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**PROPOSED DECISION**

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Decision **PROPOSED DECISION OF ALJ MILES (Mailed 2/23/18)**

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

Application of Southern California Edison  
Company (U338E) for Approval of the  
Results of its Second Preferred Resources  
Pilot Request for Offers.

Application 16-11-002

**DECISION DENYING THE APPLICATION OF  
SOUTHERN CALIFORNIA EDISON COMPANY**

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## DECISION DENYING THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY

### Summary

This decision denies 19 purchase and sale agreement contracts totaling 125 Megawatts within Southern California Edison Company's (SCE) Second Preferred Resources Pilot Request for Offers. As discussed below, SCE has failed to adequately justify why these 19 contracts are needed – whether under the Preferred Resources Pilot or to meet the objectives and requirements of existing Commission procurement programs or policies. Accordingly, we are not convinced that approving the purchase and sale agreement contracts is in the best interests of SCE customers, and we do not authorize recovery of the costs of these contracts in rates.

This proceeding is closed.

### 1. Factual and Procedural Background

On November 4, 2016, Southern California Edison Company (SCE) filed its *Application of Southern California Edison Company for Approval of the Results of its Second Preferred Resources Pilot Request for Offers (Application)*, in which SCE requested that the Commission approve the results of its second preferred resources pilot (PRP) Request for Offers (RFO) and approve 19 Purchase and Sale Agreement contracts (PSAs) for 125 Megawatts (MW) of preferred resources.<sup>1</sup> The pilot targets resources to support Johanna A-Bank and Santiago A-Bank

<sup>1</sup> In its Application at 2, SCE describes the “preferred resources” as energy efficiency, demand response, renewable distributed generation and energy storage. SCE procured 60 MW of in-front-of-meter (IFOM) energy storage (ES), 55 MW of Demand Response (DR) supported by ES and load reduction, and 10 MW of behind the meter solar paired with ES (Hybrid).

substations (the J-S Region). With its Application, SCE served Public and Confidential Versions of Testimony in Support of its Application.<sup>2</sup>

The Office of Ratepayer Advocates (ORA) filed a protest on December 28, 2016 (Protest). In its Protest, ORA expresses concern that SCE's PRP is an internal program for which SCE has not sought Commission approval. It also questions the goals and objectives of the PRP and whether it is reasonable.<sup>3</sup> SCE filed a reply to ORA's Protest on January 13, 2017.

On January 13, 2017, the assigned Administrative Law Judge (ALJ) issued rulings setting a prehearing conference (PHC) on February 23, 2017, and requiring the parties to meet, confer and file a joint PHC statement by February 21, 2017 (joint PHC statement). At the PHC, the assigned ALJ requested the parties to further meet and confer and to prepare and submit a joint brief setting forth issues that they propose to include within the scope of the proceeding. The parties filed a joint brief on March 13, 2017 (Joint brief).

The assigned Commissioner issued a scoping memorandum and ruling on April 21, 2017 setting forth the key issues below as within scope of this proceeding:

1. Whether SCE's PRP RFO 2 was conducted in a fair and reasonable manner?
2. Are the contract terms and contract prices of each of the PSAs reasonable?
3. Do the PSAs, collectively and individually, fulfill an existing procurement or local area need?

<sup>2</sup> Exhibit SCE-01 contains public version of the "Testimony of SCE in Support of its Application" by Gus Flores, Caroline McAndrews, Ranbir Sekhon and Douglas Snow. Exhibit SCE-01C is the confidential version of the testimony.

<sup>3</sup> Protest of ORA dated December 28, 2016 (Protest) at 4.

4. If the PSAs do not fulfill an existing procurement need, are there any other reasons why the PSAs should be approved?
5. Why and how is the PRP RFO 2 not duplicative of other Commission mandates, programs or procurement?
6. Is approval of the PRP RFO 2 in the best interests of SCE customers?
7. Are there safety considerations relevant to the approval of SCE's PRP RFO 2?<sup>4</sup>

On May 1, 2017, SCE served public and confidential versions of supplemental testimony. On June 2, 2017 ORA served public and confidential versions of its testimony.<sup>5</sup> On June 23, 2017 SCE served public and confidential versions of rebuttal testimony. On August 16, 2017, SCE served public and confidential versions of Amended Testimony. An evidentiary hearing was held on August 24, 2017. On September 11, 2017, SCE filed a Motion to Seal a Portion of the Evidentiary Record.<sup>6</sup> The parties filed concurrent opening briefs on September 29, 2017 and concurrent reply briefs on October 30, 2017, at which time the matter was submitted for decision.

## **2. Motions for Entry of Testimony and to Seal**

ORA and SCE have separately filed motions for entry of testimony into the evidentiary record of this proceeding, pursuant to Rule 11.1 and Rule 13.8 of the Commission's Rules of Practice and Procedure (Rules). Both parties have also filed confidential and public versions of its testimony, and as noted above, SCE

<sup>4</sup> The parties identified no adverse impacts upon the economic well-being, public health or safety of California residents.

<sup>5</sup> Exhibit ORA-01 is the public version of testimony by Christopher Myers and Christian Knierim. ORA-01C is the confidential version.

<sup>6</sup> SCE requests confidential treatment of Exhibit SCE-01C, Exhibit SCE-01C-A, SCE-02C and SCE-03C.

filed a Motion to Seal a Portion of the Evidentiary Record pursuant to Rule 11.5(b).

We grant SCE's and ORA's motions to move existing testimony into the record as set forth in the ordering paragraph. Additionally, because both parties have appropriately designated information in their testimony as confidential pursuant to the Commission's guidance in D.06-06-066, we grant SCE's motion to seal portions of the evidentiary record,<sup>7</sup> and deem the request applicable to testimony deemed confidential by ORA as well, for a period of three years from the effective date of this decision.

### **3. SCE's Application**

In its application, SCE explains that the backdrop for its launch of the PRP in the J-S Region was the retirement of coastal Once-Through-Cooling (OTC) plants and the closure of the San Onofre Nuclear Generating Station (SONGS), which together represented loss of approximately 7,000 MW of generation capacity. SCE explains that retirement of these facilities have potential to affect electric grid reliability in Southern California's Western Los Angeles Basin (LA Basin), which includes the J-S region.<sup>8</sup> SCE contends that customer electricity demand in the J-S Region is growing. It states that load growth in the region presents an opportunity for SCE, through its PRP, to (1) demonstrate the ability to site locally preferred resources to offset the growing load in the J-S Region, driven by new commercial and residential developments and business expansion, (2) operationally integrate and manage distributed energy resources (DERs) as they potentially become more than 20% of the resources serving the J-S

<sup>7</sup> At 60, Lines 19-24 of SCE-01-C are not sealed. The information discussed there is pertinent to discussion in Section 7.3.2.2 below, about the PSAs which SCE intends to utilize to support Demo C.

<sup>8</sup> See Application at 3.

Region, and (3) enable customer choice in meeting their energy needs with cleaner preferred resources by providing sourcing avenues through alternative energy service markets.<sup>9</sup> SCE states that, while its principal purpose for launching the PRP RFO is to support the PRP endeavor, an equally motivating objective is to procure preferred resources to support other important State-led endeavors that focus on the emerging modernized grid including the Electric Program Investment Charge (EPIC), Integrated Grid Project (IGP) and at least two Distribution Resources Plan (DRP) demonstration projects. However, it also notes that California Independent System Operator (CAISO) analysis may indicate whether a need remains for long-term local capacity resources in the Western LA Basin and may also conclude that electric grid reliability issues have been resolved.<sup>10</sup>

SCE concludes that procurement of preferred resources for the J-S Region is reasonable and in the best interest of customers because it supports the State's environmental and distributed energy resources goals.

#### **4. ORA's Protest and Testimony**

ORA filed a Protest to the PRP and served testimony which elaborated on the concerns expressed in its protest. ORA's overarching argument in its Protest is that the PRP concept itself is unnecessary and unauthorized. Apart from the arguments challenging the validity of the PRP concept itself, ORA's Protest objects to a lack of specificity in SCE's application. ORA notes that, although SCE's application sets forth general intent that the PRP will support and advance a tapestry of programs, SCE offers minimal detail about how the PRP links to the

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

<sup>10</sup> See Application at 4. CAISO's 2018 Local Capacity Technical (LCT) Study dated May 1, 2017 and CAISO's 2022 LCT Analysis dated May 3, 2017 were available and discussed during the evidentiary hearing (EH) held on August 24, 2017.



Commission-authorized programs and policies or how the procurement authorization sought in the application will support the Commission's policies and programs.<sup>11</sup>

ORA decries the lack of metrics in SCE's application, without which the Commission has no way to assess whether SCE's efforts under the PRP are effective.<sup>12</sup> Additionally, ORA notes that SCE does not forecast the cost that it intends to incur in order to procure the resources for which it seeks approval.<sup>13</sup> ORA questions whether the resources that SCE seeks to procure under the PRP are really necessary, and whether they can be procured within the scope of existing, previously approved programs.

## **5. SCE's Opening Brief and Testimony**

SCE filed an Opening Brief<sup>14</sup> highlighting points made in its Application and testimony, to further elaborate why the PRP should be approved. SCE argues that the PRP will provide important insight into the value of local, targeted DERs, which will assist SCE in determining whether locally-sited preferred resources will allow SCE to effectively manage or offset forecasted load growth in the J-S Region.<sup>15</sup> It points out that the PRP will provide valuable data to third party market participants, will demonstrate how preferred resources can deliver just as reliably as traditional gas-fired generation, and will facilitate customer choice for meeting energy needs through cleaner resources by

<sup>11</sup> See Protest of ORA dated December 28, 2016 at 6.

<sup>12</sup> *Id.* at 9. ORA cites the Smart Grid rulemaking proceeding Rulemaking (R.) 08-12-09, in which the Commission stated that "metrics offer a good way of measuring progress in the implementation of any policy, and allow the Commission, other parties and the public to measure, compare and contrast the adherence of [the utilities] to statutes and policies created by the Commission.

<sup>13</sup> *Id.* at 8.

<sup>14</sup> See Concurrent Opening Brief (Brief) of SCE dated September 29, 2017.

<sup>15</sup> SCE estimates that DERs may potentially become more than 20% of the resources serving the J-S Region.

providing additional sourcing avenues through alternative energy service markets.<sup>16</sup> SCE notes that the state of California's desire to move toward a "low carbon future," requires electric utilities to procure clean sources of energy/preferred resources to meet energy and reliability needs, which in turn, has accelerated the widespread adoption of and dependency upon DERs.

SCE says that the contracts under the PRP are needed to support the PRP, but also EPIC IGP and DRP projects, which similarly focus on the emerging, modernized, distributed grid.<sup>17</sup> SCE contends that it has yet to be proven that preferred resources can be deployed with customers in significant quantities to meet forecasted hourly incremental load demand in the J-S Region. Therefore, the PRP will allow an opportunity to prove that preferred resources can be deployed in concentrated amounts at local distribution levels in urban areas in a fair and reasonable manner and on reasonable terms. With its PRP, SCE seeks to validate CAISO long term transmission planning assumptions that DERs will be able to meet planning needs and will perform as assumed.<sup>18</sup>

SCE disputes ORA's characterization that the procurement that it seeks under the PRP PSA contracts is duplicative of its procurement under other Commission programs. It says that it will not utilize any funding from other Commission programs, and that PRP procurement will not duplicate other program targets.<sup>19</sup> For instance, SCE's supplemental testimony includes Table II-1 (which contrasts the procurement sought under the PRP from procurement under existing Commission Energy Efficiency, Demand Response, Distributed

<sup>16</sup> Brief of SCE at 3, citing testimony of Caroline McAndrews, SCE-01 at 5.

<sup>17</sup> *Id.* at 4, citing rebuttal testimony of Caroline McAndrews, SCE-03 at 1.

<sup>18</sup> Brief of SCE at 11-12. Also see supplemental testimony of Caroline McAndrews, SCE-02 at 11-13.

<sup>19</sup> Brief of SCE at 16.

Generation and Self Generation Incentive Programs)<sup>20</sup> and Table II-2 (which SCE uses to illustrate that, PSA contracts under the PRP will be “supportive of, but not duplicative of” Commission procurement targets under other Commission mandated procurement programs).

SCE intends that some of the PSA contracts support demonstration projects (Demos) C and D under its DRP, which are within the J-S Region.<sup>21</sup>

## 6. ORA’s Opening Brief

ORA’s Opening Brief expands upon concerns raised in ORA’s Protest and testimony.<sup>22</sup> These concerns can be distilled to four: (1) that the 19 PSA contracts are not necessary to fulfill a forecasted Local Capacity Requirements (LCR) need within the LA Basin or J-S Region;<sup>23</sup> (2) that SCE has not demonstrated that it must procure LCR resources through the PRP independent of other existing procurement programs previously approved by the Commission – i.e. the goals and objectives of the PRP are duplicative of existing procurement programs;<sup>24</sup> (3) that the PRP PSA contracts are not necessary to support SCE’s DRP Demonstration projects,<sup>25</sup> and (4) that the costs under the 19 PSA contracts present an unreasonable burden on ratepayers. ORA argues that these factors mitigate against approval of the PSAs under the PRP absent explicit and convincing demonstration that they warrant independent procurement outside of existing Commission authorized activities and programs. It notes that the standard of proof places the burden on SCE to prove reasonableness in all

<sup>20</sup> See supplemental testimony of Caroline McAndrews, SCE-02 at 3-4.

<sup>21</sup> *Id.* at 5-6.

<sup>22</sup> See ORA Brief (Public Version) dated September 29, 2017.

<sup>23</sup> See ORA Brief at 22-25 and ORA-01 at 2-1.

<sup>24</sup> See ORA Brief at 44-57.

<sup>25</sup> See ORA Brief at 32-37.

aspects of its application, rather than on ORA to prove the unreasonableness of applicant's request.<sup>26</sup>

## **7. Discussion**

As a general policy matter, we applaud SCE's broader initiative to support grid modernization and the state's environmental goals. The Commission has a long-standing history of supporting the use of preferred resources and energy storage systems to meet system needs and support state policy goals, and we encourage SCE to continue to think creatively about future procurement opportunities to meet these objectives. However, as discussed below, we ultimately find that SCE has failed to demonstrate why these 19 PSAs are needed, including their expected contribution to local system reliability, existing Commission programs, or larger state policy goals – such as grid modernization, renewable penetration, and greenhouse gas reductions. Accordingly, we are not convinced that approving these contracts is in the best interests of SCE customers, nor that SCE should be authorized to recover the costs of them in rates.

### **7.1. Evidentiary Standard and Burden of Proof**

As the applicant in a utility ratesetting proceeding, SCE bears the burden of proof to demonstrate that the expenses it seeks to recover through rates are reasonable.<sup>27</sup> The Commission has ruled that an applicant has the burden of affirmatively establishing reasonableness in “all aspects” of its application.<sup>28</sup> Pursuant to the issues laid out in the Scoping Memo, the Commission will only approve SCE's application upon a showing that its conduct with respect to the PRP RFO 2 was reasonable; that the PSA contracts fulfill an existing procurement

<sup>26</sup> ORA Brief at 7.

<sup>27</sup> See D.83-05-036.

<sup>28</sup> In the Matter of the Application of California Water Company (2003) D.03-09-021 at 17.

or local area need, or should be approved for other reasons; and that the PSA contracts are reasonably priced.

### **7.2. Was SCE's PRP RFO 2 Conducted in a Fair and Reasonable Manner**

There has been no objection to the manner in which SCE conducted the PRP RFO 2. Accordingly, we are persuaded that SCE facilitated an open, transparent bid process and responded reasonably to market conditions to increase participation and competition. The areas of controversy in this proceeding are essentially whether there is a need for the procurement that SCE seeks approval for under this proceeding, and whether the costs of these 19 PSAs are reasonable.

### **7.3. Evaluation of Need for the PSAs**

Although SCE indicates that the PSAs for which approval is sought under this Application will support the multi-year PRP, SCE has not previously sought Commission approval for the PRP itself, and does not do so here.<sup>29</sup>

The scope of this proceeding is limited to the request for approval of the PSAs under the second PRP RFO. Because the PRP RFO 2 contracts stem from a program that was never formally reviewed or approved by the Commission, the Scoping Memo identified three key issues related to need by which the PSAs are evaluated: First, do the PSAs collectively or individually, fulfill an existing procurement or local area need (and, if one or more PSAs are intended to meet an existing procurement need identified in another rule or proceeding – do the PSAs satisfy the specific requirements associated with the identified proceeding)? Second, if the PSAs do not fulfill an existing procurement need, are there other reasons why the PSAs should be approved? Third, are the objectives to be met

<sup>29</sup> See SCE-01 at 5. In D.16-09-006, the Commission approved the first RFO under SCE's PRP for two solar photovoltaic projects totaling 2.2 MW.

by the PSAs under this PRP duplicative of other Commission mandates, programs or procurement? We address each of these issues in more detail below.

**7.3.1. Do the PSAs, Collectively and Individually, Fulfill an Existing Procurement or Local Area Need?**

**7.3.1.1. LCR Need and Procurement Authorization Under Prior Decisions**

As previously noted, the backdrop for SCE's launch of the PRP in the J-S Region was the retirement of coastal OTC plants and the closure of SONGS, which together represented loss of significant generation capacity. To address the anticipated loss of generation capacity created by the retirement of SONGS and OTC plants, the Commission established the Long Term Procurement Plan (LTPP) Track 1 and Track 4 decisions ("LCR decisions" or "Track 1 and 4 decisions")<sup>30</sup> which, taken together, established procurement requirements with specified minimums for gas resources, preferred energy resources and energy storage. In compliance with the LCR decisions, SCE conducted an LCR procurement solicitation (LCR RFO) and submitted signed contracts to the Commission for approval in Application 14-11-016.

The Commission approved SCE's procurement contracts for the LCR RFO in D.15-11-041 and found that SCE had substantially satisfied the procurement directives of the LCR decisions, and that SCE is relieved from any requirement to procure additional resources as part of the RFO.<sup>31</sup> However, in the Commission's Order Modifying D.15-11-041 and Denying Rehearing of the Decision as

<sup>30</sup> D.13-02-015 and D.14-03-004.

<sup>31</sup> See D.15-11-041, FOF 11 and 12.

modified, the Commission modified D.15-11-041 to require SCE to procure an additional 169.4 MW of preferred resources or energy storage.<sup>32</sup>

#### **7.3.1.2. Lack of Forecast LCR Need Within LA Basin/J-S Region**

In its Opening Testimony, SCE specifies that the PRP RFO2 PSA contracts may offset 124.9 MW of SCE's current residual 169.4 MW LCR procurement of preferred resources that it was required to procure under D.16-05-053. SCE also notes that the CAISO would be releasing an updated analysis later in 2016 or early 2017 indicating whether a need remains for long-term local capacity resources in the Western LA Basin, and that the CAISO analysis may conclude that electric grid reliability issues in the region might be resolved or reduced assuming certain mitigation activities come to fruition.<sup>33</sup> The CAISO analysis determines the minimum quantity of local capacity necessary to meet the LCR criteria.

CAISO's most recent Local Capacity Technical Analyses<sup>34</sup> (LCR studies) were released on May 1, 2017 and conclude that, while the Los Angeles Basin Local Area LCR need has increased by 157 MW, mainly due to change in assumptions regarding the Aliso Canyon gas storage constraint, there is no projected deficiency in the Los Angeles Basin in 2018 and 2022.<sup>35</sup> During evidentiary hearing on August 24, 2017, Caroline McAndrews, SCE's director of

<sup>32</sup> See D.16-05-053. The Commission indicated that SCE could file a petition for modification of the decisions if additional procurement is not necessary.

<sup>33</sup> SCE-01 at 1.

<sup>34</sup> CAISO. *2018 Local Capacity Technical Analysis: Final Report and Study Results*. May 1, 2017; and, CAISO. *2022 Local Capacity Technical Analysis: Final Report and Study Results*. May 3, 2017.

<sup>35</sup> The PRP RFO 2 contracts have online dates ranging from 2018-2020.

the PRP, was questioned about the LCR Studies, and confirmed the LCR Study findings, which indicate no deficiency in the LA Basin.<sup>36</sup>

**“Q. So you agree that for 2018 and 2022, there’s projected to be a surplus of LCR in the LA Basin?”**

**“A. There is going to be sufficient capacity in the western LA Basin for meeting LCR needs.”**

**“Q. Without your PRP?”**

**“A. The resources procured through the PRP are not needed to meet LCR.”**

ORA argues that because LCR is the amount of resource capacity that is needed within a Local Capacity Area to reliably serve the load located within the area,<sup>37</sup> and the CAISO LCR studies demonstrate that SCE does not need the 125 MWs that it seeks to procure through the 19 PSAs under this PRP, then the PSAs should be denied despite the 169.4 MW LCR granted under D.15-11-041 as modified by D.16-05-053.<sup>38</sup>

Specifically, ORA notes that the 2018 CAISO study finds that there is 10,735 MW of qualifying capacity available for use to meet 2018 LCR needs in the LA Basin, and that the 2018 CAISO study forecasts LCR needed for the LA Basin in 2018 to be 6,873 MW in case of a Category B event<sup>39</sup> or 7,525 MW in case of a Category C event.<sup>40</sup> ORA contends that this results in a *surplus* of 3,862 MW

<sup>36</sup> See Reporter’s Transcript of Evidentiary Hearing dated August 24, 2017 at 14, lines 26-28 through 15, line 6.

<sup>37</sup> ORA-01, Testimony dated June 2, 2017 at 2- 2, citing 2018 CAISO Local Capacity Technical Analysis dated May 1, 2017 (2018 CAISO Study) at 22.

<sup>38</sup> ORA-01 at 2-1 through 2-4.

<sup>39</sup> *Id.* citing 2022 CAISO Local Capacity Technical Analysis dated May 3, 2017 (2022 CAISO Study) at 8 “*Category B describes the system performance that is expected immediately following the loss of a single transmission element, such as a transmission circuit, a generator or a transformer.*”

<sup>40</sup> *Id.* citing 2022 CAISO Local Capacity Technical Analysis dated May 3, 2017 (2022 CAISO Study) at 10 “*Category C describes system performance that is expected following the loss of two or more system elements.*”



(Category B), or 3,210 MW (Category C) of LCR in the LA Basin for 2018.<sup>41</sup>

Therefore, despite the requirement in D.16-05-053 that SCE procure an additional 169.4 MW of preferred resources, SCE cannot demonstrate that the 19 PSAs it seeks approval for in this proceeding are necessary to satisfy an existing LCR need in the LA Basin area.

SCE's witness addresses this contention in her testimony. She suggests that meeting LCR residual need is simply a potential secondary benefit of the PRP RFO 2 procurement. She explains that the focus of the PRP RFO 2 procurement is not LCR reliability need – noting that - in SCE's Opening Testimony, it is clear that the PRP RFO 2 contracts were not executed to meet a LCR obligation, but rather to meet the PRP objectives. She then explains that SCE's Opening Testimony explains that if any residual LCR need is found to exist, because of a revised CAISO analysis or because existing approved LCR contracts fail to come to fruition, then the PRP RFO 2 contracts would efficiently fill the gap.<sup>42</sup>

ORA argues that the Commission's intent in permitting SCE to file a petition for modification, if the additional procurement under its 2013 LCR RFO was not necessary (and if SCE determined, based on the CAISO's analyses, that there was no longer a deficiency in the LCR area), was to grant SCE the option to terminate its obligation to procure additional resources. The Commission's intent was not to require SCE to continue to procure unnecessary resources.<sup>43</sup>

We agree with ORA. Because the approval of SCE's procurement and associated minimum levels of preferred resource and storage procurement under

<sup>41</sup> *Id.* at 2-3. ORA notes that for the year 2022, the LCR studies show that there are 8,138 MW of qualifying capacity available for use while the Category B need forecast for 2022 in the LA Basin is 5,957 MW and the Category C need forecast for 2022 is 6,022 MW.

<sup>42</sup> See Reporter's Transcript of Evidentiary Hearing dated August 24, 2017 at 13, lines 2-19.

<sup>43</sup> *Id.* at 2-6.

the LCR decisions was based on an actual, demonstrable local capacity need, we do not interpret D.16-05-053 to require SCE to procure preferred resources or storage despite lack of demonstrable need. Further, the directive in D.16-05-053 was for SCE to meet the minimum requirements set forth in D.13-02-015 and D.14-03-004 via any procurement mechanism “reviewing all relevant updated grid reliability information.”<sup>44</sup> D.16-05-053 also found it “reasonable to allow SCE to consider CAISO updated LCR studies when procuring the remaining minimum preferred resources or energy storage.”<sup>45</sup> Although SCE has yet to file a petition for modification to terminate its remaining LCR obligation as of the date of this decision, we find that the lack of need demonstrated herein renders the authorization to procure under D.16-05-053 moot.

This said, there is some merit in SCE’s concern that the PSAs for which it seeks approval here may help hedge against the hypothetical risk that some LCR resources could fail to materialize. We also recognize that, while ORA is correct that CAISO’s 2018 and 2022 LCR studies do not presently demonstrate any LCR deficiency, CAISO analyses can change from year to year. Unfortunately, we lack the appropriate record in this proceeding to be able to determine what the appropriate hedge should be. Should SCE decide to file a new or an amended application for Commission consideration, we encourage SCE to work with CAISO to provide more detailed information and parameters regarding the potential risk of LCR resource failure, and why these PRP RFO 2 contracts are best positioned to address such a shortfall should resources actually fail to materialize.

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<sup>44</sup> D.16-05-053 at OP 1.c.

<sup>45</sup> *Id.* at OP 1.q.

### 7.3.1.3. Projected Load Growth in the J-S Region

SCE's amended testimony describes two objectives for the PRP: (1) determining whether locally-sited preferred resources will allow SCE to effectively manage or offset forecasted load growth, and (2) determining if resources can be acquired and deployed down to the circuit level. At the time of the PRP RFO 2 launch, SCE projected that there would be a peak load growth of 275 MW by 2022. Since the PRP's inception, SCE explains that it has annually updated the year 2022 forecasted peak load based in part on the previous year's electrical demand, normalizing due to temperature, and expected customer projects. Based on its own internal analysis, SCE projects that the 2016 peak load growth forecast for the J-S Region is 238 MW, but uses 275 MW to size the PRP RFO 2.<sup>46</sup>

ORA argues that SCE's own internal load analysis shows that load in the J-S region is declining, and notes that SCE's most recent 2016 forecast is 29 MWs lower than when SCE initiated the PRP in 2013.<sup>47</sup> ORA also argues that SCE already procured resources through its 2013 LCR RFO to satisfy the projected load growth in the J-S Region.

SCE's witness testified, and written testimony by SCE also states, that SCE evaluated specific attributes needed to meet load growth based on a 2015 forecast, which informed its selection of PRP resources.<sup>48</sup> However, SCE has not provided comprehensive analysis to support its forecast of expected load growth, nor explained why their forecast contrasts with the CAISO LCR studies which project a decrease in the larger LA Basin area between 2018 and 2022.

<sup>46</sup> SCE-01-A at 7-8.

<sup>47</sup> See ORA Brief dated September 29, 2017 at 13.

<sup>48</sup> See SCE-01 at 16 and SCE-01-A at 8-10.

Irrespective of how SCE conducted its analysis, or future potential changes to SCE's year-to-year load forecast for the J-S region, SCE also admitted through the course of the proceeding that load growth in the region could be satisfied through imports.

During hearing, SCE's witness was asked "why is there a need to offset load growth, when there is no need?"<sup>49</sup> She replied that "...the load growth in this particular area would be satisfied by imports, so there is no reliability need for these resources."

There is not clear information on the record to permit evaluation of SCE's forecasted load growth. What is clear from the record is that CAISO's 2018 and 2022 LCR studies indicate that the PRP RFO 2 resources are not needed for capacity or reliability purposes, that SCE's own internal load forecast shows that load in the J-S region has been declining since 2014, and that any load growth in the J-S area could be satisfied by imports. For these reasons, we find that SCE has not demonstrated that the resources sought in this proceeding are needed to meet load growth in the J-S region.

Should SCE choose to file a new or an amended application for Commission consideration, SCE must provide comprehensive analysis to support its forecast of expected load growth, and if its forecast contrasts with the most recent CAISO LCR studies available, SCE must provide adequate explanation and justification as to why the two differ.

<sup>49</sup> See Transcript of EH at 17, lines 17 to 18, line 11.

### 7.3.2. Do the PSAs Support Procurement Through Other Commission Programs?

#### 7.3.2.1. Do the PSAs Support SCE's DRP Demos C and D?

In D.17-02-007, the Commission approved SCE's DRP demonstration projects (Demos) C and D.<sup>50</sup> In its testimony, SCE argues that some of the PSAs under the PRP are intended to fulfill its Demos C and D under the DRP proceeding.<sup>51</sup> On page 61 of SCE-01, Table VII-19 delineates the 19 PSA contracts under the PRP RFO. Contracts relevant to Demo C and Demo D are set forth below:

**Resources Supporting Demo C and D  
(from Table VII-19)**

#	Project	Product	Spons or	MW	Demo
1	Cedar Technologies	Demand Response (End Use Load Reduction (LR) Energy Storage (ES))	AMS	5	D
7	Orange County ES-2	In Front of Meter (IFOM) ES	Convergent	9	D
8	Orange County ES-3	IFOM ES	Convergent	6	D
13	OC Distributed ES II	Demand Response (LR/ES)	NextEra	1.5	C

<sup>50</sup> See D.17-02-007 at 3. Demo C is intended to demonstrate DER locational benefits and specifically, to validate the ability of DER to achieve net benefits consistent with the Locational Net Benefits Analysis. Demo D is intended to demonstrate distribution operations and high penetrations of DERs, which call for the utilities to integrate high penetrations of DERs into their distribution planning operations.

<sup>51</sup> See testimony of Caroline McAndrews, SCE-01 at 10-12, amended testimony SCE-01-A at 10-12 and at 61-71. In November 2016 when SCE served its testimony, R.14-08-013 was still under review.

1	Swell Energy	Demand Response	Swell	5	C
9	Fund	(ES)			

SCE identifies two PRP RFO 2 contracts for resources located in the J-S Region that would support Demo C: 1) Orange County Distributed Energy Storage II, a wholly owned subsidiary of NextEra (NextERA OC II project), and 2) Swell Energy Fund (Swell project).<sup>52</sup> The NextERA OC II project will deliver energy to sites that are electrically interconnected to Elden and Hines circuits which support SCE's DRP Demo C with 1.5 MW of capacity. The Swell project will be installed behind the meters of customers that are electrically in-line with the Johanna and Santiago substations. SCE testimony indicates that 2.2 MW of the 5 MW Swell contract were specifically dedicated to Demo C during contract negotiations after analysis showed that they were needed. The record is unclear as to whether the Demo C need for the NextEra Project was obviated when the 2.2 MW of the Swell Project was committed to Demo C.

To support Demo D needs, SCE identifies three PRP RFO 2 contracts for resources, totalling 20 MW in capacity, located at Johanna A-bank system within the Johanna and Camden B bank substations. Cedar Technologies/AMS will provide 5 MW of Behind the Meter capacity under a Demand Response Energy Storage Agreement in support of SCE's DRP Demo D.<sup>53</sup> Two Orange County Energy Storage projects owned by Convergent Energy and Power, Inc. will interconnect directly to SCE's distribution-level electric grid at separate and existing 12kV circuits in the J-S Region.<sup>54</sup>

### Demo C

<sup>52</sup> *Id.* at 67-69.

<sup>53</sup> *See* SCE-01 at 62.

<sup>54</sup> *Id.* at 64.

ORA does not agree that resources procured through this PRP are necessary to fulfill objectives of Demo C.<sup>55</sup> ORA argues that the 3.7 MW (1.5 MW from the NextEra OC II project and 2.2 MW from the Swell project) that SCE seeks to leverage here are already within the Demo C-specific procurement under SCE's 2018 General Rate Case (GRC) Application (A.) 16-09-001. ORA further argues that, in the 2018 GRC application, SCE states that it will procure resources needed for its Demo C through a proposed \$80 million Distribution Deferral Pilot.<sup>56</sup> ORA also points out that, in its Comments under the DRP proceeding, SCE acknowledged that it already had 77.87 MW of resources procured through its 2013 LCR RFO that may contribute to Demo C.<sup>57</sup> Therefore, ORA contends that, "SCE does not have a need to procure for its DRP Demo C because Demo C procurement is being addressed in SCE's 2018 GRC and there are existing eligible LCR resources that may contribute to Demo C."<sup>58</sup>

In response, SCE argues that there are no other procurement sources, besides the PRP RFO 2, with delivery commitments in the Demo C area in the timeframe anticipated by D.17-02-007.<sup>59</sup>

In D.17-02-007, the Commission adopted a confidential procurement 'soft' cap for each of the DRP demonstration projects, which includes both non-procurement costs (as filed by the utilities) and procurement costs. This 'soft cap' was adopted as a "reasonable precaution to take in order to protect ratepayers from potentially high costs," and could be increased by the IOUs filing a Tier 3 Advice Letter for Commission consideration.<sup>60</sup> In its testimony and

<sup>55</sup> See ORA-01 at 2-7 through 2-12.

<sup>56</sup> *Id.* at 2-9, fn 65, citing SCE 2018 GRC Testimony, Chapter 2, Volume 03, T&D – System Planning Workpapers of Witness E. Takayesu.

<sup>57</sup> *Id.* at fn 66 citing SCE June 17, 2016 comments concerning D.17-02-007 in R.14-08-013.

<sup>58</sup> *Id.*

<sup>59</sup> SCE Opening Brief at 9.

<sup>60</sup> D.17-02-007 at 25-26.

brief, ORA argues that the resources that SCE intends to use to support its Demo C far exceed the cost cap for Demo C established in the DRP proceeding. ORA further argues that SCE contravened the Commission's orders concerning costs in D.17-02-007 by failing to file a Tier 3 advice letter to request the Commission to consider increasing the cost cap.<sup>61</sup> ORA argues that this failure, and the fact that SCE has had several other opportunities to procure for Demo C, warrants rejecting SCE's claim that PSAs under this PRP are necessary to support Demo C.

Although we recognize that not approving two of the PRP contracts could jeopardize SCE's ability to move forward with a Demo C project in the timeframe anticipated by D.17-02-007, we ultimately conclude that they should not be approved for the sole reason that they may support Demo C. We reach this conclusion for several reasons.

First, the costs of the NextEra and Swell PSAs are significant, and far exceed the soft cost cap adopted in D.17-02-007. Second, as previously noted, SCE reopened negotiations for Swell's 5 MW DR-ES contract after further analysis indicated a greater MW need for Demo C than the amount SCE procured with NextEra.<sup>62</sup> At this point, it is unclear from the record whether all or part of the 1.5 MW from NextEra is still needed to support Demo C. Third, SCE's contract with Swell would only commit 2.2 MW to the Demo C distribution deferral project, making it unclear what the remaining 2.8 MW would be used for. Finally, we are not persuaded by SCE's argument that time constraints require approval of the PSAs in this proceeding to meet Demo C, when SCE has not availed itself of the expedited Tier 3 Advice Letter process under the DRP decision to either increase the soft cost cap, or propose alternative Demo C

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<sup>61</sup> *Id.* at 41.

<sup>62</sup> *See* SCE-01-C at 60.



projects.<sup>63</sup> For the foregoing reasons, we decline to approve the two PSA contracts which are intended to support DRP Demo C.

#### Demo D

ORA challenges SCE's need to leverage 21 MW of resources in this PRP to support its objectives under Demo D.<sup>64</sup> ORA argues that, in the DRP proceeding, SCE informed the Commission that its objective in Demo D was to demonstrate reliable operation of the grid with DER penetration levels in excess of 15%. SCE then modified its original Demo D project to include an additional substation to increase its Demo D DER penetration levels to at least 17% by 2017, which the Commission approved.<sup>65</sup> ORA contends that there is no necessity for SCE to exceed the 17% penetration level, which the Commission concluded sufficiently met the resource needs to execute Demo D.<sup>66</sup>

D.17-02-007 adopted SCE's original Demo D schedule, but did not address SCE's proposed modified schedule which would have accommodated additional DERs leveraged through the PRP. While D.17-02-007 does not explicitly discuss what the targeted level of DER penetration should be for Demo D, ORA correctly notes that the 17% DER penetration level that the Commission approved in SCE's original Demo D schedule relied upon then existing procurements to meet the project, rather than projects that may be forthcoming from the PRP. This was

<sup>63</sup> As a result of the Commission's adoption of a Distribution Investment Deferral Framework in D.18-02-004, which establishes Track 3 policy issues in the DRP proceeding, SCE (and all Investor-Owned Utilities (IOUs)) will have new opportunities to identify, review and select as part of its annual distribution planning process, third party DERs to defer or avoid traditional distribution system upgrades. This will permit evaluation of storage distribution deferral projects which is very similar to the objectives under Demo C.

<sup>64</sup> *Id* at 2-10.

<sup>65</sup> See SCE-03 at p9:10-11. In rebuttal testimony, SCE contends that PRP resources will allow Demo D to be implemented with a DER penetration greater than 55% on some circuits. The Commission previously rejected SCE's argument to modify its proposed Demo D schedule to allow it to achieve a 55% penetration level in the DRP proceeding.

<sup>66</sup> See ORA Brief dated September 29, 2017 at 34-35, and fn 137 citing D.17-02-007, at 14.

because, at the time that the original Demo D schedule was approved it was uncertain which locations a future PRP might serve.<sup>67</sup> Because a 17% DER penetration level was deemed sufficient to meet the resource needs of Demo D under the original schedule, we agree with ORA that the PSAs in this PRP proceeding are not necessary to support DRP Demo D.

#### **7.3.2.2. Do the PSAs Support SCE's Integrated Grid Project Under EPIC?**

SCE states that the PRP RFO 2 resources will also provide testing opportunities for the EPIC Investment Plan's IGP. The IGP is related to the DRP Demo D project above, and is designed to demonstrate a system that can operate multiple DERs to provide grid benefits, and to assess how high-penetrations of DERs will influence distribution planning.<sup>68</sup> In D.17-02-007, the Commission instructs SCE to use EPIC IGP funding to meet its non-procurement expenses for Demo D.<sup>69</sup>

ORA contends that the EPIC IGP and Demo D are essentially a single project - Demo D is the procurement component whereas the IGP is the capital, non-procurement component of this single effort.<sup>70</sup> They are located in the same geographic location and utilize the same substations and circuits. Accordingly, ORA argues that all of the additional procurement that SCE states will support Demo D will also support IGP, and therefore SCE does not have a separate procurement need for these two projects.<sup>71</sup> ORA further claims that, were the Commission to approve the PSAs in this PRP that SCE identifies as necessary to support the EPIC IGP, the scope and the budget of the EPIC IGP would expand

<sup>67</sup> ORA Brief at 35.

<sup>68</sup> SCE-01 at 13.

<sup>69</sup> D.17-02-007 at 13-14.

<sup>70</sup> ORA-01 at 2-12:28-29.

<sup>71</sup> *Ibid.*

beyond that which was approved by the Commission.<sup>72</sup> We agree with ORA that PSAs under this PRP are not needed to support SCE's IGP under EPIC.

**7.3.2.3. Do the PSA Contracts Support SCE's Progress Towards the Energy Storage Mandate?**

In its supplemental testimony, SCE states that 60 MW of the PRP resources will support its energy storage procurement needs.<sup>73</sup> SCE further notes that its 2016 Energy Storage Procurement Plan (ESPP)<sup>74</sup> specifically indicated that, if the Commission approved energy storage contracts acquired through this PRP, SCE would seek to count it toward its energy storage procurement targets.<sup>75</sup>

ORA contends that SCE has already conducted significant procurement of energy storage in its 2013 LCR RFO, Aliso Canyon procurements and 2014 and 2016 energy storage solicitations. ORA also argues that SCE has already met its cumulative 2016 energy storage procurement target pursuant to the Commission's Energy Storage Program D.13-10-040,<sup>76</sup> and has exceeded both its distribution and transmission domain procurement requirements for 2016. For these reasons, ORA argues that, although SCE's total cumulative energy storage procurement target is 580 MW by 2020, SCE should procure its outstanding energy storage procurement obligation through the biennial process established in D.13-10-040, unless a pressing reliability need occurs in the interim as was the case with both the LCR decisions and LCR RFO and Aliso Canyon Energy

<sup>72</sup> ORA-01 at 2-14 and 2-15.

<sup>73</sup> SCE-03 at 10:12-13. The 65 MW of customer-sited PRP RFO 2 resources are ineligible to count towards SCE's total energy storage procurement target since SCE has already exceeded its customer-side cap of 170 MW (*see* SCE-03 at 10, fn. 9).

<sup>74</sup> SCE's ESPP was included in A.16-03-002, which was approved in D.16-09-007 approving SCE's and other IOU Storage Procurement Framework for the 2016 Biennial Procurement Period.

<sup>75</sup> *See* SCE-02 Supplemental Testimony of Caroline McAndrews, at 3-4.

<sup>76</sup> *See* ORA Brief dated September 29, 2017 at 39-40. ORA contends that SCE's current energy storage procurement position is 342.7 MW.

Storage RFO.<sup>77</sup> We disagree. Although the procurement schedule under the 1.325 gigawatt storage mandate is divided into four biennial cycles, there is nothing in D.13-10-040 prohibiting the utilities from meeting their targets early.

ORA also argues that a central tenet of the Energy Storage Program is the statutory requirement<sup>78</sup> that all energy storage procurement be cost-effective. All of the PSAs under this PRP have a negative net present value (NPV), which ORA argues would contravene statutory requirements as well as the objectives that the Commission set for the program in D.13-10-040.<sup>79</sup> We agree. It is clear from D.13-10-040, as well as other Commission decisions,<sup>80</sup> that a central tenant of the Energy Storage Program, and a requirement in Pub. Util. Code §§ 2835 et seq., is that any energy storage procurement be cost-effective.

As part of the 2014 energy storage procurement plan proceeding, the Commission gave SCE and the other investor-owned utilities a wide degree of freedom to propose their own methodologies to evaluate the range of costs and benefits of energy storage bids.<sup>81</sup> During the proceeding, parties had the opportunity to vet SCE's NPV methodology, which was later adopted by the Commission in D.14-10-045 and used to evaluate SCE's first application for its 2014 storage contracts in D.16-09-004. This NPV methodology is also what SCE employed to evaluate the PSAs in this PRP proceeding. SCE argues that there are other qualitative benefits to the PSAs in this PRP that should be considered alongside the NPV calculation.<sup>82</sup> While we agree that qualitative benefits should be considered, we disagree that the NPV numbers for the 60 MW that SCE seeks

<sup>77</sup> Resolution E-4791 required SCE to conduct an expedited procurement of energy storage to alleviate potential gas shortages resulting from Aliso Canyon.

<sup>78</sup> Pub. Util. Code §§ 2835 et seq.

<sup>79</sup> See ORA Brief dated September 29, 2017 at 40-41.

<sup>80</sup> See D.14-10-045 and D.16-12-004.

<sup>81</sup> See D.13-10-040 at 75, COL 37.

<sup>82</sup> See SCE-03 at 3.

to use from PSAs in this solicitation, when compared to the potential qualitative benefits of the PRP, are enough to justify the procurement costs as reasonable and cost-effective as required under the Energy Storage Program.

Should SCE decide to file a new or an amended Application, we strongly encourage SCE to demonstrate that each PSA's costs are consistent with recent market prices for preferred resources and provide qualitative benefits that justify the investment. We also encourage SCE to cap total project costs at levels similar to other preferred resource projects..

**7.3.3. If the PSAs Do Not Fulfill an Existing Procurement Need, are there Any Other Reasons Why the PSAs Should be Approved?**

SCE acknowledges that there is no LCR deficiency in the LA Basin that strictly requires procurement, but contends that there are still at least two good reasons why the 19 PSAs should nevertheless be approved. Specifically, SCE argues that: (1) they would support the objectives of the PRP itself; and, (2) they will support California's ambitious environmental and energy policies to combat climate change and reduce polluting greenhouse gas (GHG) emissions.

**7.3.3.1. Are the PSA Contracts Needed to Support the Objectives of the PRP?**

SCE argues that its procurement in this proceeding will support two PRP objectives: First, SCE says that it will be able to determine whether it can acquire sufficient preferred DERs in a highly localized manner in urban areas down to the circuit level. Second, SCE says this will assist it to determine whether it is feasible to use locally-sited preferred resources to effectively manage or offset forecasted load growth in the J-S Region and to offset traditional gas-fired generation.

While we find these objectives to be generally consistent with other Commission mandates, programs and procurement activities, SCE has not articulated in sufficient detail why or how these PSAs provide added value to existing programs to justify their cost.

For example, SCE intends that the PRP “inform future use of DERs in lieu of conventional generation or distribution system upgrades” at the circuit level.<sup>83</sup> SCE seeks to meet a similar objective through the Integrated Distributed Energy Resources distribution deferral pilots adopted in D.16-12-036, through resources proposed in its 2018 GRC (A.16-09-001), as well as some of the LCR resources that may be deployed in the Demo C area.<sup>84</sup>

SCE’s stated objective of demonstrating that it can acquire sufficient DERs at the circuit level, and use locally-sited preferred resources to manage load, is also very similar to the grid modernization efforts which are currently underway in the DRP proceeding, particularly the high DER penetration scenario required under DRP Demo D. ORA further argues that, without any results from a smaller scale implementation of Demo D, it is unreasonable to ask SCE customers to pay for 125 MW of preferred resources to test an objective already set forth in the DRP proceeding.<sup>85</sup> Absent more convincing arguments for what unique value these contracts provide, we conclude that the incremental approach approved under DRP, which appears to support the same objectives, is in the ratepayers’ best interests.

The Commission applauds SCE’s innovative approach to supporting clean, low carbon resources, as well as the importance of understanding how locally-sited distributed energy resources can contribute to California’s long-term

<sup>83</sup> SCE-01 at 10:5-6.

<sup>84</sup> ORA Testimony at 3-12. Also, as previously mentioned, this objective can also be met through the distribution deferral framework adopted in D.18-02-004.

<sup>85</sup> ORA -01at 3-11.

energy needs. Unfortunately, the lack of detail provided in this application regarding the PRP itself, makes it very difficult to justify these contracts based solely on their ability to support the PRP. For instance, the application lacks specifics on how the larger PRP is designed to offset conventional generation, and why the PRP is best suited to meet this objective. There is inadequate description about how the PRP RFO 2 contracts fit into, and are necessary for, the larger PRP portfolio to meet its objectives. Most importantly, there is no discussion about the specific metrics and reporting requirements that SCE intends to use to determine whether the PRP has been successful in helping SCE to meet its goals. We encourage SCE to address each of these issues in more detail should it decide to submit a new or an amended application for Commission consideration.

#### **7.3.3.2. Are the PSA Contracts Needed to Support the State's Environmental Policies?**

SCE contends that the PRP will also support the state's environmental and energy policies, such as those embodied in the GHG Cap-and-Trade Program and Renewables Portfolio Standards.<sup>86</sup> ORA counters that these objectives of the PRP can be met through proceedings that the Commission has already instituted, such as the Integrated Resources Plan (IRP),<sup>87</sup> under which the Commission is evaluating utility procurement practices to ensure that procurement satisfies various state legislative environmental and energy policy goals. ORA also argues that SCE has failed to provide any specifics about how the PSAs under this PRP will uniquely impact state environmental and energy policies. Accordingly, ORA contends that SCE's objectives under this PRP can be better

<sup>86</sup> SCE-01 at 2.

<sup>87</sup> See R.16-02-007 Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements (issued February 19, 2016).

met through participation in the Commission's existing proceedings which are conducted in a transparent manner with broad stakeholder participation.<sup>88</sup>

As noted above, although we find that the procurement of PSAs for the PRP RFO was conducted in a transparent manner, we agree with ORA that the Commission's IRP proceeding, which is tasked with creating a pathway towards achieving the state's GHG and renewable generation standards at the lowest possible cost, is also conducted in a transparent manner, but with broader stakeholder participation. Further, we agree with ORA that SCE has not convincingly explained how the PSAs under this PRP will uniquely impact state and environmental energy policies. We encourage SCE to address each of these issues in more detail should it decide to submit either an amended application or a new application for Commission consideration.

#### **7.4. Is Approval of the PRP RFO 2 in the Best Interests of SCE Customers?**

The Commission applauds SCE's stated objective for this PRP, which is to support the State's rapid movement toward cleaner environmental and distributed energy resources goals. We also acknowledge the importance of grid modernization efforts, which are currently underway in the DRP and IDER proceedings.

However, we are persuaded that the evidence presented in this proceeding does not convincingly justify the potential cost burden to ratepayers. We agree with ORA that the most recent available CAISO analysis indicates no deficiency within the LA Basin, but recognize that such findings are subject to change on an annual basis and that localized load growth within the basin may deviate from trends across the LCR area as a whole. SCE has not presented evidence to justify expenditure of ratepayer funds to procure the resources for which it seeks

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<sup>88</sup> See ORA Brief at 58.



approval, particularly when the objectives of the PRP are so similar to those under existing, ongoing Commission proceedings and programs that have authorized demonstration projects on a smaller scale.

For these reasons, we conclude that granting this Application would not be in the best interests of ratepayers. SCE's Application is rejected without prejudice.

## **8. Safety**

In its application and opening testimony, SCE described its efforts to ensure that the proposed RFO 2 contracts operate in a safe and reliable manner. In contracting for resources, SCE sufficiently addressed potential safety concerns in a proactive and responsible manner, and there appear to be no obvious safety concerns as a result of that process.

We are not approving any of the PRP RFO 2 contracts. Arguably, there could be potential safety and reliability considerations associated with denying one or more contracts, such as when a contract is needed to meet a specific capacity need or LCR deficiency.<sup>89</sup> However, because the most recent 2018 and 2022 CAISO LCR studies show that there is currently a surplus of capacity in the LA Basin, and SCE acknowledges that the PRP RFO contracts are not needed to satisfy a specific LCR deficiency, there are no such safety implications here.

## **9. Categorization and Need for Hearing**

In the Scoping Memo issued April 21, 2016, the Commission categorized this proceeding as ratesetting and determined that hearings were necessary. We affirm this categorization.

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<sup>89</sup> See D.13-02-015 at 2.

**10. Comments on Proposed Decision**

The proposed decision of ALJ Miles in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Opening comments were filed on by SCE and ORA on March 15, 2018, and reply comments were filed by SCE and ORA on March 20, 2018. The comments essentially underscore the arguments that the parties made in testimony and briefing.

In comments, SCE opines that denial of this application appears to be predicated upon the premise that the PRP is not a valuable or worthwhile endeavor and expresses concern that its denial undermines California's energy and environmental policy goals and may have a chilling effect on reliable developers who would otherwise market preferred resources. This is not the case. As the decision acknowledges, SCE's objectives for the PRP align with the Commission's visions and goals for a future which does not rely upon conventional gas-fired and fossil fueled energy sources. However, general agreement with the PRP's policy goals does not relieve the Commission of its obligation to carefully scrutinize whether SCE has provided adequate detail to permit us to decide whether the financial impacts of the PRP upon ratepayers are justified.

**11. Assignment of Proceeding**

Carla J. Peterman is the assigned commissioner in this proceeding. Patricia B. Miles is the assigned ALJ.

**Findings of Fact**

1. SCE seeks approval of 19 PSAs totaling 125 MW supporting its second PRP, which SCE intends to launch within the J-S Region in the Los Angeles Basin,

which was served by now retired OTC plants and SONGS, closure of which represented loss of approximately 7,000 MW of generation capacity.

2. CAISO Local Capacity Technical Analysis for 2018 and 2022 forecast that there is 10,735 MW of qualifying capacity available for use to meet 2018 LCR needs and between 6,873 and 7,525 MW of need.

3. SCE acknowledges that the resources which it seeks to procure through its PRP are not needed to meet address any existing LCR deficiency within the Los Angeles Basin.

4. SCE forecasts 238-275 MW load growth in within the area J-S region by 2020 based on its internal analysis. ~~CAISO LCR studies project a decrease in LCR-wide load between 2018 and 2022. By either measure, forecasted qualifying LCR capacity exceeds LCR need in the area.~~ SCE acknowledges that any load growth in the J-S Region could be met by imports

5.5. CAISO LCR studies project a decrease in LCR-wide load between 2018 and 2022. 6. The cost of procurement for PSAs supporting DRP Demos C and D is not justified.

~~6.7.~~ Many of the PSAs support objectives of the PRP which overlap with existing Commission mandates, programs and procurement, and SCE has not explained why these cannot be leveraged within existing programs.

~~7.8.~~ SCE has not presented evidence to justify expenditure of ratepayer funds to procure the resources for which it seeks approval, particularly when the objectives of the PRP are so similar to those under existing, ongoing Commission proceedings and programs.

### Conclusions of Law

1. SCE conducted the PRP RFO 2 in a fair and reasonable manner.

2. There is not sufficient evidence of need in the LA Basin/J-S Region for the resources which SCE seeks to procure through this PRP RFO 2, to approve the PSAs herein.

3. There is not sufficient evidence that the resources sought under this PRP RFO 2 are necessary to meet load growth in the LA Basin/J-S Region.

4. The PSAs under this PRP RFO 2 are not necessary to support DRP Demos C or D.

5. The PSAs under this PRP RFO 2 are not necessary to support procurement through other Commission programs and, in some instances, duplicate procurement under other programs.

6. Approval of the PSAs under this PRP RFO 2 is not currently in the best interests of SCE ratepayers; therefore, SCE should not be authorized to recover the costs of the PSAs under this PRP RFO in rates.

7. ORA's motion to seal Exhibit ORA-01C and SCE's motion to seal Exhibits SCE-01C-A, SCE-02C and SCE-03C should be granted for a period of three years after the effective date of this decision, as set forth in the order below.

8. SCE's motion to seal Exhibit SCE-01C should be granted, except with respect to page 60, lines 19-24, for a period of three years after the effective date of this decision, as set forth in the order below.

9. SCE's and ORA's motions to move their testimony into the record should be granted as set forth in the order below.

10. The Application should be denied.

11. This decision should take effect immediately.

**O R D E R****IT IS ORDERED** that:

1. The Application of Southern California Edison Company (U338E) for Approval of the Results of its Second Preferred Resources Pilot Request for Offers is denied without prejudice.
2. If Southern California Edison Company decides to file a new or amended application for Commission consideration, the Commission requires SCE to:
  - a. Coordinate/consult with the CAISO to ensure that PRP resources procured meet a current or future LCR need;
  - b. Describe in detail how the PRP RFO 2 contracts are not duplicative of state and Commission environmental energy policies;
  - c. Demonstrate that each PSA's costs are consistent with recent market prices for preferred resources and storage and that they provide qualitative benefits that justify the investment, and
  - d. Demonstrate that the total project costs are in line with those of similar preferred resource projects.
3. ~~2.~~ Southern California Edison Company's September 11, 2017 Motion to Seal a Portion of the Evidentiary Record is granted. With the exception of page 60, lines 19-24 of Exhibit SCE-01C, the confidential versions of Southern California Edison Company's Exhibits SCE-01C, SCE-01C-A, SCE-02C and SCE-03C shall remain under seal for a period of three years from the effective date of this decision, consistent with Decision 06-06-066. During this three-year period, the information shall not be publicly disclosed except on further Commission order or Administrative Law Judge ruling. If Southern California Edison Company believes that it is necessary for this information to remain under seal for longer than three years, Southern California Edison Company may file a new motion owing good cause for extending this order no later than 30 days before the expiration of this order.

4. ~~3-~~The Office of Ratepayer Advocates' September 19, 2017 Motion to Seal a Portion of the Evidentiary Record is granted. The confidential testimony in Exhibit ORA-01C shall remain under seal for a period of three years from the effective date of this decision, consistent with Decision 06-06-066. During this three year period, the information shall not be publicly disclosed except on further Commission order or Administrative Law Judge ruling. If the Office of Ratepayer Advocates believes that it is necessary for this information to remain under seal for longer than three years, the Office of Ratepayer Advocates may file a new motion showing good cause for extending this order no later than 30 days before the expiration of this order.

5. ~~4-~~Application 16-11-002 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

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6:10:42 AM

Input:	
Document 1 ID	file:///d:/jt2/Desktop/wsc A1611002 Miles Agenda Dec-3 2-16-18.docx
Description	wsc A1611002 Miles Agenda Dec-3 2-16-18
Document 2 ID	file:///d:/jt2/Desktop/wsc A1611002 Miles Agenda Dec Rev. 2 2-16-18.docx
Description	wsc A1611002 Miles Agenda Dec Rev. 2 2-16-18
Rendering set	Custom rendering set

Legend:	
Insertion	
<del>Deletion</del>	
<del>Moved from</del>	
<u>Moved to</u>	
Style change	
Format change	
<del>Moved deletion</del>	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	30
Deletions	18
Moved from	2
Moved to	2
Style change	0
Format changed	0
Total changes	52