

**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 18, 2014 EX PARTE CONTACT

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Dated: June 20, 2014

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NOTICE OF JUNE 18, 2014 EX PARTE CONTACT

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), and Vote Solar Initiative (Vote Solar) (Joint Parties) hereby file this notice of the following ex parte communications in the above-captioned proceeding. The Joint Parties jointly requested this meeting to discuss the proposed procurement plans of San Diego Gas & Electric submitted pursuant to Decision 14-03-004.

On June 18, 2014, from approximately 10:00 to 10:40am, attorney Deborah Behles representing CEJA, attorney William Rostov representing Sierra Club, Jim Baak representing Vote Solar (via telephone), and Maria Stamas representing NRDC met at the Commission's offices in San Francisco with Rachel Peterson and Marcelo Pointer, advisors to Commissioner Florio.

The 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.

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 SDG&E's proposed preferred resource procurement plan may not result in new procurement because SDG&E plans to include existing programs to meet the procurement requirement.

Mr. Rostov also discussed the Track 4 decision's requirement for SDG&E to conduct an all-source RFO. He explained without an all-source procurement, the proposed gas procurement will literally crowd out cost-effective preferred resources and energy storage. He also expressed concern that SDG&E has already decided to procure all of its authorization without considering CAISO's recently approved transmission, making it likely that ratepayers and the environment will lose. Mr. Rostov asked that the joint parties' petition for modification be granted and suggested that the Energy Division's informal comment period was an insufficient process with an inadequately short comment period.

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 conducted an all-source RFO. Providing these resources with an opportunity to compete is also essential for complying with the state's loading order. Ms. Stamas also described how SDG&E should be required to conduct an all-source RFO and a preferred resource pilot as the decision requires and SCE has done.

Mr. Baak discussed how the transmission projects give the Commission time to give 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.

Dated: June 20, 2014

Respectfully submitted,

_____/s/_____

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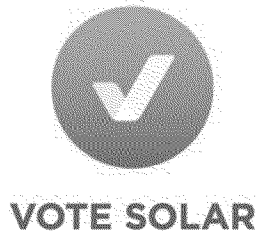
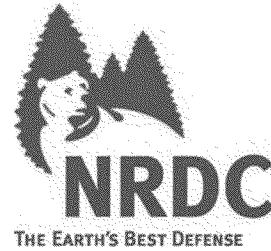
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ATTACHMENT 1



June 6, 2014

Via electronic mail

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

Mr. Randolph:

7 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

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:

- ffi "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
- ffi "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

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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:

- ffi 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;
- ffi 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
- ffi 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.aiso.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

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,



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¹⁵ D.14-03-004 at p. 98.

¹⁶ SDG&E, LTPP/Track 4 Procurement Plan (Preferred Resources), May 1, 2014, at 6.



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Cc: Commissioner Michel Florio
Commissioner Michael Picker
Commissioner Carla Peterman
Commissioner Michael Peevey
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ATTACHMENT 2



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Mark Toney, Ph.D., Executive Director

Lower bills. Livable planet.

June 11, 2014

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California Public Utilities Commission
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RE: TURN Response to Informal Comments on SDG&E's Conventional
Resource Procurement Plan

Dear Mr. Randolph:

On June 6, 2014 the California Environmental Justice Alliance, the Sierra Club, the Natural Resources Defense Council, the Environmental Defense Fund and Vote Solar (hereinafter the "Joint Parties") provided informal comments concerning the Conventional Procurement Plan submitted by SDG&E to Energy Division pursuant to Ordering Paragraph 7 of D.14-03-004 (the 2012 LTPP Track 4 decision). TURN agrees with the Joint Parties that SDG&E's conventional procurement plan violates the directives of D.14-03-004 and urges Energy Division to require SDG&E to submit a revised plan.

D.14-03-004 authorized a procurement need of 500-800 MW for SDG&E, and explicitly required that SDG&E procure at least 200 MW of preferred resources. Additionally, Ordering Paragraph 6 directed SDG&E to hold an "all-source Request for Offers" ("RFO") for some or all of the authorized capacity.¹ Ordering Paragraph 6 explicitly directed that the RFO comply with the requirements previously established in Ordering Paragraph 4 of D. 13-02-015. That decision in turn specified that an all-source RFO should not exclude "any resource from the bidding process" and should be designed to "pursue all cost-effective preferred resources."² Pursuant to that direction SCE held an all-source RFO for all resources, including preferred resources. Indeed, the whole point of an all-source RFO is to provide an opportunity for clean preferred

¹ D.14-03-004, Ordering Paragraph 6, p. 144.

² D.13-02-015, Ordering Paragraph 4(e) and (g), p. 132.

Mr. Edward Randolph

June 11, 2014

Page 2

resources to displace dirty fossil generation, if the preferred resources can fulfill the requisite capacity need.

Instead of planning for an all-source RFO to procure 300-600 MW of capacity, SDG&E submitted one bilateral contract with NRG's Carlsbad Energy Center, a gas-fired combustion turbine plant containing six 100 MW turbines. SDG&E has made a mockery of the Commission's order by proposing to conduct an RFO just for preferred resources, while fully contracting the remaining capacity with one gas-fired generator. This approach is inconsistent with the Commission's directives and the whole purpose of an all-source RFO.

TURN strongly supports the recommendation by the Joint Parties that Energy Division order SDG&E to submit a new conventional procurement plan that complies with the directives of D.14-02-004.

Sincerely,

/s/

Marcel Hawiger
Staff Attorney

Cc: Commission President Michael Peevey
Commissioner Michel Florio
Commissioner Carla Peterman
Commissioner Michael Picker
Commissioner Catherine Sandoval
Service List for R.12-03-014