

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

Application of San Diego Gas & Electric
Company (U902E) for Authority to Partially
Fill the Local Capacity Requirement Need
Identified in D.14-03-004 and Enter into a
Purchase Power Tolling Agreement with
Carlsbad Energy Center, LLC.

Application 14-07-009
(Filed July 21, 2014)

**RESPONSE TO APPLICATIONS FOR REHEARING OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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I. Introduction

Pursuant to Rule 16.1(d) of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the California Independent System Operator Corporation (CAISO) files this response to the applications for rehearing of Decision (D.) 15-05-051.¹ The Commission's decision appropriately authorizes procurement consistent with the Commission's decision in Track 4 of the 2012 long-term procurement plan proceeding (D.14-03-004) and is based upon substantial evidence in the record.

In D.15-05-051, the Commission voted to conditionally approve San Diego Gas & Electric Company's (SDG&E's) request for authority to partially fill local capacity requirement needs identified in the Track 4 decision. D.15-05-051 authorizes SDG&E to contract with Carlsbad Energy Center, LLC (Carlsbad) to provide 500 megawatts (MW) of the 800 MW of local capacity requirement needs identified in the Track 4 decision. In authorizing this new capacity, D.15-05-051 acknowledges that a significant amount of new generation is needed in the San Diego area by 2018 in order to meet long-term reliability needs and to comply with existing regulations from the State Water Resources Control Board (SWRCB) regarding once-through-cooling electrical facilities².

¹ Applications for rehearing were filed by Californian's for Renewable Energy, Inc. (CARE), the Center for Biological Diversity (CBD), Protect Our Communities Foundation (POC), the Office of Ratepayer Advocates (ORA), Sierra Club and World Business Academy (WBA).

² On October 1, 2010, the SWRCB issued Statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling (http://www.swrcb.ca.gov/water_issues/programs/ocean/cwa316/docs/policy100110.pdf)

II. D.15-05-051's Authorized Procurement is Consistent with the Local Capacity Requirement Need Findings in the Track 4 Decision.

A. The Plain Language of the Track 4 Decision Acknowledges a Potential Need for New Resources by 2018.

The Track 4 Decision does not directly prescribe specific time and manner of procurement to be conducted by SDG&E to meet local capacity requirement needs; rather, the decision provides flexibility to meet identified reliability needs in a timely manner. The Track 4 decision acknowledges that needs may become critical as early as 2018 and encourages SDG&E to begin necessary procurement as soon as possible.³ Parties requesting rehearing suggest that the Commission should ignore the explicit language in the Track 4 decision that “SDG&E must expeditiously pursue procurement of any gas-fired generation expected to take several years to develop.” Instead, these parties argue for an extremely narrow reading of the Track 4 decision which asserts that because the Track 4 decision did not *require* procurement by 2018, it must somehow be read to *forbid* such procurement.⁴ The Track 4 decision provides no textual support for this narrow reading and it is antithetical to the flexible approach espoused in the text of the Track 4 decision.

To support this narrow reading of the procurement authorization in the Track 4 decision, parties note that the 2017 retirement of the Encina Generating Station was “assumed and accounted for” prior to the Track 4 decision.⁵ Specifically, these parties claim that the retirement of the Encina Generating Station was accounted for in the Commission’s decision identifying a local capacity requirement of 298 MW in 2018 in D.13-03-029. While it is true that D.13-03-029 identified a discrete need for local capacity resources in San Diego by 2018, that decision was issued prior to the retirement of the 2,246 MW San Onofre Nuclear Generating Station (SONGS) in 2013, which provided critical local capacity resources to both the Los Angeles Basin and San Diego areas.

The Track 4 Decision built upon the factual record established in the San Diego local capacity requirement decision in D.13-03-029, but it is incorrect to claim that the Pio Pico Energy Center procurement resulting from that decision fully meets 2018 needs. The parties requesting rehearing ignore the fundamental fact that the SONGS retirement compounded the 2018 needs already identified in D.13-03-029 based on the retirement of the Encina Generating Station. The parties requesting rehearing wrongfully read the Track 4 decision to conclude that the retirement of SONGS had no effect

³ D.14-03-004, p. 113. (“Procurement authorized by this decision should begin as soon as possible. Procurement needs may become critical as early as 2018, and certainly by 2020. To the extent authorized, SCE and SDG&E must expeditiously pursue procurement of any gas-fired generation expected to take several years to develop.”)

⁴ ORA Application for Rehearing, p. 7-9; Sierra Club Application for Rehearing, p. 9.

⁵ ORA Application for Rehearing, p. 3; Sierra Club Application for Rehearing, p. 3.

on already identified 2018 reliability concerns and wrongfully purport it to be so restrictive that additional procurement by 2018 is prohibited except under some significant change in circumstances. In contrast, the plain language of the Track 4 decision acknowledges that reliability needs may become critical as early as 2018 and provides direction to begin procurement “as soon as possible.”⁶

B. The Evidentiary Record in the Track 4 Proceeding Supports the Procurement of New Resources by 2018.

The parties requesting rehearing assert that approved procurement in D.15-05-051 is prohibited because the 2017 retirement of the Encina Generating Station had been “assumed and accounted for.”⁷ The analysis above shows that such a reading is not consistent with the plain language or the intent of the Track 4 decision. This is further supported by the underlying evidentiary record in the Track 4 proceeding.

The CAISO’s Track 4 testimony and the associated power-flow studies form a significant portion of the evidentiary basis for the Commission’s Track 4 decision.⁸ These studies found a need for local capacity resources in the San Diego area in 2018. The Track 4 opening testimony of CAISO witness Robert Sparks, Exhibit 31 in this proceeding, explicitly identified a need of 920 MW⁹ in San Diego in 2018, 520 MW of which was specifically tied to additional resources in the northwest San Diego area.¹⁰ This local capacity requirement was the result of the need to replace or repower once-through-cooling capacity in the northwest San Diego area (i.e., the retirement of the Encina Generating Station), while also addressing the reliability gap created by the retirement of the 2,246 MW of capacity provided by SONGS. While, the CAISO’s *opening testimony* in Track 4 did not provide a specific recommendation regarding Commission authorized procurement *at that time*,¹¹ the CAISO did specify in its rebuttal testimony that the procurement need was urgent and should be authorized.¹²

In its opening Track 4 brief, the CAISO clarified its position by stating that the “Track 4 Analysis Reveals Substantial Local Resource Needs in the SONGS Study Area Starting in 2018.”¹³ The CAISO’s subsequent reply brief was even more direct, stating “no party presented any credible evidence

⁶ D.14-03-004, p. 113.

⁷ Sierra Club Application for Rehearing, p. 9.

⁸ D.14-03-004, p. 49. (“We will use the ISO power flow models as the basis for this decision as well.”)

⁹ 300 MW of this need were met by the authorization of the Pio Pico Energy Center.

¹⁰ Exhibit 31, p. 20. (“For the San Diego sub-area, the ISO identified the need for repowering or replacement of 520 MW of OTC generation in the northwest area.”)

¹¹ Exhibit 31, p. 29-30. (“Q. Is the ISO recommending that the Commission make a procurement decision based on these study results? A. *Not at this time.*”) (emphasis added).

¹² D.14-03-004, p. 81, quoting CAISO witness Neil Millar, Exhibit ISO-7 in R.12-03-014.

¹³ R.12-03-014, Opening Brief of the CAISO, p. 8-10. See, in particular, Section IV.A and the accompanying table which is taken directly from the Track 4 opening testimony of Robert Sparks (Exhibit 31 in this proceeding).

or advanced any logical argument that would lead to any conclusion contradicting the results of the technical studies *which clearly establish these local area needs starting in 2018 unless additional steps are taken* and without changes to the compliance dates for the once-through-cooled (OTC) units assumed to be going offline.” The CAISO was clear and deliberate in advocating for new resources by 2018 in the San Diego local area and the CAISO’s testimony and analysis form a significant portion of the evidentiary basis for the Track 4 decision. The Track 4 decision, in turn, directed SDG&E to procure resources as expeditiously as possible in order to meet the identified local reliability needs.

III. D.15-05-051 Is Based on the Substantial Evidence Provided in This Proceeding.

D.15-05-051 is not only consistent with the Track 4 procurement authorization, it is also independently supported by the evidentiary record in this case. There are two sets of power flow analyses on the record in the instant proceeding, both of which were produced by the CAISO.¹⁴ The first analysis, described above, was conducted during the course of the Track 4 proceeding and was entered in to the record in this proceeding as Exhibit 31. The second CAISO analysis on the record in this proceeding—the CAISO’s 2013-2014 transmission plan—updated and corroborated the need for additional generation in the San Diego area.¹⁵ The CAISO’s 2013-2014 transmission plan provided an analysis of local capacity requirement needs in the combined San Diego and Los Angeles Basin area and found a residual need of up to 900 MW even with the Carlsbad facility by 2023. This additional analysis corroborates the need for the Carlsbad facility based on updated assumptions for load, transmission projects and distributed generation. In contrast, the parties requesting rehearing can point to no analysis on the record that shows that local capacity requirements will be met in the absence of the Carlsbad facility.

The parties requesting rehearing fail to understand the CAISO’s power flow analyses and, particularly, the effect the retirement of the Encina Generating Station, given the loss of SONGS, will have on the reliability of the electric system. The physical limitations of the system are clear and uncontroverted facts in this proceeding. A significant generation addition in the San Diego area is needed by 2018 if the state is to comply with the once-through-cooling regulations. D.15-05-051 acknowledges this uncontroverted fact and properly balances reliability needs with the state’s once-through-cooling policy and preferred resource goals. Specifically, D.15-05-051 provides for the procurement of 300 MW of preferred resources and additional achievable energy efficiency incorporated into the load forecast assumptions. The CAISO is fully supportive of the state’s preferred resources goal

¹⁴ Exhibit 31 and Exhibit 32.

¹⁵ Exhibit 32, p. 108.

and desire to minimize reliance on fossil-fueled resources. D.15-05-051 properly balances these goals with the reliability needs and the state's once-through-cooling policy.

IV. Conclusion

Based on the foregoing, the CAISO recommends that the Commission reject the applications for rehearing and affirm D.15-05-051.

Respectfully submitted

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