

**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)

**REPLY COMMENTS OF AES SOUTHLAND LLC ON THE TRACK IV SCHEDULE**

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Dated: September 13, 2013

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AES Southland LLC (“AES Southland”) submits the following reply comments concerning the scheduling issues raised during the September 4, 2013 Prehearing Conference (“PHC”).

**I. INTRODUCTION**

In its opening comments, Southern California Edison (“SCE”) expressed concerns that an interim decision on procurement, as proposed by ALJ Gamson at the PHC, would be of no benefit to SCE if the final decision in Track IV could subsequently reduce any procurement authorization contained in the interim decision. NRG Energy’s opening comments were consistent with SCE’s, stating that from a project developers’ perspective, an interim authorization that was subject to subsequent reduction would not provide sufficient security to a project developer to invest significant amounts in developing a project. Both SCE and NRG Energy suggested that any interim decision should not be subject to reduction, so as to provide the appropriate incentives for developers to proceed with project development.

AES Southland agrees with SCE and NRG Energy that an interim procurement authorization that is subject to potential reduction will not be sufficient to allow project development to proceed. AES Southland also agrees with NRG Energy that the interim decision should authorize procurement of a “no regrets” amount of new generation that will be required regardless of what non-generation alternatives are selected and the effectiveness of those alternatives, and that such authorization should not be subject to future reduction. Like SCE, if the Commission is unwilling to make any interim authorization without the potential to have that authorization subsequently reduced by a final decision in Track IV, AES Southland prefers proceeding pursuant to the schedule outlined by the CAISO.

## **II. BACKGROUND**

AES Southland owns three gas-fired generation stations in Southern California Edison’s service territory: AES Huntington Beach, AES Redondo Beach, and AES Alamitos. These three facilities supply 3,818 megawatts of local capacity within the transmission-constrained Western sub-area of the LA Basin Local Capacity Area (LCA). These generating resources represent nearly 40% of the total net qualifying capacity in the Western sub-area.

Each of the facilities employs once-through cooling (OTC) technology. These facilities are thus subject to the Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (OTC Policy) adopted by the California State Water Resources Control Board. All three facilities are currently required to comply with the OTC Policy by December 31, 2020. In order to comply with the OTC Policy, AES intends to redevelop its resources by retiring the current operating units and replacing them with state-of-the-art gas turbine technology that use air-cooled condensers.

## **III. DISCUSSION**

In Track I of this LTPP, AES Southland and GenOn California North, LLC provided extensive evidence on the time needed to develop gas-fired generation, even in a best-case scenario. In D.13-02-015, the Commission conceded that “some procurement opportunities associated with gas-fired power plants which may be lost if there is a delay in moving forward,

due to the likely seven to nine year lead time.” (D.13-02-015 at 63.) While the proposal that an interim procurement decision be issued in late 2013 or early 2014 appears to recognize the need to move quickly to ensure that necessary resources can be timely developed, an interim decision would not be sufficient to allow project development to proceed unless that interim authorization is not subject to later reduction.

The goal of the interim decision should therefore be to identify the amount of new generation capacity that will be needed regardless of what non-generation alternatives might be selected to meet the remaining need. Such a “no regrets” procurement authorization would allow the development of needed generation while at the same time preserving the Commission’s ability to explore other alternatives, including non-generation alternatives, to meet the remaining need.

A number of parties, including the California Environmental Justice Alliance, Sierra Club California, and the Protect Our Communities Foundation, have suggested that any interim decision should be limited to authorizing the procurement of preferred resources. That suggestion ignores the timelines required to develop various types of generation and non-generation solutions to Southern California’s capacity needs. Given the timeline needed to develop gas-fired generation, the priority should be to determine the minimum amount of gas-fired generation that will be needed. Once that need is determined, the Commission can proceed to explore alternative solutions, including preferred resources, to meet the remaining need. As the Commission has already acknowledged, however, further delay could effectively prevent the development of necessary gas-fired resources within the needed time frame. Should that occur, the Commission would be left with a variety of less desirable alternatives, including potentially seeking postponement of OTC retirements.

AES Southland therefore urges the Commission to proceed with an interim authorization of a “no regrets” amount of new generation that would not be subject to potential reduction in the future. If the Commission is unwilling to do so, AES Southland suggests that the Commission

proceed consistent with the schedule proposed by the CAISO, and issue a final procurement authorization as soon as possible.

DATED: September 13, 2013

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