

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



**FILED**

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Order Instituting Rulemaking to Integrate )  
and Refine Procurement Policies and )  
Consider Long-Term Procurement Plans. )  
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Rulemaking 10-05-006  
(Filed May 6, 2010)

**COMMENTS OF TURN ON ALTERNATIVE PROPOSALS  
AND PREHEARING CONFERENCE STATEMENTS**

**THE UTILITY REFORM NETWORK**

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June 25, 2010

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## COMMENTS OF TURN

Pursuant to the June 22, 2010, ruling of Administrative Law Judge (ALJ) Kolakowski, The Utility Reform Network (TURN) hereby submits these comments in response to the Alternative Proposals submitted by parties on or before June 11, and the prehearing conference statements filed on June 4, 2010, in this proceeding to consider the utilities' Long-Term Procurement Plans (LTPP).

### **RESPONSE TO ALTERNATIVE PROPOSALS**

Alternative Proposals were submitted on or before June 11 by SDG&E, PG&E, Edison and the Cogeneration Parties (CAC and CCC).

SDG&E's Alternative Proposal, submitted on June 10, observes as follows:

The overall need for resources in the NP-26 and SP-26 planning areas is determined by application of resource planning criteria based on the expected (1-in-2) load forecast and a planning reserve margin – *i.e.*, the need determination is driven by an evaluation of the resources required to serve expected load plus a planning reserve margin. In SDG&E's service territory, however, the need for new resources is not driven by the expected load plus a planning reserve margin; rather it is driven by the need to meet grid planning criteria established by the California Independent System Operator (the "CAISO").

The Commission has adopted the CAISO's grid planning criteria in the current and past years to determine what local Resource Adequacy ("RA") resources are needed. The need for local RA units is driven by a hot summer day (1-in-10) load forecast based on an N-1, G-1 criteria. These criteria assume the single largest generation plan and the single largest transmission line are out of service. SDG&E submits that the Commission must review the CAISO's grid planning requirements as well as an overall resource need in determining the need for new resources in SDG&E's service area. (SDG&E at 3)

TURN agrees with SDG&E's point and notes that it is consistent with how this

Commission determined SDG&E's service area need in D.07-12-052.

Going beyond mere complaint, SDG&E also provided a detailed description, with supporting tables, showing how the preliminary staff proposal needs to be adjusted to incorporate the unique reliability needs of the SDG&E service area:

In accordance with the ALJ Ruling’s solicitation of alternative proposals, SDG&E proposes that the Need Table included as Attachment A hereto be adopted for use in determining SDG&E’s long term need for new system and local resources. SDG&E provides this alternative proposal because it does not believe the Need Table proposed in the ALJ Ruling will provide the Commission with the information necessary to make an accurate determination of SDG&E’s need for capacity. SDG&E’s proposed Need Table is a slightly modified version of the Need Table proposed in the ALJ Ruling. Specifically, SDG&E’s proposed Need Table reflects the following modifications . . . (SDG&E at 4)

TURN believes that SDG&E’s proposal accurately describes the adjustments that need to be made to conform the need calculations proposed for the PG&E and Edison service territories to the different circumstances that confront SDG&E, and therefore supports the SDG&E Alternative Proposal.

The PG&E and Edison Alternative Proposals, on the other hand, continue to argue for the necessary system planning studies to be conducted by a consultant retained by Energy Division, rather than by IOUs themselves. TURN trusts that this Commission is in the best position to assess the practicality of that suggestion.

In addition, PG&E argues that:

The evaluation criteria shown in Table 1 should include reliability and operational feasibility. That is, resource portfolios or plans considered for need determination should meet minimum reliability and operational flexibility requirements. (PG&E at 4)

TURN disagrees with PG&E’s suggestion that “reliability and operational feasibility” should be “evaluation criteria.” Rather, as in D.07-12-052, maintenance of system reliability should act as a *constraint* that needs to be met by any and all plans. If a given plan does not meet the applicable reliability criteria, then additional resources must

be added to that plan such that it does meet the criteria. Presentation of a plan that does not assure adequate reliability would simply waste the Commission's and the parties' time, since there is little to no chance that such a plan could be adopted. The second sentence of PG&E's suggestion, that "resource portfolios or plans considered for need determination should meet minimum reliability and operational flexibility requirements" is consistent with the approach taken in D.07-12-052, but the first sentence is not.

PG&E further argues that:

With respect to reliability requirements, pending completion of the Planning Reserve Margin ("PRM") proceeding, the parties could use the current 15 – 17% PRM for reliability as long as they use appropriate long-term NQC values for wind, solar, and DR. Alternatively, parties could use a loss of load calculation to demonstrate that the resource portfolios or plans meet a 1 day in 10 year reliability criteria. (PG&E at 4)

TURN agrees that the current 15 – 17% PRM should continue to be employed as the appropriate reliability standard unless and until a different standard is adopted. However, TURN strongly objects to PG&E's alternative suggestion that parties present loss of load calculations in this proceeding. This Commission has been considering loss of load studies in R.08-04-012 and the process has proven daunting, to the point that the proceeding has essentially bogged down. Similarly, in R.06-02-013 PG&E tried to insert loss of load studies into the proceeding in order to increase its PRM. The company's proposal proved to be quite controversial and considerable time had to be devoted to the study and parties' critiques of it. The already very full schedule for this proceeding simply does not allow for the reintroduction of this technically complex and controversial topic, which already has a home in R.08-04-012. The scoping memo should explicitly rule that loss-of-load studies will **NOT** be considered in this docket.

TURN acknowledges that operational issues (*e.g.*, ramping capability) associated with renewable integration will need to be considered as part of the various renewable build-out scenarios in this proceeding, but any operational requirements arising out that analysis should be considered directly on their own merits, and not used indirectly to reopen PRM issues that are properly within the scope of a different proceeding.

Edison, in addition to arguing that an Energy Division consultant should conduct the system planning studies, suggests that

As an initial element of Track 1, SCE recommends that the three IOUs conduct a separate system-wide need analysis to assess near-term physical loads and resources balance. This analysis would not involve the broad policy analysis set forth in the Resource Planning Standards. Rather, this approach would consist of a high-level analysis, similar to that conducted by the IOUs in the 2006 Long Term Procurement Plan (LTPP) proceeding, for the specific purpose of assessing whether sufficient system resources are projected to exist to meet the Commission's planning reserve margin. (Edison at 5)

This Edison proposal for an IOU-conducted system-wide need analysis appears wholly inconsistent with company's position that Energy Division should perform the required system planning studies. Indeed it smacks of an attempt to let the IOUs move forward with the "business as usual" of building new fossil plants, while preferred resource alternatives are consigned to the "green ghetto" of an endless "planning" exercise. There is simply no need for such a bifurcated process, and indeed Edison itself acknowledges that: "Due to the severe recession that has impacted the California economy over the last several years, SCE does not anticipate that such an analysis will find a need for new resources in the near term due to demand growth . . ." (Edison at 6)

Finally, the Cogeneration Parties propose that very aggressive planning standards for additional Combined Heat and Power (CHP) resources be adopted in the scoping memo for this proceeding. TURN suspects that the Cogeneration Parties offered this

proposal as a “placeholder” out of an abundance of caution, since future CHP procurement by the IOUs has been the subject of long-running settlement talks, often referred to as the “QF Summit,” that are hopefully nearing a conclusion. If successful, the QF Summit process would resolve the issues raised by the Cogeneration Parties. Rather than prejudicing the negotiations by addressing CHP procurement at this time, the scoping memo should anticipate a successful settlement process and provide that CHP procurement issues will only be considered in this proceeding if the settlement talks collapse.

### **RESPONSE TO PHC STATEMENTS**

At this time TURN wishes to modify one aspect of our own June 4 comments on scope and schedule in this proceeding, with respect to Track 3 issue #1 – “Updates to Procurement Rules to Comply with SB 695 and Refinements to the D.06-07-029 Cost Allocation Methodology. On June 4<sup>th</sup>, TURN stated that:

. . . we note that such SB 695 issues have already been raised in several ongoing proceedings that are considering approval of contracts secured by the IOUs to meet system reliability needs (*e.g.*, PG&E Applications 08-09-007 and 09-09-021). TURN submits that it may very well prove more expeditious to consider those aspects of SB 695 implementation as they arise in ongoing cases, rather than trying to fit that issue onto what is already a very full plate in this docket.

Subsequent to the filing of those comments, the issue of SB 695 implementation has been removed from A.08-09-007, and its continued consideration in A.09-09-021 has been contested. Thus, it now appears that, regardless of the disposition of the settlement that encompasses SB 695 issues in A.09-09-021, the rules for implementation of SB 695 must be considered here. Given the importance of the issue and the disparate statutory interpretations suggested by the parties in their comments in this docket, TURN now recommends that SB 695 implementation be taken up soon as a high priority Track 3

issue. Given that this is primarily a question of statutory interpretation, TURN submits that opening and closing briefs would provide the best procedural vehicle for resolution of this issue, perhaps preceded by a workshop in which parties could share their views.

On a somewhat different topic, IEP's opening comments address the subject of Once Through Cooling (OTC) regulations and suggest, at pages 3-4, that:

The treatment of OTC plants can largely be resolved by allowing them the option of competing with new generation resources to meet the system need identified in Track I, as discussed above. Confronted with restrictions on OTC, existing plants that rely on OTC will either retire or make the additional investments required to operate in compliance with those restrictions. Plants that choose to make those investments should be provided a fair opportunity to compete for contracts to meet the needs identified in the Track I resource plans and Track II procurement plans.

In the last LTPP proceeding, the IOUs and the Commission assumed that essentially all plants relying on OTC would be retired on a precipitous schedule. That assumption was simplistic and failed to consider the possibility that some OTC plants could make economic investments that allow them to remain in operation. As the regulations relating to OTC have developed, some plants have retired or are planning to retire, while others are finding ways to comply with the OTC requirements and continue operating. For those plants that plan to retire, this proceeding should examine the effect of those retirements on reliability, especially local area reliability, and whether existing incentives are sufficient to allow for an orderly replacement of that retired capacity. For those plants that plan to continue in operation, this proceeding should ensure that they have a fair chance of competing for power purchase agreements (PPAs) in open and transparent competitive solicitations and are not arbitrarily excluded from participating in a solicitation.

TURN generally supports IEP's constructive proposal. Specifically, we recommend that existing plants that are subject to OTC regulations be *assumed* to retire on the date specified in the OTC plan, but that those units then be allowed to compete to meet any resulting system or local need, whether they completely repower or simply make lesser capital investments to achieve OTC compliance. This approach will expand the already rather narrow universe of potential bidders who may be in a position to help replace units that cannot continue to operate in their current configuration due to OTC

regulation. This group of plants will either have to shut down or else make substantial investments in order to comply with the OTC regulations. Thus, treating them as “new” units for purposes of participation in any RFO to secure replacement capacity makes eminent good sense.

On the other hand, TURN strongly opposes the proposal of WPTF, at pages 10-11, to conduct “a full evaluation of load auction procurement practices” in this proceeding. This is exactly the type of “pet issue” that various parties continually attempt to insert into LTPP proceedings, regardless of the fact that they garner no support outside the narrow interests of the parties offering the proposal. This issue has been raised off and on for a number of years now, and neither the Commission nor the parties have expressed any particular interest in auctioning off bundled service customers as if they were a commodity to be bought and sold. Among other flaws, one effect of this proposal would be to force *all bundled service customers* to share in the costs and risks that are created by the fact that *some* customers may choose to leave bundled service for direct access. It is, in essence, an attempt to avoid the impact of exit fees by shifting those same costs to customers who do not (or cannot) switch providers. Thus, TURN opposes consideration of the issue in this proceeding.

Finally, TURN agrees with the IOUs that it may be necessary and appropriate for them to submit certain changes to their current bundled procurement plans by advice letter in the near term, in advance of the time when those issues can be properly considered in Tracks 2 or 3. The existing bundled plans have been in effect for an extended period, and some updating to reflect the passage of time and the emergence of

new market products is needed, even if only on an interim basis, until the related issues can be given the full consideration that they deserve.

Respectfully submitted,

**THE UTILITY REFORM NETWORK**

June 25, 2010

By:           /S/ Michel Peter Florio          

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Senior Attorney

CERTIFICATE OF SERVICE

I, Larry Wong, certify under penalty of perjury under the laws of the State of California that the following is true and correct:

On June 25, 2010, I served the attached:

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on all eligible parties on the attached list **R.10-05-006** by sending said document by electronic mail to each of the parties via electronic mail, as reflected on the attached Service List.

Executed this June 25, 2010, at San Francisco, California.

/S/  
Larry Wong

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