Docket No.: R.12-03-014

Exhibit No.: _____

Date: September 30, 2013

Witness: William A. Monsen

TESTIMONY OF WILLIAM A. MONSEN ON BEHALF OF THE INDEPENDENT ENERGY PRODUCERS ASSOCIATION CONCERNING TRACK 4 OF THE LONG-TERM PROCUREMENT PLAN PROCEEDING

(with Errata)

Q. What are the policy and planning issues that you address in this section of your testimony?

A. I discuss five broad policy and planning issues in this section:

1. For local reliability assessment, a conservative approach that does not risk placing the Commission in the position of ordering "just in time" procurement is reasonable. Accordingly, an approach based on CAISO's reliability requirements is appropriate.
2. The Commission should encourage fair competition among resource types to ensure ratepayers receive the lowest-cost service consistent with reliability and policy goals.
3. Planning assumptions will change over time. The Commission should not put customer reliability at risk by delaying procurement of needed resources while it awaits updated information.
4. The Commission should reject SCE's and SDG&E's site banking proposals in this proceeding or, at a minimum, exclude utility affiliates or build -own-transfer projects from bidding to develop projects at energy parks.

~~4. The Commission should ensure fair procurement by relying on market power mitigation measures adopted in the Commission's decision in Track 1 of this proceeding.~~

I discuss each of these issues in turn below.

~~A. For local reliability assessment, a conservative approach such as that proposed by CAISO is appropriate~~

per year.[9] Under current conditions, the CEC forecasts annual demand growth in the LA Basin of only 200-300 MW.[10] In light of state and federal policies to spur economic growth, 200-300 MW/year may ~~not~~ underestimate future demand.

Third, some of the preferred resources[11] may not prove as viable as hoped. Currently, the amount of "uncommitted" resources assumptions embedded in the net load forecasts being used in the Track 4 analyses for the total SONGS study area (LA Basin and SDG&E) total about 1600 MW (see Table 1), and policymakers are pushing to significantly expand the procurement of EE, DG, and storage resources. If these uncommitted resources fail to deliver as planned, the CAISO will not be able to rely on the level of load reductions expected in the area and system reliability could be affected.

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[9] *Adopted Energy Demand Forecast Report 2012-2022*, Mid-Form 1.4, "Peak Demand (MW)," California Energy Commission, updated on November 6, 2012. See Attachment D for excerpt.

[10] *Adopted Energy Demand Forecast Report 2012-2022*, Mid-Form 1.5b, "1 in 2 Net Electricity Peak Demand by Agency and Balancing Authority (MW)," California Energy Commission, updated on November 6, 2012. See Attachment E for excerpt.

[11] Preferred resources typically refer to those identified at the top of the Loading Order described in Energy Action Plan II:

> The loading order identifies energy efficiency and demand response as the State's preferred means of meeting growing energy needs. After cost-effective efficiency and demand response, we rely on renewable sources of power and distributed generation, such as combined heat and power applications. (*Energy Action Plan II*, California Energy Commission, September 21, 2005, p. 2. See Attachment F for excerpt.)

Table 1 – Uncommitted Resource Assumptions (MW)

	CAISO & SCE[12]	SDG&E[13]
LA Basin		
Incremental Uncommitted EE	787	787
Demand Response at Most Effective Locations	181	181
Distributed Generation Net Qualifying Capacity	247	247
Total Uncommitted Preferred Resources	1,215	1,215
SDG&E		
Incremental Uncommitted EE	196	~~318~~338
Demand Response at Most Effective Locations	17	0
Distributed Generation Net Qualifying Capacity	210	136
Total Uncommitted Preferred Resources	423	~~454~~474
Total SONGS Study Area (LA Basin + SDG&E)		
Incremental Uncommitted EE	983	1,~~105~~125
Demand Response at Most Effective Locations	198	181
Distributed Generation Net Qualifying Capacity	457	383
Total Uncommitted Preferred Resources	1,638	1,~~669~~689

Fourth, the completion and availability of new or upgraded transmission facilities might be delayed. As a result, grid-connected resources might not come online or be deliverable to load in the expected timeframe.

Overall, there are significant factors that suggest economic demand may accelerate over the 10 -year planning horizon, while state policy is increasing the state's reliance on uncommitted and emerging technologies to meet demand. These countervailing forces suggest the need to consider the significant uncertainties on both the demand- and supply-side of the load-resource balance.

[12] Sparks Track 4 Testimony, p. 5-9.
[13] "Prepared Track 4 Direct Testimony of SDG&E" (Anderson Track 4 Testimony), Robert B. Anderson on behalf of San Diego Gas & Electric Company, filed in R.12-03-014, August 26, 2013, p. 12 for SDG&E values; LA Basin values are assumed to be unchanged from valuespresented in the Sparks Track 4 Testimony, p. 5-9.

Thus, making conservative planning assumptions for the timing of tran smission projects is prudent.

Q. What other ways should the Commission be conservative in this proceeding?

A. While some IPP generation has shown an ability to come online quickly when needed, t he Commission should acknowledge that generation projects can be delayed by the same type of opposition that I discussed previously with regards to transmission projects. As a result, the Commission should make conservative assumptions about the time it takes to develop, permit, and construct new generation projects. As IEP has noted previously, it can take 6-8 years or more to bring new generating facilities online. [22] It is telling that at least one opponent to the repowering of an existing unit has already presented testimony in this proceeding about why that pro ject should not move ahead due to lack of need. [23] Therefore, the Commission should not assume that developers will be able to bring on new generation projects faster than expected.

Q. How might the uncertainty in assumptions regarding uncommitted resources affect the timing for authorization of interim procurement?

[22] "Reply Testimony of William A. Monsen on Behalf of the Independent Energy Producers Association Concerning Track One of the Long-Term Procurement Proceeding," filed by the Independent Energy Producers Association in R.12-03-014, July 23, 2012 ~~Testimony~~, p. 13.

[23] "Testimony of Jaleh Firooz and Analysis of Local Capacity Requirements in the Western Los Angeles (LA) Basin Sub-Area Submitted on Behalf of the City of Redondo Beach" (Firooz Track 4 Testimony), filed by the City of Redondo Beach in R.12-03-~~013~~014, August 25, 2013, p. 13.

A. Yes. First, it would provide the lead-time needed by project developers to develop, permit, and construct cost-effective resources with relatively longer lead times. Second, it would also allow the IOUs and the Commission to determine whether forecasted amounts of uncommitted resources will be developed in local ~~resources~~ areas in a timely and cost-effective manner. Third, it would allow the IOUs and the Commission to understand the operational and delivery flexibility that preferred resources might provide (e.g., can renewable resources provide certain ancillary services?) in order to help maintain overall grid reliability. It is better to start to resolve these uncertainties soon, rather than wait until there is insufficient time to develop and construct backstop resources.

~~D. The Commission should reject the IOUs' site banking proposals in this proceeding or, at a minimum, exclude utility affiliates from bidding to develop projects at energy parks~~

Q. Please describe some of the approaches being proposed to reduce the time to bring on new conventional resources.

A. Both SCE and SDG&E have proposed novel approaches that they claim will reduce the time between when the need for a new conventional power project is identified and when the project can be online. SCE proposes to "prepare GFG [Gas-Fired Generation] sites near its Johanna and Santiago substations as a backstop[] to preserve local reliability should [its proposed "Living"] Pilot not achieve its goals. This effort will develop 'construction ready' sites to reduce the