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)

SIERRA CLUB CALIFORNIA'S COMMENTS ON THE PROPOSED DECISION AUTHORIZING LONG-TERM PROCUREMENT FOR LOCAL CAPACITY REQUIREMENTS DUE TO THE PERMANENT RETIREMENT OF THE SAN ONOFRE NUCLEAR GENERATION STATION

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Pursuant to Article 14 of the Commission's Rules of Practice and Procedure, the Sierra Club California ("Sierra Club") respectfully submits these comments on the February 11, 2014 Comments on the Proposed Decision Authorizing Long-Term Procurement for Local Capacity Requirements Due to the Permanent Retirement Of The San Onofre Nuclear Generation Station ("Proposed Decision" or "PD"). These comments are timely submitted pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure. Rule 14.3(c) provides that comments "shall focus on factual, legal or technical errors" in the Proposed Decision. These comments focus on factual and legal errors in the decision.

INTRODUCTION

The Proposed Decision potentially moves California towards a low carbon future by allowing Southern California Edison ("SCE") and San Diego Gas & Electric ("SDG&E") to fulfill their Track IV procurement with only preferred resources and energy storage. The Proposed Decision rightfully underscores the Commission's "statutory mandate to implement procurement-related policies to protect the environment," the utilities' ongoing obligation to comply with the loading order, and the idea that "advancing California's policy of fossil fuel reduction demand[s] strict compliance with the loading order."[1] Sierra Club applauds this emphasis. The Proposed Decision's authorization of combined 600 MW of preferred resources or energy storage is a positive step in this direction.

However, the Proposed Decision overstates need based on arbitrary findings about the lack of local capacity requirements ("LCR") reductions from transmission, energy storage, demand response and other preferred resources. The decision makes an arbitrary finding that only ten to twenty percent of these resources will result in additional LCR reductions, speculating that a significant number of anticipated solutions will fail despite a lack of substantial evidence in the record supporting such findings. In fact, the PD authorizes 350 MW

[1] PD, pp. 13, 14.

more procurement than requested by the California Independent System Operator ("CAISO"), SCE and SDG&E. This is in stark contrast to the Local Capacity Requirements decision in Track I ("Track I Decision"), where the Commission authorized procurement at a level that was significantly less than requested by CAISO and SCE.[2] By using a procedural slight of hand, the Proposed Decision fails to consider the significant LCR reductions that can be achieved through transmission. The cumulative result of these errors is a Proposed Decision that finds a need that is too high and authorizes over procurement.

On the other hand, the PD does follow an encouraging trend where the Commission is not automatically filling all procurement needs with conventional gas-fired generation. The all-source procurement coupled with the PD's recognition that SCE and SDG&E are required to meet this authorization with preferred resources "to the extent that they are feasibly available and cost effective" is a potential step in this direction.[3] Unfortunately, the 500 MW size of the Request for Offers ("RFO") for both SDG&E and SCE (the combined Track I and IV all-source) can bias the outcomes of these RFOs towards the purchase of conventional gas-fired resources. Since actual need is significantly lower than determined by the Proposed Decision, the all-source procurement authorizations should be significantly reduced or eliminated. A reduction in the size of the all-source RFO would reduce the risk of bias towards gas-fired generation.

Transparency and public participation are also needed to help ensure compliance with the loading order in all-source procurement. SDG&E, like SCE in Track I, is allowed to propose a procurement plan to the Energy Division without public or party input. Energy Division has already approved SCE's plan for procurement with no public input into its content. For this Track, the parties and the public should have the opportunity to review and comment on SDG&E's plan submitted to Energy Division and any updates to SCE's plan for Track IV before each is approved by Energy Division. Finally, Sierra Club's request for a public hearing in

[2] D.13-02-015, pp. 2, 13-14, 23-24.
[3] PD, p. 15.

Southern California on Track IV was never ruled upon or held, which minimized the opportunity of people most affected by the decision to share their views.[4]

I. The Proposed Decision Overstates the Need.

The procurement authorization in the Proposed Decision should be significantly reduced because the Commission's need determination is too high. The Proposed Decision acknowledges that demand forecasts and the availability of transmission solutions, demand response resources and energy storage resources are "directional indicators" that demonstrate it is "not necessary at this time to authorize the utilities to procure all of the resources indicated to be necessary in the ISO's study."[5] Notwithstanding this directional posture, however, the Commission ultimately authorizes energy procurement at levels exceeding those recommended by SCE and SDG&E. SCE requested a procurement authorization of 500 MW in the LA Basin and SDG&E recommended procurement authorization of 500-550 MW in the SDG&E service territory.[6] In contrast, the Proposed Decision authorizes a maximum of 1,400 MW of new procurement: 500-700 MW to SCE (400 MW of which must be preferred resources), and 500 to 700 MW to SDG&E (175 MW of which must be preferred resources and 25 MW of which must be energy storage).[7]

Similar to the approach in Track I, the Proposed Decision establishes a minimum and maximum procurement need and, within this range, the Proposed Decision establishes a procurement authorization for SCE and SDG&E. The Proposed Decision concludes that the "highest prudent level of procurement authorization" is 1,800 MW.[8] The Proposed Decision uses the CAISO model and reduces its Track IV need determination by subtracting from it the Track I authorization for SCE, the D.13-03-029 and D.14-02-016 authorizations for SDG&E, 152 MW of reductions of energy efficiency in SDG&E's territory, and 588 MW for temporary load shedding.[9] The Proposed Decision explains that "[a]ny level above this amount entails too

[4] The California Environmental Justice Alliance ("CEJA") supported Sierra Club's request.
[5] PD, pp.36, 52, 57, 60-61.
[6] PD, p. 26.
[7] PD, p. 2.
[8] PD, p. 68.
[9] PD, pp. 67-68.

high of a possibility of over procurement."[10] Sierra Club agrees with this assessment but also asserts that this level of authorization would still result in over procurement.

The top end of the procurement range identified by the proposed decision is unreasonable because it does not take into account any reductions of additional preferred resources or transmission. The Proposed Decision ultimately authorizes up to 1,400 MW of procurement, which effectively discounts the value of additional energy storage, demand response, energy efficiency, solar PV, and transmission solutions to a cumulative total of 400 MW of LCR reductions. The lack of "operational data" should not justify such a severe cumulative undercounting of the cumulative total of the additional preferred resources.[11] Substantial evidence in the record does not support this severe reduction. To the contrary, substantial evidence demonstrates that the 1,400 MW of additional authorized procurement will result in over procurement.

A. Proposed Decision Properly Provides LCR Reductions to Account for the Temporary Load Shedding Scheme, But Fails to Consistently Count Them.

Sierra Club agrees with the Proposed Decision's finding that the Temporary Load Shedding Scheme should account for LCR reductions. The Proposed Decision "conclude[s] that it is reasonable to subtract 588 MW from the ISO's forecasted LCR need because our policy decision entails a certainty that resources will not be procured at this time to fully avoid the remote possibility of load-shedding in San Diego as a result of the identified N-1-1 contingency."[12] The Commission makes similar findings about the certainty of reductions for SCE's Track I authorization, Pio Pico, and SDG&E energy efficiency.[13] These reductions are considered as part of the baseline of subtractions for determining LCR need in all cases.[14] Since the Temporary Load Shedding Scheme will occur with a similar level of certainty, it should also be considered in the baseline of reductions.

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[10] PD, p. 68.
[11] Cf. PD, p. 71.
[12] PD, p. 46. This 588MW reduction is conservative in that SDG&E provided a range of reduction and the Proposed Decision picked the lowest number in the range of 150-250 MW of reductions identified by SDG&E. (PD, p. 38.) Evidence in the record could justify increasing this 588 number by an additional 100 MW.
[13] PD, pp. 67-68.
[14] See PD, pp. 71-72, 75-76, Table 2 (p. 72), and Table 3 (p. 76).

When evaluating the range of maximum allowable procurement, the Proposed Decision makes an arbitrary decision to not include the reductions from temporary load shedding in the baseline of reductions. The Proposed Decision explains that in analyzing the setting of the maximum procurement range, the Proposed Decision considers one resource as viable for reductions but not more than one. That is, the PD could consider "either not to procure capacity to fully avoid the N-1-1 contingency or whether to assume another resource (or combination of partial achievements of resources) should be counted – but not both."[15] The PD argues that if more than one resource is considered for the upper limit of procurement, this would increase the possibility of under procurement. However, this approach is inconsistent with Proposed Decision's finding that 588 MW of reductions from the temporary load-shedding is certain. In determining the maximum procurement range, the Proposed Decision should have included the temporary load-shedding reductions in the baseline and subtracted from 1,802 MW. The result is a maximum procurement range between 805 and 1,070 MW – significantly less than the PD's current finding.[16] Under this adjusted baseline approach, at least one preferred resource or transmission solution sets the maximum procurement range. This range is more consistent with the cumulative request of 1,000 to 1,050 MW from SDG&E, SCE and CAISO than the 1400 MW authorization set in the Proposed Decision. Using the Proposed Decision's own formula, the maximum procurement should, at least, be reduced to 1,070 MW to avoid over procurement. Further, as described below, the need number and the authorization should be much lower.

B. The Ten to Twenty Percent Discount of Preferred Resources, Energy Storage and Transmission Solutions is Not Supported by Substantial Evidence.

The Proposed Decision severely discounts the availability of LCR reductions from energy storage, preferred resources and transmission solutions by partially making the need determination on the assumption that only "10 to 20 % of these resources will be available, in some combination."[17] This determination is not supported by substantial evidence in the

[15] PD, p. 71.
[16] Cf. Table 2, p. 72. Subtracting out second contingency DR to determine the maximum procurement would reduce the number to 805 MW. Similarly, the upper bound of the range would be defined by subtracting out the total for the Mesa Loop-In Project, resulting in 1068 MW. (This was rounded up to1070 MW to match recent decision's used of round numbers).
[17] PD, p. 69.

record.[18] In fact, it seems to have no basis in the record; no party made an argument about counting these resources at 10 to 20% of their total reductions.

Sierra Club agrees with the Proposed Decision's determination "that it is reasonable to assume that some combination of these and other (e.g., energy efficiency, energy storage) resources will be available and will mitigate LCR needs."[19] However, Sierra Club takes issue with the next sentence that "it is not reasonable to assume this will be true for all (or even most) of these resources."[20] Even assuming that none of the resources will achieve the maximum projected reductions,[21] it is reasonable to find that each of the programs will generate a reasonable amount of LCR reductions rather than concluding that the individual programs will be failures. Assuming zero or even 10 to 20% efficacy of each category implicitly assumes the failure of the Commission's programs. However, projecting failure for these programs is not supported by evidence in the record, especially given the Commission's commitment to the loading order. The Proposed Decision finding that certain resources "directionally indicate" a lower need number does not compensate for failures to adopt reasonable LCR reductions for energy storage, preferred resources and transmission solutions on the basis of substantial evidence in the record.

The record evidence shows that each category of preferred resources will reduce LCR need and thus, reasonable reductions should be counted for each category. Sierra Club agrees with the Proposed Decision's conclusion that the LCR reductions should be considered if they "are reasonably possible as providing the basis for the range of prudency."[22] Accordingly, each preferred resource and energy storage category should be given a reasonable value, since the Proposed Decision finds the maximum value for each resource should not be counted.[23] For

[18] Cal. Pub. Util. Code § 1757(a)(4); see also *SFPP, L.P. v. Pub. Utilities Comm'n* (2013) 217 Cal. App. 4th 784, 794 ("to the extent 1757, subdivision (a)(4) is at issue, we use familiar principles to review for substantial evidence."); *Auburn Woods I Homeowners Ass'n v. Fair Employment and Housing Comm'n* (2004) 121 Cal. App. 4th 1578, 1583 (substantial evidence is defined as "relevant evidence that a reasonable mind might accept as adequate to support a conclusion, or evidence of ponderable legal significance that is reasonable in nature, credible, and of solid value") (internal citations omitted).
[19] PD, p. 73.
[20] PD, p. 73 (original emphasis).
[21] PD, p. 73.
[22] PD, p. 28.
[23] PD, p. 73.

example, a need finding based on the availability of much more than twenty percent of all potential energy storage resources is very reasonable; the PD states that it "strongly believe[s] energy storage will be useful to meet LCR resources in the future."[24] The findings of fact concludes that "[t]he energy storage targets adopted in D.13-10-040 cannot be assumed to count toward LCR need on a megawatt-for-megawatt basis," but "[i]t is likely that some of the energy storage targets will be available and effective to meet LCR needs in the SONGS service area before 2022."[25] The storage decision requires SCE and SDG&E to collectively procure 745 MW of energy storage."[26] Based on these findings, the Proposed Decision should adopt a reasonable LCR reduction for energy storage that is much greater than twenty percent of the projected 745 MW.

The Proposed Decision's findings also fail to reflect that it is reasonable that a significant amount of demand response will be available to reduce LCR need. For example, the PD recognizes that "in the future … some amount of what is now considered second contingency demand response resources can [reasonably] be available to mitigate the first contingency, and therefore meet LCR needs."[27] Because this proceeding encompasses the future and covers a ten year planning period, these DR resources should be incorporated into the PD's need determination now. Moreover, the Commission and CAISO are both currently improving the efficacy of DR for LCR reductions. Indeed, the Commission acknowledges in its PD that "SCE assumed 451 MW of demand response in the Track 4 modeling" and that EnerNOC presents evidence that CAISO counts some demand response resources that do not activate in less than 30 minutes.[28] Yet the PD's findings improperly dismiss the availability of DR. The same pattern exists for uncommitted energy efficiency and second contingency PV.[29] SCE's and now SDG&E's Preferred Resources Living pilots are designed to accelerate the process of successfully implementing preferred resources further, adding to a reasonable confidence level that greater than 20 percent of each of these preferred resources and energy storage is prudent.

[24] PD, p. 60.
[25] PD, p. 124, Findings of Fact, Nos. 49, 50.
[26] D.13-10-040, p. 15, Table 2.
[27] PD, p. 56.
[28] PD, p. 56
[29] PD, pp. 71-76, 62-63.

C. Failure to Include Mesa Loop-In Transmission Project Benefits in LCR Need Determination is Arbitrary and Unsupported by Substantial Evidence.

The Proposed Decision unlawfully excludes the contribution of SCE's Mesa Loop-In transmission project to LCR needs. It cites to "uncertainties" concerning the Mesa Loop-In project as grounds for marginalizing the project's contribution, but this approach is inconsistent with the PD's treatment of procurement authorization under D.13-02-015, which faces analogous uncertainties.

The PD states that the Mesa Loop-In "would reduce the amount of gas-fired generation that would need to be sited in the LA Basin by approximately 1,200 MW (734 MW if there is no load shedding or additional gas-fired generation in SDG&E territory)."[30] The PD also notes that the Mesa Loop-In project is the most likely transmission project to be operational by 2022, and recognizes, "based on the record[,] the proposed transmission solutions in the record would most likely lower LCR needs, if completed in the appropriate timeframe."[31] Yet despite these findings, the PD concludes that the "ISO's forecast should not be adjusted at this time to assume LCR benefits from the SCE Mesa Loop-In project" because of "uncertainties" regarding project approval and construction.[32]

The PD cites to a "lack of evidence" supporting the project's certainty as the basis for its conclusion that the project is uncertain.[33] The absence of evidence here is insufficient support for finding that the project will not be operational by 2022, however.[34] SCE has stated that it "intends to pursue appropriate approvals for the Mesa Loop-In."[35] To this end, SCE has urged the Commission not to "order SCE to make firm commitments to GFG to supplant the Mesa Loop-In at this time."[36]

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[30] PD, p 49.
[31] PD, p. 52.
[32] PD, p. 132 (Conclusion of Law 16); PD, p. 50.
[33] See PD, p. 132, Conclusions of Law 15-16; see also PD, p. 123, Finding of Fact 38.
[34] See, e.g., *Auburn Woods I,* 121 Cal. App. 4th at 1583 (substantial evidence must be "reasonable in nature, credible, and of solid value.").
[35] SCE Exhibit 2, p. 4, ln. 23 – p. 5, ln. 1.
[36] Id., p. 5, lns 1-2. CAISO has also modeled the Mesa Loop-In in its 2013-2014 TPP, contradicting arguments regarding the project's uncertain status. Sierra Club objects to the Commission's refusal to consider this evidence. Despite acknowledging its relevance to this proceeding, the PD uses a procedural maneuver to exclude the 2013/2014 TPP findings from the record without properly weighing the probative value of information in the TPP against potential prejudice resulting from its inclusion, such as delay. As a result, the decision improperly makes conclusions of fact and law about transmission availability considering all available information.

It is true that the Mesa Loop-In project will require numerous approvals before it is operational. Significantly, the same is true for the 1,800 MW authorized in Track I decision D.13-02-015 to be procured by SCE. The PD commits an abuse of discretion by arbitrarily and capriciously dismissing the Mesa Loop-In for failure to have all necessary regulatory approvals while simultaneously finding that it is "very likely or near certain" that the 1,800 MW authorized in Track I will be procured and "should be included in determining how much local capacity to procure for the SONGS study area" without considering the numerous regulatory uncertainties facing those procurements as well.[37] Arguments against the Mesa Loop-In as an LCR solution claim that public resistance or environmental concerns could result in the project's delay, thus rendering it uncertain, but these assertions apply equally to the Track I procurement authorizations especially the authorization of 1,000 to 1,200 MW of conventional generation.

The PD's need determination should be adjusted to assume LCR benefits from the Mesa Loop-In. Otherwise, the PD's treatment of the planned Mesa Loop-In transmission project suggests that transmission solutions come second to traditional solutions to LCR need, and increases the future likelihood of transmission marginalization. First, despite encouragement from ISO "to move forward with authorizing an interim amount of additional "no-regrets" resource procurement at this time" supporting the requests of SCE and SDG&E, the Proposed Decision authorizes 350 MW more than requested by CAISO.[38] The result is a decision that may effectively ask rate-payers to shoulder the costs of unduly high procurement authorizations and the costs of transmission solutions likely to come on-line by 2020. This is hardly a "no regrets" approach. Alternatively problematic, procurement authorized here may itself make the Mesa Loop-In less viable because there could no longer be a need for it. Notwithstanding these concerns, the cost differential between the new procurement authorization and the Mesa Loop-In has not been analyzed in the Proposed Decision.

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[37] See, e.g., *Am. Fed'n of State, Cnty. & Mun. Employees v. Metro. Water Dist. of S. California* (2005) 126 Cal. App. 4th 247, 261 (determining whether an abuse of discretion has occurred includes an inquiry into whether an agency action is "arbitrary, capricious, or entirely lacking in evidentiary support, contrary to established public policy, unlawful, [or] procedurally unfair...."); 2 Am. Jur. 2d Administrative Law Section 484 (administrative decisions held arbitrary where the findings contained therein are internally inconsistent or rest on improper inferences).

[38] PD, pp. 2, 26.

D. The LCR Authorization Should Be Reduced to 600 MW or Less and Only Include Authorization for Preferred Resources to Comply with the Loading Order.

The authorization of 600 MW of preferred resources and energy storage would by itself be a reasonable authorization, as opposed to adopting a procurement authorization near the highest minimum of its defined need range.[39] The Proposed Decision develops a proxy for minimum procurement range based on the same model used for the maximum procurement range but, instead of subtracting out the maximum value of one resource, it now uses two resources. This method makes the same analytic mistake of not including the Temporary Load Shedding in the baseline and thus overestimates this proxy range.[40] Rather than subtracting the two resources from 2,370 MW, they should be subtracted from 1,802 MW, the total after the baseline reductions. This provides a range of 3 MW to 335 MW.[41] Under the Proposed Decision's methodology, authorized procurement should be between 335 MW and 1,070 MW. Thus, the 600 MW authorization of preferred and energy storage resources is a sufficient authorization.

Under this revised calculation, the all-source RFOs could be eliminated or alternatively, reduced considerably. The Proposed Decision does not give sufficient weight to SCE's preferred resources scenario, which demonstrated that "[t]he development of the Mesa Loop-In and the strategically located Preferred Resources could displace the need of any additional new LCR resources, while still meeting NERC Reliability Standards."[42] The Proposed Decision acknowledges that it is possible to construct an analysis that shows no need and then rejects this as unrealistic,[43] even though the decision recognizes that there are other factors that indicate that there will be additional LCR reductions. For example, the decision finds that "updates to the demand forecast are reasonably likely to lower LCR needs."[44] Even under its own corrected, evaluation methodology, the Commission could find that the minimum procurement range

[39] PD, p. 82.
[40] See p. 76, Table 3; see also *Shapell Indus., Inc. v. Governing Bd.* (1991) 1 Cal. App. 4th 218, 232 (administrative agencies must demonstrate a rational connection between evidence and choices made).
[41] 3 MW derives from 1802 MW minus the Second Contingency Solar PV (800) and minus Second Contingency DR (997). 335 MW derives from 1802 MW minus the Mesa-Loop In (734) and minus Uncommitted EE (733).
[42] *Cf.* SCE-1, p. 3, lns.10-12; see also SCE-1, p. 10 ln. 8 – p. 11, ln. 4; PD, pp. 77-78.
[43] PD, pp. 73-74.
[44] PD, p. 36.

extends down to 3 MW, and this still does not take into account the LCR resources that Proposed Decision did not quantify. At the very least, the Proposed Decision should not authorize more procurement than requested by SCE, SDG&E and CAISO. At a minimum, the all-source RFOs should be reduced by 350 MW for a total maximum authorization of 1,050 MW.

Further, although the Proposed Decision authorizes all of the procurement to be from preferred resources and energy storage,[45] it includes an incongruous and unnecessary statement about gas fired generation that should be deleted from the decision. The Proposed Decision states:

> In D.13-02-015, Finding of Fact 30 stated: "It is necessary that a significant amount of this procurement level be met through conventional gas-fired resources in order to ensure LCR needs will be met." There is nothing in the record of Track 4 of this proceeding that would require a change to this Finding. While we strongly intend to continue pursuing preferred resources to the greatest extent possible, we must always ensure that grid operations are not potentially compromised by excessive reliance on intermittent resources and resources with uncertain ability to meet LCR needs.[46]

The Proposed Decision relies on up to 1,500 MW of gas fired generation authorized for SCE and SDG&E in previous decisions that will provide significant LCR support. Since the Proposed Decision is allowing the whole amount of the new authorization to be from preferred resources and energy storage, this statement is contradictory, unnecessary and should be deleted. The substantial evidence in Track IV does not support the conclusion that filling the whole authorization with preferred resources and energy storage would constitute "excessive reliance on intermittent resources and resources with uncertain ability to meet LCR needs."[47]

Recommended edits and additions to the Proposed Decision's Findings of Fact and Conclusions of Law based on Section I are included in the Appendix.[48]

[45] PD, p. 2.
[46] PD, pp. 87-88.
[47] PD, p. 88.
[48] See Findings of Fact 38-39, 51, 66-69, 72-73, 75-77, 81-82, 84, 86-87 and Conclusions of Law 16, 18, 26-29, 32-33, 35-36, 38, 42-44.

II. The All-Source Procurement Should Not Be Structured to Favor Conventional Gas-Fired Resources.

If the utilities' all-source authorizations are not reduced as Sierra Club recommends, the Proposed Decision should alternatively require that SCE's Track I and Track IV buckets of "additional" authorizations be procured separately, instead of combining Track I and Track IV authorizations into a single all-source RFO. Keeping SCE's Track I and Track IV "additional" resource authorizations separate supports the loading order and gives preferred resources a better chance to compete with gas-fired resources. As noted by SCE witness Colin Cushnie, a 200 MW authorization is not an ideal fit for gas-fired generation and would likely be filled by preferred resources, but expanding the authorized bucket from 200 to 500 MW makes it more likely that a Combined-Cycle Gas Turbine will be procured.[49] The Proposed Decision recognizes that this larger all-source RFO could cause SCE to procure gas-fired generation.[50]

To avoid favoring gas-fired generation, SCE should be required to procure 200 MW additional resources in Track I and 100 to 300 MW additional resources in Track IV in separate RFOs, rather than authorizing a combined 300 to 500 MW additional resource procurement. Similarly, to promote the loading order, SDG&E's Track IV should be limited to one 300 MW all source RFO or alternatively, the 300 to 500 MW authorization should be divided into two smaller pieces. If SDG&E's all-source procurement resulted in 500 MW of gas-fired generation, the combined result of SDG&E's procurement would be 800 MW of gas-fired generation and only 200 MW of preferred resources and energy storage, an 80%/20% split between gas-fired generation versus preferred resources and energy storage.

Recommended edits and additions to the Proposed Decision's Findings of Fact and Conclusions of Law based on Section II are included in the Appendix.[51]

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[49] See Cross Examination of C. Cushnie, Reporter Transcript, Vol. 13, p. 1969:20 – p. 1970:13 (200-megawatt all source authorization "is a very small block. And it's not something that gas-fired generation is going to fit neatly into. So I would assume that a fair amount of that would be preferred resources … By expanding the block … it is conceivable that a combined cycle could be successful … And a combined cycle is the preferred gas-fired resource, if we're going to move forward with gas-fired resources.").
[50] PD, p. 90.
[51] See Conclusions of Law 46, 50.

III. The Proposed Decision Should Include a Requirement for Public Review of SDG&E's Procurement Plan and Similar Review for Any SCE Updates to Its Procurement Plan.

To ensure transparency and compliance with the loading order, the Commission should allow for public comment on SDG&E's proposed procurement plan upon submission to the Energy Division. In Track I of this proceeding, CEJA requested that the Commission allow the public to review SCE's plan for meeting the requirements of the loading order, as the plan SCE described in its Track I testimony and during hearings was vague and did not adequately ensure compliance with the loading order.[52] Subsequently, SCE submitted its plan to Energy Division which approved it,[53] but the parties and public had no opportunity to comment on it. In its Track IV brief, the California Energy Storage Alliance called for an open process similar to CEJA's Track I request and critiqued the outcome of the closed process.[54] The same concerns apply to the plans SDG&E will submit. When SDG&E submits its plans for procuring new resources and complying with the loading order, the public should have the opportunity to review and comment on that plan.[55] Stakeholders should also have the opportunity to review and comment on any updates to SCE's plan that relate to Track IV procurement, especially given the lack of public hearing in Southern California. Transparency and public participation are necessary to guarantee that SDG&E's plan and any SCE plan updates support rather than hinder California's transition toward a grid powered by clean energy.

Recommended edits and additions to the Proposed Decision's Findings of Fact and Conclusions of Law based on Section III are included in the Appendix.[56]

[52] California Environmental Justice Alliance's Track I Opening Brief (Sept. 24, 2012), pp. 42-43
[53] PD, p. 107.
[54] Opening Brief of the California Energy Storage Alliance on Track IV Issues, p. 11, 12-13.
[55] Transparency regarding SDG&E's plan is particularly important because the Carlsbad Energy Center Project, a 540 MW CCGT, already has its Energy Commission license. Sierra Club is concerned that the Carlsbad Energy Center or some revised form will become SDG&E's de facto choice, allowing the utility to fill whole the all-source component with gas-fired generation.
[56] See Conclusions of Law 47-49.

CONCLUSION

For the foregoing reasons, Sierra Club respectfully request that the recommended changes be adopted in the Proposed Decision.[57]

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[57] See Appendix for edits to the Findings of Fact and Conclusion of Law.

APPENDIX TO SIERRA CLUB TRACK IV COMMENTS ON PROPOSED DECISION

PROPOSED TO CHANGES TO FINDINGS OF FACT

38. There is ~~no record to determine if~~ substantial evidence that the Mesa Loop-In will be approved by the ISO in its TPP~~, or to determine whether, even if approved, it would be~~ and that SCE intends the Mesa Loop-In to be in service before 2022.

39. The Mesa Loop-In proposal is a promising and reasonably likely alternative to other new resources in the LA Basin~~, if it is approved by the ISO and if it would be in service before 2022~~.

51. The 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 energy storage resources can reduce LCR needs in the future, but it is reasonable to assume that much greater than 20 percent of the planned energy storage will reduce LCR needs before 2022

66. It is reasonable to assume that much more than 20% ~~that at least between 10% and 20%~~ of the approximately 4,600 MW of resources not studied by the ISO will be available.

67. Using a methodology of subtracting out any one of several possible resources or assumptions not included in the ISO modeling produces a range of maximum procurement levels which takes into account between ~~588~~ 733 and 997 MW~~, or between 13% and 22% of the 4,600 MW in total not studied by the ISO~~.

68. A maximum prudent procurement analysis which incorporate s one of the likely resources or assumptions to meet or reduce LCR needs shows the upper bound of a reasonable procurement range under different assumptions ranges from ~~1,800~~ 1,068 MW (rounded to 1,070 MW) down to 805 ~~1,393~~ MW.

69. While it is reasonable to assume that some resources not accounted for in the calculation of maximum need will be available and will mitigate LCR needs, it is not reasonable to assume ~~this will be true for most~~ all of these resources will be available.

72. Using a methodology of subtracting out any two of several possible resources or assumptions not included in the ISO modeling produces a range of minimum procurement levels which takes into account between ~~1,322~~ 1,467 and 1,797 MW, or between ~~29~~ 32% and 39% of 4,600 MW.

73. In each case of 100% availability of any two likely scenarios not included in the ISO's modeling, a minimum procurement level ranges from ~~593 to 1,067~~ 3 to 335 MW (not taking into account uncertainties of effectiveness of various resources in meeting or reducing LCR needs).

75. ~~An overall authorized procurement level for the SONGS service area at this time of 1,000 – 1,400 MW MW is consistent with the recommendations of many parties and is near the center of the overall zone of reasonableness.~~

76. Authorized procurement levels of ~~1,000 to 1,400~~ 600 MW will not provide the full amount needed to meet the LCR needs in the SONGS service territory through 2022; a significant amount of future resources to meet LCR needs in the SONGS service territory will come from procurement authorized in other Commission proceedings, the marketplace and other

regulatory forums.

77. ~~Between~~ 67% ~~and 80%~~ of procurement needed to address LCR needs in the SONGS service area by 2022 must be in the LA Basin, which is in SCE territory. The remainder would be in the SDG&E service territory.

81. Authorizing both SCE and SDG&E to procure ~~between 500 and 700~~ a cumulative total of 600 MW in their portions of the SONGS service area is within the range of prudent procurement.

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

84. It is not necessary to require any specific incremental procurement for SCE from gas-fired resources, beyond that specified in D.13-02-015. ~~However, expanding the range of potential gas-fired procurement from 1,000 – 1,200 MW (per D.13-02-015) to 1,000 – 1,500 MW provides greater flexibility to SCE to meet reliability needs.~~

86. Requiring SCE to procure at least 400 MW additional procurement from preferred resources or energy storage, beyond the amount required by D.13-02-015, increases the percentage of procurement from these resources ~~to 21% to 60%, which is above the 14% to 44% range authorized in D.13-02-015~~.

87. Requiring SDG&E to procure from at least 200 MW of additional resources authorized by this decision from preferred resources and/or energy storage would result in ~~25%to 70~~ 100% of additional resources from preferred resources and/or energy storage, after consideration of procurement authorized by D.13-03-029 and approved by the Commission in D.14-02-016.

PROPOSED TO CHANGES TO CONCLUSIONS OF LAW

16. ~~Due to significant uncertainties, t~~The ISO's forecast should ~~not~~ be adjusted at this time to assume LCR benefits from the SCE Mesa Loop-In project ~~or SDG&E's proposed transmission projects~~.

18. The ISO's forecast should ~~not~~ be adjusted to assume some 'second contingency' demand response resources will be available to meet LCR needs.

20. While the LCR effect of potential energy storage resources cannot be quantified at this time, the targets and requirements of D.13-10-040 lead to a conclusion that much more than 20 percent of energy storage resources will be available before 2022 to reduce LCR needs in the SONGS service area ~~to some extent in the future~~.

26. Any procurement level above ~~1800~~ 1,070 MW entails too high of a possibility of over procurement.

27. It would be prudent to authorize procurement of less than ~~1800~~ 1,070 MW because other resources are reasonably likely to be procured, even though in some cases their LCR impacts cannot be precisely measured. To do ot herwise would most likely lead to over - procurement.

28. ~~For the purpose of calculating a maximum procurement level, it is reasonable to assume that at least 13% - 22% of resources or assumptions not studied by the ISO will ultimately be available to meet or reduce LCR needs in the SONGS service area by 2022.~~

29. To account for uncertainties about effectiveness of LCR reductions for certain resources, a reasonable maximum procurement level should be somewhere between ~~1,383 and 1,800~~ 335 and 1,070 MW.

32. ~~For the purpose of calculating a minimum procurement level, it is reasonable to assume that at least 29% to 39% of resources or assumptions not studied by the ISO will ultimately be available to meet or reduce LCR needs in the SONGS service area by 2022.~~

33. To be certain that authorized procurement levels will not result in under-procurement, the minimum authorized procurement level should in no case be no less than ~~593~~ 335 MW, but could be reasonably set anywhere between ~~593 and 1,067~~ 335 and 1,070 MW.

35. An overall authorized procurement level for the SONGS service area at this time of ~~1,000 - 1,400~~ 600 MW provides reasonable ratepayer protection against over procurement and simultaneously provides reasonable protection from reliability impacts from under procurement.

36. ~~It is reasonable to authorize both SCE and SDG&E to procure between 500 and 700 MW in their portions of the SONGS service area.~~

38. ~~A prudent approach to reliability entails a gradual increase in the level of preferred resources and energy storage into the resource mix.~~

42. Authorizing SCE to procure 400 MW ~~and 1,500 MW (or 21% to 60%)~~ from preferred resources or energy storage ~~in total between D.13-02-015 and this decision~~ is more consistent with the Loading Order than SCE's proposal.

43. ~~SDG&E should be authorized some flexibility to procure gas-fired, preferred and energy storage resources to meet reliability needs.~~

44. Authorizing SDG&E to procure at least 200 MW from preferred resources or energy storage is consistent with the authority granted to SCE herein and consistent with the Loading Order.

47. SDG&E should be required to show that it has a specific plan to procure the resources authorized by this decision, consistent with the procurement categories and other requirements of this decision. This Plan should be submitted to Energy Division and made available for public comment.

New Conclusion of Law 48: It is reasonable to allow for public review and comment on SDG&E's procurement plan submitted to Energy Division, and on any updates to SCE's procurement plan pertinent to the procurement authorized by this decision submitted to Energy Division.

New Conclusion of Law 49: SCE will submit an updated plan on its Track 4 procurement and combined all source RFO to Energy Division.

Alternative Conclusion of Law

If recommended edits to Findings of Fact 73 and 81 and to Conclusions of Law 29, 33 and 35 are not adopted, Sierra Club proposes the following alternative edits and additions:

Revision to Conclusion of Law 46. It is reasonable to allow SCE to use the same procurement process for both Track 1 and Track 4-authorized procurement of preferred resources, consistent with SCE's approved Track 1 procurement plan, but separate procurement processes shall be used for additional all-source resources authorized in Track 1 and Track 4.

New Conclusion of Law: Procurement of SDG&E's Track IV authorized 300-500 MW additional resources shall not be procured in a single procurement process in an amount exceeding 300 MW.