

**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)

**REPLY COMMENTS OF NRG ENERGY, INC.
ON TRACK 4 PROPOSED DECISION**

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March 10, 2014

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Pursuant to Rule 14.3(d) of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), NRG Energy, Inc. (“NRG”) respectfully submits these reply comments on the February 11, 2014 Proposed Decision of Administrative Law Judge David M. Gamson in Track 4 of the Long-Term Procurement Plan (“LTPP”) proceeding (“Track 4 PD”).

Any decision to authorize procurement must consider a complex array of factors. In response to opening comments, NRG asserts there are a few factors that must rise above the others to inform a final decision. In particular, the urgent timing of the need must shape the procurement processes to be authorized.

In addition, NRG’s reply comments also address that:

- it is imprudent to rely on extending the deadlines for retirement of Once-Through-Cooled (“OTC”) plants to defer procurement needed now;
- given what is not known about the ability of preferred resources to ensure local area reliability, procurement authorizations that rely on preferred resources are not prudent; and
- repowering projects do not create the kind of undue risk that would warrant excluding gas-fired generation from consideration.

I. REPLY COMMENTS

A. THE COMMISSION MUST AUTHORIZE PROCUREMENT TO MEET THE PRESSING NEED FOR NEW RESOURCES.

Amidst all of the things that must be weighed in granting procurement authority to the Southern California Edison Company (“SCE”) and the San Diego Gas & Electric Company (“SDG&E”), one item that cannot and must not be overlooked is the timing of the projected need.

The CAISO’s analysis demonstrates that the need for new capacity in the San Diego area emerges in 2018 – a scant four years from the time the final decision in this Track will be issued. Four years leaves very little time to procure the kind and amount of generation that is needed to maintain reliability in this area.

The procurement plans that the final decision will lay out must reflect this reality. Given the very short time frames involved, bilateral procurement may be the only procurement mechanism that will enable generation to be procured with sufficient haste to meet the projected need in SDG&E’s service area (SCE has already initiated an RFO process, which should allow SCE to satisfy its needs for new generation on a timely basis). If time was not a constraint, it would be preferable to direct SDG&E to design, seek approval of and then conduct a fully competitive solicitation process. However, given the expected timelines for developing generation, and further given the timing of the need, the final decision must authorize a procurement process that will allow SDG&E to timely meet the need.

For the same reasons, NRG concurs with SDG&E that the Commission should modify the Track 4 PD to delete reference to a “cost-based” contract requirement for any bilaterally-negotiated agreements.¹ In addition to the reasons disfavoring cost-based contracts cited in

¹ SDG&E comments at 11-12.

SDG&E's opening comments, there is simply not enough time to initiate a rate case style proceeding to review bilaterally-negotiated procurement intended to meet a 2018 reliability need.

B. PROCUREMENT SHOULD NOT RELY ON OTC EXTENSIONS.

AES Southland observes that it would be risky to rely on extending the State Water Resource Control Board's schedule for retiring OTC plants as a strategy for meeting local capacity needs.² NRG strongly agrees. In addition to the disadvantages and risks of relying on these plants after their OTC retirement dates identified by AES Southerland, NRG notes that these aging (often referred to as "Eisenhower-era") plants should not occupy a significant role in the long-term plan for ensuring local area reliability. NRG respectfully urges the Commission to issue a final procurement decision that respects the OTC retirement dates and does not rely on aging OTC power plants to ensure Southern California area reliability.

C. PROCUREMENT AUTHORIZATIONS THAT RELY ON PREFERRED RESOURCES ARE UNRELIABLE.

Not unexpectedly, parties differ sharply as to what level of preferred resources should be relied upon or mandated in the procurement authorized for SCE and SDG&E. CEJA,³ EnerNOC,⁴ Sierra Club,⁵ and Vote Solar⁶ either support the proposed carve-outs for preferred resources or propose to limit any procurement authorized to preferred resources only.

Conversely, AES Southland,⁷ NRG,⁸ SCE,⁹ SDG&E,¹⁰ and WPTF¹¹ do not support carve-outs for preferred resources.

² AES Southland comments at 5-6.

³ CEJA comments at 2.

⁴ EnerNOC comments at 2.

⁵ Sierra Club comments at 10-11.

⁶ Vote Solar comments at 3-4.

⁷ AES Southland comments at 11.

⁸ NRG comments at 2-5.

⁹ SCE comments at 4.

¹⁰ SDG&E comments at 3, 6-9.

¹¹ WPTF comments at 2-4.

The sudden retirement of SONGS has revealed a procurement need that emerges in four short years. At this point, there is no record that identifies how preferred resources count towards meeting any portion of the local capacity requirements, or the amount of preferred resources that would be required to ensure reliability after the SONGS retirement. Absent such a record, carving out any amount of procurement solely for preferred resources, or allowing preferred resources to meet any part of the procurement targets, effectively authorizes procurement that has an undefined impact on the reliability problems the procurement authorization seeks to address. Such procurement is imprudent, given the urgency of the need.

Preferred resources have an important role to play in California’s energy future. Until a complete understanding of how preferred resources can meet local reliability needs is developed, however, allowing preferred resources to meet such needs undermines the viability of any procurement authorization.

D. ALL-SOURCE PROCUREMENT DOES NOT CREATE UNDUE RISK.

Vote Solar posited that allowing the procurement targets to be met through all-source solicitations, in which Gas Fired Generation (“GFG”) could be selected to meet the need, would be a risky proposition, in part due to the “difficulties *new* GFG plants already face in getting sited, permitted and built in California” and “the growing focus on minimizing water use.”¹²

Vote Solar fails to acknowledge the opportunity to meet the procurement targets through *repowering projects* at existing OTC sites. While licensing repowering projects is not without its challenges (as NRG can attest), such projects do not face the same obstacles as new green-field projects. Further, as NRG noted, such repowered projects provide substantial benefits, including eliminating the use of ocean water for cooling, using dry cooling to minimize water use, and leveraging existing electric and gas infrastructure and providing support for the existing bulk

¹² Vote Solar comments at 4 (emphasis added).

power transmission system.¹³ Because it fails to consider repowering projects, Vote Solar's argument that all-source solicitations would result in an "all-or-nothing" situation set up to fail because of siting and permitting difficulties should be rejected.

II. CONCLUSION

Based on both NRG's opening and reply comments, which NRG respectfully requests the Commission consider and incorporate, NRG respectfully requests that the Commission increase the amount of all-source procurement authority in the final decision in Track 4.

Respectfully submitted,

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¹³ November 25, 2013 Opening Brief of NRG at 14-15.