

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
REPLY COMMENTS ON PROPOSED DECISION ADOPTING
UPDATES TO THE AVOIDED COST CALCULATOR**

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August 25, 2026

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The California Large Energy Consumers Association (CLECA)¹ submits these reply 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), replying to six characterizations of law, fact, or the condition of the record in other parties' comments.

I. REPLY COMMENTS

A. PG&E correctly identifies that the revised calculation suppresses the value of dispatchable Distributed Energy Resources (DERs).

PG&E explains how capacity values are suppressed and how that impacts DERs:

"Since generation capacity value is calculated as a residual output of the Integrated Calculation, elevated GHG values directly suppress generation capacity avoided costs."²

"As a result, resources specifically designed to provide reliability benefits during periods of system stress receive a materially weaker value signal within the ACC than under the 2024 ACC in favor of broad-based energy and emissions reduction benefits. This outcome risks creating a disconnect between the Commission's planning objectives and the economic signals embedded in the ACC. Programs designed to deliver load reductions from dispatchable DERs during constrained system conditions derive a significant share of their benefits from avoided generation capacity value. Reducing that value may make these resources appear less cost-effective even as the Commission continues

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](https://www.cleca.org)).

² Pacific Gas and Electric Company's (U 39 M) Opening Comments on the Proposed Decision Adopting Updates to the Avoided Cost Calculator, R.22-11-013 (August 20, 2026) (PG&E Comments) at 3.

to plan for a future where these resources are expected to serve as important reliability tools.”³

The Base Interruptible Program (BIP), which many CLECA members supply, is such resource.⁴ Indeed, BIP is clean and firm. CLECA agrees with PG&E that the Commission should consider whether a methodology that “consistently prices generation capacity at or near the floor level appropriately reflects the reliability value that dispatchable DERs are expected to provide.”⁵ The “floor level” for generation capacity is also suppressed due to a material omission that CLECA and many others have urged the Commission to correct (discussed in Section D below).

B. SDG&E and SCE correctly identify that the Proposed Decision makes no finding on whether the GHG value should be bounded.

SDG&E identifies that the Proposed Decision makes no finding on whether the GHG value should be bounded.⁶ SCE further finds that the Commission’s claim that it “may reconsider capping GHG avoided costs in the ACC if the RESOLVE model’s GHG shadow prices become persistently high and unrealistic in the future” contains no standard for such a condition⁷ and does not examine whether that condition may already exist.⁸ CLECA concurs with both parties and urges the Commission to adopt a reasonable cap for GHG.

³ PG&E Comments at 4-5.

⁴ California Large Energy Consumers Association Opening Comments 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 18.

⁵ PG&E Comments at 5.

⁶ Opening Comments of San Diego Gas & Electric Company (U 902 M) on Proposed Decision Adopting Updates to the Avoided Cost Calculator, R.22-11-013 (August 20, 2026) (SDG&E Comments) at 2, 6.

⁷ Opening Comments of Southern California Edison Company (U 338-E) on the Proposed Decision Adopting Updates to the Avoided Cost Calculator, R.22-11-013 (August 20, 2026) (SCE Comments) at 2.

⁸ SCE Comments at 6.

Regarding the value of the cap, CLECA does not oppose the Societal Cost of Carbon (SCC) High value recommended by Staff, SCE, and CUE; or SCE's alternative ten-year smoothing period.⁹ Whatever capping or smoothing is applied, it must be applied to the *inputs* of the model such that the results are not distorted, as has been argued by CLECA, SEIA, and PG&E.¹⁰

C. SCE and PG&E correctly identify that the Staff model double-counts the Cap-and-Invest price.

The Revised Staff Proposal states that the ACC's GHG value is composed of the Cap-and-Invest value and an additional GHG Adder, which together "sum to the implied marginal GHG abatement cost for the electric sector."¹¹ It then proposes to "set the GHG avoided cost equal to the RESOLVE shadow price,"¹² and the Proposed Decision describes that price as "the marginal cost per metric ton incurred by California ratepayers to achieve that level of carbon reductions."¹³ Under those statements the shadow price already includes the allowance price.

However, SCE and PG&E each identify¹⁴ that the Integrated Calculation workbook adds the Cap-and-Invest allowance price to that shadow price, double counting it.¹⁵ This model error should be corrected.

⁹ SCE Comments at ii, 5-6.

¹⁰ Proposed Decision of ALJ Chang Adopting Updates to the Avoided Cost Calculator, R.22-11-013 (July 31, 2026) (Proposed Decision) at 22.

¹¹ 2026 Avoided Cost Calculator Revised Staff Proposal, R.22-11-013 (June 5, 2026) (Revised Staff Proposal) at 3.

¹² Revised Staff Proposal at 8.

¹³ Proposed Decision at 25.

¹⁴ SCE Comments at ii, 11 (the cap-and-trade price should not be added to the shadow price in the Integrated Calculation workbook because the shadow price already represents the full GHG avoided cost); PG&E Comments at 3 (the Integrated Calculation "appears to reflect both the Cap-and-Invest allowance price and the incremental GHG compliance costs represented by the shadow price, when the shadow price is intended to capture both of these").

¹⁵ Integrated Calculation workbook v2 (June 4, 2026), "Calculations - 4hr" tab, Step 3. "The GHG Values are equal to the sum of RESOLVE GHG shadow prices and Cap-and-Trade prices."

D. SEIA correctly identifies that correcting the generation capacity floor would not affect IRP results.

The Proposed Decision declines to correct the generation capacity floor for omitted ad valorem taxes and insurance in order “to better align the value with the IRP inputs and assumptions.”¹⁶ SEIA identifies that this “is irrelevant. Such an update would not impact the IRP results, as it is a cost parameter for operating fossil plants that are not selected in the IRP.”¹⁷ SCE summarizes the principle aptly: “consistency with the IRP means ensuring that ACC values reasonably reflect IRP findings, not that the ACC must replicate every modeling output.”¹⁸

E. Cal Advocates misstates the marginal-resource criterion underlying its argument for a 2031 transition year from 4- to 8-hour storage.

Cal Advocates asks the Commission to move the year in which the Integrated Calculation’s hybrid resource shifts from four-hour to eight-hour storage from 2028 to 2031, as a factual error in the Proposed Decision.¹⁹ Its argument rests on a criterion the Proposed Decision does not apply. Cal Advocates asserts that “[t]he marginal resource represents the **predominant** resource type built in the [IRP] that is selected economically,” (emphasis added) citing pages 25 and 31 of the Proposed Decision.²⁰ However, neither page states predominance as a criterion. The Proposed Decision selects solar and storage “because both resources are

¹⁶ Proposed Decision at 32.

¹⁷ Comments of Solar Energy Industries Association on Proposed Decision Adopting Updates to the Avoided Cost Calculator, R.22-11-013 (August 20, 2026) (SEIA Comments) at 4.

¹⁸ SCE Comments at 9.

¹⁹ Comments of the Public Advocates Office on the Proposed Decision Adopting Updates to the Avoided Cost Calculator, R.22-11-013 (August 20, 2026) (Cal Advocates Comments) at 1-2, 4.

²⁰ Cal Advocates Comments at 2.

selected economically throughout the IRP planning horizon.”²¹ First, the proposed 2028 transition to 8-hour batteries is reasonable.

Second, note that neither the transition year nor the choice of technologies would be contested under the technology-agnostic approaches CLECA has recommended,²² which resolves both questions within the calculation.

F. SEIA correctly identifies an important correction to hybrid component resource cost under-recovery.

SEIA states that the PD does not address the economic consequence of the hybrid construct: the values it produces do not allow standalone storage to recover its costs in the early years of the ACC, or standalone solar in the later years.²³ CLECA supports SEIA’s correction, which raises the avoided generation capacity cost in the years either resource under-recovers.²⁴

II. CONCLUSION

CLECA appreciates the Commission’s consideration of these reply comments.

Respectfully submitted,
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August 25, 2026

²¹ Proposed Decision at 31.

²² CLECA Opening Comments at 15-16.

²³ SEIA Comments at 2-3.

²⁴ SEIA Comments at 3.