

**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 (DMG)
(Filed March 22, 2012)

REPLY BRIEF OF SIERRA CLUB CALIFORNIA IN TRACK 4

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TABLE OF CONTENTS

SUMMARY OF RECOMMENDATIONS	iii
INTRODUCTION	1
I. AN AUTHORIZATION OF PROCUREMENT IS NOT NECESSARY AT THIS TIME.....	4
A. The Commission Should Take into Account the Possibility of Load Shedding When Making the Decision About Procurement Need.	4
B. The Load Assumptions Should be Adjusted to Account for New Information and for Resources Not Considered in the Models.	8
1. The Commission Should Count Second Contingency Resources When Determining LCR Need.....	9
2. SCE’s Studies Do Not Support a New Authorization.	12
3. SDG&E’s Studies Do Not Support a New Authorization.	12
C. The Revised Scoping Memo Does Not Create a Presumption of Need.	14
D. IEP’s Argument Unnecessarily Inflates Need.	16
II. ALTERNATIVELY, IF THE COMMISSION DOES MAKE A FINDING OF NEED, ANY AUTHORIZATION SHOULD ONLY BE FILLED BY PREFERRED RESOURCES.....	17
A. Relying on the Procurement Proposals in the Preliminary Reliability Plan for the LA Basin and San Diego Is Not a “No Regrets” Procurement Strategy.	17
B. The Procurement Mechanisms Proposed by SDG&E and SCE Will Improperly Facilitate the Procurement of More Conventional Resources.	18
CONCLUSION.....	19
ATTACHMENT 1	21

TABLE OF AUTHORITIES

	Page(s)
CPUC DECISIONS	
D.13-02-015	passim
D.13-03-29	20
OTHER DECISIONS	
Assigned Commissioner and Administrative Law Judge’s Ruling Regarding Track 2	14

SUMMARY OF RECOMMENDATIONS

This Summary of Recommendations encompasses the recommendations of the Post-Hearing Opening Brief of Sierra Club California in Track 4 (“Sierra Club Op. Br.”) and this Reply Brief.

- The Commission should find that there is no procurement need for SCE and SDG&E.
- When calculating need the Commission should make the following decisions:
 - The Commission should rely on modeling assumptions that assume load shedding can be used as a ten-year bridge.
 - The Commission should use the most up-to-date Energy Commission load forecast in the record reducing need by 1321 MW.
 - The Commission should reduce need by 997 MW of demand response to account for second contingency demand response not counted by CAISO.
 - The Commission should reduce need by 616 MW of solar PV resources to account for second contingency solar PV resources not counted by CAISO.
 - The Commission should reduce need by 745 MW of energy storage resources to account for the Commission’s new energy storage mandates.
 - The Commission should reduce need by an additional 237.9 MW of distributed generation resources to account for resources not included in the modeling.
- The Commission should find that the combination of the Mesa Loop-In and SCE’s preferred resources scenario demonstrates that there is no need in SCE’s territory.
- The Commission should find that the combination of the no load shedding assumption and accounting for all the preferred resources in the SDG&E territory demonstrates that there is no need in SDG&E’s territory.
- Alternatively, if the Commission makes a finding of need for either or both SCE and SDG&E, the Commission should only authorize preferred resources to meet the identified need.

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In accordance with the Administrative Law Judge’s Order Regarding the post-hearing briefing in Track 4, Sierra Club California (“Sierra Club”) respectfully submits the following timely reply brief.

INTRODUCTION

After originally proposing no immediate authorization, CAISO now floats the idea of “no regrets” procurement strategy that supports the procurement authorization of requests of both Southern California Edison (“SCE”) and San Diego Gas & Electric (“SDG&E”). These requests should be denied because when all the authorized resources including preferred and energy storage resources are taken into account, in combination with the most recent Energy Commission load forecast, there is no demonstrated need.¹ The true “no regrets” procurement strategy is to conclude that no authorization of procurement is necessary at this time and to revisit the local reliability issues in the 2014 Long-Term Procurement Plan proceeding (“LTPP”).²

¹ See generally Post-Hearing Opening Brief of Sierra Club California in Track 4 (“Sierra Club Op. Br.”). Other parties requests for even greater amounts of authorization should be denied for the same reason. (See, e.g. Track 4 Opening Brief of AES Southland LLC, pp. 2-5; Track 4 Opening Brief of Pacific Gas and Electric Company (U 39 E) (“PG&E Op. Br.”), p. 12; Opening Brief of the Independent Energy Producers Association on Track 4 Issues (“IEP Op. Br.”), p. 3.)

² Alternatively, Sierra Club still supports not making a decision at this time and incorporating CAISO’s 2013/2014 transmission plan and the revised demand forecast into a continuation of Track 4 that has additional testimony from all parties and a hearing process.

In the next LTPP, the Commission will be able to incorporate the Energy Commission's new demand forecast and the results of CAISO's 2013/2014 transmission planning process. There, CAISO and the Commission can continue to develop programs that specifically address local reliability and promote the loading order.³ In that proceeding, the Commission can better assess the role preferred resources will play to meet the LCR needs. CAISO has made a new commitment to develop programs that allow preferred resources to meet LCR need, but at the same time CAISO refuses to count almost one thousand megawatts of demand response ("DR") already on the grid and that could be repurposed for LCR need. Since both the Commission and CAISO are developing DR programs, it is reasonable to assume that DR will be able to meet LCR need in 2022. In the meantime, load shedding, although extremely improbable and most likely unnecessary, should be considered as a bridge that allows the Commission and CAISO to develop and implement programs that specifically address local reliability and promote the loading order including investments in transmission solutions over the next ten years.

Alternatively, if a finding of need is made, this finding should only require the procurement of preferred resources. Contrary to the loading order, both SCE's and SDG&E's procurement requests may favor new natural gas resources over preferred and energy storage resources. SCE wants to combine its Track 4 authorization with its Track 1 authorization in order to allow larger combined cycle power plants to compete in its "all-source" request for offers ("RFO").⁴ SDG&E, on the other hand, makes no pretense of including energy efficiency, demand response and energy storage in its request for new procurement in this proceeding.⁵ Additionally, despite the recent decision in the Energy Storage proceeding, SCE and SDG&E both argue that this new procurement

³ See D.13-02-015, p. 3 ("[i]n the next long-term procurement proceeding, expected to commence in 2014, we will evaluate whether there are additional LCR needs for local reliability areas in California").

⁴ Opening Brief of Southern California Edison Company (U 338-E) on Track 4 Issues ("SCE Op. Br."), pp. 10-11.,

⁵ Opening Brief of San Diego & Electric Company (U 902 E) in Track 4 of the Long-Term Procurement Plan Proceeding ("SDG&E Op. Br."), p. 5.

should not be counted in the Track 4 decision even though the LCR decision in Track 1 explicitly required some energy storage to meet the LCR requirement.

California, the country and the world are at a crossroads. It is well-established that global warming is occurring and that burning fossil fuels contributes to the problem.⁶ Recognizing this, the Commission's recent energy storage partially premised the new energy storage mandates on the guiding principle of "[t]he reduction of greenhouse gas emissions to 80 percent below 1990 levels by 2050, per California goals."⁷ This decision should take a similar perspective. Track 4 addresses the replacement of the San Onofre Nuclear Generating Station ("SONGS"), which produced 2,250 MW of power without greenhouse gas emissions. Following the shutdown of San Onofre, greenhouse gas pollution from in-state electricity generation rose 35 percent due to increased use of gas-fired power plants.⁸ The construction of additional fossil fuel infrastructure to replace SONGS would be inconsistent with the view to 2050 and would send the wrong signal to jurisdictions around that are facing same issue of how to replace nuclear power. Once again, California should continue to lead on policies reducing greenhouse gas and not authorizing the procurement of new conventional generation: there is no need and California should not commit to long-term infrastructure which conflicts with the State's long-term carbon reduction goals.

⁶ See CEJA-1, pp. 38-42.

⁷ Decision 13-10-040, p. 10 (citing the Global Warming Solutions Act of 2006 (AB 32 requires California to reduce greenhouse emissions to 1990 levels by 2020. Cal. Health & Safety Code Section 38500 *et seq.* Executive Order S-3-05 (Governor Schwarzenegger, 2005) states an additional goal of reducing greenhouse emissions to 80 percent below 1990 levels by 2050).

⁸ California Air Resources Board, 2208-2012 Emissions for Mandatory Greenhouse Gas Emissions Reporting Summary (Nov. 4, 2013) (showing increase in in-state greenhouse gas emissions from 30,732,214 metric tons in 2011 to 41,610,182 in 2012 and attributing change to increase in use of natural gas as fuel due to decrease in hydroelectric generation and loss of San Onofre), available at <http://www.arb.ca.gov/cc/reporting/ghg-rep/reported-data/2008-2012-ghg-emissions-summary.pdf>.

I. An Authorization of Procurement Is Not Necessary at this Time.

A. The Commission Should Take into Account the Possibility of Load Shedding When Making the Decision About Procurement Need.

The inclusion of load shedding in the decision is a threshold issue that will significantly affect the procurement determination. Both CAISO and the Commission have reliability mandates.⁹ However, their mandates differ. The “Decision Authorizing Long-Term Procurement for Local Capacity Requirements” in this proceeding (“Track 1 or LCR Decision”) explains that difference: the “significant difference between the ISO’s reliability mission and the Commission’s reliability emphasis is that the Commission must balance its reliability mandate with other statutory and policy considerations. Primarily, these considerations are reasonableness of rates and a commitment to a clean environment.”¹⁰

The Commission should reject CAISO’s recommendation to base the procurement decision on modeling that does not consider load shedding,¹¹ because it fails to properly account for costs and it does not demonstrate a commitment to clean energy programs. CAISO focuses its argument on not allowing load shedding as a long-term planning tool, but ignores the real possibility of using load shedding as bridge;¹² in many ways load shedding as bridge is a perfect fit because the probability of load shedding occurring is extremely low and it avoids unnecessary procurement, giving the Commission the opportunity to “holistically” plan for the replacement of SONGS.¹³ A load shedding SPS would significantly reduce need relative to the procurement amount requested in SDG&E’s

⁹ D.13-02-015, p. 35.

¹⁰ D.13-02-015, p. 35; see also Opening Brief of the Center for Energy Efficiency and Renewable Technologies on Track 4 (San Onofre Nuclear Generating Station) (“CEERT Op. Br.”), pp. 8-9

¹¹ Opening Brief of the California Independent System Operator Corporation (“CAISO Op. Br.”), p. 17.

¹² CAISO, Op. Br., pp. 18-19.

¹³ See Tr., p. 1837, lns. 17-23 (a load shedding SPS in place may not ever be used); Transcript (“Tr.”), p. 1839, ln. 26 – p. 1840, ln. 1 (the SPS will not be needed at all if preferred resources and transmission projects develop according to plan); Tr., p. 1841, lns. 12-20 (load shedding becomes a viable mitigation option when load is very high, which is rare); Tr., p. 1842, lns. 9-21 (load shedding should be used as a last resort).

territory. CAISO and SDG&E minimize the impact of the load shedding SPS by arguing that it will “only” reduce need by 150 to 250 MW in SDG&E’s territory.¹⁴ However, 150 to 250 MW comprises 30 to 50 percent of SDG&E’s minimum procurement request (500 MW). Moreover, as ORA explains, Mr. Jontry of SDG&E first testified that no load shedding assumption increased need by 1,000;¹⁵ Mr. Jontry later revised that amount downward, because SDG&E considered additional reactive power that reduced need.¹⁶ However, ORA points out that SDG&E (and subsequently CAISO) used the wrong comparison when assessing the need from no load shedding:

Mr. Jontry’s downward adjustment for the amount of new generation that could be avoided based on the SPS compared the N-1-1 contingency to the G-1/N-1 contingency. The correct comparison would be N-1-1 with and without load shedding, a number that is not currently in the record.¹⁷

Additionally, load shedding saves 438 MW of procurement in SCE’s territory, makes the Mesa Loop-In more effective by an additional 500 MW and in combination with the preferred resources scenario requires no procurement authorization.¹⁸ Without load shedding, the reduced effect of the Mesa Loop-In creates additional generation need in SDG&E’s territory.¹⁹ Cumulatively, this load shedding regime can reduce procurement by more than 1,000 MW.²⁰ Given the low likelihood that a load shedding SPS would ever be relied upon and its significant impact on the procurement requests, a load shedding SPS should be considered here.

¹⁴ SDG&E Op. Br., p. 25; CAISO Op. Br., p. 26.

¹⁵ The Office of Ratepayer Advocates’ Opening Brief on Local Reliability Procurement to Account for the Closure of the San Onofre Nuclear Generating Station (“ORA Op. Br.”), p. 33; see also SDG&E-3, p. 7, lns. 11-14.

¹⁶ ORA Op. Br., p. 33.

¹⁷ *Id.*

¹⁸ Sierra Club Op. Br., pp. 21-22; see also SCE Op. Br., p. 18.

¹⁹ SCE Op. Br., p. 18.

²⁰ At least 150-250 MW of avoided procurement in SDG&E’s territory, plus 438 MW of avoided procurement in SCE’s territory, plus ~500 MW of increased effectiveness of the Mesa Loop-In. In sum, these resources eliminate the need for additional generation.

CAISO has not analyzed the benefits and costs of a load shedding regime. CAISO argues that it is too complicated to calculate the cost and benefits of a load shedding regime and that it is inappropriate to consider the probability of load shedding.²¹ CAISO then attempts to turn the tables on the burden of proof and argue that no witness analyzed the economic costs of allowing load shedding.²² TURN aptly rebuts CAISO's argument stating that "the use of [the no load shedding] assumption is entirely discretionary, is not well-documented or formally approved by the CAISO, and may well impose costs on SCE and SDG&E ratepayers that are not justified by the incremental reliability benefits for such a remote contingency."²³ TURN uses record evidence to give a rough benefit-cost analysis justifying the consideration of load shedding.²⁴ Similarly, the California Large Energy Consumers Association ("CLECA") argues that "the use of controlled load shedding . . . can meet local reliability requirements for certain low-probability contingencies while avoiding the cost of additional procurement."²⁵

CAISO also tries to justify its no load shedding position based on its contention that the load shedding issues had already been litigated in Track 1 and in A.11-05-023.²⁶ CAISO relies on its rebuttal testimony in A.11-05-023 to argue that the load shedding issue had already been resolved.²⁷ However, under cross-examination Mr. Sparks admitted that not all of the factors listed in this

²¹ CAISO Op. Br., pp. 19-20, 22-24. (CAISO argues that Mr. Powers and other witnesses were "confused" and "misunderstood" the applicable reliability standard.) Mr. Powers's testimony includes factual disagreements with CAISO, not "misunderstandings" or "confusion." (See generally SC-1, SC-2).

²² *Id.*, p. 24.

²³ Opening Brief of the Utility Reform Network on Track 4 Issues ("TURN Op. Br."), p. 5; see also TURN Op. Br., pp. 6-17 (explaining the lack of basis for CAISO's position); ORA Op. Br., p. 33 (discussing cost on the additional procurement); Sierra Club Op. Br., pp. 21 (CAISO decided not to include load shedding without assessing costs or probability of outages).

²⁴ TURN Op. Br., pp. 8-15.

²⁵ Opening Brief on Track 4 of the California Large Energy Consumers Association (CLECA Op. Br.), p. 2; see also CLECA Op. Br., pp. 3-8 (recommending that load shedding should be used as a bridge and that it will benefit ratepayers by not allowing unnecessary procurement).

²⁶ CAISO Op. Br., pp. 3, 16.

²⁷ CAISO Op. Br., p. 16.

rebuttal testimony applied to Track 4. He stated that “[t]here were some parts that were relevant,”²⁸ but other parts are less relevant.²⁹ For example, the modeling in A.11-05-023 made different assumptions about power plant retirements.³⁰ In that testimony, CAISO also justified its assumption on the potential of load growth, but on cross-examination Mr. Sparks recognized that this proceeding bases load growth on the CEC forecasts which “are practically flat,”³¹ but then argued CAISO had a theoretical concern that load would increase.³² This is belied by the most recent draft load forecast.³³ CAISO also argues that the Track 1 decision held that probability should not be considered when Track 1 used the CAISO modeling as the basis of the decision. However, in Track 1, the Commission had little choice but to use CAISO’s as the basis for its decision, because CAISO was the only party that presented modeling on the LCR requirements.³⁴ CAISO ignores the fact that the Commission adjusted the procurement authorization to account for conservative assumptions that were found to be unreasonable.³⁵ The Commission should do the same in this decision and reject CAISO’s insistence on modeling not including load shedding.³⁶

²⁸ Tr., p. 1495, lns. 2-3.

²⁹ Tr., pp. 1494, ln. 5 – 1495, ln. 4.

³⁰ *Id.*

³¹ Tr., p. 1495, lns. 9-10.

³² Tr., p. 1495, lns. 5-27.

³³ See Sierra Club Op. Br., pp. 5-6.

³⁴ See D.13-02-015, pp. 11-13; *cf.* Southern California Edison Company's (U 338-E) Opening Brief on Track I Issues, pp. 4-5 to SCE Op. Br. 2 (SCE relied on CAISO’s modeling in Track 1 although it had the capability to do the modeling).

³⁵ See D.13-02-015, pp. 48-49, 51, 56.

³⁶ CAISO contests Sierra Club’s witness Powers testimony that set identified set N-1-1 contingency should be considered a Category D rather than a Category C contingency. (CAISO Op. Br, pp. 20-21.) CEJA notes that whoever is correct about whether it is a Category C or Category D contingency, “the fact that there is a debate at all indicates that the use of this scenario to determine LCR need in Track 4 is extremely conservative.” (California Environmental Justice Alliance’s Track 4 Opening Brief (“CEJA Op. Br.”), p. 15).

B. The Load Assumptions Should be Adjusted to Account for New Information and for Resources Not Considered in the Models.

The Commission should reject CAISO's and SCE's plea to not use current information when making procurement decision.³⁷ CAISO requests that the Commission reject consideration of the new energy storage mandates, the revised demand forecast, and its own 2013/2014 transmission plan.³⁸ Yet, CAISO witness Millar's testimony sanctions the Commission making changes to the modeling results instead of rerunning the models. He states: "additional preferred resources can be identified and authorized by the CPUC, or otherwise taken into consideration beyond the already-assumed amounts to meet some portion of those residual needs without modifying the analysis already performed."³⁹ CAISO's statement in its brief that "[w]holesale changes to the input assumptions will cause delays in resource procurement that could serve to stall preferred resource deployment as well as conventional resource development"⁴⁰ is irrelevant and should be disregarded, because there is no need to change the input assumptions. The assumptions can and should be modified in the results. With the modifications described in Sierra Club's Opening Brief, the Commission should make a finding of no procurement need.

Although CAISO is willing to consider the Energy Commission's new forecast in the next LTPP, CAISO insists that procurement decisions should be made using a demand forecast that incontrovertibly contains higher demand numbers than the new forecast.⁴¹ SCE takes a different tact and simply argues that the old demand forecast does not show much change between 2020 and 2022,⁴² but SCE fails to note that the revised forecast shows a drop in demand by hundreds of

³⁷ CAISO Op. Br., p. 35; SCE Op. Br., p. 21.

³⁸ CAISO Op. Br., p. 35.

³⁹ ISO-7, p. 4, ln. 30 – p. 5, ln. 3.

⁴⁰ CAISO Op. Br., p. 35.

⁴¹ See *Id.*, p. 36.

⁴² SCE Op. Br., p. 8.

MWs.⁴³ Sierra Club agrees with the California Environmental Justice Alliance (“CEJA”) and NRDC that updated information including the revised demand forecast and new energy efficiency numbers should be used when considering need.⁴⁴

CEJA frames the need determination stating that even with CAISO using very conservative assumptions “a complete analysis of demand and available resources shows that there is no mid-term or long-term residual LCR need in the SONGS study area beyond the resources already authorized in prior proceedings. . . . [w]hen the most recent demand forecasts and energy efficiency information is considered along with already-proposed transmission solutions, no need exists.”⁴⁵

1. The Commission Should Count Second Contingency Resources When Determining LCR Need.

CAISO’s “interpretation” of how to model the second contingency resources listed in the Revised Scoping Ruling and Memo of the Assigned Commissioner and Administrative Law Judge (“Revised Scoping Memo”) is unreasonable and should not be followed. The second contingency resources – 997 MW of demand response and 616 MW of customer-side incremental PV – are too significant to limit to “extreme” circumstances, as CAISO proposes.⁴⁶ These resources represent a significant portion of the total demand response and customer-side incremental PV resources available to meet need in the SONGS study area. Rather than excluding these resources, the Commission should consider these resources when making a finding on need.

CAISO’s failure to include the 997 MW DR and 616 MW PV as local capacity resources contradicts the commitment that it and the Commission have made to increasing DR programs. In the

⁴³ Sierra Club Op. Br., pp. 5-6.

⁴⁴ CEJA Op. Br., pp. 10, 16; Opening Brief of the Natural Resources Defense Council on Track 4 Issues (“NRDC Op. Br.”), pp. 12-14.

⁴⁵ CEJA Op. Br., p. 16.

⁴⁶ See CAISO Op. Br., p. 13 (“Although this language does not use the phrase ‘extreme contingency,’ clearly the Commission acknowledged that the 997 MW of additional demand response would be available after the second overlapping contingency, which is a Category D event and for which involuntary load shedding would be permissible.”)

Track 1 decision, the Commission expressed confidence in the growth of DR, asserting that “by 2020 it is likely that the actual amount available to reduce LCR needs in the LA Basin will be significantly higher – perhaps closer to DRA and CEJA’s estimates of around 1000 MW.”⁴⁷ Eliminating the 997 MW of DR from consideration leaves only 189 MW of DR available to meet need in 2022, which is far from the prediction the Commission made in Track 1. As the CAISO states, the Commission recently opened a DR proceeding to facilitate growth of DR programs; this and other Commission efforts will “help shape the participation of [EE and DR] in achieving load reduction impacts and supply side resource availability to meet reliability needs.”⁴⁸ CAISO has also demonstrated its faith in DR programs’ continued growth and impact on the grid. In its 2013-2014 Transmission Planning Process, CAISO debuted a preliminary methodology for determining whether DR resources can replace transmission or generation options in areas with limited capacity.⁴⁹ Yet, as CEJA describes in its opening brief, CAISO’s actions in this track suggest that there will be little to no progress in DR programs between now and 2022.⁵⁰

In its Track 1 decision, the Commission increased estimates for EE and CHP resources in response to overly conservative CAISO estimates, and should do the same for DR and PV in this track. In Track 1, CAISO did not model additional incremental CHP or EE programs, because CAISO viewed those programs as uncertain. In response, the Commission stated: “Energy efficiency is first in the Loading Order set forth in the Energy Action Plan. Our commitment to cost-effective energy efficiency has been consistent, and the resources we have approved for IOU energy efficiency programs have grown considerably over the last several years.”⁵¹ The Commission has made a

⁴⁷ D.13-02-015, p. 56.

⁴⁸ CAISO Op. Br., p. 5.

⁴⁹ CAISO Op. Br., p. 4.

⁵⁰ CEJA Op. Br., p. 41.

⁵¹ D.13-02-015, p. 48.

similar commitment to preferred resources.⁵² It should ensure that those commitments are honored by increasing the amount of DR and PV assumed available to meet local capacity need in the SONGS study area.

Furthermore, EnerNOC explains that CAISO excludes demand resources that are able to serve as local capacity resources, because CAISO's requirements for demand response as local capacity resources are undefined.⁵³ Resources that take longer than 30 minutes to dispatch are routinely included as local capacity resources. Generally, the system operator commits those resources ahead of need, and CAISO stated during evidentiary hearings that it employs that approach with other long start resources.⁵⁴ Including these resources could negate the need for load shedding in San Diego, yet CAISO has not made it possible to fully consider these resources and their ability to meet need.⁵⁵ As EnerNOC states, a resource generally qualifies as a local capacity resource if "the resource is located in the local capacity area and is capable of being dispatched within the LCA."⁵⁶ This definition of local capacity resource should apply to all resources, including DR.

Similarly, customer-side incremental PV has been relegated to meeting extreme Category D contingencies though CAISO has the ability to utilize those resources more effectively. The Commission instructed CAISO to identify the most effective locations for customer-side incremental PV, which then will be available to meet local capacity need: "[o]nce those locations are identified, the Commission can then direct customer-side generation programs, like the California Solar Initiative or other efforts, to target those locations."⁵⁷ CAISO did not identify those locations,

⁵² See *supra* footnote 48.

⁵³ Opening Brief of EnerNOC, Inc., in Track 4 (San Onofre Nuclear Generating Station) ("EnerNOC Op. Br."), pp. 15-16.

⁵⁴ EnerNOC Op. Br., pp. 16-17.

⁵⁵ EnerNOC Op. Br., p. 11.

⁵⁶ EnerNOC Op. Br., p. 17.

⁵⁷ CEJA Op. Br., p. 40, citing Revised Scoping Memo, Attachment A , p. 10.

referencing the fact that the locations were “difficult to determine.”⁵⁸ Although CAISO did not provide the necessary information, it is reasonable to assume this PV will contribute to LCR need and that over the next ten years programs can be developed to ensure this.

2. SCE’s Studies Do Not Support a New Authorization.

SCE’s request for authorization of 500 MW procurement is not based on any specific model, and rests solely on the Commission finding that load shedding should not be considered as an assumption; with the load shedding assumption, the residual need is zero.⁵⁹ ORA points out that SCE did not model a scenario that included the Mesa Loop-in and incremental preferred resources.⁶⁰ This is a reasonable scenario on which the Commission should rely.

3. SDG&E’s Studies Do Not Support a New Authorization.

Not only is SDG&E’s procurement request based on the conservative assumption that load shedding should not serve as a bridge, but SDG&E constructs its need analysis based on its refusal to request authorization for additional preferred resources in the context of this proceeding. SDG&E argues that energy efficiency, demand response and energy storage should each be procured in their respective proceedings instead of being procured in the context of this proceeding. The net effect of this approach is to not count any additional preferred and storage resources towards meeting the LCR need. Even after acknowledging that new energy storage will be deployed, SDG&E goes as far as refusing to count any energy storage resources towards its LCR need.⁶¹ As Sierra Club argued in its Opening Brief, the Commission can direct that the already authorized 165 MW of energy storage be used to meet LCR need.⁶²

⁵⁸ CAISO Op. Br., p. 14.

⁵⁹ Sierra Club Op. Br., p. 20; CEJA Op. Br., pp. 11, 27-28.

⁶⁰ ORA, Op. Br., p. 7.

⁶¹ SDG&E Op. Br., pp. 20-21.

⁶² Sierra Club Op. Br., pp. 11-13.

Moreover, the resource assumptions employed by San Diego Gas & Electric (“SDG&E”) in its residual need analysis do not encompass all available resources. SDG&E finds a need of 1,028 MW, which it reduces by 408 MW of incremental preferred resources, for a total minimum need of 620 MW.⁶³ This number omits the preferred resources described in opening briefs by the Natural Resources Defense Council (“NRDC”) and Sierra Club.

SDG&E’s 408 MW estimate of preferred resources is overly conservative and does not include all preferred resources that can meet need in its service territory. NRDC’s Opening Brief demonstrates that SDG&E is missing 190 MW of energy efficiency from its analysis, while Sierra Club’s Opening Brief uncovers omitted distributed generation (“DG”) resources.⁶⁴ The Revised Scoping Memo did not include all energy efficiency savings expected between now and 2022; if that omission is corrected, there are an additional 67 MW of energy efficiency in SDG&E’s service territory.⁶⁵ Likewise, if incremental naturally-occurring energy efficiency is incorporated into the analysis, need is reduced by 123 MW.⁶⁶ The distributed generation resources referenced in Sierra Club’s Opening Brief and explained more fully in Sierra Club’s Opening Comments in response to ALJ Gamson’s questions indicate that more than 30 MW of rooftop solar that SDG&E counted is available in its service territory.⁶⁷

SDG&E argues that in addition to its 500- 550 MW procurement, it will contribute an additional 70 – 120 MW of DR and energy storage to meet its 620 MW need. Given that SDG&E already has 65 MW of DR resources installed and last year deployed 52 MW of DR resources during

⁶³ SDG&E Op. Br., pp. 3-4.

⁶⁴ NRDC Op. Br., p. 6, Table 1; see footnote 67 *infra*.

⁶⁵ NRDC Op. Br., p. 6, Table 1.

⁶⁶ *Id.*

⁶⁷ See Sierra Club Op. Br., p. 14; Opening Comments of Sierra Club California on ALJ Gamson’s Questions from the September 4, 2013 Prehearing Conference (“Sierra Club Opening Comments”), p. 10, Table 2 (~72 MW to ~247 MW total DG resources available in SDG&E territory, or ~33 MW to ~112 MW effective capacity).

a peak load event, it is likely that the DR resources alone will also exceed SDG&E's 70- 120 MW estimate by 2022.⁶⁸

C. The Revised Scoping Memo Does Not Create a Presumption of Need.

The Revised Scoping Memo presents the question of whether the unexpected shut-down of SONGS requires new authorization of procurement at this time. CAISO and SDG&E argue that the Revised Scoping Memo requires that an authorization be made now.⁶⁹ Although the Commission explained that it is important to address the issue of the SONGS shutdown now, it qualified this statement in a footnote stating that “[n]othing in this ruling is intended to prejudge the outcome of Track 4, including whether any level of procurement authorization is appropriate or how any need should be filled.”⁷⁰

There are many moving parts to this decision. CAISO explains that “in a two year time span the Commission is being asked to make local procurement decisions that are needed to replace much of the existing resource fleet in southern California. Overlaid onto this dramatic shift in existing resources are the state’s aggressive renewable portfolio goals and the role of preferred resources in meeting future generation needs.”⁷¹ In fact, in Track 1 and in the decision in A.11-05-023, the Commission already made decisions that authorized a significant amount of resources.⁷² There is a new demand forecast and there will be results from new transmission studies in spring 2014.

The Commission has enough projected resources in place to not make an authorization at this time. A new, more comprehensive procurement decision can be made in the next LTPP without

⁶⁸ DRA-CEJA-Sierra Club Data Request, DRA-SDG&E-DR-02, SDG&E Response 8, Sept. 17, 2013.

⁶⁹ CAISO Op. Br., p. 1; SDG&E Op. Br., p.2 & n. 4 (incorrectly citing Revised Scoping Memo, p. 3; *cf.* Assigned Commissioner and Administrative Law Judge’s Ruling Regarding Track 2 and Track 4 Schedules (Sept. 16, 2013), p. 3 [correct cite]).

⁷⁰ Assigned Commissioner and Administrative Law Judge’s Ruling Regarding Track 2 and Track 4 Schedules, p. 3 n.1.

⁷¹ CAISO Op. Br., p. 2.

⁷² See D.13-02-015 (authorizing SCE to procure up to 1800 MW in SONGS area) and D.13-03-029 (authorizing 343 MW for SDG&E); see also ORA Op. Br., p. 3.

jeopardizing the reliability of the system. In fact, load shedding can be used as a bridge to ensure that the projected use of preferred resources occurs.⁷³ In addition, ORA and CEJA point out that shifting a compliance date for an OTC plant such as an Encina can be a bridge.⁷⁴ This option, which was not studied in Track 4, can also be part of the new LTPP. After considering the record evidence and making the policy decisions that Sierra Club recommended in its Opening Brief, a Commission finding of no new authorization at this time would be consistent with the Revised Scoping Memo.

Based on CAISO's testimony, SCE argues that approval of its 500 MW procurement request is urgent.⁷⁵ Yet, CAISO sang a different tune in its opening testimony when Mr. Sparks requested that procurement decision not be made on the current timeline in order to take a broader view of the data.⁷⁶ The only "urgency" that has arisen is that SCE and SDG&E now have a request for procurement. This should be an insufficient reason for granting the procurement requests.

The Commission should rely on the revised California Energy Commission ("CEC") demand forecast.⁷⁷ The September 2013 draft forecast reduces demand by 1,321 MW.⁷⁸ In addition to this reduction in demand described in Sierra Club's Opening Brief, energy storage resources will contribute to meeting need in the LA Basin and San Diego areas. Thus the surplus identified in the

⁷³ ORA Op. Br., p. 28-29.

⁷⁴ ORA Op. Br., p. 26-28; CEJA Op. Br., p. 46.

⁷⁵ SCE Op. Br., p. 6 (quoting ISO-7, p. 6 lines 23 -29).

⁷⁶ ISO-1, p. 29, ln. 28 – p. 30, ln. 13.

⁷⁷ Sierra Club Op. Br., 5-6.

⁷⁸ The Commission revised this forecast in December, but this is not in the record and should not be considered. (The difference between the 2012 forecast and the December 2013 forecast is -461 MW, which is a less extreme difference than that between the 2012 forecast and the September 2013 draft forecast (-1,321 MW), but still is negative and still shows no need.) See California Energy Commission ("CEC"), Documents for 2012 IEPR Update Proceeding, Mid-Case LSE and Balancing Authority Forecast, Form 1.5d http://www.energy.ca.gov/2012_energypolicy/documents/index.html; CEC, California Energy Demand Final Forecast, Demand Forecast Spreadsheets, Mid Case LSE and Balancing Authority –baseline-no AAEE.xlsx, Form 1.5d, http://www.energy.ca.gov/2013_energypolicy/documents/demand-forecast/LSE_and_Balancing_Authority_Forecasts/; CEC, October 1, 2013 Lead Commissioner Workshop on Revised Electricity and Natural Gas Demand Forecasts 2014-2024 Demand Forecast Spreadsheets, Mid Case LSE and Balancing Authority – baseline.xlsx, Form 1.5d, http://www.energy.ca.gov/2013_energypolicy/documents/2013-10-01_workshop/spreadsheets/.

table in Sierra Club’s Opening Brief is a conservative estimate, without the 745 MW of energy storage resources that will be procured in the SDG&E and SCE service territories by 2020.⁷⁹ Additionally, new reactive power and transmission projects will further reduce need.⁸⁰ For example, the Mesa-Loop in reduces SCE’s procurement need by up to an additional 1,200 MW. The use of load shedding further increases the surplus. If the Commission uses this forecast, neither SCE nor SDG&E should be authorized new procurement. TURN and the California Energy Storage Alliance’s support of the procurement requests should also be denied, because they fail to account for the reductions that drop need below zero.

D. IEP’s Argument Unnecessarily Inflates Need.

The Independent Energy Producers Association (“IEP”) disregards the Loading Order and the Commission’s commitment to reliability, reasonable rates, and protecting the environment in its recommendations, which should not be heeded. IEP believes under-procurement is far more risky than over-procurement, and states this opinion, which it shares with CAISO, as though it were fact.⁸¹ However, the Commission in Track I stated that it “[does] not agree with the ISO that [under-procurement] is necessarily more problematic than [over-procurement]; neither error is desirable if avoidable. Nor can the consequences of either outcome be easily quantified; neither the ISO nor anyone else has quantified these consequences.”⁸² IEP goes on to compare the load shedding SPS to rolling blackouts in a “third world country” with a few hours of electricity per day.⁸³ Section I.A details the numerous ways in which this comparison is inaccurate: the load shedding SPS would be a short-term bridge to increased reliance on preferred resources with a low likelihood of ever being

⁷⁹ Sierra Club Op. Br., pp. 11-14, p. 16, Table 1.

⁸⁰ CEJA Op. Br., pp. 32-34.

⁸¹ IEP Op. Br., p. 12.

⁸² D.13-02-015, p. 38.

⁸³ IEP Op. Br., p. 19.

used. IEP disagrees with Sierra Club, ORA, TURN, and CEJA for supporting the consideration of a load shedding SPS in this track, but also seems to support the idea, espoused by these same parties, that load shedding is an appropriate short term response to meet residual need.⁸⁴

II. Alternatively, if the Commission Does Make a Finding of Need, Any Authorization Should Only Be Filled by Preferred Resources.

A. Relying on the Procurement Proposals in the Preliminary Reliability Plan for the LA Basin and San Diego Is Not a “No Regrets” Procurement Strategy.

The Commission should not rely on the procurement proposals in the “Joint Agency” “Preliminary Reliability Plan for LA Basin and San Diego” (“Preliminary Reliability Plan”). The preliminary reliability plan proposes 2,500 MW of new generation which is about two and a half times more than the combined SCE and SDG&E request.⁸⁵ The plan calls for the new procurement of an additional 1,000 MW of preferred resources and an additional 1,500 MW of natural gas-fired resources.⁸⁶ The fact that the procurement request in the Preliminary Reliability Plan is almost two and a half times higher than the combined proposal from SCE and SDG&E demonstrates that the proposal was preliminary. Additionally, CAISO witness Mr. Millar admitted that the SCE and SDG&E but not the public were involved in the development of the plan.⁸⁷

Even though CAISO entitles a section of its brief “Preferred Resources Development Must Be Accelerated and Monitored,”⁸⁸ CAISO is arguing that both conventional and preferred resources need to be developed. CAISO refers to the Preliminary Reliability Plan’s proposal that fifty percent

⁸⁴ See IEP Op. Br., pp. 6, 18 (When discussing load shedding SPSs used by SCE and SDG&E: “What the proponents of blackouts obscure, however, is that load shedding to support grid reliability is currently used only as a temporary, stop-gap, last-resort response that needs to be in place, and will be in place, only until necessary transmission fixes can be completed. In these schemes, blackouts are not contemplated as an enduring element of a resource plan; they are temporary, expedient measures that are available only until the underlying problem is fixed.”)

⁸⁵ ORA-5, Attachment A, p. 2 and n. 2, 3.

⁸⁶ ORA-5, Attachment A, p. 2, n. 2, 3.

⁸⁷ Tr. p. 1658, ln. 25 –p. 1660, ln. 25; Tr. p. 1663, lns. 17-25.

⁸⁸ CAISO Op. Br., p. 6.

of procurement should be for preferred resources.⁸⁹ Although CAISO appears more willing to include more preferred resources in its analysis than it did in Track 1, it still insists on more than the necessary amount of conventional generation when the record does not support its proposal. The Track 1 decision states that “utility LCR procurement must take into account the availability of preferred resources before procuring non-preferred resources.”⁹⁰ The 1,000 MW of preferred resources in the Preliminary Reliability Plan is sufficient to meet any procurement need for SCE or SDG&E. In fact, ORA identifies 1,100 MW of preferred resources that were not considered in CAISO’s modeling, which is slightly higher than the amount of preferred resources in the Preliminary Reliability Plan.⁹¹ Sierra Club agrees with ORA’s statement that “[d]espite the challenges inherent in the use of preferred resources to meet LCR needs, ORA agrees with other parties that the challenges are not insurmountable. Moreover, it does not appear that a minimum level of new gas-fired generation is needed from the standpoint of maintaining system reliability given the SONGS outage.”⁹²

B. The Procurement Mechanisms Proposed by SDG&E and SCE Will Properly Facilitate the Procurement of More Conventional Resources.

Both SDG&E and SCE make procurement proposals that may facilitate the procurement of more conventional gas-fired plants. SDG&E proposes to procure 500-550 MW “of long lead-time supply-side resources, including conventional generation and/or renewable resources.”⁹³ CEERT points out that despite including renewable resources, this approach is “open-ended invitation” to fill the Track 4 procurement with natural gas.⁹⁴ SDG&E excludes all other preferred and energy storage

⁸⁹ See CAISO Op. Br., p. 6.

⁹⁰ D.13-02-015, p. 127, Conclusion of Law No. 2.

⁹¹ ORA, Op. Br., p. 14.

⁹² ORA, Op. Br., p. 26 (citations omitted).

⁹³ SDG&E Op. Br., p. 5.

⁹⁴ CEERT, Op. Br., p. 47.

resources.⁹⁵ Additionally, SDG&E was authorized to procure 343 MW all of which is conventional generation in D.13-03-029.⁹⁶ If the SDG&E request is granted as is, SDG&E can potentially fill its “supposed” LCR need with about 900 MW of natural gas in total. The Commission should not sanction such a result, which is inconsistent with the Track 1 decision.⁹⁷ Although SCE has put forward the laudable Living Pilot to procure preferred resources, SCE is also requesting to design its Track 4 authorization in a manner that would make natural gas plants more competitive. This is contrary to the Commission holding in the last LTPP that requires maximum use of preferred resources to comply with the loading order.⁹⁸ Sierra Club agrees with CEERT, CEJA and NRDC that if any procurement is authorized, it should solely be for preferred and energy storage resources.⁹⁹

CONCLUSION

For the foregoing reasons and the reasons set forth in Sierra Club’s Opening Brief, the Commission should not authorize procurement in Track 4. Alternatively, if the Commission does make a procurement authorization, it should only be filled by preferred resources. Sierra Club also respectfully requests that the attached Findings of Fact and Conclusions of Law be adopted.

Respectfully submitted,

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⁹⁵ SDG&E Op. Br., p. 5.

⁹⁶ D.13-03-29, pp. 26-27 (Order, ¶¶ 1, 3); see also D.13-03-29, p. 4, 18 (the LCR procurement for SDG&E was split from LTPP and did not require a split between preferred and conventional resources).

⁹⁷ See CEERT, Op. Br., p. 47.

⁹⁸ D.12-01-033, pp. 17-22.

⁹⁹ CEERT Op. Br., pp. 20-21, NRDC Op. Br., pp. 18-19; see also ORA Op. Br., p. 13 (requesting the authorization of 1100 MW of preferred resources).

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Dated: November 25, 2013

ATTACHMENT 1

SIERRA CLUB'S PROPOSED FINDINGS OF FACT AND CONCLUSION OF LAW.¹

Findings of Fact:

1. The record does not provide an adequate and persuasive basis upon which to authorize additional resources at this time.²
2. The record shows that model results from ISO, SCE, and SDG&E overestimate actual LCR needs in the LA Basin and San Diego local areas.³
3. It is reasonable to reduce ISO's estimate of LCR procurement by a conservative 885 MW due to additional energy efficiency impacts in the SONGS study area.⁴
4. It is reasonable to reduce SCE's estimate of LCR procurement by a conservative 543MW due to additional energy efficiency impacts in the LA Basin local area.⁵
5. It is reasonable to reduce SDG&E's estimate of LCR procurement by a conservative 211MW due to additional energy efficiency impacts in the San Diego local area.⁶
6. It is reasonable to reduce ISO's, SCE's, and SDG&E's estimate of LCR procurement by 1,321 MW in the SONGS study area due to reduced demand as shown in the CEC's Revised Demand Forecast for 2014-2024.⁷
7. It is reasonable to consider the 997 MW of second contingency demand response resource as available resources to meet LCR need and to subtract these resources from the any determination.
8. It is reasonable to consider the 616 MW of second contingency solar PV resources as available resources to meet LCR need and to subtract these resources from the any determination.

¹ Sierra Club submits these proposed Findings of Fact and Conclusion of Law. Where Sierra Club agrees with other parties proposed Findings of Fact or Conclusion of Law, Sierra Club uses that Finding or Conclusion. Sierra Club also proposes some additional Findings of Fact and Conclusions of Law.

² NRDC Proposed Findings of Fact.

³ *Id.*

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

9. It is reasonable to reduce SCE's estimate of LCR procurement by a 580 MW of energy storage resources.
10. It is reasonable to reduce SDG&E's estimate of LCR procurement by a 165MW of energy storage resources.
11. It is reasonable to reduce LCR need in the LA Basin and San Diego areas by additional 237.9 MW to account for additional distributed generation not accounted for in modeling.
12. It is the Commission's obligation to "balance its reliability mandate with other statutory and policy considerations," including "reasonableness of rates and a commitment to a clean environment," as further defined by statute and the Loading Order of preferred resources.⁸
13. Ruling out load shedding as an alternative for mitigating the N-1-1 contingency driving the local reliability needs being analyzed in this Track 4 would potentially cause a significant increase in costs to ratepayers to address an extremely remote contingency.⁹
14. It is reasonable to assume that the Mesa Loop-In project will reduce SCE's LCR need by 1,200 MW.
15. After adjusting ISO's, SCE's, and SDG&E's model results for the best available estimates, the record shows surpluses of local area resources.

Proposed Conclusions of Law:

1. Consistent with § 454.5(b) (9) (C), which states that utilities must first meet their "unmet resource needs through all available energy efficiency and demand reduction resources that are cost-effective, reliable and feasible," and the Commission's Loading Order established in the Energy Action Plan, this Commission must rely upon all reasonably expected to occur preferred resources before authorizing any new resources.¹⁰
2. It is reasonable to require that the Commission's energy storage mandates for SCE and SDG&E be used to be used to meet the LCR requirements in this proceeding.
3. At this time, the option of load shedding should be retained as an alternative for mitigating the N-1-1 contingency driving estimates of local reliability needs in this Track.¹¹
4. At this time, it is premature to authorize any additional resources.¹²

⁸ CEERT Proposed Finding of Fact

⁹ TURN Proposed Finding of Fact.

¹⁰ NRDC Proposed Conclusion of Law.

¹¹ TURN Proposed Conclusion of Law

¹² NRDC Proposed Conclusion of Law

Alternative, Proposed Conclusion of Law if a finding of need is made:

1. It is reasonable to require that authorized procurement only be met by preferred resources.
2. The 2014 LTPP will once again reexamine LCR need in the SONGS area.