

**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 BRIEF
OF
THE VOTE SOLAR INITIATIVE**

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I. SONGS generation must be replaced with clean low- to non-GHG emitting Preferred Resources

In its Opening Brief (OB), the Vote Solar Initiative (Vote Solar)¹ agreed with the CAISO that the closure of San Onofre is a “once in a lifetime opportunity to replace large amounts of existing generation with new, clean generating resources in Southern California.”² As Sierra Club notes, “[r]ather than a crisis, the SONGS closure provides the unique opportunity to evaluate and significantly change the resource mix. The Commission should take full advantage of this opportunity.”³

The only rational approach to replacing SONGS generation is to focus on low- to non-emitting preferred resources capable of complying with the air quality needs of the L.A. Basin:

In order to limit further degradation to the air quality in the South Coast AQMD, it is necessary to consider low-to-no emitting resources as a source of replacement capacity. Under these circumstances, the role to be played by emissions-free preferred resources in meeting local capacity requirements (LCRs) is,

¹ Vote Solar is a non-profit grassroots organization working to fight climate change and foster economic opportunity by bringing solar energy into the mainstream. Since 2002, Vote Solar has engaged in state, local and federal advocacy campaigns to remove regulatory barriers and implement key policies needed to bring solar to scale.

² Vote Solar OB, p.6, citing Tr.11:1669 (CAISO witness Millar). See also, EDF OB, p.2, (“SONGS’ closure presents a unique opportunity to advance towards greater integration of the state’s Preferred Resources.”).

³ Sierra Club OB, p.17.

therefore, heightened in the absence of SONGS, especially in the “SONGS Study Area” (LA Basin local area and San Diego sub-area) that is the focus of Track 4.⁴

This is why, as Vote Solar recommends, the Commission must require that SCE and SDG&E first make all reasonable efforts to procure Preferred Resources, including distributed PV and energy storage, to satisfy any additional local capacity resources authorized in Track 4 to replace SONGS generation.⁵

II. It is highly unlikely Preferred Resources can succeed in an all source solicitation, even though Preferred Resources will be easier and less risky to site and build in the L.A. Basin than gas-fired generation resources

SCE argues that combining the requested 500 MWs of new LCR all source procurement in Track 4 with 200 MWs of all source procurement from Track 1 will “both improve the competitiveness of all source bidding, allow for a more optimal selection of resources, and reduce administrative costs to ratepayers.”⁶ However, SCE’s own witness recently acknowledged, as the Commission noted in D.13-02-015, that it is highly *unlikely* Preferred Resources can fairly compete in an all source solicitation: “SCE witness Cushnie contends: ‘Certain preferred resources just aren’t going to be viable in (an all-source) solicitation’ and that he is not aware of a preferred resource ever prevailing against a conventional resource in an all-source RFO.”⁷ This same SCE witness also admitted that a combined 700 MW all source solicitation makes it more likely that large gas-fired generation (GFG) projects will be the successful bidders in the combined all source solicitation.⁸

Parties as diverse as Sierra Club, ORA and CLECA share Vote Solar’s skepticism regarding the purpose and intent of SCE’s all source solicitation proposals and Vote Solar’s concern that if the Commission adopts SCE’s procurement proposals, only GFG resources will win, “crowding out” Preferred Resources, regardless of SCE’s intent to pursue Preferred

⁴ EnerNOC OB, p.8.

⁵ Vote Solar OB, pp.8-9, 11 (Vote Solar Recommended Conclusions of Law, no.3).

⁶ SCE OB, p.11.

⁷ D.13-02-015, pdf, pp.86-87; See also Tr.13:1968-69, 2003 (SCE witness Cushnie).

⁸ Tr.13:1970 (SCE witness Cushnie).

Resources solutions.⁹ That is why, as Vote Solar and other parties discussed in their Opening Brief, it is imperative that the Commission, if it authorizes any additional Track 4 LCR procurement, require the utilities to first seek to satisfy that additional need with Preferred Resources.¹⁰ There are many reasons why the Commission should adopt this policy. As EDF notes, “[i]n comparison to combustion resources, the siting of EE, DR, and small and large scale renewable generation is significantly less likely to face time delays and substantial obstacles to implementation.”¹¹ Such obstacles include “attaining GHG emissions reductions required by Assembly Bill (AB) 32.”¹²

Further, there are real economic benefits resulting from the procurement of Preferred Resources:

Reliance on preferred resources to meet local LCR needs will maximize ratepayers’ return on investment in preferred resources, because their investment in programs to comply with California’s loading order in that instance would displace the need for new gas-fired generation, thereby realizing the long-run avoided cost.¹³

Contrary to parties who seem to believe that only GFG resources can provide a “no regrets” strategy for the L.A. Basin, NRDC aptly describes why the procurement of Preferred Resources provides the real “no regrets” strategy:

[L]imiting the authorization to only cost effective preferred-resources is a “no regrets” strategy. First, cost-effective preferred resources save customers money, so if subsequent information demonstrates that these interim authorizations were excessively high, procurement of these resources instead of gas-fired generation would result in relative savings for customers. Second, preferred resources are more modular than gas-fired generation, so can be tailored better to specific procurement targets, as well as more easily reduced if subsequent information reveals that such authorizations were excessively high. Last, the location of

⁹ Sierra Club OB, pp.26-27; Exh. ORA-2, p.1; CLECA OB, pp.10-11.

¹⁰ For example, Vote Solar OB, pp.6-8; Sierra Club OB, p.27; EnerNOC OB, pp.8-9; NRDC OB, p.19; CEERT OB, pp.46-47, 58; CAC/EPUC OB, pp.6-7.

¹¹ EDF OB, p.7.

¹² EnerNOC OB, pp.8-9.

¹³ ORA OB, p.25.

preferred resources can evolve more easily over time, whereas “steel in the ground” gas-fired generation is committed to one location regardless of future changes to where the most effective location for resources may be in the local area. As the grid and population centers evolve, preferred resource can better adapt to new grid needs than can gas-fired generation.¹⁴

For all these reasons, the Commission should require that SCE and SDG&E first seek to satisfy any Track 4 LCR authorization with Preferred Resources before approving the construction and operation of new GFG resources in the L.A. Basin.

III. There is no factual or legal basis for SCE’s claim that the Commission mandated or authorized SCE to procure 200 MWs of its Track 1 authorization through an all source solicitation

As discussed in Vote Solar’s OB, SCE is improperly seeking to alter its Track 1 procurement authorization by proposing to obtain 200 MWs of its Track 1 procurement authorization from an “all source” solicitation.¹⁵ In SCE’s OB, SCE goes even further, now asserting, again without any evidentiary substantiation, that in D.13-02-015, the Commission *ordered* SCE to procure 200 MWs from an all source solicitation:

In D.13-02-015, the Commission authorized SCE to procure between 1,400 and 1,800 MW of new resources to meet LCR need arising from the retirement of OTC generating facilities, not including SONGS. *These resources were divided into the following buckets:* (1) 1,000 MW of GFG; (2) *200 MW of all source solicitation, including both Preferred Resources and GFG*; (3) 150 MW of Preferred Resources; (4) 50 MW of Energy Storage; and (5) up to 400 MW of additional Preferred Resources.¹⁶ (emphasis added)

The Commission identified the following resources types *that must be procured* as part of the 1,400 to 1,800 MW of new LCR

¹⁴ NRDC OB, p.19. Similarly, Sierra Club describes a Preferred Resources first policy as a “least regrets” strategy: “Relying on the development of these resources ‘is the least regrets strategy from a procurement as well as an environmental perspective.’” Sierra Club OB, p.26

¹⁵ Vote Solar OB, pp.3-4

¹⁶ SCE OB, p.10, *claiming to cite D.13-02-015, Ordering Paragraph No.1, pp.13-131.*

resources in the LA Basin: (1) 1,000 MW of GFG; (2) 150 MW of Preferred Resources; (3) 50 MW of Energy Storage; (4) **200 MW from all sources**, including GFG; and (5) up to 400 MW of additional Preferred Resources at SCE's discretion.¹⁷ (emphasis added)

As Vote Solar noted in its OB, D.13-02-015 does not authorize any all source procurement.¹⁸ Rather, D.13-02-015 requires that SCE, in the event it procures only the minimum 1,000 MWs of gas fired generation in its Track 1 solicitation, to purchase “[a]ll additional resources beyond the minimum requirement must also be from preferred resources, or from energy storage resources.”¹⁹ SCE's proposal both misrepresents the Commission's directives in D.13-02-015 and undermines the Commission's mandate for Preferred Resources procurement by attempting to convert 200 MWs of mandated Preferred Resources procurement to an all source procurement process.²⁰

SCE's attempt to subvert D.13-02-015 must be denied and SCE's associated recommended Finding of Fact no.20 and Conclusion of Law no.1 must be rejected as having no factual or legal basis.²¹ Instead, the Commission should adopt the factual and legal Findings of Fact, nos.1 and 2 and Conclusion of Law no.2 recommended by Vote Solar.²²

¹⁷ SCE OB, pp.12-13

¹⁸ Vote Solar OB, p.4

¹⁹ Vote Solar OB, p.4, citing D.13-02-015, pdf, p.82.

²⁰ Vote Solar OB, pp.4-5

²¹ SCE OB, p.A-2 (Recommended Findings of Fact no.20: “SCE recommends combining its Track 4 request of 500 MW of new LCR all source procurement **with Track 1's 200 MW of new LCR all source procurement authorized in D.13-02-015.** . . .”) (emphasis added);

SCE OB, p.A-3 (Recommended Conclusions of Law no.1: “In D.13-02-015, the Commission authorized SCE to procure between 1400 and 1800 MW of new resources to meet LCR need arising from retirement of OTC generating facilities, not including SONGS. **These resources were divided into the following buckets:** (1) 1000 MW of GFG; **(2) 200 MW of all source solicitation, including both Preferred Resources and GFG;** (3) 150 MW of Preferred Resources; (4) 50 MW of Energy Storage; and (5) up to 400 MW of additional Preferred Resources.”) (emphasis added)

²² Vote Solar OB, pp.10-11

IV. The Commission must order SCE and SDG&E to propose and implement Preferred Resources Pilots by a specified date to ensure the Pilots' expected benefits are realized as soon as possible

SCE states that it intends an “aggressive pursuit of Preferred Resources through the Preferred Resource ‘Living’ Pilot Program (Pilot).”²³

The purpose of the Pilot is to aggressively pursue Energy Efficiency (EE), Demand Response (DR), and Distributed Generation (DG) in this high impact area. The Pilot will also assist in developing better understanding of how different types of Preferred Resources can contribute to meeting LCR need.²⁴

Vote Solar, as well as most of the other parties, fully support the purpose of SCE’s Preferred Resources Pilot (Pilot) proposal. Vote Solar is concerned, however, that SCE’s Pilot proposal may stay just that, a proposal. While SCE says it is working diligently to develop the Pilot, and that it is an integral part of its plan to satisfy LCR needs, it repeatedly has made clear that it is neither seeking approval for its Pilot proposal in this proceeding nor suggesting a timeframe for submission of its Pilot proposal, regardless of the significant amount of time spent in Track 4 discussing the proposed Pilot.²⁵

For all the reasons that SCE and other parties have provided in support of SCE’s Pilot proposal, the Commission should ensure that SCE’s Pilot actually does happen, and on a timetable that will produce results as soon as practical. As ORA notes:

ORA supports the approach outlined for the Pilot, but recommends moving ahead as soon as feasible and “recommends annual evaluations to determine the ability to procure these resources in local areas and their reliability in responding to dispatch. An expedited timeframe for such evaluations would be valuable in demonstrating the performance of preferred resources to avoid unnecessary procurement.”²⁶

²³ SCE OB, p.4

²⁴ SCE OB, p.4

²⁵ SCE OB, p.4 (“In this proceeding, SCE is not seeking approval of the Pilot”); SCE OB, p.25 (“SCE intends to use the Pilot to demonstrate the value that Preferred Resources can contribute to meeting LCR needs.”)

²⁶ ORA OB, p.26

Therefore, Vote Solar requests that the Commission order SCE and SDG&E, as part of its Track 4 procurement authorization decision, to formally submit, by a date certain, applications to implement Pilot proposals as soon as practical in their respective service territories.²⁷ The utilities should be directed to design and structure their Pilot proposals to demonstrate how all types of Preferred Resources and energy storage, both existing and new (i.e., advanced or “smart” inverters), especially when used in an integrated manner, can satisfy local capacity and flexibility needs, as well as provide ancillary services, such as reactive power and frequency support, and can be efficiently sized and rapidly located at critical areas of the grid.²⁸

In addition, the utilities should be ordered to collaborate with interested stakeholders, in as transparent a process as possible, in the development, implementation and monitoring of the Pilots. The Commission should actively oversee this process to ensure this happens and “not . . . allow the success or failure of one RFO solicitation or one Pilot to determine the ongoing capability of preferred resources to meet LCR need or use those results as a basis to then authorize the development or siting of contingent GFG resources.”²⁹

These solicitations are the beginning, but not the end, of the processes that should continuously identify changing needs and requirements for local capacity resources through 2021. In those circumstances, the results of the RFO and the Living Pilot should be used to recalibrate future solicitations to meet those needs and not simply trigger GFG development.³⁰

Finally, the Commission must not let SCE’s extensive, but ultimately noncommittal discussions of the anticipated benefits of SCE’s Pilot distract it from the material issues to be decided in Track 4 – primarily, the necessity of ensuring SCE and SDG&E first seek to satisfy any authorized Track 4 LCR procurement with Preferred Resources before committing to the construction and operation of new GFG resources in the L.A. Basin.

²⁷ SDG&E, in particular, requires such direction, as evidenced by SDG&E’s witness Anderson’s reluctance to agree to SDG&E adopting a Pilot similar to SCE’s proposal, absent Commission direction to do so. Tr.12:1815-1816 (SDG&E witness Anderson in response to questions from Commissioner Florio).

²⁸ VSI-1, pp.4-5, 14; Vote Solar OB, p.7; Sierra Club OB, p.15; CEJA OB, p.43

²⁹ EnerNOC OB, p.13

³⁰ EnerNOC OB, pp.13-14

