

**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)

NOTICE OF EX PARTE COMMUNICATION

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Dated: July 31, 2014

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Pursuant to Rules 8.3 and 8.4 of the Commission's Rules of Practice and Procedure, Terra-Gen Power, LLC (Terra-Gen) submits this Notice of Ex Parte Communication.

On July 28, 2014, at approximately 1:15 p.m., Joe Greco (Senior Vice-President) and Gus Luna (Vice-President) of Terra-Gen, met with Julie Fitch, advisor to Commissioner Peterman. The meeting was initiated by Mr. Greco and Mr. Luna, lasted approximately 30 minutes, and took place at the San Francisco offices of the California Public Utilities Commission.

During the meeting, Mr. Greco and Mr. Luna discussed Terra-Gen's Petition for Expedited Modification of Decision 13-02-015 (Petition for Modification) and Reply to Responses. Terra-Gen's intent in filing the Petition for Modification was to ensure that Southern California Edison Company (SCE) followed the process outlined its approved procurement plan when it conducted its all-source procurement. Specifically, Terra-Gen understood that Locational Effective Factors (LEFs) would change, but the approved procurement plan indicated that LEFs would be used in the valuation of bids, not as threshold criteria for participation in Request for Offer (RFO) negotiations with SCE.

Mr. Greco and Mr. Luna explained that the issue concerning the use of LEFs arose due to the California Independent System Operator's (CAISO) 2013-2014 Transmission Planning Process (TPP), which changed the LEF evaluation from nodal to zonal. The CAISO arbitrarily chose zones that have now become criteria for inclusion in the SCE RFO process, limiting competition and impacting ratepayers. Mr. Greco and Mr. Luna discussed the nodal LEF study conducted by WHEnergy Consulting that was included as an attachment in Terra-Gen's reply comments to the subject Petition for Modification. Mr. Luna highlighted that the study demonstrated a need of only 800 MW to satisfy the CAISO n-1-1 contingency of concern if generation is procured at nodes determined to be 100% effective. Mr. Luna explained that with the n-1-1 contingency being satisfied by the first 800 MW of procurement, the remaining portion of the 1,500 MW authorized in the procurement process need not be sited in the Southwest LA Basin created by the CAISO to satisfy the target contingency. This result clearly demonstrates that efficient and cost-effective generation can be procured in other zones within the Western LA Basin while solving the current needs and perhaps avoiding future contingencies in the Western Central LA Basin and Northwest LA Basin. In fact, the CAISO noted in its TPP study that contingencies will change as generation and transmission are built in certain areas.

Mr. Greco and Mr. Luna highlighted that under certain transmission system contingencies, more generation in the CAISO-created Southwest LA Basin zone exacerbates the problem contingency. Mr. Luna made reference to Attachment B of Terra-Gen's Petition for Modification which reproduces a slide from a May 20, 2014 presentation by SCE that shows how more generation in certain Southwest LA Basin nodes, for example, at Huntington Beach, aggravates the effectiveness of supply at key constrained substations such as Johanna and Santiago, and how generation in the Southwest LA Basin is less effective at solving certain

contingencies as compared to generation located in zones outside the Southwest LA Basin. Terra-Gen emphasized how important procurement decisions are being made on incomplete information, thus denying ratepayers access to beneficial preferred and conventional resources.

Mr. Greco highlighted that SCE recently extended the time for completing the RFO process and that this delay allows for vetting of the calculation and application of LEFs, which would benefit future procurement as well as the SCE RFO in question. Since LEFs have never been utilized in a selection process before, the Commission should develop appropriate procedures to guarantee benefits for ratepayers. Additionally, Terra-Gen suggested that the Commission should hire a consultant, or authorize SCE to hire a consultant, to complete a nodal LEF analysis to be utilized in this RFO since the CAISO has suggested on more than one occasion that it lacks the resources to complete a detailed study.

No documents were used in this meeting.

Respectfully submitted July 31, 2014.

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By /s/ Gustavo E. Luna

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