

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue  
Electric Integrated Resource Planning and  
related Procurement Processes.

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Rulemaking 20-05-003

**REPLY COMMENTS OF OFFSHORE WIND CALIFORNIA ON  
ADMINISTRATIVE LAW JUDGE'S PROPOSED DECISION ADOPTING  
2023 PREFERRED SYSTEM PLAN AND RELATED MATTERS  
ADDRESSING TWO PETITIONS FOR MODIFICATION**

Adam Stern  
Executive Director  
Offshore Wind California  
P.O. Box 955  
Menlo Park, CA 94026  
Tel. (510) 681-4483  
Email: adam.stern@offshorewindca.org

Vidhya Prabhakaran  
Anna Fero  
DAVIS WRIGHT TREMAINE LLP  
50 California Street, 23rd Floor  
San Francisco, CA 94111  
Tel. (415) 276-6500  
Fax. (415) 276-6599  
Email: vidhyaprabhakaran@dwt.com  
Email: annafero@dwt.com

Attorneys for Offshore Wind California

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In accordance with Rule 14.3 of the California Public Utilities Commission (“Commission” or “CPUC”) Rules of Practice and Procedure and the January 10, 2024 Administrative Law Judge’s Proposed Decision Adopting 2023 Preferred System Plan and Related Matters, and Addressing Two Petitions for Modification (“Proposed Decision”), Offshore Wind California (“OWC”) respectfully submits the following reply comments regarding the proposed 2023 Preferred System Plan (the “PSP”) and Transmission Planning Process (the “TPP”) portfolios.

Of the eleven parties who commented on the amount of offshore wind in the Proposed Decision’s PSP and TPP, ten recommend that the Commission should (1) adopt a PSP with offshore wind capacity that is more in line with California’s stated offshore wind planning goals, and/or (2) map equal or substantially more offshore wind to the North Coast compared to the prior TPP portfolio.<sup>1</sup> Only the Bay Area Municipal Transmission Group (“BAMx”) advocates against offshore wind. These reply comments respond to BAMx’s incorrect contention that the Proposed Decision’s choice to map 1.6 GW of offshore wind to the North Coast represents a “departure from the clear results of the analytics [presented]” and “a dangerous precedence [sic] that could undermine the cost minimization concepts underlying the basis for the IRP modeling process.”<sup>2</sup>

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<sup>1</sup> See January 31, 2024 comments of the following parties: American Clean Power – California (“ACP-California”); California Wind Energy Association; Center for Energy Efficiency and Renewable Technologies; Equinor Wind US, LLC; Green Power Institute; Invenergy, LLC; RWE Offshore Wind Holdings, LLC (“RWE Offshore Wind”); Sonoma Clean Power Authority; Vineyard Offshore, LLC; and Offshore Wind California.

<sup>2</sup> BAMx Comments at 5.

**I. THE COMMISSION SHOULD DISREGARD BAMX’S OVEREMPHASIS ON UNCERTAIN ESTIMATES OF LONG-TERM OFFSHORE WIND COSTS**

In objecting to the Proposed Decision’s choice to map 1.6 GW of offshore wind to the North Coast, BAMx places too much weight on speculative offshore wind cost forecasts without considering (1) the cost and planning impacts that would arise from repeatedly changing course on the transmission planning portfolio year to year, (2) the limitations of the RESOLVE model and the many ancillary benefits of offshore wind, (3) the unique capacity value of North Coast Offshore wind and the fact that the LSEs have indicated strong commercial interest therein, and (4) the offshore wind planning goals established by the CEC pursuant to Assembly Bill 525 (Chiu, 2021) (“AB 525”).

**A. Constantly Revising TPP Portfolios Based on Speculative Cost Forecasts is Detrimental to the Transmission Planning Process**

Emphasizing the higher but uncertain estimated long-term cost of offshore wind in the 2023 National Renewable Energy Laboratory (“NREL”) Annual Technology Baseline (“ATB”) and the current lack of transmission capacity on the North Coast, BAMx argues that the Proposed Decision is disregarding the “poor economics and uncertainty”<sup>3</sup> associated with North Coast offshore wind “without considering the adverse ratepayer impact.”<sup>4</sup> However, BAMx places undue weight on the NREL ATB long-term cost estimates and RESOLVE modeling results without considering the disruptive impacts of changing course on the transmission planning portfolio in consecutive TPP cycles.

Neither NREL’s ATB nor the RESOLVE model has the capability to accurately model costs over time for nascent, long lead-time resources such as floating offshore wind.<sup>5</sup> Indeed, both the October ALJ Ruling and Proposed Decision acknowledge that, while the offshore wind cost assumptions “are a significant driver of modeling results, but Commission staff recognize that the assumptions are as-yet untested with actual procurement processes in California, so reality could vary significantly from the assumptions.”<sup>6</sup>

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<sup>3</sup> *Id.* at 4.

<sup>4</sup> *Id.* at 5.

<sup>5</sup> Comments of American Clean Power – California on Administrative Law Judge’s Ruling Seeking Comment on Proposed 2023 Preferred System Plan and Transmission Planning Process Portfolios at 13 (Nov. 13, 2023).

<sup>6</sup> Administrative Law Judge’s Ruling Seeking Comment on Proposed 2023 Preferred System Plan and

It is not sound policy to allow speculative and changeable offshore wind cost estimates to significantly alter long-term transmission planning from year to year. As the California Independent System Operator (“CAISO”) noted: “Significant shifts in the Commission’s resource portfolios can create material shifts in the CAISO’s transmission planning and affect the efficacy of the CAISO’s TPP.”<sup>7</sup> “Developers, utilities and transmission planners need stability in IRP portfolios, as the Commission’s portfolios impact critical planning functions across all entities.”<sup>8</sup> A lack of stability can create resource delays that can drive up costs and undermine achievement of the state’s other policy goals.<sup>9</sup> The Commission is correct to ensure a measure of consistency in resource portfolios over successive years to ensure stability in downstream planning and procurement process.

**B. BAMx Doesn’t Adequately Consider the Limitations of the RESOLVE Model or the Substantial Ancillary Benefits of Offshore Wind**

By emphasizing the “clear results of the analytics,” BAMx places too much confidence in the RESOLVE model without considering its limitations. For example, the Proposed Decision does not account for economies of scale that will drive down cost over time<sup>10</sup> or the efficiencies that come from comprehensively planning the buildout of offshore wind in California rather than taking a piecemeal approach.<sup>11</sup> Furthermore, the RESOLVE model does not reflect the impact that federal infrastructure support programs may have on resource development,<sup>12</sup> such as the just-announced

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Transmission Planning Process Portfolios at 16 (Oct. 5 2023) (“October ALJ Ruling”); Proposed Decision at 52.

<sup>7</sup> CAISO Reply Comments on October ALJ Ruling at 2

<sup>8</sup> RWE Offshore Wind Opening Comments at 4.

<sup>9</sup> *Id.* at 4.

<sup>10</sup> The enactment of AB 1373 this past fall has also led to the establishment of a central procurement entity for long lead time resources, which “could affect costs through leveraging economies of scale and contract bundling.” *See* Natural Resources Defense Council and the Union of Concerned Scientists Comments on October ALJ Ruling at 6 (Nov. 13, 2023). As repeatedly acknowledged by the Commission, economies of scale can achieve decreasing unit costs and benefit ratepayers. *See e.g.* D.23-11-069 at 799 (Findings of Fact “FOF” 104) (undergrounding power lines at a large scale should facilitate decreasing unit costs by achieving economies of scale); D.21-08-002 at 41 (FOF 16) (economies of scale within public water systems benefit ratepayers); D.15-11-021 at 493 (FOF 100) (unit repair and replacement costs for underground structures are likely to decline with economies of scale); D.16-06-055 at 28 (acknowledging “the fact that storage projects do benefit from economies of scale”).

<sup>11</sup> OWC Comments at 6.

<sup>12</sup> *Id.* at 6.

\$427 million federal grant to Humboldt Bay Harbor.<sup>13</sup> Finally, while “cost minimization” is an important factor in the IRP modeling process,<sup>14</sup> focusing entirely on least-cost dispatch also fails to account for the ancillary, but significant, benefits of offshore wind and related transmission development as thoroughly described in this proceeding.<sup>15</sup>

**C. BAMx Does Not Consider the High Capacity Factor Value of North Coast Offshore Wind and Strong Commercial Interest Therein**

BAMx further ignores the unique high capacity factor value of North Coast offshore wind and the fact that the LSEs have strongly registered interest in North Coast offshore wind procurement. As acknowledged by the Proposed Decision, “the quality of the wind generation resources in the [North Coast] region is higher” than in the Central Coast as a result of its high capacity factors.<sup>16</sup> As RWE Offshore Wind correctly highlights, the “TPP portfolios should reflect commercial interest in resource development to ensure that there is consistency between LSEs’ procurement efforts and the transmission being built to interconnect resources.”<sup>17</sup>

**D. BAMx Does Not Adequately Account for AB 525 Offshore Wind Planning Goals**

Lastly, but of greatest importance, BAMx does not adequately account for the State’s offshore wind goals. The CEC has adopted AB 525 planning goals of up to 5 GW by 2030 and 25 GW by 2045,<sup>18</sup> which are restated and reaffirmed in the CEC’s just-released Draft AB 525 Offshore Wind Strategic Plan.<sup>19</sup> According to its 2022 Memorandum of Understanding with the CEC and CAISO, the Commission has a responsibility to “incorporate longer term statewide resource planning efforts led by the CEC,” including the CEC’s offshore wind goals, “into its proceedings for resource portfolio

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<sup>13</sup> Mary Callahan, *Feds Provide Nearly Half a Billion Dollars Toward Construction of Humboldt Bay Marine Terminal Supporting Offshore Wind*, Press Democrat Jan. 23, 2024), <https://www.pressdemocrat.com/article/news/feds-provide-nearly-half-a-billion-dollars-toward-construction-of-humboldt/>.

<sup>14</sup> BAMx Comments at 5.

<sup>15</sup> See OWC Opening Comments at 6-8.

<sup>16</sup> Proposed Decision at 71; see also RWE Offshore Wind Opening Comments at 4.

<sup>17</sup> RWE Offshore Wind Comments at 4.

<sup>18</sup> See CEC, *Offshore Wind Energy Development off the California Coast* (Aug. 2022), <https://www.energy.ca.gov/filebrowser/download/4361>.

<sup>19</sup> CEC, *Draft Commission Report: Assembly Bill 525 Offshore Wind Strategic Plan* (Jan. 2024), <https://www.energy.ca.gov/data-reports/reports/ab-525-reports-offshore-renewable-energy>.

developed for resource procurement and transmission planning purposes.”<sup>20</sup>

## II. CONCLUSION

The Proposed Decision is correct to retain consistency between its 2023-2024 TPP portfolio and the 2024-2025 TPP as requested by the CAISO. However, further modification of the Proposed Decision is needed to “to harmonize as much as possible [with] the state’s overall strategy for developing and evolving [offshore wind].”<sup>21</sup> The Commission should revise the Proposed Decision to increase the total capacity of offshore wind in the PSP to align with the State’s offshore wind planning goals, as well as map *at least 2.7 GW* of offshore wind to the North Coast in the TPP.<sup>22</sup>

Respectfully submitted,

By: /s/ \_\_\_\_\_

Vidhya Prabhakaran  
Anna Fero  
DAVIS WRIGHT TREMAINE LLP  
50 California Street, 23<sup>rd</sup> Floor  
San Francisco, CA 94111  
Tel. (415) 276-6500  
Fax. (415) 276-6599  
Email: vidhyaprabhakaran@dwt.com  
Email: annafero@dwt.com

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Attorneys for Offshore Wind California

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<sup>20</sup> *Memorandum of Understanding Between the California Public Utilities Commission (CPUC) and the California Energy Commission (CEC) and the California Independent System Operator (ISO) Regarding Transmission and Resource Planning and Implementation* (Dec. 2022) at 2 (¶ 3), <https://www.caiso.com/Documents/ISO-CEC-and-CPUC-Memorandum-of-Understanding-Dec-2022.pdf>; *see also* Pub. Res. Code § 25991.4(a).

<sup>21</sup> Proposed Decision at 72.

<sup>22</sup> Offshore Wind California Opening Comments on the PD at 8-10.