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 No. 12-03-014 (Filed March 22, 2012)

TRACK 4 OPENING BRIEF OF EAGLE CREST ENERGY COMPANY

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November 25, 2013

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Eagle Crest Energy Company ("Eagle Crest") respectfully submits this Opening Brief in Track 4 of this Long Term Procurement Plan ("LTPP") proceeding.[1] This Opening Brief is submitted pursuant to the Instructions for Briefs issued by Administrative Law Judge ("ALJ") Gamson.

On October 22, 2013, Eagle Crest moved for party status in this proceeding. Although ALJ Gamson has not yet ruled on the Motion for Party Status, Eagle Crest notes that the Motion was uncontested by any other party in this proceeding, and respectfully requests that this Opening Brief be entered into the record for this proceeding pending the Motion being granted.

I. INTRODUCTION

Pumped hydro energy storage can provide numerous benefits to the grid, and to the investor-owned utilities' efforts to integrate the growing amounts of renewable energy in their

[1] Eagle Crest is developing the 1,300 MW Eagle Mountain Pumped Storage Project near Desert Center, California and has nearly completed the licensing process before the Federal Energy Regulatory Commission. The Eagle Mountain Project is designed as a closed loop project and will be located on the site of the largely inactive former Eagle Mountain iron ore mine, thereby avoiding many of the environmental issues raised by other hydroelectric generation or pumped hydro storage facilities. The Project, which will be sited near the existing Palo Verde transmission corridor, will provide fast ramping response, thereby helping integrate renewable generation in Southern California, especially during critical morning and evening ramp periods.

portfolios.[2] Indeed, pumped hydro storage, along with "preferred resources," may be able to help mitigate the local energy and capacity needs of San Diego Gas and Electric ("SDG&E") and Southern California Edison ("SCE"), including those in the local capacity areas ("LCAs") that are the subject of this Track 4.[3] Because the choices the Commission makes today may impact the decisions regarding pumped hydro storage as well as other resources tomorrow, the Commission should exercise caution in authorizing procurement of new generation resources triggered by the closure of the San Onofre Nuclear Generating Station ("SONGS").

II. ISSUES PRESENTED BY ALJ GAMSON

Below, Eagle Crest addresses three of the questions presented by ALJ Gamson in the Instructions for Briefs, and respectfully reserves addressing the other two questions in its Reply Brief.

A. The Commission Should Authorize SCE and/or SDG&E to Procure the Minimum Amount of New Resources Necessary to Meet Short-Term Reliability Concerns

In the Instructions for Briefs in this proceeding, ALJ Gamson inquired first whether "the CPUC [should] authorize SCE and/or SDG&E to procure additional resources at this time for the purposes within the scope of this proceeding," and secondly, "[i]f so, what additional procurement amounts should be authorized at this time."

Eagle Crest fully anticipates the Commission will conclude there exists a need for new generation to continue to reliably serve load in the LCAs affected by the SONGS outage; how

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[2] *See, e.g.,* Comments of the California Energy Storage Alliance, September 30, 2013at p.13 (the Commission should "enable [pumped hydro's] very cost-effective and valuable energy storage services to enter the market in a meaningful way"); Reporter's Transcript at p. 1917, cross examination of SCE witness Mark Nelson (pumped hydro has had "some significant advances . . . that could add additional value to the grid").

[3] *See, e.g.,* Reporter's Transcript at p. 1655, cross examination of California Independent System Operator ("CAISO") witness Neil Millar ("I think pump storage can be a very effective mitigation in meeting local needs, whether it's characterized as a preferred resource or not."); Opening Testimony of Center for Energy Efficiency and Renewable Technologies, September 30, 2013 at p. II-3 (noting that the Storage OIR procurement targets "do[] not even account for all of the storage that may be available to meet LCR need since it excludes large-scale (50MW or more) pumped hydro.")

much remains to be seen. That said, the procurement the Commission enables today will endure for years to come, impacting future opportunities. We believe that it is particularly important for the Commission to consider whether the quantity and type of resources that are authorized are consistent with the long-term policy goal of decarbonizing the grid. Accordingly, if the Commission authorizes additional procurement of energy and capacity from gas-fired resources inside the LCAs, it should be judicious and authorize no more than is absolutely necessary.

Future developments in other Commission proceedings and at the CAISO may bear on the issues before this Commission here, further suggesting that a cautious approach toward new procurement authorization is appropriate. For example, it is unclear to what extent small-scale energy storage that will be procured pursuant to Decision ("D.") 13-10-040[4] will be located in the specific load pockets most affected by the SONGS closure, as opposed to elsewhere in SDG&E's and SCE's respective territories.[5] Likewise, the timing of when such resources will come online is far from certain.[6]

In addition, the CAISO's as yet-unfinished 2013-2014 Transmission Planning Process ("TPP") may impact the local capacity needs of both SDG&E and SCE. For example, the TPP includes consideration of "non-conventional alternatives" to serve demand in three transmission-constrained LCAs including the LA Basin, the San Diego area, and the Big Creek / Ventura area

[4] D.13-10-040, *Decision Adopting Energy Storage Procurement Framework and Design Program*, October 17, 2013 in Rulemaking 10-12-007, "Order Instituting Rulemaking Pursuant to Assembly Bill 2514 to Consider the Adoption of Procurement Targets for Viable and Cost-Effective Energy Storage Systems" (hereinafter the "Storage OIR").

[5] *See, e.g.,* Reporter's Transcript at p. 1903, cross examination of SCE witness Mark Nelson ("I think the quantities [of energy storage that will be located in the L.A. Basin] are unknown"); Rebuttal Testimony of Robert B. Anderson, San Diego Gas & Electric Company (U 902 E) at p. 2 ("it cannot be assumed that all [energy storage authorized by the Storage OIR] will be located within the load pocket and capable of meeting LCR need").

[6] *See, e.g.,* Reporter's Transcript at p.1903, cross examination of SCE witness Mark Nelson ("I think the timing [of energy storage that will be located in the L.A. Basin] is unknown") and pp. 1939-41, cross examination of Sierra Club witness Bill Powers (explaining his understanding that the final decision in the Storage OIR provides the utilities flexibility to delay procurement of energy storage resources under certain circumstances).

(Moorpark sub-area).[7] If the CAISO adopts any non-conventional alternatives that include new transmission solutions that enable renewable generation and integration resources – such as bulk storage – to serve these LCAs, and the Commission later agrees with these solutions, the need for locally-sited resources may diminish substantially.[8] The Commission should accordingly be cautious not to authorize procurement that might later be underutilized due to developments enabled by the CAISO's processes.

B. The Commission Should Ensure that Its Procurement Authorizations Do Not Impede Progress Towards the State's Long-Term Energy and Climate Change Objectives

The final question presented by the ALJ in the Instructions for Briefs provides: "Are there any other determinations the CPUC should consider, or conditions the CPUC should impose, regarding Track 4 procurement?"

The Commission should use the Track 4 of the LTPP Proceeding to help ensure that SCE's and SDG&E's procurement activities advance the State's energy and climate policies. Pumped hydro, in combination with high renewable penetration and the enablement of transmission, may be one of the most cost-effective ways to meet the State's long-range goal of

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[7] *See, e.g.,* Opening Testimony of William A. Monsen, Independent Energy Producers at p. 18 ("the CAISO has committed to study non-conventional alternatives to new transmission projects in the current transmission planning cycle and will be applying this approach specifically to the LA Basin and San Diego areas") (citing CAISO. Consideration of Alternatives to Transmission or Conventional Generation to Address Local Needs in the Transmission Planning Process. September 4, 2013, pp. 3-4, included as Attachment H to testimony); Reply Testimony of Kenneth Sahm White, Clean Coalition, September 30, 2013 ("the ISO has proposed a new methodology for evaluating and planning for 6 "non-conventional alternatives" to transmission and conventional generation projects 7 as part of its transmission planning process and the Preliminary Reliability Plan 8 released by the ISO, the Commission and the CEC").

[8] *See, e.g.*, Opening Testimony of Robert Sparks, CAISO at p. 30 (explaining the CAISO's efforts to evaluate "potential alternatives to conventional generation (e.g., additional preferred resources, new transmission)" during its ongoing Transmission Planning Process so as "to determine the extent to which they would reduce the need for conventional generation"). The CAISO Tariff at Section 24.4.4.6 contemplates such a scenario by requiring consideration of "[t]he potential for a particular transmission element to provide access to generation and non-generation resources needed to support renewable integration (e.g. pumped storage)" when selecting policy-driven transmission upgrades.

reducing greenhouse gas emissions to 80 percent below 1990 levels by the year 2050.[9] The Commission needs to do whatever it can to make sure that its decisions are consistent with those goals at minimum cost to ratepayers. Thus, any procurement authorization should consider whether there are transmission developments that might enable more distant renewable resources, firmed and shaped by bulk energy storage such as large pumped hydro facilities, to help reduce the need for new generation resources sited in San Diego and the LA Basin.

At the very least, nothing in the Commission's final decision in Track 4 of this LTPP proceeding should preclude or restrict opportunities for the utilities to procure bulk energy storage, especially large pumped hydro facilities. Though such facilities are outside the Storage OIR procurement framework, the Commission has expressly encouraged the utilities to explore them.[10] Likewise, the Commission should take care not to crowd out future opportunities for some of the most promising ways to meet California's aggressive climate objectives.

III. CONCLUSION

For the reasons stated above, Eagle Crest requests that the Commission proceed with caution as it authorizes new generation sited in the San Diego and LA Basin LCAs and authorize the utilities to procure no more than the capacity needed to maintain reliability until potentially more effective and policy-consistent solutions can be implemented.

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[9] *See, e.g.,* Reply Comments of Alton Energy, Inc. on ALJ Questions, October 14, 2013 ("In order to achieve an 80% reduction in emissions, it is critical that large-scale bulk energy storage (with carbon free renewables) be procured . . . ."); California Executive Order S-3-05 (establishing target "by 2050, [to] reduce GHG emissions to 80 percent below 1990 levels").

[10] *See* D. 13-10-040 at p. 36 (the Commission "strongly encourages the utilities to explore opportunities to partner with developers to install large-scale pumped storage projects where they make sense within the other general procurement efforts underway in the context of the LTPP proceeding or elsewhere.")

Respectfully submitted,

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