

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
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES ON
TRACK 4 (SAN ONOFRE NUCLEAR GENERATING STATION)**

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SUMMARY OF RECOMMENDATIONS

In its Opening Brief in Track 4, pursuant Rule 13.11 of the Commission's Rules of Practice and Procedure, the Center for Energy Efficiency and Renewable Technologies (CEERT) provided a Summary of its Recommendations at pages iv through vii following the table of authorities. CEERT's Reply Brief, like its Opening Brief, continues to support those recommendations and incorporates them in full herein along with Appendix A (Proposed Findings of Fact and Conclusions of Law) of its Opening Brief.

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits this Reply Brief in Track 4 (San Onofre Nuclear Generating Station (SONGS)) of the Commission's Long Term Procurement Plan (LTPP) Rulemaking (R.) 12-03-014. This Reply Brief is timely filed and served pursuant to the Commission's Rules of Practice and Procedure (Rule 13.11) and the Administrative Law Judge's (ALJ's) Ruling setting the briefing schedule.¹

**I.
CEERT'S RECOMMENDATIONS, AS AMPLIFIED HERE IN REPLY TO OTHER
PARTIES' OPENING BRIEFS, SHOULD BE ADOPTED TO ENSURE RESOLUTION
OF TRACK 4 CONSISTENT WITH APPLICABLE LAW, POLICY, AND FACT.**

In its Opening Brief, CEERT addressed in detail the legal and policy precedent that governs the issues raised in this LTPP Track 4 (SONGS). In addition, CEERT's Opening Brief reviewed and responded to the positions of other parties and offered Track 4 record and legal support for CEERT's arguments and recommendations.

CEERT's review of the 30 briefs it received does not alter, but instead fully supports the detailed legal argument and record analysis offered by CEERT in its Opening Brief in support of its recommendations. To avoid burdening the record further, CEERT incorporates by reference CEERT's Opening Brief, including its recommendations and Proposed Findings of Fact and

¹ Reporter's Transcript (RT) at 2304 (ALJ Gamson); ALJ's Ruling on Briefing Schedule and Instructions sent by electronic mail to the R.12-03-014 (LTPP) Service List on November 4, 2013.

Conclusions of Laws (Appendix A thereto) in reply to the Opening Briefs of other parties, with additional elaboration described below.

In sum, it is CEERT's position that the arguments offered in the Opening Briefs of the California Independent System Operator (CAISO), Southern California Edison Company (SCE), and San Diego Gas and Electric Company (SDG&E) merely mirror the testimony and recommendations each has made in Track 4. These recommendations will result in the Commission authorizing significant additional *gas-fired generation* procurement that, in turn, will require development of new, long-life (30 years) GFG plants in one of the most pollution sensitive areas of California on a permanent, *not* interim, basis.

CEERT has fully responded to these positions in its Opening Brief and offered alternative recommendations based on sound legal, policy, and record arguments. While grid reliability, especially in the Southern California area in the absence of SONGS, must be maintained, the Commission must avoid, where possible, making irreversible, high-impact decisions contrary to its responsibilities to maintain reasonable rates and follow this State's environmental policies and mandates. A decision that results in additional in-basin GFG is simply not required, especially in response to a very rare event for which preferred resources and other mitigation are available today either as permanent or "bridge" solutions.

Thus, it remains CEERT's position that this Commission can address local reliability needs in a manner that also meets the Commission's responsibility to maintain reasonable rates and implement the State's environmental policies, including adherence to the Loading Order *and* achievement of greenhouse gas (GHG) emissions reductions. That approach requires fully accounting for all mitigation measures to reduce any local need in the absence of SONGS, while

relying in the first instance on Loading Order preferred resources to meet any *incremental* need found to exist beyond that already authorized in Track 1.²

CEERT is clearly not alone in urging that outcome based on the Track 4 record and applicable law. Notably, CEERT commends to the Commission’s consideration the thoughtful and well-supported Opening Briefs filed by the Office of Ratepayer Advocates (ORA), the California Large Energy Consumers Association (CLECA), the Natural Resources Defense Council (NRDC), the Environmental Defense Fund (EDF), the California Environmental Justice Alliance (CEJA), Sierra Club of California (Sierra Club), EnerNOC, Inc. (EnerNOC), the City of Redondo Beach (Redondo Beach), the Cogeneration Association of California and the Energy Producers and Users Coalition (CAC/EPUC), and Vote Solar Initiative (Vote Solar).³ Key additional points and recommendations made by four of these parties – ORA, CLECA, NRDC, and Redondo Beach – merit the Commission’s further attention, as discussed below in Section II.

With respect to the CAISO and utility positions in their Opening Briefs, the starting point for CAISO remains its conclusion that the incremental LCR need after Track 1 is 2400 to 2600 MW in 2022 with the retirement of the non-Once-Through-Cooling (OTC) generators in the Los Angeles (LA) Basin.⁴ However, it is also clear that transmission mitigation, like the Mesa Loop In, along with the prospect of large-scale pumped storage projects (including the Lake Elsinore Advanced Pumped Storage Project) and Demand Response (DR), which the CAISO has inappropriately consigned to a post-second contingency, can easily meet that need with no more GFG authorization than has already been given in Track 1 (1200 MWs) of this LTPP. Of

² CEERT Opening Brief, Summary of Recommendations, at pp. iv-vii; Appendix A (Proposed Findings of Fact and Conclusions of Law).

³ Protect Our Communities Foundation (POC) also offered arguments focused on the impropriety of CAISO’s and SDG&E’s LCR need projections “using the N-1-1 as the limiting contingency.” (POC Opening Brief, at p. 2.)

⁴ CAISO Opening Brief, at pp. 9-11.

further significance, there *is* time to use transmission/voltage support while energy efficiency (EE) and DR resources, with attributes specific to meeting reliability needs, are developed.

Although CEERT does not support any procurement authorization being granted to SCE or SDG&E in Q1 2014 for the many reasons cited in its Opening Brief,⁵ it does appreciate SCE's commitment to preferred resources in the form of its Track 1 preferred resources procurement and planned "Living Pilot."⁶ CEERT believes, as detailed in its Opening Brief, that there is room for further work on SCE's vision for a "balanced approach to filling the need for new LCR resources," but certainly endorses SCE's goal "to seek innovative, low air emissions solutions to the reliability concerns created by retirement of OTC facilities, including SONGS."⁷

CEERT is also intrigued by SCE's statement in its Opening Brief that provides further clarification of its testimony on the scope of a Track 4 decision issued in Q1 2014. Thus, SCE states:

"The ISO is currently analyzing the 2013-2014 Transmission Planning Process (TPP). In January, 2014, the ISO will post a draft report of the 2013-2014 TPP that will include the ISO's 'comprehensive transmission plan findings in terms of reliability upgrades, policy upgrades, [and] economic upgrades.' *At that point, the Commission will have sufficient information about the TPP to apply to Track 4.* As SCE suggested in Exhibit SCE-1, if the ISO's 'analysis suggests that the additional LCR resources are not required, the Commission can withhold its approval until it fully deliberates the ISO's additional Track 4 analysis and procurement recommendations.'" (Footnotes omitted.)⁸

These statements support CEERT's longstanding position that the 2013-2014 TPP results can and must be accounted for in authorizing any Track 4 procurement on a *permanent* basis.

⁵ CEERT Opening Brief, at pp. 17-45 (arguing, among other things, "that inclusion of the 'additional evidence' of the [2013-2014] TPP results will create a better record than at present to determine both LCR needs without SONGS and the best means (in particular, preferred resources) to reduce or meet that need without jeopardizing timeliness" and that failure to account for these facts "effectively 'jumps the gun' and fails to account for not just the 2013-2014 TPP results, but also changes in load forecasts and results of Track 1 RFOs (particularly for preferred resources), among other things, that will be known by the first part of 2014 and will impact any Track 4 need assessment." (*Id.*, at pp. 19-20.)

⁶ See, e.g., SCE Opening Brief, at pp. 24-26.

⁷ SCE Opening Brief, at p. 4.

⁸ *Id.*, at p. 27; emphasis added.

Thus, the only strategy that could be considered “no regrets” for the Commission in these circumstances is one in which *no final* procurement authorization is granted until this information is made available and fully considered.⁹ This issue of next steps is discussed further below with a procedural recommendation that will also ensure that any ultimate RFO issued to meet Track 4 LCRs is matched to the identified need and fairly and fully considers preferred resources to meet that need first.

CEERT, however, can find nothing as positive as SCE’s goal in SDG&E’s approach to Track 4, given SDG&E’s ongoing, rigid, and misplaced adherence to recommendations that demonstrate little enlightenment on SDG&E’s part regarding the need to look first to zero carbon or, at least, “low” air emissions “solutions” in meeting any identified Track 4 need. Thus, SDG&E maintains its position that “preferred resources” and storage should only result from silo-ed proceedings and programs, and the only “procurement” that should take place to meet its requested 550 MW authorization should be limited to conventional supply-side generation resources.¹⁰

The Commission should take this opportunity to *correct* SDG&E’s mistaken belief that continued reliance on conventional generation to solve its energy needs complies with State policy and law. Specifically, the Commission should reject SDG&E’s approach and direct SDG&E to meet its energy needs first with *dedicated procurement* of preferred resources and storage, including large-scale pumped storage for which *this proceeding* is to provide the procurement mechanism.¹¹

⁹ This same point has been made and supported in NRDC’s Opening Brief. (NRDC Opening Brief, at p. 19.)

¹⁰ SDG&E Opening Brief, at p. 4.

¹¹ CEERT Opening Brief, at pp. 34-35. See also, NRDC Opening Brief, at p. 19 (advocating the “creation of a SDG&E Preferred Resources Pilot”); Opening Brief of California Energy Storage Alliance (CESA), at pp. 15-16.

As CEERT stated in its Opening Brief, while renewable generation, a preferred resource, can bid into SDG&E’s proposed RFO, SDG&E’s limited generation-only RFO “is still at odds with D.13-02-015 (Track 1) and D.13-10-040 (Storage) in excluding all other preferred resources and storage and clearly SDG&E requires a ‘mandate’ from the Commission to actively procure those resources meet its Track 4 needs.”¹² In fact, the role that can and should be played by large-scale pumped or bulk storage alone and in combination with renewable generation in meeting energy needs in a manner that moves toward decarbonizing the grid has specifically been detailed in the Opening Briefs of several parties, including CEERT.¹³ The existence of these storage resources certainly requires that the Commission not authorize any “additional procurement of energy and capacity from gas-fired resources inside the LCAs...than is absolutely necessary” and that SDG&E be required to look to Loading Order preferred resources and storage first in any procurement authorized in Track 4.¹⁴

Unsurprising, but disappointing nonetheless, are also the positions taken by three parties representing or supporting reliance on additional gas-fired generation (GFG) to meet any incremental LCR need identified in Track 4. These parties - the Independent Energy Producers (IEP), NRG Energy, Inc. (NRG Energy), and AES Southland (AES) – advance positions that seek to discredit the Commission’s Loading Order, preferred resources, and reasonable mitigation measures in addressing a rare contingency. Instead, these parties favor immediate and *permanent* procurement authorization by the Commission significantly above that requested by

¹² CEERT Opening Brief, at p. 47. See also, NRDC Opening Brief, at p. 19.

¹³ Opening Brief of Alton Energy, Inc. (Alton Energy), at p. 4; Opening Brief of Eagle Crest, Inc. (Eagle Crest), at 6; Opening Brief of Nevada Hydro Company (Nevada Hydro), at pp. 3-8, 13 (stating that “[a]dvanced pumped storage (‘APS’) can optimize the mix of resources more efficiently, while at the same time providing real-time ancillary grid support and flexibility that gas-fired generation (‘GFG’) is not designed to provide.” (*Id.*, at p. 6.)).

¹⁴ Eagle Crest Opening Brief, at p. 4.

SCE and SDG&E for Track 4 to be met only by GFG resources to be located in dense urban areas of Southern California.¹⁵

Thus, AES contends, among other things, that SCE should be authorized to procure “an additional 1,440 MW” in the LA Basin, that transmission alternatives, including the Mesa Loop-In, are “speculative solutions” that should be rejected as a basis to reduce LCR need in the LA Basin, and that “in-basin generation should be the preferred alternative” in meeting any Track 4 need since SCE’s Preferred Resources Scenario “presents significant additional uncertainty” and its “Living Pilot” Program “is extremely risky.”¹⁶ NRG Energy also questions consideration of transmission alternatives, including the results of the CAISO’s 2013-2014 TPP, and, along with IEP argues that procurement of “uncertain” or undependable preferred resources, especially where the characteristics of these resources to meet LCRs have not been defined with “certainty and precision,” is effectively an inappropriate “carve out” of need to be met by these resources.¹⁷

IEP also seeks to misrepresent and exaggerate the thoughtful recommendations made by multiple parties for use of load shedding as a “short-term” or “interim” bridge,¹⁸ claiming that these parties are “proponents” of apocalyptic “blackouts.”¹⁹ As The Utility Reform Network (TURN) advises in its Opening Brief, it is certainly “not proposing ‘blackouts’ as an answer to LA Basin and San Diego reliability needs,” but rather offers limited load shedding as a modeling assumption that “would save significant costs to residents and businesses to address a contingency that the record shows is extremely unlikely ever to occur.”²⁰

¹⁵ IEP Opening Brief, at pp. 26-38 ; NRG Energy Opening Brief, at pp. 1-22; AES Opening Brief, at pp. 3-19.

¹⁶ AES Opening Brief, at pp. 3, 5, 12, 15. 16

¹⁷ NRG Energy Opening Brief, at p. 2, 11, 16, 17 (also questioning whether transmission mitigation alternatives have the “characteristics need to ensure reliable service to load” (Id., at p. 13)); IEP Opening Brief, at p. 3

¹⁸ See, e.g., Sierra Club Opening Brief, at p. 25.

¹⁹ IEP Opening Brief, at pp. 17-19.

²⁰ TURN Opening Brief, at p. 17.

In addition, IEP urges an “all source solicitation,” where it claims “preferred resources” can “fairly compete,” but does not explain how that is possible after ruling out these resources as having the “attributes” necessary to meet a Track 4 need.²¹ IEP further argues that this solicitation should be “no regrets,” meaning that there should be no reduction in that amount after authorization is given, because “[d]evelopers of generation who response...should not be subject to having their contracts cancelled *if later events do not turn out exactly as forecasted.*”²² Most alarming, IEP seeks to support its arguments by effectively *reversing* the Loading Order without any legal or factual foundation.²³

If the “attributes” have not yet been defined for Loading Order preferred resources to meet Track 4 need, how is there confirmation that GFG is the “right” answer either? Not only is there no fair basis for comparison, but those who advance GFG do not account for critical considerations of mandated GHG emission reductions or permitting challenges for new in-basin fossil-fueled power plants. Further, by excluding preferred resources and failing to acknowledge that the need for GFG plants arises only in an extreme emergency, what the Commission will be doing is to grant *permanent* authority to select generators. In so doing, the Commission will be acting contrary to its own environmental policies and will be providing “preferential” treatment for GFG that its proponents claim is inappropriate for preferred resources. Such a conclusion of a preferential outcome is certainly warranted if procurement from GFG resources will take place regardless of whether “events do not turn out as forecasted.”²⁴

²¹ IEP Opening Brief, at p. 36.

²² *Id.*, at p. 30; emphasis added.

²³ *Id.*, at pp. 35-36.

²⁴ *Id.*, at p. 30.

In fact, new GFG generation in the LA Basin to meet the rare, *emergency* contingency at issue in Track 4 will result in the development of the equivalent of *large-scale back-up generator (BUG)*. Given that this Commission has adopted a policy of prohibiting RA credit for BUGs,²⁵ it would be an incredible departure from that policy to authorize more new GFG generation in the LA Basin, one of the most pollution-critical areas of the state, to meet a rare, emergency contingency with a power plant that has a life of 30 years, well beyond the time when GHG emissions reductions are the expected goal. In addition, such authorization has the effect of creating a *set-aside or carve-out* for GFG, which its proponents claim is inappropriate for preferred resources, and could lead to the further prospect, as Redondo Beach has pointed out, of creating market power in only a few companies.

These circumstances, along with others identified by CEERT and like-minded parties, demand that the Commission adopt a thoughtful well-supported policy that results in the development of a meaningful portfolio of resources *based on the Loading Order* to meet local and system energy needs in this State. In fact, CEERT is gratified that not all GFG representatives seek to discredit the Loading Order here and fully supports CAC/EPUC's conclusion in its Opening Brief that “[r]equiring the utilities to give priority to first acquiring ... preferred resources not only enforces the Commission's prior order [D.13-02-015] but also reinforces the Loading Order.”²⁶

Unfortunately, the same understanding of the Loading Order is not only lost on other GFG advocates, but also Pacific Gas and Electric Company (PG&E). In a clear effort to suggest

²⁵ In D.11-10-003, the Commission found that it did “not want to allow fossil-fueled emergency back-up generation to receive system or local RA credit as demand response resources,” stating that “demand response programs that rely on using back-up generation were contradictory to our vision for demand response and the Loading Order.” (D.11-10-003, at p. 26.) If such a principle applies to a preferred resource (demand response), it certainly should carry the same or greater weight for large-scale GFG that will serve the same purpose. Further, D.11-10-003 makes clear that back-up generation, which “typically uses high emitting fossil fuels, ... is far below demand response according to the Loading Order.” (*Id.*, at p. 28.)

²⁶ CAC/EPUC Opening Brief, at pp. 2, 6.

that PG&E knows what is best, *not for its own customers*, but rather *the customers of SCE and SDG&E*, PG&E's Opening Brief recommends immediate, "no regrets" procurement authorization for SCE and SDG&E that goes far beyond anything either utility or the CAISO has requested here and without any reduction for procurement by these utilities already being undertaken (Track 1) or pending approval (Pio Pico).

Thus, PG&E asks the Commission to adopt an incremental Track 4 LCR need of 3,300 MW for SCE and 1,770 MW for SDG&E.²⁷ In doing so, PG&E remarkably asks that the Commission reject SCE's and SDG&E's own proposals for balancing or reducing its need through transmission mitigation measures and seeks to discredit SCE's reliance on preferred resources.²⁸ While claiming that it "supports the use of preferred resources," PG&E then states that it cannot be "assume[d], at this stage," that these resources will materialize.²⁹

PG&E's arguments are not only at odds with the record and law applicable to Track 4 *and* Track 1, but seek to put PG&E in the position of the Commission with authority to regulate the decisions and actions of *other* investor-owned utilities (IOUs). Obviously, no legal basis exists for any such action by a private company with no governmental authority in this regard. Further, while the Commission has been sensitive to avoiding "micro-management" of utility decisions on behalf of its customers, *no basis* exists for one IOU to presume to know how another IOU should best serve its customers. PG&E's brief is simply an exercise in hubris; it should be summarily dismissed.

In sum, it remains CEERT's position that the Commission must again confirm its commitment to the Loading Order of preferred resources in the same manner as D.13-02-015 (issued in Track 1). In addition, the Commission should find that the Track 4 record does not

²⁷ PG&E Opening Brief, at pp. 5, 7.

²⁸ *Id.*, at pp. 5-8, 9.

²⁹ *Id.*, at p. 12.

support or justify any “interim” procurement authorization for either SCE or SDG&E by January or Q1 2014; that a decision in Track 4 can await, and must consider, multiple near-term changes in key assumptions (i.e., CAISO’s 2013-2014 TPP draft or results, changes in load forecasts, and results from Track 1 preferred resources procurement); and that such a decision can be timely issued by June or July 2014.

CEERT also believes that it is appropriate for the Commission to consider, for purposes of next steps in this Track 4 or the 2014 LTPP, the multiple, meaningful proposals offered by parties in response to the Commission’s “Living Pilot” Symposium held on November 6, 2013. Among them were two CEERT proposals based on the merits of including a GHG “adder” in any all-source procurement going forward to account for and ensure consideration of resources that will in fact contribute to the GHG emissions reduction expected in 2020 and going forward.

Alternatively, if the Commission does move forward to grant procurement authorization in January or Q1 2014 based on the current record, CEERT renews its request that the Commission should only grant procurement authorization that is truly “interim” in nature and requires, or, as other parties have urged, is based on, first procuring preferred resources and storage. In fact, CEERT believes that any GFG procurement authorization given in January or Q1 2014 *must be subject* to a “true-up” before that authorization can be confirmed. Specifically, it appears that part of the “hurry” in authorizing any procurement now is the time it may take to issue Requests for Offers (RFOs) and finalize contracts for Commission approval. However, SCE, as discussed in CEERT’s brief, has suggested that this procurement would simply be an extension of its already existing Track 1 RFO or results from that RFO. While CEERT disagrees with the propriety of using that Track 1 RFO, especially where the “need” is ostensibly different

in Track 4,³⁰ it could be a starting point for the *public* discussion of what elements should be in that solicitation, which can take place in a timely manner that can also account for reductions in Track 4 need resulting from transmission mitigation or preferred resources procurement.

To this end, CEERT believes that a January or Q1 Track 4 decision should only authorize procurement on an interim basis subject to change based on a public workshop and comment process held in early April 2014 that can account for changes in the “need” assessments resulting from the CAISO’s TPP *and* results from SCE’s preferred resources procurement. At the same time, parties should have the opportunity to address needed changes in any required RFO.

II.
CALIFORNIA’S ENERGY CONSUMERS AND ITS ENVIRONMENT
WILL BENEFIT FROM COMMISSION CONSIDERATION OF
“BETTER SOLUTIONS” IN TRACK 4 THAN SIMPLY AUTHORIZING
MORE CONVENTIONAL GENERATION RESOURCE PROCUREMENT.

Among the briefs that underscore and support many of the recommendations made by CEERT are four that offer additional insights and recommendations from the perspective of ratepayers (ORA and CLECA), the environment (NRDC), and impacted communities (Redondo Beach). In this regard, as its primary recommendation in its Opening Brief, CEERT argued for consideration of near-term information and mitigation measures before making any finding of a Track 4 need. If, however, procurement were authorized, CEERT had urged, in the alternative, for the Commission to avoid “open-ended invitations for gas-fired resources” to fill all of any authorized Track 4 procurement and instead follow D.13-02-015 to establish at least the same basic proportional procurement of gas-fired to preferred resources and storage in meeting any Track 4 need. It is CEERT’s position that this proportionality is not a simple “carve-out,” but is

³⁰ For example, the allowable substations for delivery in the Track 1 RFO do not include the critical substations in Southern Orange County identified as the most effective locations for mitigating the need identified by the CAISO in Track 4. In fact, *any* resource flowing from SCE’s Preferred Resource Pilot would be declared a non-conforming bid – regardless of technology or “attributes” in the Track 1 RFO, which focuses on the West Los Angeles Basin and the Venture/Big Creek area.

required to meet the Loading Order’s priority resource preferences and continue forward progress in meeting this State’s environmental and climate goals.³¹

In its Opening Brief, ORA offers the ratepayer’s perspective in urging the same reliance in the first instance on Loading Order preferred resources to identify or meet Track 4 needs. ORA demonstrates that “[u]sing preferred resources to meet LCR presents new opportunities” and that any “challenges” are not insurmountable, but are being actively addressed in current proceedings before this Commission and the CAISO.³² Thus, ORA recommends, as CEERT has done, that any Commission Track 4 procurement authorization must be based on “a complete record of available solutions” (i.e., the CAISO’s 2013/2014) and must “minimiz[e] total procurement,” where there is time to review that need “based on more accurate information.”³³

However, ORA goes further to recommend, based on detailed record analysis, that *if* the Commission authorizes Track 4 procurement now, it should be for “1315 to 1450 MW, with an emphasis on preferred resources.”³⁴ More specifically, ORA recommends that the Commission “authorize procurement of at least 1100 MW... of preferred resources: 700 MW in SCE service territory and 400 MW in SDG&E service territory,” with SDG&E authorized “to procure between 215 and 350 MW of resources in an all-source RFO.”³⁵

ORA’s Opening Brief provides detailed record support and analysis (through multiple figures) for its recommendations and further demonstrates that if “preferred resources do not materialize soon enough or in a sufficient amount,” there “are options available to maintain

³¹ CEERT Opening Brief, at pp. 47-48.

³² ORA Opening Brief, at pp. 25, 26.

³³ *Id.*, at pp. 11-12, 23, 25.

³⁴ *Id.*, at pp. 11-13.

³⁵ *Id.*, at pp. 13-14.

reliability” as a “bridge” or in transition to cleaner, carbon-free resources to meet energy needs consistent with the Loading Order.³⁶

CEERT believes that the kind of analysis provided by ORA is exactly how this Commission should be addressing the issue of Track 4 needs today. That is, the Commission must start, not by ignoring the impacts of more 30 year commitments to GFG, but by understanding that identifying a “plan” to meet that need begins *first* by providing opportunities to preferred resources to meet that need and consider other options as a means to create temporary or interim bridges to fill in or extend time for those resources to fully materialize. What is an *inappropriate* approach is to rely on resources that will *preclude* preferred resources from meeting this need, not just on an “interim” basis, but for the next 30 years.

For the large energy consumers or ratepayers, CLECA’s Opening Brief is also a strong statement of customers’ interest in avoiding unnecessary costs being incurred by IOUs and recovered in rates to offer reliable service, especially for procurement decisions adverse to the State’s environment. Thus, as a first point, CLECA states that the “Commission must consider the costs and other impacts of an additional 500 MW procured by SCE and over 1000 MW for SDG&E for a *very low probability contingency*.”³⁷ Pointing to “the imminent completion of the ISO’s Transmission Planning Process, anticipated rate design impacts on load shape, and development of characteristics for demand response to meet local needs,” CLECA states that consideration of “the lawful use of controlled load shedding as an interim bridge solution” is appropriate, and these factors collectively make “the costs of any additional procurement” in Track 4 unjustified and resulting rates unreasonable.³⁸ In fact, from CLECA’s perspective,

³⁶ ORA Opening Brief, at pp. 15-23, 26.

³⁷ CLECA Opening Brief, at pp. 1-2; emphasis added.

³⁸ *Id.*, at p. 2.

“allowing additional procurement beyond what has been authorized in Track 1 could needlessly crowd out preferred resources, such as demand response.”³⁹

CLECA specifically warns against the Commission spending “ratepayer money to add yet another roughly 500-1500 MW in resources that *will rarely if ever be used*” where other mitigation options, including limited controlled load shedding is available as an interim or “bridge solution.”⁴⁰ For CLECA, this is especially true to avoid given near-term changes in usage patterns by IOU customers and the prospect, in light of SCE’s plan to “roll any additional procurement authority from this Track 4 into its existing Track 1 authority,” of “procurement of larger or more conventional generation plants.”⁴¹

Given that this Commission’s primary responsibility is to ensure electric service at just and reasonable rates, consistent with the State’s environmental goals, the positions taken here by ratepayer advocates (ORA and CLECA) that span all customer groups cannot be ignored. There is simply no appetite by these very customers, which the Commission has the duty to protect, for the Commission to adopt “easy,” short-term options that will have long-term consequences in terms of cost and the environment.

With respect to environmental impact, NRDC was among environmental organizations appearing in Track 4 that concluded that no additional conventional resources should be authorized for procurement by SCE or SDG&E based on the current record. NRDC’s Opening Brief, however, also provides detailed analysis of why and how CAISO’s and the IOUs’ study results “overestimate actual needs.”⁴² As supported by the record, NRDC demonstrates that these studies were based on excluding “significant amounts of energy efficiency and demand

³⁹ CLECA Opening Brief, at p. 2.

⁴⁰ *Id.*, at pp. 4-6; emphasis original.

⁴¹ *Id.*, at pp. 9-10.

⁴² NRDC Opening Brief, at p. 1.

response” (Loading Order preferred resources) and failing to “account for the updated” California Energy Commission demand forecasts for the local areas at issue in Track 4, making it “premature and imprudent for the Commission to adopt a final need determination, or authorize any gas-fired generation” based on those model results.⁴³

Similar to CEERT, NRDC asks that, at the least, the Commission “extend this Track 4...into a second phase, in order to incorporate material and updated information in Q1 2014,” including the Updated CEC final demand forecast for 2014-2024 and the 2013-2014 TPP, “before making any procurement decisions.”⁴⁴ Alternatively, like CEERT and ORA, NRDC asks that, *if* procurement authorization is granted in Q1 2014, the Commission must do so in a manner that incorporates “the Loading Order in LCR Procurement.”⁴⁵ This request, while common to other parties, including CEERT, has special significance given the attempt by IEP, as discussed above, to effectively re-write or reverse the Loading Order. NRDC makes clear that this effort is unsustainable and unsupported, especially where it effectively demotes or ignores energy efficiency and demand response as “top priority” resources in California.⁴⁶

In fact, NRDC correctly concludes that the *only* “‘no regrets’ strategy” for the Commission, given the Loading order, is to “limi[t] the authorization to only cost effective preferred resources.”⁴⁷ As NRDC makes clear, it is only these resources that “save customers money;” are “more modular than gas-fired generation, so can be better tailored to specific procurement targets;” and are “more easily reduced if subsequent information reveals that such authorizations” were too high; and can be better tailored to evolving locations of need over time. In contrast, “‘steel in the ground’ gas fired generation is committed to one location regardless of

⁴³ NRDC Opening Brief, at pp. 1-3. See also, NRDC Opening Brief, at pp. 4-13.

⁴⁴ *Id.*, at p. 14.

⁴⁵ *Id.*, at p. 17.

⁴⁶ *Id.*, at p. 17.

⁴⁷ *Id.*, at p. 19.

future changes to where the most effective location for resources may be in the local area.”⁴⁸ NRDC correctly reaches the inescapable conclusion that “[a]s the grid and population centers evolve, preferred resources can better adapt to new grid needs than can gas-fired generation.”⁴⁹ For SDG&E, NRDC, like CEERT, asks that the Commission require SDG&E to procure the entirety of any authorization for additional resources “through the creation of a SDG&E Preferred Resources Pilot.”⁵⁰

Finally, in terms of community impacts of long-term conventional resource additions in urban areas, the Opening Brief of Redondo Beach offers both thoughtful and key considerations that simply cannot be ignored by the Commission in determining whether to authorize procurement that will result in new GFG development. While Redondo Beach does propose that 2022 local reliability needs in Los Angeles and San Diego sub-areas be met with some portion of GFG resources, it asks that nearly double that amount be provided by “additional preferred resources.”⁵¹ In fact, it is Redondo Beach’s position that, given SCE’s Track 1 authorization, “the authorization of about 1200 MW of additional preferred resources (including storage) is a prudent Track 4 authorization” for SCE in LA at this time.⁵²

While these preferred resources recommendations mirror those made by other parties, Redondo Beach also makes key points regarding the risks of authorizing more conventional GFG procurement now for customers and impacted communities. Thus, Redondo Beach states that its proposal is specifically aimed at addressing “the market power issue that is imbedded in less optimal proposals that rely solely on GFG purchases tied to a handful of specific brownfield

⁴⁸ NRDC Opening Brief, at p. 19.

⁴⁹ *Id.*, at p. 19.

⁵⁰ *Id.*, at p. 19.

⁵¹ Redondo Beach Opening Brief, at p. 1.

⁵² *Id.*, at p. 1.

coastal locations in the Western LA basin LCR sub-area.”⁵³ By relying “on a broader scope of locations throughout the Western LA basin sub-area,” Redondo Beach’s proposal also provides “greater limitations on the ability of local owners of convention[al] generation to exercise market power.”⁵⁴ Redondo Beach believes that it is important to have offered “a measured and sensible program of preferred resource development while, at the same time, limiting the ability of local owners of conventional generation to exercise market power.”⁵⁵

Redondo Beach also notes that “uncertainties” regarding the success of preferred resources in meeting this need also exist “for the solutions presented by SCE, CAISO, and SDG&E.”⁵⁶ In fact, the “mere existence of uncertainty...should not prevent parties from proposing better solutions for a given set of assumptions” and is in fact the reason Redondo Beach does not recommend that the Commission “commit to large generation or transmission infrastructure additions.”⁵⁷

Redondo Beach’s recommendations also extend to asking the Commission to develop a “process to check and measure the development of preferred resources over the next 3-5 years in LA” and, if found to have “fallen short of the 200 or 2002 MW annual average goal,” the Commission can adopt a “back-stop measure,” such as a controlled load-drop, to apply in the unlikely event of an extreme contingency outage, or consider other “incentives to encourage the development of more preferred resources.”⁵⁸ From Redondo Beach’s perspective interim “controlled load-drop has the potential to save consumers hundreds of millions of dollars.”⁵⁹

⁵³ Redondo Beach Opening Brief, at p. 2.

⁵⁴ Id., at p. 2.

⁵⁵ Id., at p. 3.

⁵⁶ Id., at p. 18.

⁵⁷ Id.

⁵⁸ Id., at p. 6.

⁵⁹ Id., at p. 20.

The positions of these parties, along with CEERT’s recommendations, must be taken into account in the Commission’s resolution of Track 4 and adoption of any next steps. It is critical for the Commission to take this opportunity to adopt “better solutions” for meeting reliability needs in Southern California than simply adding more long-life GFG resources in densely populated and pollution critical urban areas, especially where those “better solutions” include zero carbon or low emission resources.

III. CONCLUSION

As CEERT demonstrated in its Opening Brief, a Commission decision in Track 4 must fully consider the impact of any procurement it authorizes on the long-term energy infrastructure future of California. CEERT again urges the Commission to adopt its recommendations detailed and supported in its Opening Brief (Summary of Recommendations) and its Appendix A (Proposed Findings of Fact and Conclusions of Law),⁶⁰ with any additional direction that complies with the Loading Order as recommended by ORA and NRDC, among others, as discussed here. The approach urged by CEERT provides a way forward for this Commission to further this State’s environmental and climate goals, while ensuring reliability in Southern California.

Respectfully submitted,

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⁶⁰ CEERT Opening Brief, Summary of Recommendations at pp. iv-vii; Appendix A.