due to many factors, including the use of the ACC for export compensation in the Net Billing Tariff (NBT), the level of complexity and controversy in the update process has only increased overtime. The future inclusion of the inputs from the upcoming transmission and distribution studies will insert additional complexity to the ACC update process.²⁹

²⁸ Administrative Law Judge's Ruling on Proposed Changes to the Avoided Cost Calculator Process, April 29, 2025 at 3.

²⁹ *Ibid.*

The ALJ in the previous ACC Update issued a ruling proposing authorization of new funding in July 2023, in part to address the additional uses for and complexity of the ACC update process. That ruling resulted in D.23-11-087, which increased permanent funding for the ACC to \$350,000 per year.³⁰

During the 2024 ACC update cycle (2023-2024), this \$350,000 proved to be dramatically insufficient to accommodate additional modeling required for the ACC update. As a result, ED had to reallocate funds from other programs/sections to address the gap in funding needed to complete the update.³¹

To better understand the costs for modeling needed for the ACC Update, ED Staff analyzed documentation (2019-2022 Invoice Summary) from its ACC consultant E3³² to assess the average burn rate since 2019 including all additional funding sources.³³ Between 2019-2023, the average rate was \$500,000 per year. As presented in the April 29, 2025 ALJ ruling, the ruling noted the ED Staff considers \$500,000 per year to be the current minimum permanent funding possible to maintain operations and produce the minimal viable product of biennial ACC updates. Also, as described in the April 29, 2025 ALJ ruling, this figure does not include two key elements, a) recent upward inflation may continue into the future (as noted in the April 29, 2025 ALJ ruling) and b) buffer to address unforeseen future situations. For these reasons, it would be prudent to adjust the annual funding cap to \$1,200,000 per year.³⁴

³⁰ *Ibid.*

³¹ *Ibid.*

³² Energy +Environmental Economics (E3)

³³ ED made this request in November 2023.

³⁴ Administrative Law Judge's Ruling on Proposed Changes to the Avoided Cost Calculator Process, May 12, 2025 at 2.

To ground ED's proposal for additional funding in reality ED Staff compared their proposal for increased annual funding of \$1,200,000 to the existing consultant budget for other groups in ED. By contrast, the existing authorized budget for the ED Customer Generation section has \$2,000,000 total and the ED IRP section has \$3,000,000 in annual funding authorized for consultants.³⁵

4.2. Party Comments

SoCalGas's comments indicated that, "the increase in funding is three times the current budget of \$350,000 and more than twice the current spend of over \$550,000 to a new total of \$1,200,000 annually."³⁶ The budget should not be increased this year to make up for future inflation; rather ED Staff should annually analyze the budget and propose potential increases to meet current needs and account for inflation, according to SoCalGas's comments.³⁷ If the budget is increased, SoCalGas's comments suggested that there should be clear confirmation that changes previously ordered to the ACC will be undertaken, such as the Gas ACC model updates, including the interim Gas GHG adder and unsourced Gas Model NOx abatement values.³⁸

PG&E's comments supported the proposed increased funding for the ACC to \$1,200,000 per year.³⁹ PG&E's comments mentioned the underlying reasons for the additional funding given increasing complexity of the ACC model, especially insofar as it requires incremental modeling for avoided transmission and distribution, general inflationary impacts, and the need to create a buffer to avoid delays in the

³⁵ *Ibid.*

³⁶ Opening Comments of SCG on Administrative Law Judge's Ruling Requesting Party Comments on the Proposed Changes to the Avoided Cost Calculator Process and Budget, May 12, 2025 at 4.

³⁷ *Ibid.*

³⁸ *Id.*, at 5.

³⁹ PG&E's Opening Comments on Administrative Law Judge's Ruling, May 12, 2025 at 5.

ACC update work.⁴⁰ According to Cal Advocates' comments, the Commission should clarify why a \$1,200,000 budget is needed for the ACC update process.⁴¹

SCE's comments like PG&E's agreed that the increase in funding is reasonable given the complexity and amount of consulting support required for the biennial update, the \$1,200,000 request does not seem out of the ordinary for this scope of work.⁴² SCE's comments identified tasks that the increased ACC funding should be used for like updating cost effectiveness tools used for DER portfolios, incorporating Societal Cost Test (SCT) outputs into the Demand Response cost effectiveness tool and creating a methodology for using additional outputs from the Air Quality Impacts Report into the SCT or cost effectiveness tools.⁴³

4.3. Analysis and Discussion

As mentioned above in Section 1, the ACC calculates several types of avoided costs including avoided generation capacity, energy, ancillary services, greenhouse gas emissions, high global warming potential gases, transmission and distribution capacity, and natural gas infrastructure. The outputs of the ACC feed into the cost-benefit analysis for DERs.

The Commission directed a single avoided cost model to be created for all DER proceedings in D.16-06-007. Not long after the Commission approved a formal biennial process in D.19-05-019, to ensure that major changes to the ACC are addressed on a regular basis. All parties to this proceeding are aware that distribution and transmission studies have been planned for incorporation into the

⁴⁰ *Ibid.*

⁴¹ ⁴¹ Opening Comments of Cal Advocates on Administrative Law Judge's Ruling on Updates to the Avoided Cost Calculator Process and Budget, May 12, 2025 at 3.

⁴² Opening Comments of SCE on the Administrative Law Judge's Ruling on the Proposed Changes to the 2026 Avoided Cost Calculator Process and Budget, May 12, 2025 at 9.

⁴³ *Ibid.*

ACC process. These new inputs will require additional modeling necessitating additional staff and equipment.

DERs are now and will continue to be a key part of the energy procurement landscape in California. After reviewing party comments and previous Commission decisions, the Commission concludes it is reasonable to increase financial support for the ACC process from \$350,000 to \$1,200,000 per year.

5. Comments on Proposed Decision

The proposed decision of ALJ Hazlyn Fortune in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Opening Comments were filed on November 4, 2025 by SCE, CELCA, SoCalGas, SBUA, SEIA and NREN. Reply Comments were filed on November 10, 2025 by CUE, SEIA and SoCalGas.

Regarding ACC process changes outlined in the PD, CLECA's Opening Comments state that the PD "errs by adopting a compressed timeline that fails to allow for sufficient stakeholder engagement, reduces transparency, and risks undermining the accuracy of the ACC."⁴⁴ SEIA's comments did not support process changes in the PD that, in their view, limit the transparency of the overall ACC process, the comments stated that "in order for stakeholders to actually be able to discern the impacts" of the changes made to the ACC, "stakeholders must be provided sufficient information on the inputs, assumptions, and calculations underlying the new draft ACC" when the Staff Proposal is released.⁴⁵ Moreover, SEIA's comments introduced an alternate schedule following release of the Staff Proposal for a workshop, submission and replies to party data requests, motions

⁴⁴ California Large Energy Consumers Association (CLECA) Opening Comments on Proposed Decision, November 4, 2025, at 3.

⁴⁵ Comments of Solar Energy Industries Association (SEIA) on Proposed Decision Revising the Avoided Cost Calculator Process, and Updating the Budget, November 4, 2025, at 2.

and ALJ response to motions requesting evidentiary hearings.⁴⁶ SCE's Opening Comments introduced a request that the schedule in the PD be modified to include an ED Staff led technical workshop in the fourth quarter of 2025 to preview ACC methodological changes being considered for the Staff Proposal before the March 2024 Staff Proposal release date, in the PD.⁴⁷ Like SEIA, SCE's comments that the, "condensed schedule limits the scope of stakeholder engagement to a perfunctory review of the Staff Proposal."⁴⁸ SoCalGas's Opening Comments mentioned the imprecise terms used for the ACC Update Schedule, creating uncertainty and risk.⁴⁹

The Commission has reviewed parties' comments to the PD and have determined that no changes need to be made to the ACC process schedule in the PD. Taken together parties' comments offer added specificity to the objections in their comments, already in the record on May 12 and May 19, 2025, on the original revised ACC process schedule introduced at the April 10, 2025 workshop. The Commission made changes to the original ACC process schedule to add a workshop and consider evidentiary hearings if warranted. Therefore, the Commission declines to make further changes to the current ACC process schedule changes in the PD.

Regarding the PD changes to the ACC annual budget, CLECA's Opening Comments state that the PD should "require that E3 must correct for any modeling errors identified during the ACC update process; and clarify that ratepayers should not bear the cost of corrective work stemming from consultant mistakes."⁵⁰ CLECA's comments stressed that the budget increase should come with, "performance

⁴⁶ *Id.*, at 3 – 5.

⁴⁷ Opening Comments Of Southern California Edison Company (SCE) on the Proposed Decision Revising the Avoided Cost Calculator Process, and Updating the Budget, November 4, 2025, at 1.

⁴⁸ *Ibid.*

⁴⁹ Opening Comments of Southern California Gas Company on Proposed Decision Revising the Avoided Cost Calculator Process, and Updating the Budget, November 4, 2025, at 1-2.

⁵⁰ CLECA Opening Comments, at 8.

requirements or accountability measures to ensure that Energy and Environmental Economics (E3), the consultant responsible for the ACC modeling, delivers accurate and reliable work.”⁵¹ SBUA’s comments to the PD mentioned that additional justification be provided in how the additional funds for the ACC budget will be spent and how will the budget be allocated.⁵²

SoCalGas’s comments suggested that the PD should be updated to include “a clear directive for timely completion of the Natural Gas GHG Adder Methodology”⁵³ The comments also mentioned that “the Commission revisit the cost recovery mechanism for ACC costs that remain a pass-through cost to the investor-owned utilities.”⁵⁴

The Commission relied on previous decisions in determining the \$1,200,000 funding increase for the ACC update process. Historically, the ACC update process has been under-funded. A 2016 Commission decision, D. 16-06-007, approved up to \$100,000 annually in reimbursable funds for the Avoided Cost calculator update process.⁵⁵ The decision also approved \$400,000 annually, for three years beginning in Fiscal Year 2016-17, in reimbursable funds for ongoing technical assistance to support future phases of cost effectiveness work in the proceeding.⁵⁶ The \$400,000 authorization ended at the end of fiscal year 2018-19, leaving a gap in funding for the ACC update process. After the 2018-19 fiscal year the ACC update process relied on the ongoing \$100,000 annual authorization from the 2016 decision. It is therefore understandable that in Decision 23-11-087 the Commission authorized an

⁵¹ *Id.*, at 7.

⁵² *Id.*, at 1.

⁵³ SoCalGas Opening Comments, at 3.

⁵⁴ *Id.*, at 4.

⁵⁵ D.16-06-007 Decision to Update Portions of the Commission’s Current Cost-Effectiveness Framework, June 9, 2016, at 17.

⁵⁶ *Id.*, at 17 -18.

additional \$250,000 to complete the 2024 ACC process update. This budget increase added to the existing ongoing annual funding level of \$100,000 from the 2016 authorization resulting in the current \$350,000 funding level. In the 2023 decision, the Commission found that the “amount of work required for the current ACC update process remains consistently high,” and that “the amount of work expected for ACC updates remains high for the foreseeable future.”⁵⁷ In Decision [24-04-010](#), the Commission granted a one-time authorization for up to \$1,500,000 in ratepayer funds for an avoided transmission and distribution (T&D) costs study, finding that “Based on the complexity of the scope of work for the Study, an estimated \$1,500,000 in ratepayer funding is justified.”⁵⁸ However, the data flowing from the results of these studies has to be analyzed in a separate task and included in the inputs that feed into the ACC update process. This task is not included in the \$1,500,000 authorization for the T&D studies. After the budget authorization in the 2016 decision the ACC updates process has operated on accumulated funds from previous fiscal years until it ran out of funds in 2024. The ongoing annual funding at \$100,000 is insufficient to manage the demands on the ACC update process therefore the Commission finds it reasonable to increase the annual budget to \$1,200,000 on an ongoing basis.

In their Reply Comments the Coalition of California Utility Employees (CUE) “encourages the Commission to clarify that the modified schedule for biennial ACC updates applies on an ongoing basis and is not limited to 2026.”⁵⁹ The Commission agrees with CUE’s comments that it is necessary to clarify that the ACC process

⁵⁷ D.23-11-087, “Decision Authorizing an Additional \$250,000 for the 2024 Avoided Cost Calculator Update and Future Avoided Cost Calculator Updates,” November 30, 2023, at 8.

⁵⁸ D.24-04-010, “Decision Approving Funding for Transmission and Distribution Avoided Costs Study,” Finding of Fact 3, April 18, 2024, at 15.

⁵⁹ Reply Comments of the Coalition of California Utility Employees on the Proposed Decision, November 10, 2025, at 4.

updates applies on an ongoing basis. The PD has been revised, at Section 3.3 above and Ordering Paragraph 1 below, to reflect this clarification.

6. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Hazlyn Fortune is the assigned ALJ in this proceeding.

Findings of Fact

1. The current ACC biennial update process is lengthy, including requirements for evidentiary hearing, oral arguments, several rounds of opening and reply comments, and briefs, causing delays in adopting ACC updates.

2. The Commission adopted IRP PSP or IRP TPP Base Case portfolio can be used for the purpose of updating the ACC.

3. The level of complexity and controversy in the ACC update process has increased over time.

4. A budget of \$1,200,000 per year is needed to provide sufficient resources to conduct the ACC update tasks.

Conclusions of Law

1. The biennial ACC update process in D.22-05-002 should be replaced by the revised process in Table 3 of Section 3.3 of this decision.

2. The Commission-adopted IRP TPP base case portfolio or the Commission-adopted IRP PSP should be used in the biennial ACC Update, whichever was adopted most recently.

3. The budget for biennial ACC updates should be increased to \$1,200,000.00 per year.

O R D E R

IT IS ORDERED that:

1. The biennial Avoided Cost Calculator update process schedule in Table 3 in Section 3.3 of this decision is adopted on an ongoing basis.

2. The budget for the biennial Avoided Cost Calculator update is increased to \$1,200,000 per year.

3. Rulemaking 22-11-013 remains open.

This order is effective today.

Dated November 20, 2025, at San Francisco, California.

ALICE REYNOLDS
President
DARCIE L. HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
Commissioners

Commissioner Matthew Baker recused himself from this agenda item and was not part of the quorum in its consideration.