

**CALIFORNIA ENERGY COMMISSION**

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September 12, 2012

Chairman Robert Foster  
California ISO Board of Governors  
250 Outcropping Way  
Folsom, CA 95630

Dear Chairman Foster and the Board of Governors:

California needs a worst case contingency plan for the summers of 2013 and 2014 that assumes neither unit of San Onofre Nuclear Generation Station (San Onofre) is available to operate. Southern California Edison (SCE) expects this fall to file a demonstration with the Nuclear Regulatory Commission (NRC) that it would be safe to return the San Onofre Unit 2 to service, albeit at a reduced operating level and for a limited period of time before checking on the steam generator wear patterns. Even if it were likely that Unit 2 will be returned to service and not have excessive steam generator wear patterns, there are no guarantees. According to the NRC, SCE is removing the fuel core on Unit 3. This is a sign that San Onofre Unit 3 is unlikely to be operational for at least the next few years. Without San Onofre Units 2 and 3, there are potential resource adequacy and voltage support issue, which may lead to reliability risks.

In a memorandum dated September 7, 2012, from Keith Casey of the California Independent System Operator (CAISO) to the ISO Board of Governors, Mr. Casey identifies the southern Orange County and San Diego areas as being at risk for reliability disruptions. For the summer of 2012, the California Energy Commission (Energy Commission), CAISO, and the California Public Utilities Commission worked with the Environmental Protection Agency and South Coast Air Quality Management District (SCAQMD) to restart Huntington Beach Units 3 and 4, which were set for retirement after January 2012. These units are providing the voltage support necessary to maintain reliability in the southern Orange County and San Diego areas. However, the Huntington Beach Units 3 and 4 emission credits are set to be transferred to the Walnut Creek Energy Park after November 1, 2012, at which point Huntington Beach Units 3 and 4 can no longer run.

Moreover, the 2012/2013 ISO Reliability Assessment Study Results (2013 without SONGS scenario) show voltage deviations at all substations in the southern Orange County and San Diego areas.<sup>1</sup> It further indicates that these issues can be alleviated by mitigation measures that include providing 280 MVAR of dynamic reactive support in southern Orange County. The conversion of Huntington Beach Units 3 and 4 to

<sup>1</sup> <http://www.caiso.com/planning/Pages/TransmissionPlanning/2012-2013TransmissionPlanningProcess.aspx>

synchronous condensers could provide 280 MVAR in southern Orange County, while complying with SCAQMD air emission rules.

Mr. Casey requests that

“... the ISO Board of Governors authorizes [CAISO] Management to designate Huntington Beach units 3 and 4 for reliability must-run services contingent upon execution of a reliability must-run contract with rates, terms and conditions acceptable to Management, *as described in the memorandum dated September 7, 2012.*”

The Energy Commission is anticipating a request from Huntington Beach Units 3 and 4 to amend their current license to allow them to install the synchronous condensers. While the Energy Commission has not yet completed its environmental analysis of the request, we anticipate that staff will move quickly to complete its analysis and request Energy Commission approval in order to ensure that this important project can be completed by next summer.

Therefore, we support CAISO's staff assessment and request that the Board of Governors approve the reliability must-run contracts for Huntington Beach Units 3 and 4 synchronous condensers.

Sincerely,



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Executive Director  
California Energy Commission

cc:

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