

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

Order Instituting Rulemaking Regarding Policies,
Procedures and Rules for Development of
Distribution Resources Plans Pursuant to Public
Utilities Code Section 769.

Rulemaking 14-08-013
(Filed August 14, 2014)

**RESPONSE OF
WAL-MART STORES, INC. AND SAM'S WEST, INC.
TO ORDER INSTITUTING RULEMAKING**

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In accordance with the procedural schedule set forth in the Order Instituting Rulemaking (“OIR”), Wal-Mart Stores, Inc. and Sam’s West, Inc. (collectively, “Walmart”) submit these comments in response to the questions posed in Section 3.2 of the OIR.

I. INTRODUCTION

Walmart is the world’s largest retailer.¹ In California alone, Walmart currently operates 250 retail stores and seven distribution centers, employing over 75,000 associates. In its fiscal year ending in 2013, Walmart purchased \$21.5 billion worth of goods and services from California-based suppliers, supporting an estimated 153,391 supplier jobs.

Walmart is also a recognized leader in environmental sustainability.² Walmart’s actions in this area are guided by the aspirational goals of being supplied by 100 percent renewable energy, creating zero waste, and selling products that sustain people and the environment. With regard to its energy usage, Walmart has committed to achieving the following goals by the end of 2020:

¹ Wikipedia.org: <http://en.wikipedia.org/wiki/Walmart>

² Clancy, “Walmart Pushes for Collaborative Sustainability Goals,” GreenBiz.com, April 30, 2014: <http://www.greenbiz.com/blog/2014/04/30/walmarts-push-collaborative-sustainability-goals>.

- Drive the production or procurement of 7,000 gigawatt-hours of renewable energy globally every year (a 600 percent increase over 2010 levels); and
- Reduce the energy intensity required to power Walmart’s buildings globally by 20 percent compared to 2010 levels.³

Walmart has already installed renewable distributed generation (“DG”) systems at over 150 of its California locations and plans to install such systems at many more of its California sites in the relatively near future. Walmart has also installed LED lighting and deploys or employs other energy efficiency technologies and measures at all of its operating California facilities. Many of Walmart’s California stores also participate in demand response programs. Individually and collectively, these measures further Walmart’s sustainability goals, reduce the company’s carbon footprint, and provide affordable and reliable solutions to its growing energy needs.

Given its significant investments, both existing and planned, in distributed energy resources (“DERs”), Walmart has a keen interest in the Distribution Resources Plans (“DRPs”) that the California investor-owned electric utilities (“IOUs”) will be filing with the Commission in July 2015. Walmart’s participation in this DRP rulemaking will provide the Commission the perspectives, experiences and insights of one of the largest “users” of the IOUs’ electric distribution systems and one of the largest investors in DERs in the state. Walmart is still in the process of developing recommendations and proposals for the policies, procedures, and rules to guide the IOUs in developing their DRPs that are to be adopted in this rulemaking. Walmart is pleased, however, to offer the following initial comments in response to the questions posed in the OIR.

³ <http://news.walmart.com/news-archive/2013/04/15/walmart-announces-new-commitments-to-dramatically-increase-energy-efficiency-renewables>

II. RESPONSES TO OIR QUESTIONS

- 1) **What specific criteria should the Commission consider to guide the IOUs' development of DRPs, including what characteristics, requirements and specifications are necessary to enable a distribution grid that is at once reliable, safe, resilient, cost-efficient, open to distributed energy resources, and enables the achievement of California's energy and climate goals?**

Walmart is still in the process of developing proposals for the specific criteria referenced in the question. As the question posits, however, the criteria should vet whether the DRPs serve to ensure the maintenance and enhancement of the safety, reliability, efficiency and effectiveness of the IOUs' existing distribution systems. The DRPs should also ensure that the IOUs' distribution systems are sufficiently robust to accommodate not only existing DERs but also significant amounts of incremental DERs, and that the IOUs' maintain and operate their systems in a manner that ensures every stakeholder can safely and effectively deploy new DERs within agreed upon guidelines and nondiscriminatory rules. The DRPs should also be sufficiently flexible to support the implementation and adoption of state policies with regards to not only DERs, but also increased renewables, reducing greenhouse gas emissions, investments in preferred resources other than DERs, and any new state policy initiatives.

- 2) **What specific elements must a DRP include to demonstrate compliance with the statutory requirements for the plan adopted in AB 327?**

In order to be meet the requirements of AB 327 with regard to identifying "optimal locations for the deployment of distributed resources," Walmart recommends that the IOUs be required to identify and describe in their DRPs the various subcomponents of their respective distribution systems—i.e., the subsystems that make up each IOU's composite distribution system--by name, location, area covered, operational characteristics and any other details that are relevant to the AB 327 planning requirements. In addition, the IOUs' DRPs should be detailed enough to enable interested parties and the Commission to determine whether and how each such

subsystem is being planned, operated, maintained and upgraded (if necessary) so as to take into account any differences between subsystems.

Also, to facilitate the evaluation of the DRPs and also ensure that the IOUs in fact maintain, operate and upgrade their distribution systems in such a manner as to meet the requirements of AB 327, Walmart further recommends that the Commission direct (or at least strongly encourage) the IOUs to work with stakeholders in a collaborative body similar to the North American Electric Reliability Corporation (“NERC”) to develop technical and operational standards for DER integration at both system and customer interconnection levels. The development of transparent, agreed upon technical and operational standards of this type is critical to ensure that DER integration is done in a safe, understandable and non-arbitrary manner.

3) What specific criteria should be considered in the development of a calculation methodology for optimal locations of DERs?

Walmart has yet to develop specific proposed criteria to be considered in the development of a calculation methodology for optional locations of DERs. Given Walmart’s aspirational goal of 100 % renewable energy, Walmart is especially concerned that any such methodology not be misused to frustrate customer choice or result in additional costs to proactive energy consumers that contribute benefits to the grid and all rate payers. For example, the calculation methodology should not produce results that show that an “optimal” level of renewable DG in a particular area already exists such that an IOU could point to those results as the basis for denying a customer’s interconnection request for a new or upgraded renewable DG system in that area. Such a result would be arbitrary, particularly in light of the fact that IOU’s get new customers and lose customers on a regular basis and should therefore be able to accommodate predictable fluctuations in locational system demands.

4) What specific values should be considered in the development of a locational value of DER calculus? What is optimal means of compensating DERs for this value?

Walmart believes there is no need for the utilities to penalize a customer who chooses, at their own election, to have DERs on their premises. That being said, the values that should be considered in the development of a locational value of DER calculus *for purposes of system planning* should include the avoided costs associated with transmission and distribution system upgrades and resource adequacy values. Resource adequacy values should include not only the avoided cost of local RA resources, but also those of flexible capacity and ancillary services, if the customer so chooses to participate in those services. There should not, however, be any administratively-determined penalties that accrue to specific customers. To the extent any costs accrue to a customer as a direct result of deploying DERs, those values should be determined solely by the market.

5) What specific considerations and methods should be considered to support the integration of DERs into IOU distribution planning and operations?

The first step in answering this question, should be to ask what may sound like a simple inquiry, but in fact can be somewhat complex. Assuming that the IOUs' DRPs will look to areas in the most need of DER, who will make the decision of what type of support will be needed for IOU's planning and operation for that particular location? Leaving the answer completely up to the IOUs could lead to "gold plating" and added expense for the ratepayer. It is also very important that the IOUs be required to explain with specificity exactly who it proposes will pay for various system investments, as well as how those costs will recovered (e.g., through distribution rates, generation rates, or customer-specific charges). Additionally, the entire process of planning and operation should be totally transparent. For these reasons, there needs to be a process put into place that will allow customers the ability to challenge any significant

(however defined) item in the planning process for a particular DRP location. All meetings concerning a particular DRP location should be held in a public forum.

Items that should be considered in the planning and operations process should include the cost of the particular plan. Additionally, there should be considerable weight given to non-energy benefits. In addition to the logical question of what generation is available, we should also consider the availability of transmission and distribution and their associated costs. Walmart requests to reserve the right to comment on the issues raised by this question further at a future date.

6) What specific distribution planning and operations methods should be considered to support the provision of distribution reliability services by DERs?

As stated above, the process needs to be open, transparent, and have a method of allowing customer input on questionable issues (however defined). In addition, there needs to be a set of upfront technical standards that should, as Walmart recommends, be developed through a NERC-like body of stakeholders.

7) What types of benefits should be considered when quantifying the value of DER integration in distribution system planning and operations?

It is likely DER would add tremendous value to distribution system planning and operations. The benefits will likely include reduced overall energy costs that result from the reduced load of a customer's facility. Additionally, customers will experience increased system reliability that results in reducing system loss from the customers' reduced energy demand. Also, customers who install their own DER measures assume all of the risk of the investment, as opposed to having that risk passed on to other ratepayers. Other things that should be considered possible are reductions in Greenhouse gas emissions, as well as other non-energy benefits.

Developing metrics for quantifying these benefits will likely be challenging in some cases, but once they are in place the ongoing evaluating process will be much simplified.

8) What criteria and inputs should be considered in the development of scenarios and/or guidelines to test the specific DER integration strategies proposed in the DRPs?

As a general matter, the criteria and inputs should be similar and be based on the same principles as those used in transmission planning today , and should be centered around a load flow analysis with single contingency or double contingency methods. Also, prior to full implementation of new DER programs, there should always be, at minimum, short pilot programs to ensure that the DER will perform as the DRP predicts it will perform. Failure in accuracy renders the DRP essentially useless. The criteria and inputs will depend on the type of DER, wind velocity and frequency, solar insolation and a myriad of other factors such as location, and environmental conditions.

9) What types of data and level of data access should be considered as part of the DRP?

Walmart agrees with the concept of a central depository of data to be used for the DRPs that is open to all stakeholders. It is important, however, that the depository include customer-specific data only to the extent a customer with installed renewable DG feed power back onto the grid. In such cases, the customer-specific data needs to be afforded confidentiality treatment automatically (i.e., without the need for the customer to requests such treatment).

10) Should the DRPs include specific measures or projects that serve to demonstrate how specific types of DER can be integrated into distribution planning and operation? If so, what are some examples that IOUs should consider?

Yes. Also, as discussed above, there should be a set of NERC-like standards developed by the distribution planning stakeholder group. That will facilitate the IOUs and customers mutually understanding and agreeing on which technical requirements and planning

considerations are applicable to specific situations. Also, extraordinary care must be taken to ensure that the specific measures and projects do not become a mandatory requirement in the future though some unilateral action on the IOU's part. Customers should always be allowed, at no extra charge or fee, to install their own DER as long as they follow all applicable rules, regulations and standards.

11) What considerations should the Commission take into account when defining how the DRPs should be monitored over time?

Since the DRP process there is in its infancy, Walmart recommends that DRPs should be reviewed initially at least annually. At the end of the review, any issues or problems can then be addressed by the Commission. Monitoring criteria should include conforming with utility best practices as well as the NERC-like standards developed by the stakeholder group discussed above. After the DRP process has matured, Walmart would consider not objecting to a review every third year as long as there is a measure in place whereby a customer can bring a complaint relating to an IOUs' implementation of its DRP at any time during that three-year period.

12) What principles should the Commission consider in setting criteria to govern the review and approval of the DRPs?

As a general principle, the DRPs should not result in any degradation of safety or customer access. Also, the DRP process should not lead to any requirements for customers to seek approval from the IOUs or the Commission to deploy DG or other DERs behind the meter, with the exception of DG that will feed power back onto the grid, and then only where safety issues are related to the interconnection. Rather, to the maximum extent possible, the decisions of individual customers to deploy (or not deploy) DERs should be driven by market forces and not the regulatory process. Walmart reserves the propose additional principles as the proceeding unfolds should the need arise.

- 13) Should the DRPs include discussion of how ownership of the distribution may evolve as DERs start to provide distribution reliability services? If so, briefly discuss those areas where utility, customer and third party ownership are reasonable.**

As a general rule, Walmart believes that anyone should be able to own DERs. Examples of areas where utility, customer, and third party ownership are reasonable would include resources such as customer/third party ownership of onsite renewable generation such as solar, wind, fuel cells, battery storage; impacts of energy efficiency; and load management capabilities such as demand response or other uses of customer owned energy management systems, electric vehicle charging stations that can be systematically controlled, so forth.

- 14) What specific concerns around safety should be addressed in the DRPs?**

The distribution system safety records of the IOUs should be in the public record and accessible by all interested parties. Beyond that, Walmart reserves the right to comment further on the issue raised by this question.

- 15) What, if any, further actions, should the Commission consider to comply with Section 769 and to establish policy and performance guidelines that enable electric utilities to develop and implement DRPs? Attachment 1 to this order is a complete copy of AB 327 as enacted.**

Walmart further recommends that the Commission require each IOU to prepare a detailed inventory of the renewable DG deployed in its service territory that feeds back energy onto the grid. Each IOU should also provide an assessment of the amount and, to the extent possible, the costs and benefits of those existing/deployed DG resources in terms of needed or avoided transmission and distribution (“T&D”) system upgrades, resource adequacy resources, and ancillary services. The inventories and costs/benefits assessments are needed to enable interested parties and the Commission to evaluate the IOUs’ DRPs and the costs and benefits of adding additional DERs.

- 16) **Appendix B to this rulemaking is a white paper that articulates one potential set of criteria that could govern the IOUs DRPs. Please review the attached paper and answer the following questions:**

Walmart reserves comment on the issues raised by the white paper.

III. CONCLUSION

Walmart appreciates the opportunity to provide these initial comments and looks forward to working with other parties and the Commission to develop policies, procedures, and rules for the development of the IOUs' DRPs that foster and facilitate the deployment of nonutility DERs.

Respectfully submitted,



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