

**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 (DMG)
(Filed March 22, 2012)

**OPENING COMMENTS OF SIERRA CLUB CALIFORNIA
ON ALJ GAMSON'S QUESTIONS FROM THE SEPTEMBER 4, 2013
PREHEARING CONFERENCE**

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In accordance with the Assigned Commissioner's and Administrative Law Judge's Ruling Regarding Track 2 and Track 4 Schedules, Sierra Club California ("Sierra Club") respectfully submits the following comments in response to the questions presented by Administrative Law Judge Gamson at the September 4th, 2013 prehearing conference. Sierra Club repeats the questions and provides relevant answers after each question.

INTRODUCTION

In this track of the LTPP, the Commission has a historic opportunity to reshape the Southern California grid. The closure of SONGS raises reactive power/voltage support and potential generation issues. To determine the amount of need and the right mix of resources, the Commission will need to consider transmission solutions as well as generation. Excluding CAISO's 2013/2014 transmission studies from consideration creates a situation where the Commission may authorize unnecessary over-procurement which will be costly to ratepayers.¹ The most pressing need here is a solution that addresses the issues created by the SONGS closure, not a quick solution this fall or winter that may cause more harm than good. Authorization of new conventional generation could lead to unnecessary gas-fired generation

¹ Transmission and reactive power issues are addressed in the Prepared Opening Testimony of Bill Powers on Behalf of Sierra Club California

that will be around for another forty years creating excess air pollution and greenhouse gas emissions at a time when California has a mandates to reduce this pollution.

The Commission should not authorize procurement for neither Southern California Edison (“SCE”) nor San Diego Gas & Electric (“SDG&E”). In addition to the testimony of Bill Powers submitted concurrently with these comments, the answers to the policy questions below show that no new procurement authorization is needed. SCE and SDG&E both request authorization of 500 MW of procurement for cumulative total of 1,000 MW. Consideration of the new California Energy Commission (“CEC”) demand forecast by itself would eliminate any need because it shows a reduction in demand of 1213 MW (under the baseline forecast) in the LA Basin and even more in the adjusted forecast. Other resources that will reduce any determination of need include 745 MW of energy storage resources, 250-500 MW of distributed generation, hundreds of MW or more of uncommitted energy efficiency and 997 MW of demand response. Even if the full values of these numbers were not used to modify the need determination, the cumulative total more than offsets the requests for new authorization. However, if any need is determined, it should be filled by energy storage and preferred resources to be consistent with the loading order and to avoid exacerbating already unhealthy air quality in Southern California.

ANSWERS TO ALJ QUESTIONS

1) How much of the 1400-1800 MW authorized procurement in in the LA area should be assumed in Track 4?

The total amount of procurement authorized in Track 1 should be considered in Track 4. The Track 1 authorization of 1,800 MW addresses a subset of the same local capacity requirements being addressed in Track 4. In its testimony, California Independent System Operator (“CAISO”) recognizes that the total amount of authorization should be considered in

Track 1. For example, in Table 13 CAISO subtracts out the total authorization of 1,800 MW when discussing the potential need.² SCE also makes the same assumption in its testimony.³

The Commission should also recognize that Track 1 authorized a very significant amount of procurement in the SCE local capacity area. This authorization should provide a cushion while the Commission analyzes all the necessary options, including transmission options. CAISO's request to delay procurement implicitly recognizes that despite claims to the contrary, there is no urgency to make a Track 4 decision this fall or winter.⁴

a) Does it matter what resources are procured?

Yes, the resource mix should maximize preferred and energy storage resources, because the San Onofre Nuclear Generating Station ("SONGS") did not emit greenhouse gases ("GHGs"). In order to conform with California's environmental and energy policies, SCE should be procuring local capacity resources that do not add to environmental challenges faced in the Los Angeles Air Basin. According to the South Coast Air Quality Management District, "a transition to zero- and near-zero emission technologies is necessary to meet 2023 and 2032 air quality standards and 2050 climate goals."⁵ The Commission should recognize that to achieve the mandates of our air laws and California's climate goals, new fossil fuel generation cannot be built in the Los Angeles Basin. Rather than ignoring or attempting to bypass these constraints, the Commission should recognize limits to building conventional generation in this basin and plan accordingly. Eliminating fossil fuel generation is an important component of reducing the persistent, unhealthy air in the Los Angeles Basin. The Commission has the tools and ability to

² Track 4 Testimony of Robert Sparks on Behalf of the California Independent System Operator Corporation, R.12-03-014 ("CAISO Testimony"), p. 26.

³ Track 4 Testimony of Southern California Edison Company ("SCE Testimony"), p. 3, lns. 4-6.

⁴ See CAISO Testimony, p. 30, lns. 1-5.

⁵ South Coast Air Quality Management District. Final 2012 Air Quality Management Plan (Dec. 2012), p. 1-20.

set this area on a path towards healthy air by requiring the necessary amount of non-GHG emitting preferred and energy storage resources to meet the local capacity requirements.

b) Does it matter what the mix will be?

The resource mix matters, but the Commission eliminated an important source of information necessary to answer this question by excluding from consideration CAISO's 2013/2014 transmission planning. In its 2013/2014 transmission planning, CAISO plans to evaluate the appropriate mix of preferred resources to replace conventional generation.⁶ CAISO recently released a report discussing a plan to address this very issue. The report entitled "Consideration of alternatives to transmission or conventional generation to address local needs in the transmission planning process," explains that in the SONGS local capacity area "transmission options will be pursued to complement non-conventional alternatives (i.e., preferred resources), to reduce the need for conventional generation . . . [T]he main focus of this effort with respect to the LA Basin and San Diego is to identify the volume of non-conventional alternatives and the needed performance attributes that could effectively address the local reliability needs in these two priority areas as part of a basket of resources."⁷ CAISO also explains that they had planned to coordinate this information with Track 4. The decision should recognize the added value that CAISO's 2013/2014 transmission planning may provide and not authorize new conventional resources until this information is considered as part of the long term procurement planning ("LTPP") process. Alternatively, since this information will not be considered this fall, the decision should require the procurement of preferred and energy storage resources and require that these resources be procured to address local capacity requirements.

⁶ CAISO, "Consideration of alternatives to transmission or conventional generation to address local needs in the transmission planning process" (Sept. 4, 2013), p. 4.

⁷ Id.

2) Should anything in the Proposed Decision in the storage proceeding be considered in the Track 4 procurement?

All of the proposed procurement targets for SCE and San Diego Gas & Electric (“SDG&E”) from the energy storage proceeding should be considered. The Proposed Decision (“PD”) sets forth a cumulative total of 745 MW of energy storage to be procured in the SCE and SDG&E territories; all of this should be counted when determining resource need. The storage is apportioned to three categories: Transmission, Distribution and Customer-Side. Table 1 provides cumulative 2020 targets for these two Investor Owned Utilities (“IOUs”).

Table 1. Proposed 2020 storage MW targets in Energy Storage Proposed Decision:⁸

Type	SCE MW	SDG&E MW	Total MW
Transmission	310	80	390
Distribution	185	55	240
Customer	85	30	115
Total	580	165	745

The Energy Storage PD does allow each IOU to shift up to 80% of the target between the Transmission and Distribution targets.⁹ Both transmission and distribution-connected energy storage provide peaking services. The local capacity finding is inappropriately based on the extremely improbable (“Category D”) double contingency of loss of two of SDG&E’s three major transmission import pathways, the 500 kV Southwest Powerlink and the 500 kV Sunrise Powerlink, (N-1-1) on the hottest day in 10 years. In any case, it is reasonable to assume that all transmission and distribution-level energy storage will be available to meet peak needs under any

⁸ Proposed Decision of Commissioner Peterman, Decision Adopting Energy Storage Procurement Framework and Design Program, R.10-12-007 (“Energy Storage PD”) (Sept. 3, 2013), p. 15, Table 2.

⁹ Energy Storage PD, p. 37.

limiting contingency. Customer-sited energy storage can also serve peak needs, though the provision of this service would likely depend on tariffs that value provision of energy during peak periods.

The Track 4 decision can ensure that all the energy storage procured pursuant to the energy storage decision is used to meet local capacity requirements in the San Onofre Nuclear Generating Station (“SONGS”) local capacity area.¹⁰ The Energy Storage PD creates a request for offers (“RFO”) process for the procurement of this storage. According to the PD, “[t]he advantage of an RFO is that it enables the utilities to tailor a ‘targeted’ RFO to reflect their specific resource needs and criteria.”¹¹ The Track 4 decision should increase the value of the energy storage being procured through the energy storage decision by requiring that energy storage be designed to meet local capacity requirements in the SONGS area. This will maximize the benefit of both decisions. In fact, the cost-effectiveness of the energy storage resources will be enhanced because these resources will be competing with conventional generation that is more expensive to procure and difficult to site in a congested urban area (due to expensive and scarce air credits).¹² Energy storage resources will play a key role in California’s clean energy future, which requires a move away from fossil fuels, and depends on the integration of increasing amounts of renewables onto the grid. To achieve California’s goal of an 80% reduction in carbon emissions by 2050, the amount of storage on the grid will have to increase

¹⁰ The final decision in this case is scheduled for the Commission’s October 3, 2013 meeting. These comments are based on the proposed decision. *See* Energy Storage PD.

¹¹ Energy Storage PD, p. 51.

¹² SCE Testimony, p. 13, lns 1-3.

dramatically.¹³ Track 4 can take an important step in integrating energy storage into California's resource planning by the counting the energy storage that will be procured pursuant to the Energy Storage Proposed Decision, which may be finalized at the Commission meeting on October 3rd.

3) Are there any other updates to assumptions that should be considered?

Yes. The assumptions adopted by the Commission in the May 2013 Revised Scoping Ruling did not account for all preferred resources available. In addition, there have been new revisions to the CEC load forecast since the publication of the Revised Scoping Ruling. The Commission should consider these new updates in addition to resources that were previously overlooked. The following information shows that the procurement need is zero.

The Commission should rely on the latest CEC demand forecast, released in September 2013. The latest load forecast will reduce load in the LA Basin by 1213 MW (under the baseline forecast) or 2650 MW (under the adjusted forecast).¹⁴ Using this load forecast rather than the now outdated 2012 forecast would eliminate any theoretical need in the SONGS area.

Energy efficiency estimates should be increased. The CEC forecast includes embedded committed energy efficiency programs, and the Commission then further reduces load by using the low-case estimate of incremental uncommitted energy projects in 2022. However, this adjustment is not sufficient. The Commission should use the mid-case assumption instead, as it is

¹³ See Cal. Energy Commission, Renewable Power in California: Status and Issues, CEC-150-2011-002 (Aug. 2011) pp. 52, 100; see also Rulemaking 10-12-007, Staff Summary, Energy Storage Procurement Workshop (January 14, 2013) p. 1 (quoting President Peevey's statement at the workshop: "I believe the Commission's energy storage policy is the bridge to our long-term future, not only 10 years from now, but 40 years from now and beyond. And we must start building that bridge or we will never reach our 2050 goals to reduce greenhouse gas emissions by 80% from 1990 levels.")

¹⁴ California Energy Commission, Mid Case LSE and Balancing Authority – AAEE adjustment. (Sept. 20, 2013) Retrieved September 24, 2013 from http://www.energy.ca.gov/2013_energypolicy/documents/2013-10-01_workshop/spreadsheets/Mid_Case_LSE_and_Balancing_Authority-AAEE_adjustment.xlsx; California Energy Commission, Mid Case LSE and Balancing Authority – baseline. (Sept. 19, 2013) Retrieved September 24, 2013 from http://www.energy.ca.gov/2013_energypolicy/documents/2013-10-01_workshop/spreadsheets/Mid_Case_LSE_and_Balancing_Authority-baseline.xlsx.

more likely to occur. SDG&E uses the mid-case uncommitted energy efficiency amount in its Track 4 technical study.¹⁵ The CEC estimates a total of 3,103 MW of incremental uncommitted energy efficiency in 2022 amongst the three IOUs.¹⁶ SCE's share of that figure amounts to 1,520 MW, and SDG&E's share amounts to 248 MW.¹⁷ In comparison, Attachment A of the Revised Scoping Ruling derives the amount of incremental uncommitted energy efficiency in the LA Basin and San Diego areas from an initial estimate of 973 MW of incremental uncommitted energy efficiency in SCE's territory and 187 MW in SDG&E's territory.¹⁸ These amounts are 547 MW (SCE) and 61 MW (SDG&E) lower than the CEC estimates above. It is important to note that uncommitted energy efficiency programs are generally considered "reasonably likely to occur given current overall strategies,"¹⁹ and the Commission should at the very least consider a those programs in Track 4, in addition to other energy efficiency programs that the Commission has approved as well as new codes and standards.²⁰

Distributed generation programs that could reduce load by an estimated 250-500 MW are not considered in this track, but should be. SDG&E and SCE are subject to SB 1122, which sets a statewide requirement for 250 MW of procurement from small-scale bioenergy producers.²¹

¹⁵ Anderson, Robert B. August 2013. Prepared Track 4 Direct Testimony of San Diego Gas & Electric Company (U 902 E) ("SDG&E Testimony"), p. 6, lns 11-12.

¹⁶ California Energy Commission. September 2012. Energy Efficiency Adjustments for a Managed Forecast: Estimates of Incremental Uncommitted Energy Savings Relative to the California Energy Demand Forecast 2012-2022, p. 2. Retrieved September 25, 2013 from http://www.energy.ca.gov/2012_energy_policy/documents/demand-forecast/Memorandum_IUEE-CED2011.pdf.

¹⁷ D.12-05-035, p. 79.

¹⁸ Revised Scoping Ruling, Attachment A, p. 4.

¹⁹ Kavalec, Chris, Nicholas Fugate, Bryan Alcorn, Mark Ciminelli, Asish Gautam, Kate Sullivan, and Malachi Weng-Gutierrez, 2013. California Energy Demand 2014-2024 Preliminary Forecast, Volume 1: Statewide Electricity Demand, End-User Natural Gas Demand, and Energy Efficiency. California Energy Commission, Electricity Supply Analysis Division. Publication Number: CEC-200-2013-004-SD-V1, p. 70.

²⁰ The Natural Resources Defense Council provides a more expansive accounting of the available energy efficiency savings.

²¹ California Public Utilities Commission. SB 1122: Bioenergy Feed-in Tariff. Retrieved September 24, 2013 from http://www.cpuc.ca.gov/PUC/energy/Renewables/hot/SB_1122_Bioenergy_Feed-in_Tariff.htm.

SDG&E and SCE's shares of this 250 MW are 24.7 MW and 114.5 MW respectively.²² The Commission allowed SDG&E and SCE to transfer some of their procurement of rooftop solar PV to the RAM program. These transfers amounted to 250 MW-dc (200 MW-ac)²³ from SCE's PV program and 74 MW-dc from SDG&E's PV program.²⁴ These transfers left 225 MW-dc and 26 MW-dc in SCE and SDG&E's IOU PV programs, respectively, which also contribute to the total amount of wholesale distributed generation available to reduce need. The IOUs are also subject to SB 32, which increases the size of projects eligible for Feed-in Tariffs to 3 MW.²⁵ A 2012 Commission decision allocated 226 MW of the 750 MW under the SB 32 Feed-in Tariff program cap to SCE, and 48.8 MW-ac of 750 MW to SDG&E.²⁶ RAM in SCE and SDG&E territories amounts to 878.4 MW-dc (723.4 MW in SCE territory and 155 MW in SDG&E territory), and includes distributed generation (generally solar projects).²⁷

In Table 1 below, we sum these resources and arrive at a total of 522.8 MW (min) to 1540.4 MW (max) of wholesale renewable distributed generation. The minimum includes only the resources from the IOU PV and SB 32 Feed-in Tariff programs, as a conservative estimate, while the maximum includes all programs described above. Assuming an effective capacity equal to the average of SDG&E and SCE's peak demand impact factors in Attachment A of the Revised Scoping Ruling,²⁸ need would be reduced by 237.9 MW (min) to 702.4 MW (max).

Applying the CEC's "reliable capacity" factor equivalent to net qualifying ("NQC") for

²² SCE is responsible for 49% of capacity held by IOUs, and SDG&E is responsible for 8%. See D.12-05-035, p. 79.

²³ Conversion factor from MW-dc to MW-ac is 0.080. See: U.S. Energy Information Administration, Utility-scale installations (> 1 MW) lead solar photovoltaic growth, October 31, 2012. See:

<http://www.eia.gov/todayinenergy/detail/2012-10-31/utility-scale-installations-lead-solar-photovoltaic-growth>

²⁴ D.12-02-035, p. 2; D.12-02-002, p. 4.

²⁵ California Public Utilities Commission. Summary of Feed-In Tariffs. Retrieved September 24, 2013 from <http://www.cpuc.ca.gov/PUC/energy/Renewables/feedintariffssum.htm>.

²⁶ D.12-05-035, p. 74

²⁷ D.12-02-035, p. 27; D.12-02-002, p. 17.

²⁸ Revised Scoping Ruling and Memo of the Assigned Commissioner and Administrative Law Judge ("Revised Scoping Ruling") (May 21, 2013), Attachment A, p. 9.

wholesale distributed PV resources of 0.85, need would be reduced by 444 MW (min) to 1,309 MW (max).²⁹ If energy storage resources from the recent proposed decision in the energy storage proceeding are included, need could be reduced by 592.9 MW – 1447.4 MW.³⁰ The Commission should incorporate these resources into the assumptions, as these programs are being implemented and the resources procured will meet need in the areas affected by the SONGS closure. Including these resources, as shown in Table 2, will eliminate need.

Table 2. Capacity of Wholesale Renewable Distributed Generation Programs

Wholesale Renewable Distributed Generation Programs in Southern California IOU Service Territories				
	Program	SCE	SDG&E	Total So Cal
	IOU PV	225.0	23.0	248.0
	FIT (SB 32)	226.0	48.8	274.8
	FIT (SB 1122)	122.5	20.0	142.5
	RAM	723.4	155.0	878.4
Total RDG				
		1296.9	246.8	1543.7
46%	Effective Capacity	590.1	112.3	702.4
Total Storage				
		580.0	165.0	745.0
	Combined Capacity	1170.1	277.3	1447.4
Minimum RDG				
		451.0	71.8	522.8
46%	Effective Capacity	205.2	32.7	237.9
	Distributed Storage	270	85	355
	Combined Capacity	475.2	117.7	592.9

Lastly, the assumptions in the Revised Scoping Ruling underestimate the amount of demand response available to meet need in the SONGS reliability area. The Revised Scoping Ruling divides demand response into first and second contingencies, but this approach

²⁹ CEC. Summer 2012 Electricity Supply and Demand Outlook (May 2012), Appendix B, p. B-2 – B.4. Retrieved from <http://www.energy.ca.gov/2012publications/CEC-200-2012-003/CEC-200-2012-003.pdf>.

³⁰ See Proposed Decision of Commissioner Peterman, Decision Adopting Energy Storage Procurement Framework and Design Program (Sept. 3, 2013), p. 15.

improperly excludes 997 MW of second contingency demand response when determining need.³¹ Sierra Club recommends that this “second contingency” demand be subtracted from any identified need, because all demand response resources are intended to be deployed on very hot days to reduce stress on the grid. Very hot, high demand days are forecast at least a day or two in advance by CAISO. CAISO issues Flex Alerts when the forecast indicates that demand may be sufficiently high to strain the grid the following day. Therefore, all demand response resources that are under contract, regardless of whether they can be deployed in 30 minutes or not, should be fully counted as LCR capacity to meet the critical contingency. This treatment of demand response resources will substantially reduce the LCR need by 997 MW in 2022.³² Since this demand response was not included in the model, it should be subtracted from any identified load.

4) What is the appropriate timeline for new resource procurement that may be authorized in Track 4? Do some resources have to come on earlier than others? (Can also be locational question)

The preferred and energy storage resources can be put on the system faster and earlier than conventional generation, and thus, should be prioritized. In addition, the Energy Storage PD sets 2020 as the ultimate target for very significant energy storage procurement. Emphasizing the deployment of preferred and energy storage resources is the least regrets strategy from a procurement as well as an environmental perspective.

The timeline depends on when the need exists, if it ever does. The 2018 need appears to be created by assumption the retirement of aging once-through cooling (“OTC”) power plants and non-OTC power plants such as the 640 MW Etiwanda plant in SCE territory and the 188

³¹ Revised Scoping Ruling, Attachment A, p. 7.

³² *Id.*

MW Cabrillo II combustion turbines in San Diego.³³ If these retirements did not occur then, the timeline will be extended. Moreover, the mandate of the authorized procurement should be to avoid new fossil-fuel procurement. It may be appropriate to delay an OTC retirement, such as Encina, in addition to delaying the non-OTC retirements, for a limited time to bridge the gap until other preferred and energy storage resources are added to the system.

5) Should there be any contingency plans in case certain resources do not materialize in a timely manner?

No, the reliability situation in the SONGS area is stable. California's energy and environment policies are succeeding in placing an unprecedented amount of preferred resources on the system, and will do the same for energy storage over the next seven years. The LTPP occurs biennially; it provides ample opportunity to make adjustments along the way. For example, Track 1 filled a local capacity need that was identified in the Los Angeles area. With Track 1, the 33% RPS, the energy storage PD, the on-going commitment to energy efficiency, the concerted efforts to better incorporate and account for demand response and the trend towards lower demand forecasts, it is clear that there is no need for contingencies. If anything, there is significant potential for over-procurement.

Despite pleas to the contrary, the situation is anything but dire. The actual load demand trend is flat. There has been no net peak load growth in Southern California over the last eight summers. The 1-hour peak demand trend in SCE territory is shown in Figure 1. The 1-hour peak demand trend in SDG&E territory is shown in Figure 2.

³³ Energy Justice Network. 2008. Etiwanda Generating Station. Retrieved September 26, 2013 from <http://www.energyjustice.net/map/displayfacility-63977.htm>; Quail Brush Genco. Re: Quail Brush Generation Project (11-AFC-03) Further Response to HomeFed Fanita Rancho Data Requests 85 through 105 (Jan. 11, 2013), p. 3.

Figure 1. 1-hour peak demand trend in SCE territory, 2006 - 2013

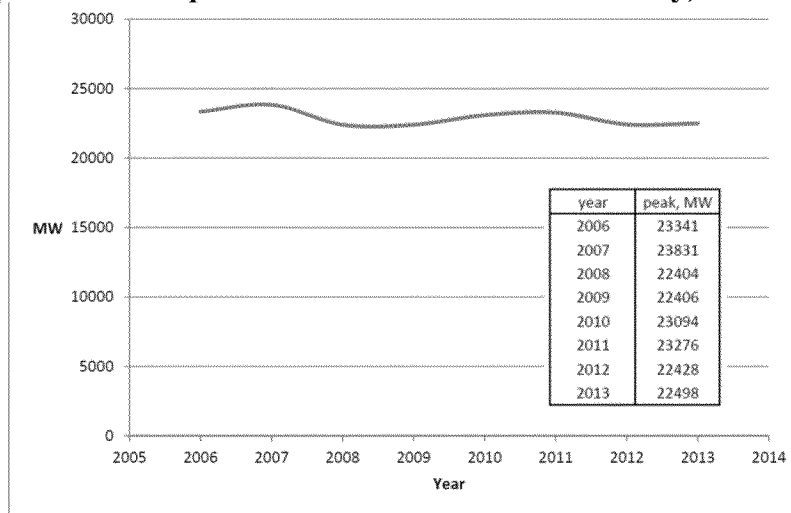
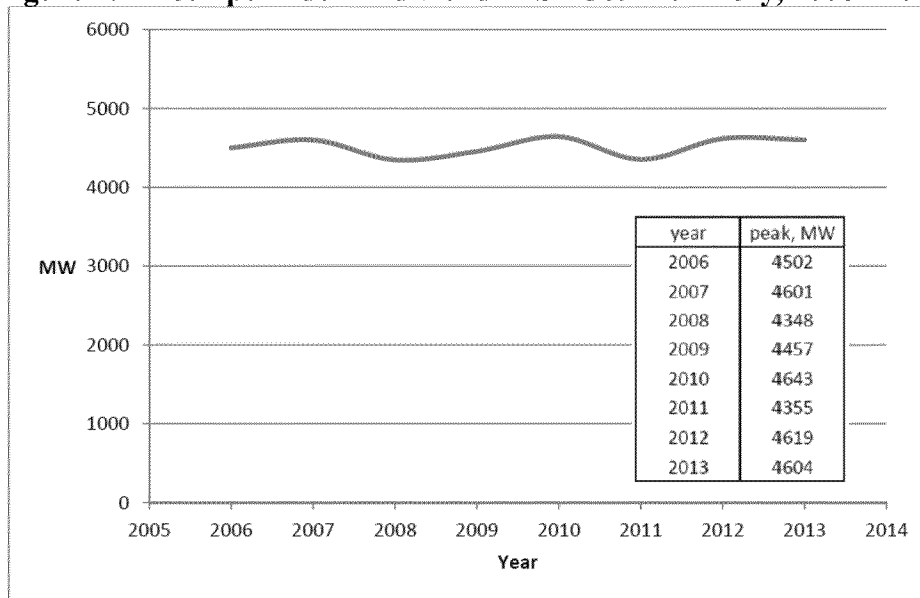


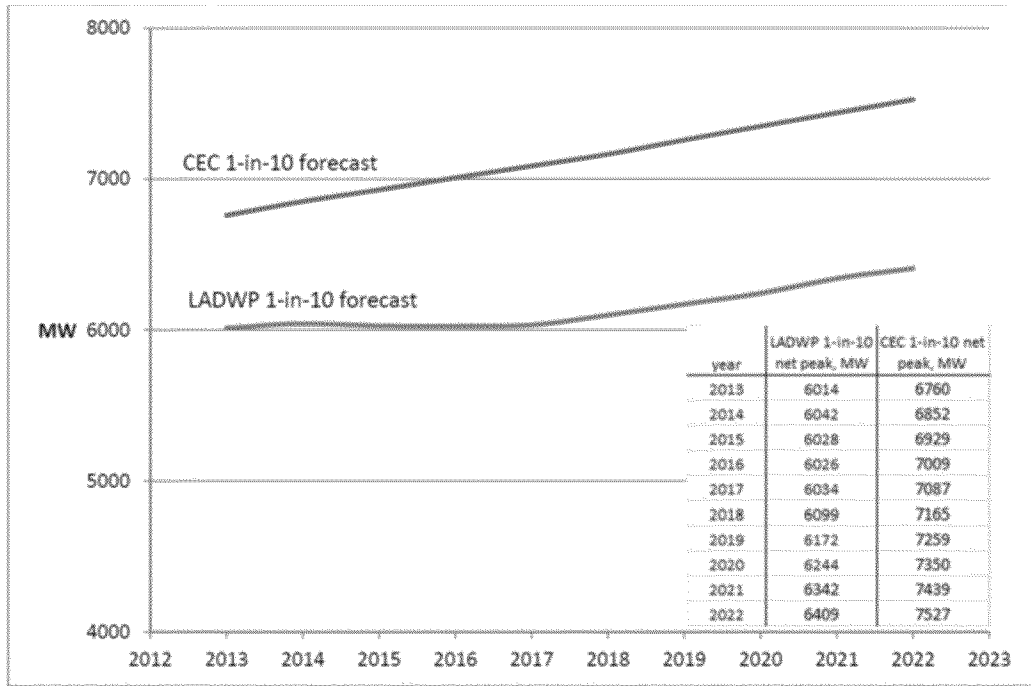
Figure 2. 1-hour peak demand trend in SDG&E territory, 2006 - 2013



The Los Angeles Department of Water and Power (“LADWP”) service territory is surrounded by SCE’s service territory and has experienced the same flat peak growth phenomenon in the last eight years. However, in contrast to the CEC 2012-2022 peak load growth projection used by all parties in the Track 4 proceeding, LADWP projects relatively flat peak load growth in the 2012 – 2022 time frame. The CEC peak load forecast for the LADWP in the 2012 – 2022 time frame is included in Figure 3 as well, to show the dramatic difference between LADWP’s own peak load forecast and the CEC’s peak load forecast for LADWP. LADWP projects a 2022 net 1-in-10

year peak load of 6,409 MW. LADWP does not forecast returning to its all-time peak of 6,177 MW, recorded on September 27, 2010, until 2020.³⁴ The CEC projects a net 1-in-10 year LADWP peak load in 2022 of 7,527 MW. This is over 1,100 MW greater than LADWP’s own 1-in-10 year peak forecast.

Figure 3. LADWP 2012-2022 Load Forecast versus CEC 2012-2022 Load Forecast for LADWP³⁵



SCE identifies the Johanna & Santiago areas as places where load growth could affect local capacity, but SCE proposes to mitigate these contingencies by initiating a preferred resources pilot.³⁶ This pilot is designed to “manage load to zero net growth in the Johanna-Santiago vicinity -- unmanaged growth is expected to be about 25 MW/Year.”³⁷ Rather than building new power plants, managing load growth is the better approach to addressing local capacity concerns. This is an important step because SCE has not procured Preferred Resources

³⁴ LADWP. “LADWP Power System Registers Highest Ever Customer Demand for Electricity; Continued Conservation Encouraged for Monday Night, All Day Tuesday” (Sept. 27, 2010). Retrieved from <http://www.ladwpnews.com/go/doc/1475/907083/LADWP-Heat-Update>.

³⁵ LADWP. 2012 Ten-Year Transmission Assessment, (Dec. 2012), Table 3, p. 10.

³⁶ SCE Testimony, p. 49, Ins 3-6.

³⁷ SCE Presentation, Preferred Resource Pilot Targeted Scope (Sept. 24, 2013) (attached as Exhibit A), Slide 2. This load growth estimate is also questionable given the nature peak load growth in Southern California.

“to meet reliability needs.”³⁸ This change in approach will increase “the amounts of Preferred Resources, while ensuring grid stability and resiliency.”³⁹ This is consistent with the loading order and will not add to the air pollution issues in Southern California.

6) Should the Commission consider methods to reduce potential market power in SONGS area for gas fired resources? If so, what?

Yes. The best method for reducing market power in the SONGS area is promoting and procuring preferred and energy storage resources. The market power issue only arises if the Commission insists on pursuing a natural gas strategy to fill procurement gaps, if any. The repowering of the uniquely-situated OTC plants could create market power issues. Rather than a minimum and maximum amount of any new procurement to be filled by gas resources, the Commission should fill all need with preferred and energy storage resources that do not raise market power issues. This approach also reduces the environmental impacts of any new procurement and eliminates issues related to siting new polluters in this severely overburdened air basin.

7) If you are recommending preferred resources and storage to fill need, indicate how the attributes of those resources help meet LCR need.

Targeted energy efficiency is particularly effective in the context of local capacity requirements because the main driver of peak demand is air conditioning. Energy efficiency programs targeted at air conditioning and home insulation, among others, would directly address the driver of peak demand.

Energy storage fills need because it allows for the balancing of loads, maintains stable power and addresses the so-called “duck chart” issue. In addition to battery storage, other forms of storage, such as ice cooling in buildings, can also reduce energy use at peak times.

³⁸ SCE Testimony, p. 49, ln 17.

³⁹ *Id.*, lns 19-20.

The locational benefit of the preferred and energy storage resources may also contribute to reducing LCR. A premium should be placed on siting these resources in effective locations.

CONCLUSION

For the foregoing reasons, the Commission should not authorize procurement in Track 4.

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