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Attorneys at Law

November 28, 2011

Via Mail and E-Mail

Mr. Edward Randolph
Director, Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4004
San Francisco, California 94102

Re: Protest of the Imperial Irrigation District
To Southern California Edison Company Advice Letter 2650-E
(2011 Renewables Portfolio Standard Short List Report)

Dear Mr. Randolph:

The Imperial Irrigation District (“IID”) hereby protests Southern California Edison’s (“SCE”) Advice Letter (“AL”) 2650-E. SCE files AL 2650-E pursuant to the direction provided in Appendix B of Decision (“D.”) 11-04-030 of the California Public Utilities Commission (“Commission”) to file a Tier 2 advice letter providing the following: (a) Evaluation Criteria Selection Process Report; and (b) Independent Evaluator’s Preliminary Report. A copy of this protest is being served concurrently on SCE via email and overnight mail.

IID is an irrigation district organized under the laws of the State of California (California Water Code sections 20500-29978) and, as such, is a political subdivision of the State of California. IID provides electric power to more than 145,000 customers. Imperial County has great potential for development of renewable resources. The Renewable Energy Transmission Initiative (“RETI”) identified four different California Renewable Energy Zones (“CREZs”) with a combined renewable energy capacity of 8,489 MW in the Imperial Valley.¹ The Imperial North-A CREZ is rated as one of the most cost-effective CREZs in the state.² In addition, IID commissioned a report looking at a variety of issues related to stimulating the development of renewable energy in Imperial County.³ The report concluded that over 24,000 MW of renewable generation could be economically developed in IID’s service territory with either a “slightly” more favorable policy environment or if the cost of developing solar generation decreases. It is essential that the renewable development potential be realized in order to provide economic development to a region of the state that has one of the highest poverty levels and unemployment rates in the nation.

¹ *Renewable Energy Transmission Initiative, Phase 2B Final Report*, May 2010, RETI-1000-2010-002-F, at 1-3.

² *Id.* at 1-7

³ Summit Blue Consulting, *Renewable Energy Feasibility Study, Final Report*, April 1, 2008,

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IID is not a participant in the SCE solicitation process. However, IID is working with thousands of megawatts of generation in its generation interconnection queue, administered through an Open Access Transmission Tariff (“OATT”) that is consistent with the *pro forma* OATT promulgated by the Federal Energy Regulatory Commission. Most notably, IID has over 1100 MW of renewable generation in its “transition cluster,” IID’s first queue cluster. These resources have already executed generator interconnection agreements (“GIA”) with IID. As a result of those GIAs and the associated funding by these interconnecting generators, IID is preparing to move forward with roughly \$200 million dollars of upgrades to its transmission system to enable this renewable generation to be delivered to load serving entities within the California Independent System Operator Corporation (“CAISO”) balancing authority.

In addition to the direct interest in the SCE solicitation as the transmission provider responsible for developing the network upgrades needed to deliver these renewable resources to load, IID is also a community and economic leader in Imperial County, one of the most impoverished areas in the nation. Recently issued data confirms that unemployment in Imperial County continues to hover at approximately 31 percent, with nearly 24 percent of the population subsisting at or below the poverty line. IID is thus vitally interested in economic development that may be generated by the renewable resources locating in Imperial Valley.⁴

IID submits this protest pursuant to Rule 2.6 of the Commission’s Rules of Practice and Procedures. IID is concerned that the analysis contained in the SCE calculations and data in the advice letter contain material omissions. IID is particularly concerned with the lack of information provided by SCE in its description of how bidding resources delivering at interties with the CAISO were treated for capacity counting purposes. This is an issue on which IID, the CAISO, and the Commission have spent considerable time over the past year to develop a methodology to allow appropriate resource capacity counting for Imperial Valley resources.

SCE provides little information on how it treated capacity counting for imports, except the following excerpt:

SCE did consider assigning generating facilities that had a delivery point at a CAISO intertie with a capacity benefit. That capacity benefit, however, was discounted by SCE’s ability to obtain import allocation rights from the CAISO, and was dependent upon the type and generation profile of the generating facility.⁵

Without more information, it is difficult to ascertain what discounting of capacity benefit would be reasonable, beyond those directly related to the resource generation profile itself.

⁴ Senate Bill 2 (IX) (2011), which will become effective on December 10, 2011, supports the development of renewable resources in areas afflicted with high unemployment and high poverty: “In soliciting and procuring eligible renewable energy resources for California-based projects, each electrical corporation shall give preference to renewable energy projects that provide environmental and economic benefits to communities afflicted with poverty or high unemployment, or that suffer from high emission levels of toxic air contaminants, criteria air pollutants, and greenhouse gases.” Cal. Pub. Util. Code § 399.13(a)(7).

⁵ SCE Advice Letter 2650-E, Public Appendix A, SCE’s Written Description of 2011 Renewables Portfolio Standard Proposal, Evaluation and Selection Process and Criteria, November 7, 2011, at 4.

Import limitations from the Imperial Valley to the CAISO were identified as a potential issue some time ago. The specific issue involved the calculation of the Maximum Import Capability (“MIC”) at the Imperial Valley intertie between IID and the CAISO. This issue was addressed by a recent Business Practice Manual (“BPM”) change made by the CAISO. The prior MIC calculation was based on historical net schedules, and since IID was historically an importer at Imperial Valley, the MIC at the Imperial Valley intertie was set at zero. The CAISO recognized that this was not a realistic number for assessing MIC at the Imperial Valley intertie, and commenced a stakeholder process to amend the MIC calculation.⁶ The new MIC calculation is based upon forward transmission planning scenarios and expected generation portfolios produced in the CAISO Transmission Planning Process (“TPP”), in which the Commission’s portfolio analysis plays a key role. As a result, the CAISO submitted and finalized changes to its Reliability Requirements BPM, which became effective August 1, 2011, to reflect this new MIC methodology.

In parallel with the CAISO’s BPM revision process, Energy Division staff commenced discussions on how modifications to the MIC would be incorporated into the procurement process for investor-owned utilities (“IOUs”). Those efforts culminated in the Assigned Commission’s Ruling (“ACR”) by Commissioner Ferron issued June 7, 2011. Commission Ferron accurately described the interplay between IID’s transmission build out, the expanded MIC calculation, and gave guidance to the IOUs for the purposes of the current solicitation:

In particular, IID is prepared to upgrade to its transmission system to support greater export capability. This approach by IID and the transmission included in the ISO's 2010-2011 plan indicate that historic flows between IID and the ISO are not a good proxy for the flows that would be observed in coming years if additional RPS-eligible generation were to be developed in the IID [Balancing Authority Area (“BAA”)]. The IOUs should take this into account as they assess the long-term RA value of projects from the IID BAA.

Thus, an IOU’s use of a zero or near zero MIC for imports from the IID BAA for up to 25 years would be unreasonable. It would also be unreasonable to require projects from this area to wait until the next [Renewable Portfolio Standard (“RPS”)] solicitation to submit a bid because of the timing of the revisions to the MIC calculation, given the important and substantial progress that has been made on this subject. Based on the above information and analysis, I conclude that it would be unreasonable for an IOU to use a MIC less than 1,400 MW for imports from the IID BAA as part of its LCBF evaluation of project bids within the 2011 RPS solicitation. An IOU using a MIC of less than 1,400 MW must present clear and convincing evidence why it did so as part of any advice letter or application seeking Commission approval of a contract from the 2011 RPS solicitation

⁶ A full catalogue of proposals and party comments on the amended MIC calculation can be found at <http://www.caiso.com/informed/Pages/StakeholderProcesses/DeliverabilityResourceAdequacyCapacityInterties.aspx>.

If Pacific Gas and Electric Company, Southern California Edison Company, or San Diego Gas & Electric Company nevertheless assigns zero or near zero resource adequacy value to any project located in the Imperial Irrigation District Balancing Authority Area that bids in the 2011 Renewables Portfolio Standard solicitation, that utility must present clear and convincing evidence why it did so as part of each advice letter or application seeking Commission approval of any contract resulting from the 2011 Renewables Portfolio Standard solicitation.⁷

Nowhere in the publicly-available portions of its advice letter does SCE explain with requisite specificity how it counted the capacity benefits of resources specifying delivery from the IID balancing authority area. SCE explains that it did discount capacity benefits from resources proposed to be imported to the CAISO balancing authority to the extent counting rights were not available.⁸ Based on this description, and without more specific detail, IID must conclude that resources proposing to locate in the IID balancing authority may have been discounted in the current solicitation process by SCE because of a lack of appropriate recognition of the reformed MIC calculation made effective by the CAISO, in contravention of the guidance provided by Commission Ferron's ACR.

IID recognizes that, in addition to the calculation of the MIC for intertie transactions, the CAISO has a tariff-based mechanism⁹ that allocates import capacity for resource adequacy counting purposes. This process allocates import capacity for this purpose among load serving entities within the CAISO balancing authority. However, the MIC capacity created at Imperial Valley is new capacity, and is not claimed by any pre-existing grandfathered delivered contract right. As such, SCE has an equal ability to obtain the rights created at Imperial Valley or other IID-CAISO intertie points, as any other load serving entity. Particularly for forward-looking resource procurement, there is no rationale explained by SCE that would support a discounting of a capacity benefit from Imperial Valley resources for this reason.

In its Advice Letter, SCE has failed to explain how it has reconciled measurement of capacity benefit described in its Advice Letter, with the reformed MIC and the guidance provided by Commissioner Ferron in his ACR. IID requests that the Commission not allow the advice letter to become effective until such time as SCE explains in sufficient detail how Imperial Valley resources that interconnect to the IID balancing authority were assigned capacity benefits.

⁷ Assigned Commissioner's Ruling Regarding Resource Adequacy Value of RPS Projects in the Imperial Irrigation District Balancing Authority Area, Rulemaking 11-05-005 (June 7, 2011) at 5-7.

⁸ SCE Advice Letter 2650-E, Public Appendix A, SCE's Written Description of 2011 Renewables Portfolio Standard Proposal, Evaluation and Selection Process and Criteria, November 7, 2011, at 4.

⁹ California Independent System Operator, Fifth Replacement FERC Electric Tariff § 40.4.6.2.1.

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Contact information for IID in regard to this matter is as follows:

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Thank you in advance for your consideration of this protest.

Respectfully,

A handwritten signature in cursive script, appearing to read 'C. Anthony Braun', written in black ink.

Tony Braun
Attorney for the
Imperial Irrigation District

Copy: Honesto Gatchalian, CPUC Energy Division
Maria Salinas, CPUC Energy Division
Akbar Jazayeri, Vice President of Regulatory Operations, SCE
Leslie E. Stark, Senior Vice President, SCE
Cathy Karlstad, Attorney, SCE