

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

All of the active parties to this proceeding, including the California Independent System Operator Corporation (ISO), filed opening briefs on November 8, 2013. Several parties have argued that the Commission should either reject approval of the Pio Pico purchased power tolling agreement (PPTA) or defer consideration until a decision is issued in Track 4 of the long term procurement proceeding (R.12-03-014). The ISO opposes these recommendations and urges the Commission to expeditiously approve the PPTA.

**I. Intervening Events Have Not Eliminated the Need Identified in D.13-03-029.**

In D.13-03-029, the Commission determined that the San Diego local area will have a 298 MW capacity need starting in early 2018. The purpose of this proceeding is to determine whether the Pio Pico PPTA will meet that need. Nonetheless, parties have argued that in the few months that have elapsed since the decision was issued this need actually has gone down due to intervening events and will disappear by the identified need date. These arguments have little merit, however, since one of the intervening events they discuss is the permanent retirement of the San Onofre Nuclear Generating Station (SONGS) which eliminates 2200 MW of resources in the combined San Diego/LA Basin local areas.

Not to be daunted, Sierra Club/CEJA argue that, with the SONGS closure, the previously scheduled Encina generation retirement date is “now unlikely.”<sup>1</sup> This statement, and other comments in the Sierra Club/CEJA brief, are based on Mr. Powers’ unsubstantiated opinion that the Encina retirement date “is now in question.”<sup>2</sup> TURN advances a similar argument, although noting that while it appears that the State Water Resources control Board can extend once through cooling (OTC) retirement dates, there is no evidence on the record of this case as to what that process entails.<sup>3</sup> Speculation about the Encina retirement date should not form the basis to reject approval of a PPTA that provides much less capacity than the 964 MW currently being provided by that resource. Indeed, UCAN’s concerns about whether the Pio Pico PPTA will provide *enough* capacity, in light of the SONGS retirement, are much more valid.<sup>4</sup> As Mr. Sparks noted, the ISO’s study results in LTPP Track 4 have identified substantial local capacity needs, in addition to the 298 MW, in the San Diego local area.<sup>5</sup>

Sierra Club/CEJA also ask the Commission to reconsider the 298 MW need identified in D.13-03-029 to reflect higher levels of rooftop solar development that have been reflected in CEC load forecasts since the ISO presented its OTC study results.<sup>6</sup> These parties argue that recent legislative changes will promote additional net-energy-metered (NEM) distributed generation, and that these changes (including one that was just approved by the Governor on October 7, 2013) should be taken into account in this proceeding.

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<sup>1</sup> Sierra Club/CEJA brief, page 1.

<sup>2</sup> Powers, page 10.

<sup>3</sup> TURN brief, page 8.

<sup>4</sup> UCAN, unnumbered pages 6-7.

<sup>5</sup> Sparks, page 13.

<sup>6</sup> Sierra Club/CEJA brief, pages 12-13.

While additional distributed generation deployment is encouraging, the Commission should not make an adjustment to the need determination on the basis of the record in this proceeding, which does not include sufficient information about the location of this potential additional distributed generation and other data. Re-evaluating the need determination will cause substantial delays in resource procurement, and the need for additional resources has been exacerbated, not diminished, by the SONGS retirement. Furthermore, the Commission may consider information about preferred resource development in Track 4 of the long-term procurement proceeding where the ISO is working closely with the CPUC staff on modeling issues and the Commission will consider the appropriate mix of resources needed to fill additional resource needs.

The same is true for the arguments advanced by Sierra Club/CEJA that SDG&E should have conducted an all-source RFO to determine whether additional preferred resources, such as demand response, are available to meet local needs, citing the recently-opened demand response OIR and other references to documents such as a 2009 FERC assessment of available demand response.<sup>7</sup> These parties also assert that the energy storage targets adopted in D.13-10-040 for SDG&E will fill some of the identified needs.<sup>8</sup> The ISO looks forward to working with the parties to enable preferred resources to meet local needs, but implementation issues are being addressed in other dockets at the Commission as well as initiatives at the ISO and are beyond the scope of this proceeding.

Based on the record in this proceeding, Sierra Club/CEJA are simply incorrect in stating that there is “significant uncertainty surrounding whether any of the need identified in D.13-03-

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<sup>7</sup> *Id.*, pages 15-17.

<sup>8</sup> *Id.*, 17-18.

029 exists.”<sup>9</sup> The OTC studies presented by the ISO in A.11-05-023 supported a need for even more local resources than those identified in D.13-03-029, and the Pio Pico PPTA is part of a reasonable mix of resources that will include preferred resources, energy storage, and renewables.

Mr. Peffer, on behalf of Protect Our Communities (POC), has used the briefing process to repeat his testimony about the ISO’s study methodology and the N-1-1 planning criteria that was stricken from the record of this proceeding.<sup>10</sup> At the beginning of the brief, he also challenges the scope of the issues identified in the August 26, 2013, Assigned Commissioner’s Scoping Memo and Ruling, as well as making late-filed arguments in response to the ISO’s motion to strike.<sup>11</sup> Needless to say, these arguments are inappropriate in light of the fact that the ISO withdrew the portions of Mr. Sparks’ testimony that responded to the unfounded and incorrect arguments put forth by Mr. Peffer in his testimony (and now set forth in his brief).<sup>12</sup> The Commission should give the POC brief its due weight and not consider any of the arguments advanced therein as part of the deliberative process in this proceeding.

## **II. Track 4 of the Long Term Procurement Proceeding Considers Local Capacity Needs that are Incremental to the Need Identified in D.13-03-029.**

Sierra Club/CEJA, as well as UCAN, TURN and the San Diego Energy District Foundation assert that the Commission should delay ruling on the PPTA until a decision is issued in the LTPP Track 4 proceeding because the 298 MW need identified in D.13-03-029 might be impacted in some fashion. While it is true that LTPP Track 4 is likely to result in

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<sup>9</sup> *Id.*, 20.

<sup>10</sup> POC brief, pages 11-19.

<sup>11</sup> *Id.*, pages 3-11.

<sup>12</sup> The ISO also objects to the POC request for official notice of POC-4 and POC-5, since these documents pertain to the same planning standards issues that were stricken from this proceeding and therefore have no relevance to the issues in the case.

additional local resource needs, these parties overlook the fact that Track 4 builds on the resource needs previously identified, and is not intended to revisit the prior decisions. This concept was addressed in the May 21, 2013 Revised Scoping Ruling in R.12-03-014 (Revised Scoping Ruling) that initiated Track 4.<sup>13</sup>

The Revised Scoping Ruling clearly explains that the purpose of Track 4 is to determine the impacts on local capacity needs in light of an extended SONGS outage, a modeling assumption that was not captured in the ISO's OTC studies in A.11-05-023.<sup>14</sup> At the first page of Attachment A to the Revised Scoping Ruling, the Commission explained that the assumptions to be modeled in Track 4 are consistent with D.13-03-029, which, of course, includes the 298 MW. On the last page of the Attachment, the ISO was instructed to model the resources authorized in D.13-03-029 and D.13-02-015 as generic resources because specific locational information was not available for study purposes.

Thus, delaying a decision on the resource procurement authorized in D.13-03-029 serves no purpose because the Commission is not re-assessing the need for the 298 MW.<sup>15</sup> However, delaying approval of the PPTA could impact the ability of the project to come online in time to meet the reliability need date.<sup>16</sup> The ISO also notes that the Pio Pico generating unit is an important component of the joint agency Preliminary Reliability Plan for LA Basin and San Diego, described in Pio Pico Energy Center witness Dermans's rebuttal testimony (pages 5-6) and in the PPEC brief at page 7. That Plan describes a mix of preferred resources, transmission

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<sup>13</sup> *Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans*. R.12-03-014 Revised Scoping Ruling and Memo of the Assigned Commissioner and Administrative Law Judge (May 21, 2013)

<sup>14</sup> SONGS was assumed to be online in the ISO's OTC studies.

<sup>15</sup> The same is true, of course, for the 1400-1800 MWs of resources authorized in D.13-02-015.

<sup>16</sup> See, e.g. Tr. 182:1-6: delay of project approval beyond February 2014 could have economic consequences to PPEC

additions, renewables and conventional resources (such as Pio Pico) that will be needed to meet southern California reliability needs. A prompt decision approving the PPTA in this proceeding is an important step in that process.

Respectfully submitted,

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