

**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)

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

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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the California Independent System Operator Corporation (CAISO) files these comments regarding the proposed *Decision Conditionally Approving San Diego Gas & Electric Company's Application for Authority to Enter into Purchase Power Tolling Agreement with Carlsbad Energy Center, LLC (Alternate Proposed Decision)*. The CAISO recommends that the Commission approve the Alternate Proposed Decision and conditionally authorize San Diego Gas & Electric Company (SDG&E) to enter into a 500 megawatt (MW) purchase power tolling agreement (PPTA) with the Carlsbad Energy Center, LLC (Carlsbad Energy Center).

I. Discussion

The CAISO's reply comments address the claims of parties opposing the Alternate Proposed Decision on the basis that new generation is not needed in 2018 to address local reliability needs in the San Diego area.¹ These parties avoid reasoned consideration of the power flow analyses presented in this proceeding and, as a result, misrepresent the evidentiary record, the CAISO's position in the Track 4 long-term procurement plan and the Commission's decision in that proceeding, D.14-03-004.

A. The Parties Opposing the Alternative Proposed Decision Ignore the Power Flow Analysis Showing Need for Additional Resources in 2018.

The parties opposing the alternative proposed decision ignore the factual record developed in this proceeding. There are two sets of power flow analyses on the record in this proceeding, both of which were produced by the CAISO.² The analysis presented during Track 4 of the 2012 long-term procurement plan clearly shows that the electric system needs a substantial increase in generation by 2018.³ This need is directly tied to the reliability impacts caused by both the retirement of the San

¹ These parties are the Office of Ratepayer Advocates (ORA), Sierra Club, California Environmental Justice Alliance (CEJA), Californians for Renewable Energy (CARE) and Protect Our Communities Foundation (POC).

² Exhibit 31 and Exhibit 32.

³ Exhibit 31, p. 19, Table 9. This table identifies need for 920 megawatts (MW) of new generation in San Diego by 2018.

Onofre Nuclear Generating Station (SONGS) in 2013 and the Encina Generating Station in late 2017.⁴ The second CAISO analysis on the record in this proceeding, the 2013-2014 transmission plan, confirms the need for additional generation and demonstrates a substantial residual need in 2024.⁵

Though not presented as evidence in this proceeding, Sierra Club has cited the CAISO's 2014-2015 transmission plan to support its contention that the Carlsbad Energy Center is not necessary for reliability.⁶ The Sierra Club relies on evidence outside the record and cannot be used as the basis for a decision in this proceeding. In any event, the Sierra Club has cherry picked one non-determinative detail in the 2014-2015 transmission plan, while completely disregarding the fundamental finding of that document, that the Carlsbad Energy Center is necessary to preserve long-term reliability. The 2014-2015 transmission plan found that even with a 600 MW Carlsbad Energy Center and approval of Southern California Edison Company's proposed procurement, a long-term reliability gap will exist in the combined San Diego and Los Angeles basin local capacity area unless existing demand response is repurposed to meet local capacity needs.⁷

The parties opposing the Alternative Proposed Decision fail to understand the CAISO's power flow analyses and, particularly, the effect the retirement of the Encina Generating Station 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 clearly needed by 2018 if the state is to comply with the OTC regulations. The Alternate Proposed Decision acknowledges this uncontroverted fact and properly balances reliability needs and the state's OTC policy and preferred resource goals.

B. Parties Err in Citing the Track 4 Decision to Deny Reliability Concerns.

Instead of presenting factual evidence contrary to CAISO's clear findings of need, the Sierra Club, CEJA and ORA rely on an extremely narrow reading of the need finding in the Track 4 decision to claim that no such need exists.⁸ Sierra Club and CEJA, in particular, place great weight on the fact that the Track 4 Decision not explicitly specify a "numerical need for 2018."⁹ This is a straw man argument. The Track 4 Decision is not prescriptive; rather, it provides the flexibility to meet identified reliability

⁴ 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.")

⁵ Exhibit 32, p. 108.

⁶ Sierra Club Opening Comments on Alternate Proposed Decision p. 9, fn. 39.

⁷ The CAISO's 2014-2015 transmission plan specifically finds that "[i]f [long-term procurement plan] Tracks 1 and 4 are not fully procured... then there would be a resource deficiency." <http://www.caiso.com/Documents/Board-Approved2014-2015TransmissionPlan.pdf>, p. 149.

⁸ Sierra Club APD Comments, p. 7; California Environmental Justice Alliance Comments on Alternate Proposed Decision (CEJA APD Comments), p. 7.

⁹ *Id.*

need in a timely manner. The decision acknowledges that needs may become critical as early as 2018 and encourages SDG&E to begin necessary conventional procurement as soon as possible.¹⁰ Considered against the backdrop of the actual electrical configuration of the combined San Diego and Los Angeles Basin local capacity area, the Alternate Proposed Decision appropriately balances reliability needs with other important state policies.

The Track 4 Decision built upon the factual record established in the San Diego local capacity requirement decision in D.13-03-029, which identified a discreet need for additional resources in 2018, but it is incorrect to claim that the Pio Pico Energy Center procurement resulting from that decisions meets 2018 needs.¹¹ D.13-03-029 identified a 2018 need in San Diego based on the retirement of Encina Generating Station.¹² However, that decision was issued prior to the retirement of the 2,246 MW San Onofre Nuclear Generating Station (SONGS) in 2013.¹³ The parties opposing the Carlsbad Energy Center ignore the fundamental fact that the SONGS retirement significantly affected 2018 reliability needs and compounded the 2018 needs already identified in D.13-03-029 based on the retirement of the Encina Generating Station. Parties opposing the Alternate Proposed Decision use an extremely narrow reading of D.14-03-004 to conclude that the retirement of SONGS had no effect on already identified 2018 reliability concerns. In contrast, the Track 4 Decision acknowledges the 2018 needs and states in several places that reliability needs may become critical as early as 2018.¹⁴

CEJA, ORA, and Sierra Club also make incorrect statements regarding the CAISO's Track 4 position on the need for additional resources in 2018. The CAISO's Track 4 testimony explicit found need in 2018.¹⁵ The Track 4 opening testimony of Robert Sparks, Exhibit 31 in this proceeding, explicitly identified a need of 920 MW¹⁶ in San Diego in 2018, 520 MW of which was specifically tied to additional resources in the northwest San Diego area. The CAISO's opening testimony in Track 4 did not provide a specific recommendation regarding Commission authorized procurement *at that time*.¹⁷ Nonetheless, the CAISO did specify in its rebuttal testimony that procurement should be authorized.¹⁸

¹⁰ D.14-03-004, p. 113.

¹¹ Sierra Club APD Comments, p. 7. "Replacement capacity for Encina was addressed in a separate Commission Proceeding that ultimately resulted in procurement of the Pio Pico Energy Center."

¹² D.13-03-029, p. 14.

¹³ D.13-03-029, issued on March 21, 2013, nearly 3 months prior to the permanent closure of songs in June 2013.

¹⁴ D.114-03-003, pp. 11, 113 & 134.

¹⁵ Exhibit 31, p. 20. ("For the San Diego sub-area, he ISO identified the need for repowering or replacement of 520 MW of OTC generation in the northwest area.")

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

¹⁷ 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).

¹⁸ D.14-03-004, p. 81, quoting CAISO witness Neil Millar, Exhibit ISO-7 in R.12-03-014.

CEJA, ORA, and Sierra Club assert that the CAISO did not specify the timing for this need during the course of the Track 4 proceeding. ORA, in particular, claims that “the CAISO’s Track 4 testimony and briefs did not recommend procurement of capacity by 2018.”¹⁹ This is incorrect. In its opening Track 4 brief, *the CAISO specifically indicated that the “Track 4 Analysis Reveals Substantial Local Resource Needs in the SONGS Study Area Starting in 2018.”*²⁰ The CAISO’s subsequent reply brief was even more direct, stating “no party presented any credible evidence 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 repeated argument that the CAISO did not specify a 2018 need in the Track 4 proceeding is simply false.

C. The Sierra Club and CEJA Misinterpret the OTC Regulations.

Sierra Club states that “a delay in OTC retirement to facilitate clean energy deployment is exactly the type of justification that merits an OTC extension.”²¹ CEJA similarly assumes that the Encina Generating Station can continue to operate after its proposed retirement date.²² Neither Sierra Club nor CEJA provide any legal basis under which the Commission’s failure to plan for system reliability needs would provide grounds for suspending the OTC regulations.

If the Commission fails to authorize additional resources in this proceeding, suspension of the OTC regulations is not guaranteed. Under the regulations, the State Water Resources Control Board (SWRCB) has established a compliance schedule for OTC units to implement best technology available for power plant cooling as defined by the regulations. The SWRCB established this compliance schedule recognizing it is necessary to develop replacement infrastructure to maintain electric reliability.²³ Indeed, the policy contemplates that the Commission will authorize replacement, repowered or otherwise compliant generation capacity.²⁴ Although the once-through-cooling (OTC) regulations contemplate the possibility of an extension of the compliance schedule to address permitting constraints, the regulations do not contemplate extensions of this schedule to keep existing units

¹⁹ The Office of Ratepayer Advocates’ Comments on the Alternative Proposed Decision, p. 5.

²⁰ 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).

²¹ Sierra Club APD Comments, p. 10-11.

²² CEJA APD Comments, p. 8.

²³ *State Water Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling* adopted on May 4, 2010 (as amended in 2011, 2012 and 2013), Section 1(G).

²⁴ *Id.* at Section 1(J).

operating without a replacement infrastructure plan.²⁵ Merely extending the compliance schedule without a replacement infrastructure plan for the Encina Generating Station does not constitute “best technology available” under the OTC regulations. Prolonged suspension of the regulations would require a hearing by the SWRCB to determine whether the suspension is appropriate as well as whether to modify the compliance date.²⁶ Any such hearing would examine the time needed to complete an infrastructure replacement plan. Expecting the SWRCB to simply extend the compliance schedule for Encina without a replacement infrastructure plan in place is extremely speculative and not a prudent course of action.

D. Clarification of CAISO Comments on Installation of a Clutch.

In order to avoid any confusion regarding the CAISO’s use of the term “synchronous condenser technology” in describing the installation of a clutch at the Carlsbad Energy Center facility, the CAISO wishes to clarify that the installation of a clutch on a generating facility enables the generator to run in synchronous condenser mode. Addition of a clutch does not require the installation of new standalone synchronous condenser technology but simply enables synchronous condenser capability from the existing resource. This clarification does not affect the CAISO’s conclusion that it has not been able to identify significant benefits to the installation of a clutch at the Carlsbad Energy Center.

II. Conclusion

Based on the foregoing, the CAISO recommends that the Commission approve the Alternative Proposed Decision and authorize PPTA with the Carlsbad Energy Center as modified.

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²⁵ *Id.* at Section 1(I).

²⁶ *Id.* at Section 2(B)(2)(b).