

**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)

**OPENING COMMENTS OF THE VOTE SOLAR INITIATIVE
ON THE PROPOSED DECISION**

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Table of Contents

I. INTRODUCTION1

II. THE PD SHOULD NOT MODIFY THE TRACK 1 DECISION, D.13-02-015, TO PERMIT SCE TO USE AN ALL-SOURCE PROCUREMENT PROCESS FOR 200 MWS THAT SHOULD BE PROCURED ONLY FROM PREFERRED RESOURCES2

III. THE PD ERRS IN ALLOWING ANY NEW GFG RESOURCES TO BE PROCURED FOR LCR PURPOSES IN SOUTHERN CALIFORNIA IN RESPONSE TO THE CLOSURE OF SONGS3

 A. The PD must be revised to ensure that only non-polluting resources are authorized to replace SONGS generation3

 B. The evidentiary record demonstrates that only GFG resources are likely to succeed in an all-source procurement process, therefore, the PD must be revised to eliminate all-source procurement as a method for procuring any SONGS replacement generation3

 C. An all-source procurement process also would dramatically increase the risk of a significant shortfall of needed LCRs in Southern California4

 D. As the PD notes, there are existing resources and grid operational controls that can provide a “bridge” to the full deployment and operation of required Preferred Resources in Southern California5

 E. The PD should be revised to more reasonably account for the cumulative LCR contributions of transmission upgrades, solar PV, smart inverters and the Living Pilot programs6

 F. Living Pilot programs are expected to reduce the need for other resources to meet LCR needs in the LA Basin and so the Commission should order SCE and SDG&E to promptly file applications to implement these programs8

IV. CONCLUSION9

Appendix A: Changes to the Proposed Decision’s Findings Of Fact, Conclusions of Law and Ordering Paragraphs

Table of Authorities

Decisions, Resolutions and Orders of the California Public Utilities Commission

Decision Authorizing Long-Term Procurement For Local Capacity Requirements
(February 13, 2013) D.13-02-015 (R.12-03-014)2

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I. INTRODUCTION

The Proposed Decision (PD) errs in recommending that any additional gas-fired generation (GFG) may be procured to satisfy additional local capacity resource (LCR) needs in Southern California resulting from the closure of SONGS. Not only is it imperative that non-carbon emitting SONGS generation be replaced only with non-carbon emitting Preferred Resources, but, as the evidentiary record amply demonstrates: (1) Preferred Resources can satisfy all the additional LCR need identified in the PD; (2) existing resources (i.e., OTC plants) and grid operations controls (i.e., SPS and load shedding) are viable, cost effective bridge measures to provide the necessary levels of reliability until sufficient amounts of Preferred Resources can be installed and operational; and (3) the PD far too conservatively excludes the expected LCR contributions from transmission upgrades (notably the Mesa Loop-In project), customer-side solar PV, smart inverters, tracking PV as well as the results of SCE and SDG&E's Preferred Resource Living Pilot Programs (Living Pilots).

Taking into account the contribution these resources reasonably should be expected to provide and properly considering the problems associated with siting, permitting (especially air and water issues) and community opposition to the construction of new GFG in Southern California, the Vote Solar Initiative (Vote Solar)¹ recommends the PD be revised to ensure that

¹ Vote Solar is a non-profit grassroots organization working to fight climate change and foster economic opportunity by bringing solar energy into the mainstream. Since 2002, Vote Solar has engaged in state,

only Preferred Resources are authorized to satisfy additional LCR needs resulting from the closure of SONGS.

II. THE PD SHOULD NOT MODIFY THE TRACK 1 DECISION, D.13-02-015, TO PERMIT SCE TO USE AN ALL-SOURCE PROCUREMENT PROCESS FOR 200 MWS THAT SHOULD BE PROCURED ONLY FROM PREFERRED RESOURCES

The PD correctly describes that D.13-02-015 authorized SCE to procure between 1,000 - 1,200 MWs of conventional gas-fired resources, “at least” 50 MWs from energy storage and 150 MWs from Preferred Resources, with all remaining procurement, “up to an additional 600 MWs,” to be procured from Preferred Resources.² If SCE seeks the maximum procurement allowed in D.13-02-015, 1,800 MWs, but only obtains 1,000 MWs from GFG, then D.13-02-015 requires the remaining 800 MWs to be procured only from energy storage and Preferred Resources.

As the Commission noted in D.13-02-015, and no evidence to the contrary was provided in Track 4, SCE “is not aware of a preferred resource ever prevailing against a conventional resource in an all-source RFO.”³ Therefore, it is logical to assume that only GFG will be selected in an all-source RFO process, meaning that the PD’s modification of D.13-02-015 will result in 200 MWs of GFG being procured instead of 200 MWs of Preferred Resources, in direct contravention of the Commission’s directives regarding the Loading Order, which the PD otherwise properly describes and ascribes.⁴ The PD should be revised to remove this proposed modification to D.13-02-015.

local and federal advocacy campaigns to remove regulatory barriers and implement key policies needed to bring solar to scale.

² PD at pp.6-7 (emphasis added)

³ D.13-02-015, pdf, pp.86-87; See also Tr.13:1968-69, 2003 (SCE witness Cushnie).

⁴ PD at pp.14-15

III. THE PD ERRS IN ALLOWING ANY NEW GFG RESOURCES TO BE PROCURED FOR LCR PURPOSES IN SOUTHERN CALIFORNIA IN RESPONSE TO THE CLOSURE OF SONGS

A. The PD must be revised to ensure that only non-polluting resources are authorized to replace SONGS generation

SONGS was a non-carbon emitting generating resource located in Southern California.⁵ The long-term effort to reduce air pollutants in Southern California, to eliminate the hazardous brown smog that was visible daily in the 1960s and 70s, is an ongoing success story. No backward steps can or should be permitted. It is imperative, therefore, that any LCRs procured to replace SONGS' non-carbon emitting generation also must be non-carbon emitting. Allowing any SONGS' generation to be replaced with new GFG obviously would increase GHG emissions and air pollution in Southern California, contrary to policies and laws designed to produce the exact opposite results.

B. The evidentiary record demonstrates that only GFG resources are likely to succeed in an all-source procurement process, therefore, the PD must be revised to eliminate all-source procurement as a method for procuring any SONGS replacement generation

The PD would allow SCE to procure up to 500 MWs of additional LCRs to replace lost SONGS' generation, through an all-source procurement process.⁶ As discussed previously in Section II., the evidence strongly indicates that only GFG resources would be successful in an all-source procurement process. Since new GFG resources authorized to replace carbon-free SONGS generation obviously would increase GHG and air pollutants emissions in Southern California, new GFG resources cannot and should not be authorized to replace lost SONGS' generation, and, therefore, the PD must be revised to remove provisions allowing SCE to procure any SONGS' replacement generation through an all-source procurement process.

⁵ PD at pp.84-85. *Although Vote Solar has focused primarily on SCE in these comments, the same concerns and necessary revisions to the PD equally apply to SDG&E.*

⁶ PD at p.3

Preferred Resources do not suffer the GHG emissions and air pollution deficiencies of GFG resources. Only Preferred Resources provide the carbon-free generation needed in Southern California and desired by its residents. Therefore, the PD must be revised to authorize only carbon-free generation from Preferred Resources to replace lost SONGS generation in Southern California.

C. An all-source procurement process also would dramatically increase the risk of a significant shortfall of needed LCRs in Southern California

The evidence strongly indicates that as the amount of MWs allowed to be procured through an all-source RFO process increases, so does the likelihood that larger GFG projects will be successful.⁷ Therefore, permitting a 500 MW all-source RFO process likely will result in the selection of a single large GFG facility. Considering the difficulties new GFG plants already face in getting sited, permitted and built in Southern California, magnified by the growing focus on minimizing water use in California,⁸ it is highly speculative to assume that new GFG facilities, especially large GFG facilities, can be sited, permitted and built in Southern California by 2020.⁹ Hence, an all-source procurement process, of a size designed to “provide the utilities with flexibility to procure resources which may only be available in large increments,”¹⁰ is a very risky proposition, locking Southern California into an all or nothing situation intended to satisfy a significant amount of LCR need by 2020.

On the other hand, there is plenty of evidence in the record to support the conclusion that “[i]n comparison to combustion resources, the siting of [energy efficiency, demand response,] and small and large scale renewable generation is significantly less likely to face time delays and substantial obstacles to implementation.”¹¹ Smaller and more diversely located Preferred Resources increase the probability that a large amount of these non-polluting resources can and

⁷ Tr.13:1970 (SCE witness Cushnie); PD at pp.81-82, 106-108

⁸ SONGS used ocean water for cooling, an option not available for new GFG facilities in Southern California.

⁹ SCE postulated last summer that it would take “about seven years to develop gas-fired generation facilities in the LA Basin,” which was before drought conditions returned to California and California’s increased focus on water use and conservation. PD at pp.87-88

¹⁰ PD at p.81

¹¹ For ex., PD at pp.104-105

will be sited, permitted and constructed in Southern California by 2020 and will better match the growing LCR need than a risky, large, lumpy, GFG project. There are no legal, policy or factual reasons to prefer the construction and operation of new GFG over Preferred Resources in Southern California and so the PD must be revised to remove any preference for GFG resources, including the allowance for all-source solicitations which are likely to promote such disfavored preferences.

D. As the PD notes, there are existing resources and grid operational controls that can provide a “bridge” to the full deployment and operation of required Preferred Resources in Southern California

The PD concurs with ORA’s recommendation that, “if needed to bridge a short-term gap between when resources are needed, and when they are available,” the Commission should consider limited extensions to OTC compliance deadlines.”¹² The PD similarly agrees with ORA that “if preferred resource development is advancing rapidly but has not yet reached a required threshold level by...2020, but would reach such a level a few years later, the SPS could serve as a bridge during that period.”¹³

These already existing generation resources and grid operation tools can “bridge” the gap, if such a gap even exists, between the authorization of Preferred Resources to satisfy all necessary non-carbon emitting SONGS’ replacement generation needs in Southern California. With such “bridge” resources, there is no need to authorize any GFG resources to replace SONGS’ generation, even if the Commission believes, without any evidentiary support, that new GFG resources actually can be more quickly sited, permitted and constructed in Southern California than Preferred Resources.

¹² PD at pp.84-85 (“[W]e agree with ORA’s observation that it may be possible to extend OTC deadlines if it is necessary to ensure reliability.”)

¹³ PD at p.39 and p.45 (“[W]e determine that it is prudent to wait to see what resources develop in the SONGS service area to determine whether an SPS or other load-shedding protocol need serve as a bridge until such resources are in place.”)

E. The PD should be revised to more reasonably account for the cumulative LCR contributions of transmission upgrades, solar PV, smart inverters and the Living Pilot programs

The PD notes that transmission upgrades (notably the Mesa Loop-In project), customer-side solar PV, smart inverters, and the results of SCE and SDG&E's Living Pilot programs are likely to provide LCR benefits. However, the PD minimizes the potential contribution of all of these resources, in combination, in its LCR need analysis, with the result that GFG resources, obtained through an all-source RFO process, are improperly elevated in importance and achievability:

We find that there is a reasonable possibility that at least one of the transmission solutions examined by SCE and SDG&E will be operational by 2022. The least complex of these projects is the Mesa-Loop-In project, which is therefore the most likely to meet this timeframe. [W]e [will] not adjust the ISO's forecast at this time to assume LCR benefits from the Mesa Loop-In project.¹⁴

[W]e are confident that our programs and the marketplace will increase the amount of solar PV in the future. . . . We are hopeful that solar PV can be useful in reducing LCR needs in the future, but it is too speculative to make any changes to the ISO study results on this basis at this time.¹⁵

We strongly believe energy storage will be useful to meet LCR resources in the future; in general, we expect development of these resources to have an environmentally beneficial impact on energy supply and reliability in California. . . . [T]he targets and requirements of D.13-10-040 lead to a conclusion that energy storage resources will reduce LCR needs in the SONGS service area in the future. . . . The incipient nature of energy storage resources, uncertainty about location and effectiveness, and unknowns concerning timing provide insufficient information at

¹⁴ PD at p.52 and p.50

¹⁵ PD at p.63

this time to assess how and to what extent energy storage resources can reduce LCR needs in the future.¹⁶

[P]rojects 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. . . . As the Living Pilot is not before us at this time, we cannot make any determination about its viability or ability to meet LCR needs in the LA Basin.¹⁷

The PD refers to these resources merely as “directional indicators,” meaning that they only give the Commission “more confidence that 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.”¹⁸ In general, the PD reaches this conclusion by looking at each of these resources in isolation or, at most, in pairs,¹⁹ failing to consider that the combined benefits of all of these resources, together, will be considerable, obviating any need to consider new GFG in Southern California: load shedding + Mesa Loop-in + Uncommitted EE + Second Contingency Solar PV + Second Contingency DR + Energy Storage, etc.²⁰

The Commission recognizes that Preferred Resources and energy storage will contribute something to LCR needs by 2022.²¹ However, the PD’s passive assumption that just 10% of these resources might be available is far too conservative. For example, the PD affirmatively notes that the Commission is “confident that our programs and the marketplace will increase the amount of solar PV in the future”²² and that the effective and timely location of solar PV resources “would have the impact of lowering LCR needs.”²³ The closure of SONGS provides the Commission with a rare opportunity to direct utilities to develop programs and tariffs to take full advantage of their substantial grid benefit rather than allowing them to react to market forces. If the Commission and the utilities passively respond to market driven growth in these

¹⁶ PD at p.60

¹⁷ PD at p.65 and p.64

¹⁸ PD at p.36

¹⁹ PD at p.76, Table 3

²⁰ PD at p.76, Table 3

²¹ PD at p.69

²² PD at p.63 (emphasis added)

²³ PD at p.69

technologies, in particular, consumer-driven rooftop solar PV installations, it will likely result in exacerbating LCR deficiencies and cause the utilities to argue for more GFG to respond to this need. Therefore, Vote Solar strongly urges the Commission to take a proactive stance to leverage these market-driven resources to the maximum benefit of the grid, as well as consumers and PV system owners. Even a conservative consideration of the potential benefits likely to be provided through the combined contribution of all these resources reasonably demonstrates that beyond being mere “directional indicators,” Preferred Resources will be available in sufficient quantity and in time to satisfy all additional LCR needs and avoid the need to authorize any further new GFG resources in Southern California.

It also is important to note that the criticisms the PD relies on to downgrade the likelihood of success and resource contribution of the Mesa Loop-In project²⁴ are equally, if not more applicable to new GFG projects in Southern California: “there are various approval and permit processes – as well as public input – before construction can begin. The construction process can take several years, and is subject to significant delay.”²⁵ Therefore, the PD should be revised accordingly and, in particular, to find that there is no demonstrated need to or justification for authorizing new carbon-emitting GFG resources to replace SONGS generation in Southern California.

F. Living Pilot programs are expected to reduce the need for other resources to meet LCR needs in the LA Basin and so the Commission should order SCE and SDG&E to promptly file applications to implement these programs

SCE asserts that the “purpose of the Living Pilot is to aggressively pursue energy efficiency, demand response and distributed generation resources in this high impact area. SCE intends to use the Pilot to demonstrate the value that Preferred Resources can contribute to meeting LCR needs.”²⁶ The PD correctly recognizes that the “projects which may become part of the Living Pilot may have the potential to reduce the need for other resources to meet LCR

²⁴ Vote Solar supports the Mesa Loop-In project as a means of accessing renewable energy and energy storage resources located outside the LA Basin, but not GFG or conventional resources, consistent with Vote Solar’s assertions that the entirety of the area’s needs can be met with Preferred Resources or energy storage.

²⁵ PD at p.52

²⁶ PD at p.64

needs in the LA Basin.”²⁷ Commissioner Florio was so intrigued with the Living Pilot idea that he asked SDG&E if it could also undertake such a program, to which SDG&E assented.²⁸

Vote Solar supports the purpose and need for Living Pilot programs and views them as a means of leveraging market-driven and incentive-driven Preferred Resources, including rooftop solar, smart inverters and energy storage, to the maximum benefit of the grid, consumers and potential market participants.²⁹ Unfortunately, and regardless of the obvious benefits to be derived from a Living Pilot program, the PD notes that “[a]s the Living Pilot is not before us at this time, we cannot make any determination about its viability or ability to meet LCR needs in the LA Basin.”³⁰ Since the need for and benefits of Living Pilot programs are not in dispute, and because both SCE and SDG&E support or consent to their creation, the Commission should not allow SCE (or SDG&E) to dawdle further on this important matter, but must order SCE and SDG&E to file applications to implement Living Pilots as soon as possible.

It would be unconscionable to delay further the investigation and implementation of projects which “may have the potential to reduce the need for other resources to meet LCR needs in the LA Basin.”³¹ Such “other” resources would be, in all likelihood, GFG facilities with their recognized, undesirable GHG and air pollution emissions characteristics and need for scarce water resources.

IV. CONCLUSION

Neither the evidentiary record, nor current procurement policies support the PD’s allowance of up to 500 MWs of new gas-fired, carbon-emitting generation to be procured in Southern California for the purpose of replacing SONGS’ non-carbon emitting generation. What the evidentiary record does demonstrate, and which does comport with legal and policy requirements for procurement, is that Preferred Resources can satisfy all the additional LCR need identified in the PD; existing resources and grid operations controls are viable, cost effective

²⁷ PD at p.65

²⁸ PD at p.65

²⁹ PD, Attachment A, p.17: Vote Solar “Basis for Track 4 Need By Utility”

³⁰ PD at p.64

³¹ PD at p.65

bridge measures that can provide, if needed, necessary levels of reliability until sufficient amounts of Preferred Resources are installed and operational; and the expected combined contributions from transmission upgrades, customer-side solar PV, smart inverters, and the results of SCE's and SDG&E's Living Pilot programs obviate any need to authorize new gas-fired generation in Southern California.

Therefore, Vote Solar respectfully requests that the PD be revised to eliminate any authorization to procure additional GFG in Southern California for the purpose of replacing any SONGS generation. Rather, the Commission only should permit the procurement of non-polluting Preferred Resources to provide any LCRs needed for that purpose and should direct the utilities to develop programs to leverage the potential benefits of market-driven Preferred Resources, in particular, rooftop solar.

Respectfully submitted,

/s/

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Appendix A

NECESSARY REVISIONS TO THE PD's FINDINGS OF FACT:¹

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 resources authorized by this decision only 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 only from preferred resources and/or energy storage would result in 25% to 70% 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.

NEW FINDINGS OF FACT TO BE ADOPTED:

X1: As the Commission noted in D.13-02-015, the most likely outcome of an all-source procurement process is the selection of new gas-fired generation.

X2: New gas-fired generation sited, permitted, constructed and operated in Southern California for the purpose of replacing SONGS generation would increase both carbon emissions and the use of constrained water supplies in Southern California

NECESSARY REVISIONS TO THE PD's CONCLUSIONS OF LAW

39. Consistent with D.13-02-015 ~~it is reasonable to provide a level of flexibility to SCE and to ensure procurement consistent with ISO reliability standards, but taking into account that the focus of this track of the proceeding is replacement of non-carbon emitting SONGS generation, it is reasonable to require SCE to procure only by expanding the range of procurement specified in D.13-02-015 for gas-fired resources, additional resources only from~~ preferred resources and energy storage.

¹ Recommended deletions are noted in strike-out font and recommended additions are noted in double underline.

40. A similar procurement requirement ~~range of procurement flexibility should be provided apply~~ to SDG&E ~~as to SCE~~.

42. Authorizing SCE to procure between 400 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, only~~ preferred and energy storage resources to meet reliability needs.

NEW CONCLUSIONS OF LAW TO BE ADOPTED

X1: It is not reasonable to alter the procurement process authorized for SCE in D.13-02-015 to include any procurement from an all-source procurement process or to allow SCE to procure any additional resources authorized in this proceeding from an all-source procurement process.

X2: It is not reasonable to authorize SDG&E to procure any additional resources from an all-source procurement process

NECESSARY REVISIONS TO THE PD'S ORDERING PARAGRAPHS

1. In combination with procurement authorizations totaling 1,400 to 1,800 Megawatts (MW) in Ordering Paragraph 1 of Decision 13-02-015, Southern California Edison Company is authorized to procure between 1,900 and 2,500 MW of electrical capacity in the Los Angeles Basin local reliability area to meet long-term local capacity requirements by the end of 2021. Procurement must abide by the following guidelines and table:

a. At least 1,000 MW, but no more than ~~1,500~~ 2,000 MW, of local capacity must be from conventional gas-fired resources, including combined heat and power resources;

b. At least 50 MW of local capacity must be procured from energy storage resources (as defined in Decision 13-10-040);

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

~~d. At least 300 MW, but no more than 500 MW, of local~~

capacity, beyond the minimum amounts specified in subparagraphs (a), (b) and (c), must be procured and can be from any resource able to meet local capacity requirements.

e. Subject to the overall cap of 2500 MW, any additional local capacity, beyond the amounts specified in subparagraphs (a), (b), (c) and (d), may only be procured through preferred resources (including bulk energy storage and large pumped hydro facilities) consistent with the Loading Order of the Energy Action Plan. Such preferred resources shall be in addition to preferred resources already required by the Commission to be procured or obtained through decisions in other relevant proceedings, and/or energy storage resources.

Resource Type	Track 1 LCR Resources (D.13-02-015)	Additional Track 4 Authorization	Total Authorization
Preferred Resources Minimum Requirement	150 MW	4 <u>500</u> to 700 <u>700</u> MW	5 <u>650</u> to 850 <u>850</u> MW
Energy Storage Minimum Requirement	50 MW		50 MW
Gas-fired Generation (including CHP) Minimum Requirement	1000 MW		1000 MW
Optional Additional: Only From Preferred Resources /Energy Storage	Up to 4 <u>200</u> to 600 <u>600</u> MW		Up to 4 <u>200</u> to 600 <u>600</u> MW
Additional from Any Resource	200 MW	100 to 300 MW	300 to 500 MW
Total Procurement Authorization	1400 to 1800 MW	500 to 700 MW	1900 to 2500 MW

