

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)

NOTICE OF EX PARTE COMMUNICATION

Pursuant to Rules 8.2(c), 8.3, and 8.5 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates (DRA) gives notice of the following oral and written *ex parte* communication, which occurred on January 18, 2013 at approximately 1 p.m. in the Commission's San Francisco office and lasted approximately twenty minutes. DRA initiated the communications with Commissioner Carla Peterman's advisors Julie Fitch and Rachel Peterson. Attending the meeting on behalf of DRA were Cheryl Cox, Nika Rogers, Radu Ciupagea and Diana Lee.

DRA explained that it generally supported the current proposed decision (PD) authorizing Southern California Edison Company (SCE) to procure resources to meet local capacity reliability (LCR) needs. As explained in the attached handout distributed at the meeting, the Commission should modify the PD to:

- Limit SCE's procurement authority for the Los Angeles Basin to 1500 megawatts (MW) and revisit LCR need in 2014;
- Eliminate the 1000 MW floor for conventional gas-fired generation to comply with the Loading Order; and
- Postpone procurement of Big Creek/Ventura Resources until the 2014 long-term procurement proceeding.

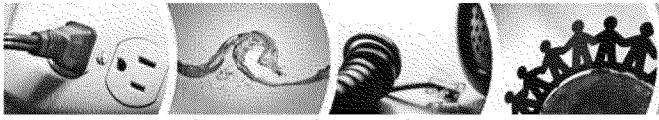
Respectfully submitted,

/s/ DIANA L. LEE

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Long-Term Procurement Plan Proposed Decision Track 1: Local Capacity Requirements (LCR)

DRA Position: The Commission should adopt the Long-Term Procurement Plan (LTPP) Track 1 Proposed Decision (PD) with modifications: **1)** Limit SCE's procurement authority for the L.A. Basin to 1,500 MW and revisit LCR need in 2014 LTPP; **2)** Eliminate the 1,000 MW floor for conventional gas-fired resource procurement to comply with the Loading Order; and **3)** Postpone procurement of Big Creek/Ventura resources until the 2014 LTPP proceeding.

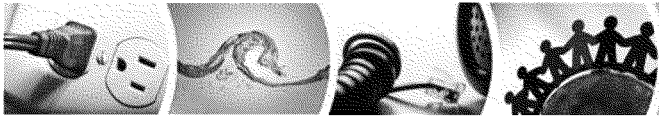
Background

- CAISO LCR studies through 2016 and projected retirements of Once Through Cooling (OTC) plants through 2021 resulted in a CAISO recommendation for long-term procurement to meet LCR needs in 2021 in local areas:
 - ▶ **L.A. Basin:** 2,370 MW to 3,741 MW
 - ▶ **Big Creek / Ventura:** 430 MW
- CAISO LCR recommendation for 2021 assumes zero incremental preferred resources, including uncommitted Energy Efficiency (EE), Demand Response (DR), and Combined Heat and Power (CHP).
- PD states that SCE's procurement plan should "actively pursue locally-targeted and cost-effective preferred resources" [PD, p. 3] and proposes local reliability procurement of:
 - ▶ **West Los Angeles (L.A. Basin):** 1,050 MW to 1,500 MW of electrical capacity, as well as resources sufficient to achieve a current forecast of 1,519 MW of Distributed Generation (DG) as an "exception to the 1,500 MW cap" with procurement requirements:
 - At least 1,000 MW but not more than 1,200 MW of capacity from gas-fired resources.
 - At least 50 MW from energy storage resources.
 - As much as 450 MW of capacity through preferred resources consistent with the Energy Action Plan and/or energy storage resources.
 - ▶ **Moorpark (Ventura):** 215 MW to 290 MW

PD Reasonably Continues Current CPUC Policy of Applying Cost Allocation Methodology (CAM) Costs and Benefits to All Customers

- Net capacity costs of all LCR procurement should be commensurately allocated to *all* benefitting customers in SCE's service area given these resources would provide reliability benefits to *all* customers.
- Correct in not adopting a CAM opt-out at this time since AReM's proposal to use a "5-year contract term or project life" does not adequately ensure investment in new resources.

(over)



Limit SCE's Procurement for West Los Angeles to 1,500 MW

- PD provides an exception to the 1,500 MW cap to achieve up to 1,519 MW of DG by 2021.
 - ▶ Effectively authorizes 3,019 MW to address LCR need for the L.A. Basin, of which 1,519 MW must be from DG resources.
 - ▶ It is more appropriate to revisit the 1,519 MW of DG target in the 2014 LTPP given the potential for DR to reduce LCR need and the fact that there would still be time in 2014 to increase DG authorization if necessary.
- PD incorrectly assumes zero locally-dispatchable DR available to meet or reduce LCR need.
 - ▶ SCE's most recent DR load impact evaluation forecasts 1,979 MW of DR in 2021.
 - ▶ SCE's expert witness identified, by Western L.A. Basin substation, a total of 549.43 MW of load reduction from three DR programs (API, BIP, and SDP).
 - ▶ CPUC issued PD approving five SCE DR aggregator managed portfolio contracts which total 296 MW and are dispatchable by Sub-Load Aggregation Point. [A.12-09-007 / Jan 24 Agenda]
 - ▶ CPUC ordered that retail non-dynamic pricing DR resources must be dispatchable locally in order to qualify for local Resource Adequacy credits, beginning in 2013. [D.11-10-003]

Eliminate the 1,000 MW Floor for Conventional Gas-Fired Resource Procurement in L.A. Basin

- Requirement is inconsistent with the PD's objectives to ensure SCE procurement of cost-effective resources in alignment with the Loading Order.
- Approval of SCE flexibility to procure up to 1,450 MW of preferred resources will improve likelihood of following the Loading Order.
- Elimination of 1,000 MW floor will provide SCE with the flexibility to maximize ratepayers' return on investment during negotiations for power purchases.

Postpone Procurement of Resources for Big Creek/Ventura until the 2014 LTPP Proceeding

- Consistent with SCE's recommendation that additional analysis of newer generation technology and transmission mitigation options are required to identify LCR need in this local area.
- Smaller size generation may be available to be built in less than 5-7 years.