

**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.

R.12-03-014

**OPENING BRIEF
OF THE COGENERATION ASSOCIATION OF CALIFORNIA
ON TRACK I: LOCAL CAPACITY REQUIREMENTS**

Pursuant to ALJ Gamson's oral order during the hearing of this matter on August 17, 2012, the Cogeneration Association of California (CAC) files its opening brief on the local capacity requirements issues, identified as Track I of this proceeding. The Commission's decision on this track should authorize the procurement of all available Combined Heat and Power (CHP) facilities, including both existing capacity and new incremental capacity, to meet local capacity requirements (LCR).

I. Executive Summary

The California Independent System Operator LCR study, which is the focus of this phase, identifies a need for additional local capacity in the Western Los Angeles Basin in 2021 of at least 2400 MW.¹ This need can be met in part by existing CHP capacity and by incremental new CHP generation, as stated in the testimony of James A. Ross in this matter.² The Commission should facilitate the use of this

¹ Table 1, *Testimony of Robert Sparks*, Ex. ISO-1, p. 6.

² *Prepared Reply Testimony of James A. Ross*, Ex. CAC-1, p. 7 *et seq.*

capacity, encouraging the development of CHP and complying with the State's loading order, rather than follow the CAISO's recommendation not to utilize this capacity.

II. Determination Of Local Capacity Requirements (LCR) Need In California Independent System Operator (CAISO) Studies

A. CAISO's LCR And Once-Through Cooling (OTC) Generation Studies

No comment.

B. Consideration Of Preferred Resources, Including Uncommitted Energy Efficiency, Demand Response, Combined Heat and Power, and Distributed Generation, In Determining Future LCR Needs

Certain existing CHP capacity, clearly ready and available to meet local requirements, was not included in the CAISO LCR study and should be considered as a preferred resource. In performing its study, the CAISO started with the California Energy Commission's load and resources analysis from its 2009 Integrated Energy Policy Report (IEPR), and the scenarios for long-term planning provided by the CPUC Energy Division.³ These studies omitted certain existing generation which was identified by Mr. Ross in Table 1 of his testimony.⁴ These units can contribute 60 MW to the relief of the local capacity requirement in the Western LA Basin, and the Commission's decision in this track should ensure that all available existing generation is identified and utilized.

The Commission should also promote the utilization of all new preferred resources that will be developed during the study period, including all new CHP facilities. The CAISO testimony recommends against including any "uncommitted" resources not already included in the CPUC portfolios. That seems, however, to be a very artificial limitation. For each resource type, the CEC study and the CPUC LTPP

³ *Supplemental Testimony of Robert Sparks*, p. 6; Transcript, August 7, 2012, p. 95.

⁴ Ex. CAC-1, p. 8.

scenarios already include projections of new resources yet to be developed, which the CAISO would characterize as “uncommitted.”⁵ The projections of load reduction and energy supply from energy efficiency, demand response and generation all contain projections of uncommitted resources.⁶ The CAISO testimony does not explain why some uncommitted resources can be included from the scenarios while other uncommitted resources should not be considered.

The Commission has already endorsed projections of uncommitted CHP resources in this planning process. The CEC’s 2011 IEPR study makes some projection of new CHP, but also notes that the CEC will undertake an extensive new study of CHP potential.⁷ That study has in fact been completed by ICF, and was the basis for the planning assumptions already adopted by an Assigned Commissioner Ruling in this docket.⁸ Those projections of uncommitted resources will be included in the 2013 LTPPs to be developed by the IOUs. It seems irrational to artificially exclude certain resources from the satisfaction of local capacity requirements, while projecting that those same resources will be available to satisfy system load. The most efficient and effective use of resources would be served by making all projected CHP resources available to serve the identified local capacity requirements.

C. Appropriate Assumptions Concerning Retirement of OTC Generation

No comment.

D. Transmission And Other Means Of Mitigation

No comment.

⁵ Transcript, August 7, 2012, p. 94.

⁶ 2011 Integrated Energy Policy Report, CEC Docket 11-IEP-1.

⁷ *Id.*, p. 110.

⁸ *Assigned Commissioner’s Ruling on Standardized Planning Assumptions*, June 27, 2012.

III. Determination Of LCR Need Specific To LA Basin And Big Creek/Ventura Area

A. LA Basin

The discussion above identifies certain existing CHP capacity in the Western LA Basin that should be utilized for local capacity requirements. In addition, any new incremental CHP capacity in that basin should also be given priority for meeting local capacity requirements. The IOUs should be directed to procure capacity as it becomes available in that local area in accordance with the loading order.

B. Big Creek/Ventura Area

No comment.

IV. Procurement Of LCR Resources And Incorporation Of The Preferred Loading Order In LCR Procurement

A. Incorporation Of The Preferred Loading Order In LCR Procurement

The utilization of new CHP resources, as discussed above would be consistent with the State's loading order. This loading order establishes procurement priorities for long-term electric resources. One of the highest priorities in the loading order is to encourage distributed generation, including efficient CHP facilities. Moreover, Governor Brown's Clean Energy Jobs Plan sets a goal to "*develop 6,500 MW of combined heat and power ...*" by the year 2030. Contrary to the CAISO's recommendation to limit the authorization to fossil-fueled resources for the IOUs, the satisfaction of the LCR need should be consistent with the loading order. The IOUs should be directed to satisfy any LCR need from preferred resources in the priority established in the loading order.

Such utilization would also support the State's policy to encourage CHP. An industrial customer utilizing CHP to manage its thermal energy requirements must have

a customer for the electrical energy that is generated from the CHP process. These large industrial customers that rely on the thermal energy output of a CHP facility for their core operations will only continue to operate under a CHP configuration for as long as such a configuration continues to be economic, provides a reasonable certainty of operational longevity and does not jeopardize their ability to produce their core business product.

Mr. Sparks testified that in drafting his testimony to exclude uncommitted CHP he was unaware of the state programs and incentives for CHP.⁹ He stated that it was reasonable to include some uncommitted capacity from renewable resources because there were state mandates for such capacity. But he was unaware of the comparable mandates for CHP. Such mandates from the QF/CHP Settlement and from other State programs will help ensure the projected, uncommitted CHP will be developed, and can be relied upon to meet the local capacity requirements.

B. Other Commission Policies and Consideration Affecting LCR Procurement

No comment.

C. If A Need Is Determined, How The Commission Should Direct LCR Need To Be Met

No comment.

D. Appropriate Method(s) of Procurement

To ensure that available CHP resources are fully utilized, Mr. Ross proposes in his testimony a pricing principle that would use the price of energy from a new conventional fossil-fueled generator as a benchmark, and establish the presumption

⁹ Transcript, p. 96.

that all energy priced below that benchmark is reasonable, and should be considered for procurement. This will help ensure that all cost-effective CHP is utilized.

E. Timing Of Procurement

No comment.

V. Incorporation Of Flexible Capacity Attributes In LCR Procurement

No comment.

A. If A Need Is Determined, Should Flexible Capacity Attributes Be Incorporated Into Procurement

No comment.

B. Additional Rules, Not Already Covered By Resource Adequacy (RA)_Rules, To Govern LCR Procurement

No comment.

VI. Cost Allocation Mechanism (CAM)

No comment.

A. Proposed Allocation Of Costs Of Needed LCR Resources

No comment.

B. Should CAM Be Modified At This Time?

No comment.

C. Should Load Serving Entities (LSEs) Be Able To Opt Out Of CAM?

No comment.

VII. Other Issues

No comment.

A. SCE Capital Structure Proposal

No comment.

B. Coordination of Overlapping Issues Between R.12-03-014 (LTPP), R.11-10-023 (RA), And A.11-05-023

No comment.

C. SCE Statewide Cost Allocation Proposal

No comment.

D. CAISO Backstop Procurement Authority To Avoid Violating Federal Reliability Requirements

No comment.

E. Energy Storage

No comment.

VIII. Conclusion

CAC makes the following recommendations for the Commission's decision on procurement for local capacity requirements in this docket:

1. The Commission should reject designation of conventional fossil-fueled generation to satisfy the local capacity need in this proceeding. The priority for satisfying the identified need should be consistent with the loading order. More importantly, the Commission should assure that every reasonable effort has been made to first procure the existing capacity within these local capacity areas before considering the procurement of capacity from new resources.
2. The Commission should establish a rebuttable presumption that existing resource offers priced no greater than the cost of new conventional fossil generation be deemed reasonable in the IOU procurement process. The IOUs should not be allowed to reject economical offers from existing resources and

subsequently enter into long-term procurement of new conventional fossil resources at prices equal to or greater than those offered by those existing resources without a rigorous assessment.

Respectfully submitted,

A handwritten signature in cursive script that reads "Donald Brookhyser". The signature is written in black ink on a light-colored background.

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September 24, 2012