



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

**FILED**  
6-10-15  
04:59 PM

Application of Southern California Edison  
Company (U 338-E) for Approval of the Results  
of Its 2013 Local Capacity Requirements Request  
for Offers for the Western Los Angeles Basin.

A.14-11-012  
(Filed November 21, 2014)

**OPENING BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)**

WILLIAM V. WALSH  
TRISTAN REYES CLOSE

Attorneys for  
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue  
Post Office Box 800  
Rosemead, California 91770  
Telephone: (626) 302-2883  
Facsimile: (626) 302-0000  
E-mail: [Tristan.ReyesClose@sce.com](mailto:Tristan.ReyesClose@sce.com)

Dated: **June 10, 2015**

**OPENING BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)**

**Table of Contents**

<b><u>Section</u></b>	<b><u>Title</u></b>	<b><u>Page</u></b>
I.	INTRODUCTION .....	1
II.	BACKGROUND .....	3
III.	THE COMMISSION SHOULD APPROVE SCE’S APPLICATION IN ITS ENTIRETY .....	5
A.	The Contracts Selected Through SCE’s LCR RFO Are Reasonable and Prudent .....	5
1.	The Limit on the Procurement of In-Front-of-the-Meter Energy Storage is Reasonable and Prudent .....	6
a)	ORA and Sierra Club Have Not Demonstrated That the Limit on IFOM ES is Unreasonable .....	8
(1)	Sierra Club Did Not Address All of SCE’s Reasons for Limiting Procurement of IFOM ES .....	8
(2)	ORA Did Not Address SCE’s Reasons for Limiting Procurement of IFOM ES .....	9
2.	The Demand Response Contract Terms and Conditions are Reasonable and Do Not Need to be Modified (Offers: 447200-447205 and 447250) .....	10
3.	The NRG DG Contracts are Reasonable .....	11
a)	Sierra Club and ORA Mischaracterize the NRG DG Contracts (Offers: 447200-447205) .....	11
B.	SCE’s LCR RFO was Successful, Fair and Reasonable .....	13
1.	No Party Has Demonstrated That SCE’s LCR RFO Was Unreasonable .....	13
IV.	CONCLUSION .....	15

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

Application of Southern California Edison  
Company (U 338-E) for Approval of the Results  
of Its 2013 Local Capacity Requirements Request  
for Offers for the Western Los Angeles Basin.

A.14-11-012  
(Filed November 21, 2014)

**OPENING BRIEF OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)**

Pursuant to Rule 13.11 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission” or “CPUC”) and the schedule set forth in the March 5, 2015 Assigned Commissioner’s Ruling and Scoping Memo (“Scoping Memo”), as extended by Administrative Law Judge DeAngelis’ May 22, 2015 e-mail ruling, Southern California Edison Company (“SCE”) respectfully submits this opening brief.

**I.**

**INTRODUCTION**

In Tracks 1 and 4 of the 2012 Long Term Procurement Plan (“LTTP”) proceeding, the Commission authorized SCE to procure 1,900 to 2,500 Megawatts (“MW”) of electrical capacity in the Western Los Angeles sub-area of the Los Angeles basin (“Western LA Basin”) local reliability area to meet long-term local capacity requirements by 2021.<sup>1</sup> To meet this need, SCE issued a first-of-its-kind request for offers (“RFO”) seeking new Local Capacity Requirement (“LCR”) resources, including

---

<sup>1</sup> Decision (“D.”) 13-02-015 (“Track 1 decision”) at 130-131 (Ordering Paragraph (“OP”) 1); D.14-03-004 (“Track 4 decision”) at 141-143 (OP 1).

Preferred Resources<sup>2</sup> (*i.e.*, Energy Efficiency (“EE”), Demand Response (“DR”), renewable resources, and Distributed Generation (“DG”)), Energy Storage (“ES”) resources, and Gas-Fired Generation (“GFG”). SCE’s LCR RFO was unprecedented. It was the first time that a wide range of new and diverse resource types were competing head-to-head in a competitive solicitation.

Through the LCR RFO, SCE procured an extraordinary amount of Preferred Resources and ES. In total, SCE selected 60 Preferred Resource and ES contracts for a total of approximately 500 MW. This was also the first time SCE contracted for ES projects through a competitive solicitation, which resulted in SCE procuring more ES than has been procured in any form in California to date. Furthermore, SCE is replacing 4,141 MW<sup>3</sup> of aging, inefficient GFG in the Western LA Basin with 1,382 MW of clean, efficient GFG (a replacement ratio of 1 MW for 3 MW) and approximately 500 MW of Preferred Resources and ES.

Furthermore, of the several protests and responses that were filed in response to SCE’s Application, only a couple of them actually recommended the denial of the contracts SCE entered into through the LCR RFO. Even then, those parties only recommended denying a subset of contracts, specifically, the NRG DG contracts. Based on the protests and responses to, and the testimony submitted regarding SCE’s Application, no party has broad based objections to the contracts SCE selected through the LCR RFO. In the absence of requests and recommendations to deny all of the

---

<sup>2</sup> Preferred Resources are defined in the State’s Energy Action Plan II, at page 2, as follows: “The loading order identifies energy efficiency and demand response as the State’s preferred means of meeting growing energy needs. After cost-effective [energy] efficiency and demand response, we rely on renewable sources of power and distributed generation, such as combined heat and power applications. To the extent [energy] efficiency, demand response, renewable resources, and distributed generation are unable to satisfy increasing energy and capacity needs, we support clean and efficient fossil-fired generation. Concurrently, the bulk electricity transmission grid and distribution facility infrastructure must be improved to support growing demand centers and the interconnection of new generation, both on the utility and customer side of the meter.”

<sup>3</sup> California Energy Commission’s Tracking Progress, *Once-Through Cooling Phase-Out* (last updated on February 17, 2015) at 6 (total MW from the retirement of the following OTC plants in the LA Basin: El Segundo 4; Huntington Beach 1 & 2; Redondo Beach 5, 7; Redondo Beach 6,8; Alamitos 1,2; Alamitos 3,4; and Alamitos 5,6) available at [http://www.energy.ca.gov/renewables/tracking\\_progress/documents/once\\_through\\_cooling.pdf](http://www.energy.ca.gov/renewables/tracking_progress/documents/once_through_cooling.pdf).

contracts SCE is seeking approval of, the contracts entered into through the LCR RFO should be approved.

## II.

### **BACKGROUND**

On February 13, 2013, the Commission issued D.13-02-015, the LTPP Track 1 decision. In that decision, the Commission ordered SCE to procure between 1,400 and 1,800 MW of electrical capacity in the Western LA Basin to meet long-term local capacity requirements by 2021,<sup>4</sup> largely due to the expected retirement of once-through-cooling (“OTC”) generation facilities.

The Commission also ordered SCE to provide an LCR procurement plan (“LCR Procurement Plan”) to the Energy Division explaining how it would conduct its LCR RFO.<sup>5</sup> SCE submitted its LCR Procurement Plan on July 15, 2013. In accordance with the Track 1 decision, Energy Division reviewed SCE’s LCR Procurement Plan and requested that SCE submit a modified LCR Procurement Plan with additional information. SCE submitted its final modified LCR Procurement Plan on August 30, 2013. Energy Division approved SCE’s modified LCR Procurement Plan on September 4, 2013. SCE launched its LCR RFO on September 12, 2013.

On March 13, 2014, the Commission issued D.14-03-004, the LTPP Track 4 decision, authorizing SCE to procure an additional 500 to 700 MW by 2021 to meet local capacity needs stemming from the retirement of the San Onofre Nuclear Generating Station (“SONGS”).<sup>6</sup> Combined, the LTPP Track 1 and 4 decisions authorize SCE to procure between 1,900 to 2,500 MW in the Western LA Basin.

The LTPP Track 1 and Track 4 decisions required SCE to procure minimum amounts of Preferred Resources, ES<sup>2</sup> and GFG in the Western LA Basin local reliability area.<sup>8</sup> Specifically, SCE’s

---

<sup>4</sup> D.13-02-015 at 130-131 (OP 1).

<sup>5</sup> *Id.* at 133-134 (OP 5-7).

<sup>6</sup> D.14-03-004 at 141-143 (OP 1).

<sup>7</sup> *See* D.14-03-004 at 100 (SCE “may also procure energy storage as part of [its] preferred resources requirement[] or all-source authorization[]...”).

minimum procurement authorization is 550 MW of Preferred Resources, 50 MW of ES, 1,000 MW of GFG, and an additional 300 MW from any resource type.<sup>9</sup> SCE's maximum procurement authorization includes an additional 400 MW of Preferred Resources and ES, plus an additional 200 MW from any resource type.

The LTPP Track 1 and 4 decisions also ordered SCE to file an application for approval of all contracts entered into as a result of SCE's LCR RFO for new capacity in the Western LA Basin.<sup>10</sup> On November 21, 2014, SCE filed its Application for approval of the results of its 2013 LCR RFO for the Western LA Basin. SCE's Application seeks approval of 63 contracts selected through the LCR RFO process. A summary of the selected offers is provided in Table II-1 below.

---

Continued from the previous page

<sup>8</sup> D.13-02-015 at 130-131 (OP 1); D.14-03-004 at 141-143 (OP 1).

<sup>9</sup> D.14-03-004 at 141-143 (OP 1).

<sup>10</sup> D.13-02-015 at 135 (OP 11); D.14-03-004 at 145 (OP 8). Exhibit SCE-3, Appendix F, explains how SCE's LCR RFO Application for the Western LA Basin meets the requirements of each OP in the Track 1 and Track 4 decisions.

**Table II-1**

Product Category	Counterparty	Total Contracts	Max Quantity (LCR MW)
<b>Preferred Resources and ES</b>			
EE	<ul style="list-style-type: none"> <li>• Onsite Energy Corporation</li> <li>• Sterling Analytics LLC</li> <li>• NRG Energy Efficiency-L LLC</li> <li>• NRG Energy Efficiency-P LLC</li> </ul>	26	124.04
DR	<ul style="list-style-type: none"> <li>• NRG Distributed Generation PR LLC</li> <li>• NRG Curtailment Solutions LLC</li> </ul>	7	75.00
Renewable DG	<ul style="list-style-type: none"> <li>• Solar Star California XXXV, LLC</li> <li>• Solar Star California XXXVI, LLC</li> <li>• Solar Star California XXXVII, LLC</li> <li>• Solar Star California XXXVIII, LLC</li> </ul>	4	37.92
ES	<ul style="list-style-type: none"> <li>• AES ES Alamos, LLC</li> <li>• Ice Bear SPV #1, LLC</li> <li>• Hybrid-Electric Building Technologies Irvine 1, LLC</li> <li>• Hybrid-Electric Building Technologies Irvine 2, LLC</li> <li>• Hybrid-Electric Building Technologies West Los Angeles 1, LLC</li> <li>• Hybrid-Electric Building Technologies West Los Angeles 2, LLC</li> <li>• Stem Energy Southern California, LLC</li> </ul>	23	263.64
<b>Total Preferred Resources and ES</b>		<b>60</b>	<b>500.60</b>
<b>GFG</b>			
GFG	<ul style="list-style-type: none"> <li>• AES Alamos Energy, LLC</li> <li>• AES Huntington Beach Energy, LLC</li> <li>• Stanton Energy Reliability Center, LLC</li> </ul>	3	1,382.00
<b>Total Preferred Resources, ES, and GFG</b>		<b>63</b>	<b>1,882.60</b>

**III.**

**THE COMMISSION SHOULD APPROVE SCE’S APPLICATION IN ITS ENTIRETY**

**A. The Contracts Selected Through SCE’s LCR RFO Are Reasonable and Prudent**

As demonstrated in SCE’s Application, testimony, and this Opening Brief, the contracts that SCE entered into as a result of its 2013 LCR RFO for the Western LA Basin are reasonable, prudent and needed to meet long-term local capacity requirements. The contracts also largely satisfy the procurement authorizations granted by the Commission.

**1. The Limit on the Procurement of In-Front-of-the-Meter Energy Storage is Reasonable and Prudent**

In-front-of-the-meter (“IFOM”) ES is a relatively new resource for which SCE does not have meaningful market operations and reliability effectiveness experience. The 100 MW of IFOM ES selected in SCE’s LCR RFO represents a massive and unprecedented increase in IFOM ES in the state of California (and, arguably, the United States). As Sierra Club’s witness stated, “[t]here’s very little in-front-of-the-meter energy storage throughout the country.”<sup>11</sup> SCE’s Independent Evaluator also noted that “California is on the leading edge of ES procurement, so there is no direct point of comparison for SCE’s undertaking in this area.”<sup>12</sup> “[T]o date, there is not more than [100 MW of IFOM ES] available in the markets.”<sup>13</sup> SCE’s LCR RFO doubles that amount. If the 100 MW IFOM ES contract is approved, to SCE’s knowledge, it will be the largest IFOM ES battery installation in the country.

As with any new and relatively unknown and untested resource, SCE had to make a determination when deciding how much risk it should take in procuring such a resource for reliability purposes and with customer funds. SCE took many factors into consideration when deciding to place a 100 MW procurement limit in the LCR RFO, and “[g]iven all of th[e] uncertainties [], [SCE] made a judgment call based on all of th[e] risks and ultimately decided that a 100-megawatt cap was the appropriate cap.”<sup>14</sup> Furthermore, as stated in SCE’s Rebuttal Testimony, SCE imposed the limit because of: (1) the uncertainty that existed in the relative valuation results, as a result of interconnection cost uncertainty and potential charging restrictions; (2) the uncertainty regarding the impact of IFOM ES on SCE’s balance sheet as debt equivalents; and (3) the qualitative risks and benefits to its customers due to the uncertainties surrounding such a new and unknown resource.<sup>15</sup> “[SCE] felt 100 megawatts was a

---

<sup>11</sup> Sierra Club, Fagan, Tr., Vol. 2 at 232:25-27 (May 6, 2015). Citations to the LCR RFO LA Basin Evidentiary Hearing Transcript in this proceeding use the following format: [party], [witness surname], Tr., Vol. at [page number(s)]:[line number(s)] ([date]).

<sup>12</sup> Exhibit SCE-2, Appendix D, at D-34.

<sup>13</sup> SCE, Singh, Tr., Vol. 1 at 27:5-6 (May 5, 2015).

<sup>14</sup> *Id.* at 26:14-18.

<sup>15</sup> Exhibit SCE-6, Rebuttal Testimony, at 4-7.

significant amount of storage to be procuring” considering the “unknown” nature of the product[,]”<sup>16</sup> and “w[as] not prepared go above 100 megawatts because of all the [] risks that...existed.”<sup>17</sup> Although suggested by certain parties, “it’s not purely about ancillary service risks and relative value risk. There were a number of risks that [SCE] had identified during the process. And there still remain risks that [SCE] may not even have identified yet because this is a resource that has[] [no]t had real market participation. There[] [is] not a lot of information on the resource. So it[] [i]s a case of, is procuring unlimited amounts of a new resource reasonable? And [SCE] thought it was n[o]t[,] [] so we put a limit on this new resource.”<sup>18</sup> The limit resulted in the selection of a single resource at the existing Alamitos site that will be interconnected to the transmission system at 220kV in an area where there is less likelihood of charging restrictions and congestion, which alleviates some of the concern regarding the ability of IFOM ES to capture ancillary services revenues.

In the Track 4 decision, the Commission states that in the Track 1 decision it “indicated that energy storage procurement was an *experiment*”<sup>19</sup> when it stated that “[a] requirement to procure a modest level of energy storage resources, such as 50 MW provides an opportunity to assess the costs and performance of energy storage resources.”<sup>20</sup> This indicates that the Commission never expected SCE to procure substantial amounts of ES because of the unknowns associated with the resource-type. The Commission acknowledged that there are still uncertainties with respect to ES, and that “[m]uch more will be known about procurement of energy storage resources and their impact on reliability as these processes develop.”<sup>21</sup> The Commission also stated that “[w]hile [it] see[s] considerable value in pursuing the experiment to procure energy storage resources, [it] d[id] not intend that SCE be required to sign contracts from energy storage suppliers at all costs.”<sup>22</sup> Yet, SCE still surpassed the

---

<sup>16</sup> SCE, Singh, Tr., Vol. 1 at 26:19-21 (May 5, 2015).

<sup>17</sup> SCE, Singh, Tr., Vol. 1 at 78:24-26 (May 5, 2015).

<sup>18</sup> *Id.* at 78:27-28 and 79:1-11.

<sup>19</sup> D.14-03-004 at 60 (emphasis added).

<sup>20</sup> D.13-02-015 at 125 (Findings of Fact (“FOF”) 44).

<sup>21</sup> D.14-03-004 at 61.

<sup>22</sup> D.13-02-015 at 88-89.

Commission's minimum procurement authorization for ES by selecting the 100 MW IFOM ES offer, which is twice the minimum ES requirement the Commission authorized in its Track 1 and 4 decisions, and in total, SCE procured approximately 260 MW of ES-based resources which is approximately five-times the amount of ES the Commission specified should be procured.

a) **ORA and Sierra Club Have Not Demonstrated That the Limit on IFOM ES is Unreasonable**

Both Sierra Club and ORA argue that SCE's limit on IFOM ES is arbitrary and unreasonable, and yet, they fail to address or respond to each one of SCE's reasons for placing a limit on IFOM ES. In order to show that SCE's limit was truly unreasonable, they need to rebut each of SCE's reasons for the limit, because each of the factors that SCE considered is relevant to the decision to mitigate the risk to customers by limiting procurement of the resource.

(1) **Sierra Club Did Not Address All of SCE's Reasons for Limiting Procurement of IFOM ES**

Sierra Club's witness admits that he did not consider or assess debt equivalence concerns in his assessment of SCE's limit on procurement of IFOM ES. Mr. Fagan stated that he was "testifying to [SCE's] approach to evaluating [IFOM ES]...",<sup>23</sup> and yet, by his own admission, he failed to take into consideration a significant part of SCE's approach to evaluating IFOM ES – the impact of debt equivalence on the valuation.<sup>24</sup> Furthermore, Sierra Club does not request or recommend that the 100 MW IFOM ES contract be rejected, nor does it offer an alternative to selecting the 100 MW IFOM ES contract.

---

<sup>23</sup> Sierra Club, Fagan, Tr., Vol. 2 at 236:15-16 (May 6, 2015).

<sup>24</sup> *See id.* at 251:7-12 (Q: So your testimony is limited to the valuation issues and you are not going to make an opinion on whether or not the financial impacts could justify a cap? A: My testimony does not cover that area.); 249:25-28 – 250:1-6 (Q: Isn't it true that SCE's – that SCE had identified more risks than just overvaluation? A: I think that's true, yes. Q: SCE also identified the financial credit risk that I just asked you about, is that right? A: Yes. Q: Okay. A: Which I'm not testifying to.).

Additionally, and consistent with SCE's concern with the uncertainty surrounding IFOM ES resources, Mr. Fagan admits "[t]here's very little in-front-of-the-meter energy storage throughout the country"<sup>25</sup> and he is "not fully aware of how much [IFOM ES] is on the California grid now and how much is not on the grid now."<sup>26</sup> Despite admitting that very little historical data exists regarding the performance of IFOM ES, nor investigating what currently exists in the California market, Mr. Fagan attempts to take the position that he can accurately opine on the accuracy of valuation results that span over a 25 year period. Mr. Fagan attempts to explain away this uncertainty with an indication of how markets generally work. However, as the Commission indicated, the procurement of energy storage is an "experiment" to determine its ability to perform reliably in the market. Thus, the Commission placed a modest 50 MW procurement minimum for ES for the LCR RFO. SCE chose to go beyond the minimum in an attempt to transform and move the market, but did so in a prudent manner to ensure its customers are not saddled with unknown costs and risks that may arise from this new and emerging technology.

(2) **ORA Did Not Address SCE's Reasons for Limiting Procurement of IFOM ES**

ORA asserts that "[d]ue to SCE's inability to quantify the uncertainty prescribed to IFOM ES and its costs impacts, the resulting 100 MW cap is arbitrary."<sup>27</sup> ORA suggests that SCE should have "propose[d] parameters or probabilities for the cost impacts that uncertainty from interconnection, tariff treatment, treatment in the AS [ancillary services] markets, and debt equivalence [would] have [had] on IFOM ES costs or benefits."<sup>28</sup> However, ORA's rationale does not address the practical constraints that confronted SCE. As SCE stated in its Rebuttal Testimony, SCE could not propose the "parameters or probabilities for the cost impacts" related to the uncertainty because at the

---

<sup>25</sup> *Id.* at 232:25-27.

<sup>26</sup> *Id.* at 236:17-19.

<sup>27</sup> Exhibit ORA-2 at 5-1.

<sup>28</sup> *Id.* at 5-3.

time contracts were signed there was not enough information available, or time available (contracts were signed shortly after the selection process), to conduct such an analysis.

ORA also states that SCE “did not quantify how the risk of excessive and unknown transmission upgrade costs would impact costs overall.”<sup>29</sup> Yet, as SCE explained in its Rebuttal Testimony, “there were no available interconnection studies that SCE could rely upon to estimate the potential constraints on the charging ability of IFOM ES or the costs associated with necessary upgrades for unconstrained charging of IFOM ES. This uncertainty impacted the IFOM ES offers’ forecasted economics because the majority of IFOM ES’s benefits were from ancillary services, and a constraint on charging would hinder IFOM ES’s ability to fully participate in those markets.”<sup>30</sup> ORA’s own testimony explains that SCE did not have the necessary interconnection studies to provide the “quantitative cost impacts” that they say SCE should have provided.<sup>31</sup>

ORA states that “SCE lacks a reasonable basis for imposing the 100 MW cap on IFOM ES,”<sup>32</sup> but then fails to show how and why the limit was unreasonable. Furthermore, ORA’s recommendation to select another offer for IFOM ES is untimely and unrealistic. SCE cannot go back to counterparties that made offers in the LCR RFO and choose to now accept rejected offers. Those offers are no longer available and SCE’s contract selection process is complete.

**2. The Demand Response Contract Terms and Conditions are Reasonable and Do Not Need to be Modified (Offers: 447200-447205 and 447250)**

ORA asserts that the “terms and conditions of the Demand Response [] contracts are unreasonable [] and should be modified.”<sup>33</sup> First, SCE’s DR Pro Forma Agreement was provided to and reviewed by ORA prior to the launch of the LCR RFO, and SCE incorporated some of ORA’s recommended changes to SCE’s DR Pro Forma Agreement at that time. Many of the suggested contract

---

<sup>29</sup> *Id.* at 5-4.

<sup>30</sup> Exhibit SCE-6, Rebuttal Testimony, at 4.

<sup>31</sup> *See* Exhibit ORA-2 at 5-4.

<sup>32</sup> *Id.* at 5-2.

<sup>33</sup> *Id.* at 1-1.

modifications in ORA's testimony, however, were not previously proposed, despite the fact that ORA had the opportunity to do so. The Commission should reject the recommendations ORA is making to SCE's DR Pro Forma Agreement because they are untimely, and many of ORA's proposed revisions are not practical or reasonable.<sup>34</sup> For example, ORA's suggestions that the Capacity Payment should be based on all event hours during a month instead of the average best-performing hours, and the window in which SCE can issue a test dispatch based on a seller's request should be 30 days instead of three business days, take current provisions and inflate them to the degree that they are excessively punitive against the seller. These suggestions are also inconsistent with the current market for DR resources.

### **3. The NRG DG Contracts are Reasonable**

#### **a) Sierra Club and ORA Mischaracterize the NRG DG Contracts (Offers: 447200-447205)**

ORA and Sierra Club assert that the NRG DG projects should be considered fossil-fueled back-up generation or GFG, and not Preferred Resources.<sup>35</sup> SCE disagrees. Although SCE categorized these projects as DR, mostly based on the form of the contract SCE utilized to execute its LCR procurement, it is SCE's understanding that the projects will utilize DG technology, and should be categorized as such.<sup>36</sup> Furthermore, with respect to "the contracts that [SCE] ha[s] with NRG...the terms of those contracts could not be met with a resource that was permitted backup generation. A backup generator typically has limited run hours ... [and] might run during emergency situations. The NRG contract would allow [SCE] to dispatch that resource during non-emergency events and would

---

<sup>34</sup> See Exhibit SCE-6, Rebuttal Testimony, at 8-12 for a more detailed discussion regarding why ORA's suggested contract modifications are impractical and/or unreasonable.

<sup>35</sup> *Id.* at 3-1 - 3-4; Exhibit Sierra Club-2 at 14-15.

<sup>36</sup> Exhibit NRG-1 at 2 ("NRG DG PR's equipment will be a truly [DG] resource that will operate behind the meter at end-use customer sites in continuous parallel or island operation to help SCE with grid load management and also provide end-user customers with reliability in the event of a utility outage.").

have limited run hours, although more run hours than is typically contemplated under a resource that is permitted as backup generation.”<sup>37</sup>

Per the Transmittal Letter for the LCR RFO, SCE had no pro forma contract form for DG and instead instructed sellers to contact SCE to discuss contracting options.<sup>38</sup> SCE also emphasized this point at the LCR RFO Bidder’s Conference.<sup>39</sup> Consistent with SCE’s direction, NRG proposed a creative solution to sell DG by using SCE’s LCR DR contract form because it contained operating characteristics (*e.g.*, number of calls per month/year, etc.) and appropriate performance requirements that best matched NRG’s technology. And as a practical matter, the resource operates similar to DR because it reduces on-site demand of electricity from the grid when it is dispatched. Regardless of the contract form, the underlying resource is DG.

As identified in the Loading Order in the State’s Energy Action Plan II, DG is a Preferred Resource:

The loading order identifies energy efficiency and demand response as the State’s preferred means of meeting growing energy needs. After cost-effective [energy] efficiency and demand response, we rely on renewable sources of power and *distributed generation, such as combined heat and power applications*.<sup>40</sup> (Emphasis added.)

The use of clean, natural-gas fired DG does not make these projects GFG projects. The Loading Order uses “combined heat and power applications”<sup>41</sup> as an example of DG, and

---

<sup>37</sup> SCE, Bryson, Tr., Vol. 1 at 136:5-18 (May 5, 2015).

<sup>38</sup> Exhibit SCE-3, Appendix E – 2013 LCR RFO Transmittal Letter V 2.0, Section B.8, at E-137.

<sup>39</sup> *Id.* at E-4 – E-54.

<sup>40</sup> Preferred Resources are defined in the State’s Energy Action Plan II, at page 2, as follows: “The loading order identifies energy efficiency and demand response as the State’s preferred means of meeting growing energy needs. After cost-effective [energy] efficiency and demand response, we rely on renewable sources of power and distributed generation, such as combined heat and power applications. To the extent [energy] efficiency, demand response, renewable resources, and distributed generation are unable to satisfy increasing energy and capacity needs, we support clean and efficient fossil-fired generation. Concurrently, the bulk electricity transmission grid and distribution facility infrastructure must be improved to support growing demand centers and the interconnection of new generation, both on the utility and customer side of the meter.”

<sup>41</sup> *Id.*

it is common knowledge that combined heat and power, also known as cogeneration, typically utilizes a fuel source such as natural gas, just like the projects at issue. Since the NRG projects are DG, they should be considered as Preferred Resources under the Loading Order.

**B. SCE's LCR RFO was Successful, Fair and Reasonable**

**1. No Party Has Demonstrated That SCE's LCR RFO Was Unreasonable**

SCE encouraged the participation of all types of technologies and resources in the LCR RFO, but particularly Preferred Resources and ES. In its report, the Independent Evaluator noted that “[o]ver 800 Western LA Basin offers from more than 60 bidders were received. It was quite a robust response and included bids from all resource categories – as well as some new products that were not easy to categorize or which needed the development of a new product category, contract, and/or revised evaluation approach.”<sup>42</sup>

As with many of SCE's solicitations for renewable, combined heat and power, and conventional resources, SCE posted RFO information on its website (<https://www.sce.com>) and issued a press release at the launch of the LCR RFO. SCE sent emails announcing the launch of the solicitation to Commission distribution lists for proceedings that involve EE, DR and DG. SCE also sent notices regarding the LCR RFO to the following organizations: National Association of Energy Service Companies; California Energy Efficiency Industry Council; Association of Energy Services Professionals; Peak Load Management Alliance; Solar Energy Industries Association; California Solar Energy Industries Association; Solar Electric Power Association; California Energy Storage Association; American Wind Energy Association; and the Fuel Cell & Hydrogen Energy Association. Finally, SCE posted an announcement of the launch of the LCR RFO on the Proposal Evaluation & Proposal Management Application website, which has historically been used to notify the market of California's Investor-Owned Utilities' EE solicitations.

---

<sup>42</sup> Exhibit SCE-2, Appendix D, at D-17.

In support of these efforts, the Independent Evaluator noted that it “believe[d] that SCE pursued reasonable and adequate procedures for notifying potential interested parties...On the LCR RFO launch date..., SCE issued a press release and emailed over 3,400 industry contacts (compiled from previous power supply solicitations, regulatory service lists, etc.) that the LCR RFO had been released and invited them to participate. SCE also notified all CAM members of the LCR RFO’s launch.”<sup>43</sup> The Independent Evaluator ultimately “concluded that SCE did a good job of publicizing the 2013 LCR RFO solicitation, and that the solicitation was quite robust, as evidenced by the substantial response that it received from the bidding community.”<sup>44</sup>

Furthermore, the LCR RFO Transmittal Letter contains over eight pages of information on various product types, including information on how resources would be evaluated. In addition, this information was reviewed at the LCR RFO Bidders’ Conference. At the Bidders’ Conference, potential sellers requested that SCE hold separate webinars to provide additional information specific to EE and ES. SCE notified potential bidders of these additional webinars through the same distribution list that announced the RFO and held two separate webinars for EE and ES. Prior to initial bid submittal, potential bidders could submit RFO questions to and receive answers from SCE, some of which were related to Preferred Resource procurement. SCE also modified its LCR RFO schedule to help the bidders of Preferred Resources reach agreement on a form of agreement.

During the negotiation and bidding phase of the solicitation, the SCE LCR RFO procurement team expended numerous hours with Preferred Resource bidders, walking them through the bid and award process and facilitating their ability to submit a final bid. Additionally, the contractual delivery date security posting amount, which selected offers are required to post to SCE until delivery starts, on a \$/kW basis was generally lower for Preferred Resources than conventional resources. In short, SCE worked collaboratively and diligently with stakeholders and bidders to remove potential

---

<sup>43</sup> Exhibit SCE-2, Appendix D, at D-34-D35.

<sup>44</sup> *Id.* at D-35.

obstacles that may have interfered with the ability of Preferred Resource service providers to contract with SCE.

#### IV.

#### CONCLUSION

For all of the foregoing reasons, the Commission should approve SCE's Application in its entirety and grant the findings requested by SCE. In particular, the Commission should issue a decision:<sup>45</sup>

1. Granting expedited consideration of this Application, as the terms of the LCR RFO contracts are conditioned on the occurrence of final "CPUC Approval," as it is described in the LCR RFO contracts;
2. Approving the Application in its entirety;
3. Approving the LCR RFO, and SCE's conduct with respect to the LCR RFO, as reasonable;
4. Approving the LCR RFO contracts in their entirety;
5. Finding that the EE, DR and renewable DG contracts, totaling 236.96 MW, entered into as a result of the LCR RFO for the Western LA Basin are needed to meet long-term local capacity requirements and count towards satisfying the 550 MW minimum Preferred Resources authorization in D.14-03-004;<sup>46</sup>
6. Finding that the ES contracts, totaling 263.64 MW, entered into as a result of the LCR RFO for the Western LA Basin, are needed to meet long-term local capacity requirements and satisfy the 50 MW minimum ES authorization in D.13-02-015<sup>47</sup> and D.14-03-004<sup>48</sup>

---

<sup>45</sup> These findings are those included in the Prayer for Relief in SCE's Application, filed November 21, 2014.

<sup>46</sup> D.14-03-004 at 141-142 (OP 1.c).

<sup>47</sup> D.13-02-015 at 130-131 (OP 1.b).

<sup>48</sup> D.14-03-004 at 141-142 (OP 1.b).

and, for procurement beyond 50 MW, count towards satisfying the 550 MW minimum Preferred Resources authorization in D.14-03-004;<sup>49</sup>

7. Finding that the GFG contracts, totaling 1,382 MW, entered into as a result of the LCR RFO for the Western LA Basin, are needed to meet long-term local capacity requirements and satisfy the 1,000 MW minimum GFG authorization in D.13-02-015<sup>50</sup> and D.14-03-004;<sup>51</sup>
8. Finding that the LCR RFO contracts are compliant with the Emissions Performance Standard;
9. Finding the LCR RFO contracts, and SCE's entry into them, reasonable and prudent for all purposes, and finding that any payments to be made by SCE pursuant to the contracts are recoverable in full by SCE through the ERRRA proceeding, subject only to SCE's prudent administration of the contracts;
10. Authorizing SCE to allocate the benefits and costs of the contracts entered into as a result of the LCR RFO to all benefitting customers in accordance with D.13-02-015 and D.14-03-004;
11. Approving SCE's plan for the allocation of costs and benefits to all benefitting customers set forth in Chapter 8 of Exhibit SCE-1;

---

<sup>49</sup> D.14-03-004 at 141-142 (OP 1.c).

<sup>50</sup> D.13-02-015 at 130-131 (OP 1.a).

<sup>51</sup> D.14-03-004 at 141-143 (OP 1.a).

12. Ordering SCE to establish the LCR Products Balancing Account; and
13. Granting such other and further relief as the Commission finds just and reasonable.

Respectfully submitted,

WILLIAM V. WALSH  
TRISTAN REYES CLOSE

*/s/ Tristan Reyes Close*

---

By: Tristan Reyes Close

Attorneys for  
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue  
Post Office Box 800  
Rosemead, California 91770  
Telephone: (626) 302-2883  
Facsimile: (626) 302-0000  
E-mail: [Tristan.ReyesClose@sce.com](mailto:Tristan.ReyesClose@sce.com)

June 10, 2015