

**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)

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

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Alton Energy, Inc. (“Alton”) respectfully submits this reply 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.**

We recognize the dramatic differences of opinion summarized so strongly in the Opening Briefs by the Parties from the common record, and are appreciative of the balanced and creative approach of SCE in particular, clearly focused on finding effective solutions and approaches consistent with long term needs. We are mindful of the critical importance of maintaining a high standard of reliability. We are concerned that GFG advocates overstate the urgency, and overlook obvious alternatives to added GFG procurement. The marginal need at question involves rather modest amounts of energy for short durations. We are very concerned that it will be difficult to reverse the potential damage of over procurement of GFG. We believe there are cost effective short-term solutions that should be adopted to save ratepayer cost, and to eliminate the risk of over procurement. Such an approach will allow the time for better studies later in

LTPP to more effectively address long term needs in the most orderly and cost effective manner, consistent with the extensive discussion by CEERT in their opening brief.

## II. A COST EFFECTIVE INTERIM SOLUTION WITHIN CURRENT TIME FRAME

In their opening brief, SCE has done a good job of documenting the basis for their conclusions and recommendations, and this is helpful in finding a lower cost but adequate interim solution to the need that is recognized:

“SCE bases its recommendations on transmission power flow studies prepared by ISO and SCE. These transmission power flow studies **considered the impact of closure of all Once Through Cooling (OTC) generating facilities, including SONGS**, on local reliability in the Western Los Angeles Basin (LA Basin) in SCE’s service area and San Diego Gas & Electric Company’s (SDG&E) service area.”<sup>1</sup>

As Alton Energy pointed out in its opening brief, a better ‘contingency’ strategy is to use a modest subset of Once Through Cooling “OTC” Generators as the backup source of additional generation, available at lowest cost, if added generation is needed beyond the 353 MW most effectively located south of SONGS. 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 so large a portion of the OTC thermal load into the Pacific Ocean. “While the SONGS “plants are OTC plants,” they were “not included” in the Track 1 OTC studies nor was “a prolonged outage” of SONGS considered to be within the scope of A.11-05-023.”<sup>2</sup> There is strong indication that some of the remainder of OTC Retirements can be flexibly delayed, if

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<sup>1</sup> SCE Opening Brief, page 2, emphasis in bold type added.

<sup>2</sup> D.13-02-015, at n. 6, p. 7; D.13-03-029, at pp. 17-18, CEERT Opening Brief, p. 7; public disclosure of SWRCB.

needed to help create the best transition to zero carbon energy in the future, and still meet state Goals.<sup>3</sup>

Thus, we believe the set of facts established in this Proceeding, combined with public information and deductive reasoning shows delayed OTC retirements as a cost effective interim solution, until further studies and evaluation can be conducted and completed. Doing so would resolve the set of issues raised in such detail by CEERT in their Opening Brief, and honor the overriding Loading Order preference for EE, DR, Preferred Resources, and CHP to meet energy supply needs before central station GFG, latter likely not much needed from effective planning.

### **III. TRANSITION TO CLEAN POWER GENERATION MIX**

We feel that additional capacity authorization for Track 4 beyond our opening brief 353 MW is not necessary at this time, due to consideration of strong cost-effective OTC scheduling alternative solutions as mentioned above, and the need for further study of Preferred Resource potential, Energy Storage, and Transmission alternatives. Nonetheless, we do generally agree with SCE's "Balanced Approach" to procurement that intends to utilize all All-Source Procurement methodology.<sup>4</sup> We appreciate their intent to procure resources in accordance with the Loading Order, through an appropriate procurement of Preferred Resources.

If any procurement is authorized in Track 4, we feel it is crucial that such be limited to near zero-carbon generation, and with a maximum cap on GFG resources, somewhat similar to what was done in Track 1. The SONGS retirement is a substantial capacity of once carbon-free generation that must be maintained as carbon-free as possible.

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<sup>3</sup> Alton Energy Opening Brief, Page 3.

<sup>4</sup> SCE Opening Brief, Page 3.

An “approach that enhances grid reliability without risking meaningful over-procurement of LCR resources”<sup>5</sup> is only “low regrets” if the Commission ensures that all procurement, by any utility, is heavily focused on maximizing the amount of Preferred Resources, in strict accordance to an All-Source Procurement methodology that sets a cap on the amount of carbon generation allowed. “SCE recommends combining its requested 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.”<sup>6</sup> However, the 200 MW Bucket in Track 1 was not within the Bucket which had a cap on the amount of new GFG procurement. If any procurement is authorized, this should be separate from Track 1, so that a cap on new GFG is set on any procurement authorization, even if it is ‘All-Source’ and the ‘LCBF’ criteria is used.

#### **IV. BALANCE OF PREFERRED RESOURCES – EMISSIONS REDUCTIONS**

SCE made a solid point, that in a scenario based on “aggressive reliance on Preferred Resources and Energy Storage to meet LA Basin reliability needs ...” “there are a number of reasons that this scenario should be pursued despite the cost.”<sup>7</sup> However, there are many preferred resources and energy storage solutions that are more cost effective than new GFG resources,<sup>8</sup> without mentioning the many externalities of GFG that are objectionable and not properly quantified.

We note the arguments of AES Southland<sup>9</sup> stating how permits for new GFG can be obtained and at the same time note the obvious desire of representatives of local residents to not

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<sup>5</sup> SCE Opening Brief, Page 5.

<sup>6</sup> Exhibit SCE-1, p.57, line 1-17, SCE Opening Brief reference, Page 10.

<sup>7</sup> SCE Opening Brief, Page 23.

<sup>8</sup> D.13-10-040.

<sup>9</sup> AES Southland Opening Brief, Pages 16-18.

have some of these GFG projects go forward. While permits to pollute may be available, locals do not want such emissions, such is contrary to the Loading Order, and contrary to best approaches to meeting the ARB GHG Goals beyond 2020. There is no better large-scale emissions reduction result than procuring zero carbon preferred energy and energy storage at maximum feasible.

While we commend the concept of the “Living Pilot Program,”<sup>10</sup> we urge the Commission to advocate for a more widespread and direct procurement process of Preferred Resources that is not restricted to the vicinity of the Johanna and Santiago substations, with improved transmission, particularly in light of the carbon-free SONGS retirement.

Despite their strong support for preferred resource development, CAISO showed “uncertainty as to whether sufficient quantities of preferred resources will develop at the pace necessary to fill substantial resource need as early as 2018.”<sup>11</sup> We agree with CAISO that any procurement authorization in this Track 4 be open to all supply-side resources, but we strongly urge the Commission to send a strong market signal through correct processes so that preferred resource and energy storage developers will ensure that there is more than enough carbon-free resources as needed timely. In the interim, any determined need shortfall most likely can be filled by delayed retirement of a very limited set of OTC generators, at very low usage, with very low water heating.

**California has an urgent necessity to focus on meeting the ARB 2050 Goal<sup>12</sup> to reduce Emissions by 80%. To meet this Goal, major new zero-carbon energy additions that are**

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<sup>10</sup> SCE Opening Brief, Page 3.

<sup>11</sup> CAISO Opening Brief, Page 36.

<sup>12</sup> Governors Executive Order S-3-05, now an ARB Goal to reduce Emissions by 80% from 1990 levels by 2050.

Firmed and Shaped by energy storage must be procured. Energy Storage, coupled with wind and solar, must be encouraged and allowed to compete in direct competition with any fossil energy procurement.

## **V. ENERGY STORAGE PARTICIPATION – ALL-SOURCE PROCUREMENT**

We do not agree with SDG&E’s position “that the procurement of ES [Energy Storage] resources should occur through the separate process contemplated in the limited ES PD rather than through the supply-side RFO or bilateral procurement proposed by SDG&E in this proceeding.”<sup>13</sup> Energy storage and preferred resources, particularly Pumped Storage, must be allowed to participate in all-source RFOs for the “non-preferred resources” portion of any procurement. We urge the Commission to reject SDG&E’s concept that “the Commission should direct that procurement of preferred resources be undertaken in the relevant dedicated Commission proceedings.”<sup>14</sup>

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.”<sup>15</sup> Procurement of energy storage should be focused in areas that will meet local reliability criteria, as well as larger scale system needs. The incorporation of energy storage will be a cost-effective method to prevent potential over procurement of GFG in this proceeding, and maximize the ability to count preferred resources as LCR eligible. As CEERT correctly noted, “The Commission should find that SDG&E has not offered, but must be required to provide, a

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<sup>13</sup> SDG&E Opening Brief, Page 20; inconsistent with D.13-10-040, the ES PD.

<sup>14</sup> SDG&E Opening Brief, Page 35; inconsistent with D.13-10-040, the ES PD.

<sup>15</sup> SCE Track 4 Rebuttal Testimony, page 25.



mechanism for the proactive procurement of Loading Order preferred resources or storage as part of its request to procure 500 to 550 megawatts of additional resources.”<sup>16</sup> The arguments of Anderson of SDG&E are not persuasive, but rather are a weak statement of early DR failure, and inappropriately extended to not procure Preferred Resources with Energy Storage as a good alternative to GFG.<sup>17</sup>

Additionally, pumped hydro energy storage resources and large-scale bulk energy storage should be allowed to compete in any procurement process approved by the Commission regardless of their size.<sup>18</sup> As such, the Commission in D.13-10-040 identified the LTPP as the appropriate proceeding for the inclusion of pumped hydro. We strongly agree with CEERT in their reminder, that “the Commission should confirm that large-scale pumped or bulk storage must be a part of any procurement or RFO authorized by this Commission in this Track 4 and any future LTPPs, consistent with D.13-10-040.”<sup>19</sup> The Conclusions of Law within this Track 4 should establish precedence for pumped hydro and bulk energy storage’s role, and the process for participation in this and all future LTPPs.

## **VI. TRANSMISSION SOLUTIONS**

As SCE notes, their Balanced Approach includes some transmission expansion, specifically the Mesa Loop-In Transmission Project, which based on their power flow studies, would displace up to 1,200 MW of new GFG LCR resources in the LA Basin, an “area most

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<sup>16</sup> CEERT Opening Brief, Page vi.

<sup>17</sup> SDG&E Opening Brief Pages 33-34.

<sup>18</sup> As stated in Alton Energy Opening Brief, Page 4.

<sup>19</sup> CEERT Opening Brief, Page vii.

affected by stringent air emissions.”<sup>20</sup> “To date, SCE has not procured Preferred Resources to meet reliability needs because whether they can contribute to supporting local reliability during major contingencies is unclear. Typical power flow studies do not provide enough information to assess and understand the potential contribution of Preferred Resources.”<sup>21</sup> This is a prime example why we believe that a focused transmission study process supporting LTPP, similar to that done in TRTP,<sup>22</sup> to include rational pumped hydro storage and other preferred resources should be done before procuring GFG. This would be best in order to implement a cost effective zero carbon energy supply consistent with state GHG Goals, without unnecessarily over procuring carbon intensive resources.

If there are “unknowns about the availability and capabilities of additional Preferred Resources to meet the identified LCR needs,”<sup>23</sup> now is the time to put a robust local and system wide study process in place that properly identifies Preferred Resources and energy storage full potential in meeting LCR needs, if the State is to meet its progressive emissions reductions goals. CEERT importantly highlights that in reference to the Loading Order and Preferred Resources, that, the Commission has directed that “[s]ensible transmission investments should be made in concert with these other resource commitments.”<sup>24</sup> This is critical to allow for generation and preferred resources, including bulk energy storage, to play a larger, more cost effective role if located outside of constrained areas.

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<sup>20</sup> SCE Opening Brief, Page 23.

<sup>21</sup> Exhibit SCE-1, p. 52, line 3-4, 8-11, SCE Opening Brief reference, Page 25.

<sup>22</sup> Reference to the Tehachapi Renewable Transmission Project (TRTP), Alton Energy Opening Brief, Page 2.

<sup>23</sup> SCE Proposed “Finding of Fact”, page A`

<sup>24</sup> D.04-12-048, at p.7, as referenced in CEERT Opening Brief, Page 5.

**VII. CONCLUSION.**

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

Respectfully submitted,

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