Docket: **R.10-05-006**

ExhibitNo.: _____

Commissioner: **MichaelR.Peevey**

ALJ: **PeterV.Allen**

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.	Rulemaking 10-05-006

TRACKIPREPAREDTESTIMONYOFJENNIFERDIDLO ONBEHALFOFAESSOUTHLAND

Seth D. Hilton
STOEL RIVES LLP
555 Montgomery Street, Suite 1288
San Francisco, CA 94111
Telephone: (415) 617-8913
Email: sdhilton@stoel.com

Attorneys for AES Southland, LLC

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Q. Pleasestateyournameandcurrentemployment.

A. MynameisJenniferDidlo. IamemployedbyTheAESCorporationasProjectDirector responsiblefortheredevelopmentattheHuntingtonBeach,AlamitosandRedondoBeach electric generationstationlocations,collectivelyAESSouthland(AES).

Q. Whatisyourprofessionalandeducationalbackground?

A. Myprofessionalandeducationalbackgroundissetoutin ExhibitA.

Q. Whatisthepurposeofyourtestimony?

A. Thepurpose ofmytestimonyistodiscussthe needforaprocurementdirective inthis proceedingtosatisfyLocalCapacityRequirements(LCR)inSouthernCaliforniaEdison's (SCE)service territory. Iwillalsoaddressthepotentialimpactsoftheoutcomeofthis proceedingonthe3,690megawattsavailableforredevelopmentattheAESlocations. HuntingtonBeach,Alamitos,andRedondoBeachall utilizeOnce-Through-Cooling (OTC)andaresubjecttocompliancewiththe Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (OTCPolicy)asadoptedbythe

CaliforniaStateWaterResourcesControlBoard. IwilladdressAES'intentionsto supportCalifornia'slong-termobjectivestoeliminatetheaginggenerationinfrastructure whilemaintaininga reliableandrobustelectricalsystem. Specifically,Iwilldiscussthe requiredtimingofanSCEprocurementdirective,AES'OTCImplementationPlan,our abilitytoobtainthe necessarylicensesandpermitstoconstructreplacementgeneration, thetimeline necessarytocoordinatesuchcompliance,aswellasAES'willingnessto participateincompetitive procurementorbilateralnegotiationprocessestoobtainlong termcontracts.

I. THEAESSOUTHLANDFLEETCONSISTINGOFTHETHREELOCATIONS

Q. PleasedescribetheHuntingtonBeach,AlamitosandRedondoBeachgenerating stations.

A. Thesearethreegas-firedelectric generationstationsthatAESpurchasedfromSCE. AES purchased these facilities in May 1998 as part of California's Assembly Bill 1890 (Brulte 1996) requiring SCE to divest at least 50 % of its gas-fired electric generation. Further, thesefacilitieshave beenapartoftheintegratedsystembuiltbySCEtoserveLosAngeles (LA)Basincustomers. Theconstructionofthesefacilitiesstartedinthemid-1950sand continuedthroughthemid-1960s. EachofthesefacilitiesemploysOTCtechnologyand theOTCPolicyrequiresallthree sitestoachievecompliance byDecember31,2020. Currently,HuntingtonBeach,AlamitosandRedondoBeach(collectively,Southland) supply4,140megawattsoflocalcapacitywithintheLABasinLocalCapacityArea (LCA). Togethertheyrepresentabout35%ofthetotalinstalledcapacityinthislocal area. More specifically,eachofthese generationstationsislocatedinthetransmission-constrainedWesternsub-areaofthe LABasinLCAasreferredtointheCAISO2012

LocalCapacityTechnicalAnalysisFinalReportandStudyResults. [1] TheAESgenerating resourcesthatareeitherownedorleasedrepresent50%ofthetotalnetqualifyingcapacity inthe Westernsub-area.

II. REQUIREDTIMINGOFANSCEPROCUREMENTDIRECTIVEASPARTOF THECURRENT2010LTPPPROCEEDING

Q. WillAESconstructnewgenerationatitsSouthlandlocationswithoutlong-term contract(s)?

A. No. Basedonthecurrentelectricitymarketstructureandprojectedfuturemarketprices AESwillneedlongtermcontractstosecurefinancingtosupporttheconstructionand commercializationofnewgeneration. Infact,AES'preferredcontracttermis20yearsto extendthe periodoftime torecoverinvestmentsnecessaryfornewconstruction,enable longertermfinancingandultimatelyprovide potentialconsumerratereductionas comparedtoa 10yearcontract.

AESiscommittedtoredevelopingitsgas-firedassetsinCaliforniaandhasstarted thepermittingprocess;dedicatingmillionsofdollarstoperformanalysis,fieldtesting, valuationandapplicationfees. However,inordertopursuetheactualEngineering, ConstructionandProcurementactivitiestocommercializeanewfacility,financingmust be obtained. Long-termPowerPurchaseAgreements(PPA)are necessarytoobtainsuch financing.

[1] The CAISO provides this report to document the results and recommendations of the 2012 Local Capacity Technical Study (final report dated April 29, 2011). The AES locations are identified to be in the Western portion of the LA Basin as indicated on pages 80 – 84 in the table labeled "Total units and qualifying capacity available in the LA Basin Area." The report is available at http://www.caiso.com/2b6f/2b6f8be32da20.pdf.

Additionally, when the Investor Owned Utilities (IOU's) are approved to enter into long term contracts for new resources, the IOU's can then control which specific operating flexibilities at which locations get built to support their future needs.

Q. When does AES Southland need to secure contracts in order to meet its OTC compliance deadlines?

A. Given the timeline required to complete an SCE solicitation, obtain CPUC approval, secure the necessary permits and licenses, and finance and construct new resources, AES needs the CPUC to issue a procurement directive in the current LTPP cycle. This timing is needed to maintain the local reliability support that is provided by the current generating units and enable AES to meet its OTC compliance deadlines. Multiple phases of contracting, demolition and construction are required in order for AES to work within the landowns and maintain certain levels of generation to support grid reliability needs. Once permits are obtained, which is expected to take approximately two to four years, each redevelopment phase is anticipated to take an additional three to five years for contracting, financing, demolition and construction. As such, a directive in this LTPP cycle could result in the first phase of new generation at an AES location as early as 2018, and a directive in the next LTPP cycle could result in new generation at an AES location as early as 2020. AES' OTC Implementation Plan describes the need for three phases, underscoring the importance of starting the redevelopment process as soon as possible. In fact, even with a directive in this procurement cycle, AES will still need an extension of its OTC compliance dates for certain units beyond 2020.

Q. WhatarethepotentialconsequencesifSCEisnotissuedaprocurementdirective duringthecurrentLTPPproceeding?

A. Ifthereisnoprocurementdirective issuedtoSCEtosatisfyLCRneedsuntilthe next LTPPcycle,thiswillonlydelaythe ultimateactionsthatare neededforCalifornia tomeet itsobjectivetoretire theaginggenerationfleetthroughOTCcompliance. Asreferenced inEPEtestimony,theCAISOhasstatedtheOTCgenerationplanningshouldbe performedfirstinordertodetermineifanytransmissionplanningisnecessary. Ifa procurementdirective isnotissueduntilthe nextLTPPcycle,itwillresultina requirementtoprocureallofthe resourcesthatwillbe neededtoreplace the OTCfleetina single procurementcycle. Otherwise,theexistingOTCfacilitieswillnotbeabletomeet theircurrentcompliance dates. Ifthisisnecessary,allofthesuccessfulprojectswillbe competingforthesame limitedresources,therebydrivingdevelopmentcostsup unnecessarily,andultimatelyincreasingtheratesforelectricity. Resourceslike skilled labor,specialtyequipment,Engineering,ProcurementandConstructionmanagement, vendormanufacturingcapacityandavailable privateequitywillallbe underpressureto supportacompressedtimeline. ItisworthmentioningCaliforniaisalreadystressingthe available developmentresourceswithitsmassivetransmissionprojectplansandits increasedrenewable portfolioobjectives. Addingthereplacementofthe gas-fired generationduringthatsametimeandthencompressingthetimelinewillundoubtedlylead toinefficienciesandunnecessarycosts.

III. ONCE-THROUGH-COOLING COMPLIANCE FOR THE AES SOUTHLAND FLEET: HUNTINGTON BEACH, ALAMITOS, AND REDONDO BEACH GENERATING STATIONS

Q. How does AES Southland intend to comply with the OTC Policy?

A. As stated in the OTC Implementation Plan AES submitted to the State Water Resources Control Board on April 1, 2011, [2] AES intends to redevelop its existing locations in compliance with Track I by retiring the current operating units and replacing them with state-of-the-art gas turbine technology that complies with the OTC Policy. The plan addresses grid reliability with an intentional sequencing to make new generation available for operations before retiring the old generation. As such, there are electrical interconnection and physical space limits to the amount of new generation that can be connected to the grid and constructed on available land prior to the disconnection and demolition of the retired units. AES' redevelopment plan relies on the existing electrical interconnections, existing natural gas infrastructure and interconnection and AES-owned land.

Q. Recent projects in the South Coast Air Basin have encountered significant obstacles as a result of the inability to secure sufficient emission offsets. How does AES intend to address this challenge?

A. AES intends to rely on South Coast Air Quality Management District's (SCAQMD) Rule 1304(a)(2) which exempts AES from the requirement to directly supply emission offsets, but instead obligates the SCAQMD to retire the necessary offsets from its holdings. AES'

[2] As required AES Southland submitted compliance plans for each of its locations. These plans can be found at http://www.waterboards.ca.gov/water_issues/programs/ocean/cwa316/powerplants/

intentionsareconsistentwithotherprojectsrecentlypermittedintheLABasin; specifically,theNRGElSegundoprojectandEdisonMissionEnergy'sWalnutCreek project. Bothprojectsreliedonthissame rule,havereceivedpermitsandlicensesandare underconstruction. AES'plansareconsistentwiththe rulesaswrittenandadoptedmore than20yearsago,andreliance onRule1304(a)(2)isareliable pathtoaircompliance.

Q. Whatisyouropinionofthefeasibilityofthealternativestoredevelopingthe AES sitesthatwouldalsosatisfythelocalreliabilityneedsoftheWesternLABasinand Ellissubareas?

A. IbelievethealternativestoredevelopingtheAESlocationsare verylimited,particularly whenconsideringthelocalreliabilityneedsofthe Westernsub-areaofthe LABasinas referencedinthetestimonyofHalaBallouzfromElectric PowerEngineers(EPE's Testimony). Sitingnewgeneratingfacilitieswithinthe highlyurbanizedLABasindoes notseemfeasibleasnewtransmissioninfrastructurewouldberequired,available real estateislimitedandtherewouldlikelybe formidableoppositiontocreatinga new industrialsite. Additionally,EPE'sTestimonyalsoconfirmsthattheexistingtransmission infrastructurewouldbe underutilizedandresultintheneedfornewtransmissionassetsto be built. Thealternative redevelopmentopportunitieswithinthe Westernsub-area ofthe LABasinLCAare veryfewandperhapslimitedtotheotherformerlyownedSCE facilities. Fromatimingperspective,itseemshighlyunlikelythatmajortransmission upgradesintheLABasincouldbecompletedby2020. EPE'sTestimonyindicatedthat majortransmissionupgradeswillbe imposedonthetransmissiongridifgenerationat criticallocationsisnotredeveloped/procured,andsuchupgradesshouldnotbe determined byCAISOuntiltheOTCplansare finalized. Theamountoftime toaccomplishsucha

projectdoesnotsupporttheOTCcompliance deadlines,orCalifornia'sother2020 objectives.

IV. SECURINGNECESSARYLONG-TERMCONTRACTSTHROUGH COMPETITIVESOLICITATIONORBILATERALNEGOTIATIONS

Q. DoesAESintendtoparticipateinanypotentialcompetitivesolicitationsfornew resourcesconductedbySCE?

A. Yes,AESintendstocompetitivelybidintoanypotentialSCERequestforOfferprocess. AESfundamentallysupportscompetitive procurementandrecognizesthe advantagesto rate payerswhencompetitionisallowed. AESencouragesCalifornia tocontinue offering competitivemarketstructuresandlooksforwardtotheopportunitytoparticipate. However,basedonEPE'stestimonyitmaynotbe possibleforallgridreliabilityandLCA issuestobeaddressedthroughacompetitiveprocess. Toavoidmarketpowerconcernsif therearelimitedresourcescapable ofaddressinglocalarea reliability,AESiswillingto enterintocost-basedcontractswiththeutilitiesforcertainlocallyrequiredresources consistentwithwhatwasenvisionedwhenAssemblyBill1576(Nunez)waspassedbythe Californialegislaturein2005. Wheresufficientcompetitiondoesexist,AESisalsomore thanwillingtocompeteforlong-termcontracts.

Q. Whatareyourconclusionsconsideringthetestimonyprovidedby EPE,SCE, CAISOandothers?

A. Iconcludeafterreviewingthe varioustestimoniesandtransmissionplansthatthereisa minimum"least-regrets"amountofgenerationthatSCEshouldbe directedtoprocureto satisfyLCRneedsaspartofthe2010LTPPprocessandfurtherthatprocurement processesmustincludelocationconsiderations. Otherwise gridreliability,flexibilityand

integritywillbecompromisedandoverprocurementisinevitable. Finally,ifmarket powerisaconcernduetotheneedtoprocureresourcesinparticulareareas,theCPUC shoulddirecttheIOUstoenterintocost-based,bilateralnegotiationstosecuretheneeded localresources.

Q. Doesthisconcludeyourtestimony?

A. Yes.

EXHIBIT A

Exhibit A

Statement of Qualifications

JENNIFER L. DIDLO, Project Director, AES Southland Development

PROFESSIONAL EXPERIENCE:

THE AES CORPORATION

Project Director, AES Southland Redevelopment, Long Beach California

Responsible for obtaining necessary licenses and permits to enable the redevelopment of 4,200 MW Southland fleet in Southern California

President and Plant Manager, AES Deepwater, Houston Texas

Led a 60-person team to world class performance of 94% availability with exemplary safety and environmental results at a 160 MW petroleum coke facility

Plant Performance Manager, North America West Division, California

Supported leadership of 10 businesses located in Hawaii, California, Texas and Oklahoma to become world-class performers through operational excellence ultimately improving pre-tax contribution by 12%, through heat rate, availability and cost control measures

President and Plant Manager, AES Placerita, Santa Clarita California

Lead a 120 MW cogeneration, combined-cycle facility from a contracted PPA business to AES's first fully merchant business in the deregulated California electricity market

SOUTHERN CALIFORNIA EDISON

Divestiture Team Member, Corporate Office, Rosemead, California

Coordinated closing activities for the sale of El Segundo and Long Beach generating facilities

Production Manager, Long Beach Generating Station, Long Beach, California

On-site manager responsible for day-to-day operations of a 7 unit, 550 MW facility

Business Strategy Team Member, Long Beach, California

Created interventions and guided personnel to implement new business philosophies focused on competitiveness

Reliability Engineer, Maintenance Supervisor, Alamitos Gen Station, Long Beach, California

Actively participated in maintenance and operations of a 2,000 MW, 200-person facility

EDUCATION and LICENSES:

M.S., Mechanical Engineering, California State University, Long Beach	2002
B. S., Mechanical Engineering, California Sate University, San Luis Obispo	1990
California Professional Registered Engineer, Mechanical Engineering	1996