

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
(Filed November 17, 2022)**

**CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION
COMMENTS ON PROPOSED DECISION ADOPTING
UPDATES TO THE AVOIDED COST CALCULATOR**

Sam Harper
Harper Advisory LLC
9002 Six Pines Drive
Shenandoah, TX 77380
(214) 463-9423
Sam@harper.energy

Consultant to the California Large Energy
Consumers Association



Nora Sheriff
Timothy S. Lee
Buchalter LLP
425 Market Street, 29th Floor
San Francisco, CA 94105-2491
415.227.3551 office
nsheriff@buchalter.com
tlee@buchalter.com

Counsel for the California Large Energy
Consumers Association



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- The Commission should modify the Integrated Calculation's resource to reflect the Integrated Resource Plan (IRP). (See Section II.A; Appendix, FOF 10).
- The Commission should correct the Integrated Calculation's generation capacity floor to include the ad valorem taxes and insurance costs of the marginal gas resource, raising the floor from approximately 39/kW-year to approximately \$64/kW-year, consistent with the correction identified by SCE and supported by CLECA in comments on the Revised Staff Proposal. (See Section II.B; Appendix, FOF 20 and COL 4).
- The Commission should improve the stakeholder process for the draft 2026 ACC and future ACC update cycles by engaging the perspective of parties through interactive workshops and publishing underlying workpapers with adequate time for review and comments. (See Section II.C.; Appendix, FOF 21 and COL 14).

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The California Large Energy Consumers Association ([CLECA](#))¹ submits these comments to the July 31, 2026, *Proposed Decision Adopting Updates To The Avoided Cost Calculator* (Proposed Decision) pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission).

I. INTRODUCTION

CLECA has a direct interest in the Avoided Cost Calculator (ACC) based on three core priorities. First, CLECA members participate in the Base Interruptible Program (BIP), a supply-side emergency demand response resource relied upon in the Integrated Resource Planning (IRP) portfolio and repeatedly called upon during critical reliability events. Second, the ACC

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. (For more information, please go to [CLECA.org](#)).

determines the cost-effectiveness of distributed energy resource (DER) programs whose costs are recovered through rates paid by CLECA members. Third, CLECA members depend on reliable electric service, which is increasingly supported by the same DERs that the ACC is intended to value. The ACC therefore affects CLECA members both through the resources available to support system reliability and through the costs recovered in their rates.

As explained in CLECA's comments on the Revised Staff Proposal, we continue to believe that the revised Integrated Calculation is improperly not technology-agnostic² and wrongly fails to reflect the IRP resource mix critical for system reliability. The revised Integrated Calculation is also overly dependent on exogenous caps and floors that mask the problematic instability of the underlying calculation.³ Therefore, the Proposed Decision's failure to correct these errors is, in itself, error that requires correction prior to its adoption.

CLECA makes the following recommendations. First, expand the resources utilized in the Integrated Calculation to reflect the full IRP. Second, correct the discrete defect in the generation capacity floor, which is based on the fixed operations and maintenance (O&M) costs of existing gas resources but omits ad valorem taxes and insurance, thereby understating the floor. Third, improve the stakeholder process for the draft 2026 ACC and future ACC update cycles by engaging the perspective of parties through interactive workshops and publishing underlying workpapers with adequate time for review and comments, so that parties can better inform the methodology before the Commission finalizes it.

² Opening Comments of California Large Energy Consumers Association 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 Opening Comments on Revised Staff Proposal) at 3.

³ CLECA Opening Comments on Revised Staff Proposal at 4.

II. COMMENTS

A. The Commission should expand the resources utilized in the Integrated Calculation to reflect the full IRP

The Proposed Decision errs in its adoption of a single solar-plus-storage hybrid as the marginal resource in the Integrated Calculation on the ground that both resources are selected economically throughout the IRP planning horizon.⁴ As CLECA explained in comments on the Revised Staff Proposal, that construct does not represent the IRP portfolio.⁵ The IRP does not build hybrids: solar-plus-storage is not a candidate resource in RESOLVE, and the IRP neither requires nor plans for the two to be developed together.⁶ The effective load carrying capability values that drive the calculation are drawn from a portfolio assuming a diverse, wide-ranging resource mix, then applied as though they held for a single narrow pairing.⁷ And once the calculation reduces to one equation in one unknown, the choice of this particular pairing is unexplained — a single non-hybrid resource, or a hybrid of several IRP resources, would satisfy the same construct equally well.⁸ The consequence is a marginal resource that reflects two chosen technologies rather than the portfolio the ACC is meant to represent, and the continued exclusion of the resources the IRP relies upon for reliability, including demand response.⁹

⁴ Proposed Decision of ALJ Chang Adopting Updates to the Avoided Cost Calculator, R.22-11-013 (July 31, 2026) (Proposed Decision) at 31.

⁵ CLECA Opening Comments on Revised Staff Proposal at 3-4.

⁶ Proposed Decision at 29 (quoting SEIA Reply Comments on June 5 Ruling at 5).

⁷ Opening Comments of California Large Energy Consumers Association on Administrative Law Judge's Ruling Issuing The 2026 Avoided Cost Calculator Staff Proposal for Party Input, R.22-11-013 (May 13, 2026) (CLECA Opening Comments) at 5.

⁸ CLECA Opening Comments on Revised Staff Proposal at 4.

⁹ *Id.* at 3.

B. The Commission should correct the omission of ad valorem taxes and insurance in the generation capacity floor.

The Proposed Decision further errs with its retention of a generation capacity floor based on the fixed O&M cost of existing gas resources.¹⁰ The Commission acknowledges that CLECA, joined by Southern California Edison (SCE) and Solar Energy Industries Association (SEIA), identified that this floor is understated because it omits ad valorem taxes and insurance.¹¹ The Proposed Decision does not dispute this omission. Instead, it declines to make the correction as part of its broader decision not to “modify the natural gas O&M cost floor to better align the value with the IRP inputs and assumptions.”¹²

This correction is especially important under the structure the Proposed Decision adopts. The revised Integrated Calculation derives generation capacity value as the residual after setting the greenhouse gas (GHG) value exogenously. Because that residual is commonly negative or unreasonably low, the floor, not the calculation, sets the reported capacity value in nearly every year.

This correction is also material: the impact is an increase of the floor (and thus, for most years, the generation capacity value) by approximately 64%.¹³ This systematically and significantly understates capacity value and, in turn, undervalues reliability-providing DERs, including BIP, that depend on accurate capacity signals.¹⁴

¹⁰ Proposed Decision at 32.

¹¹ Proposed Decision at 29 (citing CLECA Opening Comments on June 5 Ruling at 5, 7–8; SCE Opening Comments at 11–13; SEIA Reply Comments on June 5 Ruling at 5).

¹² Proposed Decision at 32.

¹³ SCE Opening Comments (May 13, 2026) at 11-12 (SCE demonstrated that including ad valorem taxes and insurance increases the floor from approximately \$39/kW-year to approximately \$64/kW-year in 2022 dollars).

¹⁴ CLECA Opening Comments at 18 (explaining that BIP participants are re-contracted annually and that sustained participation depends on adequate generation capacity value).

The correction is narrow, rests on undisputed record evidence, relies on inputs already before the Commission, and does not require the Commission to revisit the broader methodology adopted for the 2026 ACC. The Commission should ensure that the needed correction to the generation capacity floor to include ad valorem taxes and insurance is made in the 2026 cycle. CLECA's proposed revision to Conclusion of Law (COL) 4 and its proposed Finding of Fact (FOF) are set forth in the Appendix.

C. The Commission should improve the stakeholder process for greater transparency in the draft 2026 ACC and next ACC Cycle

CLECA welcomes the Proposed Decision's provision for a workshop on the draft 2026 ACC and an opportunity for party comment before the Commission approves the model by resolution.¹⁵ This step in the right direction should be bolstered by more progress in improving the process. To provide greater transparency, the Commission should direct the Energy Division to publish the workpapers underlying the draft 2026 ACC, showing how the adopted methodology was implemented to generate the published values, sufficiently in advance of the workshop to allow stakeholders adequate time for review. CLECA further encourages the Commission to structure the workshop as an interactive session in which stakeholders can question and engage directly with Energy Division Staff, rather than a one-way presentation of the results.¹⁶

This approach would avoid repeating the difficulties parties encountered earlier in this cycle. The Proposed Decision recognizes that parties across this proceeding, including CLECA,

¹⁵ Proposed Decision at 44.

¹⁶ CLECA Opening Comments at 3 (transparency requires that stakeholders receive the underlying data and assumptions and sufficient time to review the model and discuss it with Energy Division Staff).

raised concerns that they lacked sufficient time and information to evaluate the proposed changes, and requested additional time, another round of comments, and further workshops.¹⁷ Those concerns were well founded: the working model was provided only four working days before comments were due, after the workshop had already concluded, and included only one of the cases Staff had tested;¹⁸ further, SEIA's follow-up request for the additional case data was declined.¹⁹ Cal Advocates likewise observed that the limited workpapers, provided less than a week before comments were due, constrained the extent to which stakeholders could review and critique the proposal.²⁰ CLECA raises these points not to relitigate that process, but to highlight that early publication of workpapers and a genuinely interactive workshop would give the draft 2026 ACC the stakeholder scrutiny its significance warrants.

For the next ACC cycle, the Commission should engage stakeholders more fully before adopting the methodology, rather than waiting until the implementation stage. The Proposed Decision should be revised to direct staff and parties to follow the approach CLECA and other parties previously recommended. At a minimum, the Energy Division should hold stakeholder workshops before issuing the Staff Proposal and should release the working model and supporting workpapers at the same time as the proposal.²¹ These steps would give parties a

¹⁷ Proposed Decision at 43–44.

¹⁸ CLECA Opening Comments at 3.

¹⁹ Email from Alex Moisa, CPUC – Energy Efficiency Planning and Forecasting, to Parties in Rulemaking R22-11-013 (May 11, 2026, at 12:50 PM PT).

²⁰ Comments of the Public Advocates Office on the Administrative Law Judge's Ruling Issuing the 2026 Avoided Cost Calculator Staff Proposal for Party Input, R.22-11-013 (May 13, 2026) (Cal Advocates Comments) at 2–3.

²¹ CLECA Opening Comments at 3–4; see also Comments of the Public Advocates Office, R.22-11-013 (May 13, 2026) at 4; Opening Comments of Southern California Edison Company (U 338-E), R.22-11-013 (May 13, 2026) at 15.

meaningful opportunity to evaluate proposed changes before adoption and would create a stronger record for both future ACC updates.

III. CONCLUSION

CLECA respectfully urges modification of the Proposed Decision as recommended herein. For the reasons set forth above, CLECA respectfully requests that the Commission:

- (1) expand the resources used in the Integrated Calculation to reflect the full IRP portfolio;
- (2) correct the Integrated Calculation's generation capacity floor to include the ad valorem taxes and insurance costs of the marginal gas resource; and (3) improve the stakeholder process by publishing the workpapers underlying the draft ACC with sufficient time for review and by providing stakeholders a meaningful opportunity to collaborate directly with Energy Division Staff in future workshops. CLECA's proposed revisions to the Findings of Fact and Conclusions of Law are set forth in the Appendix.

Respectfully submitted,

BUCHALTER LLP

By:



Nora Sheriff

Counsel for the California Large Energy
Consumers Association



August 20, 2026

Appendix with Proposed Changes to Findings of Fact and Conclusions of Law

Findings of Fact

FOF 1: The state of California lacks a cross-sector basis for valuing GHG reductions.

FOF 2: The state of California has not developed sector-specific modeling of marginal abatement costs for the natural gas sector beyond the current interim value based on a 2021 CEC report on the GHG abatement cost in buildings.

FOF 3: The electric sector GHG value is more frequently updated than the natural gas sector GHG interim value currently used in the ACC.

FOF 4: Using an electric sector GHG value for all GHG reductions in the ACC model aligns with the marginal GHG value indicated by the IRP.

FOF 5: Adopting the electric-sector GHG value for all GHG reductions would provide a coherent basis for evaluating emissions reductions across the electric and gas sectors.

FOF 6: Avoiding the overvaluation of GHG reduction measures by adopting an electric-sector GHG value for all GHG reductions is in the ratepayer interest.

FOF 7: The GHG rebalancing component of the ACC was introduced to account for the reallocation of allowable GHG emissions across electric and gas sectors.

FOF 8: Removing the GHG rebalancing component aligns the GHG value in the ACC with the GHG value in the IRP.

FOF 9: Using the IRP GHG avoided cost “shadow price” in the ACC would align the IRP and ACC.

FOF 10: Adopting a simplified Integrated Calculation using a hybrid energy resource and the GHG avoided cost shadow price from the IRP model to calculate avoided generation capacity costs will help provide a consistent method across the ACC and IRP proceedings does not reflect the full set of resources the IRP relies upon for reliability, because the hybrid resource represents only a narrow selection of IRP resources rather than the portfolio as a whole.

FOF 11: A small versus large amount of load reduction during an hour results in the same reliability benefit across all hours with a loss of load.

FOF 12: Using LOLH to calculate the ACC capacity allocation factor would measure the frequency rather than the magnitude of such loss-of-load events.

FOF 13: The combination of increasing winter loads due to building electrification and the growing penetrations of renewables is shifting reliability risks from summer to winter months due to higher winter loads and lower renewable output during winter months.

FOF 14: Energy prices, compared to temperature, better reflect the timing of loss-of-load events within the year, when the balance between supply and demand is most constrained.

FOF 15: Reliability modeling has shown that weekdays typically have significantly higher reliability risks than weekends.

FOF 16: Differentiating between weekends and weekdays when allocating days with non-zero reliability risk enables the final capacity value allocation to align with the weekend/weekday risk from reliability modeling.

FOF 17: IEPR load forecasts indicate that the hours of constrained transmission capacity will evolve due to increasing penetration of electric vehicles and building electrification and increasing behind-the-meter generation.

FOF 18: Using IEPR load forecasts to update the PCAF calculations for transmission capacity allocation better represent the hours in which DERs are expected to provide transmission capacity value and better align with energy avoided costs and generation capacity allocation factors currently used in the ACC.

FOF 19: Using a DTIM-only method to measure marginal transmission costs for all electric utilities would improve consistency in the calculations across utilities and reduce volatility in the transmission value tied to the impacts of individual large projects.

FOF 20: The generation capacity floor used in the Integrated Calculation, set at the fixed O&M cost of existing gas resources, omits ad valorem taxes and insurance and is therefore understated; including those costs raises the floor from approximately \$39/kW-year to approximately \$64/kW-year (2022).

FOF 21: Stakeholder review and input on the draft 2026 ACC is essential to producing robust results; therefore, workpapers underlying the draft 2026 ACC should be published in advance of an interactive workshop with adequate time and opportunity for stakeholder review.

Conclusions of Law

COL 1: The ACC should be updated to apply a single electricity-based value to represent both electricity and natural gas GHG values in the ACC.

COL 2: The ACC should be updated to remove the GHG rebalancing component.

COL 3: The ACC should not be updated to implement a cap on the GHG value in both electric and gas models equal to the high societal cost of carbon adopted in the Societal Cost Test.

COL 4: The ACC should be updated to implement a simplified Integrated Calculation to address transparency and sensitivity to minor inconsistencies between RESOLVE and SERVVM models. The generation capacity floor used in the Integrated Calculation should be corrected to include the ad valorem taxes and insurance costs of the marginal gas resource.

COL 5: The ACC should be updated to use LOLH rather than EUE as the basis for ACC capacity allocation factors.

COL 6: The ACC should be updated to use energy prices rather than temperature to calculate high generation capacity values to better reflect increased electricity use in both summer and winter months.

COL 7: The ACC should differentiate between weekends and weekdays when allocating days with non-zero reliability risk to align with weekend/weekday reliability risk indicated in reliability modelling.

COL 8: The ACC should be updated so that the PCAF calculations for transmission avoided costs use the IEPR load forecast for future years, as used in SERVVM modelling for calculating energy avoided costs, instead of historical loads.

COL 9: The ACC should be updated to use a DTIM-only method to calculate marginal transmission costs for all electric utilities.

COL 10: It is reasonable to continue to use the current methodology and the most current transmission and distribution cost data to calculate avoided transmission and distribution costs in the ACC.

COL 11: Except as explicitly provided in the Conclusions of Law of this decision, it is reasonable to apply the methodologies approved in the 2024 ACC Decision to the ACC.

COL 12: It is reasonable to affirm all rulings made by the assigned ALJ or the assigned Commissioner related to the issues considered in this decision.

COL 13: It is reasonable to deny all motions related to the issues considered in this decision that were not ruled on.

COL 14: Energy Division should publish the workpapers underlying the draft 2026 ACC sufficiently in advance of the workshop on the draft 2026 ACC to afford stakeholders adequate time for review, and should conduct that workshop as an interactive session that allows stakeholders to engage directly with Energy Division Staff.

COL 15: The Energy Division should modify the hybrid energy resource to reflect the full set of resources the IRP relies upon for reliability, and the GHG avoided cost shadow price from the IRP model to calculate avoided generation capacity costs.