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 (Filed March 22, 2012)

NOTICE OF JUNE 17th EX PARTE CONTACTS

DEBORAH BEHLES
Environmental Law & Justice Clinic
Golden Gate University School of Law
536 Mission Street
San Francisco, CA 94105
Telephone: (415) 369-5336
dbehles@ggu.edu

Attorney for
CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE

JIM BAAK
Program Director, Grid Integration
The Vote Solar Initiative
101 Montgomery St., Suite 2600
San Francisco, CA 94104
Telephone: (415) 817-5064

Representative for
VOTE SOLAR INITATIVE

MARIA STAMAS
Natural Resources Defense Council
111 Sutter Street, CA 94104
Telephone: (415) 875-8240

Attorney for
NATURAL RESOURCES DEFENSE COUNCIL

WILLIAM ROSTOV
Earthjustice
50 California Street, Suite 500
San Francisco, CA 94111
Telephone: (415) 217-2000
wrostov@earthjustice.org

MATTHEW VESPA
Sierra Club
85 Second Street, 2nd Floor
San Francisco, CA 94105
Telephone: (415) 977-5753
matt.vespa@sierraclub.org

Attorneys for
SIERRA CLUB CALIFORNIA

JAMES FINE, Ph.D
Senior Economist
Environmental Defense Fund
123 Mission Street, CA 94107
Telephone: (415) 293-6060

Representative for ENVIRONMENTAL DEFENSE FUND

Dated: June 19, 2014

NOTICE OF JUNE 17th EX PARTE CONTACTS

Pursuant to Article 8 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, the California Environmental Justice Alliance (CEJA), Sierra Club California (Sierra Club), Natural Resources Defense Council (NRDC), Vote Solar Initiative, and Environmental Defense Fund (EDF) (Joint Parties) hereby file this notice of the following ex parte communications in the above-captioned proceeding. The Joint Parties jointly requested these meetings to discuss the proposed procurement plans of San Diego Gas & Electric submitted pursuant to Decision 14-03-004.

On June 17, 2014, from approximately 1:00 to 1:30pm, attorney Deborah Behles representing CEJA, attorney Matt Vespa representing Sierra Club, Jim Baak representing Vote Solar Initiative, Maria Stamas representing NRDC, and James Fine representing EDF met at the Commission's offices in San Francisco with Brian Stevens, advisor to Commissioner Peevey, and Monica Testa, intern to Commissioner Peevey.

On June 17, 2014, from approximately 2:00 to 2:30pm, attorney Deborah Behles representing CEJA, attorney Matt Vespa representing Sierra Club, Jim Baak representing Vote Solar Initiative, Maria Stamas representing NRDC, and James Fine representing EDF met at the Commission's offices in San Francisco with Jennifer Kalafut, advisor to Commissioner Peterman and Rachel Golden, intern to Commissioner Peterman.

On June 17, 2014, from approximately 2:30 to 3:00pm, attorney Deborah Behles representing CEJA, attorney Matt Vespa representing Sierra Club, Jim Baak representing Vote Solar Initiative, Maria Stamas representing NRDC, and James Fine representing EDF met at the Commission's offices in San Francisco with Nick Chaset, advisor to Commissioner Picker.

In all three meetings, Joint Parties provided copies of Joint Parties' informal comments on SDG&E's proposed procurement plans and TURN's informal comments on SDG&E's proposed procurement plans. These comments are attached hereto.

In all three meetings, Ms. Behles began by discussing the Joint Parties' concerns about SDG&E's proposed procurement plans' inconsistencies with the Track 4 Decision. Ms. Behles highlighted how SDG&E's proposed procurement plans fail to consider the loading order, require an all-source RFO, and consider recent transmission upgrades that CAISO has estimated will significantly reduce local need. Ms. Behles also discussed how the Carlsbad natural gas plant lost the 2009 RFO, and therefore, without conducting an all-source RFO, it is likely that ratepayers and the environment will lose.

Mr. Vespa discussed how SDG&E's proposed preferred resource procurement plan also violates the requirements of the Track 4 decision by requiring procurement of only "up to" 200 MW of preferred resources and energy storage instead of "at least" 200 MW as required under the Decision and including existing programs in meeting the procurement requirement. Mr. Vespa further noted that it was likely that the proposed plan, which more closely resembles SDG&E's litigation position than the procurement plan required under the Track 4 Decision, would not result in any additional procurement of preferred resources and energy storage.

Mr. Baak discussed how the transmission projects give the Commission time to allow preferred resources the opportunity to fill the need. Mr. Baak pointed to the importance of the preferred resource pilot for demonstrating the capability of preferred resources to meet unmet need. Mr. Baak also cited the critical role of demand response in meeting reliability needs during the recent gas shortage resulting from the "polar vortex" to illustrate the flaws in viewing gas as the only resource capable of meeting reliabilityneeds. There is no need for SDG&E's

recent and proposed procurement to be so heavily weighted toward natural gas (SDG&E proposes to fill 600 MW of all-source authorization with Carlsbad in addition to the recently authorized 300 MW of gas from Pio Pico).

Ms. Stamas discussed how energy efficiency and demand response need to be given a fair opportunity to fill the need in the SDG&E area, as required by the Decision. She pointed out that energy efficiency and demand response providers have submitted competitive bids in past all-source RFOs and can be expected to do the same if SDG&E conducts an all-source RFO. Providing these resources with an opportunity to compete is also essential for complying with the State's loading order.

Dr. Fine discussed how the costs of preferred resources have been declining quickly and winning competitive procurement solicitations. Dr. Fine also discussed how SDG&E's proposed procurement plan conflicts with work it is doing in other venues, including the smart gird proceeding.

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Dated: June 19, 2014

Respectfully submitted,

/s/

WILLIAM ROSTOV
Earthjustice
50 California Street, Suite 500
San Francisco, CA 94111
Telephone: (415) 217-2000
wrostov@earthjustice.org

MATTHEW VESPA
Sierra Club
85 Second Street, 2nd Floor
San Francisco, CA 94105
Telephone: (415) 977-5753
matt.vespa@sierraclub.org

Attorneys for
SIERRA CLUB CALIFORNIA

MARIA STAMAS
Natural Resources Defense Council
111 Sutter Street, CA 94104
Telephone: (415) 875-8240

Attorney for
NATURAL RESOURCES DEFENSE COUNCIL

DEBORAH BEHLES
Environmental Law & Justice Clinic
Golden Gate University School of Law
536 Mission Street
San Francisco, CA 94105
Telephone: (415) 369-5336
dbehles@ggu.edu

Attorney for
CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE

JIM BAAK
Program Director, Grid Integration
The Vote Solar Initiative
101 Montgomery St., Suite 2600
San Francisco, CA 94104
Telephone: (415) 817-5064

Representative for
VOTE SOLAR INITATIVE

JAMES FINE, Ph.D
Environmental Defense Fund
123 Mission Street, CA 94107
Telephone: (415) 293-6060

Representative for ENVIRONMENTAL DEFENSE FUND

Attachment 1

June 6, 2014

Via electronic mail

Edward Randolph
Energy Division
California Public Utilities Commission
edward.randolph@cpuc.ca.gov

Re: Informal Comment on SDG&E's Proposed Any Resource Procurement Plan Under D.14-03-004 (LTTP Track 4)

Mr. Randolph:

The California Environmental Justice Alliance (CEJA), Sierra Club, Vote Solar, the Natural Resources Defense Council (NRDC), and the Environmental Defense Fund (EDF) write to express our serious concerns with the proposed procurement plans submitted to Energy Division by San Diego Gas & Electric (SDG&E) to meet procurement authorization under the Track 4 Decision in the 2012 Long Term Procurement Proceeding (D.14-03-004). In D.14-03-004, the Commission authorized SDG&E to procure 300 to 600 MW from any resource and 200 MW from preferred resources and energy storage. With regard to "any resource" procurement, D.14-03-004 requires that: 1) SDG&E "*shall* issue an all-source Request for Offers for some or all capacity"; 2) the procurement be "consistent to extent feasible with the Loading Order"; and

3) total procurement can be lowered toward minimum levels in the event of approval of transmission projects that reduce local capacity needs.[1]

SDG&E's proposed procurement plan for its any resource authorization, which it names a "Conventional Procurement" plan, plainly fails to meet the requirements of D.14-03-004. Under the proposed any resource plan, SDG&E will not issue an all-source RFO to meet *any* of its any resource authorization and will not comply with the Loading Order. The procurement plan also ignores the recent approval of three transmission projects that collectively reduce local capacity needs in the San Onofre area by 800 – 1680 MW. Instead, SDG&E proposes to fill the entirety of its "up to 600 MW" any resource authorization through a bilateral contract with the proposed Carlsbad gas plant. Energy Division should require SDG&E to submit a revised any resource procurement plan that contains an all-source solicitation process, complies with the Loading Order, and accounts for the significant reductions in local area need that will result from recently approved transmission projects.

Notably, the Carlsbad gas plant SDG&E seeks to bilaterally procure would be composed of six LMS100 units. Because each unit provides 100 MW of capacity, an LMS100 gas plant can be built in 100 MW increments.[2] Once the benefits of recently approved transmission projects have been accounted for to determine the appropriate procurement authorization level and all cost-effective preferred resources are used to fill need, if SDG&E believes that there is a remaining need, it could consider filling it with a smaller facility with fewer LMS100 units. Allocating the entire 600 MW to fossil fuels at this juncture is premature, unnecessary, and inconsistent with the Track 4 decision.

DISCUSSION

1. SDG&E's Proposed Plan Violates D.14-03-004's Requirement to Issue an All-Source RFO to Meet "Some or All" of the Any Resource Capacity Authorization.

Ordering Paragraph 6 of D.14-03-004 unequivocally requires that: "San Diego Gas & Electric (SDG&E) *shall* issue an all-source Request for Offers for some or all capacity authorized by this decision."[3] Under Ordering Paragraph 7, the procurement plan must include "a proposed Request for Offers as required by Ordering Paragraph 6."[4] In direct contravention of these requirements, SDG&E's procurement plans do not contemplate an all-source RFO to meet *any* of the capacity authorized by the Track 4 Decision. By definition, a preferred resource or energy storage only solicitation is not an all-source request. SDG&E's "conventional" procurement plan calls only for bilateral procurement. While D.14-03-004 does allow bilateral procurement, the any resource plan must still include an all-source RFO to meet some of the resource authorization. Accordingly, SDG&E's plan violates D.14-03-004 and cannot be

[1] D.14-03-004, at pp. 144 (Ordering Paragraph 6) (emphasis added), 97, 116-17.
[2] Preferred resources could also be procured in increments.
[3] D.14-03-004, at p. 144 (Ordering Paragraph 6) (emphasis added).
[4] D.14-03-004, at pp. 144-45 (Ordering Paragraph 7).

approved as proposed. To meet the requirements of D.14-03-004, the procurement plan must be revised to require solicitation of at least part of SDG&E's capacity authorization through an all-source RFO.

2. The SDG&E Procurement Plan Is Inconsistent with the Decision's Requirement to Follow the Loading Order.

In addition to contravening Ordering Paragraph 6, SDG&E's proposed bilateral procurement is inconsistent with D.14-03-004's requirement that a plan to meet the any resource authorization must comply with the Loading Order. D.14-03-004 requires SDG&E to ensure that "all resources that can meet the specified requirements should be able to compete on a fair basis"[5] and that procurement to meet the any resource authorization be "consistent to extent feasible with the Loading Order."[6] Ordering Paragraph 8 further provides that SDG&E must show how any contracts meet the following criteria:

- "Consistency with the Loading Order, including a demonstration that it has identified each preferred resource and assessed the availability, economics, viability and effectiveness of that supply in meeting LCR need;" and
- "A demonstration of technological neutrality, so that no resource was arbitrarily or unfairly prevented from bidding in . . . SDG&E's solicitation process. To the extent that the availability, viability and effectiveness of resources higher in the Loading Order are comparable to fossil-fueled resources, . . .SDG&E shall show that it has contracted with these preferred resources first."

Contrary to these requirements, SDG&E's plan precludes consideration of preferred resources to meet its any resource authorization. Instead, SDG&E decided unilaterally, without even conducting a solicitation to determine what preferred resources are available, that it would fill its 600 MW any resource authorization with a bilateral contract with the Carlsbad facility. Far from demonstrating technological neutral as required under D.14-03-004, SDG&E's proposed any resource procurement plan forecloses competition and participation by clean energy solutions by predetermining the selection of a polluting, greenhouse gas intensive, fossil fuel facility. These multiple failures are inconsistent with the requirements of the Track 4 Decision and further justify Energy Division rejection of SDG&E's procurement plan.

Preferred resources have not been given the opportunity to compete in an all-source RFO in the San Diego area because SDG&E has not issued an all-source RFO in at least the last five years despite having opportunities to do so. For example, although SDG&E was recently authorized in D.13-03-029 to conduct an all-source RFO to meet 300 MW of need upon retirement of Encina, it circumvented this process by filling the entire 300 MW through bilateral

[5] D.14-03-004, at p. 112.
[6] D.14-03-004, at p. 97.

procurement of the Pio Pico fossil fuel facility. An all-source RFO is long overdue. SDG&E's any resource procurement plan must allow preferred resources and energy storage to compete in an all-source RFO as required by the Commission's Track 4 Decision.

3. Energy Division Should Reduce the Any Resource Authorization to its Minimum Range to Account for the Benefits of Recently Approved Transmission Projects.

In seeking its maximum procurement authorization, SDG&E's any resource plan fails to account for the benefits of recently approved transmission projects, resulting in significant over-procurement and additional unneeded burden to ratepayers. Because D.14-03-004 was approved prior to finalization of the CAISO's 2013-2014 Transmission Plan ("2013-2014 TPP"), potential benefits of proposed transmission improvements in lowering local capacity needs could not be ascertained with certainty at the time the Decision was issued. However, D.14-03-004 recognized that "[i]f some level of new transmission resources is identified in the 2013/2014 TPP which would reduce LCR needs in the SONGS service area by 2022 (for example, the Mesa Loop-In project), the total amount of overall procurement needed in the SONGS service area would be reduced."[7] To accommodate this uncertainty, D.14-03-004 built in flexibility in future procurement by authorizing a minimum and maximum range in the any source procurement authorizations. In the event transmission projects that would reduce local capacity needs are approved, the Decision provided that "some combination of this would occur: a) procurement at or near the minimum levels authorized in this decision; b) less procurement or no procurement authorized in future LTPP proceedings; and c) less of a need to delay retirements of OTC plants."[8]

On March 25, 2014, CAISO's Board approved the 2013-2014 TPP. The TPP approved three transmission upgrades that will significantly lower LCR need in the SONGS area. The approved transmission projects include:

- An additional 450 MVAR of dynamic reactive support at San Luis Rey, which has a proposed in-service date of June 2018, and is expected to reduce LCR need from between 100 and 200 MW;
- An Imperial Valley Flow Controller, which has a proposed in-service date of May 2017, and is expected to reduce LCR need between 400 and 840 MW; and
- The Mesa Loop-In Project, which has a proposed in-service date of December 2020, and is expected to reduce LCR need by 300 to 640 MW.[9]

These transmission projects, which lower LCR need between 800 – 1680 MW, are expected to cost between $559 and $994 million.[10] To avoid overprocurement, Energy Division should

[7] D.14-03-004 at p. 116.
[8] D.14-03-004 at pp. 116-17.
[9] *See* CAISO 2013-14 TPP at p. 108, *available at* http://www.caiso.com/Documents/Board-Approved2013-2014TransmissionPlan.pdf.

require SDG&E to account for these approved transmission projects and only approve all resource procurement at minimum authorized levels.

4. SDG&E's Attempt to Justify Immediate Approval of Bilateral Procurement of Fossil Fuel Resources Based on Purported Need in 2018 Does Not Withstand Scrutiny.

SDG&E's claim that Carlsbad is needed to address local need emerging in 2018 is inconsistent with D.14-03-004 and is not a credible basis for approval. The Track 4 Decision determined the need in the SDG&E territory in 2022: "[t]he first task at hand in Track 4 is to determine a reasonable and prudent LCR need amount for the SONGS service area by 2022."[11] Consistent with this time frame, the Commission analyzed the availability of resources in 2022. Thus, the Commission's LCR determination was based on the need forecast from 2022 and the Commission ultimately authorized SDG&E to procure resources by 2021, not before. Indeed, approval of a 2017 start-date for Carlsbad would mean that ratepayers would begin paying for 600 MW of capacity four years prior to the Commission's determination of when it would be needed.[12] This is inconsistent with the Decision and should be rejected.

Even assuming need could emerge in 2018, highly viable transmission solutions have now been approved and will be on-line by 2018.[13] As set forth above, two transmission improvements approved by CAISO, the Imperial Valley Flow Controller and dynamic reactive support at San Luis Rey, have in-service dates of May 2015 and June 2018 respectively and would collectively reduce need between 500 and 1040 MW.

In addition, preferred resources and energy storage can be deployed rapidly if needed. Because procurement and deployment can occur incrementally, preferred resource solutions offer superior ratepayer value to any purported near-term need than a 600 MW gas plant and provide inherent economic risk-management relative to locking-in decades of conventional procurement.

Moreover, SDG&E's collective procurement to replace once-through-cooling facilities and San Onofre is extremely greenhouse gas intensive and would complicate achievement of California's greenhouse gas reduction efforts.[14] When recently authorized in D.13-03-029 to

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[10] *See* CAISO 2013-14 TPP at p. 108, *available at* http://www.caiso.com/Documents/Board-Approved2013-2014TransmissionPlan.pdf.

[11] D.14-03-004, at p. 27.

[12] In its preferred resource plan, SDG&E admits that the Track 4 decision has a deadline of December 31, 2021 and states that it plans to procure resources that will meet that 2021 date. It is unclear why SDG&E is delaying the on-line dates for preferred resources when it believes that its need is urgent.

[13] In addition, as the Decision points out, the retirement dates for the OTC units could be delayed if there was an urgent need.

[14] Throughout its proposed fossil-fuel plan, SDG&E references a 50/50 split. A 50/50 split was not authorized by the Track 4 decision, and it is inconsistent with the loading order. In addition, as described above, it is inconsistent with the facts.

procure 300 MW of resources to account for once-through-cooling retirements, SDG&E chose to fill the 300 MW entirely with fossil fuels. In the Track 4 Decision, SDG&E was authorized to procure between 500 and 800 MW of new resources to replace San Onofre.[15] If SDG&E procures a 600 MW Carlsbad facility, 900 of the 1100 MW it procures will be fossil fuel resources. Thus, SDG&E will be procuring the vast majority of its authorized MW from dirty, polluting fossil fuel facilities. Moreover, as SDG&E's Track 4 Preferred Resources Procurement Plan contemplates reducing authorized preferred resource procurement to account for load reductions attributable to rate reforms, the extent to which SDG&E would actively procure preferred resources under the Track 4 Decision is unclear.[16] Especially because Track 4 Procurement is replacing a carbon-free resource, the totality of SDG&E's proposed procurement would result in an increase in emissions when sharp declines in greenhouse gas pollution are urgently needed and within reach.

Finally, we note that a number of parties originally requested that the review of the procurement plan be a public process. The numerous issues highlighted here demonstrate how review would benefit from additional stakeholder input.

Thank you for your consideration of these issues. If you have any questions, please contact Deborah Behles at dbehles@ggu.edu and (415) 369-5336 or Matt Vespa at matt.vespa@sierraclub.org and (415) 977-5753.

Sincerely,

Strela Cervas
Co-Coordinator
California Environmental Justice Alliance

Sierra Martinez
Legal Director, California Energy Project
Natural Resources Defense Council

Matthew Vespa
Senior Attorney
Sierra Club

Jim Baak
Program Director, Grid Integration
Vote Solar

[15] D.14-03-004 at p. 98.
[16] SDG&E, LTPP/Track 4 Procurement Plan (Preferred Resources), May 1, 2014, at 6.

James D. Fine
Senior Economist
Environmental Defense Fund

Cc: Commissioner Michel Florio
Commissioner Michael Picker
Commissioner Carla Peterman
Commissioner Michael Peevey
Commissioner Catherine Sandoval
Michele Kito
Lily Chow
Service List R.12-03-014

Attachment 2