

**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

R.12-03-014
(Filed March 22, 2012)

**OPENING BRIEF OF ALTON ENERGY, INC.
ON TRACK 4 ISSUES**

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Alton Energy, Inc. (“Alton”) respectfully submits this opening brief in Track 4 of the Long-Term Procurement Plan (“LTPP”) proceeding pursuant to Rule 13.11 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”) and the schedule instructions set forth by Administrative Law Judge (“ALJ”) David Gamson in his email Instructions for Briefs to the Service List in this proceeding on November 4, 2013.

I. INTRODUCTION.

Alton is respectful of the complexities and methodologies in LTPP, and appreciates the substantial professional efforts working toward achieving reliability in the most cost effective manner. Alton is concerned that early over procurement of conventional gas fired generation (“GFG”) will preclude cost effective utilization of preferred resources and energy storage to achieve the critical transition toward zero carbon energy, consistent with California GHG Emissions Reduction ARB Goals, of 80% reduction by 2050. This concern is amplified from a careful study of the Comments, Testimony, and Cross Examination record in this Track 4. Alton supports the appropriately accelerated procurement of resources necessary to maintain reliability, but is concerned that the requests for procurement are more than is needed, due to the unfortunate silo impacts built into the analysis and requests.

Clearly, locational factors associated with procured resources have an important impact on need magnitude when effectively optimized, which was only partially achieved here. It is likely that resources procured in this Track 4, added to that of Track 1, and supplemented by beneficially located resources from the Storage Proceeding, and other programs, should alter the locational needs for additional resources going forward. Further, there appears to be plenty of time to procure added resources. The time urgency some are suggesting does not appear to be as tight as suggested, particularly considering the potential for OTC Retirement delays in light of the very positive impact SONGS early retirement has had on overall OTC goals.¹

Alton believes there is a need for expanded and more focused Studies focused on the use of Energy Storage, Preferred Resources, and smart VAR Support than has been possible in Track 4. Alton believes that such additional studies would be beneficial in identifying a better mix of cost effective preferred resources to fill the expanding needs that are likely to arise in this area. As these are outside the scope of the current Track 4, it is important to plan and facilitate such studies until they are completed. It is critical to not over procure conventional GFG resources, which may prove to be far less valuable as time goes forward, quite possibly become an economic burden.

Noteworthy is the successful result of the Tehachapi Renewable Transmission Project (TRTP) study process conducted at the CPUC and at CAISO in 2003 through 2007 which resulted in successful Planning, procurement, construction, interconnection, and operation of the largest zero carbon wind and solar energy resource immediately adjacent to the LA Basin and Ventura Area. Key was that this process drew into its analysis resources which were outside the traditional Planning process, and drew in those resources to be successfully implemented. Alton believes a current lack of inclusion of a comprehensive study of all resources in the LTPP is a shortcoming that needs to be recognized and accommodated by not over procuring the ultimate wrong resources.

¹ Bill Powers, Sierra Club Opening Testimony, Page 22

II. RESPONSE TO ALJ GAMSON'S QUESTIONS.

A. Should the Commission authorize SCE and/or SDG&E to procure additional resources at this time for the purposes within the scope of this proceeding?

Alton's Response: Yes. The minimum amount of GFG necessary for reliability should be procured at this time, but with a maximum amount of preferred resources projects, including EE, DR, and Energy Storage.

The Commission should reject SCE's "Contingent Resources Strategy" because it would be an inappropriate waste of ratepayer funds, and distract SCE from the great focus they have with the concepts their other initiatives such as the Living Pilot and Mesa Loop-In. A contingency plan based heavily on new GFG resources would subject California to high environmental and economic costs of meeting critical emissions reduction goals.

A better strategy is to use a modest subset of Once Through Cooling "OTC" Generators as the backup source of generation, available at lowest cost, if added generation is needed. It has generally been overlooked in the discussion that the retirement of SONGS has caused an early acceleration of meeting OTC Goals, due to SONGS having been such a large portion of the OTC thermal load into the Pacific Ocean. There is strong indication that the remainder of OTC Retirements can be flexibly delayed, if needed, to help create the best transition to zero carbon energy in the future, and still meet state Goals.²

B. If so, what additional procurement amounts should be authorized at this time? Please specify any calculation that leads to this position.

Alton's Response: The net additional procurement amounts identified by CAISO, SCE and SDG&E and verified in reply testimony and cross examination should be authorized. Due to locational sensitivities, testimony indicates 353 MW located in the SDG&E Service area would be

² Bill Powers, Sierra Club Opening Testimony, Page 22

the most effective addition toward meeting the combined identified need.³ We will review the briefs filed, and may alter this MW number, if briefs indicate a need beyond our current analysis.

C. What additional resources, if any, should be authorized to fill procurement needs? Should there be any requirements or restrictions on procurement amounts for any specific resources or categories of resources?

Alton's Response: The Commission has set a very clear precedent for energy storage to be “treated akin to” Preferred Resources.⁴ Energy storage should be procured alongside Preferred Resources as a top priority in this Proceeding. We agree with SCE’s statement, “procuring ES can meet both LCR needs and discharge the ES procurement obligation, making it effective to choose ES ahead of Preferred Resources.”⁵ Additionally, pumped hydro energy storage resources should be allowed to compete in any procurement process approved by the Commission regardless of their size. The pumped hydro workshop required in D.13-10-040 should be scheduled as soon as possible so that the role of pumped hydro storage can be considered fully within the LTPP.

California has an urgent necessity to focus on meeting the ARB 2050 Goal⁶ to reduce Emissions by 80%. Most gas generation will need to retire well before 2050, or the State will fail to meet the ARB 2050 Emissions Goal. To meet this Goal, major new zero-carbon energy additions that are Firmed and Shaped by energy storage must be procured. Energy Storage, coupled with wind and solar, must be encouraged to compete in direct competition with any fossil energy procurement.

³ SCE Rebuttal Testimony, Page 45

⁴ Decision Adopting Energy Storage Procurement Framework and Design Program, D. 13-10-040, issued October 17, 2013, p. 24.

⁵ SCE Track 4 Rebuttal Testimony, page 25

⁶ Governors Executive Order S-3-05, now an ARB Goal to reduce Emissions by 80% from 1990 levels by 2050

D. What process should the utilities use to fill any procurement amounts authorized at this time?

Alton's Response: All-source RFOs and bilateral contracts are preferred to accommodate the unique characteristics of energy storage and preferred resources. Alton supports SCE's recommendation to allow bilateral agreements under clearly defined circumstances.

There is a clear AB 2514 mandate to facilitate all cost-effective energy storage. The Loading Order dictates wind and solar before gas generation. Energy storage, plus wind, plus solar is often more cost-effective and a better fit than is new gas generation, even before adding in the huge exposure of gas to stranded costs and escalation. As an absolute minimum, this least-cost, best-fit clean energy must be fostered to compete, fairly. Properly placed projects can contribute to the near-term and longer-term local capacity needs that are identified in the LTPP.

E. Are there other determinations the CPUC should consider, or conditions the CPUC should impose, regarding Track 4 procurement?

Alton's Response: The CPUC should mandate that EE, DR, Preferred Resources, and Energy Storage are used and selected, where feasible before any procurement of new GFG consistent with the Loading Order and utilization of energy storage.

III. CONCLUSION.

Alton Energy thanks the Commission for its attention to the issues and discussion presented in this opening brief.

Respectfully submitted,

/s/

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