

**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)

**MOTION OF THE INDEPENDENT ENERGY PRODUCERS
ASSOCIATION TO ACCELERATE TRACK 4**

**INDEPENDENT ENERGY PRODUCERS
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On May 21, 2013, the Assigned Commissioner and Administrative Law Judge issued a revised scoping ruling and memo in this proceeding that added a new Track 4. Track 4 was added to “consider the local reliability impacts of a potential long-term outage at the San Onofre Nuclear Power Station (SONGS) generators.” Seventeen days later, on June 7, Southern California Edison Company (SCE), the operator and 78.2% owner of SONGS, announced that Units 2 and 3 were being retired and would not be restarted, as SCE had originally hoped.

The “potential long-term outage” that was the impetus for the creation of Track 4 is now a reality. The Commission’s resource planning must now take immediate steps to fill an unanticipated 2200 MW resource shortage.

Fortunately, Track 4 presents a procedural avenue to address the implications of the SONGS shutdown. However, in the changed circumstances concerning SONGS’ status, the Commission should reconsider the schedule for Track 4. Under the changed circumstances, the Commission should (1) accelerate the schedule for Track 4, and (2) modify the scope of Track 4 to include identification of the precise resource needs resulting from the SONGS retirement. The

final Track 4 decision should order an expedited competitive procurement of the resources needed to meet the identified needs.

For these reasons, the Independent Energy Producers Association (IEP) respectfully requests the Commission to modify the scope and schedule of Track 4 to achieve these outcomes.

I. STEP 1: ACCELERATE THE TRACK 4 SCHEDULE

Track 4 was designed to assess the local reliability impacts of a long-term outage of SONGS. With the announcement of the SONGS retirement, that future condition is now a present fact. According to the information provided at the prehearing conference on May 10, 2013, Track 4 analysis is already underway. With the retirement of SONGS, however, that effort needs to be accelerated as much as possible.

Track 4 is currently proceeding on a schedule that calls for opening testimony on August 4 and a proposed decision in either December 2013 or February 2014, depending on whether evidentiary hearings are necessary. If possible, testimony should be moved up (recognizing that a thorough study of resource needs is a critical step in this effort). Whether or not evidentiary hearings are necessary, the Commission should strive to issue a proposed decision no later than November 2013 and a final decision on Track 4 before the end of the year. If critical near-term needs are identified, the appropriate utilities should be ordered to commence RFOs in early 2014.

An additional prehearing conference may be necessary to explore how to accelerate Track 4, and if so, the PHC should be scheduled as soon as possible consistent with statutory notice requirements.

II. STEP 2: IDENTIFY THE NEED

A rush to add MW in response to the SONGS retirement may do nothing to solve the real challenges resulting from the SONGS shutdown. A critical step in meeting these challenges is to identify the problem as precisely as possible in the time available.

Since SONGS Units 2 and 3 were constructed, the resource needs of California have evolved and continue to evolve. The changing makeup of the generation fleet, the continuing effort to promote energy efficiency, and the increasing reliance on renewable generation will likely mean that California does not need to replace SONGS with a 2200 MW, slow-ramping, once-through cooled baseload facility. But the precise resources needed to respond to the retirement of SONGS--in terms of size, timing, operating characteristics (flexibility), and location--should be determined by analysis, not by guesswork.

Thus, a key step in responding to the unexpected retirement of SONGS is to conduct an analysis of the resource needs created by the sudden permanent shutdown of the SONGS units. Much of this analysis should already be underway, and the Revised Scoping Ruling and Memo set a schedule that assumed that the Track 4 analysis would be completed by mid-summer. The analysis to identify suitable replacement resources for SONGS in light of today's dynamic grid conditions should not delay a final Track 4 decision beyond the end of 2013.

III. STEP 3: CONDUCT A COMPETITIVE SOLICITATION TO MEET THE IDENTIFIED NEED

When the Track 4 analyses have been completed and evaluated, the Commission will know what the post-SONGS resource needs are in terms of size, timing, operational characteristics (*i.e.*, flexibility), and location. At that point, the Commission should direct the appropriate utilities to conduct one or more expedited competitive solicitations, or Requests for

Offers (RFOs), to procure the needed resources, consistent with the policies adopted in D.07-12-052 and D.12-04-046.

These competitive solicitations should be open to all bidders who are capable of providing the desired “product,” regardless of vintage or technology, including thermal resources, renewable resources, and unconventional resources like energy efficiency, demand response, or storage. A vigorous competition to provide the defined product will help ensure that the desired resource meets the “least-cost/best-fit” criteria. Recent RFOs have attracted numerous bidders.¹ The competitive market has demonstrated that it is ready, willing, and able to provide the resources needed to provide reliable electricity to California’s consumers and to further the state’s public policy goals.

The Commission should be careful not to be led into thinking that ordering the utilities under its jurisdiction to construct new facilities is the fastest, least-cost way to get needed resources in operation. History shows otherwise. In 2006, the Commission took that path in response to an unexpected spell of hot weather and record high demand. Almost as an afterthought, it also instructed the utility to conduct a competitive solicitation to see if any other resources could come on line quickly. As it turned out, an independent power producer won the competitive solicitation and its facility began operation roughly six months after it was approved by the Commission. The utility-owned generation units that were ordered to be constructed came in over budget, and one of them has yet to begin commercial operation, nearly seven years later.

¹ For example, according to the Commission’s RPS Status Report for Q3 and Q4 2012 (p. 12), the second Renewable Auction Mechanism (RAM) auction attracted 379 bidders.

IV. CONCLUSION

For all these reasons, IEP respectfully requests the Commission to take the steps identified in this motion and all other actions needed to accelerate Track 4, so that the Commission may respond in a thoughtful and measured way to the loss of the SONGS units.

Respectfully submitted this 12th day of June, 2013 at San Francisco, California

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