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SEIA Comments on Informational Proceeding on Non-Energy Impacts and Societal Costs

Additional submitted attachment is included below.

October 21, 2024

California Energy Commission
Docket Number 24-OIIP-03
715 P Street
Sacramento, CA 95814

Re: Docket No. 24-OIIP-03: Informational Proceeding on Non-Energy Impacts and Societal Costs

The Solar Energy Industries Association (SEIA) attended the October 7, 2024 workshop that the Commission (CEC) convened to gather information on how better to incorporate non-energy impacts (NEIs) into the Commission's work. We appreciate this opportunity to provide written comments on this important proceeding.

Founded in 1974, SEIA is the national trade association for the solar and storage industries, building a comprehensive vision for the advancement of these technologies and helping to lead the transformation to a clean energy economy through advocacy and education. SEIA works with its 1,200 member companies and other strategic partners to create jobs and diversity in energy production, champion the use of cost-competitive solar in America, remove market barriers, and educate the public on the benefits of solar energy.

SEIA supports the CEC's opening of this proceeding in response to a petition from 16 environmental organizations. SEIA has participated actively for many years to encourage the CEC's sister agency, the California Public Utilities Commission (CPUC), to incorporate NEIs – also known as societal benefits and costs – into the CPUC's resource planning and cost-effectiveness evaluations. Earlier this year, we were pleased to see the CPUC approve Decision No. 24-07-015, which adopted a Societal Cost Test (SCT) for use in cost-effectiveness evaluations of distributed energy resources (DERs). The CPUC's SCT includes important quantifications of the benefits of (1) avoided damages from climate change (i.e. a "social cost of carbon" [SCC]), (2) a lower social discount rate of 3%, (3) a statewide air quality adder based on the health benefits from reductions in criteria air pollution from natural gas-fired power plants, and (4) reductions in methane leakage from the natural gas production and delivery system, including the leakage associated with the 95% of the state's natural gas supplies that are produced outside of the state and imported into California. The CPUC's Integrated Resource

Planning (IRP) team has also piloted the use of these societal benefits in the state's complex resource planning process.[1] SEIA encourages the CEC to take official notice for the record of these important decisions and initiatives at the CPUC, which should inform the similar resource planning, cost-effectiveness, and policy development processes at the CEC. Importantly, the quantification of the important NEIs included in the CPUC's SCT have been approved by the CPUC, and now are "on the shelf" ready for use by other state agencies such as the CEC.

By further incorporating quantifiable NEIs into its work, the CEC will join the federal government, other states, and other California regulatory agencies (in addition to the CPUC), which are now using key NEIs in their energy and environmental regulations. For example:

- The federal Environmental Protection Agency has used an updated SCC in new regulations for automobiles and for methane emissions from oil & gas facilities.[2]

- Policymakers and regulators in the states of New York, Minnesota, Illinois, Colorado, and Washington are using the SCC to measure and reduce CO_2 impacts from their power grids.[3]

- The California Air Resources Board (CARB) has used the SCC for certain elements of its AB 32 Scoping Plan.[4]

- CARB administers the state's Low Carbon Fuel Standard (LCFS) for transportation fuels, which uses a "well-to-wheels" calculation that includes the out-of-state GHG emissions associated with producing transportation fuels. This includes the methane leakage from

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[1] See *Societal Cost Test Impact Evaluation; Commission Staff Report on the Impact of a Societal Cost Test on Resource Procurement* (January 2022), available at: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/integrated-resource-plan-and-long-term-procurement-plan-irp-ltpp/2019-2020-irp-events-and-materials/societal_cost_test_impact_evaluation.pdf

[2] See *EPA Report on the Social Cost of Greenhouse Gases: Estimates Incorporating Recent Scientific Advances*, available at https://www.epa.gov/system/files/documents/2023-12/epa_scghg_2023_report_final.pdf. This updated SCC was used in the U.S. EPA's recent regulations of methane emissions in the oil & natural gas sector (see https://www.epa.gov/environmental-economics/scghg) and in transportation (see page 18 of the new emission standards for passenger autos and light trucks, issued on April 18, 2024, available at https://www.govinfo.gov/content/pkg/FR-2024-04-18/pdf/2024-06214.pdf).

[3] See https://www.rff.org/publications/explainers/social-cost-carbon-101/#section-how-is-the-scc-used-in-policy-analysis.

[4] In CARB's 2017 *Climate Change Scoping Plan*, CARB used the SCC to estimate the benefits of avoided economic damages from the climate plan policies in 2030. See https://www.arb.ca.gov/cc/scopingplan/scoping_plan_2017.pdf, at pp. 39-44. The CARB repeated this analysis in its 2022 *Climate Change Scoping Plan*, at Appendix C, pp. 28-38, available at https://ww2.arb.ca.gov/our-work/programs/ab-32-climate-change-scoping-plan/2022-scoping-plan-documents.

the out-of-state natural gas supplies used to produce electricity in California, even though these methane emissions are not in California's GHG emissions inventory.

The stated purpose of this informational proceeding is "to determine methodologies to integrate [non-energy benefits] and social costs into the CEC's resource planning, processes, and decision-making."[5] SEIA strongly encourages the CEC to consider and include quantified societal benefits in the following Commission processes:

- The resource planning analyses used in the 2025 SB 100 Joint Agency Report;
- Cost-effectiveness evaluations of regulations such as the Title 24 solar mandate and of DER programs such as the Demand-side Grid Support (DSGS) program.
- Statewide energy policy development and recommendations in future Integrated Energy Policy Reports.

SEIA expects that arguments to limit the use of NEIs will center on concerns that the consideration of societal benefits would result in the procurement of more expensive resource options, and thus harm the affordability of electric service in California. For example, the investor-owned utilities, utility labor unions, and ratepayer advocates have argued before the CPUC that the use of a SCT would result in the deployment of more expensive DER at the expense of cheaper supply-side resources that are not evaluated using societal benefits.[6] The clear remedy for this concern is not to restrict the use of the SCT, but to also calculate the societal benefits of supply-side resources, as the CPUC IRP staff did when testing the SCT using IRP modeling. In this way, all types of resources are evaluated fairly.

Finally, the Commission should recognize that there are other NEIs – beyond the SCC, methane leakage, and air quality benefits – that can be quantified and considered. For example, at the workshop, the Commission heard clearly from local governments and community-based organizations on the importance of local climate resilience and of the use of the built environment to host clean energy projects that also provide local economic benefits and workforce development. The NEIs of improved resilience, avoided land use, and local development all can be quantified and considered in the Commission's decisions.

SEIA strongly believes that the Commission's policymaking will be richer, better, and more informed if information on quantifiable NEIs are available to be considered in the Commission's process and deliberations. SEIA respectfully asks the Commission to incorporate

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[5] *See Order Granting in Part and Denying in Part Petition for Rulemaking on NEBs and Social Costs,* which established this docket, at p. 3.

[6] *See* D. 24-07-015, at p. 20-22: "PG&E argues that, under the SCT, when DER resources are measured with additional societal costs and benefits, the value of certain DER programs can be inflated, while grid-scale supply side resources are procured up to the marginal abatement costs. PG&E asserts that using the SCT to make procurement decisions may lead to over-procurement of demand-side resources and increase electric costs to customers without improving carbon reductions."

these comments into the record of this informational proceeding, and, more important, to use the record developed here to inform the Commission's future work on resource planning and policy development.

Respectfully,

/s/ Stephanie Doyle

California Director
Solar Energy Industries Association