

**BEFORE THE PUBLIC UTILITIES COMMISSION OF
THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding Policies, Procedures and rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769

Rulemaking No. 14-08-013
(Filed August 14, 2014)

And Related Matters.

Application No. 15-07-002
Application No. 15-07-003
Application No. 15-07-006

(NOT CONSOLIDATED)

In the Matter of the Application of PacifiCorp (U901E) Setting Forth its Distribution Resource Plan Pursuant to Public Utilities Code Section 769.

Application 15-07-005
(Filed July 1, 2015)

And Related Matters.

Application No. 15-07-007
Application No. 15-07-008

**COMMENTS OF THE SOLAR ENERGY INDUSTRIES ASSOCIATION AND
VOTE SOLAR ON THE PROPOSED DECISION ON TRACK 3 POLICY ISSUES,
SUB-TRACK 2 (GRID MODERNIZATION)**

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**COMMENTS OF THE SOLAR ENERGY INDUSTRIES ASSOCIATION AND
VOTE SOLAR ON THE PROPOSED DECISION ON TRACK 3 POLICY ISSUES,
SUB-TRACK 2 (GRID MODERNIZATION)**

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the Solar Energy Industries Association (SEIA) and Vote Solar comment upon the Propose Decision on Track 3 Policy Issue, Sub-Track 2 (Grid Modernization) issued in the above captioned proceeding on February 20, 2018 (Proposed Decision).

I. INTRODUCTION

SEIA and Vote Solar support the Commission’s objective in the Proposed Decision of establishing a robust regulatory framework to evaluate the reasonableness of grid modernization

investments and we appreciate staff's hard work on developing this policy. We strongly support the goal of optimizing the deployment of distributed energy resources (DERs) in a manner that can leverage the benefits that DERs can provide to all ratepayers. To that end, Vote Solar and SEIA recommend several changes to the Proposed Decision as follows.

First, we propose minor changes to the definition of Grid Modernization to fully recognize the capabilities that DERs offer to the benefit of ratepayers including improving the safety and reliability of the grid. Second, we recommend that Commission policy goals be acknowledged as potential drivers of grid modernization and incorporated into the analysis of cost reasonableness. Third, we recommend that the Proposed Decision explicitly recognize that DERs can provide solutions that advance the modernization of the grid .

II. THE DEFINITION OF GRID MODERNIZATION SHOULD EMPHASIZE THE COMPREHENSIVE BENEFITS OF GRID MODERNIZATION AND IMPROVED INTEGRATION OF DERs FROM A RATEPAYER PERSPECTIVE

SEIA and Vote Solar agree with the Proposed Decision that it is not feasible to fully separate the multiple, interrelated functions of grid modernization investments.¹ However, the evaluation of the overall cost-effectiveness of DERs that will be undertaken in R. 14-10-003 should use an advanced form of the Locational Net Benefits Analysis (LNBA) tool which relies upon “full-on” distribution marginal costs. The LNBA should include all parts of the “value-stack” that are related to DERs, the utility distribution system, and the larger bulk power grid. This should include the greenhouse gas adder adopted in the recent Integrated Resource Planning Decision to determine DERs cost effectiveness in the Grid Modernization Plans to be filed by the investor-owned utilities.

¹ Proposed Decision, p. 22.

Traditional investments in safety and reliability can provide benefits by accommodating more autonomous DER growth. Likewise, investments to increase hosting capacity for DERs can improve grid reliability and safety. The application of packages of DERs, properly sized and operated, can have very positive impacts that lower overall costs. Furthermore, DERs themselves can, in certain cases, improve grid reliability and safety and avoid the need for conventional grid investments. These complex interrelationship needs to be fully acknowledged in the definition of Grid Modernization. Accordingly, SEIA and Vote Solar propose the following changes to the definition of grid modernization.

A modern grid allows for the integration of distributed energy resources (DERs) while minimizing the impacts and risks to maintaining and improving safety and reliability. A modern grid facilitates the efficient integration of DERs into all stages of distribution system planning and operations to fully utilize the capabilities that the resources offer, without undue cost or delay, allowing markets and customers to more fully realize the value of the resources, to the extent cost-effective to ratepayers, while ensuring equitable access to the benefits of DERs. A modern grid achieves safety and reliability of the grid through technology innovation to the extent that is cost-effective to ratepayers relative to other legacy investments of a less modern character.

III. THE COMMISSION SHOULD PROVIDE GUIDANCE THAT POLICY GOALS BE CONSIDERED IN GRID MODERNIZATION PLANS

The Proposed Decision recognizes that there are challenges to establishing a method to evaluate the cost effectiveness of grid modernization investments related to DER integration.² We agree that the cost of grid modernization should be considered in the context of the overall cost-effectiveness of distributed energy resources.

However, what is missing in the development of an approach to cost-reasonableness for grid modernization investments is the absence of consideration of other Commission policy goals. Among those policy goals that should be considered in the Grid Modernization Plans are

² Proposed Decision, p. 24.

reducing air pollution in disadvantaged communities, promoting economic development in disadvantaged communities, encouraging the electrification of transportation and cost-effective fuel switching. An example of an important policy consideration that could be considered in a grid modernization plan is what investments are needed to enable communities in the Central Valley without natural gas service to leverage solar energy, energy storage and efficient space-heating technologies to improve comfort, security and safety. These grid modernization investments may service different policy goals than similar investments that might be considered elsewhere, and the Commission should take them into account. Accordingly, SEIA and Vote Solar recommend that Ordering Paragraph 4 be revised to read as follows:

Each IOU shall present a 10-year vision for its GMP in order to provide context for its GRC-specific GMP request. The 10-year vision shall include the changes an IOU anticipates to be necessary to the distribution system in light of the long term Distributed Energy Resources growth forecast. It shall also incorporate grid modernization investments needed to facilitate state policy goals such as improvement of air quality and economic opportunities in disadvantaged communities, transportation electrification and beneficial fuel switching. The IOUs shall include the 10-year vision as a chapter in their GRC filings.

IV. THE COMMISSION SHOULD EXPLICITLY RECOGNIZE THAT COMPLIMENTARY CUSTOMER-SITED DERS CAN PROVIDE GRID INTEGRATION SERVICES

The Proposed Decision correctly recognizes that integration challenges posed by one set of DERs can be met by other complimentary DERs, such as energy storage, smart inverters and mitigations identified during the interconnection process.³ For example, grid integration challenges posed by solar PV could be mitigated by energy storage, smart inverters, or daytime EV charging.

The Proposed Decision in Section 2.2.1 directs the IOUs to state in their Grid

³ Proposed Decision, p. 12.

Modernization Plans whether smart inverters or other complimentary DERs can address stated integration challenges. SEIA and Vote Solar agree with this directive and believe it is appropriate to include such language in the Ordering Paragraphs. Specifically, Ordering Paragraph 4 should include an additional language directing the utilities to state in their GRCs how complimentary DERs were considered to meet any grid integration challenges:

In their GRCs, the IOUs shall propose the lowest cost approach to meeting identified grid needs, including, where appropriate, the use of complementary DERs, and should provide an explanation for the drivers of each type of investment. The GRC shall also include an explanation of how the IOU evaluated whether investments intended to integrate DERs could be met by complementary DERs.

V. CONCLUSION

SEIA and Vote Solar thank the Commission staff for the thoughtful process proposed for analyzing grid modernization investments and the opportunity to comment on the Proposed Decision.

Respectfully submitted this March 12, 2018, at San Francisco, California.

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⁴ In accordance with Commission Rule 1.8(d), counsel for SEIA is authorized to sign these comments on behalf of Vote Solar.