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## **WSPA Comments**

*Additional submitted attachment is included below.*

December 18, 2020

California Energy Commission  
Docket Unit, MS-4  
1516 Ninth Street  
Sacramento, CA 95814-5512

**Regarding 19-SB-100 – WSPA’s Comments on Workshop**

The Western States Petroleum Association<sup>1</sup> (WSPA) respectfully submits these comments pursuant to instructions provided at the 2021 SB 100 Joint Agency Draft Report Workshop held on December 4, 2020.

WSPA recognizes and appreciates the time, effort and coordination extolled by the California Energy Commission (CEC), California Public Utilities Commission (CPUC), and California Air Resources Board (CARB) (collectively, the Joint Agencies) in researching, developing, and drafting the Draft 2021 Senate Bill (SB) 100 Joint Agency Report (2021 Report).

WSPA does have several recommendations for the final version of the Joint Agencies report. These recommendations focus the report process on the actual provisions of law and policies ingrained in SB 100. Without adequately addressing cost and reliability concerns, the Report is presumptive in its conclusion that SB 100 is achievable. At a time where wildfires, public power shutoffs, and affordability are concerns for individuals and businesses throughout California, cost and reliability impacts must be transparently communicated as part of any forward-looking strategy. WSPA’s summary of comments on the process is as follows:

- Release a detailed analysis of the projected actual costs and cost allocations among customer classes to implement the SB 100 objectives recommended by the Joint Agencies.

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<sup>1</sup> WSPA member companies on whose behalf this pleading is filed are: Aera Energy LLC, Alaska Tanker Company, Berry Petroleum Corporation, California Resources Corporation, Chevron U.S.A., Inc., ConocoPhillips, ExxonMobil Corp., Marathon Petroleum Company, Par Pacific, PBF Energy LLC, Phillips 66 Company, Plains All American Inc., Santa Maria Energy LLC, Shell Oil Products US, Shell Pipeline Company LP, and Valero Energy.

- Review, update, and correct counter-intuitive modeling inputs to present a viable assessment of SB 100 actions recommended or identified by the Report, particularly with respect to the obligation to sustain grid reliability.
- Expedite the issuance of Joint Agency reports from a four-year basis, to an annual basis, to address outstanding issues and questions.

### **The Joint Agencies Must Focus on Costs and Allocation of Costs to Lawfully and Properly Implement SB 100 Goals**

As detailed during the Workshop, the Joint Agencies recognize that the 2021 Report provides merely “directional insight into what a 2045 portfolio may look like, including resource requirements and costs.”<sup>2</sup> Specifically, in the 2021 Report, the Joint Agencies stated that “further analysis is required to better understand how [clean energy] costs will be factored into rates that directly affect customers.”<sup>3</sup>

Costs and cost impacts on ratepayers must be one of the key issues that the Joint Agencies focus on and address to implement the obligations required by SB 100.<sup>4</sup> As presented at the Workshop and detailed in the 2021 Report, implementation of SB 100 is anticipated to result in heavy Total Resource Costs (TRC) between the present and 2045.<sup>5</sup> These TRCs are projected to accumulate upwards of *\$60 billion*.

These costs are not only crucial in determining the actual feasibility of implementing any of the SB 100 scenarios identified. Cost implications for SB 100 actions are expressly and conditionally limited by reasonable ratepayer cost assessment considerations. Therefore, the Joint Agencies must focus acutely on how the projected TRCs translate into actual costs for ratepayers and how those costs will be allocated among the customer classes. Without this information, the current exercise of analyzing SB 100 implementation models would be deficient under the express requirements of SB 100 due to unjustifiable and unreasonable costs.

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<sup>2</sup> 2021 SB 100 Joint Agency Draft Report Workshop Presentation, December 4, 2020, at 14.

<sup>3</sup> Draft 2021 Senate Bill 100 Joint Agency Report (2021 Report), December 2020, at 27.

<sup>4</sup> Cal. Pub. Util. Code §454.53(b)(2) (The CPUC, CEC, State Board, and all other state agencies shall “[p]revent unreasonable impacts to electricity, gas, and water customer rates and bills resulting from implementation of this section, taking into full consideration the economic and environmental costs and benefits of renewable energy and zero-carbon resources.”).

<sup>5</sup> See *generally* Workshop Presentation at 28, 31, 32, 34; see *also* 2021 Report at 92, 94-104.

## **The Joint Agencies Must Address Grid Reliability to Lawfully and Properly Implement SB 100 Goals and Should Rectify the Counter-Intuitive Approach of Reducing Resource Adequacy in the Face of Future Load Growth**

In the 2021 Report, the *SB 100 Core, High Flexibility* scenario was developed “with a modified load shape and reduced resource adequacy requirement to represent a future with greater load flexibility.”<sup>6</sup> This reduction in Resource Adequacy (RA) appears counter-intuitive considering the future load growth in California. The Joint Agencies acknowledge this fact, stating that “each scenario shows a near doubling of resource adequacy requirements [in 2045] compared to present day.”<sup>7</sup>

In relying upon this reduction of RA, the Joint Agencies seem to depend on the future capabilities of operating the grid utilizing a flexible load. However, the enabling technologies of running a flexible load are still in the early stages of development. Moreover, current energy policies and mechanisms prevent the type of load flexibility on which this scenario relies. To change those policies and mechanisms would require additional lengthy proceedings to allow load flexibility to reach the point where it could in fact align reduced RA with growing load.

As it stands, the load flexibility required to rectify the incongruity between reducing RA in a future of greater load growth is at best speculative. The Joint Agencies must recognize this fact and focus on those scenarios that present the most realistic pathways to achieving not only the greenhouse gas emission reduction goals set in SB 100 but must do so meeting standards of reasonable cost and sustained grid reliability. Without more concrete information on load flexibility, to bring focus on this input serves nothing more than to distract from scenarios that could result in tangible outcomes.

## **The Joint Agencies Should Modify the Four-Year Report Schedule to be Annual**

During the Workshop, stakeholders requested that the Joint Agencies expedite the issuance of the Joint Agency Reports from every four years to annually. As discussed in these comments, as well as the verbal comments offered during the Workshop, there are currently too many unanswered questions and unresolved issues surrounding the initiation of the SB 100 emission reduction policies and compliance with statutory legal obligations under SB 100. These questions and issues deserve to be addressed before the next scheduled Report in 2025. Therefore, WSPA supports the recommendation that the Joint Agencies endeavor to release a Report on an annual basis.

## **Conclusion**

It is important to reiterate that SB 100 established policy that sets a *goal* for greenhouse gas emission reductions, not a requirement. The goal supports policies to rely on renewable energy and zero-carbon resources to supply 100% of electric retail sales to

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<sup>6</sup> 2021 Report at 21.

<sup>7</sup> *Id.* at 82.

end-use customers by 2045. But these goals are expressly conditioned on reasonable ratepayer costs and sustained grid reliability. A one-sided, unbridled implementation of only greenhouse gas emission reductions is not the standard set by SB 100. The Joint Agencies should keep this fact in mind throughout this process and not blindly enact potentially devastating policy decisions which could result in egregious cost impacts, reliance upon technologies yet unknown and untested, and a general threat to overall system resource adequacy.

Respectfully,



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Western States Petroleum Association



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