

**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)

TRACK 4 REPLY BRIEF OF AES SOUTHLAND LLC

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AES Southland LLC (“AES Southland”) submits the following Track 4 Reply Brief pursuant to the schedule adopted by Administrative Law Judge Gamson on November 1, 2013. This reply brief, as with AES Southland’s Opening Brief, focuses on the procurement authorization requested by Southern California Edison (“SCE”). However, this Reply Brief does rely on testimony and Opening Briefs submitted by parties to the proceeding regarding policy determinations with a broader scope than SCE’s procurement authorization.

I. INTRODUCTION

By the time a decision in this Track 4 proceeding is rendered, there will be less than seven years remaining before Once-Through Cooling (“OTC”) retirements in the LA Basin result in the need for a substantial amount of new generation to meet local capacity requirements. While preferred resources can address a portion of that need, the Commission cannot assume that authorizing the procurement of preferred resources will be sufficient to ensure that such resources will appear where and when needed, at an appropriate cost. Gas-fired generation will necessarily form part of the solution, and it will also necessarily serve as the backstop resource in the event that ambitious plans concerning preferred resources fail to materialize. However,

given the short time frame, the Commission must act now to ensure that such resources are available when the need arises. Failure to timely authorize the procurement of needed resources will degrade reliability in the area and will have significant environmental impacts, including the possibility of continued reliance on Eisenhower-era OTC plants well past their useful life. The Commission must develop a specific plan now to procure all necessary resources, including directing SCE to procure at least 1,440 MW of local capacity requirement (“LCR”) resources in the LA Basin, as recommended in AES Southland’s Opening Brief.¹

II. THE COMMISSION CANNOT AFFORD FURTHER DELAY

As Pacific Gas and Electric Company (“PG&E”) highlighted in its Opening Brief, there is a desperate need to develop a clear and concise timeline for procurement, with milestones for new resources coming online and decision points to move forward with contingency plans, if needed.² In order to ensure that timely procurement occurs and resources are in place when needed, the Commission must develop a procurement schedule that allows for the timely procurement, permitting and construction of needed LCR resources.

The timing of any procurement is determined by two key factors: the date when the LCR need will develop, and the length of time needed to develop (including any needed solicitation, contracting, permitting and construction) the resources that will be used to meet that need.

A. Need in the LA Basin Is Driven by the December 2020 OTC Retirements

Track 4 of the 2012 Long Term Procurement Plan Proceeding was established “to consider the local reliability impacts of a potential long-term outage at the San Onofre Nuclear

¹ AES Southland Brief at 3.

² PG&E Brief at 3-4, 17-18.

Power Station (SONGS) generators,” which were then not operational.³ Though SONGS has now been prematurely retired, the impact of that retirement occurs later, with the planned retirement of approximately 7,000 megawatts (“MW”) of resources relying upon OTC in December 2020. At that point, the lack of generation from SONGS, coupled with the OTC retirements, will result in the need for substantial additional capacity in the LA Basin, as shown by the studies performed by the California Independent System Operator (“ISO”) and SCE. According to the ISO, the need could be as great as 3,722 MW, while SCE calculates the need to be 3,240 MW.⁴ Electric Power Engineers, Inc., an independent transmission consultant retained by AES Southland to conduct power flow studies, determined the need to be 3,300 MW.⁵ As SCE notes, while the ISO and SCE power flow studies focused on 2022, “it is likely that the LCR need for 2020 is very similar to the LCR need for 2022.”⁶ Though other parties attempt to pick apart those studies, the studies were conducted based upon assumptions mandated by the Commission, and are the only studies available to determine actual future need in the LA Basin.

B. Needed Resources May Take up to 10 Years to Permit and Construct

The Commission must grant the procurement authorization to meet that need for between 3,722 and 3,240 MW of new LCR resources with sufficient lead time to allow SCE to run a procurement process to select the needed resources, and for the resources selected through that process to be developed, including any needed permitting and construction. And, where a

³ May 21, 2013 Revised Scoping Memo at 4.

⁴ SCE calculation of need based upon LA Basin Generation Scenario without load shed (Scenario 1S). Ex. SCE-1 at 32.

⁵ Ex. AES-1 (Ballouz) at 3.

⁶ SCE Brief at 8.

diverse set of resources may meet the LCR need, the Commission must both authorize a procurement process that allows for the selection of the most suitable (least cost, best fit) resource to be selected, and at the same time ensure that whatever resource is selected, there is sufficient time for that resource to be permitted and constructed. The timing of any procurement authorization is of paramount importance to allow resources to compete. A delay in authorizing procurement can result in a potential LCR resource not being able to be permitted and constructed in time to meet the projected need and that resource being effectively barred from being used to meet that need, even if it proves that the resource would otherwise have been the most suitable (least cost, best fit) resource. Thus, in order to ensure that the most suitable resources are selected, the Commission must ensure that the timing of the procurement process is such that all resources can compete. Then, and only then, will a robust competitive process yield the right procurement outcomes by selecting from all suitable resources.

Though some resources may take as little as a few years to permit and construct, gas-fired combined cycle generation can take up to 10 years.⁷ Some parties, including CEERT, ORA and Vote Solar, have argued for further procurement delay or to limit procurement to preferred resources. Those parties claim that only in the event that preferred resources don't appear after some unspecified period should the Commission consider proceeding with gas-fired resources. However, further delay will virtually ensure that gas-fired resources will not be available in 2020 to meet projected LCR need. Further delay effectively prevents SCE from selecting what could be the cheapest resources with the least environmental impact.⁸ The Commission has already

⁷ PG&E Brief at 4; D.13-02-015 at 24.

⁸ AES Brief at 6-12.

recognized that gas-fired resources are a necessary part of the procurement landscape, ordering the procurement of at least 1,000 MW of gas-fired generation in Track I.⁹

C. Further Delay Could Hinder the State’s Environmental Goals and Basin Reliability

Even the most ardent proponents of preferred resources recognize that there remain serious questions as to the extent to which those resources can meet local capacity needs. SCE, while it proposes to reduce local capacity needs through the Pilot, also seeks to backstop that Pilot with contingent siting of gas-fired generation. Vote Solar notes that it is not opposed to gas-fired generation, but wants the utilities to proceed to procure such resources only “if sufficient Preferred Resources cannot be obtained...”¹⁰ Yet, as explained above, further delay will effectively foreclose gas-fired resources as an option. Thus, when the preferred resources relied upon do not appear, there may not be time to put in place gas-fired generation, resulting in a catastrophic impact on the Basin’s reliability.

CEERT and others, on the other side of the coin, argue that the Commission should avoid the risk of over-procuring gas-fired generation, contending that such over-procurement would have a “demonstrable impact on environmental and climate change goals.”¹¹ However, the evidence introduced in this proceeding indisputably shows that CEERT’s contention is incorrect. Gas-fired generation developed in the LA Basin appears to have lower GHG impacts than any of the other options. Thus, preventing that resource from participating as a potential local capacity resource could actually increase GHG emissions. Furthermore, over-procurement, while it

⁹ D.13-02-015 at Ordering Paragraph 1(a).

¹⁰ Vote Solar at 7.

¹¹ CEERT Brief at 36.

would certainly have cost and rate implications, may not increase GHG or other emissions. If it turns out that a greater amount of preferred resources appear than are predicted, unneeded gas-fired resources could simply run less often, resulting in fewer GHG emissions. One of the advantages to modern combined cycle gas-fired generation is that it is far more flexible than older steam generation or combined cycle generation, allowing for the resource to run only when needed, and to be shut down when it is not. That flexibility, in addition to meeting LCR needs, will allow California to integrate an increasing amount of renewable generation. Not procuring the appropriate in-basin gas resources in sufficient quantities may in fact increase emissions due to a reliance on more GHG-intensive strategies to meet LCR needs in the LA Basin. As SCE's testimony shows, any strategy other than in-basin generation is likely to increase GHG emissions, as well as being less reliable.

ORA argues that if the Commission directs SCE to procure only preferred resources, and those resources do not appear by 2020, OTC deadlines could be continued until preferred resources appear. However, continued reliance on OTC resources would have significant reliability and environmental impacts. These generation facilities are well beyond their useful life, and as SCE, the former owner of these facilities, notes, "it is uncertain whether they can continue to safely operate beyond their expected retirement dates in 2020." Further, the extension of any OTC compliance dates will be governed by the State Water Quality Control Board, not this Commission. Even were the State Water Quality Control Board to allow continued operation of the facilities, and it was determined to be safe to do so, the continued operation of these Eisenhower-era generation plants would have significant environmental impacts, including increased GHG emissions and continued impacts from the use of OTC. Even

parties such as CEERT, which advocates for further delay in procurement, advise against the continued operation of the OTC units.¹²

Thus, the consequences of over-procurement versus under-procurement are not symmetrical. Under-procurement can result in impacts on reliability, increased GHG emissions, and higher costs. Over-procurement of gas-fired generation, however, while more costly than selecting some hypothetical perfect mix of resources, will result, at most, in added costs. Over-procurement would ensure continued reliability, and would not interfere with the State's efforts to meet its climate change and other environmental goals to the same extent that under-procurement would. Given the asymmetrical impacts, the Commission's chief concern should be avoiding the under-procurement of needed LCR resources, not avoiding at all costs the over-procurement of gas-fired generation.

III. THE LOADING ORDER DOES NOT MANDATE THAT PREFERRED RESOURCES ARE THE ONLY OPTION

Many parties seem to forget that the loading order provides a role for gas-fired generation. The loading order does not mandate that utilities may procure solely preferred resources to meet need. "It should be emphasized that the Preferred Loading Order does not mean payment of any price for a higher-ordered resource technology (e.g. SCE should not pay any price to implement an EE program over a competing DR or RPS project)."¹³ Preferred resources should only be procured "to the extent they are feasibly available and cost-effective." D.12-01-033 at 21.

¹² CEERT Brief at 44.

¹³ SCE Brief at 12; Exhibit SCE-2 at 23:13-15.

The Commission has already assumed that significant amounts of preferred resources will appear in the LA Basin. The preferred resources that the Commission assumed would be developed in Track 1 included 339 MW of rooftop solar, 180 MW of customer-side combined heat and power, 200 MW of demand response, and 1,121 MW of uncommitted energy efficiency, for over 1,800 MW of preferred resources, not including additional renewable resources procured pursuant to the RPS.¹⁴ Of the maximum 1,800 MW of local capacity resources that SCE was authorized to procure in Track 1 of this proceeding, 600 MW of that authorization is limited to preferred resources or energy storage. An additional 200 MW may include preferred resources. In its opening testimony, SCE assumed an additional 551 MW reduction of local capacity needs due to the development of preferred resources.¹⁵ Those assumptions and mandated procurement of preferred resources far outweigh the 1,000 MW of gas-fired generation that SCE is required to procure.

If those resources are available, are located in the right areas, and are effective in meeting local capacity requirements, such procurement would be appropriate according to the terms of the loading order. However, there is significant uncertainty concerning whether such resources are or can be available by 2020 to meet local capacity need. As TURN notes, the use of preferred resources “faces several key uncertainties, particularly as to the quantities that will be available, the ability of these quantities to meet local reliability needs, and the cost of such resources.”¹⁶ And the Commission cannot continue to postpone any procurement of gas-fired generation in the hopes that such resources will appear. Absent a robust portfolio of contingent

¹⁴ D.13-02-015; Exhibit SCE-1 at 11:10-11; SCE Brief at 9.

¹⁵ Ex. SCE-1 at 11:1-2.

¹⁶ Ex. Turn-1 (Woodruff) at 7:9-12.

contracts, SCE will not be able to procure gas-fired generation to meet local capacity needs if preferred resources fail to appear in the next few years. It will simply be too late.

For those reasons, the Commission needs to procure the necessary resources now. If preferred resources are available to be selected in an all-source request for offers (“RFO”), SCE can select those resources pursuant to the loading order. If those resources are not available, SCE should procure gas-fired generation to ensure local capacity needs are met. Mandating that SCE procure further preferred resources will do no good if such resources aren’t available at the right locations, with the right attributes, in time to meet need.

IV. SCE’S “LOW REGRETS” PROCUREMENT IS EXTREMELY RISKY

Referring to as a “low regrets” approach, SCE is requesting the authority to procure an additional 500 MW of new LCR resources through an RFO. SCE contends that this approach “enhances grid reliability without risking meaningful over-procurement of LCR resources.”¹⁷ Coupled with the maximum authorization from Track 1, this would authorize SCE to procure a total of 2,300 MW of new LCR generation. Yet SCE’s own studies show a need of at least 3,240 MW of LA Basin LCR need, a need that is 940 MW greater than the authorization SCE is requesting. It is 1,422 MW less than the need calculated by the ISO.

In order to meet the remaining need, SCE asks the Commission to assume that the Mesa Loop-In transmission project will allow unspecified resources to meet that need, reducing in-basin need by approximately 700 MW, absent load shedding.¹⁸ SCE assumes the remaining need will be met by a preferred resources Pilot that has yet to be fully defined. Neither the transmission project nor the Pilot have been approved by this Commission, and the risks

¹⁷ SCE Brief at 5.

¹⁸ SCE Brief at 18; Exhibit SCE-1 at 37:11-12.

associated with both the Mesa Loop-In and the Pilot make SCE's "low regrets" procurement request an extremely risky proposition.

A. Uncertainties Associated with the Mesa Loop-In Project

Though SCE has submitted the Mesa Loop-In Project into the ISO's transmission planning process ("TPP"), the Project still must be approved by both the ISO and this Commission. Typically, permitting and constructing transmission takes longer than permitting and constructing generation. There are significant questions as to whether sufficient time is available to rely on transmission to address reliability needs in 2020. As SCE itself notes, "transmission projects in the LA Basin can have challenges including availability, electrical suitability, and public opposition...."¹⁹ "Transmission projects typically face the same issues as new generation siting, including availability of sites, electrical suitability, and public opposition. As such, they typically take many years to site, license, permit and construct."²⁰ Though SCE believes the Project is feasible, it states only that it "*may* be able to complete the Mesa Loop-In by 2020."²¹ Meeting that deadline will require "aggressive scheduling of regulatory agency reviews and minimal public opposition."²²

Not only are there uncertainties associated with the Mesa Loop-In project itself, there are also uncertainties associated with the potential need for additional system resources. Generally, "[t]ransmission projects expand the locations where generation can be located to meet reliability

¹⁹ SCE Brief at 23.

²⁰ SCE Brief at 28.

²¹ SCE Brief at 23.

²² SCE Brief at 28.

needs, but do not generally eliminate the need for the generation.”²³ Thus, while the Mesa Loop-In might reduce the need for generation inside the LA Basin, it “does not reduce the overall generation necessary to maintain system reliability, and thus new generation outside the LA Basin may still be needed to support system reliability.”²⁴ Yet the studies needed to determine to what extent additional generation will be needed outside of the LA Basin as a result of the Mesa Loop-In have not been conducted.²⁵ Thus, there are additional uncertainties associated with the development of any needed system resources, including the location of those resources and when they could be put into service.

In addition to the uncertainty associated with the Project, SCE’s own studies show that relying on Mesa Loop-In to reduce LCR need is both more expensive and has greater environmental impacts than relying on the redevelopment of brownfield generation sites in the LA Basin.²⁶ Thus, under the least cost, best fit criteria that the Commission has approved and SCE will use to evaluate bids, the Mesa Loop-In Project does not appear to be the best solution to LCR needs in the LA Basin.²⁷

In light of these uncertainties, as well as the questions regarding whether the transmission project actually provides the least cost, best fit solution to the LA Basin’s local capacity needs, AES agrees with PG&E that local capacity need for the LA Basin should not be reduced by the assumption that the Mesa Loop-In will be available to reduce that need, unless and until the

²³ SCE Brief at 29.

²⁴ SCE Brief at 29.

²⁵ RT at 2162:5-28 (Silsbee).

²⁶ AES Southland Brief at 6-12.

²⁷ SCE Brief at 11-12.

Project is approved and the Commission and the ISO determine that the Project will reduce LCR need, satisfy overall system reliability, and is likely to be completed in the necessary timeframe.²⁸

B. Uncertainties Associated with SCE's Pilot

The success of SCE's preferred resources Pilot is even more uncertain. As SCE acknowledges, it has not to date procured preferred resources to meet reliability needs because it is unclear whether they can contribute to supporting local reliability during major contingencies.²⁹ SCE concedes that the Pilot "introduces reliability risks,"³⁰ and that "a significant amount of uncertainty exists around key elements of the implementation of SCE's Preferred Resources strategy, including questions about the availability of Preferred Resources and the ISO's acceptance of some Preferred Resources as valid LCR resources."³¹ The Pilot is intended to further explore what characteristics or attributes preferred resources would need to have to meet LCR need, to help establish the extent to which preferred resources can contribute to local reliability.³² But until the Pilot is concluded or well underway, SCE and the Commission will have no way to judge the extent to which the Pilot will alleviate LCR need.

Nor are the details concerning how to implement the Pilot fully developed. SCE states that it intends to address how to implement the Pilot through an open, collaborative process

²⁸ PG&E Brief at 2.

²⁹ SCE Brief at 25.

³⁰ SCE Brief at 30.

³¹ SCE Brief at 30; Exhibit SCE-1 at 63:4 - 64:4; SCE-2 at 30:5-12.

³² SCE Brief at 25-26.

involving SCE, the ISO, the state energy agencies, and interested stakeholders.³³ SCE anticipates that this will be an ongoing process, presumably culminating in an application to this Commission for approval of whatever Pilot is eventually developed through this process.

Despite the fact that SCE's very reason for proceeding with the Pilot is that it is unclear at this time how preferred resources can contribute to local capacity, and despite the fact that the Pilot itself has yet to be fully developed, and has not yet been approved by the Commission, SCE assumes that this Pilot will provide over 500 MW of local capacity benefits by 2020. There is simply no basis to support that assumption. That is especially true in light of the fact that the Commission has already assumed that 1,800 MW of local capacity needs will be met by preferred resources, and directed SCE to procure up to 600 MW of such resources. SCE's gamble on the appearance of suitable preferred resources, in the right location and with the right attributes, is extremely risky, and the Commission should not assume that this gamble will pay off. As PG&E argues in its Opening Brief, "the commission should not simply assume, at this stage, that these resources will materialize, located in the right places and having the necessary operational attributes. The Commission should recognize that until and unless the hoped-for resources develop in the right places with the right attributes, there is an unmet need that leaves the CAISO grid in southern California in a potentially vulnerable, unreliable state."³⁴

To address the risk that the Pilot may not be successful in meeting that local capacity need, SCE proposes that it be allowed to pursue another risky and undeveloped plan—a contingent siting proposal that would allow SCE to proceed with siting efforts, presumably at

³³ SCE Brief at 24.

³⁴ PG&E Brief at 12.

ratepayers' expense.³⁵ SCE states that it plans to file an application with the Commission that will provide additional information concerning contingency siting, sometime in the future. Though all the details of the proposal are not yet known, the information provided by SCE thus far raises significant concerns. It is unclear to what extent SCE could actually compress the permitting timeline by seeking permits in advance of any specific project.³⁶ It is also unclear that the utilities, rather than independent power producers, should be the ones exploring siting and permitting.³⁷ ORA argues that “[i]f the utilities can work with state regulating agencies to establish a process that allows for staged approval, then investing in local generation development reserves now for use at some point in the future would be a reasonable hedge against unforeseen local reliability issues and just in time procurement.”³⁸ It is unclear at this point, however, whether such a “process that allows for staged approval” can be developed, or whether it will reduce the time needed for procurement. Nor does SCE provide a clear timeline as to when the contingent siting plan would be put in place, or when it would seek to develop gas-fired generation on those sites. Yet some resource, whether it’s a preferred resource or gas-fired generation, must be in place by 2020, six years from now.

It is notable that not only does SCE concede that the net cost of relying on the preferred resources scenario is not only “50 percent more than the LA Basin Generation Scenario,”³⁹ it also has greater greenhouse gas impacts. What is unknown is, if SCE is unable to procure

³⁵ SCE Brief at 26.

³⁶ IEP Brief at 38.

³⁷ IEP Brief at 38.

³⁸ ORA Brief at 30.

³⁹ SCE Brief at 23.

sufficient preferred resources through the Pilot by 2020, what the costs associated with SCE's contingent siting plan would be, or what the greenhouse gas impacts would be. Furthermore, though ORA claims that contingent contracts would be a "very expensive insurance policy,"⁴⁰ it is also unclear what the costs to ratepayers might be for any future contingent siting proposal, even if such a scheme could be effectively developed and put in place in the time remaining before LA Basin OTC retirements in 2020.

C. SCE Ignores the Benefits of In-Basin Generation

In contrast to the risky and costly scenarios that SCE advocates, the development of gas-fired combined cycle generation in the LA Basin provides myriad benefits, including lower cost, lower environmental impacts, and less uncertainty.⁴¹ SCE provides two reasons why it recommends against pursuing the LA Basin generation scenario: (1) "adding new or repowered generation in the LA Basin is currently limited by the availability of PM-10 emission reduction credits," and (2) "siting, permitting, and completing new GFG plants in the LA Basin is challenging."⁴² According to SCE, "[t]hese two reasons make the risk of unsuccessful development of LA Basin generation resources very high."

Contrary to SCE's representations, however, the evidence in this proceeding shows that there is a clear path forward for developers of repowered generation in the LA Basin to obtain PM-10 emission reduction credits. Rule 1304 allows for the development of new generation in the LA Basin, including at AES Southland's sites, and has been used in the past to successfully permit and construct new power plants in the Basin, including NRG's El Segundo Plant,

⁴⁰ ORA Brief at 31.

⁴¹ SCE Brief at 22; AES Opening Brief at 15-17.

⁴² SCE Brief at 22.

LADWP's Haynes Steam Plant, and Edison Mission Energy's Walnut Creek Energy Park.⁴³ The South Coast Air Quality Management District has more than enough offsets in its internal bank to support the replacement of all eligible Rule 1304 generation in the LA Basin, while not substantially depleting its internal emissions bank.⁴⁴

While siting, permitting and completing new gas-fired generation can be challenging, regardless of location, there is no evidence in the record that would indicate that redevelopment of existing brownfield generation sites would have a high risk of being unsuccessful. To the contrary, LA Basin generation has a more secure path forward on permitting than any other alternative. AES Southland has already filed Applications for Certification ("AFC") with the Energy Commission to redevelop generation at its Huntington Beach and Redondo Beach sites, and expects to file an AFC for its Alamitos site shortly.⁴⁵ Decisions on both the Huntington Beach and Redondo Beach AFCs are expected by 2015.⁴⁶

All three of these sites have been home to power generation for over 50 years. In order to increase project viability and ensure that the new units can be in place by the end of 2020, AES Southland has been working with the cities and the communities in the vicinity of the planned units, as well as collaborating with labor groups and non-governmental organizations to build support for the projects. These efforts significantly increase the likelihood that the new units will be in operation when needed.⁴⁷ AES Southland is confident that it will successfully secure permits to build new generation at all three of its Western LA Basin sites and, with timely contracting, can have approximately 2,000 MW in service by the summer of 2020.

⁴³ AES-3 (O'Kane) at 3.

⁴⁴ AES-3 (O'Kane) at 4.

⁴⁵ *Id.* at 2-3.

⁴⁶ *Id.*

⁴⁷ AES-2 (Pendergraft) at 4.

V. THE PROPONENTS OF PROCUREMENT DELAY OFFER A FLAWED AND RISKY PATH FORWARD

As explained above, there is an immediate need to authorize SCE to proceed with additional procurement so that required LCR resources can be in place by 2020. Both the ISO and SCE agree that the Commission should act promptly to authorize SCE to procure new LCR resources.⁴⁸ PG&E also states in its rebuttal testimony that “[s]uggestions of further analysis and delay fail to recognize the immediate need in southern California.”⁴⁹ The September 16, 2013 Assigned Commission Ruling in this matter likewise noted that “due to the long lead times for new resources, there is an urgency to start moving toward identifying and filling any identified need as soon as possible.”⁵⁰

Yet despite the urgency expressed by the Commission, the ISO, and SCE, several parties have advocated in favor of yet more delay. CEERT, ORA, Sierra Club, Vote Solar, CEJA and others argue that the Commission should not authorize additional procurement at this time. Those parties offer a number of reasons why procurement delay is appropriate: (1) the Commission should await the results of the CAISO’s TPP; (2) the Commission should conduct further studies using updated assumptions, including updated load growth information; and (3) the Commission should rely on a load shed scheme in SDG&E’s service territory to address the critical contingency. None of these are valid reasons to delay procurement.

⁴⁸ SCE Brief at 5; Exhibit ISO-7 at 6:19-29; SCE-1 at 3:14-20.

⁴⁹ PG&E-2 at 3: 11.1-7.

⁵⁰ ACR at 19.

A. The Commission Should Not Wait for TPP Results

In its opening testimony, SCE studied two potential transmission projects to address LCR need in the LA Basin: the Mesa Loop-In Project and a regional transmission project. SCE does not intend to pursue the regional transmission project due to its high cost and limited effectiveness in reducing LA Basin need. While SCE is pursuing the Mesa Loop-In Project, that project is uncertain, and has greater costs and environmental impacts associated with it, as compared to LA Basin generation. Therefore, regardless of the results of the CAISO's TPP, transmission does not appear to be the least cost, best fit solution to LA Basin's local capacity needs.

Furthermore, the Commission will have sufficient information about the TPP results prior to voting on a decision in this matter. The ISO has stated that it will post a draft report of the 2013-2014 TPP, "including comprehensive transmission plan findings in terms of reliability upgrades, policy upgrades, [and] economic upgrades," in January 2014.⁵¹ There is therefore no need to further delay the proceedings to await final TPP results.

B. The Commission Should Not Rely on a Permanent Load Shed Scheme to Reduce LCR Need

CEERT, Sierra Club, CEJA and POC have repeatedly asserted, in numerous Commission proceedings, that the Commission should ignore the ISO's decision not to rely upon load shedding as a permanent solution for critical contingencies. This issue has already been addressed in Track 1 and in A.11-05-23, as well as more recently in proceeding A.13-06-015, with the Commission consistently declining to reject the ISO's recommendation concerning load

⁵¹ SCE Brief at 27; RT 1543:13-17 (Sparks).

shedding. The ISO, SCE, IEP and others have repeatedly explained that doing so would be inappropriate due to the amount of load which would be shed, the sensitivity of urban loads to large blocks of load shedding, and the complexity of operating arrangements in the area. There is no reason to reverse that course and assume that the ISO will rely upon load shedding to address the critical contingency in San Diego, and the assumption that load shedding would be a permanent mitigation of that contingency should not be a reason to further delay procurement of critical LCR resources.

C. Delaying to Allow for Updated Assumptions Threatens Reliability and Will Increase Costs

A number of parties contend that the Commission should further update study assumptions before authorizing additional procurement. As explained above, further delay will only risk reliability, and further risks increasing costs and environmental impacts. The Commission already established the appropriate study assumptions for this proceeding in its May 21 Revised Scoping Memo. Further, there is no indication that the updated study assumptions will lead to better results. The Commission must order procurement now, to ensure that resources are in place to meet expected need in 2020. It cannot further delay to allow for further study, nor should it retroactively revise the study assumptions it adopted in May.

VI. THE COMMISSION SHOULD AUTHORIZE AN ADDITIONAL 1,440 MW OF PROCUREMENT

The Commission should authorize SCE to procure at least an additional 1,440 MW of local capacity resources, as recommended in AES Southland's opening brief. Consistent with the loading order, it should be an all source solicitation, allowing both preferred resources and gas-fired generation to compete, consistent with the terms of the Loading Order.

CEERT and others argue that the Commission should mandate procurement of a certain level of preferred resources as a “forcing function.” The Commission has already done so in Track 1. Further, the Commission has already, and can again, direct SCE to comply with the Loading Order. However, mandating that SCE procure a specific amount of preferred resources runs the risk that such resources simply will not be available, while the delay associated with pursuing those resources will prevent the timely development of gas-fired generation, threatening LA Basin reliability.

VII. CONCLUSION

As explained in detail above, AES Southland recommends that the Commission authorize at least an additional 1,440 MW of new generation through SCE’s currently ongoing RFO. The procurement authorization should not specify any particular technology. The Commission should not reduce local capacity needs based upon either the Mesa Loop-In or SCE’s preferred resources Pilot. To the extent the Commission does so, it should authorize SCE to procure contingent contracts for an equivalent amount to hedge the risks associated with both the Mesa Loop-In and the Pilot. AES Southland also recommends that the Commission adopt a definitive timeline, with milestones, for addressing southern California LCR needs, consistent with PG&E’s recommendation.

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