

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)

COMMENTS OF THE UTILITY REFORM NETWORK ON
THE TRACK 4 PROPOSED DECISION OF ALJ GAMSON



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**COMMENTS OF THE UTILITY REFORM NETWORK ON THE TRACK 4
PROPOSED DECISION OF ALJ GAMSON**

Pursuant to Rule 14.3 of the Rules of Practice and Procedure, The Utility Reform Network (TURN) submits these opening comments on the Proposed Decision (PD) of ALJ Gamson in Track 4 of this proceeding authorizing two Investor-Owned Utilities (IOUs) – Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E) – to procure new electric resources to maintain local reliability standards in their service territories.

In general, TURN believes the PD strikes a reasonable balance between the sometimes competing goals of maintaining reliable electric service, minimizing ratepayer costs and pursuing the state’s environmental policies. TURN agrees with the PD on these issues in particular:

- 1) The PD’s authorization that the two IOUs each procure 500 to 700 MW of new local resources and the requirement that certain minimums of such procurement come from Preferred Resources or storage.
- 2) The PD’s computations of resource need based on the assumption that load shedding may be used to mitigate the “N-1-1” contingency that drives local need in each of the IOU’s service territories.
- 3) The PD’s finding that the authorized resources are needed to preserve local reliability on behalf of all customers and the corollary finding that the net costs of such resources should be allocated to all customers.

I. THE PD'S 500 TO 700 MW PROCUREMENT AUTHORIZATIONS AND MINIMUM PREFERRED RESOURCE REQUIREMENTS ARE REASONABLE

The PD would grant each of SCE and SDG&E authorization to procure an additional 500 to 700 MW of resources in their affected local reliability areas. The PD would also specify that of this quantity, SCE purchase at least 400 MW from Preferred Resources and SDG&E purchase at least 175 MW from Preferred Resources and 25 MW from Energy Storage.¹

This finding differs from TURN's recommendation that the Commission grant each IOU authorization to procure up to 500 MW, plus or minus ten percent, on an "all source" basis, particularly as to the minimum requirements for Preferred Resources and Storage procurement.² But TURN endorses the PD's findings regarding the quantity and type of procurement as reasonable given the range of positions advanced by parties in Track 4.

II. THE PD'S CONSIDERATION, IN SETTING NEED, OF LOAD SHEDDING AS A MEANS TO MANAGE THE CRITICAL N-1-1 CONTINGENCY IS REASONABLE

In reaching its need determination, the PD considered arguments that need should be adjusted to reflect alternative quantitative assumptions and judgments about procurement policy. With one exception, TURN will not comment on any of these issues individually except for its statement that the PD's overall need finding is reasonable.

¹ PD, Ordering Paragraphs 1 and 2. The Preferred Resources requirement may also be met by procurement of storage resources.

² TURN Opening Brief, pp. 4-5.

The key assumption TURN will address herein is the PD's finding that in setting need, load shedding should be considered an acceptable means of mitigating the N-1-1 contingency that drives local need in both the SCE and SDG&E service territories. As developed extensively in both TURN's testimony and briefs,³ and as the PD recognizes, funding new resources to meet higher needs driven by a failure to consider load shedding may have more costs than benefits for customers. In addition, TURN notes that the PD explicitly allows for revisiting this assumption at a later date based on better information.⁴

III. THE PD'S CONCLUSION THAT THE NET COST OF AUTHORIZED RESOURCES SHOULD BE ALLOCATED BY THE COST ALLOCATION IS CORRECT

The PD also makes two key findings relevant to the allocation of the net costs of funding the new resources it would authorize. First, the PD would find that all of the new resources it authorizes SCE and SDG&E to procure are needed to meet local reliability criteria for the benefit of all utility distribution customers in the affected area. Second, as a corollary to this finding, the PD would allocate all the net costs of such resources pursuant to the Cost Allocation Mechanism to all benefitting customers, including those served by SCE, SDG&E, Energy Service Providers and Community Choice Aggregators. TURN agrees with these findings and is hopeful that the PD's simple, straight-forward findings will serve to limit redundant litigation over these issues in the future.⁵

³ See *Id.*, pp. 8-15, for example.

⁴ PD, pp. 45-46.

⁵ TURN also hopes the Commission's similar findings in D.14-02-040, which resolved Track 3 issues in this docket related to the IOUs' Bundled Procurement Plans, will have the same effect.

IV. CONCLUSION

The Commission should adopt the Track 4 PD largely as drafted with the minor corrections described above.

Respectfully submitted,

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