

Rulemaking 12-03-014 (LTPP Local Reliability Track I)

Exhibit No. \_\_\_\_\_

Witness James H. Caldwell, Jr.

Commissioner Michel P. Florio

ALJ David R. Gamson

**CENTER FOR ENERGY EFFICIENCY AND  
RENEWABLE TECHNOLOGIES**

**LOCAL RELIABILITY TRACK I  
REPLY TESTIMONY**

Rulemaking 12-03-014  
Long Term Procurement Plans (LTPP)  
Track 1 (Local Reliability)

*July 23, 2012*

CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES  
REPLY TESTIMONY  
RULEMAKING (R) 12-03-014:  
LONG TERM PROCUREMENT PLANS (LTPP): LOCAL RELIABILITY TRACK I

1 **Q.1. What is the purpose of your reply testimony, Mr. Caldwell?**<sup>1</sup>

2  
3 **A.1.** The purpose of my testimony is to reply on behalf of the Center for Energy  
4 Efficiency and Renewable Technologies (CEERT) to the Opening Testimony of  
5 Southern California Edison Company (SCE). In particular, my reply testimony responds  
6 to the testimony of SCE Witnesses Mr. Cabbell at page 8 and 16, Mr. Minick at pages 4-  
7 7, and Mr. Silsbee at pages 16-17.

8  
9 **Q.2. Please explain.**

10  
11 **A.2.** In my opening testimony, I took the position that the California Independent  
12 System Operator (CAISO) in its Prepared Testimony (served on May 23, 2012) did not  
13 demonstrate a need for an additional 1,200 MW of System Capacity Resources, and  
14 that, in meeting Local Capacity Resource (LCR) needs, any such procurement must  
15 include, not exclude, “non-traditional resources other than conventional central station  
16 natural gas fired generation.”<sup>2</sup> These “non-traditional” resources include, in particular,  
17 those “preferred resources” at the front of the Commission’s “Loading Order” – namely,  
18 cost-effective energy efficiency (EE) and demand response (DR), followed by  
19 renewable and distributed generation (DG), plus storage and transmission solutions that  
20 are to be procured *before* turning to gas-fired generation. Many parties representing a  
21 wide spectrum of stakeholders (from ratepayer advocates to environmentalists to  
22 business) have testified to this same position in their Opening Testimony, with citations  
23 to the Commission’s Energy Action Plan, decisions, and statute.<sup>3</sup>

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<sup>1</sup> CEERT Witness Caldwell’s Statement of Qualifications is contained in Appendix A to CEERT’s Opening Testimony served in R.12-03-014 on June 25, 2012 and is incorporated herein by reference.

<sup>2</sup> CEERT Opening Testimony at pp. II-1, II-2

<sup>3</sup> See, e.g., Natural Resources Defense Council, Opening Testimony of Sierra Martinez, at p. 2 and footnotes 2-5; California Environmental Justice Alliance, Opening Testimony of Julia May, at pp. 8-9 and footnotes 21-22; Vote Solar Initiative, Opening Testimony of Eric Gimmon, at p. 2; EnerNOC, Inc., Opening Testimony of Mona Tierney-Lloyd, at pp. II-2 – II-4; and Division of Ratepayer Advocates, Opening Testimony of Peter Spencer, at p. 2 (noting, in particular, the need for decisions authorizing

1 In contrast, Mr. Minick gives mere lip service to these preferred resources by  
2 treating them as uncertainties that could reduce the need for LCR resources,<sup>4</sup> while  
3 another SCE witness, Mr. Cabbell, points out that potential transmission solutions could  
4 be very cost effective and further reduce the need for LCR resources.<sup>5</sup> To me, that  
5 means SCE agrees that these “non-traditional” resources indeed do qualify as potential  
6 LCR resources.

7 Yet, SCE makes no recommendation whatsoever to even attempt to procure  
8 these preferred resources in this LTPP cycle to meet LCR needs. Instead, Mr. Silsbee  
9 concludes that, given the long lead time to contract for, permit, and construct  
10 conventional gas fired “Large Scale LCR Generation,” at least some of those  
11 “traditional” resources need to be procured in the near term.<sup>6</sup> While I agree that some  
12 “LCR Resources” need to be procured in this LTPP cycle,<sup>7</sup> it makes no logical sense to  
13 grant SCE the discretion to ignore the Loading Order and go right to the lowest ranked  
14 resource on the list while doing nothing to overcome barriers to entry for preferred  
15 resources.

16 **Q.3. Is it your opinion then that the proposal[s] made by SCE in its Opening**  
17 **Testimony can be revised in a manner that is more consistent with**  
18 **Commission policy, in particular, the Loading Order?**

19 **A.3.** Yes. Near-term procurement of LCR resources should start with procurement of  
20 preferred resources as expected under the established Commission Loading Order and  
21 should only turn to conventional natural gas combustion as a last resort. As to Mr.  
22 Silsbee’s argument that conventional large scale LCR procurement must start now,<sup>8</sup>  
23 based on his contention that it will take until 2020 (the Once Through Cooling (OTC)  
24 deadline) to permit and construct the repowered facilities, there is nothing to stop  
25 existing facility owners who feel that they have a competitive edge from starting the long

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more resources to “remain consistent with the Commission’s and the State’s policies related to the loading order.”)

<sup>4</sup> SCE Opening Testimony (Minick), at p.7.

<sup>5</sup> SCE Opening Testimony (Cabbell), at p.8.

<sup>6</sup> SCE Opening Testimony (Silsbee), at pp. 16-17.

<sup>7</sup> See, CEERT Opening Testimony, at pp. II-1 – II -2.

<sup>8</sup> SCE Opening Testimony (Silsbee), at pp. 16-17.

1 lead engineering and permitting process in anticipation of potentially receiving a long  
2 term LCR contract in the future. Procurement and construction of already permitted  
3 resources can be accomplished in three to four years.

4 In addition, it appears that the Assigned Commissioner's Ruling (ACR) of July 13,  
5 2012 (July 13 ACR), also anticipates, or at least expects, that non-traditional resources  
6 must play a key role in meeting any established LCR need.<sup>9</sup> I believe that, instead of  
7 granting utility discretion to ignore the Loading Order and conduct a "risk free" (free for  
8 the IOUs – certainly, not so for ratepayers), open-ended procurement of conventional  
9 LCR resources with only a Commission rubberstamp contract approval at the end, the  
10 Commission should direct SCE and San Diego Gas and Electric Company (SDG&E) to:

- 11 • First, confer with the CAISO and prospective bidders to establish metrics and  
12 protocols for dispatchability and performance of aggregated EE, DG and DR  
13 preferred resources in an LCR solicitation. This exercise should draw on the  
14 wealth of experience from other Balancing Authorities around the globe, as  
15 outlined in the Opening Testimony of EnerNOC, Inc.<sup>10</sup> There is no question  
16 that these resources must be in the right location, have the appropriate  
17 electrical characteristics, be visible to and dispatchable by the CAISO in real  
18 time, and be accountable for performance to established standards. Many  
19 forms of EE, DG, and DR can meet this high standard for LCR need, some  
20 cannot. To the extent that a stakeholder workshop will help to advance or  
21 support the development of such a mechanism, CEERT would support and  
22 participate in that effort.
- 23 • Second, conduct a Request for Qualification (RFQ) to establish the likely  
24 quantity and price range of these qualified preferred resources that may be  
25 available in the appropriate locations to satisfy the identified LCR need.
- 26 • Third, place on the record in this proceeding existing transmission studies  
27 and/or conduct new studies, as outlined by Mr. Cabbell in SCE's Opening  
28 Testimony,<sup>11</sup> to establish the quantity of LCR need that can be cost effectively  
29 met through transmission and controlled load shedding solutions. I would note  
30 that it is apparent from the nature of the contingencies described by Mr.  
31 Sparks in CAISO Opening Testimony,<sup>12</sup> that these studies must emphasize  
32 the efficient production and transport of reactive power for voltage support on  
33 the urban grid, not only to relieve some of the identified constraints, but also  
34 to minimize real power losses on the transmission and distribution (T&D)  
35 system. Transmission upgrades along these lines can be thought of as

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<sup>9</sup> R.12-03-014, ACR of July 13, 2012, at pp. 1-2.

<sup>10</sup> EnerNOC Opening Testimony (Hoffman), at pp. II 1-7.

<sup>11</sup> SCE Opening Testimony (Cabbell), at pp. 8-9.

<sup>12</sup> CAISO Opening Testimony (Sparks), at p. 7.

1 "supply side EE," with all the beneficial characteristics of EE on the customer  
2 side of the meter, plus the added benefit of being per se qualified to meet  
3 identified LCR need.  
4

5 Only by taking these steps will there be sufficient data available to conduct a  
6 directed procurement of the identified LCR need. There is not much time to waste  
7 arguing in the abstract over conceptual details with no hard data about preferred  
8 alternatives, but there is ample time to "get it right." The opportunity to make-over the  
9 urban electrical grid in the image of State policy last occurred some sixty years ago. The  
10 result then was massive OTC plants fueled by oil and gas located on what is today  
11 virtually priceless real estate. Is there any reason to believe that a policy of simply  
12 switching to air cooling at these existing sites and paying a significant efficiency penalty  
13 as a result will appear to have been wise sixty years from now? It is my opinion that it  
14 will not and that the State should make every effort to ensure the continued transition to  
15 reliance on non-fossil resources to meet electric need now.