

**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 13-12-010
(Filed December 30, 2013)

**REPLY COMMENTS OF DUKE AMERICAN TRANSMISSION COMPANY AND
DUKE ENERGY ON PLANNING ASSUMPTIONS AND SCENARIOS FOR THE 2014
LTPP AND 2014-15 TPP**

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Duke American Transmission Company (“DATC”) and Duke Energy submit the following reply comments on the Draft Planning Assumptions and Scenarios (“Draft Scenarios”) for the 2014 Long-Term Procurement Plan (“LTPP”) and California Independent System Operator (“CAISO”) Transmission Planning Process (“TPP”).

I. INTRODUCTION

A large number of the comments submitted on the Draft Scenarios were consistent with DATC’s own recommendations. Given that consistency, especially on issues associated with revising the RPS portfolios generated by the RPS Calculator, DATC believes there is a substantial need to revise the assumptions and scenarios in the specific ways described below. Several parties, including DATC, the Large Scale Solar Association (“LSA”), and Pacific Gas and Electric Company (“PG&E”), also raised concerns about the limited amount of time provided to the parties to review and comment on the Draft Scenarios.¹ In its comments, PG&E “encourages the Commission to provide additional opportunities to provide feedback on the

¹ DATC Comments at 1; LSA Comments at 1-2; PG&E Comments at 1.

proposed planning assumptions and scenarios.”² DATC agrees with that suggestion as well, and urges the Commission to consider whether providing parties’ additional opportunities for input might result in improvements to the assumptions and scenarios that the Commission ultimately adopts.

II. REQUESTED REVISIONS

A. Priority of 40% or 50% RPS Scenario

As DATC noted in its opening comments, policies already adopted by the State—specifically its greenhouse gas reduction goals embodied in AB 32 and other policies, require increased reliance on renewable energy beyond the current 33% level. This need is only exacerbated by the retirement of SONGS, and the potential retirement of Diablo Canyon. For this reason, DATC urged that the Commission prioritize a higher-RPS scenario. Numerous other parties made similar suggestions, either that the Commission prioritize the 40% RPS scenario, or that the Commission consider a 50% RPS scenario in light of the State’s GHG reduction targets. Those parties included the California Energy Storage Alliance (“CESA”), the Center for Energy Efficiency and Renewable Technologies (“CEERT”), the California Environmental Justice Alliance, the Environmental Defense Fund, and LSA.

As noted in the Draft Scenarios, the scenarios should explore a “reasonable range of possible energy futures” that “should be designed to form useful policy information.”³ One of those possible energy futures that the Commission should explore is a significantly higher RPS as a pathway towards meeting the State’s GHG goals. DATC agrees with the suggestion of CESA, CEERT, Environmental Defense Fund, and others that a 50% RPS scenario by 2030

² PG&E Comments at 1.

³ Draft Scenarios at 20 & 7 (emphasis in original.)

should be added as a scenario or a sensitivity.⁴ In light of the need to explore how the energy sector will participate in the State’s efforts to meet its GHG reduction goals, DATC also agrees with LSA’s and CalWEA’s suggestion that the California Air Resources Board should be included in the process of developing a suitable range of RPS levels.⁵

B. Revisions to the RPS Calculator

DATC understands that Commission staff are working on updating the current RPS Calculator. In its opening comments, DATC urged the Commission to allow for a public process to fully vet the assumptions used in any new version of the RPS Calculator. DATC therefore appreciates Commissioner Ferron’s recent Third Amended Scoping Ruling in the RPS proceeding (R.11-05-005), in which Commissioner Ferron recognized both the potential need for revisions to the RPS Calculator, and that it was “appropriate to vet in this proceeding any modification to the RPS Calculator.”⁶ However, the Scoping Memo does not contemplate a ruling on the revisions to the RPS Calculator until the third quarter of this year,⁷ far too late to allow those revisions to inform the assumptions and scenarios used in this LTPP or the 2014-15 TPP. Like DATC, numerous other parties raised concerns about the current RPS Calculator and the resulting portfolios; a number of suggestions for revisions to the RPS Calculator appeared frequently in the comments. DATC urges the Commission to adopt those suggested modifications in this LTPP, rather than adopting assumptions and portfolios that the Draft Scenarios note contain outdated cost and performance assumptions, among other flaws. The

⁴ CESA Comments at 4; CEERT Comments at 3; EDF Comments at 5.

⁵ LSA Comments at 2; CalWEA Comments at 6.

⁶ Scoping Memo at 4.

⁷ Scoping Memo at 7.

suggestions for modifications to the RPS Calculator that appeared frequently in the comments included the recommendations listed below, and DATC urges that the Commission, at a minimum, adopt these suggested modifications in this LTPP. Further, considering the long lead time for transmission development, the increasing need for non-GHG emitting resources in the mid-2020's means that transmission infrastructure needed to support that development needs to be planned now. Waiting to modify the RPS Calculator will delay planning for future resources and associated transmission infrastructure and may impair the state's ability to meet its goals.

Removal of environmental scoring. In its opening comments, DATC noted the problems with the environmental scoring for out-of-state projects, and suggested that the environmental scoring be removed from the RPS Calculator. Both CalWEA and LSA also suggested that environmental scoring should be eliminated.⁸

Updating resource and transmission costs. In its opening comments, DATC noted its concerns with the cost assumptions in the RPS Calculator, and suggested that the Commission needed to update those costs. Concerns about the resource and transmission costs in the RPS Calculator were also raised by PG&E and LSA.⁹

Inclusion of distribution costs. Several parties, including PG&E, suggested that distribution costs associated with distributed RPS generation should be included in the RPS Calculator, just as transmission costs are included for transmission level projects.¹⁰ DATC agrees with this suggestion.

⁸ CalWEA Comments at 4-5; LSA Comments at 4.

⁹ PG&E Comments at 13-14; LSA Comments at 3.

¹⁰ PG&E Comments at 15.

C. Inclusion of a 50% RPS non-DG Scenario

In its opening comments, DATC noted the Draft Scenarios inordinate focus on distributed generation as the preferred supply resource, with three of the six scenarios using the high-DG version of the RPS Calculator, including both of the 40% RPS scenarios. Calpine identified the same issue in its comments, and noted that “the cost-effectiveness of DG to satisfy environmental policy goals must be tested against alternative options and approaches, rather than simply assumed.”¹¹ Both DATC and Calpine identified the same solution to this concern, explaining that the scenarios should include a higher RPS scenario that does not include an overreliance on distributed generation to meet that RPS. DATC urges the Commission to include such a scenario for the reasons identified in both Calpine’s and DATC’s opening comments.

II. ENERGY STORAGE ASSUMPTIONS

DATC is a joint venture between Duke Energy and American Transmission Company, formed to plan and develop strategic transmission projects across the United States and Canada, including the Zephyr project. However, Duke Energy has also been involved in the development of energy storage across the United States, and has taken an active interest in the Commission’s efforts to implement Assembly Bill 2514. Duke Energy therefore offers the following comments on the energy storage assumptions contained in the Draft Scenarios.

The Draft Scenarios assert that “there is no expectation that distribution and customer sited storage will be deployed and operated in a manner that provides capacity value....” For that reason, the Draft Scenarios do not include capacity from distribution or customer side storage. Duke Energy agrees with CESA and others that this treatment of energy storage

¹¹ Calpine Comments at 3.

capacity is inappropriate. The capacity value that energy storage can provide depends more on the duration and how dispatchable that system is, than on the location where it is interconnected. Duke agrees with CESA that the Commission should consider assigning at least some capacity value to both distribution level and customer side storage, based upon the assumed characteristics of that storage.¹²

Among the Key Questions identified by ALJ Gamson's December 19 ruling was the question of how the assumptions and scenarios should adjust capacity value to address locational and operational uncertainties. As noted above, capacity value is likely dictated to a significant degree by the characteristics of energy storage. While locational and operational uncertainties exist, the Commission should assume that both customer side and distribution level provide some capacity value. Duke agrees with CESA that a significant percentage of the distribution level storage is likely to include operational characteristics that provide at least some capacity value.¹³

Finally, the December 19 Ruling requested input on whether storage modeling should be focused on deep multi-hour cycling to support operational flexibility or rapid cycling for ancillary services. Energy storage can provide both operational flexibility and ancillary services, and therefore energy storage should not be modeled as providing one or the other. As recommended by CESA, storage should be modeled as providing a realistic mix of both operational flexibility and ancillary services.¹⁴ The Ruling also requested whether the production profile of each category of storage should be modeled as a fixed profile or as a dispatchable resource. Whether a resource is dispatchable likely depends on whether the

¹² CESA Comments at 8-9.

¹³ CESA Comments at 9.

¹⁴ CESA Comments at 10.

resource is owned or procured by the utility to provide grid services. If it is, it is likely to be dispatchable. A majority of transmission and distribution level storage will likely be dispatchable, and at least some portion of customer side storage will likely be dispatchable as well.

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