

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

Order Instituting Rulemaking to Develop
an Electricity Integrated Resource Planning
Framework and to Coordinate and Refine
Long-Term Procurement Planning
Requirements.

Rulemaking 16-02-007
(Filed February 11, 2016)

**COMMENTS OF CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
ON PROPOSED DECISION REQUIRING ELECTRIC SYSTEM
RELIABILITY PROCUREMENT FOR 2021-2023**

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SUMMARY OF RECOMMENDATIONS

1. The Commission should proceed with a procurement mandate of 2,500 MW pending any further analysis of system requirements to ensure adequate system RA capacity and minimize the need for OTC retirement extensions.
2. The Commission should reject the proposed recommendation to the State Water Resources Control Board (Water Board) to extend the retirement date for two OTC plants: Ormond Beach Generating Station (Ormond Beach) and the Redondo Beach Generating Station (Redondo Beach). These resources are not needed, and extending the retirement dates would harm the disadvantaged communities in which they are located.
3. The Commission should extend the proposed allocation of the procurement mandate to all CAISO Transmission Access Charge (TAC) areas, recognizing that the identified need is for *system*, not *local*, RA resources.

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Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedures, the Clean Power Alliance of Southern California (CPA)¹ submits these opening comments on the proposed *Decision Requiring Electric System Reliability Procurement for 2021-2023* (Proposed Decision or PD).

I. INTRODUCTION AND SUMMARY

The Proposed Decision endeavors to identify and address the growing consensus that the California Independent System Operator (CAISO) control area faces a shortfall of *system* resource adequacy (RA) resources beginning in 2021. CPA agrees that the risk is sufficient to warrant adoption of the PD’s “least regrets” strategy: (i) extending limited once-through-cooling (OTC) retirement dates with constraints discussed, below, and (ii) directing the procurement of incremental resources. These comments thus aim to refine the proposed strategy, offering three recommendations to ensure protection of disadvantaged communities and ensure greater equity among load-serving entities (LSEs) in the California Independent System Operator (CAISO) control area. CPA requests that the Commission modify the PD as follows:

¹ CPA is a community choice aggregator whose member cities and counties include Los Angeles County, Ventura County, Agoura Hills, Alhambra, Arcadia, Beverly Hills, Calabasas, Carson, Camarillo, Claremont, Culver City, Downey, Hawaiian Gardens, Hawthorne, Malibu, Manhattan Beach, Moorpark, Ojai, Oxnard, Paramount, Redondo Beach, Rolling Hills Estates, Santa Monica, Sierra Madre, Simi Valley, South Pasadena, Temple City, Thousand Oaks, Ventura, West Hollywood and Whittier.

1. Proceed with a procurement mandate of 2,500 MW to ensure adequate system RA capacity and minimize the need for OTC retirement extensions.
2. Reject the proposed recommendation to the State Water Resources Control Board (Water Board) to extend the retirement date for two OTC plants: Ormond Beach Generating Station (Ormond Beach) and the Redondo Beach Generating Station (Redondo Beach). These resources are not needed, and are poor candidates for extension; Ormond Beach is located in a disadvantaged and pollution-burdened community, and an extension of Redondo Beach sets bad precedent for potential buyers, delays efficient retirement and repurposing of land for the community benefit, and can undo years of work and taxpayer money.
3. Extend the proposed allocation of the procurement mandate to all CAISO Transmission Access Charge (TAC) areas, recognizing that the identified need is for *system*, not *local*, RA resources.

CPA presents proposed Findings of Fact, Conclusions of Law and Ordering Paragraphs in Appendix A.

II. PROCEED WITH A PROCUREMENT MANDATE OF 2,500 MW TO ENSURE ADEQUATE SYSTEM RA CAPACITY AND MINIMIZE THE NEED FOR OTC RETIREMENT EXTENSIONS

CPA supports adoption of the Proposed Decision's incremental procurement mandate of 2,500 MW by August 1, 2023. The PD concludes the need to maintain sufficient OTC capacity to bridge the gap until the full 2,500 MW of incremental capacity is online. The PD could result in excess procurement, however, at a cost to disadvantaged communities if unneeded gas-fired OTC is recontracted. Thus, while CPA supports the PD's 2,500 MW mandate, it requests that the Commission implement the mandate in a manner that minimizes reliance on OTC generation.

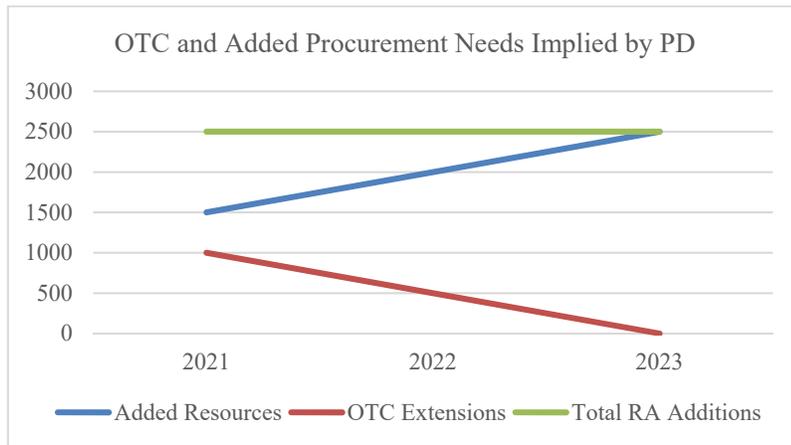
The PD's articulation of its MW target for 2021-2023 lacks crisp clarity, but sufficiently reveals its general intent. In the clearest statement, the PD concludes:

[T]he original June 20, 2019 Ruling suggestion of 2,500 MW of system resource adequacy capacity is still appropriate based on the identified need and to balance against both the potential for some OTC retirement date extensions not to be granted by the Water Board and also against the potential for the tightening of the import market for California.²

² Proposed Decision at 30.

This language contemplates the possibility that the Water Board does not grant the extensions, and thus strongly suggests that part of the OTC extension request is really a hedge. In other words, there is not an absolute need for both the 2,500 MW of incremental resources *and* the 3,750 MW³ of targeted OTC generation. This interpretation is supported by the PD’s finding that the OTC retirement extensions will be available “in order to serve as a bridge to allow new clean resources to come online.”⁴ In other words, by 2023, the need for incremental capacity will be a total of 2,500 MW.

Assuming an actual need of 2,500 MW of OTC and incremental procurement, as the PD concludes, and adopting the PD’s proposed phase in of the incremental procurement, it appears than only 1,000 MW of OTC generation is needed by 2021. If the target is 2,500 MW in 2021, and the incremental procurement target is 1,500 (60 percent), then only 1,000 MW of OTC capacity is needed to fill the gap, as depicted below.



³ *Id.* at 16. The Alamitos Generating Station (Alamitos) Units 3-5 represents approximately 1,200 MW, and the Huntington Beach Generation Station Unit 2 represents approximately 200 MW, or collectively 1,400 MW of system RA capacity. Redondo Beach Units 3, 6, and 8 total 850 MW, while Ormond Beach totals, 1500 MW.

⁴ *Id.*, Finding of Fact 10, at 48.

This analysis supports the conclusion that all four OTC plants -- Alamitos, Huntington Beach, Ormond Beach and Redondo Beach – are *not* needed to meet the identified requirements. In light of these conditions, the Commission should reevaluate the PD’s proposed request to extend all four OTC plants.

III. REJECT THE PD’S PROPOSED RECOMMENDATION TO THE WATER BOARD TO EXTEND THE RETIREMENT DATES FOR ORMOND BEACH AND REDONDO BEACH OTC PLANTS

Ordering Paragraph 1 of the Proposed Decision recommends that the Water Board “extend the once-thru-cooling compliance deadlines for up to three years of at least 2,500 megawatts (MW) and up to 3,750 MW of capacity, of units with current compliance deadlines of December 31, 2020....”⁵ This reflects the capacity of all four identified OTC generation plants. Again, the PD articulates this recommendation as a stopgap “in order to allow time for new clean electricity capacity to come online.”⁶ As discussed in Section II, only 1000 MW is needed if the Commission applies its proposed percentages of mandated incremental procurement for 2021-2023. CPA thus recommends that the Commission reduce its request to the Water Board for OTC extensions to remove unneeded capacity, including Ormond Beach and Redondo Beach.

The goal of 1,000 MW of retained OTC generation can be met by deferring retirement of the Alamitos plant alone, with its 1,200 MW capacity. Alamitos is the most important of these plants. The CAISO, in its *2021 Limited Local Capacity Technical Study*, submitted to the Water Board on July 11, 2019, that it “considers it prudent to commence activities seeking an extension of the OTC compliance date for Alamitos at this time.”⁷ With the support from the CAISO and the Commission, Alamitos is the best candidate for extension. If the Commission finds a need

⁵ Proposed Decision, Ordering Paragraph 1, at 55.

⁶ *Id.*

⁷ *2021 Limited Local Capacity Technical Study Report*, July 11, 2019, at 1.

<http://www.caiso.com/Documents/2021LimitedLocalCapacityTechnicalStudyReport.pdf>

for a “buffer,” it could also request extension of the retirement date for Huntington Beach, adding another 200 MW.

In these circumstances, it is unnecessary to seek an extension of Ormond Beach or Redondo Beach retirement dates. More importantly, extending the retirement of these two, highly emitting OTC plants would adversely affect the disadvantaged local populations or delay plans for repurposing the land for greater public benefits. Ormond Beach is located in a disadvantaged community that is in the 98th percentile of pollution burden according to the CalEnviroScreen, with an 80-85% overall local ranking.⁸ Indeed, the California Environmental Justice Alliance, Sierra Club and the Natural Resources Defense Council all oppose the extension of the Ormond Beach OTC compliance deadline for these very reasons.⁹

In addition, the PD itself recognizes that extension of the Redondo Beach retirement date is infeasible for other reasons. It observes:

The CAISO also suggests in its comments that the owner of Redondo Beach is in the process of selling the property in anticipation of the OTC compliance deadline, and therefore this plant may not be a candidate for an OTC compliance deadline extension.¹⁰

In addition to not being a good candidate for extension,¹¹ this uncertainty would also set a dangerous precedent to future buyers wary of purchasing OTC plants as they retire throughout the state. Instead of incentivizing efficient retirement and repurposing of these plants, this approach can stall effective community-based land uses for retired OTC plants.¹² The potential

⁸ Available at: <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30>.

⁹ See Proposed Decision at 18.

¹⁰ *Id.*

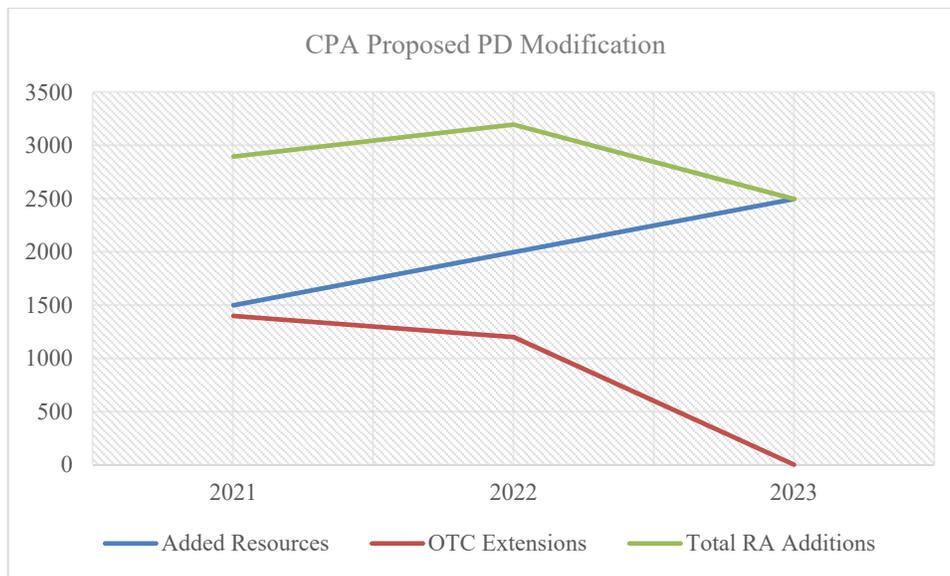
¹¹ See also, Redondo Beach Ordinance No. 3134-15 prohibits the construction of all new Electricity Generating Facilities of 50 MW or more; prohibits any modification that results in a 50 MW or more increase in the electric generating capacity of an existing Electricity Generating Facility; and prohibits the issuance of any permit, license, or entitlement for use of this prohibited activity.

¹² See Redondo Beach Ordinance No. 3134-15 at Recitals E & F.

harm has a multiplier effect not only in the extension of the plant but to the delayed benefit to the community.

If there is a risk that “OTC retirement date extensions not to be granted by the Water Board,” the risk lies with Ormond Beach and Redondo Beach.

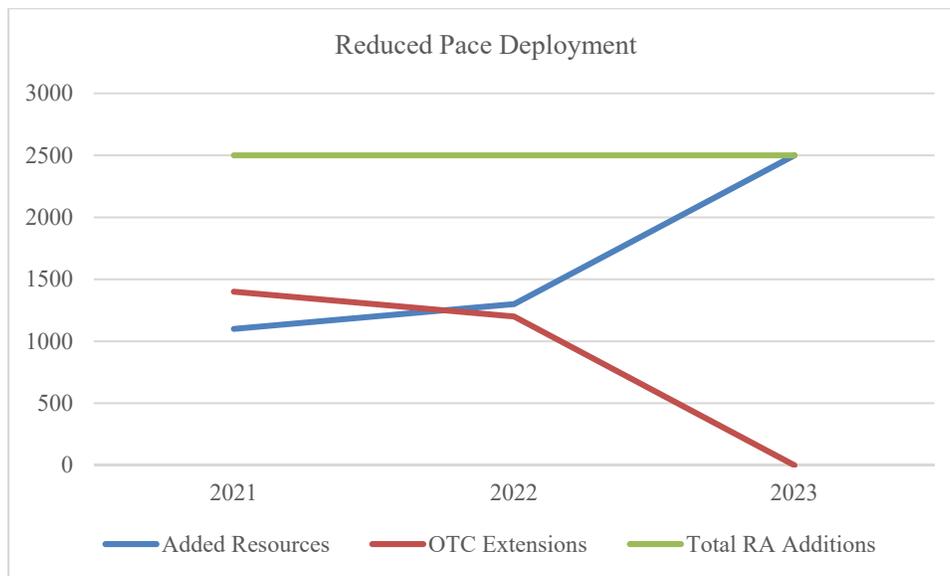
For all of these reasons, CPA requests that the Commission modify the PD’s proposal to seek OTC retirement extensions, focusing any such efforts solely on Alamitos and Huntington Beach. Extensions for these two plants best ensure that the overall goal of an additional 2,500 MW of system RA capacity is met. Taking this approach, the Commission will meet its goal of 2,500 MW of clean resources to replace the extended OTC plant capacity, while minimizing the harm to the impacted communities, as shown in the graph below:



This approach, in fact, results in excess RA supply in 2022, assuming no partial retirement of Alamitos. The added system RA would total 2,900 MW in 2021, 3,200 MW in 2022 (with the retirement of Huntington Beach) and 2,500 MW in 2023.

Retaining both Alamitos and Huntington Beach could alternatively ensure sufficient system capacity as LSEs procure incremental low and zero carbon system resources. As shown below, the 2,500 MW need could be met and sustained, assuming the availability of both

Alamitos and Huntington Beach, requiring incremental resource deployment at the rate of roughly 45 percent in 2021, 52 percent in 2022 and 100 percent in 2023.



Allowing a slower pace of deployment could reduce the overall costs of the Commission’s procurement mandate to LSEs and their customers given that the short procurement timeline between now and 2021 is likely to result in high prices for new capacity.

With all of these thoughts in mind, CPA requests that the Commission modify the Proposed Decision to remove Ormond Beach and Redondo Beach from its request to the Water Board for OTC retirement extensions.

IV. EXTEND THE ALLOCATION OF THE PROCUREMENT MANDATE TO ALL LSES IN THE THREE CAISO TAC AREAS IN PROPORTION TO THEIR LOAD SHARES

CPA appreciates the PD’s efforts to ensure that non-IOU LSEs maintain the procurement autonomy mandated by the Legislature for RA resources¹³ and renewable integration resources. While the PD moves strongly in the right direction, it falters in proposing to allocate the 2,500 MW procurement mandate solely to LSEs in the SCE TAC area.¹⁴ The PD’s approach lacks a

¹³ CAL. PUB. UTIL. CODE §380(a)(5), (h)(5).

¹⁴ Proposed Decision at 34.

reasonable justification and results in an inequitable allocation of obligations. CPA proposes that the Commission modify the PD to allocate the procurement mandate to LSEs in all TAC areas in proportion to their forecasted load shares.

The PD's basis for allocating the mandate to the SCE TAC erroneously ignores the fact that the mandate is seeking *system* RA resources. The PD notes "that all of the OTC unit capacity that is set to retire is located in Southern California, specifically within the TAC area of SCE."¹⁵ There is no logical connection between the location of the OTC plants and the need for system RA resources. The PD's directive would only make sense if the Commission intended to require incremental *local* RA resources— an intent it has not voiced. Absent a specific need for local RA in the SCE TAC area, the justification fails.

The PD's approach also may be based partly on its inclination toward PG&E's argument that "it makes less sense to require LSEs who are already long on system capacity to procure more...."¹⁶ While allocating the mandate system wide without accounting for portfolio positions complicates RA for all LSEs, the PD does not apply its allocation based solely on existing LSE positions. It makes no effort to assess the positions of the LSEs in the SCE TAC area; it simply leaves PG&E and its entire TAC area out of the equation to address the issue. SDG&E's TAC area is also excluded without justification. The PD offers no clear case why it is reasonable to allocate new *system* capacity requirements based on the RA positions of individual LSEs.

There are additional reasons to have all LSEs address the system reliability concern. The Commission observed that market conditions would tighten for all LSEs, not just those in the SCE TAC area, to meet system capacity needs. Further, as delivery of renewable energy into

¹⁵ Proposed Decision at 33.

¹⁶ *Id.*

the grid increase, all LSEs will need to consider renewable integration to ensure state-wide system reliability.

The Commission should reject the PD's narrowly focused allocation methodology. Instead, CPA recommends allocating the mandate to LSEs in all TAC areas based on their load shares. The responsibility of maintaining system reliability should not be solely borne by SCE TAC area LSEs.

V. CONCLUSION

For all of the foregoing reasons, CPA requests that the Commission adopt the recommendations set forth in these comments and the changes specified in Appendix A.

Respectfully submitted,

/s/ Nancy S. Whang

Nancy S. Whang, Esq.

October 2, 2019

General Counsel
Clean Power Alliance of Southern California

APPENDIX A

Proposed Findings of Fact, Conclusions of Law and Ordering Paragraphs

Findings of Fact:

16. The capacity of OTC plants subject to retirement by the end of 2020 is needed to maintain system reliability beginning in 2021 until ~~In addition to extension of 2,500 to 3,750 MW of OTC capacity, another 2,500 MW of incremental system resource adequacy and renewable integration resources have been procured by Summer 2021,~~ as a “least regrets” amount necessary to ensure system reliability.

Conclusions of Law:

~~8. Because the OTC units currently set to retire by December 31, 2020 are all within the SCE TAC area, it is reasonable for the Commission to require that all incremental procurement be conducted by LSEs serving load in that same geographic area.~~

8. Because incremental RA capacity is needed to meet system needs, it is reasonable for the Commission to allocate responsibility for this procurement to LSEs, solely on behalf of the customers they serve, in all IOU TAC area.

~~9. The Commission should require all LSEs serving load within the SCE TAC area to procure system resource adequacy and renewable integration capacity on behalf of the customers they serve, consistent with Section 454.51(d), instead of asking SCE to handle the entirety of the procurement and allocating costs to all benefiting customers.~~

12. The Commission should base the allocation of procurement responsibility for system resource adequacy and renewable integration capacity to LSEs ~~within the SCE TAC area~~ based on the 2018 IEPR load forecast, adopted by the CEC in February 2019, with the 2021 projected load shares identified in Form 1.1c, “California Energy Demand Update Forecast 2018-2030, Mid Demand Baseline Case, Mid Additional Achievable Energy Efficiency and Additional Achievable Photovoltaics.”

13. As required by § 454.51(c), the costs of an IOU’s SCE’s procurement required by this decision should be allocated on a non-bypassable basis to all of the IOU’s SCE customers as of the effective date of this decision and recovered through the Power Charge Indifference Adjustment on a vintaged basis.

23. IOUsSCE should be authorized to consider third-party ownership and utility ownership of resources to be procured to satisfy the requirements of this order, but should be required to show that any utility-owned resources represent least cost to ratepayers, utilizing Appendix A, Section 2c, of D.19-06-032 as a starting point.

24. IOUsSCE should be required to include its bid evaluation metrics and comparison metrics between third-party and utility-owned resources, in its advice letter(s) submitted for approval of the resources procured in response to this decision.

Ordering Paragraphs:

1. The Commission recommends that the State Water Resources Control Board extend the once-through-cooling compliance deadlines the Alamitos and Huntington Beach plants for up to three years of at least 1,400 2,500 megawatts (MW) and up to 3,750 MW of capacity, of units with current compliance deadlines of December 31, 2020, in order to allow time for new clean electricity capacity to come online.

2. All The following load-serving entities shall procure at least the amount of capacity in megawatts (MW) of qualifying as system resource adequacy equal to their load share of 2,500 MW and for purposes of renewable integration as defined in Public Utilities Code Section 454.51, with at least 60 percent delivered by August 1, 2021, 80 percent by August 1, 2022, and 100 percent by August 1, 2023:

- a. Southern California Edison Company, 1,745 MW;
- b. Southern California Edison Direct Access (aggregated), 355 MW;
- e. Apple Valley Choice Energy, 7 MW;
- d. Clean Power Alliance of Southern California, 357 MW;
- e. Lancaster Clean Energy, 17 MW;
- f. Pico Rivera Innovative Municipal Energy, 5 MW;
- g. Rancho Mirage Energy Authority, 9 MW; and
- h. San Jacinto Power, 5 MW.

6. Southern California Edison Company (SCE) The IOUs shall conduct an all-source solicitation to procure its obligation given in Ordering Paragraph 2a above and shall consider existing as well as new resources, demand-side resources, combined heat and power, and storage, as long as all resources are shown to be incremental to the baseline identified in Ordering Paragraph 5 above. SCEThe IOUs shall utilize the Demand Response Auction Mechanism contract as a starting point for negotiations with any demand response resources that bid into its solicitation.

7. Southern California Edison Company (SCE) The IOUs shall be authorized to propose utility ownership of a portion of the resources it is they are required by Ordering Paragraph 2a of this decision to procure, and for that portion, shall abide by any existing procurement rules governing utility-owned resource participation in solicitations.

8. Southern California Edison Company (SCE) The IOUs shall present the results of its-their solicitation required in Ordering Paragraph 6 above in one or more Tier 3 advice letters filed no later than January 1, 2021 and shall include the following information in its-their advice letters:

9. For any procurement of resources that are new after the date of this decision, community choice aggregators with procurement obligations under Ordering Paragraph 2 of this decision

and ~~Southern California Edison Company (SCE)~~ the IOUs shall enter contracts of at least ten years in length.