

**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)

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

At the close of hearings on October 14, 2013, ALJ Yacknin established November 8, 2013, as the date for parties to file opening briefs, and November 18, 2013, as the date to submit reply briefs. The California Independent System Operator Corporation (ISO), an active party in this proceeding, hereby submits its opening brief.

**I. Introduction and Background**

On June 21, 2013, San Diego Gas & Electric Company (SDG&E) filed an application for authority to enter into an amended power purchase tolling agreement (amended PPTA) with the Pio Pico Energy Center, LLC (Pio Pico) and to recover the costs through the Cost Allocation Methodology (CAM). In support of its application, SDG&E submitted the testimony of Mr. Juancho Eekhout. Consistent with Rule 2.6 of the Commission's Rules of Practice and Procedure, protest and responses to the application were submitted on August 7, 2013, by the ISO; Sierra Club and the California Environmental Justice Alliance (CEJA); Protect Our Communities Foundation (POC); Office of Ratepayer Advocates (ORA); Pio Pico; the Alliance for Retail Energy Markets (AReM)/ Direct Access Customer Coalition (DACC)/Western Power Trading Forum (WPTF); and The Utility Reform Network (TURN). Other parties participating in the proceeding included the Utility Consumer's Action Network (UCAN), the San Diego Energy District Foundation (SDEDF), the Coalition of California Utility Employees (CUE) and California Unions for Reliable Energy (CURE).

Following a prehearing conference held on August 21, 2013, the assigned commissioner issued a Scoping Ruling identifying the following issues as within the scope of the instant proceeding:

- 1) Need: Is the PPTA needed to meet the local capacity requirement as identified in A.13-03-029?
- 2) Reasonableness of the terms and conditions of the PPTA.
- 3) Reasonableness of SDG&E's ratemaking and cost allocation proposals.

The Scoping Ruling established testimony filing dates and the dates for an evidentiary hearing, which had also been discussed at the prehearing conference. Specifically, parties were to submit opening testimony on September 20, 2013, and reply testimony on October 4, 2013. The evidentiary hearing was scheduled for October 14<sup>th</sup> and 15<sup>th</sup>, but only one day of hearing time was needed.

On September 20, 2013, opening testimony was provided by Sierra Club/CEJA/POC; POC (separately); CUE; Pio Pico; SDEDF; and AReM/DACC/WPTF. While most of the testimony addressed the issues in the Scoping Ruling, some parties filed testimony that covered issues clearly resolved in the prior proceeding that established the local capacity needs for the San Diego area. For example, almost all of POC's testimony, and portions of the testimony submitted jointly by Sierra Club/CEJA/POC, challenged the ISO's study methodology used to establish the local capacity needs in D.13-03-029. In particular, these parties questioned the ISO's position that load shedding in densely populated urban areas is not a prudent long term planning solution for a Category C, N-1-1 contingency (which establishes the San Diego local capacity area).

Because these parties submitted testimony questioning the ISO's local capacity area study methodology, the ISO was compelled to provide rebuttal testimony in response on October 4, 2013. At the same time, the ISO filed a motion to strike substantial portions of POC witness Peffer's testimony and several pages of Sierra Club/CEJA/POC witness Powers' testimony on the grounds that the topics were outside the scope of the hearing. The ISO stated that if the motion to strike was granted, much of ISO witness Sparks' testimony could be withdraw.

When the hearing began on October 14, ALJ Yacknin ruled on all motions to strike, including the one filed by the ISO. Among other things, she granted the ISO's motion to strike, noting that issues surrounding the ISO's study methodology had been resolved in A.11-05-023.<sup>1</sup> Consequently, the ISO withdrew much of Mr. Sparks' rebuttal testimony, leaving a discussion of the ISO's general support for Pio Pico PPTA approval and brief responses to topics raised by CEJA/Sierra Club/POC witness Powers.

## **II. Argument**

### The Purchased Power Tolling Agreement with Pio Pico Fills the Local Capacity Requirement Identified in D.13-03-09 and Should be Approved.

In D.13-03-029 the Commission identified a 298 MW local capacity need starting in early 2018 and gave SDG&E the option to either re-submit the Pio Pico or Quail Brush PPTAs, or conduct another request for offers to meet this capacity need. SDG&E has chosen to re-submit the Pio Pico PPTA with modified online dates and the ISO supports this approach. As Mr. Sparks noted, given the long lead time needed for siting new generation, and the potential impact on reliability if new resources are not online by the need date, the Pio Pico facility is well positioned to meet these needs on a timely basis.<sup>2</sup>

This is not to say that local needs could not be met with preferred resources. However, Mr. Sparks pointed out, the Commission recognized the role of preferred resources in establishing the 298 MW by adjusting the ISO's study assumptions to reflect the growth of these resources. At this point, it would not be prudent to assume that even greater levels of preferred resources - able to meet the ISO's operating requirements - will be available to supplant a gas-fired generation resource by early 2018. To the extent that resources such as demand response and distributed generation are developing more rapidly than anticipated in A.11-05-023, as Mr. Powers suggested in his testimony, such resources can be used to meet the additional local capacity needs driven by the SONGS retirement that are being evaluated in Track 4 of the long term procurement proceeding.

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<sup>1</sup> Tr. 20:1-25:14.

<sup>2</sup> Ex. 16, pages 13-14.

### III. Conclusion

The purpose of this proceeding is to decide whether the amended Pio Pico PPTA meets the San Diego local capacity need established by the decision issued in March 2013. The ISO submits that it does and urges the Commission to approve the PPTA expeditiously.

Respectfully Submitted,

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