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Decision **ALTERNATE PROPOSED DECISION OF COMMISSIONER
FLORIO** (Mailed 1/11/2016)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison
Company (U338E) for Approval of the
Results of Its 2013 Local Capacity
Requirements Request for Offers for the
Moorpark Sub-Area.

Application 14-11-016
(Filed November 26, 2014)

**ALTERNATE DECISION APPROVING, IN PART, RESULTS OF SOUTHERN
CALIFORNIA EDISON COMPANY LOCAL CAPACITY REQUIREMENTS
REQUEST FOR OFFERS FOR MOORPARK SUB-AREA PURSUANT TO
DECISION 13-02-015**

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ALTERNATE DECISION APPROVING, IN PART, RESULTS OF SOUTHERN CALIFORNIA EDISON COMPANY LOCAL CAPACITY REQUIREMENTS REQUEST FOR OFFERS FOR MOORPARK SUB-AREA PURSUANT TO DECISION 13-02-015

Summary

We approve of the results of the request for offers (RFO) conducted by Southern California Edison Company (SCE) pursuant to the Commission's directives in Decision (D.) 13-02-015 issued in Rulemaking 12-03-014,¹ with one exception. Rather than approve of the Puente Project today, we will complete our review of the Puente Project after the environmental review by the California Energy Commission. Additionally, we approve the Ellwood contract (as well as the associated energy storage project) as a one-time deviation from our traditional procurement process, because SCE has identified an additional need in the Moorpark sub-area that was not apparent at the time of D.13-02-015, and because the contract provides both reliability and ratepayer benefits. SCE has reasonably complied with the requirement in D.13-02-015 to hold an RFO for the Moorpark sub-area. SCE shall, however, continue to procure via any approved procurement mechanism to meet, at least, the minimum procurement amounts adopted in D.13-02-015. This proceeding remains open for further consideration of procurement in the Moorpark sub-area, including the Puente Project.

1. Procedural Background

D.13-02-015, issued on February 13, 2013, ordered SCE to procure, via a Request for Offers (RFO), a minimum of 215 megawatts (MW) and a maximum of 290 MW of electrical capacity in the Moorpark sub-area of the Big

¹ R.12-03-014, *Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans* (March 22, 2012).

Creek/Ventura local reliability area (Moorpark sub-area) to meet identified long-term local capacity requirements (LCR) by 2021.² The Commission found this LCR need existed, in large part, due to the expected retirement of the Ormond Beach and Mandalay once-through-cooling (OTC) generation facilities, which are both located in Oxnard, California.

For projects to be considered for this particular RFO, the projects had to meet certain minimum characteristics, including that the projects be incremental, i.e., new capacity.³ Other minimum requirements included that the projects qualify as Full Capacity Deliverability Status and delivery had to include the entire calendar year 2021.⁴ These minimum characteristics were established in D.13-02-015. This decision did not specify that SCE procure any specific resources types.

The Commission in D.13-02-015 ordered SCE to submit an LCR procurement plan to the Energy Division explaining how SCE would conduct this RFO.⁵ SCE submitted its initial LCR procurement plan on July 15, 2013. Energy Division approved a modified version of SCE's plan on September 4, 2013.⁶ SCE launched its LCR RFO on September 12, 2013.⁷

On November 26, 2014, SCE filed this Application for approval of the results of its 2013 LCR RFO for the Moorpark sub-area seeking approval of

² D.13-02-015 at 131 (OP 2).

³ Ex. SCE-1 at 14.

⁴ Ex. SCE-1 at 14.

⁵ D.13-02-015 at 133-134 (OPs 5-7).

⁶ SCE July 22, 2015 Opening Brief at 3.

⁷ Ex. SCE-1 at 4; SCE July 22, 2015 Opening Brief at 3.

11 contracts.⁸ The Application also seeks approval of one project that did not bid into the RFO.

A brief review of the 11 contracts follows: One of the contracts is a 20-year contract for gas-fired generation (totaling 262 MW of capacity). This contract is a resource adequacy (RA) purchase agreement with NRG Energy Center Oxnard, LLC (NRG) for a new simple cycle peaking facility known as the Puente Power Project (NRG Puente Project).⁹

Another contract, which is also for gas-fired generation (totaling 54 MW of capacity), does not count toward SCE's incremental procurement requirements for the Moorpark sub-area under D.13-02-015. This contract is a 10-year agreement with NRG California South, LP (NRG California South) for the existing 54 MW Ellwood Generating Station (Ellwood), which NRG California South will refurbish (without any change in size or capacity) to provide a remaining 30-year design life.¹⁰ Ellwood was included as an existing resource in the CAISO study that served as the foundation of D.13-02-015 and, in that study, it was assumed to continue operating in the need assessment. SCE concedes that the Ellwood contract is not an incremental resource and does not count toward SCE's procurement requirements for the Moorpark sub-area.¹¹

SCE also seeks approval of an energy storage contract with NRG California South (NRG Energy Storage contracts). This project is located on the

⁸ D.13-02-015 at 68, 131 (OP 2).

⁹ Ex. SCE-1 at 55; Ex. NRG-1 at 2.

¹⁰ Ex. SCE-1 at 57.

¹¹ Ex. SCE-1 at 3, fn. 1; Ex. SCE-1 at 57.

site of Ellwood. The NRG Energy Storage contract is a tolling agreement for a 0.5 MW storage facility.¹²

The remaining contracts include six contracts for energy efficiency (totaling 6 MW of capacity) and two contracts for renewable distributed generation (totaling 5.66 MW of capacity).¹³

A summary of the selected offers is provided in the table below.¹⁴

Produce Category	Counterparty	Total Contracts	Max Quantity (LCR MW)
Gas-Fired Gen - Incremental	NRG Energy Center Oxnard LLC (Puente Project)	1	262
Gas-Fired Gen - Not Incremental	NRG California South LP (Ellwood Project)	1	0 (or 54 – not incremental)
Energy Efficiency - Incremental	Onsite Energy Corporation	6	6
Renewable Distributed Gen - Incremental	Solar Star California XXXIV, LLC Solar Star California XXXIX, LLC	2	5.66
Energy Storage (In Front Of Meter) - Incremental	NRG California South LP	1	.5

On January 12, 2015, City of Oxnard, World Business Academy, Office of Ratepayer Advocates (ORA), and the Sierra Club, Center for Biological Diversity (CBD) filed protests. Other parties filed responses to this Application, including

¹² Exhibit SCE-1at 54, lines 12-17; NRG August 5, 2015 reply brief at 7.

¹³ Exhibit SCE-1 at 3, Table I-1.

¹⁴ Exhibit SCE-1 at 3 and 55.

NRG, NRG California South, California Energy Storage Alliance (CESA), EnerNOC, Inc. (EnerNOC), the Western Power Trading Forum, and Alliance for Retail Energy Markets (AReM) with the Direct Access Customer Coalition (DACC).

Parties submitted prepared testimony in preparation for evidentiary hearings which were held on May 27, 28, and 29, 2015.

A public participating hearing (PPH) was held in Oxnard on July 15, 2015. The general public and public representatives presented opinions at the PPH in Oxnard that – while informal and having no evidentiary weight – were mostly against the Ellwood project and NRG Puente Project.¹⁵ Some speakers supported the projects. Hundreds of letters from the public have been included in the correspondence file of this proceeding.

Parties filed concurrent opening briefs and reply briefs on July 22, 2015 and August 5, 2015, respectively.

1.1. Standard of Review

We review today's Application and request therein under a reasonableness standard. The question is whether SCE conducted its RFO in a reasonable manner, consistent with the law and Commission decisions, and whether the results are reasonable.

1.2. Burden of Proof

The burden of proof is on the Applicant in this proceeding to support its request by a preponderance of evidence. In short, the preponderance of evidence burden of proof standard is met if the proposition is more likely to be true than

¹⁵ The reporter's transcript of this public participation meeting can be found in Central Files at the Commission.

not true. The standard is also described as being met by the evidence presented when the proposition is more probable than not.

2. Scope of Issues

The issues to be determined are:¹⁶

1. Whether the results of SCE's 2013 LCR RFO for the Moorpark sub-area enhance the safe and reliable operation of SCE's electrical service?
2. Does the Application comply with the procurement authority granted by the Commission in D.13-02-015?
3. Are the results of SCE's 2013 LCR RFO for the Moorpark sub-area a reasonable means to meet the 215 to 290 MW of identified LCR need determined by D.13-02-015? This issue includes consideration of the reasonableness of at least the following:
 - a. Are the price, terms and conditions of the LCR contracts reasonable?
 - b. Did SCE's RFO process limit certain resource bids from being considered? If so, were these limitations reasonable?
 - c. Was the process used to develop the eligibility requirements reasonable?
 - d. Did the process and outcome of any consultations between the California Independent System Operator and SCE impact resources requirements and contract selection? If so, was this impact reasonable?
 - e. Are the LCR RFO contracts consistent with the Commission's Emissions Performance Standards?
4. Should the Commission approve these contracts prior to completion and a final decision by the California Energy

¹⁶ March 13, 2015, *Assigned Commissioner's Ruling and Scoping Memo* at 4-5.

Commission (CEC) of the California Environmental Quality Act (CEQA) review? The CEC is the lead agency for purposes of the CEQA review. As a result, environmental matters will largely be resolved by the CEC.

5. Is SCE's proposed rate treatment, cost recovery, and cost allocation just and reasonable? (A workshop for the purpose of clarifying SCE's proposed Cost Allocation Mechanism, or CAM, treatment will not be necessary.)
6. Is the 54 MW Ellwood Refurbishment project appropriate for the Commission to consider in this proceeding and, if so, is the contract reasonable?
7. Is the contract with NRG California South LP, for a 0.5 MW storage project, reasonable?

3. 262 MW Gas-Fired Generation NRG Puente Project - Offer 447019

Today, the Commission defers, without prejudice, its review of NRG Puente Project contract until completion of environmental review by the California Energy Commission (CEC).¹⁷ While the Commission is not required to hold this proceeding in abeyance until CEC review is complete, it has the authority to do so. In this instance, the CEC's review may enhance the Commission's independent determination of critical safety issues and environmental justice matters and also clarify reliability risks posed by locating the new electric infrastructure on the beach in the City of Oxnard. This proceeding remains open for further consideration of this matter.

3.1. Impact of Delay

Before deciding to postpone consideration of the NRG Puente Project, the Commission must evaluate and balance several factors, including any harm that may result from the delay, either to the parties or the public.

¹⁷ CEC Docket 15-AFC-01 (Application for Certification of Puente Project by NRG.)

NRG's argument against delay relied on the principle of efficiency. Simply stated, NRG argued that the act of imposing any delay on a final Commission decision on the NRG Puente Project would be inefficient.¹⁸

Efficiency is always a fundamental concern of the Commission. Efficiency, however, is not always the overriding concern. This is especially so when questions about the safety of the public remain insufficiently addressed.

In this instance, allowing the CEC to review the environmental impact of the NRG Puente Project prior to a final decision by the Commission may be the most efficient path to uphold the paramount goal of safety. As stated above, it is possible that critical safety issues and environmental justice matters will be exposed after further review by the CEC. Reliability risks may be clarified, too.

Moreover, since the CEC is already reviewing the proposal, the length of the delay will be measured in months, and not affect the parties' ability to provide reliable power to the Moorpark sub area in advance of 2021.¹⁹

Therefore, we find that any delay in the review of the NRG Puente Project will not cause unreasonable delays in the procurement required under D.13-02-015 or cause harm to the parties or the public. We now address the risks to reliability posed by the Puente Project. Then we will address safety and environmental justice.

3.2. Grid Reliability

SCE seeks Commission approval of a 20-year contract with NRG Energy Center Oxnard LLC for 262 MW of gas-fired generation from a new GE 7HA.01

¹⁸ NRG July 22, 2015 Opening Brief at 43.

¹⁹ D.13-02-015 (OP 2) at 131 stated: Southern California Edison Company shall procure between 215 and 290 Megawatts of electric capacity to meet local capacity requirements in the Moorpark sub-area of the Big Creek/Ventura local reliability area by 2021.

gas-fired CT with contract start date of June 1, 2020 to be located at 393 North Harbor Boulevard, Oxnard, California.²⁰ Our review of the reliability risks facing the NRG Puente Project is consistent with the Commission's obligation to ensure investments in electricity infrastructure are used and useful and contribute to local reliability. The Commission's review of reliability risks is distinct from the CEC's environmental review but, nevertheless, includes some of the same evidence.

For example, the Commission must evaluate the risk of flooding under Pub. Util. Code § 451.²¹ The reliability of the grid is one aspect of the Commission's broader analysis and responsibility of ensuring safety under Section 451. The CEC, on the other hand, evaluates the risk of flooding from an environmental perspective. As such, SCE's suggestion that the reliability risks posed by sea level rise fall outside of the Commission's purview but, instead, within the jurisdiction of CEC's environmental review, does not fully capture the Commission's role.

Parties presented competing points of view on the risks posed to reliability and safety based on the location of the plant, as the proposed beach location is near sea level. According to the Sierra Club and City of Oxnard, local reliability could likely be compromised with future anticipated sea level rise.²² As determined by Dr. David Revell, expert witness of the City of Oxnard, "portions

²⁰ Ex. SCE-1 at 55.

²¹ Section 451 provides, in relevant part, "Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, ..., as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public."

²² Oxnard July 22, 2015 Opening Brief at 6-7 and Exhibit A; Ex. CO-1 at 2; Sierra Club July 22, 2015 Opening Brief at 2-4.

of the Generating Station's site are exposed to coastal flooding hazards under existing conditions" and the flood risk will only increase as sea level rises.²³ According to the City of Oxnard's expert, Dr. Revell, since the site is directly adjacent to the Pacific Ocean, on the beach, it will be exposed to coastal hazards by 2030 and the entire site will likely be flooded by 2060, according to the most conservative sea level rise projections.²⁴

Further, the City of Oxnard's expert stated that much of the sandy beach protecting the site is the result of the dredging of Ventura Harbor, and, since funding for this dredging in the future is in doubt, the coastal hazard risk for the NRG Puente Project will increase substantially should that dredging cease.²⁵ The City of Oxnard presented a second expert, David Cannon, P.E., who testified that there would be significant tsunami risk under current conditions, and the risk would increase as sea levels rise.²⁶ The City of Oxnard noted that in the event of an earthquake-tsunami scenario, the Goleta-Santa Clara 230 kV transmission line would be taken out by the earthquake and Puente would be knocked out of service by the earthquake-induced tsunami.²⁷

The City of Oxnard and Sierra Club emphasized that this is a reliability issue, squarely within the jurisdiction of the Commission, since it concerns not

²³ Ex. CO-1 at 2; Oxnard July 22, 2015 Opening Brief at 5-7; Sierra Club July 22, 2015 Opening Brief at 2-3.

²⁴ Oxnard July 22, 2015 Opening Brief at 7.

²⁵ Oxnard July 22, 2015 Opening Brief at 7; Sierra Club July 22, 2015 Opening Brief at 3.

²⁶ Oxnard July 22, 2015 Opening Brief at 10-11.

²⁷ Sierra Club July 22, 2015 Opening Brief at 4, Oxnard July 22, 2015 Opening Brief at 11-13.

the effects of the project on the environment, but the effects of the environment on the reliability of the project.²⁸

On the other hand, NRG states that no such risks exist, as determined by its own expert analysis by Mr. Mineart.²⁹ NRG further argued that, even if risks existed, the CEC has jurisdiction. NRG states that, to date, the existing facility, Mandalay, at the NRG Puente Project site, has not flooded as a result of large storms and that the beach area surrounding the site has only grown wider in the last approximately 30 years.³⁰ Mr. Mineart provided evidence that the NRG Puente Project is not at risk for coastal hazards or tsunamis and highlights flaws in the opponents' experts' testimony.³¹

NRG further notes that, even if merit exists to Sierra Club and City of Oxnard's claims of potential flooding and reliability risks, that the Commission should approve of the contract because the financial risk of destruction is not carried by SCE because, if the NRG Puente Project is destroyed by a tsunami or flood, SCE is only responsible for capacity payments and could terminate the contract if the project does not provide power.³²

Reliability and the related safety concerns fall within the jurisdiction of the Commission. NRG's and SCE's arguments to the contrary lack merit. Moreover,

²⁸ Sierra Club July 22, 2015 Opening Brief at 4; Oxnard August 5, 2015 Reply Brief at 15-21. SCE, however, argues that the climate-related issues (such as tsunami impacts, floods, and sea levels) are, in fact, environmental issues and as such, they will be addressed by the CEC in its review of the proposed project. SCE July 22, 2015 Opening Brief at 7.

²⁹ NRG Reply Brief at 11, stating that "[U]nder 'current conditions,' the Puente site is not more vulnerable to coastal hazards than it was in 1983, but is actually less vulnerable."

³⁰ NRG August 5, 2015 Reply Brief at 10-11.

³¹ NRG July 22, 2015 Opening Brief at 25-29.

³² NRG July 22, 2015 Opening Brief at 22.

based on the expert testimony of NRG, we find that, during the term of the contract, a low risk of coastal flooding exists and that coastal flooding that compromises the reliability of the proposed project is unlikely. We also find that, NRG's financial argument based on the terms of the contract fails to address the risks to reliability. The contract provisions may place the financial burden on NRG in the event of flooding, but these contract terms fail to address the larger concern of reliability. In short, regardless of which party is financially responsible for flooding, the Commission must take reasonable steps to ensure that the infrastructure it approves is not subject to hazards that unreasonably compromise reliability.

While we find today that the risks to reliability are low, Sierra Club makes a strong argument that the Commission nevertheless postpone its decision on this matter until the CEC completes its environmental review, a review that Sierra Club suggests could bring forth additional important considerations as related to reliability. Sierra Club suggests that, even if the risk is found low by the Commission, benefits exist to waiting until the CEC's review is complete, so the Commission is presented with a comprehensive picture of flooding risks and the related reliability concerns.

Sierra Club's argument relies, in part, on Executive Order B-15-30, which directs all state agencies to "take climate change into account in planning and decision making...."³³ Sierra Club also relies on the Commission's "ongoing

³³ Sierra Club July 22, 2015 Opening Brief at 2-4, citing to Executive Order B-30-15, issued on April 29, 2015 by Governor Brown, to establish a mid-term greenhouse gas emission reduction target for California of 40 percent below 1990 levels by 2030. All state agencies with jurisdiction over sources of emissions were directed to implement measures to achieve reductions of emissions to meet this target. Executive Order-30-15 states, in part, "WHEREAS taking climate

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duty to ensure that utility investments result in infrastructure that is used and useful” and that generating capacity be “deliverable to locations and at times as may be necessary to maintain electric service system reliability and local area reliability.”

As stated above, based on the evidence presented in the proceeding, we find the risk to reliability based on flooding, sea rise, or tsunami to be low. The minimal potential risks to reliability alone are not enough to cause the Commission to hold our decision until the CEC completes its environmental review. However, we do find that the potential risk to reliability together with the safety matters and environmental justice issues, addressed in detail below, do present sufficient concern to the public to support the Commission determination to delay a decision on the NRG Puente Project.

3.3. Safety and Environmental Justice

Environmental justice matters are raised in this proceeding in connection with the NRG Puente Project. One argument focuses on NRG’s proposed use of a brownfield site for the NRG Puente Project. NRG suggests that it has adequately considered all environmental justice concerns by siting the proposed gas-fired generator in a brownfield site. NRG’s reasoning is incomplete.

While NRG is correct that the Commission may, in certain instances, encourage the use of brownfield sites for environmental reasons – to site plant on previously disturbed land - the use of a brownfield site can often raise even more significant environmental justice issues by, for example, siting new facilities on a brownfield site within a historically economically disadvantaged neighborhood.

change into account in planning and decision making will help the state make more informed decisions and avoid high costs in the future.”

To continue to employ such a site, near the disadvantaged neighborhood, potentially perpetuates the economic injustice issues connected with living near power plants built decades ago.³⁴ For this reason, NRG's argument that a brownfield site is always in the public interest, is not persuasive.

A second environmental justice argument focuses on the community surrounding the site. In this instance, the proposed site, while somewhat removed from the city proper, is near a low-income community. As CEJA states, the Moorpark sub-area includes affluent, predominantly white communities with few pollution sources and many socioeconomic advantages, and it also includes a few low-income communities of color bearing disproportionate environmental burdens.³⁵ CEJA refers to these areas in this proceeding as "environmental justice" or "disadvantaged" communities. In fact, the City of Oxnard, as a whole, is identified as an environmentally disadvantaged community³⁶ by the California Environmental Protection Agency's (CalEPA) tool called CalEnviroScreen 2.0.³⁷ Based on a quantitative analysis of multiple

³⁴ On November 19, 2015, in CEC Docket 15-AFC-01 (Application for Certification of Puente Project by NRG), NRG filed Project Enhancement and Refinement, Demolition of Mandalay Generating Station Units 1 and 2, proposing to include the demolition by late 2022 of the two gas-fired steam-generating units at the existing Mandalay Generating Station site, the site where the NRG Puente Project is proposed. Neither NRG's proposal nor the contract presented in this proceeding included the demolition at the proposed site. A third generating unit, a jet-engine-powered unit that was commissioned in 1970, and has a generating capacity of approximately 130 MW, will continue to operate and will not be affected by the construction of the NRG Puente Project or the demolition of MGS Units 1 and 2. See, November 19, 2015 NRG Project Enhancement and Refinement, Demolition of Mandalay Generating Station Units 1 and 2 filed in CEC Docket 15-AFC-01.

³⁵ CEJA July 22, 2015 Opening Brief at 2.

³⁶ Ex. CEJA-1 at 6.

³⁷ CalEnviroScreen is the tool on which California relies to identify communities where environmental injustice is the greatest. Ex. CEJA-1 at 5. The Commission has relied on

Footnote continued on next page

pollution sources and stressors used to rank California's census tracts,³⁸ the City of Oxnard ranks within the top 20% most environmentally burdened cities in California.³⁹

CEJA points out that a connection exists between safety and siting in an environmentally disadvantaged communities. These communities, such as the City of Oxnard, are disproportionately affected by "environmental pollution and other hazards that can lead to negative public health effects, exposure, or environmental degradation" and "areas with socioeconomic vulnerability."⁴⁰ In addition, it is worth noting that the City Oxnard has hosted two large OTC plants on its beaches for decades – the Mandalay and Ormond generating facility sites.⁴¹

In this instance, alternative sites may obviate – or lessen – the environmental justice issues and related safety matters. The CEC will more fully develop the environmental justice and siting issues in CEC Docket 15-AFC-01

CalEnviroScreen as a tool to identify disadvantaged communities. *See* D.15-01-051 at 53-54. The tool "includes two components representing pollution burden – exposures and environmental effects – and two components representing population characteristics – sensitive populations (e.g., in terms of health status and age) and socioeconomic factors." D.15-01-051 at 4 (citing CalEnviroScreen Final Report). CalEnviroScreen 2.0 uses 19 statewide indicators to characterize both pollution burden and population characteristics, as illustrated in the following table. The tool's scientific methodology examines how many indicators are present within each census tract using a scoring system "to weigh[] and sum each set of indicators within pollution burden and population characteristics components." D.15-01-051 at 5 "After the components are scored, the scores are combined to calculate the overall CalEnviroScreen Score." *See* D.15-01-051.

³⁸ Ex. CEJA-1 at 4-6.

³⁹ Ex. CEJA-1 at 8.

⁴⁰ CEJA July 22, 2015 Opening Brief at 2, citing to Senate Bill 43, codified at Pub. Util. Code § 2833 (1)(A).

⁴¹ CEJA July 22, 2015 Opening Brief at 3.

(*Application for Certification of Puente Project by NRG*). After this matter is more fully addressed by the CEC, the Commission will gain additional information to use when continuing its review of the NRG Puente Project contract at the site proposed.

For this reason, we will hold this matter in abeyance until the CEC completes its inquiry. Our decision today is particularly appropriate because the Commission requires utilities to take environmental justice into consideration in procurement, and it is unclear that SCE had the opportunity to do so here. When making procurement decisions, utilities must not only seek preferred resources to meet an identified need, but actively prioritize preferred resources in disadvantaged communities.⁴² The Commission also required SCE to apply these principles, stating that IOUs “need to provide greater weight” to criteria regarding “disproportionate resource siting in low-income and minority communities and environmental impacts.”⁴³ Indeed, the Commission’s Procurement Policy Manual explicitly states that IOUs “shall consider” environmental justice issues in evaluating bids from an RFO.⁴⁴

Accordingly, and for all these reasons, we hold the review of the NRG Puente Project in abeyance for further consideration after the CEC completes its environmental review. This proceeding remains open.

⁴² CEJA July 22, 2015 Opening Brief at 5.

⁴³ D.07-12-052, *Opinion Adopting Pacific Gas and Electric Company’s, Southern California Edison Company’s, and San Diego Gas & Electric Company’s Long-Term Procurement Plans* (Dec. 21, 2007) at 157.

⁴⁴ California Public Utilities Commission AB 57, AB 380, and SB 1078 Procurement Policy Manual (June 2010) at 4-8; available at <http://docs.cpuc.ca.gov/efile/RULINGS/118826.pdf>. This manual was cited as authority in D.14-02-040 at 4-5.

4. 54 MW Gas-Fired Generation NRG Ellwood Project – Offer 447021

Today's decision approves SCE's proposed ten-year contract for the Ellwood Project. The Ellwood contract will result in the refurbishment of the Ellwood plant, an existing 54 MW gas-fired generation peaker plant in Goleta, Santa Barbara County.⁴⁵ Ellwood is a combustion turbine generating unit built in 1974.⁴⁶ Historically, Ellwood has not been a reliable resource. After refurbishment, SCE will be able to rely on the resource when needed to serve peak energy needs in the transmission constrained Goleta area.⁴⁷ SCE concedes that the Ellwood contract is not an incremental resource and does not count toward SCE's procurement requirements for the Moorpark sub-area. However, SCE asserts that Ellwood is a necessary component in addressing reliability needs in the Goleta sub-area:

Ellwood will help support local area reliability in the event of a loss of the two major 230 kV transmission lines serving Santa Barbara County. Both lines are on the same set of transmission towers, increasing the potential for a common failure of both lines. Currently the local area peak is approximately 265 MW. Local area load is usually met through power flowing through 230 kV transmission lines into the Goleta substation. If there is a loss of the 230 kV transmission lines, then SCE can import about 100 MW by rerouting power through the SCE 66 kV system. A planned upgrade of the distribution system will increase this amount from 100 MW to 180 MW. Currently, Ellwood can also supply

⁴⁵ Ex. SCE-1 at 57.

⁴⁶ The project is located at 30 Las Arnas Road, Goleta, California 93117 and the commercial operation date is June 1, 2018. Ex. SCE-1 at 55. Throughout its entire existence, the project has been located approximately 1000 ft. from a public school, the Ellwood School.

⁴⁷ Ex. SCE-1 at 57.

up to 54 MW when the 230 kV system is unavailable, which would allow SCE to serve most of the forecasted peak demand. Approval of the Ellwood Refurbishment contract would commit the owner, NRG, to refurbish the unit to increase its potential lifespan by 30 years and to make it available to meet reliability needs through an initial 10-year contract.⁴⁸

These reliability concerns are real and substantial. The Goleta-Santa Clara 230 kV transmission lines are on towers in coastal terrain where landslides caused by heavy rainfall from El Nino conditions, as well as frequent fires, create a heightened risk to the lines and towers.⁴⁹ This Commission recently approved line upgrades in the area via D.15-11-003, but even with those enhancements in place there is not sufficient capacity to serve peak loads in Santa Barbara County if the major transmission link is severed for any reason.

Opponents of the Ellwood contract include ORA, Sierra Club, WBA, and CEJA. ORA argues that the Ellwood contract increases SCE's total resource procurement from 274.16 to 328.15 MW, which is beyond the 290 MW of capacity authorized by D.13.02-015 for the Moorpark sub-area.⁵⁰ ORA further argues that there has been no demonstrated need for the Ellwood contract or proof that it is at risk of retirement, and that it is inappropriate for Ellwood, an existing resource, to compete alongside new resources under the Long-Term Procurement Plan (LTPP).⁵¹ Sierra Club concurs and argues that SCE's pairing the 54 MW Ellwood Contract with 0.5 MW of new energy storage does not make

⁴⁸ Ex.SCE-7 at 6-7 (footnotes omitted).

⁴⁹ Ex.SCE-1 at 6-7.

⁵⁰ ORA Opening Brief at 6.

⁵¹ ORA Opening Brief at 7-8.

it eligible to compete in a new generation RFO.⁵² ORA posits that the costs of the Ellwood contract are only reasonable in comparison to other new resources competing in the RFO.⁵³ World Business Academy cautions that the Ellwood plant may be called on to operate as baseload in the event of a failure of the Santa Clara-Goleta transmission line, and would impact the neighboring residential neighborhood in Goleta, which includes an elementary school less than 1,000 feet away from the Ellwood plant.⁵⁴

The Ellwood contract falls outside of the parameters of the need determination in D.13-02-015. In D.13-02-015, the Commission ordered SCE to procure a maximum of 290 MW in the Big Creek/Ventura local reliability area. The Ellwood plant was included as an existing resource in the CAISO study that served as the foundation of D.13-02-015 and, in that study, it was assumed to continue operating during the study period and contribute its 54 MW toward the local reliability of the Moorpark sub-area. However, that assumption has been called into question given the historical unreliability of the unit and its age – over forty years. As SCE stated in its Opening Brief:

If SCE waited for NRG to retire Ellwood instead of contracting to refurbish the plant, this would create a situation in which the Commission would have to reassess the need in the Moorpark subarea and then order SCE to fulfill that need with a resource or portfolio of resources that could take years to build, and very likely cost much more than the Ellwood refurbishment.⁵⁵

⁵² Sierra Club Opening Brief at 6.

⁵³ ORA Reply Brief at 3.

⁵⁴ World Business Academy Opening Brief at 21-22.

⁵⁵ SCE Opening Brief at 13 (footnotes omitted).

These circumstances present this Commission with a choice between strict adherence to our typical procurement processes on the one hand, and prompt action to address a pressing service reliability issue on the other. We could adhere strictly to established processes and wait for another cycle of the LTPP proceeding to identify the need to replace Ellwood and then authorize SCE to engage in necessary procurement of another resource. This would necessarily take several years, during which time the risk of service outages in Santa Barbara County would remain significantly higher than we would prefer, and would likely result in the need to develop a brand new resource at substantially greater cost to ratepayers. Or, we could approve the Ellwood Refurbishment now, at a cost significantly below that of a new resource, and address the reliability issue in the near term.

On balance, we see no need to engage in another time- and resource-intensive regulatory process (or, more likely, two of them) when a reasonable solution is already before us. While the need to replace or refurbish Ellwood was not identified in the last LTPP cycle as part of the overall procurement authorization for the Moorpark sub-area, SCE has, commendably, brought the issue to our attention through its current proposal. The fact that Ellwood is packaged in a single application with other previously-authorized procurement does not deprive this Commission of the authority to act on the company's request. While arguably the Ellwood proposal could have been submitted as a separate application, doing so would only have added more work for SCE, the Commission, and the parties.

The Ellwood contract has favorable characteristics. Notably, SCE seeks to justify this contract based on serious concerns about the challenges of maintaining system reliability in the Goleta area.⁵⁶ SCE urges the Commission to evaluate and approve of a power purchase agreement for Ellwood in this proceeding because, by acting now, the Commission may be able to obtain a more favorable outcome in terms of lower costs to ratepayers and increased reliability. SCE also points to the companion contract that NRG presented as a package with Ellwood - the contract for 0.5 MW of IFOM storage, as a reason to approve of the 54 MW Ellwood project. Lastly, as suggested by SCE and the Independent Evaluator, the costs of Ellwood are quite modest compared to the reliability benefits.

The arguments in favor of approval of Ellwood are persuasive. The Santa Barbara/Goleta area is served by a single transmission link and is “at the end of the line” of the SCE system. No other significant generation exists in the area, making it uniquely susceptible to lengthy blackouts if the transmission link were severed by an earthquake or El Nino-induced landslide. ORA’s largely process-based concerns do not take these factors into consideration. Nor does ORA offer any basis for assuming that a cheaper alternative could be found - any replacement resource would necessarily be new, and likely much more costly than the Ellwood Refurbishment.

We agree with Sierra Club that pairing the 54 MW Ellwood contract with 0.5 MW of new energy storage does not convert the entire project into a new resource. While the RFO here was limited to new resources, nothing precludes

⁵⁶ SCE July 22, 2015 Opening Brief at 11; Ex. SCE-1 at 57.

SCE from seeking to procure an existing resource through a single application that also includes the RFO results. However, we disagree with suggestions by ORA and Sierra that consideration of the Ellwood project at this time raises due process concerns. We note that consideration of this proposal here fits squarely within Item #6 of the Scoping Memo: “Is the 54 MW Ellwood Refurbishment project appropriate for the Commission to consider in this proceeding and, if so, is the contract reasonable?” By this decision, we answer both of the Scoping Memo questions in the affirmative.

WBA’s concern about Ellwood potentially operating as a baseload resource ignores the run-time limitations specified in the contract, which would clearly prevent such an outcome. Similarly, the concern about the nearby school fails to acknowledge that the plant has been located in the exact same spot since 1974. Moreover, given the run-time limitations, Ellwood is most likely to operate during summer peak conditions, when school is unlikely to be in session. Emergency operations could occur outside of that time period, but — absent Ellwood or some distant future alternative — the school would otherwise likely be completely without power if such an emergency were to occur.

Our decision today takes into consideration the fact that Ellwood was modeled in both the CAISO’s analysis, relied on in D.13-02-015, and the CAISO’s 2014-2015 transmission plan presented as evidence in this proceeding. This decision also considers the CAISO’s statement that if the Ellwood plant is not refurbished, and instead is retired, the LCR needs in the Moorpark sub-area will

increase.⁵⁷ Taking the CAISO's statements into consideration, it is a reasonable course of action to seize this opportunity for a relatively low cost project.

5. 0.5 MW NRG Energy Storage Project – Offer 447030

The ten-year, 0.5 MW energy storage contract⁵⁸ between SCE and NRG California South LP at the Ellwood site is entirely consistent with D.13-02-015 and is also approved.

6. Remaining Offers

SCE presented several additional contracts for the Commissioner's consideration. Six contracts are for energy efficiency (totaling 6 MW of capacity), and two contracts are for renewable distributed generation (totaling 5.66 MW of capacity).⁵⁹ We find these contracts reasonable and consistent with D.13-02-015. These contracts are approved.

7. Cost Allocation Mechanism Treatment

The cost treatment and allocation proposals were uncontested. On April 17, 2015, a joint motion was filed seeking to enter into the record a Joint Memorandum of Understanding with respect to cost allocation issues in this proceeding.⁶⁰

Based upon our review, we find that any payments to be made by SCE pursuant to the contracts are recoverable in full by SCE through the ERRA proceeding.

⁵⁷ CAISO August 5, 2015 Reply Brief at 3-4.

⁵⁸ Ex. SCE-1 at 54.

⁵⁹ Ex. SCE-1 at 3, Table I-1.

⁶⁰ This motion was filed by SCE, AReM and DACC.

Moreover, SCE is authorized to allocate the benefits and costs of the contracts entered into as a result of the LCR RFO to all benefitting customers in accordance with D.13-02-015 and D.14-03-004. We also find that such cost allocation should be made consistent with the April 17, 2015 motion and memorandum of understanding.

Lastly, we approved SCE's plan for the allocation of costs and benefits to all benefitting customers set forth in Chapter 9 of Exhibit SCE-1. SCE may establish the LCR Products Balancing Account, as needed.

8. Motions

All motions to correct transcript errors, to file documents confidentially, and for party status are granted. SCE's motion for leave to amend rebuttal testimony is granted. The motions dated August 17, 2015 and July 21, 2015 by ORA to admit exhibits, file under seal, and amend exhibits are granted.

9. Comments on Proposed Decision

The Alternate Proposed Decision of Commissioner Florio 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. Comments were filed on _____, and reply comments were filed on _____.

10. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Regina DeAngelis is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The results of the RFO, with the exception of the NRG Puente Project, substantially comply with the procurement directives in D.13-02-015.

2. Additional information regarding fundamental issues, such as safety, reliability and environmental justice, may be available on the NRG Puente Project after the review by the California Energy Commission.

3. In the absence of additional information, SCE has not established, by the preponderance of evidence that the NRG Puente Project is safe, reliable and in the public interest.

4. The Ellwood contract was not entered into under the directives of D.13-02-015, but SCE has established through its application and supporting testimony that the contract is reasonable, needed, and in the best interests of its customers.

5. The energy storage contract with NRG California South, located at the site of Ellwood, is reasonable and consistent with D.13-02-015.

6. The terms and conditions of the six contracts for energy efficiency (totaling 6 MW of capacity) and the two contracts are for renewable distributed generation (totaling 5.66 MW of capacity) are reasonable and consistent with D.13-02-015.

7. The cost allocation and recovery proposals by SCE together with the April 17, 2015 Joint Memorandum of Understanding are reasonable.

Conclusions of Law

1. Further consideration is warranted of the 20-year contract for gas-fired generation (totaling 262 MW of capacity) with NRG for a new simple cycle peaking facility, the NRG Puente Project, following the review by the California Energy Commission. For this reason, this proceeding will remain open.

2. The ten-year agreement with NRG California South for the existing 54 MW Ellwood Generating Station (Ellwood) is found reasonable and approved.

3. The energy storage contract with NRG California South (0.5 MW) is found reasonable and approved.

4. Six contracts for energy efficiency (totaling 6 MW of capacity) are found reasonable and approved.

5. Two contracts for renewable distributed generation (totaling 5.66 MW of capacity) are found reasonable and approved.

6. SCE has substantially satisfied the procurement requirements of D.13-02-015 and is relieved from the requirement to procure additional resources as part of the RFO required by D.13-02-015. SCE remains obligated to procure additional resources via any approved procurement mechanism to meet the minimum amounts required under D.13-02-015.

7. Any payments to be made by SCE pursuant to the approved contracts are recoverable in full by SCE through the ERRRA proceeding.

8. SCE is authorized to allocate the benefits and costs of the contracts entered into as a result of the LCR RFO to all benefitting customers in accordance with D.13-02-015 and D.14-03-004.

9. SCE's plan for the allocation of costs and benefits to all benefitting customers set forth in Chapter 9 of Exhibit SCE-1 is reasonable.

10. The April 17, 2015 motion regarding cost allocation is reasonable and granted.

11. SCE may establish the LCR Products Balancing Account, as needed.

ORDER

IT IS ORDERED that:

1. Southern California Edison Company has substantially complied with the procurement directives in Decision 13-02-015. All contracts presented are accepted and approved, with the exception of Offer 447019 (Puente Project).

Offer 447019 (Puente Project) will be considered further in this proceeding after review by the California Energy Commission in Docket 15-AFC-01 (*Application for Certification of Puente Project by NRG.*).

2. Southern California Edison Company (SCE) shall allocate costs associated with the contracts approved in this proceeding according to Chapter 9 of Exhibit SCE-1 and the April 17, 2015 Joint Memorandum of Understanding.

3. Southern California Edison Company shall establish the Local Capacity Requirement Products Balancing Account.

4. All rulings on motions issued by the Administrative Law Judge during the proceeding are adopted. In addition, the following motions are granted: All motions to correct transcript errors, to file documents confidentially, and for party status are granted. Southern California Edison Company's motion for leave to amend rebuttal testimony is granted. The motions dated August 17, 2015 and July 21, 2015 by Office of Ratepayer Advocates to admit exhibits, file under seal, and amend exhibits are granted.

5. Application 14-11-016 remains open.

This order is effective today.

Dated _____, at San Francisco, California.