

BEFORE THE
CALIFORNIA ENERGY COMMISSION (CEC)

In the matter of)
) Docket No. 13-IEP-1D
2013 Integrated Energy)
Policy Report)
(2013 IEPR))

WORKSHOP ON SOUTHERN CALIFORNIA ELECTRICITY
INFRASTRUCTURE AND RELIABILITY ISSUES

California Energy Commission
Hearing Room A
1516 9th Street
Sacramento, California

Monday, September 9, 2013
9:00 A.M.

Reported by:
Peter Petty

APPEARANCES

COMMISSIONERS PRESENT

Robert B. Weisenmiller, Chair
 Andrew McAllister, PhD Lead Commissioner 2013 IEPR

STAFF PRESENT

Heather Raitt, IEPR Lead
 Sylvia Bender

ALSO PRESENT AT DAIS

Michael Peevey, President, California Public Utilities
 Commission (CPUC)
 Michel Florio, Commissioner, CPUC
 Mary Nichols, Chairman, California Air Resources Board
 (CARB, ARB)
 Felicia Marcus, Chair, State Water Resources Control Board
 Steve Berberich, President and CEO, California Independent
 System Operator (CAISO)
 Barry Wallerstein, Executive Officer, Southern California
 Air Quality Management District (SCAQMD)

PRESENTERS

Ed Randolph, CPUC
 Phil Pettingil, CAISO

Also Present (* by phone)

Public Comment

Jeremy Smith, State Building & Construction Trades Council
 SACHE Constantine, California Center for Sustainable Energy
 Rob Anderson, San Diego Gas & Electric (SDG&E)
 Jim Caldwell, CEERT
 Dorothy Rothrock, California Manufacturers and Technology
 Association (CMTH)
 Chris Anderson, ARB, Inc.
 Steven Kelly, Independent Energy Producers Association (IEPA)
 Ray Pingle, Sierra Club
 John Chillemi, NRG Energy, and on behalf of the Carlsbad
 Energy Center Project
 Mark Nelson, Southern California Edison (SCE)

APPEARANCES (Cont.)

Also Present (* by phone)

Public Comment

Cynthia Mitchell, Energy Economics, Inc.
Sierra Martinez, Natural Resources Defense Council (NRDC)
*Fran Inman
*David Zizmor
*Frank Lopez, L.A. Chamber of Commerce
*Puchkar Wagle
*Ted Owen, Carlsbad Chamber of Commerce
*Stan Williams, Poseidon Water
*Barbara Barkovich, California Large Energy Consumers
Association
*Barbara George, Women's Energy Matters (WEM)

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1 P R O C E E D I N G S

2 SEPTEMBER 9, 2013

9:07 A.M.

3 MS. RAITT: Good morning. Welcome to
4 today's IEPR Workshop on Southern California
5 Electricity Infrastructure and Reliability
6 Issues.

7 I'm Heather Raitt, Lead for the IEPR. As
8 I mentioned at the last workshop, Suzanne
9 Korosec, the previous IEPR Lead, is now heading
10 the Energy Commission's newly created Renewable
11 Energy Division. So I look forward to working
12 with you all on the IEPR.

13 I will begin by going over the usual
14 housekeeping items. The restrooms are in the
15 atrium. Please be aware that the glass exit
16 doors near the restroom are for staff only and
17 will set off the alarm if you try to leave
18 through them. A snack room is located on the
19 second floor at the top of the atrium stairs.

20 If there's an emergency and we need to
21 evacuate the building, please follow staff to
22 Roosevelt Park which is across the street,
23 diagonal to the building, and wait until we're
24 told it's safe to return.

25 Today's workshop is being broadcast

1 through our WebEx Conferencing System and parties
2 should be aware that you are being recorded. We
3 will post the audio recording on the Energy
4 Commission's website in a couple of days and the
5 written transcript will be posted in about three
6 weeks.

7 Today's agenda is short. We will have
8 one joint presentation by the staff at the Energy
9 Commission, the California Independent System
10 Operator, and the California Public Utilities
11 Commission. After the presentation, the
12 Commissioners and other executives on the dais
13 will have an opportunity to ask questions of
14 staff.

15 We will then provide an opportunity for
16 public questions and comments. We are asking
17 parties to limit their comments to three minutes
18 during the public comment period and we will take
19 comments first from those of you in the room,
20 followed by people participating on the WebEx,
21 and finally from those on the phone.

22 For those in the room who would like to
23 make comments, please fill out one of these blue
24 cards, they're up by the front desk, and give it
25 to me or Lynette.

1 When it is your turn to speak, please
2 come to the center podium and speak into the
3 microphone; it is also helpful to give the Court
4 Reporter your business card.

5 For WebEx participants, you can use the
6 chat function to tell our WebEx Coordinator that
7 you want to ask a question or make a comment
8 during the public comment period, and we'll
9 either relay your question or open your line at
10 the appropriate time.

11 For phone-in only participants, we will
12 open your lines after we've taken comments from
13 the in-person and WebEx participants.

14 Written comments on today's topics are
15 due at the close of business on September 23rd,
16 and the workshop notice, which is on the table
17 with the handouts and also posted on our website,
18 explains the process for submitting comments.

19 And with that, I'll turn it over to the
20 Commissioners for opening remarks.

21 COMMISSIONER MCALLISTER: Thank you,
22 Heather. I'm Andrew McAllister, the Lead
23 Commissioner on the 2013 IEPR. We are happy to
24 have the IEPR provide lodging for this particular
25 workshop, host it, and I want to thank you all

1 for coming, as well as our guest group of agency
2 leaders here on the dais. I won't introduce them
3 individually, you probably know them all, but
4 we're very very happy to have them all here and
5 to talk about what is really one of the most
6 critical issues of the day, which is how to
7 maintain reliability in Southern California with
8 all the issues that we'll talk a lot about this
9 morning and into the early afternoon.

10 I will pass it off to Chair Weisenmiller,
11 who has, along with the other agency, President
12 Peevey, Chairman Nichols, and Mr. Berberich, have
13 been really pushing this issue together and
14 working, I know, incredibly valiantly behind the
15 scenes in all hours of the day and evening to
16 really take this seriously, it's of the highest
17 level of importance for the Governor and all of
18 us Californians, frankly. So this is a really
19 critical issue and I think it's the time for it
20 and the place for it. So I'm really looking
21 forward to today's workshop and to putting its
22 outcomes into the IEPR and really pushing this
23 discussion forward. So thank you again all for
24 being here.

25 CHAIRMAN WEISENMILLER: Yeah, I would

1 also like to thank everyone for being here today.
2 Let's start off with a correction. We had a
3 misunderstanding which resulted in a mistake, and
4 we were trying to replicate what we did at UCLA,
5 but in terms of getting all the procedural stuff
6 in place, we didn't quite get it together, so
7 this is a CEC Workshop, it's not a Joint CEC/PUC
8 Workshop -- just for clarification.

9 But that being said, we have a very
10 distinguished number of guests here today and I
11 think, as you can tell from the dais, we have a
12 close working relationship and that, in fact, we
13 are determined to continue that close working
14 relationship.

15 I'd like to start out by certainly
16 thanking the staff who worked on the technical
17 report from the Energy Commission, the PUC, the
18 CAISO, the Air Board, the Water Board, and the
19 South Coast, and also Edison and San Diego.

20 I'm particularly aware of the CEC part,
21 so I would like to call out Kevin Barker, Sylvia
22 Bender, and Mike Jaske, among others, for a lot
23 of hard work in a very short period of time. But
24 I think today, again, we're trying to move this
25 issue forward. I think certainly life going

1 forward without San Onofre is both a challenge
2 and an opportunity.

3 Let's start with the challenge part. San
4 Onofre, which it was operating it was a very
5 significant amount of power, over 2,000
6 megawatts, 24 X 7 located exactly where we would
7 want it in Southern California. And having said
8 that, indeed the entire transmission system in
9 Southern California was built around the
10 presumption that San Onofre was operating. And
11 so, as we're going forward, we have to figure out
12 how to deal with things like reactive power,
13 inertia, all the things which by its location and
14 by the design of the transmission system it
15 provided, along with energy and capacity. And
16 it's a very complex system; things can go wrong,
17 I think all of us remember yesterday's
18 anniversary of the outage down in Southern
19 California. So in terms of looking forward, it's
20 not an easy situation to replace it, and there
21 are no real simple silver bullets.

22 In terms of opportunity, having said
23 that, it's gone, it's a real opportunity to
24 remake the power system in Southern California in
25 a new way to reflect the new realities. And we

1 have put together a portfolio which certainly
2 respects and reflects the priorities of this
3 Administration and of California, that we have a
4 very ambitious goal on preferred technologies,
5 the 50 percent; this basically takes the LTP
6 commitment and doubles that down. And it's going
7 to be a heavy lift for the PUC, it's going to be
8 a heavy lift for all of us, but we can make it
9 happen.

10 Similarly, rewiring the transmission
11 system in Southern California is a heavy lift. I
12 mean, the ISO has a lot of planning to do, and
13 the PUC will have a lot of permitting to do. And
14 again, we know from our experience that planning,
15 permitting and building transmission lines, they
16 are not easy.

17 We also have conventional resources that
18 we have in this mix and they will provide some of
19 the operational glue or flexibility we need,
20 certainly they will be operating within
21 California's cap-and-trade system, which
22 certainly I think when Mary Nichols talks, we
23 anticipate, if anything, that the cap is going to
24 keep going down over time. So basically we will
25 move in that direction, it's pretty clear given

1 the key challenge of our time is climate change.
2 And so we have to continue to make progress on
3 that and, at the same time recognize that the
4 climate change is influencing our energy system.
5 Loads are higher, we're going to have more
6 extreme events, we're going to have more fires,
7 we're going to have less water. It's a pretty
8 dreary combination of events that we're trying to
9 respond to.

10 At the Energy Commission, certainly going
11 forward, we will deal with projects that have
12 applied to us for permits. As you know, we
13 reflect in our DNA the joint characteristics of
14 Al Alquist and Charlie Warren wanting a one-stop
15 expedited siting agency, but one which is very
16 transparent, very geared toward environmental
17 mitigation, and a very public process. At the
18 same time, we are coming up with contingencies
19 for all these resources, certainly transmission,
20 certainly preferred, certainly conventional. And
21 that's again a new way of business for all of us
22 on the contingency side; but given the importance
23 of Southern California in our economy, given the
24 importance of reliable power there, we will have
25 belts and suspenders going forward.

1 Along contingency, certainly we will
2 continue with agency, we'll continue to push the
3 envelope on energy efficiency. We have new
4 building standards going into effect at the end
5 of the year, we have battery charger standards,
6 we're working on Demand Response under
7 Commissioner McAllister's leadership, and also
8 existing buildings. But as I think he can say,
9 when we're having a hearing talking about our
10 building standards going into effect, and some
11 were asking that we delay those, I explained that
12 I personally, if anything, would want to
13 accelerate the timing. The staff looked a little
14 shocked, but anyway... That's the basic message;
15 we all need to have a sense of urgency about
16 getting things done. President Peevey?

17 MR. PEEVEY: Thank you, Bob. Like Bob
18 and all of us, it's a pleasure to be here this
19 morning and be with all my colleagues. As Bob
20 Weisenmiller indicated, we have this Energy
21 Principles group and they're arrayed by both my
22 right and my left. We have worked countless
23 hours on aspects of planning for a post-SONGS
24 Southern California energy scene.

25 What we're going to be hearing about

1 today, I want to emphasize, is a preliminary
2 reliability plan prepared by the staff, it is not
3 something that Commissioners -- Commissioner
4 Florio and myself, or my other three colleagues,
5 have endorsed or adopted per se, although the
6 thrust of it, I think, which we'll hear more of
7 from Ed Randolph from the Public Utilities
8 Commission, as well as the other two speakers,
9 the thrust of it is consistent with something
10 that we set as policy in this state 10 years ago,
11 what we called at that time the "Loading order."
12 We now have this more elegant term, "Preferred
13 Resources." I'm not quite sure who coined that,
14 but it has a nice ring to it and a certain kind
15 of vagueness that it covers an awful lot of
16 things. Before we said "Energy Efficiency," now
17 we have "Energy Efficiency" and we have "Demand
18 Response" and we have "Renewables" and
19 "Transmission," but the first three are all part
20 of those preferred resources and, as will be
21 outlined again today, the belief strongly of the
22 staffs of the ISO, the CEC and the PUC, is that
23 50 percent of the needs, or maybe even more, can
24 be met through Preferred Resources over the next
25 multiple years in Southern California.

1 So I look forward to hearing in more
2 detail about that this morning, and also I look
3 forward to the opportunity to hear from those of
4 you in this room, and those of you on the phone,
5 as well as those who submit written remarks, as
6 to how you feel about all this going forward
7 because, believe me, we take this as critically
8 important, particularly those of us who are
9 domiciled, like Ms. Nichols and myself in
10 Southern California, and feel a particular
11 responsibility to ensure that the lights stay on
12 in Southern California under all circumstances.
13 So thank you very much, Bob.

14 MS. NICHOLS: The mic is on, thank you.
15 It's a new hearing room and a new set of buttons
16 to learn to push. Thank you, Bob, for inviting
17 me to be part of this, and thanks to the team for
18 including ARB staff, as well as South Coast,
19 although they can speak for themselves. But the
20 recognition of the importance of SONGS'
21 replacement in the overarching goal of meeting
22 our climate objectives and also staying on track
23 to meet Federal health-based air quality
24 standards has been part of this process from the
25 very beginning, and we appreciate that

1 recognition very much.

2 I am someone who remembers fondly the
3 days before SONGS was built and I was part of an
4 advocacy group at the time that fought very hard
5 to keep it from being built, and it pains me now
6 to be in the position of saying that we miss it.
7 But in addition to having been big and in the
8 right location to support the overall power grid
9 in Southern California, the power plant also
10 provided a large amount of GHG-free electricity.
11 And so replacing it is not going to be a simple
12 matter. I think the report that we're going to
13 hear more of indicates a number of different
14 paths that can be pursued, and I appreciate the
15 commitment to maintain our steady progress
16 towards 50 percent being Preferred Resources, but
17 I would only just add to that that I think as we
18 move forward with our Scoping Plan work, with our
19 energy planning work, we're going to be finding
20 that there are additional opportunities here to
21 ring more carbon out of the system and make it
22 more efficient, and I hope we can keep our eyes
23 focused on that goal. So, thank you.

24 MS. MARCUS: Good morning. I appreciate
25 being here, as well, with my colleagues to

1 discuss this important issue. For the Water
2 Board, I believe I'm here because of the once-
3 through cooling policy, of course, if anybody. I
4 didn't call it "OTC" though, I just want you to
5 know, I did not use the acronym. We can't really
6 have an acronym-free zone in this work, I think.
7 But it was long considered and thought out with
8 the public and with the energy agencies. It
9 obviously addresses a significant issue for
10 aquatic resources, an unintended consequence, but
11 nonetheless significant consequence. And the
12 policy gives a long implementation timeline to
13 try and account for the complexity of
14 transitioning some of the energy across
15 California.

16 Fortunately, my colleagues -- this
17 predates me -- fortunately they also worked with
18 their energy colleagues to anticipate the need to
19 deal with changing circumstances, and SONGS is
20 clearly a changing circumstance, and so built
21 into the policy is a very clearly thought out
22 procedure for coming to the Water Board in full
23 public session for changes, etc. etc. that might
24 be supported by record and thoughtfully done and
25 agreed upon by all of the energy agencies.

1 I appreciate, and I know our staff
2 appreciates being engaged early, as well, in this
3 process and I want to commend you all for doing
4 that as opposed to thinking of us as an
5 afterthought, or that pesky agency that can now
6 be ignored. And I think it is a hallmark of the
7 leadership of the folks here that they've thought
8 in an integrated fashion from the beginning as
9 this issue came up, and I really do appreciate
10 that, and we appreciate that and are working
11 closely with our energy and our ARB colleagues.

12 And so I'm just looking forward to
13 spending today with all of you, as well as with
14 the public, to learn and listen as we just stay
15 engaged through every step of this process. So
16 thank you.

17 MR. BERBERICH: Thank you, Chairman
18 Weisenmiller, Commissioner McAllister. I, too,
19 appreciate being here today and I also want to
20 echo what President Peevey said, a lot of work
21 has gone into this plan. But also, the hallmark
22 of the plan is that we all have a shared goal of
23 a clean environment, as witnessed by those that
24 are here with us today, reliability, and also
25 cost.

1 But I also think this gives us an
2 opportunity to show the world how we can react to
3 things in a creative way and be able to solve for
4 a number of things that might be difficult to
5 solve for otherwise. We certainly have an
6 interest and respect for the loading order and
7 paying specific homage to energy efficiency and
8 Demand Response, which can play a critical role
9 in how the system develops in the future.

10 We had to solve for a number of needs as
11 we went through this planning process. First is
12 the energy that came from San Onofre, which was
13 about 2,200 megawatts. It also provides a
14 reactive power, or otherwise known as Voltage
15 Support which makes power flow. Making power
16 flow into that area is a critical concept because
17 it's so transmission dependent and transmission
18 constrained, and the ability to make the power
19 flow allows us to bring renewables and other
20 assets into that area. We also need inertia.
21 San Onofre provided a lot of inertia on the
22 system 24/7. And it is also in a critical
23 location straddling very large local capacity
24 areas in San Diego and Los Angeles.

25 These complexities had to be solved for

1 with a number of constraints. As we talked about
2 earlier, we have once-through cooling obligations
3 that are looming and they're looming within the
4 current timeline it takes to construct a number
5 of facilities, transmission, renewables, or
6 traditional generation.

7 There's constrained transmission into
8 that area and building new transmission into that
9 area would go through protected areas, populated
10 areas, and big transmission lines aren't
11 particularly popular. We also have to look at
12 costs and then, finally, the laws of physics and
13 consumer demand patterns.

14 Yet an opportunity exists for us, I
15 think. We have the opportunity to repower once-
16 through cooled units that allow us to have yet
17 more renewables on the system because they're
18 flexible, so that we can turn them off at night,
19 and so that they can ramp on when we need them,
20 whereas the once-through cooled units now stay on
21 all night long because they take 24-36 hours to
22 start. And when they're sitting down at their
23 lowest level, they're emitting pollution much
24 more than if you had a high efficiency unit
25 there.

1 We have to find ways to really -- and I
2 mean really -- integrate Demand Response in a
3 dispatchable way and make it an asset on the
4 system, and use energy efficiency in a way that
5 can compete with generation.

6 All of this eventually will go through
7 procurement processes at the Public Utilities
8 Commission, and we look forward to continued
9 conversations there. Thanks again for allowing
10 me to be here today.

11 COMMISSIONER FLORIO: Well, thank you.
12 It's a pleasure to be here and to see all of the
13 eager faces in the audience. We're going to need
14 all of you to meet this challenge. I think Chair
15 Weisenmiller put it very well, it is a huge
16 challenge. We have a significant portion of the
17 energy infrastructure in Southern California
18 going through transformation. San Onofre, the
19 biggest and most critical, but also the many
20 once-through cooling plants up and down the
21 coast, that's a major chunk of the California
22 energy infrastructure that's going to have to be
23 replaced in the next 10 years.

24 I'm not sure anything on quite this scale
25 has ever been undertaken before and, at the same

1 time, we want to aggressively ramp up energy
2 efficiency, Demand Response, renewables,
3 electricity storage, all these promising and in
4 many cases new resources that can play a vital
5 role in providing the reliability of the future.
6 It's not going to be easy. It's going to take
7 hard work, it's going to take creativity, it's
8 going to take involvement of the community in a
9 way that we've never had before. A lot of these
10 things cannot be done tops down. Energy
11 efficiency, Demand Response, rooftop solar, all
12 of these require customers to be involved in the
13 process and we need to motivate and educate those
14 customers to the challenges of the future. An
15 electricity world where we all just sit back and
16 wait for the power to be delivered when we flip
17 the switch is going to be a lot more expensive
18 and a lot more polluting than a future in which
19 customers play a role in moderating the demand
20 for electricity.

21 So we've got a lot to do here. I think
22 this entire Administration and all these agencies
23 are committed to the similar goals, but the fact
24 that so many different agencies are involved is
25 an indication of how big the challenge is.

1 So look forward to hearing the staff
2 proposal. As I was looking through it, I started
3 counting up how many PUC proceedings could result
4 from this, and it was a little bit daunting.
5 We've got to move a lot of activity through the
6 system in a way that's transparent and open and
7 that is flexible to adapt to changing conditions.
8 So looking forward to an informative day. And
9 thank you for being here.

10 MR. WALLERSTEIN: I also want to express
11 my appreciation for the inclusion of the South
12 Coast Air Quality Management District in this
13 work effort by the State agencies.

14 As you heard from several of the other
15 members up here on the dais, this is really an
16 important -- not only an important plan, but the
17 integration that went into this plan relative to
18 energy supply, to local air quality, to climate
19 and water, really serves as a model of how we
20 should be doing environmental planning in the
21 State of California, and we're very appreciative
22 of the approach that was taken, and our inclusion
23 also at the early stages of this project.

24 I want everyone in the room to know that,
25 from the South Coast District staff's

1 perspective, we believe that this is really a
2 very very good plan, and that the timetable set
3 forth is an appropriate timetable.

4 I also wanted to echo what you just heard
5 from the Commissioner, that the process going
6 forward ensures public participation as we move
7 these recommendations to actual actions, and I
8 wanted to underscore that it's not just at the
9 CEC or CPUC, but that's also at the local Air
10 District level, as well.

11 Finally I want to say that you have our
12 commitment that this is a start and we will be
13 with you until the finish line in helping to
14 implement the plan and ensure grid reliability
15 for Southern California.

16 COMMISSIONER MCALLISTER: Thank you,
17 Barry. And again, I'll just briefly put on my
18 Energy Commission hat as Lead on Energy
19 Efficiency and echo something that several of the
20 speakers, including Chair and a couple of others
21 talked about. Certainly, I want to echo many of
22 the comments of Commissioner Florio.

23 You know, I wanted to highlight the
24 aspects of energy efficiency and Demand Response
25 to some extent, but energy efficiency. We really

1 do need to make it real and community
2 participation in this context doesn't just mean
3 participating in our various proceedings and
4 submitting public comments and being there at our
5 open meetings and things like that, it means
6 actually participating in a marketplace to get
7 adoption of energy efficient technologies that
8 are going to really tradeoff with supply, and
9 that are going to allow us to optimize the system
10 in an atomized way, in a locational way, in a
11 deep way. We really do need to figure out how to
12 encourage markets for energy efficiency services
13 to grow.

14 You could say the same thing for Demand
15 Response to a large extent, but that is a little
16 bit more command and control, relies more on
17 rules. Energy efficiency really is -- it can be
18 -- demand driven, it can be customer driven, and
19 it can be facility manager driven, it can be
20 Chief Investment Operator driven, in a way that
21 we can certainly encourage with policy and
22 incentives and things like that, but that really
23 fundamentally folks are going to make those
24 decisions when it's in their best interest to
25 make those decisions, not because a policymaker

1 told them to. And so I think we really do need
2 to find ways to be more nimble to get folks to
3 see that these things are in their best interests
4 and invest their resources in them, encourage
5 that, facilitate that, provide financing, provide
6 technical assistance, all the things that we
7 already do and we do it well. But we really do
8 need to take it to another level and I think it's
9 critical that the agencies continue to work
10 together and really take that challenge going
11 forward.

12 I know that the Public Utilities
13 Commission and the Energy Commission are working
14 together very closely on a couple of initiatives
15 to get into existing buildings and help them make
16 those decisions, and then also here within the
17 IEPR on Demand Response and energy efficiency, as
18 well. So I really, you know, the creativity and
19 the community participation really is critical
20 across the state to make this happen, and
21 particularly in Southern California, I'm really
22 looking forward to hearing about the plan and
23 hearing some of the aggressive initiatives that
24 are being contemplated for implementation to
25 really solve some of these problems where we most

1 need it at the moment. So thanks again everybody
2 for coming and really looking forward to the
3 presentation from the staffs.

4 MS. RAITT: Great. Okay, so we'll have
5 the staff presentation.

6 MR. RANDOLPH: Good morning. This is
7 quite the panel to testify in front of. I
8 normally start out with, you know, "Good morning,
9 Mr. President and Commissioners." But if I go
10 through all of your titles we'll be here all day,
11 so I'll just leave it at "good morning."

12 Sylvia Bender, Phil Pettingill and myself
13 are here today to discuss the Draft Staff Plan
14 for Meeting the Reliability Needs in Southern
15 California with the Loss of the San Onofre
16 Generation Station.

17 Before we start, I want to echo the
18 statements from President Peevey and further
19 qualify our presentation today by making it clear
20 that at this stage what we're presenting is a
21 staff report that should not be interpreted as
22 indicating decisions made by any of the agencies
23 out there.

24 The point of the document today and the
25 work that has led to this document is to create a

1 roadmap for how we will meet the reliability
2 needs with the loss of San Onofre, identify where
3 we think problems could exist, and identify the
4 timelines we need to deal with these problems.

5 You know, speaking from the perspective
6 of the CPUC, most of the issues discussed in this
7 report will need to be further vetted at other
8 proceedings at the PUC. The main proceeding so
9 far identified would be the long term procurement
10 plan. There will be other proceedings. I hope
11 it's not the full list that Commissioner Florio
12 has counted up and we figure out how to
13 streamline that a little bit more. With that, if
14 we could move to the second slide?

15 The details which Commissioner
16 Weisenmiller has already identified some of the
17 critical issues here, San Onofre represented 16
18 percent of the local generation in Southern
19 California. But more importantly to the issues
20 we're dealing with, it's not the loss of the
21 2,200 megawatts of capacity, it's the critical
22 location that plant was located at and the
23 support it provided to the grid in Southern
24 California, especially in terms of voltage
25 support.

1 And then going forward, not only do we
2 have to deal with the challenge of the loss of
3 that 2,200 megawatts, that couples with the
4 planned retirement of 5,000 megawatts
5 approximately of once-through cooling plants in
6 Southern California, forecasted annual load
7 growth in the region of about 400 megawatts a
8 year and, again, back to the core need that the
9 San Onofre nuclear generation plant provided in
10 terms of providing voltage support and other grid
11 services in that region.

12 As the staff began working on this paper,
13 you know, the requirements we were looking at for
14 this first step, and I think for every step going
15 forward, is the number one priority is
16 maintaining reliability in the system. That has
17 to be first and foremost at all times. You know,
18 as we saw several years ago with the blackouts in
19 San Diego that has major safety implications and
20 major economic implications if those sorts of
21 events occur.

22 The other initial requirement and goal we
23 had was to make sure all the agencies involved
24 are having a common understanding, that's a
25 common understanding of the needs that need to be

1 met, with the loss of SONGS what we have to fill
2 in terms of megawatt needs, but that's also in
3 terms of other resource needs and in terms of
4 when we get to issues like once-through, some of
5 the Preferred Resources, what those actually are.
6 And when we say things like we need Demand
7 Response or energy efficiency that those are done
8 in ways that they actually provide benefits to
9 the region affected by the loss of SONGS, in ways
10 that mitigate the need to build fossil
11 generation.

12 Moving on, our approach and the
13 overriding goals of this plan going forward is to
14 have at least 50 percent of the incremental need
15 identified from the loss of San Onofre come from
16 what has been dubbed Preferred Resources. I'm
17 going to try as much as possible to actually
18 spell those out, which is energy efficiency,
19 Demand Response, distributed generation, and
20 storage. After that, try to meet the
21 transmission needs as much as possible through
22 transmission upgrades, again trying to avoid the
23 need to build additional conventional generation.
24 Finally, building conventional generation only or
25 reauthorizing conventional generation only where

1 we can't meet that need with Preferred Resources
2 and transmission upgrades.

3 All of the lists above come with some
4 risk and some difficulty, especially in terms of
5 timing, so we also need to develop contingency
6 plans in case any of the above issues can't be
7 met in a timely basis, and we'll talk more about
8 what those contingency plans would be later in
9 this presentation.

10 And finally, and very critically, is when
11 you need to manage the critical risk in Southern
12 California with the need for air permits, the
13 difficulty that inevitably we'll face with
14 transmission siting, the difficulty in developing
15 additional preferred resource plans and programs
16 that are above and beyond what's already in
17 place, and then also the need for additional
18 natural gas supply in San Diego, that will
19 inevitably result from -- it's actually already
20 in San Diego, even without the loss of SONGS.

21 With that, I'll hand it over to Mr.
22 Pettingil.

23 MR. PETTINGIL: Well, thank you. And the
24 esteemed panel we have today, I wanted to start
25 off and just sort of fill in a little bit about

1 what's the problem and how do we get to at least
2 the foundational issues that led to some of the
3 recommendations we have in our plan for you
4 today.

5 As a general matter, most of the ISO's
6 balancing authority has sufficient resources.
7 One of the things we do on an annual basis is to
8 look at the whole balancing authority, which
9 covers most of the State of California, also now
10 into Nevada and Arizona, and a little bit in some
11 other areas. But for the most part, what I
12 wanted to highlight here is we have 10 load
13 pockets, or local capacity areas in our system.
14 And those exist because there is a limited amount
15 of transmission into those areas of load, and as
16 a result we need to rely on specific resources in
17 those load pockets to help us meet reliability
18 criteria.

19 Our challenge now is to focus on LA and
20 the San Diego area, so the next slide. Not only
21 have we been trying to plan for compliance with
22 the once-through cooling policy, but now, in
23 addition to that, the loss of San Onofre creates
24 significant reliability challenges for us in
25 these two load pockets.

1 And what I wanted to do was just take a
2 minute here and point out that the LA Basin has
3 some fairly robust 500 kV system that helps bring
4 energy into that area, but again, that
5 transmission system was built up around the
6 assumption that SONGS was going to be there. San
7 Diego's system also was reliant on the San Onofre
8 generator station being there, as well. And so
9 now the challenge is to look at these two load
10 pockets with the limited transmission and try to
11 look at what are the challenges of the underlying
12 physics that are driving needs.

13 And so what I've got here on this slide
14 is to identify three major characteristics.
15 First and foremost is just the real power, the
16 energy. And as you've heard, for the most part,
17 at least for the foreseeable next couple of
18 years, we've got enough energy in the L.A. Basin
19 and even in San Diego, however, that starts to
20 degrade once we start to look out, look three,
21 four, five years, and certainly by the time we
22 look out 10 years from now. And I'll talk about
23 that some more.

24 The second major issue we've already
25 discussed is a little bit about the reactive

1 power and, as Steve pointed out, what Vars do,
2 and what that reactive power does, it helps us
3 move the energy around the system. And so,
4 again, in the absence of SONGS, it becomes much
5 more difficult for moving energy between these
6 two load pockets and, in particular, moving
7 energy from the LA Basin into San Diego.

8 Finally, we have to be really careful
9 about what happens on the transmission system.
10 As we're relying on that transmission grid to
11 help bring energy into these load pockets, we
12 have specific reliability criteria and we plan
13 for that, and that's why this upper slide talks
14 about a contingency response. As a general
15 matter, if we lose a major transmission line, we
16 need to respond within 30 minutes. And so when
17 we start talking about what are the alternative
18 resources that can help us reliably operate the
19 system, these are sort of the three key factors
20 for us to consider and what we did when we
21 started to put together the plan that we're
22 sharing with you today.

23 CHAIRMAN WEISENMILLER: I just want to
24 make sure each of the speakers identifies himself
25 as we go through the slides, for those on the

1 phone.

2 MR. PETTINGIL: Sure. My name is Phil
3 Pettingil. I'm with California ISO. I'm the
4 Director for Regulatory Strategy.

5 On the next slide here, what we've done
6 is we've laid out a timeline and we look forward
7 from ear 2013 into about the year 2022 timeframe.
8 What we're identifying for is there is a
9 significant amount of resources that are expected
10 to go off the system, or our needs will grow.
11 And that's the bottom half of the line here, the
12 blue section. Top of there is San Onofre. But
13 certainly, the next major bar you see is load
14 growth and we do expect load to continue to grow
15 over this period of time, making it more and more
16 difficult, and we need to plan for that.

17 On the top half of this timeline is the
18 green section, and the green section is
19 identifying the resources that we think we need
20 in order to plan and respond for those needs that
21 are going to arise, represented by the blue
22 section. Again, we are having a significant
23 quantity of energy efficiency DG and so forth in
24 this top half.

25 A couple other key things I want to point

1 out when we look at the right-hand margin, we're
2 saying we need about 7,600 megawatts of new
3 resources to come in and 12,200 going away, so
4 there is clearly a 4,600 megawatt difference. We
5 could see that, at least in the studies we're
6 doing so far, that about 4,600 megawatts of
7 resources can go away over the same timeframe.

8 Now, the other thing I wanted to point
9 out, as part of our ISO transmission planning
10 processes, we've already identified some of the
11 voltage support projects that are needed, and
12 those are represented in the top middle section,
13 just above the green. Talega Substation and the
14 San Onofre Generator Station, Mesa Substation,
15 are two projects that we have identified, and San
16 Diego Gas & Electric is moving forward to put
17 reactive support in there. Sycamore-Penasquitos
18 is another transmission line that would help
19 reinforce the system down there and, again, move
20 energy and Vars in support of the loss of SONGS.

21 And so finally, just a couple more points
22 here, the little red dots on the bottom are
23 places where we've started to identify where do
24 we want to consider decision points where
25 potentially we would need to work together to go

1 over to the State Water Board and look at a
2 potential change in the once-through cooling
3 policy. So we've got a little bit of time to see
4 how this plan works out before we would need to
5 come over to Felicia's organization and
6 potentially work with them and a schedule change,
7 but that's what the red dots are trying to
8 identify. The reason there are two of them is we
9 have two major changes in the system. When we
10 get into the end of 2017, we see the Encina plant
11 needing to come in compliance with once-through
12 cooling, and that's over 900 megawatts of
13 capacity in the northwest portion of San Diego's
14 system. That's a significant change in system
15 dynamics for us. And then, finally, it's not
16 until the end of 2020 where we have the 5,000
17 megawatts or so of once-through cooling plants in
18 the L.A. Basin that would need to come into
19 compliance, and so we have the two red dots to
20 try to identify that.

21 Finally, in the lower left-hand corner,
22 we've got a green check mark here, and what we're
23 suggesting is, next year is the time to actually
24 talk about the contingency plans that Ed had
25 mentioned, and how would those work -- what's the

1 criteria? How do we trigger those? What's the
2 process in order to have a contingency in case
3 this set of recommended solutions that we're
4 going to share with you need to be triggered over
5 the course of this time horizon? So this just
6 maps it out over the course of the next eight or
7 nine years for you. Next slide. Ed?

8 MR. RANDOLPH: Yes. So again, this is
9 Edward Randolph. I'm Director of the Energy
10 Division at the CPUC. So the next slide -- and I
11 won't go through every line on this table -- it
12 is illustrative of one of the big difficulties
13 we're facing in trying to come up with the
14 portfolio of resources to meet the incremental
15 need. It lists pretty much every technology
16 option we have out there from energy efficiency
17 all the way down to new combined cycle gas
18 plants. No one resource out there meets all of
19 the goals we have to meet out there, you know,
20 SONGS as we know, or San Onofre as we know was
21 relatively carbon-free, replacing that we're
22 going to need to be very conscience of the carbon
23 impact of what we're doing. At the same time, as
24 we've discussed, providing critical voltage
25 support is critical to meeting some of the

1 contingency response requirements that FERC and
2 NERC impose on the ISO. So as we go through the
3 various lists, as we come up with a portfolio of
4 this, there's no one perfect magic bullet out
5 there that does it. You know, for example, lots
6 of conversation of can we meet a lot of this with
7 rooftop solar, rooftop solar definitely is one of
8 the best ways -- or one of the better ways to get
9 actual megawatts available that would be as
10 carbon-free as possible; however, at least as the
11 systems are designed, and the inverters are
12 designed today, they don't provide much voltage
13 support and they probably wouldn't be available
14 to meet the contingency response requirements.
15 Where, on the other side of that, something like
16 combined cycle plant does meet the voltage
17 support requirements and the contingency
18 response, but we would need to deal with the
19 carbon emissions and other air emissions from
20 those plants. And unless there are questions,
21 then we can get to that later, that's all I have
22 on that slide.

23 MS. BENDER: This is Sylvia Bender from
24 the California Energy Commission. Now that we've
25 laid out the summary of our approach, along with

1 the fact that no single resource can provide all
2 three of these characteristics that we need for
3 reliability, let's start talking about our
4 proposed mitigations and contingency options. We
5 divide the actions into two time horizons -- near
6 term, 2013-2018, and then 2019 and beyond. And
7 we have a summary slide here for each of those
8 two time periods.

9 This first slide is the specific near
10 term actions discussed in more detail in our
11 preliminary plan document. The actions are
12 organized in two ways on this graphic; they're
13 color coded first for agency responsibility, and
14 in columns, based on the necessary
15 characteristics that resource or that action
16 could provide such as the real power in watts, or
17 the reactive power in Vars.

18 You'll see that staff is suggesting a
19 broad portfolio of actions, preferred resources,
20 transmission, and conventional generation, that
21 we will each discuss in more detail in a moment.
22 The next slide, please.

23 Longer term reliability concerns are
24 largely driven by once-through cooling compliance
25 dates in 2020, and load growth in the area. San

1 Diego Area is experiencing some difficulty with
2 sufficient natural gas delivery to existing fuel
3 gas generation since the San Onofre closure. Air
4 permitting challenges in the LA Basin are likely
5 to continue. Longer term actions are still
6 focused on a continued Preferred Resource
7 procurement, but planning for future safeguards
8 such as careful monitoring of how all resources
9 are developing and performing, and contingency
10 backstops that could be triggers as needed, must
11 start now.

12 Other longer term options could include
13 some form of contingency site permitting, delays
14 in some once-through cooling compliance
15 deadlines, or additional system infrastructure
16 alternatives or upgrades.

17 So now we'll turn to the specific agency
18 actions starting with Ed.

19 MR. RANDOLPH: And again, this is Edward
20 Randolph with the Public Utilities Commission.
21 In trying to follow the loading order a little
22 bit, talking about the actions that the CPUC
23 needs to follow, you know, first and foremost,
24 and what may very well be the most challenging
25 for us, is the commitment to meet at least 50

1 percent of the incremental need with preferred
2 resources, with distributed generation, energy
3 efficiency, demand response, and storage. Right
4 now based on our numbers, and as we've discussed
5 at the beginning, some of these numbers can
6 change as it gets discussed and vetted through
7 the LTPP process. That looks like it's about 800
8 to 1,000 megawatts of additional resources on top
9 of the 3,000 megawatts approximately that we're
10 already committed to and baked in. And that
11 3,000 megawatts includes the existing renewable
12 distributed generation program such as CSI, such
13 as the Reverse Auction Mechanism, such as the RAM
14 programs we have, it includes what we anticipate
15 as a available through our Demand Response
16 Programs, even though we need to do significant
17 changes to our Demand Response Programs so that
18 they're more effective, and it includes what used
19 to be referred to as the Uncommitted Incremental
20 Energy Efficiency, which we're now referring to
21 as Additional Achievable Energy Efficiency.

22 Anybody that has been following all this
23 knows that, even that 3,000 megawatt goal is a
24 tall lift, so adding another 1,000 megawatts is
25 going to be a challenge to get there, it's a

1 challenge we're definitely committed to, but it
2 is a challenge.

3 The biggest challenges there as it
4 relates to focused on replacing needs from the
5 loss of San Onofre is that these resources now
6 are going to need to be more geographically
7 targeted than they ever have before. Most of our
8 programs now are statewide programs and they
9 aren't focused on targeting to specific areas, so
10 that will need to be a programmatic change as we
11 go forward. We'll also need to look at these to
12 get the right resource mix to make sure the
13 overall balance is something that actually
14 reduces the need for Var support and for other
15 grid needs in Southern California, otherwise
16 we're committing resources to this and still
17 getting the need for peakers or other plants out
18 there.

19 Finally, these particular timing is going
20 to be extremely critical. If we look at
21 timelines of proceedings even that are fast
22 tracked to the Regulatory Agencies, when those
23 proceedings would even fast track, finish up,
24 when programs are developed and out to the market
25 under new rules, how long it takes for the

1 utilities or, if we're depending on third parties
2 or community groups to actually develop those,
3 get the programs going so that we know that the
4 megawatts are real, the timing of all this is
5 going to be very tight to make sure that these
6 resources are available in the 2017, the 2022
7 timeline, so that they're real, and then we can
8 avoid some of the contingency plans that are out
9 there. Next slide, please.

10 Within the Long Term Procurement Plant
11 Proceeding, studies will be needed for new
12 resources, both the amounts of the resources and
13 the types of resources. That is going on right
14 now in terms of the loss of SONGS and what's
15 referred to as the Track IV Proceeding, and that
16 currently right now is looking at the San Onofre
17 retirement. There is another proceeding in the
18 Track II retiring looking at system-wide
19 flexibility need. I'll note there is a typo on
20 this slide that is actually -- it's actually a
21 very good typo because it may have been
22 unintentionally inadvertent in that there's some
23 issues in the timing that will be discussed in
24 the future slides. The next slide, please.

25 And not to go through the whole table,

1 but this table is very beneficial to take a look
2 at it in terms of what's already been done in
3 2013, and this year the PUC has authorized
4 procurement needs in the LA Basin and San Diego,
5 1,400 to 1,800 megawatts in the LA Basin, of
6 which a good portion of that is through a
7 requirement that the utility pursue a preferred
8 resource procurement plan. Southern California
9 Edison has submitted their procurement plan to
10 Energy Division and we did approve that last week
11 for them to go forward, it's a very innovative
12 plan; I'm not really ready to talk about that
13 much today. Pieces of that plan are confidential
14 while they're going out and doing their RFOs
15 within that. I will say it's a very innovative
16 plan and, going forward on the preferred
17 resources, I think there will be a lot of things
18 to learn hopefully from the successes of that
19 plan, and probably from a few failures in that
20 plan, but it's a lot of credit to Southern
21 California Edison for being creative and trying
22 to figure out how to go out and procure some
23 additional resources.

24 Then the Track II, as I've mentioned the
25 decision is expected in March of next year,

1 that's for system need, and I think most
2 importantly for the conversation today is the
3 Track IV proceeding. And if could move to the
4 next slide.

5 The Track IV proceeding, the original
6 Scoping Plan of that had a PUC approval
7 procurement authorization late 2013. If all went
8 according to plan after that, that would have us
9 approving Edison PPAs in the early 2015
10 timeframe, after they've gone out and done their
11 RFOs and come back. The ISO in recent weeks has
12 suggested that we should delay the initial
13 approval of the LTPP procurement authorization by
14 several months in order to allow them to finish
15 their transmission procurement planning and have
16 that feed into the LTPP. The thinking there
17 would be the transmission plan would better
18 inform the generation needs and potentially could
19 reduce some of the generation needs, depending
20 upon what's coming up in the transmission plan.
21 The difficulty with that is that it would push
22 back actual procurement of new resources in
23 Southern California potentially to the end of
24 2015 would be when we'd authorize the actual new
25 procurement, not the beginning of 2015. Given

1 how crucial timing is, you know, pushback of any
2 period of time is a little bit scary. At this
3 point, that's an open issue in the LTPP. The
4 Judge has in the LTPP made an alternative
5 timeline which would still lead to approval in
6 2015, but right now they're seeking comments
7 within that proceeding for that timeline. Next
8 slide, please.

9 And this slide, most of everything that's
10 in this slide, we've already covered. One thing
11 that is important to note for the public is here
12 is a timeline for public process. In the upper
13 left box, it shows where the major analytical
14 work comes from. The analytical work that went
15 into the staff report here today was based on a
16 scenario analysis that had been done at this
17 moment in time, you know, since then and it did
18 inform this report, the ISO has filed their
19 analysis into the LTPP, so has Southern
20 California Edison, so has San Diego Gas &
21 Electric, and so has the City of Redondo Beach.
22 So these studies are in there and are all part of
23 the record there and will inform the LTPP as it
24 goes forward. Next slide. And this is on to
25 you, Phil.

1 MR. PETTINGIL: Thanks. In terms of some
2 of the things --

3 CHAIRMAN WEISENMILLER: Phil? Identify
4 yourself.

5 MR. PETTINGIL: Oh, I'm sorry -- Phil
6 Pettingil, Director of Regulatory Strategy at the
7 ISO. One of the things the ISO is doing, I
8 wanted to talk briefly about the Huntington Beach
9 Synchronous Condensers. I think most everybody
10 is familiar with at least this -- we were able to
11 get the Synchronous Condensers converted from
12 generators at Huntington Beach Unit 3 and 4, and
13 they've been operating all summer for 2013. We
14 do expect that, as they're still needed going
15 into next year, that we would do an extension on
16 that RMR contract and ask those facilities to
17 continue to operate through the summer of 2014,
18 and some way that the ISO's reliability must run
19 contract works, it's basically an annual
20 agreement and on a year-by-year basis we reassess
21 whether there's a need to extend or not. We have
22 been able to confirm with Sylvia and the CEC that
23 at least the facility has an operating permit to
24 take it all the way through 2020, so we don't
25 need to worry about permits, but there is a

1 repowering plant and, again, in order to try to
2 work towards compliance with once-through
3 cooling, we're going to need to look at how that
4 fits in and our need for Synchronous Condensers
5 by the time we get to 2016 and 2017. Next slide,
6 please.

7 In regards to transmission, the ISO is
8 currently running our annual transmission
9 planning process. We've got a number of
10 transmission lines that are in there and are
11 being evaluated. We certainly expect that our
12 purpose here is to try and identify what's the
13 potential value and cost and benefit of the
14 various different options, and this is what Ed
15 talked about we'd like to bring into the LTPP in
16 January of next year. Some of these lines, we
17 think can provide as much value as about 1,000
18 megawatts to reduce needs in meeting this
19 solution. So we're just now doing those studies
20 to try to confirm the specifics, and that's what
21 we'd like to try to bring forward in the early
22 part of next year. They clearly bring benefit
23 not only in terms of the megawatts we've talked
24 about, but also the voltage support and each of
25 the projects have a different value of benefits

1 to them.

2 MR. BERBERICH: Phil, if I might? This
3 is Steve Berberich for those on the phone. Not
4 all of these transmission lines are expected to
5 be needed. These are just the whole portfolio of
6 possibilities. Many of them would compete
7 against one another, so just to be clear about
8 this slide, these are all the ones that we're
9 studying; certainly, we don't expect all of them
10 to be needed.

11 COMMISSIONER MCALLISTER: So would you
12 then come up with sort of a set of scenarios,
13 like, okay, on the one hand, on the other hand,
14 maybe there's some limited group of scenarios,
15 "if this, then that" kind of thing?

16 MR. BERBERICH: Exactly right,
17 Commissioner. The transmission lines would
18 interplay with generation, so you could have a
19 transmission line, as Phil said, it would offset
20 1,000 megawatts of transmission need, which is
21 why we want to go through this analysis. We will
22 look, as we stated, in the plan for transmission
23 solution first because, particularly if we have
24 renewables in the outlying areas, we can bring
25 those renewables into the market, so that will

1 really be a part of the analysis.

2 MR. PETTINGIL: So next slide, please.

3 So then finally, one of the other elements
4 identified in the plan here is really to try to
5 look for alternative ways to acquire the
6 preferred resources and what we suggested is very
7 limited, it's about two sentences worth in the
8 plan, but what I've done is expand a little bit
9 on that thinking, and it is that the ISO would
10 potentially run a multi-year forward auction. As
11 we've talked with Demand Response and other
12 providers of these Preferred Resources, they're
13 giving us some pretty strong feedback. They need
14 a price signal that's multiple years forward.
15 And so the concept here would be the ISO to run
16 an auction, to acquire the Demand Response and/or
17 energy efficiency and other potentially preferred
18 resources, and it could offset the reliability
19 and the operating needs that we have. And so,
20 conceptually we'd be able to identify multiple
21 different products -- two hour, or four hour, or
22 six hour, as long as it could meet that 30-minute
23 contingency response, we could really seek an
24 opportunity to try to expand on or run in
25 parallel with the procurement authorization that

1 the PUC would be lending to the IOUs and the
2 entities in Southern California that need to do
3 procurement.

4 We feel like we could actually set this
5 up and potentially run the first auction as early
6 as next year in 2014, and that would make it
7 available for meeting resource adequacy
8 requirements as early as 2015. So we'd still
9 need to work with Ed and the rest of the folks at
10 the PUC to try to go through that process, see
11 how we would implement it, and certainly work
12 with Edison and San Diego in regards to what are
13 their authorization levels, and how would we
14 design and clear this kind of a market for kind
15 of resources. But we really see it as something
16 as an augmentation to the processes that are
17 already in place, and still needs a lot more work
18 to try to flesh it out on how that would actually
19 function.

20 COMMISSIONER MCALLISTER: So I wanted to
21 chime in a little bit and ask a question for you
22 and Ed. So how does that map over into -- what's
23 the interaction between that and the proceeding
24 process at the PUC and the timing of that to
25 bring sort of taking a procurement approach

1 through the IOUs to get more DR online,
2 particularly with Edison and SDG&E?

3 MR. PETTINGIL: I'll start and just say
4 right now the thinking is that going through the
5 LTPP process would identify a procurement
6 authorization, then there's an opportunity to do
7 that. As Ed mentioned, Edison's current plan is
8 to go out and go through an RFO process to
9 acquire those resources. Now, what we could do
10 is augment that and say, well, what if the ISO
11 were to run an auction, to give them an
12 opportunity to come into that auction, put in
13 their prices or bids for what they'd be willing
14 to pay for the resources, then we could look at
15 attracting new resources from Demand Response
16 aggregators, for example, and help Edison be able
17 to meet its authorization for a procurement. So
18 that's kind of the way the thinking is at this
19 point.

20 COMMISSIONER MCALLISTER: Interesting.
21 So you basically would be offering -- you would
22 sort of be helping marshal the marketplace to
23 offer into the RFOs that would be being run --

24 MR. PETTINGIL: Yes.

25 COMMISSIONER MCALLISTER: But there would

1 only be one, I guess, is what I heard.

2 MR. RANDOLPH: You know, I'll have to
3 admit, this is really --

4 COMMISSIONER MCALLISTER: This is
5 Commissioner McAllister, by the way.

6 MR. RANDOLPH: -- plans need -- and this
7 is Edward Randolph again from the PUC where these
8 plans need to be worked out a little bit more.
9 As I've understood this plan to date, it's
10 actually slightly different there and this would
11 be done through the ISO's markets, and
12 potentially would be billed as part of the TAC,
13 not as part of the utility's plans, so I think
14 there are some details that need to be worked out
15 on this.

16 I think it's important to notice for
17 anybody in the crowd who is tracking this, this
18 is separate from the conversation that we're
19 having with the ISO and what's being referred to
20 as the joint reliability framework, which would
21 be alternate to a long term forecasting market.

22 COMMISSIONER MCALLISTER: Okay, so I
23 think this is really a key area that we've got to
24 sort of get the anvil out and start hammering out
25 something that's got some steel associated with

1 it. So I guess I really think this is super
2 important and this is why we're focusing on it in
3 the IEPR and figuring out what's going to
4 actually get real Demand Response on line in a
5 couple years max, you know, we've got to just
6 figure out what's going to do that. And so the
7 back and forth, I'm worried that we're going to
8 end up going down a road where there's a lot of
9 layers to this onion that we don't see yet, and
10 they're just going to keep coming up, coming up,
11 and coming up. And I think we just can't put
12 ourselves in that situation, so I want to really
13 encourage us all to put on our thinking caps and
14 figure out how to quantify, and then go after
15 these resources.

16 MR. RANDOLPH: And on that, one of the
17 reasons why this is in here now, even though
18 there's a lot of details that need to be worked
19 out, is that in order to move quickly and get the
20 thinking cap on, it's better to throw the ideas
21 out there and work through it than it is to say
22 let's not talk about it until we have the details
23 worked out.

24 COMMISSIONER MCALLISTER: Absolutely.
25 Really appreciate it. And I think it's going to

1 be a great conversation and very necessary, so
2 thanks.

3 MR. PETTINGIL: That's all I had.
4 Sylvia?

5 MS. BENDER: Okay, this is Sylvia Bender
6 from the Energy Commission again. Next slide.

7 Three proposed repower projects in
8 Southern California have recently submitted
9 Applications for Certification, or license
10 amendments to the Energy Commission. The
11 Certification filings from Alamos is expected
12 in late 2013. The current once-through cooling
13 phase-out schedule for these units is all 2020.
14 Generally, these repower applications propose new
15 natural gas, combined cycle, dry cooled, fast
16 start facilities that can provide more
17 flexibility in the system. Start-up times would
18 be reduced from 12 to 18 hours to as little as 10
19 minutes to allow for fast ramping in these new
20 configurations.

21 These proposals generally involve
22 replacing unit payers building those as other
23 units on the same site, or being demolished until
24 the entire facility is converted to modern
25 technology. The practical considerations of

1 repowering one or two units at a time to maintain
2 reliability standards may trigger early decisions
3 about once-through cooling compliance schedules.

4 Generator owners repowering old steam
5 boiler facilities into advanced gas turbine
6 technology are able to use exemptions under
7 SCAQMA's Rule 1304(a)(2). For these, the Air
8 District debits the needed emission credits from
9 its own internal bank; however, concerns were
10 raised at the July 15th workshop about the
11 sufficiency of these credits, which also serve
12 other public policy purposes for the large amount
13 of potential repowering in the coming decade.

14 And once these facilities may be
15 licensed, the owners of the facilities will still
16 need to secure power purchase agreements that are
17 approved by the PUC. So there are a number of
18 decisions that involve any kind of repowering
19 with these units before they reach operations, so
20 timeliness will be an issue here, as well. Next
21 slide.

22 Recent experiences also show us that it
23 can take seven years or more for new generation,
24 even repowering existing generation to be
25 permitted and built. Contingency Plans for fast

1 tracking additional conventional generation may
2 be needed to be considered as a backstop in the
3 event that repowering projects do not proceed,
4 Preferred Resources do not materialize on time,
5 or in sufficient amounts, or that transmission
6 projects prove infeasible or are delayed.

7 The CEC does not have a contingency
8 permitting process now. During the 2022 energy
9 crisis, the Energy Commission had several
10 alternative processes and timelines that were put
11 in place via Executive Order or legislative
12 authority. One of these was a six-month
13 licensing process. And the purpose of this
14 particular process was to expedite clean projects
15 that met a series of screening criteria that are
16 shown here, complying with all legal
17 requirements, no public health or safety
18 concerns, no significant adverse environmental
19 impacts, no adverse impacts on the electrical
20 system, little or no public controversy, and site
21 control.

22 Although the legislation contains sunset
23 clauses and the process itself has expired, it
24 may be possible that the current 12-month
25 permitting process could be expedited in certain

1 conditions using the Energy Commission's existing
2 authority, providing these same screening
3 criteria are applied.

4 Pre-filing meetings with staff, tribes,
5 Air Quality Management Districts, and the
6 Transmission Interconnection Authority that all
7 have long lead times in their reviews would be a
8 critical part of this. To be able to receive a
9 decision in less than 12 months, the Application
10 for Certification would need to be thorough and
11 exceptionally complete upfront. Next slide.

12 Another process that dates from about
13 this time period is the Notice of Intention
14 process. Here, the Applicants suggest building a
15 power plant at any of at least three possible
16 sites. The purpose of the Notice of Intention is
17 to engage the Applicant, the Commission,
18 Agencies, and all interested parties in an open
19 planning process to look at technical,
20 environmental, health and safety, economic, and
21 social and land use acceptability of alternative
22 sites and facilities. The detailed study on
23 engineering and design aspects and the analysis
24 of significant adverse impacts are not done in
25 this process.

1 In practice, very few of these Notices of
2 Intention have been filed. The Assessment of
3 Alternatives including alternative sites is now
4 usually covered in the Application for
5 Certification, which presents project details for
6 specific sites.

7 Both SCE and San Diego Gas & Electric are
8 looking into the possibility of identifying sites
9 in their service areas that could be secured,
10 permitted, and then made available to independent
11 generators under some form of competitive
12 solicitation process. The Energy Commission has
13 a current Order Instituting an Informational
14 Proceeding on Power Plant Siting, Lessons Learned
15 that may be a potential vehicle for an expanded
16 scope to allow discussion on the feasibility of
17 some form of contingency planning.

18 Next slide, please.

19 A final contingency approach involves
20 once-through cooling compliance dates and we've
21 talked about this a bit already. The State Water
22 Board's adopted policy includes provisions that
23 would allow modification or two compliance dates
24 if the energy agencies recommend delays due to
25 reliability concerns. Parties at the July 15th

1 workshop suggested that any plans for changes be
2 made soon to allow the once-through cooled plants
3 to continue reliability support. These plants
4 are seen by some as an insurance policy, or an
5 emergency reserve that could allot time for
6 Preferred Resources to develop.

7 The Water Board has indicated that it
8 would expect a plan and some substantial
9 justification for these delays. Further work
10 with the Water Board would be needed to establish
11 the circumstances and define the evidence that
12 could justify recommending such a delay and for
13 the Water Board to accept such recommendations in
14 its hearing process. Short delay periods may be
15 anticipated, but some delays of more than 10
16 years have already been granted.

17 So with that, you've heard our discussion
18 of identified needs in our proposed
19 recommendations for mitigations and contingency
20 options. These actions collectively comprise a
21 preliminary reliability plan. In order to
22 realize this plan, a variety of decisions will
23 need to be approved and implemented in key State
24 agency and ISO proceedings. The implementation
25 also includes monitoring that verifies near term

1 actions are in place and performing as expected,
2 or that will trigger appropriate contingency
3 options. Although some of these options will
4 take years to come into reality, beginning
5 effective decision coordination now will ensure
6 that the regulatory actions are taken in time to
7 ensure future electricity reliability needs and
8 GHG reductions are met cost-effectively in the
9 Los Angeles and San Diego Areas. So we now
10 invite your questions.

11 CHAIRMAN WEISENMILLER: This is Chair
12 Weisenmiller. And I certainly again would like
13 to thank the staff of the agencies and the
14 utilities for their hard work on this. I think
15 the next question is, does anyone on the dais
16 have either questions or comments? Otherwise, I
17 have some blue cards from the audience.

18 MS. RAITT: And if there are other folks
19 who have blue cards, please hand them to me or
20 Lynette. So we would take questions from the
21 dais and, if none, then we'll move on to
22 participants in the audience.

23 COMMISSIONER MCALLISTER: So really just
24 one question. I guess, you know, time is
25 obviously of the essence here and I really like

1 the graph with the green up and the red down, and
2 it's sort of mapping it out over time, year to
3 year, to see what resources are likely to go
4 offline, what might come on line, sort of
5 matching that up, and I think it becomes very
6 clear that if we can get a resource over the
7 projected on the positive side, then that really
8 helps us on the negative side, and so I think
9 understanding those tradeoffs is really
10 important. And we've got to kind of do that more
11 or less in real time, and so I guess I would ask,
12 as far as monitoring performance, you know, in
13 the last slide, you know, I guess it was in the
14 context of OTC compliance dates, but I think more
15 broadly, just figuring out what's working and
16 quickly so we can move on and make those
17 adjustments as we go on to the next, you know,
18 two, three, five years, this is going to be
19 really important, particularly on the demand
20 side. And so, as we try to do Demand Response
21 and we try to get aggressive energy efficiency as
22 Edison and SDG&E work on their particular
23 initiatives, how might we make sure that we're
24 understanding how those are going quickly, and
25 sort of maintain the flexibility, you know, in

1 this group and within this sort of operational
2 level of redirecting them if necessary, and
3 allowing them to be flexible?

4 MR. RANDOLPH: I think the answer to that
5 is we need to answer that over the next couple
6 months, at least on the Preferred Resources side,
7 is to figuring out what are the acceptable
8 measurements and milestones to know that some of
9 these Preferred Resources actually did come on
10 line and can be counted on to be there over a
11 long period of time. There's some difficulties
12 in there; for example, if energy efficiency does
13 come on line in Southern Orange County, how are
14 we measuring that in a cooler than normal summer
15 versus a warmer than normal summer, and having
16 some level of confidence that it's there. Those
17 are issues that we're going to have to work out
18 over the next -- very quickly, so the next few
19 months to figure out what those milestones would
20 be and how the other agencies and the other
21 folks' tasks with keeping the lights on on an
22 hour-to-hour basis are comfortable that that's
23 real.

24 MR. PETTINGIL: And I think I would add
25 -- this is Phil Pettingil again -- I would add

1 that what we've done here in this last really
2 just couple of months is to try to put together a
3 set of ideas that looks like it works, as you
4 say, in terms of the pluses and minuses, it looks
5 like it works for meeting reliability. The next
6 step, you know, Ed called out the Preferred
7 Resources and those things, but I think now we've
8 got a list of items that look like it will work,
9 we probably need to start at that high level and
10 break each of those down into almost like a
11 project management plan, if you will, so we know
12 what are some key decision points, or key
13 milestones on the way to those solutions, and
14 then if those milestones of whatever start to
15 slip or we get behind, then we can reassess and
16 see what does that mean in regards to the plan.

17 COMMISSIONER MCALLISTER: That's great.

18 And I guess, just since -- oh, sorry --

19 MS. BENDER: I just wanted to comment on
20 that, sorry --

21 COMMISSIONER MCALLISTER: -- great, go
22 for it.

23 MS. NICHOLS: This is not staff, but from
24 another perspective here, I think that the reason
25 why the energy principles group was created in

1 the first place was to develop a project
2 management approach to implementing California's
3 energy plans. And while we obviously don't have
4 the tool quite right and ready to use yet, a lot
5 of work was done on that actually a few years
6 ago, and once we have the basic parameters agreed
7 to, as I think was being suggested by both Ed and
8 Phil, I think we have some pretty good resources
9 within the agencies to develop something that
10 could be quite transparent to all the agencies
11 that have responsibilities here, so that each of
12 us would see where we were with respect to the
13 timelines to track our progress, and hold each
14 other accountable.

15 MR. RANDOLPH: And to that note, it's
16 worth noting right now that there's now I believe
17 two different project managers, or people with
18 project management expertise assigned to this.
19 The ISO has taken one of their folks and assigned
20 to the big project, a project managing that, and
21 then at the PUC we have had somebody internal
22 with us who has a deep expertise in project
23 management to help facilitate the planning of our
24 end of the Preferred Resources since there are so
25 many moving parts there that we really feel we

1 need to take an overall project management
2 approach to that.

3 CHAIRMAN WEISENMILLER: I also thought it
4 would be useful to say that I think what I'm
5 really looking for is to get the load data or
6 sales data from the ISO for the relevant
7 substations in Orange County year by year, and it
8 may be that, you know, we've talked about the
9 weather variation, but also we could get
10 surprises in terms of the economy there, and it
11 could be stronger or weaker than we anticipate,
12 but anyway, the idea is to keep tracking it, keep
13 working on the Preferred Resources, as there's
14 got to be some sort of weather adjustment, but
15 also there could be some wild cards on the
16 economy, either up or down, and that I think we
17 have to track.

18 COMMISSIONER FLORIO: Looking at -- I
19 think it was Slide 5 -- or 6 -- that had the
20 pluses and minuses and the resource mix, I
21 noticed we have load growth at -- I assume that's
22 LA area versus San Diego area, but does that
23 include load growth from expected electrification
24 of transportation? Is that a part of that? Or
25 is that something in addition?

1 CHAIRMAN WEISENMILLER: This is Bob
2 Weisenmiller again, for those on the phone. When
3 the Energy Commission does its Demand Forecast
4 along with energy efficiency and DG, one of the
5 things we're also looking at is electrification,
6 particularly the transportation sector. And we
7 work very very closely with the Air Board on
8 that. We also look at some of the initiatives
9 like the South Coast is doing in terms of
10 electrification on the ports and stuff, so again,
11 it's a new area, so in some respects there's not
12 certainty on that side. But again, that's
13 another key part of it. And obviously one of the
14 drivers for us on reliability is, as we move into
15 the electrification and transportation system,
16 transportation is -- goods movement is such an
17 important part of the LA economy, we have to make
18 sure we've got the reliability of the grid in
19 place as we do that.

20 COMMISSIONER FLORIO: Yeah, that's good.
21 Thank you.

22 CHAIRMAN WEISENMILLER: Okay, let's start
23 hearing from the public. Again, blue cards, if
24 you pass those to Heather, or someone on our
25 staff, we will collect those and we'll sort of

1 get you in line for that. These are looking for
2 comments and sort of for three minutes, certainly
3 there will be written comments later also. Let's
4 start with Jeremy Smith of the State Building and
5 Construction Trades Council.

6 MS. RAITT: And as a reminder, please
7 state your name and affiliation.

8 MR. SMITH: Thank you, members of the
9 Disparate Boards that are on the dais.

10 [Laughter] My name is Jeremy Smith. I'm here on
11 behalf of the State Building and Construction
12 Trades Council. I didn't think I was going to
13 get to go first, but I'm happy to go first. I'm
14 here just to sort of reiterate the tenor of the
15 presentation, which is to support a balanced
16 approach to replacing SONGS. Thinking into the
17 future long term for greenhouse gas emission
18 reduction is very important, I understand. I
19 represent over 400,000 Unionized construction
20 workers in the state, they breathe the air just
21 as much as anybody does, they want it to be
22 clean, as well. But they also build quite a bit
23 of the power generation facilities in the state,
24 both renewable and more traditional gas-fired
25 power plant type facilities. And we want to make

1 sure that, as we think about how to make the
2 environment cleaner moving forward, and making
3 sure all the new state laws to make the
4 environment a better place to be, that we don't
5 lose sight of the fact that building facilities
6 to take the place of SONGS will also have a very
7 important short term goal for our economy in
8 terms of work, for my members that I represent,
9 and other types of construction workers who may
10 not be in a Union.

11 Our members are depending on the craft to
12 go through a three to five-year apprenticeship
13 training program when they become journeymen or
14 journeymen. They continue their training
15 throughout their career. So we are poised, my
16 members are poised to build anything that comes
17 out of this proceeding and in the future, but we
18 just want to make sure there's a balanced
19 approach to replacing SONGS moving forward so
20 that not only can we ensure the generation is
21 there for the grid, but that we create the
22 maximum amount of jobs that the economy, during
23 this still fragile recovery, deserves and
24 demands. So for those reasons, I'm very
25 supportive of today's presentation and look

1 forward to working with you in the future to move
2 forward in finding a solution for replacing
3 SONGS. Thank you.

4 CHAIRMAN WEISENMILLER: Thank you. Sache
5 Constantine from the Center.

6 MR. CONSTANTINE: Good morning to one and
7 all. I am Sache Constantine. I'm the Director
8 of Policy at the California Center for
9 Sustainable Energy. And I want to say thank you
10 to all the agencies and the staff and the
11 utilities that have worked on this plan. We
12 would like to come forward to commend this plan
13 for its foresight and its comprehensive review of
14 ways to offset this capacity that we're losing.
15 And we do look forward to submitting more formal
16 comments, I just want to offer a few quick
17 observations here today. And I don't want to
18 sound too Pollyannaish about this, I don't want
19 to be too optimistic or over-simplify, but we
20 might characterize this not so much as a problem
21 looking for a solution, but as the problem that
22 our solutions that we already have have been
23 looking for, and we have a number of great
24 programs here in the state that already think
25 about comprehensive approaches to our energy

1 future. That's something the CCSE has been
2 working on for decades with Commissioner
3 McAllister's support, of course, over the many
4 years. AB 758 implementation, SGIP, CSI, the
5 Statewide MEAO, the Statewide Marketing,
6 Education and Outreach Program approved by the
7 CPUC recently, and the support that will provide
8 to the State's brand, Energy Upgrade California.
9 The new storage program that's just been
10 announced by the CPUC. These are all programs
11 already in place with years of experience and
12 foresight that can contribute to this solution
13 here today. So we like to look at this, as
14 everyone has been saying, a great opportunity,
15 something we already do, we do very well. I
16 think Commissioner McAllister said that earlier.
17 We do a lot of these things well already. So we
18 shouldn't be faint of heart, we should move
19 forward in confidence that we have the basis to
20 create the solution.

21 I did want to speak to a couple of minor
22 things, and we will support these more in written
23 comments, but one of the charts up there pointed
24 out that DG solar can provide Var support or
25 reactive power control under the current set of

1 installations; however, there is technology out
2 there in that case, reactive power control -- I
3 think the German word is (indiscernible) --
4 inverters capable of reactive power control, and
5 we could talk about that, there are proposals
6 already out there that we're working through how
7 to improve the inverters that get installed with
8 our systems. I thought it was great that we
9 talked about the electrification of
10 transportation. That is actually an open door.
11 When people are buying electric vehicles, when
12 they are electrifying their fleet, that's also an
13 opportunity to sell them DG, it's also an
14 opportunity to get them more energy efficiency.
15 This is not so much a burden that we have to now
16 carry, but an opportunity, a door opening. So we
17 look forward to more formal comments and thank
18 you very much.

19 CHAIRMAN WEISENMILLER: Thank you.
20 Continuing on with the San Diego theme, Rob
21 Anderson of SDG&E.

22 MR. ANDERSON: Good morning. I'm Rob
23 Anderson, Director of Resource Planning for
24 SDG&E. Just a few points. I think that the word
25 I heard the most this morning was we have a

1 challenge, sometimes it was a huge challenge,
2 sometimes a very complex challenge, but, yes, we
3 have a challenge. And I think there's a number
4 of things that we'll need to really focus on in
5 order to work through this challenge. First is
6 going to be timely decision making, and this will
7 be both on the planning side and on the project-
8 by-project specific approval side. And I don't
9 mean that we need to get all of our data and know
10 everything perfectly before we make a single
11 decision, I think this will be a process where
12 we'll make multiple decisions, we will take
13 multiple steps along the way, and so we shouldn't
14 let our fear of not having perfect information
15 stop us from making a decision to at least get
16 moving as quickly as we can.

17 Secondly, a few things specific about San
18 Diego. As we look to aggressively pursue the
19 Preferred Resources in our area, there are a
20 couple things that may make us a little
21 different, one is our entire service area is in
22 the load pocket, okay, so we can pursue basically
23 these resources anywhere in our service territory
24 and be just as effective as meeting the need as
25 others. Edison will need to essentially focus on

1 certain substations, certain subareas, we can go
2 after the entire service area.

3 Also, the LCR requirement or the local
4 capacity requirement is a 12-month requirement,
5 so this isn't a single day we're planning for, so
6 we're going to need to make sure we do have a mix
7 of resources that are going to get us through all
8 12 months of the year.

9 And lastly, we also need to keep an eye
10 on what's going on in the system as a whole. As
11 you're all aware, our resource mix as a whole is
12 changing very differently. We're starting to see
13 that, given the amount of renewables we have
14 coming on line, if we subtract all the must-take
15 renewables off of our load, we're beginning to
16 see that the need for new generation is really
17 being driven by nighttime loads, not by afternoon
18 loads. So we ought to make sure as we're looking
19 to solve a local reliability problem, we're
20 getting the kinds of resources that can also
21 address that nighttime load, as well as the
22 afternoon load.

23 And with that, I think it's just
24 important that we pursue both short term and long
25 term solutions at this point in time. Many of

1 the transmission options we're looking at could
2 be a solution that won't come on line for another
3 eight, 10, 12 years, having just gone through one
4 of those, but that doesn't mean we shouldn't
5 start on them now. So I think many of the long
6 term transmission solutions may be the thing that
7 gets us from 2020 on, or 2022 on, and yet we'll
8 need to still make sure we plan how we're going
9 to get from today to 2020. With that, thank you.

10 CHAIRMAN WEISENMILLER: Thank you. Jim
11 Caldwell, CEERT.

12 MR. CALDWELL: Jim Caldwell, CEERT. My
13 observation on this, I guess, body is that I
14 think this is the first hearing I have ever
15 attended that is two hours into it and I don't
16 disagree with anything anyone has said.
17 [Laughter] I'm almost speechless, but as you can
18 imagine, we'll fix that.

19 I think -- oh, one other point I wanted
20 to say on that is that I want to appreciate
21 particularly Phil Pettingil putting forth Slide
22 6, that as we were reading through San Diego's
23 and ISO's and Edison's testimony at the PUC, it's
24 very hard to follow because it's in Tabular form,
25 and you're adding and subtracting numbers from

1 different places, and you can't figure out where
2 it goes; and for example, I have no idea what the
3 6,200 megawatts that is in this plan -- how that
4 compares to the 4,600 that's in the other plan,
5 or anything else. I don't think they're any
6 different, but I just don't know, and so that
7 chart is very helpful and I think, going forward,
8 we should use that chart in all of our
9 discussions in all the thing or it's component to
10 keep things straight.

11 Before we get into -- I think we need to
12 take one step backwards, and that is that for
13 over 40 years we've defined reliability the
14 electric grid in the South Coast as the ability
15 to withstand the loss of one unit at San Onofre
16 plus one 230 kV element on a peak day without
17 unplanned load drop. Obviously, that criteria
18 must change.

19 Now, the CAISO transmission planners have
20 proposed and are using a new standard which is
21 the loss of both 500 kV lines in the San Diego on
22 a one and 10-year peak day without any planned
23 load drop as a contingency. Now, that standard,
24 with that new standard, is clearly well above
25 Federal minimum standards, it's well above WECC

1 minimum standards. It's clearly within the
2 discretion of the ISO to adopt that standard, but
3 that standard in and of itself is a billion
4 dollar decision. That's a thousand megawatts of
5 this need. And I would submit that we need to
6 adopt that reliability standard in the public.
7 We need to at least have a specific vote of the
8 Board of Directors of the LISO after having some
9 input from this Commission, from the PUC, from
10 the State, before we proceed down this slide.
11 Now, I don't object to spending a billion dollars
12 for new reliability in the basin, but I do think
13 that that deserves a specific vote before we move
14 forward, then we can confidently turn to the
15 issue of what is the appropriate mix of resources
16 to fill that need. One of the things I think we
17 need to talk about is that I don't think it's
18 possible to do a procurement authorization prior
19 to understanding the transmission issues. The
20 ISO says it's going to take them roughly six
21 months to come up with these transmission
22 alternatives. I think we must wait for that and
23 then we must figure out how to keep the timeline
24 of authorization or procurement in 2015 given
25 that front end delay. It simply is not possible

1 to do that.

2 One of the projects that we haven't
3 talked about specifically here today is, for
4 example, the Mesa Lupin project proposed by
5 Edison. That in and of itself is roughly 1,200
6 megawatts of new need. It involves no new right
7 of way, it involves no new transmission lines,
8 although there is some reconductoring, it could
9 be done. It needs study and it needs to be
10 expedited and it needs to be studied now. We
11 shouldn't wait, we should do that now.

12 CHAIRMAN WEISENMILLER: Okay. Thanks,
13 Jim.

14 MR. CALDWELL: There are other projects
15 along --

16 CHAIRMAN WEISENMILLER: We'll take your
17 written comments?

18 MR. CALDWELL: Yes. Thank you.

19 CHAIRMAN WEISENMILLER: Okay. Dorothy
20 Rothrock, CMTH.

21 MR. BERBERICH: Chairman Weisenmiller, if
22 I might, the Mesa Lupin, Jim, that you were
23 talking about, I expect will be part -- I know it
24 will be part of our transmission plan. And I
25 think you'll see it as part of the plan. The

1 plan should be done for January.

2 MS. ROTHROCK: Thank you, Chairs and
3 members. My name is Dorothy Rothrock and I'm
4 with the California Manufacturers and Technology
5 Association. I really appreciate being able to
6 say this to all of you all in one time, I think I
7 can bill many clients for all the time I'm here.
8 [Laughter]

9 COMMISSIONER MCALLISTER: You're being
10 recorded, by the way.

11 MS. ROTHROCK: Oh, no, busted. But the
12 reality is, I'm here actually learning more than
13 anything else. It is absolutely crucial that the
14 industry in the state become aware of the
15 challenges that we are facing going forward to
16 get this solved, and that we be an active
17 participant in providing solutions. I'm hopeful
18 that we will be part of the problem going forward
19 and that there will be load growth in the basin
20 that may increase emissions and it might increase
21 some demands on the system, however, I think on
22 net we can be more of a contributor to the
23 solution if we're allowed to participate fully.
24 And I know that's a challenge because industry
25 does its own thing, has its own timelines, has

1 its own use of the money that they have, but I
2 was reflecting on the comments of Commission
3 McAllister and Commissioner Florio about the
4 importance of being very creative and
5 understanding what customer decision making is
6 going to look like over the next few years, so
7 that we're capturing the benefits of that, or at
8 least becoming aware of when things are going to
9 go south in ways that you may not have
10 anticipated in your planning.

11 I wanted to agree with the previous
12 speakers, so that will save me some time here
13 about the importance of dealing with transmission
14 first, and then going beyond that to see what our
15 resources need to be. I wasn't sure in the
16 presentation how the 800 to 1,000 megawatts of
17 Preferred Resources -- what that meant in terms
18 of what transmission may have already been done
19 first to then change that number going forward,
20 or if that's net of whatever transmission you're
21 going to do, I just didn't know how that was
22 going to play out. And also, we're also very
23 intrigued with the Mesa Lupin proposal and glad
24 to hear that it's going to be considered.

25 Finally, there's real timing challenges.

1 We've got short term problems to solve, but then
2 perhaps longer term solutions that may be more
3 beneficial in the long term. We want to make
4 sure -- and here's a word that I haven't used in
5 a long time -- we don't have stranded costs going
6 forward when we finally get the more permanent
7 robust solutions post-2020 that maybe some of the
8 decisions we've made here early on are a problem.

9 Finally, since I have just 13 seconds, I
10 wanted to just let you know that, since Bill
11 Keese is in the audience, I got a little nervous
12 that maybe we were going to have another energy
13 crisis, but maybe that's not true. Thank you
14 very much.

15 CHAIRMAN WEISENMILLER: Thank you. Chris
16 Anderson, ARB, Inc.

17 MR. ANDERSON: Hi. I'm Chris Anderson.
18 I work for ARB, Inc. We're a general contractor
19 based in Orange County. We've been in California
20 for over 60 years, we've worked on a sizeable
21 number of California's latest power plants, both
22 renewable and conventional.

23 With retirement of San Onofre and
24 increasing reliance on renewable power sources,
25 California still requires a substantial

1 investment in conventional power, along with
2 upgrade transmission and natural gas transmission
3 resources in Southern California to support
4 California's recovery and future growth, both
5 population and industry. Near generation and
6 gas-fired plants through advances in technology
7 and design has addressed two of the major
8 concerns the public has voiced, both emissions
9 and water usage.

10 California construction workforce has yet
11 to fully recover in this economy, and these types
12 of projects, depending on size, create anywhere
13 from 50,000 to a million man hours worth of work,
14 which equals wages and benefits between five and
15 a hundred million dollars. The wages paid on
16 these projects is generally substantially higher
17 than the service and retail sectors, and various
18 studies have shown the economic impact in areas
19 these projects are built in is six to 12 times
20 actual wages paid to the workers due to the
21 commodities and services purchased by the
22 workforce. Since we're in Sacramento, all of
23 these multiple transactions create revenue to the
24 state in the form of income and sales taxes.
25 Sales tax on a major plant can be in excess of

1 \$15 million alone.

2 After the completion of these plants,
3 there are permanent jobs completed in the form of
4 plant operators and maintenance personnel, also
5 seasonally there will be a need for maintenance
6 by outside contractors for the life of the plant,
7 which will create a legacy of economic benefits
8 for both the workers and the community.

9 Recently, the El Segundo Plant has come
10 online. There is also some major solar projects
11 that are due to be wrapped up at the end of the
12 year, beginning next year, so there's a readily
13 available workforce in the area to do anything
14 that comes out of this plant.

15 In closing, while both conventional and
16 renewables will get the region partially to its
17 goals, both new transmission projects and
18 generating capacity need to be added to guarantee
19 the area's electrical reliability and load.

20 Thanks.

21 CHAIRMAN WEISENMILLER: Thank you.

22 Steven Kelly, IEP.

23 MR. KELLY: Thank you, everybody. I'm
24 Steven Kelly, the Policy Director for the
25 Independent Energy Producers Association. And

1 within my membership, for those who don't know,
2 we represent a lot of the installed renewables,
3 gas-fired, people interested in storage, pretty
4 much the whole gauntlet of technologies which
5 puts me in trouble a lot of times, and also it's
6 opportunities.

7 I would like to speak on three things,
8 one about decision making, two, the approach to
9 solutions, and then three, kind of a specific
10 concern I have regarding the plan proposed that
11 I've seen so far today.

12 First on decision making, I want to
13 reiterate the comment that was made earlier about
14 the need to act timely. The plan speaks to a
15 50/50 split between Preferred Resources and
16 conventional resources; I actually think the
17 issue is more aligned between uncommitted and
18 committed resources. A lot of the preferred
19 resources are committed, the CHP, the renewables,
20 and those, but a lot of them are uncommitted.
21 And as a practical matter, many of those
22 uncommitted Preferred Resources are kind of
23 unproven, certainly on the scope and scale we're
24 talking about.

25 The committed resources, particularly the

1 thermal, on the other hand, need time to develop
2 over time, to build, to plan, to permit, and so
3 forth. And I just want to emphasize the need for
4 moving now on moving on those conventional, those
5 committed resources. Conventional thermal
6 provides capacity. If it's not needed, it's not
7 going to run. The environmental impacts in that
8 case are de minimus, but you have the security of
9 knowing that you've got a resource that can be
10 available if the uncommitted preferred resources
11 don't emerge. And I really urge you to think of
12 it in that way.

13 Secondly, I'd like to talk about the
14 approaches to the solution, and I think the plan
15 speaks to the need for competition in moving
16 forward in this, and we support that wholly.
17 Robust competition in California over the last 10
18 or 15 years have brought a tremendous amount of
19 innovation and flexibility in resource
20 procurement, resource selection, and so forth,
21 and have helped the state achieve its least cost,
22 best fit goals that we've been promulgating since
23 around 2005 in the loading order. And these
24 resources tend to be viable when they come
25 through a competitive process, IEP, among others,

1 have advocated for a number of years that the
2 resources that get selected be viable, and that's
3 critical when you're planning for 10 years in
4 terms of the kinds of resources you're expecting
5 to occur. This has been a proven approach, it
6 works, and we think it provides tremendous
7 ratepayer value.

8 Now, the one thing that I did want to
9 bring to your attention was a concern about the
10 plan. There is a proposal in the plan for a
11 contingency permitting of land and the idea, as I
12 understand it, Edison or San Diego would go out
13 and permit a large area of land and make that
14 available to independent power producers. We
15 have some significant concerns about this, as we
16 understand it, 1) we're concerned about its
17 viability, 2) we're concerned about the risk that
18 that plan would delay the actual procurement that
19 we want to see happen now. My members are out in
20 Southern California looking for places to permit
21 and build projects now. A lot of them are
22 already permitted, they're ready to go. We would
23 not want to wait until that contingency plan is
24 put in place, if it actually ever gets there. So
25 we have those concerns.

1 And then, third and finally, we're not
2 sure if this is a solution begging for a problem,
3 or whatever, we don't know yet that there's a
4 problem in terms of being able to find places for
5 the appropriate resources. We'd like to see a
6 competitive procurement process implemented first
7 before we engage in that contingency planning
8 process. Thank you.

9 CHAIRMAN WEISENMILLER: Thank you.
10 Sierra Club.

11 MR. PINGLE: Good morning, all. My name
12 is Ray Pingle from Sierra Club California. First
13 of all, we'd really like to compliment the staff
14 and all your agencies for this very well done
15 collaborative effort. I think the structure of
16 the approach makes a lot of sense, it's very
17 logical. I also appreciate the sense of urgency
18 expressed by many of you on wanting to move as
19 quickly as possible, accelerate the progress,
20 particularly on energy efficiency, Demand
21 Response, and so on.

22 We've always supported transmission
23 solutions that follow the Garamendi principles
24 where they use existing right of ways, those kind
25 of things, those all make a lot of sense. And we

1 think it makes sense to have contingency backups
2 because we do have to keep the lights on.

3 I would say the most important question
4 we would ask is, why couldn't we make up any net
5 generation required 100 percent with Preferred
6 Resources, with renewables? From 2008 until
7 2012, so in just four years, the state increased
8 its RPS by eight percent. In the first quarterly
9 report of the PUC to the Legislature, they
10 forecasted that the state will add 3,500
11 megawatts of renewable energy just in this one
12 year alone. Of course, that's statewide. So
13 what we would propose is that the agencies
14 working with the utilities really make a full
15 bore effort to see why can't we? What would it
16 take to do this? What are the obstacles? What
17 are the programs that we could accelerate? I
18 mean, we could do residential PACE, we could
19 expand the Commercial PACE program, we could look
20 at tweaking the CSI, we could accelerate Smart
21 Inverters with an adequate power factor. We
22 could provide financial incentives to target some
23 of these things within this basin that's
24 affected. So that's really the most important
25 thing -- as Mary Nichols said, you know, let's

1 try and squeeze as much carbon out of this. We
2 don't want to go backwards. You know, we lost
3 SONGS, and as you know the Sierra Club is not
4 shedding too many tears over that, but we don't
5 want to replace low carbon emissions with new
6 carbon emissions, let's take advantage of this
7 opportunity. Thank you very much.

8 CHAIRMAN WEISENMILLER: Thank you. John
9 Chillemi, NRG.

10 MR. CHILLEMI: Good morning. My name is
11 John Chillemi and I'm the President of the West
12 Region for NRG Energy, and I'm here on behalf of
13 NRG and more specifically the Carlsbad Energy
14 Center Project, a proposed new power plant to be
15 located adjacent to the existing Encina Power
16 Station.

17 I first wanted to state that we are fully
18 supportive of the Draft Preliminary Reliability
19 Plan from the CEC, CPUC, and CAISO regarding the
20 need for new additional conventional generation
21 resources to ensure grid reliability. And while
22 we agree that energy efficiency, Demand Response,
23 and renewable resources are a very important part
24 of the energy mix going forward, there still
25 remains the need for sufficient conventional

1 resources to provide a balance which the draft
2 report recognizes.

3 Since taking ownership of the Encina
4 Power Station, NRG has traveled a long and
5 complicated path toward a redevelopment. After
6 filing in 2007, the Carlsbad project received its
7 license from the CEC in May of 2012, and the last
8 of the appeals were dismissed October of 2012,
9 rendering the decision final.

10 As currently configured, the Carlsbad
11 project is a 550 megawatt combined cycle plant
12 that is capable of being on line in 2017, which
13 coincides with the OTC compliance date of the
14 existing Encina Power Station. The Carlsbad
15 project provides both the benefits of fast start
16 capability and combined cycle efficiency. In
17 fact, it would rely on the exact same generating
18 facilities that just reached commercial
19 operations at our El Segundo facility, which is
20 bringing the same reliability benefits to the LA
21 Basin that the Draft Report identifies are needed
22 in San Diego.

23 The Carlsbad project will enable the
24 retirement of the Encina Station, which is a
25 preferred outcome. And while we are proud of

1 Encina's ability to answer the call when needed,
2 a 50-year-old plant is not the best solution for
3 California's reliability plan going forward, and
4 it should not be assumed to be on line
5 indefinitely.

6 A new plant like Carlsbad not only offers
7 better reliability, but also a more efficient,
8 lower profile plant, with reduced emissions.
9 NRG's plan to build the Carlsbad project
10 accomplishes three critical objectives: first, it
11 is more efficient and less polluting, second, it
12 allows for the elimination of once-through
13 cooling generation on schedule, and finally, it
14 offers more reliable generation that is designed
15 to integrate renewables.

16 Lastly, I would be remiss not to address
17 another issue that has been directed toward the
18 Carlsbad project in the past, namely the cost.
19 NRG has competed in several recent utility RFOs
20 and has been awarded contracts in these
21 competitive solicitations where cost is the
22 driving factor. In fact, our Marsh Landing in El
23 Segundo Plants that both came on line earlier
24 this year are perfect examples of low cost
25 facilities. We are quite confident in our

1 ability to put forth a project in any future
2 solicitation that is price competitive.

3 So in summary, the Carlsbad project is
4 well positioned to address the operational
5 challenges posed by the loss of SONGS, and the
6 integration of renewables. Carlsbad also allows
7 for the timely retirement of once-through cool
8 generation, all without the need for extensive
9 and expensive new gas and transmission
10 infrastructure. Thank you.

11 CHAIRMAN WEISENMILLER: Thank you. Mark
12 Nelson, Edison. And, again, I certainly want to
13 thank Edison and SDG&E for their hard work on the
14 technical task force.

15 MR. NELSON: Thank you very much and
16 welcome to the members here today. I guess I'm
17 going to try to stop the alphabet soup for a
18 second, as well. Edison and San Diego and CAISO
19 have filed in the Long Term Procurement Plan our
20 view of needs and potential solutions for those
21 needs. And in the case of Edison, we've
22 identified about 2,800 to 3,300 megawatts of need
23 in our service territory as a result of load
24 growth uncertainty, and the retirement of once-
25 through cooled plants. So not to throw out yet

1 another set of megawatt numbers, but there are a
2 number of them.

3 It's really composed of three large
4 blocks of solution. One is the Mesa Lupin that
5 several people have spoken to. That allows us to
6 move power around inside the basin more
7 effectively. It will probably defer the need for
8 generation, or move it outside of the basin, so
9 that's really the big advantage to that type of a
10 project, and that project will be, or perhaps
11 even has been submitted in the CAISO's
12 transmission planning process that's going on
13 now, so that would be a part of that process.

14 We've also looked at additional preferred
15 resources recognizing that those preferred
16 resources will need the sorts of operating
17 characteristics that it takes to be counted for
18 local capacity, so that really means we'll
19 probably be looking at a different mix of
20 resources than we have now. Clearly, we'll be
21 working with the CAISO in this case because,
22 again, they need to make sure that they've got
23 things, especially in Demand Response, that will
24 meet the needs for planning purposes.

25 And then really the third component of

1 this, and Sylvia talked about it quite a bit, is
2 the contingent generation, or contingent siting.
3 The intent of the contingent siting is to have a
4 relatively quick way to get new steel in the
5 ground so that we can let preferred resources and
6 the rest of the plan play out as long as it can
7 before we need to pull the trigger. So if things
8 are either permitted, or -- again, as Sylvia
9 described -- really quick to be permitted, so in
10 that last sort of six month portion, we can have
11 things that are available to put in to Request
12 For Offers, RFOs, that would be able for third
13 parties to come in and bid on. At the same time,
14 as part of our larger RFO process, we'll also be
15 taking bids, as well, or looking at plans. So,
16 again, there's really a way for all different
17 forms of solutions to come in here.

18 So what I'd like to say is I think that
19 this report has a number of building blocks in it
20 that we will take into the Long Term Procurement
21 Plan into Track IV, we'll work with them there in
22 the PUC process, we'll work with it as part of
23 the CAISO's transmission planning process, and
24 use that in order to get the public involved, get
25 the rest of the constituent groups involved, and

1 look for solutions. Thank you.

2 CHAIRMAN WEISENMILLER: Thank you. Is
3 there anyone else in the room -- well, blue
4 cards, please. Blue cards. Again, anyone else
5 in the room, please fill out a blue card and
6 we'll be happy to hear from you.

7 MS. MITCHELL: Good morning. I'm Cynthia
8 Mitchell. I'm Principal of Energy Economics,
9 Inc. Many of you associate my name with TURN,
10 The Utility Reform Network, I've been their
11 consultant on energy efficiency since 2000-2001,
12 and continue on in that capacity. I'm here
13 today, though, not in that capacity, in my own
14 role. Kevin Woodruff is TURN's LTPP consultant.

15 So I do have a few brief comments and I
16 wanted to note that the closing of the SONGS,
17 once-through cooling, and even your greenhouse
18 gas reduction targets are opportunities for more
19 robust utility approach where energy efficiency
20 is a utility resource, and this is no small
21 matter given the 35-year regulatory approach to
22 efficiency as a consumer resource, and a utility
23 expensed cost. Now, utilities invest capital in
24 generation and transmission distribution
25 efficiencies all the time. Utility capital

1 investment in efficiency stops at the customer
2 meter in that we leave it to the customer to do
3 the heavy lifting with efficiency, supplemented
4 by utility energy efficiency programs. What this
5 means is that utilities have little, if any,
6 financial skin in the game, other than some sort
7 of energy efficiency shareholder incentives. And
8 while the utilities are certainly receptive to
9 this additional income, it has not created a
10 structural change in the way the utilities make
11 money, and rightfully cautious of being too
12 successful with efficiency as to cause
13 significant earnings erosion, California utility
14 efficiency is more of a regulatory compliance
15 function with the utilities an implementing
16 partner with the CPUC on State policies. And
17 while California has accomplished a tremendous
18 amount with government mandated efficiency
19 policies, the time is right for a new business
20 approach to efficiency in California.

21 In July of 2011, Commissioner Florio,
22 when he was new to the Commission, suggested that
23 we shift our energy efficiency paradigm to more
24 closely parallel that used for generation
25 procurement, and we've talked some about energy

1 efficiency Purchase Power Agreements as a
2 possible regulatory construct to increase energy
3 savings. All said, though, EE PPAs modeled after
4 capacity and energy PPAs still leave utilities
5 with only an expensed product and there's no
6 earnings contribution and possible earnings
7 erosion. Now, a variation of that worth
8 considering would be one where utilities provide
9 the invested capital and enter into a long term,
10 say a 20-year contract, with the building owner
11 to harvest efficiency on the customer side of the
12 meter, and then, with the generally easier and
13 cheaper access to capital, and a business model
14 favoring long term capitalization, energy
15 efficiency could then be a business asset that
16 cycles efficiency savings into utility cash
17 flows. And at the recent hearing, the July 15th
18 hearing in LA on the SONGS closure, Commissioner
19 Florio captured the moment with his opening
20 statement. The closing of SONGS plus OTC
21 retirements provide us with the challenge and an
22 opportunity. The challenge is to replace
23 thousands of megawatts in the LA Basin, and the
24 opportunity is to reshape the electric generation
25 in California and the world.

1 And I want to leave you with the rate
2 compact for utilities attracted market capital to
3 electrify the world, and it worked. And we could
4 use that same approach to now green the planet.
5 Thank you.

6 CHAIRMAN WEISENMILLER: Thank you.
7 Sierra.

8 MR. MARTINEZ: My name is Sierra Martinez
9 and I'm the Legal Director for California Energy
10 Projects at NRDC. Thank you, staff, for working
11 on this draft reliability plan. I think it's
12 very well thought out and a comprehensive
13 overview of the challenges ahead of us. And
14 thank you for coordinating among your various
15 agencies.

16 First off, we fully support the
17 endorsement in this plan of the existing
18 procurement processes that are ongoing. We
19 recommend that those come to their full fruition
20 and their full information. I would caution
21 against a rush to judgment on authorizations of
22 conventional resources. These are long term
23 investments that are going to last us long
24 through our 2050 timeline to meeting our
25 greenhouse gas goals.

1 On the other hand, Preferred Resources
2 actually help us reach those greenhouse gas
3 goals. Cost-effective Preferred Resources save
4 customers money and alleviate the need for
5 supply-side resources, therefore, we should
6 proceed in an accelerated and aggressive manner
7 to procure these resources.

8 In thinking about ramping up to meet
9 these preferred resources, I want to highlight
10 the unprecedented change that we are faced with
11 today. Commissioner Florio noted it before that
12 this is a fundamental change to the electric
13 system. On the other hand, it's also a credible
14 opportunity to empower local governments and
15 communities with a new way forward, and we
16 encourage efforts at the highest level of State
17 Government to reach out to these local
18 communities and inform them and educate them that
19 there is an opportunity to invest in clean
20 technologies in their homes and neighborhoods,
21 instead of power plants in their neighborhoods.
22 Thank you.

23 CHAIRMAN WEISENMILLER: Thank you. Let's
24 go to the phone.

25 MS. RAITT: Actually, we have four

1 comments on the WebEx.

2 CHAIRMAN WEISENMILLER: Okay, good.

3 MS. RAITT: So the first one I'll read
4 out loud is from Tam Hunt for Ed Randolph. He
5 wrote: "Can't solar with advance or smart meters
6 meet voltage support needs? There's a Rule 21
7 working group looking at just this issue right
8 now and early results are very promising."

9 MR. RANDOLPH: The answer to that, and I
10 alluded at it, almost definitely yes. It's a
11 timing issue, though. And it's a standards
12 issue, it's a national standards issue, it's a
13 safety issue for folks working on the utility
14 lines. Within Rule 21, this is an issue. I
15 think more importantly there is a workshop
16 process between the Energy Commission and the PUC
17 looking at new standards going forward for the
18 Smart Inverters, for solar, that would enable
19 them to potentially provide Var support and other
20 ancillary services to the grid. And right now it
21 becomes a timing issue. The last thing we want
22 to do is approve standards that create a safety
23 problem down the road. So we're working with
24 IEEE and with UL to make sure that the standards
25 are what's safe, and then from there we can move

1 forward.

2 MS. RAITT: Thank you. The next person
3 on WebEx is Fran Inman. Did you have a question
4 or comment? Go ahead, is this Fran?

5 MS. INMAN: Can you hear me?

6 MS. RAITT: Yes, I can.

7 MS. INMAN: Okay, so the question -- I
8 have been listening today, and thank you very
9 much. I think from the business perspective,
10 reliability is just a key issue for all of us,
11 and we've heard that brought up over and over
12 this morning. As you may know, we're major
13 landlords in Southern California, for that
14 matter, across the United States. So we're a 65-
15 year-old company, so we do have skin in the game
16 in getting it right in our region. Like Dorothy
17 Rothrock, I too have been learning today and hope
18 that business can be part of the solution, but I
19 really think that we need to be cautious with our
20 off ramps and our triggers and our backstops
21 because of the reliability and make sure that all
22 of our analysis is comprehensive. I was glad to
23 hear Chairman Weisenmiller ask the question --
24 answer the question, I should say -- about the
25 goods movement and really understanding the 24/7

1 nature of that impact on our California economy,
2 and especially the Southern California economy.
3 So we will provide written comments, but thank
4 you for allowing me to comment today.

5 CHAIRMAN WEISENMILLER: Thank you.

6 MS. RAITT: Thank you. Our next person
7 on WebEx is David Zizmor. David, did you have a
8 question or a comment?

9 MR. ZIZMOR: First off, I wanted to echo
10 Jim Caldwell's concerns about the one in 10 peak
11 load standard being significantly higher than
12 previous standards, I think it really does
13 deserve a much closer look than it's been given.
14 But really, I just wanted to ask a question
15 specifically to the ISO. You mentioned the idea
16 of a multi-year auction for Demand Response and
17 energy efficiency. As far as I'm aware, that's a
18 new proposal, I certainly haven't seen it in any
19 of the previous testimony. I was wondering if
20 there is a timeline for the development of that
21 auction and whether there are any target numbers
22 for the amount of megawatts this option intends,
23 or hopes to procure.

24 MR. PETTINGIL: Well, thank you for the
25 question. What I said in my comments was we feel

1 like we could develop the auction and potentially
2 be able to run it next year in 2014. In terms of
3 the procurement targets, that would be a question
4 that's still outstanding. And at this point, we
5 were thinking, and my comment was, that it might
6 be based on procurement authorizations that the
7 PUC has already provided to Edison and San Diego.

8 COMMISSIONER MCALLISTER: So this is
9 Andrew McAllister. So, Phil, would you be
10 talking about sort of a number of megawatts or a
11 percentage of procurement, or authorized
12 procurement, or something along those lines?
13 What might that metric look like?

14 MR. PETTINGILL: I think, honestly, it's
15 a number of megawatts, it's where we would have
16 to think about doing this, but there's always
17 tradeoffs in terms of what if prices came in at
18 very competitive levels, you know, would it make
19 sense to buy a little extra megawatts because
20 they were competitive? So one of the key issues
21 in trying to design that market is how to clear
22 it, at what price and what quantity? But
23 certainly we would be, I think, starting with a
24 quantity that is consistent with procurement
25 authorization.

1 COMMISSIONER MCALLISTER: Thanks.

2 MS. RAITT: Thank you. Our next person
3 is -- I'm going to mispronounce this, excuse me,
4 Puchkar Wagle. And could you give your name and
5 affiliation, please? I'm sorry, Frank Lopez is
6 next.

7 MR. LOPEZ: Hi. Frank Lopez from the
8 L.A. Chamber of Commerce. Thank you for the
9 opportunity to ask this question. I appreciate
10 the multi-agency collaboration effort undertaken
11 to ensure energy reliability in Southern
12 California, but we'd like to know what policies
13 or procedures this multi-agency collaboration
14 will put in place to ensure energy affordability
15 in our region, which is also a top concern for
16 the business community here in Southern
17 California.

18 MR. RANDOLPH: That's kind of an open-
19 ended question. I mean, I'll take it more as
20 your point that that should be a prime goal in
21 all of this, is to make sure that rates continue
22 to see low and, more importantly, bills are
23 continuing to see low. And that is in the goals
24 of the PUC as we continue to look at these
25 things, you now, to hit the benefit of what's

1 cost-effective and what's the right balance, and
2 I'll say within the Preferred Resources, most of
3 those programs under our rules and guidelines
4 which would continue is the programs we develop
5 have to meet a cost-effectiveness test.

6 MS. RAITT: All right, the next is
7 Puchkar Wagle. Your name and affiliation,
8 please.

9 MR. WAGLE: Yeah, I just have two brief
10 comments to make. One is, I found the
11 presentation to be very informative and I will
12 second the observation made by CEERT regarding
13 slide 6 on the expected resource needs and
14 potential solutions. However, you know, it's
15 quite confusing with the ISO's opening testimony,
16 and Edison, and SDG&E's testimony on Track IV,
17 and now with this Preliminary Reliability Plan to
18 see how all the numbers match up. So I believe
19 it will be pretty useful for stakeholders to
20 provide some sort of table that compares the
21 Preferred Resources, that's energy efficiency,
22 Storage, DR, CHP, and so on, in both of this, LA
23 or the SDG&E, and ISO studies, as well as the
24 CPUC and CEC's Preliminary Reliability Plan. So
25 that's one comment, it would be easier to see how

1 numbers match up, but if there are certain
2 studies that need to be refreshed, then what are
3 the changes, incremental changes?

4 And the second comment that I had was on
5 slide 16, the ISO stated that they would first
6 take a look at the need for appropriate level of
7 transmission, and then it will be determined what
8 level, additional level of generation resources,
9 or types of resources that would be needed. Now,
10 shouldn't there be sort of an interpretive
11 approach that performs a sort of economic
12 assessment of combined costs of procuring that
13 generation and transmission resources. So I
14 would like to ask the policy makers to be mindful
15 in sort of the most economic way of meeting these
16 needs, while meeting the policy goals. I think
17 that's the key, that when you -- you should need
18 to take an integrated approach for meeting both
19 generation and transmission needs.

20 CHAIRMAN WEISENMILLER: Thank you. We do
21 need on the record your affiliation?

22 MR. WAGLE: The Flynn Resource
23 Consultants.

24 MS. RAITT: Thank you. We have one more
25 from Ted Owen. Please give us your name and

1 affiliation, and whether you have a question or a
2 comment, please. Are you there?

3 MR. OWEN: Can you hear me?

4 MS. RAITT: Now we can.

5 MR. OWEN: My name is Ted Owen. I'm the
6 President --

7 CHAIRMAN WEISENMILLER: If you're on a
8 speakerphone, could you go off the speakerphone?
9 We have a lot of interference.

10 MR. OWEN: Yes. How about that? Is
11 that better? Is it okay?

12 MS. RAITT: Yeah, but there's still a
13 lot of interference.

14 CHAIRMAN WEISENMILLER: Just go ahead,
15 but certainly if you can, you know, just speak on
16 a direct line, no speaker phone?

17 MR. OWEN: I'm on a phone line, yeah.
18 Okay?

19 COMMISSIONER MCALLISTER: Yes, please go
20 ahead. Thanks.

21 MR. OWEN: Okay, my name is Ted Owen and
22 I'm the President and CEO of the Carlsbad Chamber
23 of Commerce. We're about the 10th largest
24 Chamber of Commerce in California. And I have a
25 comment and then a question. This chamber has

1 worked for 90 years to promote favorable business
2 climates for our 1,600 businesses and 75,000
3 employees in and around Carlsbad. A reliable
4 supply of electricity is a basic need of every
5 business in our area. We were reminded of the
6 dependence of electricity during the black-out of
7 September 8, 2011, and it had a profound impact
8 on the local economy. One local biotech company
9 lost business as a result of that. We had
10 closely followed the CEC process for the Carlsbad
11 Energy Center and supported its licensing, not
12 only as an option for enhancing reliability, but
13 also because it would provide an economic boost
14 to the local economy, including six to seven
15 million dollars in local tax revenue, it would
16 create 500 construction jobs totaling over \$50
17 million in wages, and local spending on housing,
18 food and other services needed to support the
19 construction project. We've been living
20 precariously for 18 months and our members are
21 now concerned about the potential for blackouts
22 given the permanent closure of the San Onofre
23 Nuclear Generating Station. While transmission
24 projects are helpful, they are vulnerable to
25 wildfires like the one we experienced in October

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1 2007. We also know that the most renewable
2 energy is dependent upon the sun shining and the
3 wind blowing. Natural gas fueled generation is
4 therefore essential. We would encourage you to
5 consider natural gas-fired projects like the
6 Carlsbad Energy Center to ensure that Carlsbad
7 and neighboring communities will have a reliable
8 source of electricity. And I want to thank you
9 for allowing me to present my thoughts today and
10 I'm appreciative of the fact that we're having
11 these meetings and discussing the many options.

12 CHAIRMAN WEISENMILLER: Thank you.

13 MS. RAITT: We have two more questions
14 from WebEx. The next is Stan Williams. Please
15 give your name and affiliation, please.

16 MR. WILLIAMS: Yes, good morning. This
17 is Stan Williams with Poseidon Water, also
18 calling from Carlsbad. As you may already know,
19 Poseidon Water is constructing the largest
20 desalination plant in the Western Hemisphere, in
21 partnership with the San Diego County Water
22 Authority. And this plant, which is located
23 adjacent to the Encina Power Station in Carlsbad
24 will provide up to 50 million gallons a day of
25 drinking quality water. The project will also

1 provide a local drought resistant supply of water
2 to meet the water supply reliability needs of San
3 Diego County, that's three million residents, and
4 \$86 billion annual economy.

5 And when this plant goes on line in
6 2016, it will be a critical component of the
7 regional water supply portfolio of the water
8 authority, which currently imports over 80
9 percent of its water from the Colorado River or
10 Northern California. Given the loss of San
11 Onofre Nuclear Generating Station, we were also
12 concerned about the reliability of the region's
13 power supply.

14 The Carlsbad Desalination Plant is a
15 significant consumer of electricity, requiring
16 over 30 megawatts of power 24 hours a day to
17 produce a continuous supply of drinking water.
18 You know, as in the case with water reliability,
19 we believe the solution to a reliable grid is a
20 robust mix of power supplies that includes
21 investments in local generation capabilities. We
22 have committed the Carlsbad Desalination Plant to
23 be carbon neutral for the investment in demand
24 reduction measures, onsite solar, use of recycled
25 carbon dioxide in the water treatment process,

1 and acquisition of carbon offset to State
2 approved projects. Water and power are among the
3 most vital of our daily resources and we urge you
4 to consider local generation to help ensure the
5 reliability of both. And thanks for the
6 opportunity to comment.

7 CHAIRMAN WEISENMILLER: Thank you.

8 MS. RAITT: Thanks. The next person on
9 WebEx is Barbara Barkovich. Could you give your
10 --

11 CHAIRMAN WEISENMILLER: Barkovich.

12 MS. RAITT: Thank you. Could you give
13 your affiliation, please?

14 MS. BARKOVICH: Thank you, Chairman
15 Weisenmiller. Barbara Barkovich from the
16 California Large Energy Consumers Association. I
17 just have a question with respect to the ISO
18 proposal to run a multi-year forward auction to
19 procure energy efficiency and Demand Response. I
20 believe that Mr. Pettingil said that it would be
21 potentially procuring resources that the PUC
22 determined the utilities should procure and I'm
23 trying to understand what the role of the ISO is
24 if these are part of utility procurement plans.

25 MR. PETTINGIL: Phil Pettingil.

1 Barbara, thanks for the question. What we're
2 just suggesting is that this is another market,
3 another procurement opportunity. The ISO, I
4 think, as you are aware, is uniquely skilled at
5 designing markets, running markets, and so what
6 we're suggesting is this is a way to create a new
7 marketplace to help with the procurement of
8 preferred resources, and also was trying to point
9 out that, you know, it would run as an
10 augmentation just in parallel with the
11 procurement authorizations that are coming
12 through the PUC.

13 MS. BARKOVICH: So if it's running in
14 parallel, to follow-up, does that mean that it
15 would be in addition to the utility procurement?

16 MR. BERBERICH: Let me -- Barbara, this
17 is --

18 MS. BARKOVICH: I'm just asking for
19 clarification, though.

20 MR. BERBERICH: Sure. This is Steve
21 Berberich. What we'd envision happening, we've
22 already identified that there is need, the Public
23 Utilities Commission would identify -- let's use
24 an example of 500 megawatts of demand resources
25 or energy efficiency that they wanted to acquire.

1 We could then run a clearing market that would
2 pick it up in a competitive transparent way, so
3 everybody could see the pricing, and you'd get it
4 at the lowest cost possible. So it would be an
5 interplay between the PUC and the ISO. I also
6 want to point out, there are clearly -- this is
7 an idea at this point -- we haven't gotten the
8 details of this at all ironed out, but we think
9 it is a way to get these quicker because we
10 already have the market infrastructures in place,
11 we could probably stand it up pretty quickly if
12 we were just doing an auction, particularly if we
13 were doing a one-time auction to procure these
14 resources. So that's the idea that we're
15 thinking about and, Barbara, that's how it would
16 work.

17 MS. BARKOVICH: I see. And that will be
18 the subject of the stakeholder process the
19 morning of September 18th?

20 MR. BERBERICH: No. I believe -- is
21 that correct, Phil? I believe that's probably
22 the reliability -- I forget what we call that
23 thing.

24 MS. BARKOVICH: Oh, I see, so this is
25 separate from that?

1 MR. BERBERICH: Yes, I believe that's
2 right.

3 MR. PETTINGIL: Yeah, Barbara. We
4 haven't started the stakeholder process that
5 would design this yet.

6 MS. BARKOVICH: Okay, thank you very
7 much.

8 MR. PETTINGIL: Thank you.

9 MS. RAITT: The next person is Barbara
10 George.

11 MS. GEORGE: Hi. Can you hear me?

12 MS. RAITT: Yes, thank you.

13 MS. GEORGE: Thanks. This is Barbara
14 George. I'm with Women's Energy Matters. And
15 WEM is a party in the Long Term Procurement Plan
16 at the CPUC, as well as the SONGS investigation.
17 And I wanted to thank you for beginning a public
18 process for replacing SONGS. I look forward to
19 hearing more about that.

20 Two and a half years ago in the
21 procurement proceeding, two months after
22 Fukushima, WEN recommended an expedited public
23 process for procuring 100 percent Preferred
24 Resources to replace both San Onofre and Diablo
25 Canyon, just in case they shut down unexpectedly.

1 When San Onofre did shutdown, and I'm sorry to
2 say that the planning process of San Onofre took
3 place almost entirely in the back room, and for
4 the last one and a half years since the outage,
5 we've had about 98 percent dirty energy for
6 replacing SONGS plus some transmission. The
7 current plan is only 50 percent preferred
8 resources. I think we really need to do better
9 than that because the claims the nuclear folks
10 who is the bearer of 100 percent GHG free, which
11 isn't true, if you count the rest of the fuel
12 cycle; but anyway, that's what they claim. The
13 Long Term Procurement Proceeding finally starting
14 taking up this issue last week, but we did file
15 comments in a number of proceedings and we went
16 to your public meetings and asked for a public
17 process to identify 100 percent GHG-free
18 resources. There was public comment today about
19 ways to provide grid support with the Preferred
20 Resources, and there are many more, targeted
21 energy efficiency and Demand Response, for
22 example, is in a less or even eliminated
23 transmission constraint, but they can't do it in
24 your context of embedding energy efficiency,
25 Demand Response, and rooftop solar, in the Demand

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1 Forecast. It makes it almost impossible to
2 target those resources in any particular place.
3 But the most significant problem is that they
4 need a chance to bid. The SEC testified in
5 hearings just last month that they held no
6 solicitations in 2012 for replacement resources
7 for SONGS, so there was no opportunity for anyone
8 to bid, even though they probably wouldn't have
9 allowed Preferred Resources to bid in their
10 solicitations anyway. Unfortunately, the use of
11 Huntington Beach Units owned by SCE's affiliate,
12 Edison Energy, is frankly illegal. The failure
13 to follow the loading order for the replacement
14 resource also violates laws and decisions,
15 including the decision that was made and
16 finalized in February 2012, which specifically
17 orders utilities to look for additional energy
18 efficiency. So I want to see that at the top of
19 the loading order, at the top of your agenda as
20 we go forward, and I look forward to Preferred
21 Resources having a fair chance to demonstrate
22 what they can do. A twenty-eight percent price
23 hike resulted from the process in the backroom
24 office that happened last --

25 COMMISSIONER MCALLISTER: Barbara, if

1 you could submit some written comments, that
2 would be great. And appreciate your comments.

3 MS. GEORGE: Thanks.

4 COMMISSIONER MCALLISTER: Thanks.

5 MS. RAITT: That concludes the folks on
6 WebEx. So next we'll move on to people on the p
7 phone lines and ask you each to -- if you're on
8 the phone lines, to mute your line, unless you
9 wanted to speak. So please mute your lines and
10 then we'll go ahead and open them up and see if
11 anyone has comments or questions.

12 CHAIRMAN WEISENMILLER: I'm afraid you
13 have to mute your lines, otherwise the chaos is
14 not going to work.

15 MS. RAITT: I'm sorry, we have a lot of
16 people on the phone line. We're having trouble
17 hearing you.

18 COMMISSIONER MCALLISTER: Everyone who
19 is on the phone, if you could mute your phone
20 line and I'm -- we're trying to figure out how
21 they can let us know that they want to speak so
22 we can unmute them appropriately.

23 CHAIRMAN WEISENMILLER: Remind people,
24 when are written comments due?

25 MS. RAITT: September 23rd.

1 CHAIRMAN WEISENMILLER: So submit
2 written comments, then for this docket, the
3 Energy Commission docket, and do we have any
4 chance of sorting out the phone lines, otherwise
5 I think we'll have to move on.

6 MS. RAITT: So if there are folks that
7 wanted to make comments, there's a slide up on
8 the WebEx right now providing the information
9 about how to do it. It's also on the Public
10 Notice that's posted on the website. We do
11 request comments by September 23rd.

12 COMMISSIONER MCALLISTER: I think we
13 need the IEPR staff to let us know if there's a
14 solution here for the phone lines.

15 MS. RAITT: There might be one speaker,
16 if you could just be patient for another moment.
17 Thank you for your patience, I don't think we
18 have anyone who is going to speak from the phone
19 lines.

20 CHAIRMAN WEISENMILLER: Thank you. I
21 wanted to thank everyone for their participation
22 and see if anyone on the dais has closing
23 comments.

24 MS. MARCUS: I just want to thank you
25 for the education and more acronyms than we use

1 in water, but also mention something I forgot
2 this morning, that another part of what we've
3 been doing is a statewide advisory committee on
4 cooling water intake systems, which we do call
5 STACCWES, which could end up in the panoply of
6 ones I've heard today, so I want to encourage
7 people to keep engaging with that. And again,
8 thank you for including us early and often in all
9 these dialogues as we move forward. There are
10 definitely challenges, but there are huge
11 opportunities ahead.

12 CHAIRMAN WEISENMILLER: Yeah. So,
13 Steve, I had asked if anyone on the dais had sort
14 of closing comments.

15 MR. BERBERICH: A couple, thank you,
16 Chairman. I think we all need to make sure we
17 have this plan in proper perspective because,
18 while there are great ideas in this plan, for
19 instance, the auction versus transmission lines,
20 they're all going to have to be vetted in due
21 course, as well as the procurement of renewable
22 resources, energy efficiency, Demand Response,
23 and conventional generation. Those will have to
24 be done in due course, that will take place at
25 the California Public Utilities Commission. I

1 would encourage everybody to be included in that
2 process as we go through this. I can say,
3 though, that we do need to move pretty quickly on
4 this. The risks in Southern California are
5 fairly high. Right now, particularly as you get
6 fires, that area is particularly susceptible to
7 fires, and with much of the load being served
8 with long transmission lines, that becomes a
9 bigger issue. So we'll move quickly, the
10 collaboration that we've had on this committee,
11 for lack of a better term, has been amazing. The
12 groups work together very closely, and we
13 certainly appreciate the disparate groups that
14 have been involved in this. Thank you, Mr.
15 Chairman.

16 MS. NICHOLS: Perhaps I'll just
17 reiterate what Barry said at the outset, which is
18 that there is a commitment on the part of the
19 environmental agencies to work with the energy
20 agencies going forward, to implement these ideas.
21 We take this situation seriously and we think the
22 plan has given us a good basis to move forward
23 and to find ways that we can innovate also.
24 Thank you.

25 MR. PEEVEY: I just want to make clear

1 what I said at the start again. And there's two
2 pieces here. In the first place, this is a staff
3 plan, and so we have been very clear about this,
4 this is not a Commissioner plan, it's -- many
5 aspects may be very attractive to Commissioners,
6 but it's a staff plan. Secondly, one has to
7 distinguish between a staff plan that we've heard
8 articulated here, and a wish list. And the wish
9 list includes an auction, and the wish list
10 includes some of the things that were said
11 regarding transmission. That is the ISO's hope,
12 that is maybe endorsed by all the staff, but it's
13 not quite the same as the more detailed planning
14 that's gone into San Onofre in the short
15 intermediate term. The other is a longer term
16 thing. And the two have been comingled to some
17 extent here today, and for those in the audience
18 and listening in, they may be a little confused
19 about that regard, so I just wanted to clarify
20 that point.

21 MR. WALLERSTEIN: I also just wanted to
22 again thank the Energy agencies for the early
23 inclusion of the South Coast District, and I'd
24 like to say in my personal viewpoint how
25 remarkable it is where we are today when you just

1 started on this kind of crisis of the moment
2 potentially a few months ago, and how very
3 different it is than the last power crisis that
4 we had in Southern California in 2001. And I
5 think it speaks loads about where the energy
6 agencies are today and where the Administration
7 is today, and I think it lays a very solid
8 foundation for California's future.

9 COMMISSIONER FLORIO: I just wanted to
10 note that we will be taking up many of these same
11 issues in Track IV of the Long Term Procurement
12 Plan Proceeding that's already underway at the
13 PUC and I expect to see many of you in that
14 context. So the conversation continues.

15 COMMISSIONER MCALLISTER: I think the
16 80, between here and San Francisco is going to be
17 a lot of traffic on it that we're going to
18 generate here in the next few months. I wanted
19 to just again thank everyone for coming, for
20 Steve for reminding us that we have to actually
21 obey the laws of physics, as well, that's always
22 a nice reminder. And I'm extremely hopeful, I
23 really think there's a lot of interesting things
24 going on in all these different areas, energy
25 efficiency in particular, Demand Response, I

1 really enjoyed the discussion today and it was an
2 outside the box, a little bit, discussion which I
3 think is kind of exactly what we need to do. At
4 the same time, it's really nice to see that all
5 of these disparate constraints are in fact adding
6 up to putting some boundaries around the paths
7 that we need to travel down, so I think we're
8 getting clearer at each step here of what more or
9 less and what general direction the path is
10 taking us as a whole. And I think we have a lot
11 of excellent staff at the various agencies on
12 this, helping us think about this, and as we move
13 through to define the right opportunities and
14 flush them out, and bring them to our respective
15 Commissions and bodies, we're going to be making
16 decisions on the right things. And I think
17 that's really -- just that intentionality, I
18 think, is very good and heartening and very
19 positive to see developing. So I'm happy that we
20 can host this iteration of the discussion. I
21 think this discussion actually is very helpful
22 for the IEPR itself, as well as the various
23 proceedings here with the PUC and our continuing
24 work with the ISO, and the ARB, and the Water
25 Board, and South Coast. So thanks again,

1 everyone, for coming and I'll pass the final word
2 to Chair Weisenmiller.

3 CHAIRMAN WEISENMILLER: Yeah. I again
4 want to thank everyone. I think certainly one of
5 the hallmarks of the Peevey presidency, Nichols'
6 Chair, and my time here as Chair, has been that
7 we have a very collaborative approach to these
8 issues, that having said that, it's a very big
9 challenge we're looking at. I always remember
10 when Steve and I did the legislative briefing and
11 the reserve margin for this summer under worst
12 case conditions was one in 10, which certainly as
13 long as I've been doing this, which is many
14 decades, that is the classic way one does
15 planning in the utility system was under four
16 percent. Now, obviously this is a combination of
17 weather, outages and imports, but there's no time
18 for complacency on this, and certainly the
19 message I've gotten from the Governor is we will
20 not replay the movie of the early 2000's in terms
21 of the energy system. We will -- that's why
22 we're really driving on for reliability here, and
23 again, we're talking -- if you look at this in
24 terms of projects that we need to put in place,
25 Preferred, Conventional, Transmission, we're

1 talking billions of dollars, really, of
2 investments that we need to make. And those
3 investments really transform our grid power
4 system in Southern California in lots of great
5 ways, but we really will continue to need to work
6 together very closely to make sure that those
7 pieces go in place in a timely fashion. But the
8 bottom line, it's no time for complacency,
9 certainly when you look at climate change that
10 we're dealing with, when you look at what's going
11 on to our planet now, in many respects, our
12 weather is on steroids. So I'm not that
13 comfortable that one in 10 in classic mode is the
14 weather patterns we're going to be seeing going
15 forward. So again, the bottom line is that this
16 is a phenomenal opportunity, it's a phenomenal
17 challenge, and you're going to see a lot more of
18 all of us up on the dais working together to just
19 confront the challenge. So again, thanks very
20 much for being here and looking forward to your
21 written comments.

22 COMMISSIONER MCALLISTER: I think we're
23 adjourned. Thanks. [Applause]

24 (Thereupon, the Workshop was adjourned at

25 11:37 a.m.)