

BEFORE THE PUBLIC UTILITIES COMMISSION OF  
THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric  
Company (U 902 E )for Authority to Enter  
into Purchase Power Tolling Agreements  
with Escondido Energy Center, Pio Pico  
Energy Center and Quail Brush Power.

A.11-05-023  
(Filed on May 19, 2011)

**REPLY BRIEF  
OF THE DIVISION OF RATEPAYER ADVOCATES**

Candace J. Morey  
Staff Counsel

Attorney for the Division of Ratepayer Advocates  
California Public Utilities Commission  
505 Van Ness Ave.  
San Francisco, CA 94102  
Phone: (415) 703-3211  
E-mail: [cjm@cpuc.ca.gov](mailto:cjm@cpuc.ca.gov)

July 27, 2012

Division of Ratepayer Advocates respectfully submits this Reply Brief pursuant to Rule 13.11 of the Commission’s Rules of Practice and Procedure and the schedule adopted in the March 12, 2012 Scoping Ruling in the above-captioned proceeding. DRA’s reply responds to arguments submitted by San Diego Gas & Electric Company (SDG&E) and the California Independent System Operator (CAISO).

**A. SDG&E has not proven that the three PPTAs are needed to meet local capacity requirements given other resources and options.**

Perhaps the most surprising thing about SDG&E’s brief is its *complete failure* to mention the CAISO’s study of Local Capacity Requirements (LCRs) following retirements of Once Through Cooled (OTC) plants that were presented in the CAISO’s 2011-2012 Transmission Plan.<sup>1</sup> Yet, the ability to consider this “latest analysis and information *from the CAISO*” is the reason the Commission transferred the finding of need from the 2010 LTPP into this proceeding—not to give SDG&E another bite at the apple to argue for last-minute updates to key planning assumptions in its load and resources spreadsheet analysis.<sup>2</sup>

After accounting for alternative resources and considering options to operate the transmission grid reliably using controlled load shed, the CAISO’s LCR studies do not prove a need for approval of all three Purchase Power Tolling Agreements (PPTAs) or additional procurement. The CAISO’s transmission planning processes and the Commission’s long term procurement planning (LTPP) proceedings are continuously ongoing. There is ample time to ensure reliability without burdening ratepayers with the capacity costs for 450 MW of new generation resources starting in 2014.

---

<sup>1</sup> SDG&E’s Opening Brief claims that its evidentiary showing of need for new generation “take[s] into consideration” the CAISO’s 2011-2012 Transmission Plan, but the brief never actually references or relies upon the CAISO’s OTC study results. SDG&E’s Opening Brief at 1.

<sup>2</sup> Joint Assigned Commissioners’ Ruling, Jan. 18, 2012, R.10-05-006 and A.11-05-023 at 4 (“In order to ensure that this latest analysis and information *from the CAISO* is integrated into the Commission processes in the most expeditious manner, and to avoid unnecessary further delay to A.11-05-023, the issue of SDG&E’s LCR will be addressed in A.11-05-023, rather than in the LTPP proceeding.”) (emphasis added).

1. SDG&E's updated planning assumptions are not reasonable and the April 27, 2012 LCR analysis should be rejected.

SDG&E argues that the Commission should authorize procurement of 650 MW of new gas-fired power plants to be built in an urban area based on:

- one value (the mid-case) from a last-minute update of the demand forecast (which became available less than a week before hearings),<sup>3</sup>
- draft results from the *lowest* energy efficiency savings scenario<sup>4</sup> despite SDG&E's position in the 2012 LTPP that supported *further development* of the low-and high-scenarios to be built off of the mid-case results,<sup>5</sup> and
- support for lowering the demand response values using data that SDG&E submitted only on *redirect* examination of its witness<sup>6</sup>—even though the data were publicly available a full week *before* SDG&E served its final round of rebuttal supplemental testimony and the ALJ rejected SDG&E's attempt to introduce the data into the record through cross-examination of DRA's witness.<sup>7</sup>

But in addition to DRA's arguments, the Natural Resources Defense Council (NRDC) and California Environmental Justice Alliance (CEJA) have demonstrated that the Commission should reject SDG&E's updated planning assumptions for load, energy efficiency and demand response.

DRA agrees with NRDC that the Commission should not adopt the updated demand forecast (the recently-approved California Energy Demand (CED) forecast for 2012- 2022) as the basis of a finding of need in this proceeding because (1) there is not a corresponding final

---

<sup>3</sup> SDG&E's Opening Brief at 9, 10 (Table 1).

<sup>4</sup> SDG&E's Opening Brief at 10 (Table 1).

<sup>5</sup> Trx. Vol. 2 at 192:23-195:4 (SDG&E Witness Besa noting that "we seek to continue developing the base case, and together with that, determining the appropriate low and high scenarios as it pertains to our service territory", highlighting workshop would occur the week following hearings and noting that because there is an "active discussion", there is "no particular approved mid, low, high scenarios for this at this time."). The Energy Division proposed building the mid-case, or base-case energy efficiency scenario off of the CEC's preliminary results for *mid*-incremental energy efficiency. Ex. 18 (DRA Attachments), Attachment M at xi-xii.

<sup>6</sup> SDG&E's Opening Brief at 22.

<sup>7</sup> See SDG&E's Opening Brief at 22, notes 55-57.

energy efficiency analysis to “pair” with the demand data,<sup>8</sup> and (2) the preliminary energy efficiency analysis was only a draft—it has not been adopted by the CEC. The final study results will be analyzed in the 2012 LTPP (including whether it is proper to rely on the “low” scenario rather than a “mid” or “high” level of energy savings).<sup>9</sup>

DRA also agrees with CEJA that SDG&E’s “updated” demand response figures are unreasonable because they do not anticipate *any* new demand response programs such as those that are expected to be enabled by SDG&E’s significant investments in Advanced Metering Infrastructure (AMI).<sup>10</sup>

2. Updating the standardized planning assumptions to reflect SDG&E’s preferred values is beyond the scope of this proceeding.

A decision in this proceeding should emphasize that transferring SDG&E’s LCR determination from the 2010 LTPP into this proceeding in order to consider the CAISO’s 2011-2012 transmission plan was *not* an open-invitation for SDG&E to side-step the Commission’s LTPP proceedings altogether and present a brand-new analysis of need.

First, SDG&E has not provided any legal justification for deviating from the 2010 standardized planning assumptions and lowering its estimates for energy efficiency, demand response, and other preferred resources. SDG&E makes statements along the lines of “prudent local reliability planning process entails that local resource needs ... must be based on realistic yet conservative assumptions regarding the future development of local resources that are not reasonably certain to appear in future years.”<sup>11</sup> SDG&E points to Mr. Anderson’s statements that he would not count “possible, hypothetical resources of any type,” and Mr. Strack’s statements that “only those resources that can be deemed ‘dependable generation’ can reasonably included in a resource plan.”<sup>12</sup> But SDG&E has not defined “dependable,” it essentially asserts

---

<sup>8</sup> See NRDC’s Opening Brief at 5-7.

<sup>9</sup> Id. at 6.

<sup>10</sup> CEJA’s Opening Brief at 32-33.

<sup>11</sup> SDG&E’s Opening Brief at 11.

<sup>12</sup> SDG&E’s Opening Brief at 14.

that “dependable” means whatever SDG&E agrees to include in its LCR assessment.<sup>13</sup> These arguments are inconsistent with Commission directives that utilities use standardized planning assumptions for long-term procurement strategies and the absence of any recognized exemption from the loading order for resource planning in locally constrained areas.<sup>14</sup>

SDG&E also submits that that “Mr. Anderson found it ‘imperative that the Commission have access to and utilize the most current data in assessing the San Diego LCR.’”<sup>15</sup> But it is equally if not *more* imperative for the Commission to adhere to a reliable regulatory framework when making new resource procurement decisions (for system or local needs). New data becomes available constantly, but it is the nature of long-term planning that the Commission must make decisions based on a “snapshot” in time.

The Commission should not splinter its unified long term planning proceedings into a multitude of different dockets. That would happen if the Commission allows utilities to convert every applications for approval of new resources into a mini-LTPP. Rather, efforts to “update” long-term planning assumptions and determine resource needs should be generally limited to long-term procurement planning proceedings. That is where a broad spectrum of parties actively participate in developing a robust and complete record to support the planning assumptions, and ultimately the Commission’s procurement decisions.

Indeed, SDG&E’s own counsel argued at hearings that “we are not including things in the future long-term procurement planning proceeding. We’re not litigating that case yet.”<sup>16</sup> But that is *exactly* what SDG&E is trying to do here by updating the planning assumptions to reflect higher demand, lower energy efficiency, and lower demand response forecasts. DRA actually agrees with SDG&E’s counsel that the Commission should *not* be litigating the future LTPP proceeding in *this* case. It should therefore continue to rely on the 2010 LTPP planning assumptions as informed by the CAISO’s OTC studies. The 2010 LTPP assumptions are the only

---

<sup>13</sup> See SDG&E’s Opening Brief at 20-

<sup>14</sup> See DRA’s Opening Brief at 10-11, 14-15.

<sup>15</sup> SDG&E Opening Brief at 11.

<sup>16</sup> Trx. Vol. 2 at 188 (SDG&E’s Counsel Mr. Syzmanski arguing against introduction of Exhibit 32, SDG&E’s comments regarding the Energy Division straw proposal on 2012 LTPP standards).

standardized planning assumptions that have been fully incorporated into the record of this proceeding and they match the demand assumptions used in the CAISO's OTC analysis.

3. Updating the standardized planning assumptions to reflect SDG&E's preferred values will create inconsistencies with the 2012 LTPP process.

SDG&E argues that because the 2012 LTPP proceeding establishes that this proceeding is the proper place to evaluate San Diego's LCR needs, the Commission should not defer any decision on SDG&E's request for 200 MW or additional procurement authorization.<sup>17</sup> But SDG&E fails to acknowledge the inconsistencies that would arise between the long-term procurement plans of the utilities if the Commission adopts SDG&E's updated planning assumptions in this proceeding.

The 2012 LTPP is analyzing LCR needs for Southern California Edison (SCE) based only on the CAISO's OTC studies—which rely on the 2009 California demand forecast.<sup>18</sup> The 2010 standardized planning assumptions and resource portfolios are not being updated for Track 1. That is the focus of Track 2 in the 2012 LTPP, which will address ongoing system needs. Thus, if the Commission endorses SDG&E's updated analysis (rather than limiting its decision to the CAISO OTC studies) it will be charting a unique and different course for SDG&E compared to the other Investor Owned Utilities (IOUs). That would create inconsistencies in the utilities' long-term procurement plans that will be difficult to reconcile over the coming years.

Accordingly, the Commission's determination of need for the San Diego area should focus on the implications of the CAISO's OTC for 2021 studies—not SDG&E's updated analysis. Only through this approach can the Commission retain a modicum of consistency between this application and the 2012 LTPP proceeding. This approach is also most consistent with the intent indicated by the Joint Commissioners' Ruling and the Amended Scoping Memo Issue 1A, which did not invite SDG&E to re-litigate the 2010 LTPP analysis and assumptions.

---

<sup>17</sup> SDG&E's Opening Brief at 6.

<sup>18</sup> See Trx. Vol. 3 534:13-17 (CAISO witness Sparks) and Trx. Vol. 4 639:28-641:8 (DRA witness Spencer).

4. The SONGS outage is beyond the scope of this proceeding.

SDG&E admits that the scope of this proceeding does *not* encompass the implications of outages at the San Onofre Nuclear Generation Station (SONGS). It nevertheless makes the unsubstantiated claim that if there is a prolonged outage of SONGS, “the need for the three PPTAs ... would decidedly increase.”<sup>19</sup> There is simply no record evidence to support this conclusion.

To the contrary, given the sensitivity of the LCR power flow modeling to the location of resources in and around San Diego, it is plausible that a prolonged outage of SONGS could affect the deliverability of the 3 PPTAs. It is also plausible that other *system* resources will be sufficient to replace the amount of energy that SDG&E imports from SONGS (which is not located within the SDG&E local area). In any event, the record has not been sufficiently developed in this proceeding to base a factual finding of need for the PPTAs on *any* assumptions about the SONGS outage.

In contrast, the 2012 LTPP *will* consider issues relating to the decommissioning California’s nuclear power plants.<sup>20</sup> This is another reason why the Commission should not authorize additional procurement for SDG&E outside of (and without the benefit of) analyses being conducted in the 2012 LTPP. If there is any question whether additional procurement is needed beyond the 450 MW presented in the application, the Commission should return that issue to the 2012 LTPP so it can be resolved most efficiently for ratepayers, including based on considerations of the expected length and impact of the outages at SONGS.

**B. The Commission should adjust the CAISO’s OTC study results to account for demand response, energy efficiency, and the potential for using Special Protection Systems to avoid more conventional procurement.**

Regardless of how much room there is for disagreement about what specific values to assume for uncommitted energy efficiency and demand response, there is no basis to exclude

---

<sup>19</sup> SDG&E’s Opening Brief at 20.

<sup>20</sup> Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans, R.12-03-014, March 27, 2012 at 8.

them entirely from long-term resource plans as the CAISO has argued.<sup>21</sup> The Commission is not required to defer to the CAISO's transmission planning assumptions for resource planning, and doing so here would upend the Commission's ongoing commitments to energy efficiency and demand response.<sup>22</sup>

It is somewhat ironic that the CAISO argues that adopting "some of the intervener's proposals ... could introduce substantial, inappropriate variations between transmission planning and resource procurement assumptions."<sup>23</sup> This echoes comments that the Commission's Energy Division staff submitted on the CAISO's 2011-2012 transmission plan. The Commission staff expressed concern that the CAISO's use of *less* incremental, uncommitted energy efficiency, demand response, and combined heat and power than were adopted in the Commission's 2010 LTPP process can "produce a disconnect between transmission and resource planning."<sup>24</sup> The CPUC staff urged the CAISO to use the Commission's standardized LTPP assumptions for these demand-side items in the 2012-2013 Transmission Plan.<sup>25</sup> This is not a new area of disagreement.

As CEJA noted the CAISO is "attempting to equate transmission planning standards with long-term procurement requirements even though the two are not the same."<sup>26</sup> The CAISO's annual LCR study forms the basis for the Commission's local resource adequacy (RA) program, which determines the IOUs' procurement obligations each year for the *next* compliance year.<sup>27</sup> But the same is not true for long term resource planning. This is the first time the CAISO has presented a 10-year out LCR study to the Commission. The Commission should not rubber-

---

<sup>21</sup> See CAISO's Opening Brief at 17, 21-22.

<sup>22</sup> See, e.g., D.12-04-045 at 16 ("DR programs are an essential element of California's energy resource strategy. Energy Efficiency and DR are our preferred resources for meeting California's energy needs, ranking at the top of the Loading Order.")

<sup>23</sup> CAISO's Opening Brief at 17.

<sup>24</sup> Exhibit 18 (DRA Attachments), Attachment L (Comments of the CPUC Staff on the January 31, 2011 Draft of the 2011-2012 Transmission Plan, Feb. 28, 2012) at 1, 5 (noting that the CAISO's "derating of demand response and interruptible programs" which were reduced by 50% overall compared to the values in the 2010 LTPP, "reflects a significant departure from the LTPP assumptions").

<sup>25</sup> *Id.* at 2.

<sup>26</sup> CEJA's Opening Brief at 2.

<sup>27</sup> See D.12-06-025 at 3.

stamp the CAISO's proposal to substitute an analysis that has historically only determined short-term procurement obligations for a long-term resource planning methodology.

Because the longer-term planning horizon is addressing the need to build *new* generation, it is especially important to yield to the loading order and consider the rate impacts of such decisions. (The year-ahead LCR studies and RA requirements do not result in new resources being built; they determine utility contracting obligations for the next year.) It is also critically important that the Commission resolve issues regarding the use (or adjustment) of the CAISO's OTC study results for long-term resource planning in a manner that is consistent with the resolution adopted in the 2012 LTPP.

1. Failing to account for demand response and energy efficiency would endorse a determination that these programs will fail to yield any benefits.

The CAISO stated that it did not model demand response as a load reduction tool or supply side resource "because [demand response] cannot be relied upon to address local capacity needs unless it can provide equivalent characteristics and response to that of a dispatchable resource."<sup>28</sup> But this is inconsistent with the CAISO's admissions that demand response *can* be utilized to count towards reducing local capacity needs in the year-ahead resource adequacy process.<sup>29</sup> The CAISO also admits that demand response could be used as an alternative to load shedding, stating that "for every MW of unavailable generation, approximately one MW of load would need to be shed. *Alternatively, one MW of demand response could also be utilized.*"<sup>30</sup>

The CAISO also refuses to incorporate demand response because it allegedly does not have the CAISO's preferred characteristics "[a]t this time."<sup>31</sup> But this is not a justification for excluding demand response from ever counting as a resource during the next 8-10 years. The Commission and utilities are working to allow demand response programs "to be compatible with the CAISO's market products," and to facilitate the direct participation of demand response

---

<sup>28</sup> CAISO's Opening Brief at 23.

<sup>29</sup> Ex. 18 (DRA Attachments) Attch. H (Responses to DRA-CAISO-01, DRA-CAISO-04).

<sup>30</sup> Id. (Response to DRA-CAISO-02(c) (emphasis added)).

<sup>31</sup> CAISO's Opening Brief at 23.

in CAISO's wholesale electricity markets.<sup>32</sup> The Commission is "taking steps to update our current Resource Adequacy program rules to conform to the CAISO's wholesale market and place DR on an *equal footing with generation resources*."<sup>33</sup> And the Commission recently reaffirmed its intent to "support a smooth and rational transition toward a more complete integration of [demand response] into the CAISO's wholesale energy markets and the Utilities Resource Adequacy *and long term procurement plans*."<sup>34</sup>

The Commission should not turn its back on these laudable goals and efforts to integrate demand response into CAISO markets by authorizing procurement based on the CAISO's assumption that zero demand response will be available to reduce SDG&E's LCR needs in 2018-2020. This equates to an assumption that the Commission's, utilities, and CAISO's efforts to integrate demand response into the CAISO markets will utterly fail.

Similar reasoning applies to the CAISO's assumption that no additional energy efficiency benefits will materialize over the next 8 years.

Further, the CAISO provides no record support for its speculation that "[a]lthough [energy efficiency] programs may be effective on a broad, system-wide basis, they may have little impact on needs in local areas."<sup>35</sup> The *only* record evidence on this issue shows that including demand response and increased energy efficiency *does* yield significant reductions in the LCR needs. This is based on the sensitivity analysis that the CAISO conducted for the LA Basin area.<sup>36</sup> The Commission's Energy Division staff also estimates that load reductions from energy efficiency in the SDG&E service area will have impacts on the local area requirements in San Diego.<sup>37</sup> Common sense and the evidence DRA submitted shows that demand-side reduction measures like energy efficiency will reduce demand, and hence reduce LCR needs in the San Diego area.<sup>38</sup>

---

<sup>32</sup> D.12-04-045 at 13-14.

<sup>33</sup> *Id.* at 15 (emphasis added).

<sup>34</sup> *Id.* at 17 (emphasis added).

<sup>35</sup> CAISO's Opening Brief at 22.

<sup>36</sup> Ex. 17 at 27-29 (Fagan Supplemental Testimony).

<sup>37</sup> *Id.* at 29; Ex. 18 (DRA Attachments), Attachment M at vii.

<sup>38</sup> DRA's Opening Brief at 53.

2. The CAISO has not justified its refusal to evaluate the potential for SPS to reduce SDG&E's LCR needs.

Notwithstanding the CAISO's position that it is not *required* to approve automatic load shedding under all circumstances, the Commission should consider include potential reductions to SDG&E's LCR needs by assuming that Special Protection System (SPS) that SDG&E is implementing will be available by 2018-2020.<sup>39</sup>

DRA does not question that it is the CAISO's job to ensure reliable operations on the CAISO's transmission grid. The transmission system reliability standards apply to the interconnected electric system and the CAISO has an obligation to "ensure efficient use of and reliable operation of the transmission grid."<sup>40</sup> But this is different from determining what level of service reliability is justifiable for retail customers compared to the costs of the proposed method for increasing service reliability.

The CAISO has noted that under certain performance categories contained in the Reliability Standards, the CAISO must ensure that grid integrity is maintained under adverse conditions and that all customers continue to receive electric supply to meet demand. "In that case, grid reliability and service reliability would overlap." But the N-1-1 contingency that the CAISO found controlling for SDG&E in the OTC studies is *not* one of the situations in which the CAISO must ensure continued service for retail customers.<sup>41</sup> To the contrary, it is one of the levels of performance in which the CAISO may rely on planned and controlled interruption of electric supply to customers (load shedding).<sup>42</sup>

Unlike the Commission, the CAISO does not have a statutory mandate to determine the appropriate balance between rate increases and reliable service for retail customers. Moreover, the CAISO has not provided any technical analysis, cost-benefit analysis, or any data at all to assist the Commission in determining whether the costs of relying on the SPS outweigh the benefits of avoiding additional procurement of conventional generation. It offers only

---

<sup>39</sup> CAISO's Opening Brief at 20.

<sup>40</sup> See Ex. 18 (DRA Attachments) Attachment O (CAISO 2013 LCR Final Report) at 8.

<sup>41</sup> Id. at 8-12.

<sup>42</sup> Id. p. 11.

unsubstantiated speculation that the SPS would mean “cutting off power to 300,000 homes.”<sup>43</sup> But given all of the other uncertainties surrounding the LCR need determination, it is *not* necessarily true that including the SPS today for needs that arise in 6-8 years means that the SPS *will have to be* relied upon. By contrast, it would allow further analysis by the CAISO and Commission of the impact of SDG&E’s SPS through future transmission studies and LTPP proceedings once it is in place—without committing ratepayers irreversibly to funding new capacity based on the CAISO’s unsupported determination that SPS will not work in the future.

3. SDG&E does not support the CAISO’s assumptions on demand response, energy efficiency, or SPS.

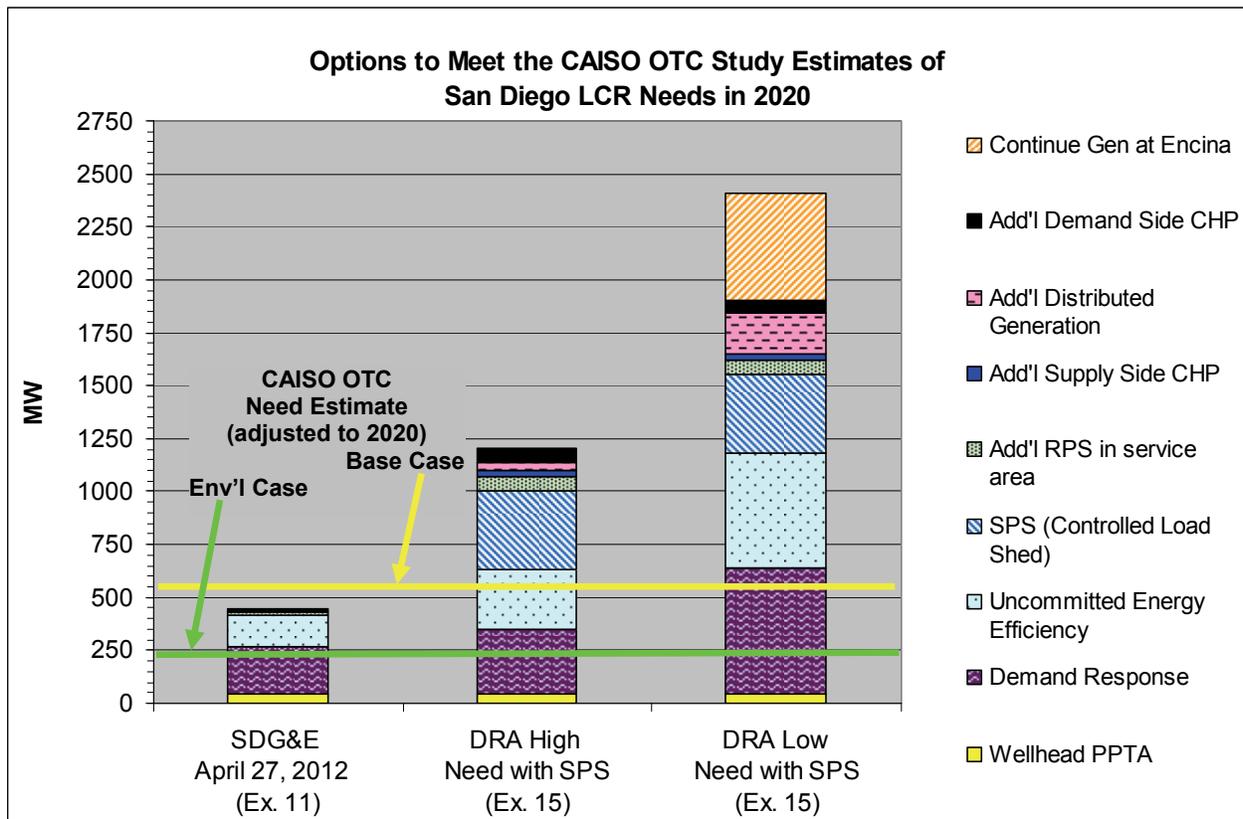
Because SDG&E failed to address the assumptions used in the CAISO’s OTC analysis, it has not met its burden to demonstrate that the CAISO’s OTC results support a finding of need for the PPTAs or additional procurement. When demand reduction measures, transmission operations, and the likelihood of future additional transmission upgrades are taken into account, it is clear that the CAISO studies do not demonstrate a need to approve all three PPTAs.

SDG&E’s brief does not support the CAISO’s assumption that no uncommitted energy efficiency or demand response will contribute to meeting SDG&E’s LCR needs. Indeed, that position would be contrary to SDG&E’s own LCR analysis, which does include some level of contributions from energy efficiency and demand response. SDG&E’s brief does not support the CAISO’s refusal to consider controlled load drop as a measure that can reduce San Diego area LCR needs. That position would be contrary to arguments SDG&E has made in the resource adequacy proceeding to reduce its own 2013 LCR requirements. And SDG&E’s brief does not support an assumption that no future transmission upgrades will occur in or around SDG&E in future years that could reduce LCR needs.

---

<sup>43</sup> CAISO’s Opening Brief at 20.

These are all critical components of determining LCR needs that the CAISO and interveners have vigorously contested. And DRA and the other interveners have demonstrated that a plethora of resources other than new conventional generation should be considered to be available for meeting the estimated LCR needs in the San Diego area in 2020. A host of options for managing uncertainty around the LCR needs could easily be more cost-effective for ratepayers than approving all three PPTAs and authorizing additional conventional procurement. The range of options is summarized in the Figure below.



4. A number of different resources and options besides more conventional generation can addressing local capacity needs in San Diego through 2020.

As shown in the figure above, under the CAISO’s environmental case and assuming the lowest levels of demand response and uncommitted energy values submitted (by SDG&E), there is no need to approve the Pio Pico and Quail Brush PPTAs.

Under the CAISO's recommendation to consider the base case renewable portfolio<sup>44</sup> and applying the values SDG&E originally submitted in the 2010 LTPP for demand response and energy efficiency (which match the vintage of the demand forecast the CAISO used) reveals that SDG&E will have an over 200 MW surplus of local capacity in 2020 even without relying on a SPS such as controlled load shed. (DRA High Need Scenario).

Given the range of options for maintaining grid reliability and since the LCR needs will only arise upon the complete retirement of the Encina power plant, there is time for the Commission to proceed cautiously and allow further information to develop over the next year or two on critical issues including:

- how to incorporate energy efficiency and demand response into LCR modeling efforts,
- expectations for economic recovery and its impacts on demand, energy efficiency, and demand response forecasts,
- ongoing efforts to incorporate demand response resources into the CAISO's wholesale markets,
- a decision by the Western Electricity Coordinating Council (WECC) and CAISO whether to formally accept the SPS SDG&E has developed in the past year,
- the transmission system/power flow impacts in light of the expected duration of outages at SONGS, and
- NRG's efforts to construct the Carlsbad Energy Center or achieve alternative compliance with the Once Through Cooling requirements.

Now is simply not the time to commit to expensive procurement that further studies over the next year or two could demonstrate are not needed.

**C. SDG&E's procurement cannot be justified based on the Commission's decisions following the 2006 LTPP or the Flexibility Attributes of the PPTAs.**

1. The delay between the 2006 LTPP decision and submission of the application does not provide any basis for finding need for the PPTAs.

The Commission should reject SDG&E's argument that approval of the PPTAs is warranted because they were executed by PG&E after "consultation" with the procurement

---

<sup>44</sup> CAISO's Opening Brief at 29.

review group and at the direction of the Commission pursuant to the 2006 LTPP.<sup>45</sup> The procurement authorization SDG&E was granted as a result of the 2006 LTPP was *contingent upon Sunrise not being completed*.<sup>46</sup> With Sunrise now in service there is no basis for SDG&E’s argument that failure to approve the PPTA’s would send any message that the Commission’s procurement processes “do not necessarily lead to the approval and deployment of resources identified as needed by those process.”<sup>47</sup> Rather, the opposite is true. Approving the PPTAs despite the clear conditions on SDG&E’s procurement imposed by D.07-12-052 and D.08-11-008 will undermine ratepayer advocates’ confidence that the Commission will hold the utilities to limits imposed on its procurement authorization.

Further, the Commission should not write SDG&E a blank check to procure new resources now *because* the need is so uncertain—SDG&E’s residual procurement request amounts to just 3.4% of SDG&E’s forecasted 1-in-10 year peak demand. Those values will certainly change over the next several years, whereas conducting a solicitation would create market expectations that such resources *will in fact be needed*. But as history since the 2006 LTPP has shown, energy needs may not actually materialize that justify spending billions of dollars of ratepayer dollars on new power plants.

2. Regardless of whether the PPTA projects are or are not “flexible”, this does not provide a basis to find a need for the PPTAs.

There is no basis for SDG&E’s argument that the Commission should accord “high weight” to the “flexible” characteristics of the PPTAs.<sup>48</sup> Whether the PPTA projects are “flexible” (and what “flexible” means for procurement purposes) is not relevant to the Commission’s determination in this proceeding. The issues for consideration here include

---

<sup>45</sup> SDG&E’s Opening Brief at 3-7.

<sup>46</sup> D.08-11-008 at 25-25 (noting that D.07-120-52 bifurcated SDG&E’s new procurement authority into 400 MW if sunrise was not approved, but 0 MW if Sunrise was approved. The Commission also stipulated that while SDG&E could procure up to the 400 MW for local area resources due to the “uncertainty surrounding the approval and timing of transmission projects,” applications for this procurement should be supported by updates of the status and projected on-line date of Sunrise).

<sup>47</sup> SDG&E’s Opening Brief at 6.

<sup>48</sup> SDG&E Opening Brief at 25.

whether there is a *need* for the PPTAs—which has been expressly defined to include local capacity requirements for San Diego but not *system* needs to support renewables integration—in addition to cost effectiveness, contract reasonableness, and rate treatment.<sup>49</sup> Alleged benefits due to flexibility are not within the scope of this proceeding. And SDG&E has not submitted any evidence that the alleged flexibility benefits provided by the PPTAs would justify the nearly 2 billion dollars that the PPTAs will cost.

Many of the parties have not disputed whether the PPTAs are *generally* flexible, although the CAISO admitted that it did not specifically analyze the flexibility attributes of the PPTAs.<sup>50</sup> And it is not seriously in dispute that *if* procurement is needed to meet local capacity requirements, *then* the resources procured should provide “flexibility.” But the converse does not follow that “*if* resources provide flexibility *then* they should be procured.” To the contrary, the recently-concluded 2010 LTPP found that there is no need to authorize procurement of additional flexible resources to support renewable resource integration.<sup>51</sup>

A determination on “flexibility” attributes or needs is simply not before the Commission in this proceeding. Accordingly, the “flexibility” attributes of the PPTAs—however they may fare relative to the Carlsbad Energy Center or any other resources—cannot support a finding that the PPTAs are needed or a decision approving the PPTAs.

**D. If the Commission approves the PPTAs, then it should authorize CAM treatment for them subject to the methodology to be established in the 2012 LTPP.**

If the Commission approves any of SDG&E’s PPTAs to satisfy a local reliability need in the San Diego Area, then the Commission should find the PPTAs to be eligible for CAM treatment. The net capacity costs of generation resources authorized by the Commission to meet system and local reliability needs, which benefit all customers, should be allocated to all

---

<sup>49</sup> Scoping Memo and Ruling of Assigned Commissioner, July 29, 2011, at 2-4; Assigned Commissioner’s Amended Scoping Memo and Ruling, March 12, 2012, at 3.

<sup>50</sup> Trx. Vol. 2 at 308:2-24 (CAISO Witness Rothleder).

<sup>51</sup> D.12-04-046 at 10 (“looking at the whole record, it would be reasonable to find that there is no need for additional generation by 2020 at this time ... based on system and renewable integration need”).

customers on a fully non-bypassable basis.<sup>52</sup> DRA agrees with SDGE that once the net capacity cost calculation methodology is established in the 2012 Long Term Procurement Planning (LTPP) proceeding (R. 12-03-014), then it should be applied to the PPTAs to determine CAM treatment.<sup>53</sup>

## II. CONCLUSION

For the reasons stated above and in DRA's Opening Brief filed July 13, 2012, the Commission should grant SDG&E's request for authorization of the Wellhead PPTA but deny SDG&E's request for the Pio Pico and Quail Brush PPTAs.

Respectfully submitted,

/s/ CANDACE J. MOREY

---

Candace J. Morey

Attorney for the Division of Ratepayer Advocates

California Public Utilities Commission

505 Van Ness Ave.

San Francisco, CA 94102

Phone: (415) 703-3211

Fax: (415) 703-2262

July 27, 2012

---

<sup>52</sup> Public Utilities Code, Section 365.1(c) (2) (A).

<sup>53</sup> SDG&E's Opening Brief at 28, n.69.