

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. )  
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R.12-03-014  
(Filed March 22, 2012)

**ALLIANCE FOR NUCLEAR RESPONSIBILITY'S**

**TRACK 1 REPLY BRIEF**

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## I. INTRODUCTION.

Pursuant to Rule 13.11 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, the Alliance for Nuclear Responsibility (“A4NR”) respectfully submits its Reply Brief in Track 1 of the current Long-term Procurement Proceeding (“LTPP”). After reviewing each of the opening briefs filed by parties to this proceeding – and the long-awaited SONGS restart proposal<sup>1</sup> submitted by Southern California Edison Company (“SCE”) – A4NR’s apprehension about the magnitude of LCR need in Southern California remains undiminished, if not deepened. In particular, SCE’s relegation of SONGS Unit 3 to an operational purgatory, where even the identification of remedial efforts is indefinitely postponed, takes a potential 1,123 MW bite out of the generating assets assumed to be available throughout the Track 1 planning period. Public statements by U.S. Nuclear Regulatory Commission officials pledging lengthy review of SCE’s requested Unit 2 low-power restart darkens the cloud over an additional 1,123 MW.<sup>2</sup>

Additionally, the opening briefs are devoid of any reassurance that the “2 – 3,000 MW”<sup>3</sup> of LCR offset attributed by the California Independent System Operator (“ISO”) to a 600 MW load transfer between the Rancho Vista and Mira Loma substations is more than wishful thinking. A4NR recognizes the difficult circumstances confronting the Commission, directly

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<sup>1</sup> SCE, “Confirmatory Action Letter – Actions to Address Steam Generator Tube Degradation, San Onofre Nuclear Generating Station, Unit 2,” U.S. Nuclear Regulatory Commission Docket No. 50-361, October 3, 2012.

<sup>2</sup> An October 4, 2012 letter from U.S. Senate Environment and Public Works Committee Chairman Barbara Boxer requests written “reassurance” from NRC Chairman Allison Macfarlane that the NRC “will complete its investigation into the causes of unusual tube wear at the San Onofre nuclear power plant **before** evaluating Southern California Edison’s request to restart the facility,” (emphasis added), accessible at [http://epw.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore\\_id=8c6bcb5e-595c-43c8-a87a-4b857cbad275&CFID=16474719&CFTOKEN=59409965](http://epw.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=8c6bcb5e-595c-43c8-a87a-4b857cbad275&CFID=16474719&CFTOKEN=59409965)

<sup>3</sup> R.12-03-014 Transcript, August 7, 2012, p. 85.

caused by SCE's long resistance to procuring adequate resources to reduce its reliance on aging gas-fired plants with once-through-cooling. Compounding the problem is nearly 15 years of planning astigmatism at the ISO, failing to re-engineer the Southern California grid to reduce its vulnerability to SONGS outages. But sugar pills are no solution, and the Commission must confront the unpleasant reality that even the ISO's identified LCR need of 2,370 – 3,741 MW in the LA Basin Area<sup>4</sup> and 430 MW in the Big Creek/Ventura Area<sup>5</sup> may prove severely understated. A4NR believes the Commission's Track 1 decision must allow enough flexibility for periodic updates and re-calibration to accommodate this potentially much larger need.

## **II. SDG&E IDENTIFIES A JURISDICTIONAL REALITY THAT SHOULD NOT BE LOST ON ANY OF THE PARTIES: THE ISO MARCHES TO A DIFFERENT DRUMMER.**

While the ISO witnesses were clear about their desire to support state energy policies,<sup>6</sup> and the ISO has been an indispensable partner in facilitating California's Renewable Portfolio Standard in particular, SDG&E's opening brief points out a proverbial inconvenient truth.<sup>7</sup> The ISO and its gubernatorially appointed Board is legally accountable under its tariff for compliance with a variety of federal reliability standards adopted and enforced by FERC, NERC and the WECC. Good intentions notwithstanding, meeting these requirements will always take legal priority at the ISO over acting consistently with state policy. To the extent the ISO determines that Commission-directed procurement is insufficient to assure these reliability standards are

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<sup>4</sup> ISO-01, p. 11.

<sup>5</sup> *Ibid.*, pp. 13 – 14.

<sup>6</sup> ISO-06, pp. 11 – 13. As explained in ISO witness Millar's prepared reply testimony, "The ISO fully supports these energy policy goals and the loading order and has been working diligently with state agencies to ensure that those goals are met while maintaining system reliability." *Ibid.*, p. 11.

<sup>7</sup> SDG&E Opening Brief, pp. 4 – 6.

met, it will (and has) unilaterally procure resources on its own and allocate the costs thereof – in SDG&E’s words – “to broad classes of market participants, including those with legitimate claims to being innocent bystanders.”<sup>8</sup>

The Commission should be, and in the past has been, deeply concerned about this transfer of authority. Anyone with a stake in the success of California’s energy and environmental policies – from the Energy Action Plan to the Renewable Portfolio Standard to AB 32 – would be troubled by the likely damage to California objectives when the procurement function is usurped by a federal entity claiming emergency authority and relying on revenues collected from California electricity customers to underwrite its decisions. Aware of the economic costs of past ISO procurements, SDG&E’s brief pronounces the options available to the ISO in such circumstances as “clearly blunt instruments and second-best procurement tools.”<sup>9</sup>

A4NR shares this perspective. Given the large role that attempts at cost-shifting play in the California electricity market – and SCE’s reputation as one of this game’s wiliest players – A4NR is especially concerned that the Commission might perceive political benefit in shirking its procurement duties and letting the ISO’s pass-through customers pick up the tab. A4NR believes that such a ruse would be quickly found out, not least because it would be rightfully seen as abdicating a duty to enforce loading order principles on the procurement expenditure of California dollars. A4NR recommends the Commission, and all parties to R.12-03-014, stay focused on three truisms: reliability standards are going to be met; resource procurement is going to occur; and Californians expect fidelity to the energy and environmental policies which

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<sup>8</sup> *Ibid.*, p. 5.

<sup>9</sup> *Ibid.*

have emerged over the past decade. To accomplish all three, the Commission needs to step up to its LTPP responsibilities.

### **III. AMBIGUOUS DISCUSSION IN THE ISO'S BRIEF SHOULD NOT BE MISINTERPRETED TO NEGATE 430 MW OF BIG CREEK/VENTURA AREA NEED**

Section III of the opening brief submitted by the ISO<sup>10</sup> could be misinterpreted to define the combined LCR need in the LA Basin Area and the Big Creek/Ventura Area as a range of 2,370 – 3,741 MW. To accurately reflect the ISO's assessment, the amount should be augmented by an additional 430 MW attributable to the Big Creek/Ventura Area. The introductory paragraphs to Section III of the ISO's brief include a "Table 1" which properly identifies this distinction,<sup>11</sup> but the concluding sentence of the introduction fails to add the numbers together in summarizing the ISO's recommendation.<sup>12</sup> A4NR believes the mistaken nature of the erroneous sentence is made clear by the discussion which follows in the ISO's brief concerning need in the LA Basin Area (Section III. A.) and need in the Big Creek/Ventura Area (Section III. B.). The aggregated need recommended by the ISO should be correctly identified as a range of 2,800 – 4,171 MW.

A4NR also takes exception to SCE's argument that addressing Big Creek/Ventura Area need should be deferred until the 2014 LTPP cycle.<sup>13</sup> The periodic updates/re-calibration

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<sup>10</sup> ISO Opening Brief, pp. 33 – 38.

<sup>11</sup> *Ibid.*, p. 34.

<sup>12</sup> "The ISO recommends that the Commission direct SCE to procure 2370-3741 MW of new generation resources, based on the trajectory case." *Ibid.*

<sup>13</sup> SCE Opening Brief, pp. 10 – 11.

process A4NR's opening brief recommends<sup>14</sup> will provide sufficient flexibility to respond to SCE's concerns. As made clear in the ISO's prepared testimony, based on work currently under way to evaluate long-term reliability impacts if SONGS is not available, "It is expected that the need for replacement OTC generation within the LA Basin area, Western LA Basin sub-area, Ellis sub-area, **Big Creek/Ventura Area, and Moorpark sub-area will be substantially higher** ..." <sup>15</sup> (emphasis added) Exposure to such risk should not be ignored.

#### IV. CONCLUSION

A4NR continues to be troubled by a recurrent tendency in Track 1 to understate LCR need and to rely upon phantom LCR resources. Unavoidably, LTPP decisions involve large commitments of ratepayer resources. But it should be obvious that the avoidance of hard choices in LTPP decisions can implicitly commit even larger amounts of ratepayer resources, albeit with the cover of obscurity and evasion of loading order priorities. A4NR encourages the Commission not to flinch.

Respectfully submitted,

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<sup>14</sup> A4NR Opening Brief, pp. 22 – 24.

<sup>15</sup> ISO-01, p. 15.