

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)

**THE DIVISION OF RATEPAYER ADVOCATES' COMMENTS ON THE  
PROPOSED SCHEDULE FOR TRACKS 2 AND 4**

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## I. INTRODUCTION

On May 21, 2013, Commissioner Florio and Administrative Law Judge (ALJ) Gamson issued a “Revised Scoping Ruling and Memo of the Assigned Commissioner and Administrative Law Judge” (Revised Scoping Memo) that established an additional track to this proceeding. Track 4 “will consider the local reliability impacts of a potential long-term outage at the San Onofre Nuclear Power Station (SONGS) generators, which are currently not operational.”<sup>1</sup> The Revised Scoping Memo included a schedule that envisioned a proposed decision on Track 2 (which will consider system needs) in March of 2014 and a proposed decision in Track 4 in December 2013 in the event that no hearings are needed. If hearings are needed for Track 4, then the Revised Scoping Memo anticipates a proposed decision in February 2014.

ALJ Gamson convened a prehearing conference on September 4, 2013 to consider procedural issues, including:

1. Whether there is a need for hearings in Track 4;
2. Whether the Track 4 schedule should be modified to reflect the California Independent System Operator’s (CAISO) recommendation that the Commission consider the CAISO 2013/2014 Transmission Planning Process (TPP) results before determining additional resource needs related to the now permanent loss of SONGS, and;
3. Whether it is possible or desirable to establish a bifurcated approach to Track 4, in which the first phase determines need according to the schedule established in Revised Scoping Memo, and the later decision determines how that need should be filled.<sup>2</sup>

During the prehearing conference, the CAISO recommended that the Commission defer a determination on all issues in Track 4 until after it presents updated results of its 2013/2014 TPP, and that the Commission also defer a determination on Track 2 issues to allow updated information from Track 4 to inform Track 2 results.<sup>3</sup> The Track 4 opening testimony of Southern California Edison Company (SCE) and San Diego Gas and Electric Company (SDG&E) recommended that the Commission move forward with at least a preliminary

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<sup>1</sup> Revised Scoping Memo, p. 4.

<sup>2</sup> August 7, 2013 email from ALJ Gamson to service list in R.12-03-014.

<sup>3</sup> Reporter’s Transcript (RT) PHC 4, 290:12-291:19.

determination of need.<sup>4</sup> ALJ Gamson proposed an approach for Track 4 that would include an interim decision to authorize procurement of resources to meet the identified need on an interim basis specifying the types of resources and the process for their procurement based on certain assumptions with a process that would allow parties to comment on whether changes were needed to the interim decision after CAISO filed the updated transmission plan with the Commission.<sup>5</sup>

ALJ Gamson also stated that parties would have the opportunity submit comments on September 10<sup>th</sup> on whether and how the schedule should be revised and reply comments on September 13<sup>th</sup>. As explained below, DRA recommends that:

- The Commission should not authorize procurement of resources in Track 4 in the absence of accurate information about available transmission resources, including reactive power resources.<sup>6</sup> The Commission should therefore either direct CAISO to update its Track 4 power flow results with more accurate information regarding reactive power resources and use those results to make a Track 4 need determination as expeditiously as possible, or defer Track 4 proceedings until the CAISO's 2013/2014 TPP results are available in January 2014, as CAISO's attorney stated at the prehearing conference.<sup>7</sup>
- The Commission should direct SCE and SDG&E to move forward as expeditiously as possible with their conceptual proposals that have the potential to address local capacity resources need.

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<sup>4</sup> Track 4 Testimony of Southern California Edison Company, August 26, 2013 (SCE Track 4 Testimony), 4:4-15; Prepared Direct Testimony of San Diego Gas & Electric Company, Robert B. Anderson, August 26, 2013 (SDG&E Track 4 Testimony/Anderson), 3:9-22.

<sup>5</sup> RT 292:22-294:9.

<sup>6</sup> Reactive power must be present in the transmission and distribution system to keep electrical current and voltage in phase and to operate electrical equipment with inductive load, such as motors, magnetic equipment, and transformers. Resource: An Encyclopedia of Energy Utility Terms, Pacific Gas and Electric Company, 1992. Reactive power capacity is measured in units of volt-ampere reactive or var.

<sup>7</sup> RT 290:12-291:1.

- If the Commission decides to move forward with interim procurement authorization in Track 4, it should limit procurement authority to preferred resources.
- The Commission should defer an evaluation of system need in Track 2 until after a final determination of need in Track 4. Any procurement authorized in Track 4 should impact the ultimate determination of need in Track 2, since local resources contribute to both system and flexible needs.

## II. DISCUSSION

### A. **Planning for the absence of SONGS requires accurate modeling of transmission resources, including reactive power.**

Reactive power is an essential component to a solution for the SONGS retirement. Without power flow modeling of a reasonable range of reactive power options, the Commission and parties will likely not be able to identify the true impact that reactive power will have in reducing procurement need. The analysis that CAISO completed in the 2012-2013 Transmission Plan demonstrates that many hundreds of megawatts (MWs) of procurement can be avoided by effectively deploying more reactive power.<sup>8</sup> Failing to examine a reasonable range of reactive power options in the modeling effort will frustrate the Commission's and parties' work to identify the best solutions to replace SONGS and could lead to significant, expensive over procurement that undermines California's greenhouse gas (GHG) reduction goals. For these reasons, on June 28, 2012, DRA, along with the California Environmental Justice Alliance (CEJA) and Sierra Club California filed a motion<sup>9</sup> asking that the Commission request that "CAISO's Track 4 modeling include the full range of reactive power resources considered in the 2012-2013 Transmission Plan for both the mid- and long-term."<sup>10</sup> That motion is still pending.

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<sup>8</sup> 2012-2013 Transmission Plan, March 20, 2013, pp. 190-193. Available at <http://www.caiso.com/Documents/BoardApproved2012-2013TransmissionPlan.pdf>.

<sup>9</sup> Joint Motion of the Division of Ratepayer Advocates, California Environmental Justice Alliance, and Sierra Club California to Amend the Revised Scoping Memo to Reflect the Closure of the San Onofre Nuclear Power Station Generating Facilities, June 28, 2013.

<sup>10</sup> Motion of DRA, CEJA and Sierra Club California, p. 6.

The CAISO opposed DRA, CEJA, and Sierra Club California's motion to include modeling of additional reactive power resources,<sup>11</sup> but the August 5, 2013 Testimony of Robert Sparks, the CAISO witness, recommended that the Commission "wait to make a decision about the need for additional resources until the ISO has completed its studies of potential transmission mitigation solutions (including the need for additional reactive support.)"<sup>12</sup> The CAISO acknowledged that such information would allow the Commission to consider the appropriate mix of resources that would meet local reliability needs related to the SONGS retirement, taking into account location and effectiveness of those resources. The CAISO now supports a holistic consideration of need as expeditiously as possible, taking into account the 2013/2014 TPP.<sup>13</sup> The CAISO does not oppose an interim decision for procurement authorization,<sup>14</sup> but recommends that hearings on those issues be limited to no more than one or two days.<sup>15</sup>

Both SCE and SDG&E based their testimony on power flow studies that reflected transmission upgrades, including reactive power resources not studied by the CAISO, including SCE's proposed Mesa loop-in<sup>16</sup> and SDG&E's proposed Suncrest +/- 240 mega volt-ampere reactive (MVAR) synchronous condenser and the proposed Canon/Encina +/- 240 MVAR synchronous condenser.<sup>17</sup> The testimony of SCE and SDG&E reflecting additional transmission

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<sup>11</sup> Response of the California Independent System Operator Corporation to Joint Motion to Amend the Revised Scoping Ruling of Division of Ratepayer Advocates, California Environmental Justice Alliance and Sierra Club California, July 15, 2013, p. 2 ("Although the SONGS retirement announcement does alter the landscape of local generation needs in the SDG&E and SCE areas and removes uncertainties with regard to long term resource availability, the ISO opposes this motion.")

<sup>12</sup> Track 4 Testimony of Robert Sparks on behalf of the California Independent System Operator Corporation, August 5, 2013, 32:1-4.

<sup>13</sup> RT 290:10-291:1.

<sup>14</sup> September 5, 2013 email of Judith Sanders to service list in R.12-03-013 ("The ISO would not object to an interim decision regarding the narrow issue as to whether the additional procurement requested by these parties should be authorized before the ISO's transmission studies are completed.")

<sup>15</sup> September 5, 2013 email of Judith Sanders to service list in R.12-03-013 (Should the Commission determine that an evidentiary hearing is required on the issue of additional resource procurement authorization, the ISO would encourage this hearing to be very limited in scope and scheduled for only 1-2 days.)

<sup>16</sup> SCE Track 4 Testimony, p. 28 and Table III-3.

<sup>17</sup> SDG&E Track 4 Testimony/ John Jontry, 5:10-11.

solutions including reactive power resources is helpful, but before authorizing the procurement of new resources the Commission ideally would consider SCE and SDG&E's testimony along with CAISO's 2013/2014 TPP plan results.

To that end, the Commission should direct the CAISO to expeditiously update its Track 4 analysis with reactive power resources not yet included but likely to play a role in reducing need, and then move forward with making a determination as soon as possible. At a minimum, the CAISO should model the SCE/SDG&E conceptual transmission solutions to understand the interactions between these options and find the combination that most effectively reduces overall need.

Alternatively, the Commission could allow the CAISO to proceed on the schedule it proposes, which includes testimony based on the 2013/2014 LTPP in January 2014. Hearings and briefing may be necessary, but as DRA and other parties pointed out at the prehearing conference, it is not possible to predict the necessary procedural steps without first seeing the CAISO's testimony and power flow results.

**B. An interim decision on Track 4 is less efficient and may lead to over procurement.**

SDG&E and SCE both recommend that the Commission move forward with an interim determination of procurement authorization without waiting for the 2013/2014 TPP results. ALJ Gamson proposed a specific process that envisions an interim decision authorizing procurement with the possibility of updating the procurement authority once the 2013/2014 TPP results are available.<sup>18</sup> An interim decision based on incomplete information that does not include CAISO's most recent power flow studies and all feasible transmission solutions, including reactive power options, is less efficient than making a determination with all of the necessary and relevant information and could lead to costly and unnecessary over procurement.

SCE and SDG&E contend that interim procurement authority is necessary because of the need their studies identify.<sup>19</sup> Yet SCE requests procurement authorization of up to 500MW so that it can meet "CAISO's higher [local capacity reliability] assessment."<sup>20</sup> In fact, some of

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<sup>18</sup> RT 292:22-294:9.

<sup>19</sup> SCE Track 4 Testimony, 4:4-15; SDG&E Track 4 Testimony/Anderson, 3:9-22.

<sup>20</sup> SCE Track 4 Testimony, 6:5-6.

SCE’s studies show that “no new generation is needed to meet NERC reliability standards.”<sup>21</sup> Rather than authorizing procurement in the absence of information that includes all feasible reactive power solutions, the Commission should ensure that it has the information to authorize the necessary amount of procurement in one decision.

**C. The Commission should direct SCE and SDG&E to move forward as expeditiously as possible with their conceptual proposals that have the potential to address local capacity resources need.**

Although DRA recommends that the Commission base its authorization of additional local capacity resources (LCR) for SCE and SDG&E on a complete record of transmission solutions, including reactive power, it does not support “a complete halt”<sup>22</sup> to the process for procuring LCR. Instead, SCE and SDG&E, with input from stakeholders, should work as expeditiously as possible to develop the proposals mentioned in their testimony that have the potential to effectively address LCR need.

SCE proposes to undertake a Preferred Resources “Living” Pilot Program (Pilot) to procure and evaluate the ability of preferred resources to meet LCR needs.<sup>23</sup> The Pilot would target southern Orange County near the Johanna and Santiago substations. SCE envisions an open, collaborative process that includes the CAISO, state energy agencies and interested stakeholders. DRA supports this process and recommends that the Commission direct SCE to move forward with it expeditiously, even in the absence of interim procurement of Track 4 resources. Stakeholders would benefit from a workshop to understand the proposal and contribute to its development, so that SCE could file an application as soon as possible. Among the issues for potential consideration are those noted in the “Preliminary Reliability Plan for LA Basin and San Diego,” released in draft August 30, 2013:

“(1) an assessment of whether physical capabilities exist to produce, procure, install, and interconnect a heightened level of preferred resources, 2) an operational assessment to review the degree to which preferred resources and conventional resources can in aggregate meet the local reliability needs, and

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<sup>21</sup> SCE Track 4 Testimony, 6:7.

<sup>22</sup> SDG&E Track 4 Testimony/Anderson, 3:18.

<sup>23</sup> SCE Track 4 Testimony, 49:3-6.

(3) a monitoring system to ensure that programs are implemented and achieve the impacts that are being relied upon.”<sup>24</sup>

SCE plans to submit an application for Commission approval of contingent gas-fired generation sites.<sup>25</sup> This process for developing these sites, and determining a process for ensuring the prudent expenditure of rate payer dollars on sites that may not be used until sometime in the future, is something that would benefit from stakeholder input in order to move the process forward expeditiously.

SDG&E is “exploring the feasibility of an energy park that would be made available to independent generators in future RFOs [requests for offers] to meet local resource needs.”<sup>26</sup> DRA recommends that the Commission direct SDG&E to present information about this proposal to stakeholders, with a goal of determining sooner rather than later whether the concept makes sense for ratepayers, and if it does, filing an application with the Commission as expeditiously as possible.

**D. If the Commission moves forward with interim procurement of resources in Track 4, it should limit procurement authority to preferred resources.**

While DRA recommends that the Commission base Track 4 procurement authorization on a complete record of transmission upgrades, including reactive power resources, if the Commission nevertheless determines to move forward with an interim decision, then DRA recommends that the Commission limit procurement authorization to preferred resources. Authorizing preferred resources in the absence of a complete record of available transmission resources, including reactive power, while not ideal, is far superior to authorizing conventional gas-fired generation in the absence of a complete record. Acquisition of preferred resources that are ultimately determined to be in excess of the near term need would be costly for ratepayers, but would not undermine California’s GHG reduction goals.

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<sup>24</sup> Preliminary Reliability Plan for LA Basin and San Diego, prepared by the Staff of the California Public Utilities Commission, California Energy Commission, and California Independent System Operator, August 30, 2013 Draft, available at [http://www.energy.ca.gov/2013\\_energy\\_policy/documents/#09092013](http://www.energy.ca.gov/2013_energy_policy/documents/#09092013).

<sup>25</sup> SCE Track 4 Testimony, 5:1-4.

<sup>26</sup> SDG&E Track 4 Testimony/Anderson, 5:6-8.



**E. The Commission should defer an evaluation of system need in Track 2 until after a final determination of need is made in Track 4.**

The CAISO recommends deferring a decision of system need in Track 2 until a final determination of need in Track 4. DRA supports this recommendation. This approach would allow Track 2 studies to include Track 4 procurement authorization, which could impact the ultimate results. SCE's attorney noted that SCE's preliminary results show no system need for flexibility or capacity.<sup>27</sup> Thus, there appears to be no significant disagreement that the interest of accuracy and more complete information weigh in favor of taking the time to consider updated information and more complete studies before making a determination of system need in Track 2.<sup>28</sup>

**III. CONCLUSION**

The Commission should not authorize procurement of resources in Track 4 in the absence of accurate information about available transmission resources, including reactive power resources. The Commission should therefore either direct CAISO to update its Track 4 power flow results with more accurate information regarding reactive power resources and use those results to make a Track 4 need determination as expeditiously as possible, or defer Track 4 proceedings until the CAISO's 2014/2014 TPP results are available in January 2014, as CAISO's attorney stated at the prehearing conference.<sup>29</sup>

The Commission should defer an evaluation of system need in Track 2 until after a final determination of need in Track 4. Any procurement authorized in Track 4 should impact the ultimate determination of need in Track 2, since local resources contribute to both system and flexible needs.

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<sup>27</sup> RT 274:16-18 ("Preliminarily, it appears that the study is going to show no need for new generation, new flexible generation.").

<sup>28</sup> DRA also notes that as of September 10, 2013, the Replicating TPP power flow results were not available, making it very challenging for parties to prepare their own scenarios for filing and serving on September 20, 2013, as provided by the current Track 2 schedule.

<sup>29</sup> September 5, 2013 email of Judith Sanders to service list in R.12-03-013 ("It is the ISO's position that a holistic decision, including transmission alternatives, should be issued by the Commission as soon as possible.").

Respectfully submitted,

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