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Exhibit 4006

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

ADMINISTRATIVE LAW JUDGE REGINA DEANGELIS, presiding

) EVIDENTIARY
) HEARING
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)
Application of Southern California Edison Company (U338E) for Approval of the Results of Its 2013 Local Capacity Requirements Request for Offers for the Moorpark Sub-Area.) Application
) 14-11-016
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CONFIDENTIAL

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Reported by: Thomas C. Brenneman, CSR No. 9554
Doris Huaman, CSR No. 10538
Carol A. Mendez, CSR No. 4330

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1 and therefore, they didn't respond to it?

2 A There was a tremendous amount of
3 outreach done for that PRP. It was very
4 heavily marketed on websites, on trade
5 publications, on distribution lists from the
6 Commission. So I don't believe that was the
7 case.

8 Q Now, did Edison itself go out and
9 inspect these 150 megawatts of rooftop and
10 car parks?

11 A We engaged Clean Coalition and the
12 consulting assignment to go and do that on
13 our behalf.

14 Q But you say they identified
15 feasibly 150 megawatts?

16 A They identified technical
17 potential, which is very similar to what
18 Robert Perry was talking about. Technical
19 potential does exist, but how much of that
20 technical potential is actually feasible is a
21 very different number. And often through
22 demonstrated procurement it's many, many
23 multiples less.]

24 Q Well, the fact is that technical
25 potential and responses to an RFP don't
26 necessarily relate to each other. They're a
27 certain apples and oranges comparison there.
28 If Edison went out and actively pursued folks

1 to bid in or to have their project, potential
2 projects inspected and facilitated their
3 efforts, you would have gotten more bids,
4 wouldn't you?

5 A Again, I believe that we did that
6 through the PRP RFO. We did a tremendous
7 amount of outreach through that RFO reaching
8 out to property owners, developers, and
9 facilitating them to go out and visit these
10 sites. You know, we shared that report
11 publicly on our web site letting people know,
12 here is what we have identified, here are the
13 areas that we've identified it in so that
14 developers have that information available to
15 them to go and then market and try and get
16 those, secure those rights. So I believe we
17 did a tremendous amount of outreach.

18 Q All right. On pages 15 --
19 actually, let me just say, you're talking
20 about net present value calculations, and I
21 don't want to talk about any of the dollar
22 numbers that are confidential.

23 ALJ DeANGELIS: To clarify, page 15,
24 line 13?

25 MR. CHASET: Yeah, page 15. Well,
26 actually, a lot of the -- there's a lot of
27 scratched out text on this page. I'm trying
28 to limit myself to larger -- larger question

1 that doesn't get into any of the numbers that
2 are confidential.

3 Q Generally speaking, in comparison
4 against gas-fired resources has Edison
5 calculated the net present value of
6 distributed energy resource projects which
7 include both cost and revenue elements to the
8 local community?

9 A The NPV analysis assesses the costs
10 of the products that are submitted, and it
11 also assesses the value. The value that is
12 assessed is based on monetizable market
13 revenue, so what can be attained from bidding
14 the energy from the DER into CAISO markets,
15 what can be attained from the capacity of the
16 DER energy RA compliance requirements, if
17 their resource can participate in ancillary
18 service markets, what revenue can be obtained
19 from that.

20 Those are the quantifiable metrics
21 calculated into the NPV analysis. It's
22 pretty standard across all the procurement
23 activities that we do. It's outlined in
24 great detail in our procurement plan that was
25 formed as part of the LCR. It's also
26 outlined in some great detail in the RPS
27 proceeding in the LCDF part of that RPS
28 proceeding. So we follow very consistent NPV

1 analysis approach to all of our procurement
2 activities.

3 Q That would include DER projects?

4 A That would include DER projects.

5 Q Now, with respect to gas-fired
6 generation projects, in doing those
7 calculations, do you assign a price to CO2
8 emissions?

9 A GHG is a cost that's accounted for
10 in the valuation, yes.

11 Q All right. What's the dollar
12 value, \$12 a ton these days?

13 A It's the market value. It's about
14 12.71, 12.72, yeah.

15 Q It's in the \$12 range?

16 A I escalate. So that's a starting
17 price right now. Our price forecast when
18 we're doing long-term analysis as we would be
19 doing here would be going out 10, 20 years,
20 there would be an escalation in that.

21 Q And what's the escalator?

22 A It's based on brokers forecasting,
23 consultants, brokers, market brokers and
24 consultants.

25 Q Can you tell me -- go ahead.

26 A I think the price for -- I can't
27 talk about the specifics of where the price
28 forecast goes, but it does escalate. As the

1 amount of allowances starts getting reduced
2 by carb in the market, the cost of emissions
3 does increase the further out you go, a
4 relatively steep increase.

5 Q Like 10 years, in 10 years out do
6 you have any ballpark estimate of what that
7 cost is going to be?

8 A I can't give you specifics on
9 numbers, but it is escalated.

10 Q It's escalated. Would it be in the
11 20 to \$30 range?

12 A That's reasonable.

13 Q Let's say as a matter of policy the
14 state kicked that up to 60, \$70 a ton. That
15 would make the net present value of
16 distributed resources that are renewable, not
17 GHG emitting, a lot more favorable than those
18 gas resources based on the current evaluation
19 that you're doing; isn't that so?

20 A It will adjust the metrics of the
21 gas-fired resources to be more expensive and
22 in turn should lead to higher power prices
23 because the CO2 emissions should be embedded
24 in the power prices.

25 Q Whereas, the DER resources, the
26 DERs would stay the same?

27 A They would not have a compliance
28 cost for CO2, yes.

1 Q That's fine. Thank you.

2 ALJ DeANGELIS: Mr. Chaset, I think
3 you're reaching your time estimated.

4 MR. CHASET: I only have a few more.
5 Thank you.

6 Q Now, at pages 15 to 16 you're
7 talking about limited expected operation
8 available. Does the limited expected
9 operation of Ellwood include any likelihood
10 of disruption to the transmission system, the
11 transmission and subtransmission lines coming
12 in?

13 A It does not.

14 Q All right. And you've also stated
15 that Ellwood might be dispatched at times of
16 very high prices. You recall that?

17 A Yeah. It may be dispatched at
18 times of very high prices.

19 Q On the CAISO market?

20 A In the CAISO markets.

21 Q All right. As a resource that
22 would be placed in service due largely to
23 inadequate supply from outside generation in
24 to Santa Barbara, would the very high prices
25 for energy generated by Ellwood be spread
26 among all its ratepayers or just those in the
27 Santa Barbara-Goleta area?

28 A So recognize that the contract that

1 we had with Ellwood is a tolling contract.
2 So we are paying a fixed capacity payment to
3 have that resource under contract. And SCE
4 owns the dispatch rights. Those dispatch
5 rights are owned on behalf of all customers.
6 So when the resource is dispatched into the
7 market because the CAISO has a price spike,
8 the only reason that Ellwood would be
9 dispatched would be that it's recovering its
10 fuel costs, its variable O&M costs from the
11 market and make it a proper -- it's an
12 economic dispatch.

13 And so there wouldn't be
14 necessarily a cost that would be shared with
15 all the customers. It would probably be a
16 revenue stream because the only reason that
17 asset would get turned on and dispatched in
18 the CAISO market is if it was making money.

19 Q So NRG would collect the dollars
20 for the high prices?

21 A No.

22 Q Rather than --

23 A SCE holds the tolling rights to the
24 contract. Those dollars would come back to
25 SCE, and those dollars would flow back to
26 customers.

27 Q Thank you. That's actually
28 helpful.

1 as specific as possible.

2 MR. VESPA: Q It's really not too in
3 depth. It's really just in the introductory
4 paragraph of this document, which is page 1.

5 So, it starts off with the electric
6 power industry is fundamentally transforming.
7 And then further down of that same paragraph
8 it states technology is like rooftop solar.
9 Battery storage and inverters continue to
10 become more efficient and affordable. And
11 then it says, enabling another fundamental
12 shift from centralized generation to
13 distributed generation.

14 So is it possible that with this
15 over-doubling of DERs, which you -- SCE
16 itself forecasts in its white paper and which
17 you're now requesting significant rate-based
18 investment to help realize Ellwood would soon
19 no longer be needed to meet local reliability
20 needs?

21 A I didn't work on this analysis.
22 It's already been discussed, but from my
23 perspective, the white paper is talking about
24 the SCE system in whole, as a whole. What we
25 are talking about today is the Goleta sub
26 area. And I'm not sure that the growth of
27 DERs in that sub area is as significant as
28 the rest of the system, first of all. And I

1 think that our proposal here today that we
2 talked about, where Ellwood, as witness
3 Chinn's testimony states, is a cornerstone of
4 our proposal, is in alignment with what we
5 have outlined in the white paper and
6 discussed here in the first paragraph, in
7 terms of we are moving towards this DER
8 future, but there are still limitations in
9 what DERs can do.

10 We have identified a need that we
11 have that is imminent right now in the Goleta
12 area and to meet that imminent need, Ellwood
13 is the right resource for investment
14 perspective. It's the right resource from an
15 economic perspective to put us on a path
16 towards the longer term objectives of the DER
17 solution. So I think it is aligned.

18 Q Okay. But you can under your
19 bundled procurement plan authority contract
20 for less than five years.

21 A Under the bundled procurement plan
22 authority, we can do up to 59-month
23 contracts.

24 Q Okay. So you could conceivably do
25 shorter-term contracts with Ellwood to assure
26 there is capacity while the DERs are procured
27 in this -- in this area?

28 A The possibility exists. The

1 refurbishment costs, again, we didn't verify
2 what these refurbishment costs will be. But
3 assuming that the costs that were portrayed
4 to us in the contract reflect the actual
5 costs of doing the refurbishing NRG would be
6 subject to, if we did the shorter-term
7 contract, those same costs would have to be
8 recovered for that refurbishment. And now
9 you're recovering those costs over a shorter
10 duration of a smaller kilowatt month, so the
11 price by kilowatt month would be higher and
12 the value that ratepayers or customers would
13 get would be significantly lower. Because
14 now you're only getting five years' worth of
15 value from the asset you have invested in or
16 10 years' worth of value from a planning
17 perspective, as witness Chinn has already
18 discussed, a planning horizon, a 10-year
19 planning horizon. And based on our knowledge
20 of the development of DERs to meet the needs,
21 it would make sense to have a 10-year
22 contract, amortize those costs over that
23 10-year period, make sure the customers were
24 getting a significant portion of the value of
25 that contract while we developed a strategy
26 to implement DERs.

27 So this is a package solution. And
28 I think it's completely in line with what

1 we've outlined here in this white paper.

2 Q Okay. Well, your comments are
3 assuming refurbishment would occur for a
4 short-term contract. You could continue
5 along with what you're doing now with Ellwood
6 for a shorter duration of contracts without a
7 refurbishment. And certainly you have other
8 resources well over four years that you
9 contract with RA now, correct?

10 A So from an RA compliance
11 perspective, I would agree. If we were only
12 looking at RA compliance, we could continue
13 doing the shorter-term contracts and the
14 reliability of the asset wouldn't be as big a
15 concern, but what we're talking about here is
16 a different -- different type of situation in
17 the Goleta area. It's more of -- as witness
18 Chinn has stated, it's a safety issue
19 regarding short circuit duty if those two
20 towers were to go down. In that instance,
21 you want an asset that's reliable, that's
22 going to turn on, that's not going to be on a
23 forced outage, so that you don't have a risk
24 to the public and to SCE's employees who are
25 working on this transmission line. So it's a
26 very different situation in RA compliance
27 from my perspective.

28 Q All right. Let's move on to the

1 RFO, the new RFO you're contemplating. This
2 you discussed on page 14 of your opening
3 testimony.

4 Would resources procured under this
5 solicitation be required to meet local
6 capacity reliability requirements like the
7 preferred resources you procured in the
8 Preferred Resources Pilot and the LA Basin
9 and the original Moorpark RFO?

10 A I think we are still in the
11 planning stages of the requirements that we
12 would set out for this DER. I would imagine
13 that we would want to have those requirements
14 so that we could make sure that we are
15 getting the most value out of those assets.
16 If you don't have those requirements and you
17 can't check into the RA value and so the DERs
18 will look more expensive.

19 So in order to minimize costs and
20 maximize value for customers, I would expect
21 that we would want those requirements.

22 Q And I think there was reference in
23 the data request about also using your 2016
24 energy storage RFO to express a preference
25 for storage in the Goleta area. Would that
26 same storage procurement hold the same
27 characteristics for qualified --

28 (Interruption by court reporter.)

1 MR. VESPA: Okay. Sure. I'll start
2 from scratch. I'll start from the beginning.

3 I believe in a data request response
4 you also indicated you would target the
5 Goleta area in an upcoming energy storage
6 specific RFO. Would that storage procurement
7 also be required to meet local capacity
8 requirements?

9 A Yes. The energy storage RFO that
10 we outlined for 2016 in our storage
11 procurement plan that was filed with the
12 Commission outlined that we would be seeking
13 resource adequacy products up to 20
14 megawatts. So those are the megawatts that
15 we are talking about taking a portion of that
16 and targeting it towards the Goleta area to
17 see what kinds of bids we could get.

18 There is another component of our
19 energy storage RFO that we will be launching
20 later this year, which is a distribution
21 deferral component. And that is targeted at
22 four particular circuits. Those circuits I
23 don't believe are in the Goleta area. The
24 characteristics there may be slightly
25 different. But, again, from a customer-value
26 proposition perspective, I would say that we
27 were probably trying to seek those RA or LCR
28 characteristics to make sure that we're

1 maximizing customer value.

2 Q Okay. So the storage you're
3 targeting for Goleta and the storage RFO and
4 very likely the resources you would procure
5 under this new solicitation you're
6 contemplating would count toward meeting the
7 Moorpark area need identified by CAISO,
8 correct?

9 A Yes. Should count towards that
10 Moorpark need that's identified and any
11 future needs that may come up.

12 Q Okay. And I believe you stated in
13 the data request response you had tentative
14 plans to launch the RFO in the first quarter
15 of 2017. I know the PRP to RFO was maybe a
16 year-ish from launch to application. Is that
17 the similar timeline or maybe slightly less
18 given it's a smaller area? What are you
19 thinking?

20 A I haven't had enough discussions
21 with the procurement team to make a
22 statement. I would imagine it would be
23 similar, personally, just because of the
24 complexity of the nature of the products that
25 we're trying to solicit, that we might have
26 to do some changes to our performance and so
27 forth. So I would say that's a good estimate
28 is to use what we did for PRP.

1 Q Okay. And I have one last set of
2 questions on this solicitation. This is our
3 -- this is actually our own data request
4 that's already in the record. So I don't
5 need to put that in.

6 But I'm showing you a copy of
7 Sierra Club SCE Data Request 4, question 3.
8 And this is a -- this just goes into your
9 historic peak load for Goleta. And so if you
10 -- right now you're assuming a 285 megawatt
11 peak for 2018. And so you take out the 180
12 for the transmission. You take out Ellwood,
13 assuming it's approved. You're around 50
14 megawatts?

15 A 55, yeah.

16 Q Yeah, 55. And I believe in your
17 testimony you were going to do solicitation
18 and revisit the peak demand to sort of see
19 how much you were actually going to procure.

20 A Correct.

21 Q So my question here is if you look
22 at the 2016 peak, you actually reported a 247
23 megawatts. And your -- if you go further to
24 --

25 A Well, there is an asterisk on that,
26 so that's the peak through October 13th.

27 Q Okay. But now it's been raining
28 and cold. So, I mean --

1 A I'm not familiar enough with the
2 circuit to know if it's a summer peaking or a
3 winter peaking circuit. It may be a winter
4 peaking circuit which would mean that the
5 peak hasn't happened yet. It could happen in
6 December or November.

7 Q Okay. So you have no idea if this
8 is actually going to be your peak?

9 A I don't know if that 247 is the
10 peak, correct. I think that would be a
11 better question for witness Chinn.

12 MS. REYES CLOSE: Yeah, I think that
13 says --

14 (CROSSTALK.)

15 MR. VESPA: Well it had a -- there was
16 a connection to the solicitation itself,
17 which is why --

18 MS. REYES CLOSE: Oh. Okay.

19 MR. VESPA: Q Well, let's just assume
20 this is your peak. And the reason why I'm
21 asking this is your forecast was 273 for that
22 year. So you're, you know, 25 megawatts
23 short or overestimated it by 25 megawatts.
24 If this was to carry forward, you know, you
25 would now be procuring instead of 50, 55,
26 you're down to 20 or 25 megawatts of
27 preferred resources, correct?

28 A Well, we would assess that at the

1 time. So I wouldn't say that we -- we adjust
2 our forecasts all the time. So they can go
3 up. They can go down. And then I would --
4 what we've done in typical solicitations is
5 that we do have -- I'm going to call it sort
6 of a margin of procurement because there are
7 understandably risks that developers may not
8 complete their projects, things might fall
9 out, things may not get built. And then
10 there is uncertainty in your forecast. So I
11 think, you know, you'd look at a couple of
12 scenarios of your forecast, and you'd make an
13 informed decision at the time you were making
14 your performance selection.

15 Q Okay. The last question I had was
16 I saw in I guess the air permit application
17 that NRG had submitted, there's actually two
18 27 megawatt engines that have their 400 hours
19 each. Could you procure a 27 megawatt RA
20 contract from Ellwood?

21 A I don't believe you can operate
22 Ellwood in that way. That would be a better
23 question for data request for NRG. I don't
24 believe you can operate it that way. It has
25 to be --

26 Q All of it.

27 A All of it. 54 fast tracking CT.

28 Q Those are all my questions.

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CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, Thomas C. Brenneman, Certified Shorthand Reporter No. 9554, in and for the State of California do hereby certify that the pages of this transcript prepared by me comprise a full, true and correct transcript of the testimony and proceedings held in the above-captioned matter on November 1, 2016.

I further certify that I have no interest in the events of the matter or the outcome of the proceeding.

EXECUTED this 1st day of November, 2016.

Thomas C. Brenneman
CSR No. 9554

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CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, Doris Huaman, Certified Shorthand Reporter No. 10538, in and for the State of California do hereby certify that the pages of this transcript prepared by me comprise a full, true and correct transcript of the testimony and proceedings held in the above-captioned matter on November 1, 2016.

I further certify that I have no interest in the events of the matter or the outcome of the proceeding.

EXECUTED this 1st day of November, 2016.

Doris Huaman
CSR No. 10538

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CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, Carol A. Mendez, Certified Shorthand Reporter No. 4330, in and for the State of California do hereby certify that the pages of this transcript prepared by me comprise a full, true and correct transcript of the testimony and proceedings held in the above-captioned matter on November 1, 2016.

I further certify that I have no interest in the events of the matter or the outcome of the proceeding.

EXECUTED this 1st day of November, 2016.

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