

**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 FRIENDS OF THE EARTH  
ON THE PLANNING ASSUMPTIONS TO BE USED IN TRACK 2**

Laurence G. Chaset  
Tim Lindl  
Thadeus B. Culley  
Keyes, Fox & Wiedman LLP  
436 14th Street, Suite 1305  
Oakland, CA 94612  
Phone: 510.314.8386  
Fax: 510.225.3848  
[lchaset@keyesandfox.com](mailto:lchaset@keyesandfox.com)  
[tlindl@kfwlaw.com](mailto:tlindl@kfwlaw.com)  
[tculley@kfwlaw.com](mailto:tculley@kfwlaw.com)

Counsel to Friends of the Earth

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Numerous parties agree with Friends of the Earth's ("FOE") recommendation that one of the high-priority scenarios to be studied in Track 2 of this proceeding should be the early retirement of the San Onofre Nuclear Generating Station (San Onofre). The California ISO, NRDC, Sierra Club, LSA, CEERT, A4NR, Clean Coalition, L. Jan Reid, SBCEC, UCS, DECA, Women's Energy Matters and even Southern California Edison ("SCE") all agree – either to a limited extent (SCE) or strongly (most of the other parties listed above) -- that a January 1, 2015 retirement for San Onofre should be considered in this proceeding.<sup>1</sup>

These Reply Comments, however, are limited to responding to SCE's attempt to downplay the importance of the Track 2 scenarios in relation to San Onofre. FOE explains below why the LTPP should plan for a future without San Onofre in both the Track 2 system plans and the

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<sup>1</sup> California ISO Comments at 7; NRDC/SBCEC Comments at 6; Sierra Club/UCS Comments at 5; LSA Comments at 1; CEERT Comments at 2; A4NR Comments at 4; Clean Coalition Comments at 8; L. Jan Reid Comments at 4; DECA Comments at 2-3; Women's Energy Matters Comments at 2; SCE Comments at 9.

Track 3 bundled plans, and that SCE should not be allowed to use its own scenarios to demonstrate resource need.

**I. THE LTPP SHOULD BE THE VEHICLE THROUGH WHICH THE COMMISSION DEVELOPS A ROBUST AND CONCRETE PLAN TO ENSURE RELIABILITY WITHOUT SAN ONOFRE**

The September 20, 2012 Assigned Commissioner’s Ruling (“ACR”) in this proceeding adopted the main recommendation of the Technical Comments that FOE submitted to Energy Division Staff on the Staff’s Proposed Scenarios September 7, 2012, namely that one of the scenarios to be studied in Track 2 of this LTPP proceeding should be that the San Onofre Nuclear Generating Station (San Onofre) will be permanently shut down by January 1, 2015.

However, SCE’s comments attempt to downplay the importance of the LTPP in analyzing future procurement needs as a result of the closure of San Onofre. Rather, SCE’s comments ask the Commission not to “take action on nuclear retirements based on the analysis of scenarios in Track 2 of the LTPP.”<sup>2</sup> This request would undercut the basic purpose of this proceeding.

The LTPP is no mere academic exercise to study the “what if” implications of losing San Onofre’s capacity in a critical load zone. Indeed, it is hard to understand why SCE opposes the Commission providing SCE with approval for a suite of cost-effective resources that could permanently replace San Onofre in the context of the LTPP. Such a decision would give SCE a green light one way or another.

San Onofre has been closed down for well over eight months now. The only proposal that has emerged from SCE during this period is for San Onofre Unit 3 to remain closed and Unit 2 to be re-started at 70% of its capacity. SCE will necessarily incur extraordinary expenditures,

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<sup>2</sup> SCE Comments at 9.

ranging well into the billions of dollars, if it seriously seeks to obtain the needed authorization that will allow Unit 2 to operate long into the future. However, FOE will present evidence to prove that the fewer dollars needed to meet Southern California's long-term energy needs can be invested far more economically on other resources. It is therefore counter-productive for SCE to seek to discount the significant value that this LTPP proceeding can provide by identifying a set of reliable and cost-effective alternative resources that can replace the energy and capacity that San Onofre provided in the past

Contrary to SCE's view, a major purpose of this LTPP should be to take action that could result in the prospective permanent retirement of San Onofre, or to give it a green light. To accomplish this, the Commission can and should identify the capacity needed – and develop a concrete plan – to replace the loss of 2,200 base load, but inflexible, MW from San Onofre with more reliable and cost-effective resources. SCE should recognize that the company and its shareholders will benefit from a Commission decision in this LTPP to approve a suite of resources that SCE can procure in order to meet the long-term needs of its customers if San Onofre is permanently shut down.

The LTPP must therefore include a robust analysis that provides SCE with a set of alternatives to paying for the upgrading and future upkeep of a crippled and ultimately unreliable facility. The need for such an analysis was suggested in the California Energy Commission's 2011 Integrated Energy Policy Report ("IEPR"), which recommended that in light of the Fukushima accident in Japan, the state needed to identify new generation or transmission facilities that would be needed to maintain reliability in the event of a long-term outage of either one of the state's operating nuclear power plants.<sup>3</sup>

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<sup>3</sup> See, e.g., page 16 of the 2011 IEPR, which was posted to the CEC website on February 15, 2012.

In the final analysis, SCE's comments on San Onofre amount to yet another recitation of the common utility refrain: "not in this proceeding." It is essential that the Commission ignore this tired procedural argument and recognize the important interplay between this LTPP and the OII on the future of San Onofre. There are two intertwined and essential questions that the Commission must simultaneously address in these proceedings: (1) is the hugely expensive repair of a badly damaged 30-year-old nuclear power plant a cost-effective investment for SCE's ratepayers? and (2) what are the resources available to fill the capacity hole left by San Onofre in a cost-effective manner?

SCE's comments ignore the interrelatedness of these questions and ask the Commission to divide these issues into very limited and separate silos. Such limitation and separation will not increase procedural efficiency. It will only allow the utility to argue in the OII that San Onofre should continue to operate because there is no plan to replace its capacity, and to argue conversely in the LTPP that no plan is needed to replace San Onofre's capacity because the Commission has not yet decided to close it.

It is to avoid any such "chicken-and-egg" problem that FOE urges the Commission to adopt the Early San Onofre Retirement Scenario as the most likely future scenario. At the same time, it is FOE's commitment to work collaboratively with the Commission, SCE, SDG&E and stakeholders to formulate a viable and cost-effective capacity replacement plan that will assure a high degree of power system reliability for the longer term without the future operation of San Onofre.

## **II. SCE SHOULD NOT BE PERMITTED TO PROPOSE ITS OWN SCENARIOS**

In its Comments, SCE has urged the Commission to allow parties to submit analyses of their own scenarios using their own datasets and not be limited to the datasets that the

Commission has proposed.<sup>4</sup> SCE’s ostensible reason for this request is to assure “due process by providing [SCE with] the opportunity to submit information that they deem relevant to informing a Commission decision.”<sup>5</sup> However, SCE’s request in this regard is both self-serving and disingenuous.

The Commission staff and the parties to the proceeding have already spent several months in an open and transparent process that is attempting to identify a reasonably narrow set of Scenarios for formal study in Track 2 of this proceeding. Indeed, the large number of Comments that the Commission received on October 5, and the additional Reply Comments (including these Reply Comments of FOE) that the Commission is receiving today is *prima facie* evidence that the parties have been afforded a robust opportunity to influence the range and the scope of the Scenarios to be studied. Given this open and transparent effort to date, it is just plain wrong for SCE to imply that there is somehow a need for more “due process” in connection with the definition of the Scenarios that will be formally studied in Track 2.

FOE and the other parties contending that San Onofre is not needed in the future will have every incentive to present the best possible array of replacement resources. We do not need any “help” from SCE with alternatives that will not measure up and will clutter the record of this proceeding.

Furthermore, Commission staff has previously indicated that there is neither the time, nor are there the staff resources, to conduct a study in Track 2 of this proceeding of an indefinite and potentially ever-expanding number of scenarios. Given these practical constraints, the Commission is well within its rights to put a limit on the number of scenarios to be studied in

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<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

Track 2 of this proceeding. SCE's request to propose its own scenarios should therefore be disregarded.

### **III. SCE'S BUNDLED PROCUREMENT PLAN SHOULD ASSUME THE EARLY SAN ONOFRE RETIREMENT SCENARIO**

SCE also downplays the importance of the Track 2 Standardized Planning Assumptions ("SPAs") in relation to the LTPP's ability to update its bundled procurement plan, which looks at SCE's short-to-medium term operational needs. The purpose of the bundled plans is to set a Commission-approved upper boundary of anticipated procurement, allowing "the utilities [to] procure up to that level without coming back to the Commission."<sup>6</sup> The Commission adopted the current SCE bundled plan earlier this year in D.12-01-033.

The SPAs developed in Track 2 of this proceeding should be used to update that plan. SCE disagrees, echoing the Scoping Ruling's preference for the "best information available at the time of the update."<sup>7</sup> However, it would be inefficient to discard the SPAs, and the record developing those SPAs, when considering bundled procurement plans in Track 3. In addition, the specific act of tying the bundled procurement plans to Track 2 of this proceeding provides ample incentive for SCE to make sure that the "best information" is available here and now in Track 2. Moreover, there is ample opportunity in Track 3 for SCE to argue against the use of certain SPAs that may be outdated or otherwise inaccurate. The SPAs are an excellent starting point for discussions in Track 3 and should not be wasted.

More importantly, SCE asks, in the alternative, that the Commission only analyze Track 2's Base Scenario to update the bundled procurement plans. Currently, the Base Scenario includes the low-nuclear-retirement assumption, which assumes that San Onofre will operate at

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<sup>6</sup> D.12-01-033 at 7.

<sup>7</sup> SCE Comments at 10.

maximum capacity through the end of its license in 2022. Allowing SCE only to use the Base Scenario in developing its bundled plan would mean that its near-to-mid-term procurement plan will assume San Onofre is at *full operation*. However, SCE's own near-term plan for restarting the plant foresees San Onofre operating at 70% of half capacity, or about 770 MW.

Accordingly, the low-retirement assumption of 2,200 MW of San Onofre capacity is simply not plausible in the near-to-mid term. Contrary to SCE's claim, of the scenarios to be considered in this LTPP, only the Early San Onofre Retirement Scenario is sufficiently reasonable to use to update the SCE bundled procurement plan.

#### **IV. CONCLUSION**

For all the foregoing reasons, FOE respectfully requests the Commission in this LTPP proceeding to plan for a future without San Onofre in both the Track 2 system plans and the Track 3 bundled plans, and not to allow SCE to use its own scenarios to demonstrate resource need.

Respectfully submitted,



Laurence G. Chaset  
Tim Lindl  
Thadeus B. Culley

Counsel to Friends of the Earth

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