

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

Application of San Diego Gas & Electric
Company (U 902 E) to Fill Local
Capacity Requirement Need Identified in
D. 13-03-029

Application 13-06-015
(Filed June 21, 2013)

**REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION ON THE PROPOSED DECISION**

On January 6, 2014, ALJ Yacknin issued a Proposed Decision (PD) approving San Diego Gas & Electric's (SDG&E's) request for approval of a purchase power tolling agreement (PPTA) with Pio Pico Energy Center, LLC (Pio Pico). The California Independent System Operator Corporation (ISO), an active participant in this proceeding, supports the findings and conclusions in the PD and did not submit opening comments. However, some of the opening comments submitted by other parties to the case have raised issues to which the ISO must respond. Accordingly, the ISO respectfully submits these reply comments.

I. The PD Correctly Finds that the PPTA Meets the Local Capacity Need Established in D.13-03-029.

Sierra Club, CEJA and POC argue that the PD erroneously relies on the need established in D.13-03-029 and repeat all of the positions presented in their testimony and at hearing. POC, in particular, continues to assert that the Commission should not rely on the findings in D.13-03-029 adopting the ISO's local capacity area study methodology, including the power flow study result that the N-1-1 overlapping contingency of SWPL and Sunrise Powerlink is the limiting contingency for the San Diego area. POC, again, raises no erroneous issues of fact or law on this point. As the PD correctly concluded, based on the ALJ's ruling on the ISO's motion to strike major portions of the POC testimony, the Commission had a robust and complete record upon which to consider this issue in A.11-05-023. Furthermore, the statements made by POC as the "offer of proof"

that would have been presented had the POC testimony not been stricken, are simply incorrect and seem to misunderstand the ISO's study methodology, even though the prior record regarding the ISO study results was quite clear.

Similarly, Sierra Club and CEJA repeat their arguments that preferred resource deployment has accelerated since the Commission considered the local needs in A.11-05-023, thus reducing the amount of local capacity identified in the prior decision. They also continue to advance the factually incorrect conclusion that the SONGS closure will *reduce* local capacity needs. These arguments were sufficiently addressed in the PD and need not be reconsidered in the final decision. The PD correctly, and logically, notes that these intervening events-particularly the SONGS closure- are at least as likely to create additional resource needs beyond those identified in D.13-03-029.¹ Furthermore, as ISO witness Sparks pointed out, the accelerated pace of preferred resource development can be taken into account to meet additional resource needs in the SONGS study area as part of the Track 4 analysis.²

II. The Final Decision on the Pio Pico PPTA should not be Deferred Until the Conclusion of LTPP R.12-03-014 Track 4.

In testimony and at hearing, Sierra Club, CEJA and UCAN also argued that the Commission should defer a decision on the Pio Pico PPTA until Track 4 in the LTPP case has concluded and a final order issued. These parties repeated their arguments in comments on the PD and, once again, provide the Commission with no erroneous issues of fact and law that would require reconsideration of the PPTA approval.³

TURN, however, put forth an additional basis for the Commission to defer its decision in this case. TURN points out that the City of Carlsbad, on January 14, 2014, approved an agreement between the City, NRG (the Encina Power Plant owner) and SDG&E under which NRG, among other things, will amend its permit to construct a

¹ PD, p.4

² ISO Ex. 16, p. 13.

³ UCAN did note that the PD did not address its argument that the Pio Pico facility might be *too small* and that the Commission should reconsider its decision to move forward based on this suggestion. UCAN comments, pp. 5-6. Regardless of whether specifically discussed in the PD, this argument is not persuasive and does not provide a basis for not moving forward with PPTA approval. As discussed below, there are additional resources needs in the San Diego area caused by the SONGS closure.

peaker configuration rather than combined cycle, demolish the existing Encina Power Station and construct the remediated facility at a site currently being used by SDG&E. In exchange for these changes, the City agreed to support the new project.⁴

TURN argues that this agreement means that “it is possible that Carlsbad [Energy Center] could be constructed as a 300 MW peaker by 2018.”⁵ TURN cites to SDG&E’s testimony in this proceeding that the original configuration of the Carlsbad Energy Center was larger than the need identified in D.13-03-029, and points out that SDG&E is now considering entering into a PPTA with NRG for the reconfigured facility. According to TURN, this intervening event should cause the Commission to evaluate the proposed new peaker configuration, particularly if the local resource needs in the area are reduced in Track 4.

The ISO disagrees that this development concerning the Carlsbad Energy Center should cause the Commission to reconsider the PD and defer the decision to approve the Pio Pico PPTA. In the first place, while the agreement described in TURN’s comments evidences NRG’s intent to reconfigure the Carlsbad Energy Center, and the City’s support for this change to the CEC permit, it is not at all certain that SDG&E and NRG will successfully negotiate a PPTA for some or all of the facility’s output. Furthermore, it is evident that if these parties do enter into an agreement, it must be approved by the Commission and parties can raise concerns about the need for such capacity at that time.

Finally, the ISO’s studies presented in Track 4 show a need for substantial resources in the San Diego area *in addition* to the 305 MW provided by Pio Pico.⁶ Indeed, in testimony in Track 4 the ISO supported SDG&E’s request for immediate approval of an additional 550 MW, which still does not represent all of the needs identified in the studies being evaluated in that proceeding and is less than the potential Carlsbad Energy Center peaker capability assumed in the TURN comments. The ISO suggests that future developments regarding the Carlsbad Energy Center will be considered in terms of the procurement activities that follow a decision in Track 4. In the

⁴ See Attachment 1 to TURN’s comments, p. 3.

⁵ TURN comments, p. 3

⁶ ISO Ex. 16 p. 13

meantime, financing and construction of the Pio Pico facility must move forward on a timely basis to address the needs already identified.

Respectfully submitted,

By /s/ Judith B. Sanders

Nancy Saracino

General Counsel

Roger Collanton

Deputy General Counsel

Anna McKenna

Assistant General Counsel

Judith B. Sanders

Senior Counsel

250 Outcropping Way

Folsom, CA 95630

T – (916) 608-7143

F – (916) 608-7222

jsanders@caiso.com

Attorneys for the California Independent
System Operator Corporation

January 28, 2014