



August 29, 2013

Steve Berberich
President and Chief Executive Officer
California Independent System Operator
250 Outcropping Way
Folsom, California 95630

RE: **Meeting to discuss revising Energy Peak Demand Projections and Natural Gas Assumptions**

Dear Steve:

My name is Jim Stewart and I am co-chair of Sierra Club California's Energy-Climate Committee. I enjoyed meeting you at the joint California Energy Commission's and the California Public Utility Commission's July 15, 2013 workshop related to the announced retirement of the San Onofre Nuclear Generating Station ("SONGS") (the "CEC/CPUC Workshop").

I especially appreciated your invitation for some Club energy experts to meet with you and other key staff at CAISO, as we did in 2012. We would like to use this meeting to discuss CAISO's excessively-conservative planning assumptions. This conversation is timely in light of the dialogue around SONGS replacement, and how California moves towards a low carbon future.¹ We would like to schedule this meeting when you and senior technical staff are available, preferably prior to the September 12 Board of Governors Meeting, which we plan to attend.

We have enclosed: (i) a letter submitted by the California Environmental Justice Alliance and Sierra Club in response to the CEC/CPUC Workshop (the "CEJA/Sierra Club Letter"), and (ii) a report prepared by Powers Engineering on Meeting California's Electricity Needs Without San Onofre or Diablo Canyon Nuclear Power Plants (the "Powers Report"). The Powers Report and the CEJA/Sierra Club Letter each discuss the faulty assumptions which lead to the perception that new gas-fired generation is necessary to replace SONGS.

The Powers Report provides a clear blueprint for replacing SONGS without building new natural gas fired generation by using existing and preferred resources. The Powers Report clearly shows how using correct demand assumptions,² accurate expectations of once-through cooling retirements together with the **2,000 new MW of gas-fired generation in the LA Basin** coming online in 2013 and existing and reasonably foreseeable renewables could easily fill any need left by SONGS.

¹ Sierra Club was much heartened by your encouraging talk at the "Pathways to 100-Percent Renewable Power" in San Francisco in April 2013, which supported the feasibility of 100-percent clean electricity in California. We have been urging CARB – and agreeing with the Governor -- that the state law-required RPS target (33% renewables by 2020) needs to be upgraded quickly hopefully before 2020, in light of new science that has shown global heating and climate disruption are on a considerably faster pace than previously assumed. CARB's current update of AB 32's Scoping Plan would be one place to highlight the benefit of a much higher, mandatory RPS planning target going forward.

² The Powers Report uses CAISO's own data to show that the peak load in megawatts has been essentially flat since 1998. The overall increase from 1998 to 2012 is 4% (+0.3% per year). From 2006 to 2012 there has been a total 7% decrease (-1% per year). The evidence clearly supports a flat projection of peak loads.

CAISO's extreme assumptions should be replaced with an approach that balances the need to keep the lights on with care for ratepayers' costs and the need to rapidly reduce our carbon footprint. As noted in the CEJA/Sierra Club letter, there is no regulatory requirement for utilities and CAISO to hold enough capacity for a 1-in-10, double contingency, worst-case scenario day like the kind that CAISO predicts on a ten-year, look-ahead basis.³ Even Southern California Edison ("SCE") has conceded that its 2012 peak day/hour was in fact a 1-in-10 year weather event and the SCE load did not come close to the CEC's or CAISO's 1-in-10 year weather event load for SCE.⁴ CAISO's assumptions are used to rationalize over-building natural gas capacity—impacting California's customers' rates and the environment for present and future generations..

More generally, we also have broader questions about any need to build still more natural-gas plants anywhere in the state. Power's engineering analyses show that more natural gas plants are not needed to assure reliability, ramping, or to integrate and back-up growing renewable power capacity. We would like to see the state concentrate policy, strategy and investment on sustainable alternatives, such as storage and others, in the context of your presentation to the conference "Pathways to 100-Percent Renewable Energy" in April, 2013.

Sierra Club would very much appreciate your sharing these analyses with your staff. We would like to have a working technical group meeting prior to the September Board of Governors meeting. You or your staff can contact me any time at 213-820-4345 or jim@earthdayla.org with your availability for our proposed technical group meeting. Please provide us with several dates and times.



Jim Stewart, PhD
Energy-Climate Co-Chair, Sierra Club California

Cc:
Ashutosh Bhagwat
Robert Foster
Angelina Galiteva
Richard Maullin
David Olsen
Karen Edson
Neil Millar
Dennis Peters

Enclosures:
Attachment A: CEJA/Sierra Club Letter
Attachment B: Powers Report

³ CAISO's contingency assumes that ALL of the following will occur at the SAME time: (i) two major transmission lines that have not failed in the last ten years both fail at the same time; (ii) it is the hottest day in ten years; (iii) no demand response is available; (iv) no uncommitted energy efficiency has been realized; (v) no energy storage has been developed between now and 2021; (vi) no incremental combined heat and power is available; (vii) all natural gas once through cooling power plants have retired; (viii) SCE did not meet its distributed generation goals; (ix) CAISO did not exercise any of its load drop ability; and (x) no additional transmission projects are planned and completed in the intervening years (from CPUC LTPP, Track 1 Evidentiary Hearing Transcript, *see* CEJA/Sierra Club Letter page 5).

⁴ California Public Utilities Staff Commission, Lessons Learned From Summer 2012 Southern California Investor Owned Utilities' Demand Response Programs, dated May 1, 2013 ("CPUC Report on DR"), p. 31.