



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

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Application of SOUTHERN CALIFORNIA)
EDISON COMPANY (U 338 E) for Authority to,)
Among Other Things, Increase Its Authorized)
Revenues For Electric Service In 2012, And to)
Reflect That Increase In Rates.)
_____)

A.10-11-015
(November 23, 2010)

**SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)
AMENDED LATE-FILED EX PARTE NOTICE**

FRANK A. MCNULTY
KRIS G. VYAS
RUSSELL A. ARCHER

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-6879
Facsimile: (626) 302-2865
E-mail: Russell.Archer@sce.com

Dated: January 11, 2012

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Pursuant to Rule 8.3 of the California Public Utilities Commission Rules of Practice and Procedure, Southern California Edison Company (SCE) hereby gives late-filed notice of the ex parte communications attached in the exhibits to this notice. Although the subject matter pertained to an advice letter resolution currently pending Commission approval, out of an abundance of caution SCE is filing this notice in this docket. The communications were in written form.

On December 14, 2011 Gary Schoonyan, SCE’s Director of Regulatory Affairs, sent Edward Randolph, Director of the Energy Division, with a copy to Carol Brown, President Peevey’s Chief of Staff, the email and attachment attached as Exhibit A. On December 15, 2011, Mr. Schoonyan sent a follow-up e-mail to Carol Brown, along with several attachments which are provided as Exhibit B.¹

¹ Exhibit B contains information that SCE previously designated as Confidential and portions of it were excluded from SCE’s original, public version of this filing. SCE filed a Motion to File Under Seal the portions of Exhibit B that SCE previously designated as Confidential. SCE has subsequently withdrawn its Motion to File Under Seal. Accordingly, SCE is filing this Amended Notice of Ex Parte, which includes Exhibit B in its entirety.

Respectfully submitted,

SOUTHERN CALIFORNIA EDISON COMPANY

FRANK A. MCNULTY
KRIS G. VYAS
RUSSELL A. ARCHER

/s/ Russell A. Archer

By: Russell A. Archer

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-6879
Facsimile: (626) 302-2865
e-mail: Russell.Archer@sce.com

DATE: January 11, 2012

Exhibit A



To: "Randolph, Edward F." <edward.randolph@cpuc.ca.gov>,
Cc: cab@cpuc.ca.gov,
Bcc: Gary Schoonyan/SCE/EIX,
Subject: Agenda Item #4 - Resolution E-4400
From: Gary.Schoonyan@sce.com - Wednesday 12/14/2011 02:37 AM

History: This message has been forwarded.

1 attachment



A1011015_2012 GRC-SCE Response to TURN Motion - wo attachments.pdf

Edward,

Sorry to bother you with this, its my understanding that Resolution E-4400 might be held again by the Energy Division to make some modifications. This resolution denies TURN's application for rehearing of Resolution E-4392 and allows SCE to proceed to complete construction of the McGrath peaker in the City of Oxnard. This peaker is being pursued at the direction of the Commission, but has encountered countless obstacles (see below if you desire the history), including the opposition by the City of Oxnard. We have settled with the City recently and they have dropped all their opposition. The only remaining opposition is TURN.

The resolution was on the consent agenda for the December 1st meeting and was held by Commissioner Ferron's office for further review. This was unfortunate in that we have a contractor on hold to complete the construction (we have spent \$43 million already for the \$60 million project), and this costs money. To have it held again, will cause additional expenses and time, and as such, we would very much appreciate that should the Energy Division desire to make some minor changes, that they be available for tomorrow's Commission Conference. To the extent the changes are major, we would appreciate knowing about them.

I'm copying President Peevey's office since the pursuit of this project (along with four other peakers and 250 MW of additional demand response) was originally the result of an ACR from President Peevey, which was later confirmed by the full Commission.

Thanks for your time and consideration.

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Application of Southern California Edison
Company (U 338-E) for Authority to, Among
Other Things, Increase Its Authorized Revenues
For Electric Service In 2012, And to Reflect That
Increase In Rates.

Application No. 10-11-015
(Filed November 23, 2010)

**SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E)
RESPONSE TO TURN'S MOTION FOR AN ACR REGARDING SCE'S
CONSTRUCTION PLANS FOR THE MCGRATH PEAKER PLANT**

FRANK A. MCNULTY
KRIS G. VYAS
RUSSELL A. ARCHER

Attorney for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-2865
Facsimile: (626) 302-1935
E-mail: Russell.Archer@sce.com

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CONSTRUCTION PLANS FOR THE MCGRATH PEAKER PLANT**

Pursuant to California Public Utilities Commission (Commission) Rule 11.1(e), Southern California Edison Company (SCE) files and serves the following Response requesting that Commissioner Simon deny The Utility Reform Network’s (TURN) Motion for an ACR Regarding SCE’s Construction Plans for the McGrath Peaker Plant (Motion). TURN’s Motion merely restates arguments that have been repeatedly rejected by the Commission. The relief TURN seeks would amount to a temporary restraining order enjoining McGrath’s construction, yet does not come close to meeting the standards to obtain such extraordinary relief. In addition, TURN’s motion seeks relief that is both outside the scope of the proceeding and contradictory to TURN’s own testimony in this GRC.

I. PROCEDURAL HISTORY OF THE MCGRATH PEAKER PLANT

A detailed history of the McGrath Peaker Plant (McGrath) is important when considering the relief TURN seeks in the Motion.

On August 15, 2006, in response to the extreme heat and power demands of that summer, Commission President Peevey issued an Assigned Commissioner Ruling (ACR) in R.05-12-013, directing SCE “to pursue the development of up to five SCE-owned, black-starting peaker units, of up to 250 megawatts (MW) total generating capacity *within its service territory* for summer 2007 operation”¹, in conjunction with 300 MW of additional demand response, and inviting SCE to file an advice letter to establish a memorandum account to record the acquisition and construction costs. The ACR noted that a 2006 heat storm “exposed certain vulnerabilities in the electric generation and transmission infrastructure ...”² President Peevey ordered that the units “should bring collateral benefits to SCE’s transmission and distribution system as well as the CAISO grid.”³

On August 23, 2006, SCE’s CEO wrote a letter to all five Commissioners that demonstrated SCE’s understanding of what President Peevey had ordered in the ACR and how SCE intended to respond to it:

With respect to the generation to be developed by SCE, we are developing full project scopes, schedules and cost projects for up to 250 MW of resources (5 combustion turbines of approximately 45 MW each). ... The ACR’s stated desire for 2007 peaker capacity with black-start capability and provision of “collateral benefits” – the enhanced grid reliability sought by the CAISO – is an appropriate goal but requires ... *implementation at a number of sites across SP-15* SCE will provide the Commission with more complete and detailed project and cost commitment schedules as soon as they can be developed. We also intend to provide periodic (at least monthly) updates on the progress of these resources, including costs committed to date and any significant changes in the amount or timing of upcoming expected costs, enabling the Commission to continually assess the program and costs of the projects, *and to make appropriate mid-course adjustments in this program* if called for by any changed circumstances.⁴

¹ Exhibit 1 (2006 Peevey ACR) at p. 2. The ACR also directed SCE to complete the “installation” of the units, in addition to their development. *See id.* At various times, TURN has made the frivolous argument that because McGrath was not on-line for Summer 2007, that it is no longer authorized. That argument has been explicitly rejected by the Commission and TURN appears to have abandoned it here.

² *Id.* at pp. 1-2.

³ *Id.* at p. 6.

⁴ Exhibit 2 (8/23/06 Fohrer letter to Commission) (emphasis added).

On November 9, 2006, the full Commission confirmed the 2006 ACR in Resolution E-4031. No party, including TURN, provided any comments on the draft resolution. Resolution E-4031 also noted that no party filed a protest to SCE's Advice Letter 2031-E, which established the memorandum account to record peaker construction and acquisition costs. In E-4031, the full Commission authorized SCE to "develop utility-owned peaker units, consistent with the requirements of the ACR" ⁵

From September 2006 through October 2007, SCE sent the Commission monthly updates regarding the status of the five peakers, including McGrath. Four of the peakers were completed and operational by the Summer of 2007. Because the McGrath Peaker was located in the coastal zone, a coastal development permit was required to be issued. The City of Oxnard denied the permit and their denial was appealed to the California Coastal Commission (CCC).

During proceedings before the CCC, on May 2, 2008, the California Independent System Operator (CAISO), which is the state agency responsible for ensuring the reliability of the California grid, sent a letter to the CCC stating:

The [CAISO] supports the [CCC] staff's recommendation to approve a Coastal Development Permit for Southern California Edison's Oxnard peaker project. ... [W]e urge the Commission to approve the Oxnard peaker project as a necessary addition to the California electric system. ⁶

On October 23, 2008, SCE's CEO sent President Peevey a letter updating the Commission on the status of McGrath. The letter stated:

Edison proposed the fifth reliability peaker plant for construction on a company-owned parcel located adjacent to Reliant Mandalay Generating Station in Oxnard. ... The CCC decision to delay the hearing until April means that the anticipated online date for the peaker will be no earlier than summer of 2010 ... or summer 2011 The Edison-owned, McGrath Beach location was selected as the proposed site of the fifth peaker to facilitate black start of Reliant Mandalay and Reliant Ormond Beach generating stations, [and] to enhance local reliability in the Oxnard area The McGrath Beach peaker is an important project for regional

⁵ Exhibit 3 (Resolution E-4031).

⁶ Exhibit 4 (5/2/08 CAISO letter).

black start and local reliability. ... Edison continues to believe that the McGrath Beach site offers important advantages by providing black start capability for the power plants that serve Ventura and Santa Barbara counties. In addition, the McGrath peaker would provide local area reliability benefits to the community. We are concerned that the repetitive delays [of the CCC process] continue to expose customers in the area to the risk of protracted interruption of service in the event of a natural disaster, such as an earthquake, fire or mudslide. ... Edison intends to continue to ... seek approval of the project [from the CCC].⁷

On February 6, 2009, SCE sent a letter to the service list in R.05-12-013 stating the following:

The most important factor [justifying the McGrath peaker], summarized briefly, is that this is a large area (approximately 1700 MW peak load) with (i) **limited transmission linkage** to the rest of the electrical grid, and (ii) no black-start capable generation within the area. Thus if the transmission link is lost in an earthquake or other event, and the existing in-area generation is either already off-line at that time or is taken off-line by the same event, the entire area will be subject to outage until the transmission link can be restored. The proposed peaker would provide black-start capable generation within this area, at an excellent location on the grid for restarting the other local generation.⁸

Pursuant to an ALJ decision that the CPUC should consider “whether Southern California Edison Company should proceed with plans to develop a fifth peaker unit”⁹, on March 2, 2009, the CPUC conducted a “McGrath Peaker Justification” workshop in the docket for cost recovery of the four completed peakers. In this workshop, SCE informed the Commission of the following regarding the need and justification for the McGrath Peaker:

- Transmission line access into the area is limited.
- There is a single transmission line corridor that connects the area with the main system.
- Local generation capacity within the area is limited.
- Local generation plants may “trip off” due to loss of transmission lines.

⁷ Exhibit 5 (10/23/08 SCE letter) at pp. 1-3.

⁸ Exhibit 6 (2/6/09 SCE letter) (emphasis added).

⁹ Exhibit 7 (2/3/09 ALJ Ruling in A.07-12-029).

- SCE will have to rely on local generation to serve load if transmission lines are damaged due to transmission constraints.
- The McGrath peaker would provide critical blackstart capacity to serve local loads in such an event.
- McGrath’s location specifically would help solve these issues.
- McGrath would also bring other local reliability benefits to the area (voltage support, load rolling).¹⁰

TURN actively participated in this workshop.

On March 10, 2009, the CAISO sent another letter to the CCC. In this letter, the CAISO stated:

Although new peaking resources have been procured and constructed during the last three years, Southern California has a continuing strong need for additional quick start peakers. In addition to providing peak power during times of high electricity demand, plants such as the Oxnard peaker provide the quick-start and power-ramping capabilities that are needed to maintain transmission system stability while integrating additional renewable resources into the transmission system. In closing, we urge the Commission to approve the Oxnard peaker project as a necessary and important addition to the California electric system.¹¹

On April 28, 2009, SCE’s CEO sent President Peevey another letter informing the Commission of additional progress made towards construction of the McGrath Peaker. Again, SCE’s letter stated: “SCE has proposed to locate this fifth peaker at an SCE-owned, brownfield site adjacent to the existing Reliant Mandalay power plant in Oxnard. Consistent with the ACR, this site was selected to provide important reliability benefits”¹²

On June 1, 2009, TURN sent a letter to President Peevey in the cost recovery docket for the four constructed peakers, requesting that the Commission “direct SCE to put on hold all further permitting, development and construction of the McGrath Peaker Plant until the

¹⁰ SCE’s 3/2/09 workshop presentation contains Critical Energy Infrastructure Information, and we are therefore not attaching it as an exhibit to this Response. The document will be separately shared with Commissioner Simon and parties that sign an appropriate Non-Disclosure Agreement.

¹¹ Exhibit 8 (3/10/09 CAISO letter).

¹² Exhibit 9 (4/28/09 SCE letter to CPUC).

Commission has carefully reviewed the matter”¹³ TURN went on to request that the Commission:

Include in the current SCE proceeding a formal review of the various issues associated with the need for the proposed plant, both generically (the need for a 45 MW peaker plant in SCE’s service territory) and specifically (the specific location proposed for the McGrath plant). This review should include an assessment of SCE’s claimed local reliability needs and all alternatives for meeting any such needs. ... [The CPUC] has the expertise and resources to fully develop and consider these issues, and the authority to direct SCE to put on hold its plant construction process until the appropriate review has concluded and a decision is rendered. And with the peaker application proceeding about to get underway, the PUC has a convenient forum for developing a record and addressing these issues.¹⁴

On June 9, 2009, President Peevey issued the Scoping Memo in this docket, which specifically “excluded” any consideration of the “need” for the McGrath Peaker in the proceeding.¹⁵

On June 17, 2009, TURN filed a “Motion for Clarification” of the ACR and of the Scoping Memo in the same docket (A.07-12-029). TURN asked the ALJ to “clarify the Ruling to direct SCE to timely file an application for approval [of the McGrath Peaker] prior to constructing the fifth peaker”¹⁶ TURN continued:

It is self-evident that issues regarding whether a plant should be built can only be meaningfully addressed before the plant is actually built. That is the case here – many of the need and siting issues regarding the fifth peaker go to whether the plant should be built at all and, if so, whether a site other than Oxnard should be selected. Such issues can only be meaningfully considered if the application addressing those issues is filed, reviewed, and made the subject of a final Commission decision before the construction of the plant.¹⁷

¹³ Exhibit 10 (6/1/09 TURN letter).

¹⁴ *Id.*

¹⁵ Exhibit 11 (6/9/09 Scoping Memo).

¹⁶ Exhibit 12 (6/17/09 TURN motion) at p. 3 (emphasis in original).

¹⁷ *Id.* (emphasis in original).

In the ensuing two-and-a-half years the Commission has not granted TURN's June 2009 motion.

On June 25, 2009, SCE met with Matthew Deal, advisor to President Peevey, and explained why an alternate site for a peaker in the Ventura/Santa Barbara region was infeasible.¹⁸

On July 30, 2009, at President Peevey's request, representatives from SCE met with President Peevey and his advisors and justified the "need" for, and location of, the McGrath Peaker in great detail. That presentation included a discussion of the transmission-constraint reasons that justify the location of the McGrath peaker.¹⁹

On August 20, 2009, SCE sent a letter to President Peevey and others (including TURN), informing the Commission that the California Coastal Commission (CCC) had issued McGrath's final Coastal Develop Permit (CDP), and that SCE "now intends to commence pre-construction activities at the McGrath Peaker site."²⁰

On September 24, 2009, SCE sent a letter to all five Commissioners (including Commissioner Simon). The letter stated: "Following the collection of two months of groundwater monitoring data as required by the CDP, [McGrath Peaker] **construction activities to pour project foundations are expected to begin in November 2009**. Barring any further delays, SCE still anticipates that the [McGrath] peaker will be on line and operational by Summer 2010."²¹

On December 1, 2009, TURN filed a Motion to Vacate Portions of the August 15, 2006 Assigned Commissioner's Ruling" in R.05-12-013 (the Resource Adequacy Phase 1 docket).²² The ACR TURN sought to vacate was President Peevey's 2006 ACR authorizing the construction of five peakers. In the motion, TURN urged the Commission to "direct Southern

¹⁸ Exhibit 13 (6/30/09 Notice of Ex Parte).

¹⁹ Exhibit 14 (8/4/09 Notice of Ex Parte).

²⁰ Exhibit 15 (8/20/09 letter to CPUC).

²¹ Exhibit 16 (9/24/09 letter to CPUC) (emphasis added).

²² Exhibit 17 (12/1/09 TURN Motion to Vacate ACR).

California Edison Company (SCE) to halt its activities in pursuit of a peaker plant in Oxnard, California, unless and until the Commission addresses the need for such a plant in that location”²³ TURN further argued:

[T]he Commission must direct the utility to cease all activities associated with the Oxnard peaker until the Commission has assessed the need for new generation resources and the full ranges of options available to fill that need The Commission should find that the ACR does not provide any current authorization for SCE’s pursuit of the fifth peaker, and that whatever authorization the utility did have for development of the peaker plants under the ACR expired several years ago]²⁴

On December 16, 2009, SCE responded to TURN’s motion, arguing that it was without merit, and informing the Commission that the McGrath Peaker, as currently sited adjacent to the Mandalay Generating Station, continued to be the best choice and was needed, for various reasons.²⁵

On January 21, 2010, President Peevey comprehensively rejected TURN’s motion to vacate the ACR. President Peevey ruled:

With respect to the development of the fifth peaker, by its own terms the ACR remains in full effect. ... Moreover, there has been no Commission direction or order to the contrary in the three-plus years since the ACR and confirming resolution were issued. Thus, the authority remains in effect with respect to the fifth peaker.²⁶

On October 20, 2010, TURN filed a motion in R.09-10-032 (the Resource Adequacy Phase 2 docket) “for a ruling determining that ...this proceeding will include consideration of the need for the proposed peaker plant to be located in Oxnard”²⁷ TURN argued:

The Commission has to date never directly addressed the need for any plant in the proposed location, whether for broad resource adequacy purposes or due to any local reliability needs. ... The need for this particular plant is something the

²³ *Id.* at p. 1.

²⁴ *Id.* at pp. 3, 7.

²⁵ Exhibit 18 (12/16/09 SCE Response to TURN Motion to Vacate ACR).

²⁶ Exhibit 19 (1/21/10 President Peevey’s denial of TURN’s Motion to Vacate ACR).

²⁷ Exhibit 20 (10/20/10 TURN Motion at p. 1).

California Public Utilities Commission should consider and determine ... BEFORE construction begins.²⁸

On February 3, 2011, TURN's motion was denied through the issuance of the Scoping Memo in this docket.²⁹

On October 20, 2010, TURN filed a protest to SCE's Advice Letter 2517-E, which SCE had filed to establish a straightforward exemption from G.O. 131(d)'s "permit-to-construct" requirements for the limited transmission work necessary to connect the McGrath Peaker to the grid. TURN's protest stated:

The primary basis for the protest is that the full Commission has never "approved" the SCE McGrath gas turbine peaker generating facility. The proposed substation and transmission facilities that are the subject of the Advice Letter are inextricably tied to the as-yet unapproved peaker plant; if there is no peaker plant, there is no need for these facilities. Therefore, unless and until the full Commission issues a decision determining whether there is a need for additional generating capacity under current conditions and, if so, considering potential alternatives to meet whatever need exists, it should not permit SCE to pursue additional facilities that are only necessary if its proposal to build a peaker plant on the beach in Oxnard is ultimately approved. ... Consistent with such an outcome, we protest Advice Letter 2517-E and call for the Commission to direct SCE to first seek and obtain formal Commission approval of the proposed generation plant before it provides notice of its intention to construct the associated substation and transmission facilities.³⁰

On October 27, 2010, SCE filed its response to TURN's protest of Advice Letter 2517-E. Again, SCE explained to the Commission that the McGrath Peaker was both authorized and needed.³¹

²⁸ *Id.* at pp. 2-4 (capitalization in original).

²⁹ TURN has previously relied on dicta in the Scoping Memo that characterized TURN's request as "significant." But it is important to note that the Scoping Memo denied TURN's motion (consistent with all of the Commission's previous and future rejections of TURN's request), and this stray comment should be viewed in the context of President Peevey's detailed and comprehensive rejection of TURN's same request from earlier that year. In addition, on March 9, 2011 TURN filed a motion in this docket seeking "clarification" of the Scoping Memo, asking that the Commission once again order SCE to stop construction of the McGrath Peaker. That motion was not granted.

³⁰ Exhibit 21 (TURN Protest to AL 2517-E).

³¹ Exhibit 22 (SCE 10/27/10 response to TURN Protest to Advice Letter 2517-E).

On December 20, 2010, TURN protested the amendment of SCE's Advice Letter 2517-E (which was deemed Advice Letter 2517-E-A). Again, TURN asked the Commission to "direct SCE to not pursue any further efforts on the McGrath Substation unless and until the CPUC votes out a decision determining whether there is a need for the McGrath peaker under current conditions."³² On January 14, 2011, the Commission denied TURN's protest of the amended advice letter.³³

On February 14, 2011, TURN filed an Application for Rehearing of Resolution E-4392. Again, TURN argued:

[T]he Commission has never approved this specific generation facility at the proposed Oxnard location, and the California Coastal Commission's ... report addressed a local reliability need that the California Public Utilities Commission has never considered. ... [T]he Commission has never issued a ruling the addresses the specific need for SCE's proposed peaker plant in the proposed location.³⁴

On November 3, 2011, the Commission's Executive Director issued a draft Resolution E-4440, rejecting TURN's application for rehearing of Resolution E-4392. The Executive Director's draft resolution states:

The issue as to whether the Commission properly approved the McGrath peaker, as well as, the need for the peaker was not fully discussed in Resolution E-4392. However, to address the concerns identified by [TURN] in the appeal, discussion of issues beyond the scope of GO 131D is warranted. As previously outlined, authority to build the plant was granted ... by means of an Assigned Commissioner Ruling. ... [T]he full Commission approved and confirmed the order to build up to five utility-owned peakers on November 9, 2006 in Resolution E-4031 It is clear to staff that SCE has pursued the development of the Oxnard peaker with the same diligence demonstrated with the four other authorized plants. ... Review of the procedural record and past Commission decisions suggests to staff that all five peakers enjoyed the support of the full Commission.³⁵

³² Exhibit 23 (TURN 12/20/10 Protest to AL 2517-E-A).

³³ Exhibit 24 (Resolution E-4392).

³⁴ Exhibit 25 (TURN's Application for Rehearing of Resolution E-4392).

³⁵ Exhibit 26 (11/3/11 Executive Director Draft Resolution E-4400).

The draft resolution is on the agenda for the December 1, 2011 Commission meeting.

In the interest of space, SCE has only set forth above the relevant CPUC-related procedural history of the McGrath Peaker plant as it relates to the Commission's consideration of need and TURN's prior attempts to have the Commission re-consider that decision. We have refrained from recounting the long, separate litigation history between SCE and the City of Oxnard. For the sake of brevity, suffice it to say that McGrath would have come online long ago but for repeated court challenges by the City of Oxnard. Most importantly, after SCE had won at every stage of the litigation process, on October 24, 2011, the City of Oxnard and SCE entered into a settlement agreement that fully and finally resolves all disputes between the two parties regarding construction of the McGrath Peaker. The settlement agreement provided for the immediate issuance of the project's remaining, City-issued ministerial permits.³⁶

II. TURN CANNOT MEET THE HIGH STANDARDS REQUIRED TO OBTAIN THE EXTRAORDINARY RELIEF OF A TEMPORARY RESTRAINING ORDER

TURN styles its Motion as one for "An Assigned Commissioner's Ruling Regarding SCE's Construction Plans for the McGrath Peaker Plant." However, it is in effect a motion for an injunction to temporarily restrain SCE from building the McGrath Peaker, notwithstanding the fact that all legal impediments to its construction have been removed. The Motion itself makes clear that TURN seeks a classic temporary restraining order (TRO): "TURN requests a ruling directing SCE to not initiate construction of the McGrath peaker until the Commission has issued a decision on the merits of the ... argument that there should first be a determination of need for the plant."³⁷

Under Commission jurisprudence, a TRO/preliminary injunction should be granted only if the moving party can show: (1) a likelihood of success on the merits; (2) irreparable injury to

³⁶ Exhibit 27 (10/24/11 City-SCE settlement agreement).

³⁷ TURN Motion at p. 5.

the moving party without the injunction; (3) no substantial harm to other interested parties; and (4) no harm to the public interest.³⁸ TURN has not and cannot meet *any* of these standards.

A. TURN Cannot Demonstrate Likelihood of Success on the Merits

TURN claims that the operative legal question is “whether the Commission will require SCE to demonstrate the need for the McGrath peaker before construction begins in earnest”.³⁹ The answer is unequivocally “no,” for two related reasons. First, as evidenced by the numerous prior decisions of the Commission rejecting TURN’s requests for a need determination, the Commission is extremely unlikely to grant TURN’s latest request. The Commission has had virtually unlimited opportunities to do so over the last five years, and has repeatedly refused to do so. Second, the *reason* the Commission has never required SCE to make the demonstration TURN requests is simple: the Commission has already determined that McGrath is “needed,” and has already given SCE full discretionary authorization to build it. SCE has already exhaustively demonstrated the reasons that McGrath is needed where it is sited. In other words, TURN cannot demonstrate a likelihood of success on the merits not only because the Commission *thinks* TURN’s legal theory is wrong, but because it *is* wrong.

1. The Commission Has Repeatedly Rejected TURN’s Legal Theory

As detailed in Section I above, TURN has many times before asked the Commission for the very relief it seeks here. The Commission has *never* accepted TURN’s arguments. Each time the Commission has either rejected TURN’s motions for this sort of relief, or it has not ruled on them. Instead, the Commission has repeatedly given SCE explicit and implicit authorization to continue with McGrath’s permitting and construction activities. In addition, as demonstrated above, SCE has consistently updated the Commission, including Commissioner

³⁸ See, e.g., *In re Southern California Edison Company* (D.05-04-040), 2005 WL 1033895. This is the same standard as in California state court jurisprudence, and various cases have held that the stronger a moving party’s case is on some of the factors, the less strong it has to be on the other factors. But TURN’s arguments lack merit as applied against *any* of the factors.

³⁹ TURN Motion at p. 4.

Simon, on the need for the McGrath Peaker and our plans to build it where it is sited. In addition, we have also previously informed the Commission (because we believed it to be true) that construction was imminent. Construction was only delayed by the City of Oxnard's court actions and refusal to issue ministerial permits and those objections have now been fully and finally resolved. At any time during this long legal and regulatory saga, the Commission could have granted TURN's motions, or responded to SCE's notices, by telling SCE to stop. The Commission has *never* chosen to do so. It is extremely unlikely that now the Commission will suddenly change its mind. Therefore, TURN cannot demonstrate a likelihood of success on the merits.

2. TURN's Legal Theory is Wrong

The Commission has never accepted TURN's legal theory because it is wrong. The original ACR, which the full Commission confirmed, gave SCE the discretion to site and construct the five peakers (including McGrath) at locations of SCE's choosing based on operational considerations. SCE determined McGrath was needed where it is sited, and informed the Commission of the reasons for that choice. The reasons included the ability to blackstart the adjacent Mandalay Generating Station and limited transmission access to a region of SCE's service territory that is geographically isolated from the rest of the CAISO grid. Indeed, the CAISO agrees that the McGrath Peaker is needed in precisely this area. Simply put, SCE has all necessary Commission authority to build McGrath where it is sited, McGrath *is* needed, and TURN's current request that the Commission should "review the need for this plant" has no merit, as the Commission's consistent denials of its previous serial requests amply demonstrate.

B. TURN Cannot Demonstrate Irreparable Injury

1. The Start of “Construction” is Not Irreparable Injury

In addition to not being able to show likelihood of success on the merits, TURN also cannot demonstrate that it (or anyone else for that matter) will suffer irreparable injury without the order it seeks. The “injury,” as TURN seems to view it, is the construction of McGrath without a further “need” determination by the Commission. TURN puts it this way:

Simply put, if construction begins in earnest now, it jeopardizes the possibility of the Commission issuing a decision on the merits of TURN’s and DRA’s recommendation to determine need for the plant before construction begins. At best, it would make it difficult to adopt the TURN and DRA recommendation, since it would require the ‘un-ringing’ of the starting bell for plant construction.⁴⁰

TURN does not demonstrate, nor can they, why the start of “construction” is the critical event justifying the extraordinary relief they seek through their Motion. SCE has already spent more than \$40 million of the \$60 million needed for the McGrath Peaker. We have already purchased the turbine and all the parts, and we have installed monitoring wells and done pre-construction activities on the site and on adjacent land. We have already largely completed the ancillary transmission work necessary to connect the peaker to the grid, work that was *specifically approved* by the Commission over the very same objections TURN makes again here. We have complied with the California Coastal Commission’s mitigation measures, including by escrowing half a million dollars for conservation activity adjacent to the site. We have successfully litigated against the City of Oxnard and TURN before this Commission in several dockets, before the California Coastal Commission, before the Los Angeles Superior Court, and in the California State Court of Appeal. We have settled with, and agreed to pay the City of Oxnard more than half a million dollars for relevant ministerial construction permits.

⁴⁰ TURN Motion at p. 5.

Every litigated objection to the McGrath Peaker has been settled or resolved in favor of constructing the plant.

TURN “requests a ruling directing SCE to not initiate construction of the McGrath peaker” but does not give any reasons why “initiating construction” is any different from any of the previous McGrath steps we have taken with full Commission knowledge and approval. At no time has the Commission told us to slow down, reconsider, or file the application TURN requests here. To borrow TURN’s analogy, the bell has been ringing loudly for years.

2. The Full Commission Can Consider TURN’s Request on December 1, 2011

TURN cannot demonstrate that *now* is the time for an ACR reversing President Peevey’s 2006 ACR, because TURN’s arguments are simultaneously too late *and* premature. TURN’s arguments are too late because the “irreparable injury” (in TURN’s view) has largely already occurred: with the Commission’s direction and approval, SCE has already spent approximately 70% of the project’s total costs. TURN’s arguments are also premature because in two weeks the full Commission will consider the same requested relief TURN seeks here. As discussed above, Draft Resolution E-4400 is on the Commission’s calendar for December 1, 2011. While ostensibly Resolution E-4400 should be about the narrow issue of whether McGrath’s limited transmission component is exempt under GO 131-D, TURN has (improperly in our view) expanded the debate in that docket into a request for a general McGrath Peaker “need” assessment. TURN has asked the Commission for the same relief it seeks through this Motion for an ACR. It makes no sense whatsoever for one Commissioner to issue an ACR here when the full Commission could if it so desired choose to grant the relief TURN seeks in the transmission line advice letter proceeding to be addressed December 1, 2011. TURN cannot plausibly demonstrate why a two-week delay on the adjudication of its requested relief constitutes “irreparable harm.”

C. TURN Cannot Demonstrate No Substantial Harm to Other Interested Parties

TURN cannot demonstrate that there will be no substantial harm to other interested parties if its Motion is granted. Here, those interested parties are SCE's customers generally, and those customers who live in the Ventura/Santa Barbara region specifically. As we have stated many times, and as has been confirmed by the CAISO, McGrath is needed for local reliability reasons. SCE's customers in the north coastal region should not be subject to the continuing risk of extended outages because TURN wants to continue to fight a project that is needed. Even the City of Oxnard, for a long time the project's most vocal opponent, has conceded it is time to stop the fight against the plant. More generally, TURN's arguments put SCE's broader ratepayer class at risk. TURN's overall goal is to defeat the McGrath Peaker, not just to stop it for another few weeks through this attempted TRO. But if TURN is successful, that would leave SCE's customers on the hook for more than \$40 million in costs for a plant the Commission ordered us to build. Such a result would "substantially harm" our customers.

D. TURN Cannot Demonstrate No Harm to the Public Interest

In addition, if TURN is successful in its broader goals to block McGrath, it would harm the public interest. The Motion asks in effect that the Commission revisit and reconsider a prior Commission need determination even after SCE has already spent a very significant amount of capital – more than \$40 million (out of a total estimated project cost of \$60 million) – pursuing the project in reliance upon the Commission's initial and ongoing determinations. As President Peevey ruled in 2010 when confronted with the same question:

As a matter of policy, we concur with SCE's contention that granting the relief sought by [TURN] would set an improper precedent, as it would imply that any energy project can be second-guessed and halted, even after the developer has committed a large investment, if load forecasts have temporarily changed downwards, if the developer encounters delay beyond its reasonable control, or if the project is overtaken by another generation project in the interim.⁴¹

⁴¹ See Exhibit 19 at p. 8 (internal quotations omitted).

TURN would have the Commission make a generation needs determination and then continuously reassess that need over time based on different resources and load forecasts. This is both impractical and inconsistent with well-established Commission procurement practice. Such a practice would deter generators from entering into contracts with utilities because at any moment the “need” for the new generation could be reassessed and potentially disappear. No reasonable counter-party would begin permitting for generation under such circumstances or procure long-lead-time equipment, making the entire existing procurement regime commercially impractical and inherently more risky. Moreover, if TURN’s Motion is granted, it will cause generators to increase their required cost of capital to reflect this very real increased regulatory risk. SCE expects that generation projects would become much more costly -- if not impossible - - to finance if the Commission creates this kind of project risk.

III. THE RELIEF TURN REQUESTS IS OUTSIDE THE SCOPE OF THIS PROCEEDING AND CONTRARY TO POSITIONS TURN ITSELF HAS TAKEN IN THIS GRC

Although SCE believes TURN’s Motion can and should be firmly rejected on the merits, alternatively Commissioner Simon can deny it on simple procedural grounds: The relief TURN requests is outside the scope of this proceeding. TURN’s Motion requests that the Commission order SCE to file a separate application establishing the “need” for McGrath before we begin construction. But that inquiry is clearly outside the scope of this proceeding. There is nothing in the Scoping Memo about determining the “need” for the McGrath Peaker. TURN cannot force SCE to file a separate “need” application for McGrath, just as it cannot force us to file a separate application for any of the other forecast capital projects in the proceeding it chooses to not agree with. The GRC is not a CPCN or Permit-to-Construct hearing; it is a revenue requirement determination. The only McGrath-related question properly before the Commission in this proceeding is whether or not it is reasonable to include McGrath’s forecast capital expenditures in the revenue requirement.

TURN erroneously claims: “The question of whether the Commission will require SCE to demonstrate the need for the McGrath peaker before construction begins in earnest is a *live* issue in this proceeding.”⁴² Disputes do not become “live” issues in the GRC just because TURN asks that they do so through briefing. The “need” for McGrath is simply and clearly outside the scope of this proceeding.

In addition, the requested relief in the Motion is fundamentally at odds with TURN’s main argument about McGrath in the GRC. The main point of TURN’s testimony and briefing is that the forecast capital expenditures for the McGrath Peaker should be disallowed because it was unlikely that the project would be built *soon enough* to be included in rate base in this GRC cycle. Now, TURN has reversed course and is arguing that because McGrath will be built *too soon*, SCE should be prevented from constructing it. The Commission should not countenance TURN’s “heads I win, tails you lose” positions.

IV. CONCLUSION

For all the reasons discussed above, Commissioner Simon should deny TURN’s Motion.

⁴² TURN Motion at p. 4 (emphasis added).

Respectfully submitted,

FRANK A. MCNULTY
KRIS G. VYAS
RUSSELL A. ARCHER

/s/ Russell A. Archer

By: Russell A. Archer

Attorney for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-2865
Facsimile: (626) 302-1935
E-mail: Russell.Archer@sce.com

November 14, 2011

Exhibit B



Follow-Up On Yesterdays E-4400 Discussion (i.e. McGrath Peaker)

Gary.Schoonyan to: Brown, Carol A.

12/15/2011 12:20 PM

Cc: "Randolph, Edward F."

Bcc: Gary Schoonyan

History: This message has been forwarded.

3 attachments



CAISO Ltr to CCC (3-10-09).PDF



22 A.07-12-029 Peakers SCE Ex Parte Mtg w Peevey (07-30-09 Peevey Stoddard Schwartz).pdf



McGrath Peaker Justication-PUC Workshop-FINAL.pdf

Carol,

As a follow-up to our exchange of yesterday, I thought I'd provide some additional background and indicate our desire to meet with you and others regarding the McGrath Peaker.

In a nutshell, the McGrath Peaker is definitely necessary for reliability where it is sited, today, and for the future. If anything, it is more necessary today than it was in 2006 when originally selected. Even in 2006, when the five peakers called out in the ACR were selected, its location was one of the "most" necessary.

The McGrath Peaker is located in a region that is unique in SCE's service territory. The Ventura/Santa Barbara region around the peaker is radial to the CAISO grid, and is therefore vulnerable to blackouts. There is only one transmission corridor serving the Ventura/Santa Barbara region. If there is an outage of this corridor due to electric system problems, fires or earthquakes, the electrical service to the region depends on the local generation provided by the Mandalay and Ormond Beach plants (now owned by GenOn). If the loss of the corridor causes these units to trip (which is a highly likely occurrence with the loss of transmission to the area), the entire region as it exists today without the McGrath Peaker, will not be able to restart until the transmission connections to the CAISO grid are re-established. This is because both the Mandalay and Ormond Beach generating plants lack reliable blackstart capability. The McGrath Peaker can start without having access to power to operate its auxiliaries. Once it's started, it can power the auxiliaries of Mandalay so it can restart, which in turn can power the auxiliaries of Ormond to allow it to restart. Not having blackstart capability was the primary reason for prolonged outages that have occurred on the east coast, and it is why the ACR ordered the five peakers to be blackstart capable, and why the McGrath Peaker is sited right next to Mandalay. Whether or not we build the McGrath Peaker could literally mean the difference between an outage of less than a day, to a blackout for the region of several days and possibly over a week depending on how long it takes to provide transmission service to the Mandalay generating station. That is one of the reasons that the CAISO explicitly supports the McGrath Peaker. A copy of the letter from the CAISO demonstrating such support is attached.

The reason I stated that the peaker is more necessary today than in 2006 is because in the interim thousands of megawatts of intermittent wind and solar resources have come online in the CAISO grid. And although dispatchable resources do not necessarily have to be located where McGrath is, dispatchable resources such as McGrath are needed to provide the quick- start peaking generation necessary to integrate these and future levels of intermittent renewables. We briefed President Peevey on July 9, 2009 regarding the ongoing need for McGrath and a copy of the briefing presentation provided

below. Also provided is a copy of the presentation SCE used at the March 2, 2009 CPUC workshop to demonstrate the need for McGrath Peaker.

Regarding the ACR, contrary to TURN's recent written accusations that President Peevey has been trying to keep this issue from the full Commission, the McGrath Peaker was confirmed by the full Commission in Resolution E-4031 (on November 9, 2006). Of course, as you mention, the Commission could always "scrap" the project at any time. On that note, the Commission could have done so many times over the last five years, but instead the Commission allowed SCE to expend substantial resources in getting the peaker approved by the Coastal Commission, the Los Angeles Superior Court and the State Court of Appeals. Those efforts have not been limited to the courts – we recently settled with and paid the City of Oxnard more than half a million dollars for ministerial permits and to ensure compliance with their local water policy. Moreover, we have completed substantial physical work related to McGrath. In fact, the appeal resolution awaiting the Commission's approval confirms SCE's authorization to construct the ancillary transmission work necessary to connect McGrath to the grid. Based on authorization received in January 2011 (in Resolution E-4392), SCE has essentially completed that work.

Finally, we don't think "scrapping" the project makes financial sense for our ratepayers, as SCE has already spent \$43 million to provide this unit for the benefit of ratepayers, and only requires another \$17 to \$20 million to complete. This is especially true now given we have paid for and obtained all of the necessary construction permits and have awarded the construction contract. Terminating or delaying this construction contract could have additional financial consequences.

Anyway, this is an overview of how I understand the McGrath Peaker is needed at the location we've chosen. SCE has put together a much more detailed recital of these issues in its written comments on the appeal resolution (note that I attached that document w/o attachments to my initial email early yesterday morning).

Again and with your concurrence, I would like to arrange a meeting whereby our experts can discuss further with yourself and others at the Commission, these reasons in more detail. I understand that the resolution was held to the January 12th Commission Conference, so there should be time available to address your concerns prior to then. If you think it would be valuable to hear their views, we could invite TURN to participate in the meeting with you.

SCE appreciates your consideration and look forward to meeting with you in the near future.

Thanks again for your consideration,

Gary



Yakout Mansour
President & Chief Executive Officer

March 10, 2009

California Coastal Commission
45 Fremont Street, Suite 2000
San Francisco, California 94105-2219

RE: Appeal No. A-4-OXN-07-096 (So. California Edison Co., Oxnard)

Dear Members of the Commission:

The California Independent System Operator Corporation ("ISO") would like to express its support for Southern California Edison's Oxnard peaker project.

The ISO is a not-for-profit public-benefit corporation charged with operating the majority of California's high-voltage wholesale power grid. We are responsible for maintaining electric system reliability in compliance with applicable reliability standards and are the impartial link between power plants and the utilities that serve more than 30 million consumers.

In 2006, the ISO urged the California Public Utilities Commission to direct the state's investor-owned utilities to procure additional quick start generation to increase peak energy supplies and enhance grid reliability. Although new peaking resources have been procured and constructed during the last three years, Southern California has a continuing strong need for additional quick start peakers. In addition to providing peak power during times of high electricity demand, plants such as the Oxnard peaker provide the quick-start and power-ramping capabilities that are needed to maintain transmission system stability while integrating additional renewable resources into the transmission system.

In closing, we urge the Commission to approve the Oxnard peaker project as a necessary and important addition to the California electric system.

Sincerely,

A handwritten signature in black ink that reads "Y. Mansour".

Yakout Mansour
President & Chief Executive Officer

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

In the Matter of the Application of SOUTHERN)
CALIFORNIA EDISON COMPANY (U 338-E))
for Recovery of Peaker Costs.)

A.07-12-029
(Filed December 31, 2007)

**NOTICE OF EX PARTE COMMUNICATION BY
SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)**

RUSSELL A. ARCHER

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-3253
Facsimile: (626) 302-2050
E-mail: Russell.Archer@SCE.com

Dated: **August 4, 2009**

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

In the Matter of the Application of SOUTHERN)
CALIFORNIA EDISON COMPANY (U 338-E))
for Recovery of Peaker Costs.)

A.07-12-029
(Filed December 31, 2007)

**NOTICE OF EX PARTE COMMUNICATION BY
SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)**

Southern California Edison Company (SCE) gives notice of the following *ex parte* communication, in accordance with California Public Utilities Commission (Commission) Rule 8.3.

On July 30, 2009, at approximately 12:00 p.m., Bruce Foster, SCE Senior Vice President, Colin Cushnie, SCE Director of Regulatory Affairs, Patricia Arons, SCE Manager of Transmission and Interconnection Planning, and Michelle Nuttall, SCE Project Manager of Generation Planning met with Commission President Michael Peevey, legal advisor to President Peevey Jack Stoddard, and Energy Advisor to President Peevey Andrew Schwartz. The meeting took place in person in the Commission's San Francisco offices and lasted approximately one hour.

The meeting, which was initiated by President Peevey's office, consisted of oral communications and a written presentation. The written presentation is attached hereto, with the exception of a confidential, one-page SCE transmission system diagram (Protected Document) containing Critical Energy Infrastructure Information, as defined by 18 C.F.R. § 388.113(c)(1). The Protected Document is to be treated confidentially pursuant to Federal Energy Regulatory Commission Orders 630, 630-A, 649, 662, 683, and the United States Department of Homeland

Security's Protected Critical Infrastructure Program. The Protected Document was used and viewed during the meeting but it was not distributed. SCE will make this document available for viewing to parties who execute an appropriate non-disclosure agreement. Please direct any such inquiries to Russell Archer, whose contact information follows in the signature block of this notice. The rest of the written presentation, attached hereto, was distributed during the meeting.

During the meeting, Mr. Foster and Mr. Cushnie said that the Commission should reject the June 17, 2009 Motion for Clarification (submitted by TURN, Oxnard, and CAUSE) because the Commission has already authorized the construction of the fifth peaker, and because the California Coastal Commission has approved the McGrath site for its siting.

Ms. Nuttall reviewed the written presentation material and explained that SCE considered more than 60 potential sites for the fifth peaker. Ms. Nuttall explained that SCE found the McGrath site to have the least environmental impact and the lowest cost, and that it was among the best sites to provide electrical benefits to the local grid. Ms. Nuttall said that the planned McGrath peaker would create minimal visual impacts relative to the adjacent Mandalay Generation Station. Ms. Nuttall also explained that the existing peaker generation facilities at the Mandalay Generation Station consist of approximately 40-year old technology and cannot be reliably depended upon to provide black start services.

Ms. Arons further explained that transmission alternatives to the McGrath peaker were considered and rejected because of higher costs and negative environmental impacts compared to the McGrath site.

Copies of this Notice may be obtained by contacting Henry Romero of SCE at:

Email: Henry.Romero@SCE.com

Phone: 626-302-4124.

Respectfully submitted,

/s/ Russell A. Archer

By: [Russell A. Archer](#)

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-2865
Facsimile: (626) 302-1935
E-mail: Russell.Archer@SCE.com

August 4, 2009

ATTACHMENT



SOUTHERN CALIFORNIA
EDISON[®]

An *EDISON INTERNATIONAL*[®] Company

McGrath Peaker Project Siting Discussion

July 30, 2009

McGrath Peaker

Current Status:

- \$40 Million sunk, \$20 Million to complete
- All permits obtained
- Summer 2010 COD

Alternatives for Discussion

- Different Ventura County location
- Santa Clara Substation
- Transmission system upgrades
- RRI Energy Mandalay peaker

McGrath Peaker – Purpose and Need

Provides:

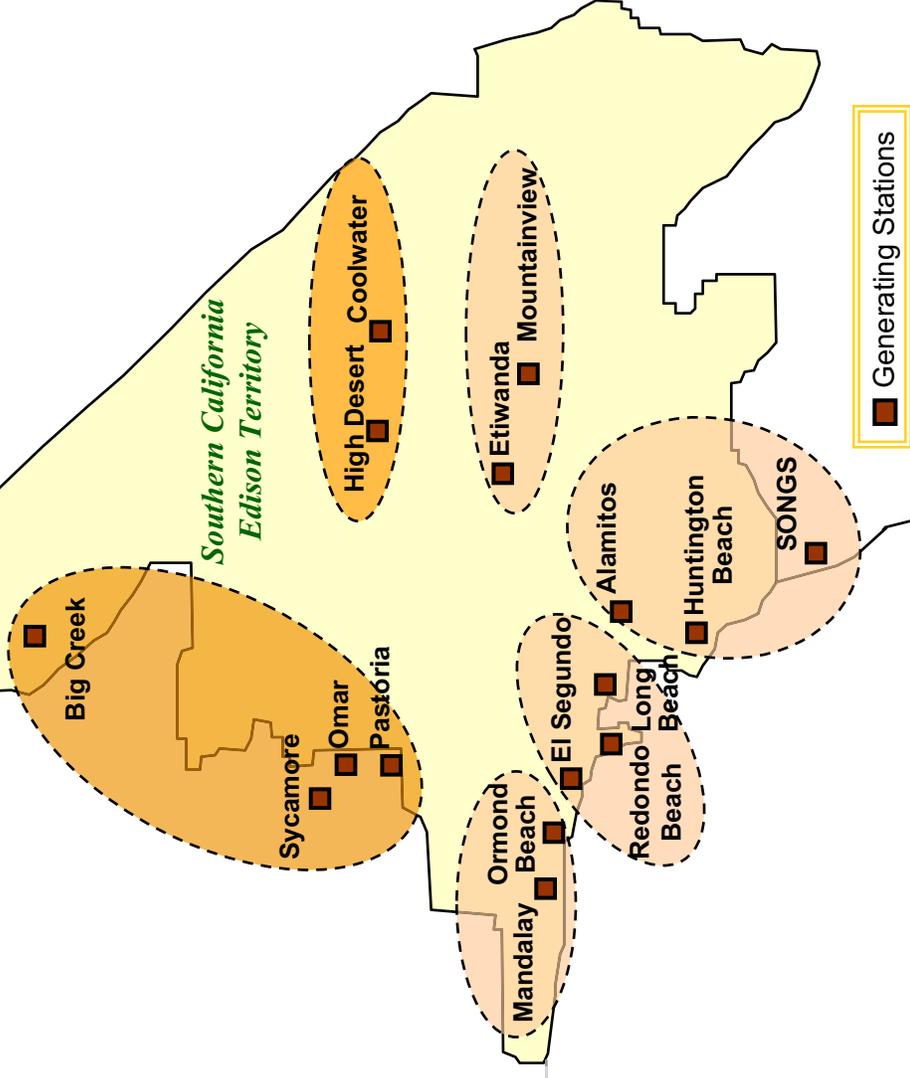
- 45 MW peaking capacity
- Black-start capability for 1 million people in 25 communities
- Local emergency generation to the Oxnard area
- Load rolling support for Santa Barbara County
- Quick-start, rapid ramping generation to facilitate integration of intermittent renewable energy

2004 Black Start Resource Plan

In 2004, SCE developed a black start resource plan in response to D.04-01-050, which directed SCE to consider location-specific reliability requirements as part of its resource planning efforts

Resource Plan requirement:

- Black start capable generation needed in four areas:
 - South Bay
 - Orange County
 - San Bernardino County
 - Ventura County
- San Joaquin Valley: Big Creek generation can be used
- Mojave Desert: Hoover generation can be used

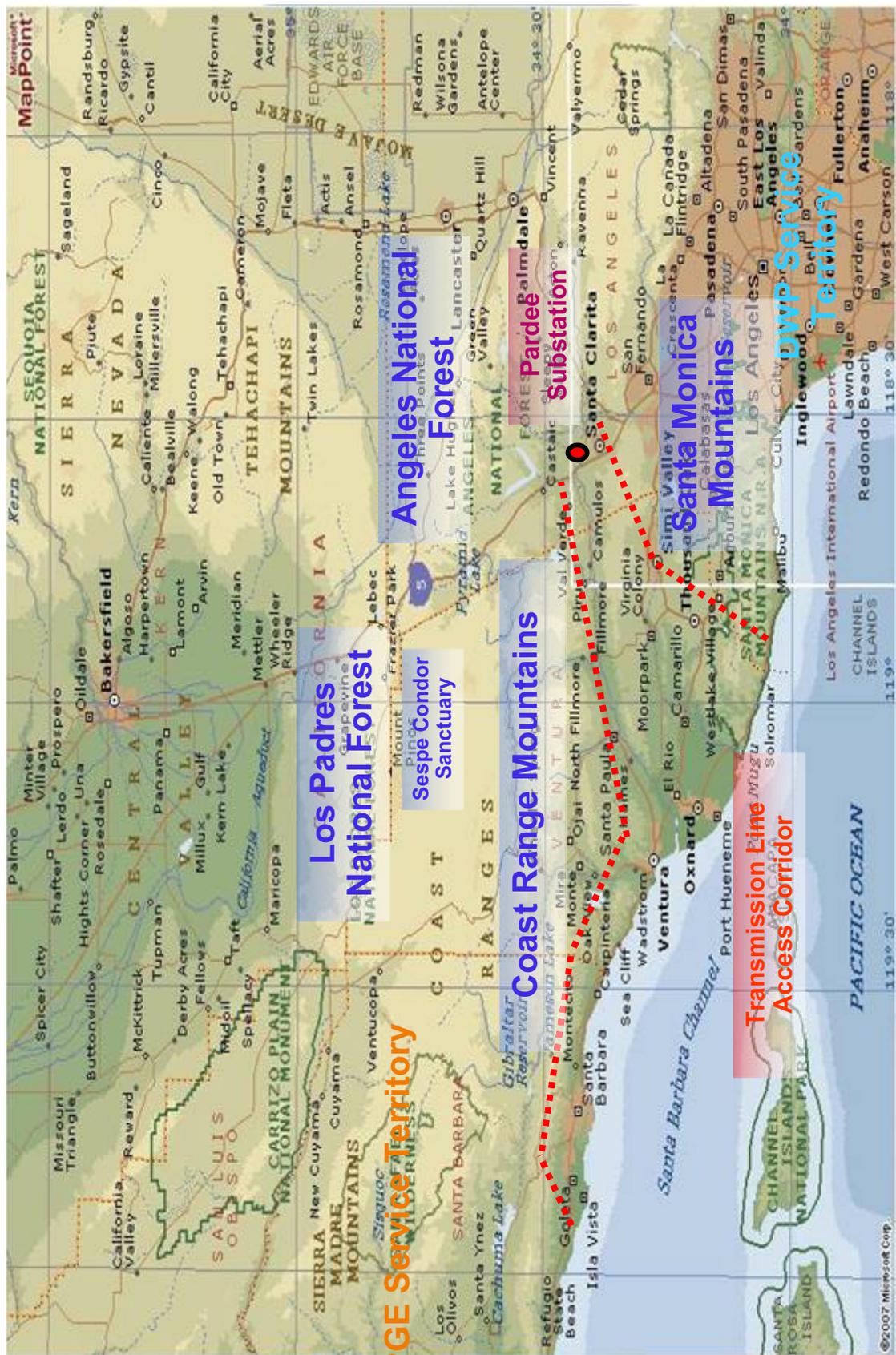


2006 ACR for 250 MW of Black Start Peakers

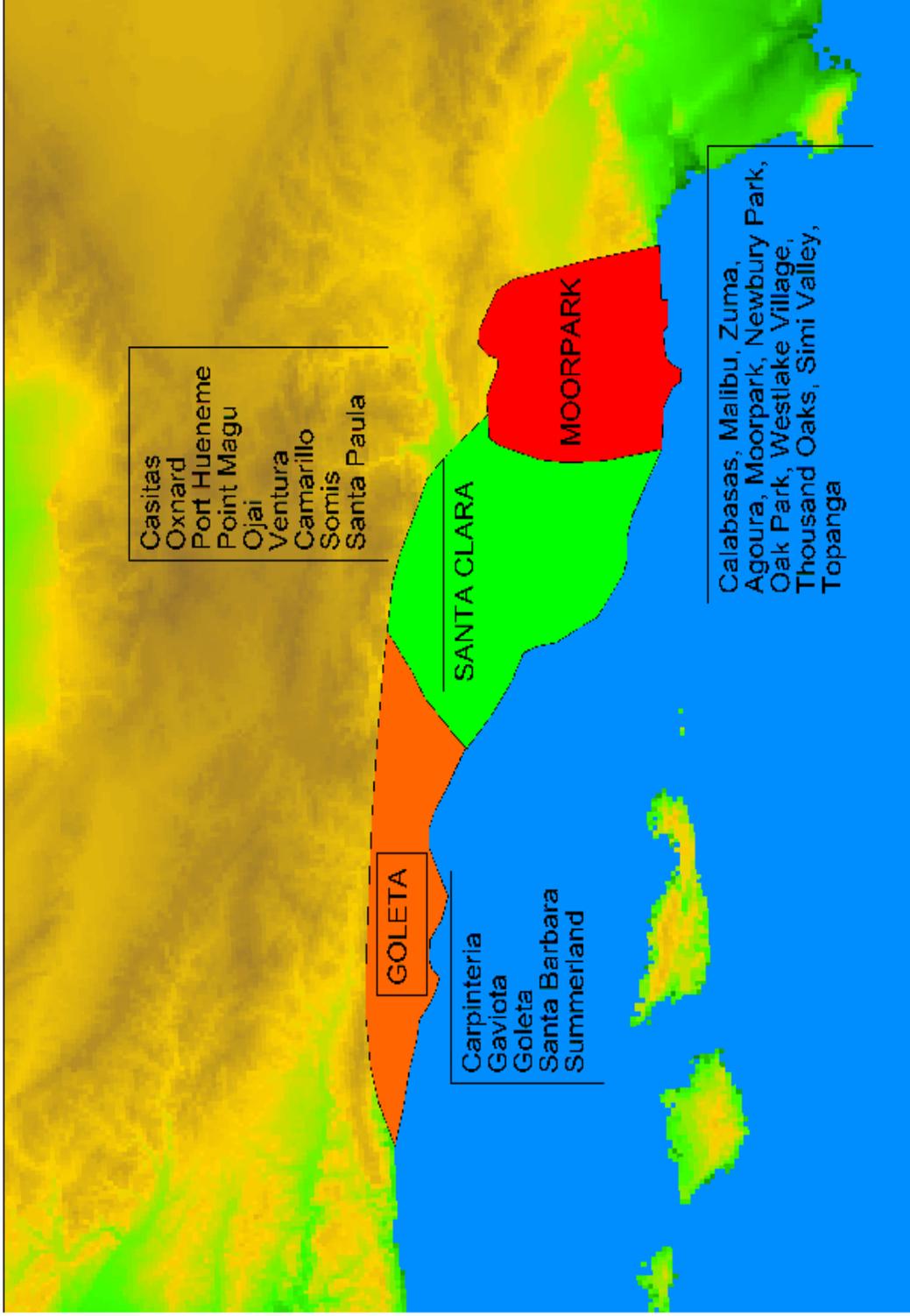
- When the 2006 ACR ordered SCE to build five black start capable peakers, SCE chose locations identified in its 2004 black start plan
- In particular, the Ventura County area was identified as an area in particular need of black start capability due to its isolation and existing transmission constraints
- Because of these constraints, a long term blackout is more likely in this area than in other parts of SCE’s system

Peaker	Black Start Facility
Barre	Huntington Beach
Center	Alamitos
Grapeland	Mountain Vista (Etiwanda)
Mira Loma	Mountainview
McGrath	Mandalay

Ventura/Santa Barbara Counties Natural Barriers Limiting Transmission Line Access



Customers Affected



One million people in 25 cities would be affected by a power outage in this area

Peaker Siting Considerations

- **Black start:** Peaker must be located no farther than 10-12 circuit miles (66kV system) from the Mandalay Generating Station for a successful black start. Allowable distance is shorter on some circuits.
- **Load rolling:** Peaker must be in the Santa Clara subsystem to support load rolling to Santa Barbara County.
- **Space/Zoning:** Project requires 2-3 acres. A loop substation would require an additional acre. Only the proposed site is zoned for utility generation. Other locations would require a conditional use permit, rezoning decision, and/or ballot initiative requiring 2/3 popular vote.
- **Interconnection distance/cost:** Alternate interconnection points would likely require reconductoring and/or loop substations.
- Fifty-six SCE-owned properties and eight non-SCE owned properties were considered for this project. No alternate sites were identified by opponents during the 3 year siting review.
- The CCC CEQA-equivalent review determined that the McGrath site is the environmentally-preferred site of those sites considered.

Proposed Project Site



Visual Simulation from Mandalay Beach



VP-07 - before

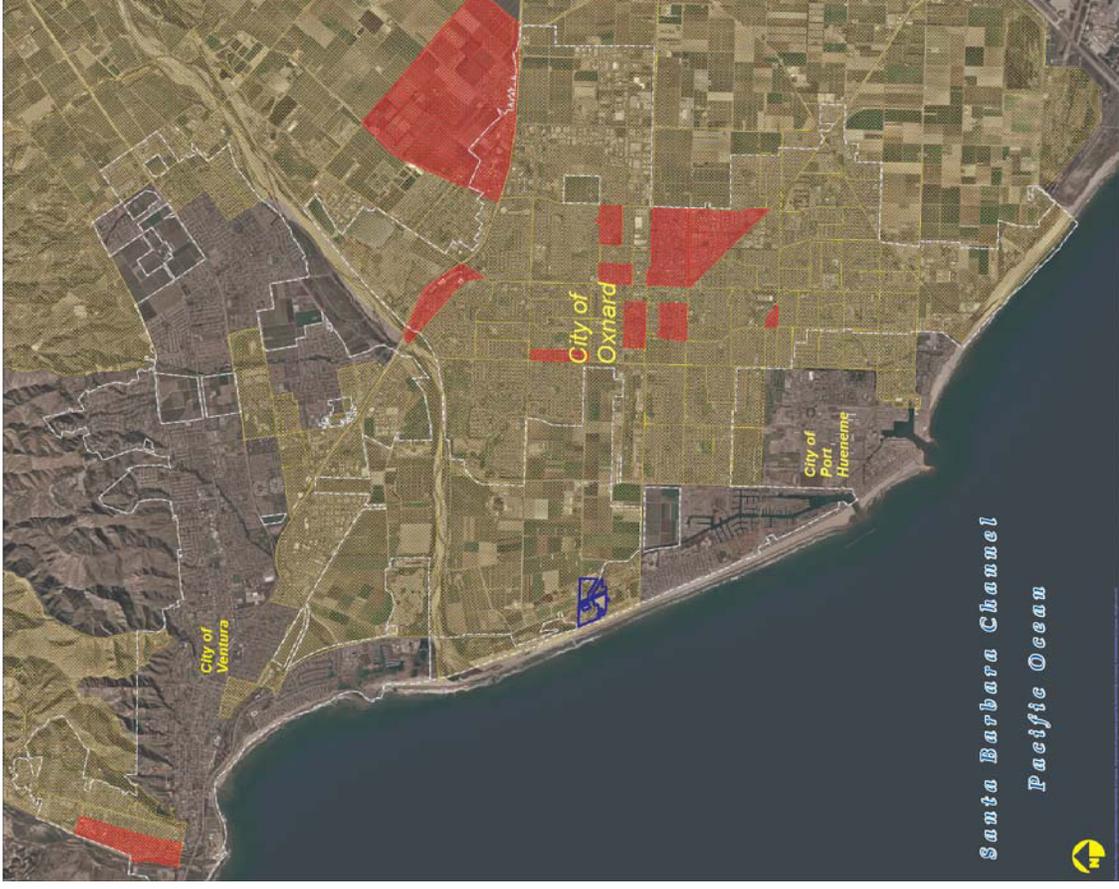


VP-07 - after

Local Area



High Minority/Low Income Areas



SOAR Protected Areas



Greenbelt Areas



Agricultural Preserves



Alternate Ventura County Site

- **Relocating the peaker would likely require all of the following:**
 - Purchase of 2-4 acres of property from willing seller
 - Conditional use permit, rezoning and/or ballot initiative
 - De novo interconnection request
 - New queue entries subject to 2-year wait for initial feasibility study
 - New CEQA analysis, no guarantee site will screen through
 - All other sites will be greenfield
 - The McGrath site has been deemed the environmentally preferred location of all sites that have been considered to date
 - Construction of a loop substation, new transmission line, and/or reconductoring
 - Construction of a longer gas supply tie line
 - Minimum \$15-20 Million additional expenditure
 - On-line date of 2012 or later
 - 2014 or later if 18-month de novo CPUC review

- **Potential additional risks:**
 - Existing unit may degrade while in storage
 - Air pollution regulations may change, requiring purchase of different control equipment than is included in the existing package
 - Air pollution offsets may be required, which may not be readily available

Santa Clara Substation



Santa Clara Substation (cont'd)



Existing 220 kV Towers



30 ft road ROW



Santa Clara Substation (cont'd)

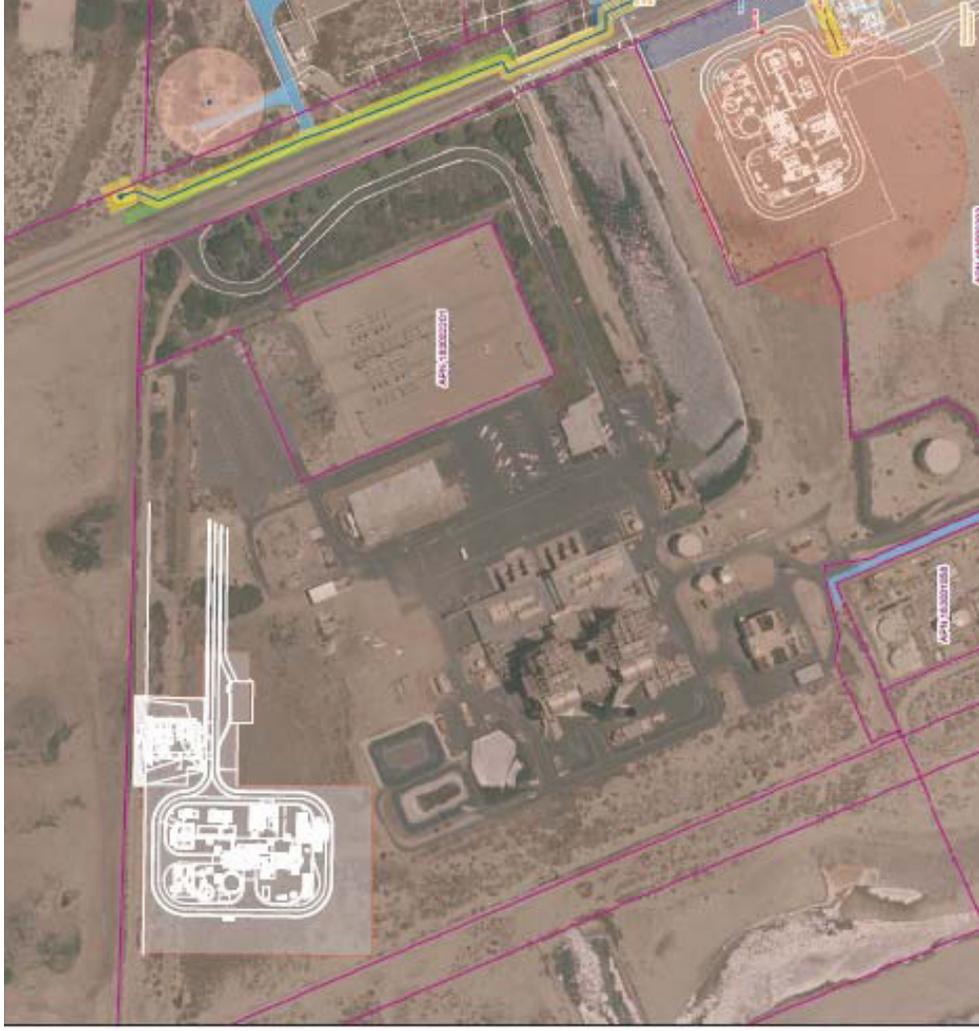
- Existing property does not have sufficient space to construct the project
- Adjacent land is an agricultural preserve that requires 2/3 vote to rezone
- Site is not suited for peaker construction
 - Steep grade would require 25-30 ft retaining wall strong enough to handle the soil load plus equipment weight.
 - Minimum 50 foot fill depth would require importing more than 75,000 cubic yards of fill
 - Drainage from the surrounding hillside currently pools at this location causing the site to be waterlogged. Hillside/substation drainage would need to be redesigned and located on the adjacent, non-SCE property.
 - Possible 6 mile natural gas pipeline connection, including directional bore under the 126 freeway
 - Significant infrastructure must be relocated on non-SCE land:
 - Privately-owned road
 - Water reservoir distribution line
 - 230kV transmission line
 - Existing screening vegetation would need to be removed
 - Ability of the unit to survive a significant earthquake would be questionable
- Incremental cost of construction: \$15-20 Million

Transmission System Upgrade Alternative

- New 60-mile 230kV Goleta-Mesa normally open tie line between SCE and PG&E
 - Project would require:
 - 20 miles of new rights-of-way
 - \$45-70 Million known costs (2009\$¹)
 - Potentially substantial PG&E upgrades
 - Transfer capability unknown
 - Limitations on Path Rating Capability may exist (e.g., possible power loop flow through Path 26)
 - Formal WECC Path Rating Study in cooperation with PG&E would be required to determine new path rating
- New line would traverse scenic/undeveloped areas
- No capacity or FERC/CAISO reliability “criteria driven” basis for new transmission line

¹ 2004 USE Study

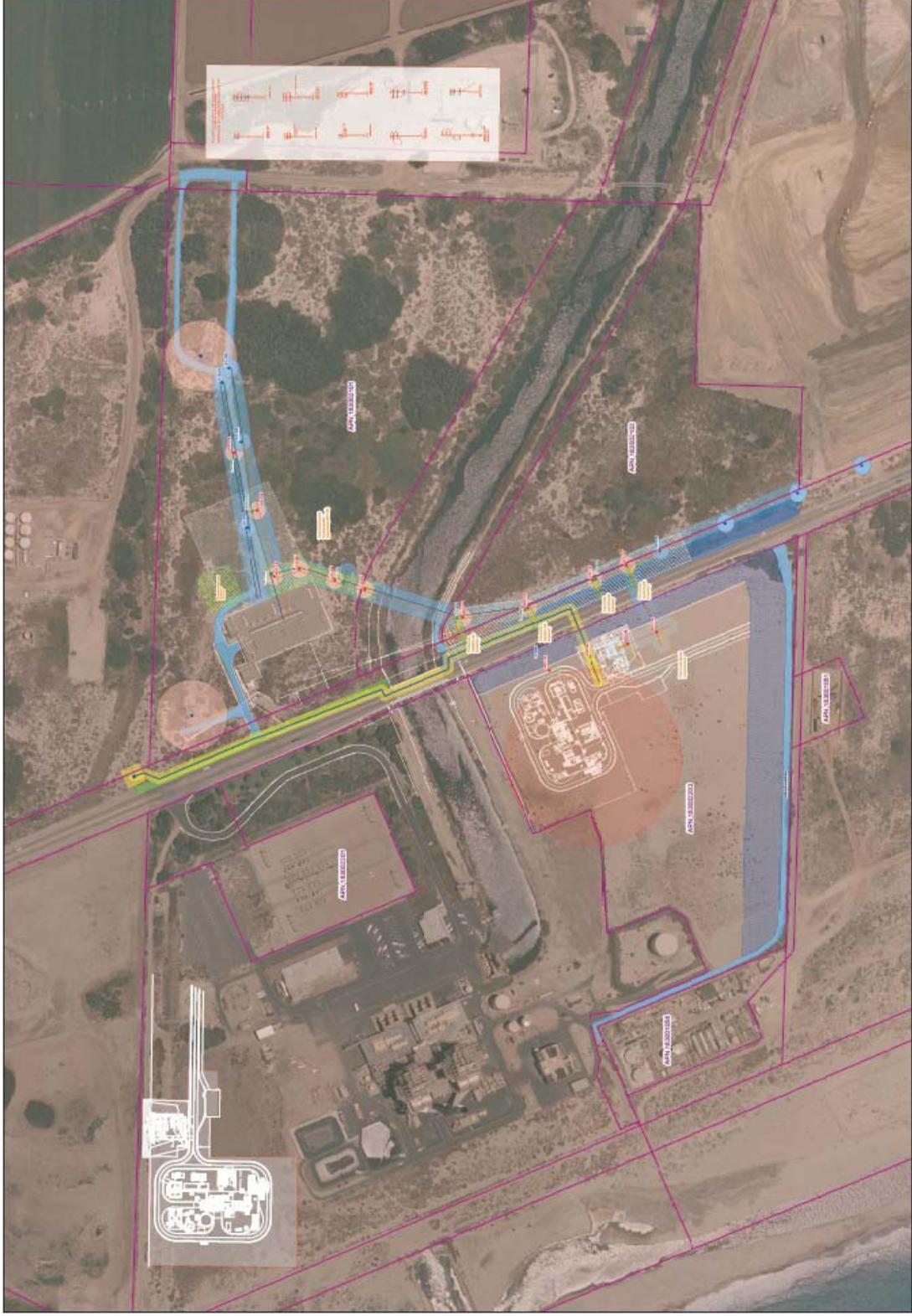
RRI Energy Mandalay



- Existing 1970 vintage peaker set is unreliable
- Only potential location at Reliant Mandalay is closer to the beach and sensitive habitat
- SCE does not own the site

BACKUP

Detailed McGrath Peaker Vicinity Map



Visual Simulation from McGrath State Beach



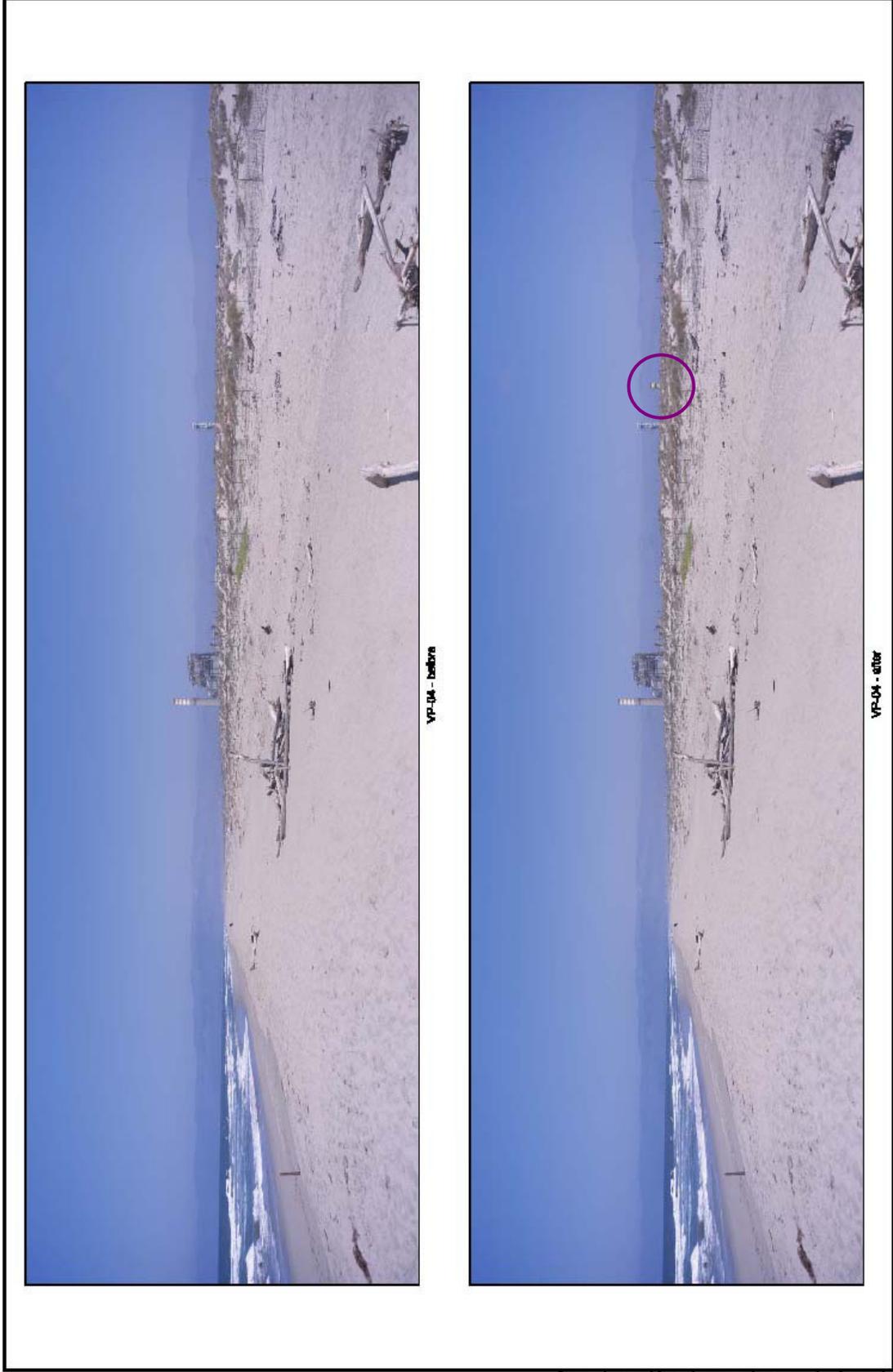
VP-11 - before



VP-11 - after

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Visual Simulation from Mandalay Beach



CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commissioner's Rules of Practice and Procedure, I have this day served a true copy of NOTICE OF EX PARTE COMMUNICATION BY SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) on all parties identified in the attached service list(s).

Transmitting the copies via e-mail to all parties who have provided an e-mail address. First class mail will be used if electronic service cannot be effectuated.

Executed this **4th day of August, 2009**, at Rosemead, California.

/s/ Henry Romero

[Henry Romero](#)
Project Analyst
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Ave.
Post Office Box 800
Rosemead, California 91770



California Public Utilities Commission

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CALIFORNIA PUBLIC UTILITIES COMMISSION

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Parties

DANIEL W. DOUGLASS
 DOUGLASS & LIDDELL
 21700 OXNARD STREET, SUITE 1030
 WOODLAND HILLS, CA 91367
 FOR: ALLIANCE FOR RETAIL ENERGY MARKETS
 / WESTERN POWER TRADING FORUM

SUMNER J. KOCH
 ATTORNEY AT LAW
 SOUTHERN CALIFORNIA EDISON COMPANY
 POST OFFICE BOX 800
 2244 WALNUT GROVE AVENUE
 ROSEMEAD, CA 91770
 FOR: SOUTHERN CALIFORNIA EDISON COMPANY

CESAR HERNANDEZ
 C.A.U.S.E.
 2021 SPERRY AVENUE, NO. 18
 VENTURA, CA 93003
 FOR: CENTRAL COAST ALLIANCE UNITED FOR
 A SUSTAINABLE ECONOMY

NORA SHERIFF
 ATTORNEY AT LAW
 ALCANTAR & KAHL, LLP
 33 NEW MONTGOMERY STREET, SUITE 1850
 SAN FRANCISCO, CA 94015
 FOR: ENERGY PRODUCERS AND USERS
 COALITION

MARC D. JOSEPH
 ATTORNEY AT LAW
 ADAMS BRADWELL JOSEPH & CARDOZO
 601 GATEWAY BLVD. STE 1000
 SOUTH SAN FRANCISCO, CA 94080
 FOR: COALITION OF CALIFORNIA UTILITY
 EMPLOYEES

MITCHELL SHAPSON
 CALIF PUBLIC UTILITIES COMMISSION
 LEGAL DIVISION
 ROOM 4107
 505 VAN NESS AVENUE
 SAN FRANCISCO, CA 94102-3214
 FOR: DRA

NOEL OBIORA
 CALIF PUBLIC UTILITIES COMMISSION
 LEGAL DIVISION
 ROOM 4107
 505 VAN NESS AVENUE
 SAN FRANCISCO, CA 94102-3214
 FOR: DIVISION OF RATE PAYER ADVOCATES

MICHEL PETER FLORIO
 ATTORNEY AT LAW
 THE UTILITY REFORM NETWORK
 115 SANSOME STREET, SUITE 900
 SAN FRANCISCO, CA 94104
 FOR: THE UTILITY REFORM NETWORK

Exhibit B-35

JOSEPH M. KARP
ATTORNEY AT LAW
WINSTON & STRAWN LLP
101 CALIFORNIA STREET, 39TH FLOOR
SAN FRANCISCO, CA 94111-5894
FOR: CALIFORNIA WIND ENERGY ASSOCIATION

R. THOMAS BEACH
PRINCIPAL
CROSSBORDER ENERGY
2560 NINTH STREET, SUITE 213A
BERKELEY, CA 94710-2557
FOR: CALIFORNIA COGENERATION COUNCIL

C. SUSIE BERLIN
ATTORNEY AT LAW
MCCARTHY & BERLIN LLP
100 W. SAN FERNANDO ST., SUITE 501
SAN JOSE, CA 95113
FOR: CITY OF OXNARD

Information Only

JIM ROSS
RCS, INC.
500 CHESTERFIELD CENTER, SUITE 320
CHESTERFIELD, MO 63017

GREGORY S.G. KLATT
ATTORNEY AT LAW
DOUGLASS & LIDDELL
411 E. HUNTINGTON DRIVE, SUITE 107-356
ARCADIA, CA 91007
FOR: ALLIANCE FOR ENERGY RETAIL MARKETS

CASE ADMINISTRATION
SOUTHERN CALIFORNIA EDISON COMPANY
LAW DEPARTMENT, ROOM 370
2244 WALNUT GROVE AVENUE, ROOM 370
ROSEMEAD, CA 91770

DOUGLAS K. PORTER
ATTORNEY AT LAW
SOUTHERN CALIFORNIA EDISON COMPANY
2244 WALNUT GROVE AVENUE
ROSEMEAD, CA 91770

FRANK J. COOLEY
SOUTHERN CALIFORNIA EDISON COMPANY
PO BOX 800, 2244 WALNUT GROVE AVE.
ROSEMEAD, CA 91770

RUSSELL ARCHER
SOUTHERN CALIFORNIA EDISON COMOPANY
2244 WALNUT GROVE AVE.
ROSEMEAD, CA 91770

ALAN HOLMBERG
300 WEST THIRD STREET, THIRD FLOOR
OXNARD, CA 93030

EVELYN KAHL
ATTORNEY AT LAW
ALCANTAR & KAHL, LLP
33 NEW MONTGOMERY STREET, SUITE 1850
SAN FRANCISCO, CA 94015

BRUCE FOSTER
SENIOR VICE PRESIDENT
SOUTHERN CALIFORNIA EDISON COMPANY
601 VAN NESS AVENUE, STE. 2040
SAN FRANCISCO, CA 94102

KAREN TERRANOVA
ALCANTAR & KAHL, LLP
120 MONTGOMERY STREET, STE 2200
SAN FRANCISCO, CA 94104

KARLEEN O'CONNOR
WINSTON & STRAWN LLP
101 CALIFORNIA STREET 39TH FLR
SAN FRANCISCO, CA 94111
FOR: CALIFORNIA WIND ENERGY ASSOCIATION

CALIFORNIA ENERGY MARKETS
425 DIVISADERO ST. SUITE 303
SAN FRANCISCO, CA 94117-2242

DAVID MARCUS
PO BOX 1287
BERKELEY, CA 94701

BARRY F. MCCARTHY
ATTORNEY AT LAW
MCCARTHY & BERLIN, LLP
100 W. SAN FERNANDO ST., SUITE 501
SAN JOSE, CA 95113

KEVIN WOODRUFF
WOODRUFF EXPERT SERVICES
1100 K STREET, SUITE 204
SACRAMENTO, CA 95814

ANDREW B. BROWN
ATTORNEY AT LAW
ELLISON SCHNEIDER & HARRIS, LLP
2600 CAPITOL AVENUE, SUITE 400

SACRAMENTO, CA 95816-5905

State Service

DAVID M. GAMSON
CALIF PUBLIC UTILITIES COMMISSION
DIVISION OF ADMINISTRATIVE LAW JUDGES
ROOM 5019
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

DAVID PECK
CALIF PUBLIC UTILITIES COMMISSION
ELECTRICITY PLANNING & POLICY BRANCH
ROOM 4103
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

DOUGLAS M. LONG
CALIF PUBLIC UTILITIES COMMISSION
DIVISION OF ADMINISTRATIVE LAW JUDGES
ROOM 5023
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

MATTHEW DEAL
CALIF PUBLIC UTILITIES COMMISSION
EXECUTIVE DIVISION
ROOM 5215
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

MERI LEVY
CALIF PUBLIC UTILITIES COMMISSION
ELECTRICITY PLANNING & POLICY BRANCH
ROOM 4102
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

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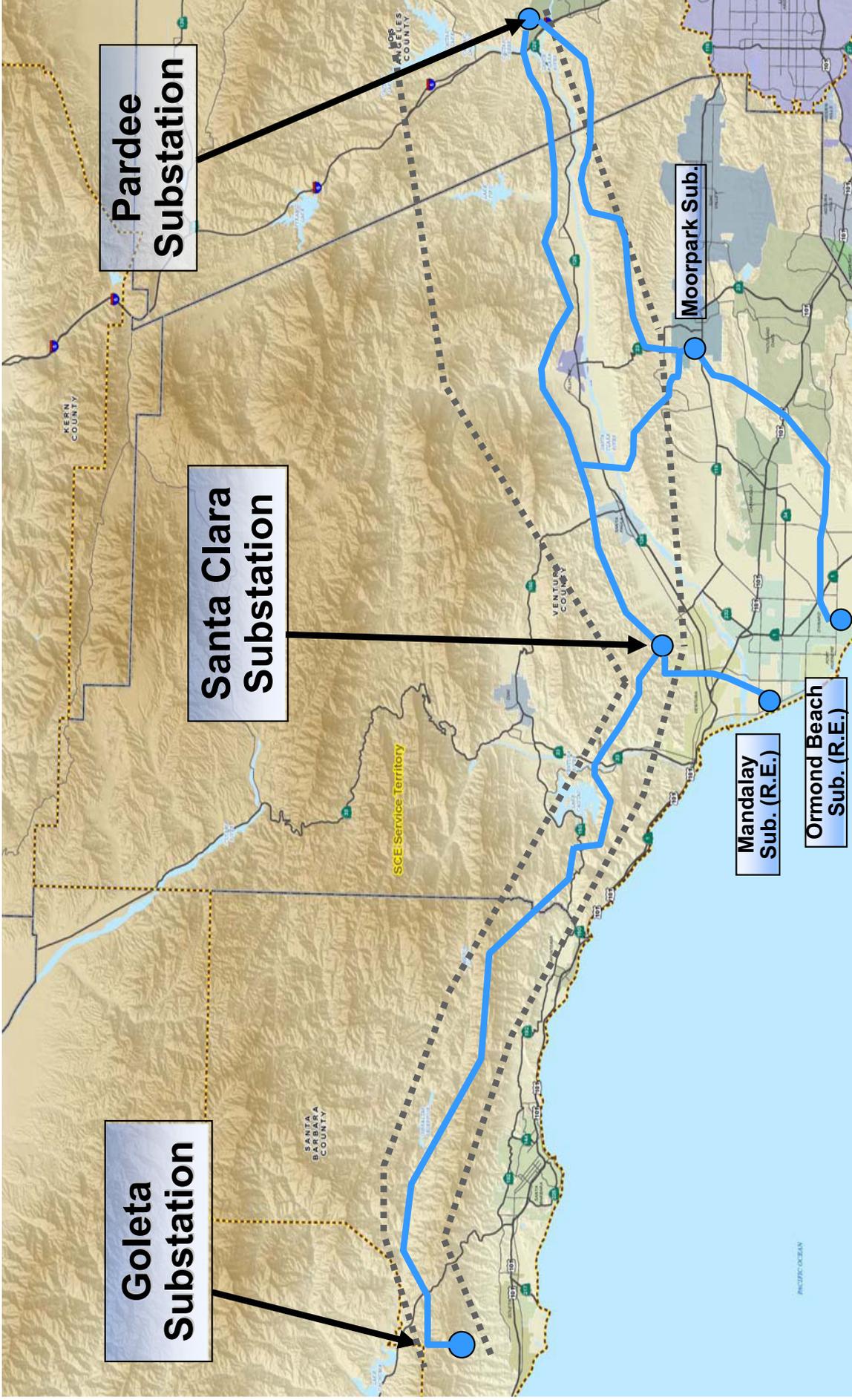
PUC Workshop – McGrath Peaker Justification

March 2, 2009

Description of Area and Electric System

- Ventura and Santa Barbara Counties are located in the western most part of the SCE service area.
- The counties are bounded by the Pacific Ocean to the west and by the following barriers:
 - Los Padres and Angeles National Forests, including designated Wilderness Areas and Condor Sanctuary
 - Santa Ynez Mountains
 - Santa Monica Mountains, including National Recreation Area, state parks.
 - Heavily developed/populated area of LA
- **Transmission line access into the area is limited.**
 - Single transmission line corridor to connect to the main system

Geography of Santa Barbara/Ventura Counties and Natural Barriers Limiting Transmission Line Access



Ventura and Santa Barbara County Resources

- Ventura and Santa Barbara Counties are served through three bulk power substations:
 - Moorpark 230 kV Substation, 854 MW of load
 - Goleta 230 kV Substation, 298 MW of load
 - Santa Clara 230 kV Substation, 608 MW of load
- The aggregated demand in the two counties is forecasted at 1760 MW by 2009.
- Local generation capacity within the area available from merchant generation:
 - Reliant Mandalay Plant Generation is 430 MW
 - Reliant Ormond Beach Plant Generation is 1500 MW

Ventura and Santa Barbara Counties

Load Serving Vulnerability

- Pardee Substation could be extensively damaged and/or the 230 kV transmission lines that serve Ventura and Santa Barbara Counties could be damaged.
- Reliant Mandalay and Ormond Beach generation plants in the local area may be tripped off due to loss of transmission lines.
- SCE will have to rely on local generation in the Ventura and Santa Barbara systems to serve the load, due to constraints on imports caused by damage to Pardee Substation and transmission lines.
 - Load dropping will be required
 - Quick start generation to provide energy is urgently needed
 - A Peaker unit in the local area would provide blackout capability to facilitate startup of other local generation.
 - Currently, Ventura and Santa Barbara Counties do not have a reliable blackout capability.
 - Local residents, critical load such as military sites, hospitals, police and fire departments, and commercial load could experience extended outages.

Historical Events That Caused Interruption To The Electric Grid

- Fires:
 - September 4, 2007 Zaca Fire, Los Padres National Forest in Santa Barbara County
 - Duration of Zaca fire was three months.
 - July 26, 1995 Santa Barbara fire
- Earthquakes:
 - 1994 Northridge earthquake
 - Pardee and DWP's Sylmar substation suffered extensive damage
 - Highways and bridges were severely damaged
 - Buildings were destroyed
 - 1971 Sylmar earthquake
 - Homes, substations, and highways suffered extensive damage

1994 Northridge Earthquake Extent of Damage to Pardee Substation

- Major damage to the substation that resulted in extended outages:
 - Disconnect switches bushings damaged
 - Transmission towers fell due to soil instability
 - Circuit breakers destroyed
 - Transformer bushings damaged

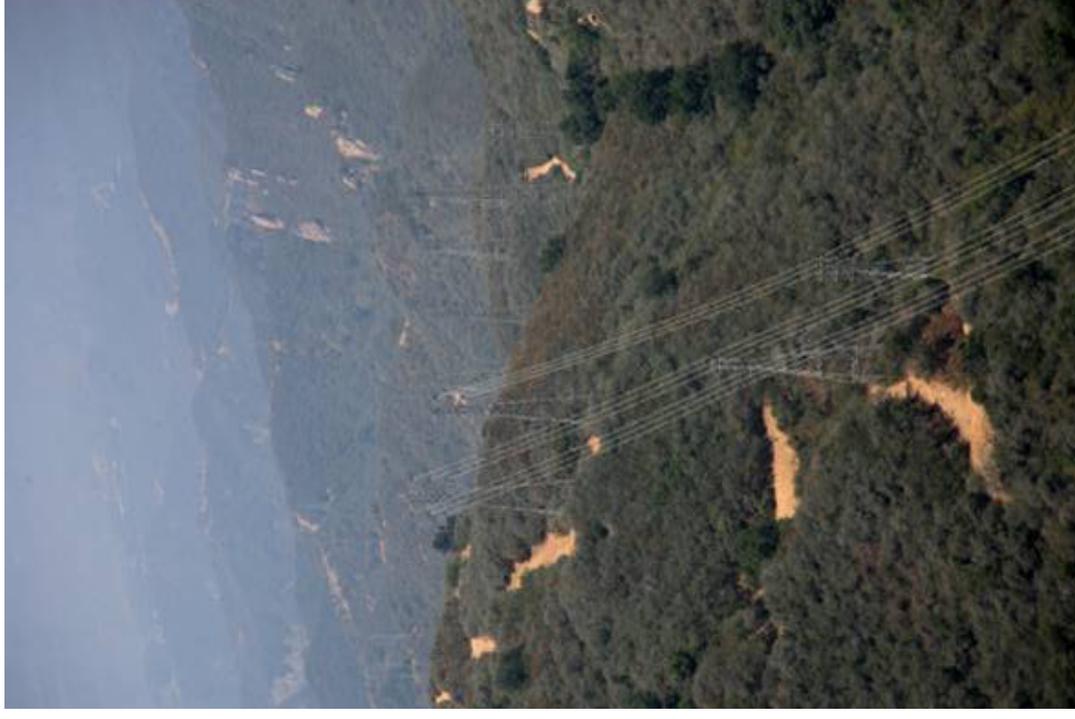


McGrath Peaker - Blackstart

- Vulnerable points in the grid illustrate critical need for a reliable blackstart capable unit in the Ventura County
- Catastrophic failure(s) at Pardee Substation due to earthquakes, major fires could result in isolation of the electric load in the Ventura County from the main electric grid for an extended period.
 - Until construction to re-establish connection to the main SCE system can be completed
- A reliable local Peaker (like McGrath Peaker) is urgently needed:
 - To blackstart local generation at Reliant Mandalay units.
 - Reliant Mandalay can than blackstart Reliant Ormond Beach.
 - To supply energy to critical loads in the area such as hospitals, military sites, police and fire departments.

McGrath Peaker Additional Reliability

- The Peaker would provide:
 - Voltage support to the local Santa Clara 66 kV sub-transmission system
 - Increased operational flexibility for load rolling from the Goleta system to the Santa Clara system.



Key Points to Consider

- If there is a major fire, or other catastrophe affecting the SCE transmission system to the Coastal region, the McGrath Peaker is the only practical way to restore power quickly.
 - With the Peaker, restoration of power could be in minutes
 - Without the Peaker, restoration of power could take up to several weeks or longer depending on the nature of the outage
- The blackstart capability of the Peaker is the only practical way to restore power to Oxnard and the Coastal region in the event of a transmission interruption.
- The Peaker is the least-cost option to provide additional service reliability to our customers in Oxnard and the Coastal region.
- The Peaker allows SCE to restore service to the Coastal region even if the rest of SCE's system is down due to a catastrophic event, such as a major earthquake.
- If there is a major event in the LA basin, the geographically isolated McGrath Peaker would have a higher likelihood of remaining undamaged.