

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
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES ON
TRACK 4 (SONGS) PROPOSED DECISION**

March 3, 2014

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Comments on the Proposed Decision of Administrative Law Judge (ALJ) Gamson Authorizing Long-Term Procurement for Local Capacity Requirements Due to Permanent Retirement of the San Onofre Nuclear Generation Stations (SONGS) in the Commission’s Long Term Procurement Plan (LTPP) Rulemaking (R.) 12-03-014 (“Track 4 Proposed Decision”). The Track 4 Proposed Decision was mailed on February 11, 2014. These Comments are timely filed and served pursuant to Article 14 of the Commission’s Rules of Practice and Procedure and the instructions accompanying the Track 4 Proposed Decision.

**I.
THE TRACK 4 PROPOSED DECISION CORRECTLY CONTINUES TO INCLUDE
PREFERRED RESOURCEDS TO MEET LCR NEEDS, BUT ITS ANALYSIS OF
THAT NEED AND EXPECTED OUTCOMES REQUIRES MODIFICATION.**

Like Decision (D.) 13-02-015 (Track 1 (Local Reliability)), the Proposed Decision is a well-written and thorough review of the Track 4 (SONGS) issues, resulting in procurement authorizations for Southern California Edison Company (SCE) and now San Diego Gas and Electric Company (SDG&E) to meet identified long-term “local capacity requirements” (LCRs) in the “Southern California Reliability Area” in the absence of SONGS. CEERT strongly supports the Proposed Decision’s determination that this need is to be met based on “buckets” of procurement that include “preferred resources (such as renewable power, demand response resources and energy efficiency)” and energy storage.¹

In making this determination, the Proposed Decision correctly follows the precedent established by D.13-02-015 of a “clarified” Loading Order. Specifically, the Proposed Decision

¹ Proposed Decision, at p. 2.

confirms that the Loading Order now requires “ongoing” procurement of preferred resources, as available and cost-effective, to meet all energy needs, unrestricted by any “target” that might be set by other programs for that resource.² Thus, “[i]nstead of procuring a fixed amount of preferred resources and then procuring fossil-fuel resources, the IOUs are required to continue to procure the preferred resources ‘to the extent that they are feasibly available and cost effective.’”³ The Proposed Decision, like D.13-02-015, makes clear that “advancing California’s policy of fossil fuel reduction demand[s] strict compliance with the Loading Order.”⁴ (Id.)

By doing so, the Proposed Decision ultimately requires SCE “to procure up to 60% of new local capacity in the LA Basin from preferred resources” and SDG&E “at least 40% -- and up to 100% -- of new local capacity from preferred resources.”⁵ The Proposed Decision also concludes that the level of procurement authorizations (residual need) for each of these utilities that will be met by the identified procurement “buckets” is within the “range of possible reasonable and prudent outcomes.”⁶

However, the manner in which the Proposed Decision has elected to assess this “need” and the underlying assumptions requires modification. Namely, the Proposed Decision has elected to “identify” the residual Track 4 need by relying on assumptions that are questionable or outdated and then engaging in after-the-fact need (and, in turn, procurement authorization) adjustments.

Further, the Proposed Decision continues to rely on and authorize a non-transparent “procurement process” for SCE and SDG&E that may not be matched to the actual Track 4 need (making it difficult for preferred resources to respond) and continues to leave vague or undefined the preferred resource attributes and large-scale pumped storage capabilities that meet local need. In many cases, even the Proposed Decision’s support for, e.g., Living Pilots to better define those attributes, including for SDG&E, or the inclusion of large-scale pumped storage in Track 4 solicitations, are not encompassed in any finding or conclusion.

Clearly, in any examination of need by period (long-, mid-, or short-term) or type (local, system, or bundled), the Proposed Decision, like D.13-02-015 before it, will be an influential

² Proposed Decision, at p. 14. As an example, there is no “ceiling” on procurement authorizations of a Loading Order preferred resource, like renewable generation, because of the existence of a 33% Renewable Portfolio Standard (RPS) Program “target.”

³ Proposed Decision, at pp. 14-15.

⁴ Id., at p. 14.

⁵ Id., at p. 2.

⁶ Id., at p. 67.

precedent on how those decisions are made in the future. Without the issues above being addressed with greater clarity and transparency, the credibility of procurement policies could be at risk of arbitrary and contrary outcomes that will be difficult, if impossible, to “fix” after-the-fact.

Thus, CEERT strongly supports the basic policy framework and preferred resources and energy storage procurement “buckets” authorized by the Proposed Decision. However, as described below and included in CEERT’s Proposed Findings of Fact and Conclusions of Law contained in Appendix A hereto, CEERT asks that the final order include certain key modifications focused especially on needed improvements and updates on the extent of the Track 4 need and how it will be met. Specifically, CEERT recommends that the Proposed Decision be modified to ensure or require (1) that appropriate assumptions are used in modeling at the outset, (2) that a process for updating need prior to contracts being authorized is in place, (3) that a procurement process tied to the actual need is adopted (including re-opening SCE’s Track 1 RFO if it is to be “extended” for Track 4), (4) that a more transparent “procurement process” is followed, (5) that large-scale pumped storage is appropriately defined as a “preferred conventional” resource and is eligible to bid into all procurement “buckets,” and (6) that findings and conclusions directing SDG&E, in particular, to follow through on a Living Pilot are added to the Proposed Decision.

II.

THE PROPOSED DECISION SHOULD BE MODIFIED IN SEVERAL RESPECTS TO APPROPRIATELY IDENTIFY THE TRACK 4 NEED AND ENSURE PROCUREMENT OUTCOMES MATCHED TO COMMISSION POLICY.

A. The Proposed Decision’s Use of After-the-Fact Adjustments in Identifying “Residual Need,” Extension of the Track 1 RFO, and Continued Adherence to an Opaque “Procurement Process” Must be Modified Consistent with Applicable Policy and Fact.

1. Needed Updates/Changes to Key Assumptions at the Front End.

In addition to the Proposed Decision’s adherence to the Loading Order, noted above, CEERT also appreciates its “cautious” approach to identifying “residual need” to, i.e., avoid over-procurement of fossil resources.⁷ On that point, the Proposed Decision rightly rejects Pacific Gas and Electric Company (PG&E)’s unsupported and misguided request for the

⁷ Proposed Decision, at p. 11.

Commission to approve fossil procurement levels for SCE and SDG&E well above anything supported by the record here or by any other party, including CAISO, SCE, and SDG&E.⁸ Thus the Proposed Decision concludes that “PG&E’s recommendations carry a significant risk of over-procurement” and fail to “adequately take into account the likelihood of various supply or demand considerations which are either very likely or reasonably likely to occur.”⁹

Unfortunately, the approach taken by the Proposed Decision in evaluating the record on “need” requires modification to improve its treatment and evaluation of those “likely” changes, especially those related to transmission resources. Further, the “procurement process” that it adopts seems to embue SCE and SDG&E with the kind of unbridled, “broad” “latitude” in procurement that the Proposed Decision found, in terms of PG&E’s advocacy, was neither “reasonable or prudent to grant.”¹⁰ As the Proposed Decision correctly notes: “While the procurement objectives of utilities are often aligned with the public interest (e.g., ensuring reliability, consistency with environmental statutes), utilities may also have objectives (e.g., additions to rate base, competitive concerns) that differ from the public interest,” a circumstance that calls for “more close regulation.”¹¹

Yet, the Proposed Decision itself runs afoul of failing to follow its own advice on the need to protect the public interest through “close regulation.” Specifically, it employs a “process” for evaluating, adopting, and applying the assumptions used to identify that “residual need” that, quite simply, if not modified here, should not be repeated, especially where *long-term and long-lasting* procurement decisions are being made. Similarly, the Proposed Decision continues to adhere to a “procurement process” for SCE and SDG&E that is not transparent and may not properly match resources to the identified need. This latter issue, in particular, puts at risk the ability of “preferred resources” to meet that need, contrary to Commission policy and the procurement authorizations approved for Tracks 1 and 4.

Thus, in all key categories of assumptions identified in a May 2013 revised Scoping Memo used by the CAISO in “modeling long-term capacity needs in the absence of SONGS,”¹² the Proposed Decision in the first instance embraces both these assumptions and their “correct” modeling by the CAISO, regardless of record evidence demonstrating those assumptions to be

⁸ Proposed Decision, at pp. 28, 66-67.

⁹ *Id.*, at p. 67.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*, at p. 24.

“very conservative” (i.e., preferred resources) or now certainly outdated (transmission solutions and demand forecasts).¹³ In each instance, the Proposed Decision appears to recognize that these key assumptions related to transmission planning, additional reactive power resources, demand forecasts, or preferred resource capabilities do not reflect current information or are reasonably likely to change.¹⁴

Yet, the Proposed Decision rejects any updates or changes in the revised Scoping Memo assumptions to reduce the LCR needs identified by the CAISO in favor of accounting for such changes as “directional indicators” that not “all of the resources indicated to be necessary in the ISO’s study” should be procured at this time by SCE and SDG&E.¹⁵ Unfortunately, this is a “qualitative,” not “quantitative,” assessment that could have a dramatic impact on local areas and could, erroneously, allow development of conventional gas-fired resources in local areas that are not needed and will not avoid or minimize greenhouse gas (GHG) emissions consistent with this State’s climate change policies.

With respect to the CAISO’s 2013-2014 Transmission Planning Process (TPP), in particular, *the draft results of which are now available*, the Proposed Decision recognizes that those results could “impact future LCR needs (by lowering local procurement requirements),” but nevertheless rejects using this “additional information,” other than taking “a cautious approach to avoid over-procurement.”¹⁶ The Proposed Decision does so by reasoning that consideration of those changes to key transmission assumptions would “necessitate at least several *months* to fully develop a record to incorporate the new TPP results” and with “*potential* reliability issues surfacing starting in *2018*, we cannot wait for further information at this point.”¹⁷

The very use of words like “months” to develop a record for only a “potential” need that might only arise years from today (2018) simply is not a sustainable basis for considering results that are available *now* and, in fact, support a *reduced* LCR need. It certainly does not support the conclusion reached in the Proposed Decision that “it is *necessary* to authorize procurement *at this time*” to replace SONGS capacity and that *no* “update” of these assumptions is required simply because the Proposed Decision, based on after-the-fact adjustments, does “not authorize

¹³ Proposed Decision, at p. 27.

¹⁴ *Id.*, at pp. 10-11, 33, 35-36, 57, 112.

¹⁵ *Id.*, at pp. 36, 52, 57, 60.

¹⁶ *Id.*, at p. 11.

¹⁷ *Id.*, at pp. 10-11; emphasis added.

procurement of all resources identified by the ISO as needed to meet LCR needs in the SONGS service area by 2022.”¹⁸

The Proposed Decision also rejects any “update” of its adopted assumptions or procurement authorizations based on the final results of the 2013-2014 TPP and, instead, closes Track 4.¹⁹ This outcome is based on the highly problematic, unsupported conclusion that that the “2013/2014 TPP is *unlikely* to result in major changes to the analysis in this decision.”²⁰ Further, the Proposed Decision wrongly assumes that (1) timing requires it to ignore actual results when, as discussed below, SCE and SDG&E have been given wide latitude in their “procurement processes” and (2), somehow, the utilities will account for the results of the 2013-2014 TPP by *unilaterally* reducing or not soliciting the level of resources authorized by the Proposed Decision in response.

Such conclusions are simply not borne out by the Proposed Decision’s own recognition that “empower[ing]” or granting “latitude” to the utilities “to determine on their own whether further procurement is needed through 2022” is *not “reasonable or prudent,”* especially where the utilities’ “objectives” may be at odds with “the public interest” and, for that reason, require “more close regulation.”²¹ At the very least, the Commission should take official notice of the CAISO’s 2013-2014 TPP draft results, issued on February 3, 2014, to reconsider the Proposed Decision’s rejection of a process for updating SCE’s and SDG&E’s procurement authorizations in response.²² In this regard, by the 2013-2014 TPP, which contains recommended transmission upgrades for mitigating the LA Basin/San Diego LCR need, CAISO management has recommended that the CAISO Board, at its March 19, 2014 meeting, approve for construction and financing through the CAISO transmission access charge the following “Group 1” projects:

- A flow controller (i.e., back to back DC or phase shifting transformer) at Imperial Valley Substation.
- An additional 450-700 MVAR of dynamic reactive support (“voltage support”) at a future SONGS Mesa Substation.
- The Mesa Loop-In project as proposed by SCE.²³

¹⁸ Proposed Decision, at p. 112.

¹⁹ *Id.*, at p. 114.

²⁰ *Id.*

²¹ *Id.*, at p. 67.

²² Commission Rules of Practice and Procedure, Rule 13.9 (“Official Notice of Facts”).

²³ CAISO 2013-2014 Draft TPP (February 3, 2014), at p. 104 (<http://www.caiso.com/Documents/Draft2013-2014TransmissionPlan.pdf>).

Together, these projects reduce the LCR need in the SONGS Study Area identified by the CAISO in the Track 4 LTPP by 800 to 1680 MW depending on the precise configuration(s) chosen and the other mitigation measures actually constructed. Even more significantly, these projects can be placed in service *prior to the current retirement dates of the OTC plants* that would even trigger the Track 4 LCR need. In addition, CAISO Staff identified other transmission mitigation measures “Group 2” for further study in the 2014-2015 TPP that would further reduce SONGS Study Area LCR needs by 500 to 1000 MW plus confer other grid reliability benefits.²⁴

These results are simply too important to ignore and require the Commission to modify the Proposed Decision to require SCE and SDG&E to quantify and inform the Commission and stakeholders of the impact of the 2013-2014 TPP results on the Track 4 need *prior* to conducting any Track 4 solicitation or at least prior to contract to procure conventional generation are approved. A further input to that report should include the outcome or expected outcome of SCE’s Track 1 preferred resources solicitation.

These facts can and should be used by the Commission to update and revise its Track 4 findings of need for each utility prior to the approval of any conventional generation procurement contracts. In fact, the need to do so now is further underscored by the fact that, as recently indicated by Assigned ALJ Gamson at the first Prehearing Conference (PHC) in the 2014 LTPP (R.13-12-010), a local reliability “track” or phase may not be undertaken in that proceeding.²⁵

2. Greater Transparency and Specificity in Track 4 Procurement Process

With respect to the “procurement process” adopted for SCE and SDG&E by the Proposed Decision, CEERT specifically opposed a simple extension of SCE’s Track 1 RFO to meet any Track 4 procurement authorization granted for either SCE or SDG&E. Among other things, that Track 1 process was *not* transparent and involved the development of a procurement plan known only to the utility (SCE) and the Commission’s Energy Division. In fact, as of today, there is simply no evidence, and certainly no notice to other parties, that the Track 1 Request for Offers (RFOs) correctly matched local area needs with resources being solicited or procured or that its results achieve the “preferred resources” outcomes expected by D.13-02-015. In fact, its success

²⁴ See, *Southern California Reliability Assessment (LA Basin and San Diego)* by David LE, (February 12, 2014), at p. 14.

²⁵ R.13-12-010 (2014 LTPP), PHC (2-25-14) Reporter’s Transcript (RT), at 60 (ALJ Gamson).

in doing so, including for SCE's "Living Pilot" (a still different local area), will not be known until the application, with signed agreements, is submitted almost 18 months after the issuance of D.13-02-015.

To now apply or extend that Track 1 RFO to a need (i.e., geographic area) that is *different* (Track 4) is not sustainable. As CEERT stated in its Opening Brief:

"SCE's recommendation that SCE's all-source Track 4 procurement can simply be 'folded into the existing Track 1' RFO should not be adopted.²⁶ While it is SCE's position that such an approach could have 'both timeliness and cost advantage,'²⁷ the Revised Scoping Ruling and the facts here make clear that the 'targeted' 'local need' of Track 1 versus Track 4 that justifies any additional procurement are *different*. Those differences must be reflected in the RFO itself."²⁸

While CEERT understands and appreciates the need for expediting the procurement process, if the Proposed Decision's determination to use the results of SCE's Track 1 RFO for the additional resources authorized in Track 4 stands, it must at least be modified in a manner that will avoid incongruous results. Specifically, the Track 1 authorization contemplated procurement in the West LA sub-area of the LA Basin -- which is within the SONGS study area.²⁹ However, the converse is not true -- the West LA sub-area is only a fraction of the SCE service territory that is within the SONGS study area. The Track 1 RFO lists allowable delivery points as only those substations within the West LA sub-area. In those circumstances, bidders into that RFO could be declared ineligible solely because they could not deliver to one of these substations, even if they otherwise met all eligibility criteria for procurement in Track 4. Others may have foregone the Track 1 solicitation awaiting the upcoming Track 4 RFO where they could commit to an appropriate delivery point. Further, while the Proposed Decision discusses the ability of resources emanating from the Living Pilot to be part of SCE preferred resource solicitation in Track 4 (as an extension of Track 1),³⁰ they would be per se ineligible for procurement through that RFO since the substations where the Living Pilot will be conducted are not on the approved delivery point list.

²⁶ RT at 1914 -1915 (SCE (Nelson)).

²⁷ RT at 1914 (SCE (Nelson)).

²⁸ CEERT Track 4 Opening Brief, at p. 52; footnotes omitted; emphasis original.

²⁹ Proposed Decision, at p.28

³⁰ *Id.*, at p. 65

If these “disconnects” are not addressed and resolved, SCE’s entire Track 4 procurement will likely be the result of bilateral contracts only and will have precluded resources perfectly capable of satisfying Track 4 need. Such an outcome will work a particular hardship on small, distributed, and preferred resources.

In these circumstances, and if the Track 1 RFO is to serve as the basis for meeting Track 4 need, CEERT believes that the best answer to avoid these “unintended consequences” is to reopen the bidding in the Track 1 RFO, inclusive of the Track 4 need, to allow resources with delivery points within the SONGS study area, but not in the West LA Basin sub-area, an opportunity to bid. This approach will in not delay the overall procurement process nor unfairly disadvantage any current bidders in the RFO process since the potential contract awards will have been increased by almost 40%.³¹

Regarding “transparency” in this procurement process, as noted above, the Proposed Decision also continues the “closed-door” approach taken for the Track 1 RFO and compounds that error by extending the same courtesy to SDG&E. While CEERT understands that it may be the Commission’s desire not to “micro-manage” the utility’s business in meeting its customers’ energy needs, the Proposed Decision already recognizes that, as the Commission embarks on new territory to move away from traditional supply-side resources to clean energy alternatives, “close regulation” of the utilities to ensure and realize the “strict compliance” with the Loading Order that the Commission expects may be required. Further, “the input of stakeholders and industries that are producing these innovative resource and technology solutions are critical to fairly shaping RFOs that will ensure that preferred resources ‘will become reality’ in meeting future energy needs.”³²

Despite the merits of having such input, the Proposed Decision continues to rely on identifying “elements” to be included in SDG&E’s RFO that, similar to SCE’s Track 1 “process,” are worded very broadly and would likely have left much to the interpretation of the utility.³³ Especially if there is to be no updating of the procurement authorizations made by the Proposed Decision, the Commission should, at the least, use the assumed “18 months” to create a more robust process for the review and approval of the utilities’ procurement plans so that

³¹ Potential contract awards from the RFO will have been increased from 1400 to 1800 MW (Track 1 authorization) to 1900 to 2500 MW (Track 1 plus Track 4 authorization).

³² CEERT Track 4 Opening Brief, at p. 54.

³³ Id.

expected results (i.e., preferred resources to meet authorized LCR needs) have a better chance of being realized. To that end, CEERT continues to recommend and asks that the Proposed Decision be modified to adopt a stakeholder process to permit public input on the development of RFOs for both supply-side (i.e., bulk storage) and preferred resources that permits input from parties on its terms and conditions before approved for the IOUs.³⁴ If “another 18 months” is required for the Track 4 RFO process, then there is time (in fact, the same amount of time to develop and conduct the Track 1 RFO in the first place) to allow for this public input.

B. The Proposed Decision Should Be Modified to Appropriately Foster and Recognize the Attributes Preferred Resources and Actual Capabilities of Large-Scale Pumped Storage to Meet Long Term LCR Needs.

1. Matching Large-Scale Pumped Storage Capabilities with Track 4 Procurement Authorizations.

To begin with, the Proposed Decision correctly considers the record and legal argument advanced by CEERT to confirm that the Commission, in excluding large-scale pumped storage from the “Energy Storage Procurement Framework” adopted in D.13-10-040 based on size alone, intended that this proceeding would be the venue for “providing a procurement mechanism” for this valuable technology.³⁵ In this regard, the record here clearly identifies this “enabling technology” as one that has the “right characteristics” and “can be very effective mitigation” in meeting a local capacity requirement in the absence of SONGs.³⁶ To that end, the Proposed Decision determines that large-scale pumped storage should be *included* within the authorized “MW range” to be procured by SCE and SDG&E from “preferred resources.”³⁷

While CEERT very much appreciates this recognition that large-scale pumped storage is to be included in Track 4 procurement solicitations, the limitation to the “preferred resources” category does not adequately reflect the capability of this technology. Further, there is no finding of fact or conclusion of law that embodies even the Proposed Decision’s recognition of the value of this technology or its inclusion in any Track 4 procurement.

When discussing the composition of the “buckets” for SCE’s authorization, the PD includes the following sentence under the preferred resource bucket (c): “Bulk energy storage

³⁴ CEERT Track 4 Opening Brief, at p. 54.

³⁵ Proposed Decision, at p. 97.

³⁶ *Id.*, at pp. 7 (footnote 3), 97-98.

³⁷ *Id.*, at pp. 92, 99.

and large pumped hydro facilities shall not be excluded.”³⁸ The same sentence appears under bucket (b) in the authorization for SDG&E.³⁹ By using this modifying sentence only in one of several resource buckets, the impression is left that bulk energy storage and large pumped hydro *can be excluded* from the remaining buckets in SCE’s procurement authorization and *can be excluded* from SDG&E’s procurement of non-preferred resources.

The discussion of “Bulk Storage” procurement, however, makes clear that this result is not intended by the Proposed Decision.⁴⁰ In fact, the record in this proceeding can be used to properly define bulk storage as a “*preferred conventional*” resource with a long and well established history of supplying local capacity and other valuable reliability services to California’s grid. Specifically, large-scale pumped storage is a conventional resource with many of the characteristics of preferred resources. Subject only to locational constraints, there is no technical or policy reason to exclude bulk storage and large pumped hydro from *any* category or “bucket” of resources identified to fill the LCR need in this decision. To that end, the Commission should make its intentions clear by adding a Conclusion of Law that states: “Bulk energy storage and large pumped hydro facilities should not be excluded from consideration in any procurement bucket by either utility other than those that comprise targets arising from D.13-10-040.”

2. Ensuring Progress in Identifying the Attributes of Preferred Resources to Meet Reliability, Including Specific Findings on the Value and Need for “Living Pilots” for Both SCE and SDG&E.

Unless and until the Commission, along or in conjunction with the CAISO, “settles” on definitions of those attributes of preferred resources that can meet local reliability needs, confusion will remain for resources like demand response as to how or what changes or improvements should be undertaken to better match those resources with that need. The Proposed Decision, as in the case of other adopted assumptions, rejects recommendations by multiple parties to assume additional DR resources “beyond those modeled by the ISO” as “available to meet LCR needs” and instead reduces DR’s “potential” to do so to a “directional indicator” in support of reducing authorized procurement of additional resources. This approach

³⁸ Proposed Decision, at p. 137.

³⁹ *Id.*, at p. 139

⁴⁰ *Id.*, at pp. 97-99.

continues to create uncertainty that undermines improvement or enhancement of DR and other preferred resources to meet local need.

The result is also compounded by the Proposed Decision recognizing the “value” of the “Living Pilot” to better “test” and develop such attributes, but doing little to advance that or other pilot structures that would have high value in bringing needed clarity on how these resources can or could meet this need. As summarized by the Proposed Decision, the purpose of SCE’s Living Pilot is “to aggressively pursue” preferred resources in an identified “high impact area” and “to demonstrate the value that preferred resources can contribute to meeting LCR needs.”⁴¹ Although SCE did not seek approval of the Living Pilot in Track 4, the Proposed Decision confirms that Living Pilot “concept...is promising both as a way to meet LCR needs and as a laboratory for innovation regarding preferred resources” and that “projects which may become part of the Living Pilot may have the potential to reduce the need for other resources to meet LCR needs in the LA Basin.”⁴²

To that end, the Proposed Decision further concludes: “SDG&E is strongly encouraged to develop a Living Pilot for preferred resources similar to the one proposed by SCE.”⁴³ In fact, the Proposed Decision states: “SDG&E should consider this decision as the Commission’s request” for it to conduct “something similar to SCE’s preferred resources RFO or Living Pilot.”⁴⁴ Instead, “as with SCE, it is our intent that SDG&E should also pursue significant percentages of procurement to replace SONGS through preferred resources, energy storage and consistency with the Loading Order.”⁴⁵ In turn, the Proposed Decision requires SDG&E to “ensure that no less than 200 MW of procurement authorized by this decision is from preferred resources or energy storage.”⁴⁶

Unfortunately, there is no finding of fact or conclusion of law that even encompasses the “encouragement” or “request” by the Commission for SDG&E to conduct a Living Pilot or hold a preferred resources auction. Further, like SCE, SDG&E is given wide latitude to provide a “procurement plan” that only the Energy Division will review or see before SDG&E embarks on

⁴¹ Proposed Decision, at p. 64.

⁴² *Id.*, at p. 65

⁴³ *Id.*, at p. 4.

⁴⁴ *Id.*, at p. 65.

⁴⁵ *Id.*, at p. 94. CEERT also appreciates the Proposed Decision’s rejection of SDG&E’s attempt to limit its procurement of preferred resources “through specific proceedings dedicated to these resources.” (Proposed Decision, at p. 93.)

⁴⁶ Proposed Decision, at p. 94.

its RFOs. From CEERT's perspective, SDG&E has simply not demonstrated enough commitment to the Loading Order and preferred resource procurement, including large-scale pumped storage, to leave its obligation to do so vague. Instead, CEERT believes the Proposed Decision should be further modified, as proposed in Appendix A hereto, to include findings and conclusions specific to the "request" to SDG&E to conduct a Living Pilot or preferred resources solicitation.

III. CONCLUSION

CEERT strongly supports the Track 4 Proposed Decision's ongoing commitment to the LTPP policy framework adopted in D.13-02-015. CEERT asks, however, that certain modifications be made to the Proposed Decision, as indicated above and reflected in CEERT's Proposed Findings of Fact and Conclusions of Law in Appendix A hereto.

Respectfully submitted,

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APPENDIX A

CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES PROPOSED FINDINGS OF FACT AND PROPOSED CONCLUSIONS OF LAW

The Center for Energy Efficiency and Renewable Technologies (CEERT) recommends the following Proposed Modifications to Findings of Fact and Conclusions of Law in the Proposed Decision of ALJ Gamson Authorizing Long-Term Procurement for Local Capacity Requirements Due to Permanent Retirement of the San Onofre Nuclear Generation Stations (SONGS) in the Commission’s Long Term Procurement Plan (LTPP) Rulemaking (R.) 12-03-014 (“Track 4 Proposed Decision”). Please note the following:

- A page citation to the Proposed Decision is provided in brackets for each Finding of Fact or Conclusion of Law for which a modification is proposed.
- Added language is indicated by **bold type**; removed language is indicated by **bold strike-through**.
- A new or added Finding or Conclusion is preceded by the language: “**NEW FINDING OF FACT**” or “**NEW CONCLUSION OF LAW**” in **bold type**.

PROPOSED FINDINGS OF FACT:

11. [120] The ISO performed its SONGS Study area LCR study consistent with the assumptions in the revised Scoping Memo, **which did not include assumptions updated to reflect the ISO’s 2013-2014 Transmission Planning Process (TPP), additional reactive support, and the potential capability of preferred resources and bulk storage to reduce local capacity requirements.**

12. [120] **Based on these limitations in the assumptions,** ~~the~~ the ISO calculates that between 2,399 MW and 2,534 MW (depending on the allocation between SCE and SDG&E) will be needed in the SONGS study area by 2022.

13. [120] Other parties performed power flow models. ~~While~~ ~~these~~ These studies were useful for analytical purposes, **they did not conform to the requirements of the revised Scoping Memo.**

38. [123] **Because the record in Track 4 was closed before the issuance of the ISO's 2013-2014 TPP, approval of ~~There is no record to determine if~~ the Mesa Loop-In and other proposed and promising transmission projects and solutions by SCE and SDG&E could not be confirmed based on that record, but their significance to LCRs is such that an update should be provided by SCE and SDG&E at the time of submission of their procurement plans to confirm any changes in need assessments resulting from the final 2013-2014 TPP. ~~will be approved by the ISO in its TPP, or to determine whether, even if approved, it would be in service before 2022.~~**

47. [124] It is reasonable to expect that, in the future, some amount of what is now considered 'second contingency' demand response resources can be available to mitigate the first contingency, and therefore meet LCR needs **and, in those circumstances, it is imperative that the Commission move promptly to define the local resource adequacy attributes of demand response.**

56. [125] SCE's Living Pilot is a promising concept **and should be duplicated by SDG&E.**

57. [125] **Because ~~T~~the Living Pilot is not being proposed by SCE at this time, ~~therefore~~ it is not possible now to make any **specific** determination about its viability or ability to meet LCR needs in the LA Basin. **However, steps must be taken that resources bid into that pilot and any Living Pilot conducted by SDG&E are considered eligible to meet Track 1 and Track 4 procurement authorizations.****

62. [126] The highest reasonable LCR need level must take into account those resources which are very likely to be procured in the time frame between now and 2022, **but it is important, in future assessments of long-term LCR need that the most up-to-date assumptions are used in those studies.**

82. [128] ~~D.13-02-015, Finding of Fact 30 continues to be valid:~~ **"It is may be necessary that ~~a significant~~ some amount of this procurement level be met through conventional gas-fired resources in order to ensure LCR needs will be met."**

89. [129] It will be approximately 18 months from the date for the Track 1 decision to the time SCE files an application for approval of Track 1-authorized procurement. It would likely be another 18 months or more beyond the date of this decision for consideration of Track 4-

authorized procurement, unless SCE is allowed to combine Track 4 procurement with its Track 1 procurement process, **but only to the extent that the Track 1 RFO is reopened and/or revised to allow resources with delivery points with the SONGS study area, but not in the West LA Basin sub-area, an opportunity (eligibility) to bid into that solicitation.**

NEW FINDING OF FACT: It is reasonable to define large-scale pumped storage or bulk storage as a “preferred conventional resource” and for that resource to be eligible to bid into all authorized procurement “buckets.”

90. [129] SDG&E can potentially procure the required amount of preferred and other resources needed to meet the LCR need in its portion of the SONGS service area through an all-source RFO and bilateral contracts; **however, SDG&E’s “procurement plan” should be subject to review by and input from all stakeholders before it is approved by the Energy Division.**

PROPOSED CONCLUSIONS OF LAW:

4. [131] It is reasonable for the Commission to use LCR forecasts modeled by the ISO using assumptions pursuant to the revised Scoping Memo as the starting point for analyzing long-term LCR requirements in the SONGS study area, **with the understanding that those assumptions must be updated before any final LCR contracts are approved.**

NEW CONCLUSION OF LAW: SDG&E should conduct a Living Pilot like that proposed by SCE.

NEW CONCLUSION OF LAW: To the extent that the Track 1 RFO is extended to include Track 4 procurement by SCE, resources with delivery points within the SONGS study area, but not in the West LA basin sub-area, should be eligible to bid into that solicitation.

NEW CONCLUSION OF LAW: The “procurement process” should provide greater transparency in the review and approval of SCE’s and SDG&E’s Track 4 procurement plans.

NEW CONCLUSION OF LAW: Bulk energy storage and large pumped hydro facilities should not be excluded from consideration in any procurement bucket by either utility other than those that comprise targets arising from D.13-10-040.

46. [135] It is **not** reasonable to allow SCE to use the same procurement process for both Track 1 and Track 4-authorized procurement, consistent with SCE's approved Track 1 procurement plan.

NEW CONCLUSION OF LAW: The "procurement process" should provide greater transparency in the review and approval of SCE's and SDG&E's Track 4 procurement plans.