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)

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

Seth D. Hilton
STOEL RIVES LLP
Three Embarcadero Center, Suite 1120
San Francisco, CA 94111
Telephone: (415) 617-8913
Email: sdhilton@stoel.com

Attorneys for Duke American Transmission Company

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Duke American Transmission Company ("DATC") submits the following 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"), pursuant to the December 19, 2013 Assigned Commissioner Ruling in this proceeding.

I. INTRODUCTION

DATC is a joint venture between Duke Energy and American Transmission Co. formed in 2011 to plan and develop strategic transmission projects across the U.S. and Canada. The transmission projects in which DATC is involved include the Zephyr Transmission Project, a high-voltage direct current ('HVDC") transmission line that will connect the Pathfinder Renewable Wind Project, a large-scale wind project in southeastern Wyoming, to load centers in California and the Southwest. DATC is also the majority owner of the transmission service rights to the Path 15 transmission project in central California.

DATC has been actively involved in predecessor LTPP proceedings, through its project entity Zephyr Power Transmission LLC. DATC also participated in the December 18, 2013 workshop on the draft assumptions and scenarios, and appreciates the opportunity to comment on the Draft Scenarios.

As noted in the Draft Scenarios, the scenarios selected through this process should reflect a "reasonable range of possible energy futures." (Draft Scenarios at 20.) Among the Guiding Principles set forth in the Draft is the principle that scenarios "should be designed to form useful policy information." (Draft Scenarios at 7 (emphasis in original).) To do so, scenarios should explore a variety of "real world possibilities", to inform policymakers about the implications of adopting a particular policy. (Draft Scenarios at 6, 20.) In particular, the Draft Scenarios identifies one of the critical questions to be determined in this LTPP as the appropriate mix of supply-side resources that will minimize costs to customers over the planning horizon. (Draft Scenarios at 19.).

DATC is concerned, however, that the scenarios presented in the Draft fail to achieve these goals. In particular, continued reliance upon an admittedly flawed and outdated RPS Calculator to develop the RPS portfolios fails to capture a reasonable range of future renewable portfolios. That flaw is exacerbated by the Draft's inordinate focus on distributed generation as the preferred supply resource. Three of the six scenarios, including both of the scenarios assuming a 40% RPS scenario (the 40% RPS Scenario and the Expanded Preferred Resources Scenario) use the high DG version of the RPS portfolios, assuming an increased reliance on distributed generation. Failure to consider a reasonable range of future scenarios may prevent the Commission from achieving its goal of determining the appropriate mix of resources needed to minimize costs, and will inhibit the CAISO's ability to develop the transmission infrastructure necessary to access the appropriate mix of resources. DATC therefore recommends that the Commission consider at least one scenario involving a 40% RPS and an RPS portfolio that is not narrowly focused on distributed generation resources, but includes all RPS resources, including

renewable resources located outside the state, by making the changes to the Draft Scenarios suggested below.

II. The Planning Scenarios Need to Consider a Broader Range of Potential Supply Side Solutions to a 40% RPS

In the previous LTPP, DATC (filing as Zephyr Power Transmission), noted the importance of modeling renewable generation beyond the current 33% RPS. The Draft Scenarios justify studying a 40% RPS on the ground that the California legislature "is exploring the establishment of a higher RPS target." (Draft Scenarios at 22.) That statement omits the fact that 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 33% level. The retirement of the San Onofre Nuclear Generation Station, once a major source of virtually greenhouse gas-free generation, only exacerbates California's need for additional renewable resources. In fact, an August 2011 Energy Commission Staff report indicated that the percentage of renewable electricity would need to be up to 77% of total electricity sales to meet the State's long-term greenhouse gas reduction goals, if California's nuclear plants were not relicensed.

Given the need for increased renewable generation in order to meet the State's greenhouse gas reduction goals, whether or not a specific RPS target beyond 33% is ever adopted, it is important to consider a range of possible policy options for achieving higher RPS generation, to inform policymakers of the implications of those options. Unfortunately, the Draft Scenarios, although they include two scenarios assuming a 40% RPS in 2030, focus on meeting that higher RPS through an increased reliance on distributed generation. Yet one of the critical questions identified in the Draft Scenarios is whether "increased distribution-level generation reduce[s] overall costs." (Draft Scenarios at 20.) The answer to that question cannot be fully

explored unless options other than one focused on distributed generation are modelled. DATC therefore suggests that the 40% RPS Scenario be modified to include a revised RPS portfolio, designed to correct the flaws in the RPS Calculator discussed below.

III. The RPS Portfolios Should be Corrected to Address Flaws in the RPS Calculator

The Draft Scenarios concedes that "some of the cost and performance assumptions embedded in the Calculator have become somewhat outdated, which limits its usefulness." (Draft Scenarios at 15.) DATC and numerous other parties to past LTPPs have commented on problems with the RPS Calculator. DATC in particular has raised concerns about the environmental scoring of renewable projects located out-of-state. DATC understands that the RPS Calculator simply assumes an environmental score of 50 for all Wyoming wind projects. Staff has previously indicated that a midpoint score was arbitrarily adopted for all out-of-state projects due to a lack of sufficient data calculate a specific environmental score.

DATC objects to the use of arbitrary environmental scoring for all out-of-state projects. Due to the likely lack of any environmental impact on California, it is unclear why out-of-state projects should be assumed to have an environmental score of 50, rather than 0. However, if the data indicates that the environmental impact of a project outside of California merits a core of 75, 25, or 0, then such a score should be received. If Staff does not possess sufficient data to give a specific score, then environmental scoring should not be used. At the December 18, 2013 workshop on the Draft Scenarios, Staff stated that the environmental scores are a significant driver of which projects are selected for the portfolios. DATC has significant concerns about a key driver of the results being based upon general assumptions about all out-of-state projects. In the absence of a more detailed evaluation of the environmental scoring procedure, DATC recommends that it not be used to determine RPS portfolios for this LTPP.

DATC also has concerns about other assumptions used for the RPS Calculator, including transmission costs and other cost assumptions contained in the current version of the Calculator. As indicated in the Draft Scenarios, DATC understands that a new version of the RPS Calculator is being developed, and that cost and performance assumptions will be updated in the new version. Staff stated that the new version has not yet been vetted, and would not be available for the current LTPP or TPP process. DATC would prefer that updated cost and performance assumptions be used for this LTPP, rather than relying on assumptions that the Commission concedes are outdated. Even if a new version of the RPS Calculator is not available for the current process, the RPS Portfolios resulting from this RPS Calculator need to be updated to remove flawed environmental scoring and other errors. These flaws can have significant consequences, including preventing the study of transmission facilities that could provide the lowest cost RPS resources. In the previous TPP, the CAISO refused to study the Zephyr line in part because the RPS portfolios did not contain Wyoming wind generation; yet the exclusion of Wyoming wind generation was based upon arbitrary environmental scoring and flawed and outdated transmission and other cost assumptions.

DATC also urges the Commission to allow for a public process to fully vet the assumptions used in any new version of the RPS Calculator. As the Draft Scenarios notes, the scenarios should be "informed by an open and transparent process." (Draft Scenarios at 6.). DATC appreciates the efforts that the Commission has gone to provide for a more open process, but extending that openness to the development of the RPS Calculator and related assumptions will only enhance the accuracy of any new version of the Calculator. DATC is also concerned that the short time frame provided for evaluation of the scenarios and the RPS portfolios does not allow for material adjustments to the portfolios before they are used the TPP process.

IV. The Commission Should Evaluate a Broad Range of Scenarios

The Draft Scenarios suggested that resource limitations will likely demand prioritization of the scenarios for their use in the LTPP, and requested input from the parties concerning scenario priority. For the reasons explained above, DATC believes that the 40% RPS Scenario, modified as suggested, should be a priority given the State's overall environmental goals. Generally, however, DATC urges the Commission to consider a wide range of scenarios, and that the CAISO likewise consider a similar broad range of scenarios in its TPP to ensure consistency between the LTPP and the TPP. DATC also notes, as it has on previous occasions, that developing a robust transmission system that can accommodate numerous future scenarios can preserve flexibility and ultimately reduce ratepayer costs. Generation costs make up a far more significant portion of a customer's bill than transmission costs. Limiting transmission investment to reduce costs can ultimately prevent the development of least cost generation options. Scenarios should therefore not only encompass reliance upon existing transmission infrastructure, but also potential development of new transmission infrastructure to access potential lower cost resources, including RPS resources.

III. Conclusion

DATC requests that the Commission consider modifying the proposed scenarios to address the deficiencies discussed above, to ensure that they provide a broad range of future scenarios to inform policymakers both at this Commission and at CAISO. DATC further requests that the Commission continue its efforts to provide for an open and transparent process,

including providing for a robust public process to evaluate an new version of the RPS Calculator, and associated assumptions.

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/s/ Seth D. Hilton

Seth D. Hilton
STOEL RIVES LLP
Three Embarcadero Center, Suite 1120
San Francisco, CA 94111
Telephone: (415) 617-8913
Email: sdhilton@stoel.com

Attorneys for Duke American Transmission Company