

**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)

**WELLHEAD ELECTRIC COMPANY, INC.  
COMMENTS ON PROPOSED DECISION AUTHORIZING LONG-TERM  
PROCUREMENT FOR LOCAL CAPACITY REQUIREMENTS DUE TO PERMANENT  
RETIREMENT OF THE SAN ONOFRE NUCLEAR GENERATION STATIONS**

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Pursuant to Rule 14.3 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure and in response to the February 11, 2014 Proposed Decision (“PD”) of Administrative Law Judge Davis M. Gamson, Wellhead Electric Company, Inc. (“Wellhead”) hereby submits these comments on the *Proposed Decision Authorizing Long-Term Procurement for Local Capacity Requirements due to Permanent Retirement of the San Onofre Nuclear Generation Stations* in the above captioned proceeding.

**I. IF IMPLEMENTED PROPERLY, THE PROPOSED DECISION ACCURATELY PROVIDES SUFFICIENT LATITUDE TO ACHIEVE TRACK 4 GOALS.**

Overall, the PD strikes the appropriate balance of encouraging procurement from specific resources such as preferred resources and energy storage consistent with providing Southern California Edison (“SCE”) and San Diego Gas and Electric (“SDG&E”) the flexibility to procure capacity from the projects that best meet local reliability needs. If implemented correctly, the PD provides sufficient latitude to ensure local reliability in the SCE and SDG&E service territories despite the closure of the San Onofre Nuclear Generation Station (“SONGS”).

Wellhead provides the following comments that will (1) clarify the evaluation criteria and filing method set forth in the PD, and (2) recommend revision of statements regarding the capabilities of some energy storage resources. More specifically:

- As to the evaluation criteria, the procurement/selection of resources should be based on an analysis that takes full account of all of the costs, fixed and variable, that must be paid to a project in order to make use of the attributes needed to meet local reliability concerns. This should include locational value as well as alignment with policies to reduce California’s greenhouse gas (“GHG”) footprint.
- Wellhead appreciates the PD’s recognition that storage “will be useful to meet LCR resources in the future” and that further development of storage is expected to “have an environmentally beneficial impact on energy supply and reliability in California.” (*See*, PD at 60.) However, Wellhead is concerned that the PD persists in preserving in various discussion statements the erroneous view that storage is not able to meet certain reliability needs. (For example, see PD at 60.) As established in unchallenged testimony in this proceeding (*See*, Ex. Wellhead-1), there are storage applications able to meet specific reliability needs. The PD should be clear in directing the utilities to procure resources, including storage, based on the attributes the resources can be reasonably expected to provide.
- Several ordering paragraphs need to be clarified to eliminate potential ambiguity as to how storage is to be considered in the Loading Order and treated in the procurement process.

Wellhead also suggests that the Commission consider the strict requirements it has specified for the utilities seeking approval of their procurement decisions. Although a single

filing will ensure the Commission sees all selected resources in a single package, there can be circumstances when an earlier filing for a particular project is appropriate. This would be most likely to arise if there were a delay in the utility's selection and filing for approval at the Commission. However, even if filed as a group, there may be good reasons why a particular project should be acted on earlier, in a separate decision from the other proposed projects. Wellhead suggests the final decision include, at a minimum, a mechanism for the utilities to request approval, with good cause shown, of individual projects that are submitted as part of the larger cluster.

**A. SPECIFIC EVALUATION CRITERIA SHOULD BE USED IN THE PROCURMENT PROCESS SET FORTH IN THE PD.**

Wellhead supports use of SCE's approved Track 1 procurement plan, which takes into consideration the importance of the location of specific resources to meet local capacity needs and the use of local capacity resources ("LCR") attributes in the RFO valuation. Wellhead also supports the requirement for SDG&E to submit a similar procurement plan, which would include consideration of "the LCR and flexible attributes of various technology-specific resources considered for procurement." (PD, Attachment B, p. 2.)

In implementing the authorized procurement process, Wellhead requests that the Commission ensure that the utilities continue to work with the California Independent System Operator ("CAISO") to develop LCR attributes to be used in the valuation of resources in the RFO process recognizing that there are many outage scenarios that require local resources. The procurement process should ensure the selection of viable projects that meet all of these essential LCR attributes identified by the CAISO as essential to meeting local reliability needs in the required time frame. As established in the evidentiary record, energy storage projects have a demonstrated ability to provide frequency and voltage regulation, spinning reserves and load-

following services, in addition to having a higher availability due to quick start-up capabilities and little or no minimum operating load limitations or operating costs. (Ex. Wellhead-1, p. 4.)

The implemented procurement process should ensure that the valuation of projects captures the importance and value of such attributes and all of the fixed and variable costs each resources requires in order to use these capabilities. For example, the fact that a storage project can be available to provide operating reserves without incurring any costs of starting and remaining at Pmin is a definite benefit to storage in comparison to a gas fired alternative. (See, Ex. Wellhead-1, p. 4.)

**1. ORDERING SUBPARAGRAPH 8(e) SHOULD BE REVISED TO ENSURE PROPER CONSIDERATION OF RESOURCE ATTRIBUTES TO ADDRESS LCR NEEDS.**

Wellhead requests revision of subparagraph (e) of Ordering Paragraph 8 as follows:

A demonstration of technological neutrality, so that no resource was arbitrarily or unfairly prevented from bidding or disadvantaged in the evaluation process in SCE's or SDG&E's solicitation process. To the extent that the availability, viability, and effectiveness of resources, with attributes to meet LCR needs, higher in the Loading Order are comparable to fossil-fueled resources, SCE and SDG&E shall show that it has contracted with these ~~preferred~~ resources first.

Wellhead recommends these revisions to ensure that resources with attributes necessary to meet LCR needs are fully considered and able to compete in the solicitation process. Moreover, as fully explained in Section (C) below, Wellhead requests that the term "preferred" be struck to ensure that energy storage is properly considered. In the alternative, Wellhead recommends that the PD be revised to state that for the purposes of the ordering paragraphs, that energy storage is also included in the term "preferred resources."

**B. ORDERING PARAGRAPHS 1 AND 2 SHOULD BE CLARIFIED TO ENSURE THE INCLUSION OF ALL ENERGY STORAGE TECHNOLOGIES IN THE PROCUREMENT PROCESS.**

As noted above, to avoid ambiguity as to the treatment of energy storage in the procurement process, Wellhead requests revision of the ordering paragraphs as proposed in these comments, or, in the alternative, the inclusion of a clear statement that for the purposes of the ordering paragraphs, that energy storage is also included in the term “preferred resources.”

Subparagraphs (c) and (e) of Ordering Paragraph 1 and subparagraph (b) of Ordering Paragraph 2 authorize procurement amounts for preferred resources to meet local capacity needs, and provide that bulk energy storage and large pumped hydro facilities are not to be excluded from the procurement process to meet those needs. Wellhead appreciates that the PD includes energy storage “in the category” of preferred resources for the purposes of the PD; however footnote 3 of the PD specifically states that energy storage, while a “potential enabling technology, [ ] is not a Preferred Resource.” (PD, p. 7.) As a result, Wellhead is concerned that subparagraphs (c) and (e) of Ordering Paragraph 1 and subparagraph (b) of Ordering Paragraph 2 can be read as excluding energy storage technologies that do not constitute bulk storage or large pumped hydro facilities from the procurement amounts authorized in those subsections. Therefore, Wellhead requests revision of subparagraphs (c) and (e) of Ordering Paragraph 1 as follows:

- c. At least 550 MW of local capacity must be procured from preferred resources consistent with the Loading Order of the Energy Action Plan (beyond the requirement of subsection b of this Ordering Paragraph). ~~Bulk~~ ~~e~~ Energy storage and large pumped hydro facilities shall not be excluded.

- e. Subject to the overall cap of 2500 MW, any additional local capacity, beyond the amounts specified in subparagraphs (a), (b), (c), and (d), may only be procured through preferred resources (including ~~bulk e~~Energy storage including large pumped hydro facilities) consistent with the Loading Order of the Energy Action plan...

Wellhead also requests revision of subparagraph (b) of Ordering Paragraph 2 as follows:

- b. At least 175 MW of local capacity must be procured from preferred resources consistent with the Loading Order of the Energy Action Plan (beyond the requirement of subparagraph a of this Ordering Paragraph). ~~Bulk e~~Energy storage including large pumped hydro facilities shall not be excluded from this category.

**1. FINDING OF FACT 51 SHOULD BE REVISED TO ENSURE THE INCLUSION OF ALL ENERGY STORAGE TECHNOLOGIES IN THE PROCUREMENT PROCESS.**

Although energy storage is an evolving technology with regards to the wholesale system benefits that can be provided, this is not an appropriate basis to relegate energy storage to an inferior status in comparison to other, more traditional, resources. There is no shortage of reliable information about the capabilities of energy storage resources, including successful deployment as utility scale resources in numerous locations. (*See generally*, Ex. Wellhead-1.)

As such, Wellhead requests that Finding of Fact 51 be revised as follows:

Despite tThe incipient nature of energy storage resources, ~~uncertainty about location and effectiveness, and unknowns concerning timing provide insufficient information at this time to assess how and to what extent~~ the successful deployment of the energy storage in applications such as transmission level interconnected energy storage projects providing frequency regulation and voltage storage, and a demonstrated ability to provide attributes such as frequency regulation, spinning reserves, and load-following services, indicates that energy storage resources can reduce LCR needs in the future.



**C. THE DECISION SHOULD CLARIFY THAT INDIVIDUAL APPROVALS CAN BE GRANTED FROM THE CLUSTER OF SUBMITTED CONTRACTS.**

Ordering Paragraph 8 of the PD provides that SCE and SDG&E “shall each file on Application for approval of any and all contracts entered into as a result of the procurement process authorized by decision.” Wellhead agrees that a single Application is generally a prudent mechanism to streamline the process for approval of the contracts and ensure the Commission sees the entire proposed portfolio before making project specific approvals. However, there should be a process in place that permits the approval of individual contracts or projects when there is good cause shown that such approval is prudent and reasonable. This will ensure that non-controversial projects and contracts that can move forward quickly are not restrained by other projects or contracts that require additional evaluation or consideration. Individual approvals will ensure that projects can move forward in a timely and expedient manner to meet local reliability needs.

**1. ORDERING PARAGRAPH 8 SHOULD BE REVISED TO SPECIFICALLY PROVIDE FOR INDIVIDUAL CONTRACT APPROVALS.**

Wellhead requests revision of Ordering Paragraph 8 as follows:

Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) shall each file on Application for approval of any and all contracts entered into as a result of the procurement process authorized by this decision. Contracts may be filed and/or approved on an individual basis for good cause demonstrated by the utility.

**II. CONCLUSIONS**

Overall, Wellhead appreciates the thoughtful treatment of energy storage issues in the PD. However, to avoid ambiguity or potential confusion in the implementation of the procurement process authorized in this proceeding, Wellhead requests clarification that energy

storage projects are to be treated as preferred resources in the procurement process. Moreover, Wellhead encourages the Commission to ensure that the evaluation criteria place a proper emphasis on the attributes of resources in meeting LCR needs, and to provide a process for individual approval of contracts and projects.

Dated: March 3, 2014

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'DKK', is written over a horizontal line.

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