



March 19, 2021

California Public Utilities Commission
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Sent Via E-Mail

Re: American Clean Power – California Comments on the February 24, 2021 En Banc Hearing on Utility Costs and Affordability of the Grid of the Future

Dear Commissioners:

American Clean Power – California (“ACP-California”) appreciates the opportunity to submit these comments on the February 24, 2021 En Banc Hearing and White Paper – *Utility Costs and Affordability of the Grid of the Future* (“White Paper”).

ACP-California represents companies from across the clean power sector that provide cost-effective solutions to the climate crisis while creating jobs, spurring massive investment in the American economy, and driving high tech innovation across the United States. ACP-California’s mission is to transform the U.S. power grid to a low-cost, reliable, and renewable power system. ACP-California is a project of the national trade association. ACP-California seeks to ensure that the agencies’ evaluation of trends in rates and affordability provide decision-makers with the information necessary to meaningfully evaluate affordability in the context of meeting other goals such as maintaining reliability and decarbonization. We agree with multiple statements from the dais on February 24 that affordability, equity, reliability, and decarbonization are complementary and must be addressed holistically.

Costs of utility-scale renewable energy have declined significantly over the last decade to the point where certain renewable energy generation technologies (utility-scale land-based wind and solar PV) have a levelized cost of energy that is competitive with the marginal cost of

existing conventional generation.¹ A tax extenders bill that cleared Congress in December of 2020 extends deadlines for developers of renewable energy projects to start construction of new projects to qualify for federal tax credits.² The bill (and related IRS guidance) includes the following extenders:

- Land-based wind projects have been given another year to start construction to qualify for tax credits. Congress extended the 60% production tax credit (PTC) for wind projects starting construction in either 2020 or 2021 or an 18% investment tax credit (ITC) extension on the project cost in the year the project is put in service.
- A 26% ITC for solar projects that start construction in 2020-2022, decreasing to 22% for projects that start construction in 2023, with the permanent 10% credit for commercial solar thereafter. Solar projects must be placed in service within four years after the start of construction, notwithstanding a longer outside limit that Congress wrote into the statute.
- A new 30% ITC for offshore wind for projects that commenced or will commence construction in 2017-2025. This includes a 10-year safe harbor provision for projects that start construction by 2025, so a project initiating construction by 2025 would have 10 years to be placed into service and maintain ITC eligibility.

Consideration of tax-eligible resources in the context of near-term renewable and storage procurement result in ratepayer benefits for Californians. Near-term procurement direction for a diverse suite of renewable and storage resources will be necessary not only take advantage of federal tax credits, but also to break California's recent pattern of emergency-procurement, which does not serve California ratepayers well. The Commission would be wise to engage in more long-term procurement and transmission planning in order to reduce the generation component of rates as we work toward a more reliable, carbon-free portfolio. Utility-scale wind,

¹ Lazard's Levelized Cost of Energy Analysis – Version 14.0, October 2020: <https://www.lazard.com/media/451419/lazards-levelized-cost-of-energy-version-140.pdf>, Slide 7.

² Martin, Keith; *Renewable Energy Tax Credits Extended*; Norton Rose Fulbright Project Finance, December 22, 2020: <https://www.projectfinance.law/publications/2020/december/renewable-energy-tax-credits-extended/>.

solar, and hybrid projects will be critical to ensuring affordability, reliability, and equity, with the necessary investments in transmission infrastructure to deliver these low-cost renewable resources to Californians. We hope that the Commission’s robust analysis in the White Paper can help support decision-making in other proceedings like the Commission’s Integrated Resource Planning (“IRP”) and Resource Adequacy (“RA”) proceedings, provided there is additional context for the interaction of individual rate components, particularly the transmission and generation rate components. ACP-California’s recommendations are set forth below.

DISCUSSION

1. Historical Cost and Rate Trends.

- a. The Commission should expand the discussion at the bottom of page 40 of the White Paper to evaluate how past investments in bulk transmission facilities have enabled a broader pool of clean capacity resources to compete for power contracts, thus minimizing costs in the generation component of the rate.
- b. In discussing aggregate changes to transmission rates from 2016-2021, the Commission should clarify which component of transmission and distribution costs are not associated with transmission and distribution infrastructure, but instead include rates of unassociated investments (i.e., the non bypassable charges and miscellaneous rate components summarized in Table 12 of the White Paper)

2. Frameworks for Evaluating Forecasted Utility Costs.

- a. ACP-California supports the use of the Residential Energy Cost Calculator (“RECC”) and coordinating the use of this modeling tool with the IRP proceeding. As noted above, rate components distinct from generation and transmission costs (e.g., NBCs) must be distinguished from actual wholesale generation costs and transmission capital expenditures in the evaluation of electricity growth rates.

3. Modeling Assumptions and Frameworks for Evaluating Forecasted Utility Costs.

- a. ACP-California supports the Commission’s proactive consideration of affordability and use of affordability metrics. ACP-California encourages the Commission to

bolster the decision in Section 3.7 to consider how the advancement of clean energy goals can provide high paying jobs for low-income households and thus investments captured in the generation component of the rate may help address affordability concerns affecting these communities.

4. IOU Proposals for Limiting Costs.

- a. PG&E’s proposals for limiting costs lack detail and are un-informative. PG&E’s plan purports that it “includes multiple cost-cutting opportunities driven by operational improvement efforts within both Transmission and Distribution.” In recent years, PG&E’s execution on transmission investments have fallen far short of the timelines projected by PG&E itself; this has created a material delay in numerous capacity additions and associated requirements under Power Purchase Agreements (“PPAs”). Instead of focusing on how it can cut costs, PG&E should be required to focus on how it can use its revenue requirements more effectively and meet its state and federal legal obligations as a Transmission Owner.
- b. ACP-California notes that most of the proposals touch on the need to better manage the utility’s existing supply portfolios in light of load shifting. A robust and well vetted proposal is under consideration in the PCIA rulemaking for reallocating products within the utilities’ portfolios (i.e., PCIA Working Group 3 Final Report). ACP-California supported this proposal because it would right-size the IOUs’ supply portfolios, while at the same time protect the integrity of existing power purchase contracts. ACP-California encourages the Commission to implement PCIA Working Group 3’s recommendations this year.

Respectfully submitted,

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