

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)

NOTICE OF *EX PARTE* COMMUNICATION

Pursuant to Rules 8.2, 8.3(c), and 8.4 of the Commission's Rules of Practice and Procedure, the Office of Ratepayer Advocates (ORA) gives notice of the following oral and written *ex parte* communications, which occurred on January 16, 2014 at approximately 8:40 a.m. in the Commission's San Francisco office and lasted approximately fifteen minutes. ORA initiated the communications with Commission President Michael Peevey and his advisor Brian Stevens. Attending the meeting on behalf of ORA were Linda Serizawa, Radu Ciupagea, Nika Rogers and Diana Lee.

As shown in the attached handouts, ORA explained that if the Commission authorizes Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) to procure resources for the San Onofre Nuclear Generating Station (SONGS) study area based on the current record, it should authorize SCE to procure 700 megawatts (MW) of preferred resources and SDG&E to procure 400 MW of preferred resources with an additional 215 to 350 MW for SDG&E procured from an all-source request for offers.

Respectfully submitted,

/s/ DIANA L. LEE

DIANA L. LEE

Attorney for the Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-4342
Fax: (415) 703-4432
Email: dil@cpuc.ca.gov

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ATTACHMENTS



Long Term Procurement Planning: Track 4 SONGS Outage and Local Reliability

ORA Position: The CPUC should wait for preliminary results of 2013 – 2014 Transmission Planning Process (TPP) before authorizing any new procurement for local capacity requirements to replace SONGS. However, if the CPUC does not wait for TPP results, it should authorize procurement of 1,315 – 1,450 MW for SONGS Study Area based on the current record, with emphasis on preferred resources.

Background

May 2013: CPUC issued revised Scoping Memo establishing Track 4 to study the impacts of a premature SONGS closure on local capacity reliability (LCR) needs in Southern California:

- CPUC requested the CAISO model LCR needs for combined LA Basin & San Diego service territories (SONGS study area) for the year 2022.
- Edison and SDG&E each conducted power flow studies for their respective service territories using slightly different assumptions and scenarios than the CAISO.

Aug – Sep 2013: CAISO, Edison, and SDG&E filed opening testimony revealing the results of their power flow studies.

- **CAISO Results:** Showed a need of 2,399 – 2,534 MW for 2022, depending on location of new resources, but recommended CPUC “wait to make a decision about the need for additional resources” until results of preliminary 2013 – 2014 TPP are available in Jan 2014.
- **Edison Results:** Showed no need, but requested CPUC authority to procure 500 MW of new resources through all-source RFO to meet CAISO’s stricter reliability standards.
- **SDG&E Results:** Showed minimum need of 620 MW but requested CPUC authorize 500 – 550 MW of new resources after accounting for 70 – 120 MW of Demand Response.

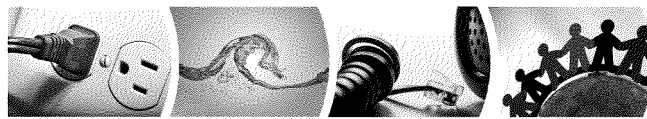
CPUC Should First Consider Results of 2013–2014 TPP in Order to Determine Actual LCR Need for SONGS Study Area

- CAISO’s August 5 testimony supported waiting for the preliminary results of the 2013 – 2014 TPP in Jan 2014 before authorizing any SONGS-related procurement, as this information would allow the CPUC to consider the appropriate mix of resources to meet LCR needs related to SONGS’ retirement and take into account location effectiveness.
- 2013–2014 TPP results will include additional reactive power solutions and transmission upgrades that were not accounted for in CAISO’s initial modeling.
- Implement a solution that maintains reliability while minimizing total procurement in the SONGS study area.
 - ▶ Assessing need across entire SONGS study area by including and modeling mitigation solutions, such as reactive power and transmission upgrades, will minimize ratepayer costs and reduce GHG emissions.
 - **For every MW located in SDG&E’s area, the overall need is reduced by 1.24 MW.**
 - ▶ Decisions regarding service reliability should be based on a reasonable record relating to costs, benefits, risks, and affordability.
 - ▶ A special protection system (SPS) should be used as a bridge to maintain system stability and to protect the integrity of the electric grid by automatically taking corrective actions to limit the impact of an extreme event.



If CPUC Authorizes Procurement for SONGS Study Area Based on the Current Record, It Should Authorize between 1,315 – 1,450 MW, with Emphasis on Preferred Resources

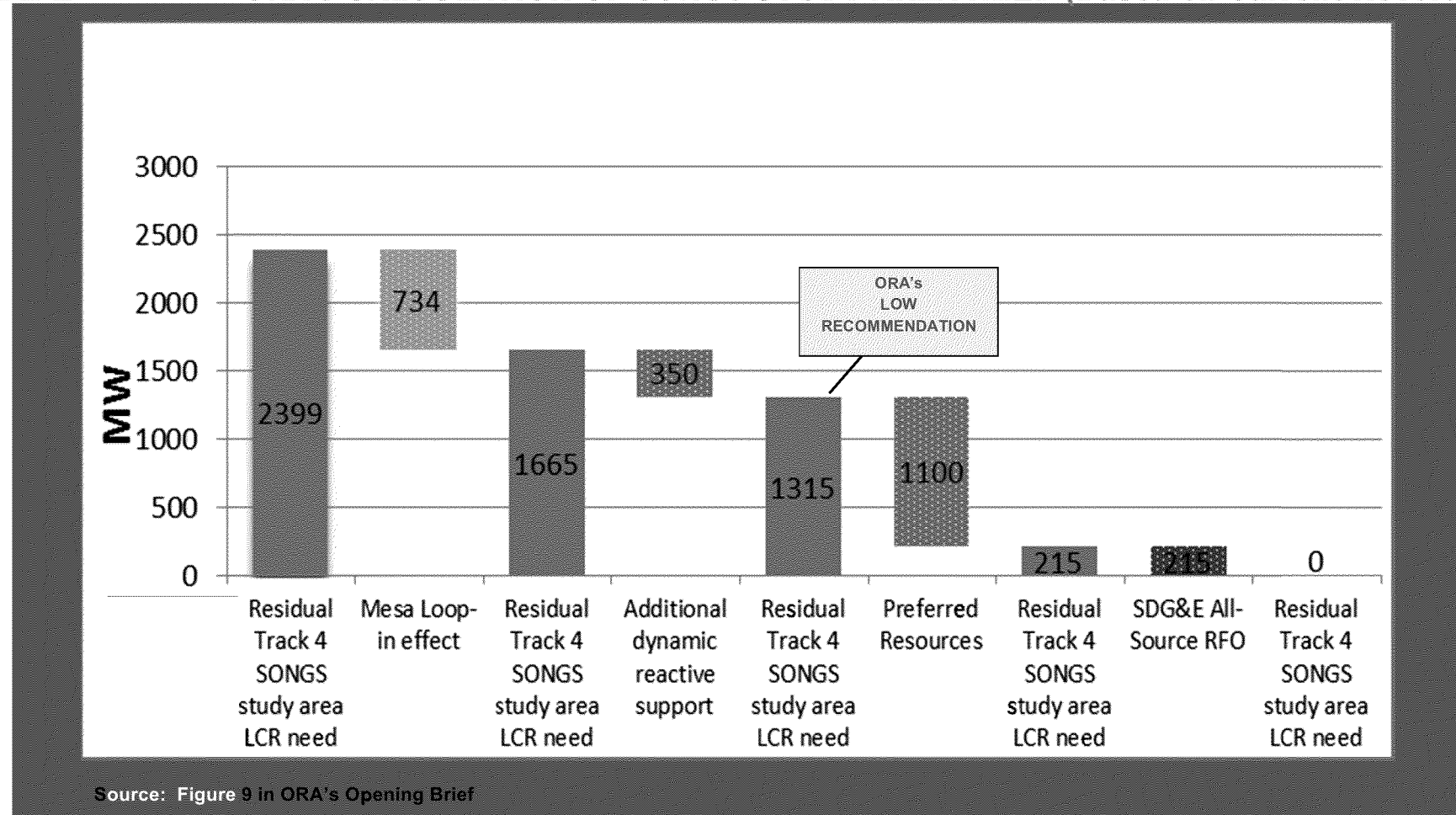
- Authorize 1,100 MW of preferred resources: 700 MW for Edison and 400 MW for SDG&E.
 - ▶ This is based on preferred resource potential from the Scoping Memo but not included in the CAISO's power flow modeling.
- Authorize an additional 215 – 350 MW for SDG&E through an all-source RFO.
- Update any interim procurement authorization based on the 2013 – 2014 TPP.
 - ▶ Revise upward or downward based on more accurate, updated information to allow LCR procurement to be based on the facts, which is more likely to reflect the need that will exist in 2022.
- Allow Edison and SDG&E to procure preferred resources in the manner that they recommend, as long as they meet their goals.
 - ▶ Require clear, concise plans explaining how they plan to meet preferred resources goals, with milestones to measure achievement.
- It is reasonable to prioritize preferred resources given the state's Loading Order and other factors.
 - ▶ The Loading Order requires the utilities to procure resources in a certain order.
 - ▶ Preferred resources displace the need for gas-fired generation and provide ratepayer benefits through reduced GHG emissions.
 - ▶ The record does not demonstrate that a minimum level of gas-fired generation is needed to maintain system reliability given the SONGS outage.
- Interim solutions can be utilized to maintain reliability if preferred resources do not materialize when needed, including:
 - ▶ Temporary extension of Once-Through Cooling compliance deadlines.
 - ▶ An SPS can be used as a bridge until permanent solutions materialize.
 - ▶ Edison's and SDG&E's local generation development reserves.



SCENARIO 1: 2/3 SCE + 1/3 SDG&E = Meeting Residual Track 4 SONGS Study Area LCR Need

SLIDE 2

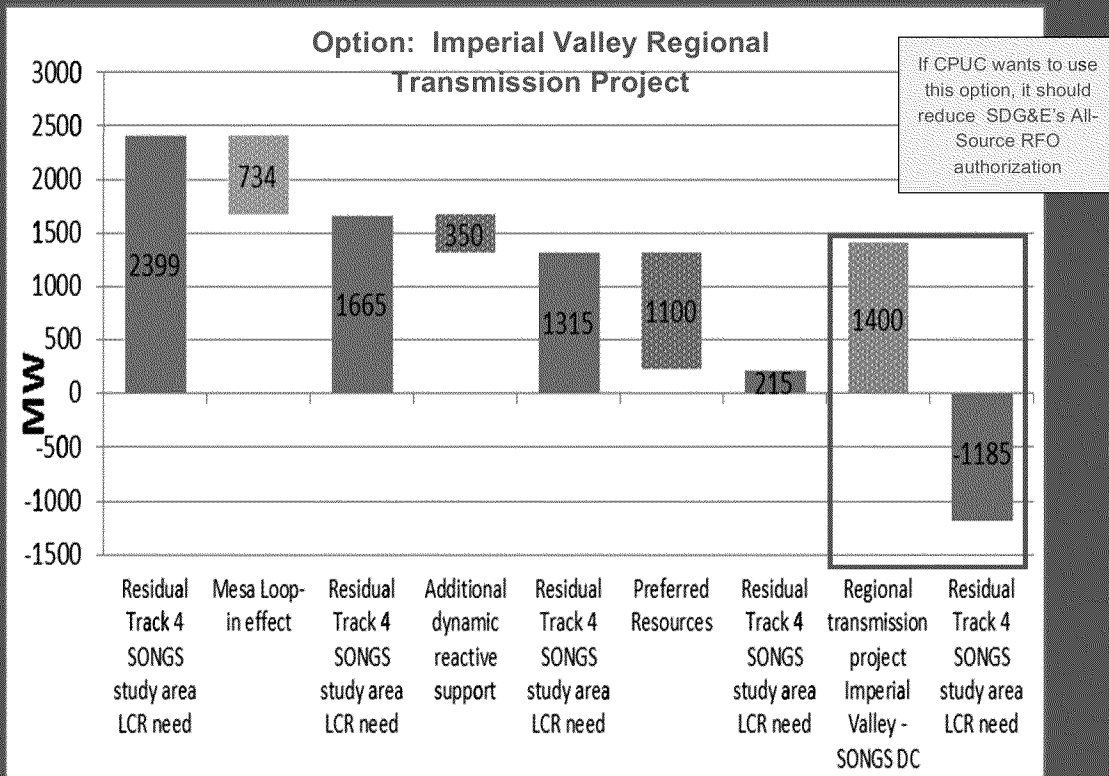
ORA's CALCULATION OF SONGS STUDY AREA NEED (Based on Current Record)



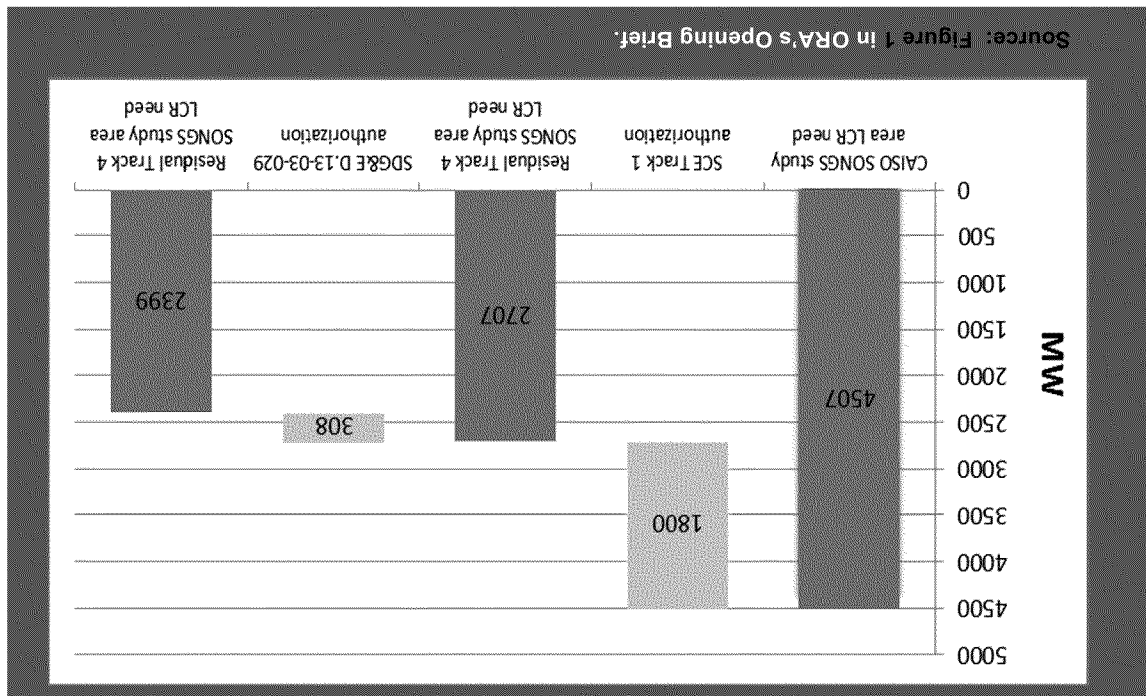
SCENARIO 1: 2/3 SCE + 1/3 SDG&E = Meeting Residual Track 4

SLIDE 3

SONGS Study Area LCR Need



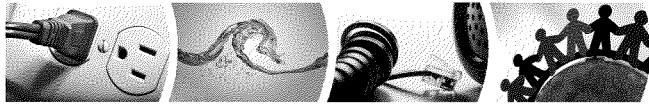
Source: Figure 11 in ORA's Opening Brief.



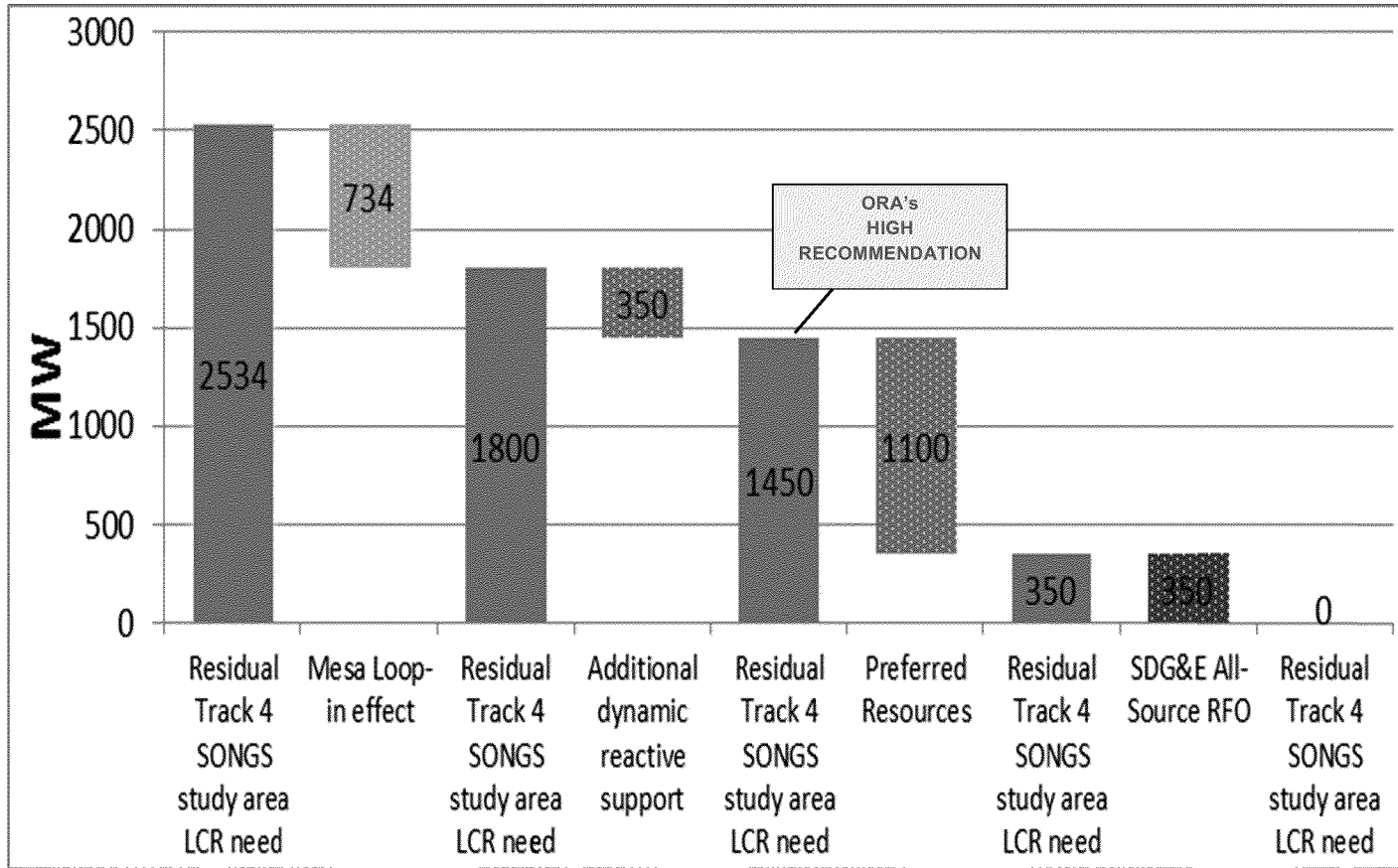
SCENARIO 1: 2/3 SCE + 1/3 SDG&E = Meeting Residual Track 4

SLIDE 1

SONGS Study Area LCR Need



SCENARIO 2: 80% SCE + 20% SDG&E = Meeting Residual Track 4 SONGS Study Area LCR Need
SLIDE 2
ORA's CALCULATION OF SONGS STUDY AREA NEED (Based on Current Record)

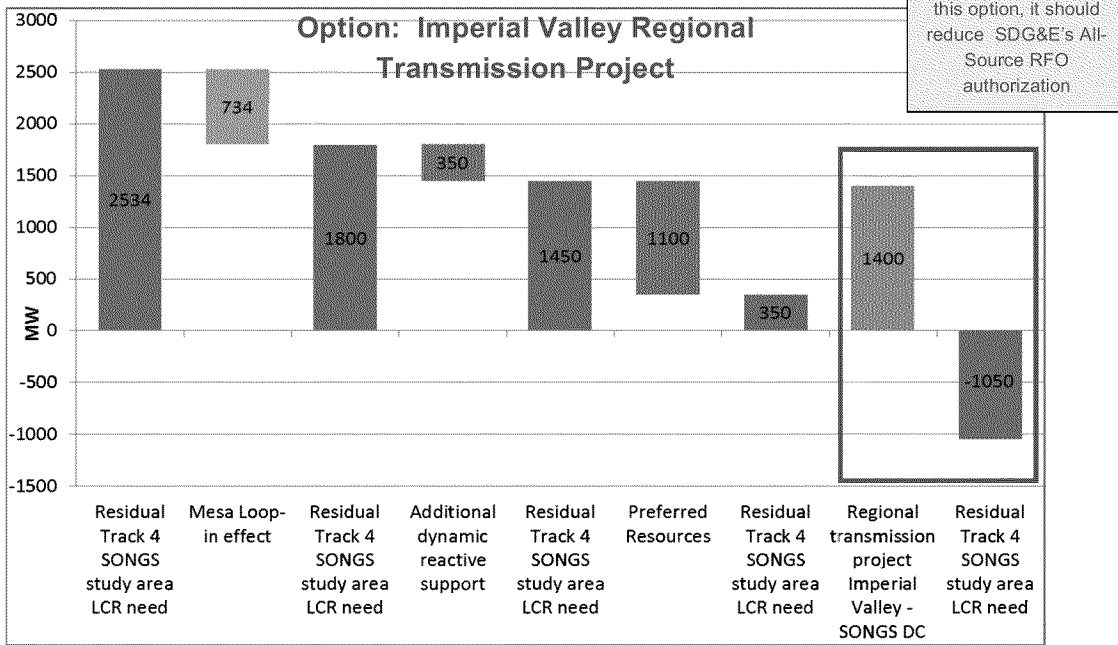


Source: Figure 10 in ORA's Opening Brief.

SCENARIO 2: 80% SCE + 20% SDG&E = Meeting Residual Track 4

SLIDE 3

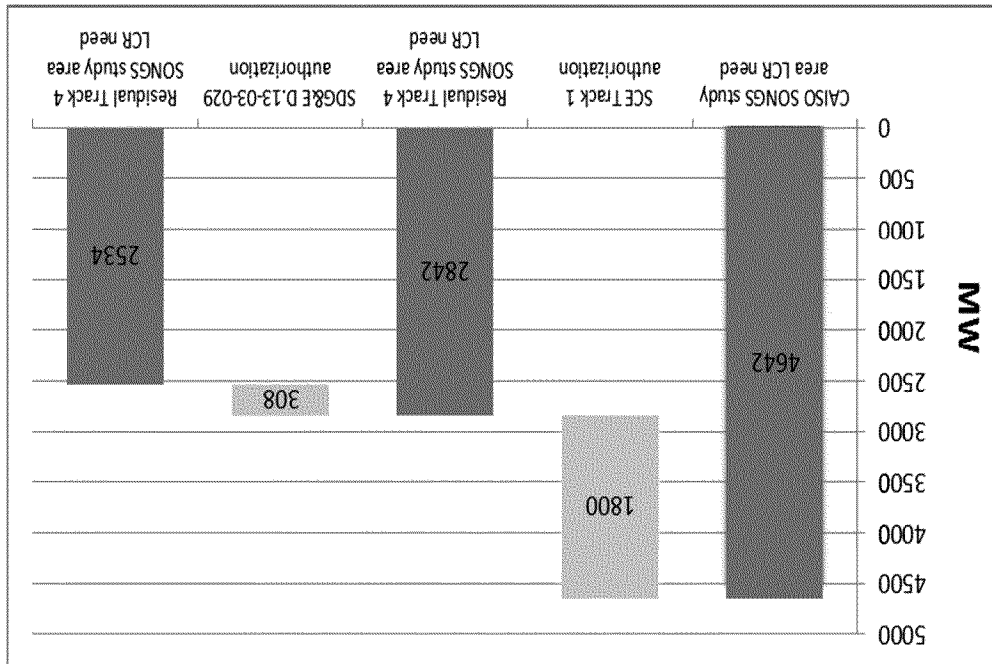
SONGS Study Area LCR Need



Source: Figure 12 in ORA's Opening Brief.



Source: Figure 2 in ORA's Opening Brief.



SCENARIO 2: 80% SCE + 20% SDG&E = Meeting Residual Track 4 SLIDE 1