BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Planning.	Rulemaking 12-03-014 (Filed March 22, 2012)

REPLY BRIEF OF ENVIRONMENTAL DEFENSE FUND ON TRACK 4 OF THE LONG-TERM PROCUREMENT PLANNING DOCKET

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December 16, 2013

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I. INTRODUCTION

The Environmental Defense Fund ("EDF") respectfully submits this Reply Brief[1] as part of the Long-term Procurement Planning ("LTPP") Track 4 proceeding. A thorough review of the Opening Briefs submitted by the parties in this proceeding reaffirms EDF's conclusion that no additional procurement needs to be ordered by the California Public Utilities Commission ("CPUC" or "Commission") at this time. Further, no party has disputed the compelling evidence presented by EDF that higher penetration of voluntary time-variant rates could fully or partially replace capacity no longer available from the San Onofre Nuclear Generation Station ("SONGS").

Given the weight of evidence, while recognizing the complex set of challenges that need to be balanced, EDF respectfully requests that the Commission base its decision in this case on one of the following approaches:

[1] Administrative Law Judge Gamson directed the submission of Opening Briefs on November 25, 2013 and Reply Briefs on December 16, 2013.

- Issue an interim decision that provides no new procurement authorization for San Diego Gas and Electric Company ("SDG&E") or Southern California Edison Company ("SCE), pending issuance of additional California Independent System Operator ("CAISO") analyses of the implications of different transmission-related investments; or
- Limit any additional procurement authorization to Preferred Resources, including more active use of the full set of demand response resources, including time-variant rates.[2]

II. DISCUSSION

The utilities and CAISO are naturally inclined towards procuring greater generation assets in this proceeding. CAISO's extremely risk adverse function, for example, is to ensure that the lights stay on, even if the purchase of extra reliability "insurance" – in the form of redundant gas-fired generating facilities – results in unnecessarily higher costs to ratepayers, as well as harm to the environment. While the IOU's and CAISO seem to want to err on the side of over-procurement of generation resources, EDF sees great potential and benefit from instead working harder to procure Preferred Resources that include demand response, energy efficiency, distributed generation and energy storage.

However, the Commission's job is to police against the purchase of assets that will be only partially used and useful at best. In that respect, procurement proponents have not proven their case in this proceeding. EDF will not repeat here the full litany of resources excluded from the utilities' and CAISO's modeling efforts, which, if properly reflected, would obviate the need

[2] In addition, EDF continues to support its previous positions and recommendations, as discussed in its Opening Brief.

for additional procurement. The full realization of use of emerging Preferred Resources,[3] particularly demand-response ("DR") and energy efficiency ("EE"), as well as expected deployment of small-scale renewables, was not thoroughly reflected in CAISO's, SDG&E's or SCE's analyses of future grid needs.

Critically, additional information that could inform a procurement decision will be available within ninety days of when the administrative law judge in this case will likely issue a proposed decision. CAISO will publish its 2013/2014 Transmission Plan in the first quarter of 2014, and the California Energy Commission ("CEC") will release its Demand Forecast for 2014-2024,which will include an updated estimate of additional achievable energy efficiency, along the same timeline. In this respect, EDF endorses the Natural Resource Defense Council's ("NRDC") recommendation in its Opening Brief for the Commission to institute a Phase 2 of Track 4 to incorporate those two studies into a Track 4 decision.[4] Such an approach would provide the Commission with a fuller body of evidence from which to render its final decision with no threat to reliability. Waiting until early next year would in fact be quite pragmatic given the multi-million dollar expenditure and adverse environmental consequences that could be triggered by an unnecessary procurement authorization. Should the Commission issue a decision authorizing procurement without the additional CEC and CAISO studies, it should be ready to amend the decision to reflect the new information.

[3] Preferred Resources are defined in the State's Energy Action Plan II as follows: "The Energy Action Plan supports a "loading order" of Preferred Resources to meet California's increasing energy needs. Energy efficiency and demand response are first, followed by renewable sources and clean distributed generation. To the extent that these efforts are unable to satisfy increasing energy and capacity needs, the state supports clean and efficient fossil-fired generation. Concurrently, electricity transmission infrastructure must be improved to support the development of renewable energy sources."

[4] NRDC Opening Brief, pp. 14-17. EDF also notes that some existing generation facilities located in San Diego may have the ability to add low-cost synchronous condensor capacity; these resources should be fully explored in CAISO's studies, while policing against any attendant adverse environmental consequences.

Likewise, if the Commission authorizes procurement, EDF respectfully requests that the Commission limit these resources to preferred ones, such as demand response, energy efficiency and voluntary time of use ("TOU") rates.[5] To proceed otherwise would undermine the intent of the state's loading order and begin to threaten California's vision for a clean energy future as codified in state law and policy. In particular, and as stated in its testimony and Opening Brief, EDF estimates in Southern California Edison's service territory that if just 20 percent of ratepayers adopted the utility's existing voluntary TOU rate, peak demand would fall by almost 630 megawatts ("MW"), more than enough to address that utility's uncertain need for 500 MW. If half of Edison's ratepayers adopted the TOU tariff, that is already available, almost 1,600 MW of peak demand would be avoided, or two-thirds of SONGS capacity.[6] No party in this proceeding disputed this analysis.

EDF respectfully requests specific additional mechanisms to ensure that Preferred Resources are secured first.[7] EDF supports Vote Solar's position encouraging the Commission to guard against backsliding away from Preferred Resources.

III. CONCLUSION

The closure of SONGS and impended shuttering of once-through-cooling fossil fuel plants have put California at a critical juncture, with the opportunity to make decisions now that will impact the state's energy future for decades to come. EDF strongly recommends that the Commission deny the utilities' additional procurement requests while awaiting new information

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[5] While AES states in its Opening Brief that proposed transmission upgrades could result in higher net emissions by enabling more polluting resources located outside the region to be tapped, EDF notes that such an outcome would occur only if the proper amount of Preferred Resources is not secured. EDF sees AES' assertion as the basis for a Preferred Resources-only approach, rather than providing support for additional procurement of in-region fossil fuel generation.

[6] EDF-1, p. 13.

[7] It is important to note, however, that EDF does not support storage-supported gas' inclusion as a Preferred Resource, since this asset would perform similarly to a traditional fossil fuel generating facility.

from ongoing CEC and CAISO studies. If the Commission does decide to authorize more procurement, EDF recommends that it limit these to Preferred Resources, including demand response and other options outlined above.

In addition, EDF requests that the Commission include the following Finding of Fact in its decision:

> "In this proceeding EDF has presented uncontested evidence that time variant rates have an ability to reduce loads at particular times, thereby lowering the need for capacity and reducing utility costs and associated rates. Analysis based on Commission-sanctioned utility marginal cost data and studies of ratepayer response to prices submitted by EDF in this case indicates that the active use of voluntary time of use rates would significantly obviate the need for additional procurement in Southern California."

EDF also requests the following Finding of Law:

> "As part of any deployment of Preferred Resources to address additional procurement authorization in this proceeding, SDG&E and SCE should actively work to increase adoption of demand-response programs, including voluntary time-variant rates. These rates should be structured so that peak/off-peak rate differentials and seasonal-pricing effectively encourage ratepayers to manage their electricity use to the benefit of the grid."

Respectfully signed and submitted on December 16, 2013

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