

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY (U338E) for a Certificate of Public Convenience and Necessity for the West of Devers Upgrade Project and for an Interim Decision Approving the Proposed Transaction between Southern California Edison and Morongo Transmission LLC.

Application 13-10-020
Filed October 25, 2013

**RESPONSE OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to the Rule 16.1 of the Commission’s Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) submits this Response to the September 8, 2016 Application of the Office of Ratepayer Advocates (ORA) for Rehearing of Decision (D.) 16-08-017. This response is timely submitted pursuant to Rule 16.1(d).

I. Introduction

D.16-08-017 grants Southern California Edison Company’s (SCE) Application for a Certificate of Public Convenience and Necessity (CPCN) for the West of Devers Upgrade Project (Proposed Project). ORA’s Application contends that the Commission’s Decision fails to comply with the California Environmental Quality Act (CEQA) guidelines and prior Commission decisions. The CAISO responds to ORA’s arguments regarding the (1) the feasibility of the Phased Build Alternative to the Proposed Project and (2) the substantial evidence that supports the Decision’s determination to approve the Proposed Project over the Phased Build Alternative. As stated in the Decision, the Proposed Project is necessary to meet the state’s policy goals related to achievement of its Renewable Portfolio Standard (RPS). The CAISO identified the Proposed Project to meet these goals and the Phased Build Alternative is inadequate and infeasible as a matter of policy.

II. Background

The Application lacks critical background information regarding the processes and policy decisions that led to identification and approval of the Proposed Project. Most importantly, the Application fails to note that the CAISO identified the Proposed Project as necessary to support

the State of California's 33% RPS goal in its Transmission Planning Process.¹ The CAISO identified the Proposed Project as necessary based on Commission-submitted renewable generation portfolios, which the CAISO uses in its Transmission Planning Process to identify policy-driven projects that necessary to meet state RPS goals. This relationship was detailed in the CAISO's January 29, 2016 Reply Brief:

[the] CAISO's analysis is designed to identify transmission solutions necessary to meet state policy requirements or directives. The Commission has communicated the state policy requirements through its annual submission of RPS portfolios for use in the CAISO's transmission planning process...the primary reason the CAISO instituted the policy-driven transmission planning process was to "enable California to meet its ambitious Renewable Portfolios Standards ("RPS") and environmental goals." The policy-driven transmission planning process pre-dates FERC Order 1000 because the CAISO, the Commission, and stakeholders understood that a coordinated effort would be required to meet the state's ambitious RPS goals, which were enacted well before FERC Order 1000.²

This background is fundamental to understanding the Proposed Project's objectives and the feasibility of project alternatives because immediate and long-term RPS policy objectives are developed based on this process between the Commission and the CAISO.

III. Discussion

A. The Decision Properly Finds that the Phased Build Alternative is Infeasible for Policy Reasons.

The CEQA provides that "public agencies should not approve projects as proposed if there are feasible alternatives or feasible mitigation measures available."³ CEQA defines the term "feasible" as "capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, and technological factors."⁴

The Proposed Decision finds that the Phased Build Alternative to the Proposed Project is infeasible because it provides only "3000 MW of capacity at an estimated cost of \$771 million, while the proposed project with the Tower Relocation and Iowa Street 66 kV Alternatives would

¹ Exhibit 5 (CAISO/Millar), p. 13:23-14:15.

² CAISO Reply Brief, p. 3. (Internal citations omitted).

³ CEQA § 21002.

⁴ CEQA § 21061.1.

provide 4800 MW of capacity at an estimated cost of \$878 million.”⁵ Because it has significantly less transfer capacity, the Phased Build Alternative’s ability to successfully support the move from the 33% Renewable Portfolio Standard (RPS) to the 50% RPS adopted in Senate Bill 350 is much more limited, and it fails to provide commensurate cost savings.⁶ The Proposed Project provides approximately 1800 MW of additional deliverability compared to the Phased Build Alternative. This additional transfer capacity is a significant technological, environmental and economic benefit that is fundamental to developing new renewable projects in Riverside East and Imperial Valley areas, both of which have been identified as areas rich in renewable resources. This is evidenced by the fact that over 5400 MW of renewable and storage projects have requested interconnection in areas served by the Proposed Project.⁷ Projects have located in these areas in part because of the deliverability (and the associated financial security) that is enabled by the Proposed Project. The proliferation of interconnection requests indicates that the collaborative policy-driven transmission planning process was successful in promoting renewable generation in the areas targeted in the Commission’s renewable generation portfolios. The Phased Build Alternative is infeasible because it would frustrate achievement of the resource portfolios identified by the Commission, undercut the transmission planning process, upset the settled expectations of renewable project developers, and jeopardize the state’s ability to meet its RPS goals.

The Application inaccurately implies that the purpose of the Proposed Project is limited to interconnecting projects that have already obtained a Power Purchase Agreement (PPA) with a load-serving entity on the CAISO grid. ORA states that the Final Environmental Impact Report (FEIR) “makes very clear” that “it is not the difference in transmission capacity size that achieves the objective the project was intended to serve, but the availability of renewable resources to use that capacity.”⁸ This assertion misunderstands the nature and purpose of the transmission planning process, which is not solely to interconnect renewable projects that have already obtained a PPA, but also to ensure that sufficient accessible renewable projects develop in the future to meet the state’s RPS requirements.

⁵ Proposed Decision, p. 31

⁶ Exhibit 6 (CAISO/Zhu), p. 16:1-3.

⁷ CAISO Reply Brief, p. 7.

⁸ Application, p. 7. ORA does not provide a citation to the FEIR on which it bases this assertion.

Policy-driven projects are not identified based solely on the “availability” of resources to use the capacity. As evidenced by the Memorandum of Understanding between the Commission and CAISO, the policy-driven portion of the transmission planning process was designed to “formally assess scenarios provided by the [Commission]” to allow the CAISO to “identify an initial set of needed ‘least regrets’ transmission facilities.”⁹ Based on this coordination, the identified projects were to be given “substantial weight” in the Commission’s siting/permitting processes.¹⁰ This “least regrets” planning approach “formulates several alternative resource development portfolios or scenarios, then identifies the needed transmission to support each portfolio followed by selecting for approval those transmission elements that have a high likelihood of being needed and well utilized under multiple scenarios.”¹¹ The CAISO identified the Proposed Project based on the Commission-provided portfolios in each annual CAISO transmission planning process since 2010-2011. The Phased Build Alternative undercuts this policy-driven transmission planning process and it fails to provide sufficient incremental transfer capacity to best support achievement of state’s 50% RPS goal. When compared to the Proposed Project, the Phased Build Alternative is also economically infeasible because the Proposed Project “provide[s] 60 percent more capacity than the Phased Build Alternative at an incremental cost of 14 percent.”¹²

B. ORA Quantifies the Benefits of the Phased Build Alternative Inconsistently with the FEIR.

Throughout its Application, ORA contends that Phased Build Alternative “provides all the same policy benefits” as the Proposed Project.¹³ These assertions are based on two distinct, but inaccurate premises. In some cases, the Application argues that the *initial* phase of the Phased Build Alternative provides the “same policy benefits” as the Proposed Project. The CAISO’s testimony in this proceeding, which is summarized above, disproves this claim and shows that the Proposed Project provides significant policy benefits in the form of increased capacity capable of serving renewable projects in areas with significant renewable resources. The FEIR does not contradict the CAISO’s findings, but holds that the limited capacity provided

⁹ Exhibit 5, (CAISO/Millar), Appendix A, p. 2-3.

¹⁰ *Id.*

¹¹ *Id.* at p. 10:14-17.

¹² Proposed Decision, p. 32.

¹³ Application, p. 15.

by the Phased Build Alternative is sufficient to meet its defined project objectives.¹⁴ Although the Phased Build Alternative provides some limited amount of additional capacity, it does not provide adequate capacity to facilitate achievement of the 50% RPS goal and it undercuts the policy-driven transmission planning process, as discussed above.

Elsewhere, the Application compares the combined benefits of *all phases* of the Phased Build Alternative with Proposed Project. However, for environmental purposes, the FEIR compared only the *initial* phase of the Phased Build Alternative versus the Proposed Project. The FEIR did not review the environmental impact of future phases of the Phased Build Alternative because it asserts that the need for future expansion is unknown at this time.¹⁵ Potential future phases of the Phased Build Alternative are varied and could cause wide ranging environmental impacts.¹⁶ Without fully reviewing the cost and environmental impacts of the Phased Build Alternative, it is inappropriate to consider the benefits of such potential future phases.

California has recognized that an EIR must include an “analysis of the environmental effects of future expansion or other action if: (1) it is a reasonably foreseeable consequence of the initial project.”¹⁷ In the Application, ORA questions “why can’t the additional capacity be developed in subsequent phases of the Phased Build Alternative?”¹⁸ However, this question does not contemplate an apples-to-apples comparison. The Phased Build Alternative cannot provide the same level of additional capacity in the same time period as the Proposed Project, nor can it provide this additional capacity at the same environmental impact level studied in the FEIR. The FEIR itself does not consider the potential capacity benefits of subsequent phases presumably because those phases would be undetermined in size, scope and environmental impact.¹⁹ The Phased Build Alternative contemplated in the FEIR and identified as the environmentally superior alternative is limited to the initial phase of the project. As such, it is inadequate to meet the state’s RPS goals.

¹⁴ The CAISO continues to disagree with the FEIR’s defined Basic Project Objective No. 1. This project objective narrowly defines the purpose of the Proposed Project

¹⁵ D.16-08-017, p. 26.

¹⁶ FEIR, Section C, p. C-23. Potential future phases include reconductoring, replacement of 220 kV structures and installation of new single- or double-circuit 500 kV or 220 kV lines.

¹⁷ Laurel Heights Improvement Assn. v. Regents of Univ. of California, 47 Cal. 3d 376, 396, 764 P.2d 278, 285 (1988), as modified on denial of reh'g (Jan. 26, 1989).

¹⁸ Application, p. 10.

¹⁹ See FEIR, Appendix 5. Specifically, the West of Devers Upgrade Project: Project Alternatives Assessment prepared for the FEIR conducts power flow analyses only for the initial phase of the Phased Build Alternative.

IV. Conclusion

The Proposed Project provides significant transmission capacity to access an area that is rich in renewable resources. The CAISO has consistently demonstrated the need for the Proposed Project in its policy-driven transmission planning process and in this proceeding. The Phased Build Alternative fails to provide adequate capacity to meet the state's long-term renewable energy goals. As a result, the Commission should reject ORA's Application for Rehearing and reaffirm the Decision.

Respectfully submitted,

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