

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and)
Refine Procurement Policies and Consider) Rulemaking 12-03-014
Long-Term Procurement Plans.) (Filed March 22, 2012)
_____)

**COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO ON THE
PROPOSED DECISION ON STANDARDIZED PLANNING SCENARIOS**

December 10, 2012

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I. Introduction.

In accordance with Rule 14.3 of the Commission's Rules of Practice and Procedure, the City and County of San Francisco (City or CCSF) respectfully files these comment on the November 20, 2012 Proposed Decision adopting standardized planning scenarios (PD). The PD fails to address key issues the City raised in its comments, and contains flaws that will result in overstating the need for new transmission. At a minimum, the City urges the Commission to revise the PD to clarify that the standardized planning scenarios will not be the basis for its input to the CAISO's Transmission Planning Process.

II. The Growth of Transmission Costs in the Last Ten Years Has been Unprecedented.

The City's concerns stem from the unprecedented growth in transmission costs in the last ten years. Over this period, just the High Voltage (HV) portion of the CAISO-wide Transmission Access Charge (TAC) has gone up from \$1.40/MWh in 2001 to \$6.80/MWh in 2012, and it is expected to increase to nearly \$17/MWh by 2020 based upon the CAISO's transmission plan to meet the requirement for a portfolio comprised of at least 33 percent renewable energy by 2020 under the state's Renewable Portfolio Standard (RPS). The projected HV TAC increase is primarily attributed to nearly \$7.8 billion of transmission upgrades to accommodate renewables. October 5, 2012, Comments of the City at 1. The City strongly supports the RPS and acknowledges that some new transmission may be justified to economically achieve the State's RPS goals. The City does not, however, support continued approval of very expensive transmission projects that never have and never will undergo a cost-effectiveness assessment. Unfortunately, the standardized planning scenarios include important flaws that promote this outcome.

III. The Standardized Planning Scenarios Include Significant Flaws that Have the Effect of Maximizing the Amount of New Transmission Shown to Be Needed and Should Not be Used as the Basis for the CAISO's Transmission Planning Process.

The City's comments in this proceeding have pointed out significant flaws in the standardized scenarios that have the effect of maximizing the amount of new transmission shown to be needed. By failing to correct the flaws, the Commission will increase the likelihood that transmission facilities that have not been demonstrated to be economic will be approved for construction by the CAISO. The May 17, 2012 Scoping Memo in this proceeding (Scoping Memo) provides that "the [standardized planning] scenarios [developed in this proceeding] will form the basis for the Commission's submittal to the [CAISO] for its 2013-2014 Transmission Planning Process." Scoping Memo at 9.¹ To the extent that the scenarios fail to identify the lowest-cost resource options, and make unjustified assumptions that drive the need for additional transmission, the result could be the addition of at least a half-billion dollars of transmission related costs without appropriate cost-effectiveness review.

On December 7, 2012, the Commission issued a notice of a joint workshop between the Commission and the California Energy Commission (CEC) to discuss proposed renewable resource portfolios for the CAISO 2013-2014 Transmission Planning process, which are to be sent to stakeholders in advance of the workshop. Since the Commission is undertaking further proceedings to address this matter, it appears that contrary to the Scoping Memo: (1) the proposed planning scenarios adopted in the PD are for the limited purpose of analyzing system operational flexibility in the next phase of this proceeding and (2) the development of renewable resource portfolios for the CAISO's 2013-2014 Transmission Planning Process will be occurring

¹ If the standardized planning scenarios feed into the CAISO transmission planning process, they will be considered by the CAISO in identifying policy-driven transmission projects. See CAISO Tariff Section 24.4.6.6; CAISO Business Practice Manual for the Transmission Planning Process Section 4.8.1.

through a separate process for which there will be ample opportunity for input from interested parties. Given their significant flaws, to support reasonable rates, it is necessary at a minimum to narrow the purpose of the standardized planning scenarios, and the PD should be clarified as set forth in Appendix A, consistent with the notice on the joint CPUC-CEC workshop.

Moreover, the Commission should clarify the process for finalizing the renewable portfolios it will submit to the CAISO for the CAISO's Transmission Planning Process. The City is concerned about the informal nature of Commission input into the CAISO Transmission Planning Process in the past. For example, during the course of this year, the Commission changed its position on the inputs for the 2012-2013 Transmission Planning process after a one-sided CAISO meeting.² Given the importance of the subject, parties in the CPUC's long-term procurement plan proceeding should have the opportunity to provide input to the Commission, before the Commission changes its position on inputs to the CAISO's Transmission Planning process.

The City made the recommendations set forth below in its comments during the Track II proceedings:

- The ED should clearly identify the costs of all scenarios, present to stakeholders a cost-constrained scenario, and make the cost-based scenario the base case.

² In 2011, the CPUC submitted a cost-constrained scenario for use as a base case for the CAISO's 2011-2012 Transmission Planning Process. See June 6, 2011 letter from Julie Fitch to Keith Casey. Similarly, initially in March of 2012, in a letter from CPUC President Peevey, CPUC Commissioner Florio and CEC Chair Weisenmiller, the CPUC transmitted to the CAISO a cost-constrained scenario to be used as a reasonable base case in the 2012-2013 planning process. See March 12, 2012, Letter from President Peevey, Commissioner Florio and Chair Weisenmiller to Steve Berberich. Then, in May, the same representatives of the CPUC and CEC wrote a further letter to the CAISO indicating that a commercial-interest scenario² should be used instead as the base case. See May 16, 2012, Letter from President Peevey, Commissioner Florio and Chair Weisenmiller to Steve Berberich. In their letter, President Peevey, Commissioner Florio and Chair Weisenmiller explained that this change was in response to comments by stakeholders during an April 2, 2012 CAISO 2012-2013 TPP stakeholder meeting, that the cost-constrained scenario does not "reflect the considerable steps developers and utilities have taken to pursue projects through power purchase agreements and licensing procedures." Any such efforts do not obviate the need to have cost continue to be a key consideration in a least-cost planning proceeding. Moreover, the City does not recall there being any representatives of ratepayers present at the April 2, 2012 meeting, and the comments heard by the Commissioners were one-sided. See October 5, 2012, Comments by the City at 4-5.

- The criteria for fixed generation included in each scenario (Discounted Core) should be restored to (1) having a signed and CPUC approved PPA and (2) having an approved environmental permit.
- Each standardized planning scenario should only include as fixed transmission those projects that have been approved by both the CAISO and the CPUC and that are expected to be online within the planning period.
- The standardized planning scenarios should make reasonable assumptions about out-of-state renewables.
- Unrealistic “No New DSM” assumptions, such as that in the Replicating TPP scenario, should be changed.

City representatives made these points orally during workshops and the City reiterated the points in writing both informally after receipt of the Energy Division’s proposed scenarios and formally in response to the September 25, 2012 Assigned Commissioner’s Ruling. See October 5, 2012, Comments of the City. Neither the September 25, 2012, Assigned Commissioner’s Ruling nor the Proposed Decision, makes any mention of the City’s comments, or the City’s deep seated concern that the flaws in the standardized planning scenarios set the stage for continued unsupported growth in transmission costs. The Commission’s failure to make the changes to the standardized planning scenarios recommended by the City is inconsistent with the Commission’s responsibility to assure just and reasonable rates.

The City is very concerned about the failure of this process to focus on the potential for ongoing increases in transmission costs associated with transmission projects that never have and never will undergo an economic assessment. At a minimum, consistent with the notice of the joint workshop with the CEC, the City urges the Commission to clarify the PD to provide that (1) the proposed planning scenarios adopted in the decision are for the limited purpose of analyzing system operational flexibility in the next phase of this proceeding; and (2) the development of

renewable resource portfolios for the CAISO's 2013-2014 Transmission Planning process will be occurring through a separate process for which there will be ample opportunity for input from interested parties. Attachment A includes related proposed changes to the findings of fact and conclusions of law in the PD.

Respectfully submitted,

Dated: December 10, 2012

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APPENDIX A

Additions are underlined and deletions are marked with strikethrough.

Findings of Fact

1. The Standardized Planning Assumptions and Scenarios issued in an assigned Commissioner's Ruling on September 25, 2012 for use in Track 2 (system needs track) of the 2012 long-term procurement planning process, as modified on the basis of parties' comments and as shown in Attachment A, are reasonable for the limited purpose of conducting operational flexibility modeling.
2. The CAISO can use the Standardized Planning Scenarios and Assumptions in Attachment A to conduct operational flexibility modeling. The purpose of this modeling is to evaluate the resources needed to maintain system reliability under various forecast conditions. This modeling will then inform the Commission in our Track 2 determination of IOU system needs, through a CAISO filing and party comments.
3. The Standardized Planning Scenarios and Assumptions in Attachment A are not intended to be used as the basis for development of renewable resource portfolios for the CAISO's 2013-2014 Transmission Planning Process. That process will be occurring through a separate process for which there will be ample opportunity for input from interested parties.

Conclusions of Law

1. The Standardized Planning Assumptions and Scenarios issued in an assigned Commissioner's Ruling on September 25, 2012 for use in Track 2 (system needs track) of the 2012 long-term procurement planning process, as modified on the basis of parties' comments and as shown in

Attachment A, should be adopted for the limited purpose of conducting operational flexibility modeling.

2. The Commission should formally request that the CAISO use the Standardized Planning Scenarios and Assumptions in Attachment A to conduct operational flexibility modeling and file the results in Track 2 of this proceeding.

CERTIFICATE OF SERVICE

I, KIANA V. DAVIS, declare that:

I am employed in the City and County of San Francisco, State of California. I am over the age of eighteen years and not a party to the within action. My business address is City Attorney's Office, City Hall, Room 234, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; telephone (415) 554-4698.

On December 10, 2012, I served:

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by electronic mail on all parties in CPUC Proceeding No. R.12-03-014 on the attached service list. on the attached list.

The following addresses without an email address were served:

- BY UNITED STATES MAIL: Following ordinary business practices, I sealed true and correct copies of the above documents in addressed envelope(s) and placed them at my workplace for collection and mailing with the United States Postal Service. I am readily familiar with the practices of the San Francisco City Attorney's Office for collecting and processing mail. In the ordinary course of business, the sealed envelope(s) that I placed for collection would be deposited, postage prepaid, with the United States Postal Service that same day.

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I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on December 10, 2012, at San Francisco, California.

/S/

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