

**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 12-03-014
(Filed March 22, 2012)

**REPLY COMMENTS OF PATHFINDER RENEWABLE WIND ENERGY, LLC AND
ZEPHYR POWER TRANSMISSION LLC ON 2012 ENERGY DIVISION STRAW
PROPOSAL ON PLANNING STANDARDS**

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PLANNING STANDARDS**

Pathfinder Renewable Wind Energy, LLC (“Pathfinder”) and Zephyr Power Transmission LLC (“Zephyr”) submit the following reply comments on the Energy Division’s May 10, 2012 Straw Proposal on Planning Standards (“Straw Proposal”). These Reply Comments are formatted to follow the template circulated by Energy Division staff on May 23, 2012.

Energy Division Comment Template for 2012 Straw Proposal on Planning Standards

General

1. Guiding Principles

In Opening Comments, Pathfinder and Zephyr emphasized the need to expressly identify the public policies that are driving resource procurement and transmission planning. In its Opening Comments, the California Environmental Justice Alliance (“CEJA”) also urged the Commission to consider California’s energy and environmental requirements and policies in developing assumptions and scenarios, including the Global Warming Solutions Act of 2006 (“AB 32”). (CEJA Opening Comments at 1-8.) Zephyr and Pathfinder agree with the importance of considering those policies, and again emphasize the need to specifically identify

the policy goals, whether mandated by statute or otherwise, to ensure that they are properly considered.

For example, identification of AB 32 as a policy requirement provides significant guidance on several issues over which there is substantial disagreement in the Opening Comments. Parties have disagreed over whether the Commission should consider a scenario in which renewable procurement exceeds the 33% Renewable Portfolio Standard mandated by Senate Bill (“SB”) x1-2, with the Sierra Club and Natural Resources Defense Council (“NRDC”)/Vote Solar Initiative urging consideration of an renewable procurement sufficient to supply of 55% of electricity sales by 2030, and Southern California Edison (“SCE”) and Pacific Gas and Electric Company (“PG&E”) arguing, in contrast, that only the 33% RPS mandated by SB x1-2 should be considered. However, as noted in Zephyr and Pathfinder’s Opening Comments, the California Energy Commission staff has calculated that compliance with AB 32 will require renewable procurement in the range of 64% of electricity sales, even absent retirement of California’s nuclear plants. Expressly identifying a policy requirement like AB 32, and considering it across the assumptions offered in the straw proposal, provides clear guidance on this assumption and others. Given the level of renewables procurement that will be required to comply with AB 32, considering a renewable procurement trajectory that reaches a 55% RPS by 2030, as advocated by the Sierra Club and NRDC, is reasonable and prudent.

2. Planning area and planning period

The Division of Ratepayer Advocates (“DRA”) recommends that the planning period be cut in half, and that the Commission not consider planning for years 11 through 20. DRA’s reason for suggesting such a limited planning period is that developers have asserted that only seven to nine years are needed to develop new generation resources, once need is established.

(DRA Opening Comments at 3.) That fact, however, rather than supporting DRA’s assertion, shows why a longer planning period is necessary. Furthermore, the testimony submitted in the prior LTPP showed that the seven to nine year time period was not a worst case scenario and that generation resources might take even longer to develop. Even with a nine year development timeline, the time to first determine need, then conduct an RFO, and then develop the necessary generation resources could easily take longer than the ten year planning period that DRA suggests. Second, even DRA concedes that a longer planning period is necessary for items such as major transmission expansions. (DRA Opening Comments at 2.) DRA suggests that a longer planning period be limited to long lead time infrastructure investments. (*Ibid.*) However, proceeding to plan those investments in a vacuum, in the absence of planning resource procurement during the same time period, makes little sense, as those resources will drive the need (or lack thereof) for long lead time infrastructure investments. Zephyr and Pathfinder support the 20 year planning period proposed by Staff.

Demand-side Assumptions

4. Load Forecast

DRA objects to the Straw Proposal’s suggestion that “[s]ensitivities of alternative peak conditions, such as 1-in-10 weather, should be conducted around the medium load scenario.” (DRA Opening Comments at 4.) DRA contends a 1-in-2 peak forecast is appropriate, citing the Commission’s decision in the 2004 LTPP not to use a 1-in-10 forecast, based in part upon the planning reserve margin providing a cushion for hotter than average weather. (*Ibid.*) As noted by the Large-scale Solar Association (“LSA”), however, such assumptions are not appropriate for transmission planning purposes. As Zephyr and Pathfinder noted in their Opening Comments, it is important to consider that these assumptions will be used for both resource procurement and transmission planning, and to adopt assumptions and scenarios that are suitable

for both purposes. Zephyr and Pathfinder recommend that the Commission use a 1-in-10 forecast for peak load. As noted in the Independent Energy Producers Association's ("IEP") comments, past events indicate the need to study such a scenario, as well as the length of the planning horizon. (IEP Opening Comments at 4-5.)

Supply-side Assumptions

5. How should transmission capacity be considered?

For imports, the Straw Proposal suggested that the Maximum Import Capability ("MIC"), as calculated by the California ISO for purposes of resource adequacy, be used to calculate the import capacity. As Zephyr and Pathfinder noted in their Opening Comments, the MIC is calculated based upon historic import levels, and would improperly understate the actual available import capacity, especially when considered over the 20 year planning period. Zephyr and Pathfinder concur with the proposal discussed at the May 17 workshop and advocated by Sempra U.S. Gas & Power, LLC ("Sempra") in its Opening Comments that the WECC path ratings be used to calculate import capacity. (Sempra Opening Comments at 3.)

SCE raises a slightly different concern, in that it suggests that import capacity into Southern California may actually decrease. According to SCE, import capability "could decrease" with the retirement of units with higher inertia, such as the San Onofre Nuclear Generating Station (SONGS) and certain once-through cooling ("OTC") units. (SCE Opening Comments at 7.) However, that assertion appears to be based upon the flawed assumption that the capacity represented by the OTC units in Southern California would or could be replaced by renewable generation with little or no inertia. Such an assumption is unwarranted; gas fired generation will be needed in the Los Angeles Basin Local Capacity Area to replace the capacity currently provided by OTC units, and it is far more likely that the OTC units will be replaced by repowered thermal units in the same location. Thus, import capacity is unlikely to decrease.

However, SCE's argument does highlight an important point. Over the 20 year planning period, it is unlikely that import capacity will remain static. However, contrary to SCE's position, import capacity will likely increase, rather than decrease. Zephyr and Pathfinder suggest that Staff consider, as discussed further below, a scenario where imports actually increase over the planning period.

6. Deliverability

Note: The previous assumption of deliverability assumed all resources were deliverable unless otherwise noted.

a. Are any changes to the definition of future resources considered deliverable warranted?

A number of parties have urged that Commission return to its earlier assumption that all resources are deliverable. (*See, e.g.*, LSA Opening Comments at 7-8.) As noted in particular by PG&E and LSA, the simplified analysis offered by Staff fails to capture the complexity of deliverability determinations and resource adequacy as determined by this Commission and the CAISO. (PG&E Opening Comments, Appendix at 8-9; LSA Opening Comments at 7-8.) These concerns further emphasize the appropriateness of returning to the Commission's earlier assumption that all resources are deliverable, as Pathfinder and Zephyr also suggested in Opening Comments.

7. Renewable Resources

e. Sensitivities

Staff proposes to use an environmental sensitivity that would assume that any RPS resource additions will be developed in designated preferred locations, based on environmental scores developed for the 33% RPS Calculator used in the 2012-2013 TPP. DRA opposes the use of this scenario on the ground that any RPS projects need to be permitted under CEQA, and that

developers will chose locations based on cost and feasibility, not on environmental scores. Further, as PG&E notes, the scoring, at a minimum, needs to be updated. Zephyr and Pathfinder agree that the environmental sensitivity should be eliminated. As Zephyr and Pathfinder have previously pointed out in comments to the California Energy Commission, the environmental sensitivity relies on incomplete information, thus disfavoring sites in many cases not because they are less preferred environmentally, but merely because they have not been studied to the same degree as other sites or areas. This is of particular concern for those sites located outside the state. Further, the environmental scores are necessarily an oversimplification of environmental impact that fails to fully capture the environmental impact of specific projects.

f. Long-term Target

SCE asserts in its Opening Comments that the assumptions should not include an additional RPS procurement trajectory that would result in 40% renewable generation by 2030. (SCE Opening Comments at 10.) SCE argues that the CPUC and the State should wait to determine what the rate impact is for the 33% RPS before considering a 40% RPS. PG&E also asserts that assuming policy goals beyond a 33% RPS may be premature, and recommends that the planning horizon be limited to ten years, with a 33% RPS. (PG&E Opening Comments, Appendix at 2, 12.)

As Zephyr and Pathfinder pointed out in their Opening Comments, however, that decision has already been made. AB 32 will require renewable generation in excess of the 33% RPS. An August 2011 Energy Commission Staff Report entitled Renewable Power in California: Status and Issues calculated that to meet the State's long-term greenhouse gas reduction goals, renewable electricity would need to be 64% of total electricity sales. If nuclear plants were not relicensed, that percentage rose to 77%. Those calculations were also based

upon assumptions that existing in-state renewable energy facilities would continue to operate through 2050. Given the need to implement AB 32, it is essential that the Commission consider, at a minimum, a renewable procurement trajectory that would result in a 40% RPS in 2030. As LSA succinctly stated, “the long term goal for renewable development should be consistent with the state’s GHG goals.” (LSA Opening Comments at 11).

Recent concerns involving the SONGS also weigh in favor of studying a higher RPS procurement trajectory. Zephyr and Pathfinder agree with the recommendation of NRDC, LSA and the Sierra Club to consider a RPS procurement trajectory that would reach a 55% RPS in 2030. (Sierra Club Opening Comments at 15; NRDC Opening Comments at 9.)

Other

3. What is a reasonable number of total scenarios + sensitivities to consider?

- a. Briefly describe the scenarios and sensitivities that are most important to consider. Please refer to the assumptions discussed above to describe and explain this recommendation.**

In Opening Comments, Zephyr and Pathfinder urged the Commission to consider a scenario including significant imports of renewable generation from out of state, including wind from Wyoming. Zephyr and Pathfinder note that TransWest Express (“TransWest”) suggested a similar scenario, based upon its own transmission project. TransWest suggested that 3,000 MWs of imported Wyoming wind might be a reasonable assumption. (TransWest Opening

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Comments at 9.) Zephyr and Pathfinder suggest that the Commission adopt at least one scenario that assumes the import of a minimum of 3,000 MW of Wyoming wind.

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