

**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

R.12-03-014

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**CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE'S  
REPLY COMMENTS ON THE TRACK IV PROPOSED DECISION**

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**INTRODUCTION**

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (the CPUC or Commission), the California Environmental Justice Alliance (CEJA) respectfully submits these reply comments on Administrative Law Judge (ALJ) David M. Gamson's February 11, 2014 Proposed Decision (PD) for Track 4 of the 2012 LTPP (R.12-03-014). These comments rebut SCE's and SDG&E's objections to requiring preferred resources. These comments also support the Commission reducing the need finding in the PD, including the 2013-14 draft Transmission Plan, ensuring greater transparency, and guaranteeing fairness in the procurement process in its final decision.

**I. The Commission Should Not Eliminate the Requirement that SCE and SDG&E Must Procure Preferred Resources.**

Preferred resources not only reduce greenhouse gas (GHG) emissions, they reduce health problems and energy costs in our communities.<sup>1</sup> CEJA opposes SCE's and SDG&E's requests that the Commission eliminate the PD's requirement for the procurement of preferred resources. SCE asks that the Commission "not pre-determine a technology mix, and instead rely on SCE to demonstrate that it fully considered all options for Preferred Resources to meet LCR needs."<sup>2</sup> SDG&E contends that requiring it to procure preferred resources will somehow "pose an unreasonable threat to service reliability and is therefore not in the public interest."<sup>3</sup> There is no evidence that procuring preferred resources will threaten reliability. Indeed, as the PD aptly notes, the procurement objectives of utilities may differ from the public interest.<sup>4</sup> The public interest is not served by increasing GHGs and air pollution in an already impacted area. Such differences necessitate the Commission's rejection of SDG&E's contention as well as SCE's "trust me" proposal. The Commission should reject both SCE's and SDG&E's arguments here

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<sup>1</sup> CEJA Track I Opening Brief, at pp. 46-48.

<sup>2</sup> SCE Comments on the Track IV Proposed Decision, at p. 4.

<sup>3</sup> SDG&E Comments on the Track IV Proposed Decision, at p. 9.

<sup>4</sup> PD, at p. 67.

and authorize the procurement of preferred resources to fill any unmet need. Doing so would help move California toward reaching its goals of reducing the impacts of GHG emissions as mandated by the Loading Order and AB 32.

## **II. The Most Recent Information Regarding Transmission Should Not Be Ignored.**

CEJA agrees with CEERT, NRDC, Sierra Club, and Vote Solar, all of whom disagree with the PD's unreasonable refusal to consider transmission solutions proposed by SCE and SDG&E to mitigate the SONGS outage.<sup>5</sup> As CEERT notes, CAISO's draft 2013-14 Transmission Plan has been available for over a month.<sup>6</sup> The draft plan recommends three transmission projects that are targeted toward reduction of need in the SONGS study area: (1) a flow controller at the Imperial Valley substation; (2) an additional 450-700 MVAR of dynamic reactive support at a future SONGS Mesa Substation; and (3) the Mesa Loop-In discussed in the PD.<sup>7</sup> There is substantial testimony and other evidence in the record regarding each of these projects and their significant effect in reducing residual need in the SONGS study area.<sup>8</sup>

CEJA also strongly agrees with Sierra Club that the PD's justification for ignoring these transmission solutions – uncertainty regarding completion of construction – is an insufficient reason to ignore these projects.<sup>9</sup> Vote Solar is correct that the transmission mitigations discussed above are no less certain than the gas-fired generation authorized in Track 1.<sup>10</sup> Furthermore, the Imperial Valley flow controller and SONGS reactive power projects are certain to occur sooner: as CEERT notes, those projects can be placed in service prior to the OTC plant retirements that

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<sup>5</sup> CEERT Comments on the Track IV Proposed Decision, at pp. 5-7; Sierra Club Comments on the Track IV Proposed Decision, at pp.8-9; NRDC Comments on the Track IV Proposed Decision, at p. 8; Vote Solar Comments on the Track IV Proposed Decision, at p. 6.

<sup>6</sup> CEERT Comments on the Track IV PD, at p. 6; *see* 2013-14 Draft Transmission Plan, *available at* <http://www.caiso.com/Documents/Draft2013-2014TransmissionPlan.pdf>.

<sup>7</sup> Draft Transmission Plan at pp. 5-6. These projects are necessary to comply with NERC and CAISO reliability standards. *Id.*

<sup>8</sup> *See* CEJA Comments on the Track IV Proposed Decision, at pp. 6-9; and CEJA Track IV Opening Brief, at pp. 29-34, for a complete discussion of testimony on this topic. The reactive support and flow controller reduce need in the SONGS study area by 800 MW, in addition to the 1200 MW reduction provided by the Mesa Loop-In project identified by the PD as the most likely major transmission line project to be completed during the study time frame.

<sup>9</sup> Sierra Club Comments on the Track IV PD, at p. 9.

<sup>10</sup> Vote Solar Comments on the Track IV PD, at p. 8.

drive Track 4 need.<sup>11</sup> CEJA strongly agrees with CEERT that the Commission should take official notice of CAISO's draft transmission plan and account for this most current information regarding mitigation for the SONGS outage.<sup>12</sup> The PD's refusal to acknowledge that these resources are very likely to occur is erroneous and will lead to overprocurement.

### **III. The PD Substantially Overstates Need.**

Various parties have addressed the PD's overstatement of LCR need.<sup>13</sup> CEJA agrees with those parties that the PD significantly undercounts resources, including energy storage, preferred resources, and transmission solutions, as discussed above. As CEERT states, the PD engages in a "qualitative" rather than "quantitative" analysis regarding resources that could have a dramatic impact on local areas and bases its calculations on outdated information and assumptions that preferred resource capabilities will remain static.<sup>14</sup> As NRDC points out, over 4,000 MW of preferred resources and transmission solutions were discounted by 90%.<sup>15</sup> Vote Solar is correct that the PD improperly looks at each preferred resource in isolation, or at most in pairs, and fails to consider that the combined benefits of these resources will be considerable.<sup>16</sup> And, as Sierra Club notes, there is no substantial evidence in the record to support the degree to which those resources were discounted despite evidence that they are and will be available to reduce LCR need.<sup>17</sup> Simply put, the record does not support the PD's need findings. Rather, the record demonstrates that the PD will lead to substantial over-procurement with corresponding burdens on ratepayers and the environment.

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<sup>11</sup> CEERT Comments on the Track IV PD, at p. 7.

<sup>12</sup> CEJA also disagrees with SDG&E's argument about load shedding (SDG&E Comments on the Track IV PD, at pp. 13-14) that, rather than leading to a conclusion that 700 MW of procurement is reasonable, it instead supports the effectiveness of voltage support and the need to recognize CAISO's Draft Transmission Plan which provides additional voltage support and other transmission solutions that eliminate substantial generation need.

<sup>13</sup> CEERT Comments on the Track IV PD, at pp. 2-3; EDF Comments on the Track IV Proposed Decision, at pp. 3-5; NRDC Comments on the Track IV PD, at pp. 3-5; Sierra Club Comments on the Track IV PD, at p. 4; Vote Solar Comments on the Track IV PD, at pp. 6-8.

<sup>14</sup> CEERT Comments on the Track IV PD, at p. 5.

<sup>15</sup> NRDC Comments on the Track IV PD, at pp. 7-8. That number does not take into account the 800 MW reduction provided by the Imperial Valley flow controller and the SONGS Mesa reactive support, which were ignored.

<sup>16</sup> Vote Solar Comments on the Track IV PD, at p. 7.

<sup>17</sup> Sierra Club Comments on the Track IV PD, at p. 4, and pp. 5-6.

**IV. The Commission Should Ensure Greater Transparency by Requiring Public Review of SDG&E’s Procurement Plan and any SCE Updates to its Procurement Plan.**

CEJA joins CEERT, ORA, and Sierra Club in requesting that the Commission ensure greater transparency in the procurement process.<sup>18</sup> Given the Commission’s continued commitment to the loading order in the proposed decision<sup>19</sup> as well as the utilities’ history of non-compliance with it,<sup>20</sup> SDG&E and SCE should be required to work out the details of any plan for loading order compliance in a transparent manner with the opportunity for public participation. The Commission could accomplish this by requiring SDG&E to file a public version of its Track 4 procurement plan and then allowing stakeholders to review and comment on it.<sup>21</sup> Likewise, any updates to SCE’s plan related to Track 4 procurement should be subject to the same public scrutiny. To the extent a procurement plan or an update thereto contains confidential information, that information could be redacted prior to publication.<sup>22</sup> Such transparency and public participation will help guarantee that the IOUs adhere to the loading order and advance California’s policy of fossil fuel reduction.

**V. The Procurement Process Must Allow Preferred Resources to Compete Fairly With Other Resources.**

Though it is possible for the entire Track 4 procurement to consist entirely of preferred resources, CEJA shares the concerns of ORA, Sierra Club, and Vote Solar that it is unlikely that preferred resources will be fairly considered in the all-source portions of SCE’s and SDG&E’s RFOs.<sup>23</sup> As the Commission noted in D.13-02-015, SCE “is not aware of a preferred resource ever prevailing against a conventional resource in an all-source RFO.”<sup>24</sup> Moreover, as an all-source RFO increases in size, it becomes much more likely that “a [gas-fired] combined cycle

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<sup>18</sup> CEERT Comments on the Track IV PD, at pp. 7-8; ORA Comments on the Track IV Proposed Decision, at p. 7; Sierra Club Comments on the Track IV PD, at p. 13.

<sup>19</sup> PD, at pp. 14-15.

<sup>20</sup> RT 629:19-25 (Cushnie, SCE); *see also* CEJA Track I Opening Brief, at pp. 42-43.

<sup>21</sup> ORA Comments on the Track IV PD, at p. 7; Sierra Club Comments on the Track IV PD, at p. 13

<sup>22</sup> ORA Comments on the Track IV PD, at pp. 7-8.

<sup>23</sup> ORA Comments on the Track IV PD, at pp. 6-7; Sierra Club Comments on the Track IV PD, at p. 12; Vote Solar Comments on the Track IV PD, at p. 2.

<sup>24</sup> D.13-02-015, at pp. 86-87; *see also* RT 1968-70, 2003 (Cushnie, SCE).

[power plant] could be successful” in winning a bid over preferred resources.<sup>25</sup> Indeed, SDG&E has already asked for expedited consideration of the “conventional gas-fired resources portion of the procurement plan” for review *ahead* of the full procurement plan, where preferred resources would presumably be considered.<sup>26</sup> The PD’s authorization of 300-500 MW of combined (Track 1 and Track 4) all-source procurement for SCE and 300-500 MW for SDG&E, underscored by the IOUs’ desire to eliminate carve-outs for preferred resources and SDG&E’s request for accelerated consideration of its GFG resources, therefore makes it unlikely that preferred resources will be selected over gas-fired resources in Track 4 RFOs.

The Commission can ensure that fair competition will be addressed in the bid process. As suggested by ORA, the Commission should require SCE “to file an addendum to its procurement plan that meets” the same requirements SDG&E must follow to ensure that energy efficiency and demand response can fairly compete in PD Attachment B, paragraph 4 of the PD.<sup>27</sup> Additionally, SCE’s 200 MW all-source procurement from Track 1 should not be combined with its 100-300 MW all-source procurement in Track 4.<sup>28</sup> Keeping these authorizations separate should allow preferred resources to have a fair chance at filling any unmet need, as SCE witness Cushnie testified.<sup>29</sup> By adopting these changes, the Commission can ensure that preferred resources can honestly and fairly be considered when the IOUs fill any unmet needs in compliance with the loading order.

### **CONCLUSION**

For the foregoing reasons, CEJA respectfully submits that the Commission should reject SCE’s and SDG&E’s proposal to eliminate the preferred resource requirement, and CEJA supports reducing the need finding in the PD, including the 2013-14 draft Transmission Plan, ensuring greater transparency, and guaranteeing fairness in the procurement process in its final decision.

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<sup>25</sup> RT 1969:8-1970:13 (Cushnie, SCE); *see also* PD, at p. 90.

<sup>26</sup> SDG&E Comments on the Track IV PD, at pp. 9-10.

<sup>27</sup> ORA Comments on the Track IV PD, at pp. 6-7.

<sup>28</sup> Sierra Club Comments on the Track IV PD, at p. 12.

<sup>29</sup> RT 1969:8-1970:4 (Cushnie, SCE).

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Respectfully submitted,

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