

**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

**AES SOUTHLAND, LLC'S REPLY COMMENTS ON PROPOSED DECISION ON
SYSTEM TRACK I AND RULES TRACK III OF THE LONG-TERM PROCUREMENT
PLAN PROCEEDING AND APPROVING SETTLEMENT**

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Dated: March 19, 2012

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Rulemaking 10-05-006
(Filed May 6, 2010)

AES SOUTHLAND, LLC'S REPLY COMMENTS ON PROPOSED DECISION

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, AES Southland, LLC (AES Southland) submits the following reply comments on the Proposed Decision on Track I and Rules Track III of the Long-Term Procurement Plan Proceeding (Proceeding) and Approving Settlement (Proposed Decision) dated February 21, 2012.

I. INTRODUCTION

AES Southland notes that there was broad consensus among the commenting parties, including AES Southland that: (1) the Proposed Decision should be revised to remove references that the evidence in the record supported the conclusion that additional resources were not needed prior to 2020 (or even beyond); and (2) the Proposed Decision should set out a schedule so that the Commission could make a determination concerning local capacity resource (LCR) need by December 31, 2012. AES Southland provides these further comments concerning the issues raised by various opening parties regarding these suggested changes.

II. DISCUSSION

A. The Proposed Decision Should be Revised to Remove Any Reference to Lack of Need for Additional Resources Prior to 2020

The Proposed Decision concluded that adoption of the Settlement was reasonable because the record supported a finding that no new generation is needed before 2020. As noted in AES Southland's Opening Comments, that conclusion is both inconsistent with the Settlement, and unsupported by the evidentiary record. Numerous parties made that same point in their opening comments, including San Diego Gas and Electric (SDG&E), California Independent System Operator (CAISO), Calpine, GenOn, Independent Energy Producers (IEP), and Pacific Gas and Electric (PG&E). (SDG&E Opening Comments at 3; CAISO Opening Comments at 2-3; Calpine Opening Comments at 2-3; GenOn Opening Comments at 2-5; IEP Opening Comments at 1-3; PG&E Opening Comments at 4-5.)

Several parties, however, recommended that the Proposed Decision be revised to state that there is no need for immediate procurement of additional resources. That revision, while an improvement to the language currently in the Proposed Decision, is also inconsistent with the Settlement, and with the evidentiary record. As AES Southland pointed out both in its Opening Brief on Track I issues, and in its Opening Comments on the Proposed Decision, the record does in fact show that there is a current need to procure additional LCR for the Los Angeles Basin local capacity area. Further, the Settlement itself stated that "[t]here is general agreement that further analysis is needed before any renewable integration resource need determination is made." (Settlement at 5.) The Settlement also proposed that further analysis should be conducted before LCR need is determined. Thus, the Settlement does not support the idea that there is no need, whether

immediate, or through 2020, but instead states only that further study is needed before the extent of that need is determined. AES Southland therefore reiterates its suggestion in its Opening Comments that any reference to what the record currently supports regarding the need for additional resources be removed from the Proposed Decision, and that the Decision instead mirror the conclusions set forth in the Settlement—i.e., that further study is needed to determine the extent of system resource, including renewable integration, and LCR need.

B. The Commission Should Adopt the Proceeding Schedule Set Forth in the Settlement

AES Southland’s Opening Comments suggested that the Proposed Decision should be revised to adopt the proposed schedule set forth in the Settlement. The Settlement stated that “the Commission should, in collaboration with the CAISO, continue the work undertaken thus far in this proceeding to refine and understand the future need for new renewable integration resources, either as an extension of the current LTPP cycle or as part of the next LTPP, which should be initiated expeditiously in the first quarter, 2012 and contain the procedural milestones set forth in agreement [sic].” (Settlement at 5.) Numerous parties submitted opening comments similar to those of AES Southland, and suggested that the Commission needed to adopt a schedule to ensure that, at a minimum, LCR need was determined by the end of 2012, including PG&E, IEP, GenOn, the CAISO, and the California Wind Energy Association (CalWEA). (PG&E Opening Comments at 4-5; IEP Opening Comments at 3-4; GenOn Opening Comments at 5-6; CAISO Opening Comments at 3-6; CalWEA Opening Comments at 1-2.)

As noted in GenOn’s, the CAISO’s, IEP’s and AES Southland’s Opening Comments, it will take a minimum of seven years to contract, permit, and construct new

generation facilities. (GenOn Opening Comments at 5; CAISO Opening Comments at 5; IEP’s Opening Comments at 4 n.12; AES Southland Opening Comments at 10).

Procurement to meet projected LCR need in 2020 due to Once-Through Cooling retirements must therefore begin next year, as enabled by the Settlement. The Commission should adopt a schedule that will allow it to make the necessary LCR need determinations by the end of this year to ensure that the necessary resources are procured.

The Settlement suggested that its proposed schedule might be adopted in either this proceeding, or in the next LTPP cycle. The CAISO recommended that the Proposed Decision be modified “to reflect a schedule in 2012 that will consider the ISO’s continued renewable integration studies and the need for additional resources... in certain local capacity areas.” (CAISO Opening Comments at 6.) The CAISO went on to conclude that a procurement decision for local capacity areas should be issued by the end of 2012, but that the need for new system resources could be considered during the next LTPP proceeding, with a decision to issue before the end of 2012. (*Id.*)

Several parties suggested in opening comments that the Commission open a new proceeding to address both LCR and system need. However, AES Southland supports IEP’s recommendation that the Commission open a new phase of the existing proceeding (i.e., Track IV) to examine issues of need “to avoid the delay associated with noticing an order opening a new proceeding, the Commission’s vote approving the order, time for responses to the new order, noticing and holding a prehearing conference, and preparing and issuing a scoping ruling and memo.” (IEP Opening Comments at 4.) The Proposed Decision should be modified to provide for a new phase of the existing proceeding to

evaluate LCR need, and should set forth a schedule that would allow for a decision on LCR need to be issued by the end of this year.

III. CONCLUSION

The Proposed Decision should be modified to remove any inconsistent and premature conclusions concerning the evidence of need prior to, or even after, 2020. The Commission should instead adopt the proceeding schedule set forth in the Settlement, incorporating a new phase of this proceeding to ensure that at a minimum the Commission issue an LCR need determination by the end of 2012.

DATED: March 19, 2012

/s/ Seth D. Hilton

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VERIFICATION

I am the attorney for AES Southland, LLC (AES Southland), and am authorized to make this verification on AES Southland's behalf. AES Southland is unable to verify the foregoing document in person as AES Southland is located outside of the County of San Francisco, where my office is located. I have read the foregoing **AES SOUTHLAND, LLC'S REPLY COMMENTS ON PROPOSED DECISION ON SYSTEM TRACK I AND RULES TRACK III OF THE LONG-TERM PROCUREMENT PLAN PROCEEDING AND APPROVING SETTLEMENT** and am informed and believe, and on that ground allege, that the matters stated are true and correct to the best of my knowledge.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 19th day of March, 2012, at San Francisco, California.

/s/ Seth D. Hilton _____

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