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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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SAN FRANCISCO, CALIFORNIA
NOVEMBER 1, 2016 - 9:55 A.M.

* * * * *

ADMINISTRATIVE LAW JUDGE DeANGELIS:

Let's be on the record. Good morning everyone. I wanted to start this morning by thanking all of you for your participation in the first phase of the proceeding. I appreciated everybody's professionalism and advocacy for their position, and you've all been a pleasure to work with. So it's nice to see everyone again.

And now I'd just like to move on to two issues that I see as unresolved in the first phase decision that would be helpful to talk about before we move forward with the hearing. The first issue that I'd like to bring up is the record of Phase 1 and how it plays into Phase 2. My read of the Commission decision is that that issue is a bit unclear, and I just want to make sure that we're all on the same page moving forward on that important issue.

So in my perspective, this is all one record in this proceeding. I definitely can understand why some might be confused on that issue. So I wanted to address any questions that anybody had or any other

1 want to reserve the right to do it in the
2 morning, if he's still available.

3 ALJ DeANGELIS: If he's still
4 available, that's perfectly fine.

5 MR. CHASET: All right. Let me go
6 first.

7 MR. VESPA: Do you want to -- I'll be
8 here tomorrow. If you want to go first --

9 ALJ DeANGELIS: May I swear you in?

10 RANBIR SEKHON, called as a witness
11 by SOUTHERN CALIFORNIA EDISON, having
12 been sworn, testified as follows:

13 THE WITNESS: I do.

14 ALJ DeANGELIS: Thank you. Okay. So
15 we will just rearrange the order of parties
16 asking questions.

17 MR. CHASET: Thank you.

18 ALJ DeANGELIS: That seems like a
19 reasonable --

20 DIRECT EXAMINATION

21 BY MS. REYES CLOSE:

22 Q Mr. Sekhon, please state your
23 current position with SCE for the record.

24 A I'm the director of portfolio
25 planning and analysis in the energy
26 procurement organization of Southern
27 California Edison.

28 Q Are you sponsoring Chapters 2, 5, 6
and Appendix A, as identified in the table of

1 contents of Exhibits SC-11 and 11-C titled
2 Phase 2 Testimony of SC on the Results of its
3 2013 LCR RFO for the Moorpark Sub-Area and
4 Chapter 1, Section A1A, Chapter 3 and your
5 confidentiality declaration in Appendix A as
6 identified in the table of contents of
7 Exhibit SC-12 and SC-12-C titled
8 Phase 2 Rebuttal Testimony of SCE on the
9 results of its 2013 LCR RFO for the Moorpark
10 Sub-Area?

11 A Yes, I am.

12 Q And with respect to the testimony
13 sponsored by you, do you have any additions
14 or corrections to make at this time?

15 A No, I do not.

16 Q Was this testimony prepared by you
17 or under your supervision?

18 A Yes, it was.

19 Q Insofar as this testimony is
20 factual in nature, do you believe it to be
21 correct?

22 A Yes, I do.

23 Q Insofar as this testimony is in the
24 nature of opinion or judgment, does it
25 represent your best judgement?

26 A Yes, it does.

27 MS. REYES CLOSE: Your Honor,
28 Mr. Sekhon is available for

1 cross-examination.

2 ALJ DeANGELIS: Before we move to
3 cross-examination, I just want to make sure
4 that Helping Hand Tools moved their exhibits
5 into evidence.

6 MR. SARVEY: We have not.

7 ALJ DeANGELIS: I'm going to go ahead
8 and move those exhibits into evidence, No. 1
9 and No. 2 -- H2T-1, H2T-2. Any objections?

10 (No response.)

11 ALJ DeANGELIS: No objections. Those
12 two exhibits are moved into evidence.

13 (Exhibit No. H2T-1 was received into
14 evidence.)

15 (Exhibit No. H2T-2 was received into
16 evidence.)

17
18 ALJ DeANGELIS: And Mr. Chaset, would
19 you like to go first?

20 MR. CHASET: Yeah. This will hopefully
21 not take too long. I had more questions for
22 Mr. Chinn.

23 CROSS-EXAMINATION

24 BY MR. CHASET:

25 Q Good afternoon, Mr. Sekhon.

26 A Good afternoon.

27 Q I'm looking initially at page 14 of
28 the opening testimony of Edison.

1 A Okay.

2 Q And you're talking about,
3 consistent with Edison's integrated
4 mitigation strategy you're going to launch a
5 solicitation for the procurement of
6 competitive distributed energy resources in
7 the Santa Barbara/Goleta area. You recall
8 that?

9 A Yes, I do.

10 Q Now, we -- you're -- in that
11 paragraph, on that page you talk about
12 evaluating DERs or DER bids against
13 traditional grid upgrades. So let's go back
14 to the problem of having -- you heard this
15 morning's testimony in cross-examination of
16 Mr. Chinn. You understand that there are
17 some areas where the 230 kV line and the
18 66 kV line coming into Santa Barbara are on
19 parallel paths not too far apart for some
20 distance of their running? You understand
21 that?

22 A Yeah. I heard that testimony this
23 morning.

24 Q If both the transmission and the
25 subtransmission, either the 230 and the 66
26 could be disrupted by a large natural event,
27 such as multiple landslides or a large
28 wildfire, does any traditional grid upgrade

1 provide a complete resiliency solution as
2 compared to distributed energy resources
3 which do not rely on any transmission lines?

4 A The question "does any" is more
5 appropriate from a planning perspective. So
6 that would have been a question more
7 appropriate for Mr. Chinn. I --

8 Q Do your best.

9 A -- more procurement. I would have
10 to rely and talk to the transmission planners
11 to identify whether there would be any
12 solution that would be able to mitigate. He
13 talked about this morning that alternatives
14 could be additional transmission lines. So
15 those were the ones that were referenced this
16 morning. Those are the ones I could
17 elaborate.

18 Q We heard Mr. Chinn's testimony
19 about the difficulty of siting new
20 transmission lines, and I think we all
21 understand that it takes a long time. But
22 let's put that aside. Other than new
23 transmission lines, are there any traditional
24 resource upgrades that -- other than DERs
25 that could solve the reliability resiliency
26 problem in Santa Barbara/Goleta?

27 A Obviously you still could do local
28 generation in the Goleta area. That could

1 include additional gas fire generation. So
2 it does not have to be a DER solution.
3 Because you asked me what other things could
4 be done. So other things that could be done
5 is other local generation. That doesn't
6 necessarily have to be a DER.

7 Q Okay. But it could be solar?

8 A Yeah. It could be solar.

9 Q If there were -- and you heard
10 Mr. Perry's testimony that it's feasible for
11 the full 280 megawatts potentially to be
12 sited within the load pocket. Now, just
13 let's assume that's feasible. I'm not going
14 to state or ask you to say it is feasible.
15 But assuming that it is feasible, that would
16 meet the full local reliability resiliency
17 challenge, wouldn't it?

18 A I wouldn't say it would. Solar
19 resources have a certain profile to them. So
20 you would have to pair that sort of resource
21 with other DERs to meet that local
22 reliability. So it would not be its sole
23 solution.

24 Q Yes. Solar-plus-storage could be a
25 complete solution?

26 A It could be a complete solution,
27 but the magnitude of the amount of solar and
28 storage you would have to deploy could be

1 cost prohibitive.

2 Q But it could be costly. I
3 understand that, but it's the -- and then you
4 heard Mr. Perry's responses to Ms. Cottle's
5 cross-examination, and he talked about within
6 a one-mile radius of the Isla Vista
7 substation that you could site 25 to 30
8 megawatts just in that rather small little
9 piece of the load pocket. You heard his
10 testimony?

11 A I heard his testimony. I don't
12 agree with the testimony.

13 Q Sorry. You don't?

14 A I don't.

15 Q On what basis?

16 A On demonstrated basis. So
17 Mr. Perry talked about and we had talked
18 about the PRP RFO. And Mr. Perry talked
19 about that he used a study very similar to
20 the Clean Coalition study that we used for
21 the Orange County area. In that study, we
22 identified up to 90 megawatts of solar --
23 feasible technical potential in solar on
24 household roofs. We identified an additional
25 50 to 60 megawatts on car parks and
26 multi-story car parks and just regular car
27 parks through that technical study.

28 When we actually ran the first PRP

1 RFO, DG RFO soliciting bids, we received all
2 of 5 megawatts in terms bids. Because of the
3 feasibility of those, potential wasn't there.
4 There's a lot more analysis that needs to go
5 into the -- attain the real feasibility of
6 solar on rooftops. Age is a very important
7 factor. Some roofs aren't appropriate to
8 have rooftop solar added to them.

9 So in addition -- in order to add
10 the rooftop solar, you would have to upgrade
11 the roof. When you're talking about carports
12 and parking garages, there are seismic
13 studies that have to be done, adding those
14 types of infrastructure to those structures,
15 that adds additional costs, and it could be
16 very complex.

17 So when we ran our RFO, we
18 basically had one bidder, I believe, that bid
19 into that first PRP RFO for DG Solutions.
20 They just could not find the sites or the
21 timing of the investment required to make
22 those sites available to do. Those upgrades
23 was just too insurmountable.

24 Q This was in Orange County?

25 A This was in Orange County.

26 Q Isn't it possible that not enough
27 people who were interested in developing
28 solar in Orange County were aware of the RFP,

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 A That's the basis of the NPV
2 calculations.

3 Q Okay. Now, on page 9 of the
4 rebuttal testimony, if I can find it. Here
5 it is. You're talking about -- one second.
6 Excuse me. You're talking about the
7 vulnerability of the area transmission
8 outages, etcetera, and especial expedited
9 RFO. Oh, you're talking about the Academy's
10 testimony. The Academy advocated a special
11 expedited RFO process. Do you recall that
12 part of your testimony on page 9?

13 A Yes. It's Row 7 and 8 here.

14 Q Yeah. Given that you've
15 essentially said that an RFO should be issued
16 to identify resources to meet the shortfall,
17 why doesn't SCE also agree to assign a
18 similar degree of urgency to this Santa
19 Barbara problem that you've assigned to Aliso
20 Canyon and to the need for replacing the
21 energy from the San Onofre nuclear power
22 plant that went down a few years ago?

23 A So let me try and address those
24 questions. SCE did not assign the urgency of
25 Aliso Canyon. The Commission assigned that
26 urgency, and Edison was responding to
27 Commission resolution in meeting that
28 objective.

1 As far as San Onofre goes, the LCR
2 requirements that detract for a decision, I
3 believe, increase the LCR requirements to
4 address these SONGS issues. The PRP RFO that
5 we launched was an exercise for SCE to
6 demonstrate the sort of the viability of DERs
7 at meeting certain characteristics such as
8 load growth and other distribution or
9 transmission characteristics that may be
10 needed. That PRP was initially launched as a
11 pilot. It has now become a living program
12 that we are continuing to support.

13 But we are still assessing the
14 viability of DERs to provide the types of
15 grid services that are needed by SCE. You
16 know, from a megawatt perspective, you know,
17 I think we've got to a point where we're
18 comfortable that from a megawatt perspective
19 they can provide the megawatts, although none
20 of the PRP RFOs have -- sort of offers have
21 sort of reached commercial operation yet, to
22 my knowledge. But we're hopeful that they
23 can provide the megawatts. But other
24 characteristics that we're looking for in
25 terms of distribution and deferral mitigation
26 or even transmission issues or
27 subtransmission issues, we haven't fully
28 tested the viability of DERs to provide those

1 types of services, which is one of the
2 reasons that we launched the PRP RFO. So
3 it's very much still a demonstration in a
4 pilot program.

5 Q All right. One last couple of
6 questions. If -- turning to page 10. You're
7 talking about the prices of large scale solar
8 sited far from population centers may have
9 decreased. Yeah, starting on line 14.

10 A Yes, I see that.

11 Q You said there's no direct evidence
12 that small scale distributed projects sited
13 in Santa Barbara will follow suit. Are you
14 familiar with some of the latest prices that
15 have come in for larger scale solar --

16 A I am.

17 Q -- projects within this country?
18 We're under -- we're at 4 to 5 cents per
19 kilowatt-hour, aren't we?

20 A Yes.

21 Q That's cheaper than gas-fired
22 power, isn't it?

23 A In some circumstances it can be,
24 yes.

25 Q Yeah. And if gas-fired power has a
26 carbon adder to it, it's going to be clearly
27 cheaper to install, you know, commercial
28 scale solar than it is new gas capacity,

1 isn't it?

2 A It may well be.

3 Q Yes. And so I guess my final set
4 of questions has to do with the scale of
5 potential DER projects in Santa Barbara
6 County. If you could identify a square mile
7 or a couple of square miles up in the hills
8 in an area with south-facing land where it
9 was essentially disturbed land where you
10 could easily site a larger scale, you know, a
11 50 or even a hundred megawatt solar project
12 or a couple of solar projects, could those be
13 considered distributed if they're located
14 within the low load pockets in the few miles
15 of the Goleta substation?

16 A If they're within a few miles of
17 the Goleta substation I would consider them
18 distributed, but I would say that what we've
19 observed, again, with our PRP RFO and to some
20 extent with our -- some of the programs that
21 the Commission asks us to run such as SVP,
22 the Solar Photovoltaic Program, is that when
23 you try and locate solar resources in an
24 urban area that the prices are significantly
25 higher than what you would see at large scale
26 projects that are located in the desert. And
27 that was the point that I was trying to make
28 here in my testimony that, you know,

1 localized urban development of rooftop or PV
2 solar projects is a costly proposition and
3 has a lot of significant barriers to it,
4 which is why developers don't pursue those
5 types of projects generally even when we have
6 targeted solicitations requesting those types
7 of offers because the permitting process, the
8 seismic analysis that's needed, the local
9 community sort of backlash against some of
10 those projects is large.

11 Q I appreciate that. But are you
12 familiar with the topography of Santa Barbara
13 County?

14 A I've been to Santa Barbara. I
15 wouldn't say I'm very familiar.

16 Q But you understand that you go up
17 the hills away from where the people live,
18 there are large open spaces?

19 A I've seen those open spaces, yes.

20 Q And you could -- if you had a
21 square mile of open space, you could site
22 about a hundred megawatts of solar, couldn't
23 you?

24 A If you could get access that to
25 that land, if whoever owned it wanted to sell
26 it and they wanted to allow that, yes,
27 permitting.

28 Q Two or three smaller parcels of 30

1 or 40 megawatts that were not too far apart
2 from each other?

3 A The acreage required for projects
4 of that size can be significant. I'd have to
5 go back and run the calculation.

6 Q But about a square mile would give
7 you about a hundred megawatts; isn't that
8 right?

9 A Subject to check, I'll take that as
10 yes.

11 Q All right. Okay. And again, if
12 it's only 3 or 4 miles from the Goleta
13 substation, it could be treated as
14 distributed?

15 A Again, I will defer to Witness
16 Chinn for SCE to make that determination, but
17 I would confer with the transmission planning
18 folks to say does that meet the requirements
19 that they are looking at.

20 MR. CHASET: I would ask Ms. Reyes
21 Close to e-mail those confirmations to the
22 service list. Would that be acceptable?

23 MS. REYES CLOSE: Can you e-mail me a
24 question, and I will send a response to the
25 service list, please? Thank you.

26 MR. CHASET: I'll be glad to do that.
27 I believe that's all I have.

28 ALJ DeANGELIS: All right.

1 MR. CHASET: Thank you.

2 CROSS-EXAMINATION

3 BY MR. VESPA:

4 Q It's been a long day. Let's run
5 through this and try to get you out of here.
6 I'm going to start with some general resource
7 adequacy questions.

8 A Sure.

9 Q Do you have a general familiarity
10 for contracting for resource adequacy?

11 A Yes, I do.

12 Q Are you aware then that the
13 Commission publishes a review of the resource
14 adequacy program on an annual or sometimes
15 biannual basis?

16 A Yes, I am.

17 Q I'd like --

18 ALJ DeANGELIS: Mr. Vespa, just slow
19 down just a little bit. I know that we all
20 want to get out of here.

21 MR. VESPA: I'm going to pass around an
22 exhibit marked Sierra Club-3.

23 ALJ DeANGELIS: We will mark as Sierra
24 Club-3 a document with a cover page that says
25 2013-2014 Resource Adequacy Report Energy
26 Division dated August 2015.

27 (Exhibit No. Sierra Club-3 was
28 marked for identification.)

1 MR. VESPA: Q Are you familiar with
2 this report?

3 A I am.

4 Q This is just the executive summary.

5 A Okay.

6 Q I want to turn your attention to
7 page 6, the last paragraph of that page. And
8 here it's basically summarizing the average
9 capacity cost for resource adequacy at \$3.23
10 per kilowatt-month, and then it goes on to
11 say capacity prices are highest during July
12 through September and also in the following
13 locally constrained areas, San Diego, L.A.
14 Basin, and Big Creek Ventura, and Ellwood is
15 part of the Big Creek Ventura area, correct?

16 A Ellwood is part of Big Creek
17 Ventura. It's also south of Path 26. It
18 also states here that south of Path 26 is
19 also about 30 percent, 35 percent higher.

20 Q Right. So given all of those
21 features, you would expect resource adequacy
22 for a generator like this in this location to
23 be at a premium, correct?

24 A Yes.

25 Q Okay. So let's now transition to
26 your existing RA contract for Ellwood. In
27 March of this year SCE filed Advice Letter
28 3380-E, which requested the Commission

1 approve a resource adequacy contract for
2 Ellwood, correct?

3 A That's correct.

4 Q Okay. And this RA contract was to
5 provide capacity from August 1st, 2016, to
6 May 31st, 2018, correct?

7 A That's correct.

8 Q Okay. And as part of your advice
9 letter filing you included the proposed
10 contract for Ellwood as a confidential
11 attachment, correct?

12 A I believe so.

13 MR. VESPA: Okay. Subject to check,
14 I'd like to pass this around. This is Sierra
15 Club Exhibit 4-C.

16 MS. COTTLE: Your Honor, I have one
17 question. I did not get a copy of Exhibit
18 Sierra Club-3, and I don't think any of these
19 were served on the service list.

20 ALJ DeANGELIS: You didn't get an
21 advanced copy?

22 MS. COTTLE: I didn't get an advanced
23 copy of any of Sierra Club's.

24 MR. VESPA: Advance copies were not
25 required. In fact, this was a direction from
26 SCE's counsel that if you wanted to get a
27 reaction, you do not -- or are required to
28 pass them around. So I'm looking for

1 spontaneity here.

2 MS. COTTLE: I would like a copy.

3 ALJ DeANGELIS: Let's pass out copies
4 and --

5 MR. VESPA: And I am happy to
6 electronically serve all of the exhibits that
7 get admitted at the end of the day.

8 MS. COTTLE: That would be helpful.
9 Thank you.

10 ALJ DeANGELIS: While copies are going
11 around, I understand that the Academy's
12 Exhibit No. 5 was not marked or received into
13 the record. So let's just do that quickly.

14 MR. CHASET: I did mark it.

15 ALJ DeANGELIS: Well, let's just do it
16 again for the record.

17 MR. CHASET: Oh, I'm sorry. Would you
18 mark that exhibit of the responses to data
19 requests as WBA-5.

20 ALJ DeANGELIS: Okay. WBA-5 is marked
21 for identification, and it is -- would you
22 like to move it?

23 (Exhibit No. WBA-5 was marked for
24 identification.)

25 MR. CHASET: Yes. I thought I had
26 moved earlier to have it admitted, but
27 please, I would move to have it admitted into
28 evidence.

1 ALJ DeANGELIS: Any objection?

2 (No response.)

3 ALJ DeANGELIS: No objection. Then
4 that request was granted.

5 MR. CHASET: Thank you, your Honor.

6 (Exhibit No. WBA-5 was received into
7 evidence.)

8 MR. CHASET: One last thing. We're
9 going to have to get out of here fairly soon.
10 So please don't take it personally. I will
11 be back in the morning.

12 ALJ DeANGELIS: All right. So now we
13 have Sierra Club-4, a confidential --
14 Counsel, when you say "confidential," could
15 you elaborate on that?

16 MR. VESPA: This is the actual RA
17 contract that was submitted with the advice
18 letter I referenced earlier for Ellwood, the
19 current RA contract.

20 ALJ DeANGELIS: Okay. So the current
21 RA contract is confidential under the
22 Commission's directive?

23 MR. VESPA: Yes.

24 ALJ DeANGELIS: All right. And
25 everyone in this room is permitted to see it?

26 MR. VESPA: Well, not necessarily
27 everyone, but all the parties here are.

28 MS. COTTLE: And I don't have a copy.

1 MR. CHASET: Nor do I.

2 MS. REYES CLOSE: It's GenOn, but I
3 don't know. The contract is with GenOn.

4 MR. VESPA: Okay.

5 MS. REYES CLOSE: It's not directly
6 with NRG. I don't know, Lisa, what the
7 relationship is.

8 MS. COTTLE: They're affiliates.

9 MS. REYES CLOSE: Yeah, that's what I
10 figured. I just wanted to make sure.

11 MR. VESPA: So it's okay on your end?

12 MS. REYES CLOSE: I'm fine with it.

13 ALJ DeANGELIS: Okay. So do the
14 questions have to be under sealed transcript?

15 MR. VESPA: I'm hoping to sort of point
16 to something and move on.

17 ALJ DeANGELIS: All right. Is everyone
18 okay with that? All right. Thank you
19 everyone.

20 MR. VESPA: Q Subject to check, is
21 this the RA contract for Ellwood that was
22 included with Advice Letter 3380-E?

23 A Yes.

24 Q Okay. And the Commission approved
25 this contract in Resolution E-4781, correct?

26 A Yes.

27 Q So let's turn to page 6. And here
28 you see sort of toward the end of the page

1 there's a contract price table?

2 A Yes.

3 Q This is the contract price that SCE
4 paid for capacity expressed in kilowatt
5 dollars per month, correct?

6 A Yes.

7 Q Okay. And this is consistent with
8 findings in the Commission's resource
9 adequacy report and your own observations
10 that capacity for a generator like Ellwood in
11 this location tends to be higher than the
12 average. Do you want to -- that's okay.

13 MS. REYES CLOSE: That's fine.

14 MR. VESPA: Okay.

15 THE WITNESS: Consistently with the
16 report. You know, the one caveat I would
17 make is that the resource adequacy report
18 represents prices paid for existing
19 generation. This is short-term RA markets.
20 It's not long-term generation. Doesn't
21 reflect long-term capacity value and doesn't
22 reflect refurbishment value either.

23 MR. VESPA: Q This is a short-term
24 contract.

25 A Yes. Short-term contract.

26 Q Okay. And in that same advice
27 letter you also requested approval for close
28 to a four-year RA contract for the 130

1 megawatt Mandalay 3 facility, correct?

2 MS. REYES CLOSE: Excuse me a minute.
3 Do you have the advice letter? We did not
4 come prepared to discuss the advice letter.
5 Mr. Sekhon does not have knowledge of the
6 advice letter, direct knowledge. So if you
7 have a copy that you can point him to that
8 would be helpful.

9 MR. VESPA: Yeah, I can. I wasn't
10 going to admit this.

11 ALJ DeANGELIS: I don't think we need
12 to admit it. But if you could just clearly
13 restate the number of the resolution.

14 MR. VESPA: Sure.

15 (Crosstalk.)

16 MS. REYES CLOSE: This is the advice
17 letter.

18 MR. VESPA: This is the advice letter
19 that sought approval for two contracts.

20 MS. REYES CLOSE: For Mandalay 3.

21 MR. VESPA: That contract is out.

22 MS. COTTLE: Okay. But you want to
23 talk about Mandalay, the contract that wasn't
24 approved?

25 MR. VESPA: Q I have a general
26 question about what was sought. So this is
27 advice letter -- I'm showing you a copy of
28 3380-E where you also sought an RA contract

1 for the Mandalay 3 peaker.

2 A That's correct.

3 Q And the Commission denied the
4 request for this particular RA contract in
5 Resolution E-4781, correct?

6 A That's my understanding, yes.

7 Q Okay. And since the time of the
8 Commission denial of this contract, has NRG
9 contacted you or otherwise announced it will
10 retire Mandalay 3?

11 A Not to my knowledge.

12 Q Okay. So let's move on to the new
13 contract. And that's in the record, right?

14 MS. REYES CLOSE: What?

15 MR. VESPA: The existing, the
16 refurbishment contract.

17 MS. REYES CLOSE: The existing contract
18 is in the record. That's correct.

19 MR. VESPA: And I have a copy here if
20 you wanted to refer to it.

21 ALJ DeANGELIS: Ms. Reyes Close, can
22 you identify where in the record the existing
23 contract is?

24 MS. REYES CLOSE: Yes. The existing
25 contract I believe is SCE Exhibit 2-C,
26 Appendix B, confidential Appendix B. It's
27 part of our whole set of contracts.

28 MR. VESPA: Q This is now I'm showing

1 you a copy of a contract for seeking
2 approval.

3 A Yes.

4 Q I bookmarked a page. It's --

5 A It's the price table.

6 Q The price, yeah, Appendix 9.02, and
7 here it lists the cost you'll be paying for
8 capacity for Ellwood under this 10-year
9 contract?

10 A Yes.

11 Q Okay. Just pause before you answer
12 this. Is it true that the costs you'll be
13 paying under -- for Ellwood in this contract
14 are over 50 percent higher than the costs you
15 are currently paying under the existing
16 contract for Ellwood?

17 A Roughly 50 percent higher is an
18 accurate statement based on the prices that
19 are shown on this table starting at -- yeah.

20 Q Okay. And the primary
21 justification for this new proposed ten-year
22 contract with Ellwood is to facilitate its
23 refurbishment, correct?

24 A That is correct.

25 Q Did SCE ask for or receive any
26 information from NRG on the cost of Ellwood
27 refurbishment?

28 A We did not specifically ask for the

1 cost or receive information on the
2 refurbishment itself. The contract outlines
3 the necessary requirements to meet the
4 objectives of the contract and have an
5 independent engineer certify that their
6 design life, the asset has been refurbished
7 to a set of standards and now can meet the
8 contractual obligations in terms of capacity,
9 start time, ramp rate, and so forth.

10 Q Okay. But you don't know how much
11 the refurbishment is estimated to cost.

12 A No.

13 Q Correct? Okay. So you have no
14 ability to ascertain whether the increased
15 capacity payments in this contract, which are
16 over 50 percent what you're paying now and
17 guaranteed for now 10 years, in any way
18 correlate to the cost of refurbishment that
19 NRG will pay?

20 A This is not a cost of service
21 contract. So it was not an open book
22 transaction where we looked at the costs of
23 the refurbishment. We assessed this contract
24 based on its bid against other contracts that
25 we have for the Goleta area, and this was the
26 most competitive offer we received for that
27 Goleta reliability.

28 One thing I would add here is that

1 these prices are very in line with the
2 CAISO's backstop pricing mechanism which
3 that's set at 631 a kilowatt-month right now.
4 And that would be the alternative if the
5 CAISO deemed that a backstop was necessary
6 for these types of resources. That's the
7 type of pricing they could get.

8 Q Okay. And you just mentioned a
9 minute ago about sort of the certification of
10 refurbishment. Can you provide any
11 specificity about what the refurbishment will
12 entail? For example, is there a replaced
13 engine, you know, major parts, or what
14 exactly is going to happen here?

15 A Once we move forward and we have
16 CPUC approval, we'll be able to go ahead and
17 move forward getting the independent engineer
18 to do a review of the asset and identify all
19 of the elements that need to be refurbished.
20 And then NRG will be responsible for doing
21 all of those updates. Regardless of whether
22 the costs are sufficient here in this
23 contract or not, they have the obligation to
24 do all of those upgrades that are identified
25 by that independent engineer to get that
26 asset to that 30-year design life.

27 Q So at this juncture you don't
28 really have a sense of what specific types of

1 measures would?

2 A We have not engaged the independent
3 engineer.

4 Q Okay. Would you expect a new
5 engine in refurbishment, or is this more a
6 tune-up type of situation?

7 A I do not know the extent of what
8 needs to be done. So I can't comment on
9 that.

10 Q Okay. Now, I wanted to ask you a
11 couple questions about a data request that
12 ORA sent.

13 ALJ DeANGELIS: Okay. Should we mark
14 this for identification?

15 MR. VESPA: Well, it may end up getting
16 admitted. We can.

17 ALJ DeANGELIS: I would just like to
18 mark it because it got a bit confusing last
19 time. Let's just mark it as Sierra Club.

20 MR. VESPA: 5.

21 ALJ DeANGELIS: Okay. We're marking as
22 the Sierra Club-5 data request set Question
23 No. 2 from ORA to Edison?

24 MR. VESPA: Yeah. This would be ORA to
25 Edison. It's their Data Request 4. It's
26 Question 2.

27 ALJ DeANGELIS: Okay. And it's dated
28 September 20th, 2016. Okay. Thank you.

1 (Exhibit No. Sierra Club-5 was
2 marked for identification.)

3 ALJ DeANGELIS: Does the witness need a
4 second to look at this?

5 THE WITNESS: I've read it.

6 MR. VESPA: Q Okay. So in this data
7 request you admit that you did no facility-
8 specific review to determine whether
9 refurbishment was necessary. It was more
10 based on an assumption about the life of the
11 project, correct?

12 A So the assessment was based on
13 conversations that we had had with the
14 seller, NRG, and statements that they had
15 made to us regarding the age of the facility
16 and the need for a refurbishment, and they
17 bid the refurbishment into our RFO. We
18 assessed the economics of that refurbishment
19 and the needs that we had in the Goleta area
20 for reliability and resiliency and determined
21 this was a low-cost option to meeting those
22 needs.]

23 Q Right. But you -- and I understand
24 the age of the facility is now at the 40-year
25 mark.

26 A Yes.

27 Q Yeah. '73, I think is when it
28 started. But you did no independent

1 verification looking at, for example, its
2 performance compared to the average
3 performance that's reported to see whether
4 there was some anomaly that would necessitate
5 refurbishment --

6 A We have had this resource in our
7 portfolio as a totalling contract in 2015.
8 We had it as an RA contract prior to that.
9 So we have had some experience with this
10 resource. And based on that experience and
11 based in talking to real-time operations
12 desk, who bid this resource into the market
13 on a daily basis, there was some concerns
14 that its reliability had been degrading.
15 That when it was being called, it was not
16 always starting. There were times it was
17 ongoing forced outage more often. So we did
18 have that support in the evidence regarding
19 this resource.

20 Due to its sort of critical nature
21 in terms of its location in the Goleta area,
22 it wasn't really a case of how does this
23 compare to other resources. The need in
24 Goleta was significant from our perspective
25 that we needed a very reliable resource there
26 that when there is a situation in that area
27 we can call upon it and it is going to work.
28 So based on that is why we moved forward with

1 this refurbishment contract.

2 Q Okay. But it also says in this
3 data request that you did not look at similar
4 facilities. You mentioned, for example,
5 forced outages. You did not compare rates
6 with similar-situated facilities, correct?

7 A Because from our perspective, it
8 didn't matter, the forced outage rate for
9 this facility versus another facility. What
10 mattered to us is that we wanted a resource
11 that we could call when we needed to call it
12 and it was going to operate. It wasn't going
13 to be a forced outage because of the short
14 circuit duty issues that the witness Chinn
15 has already talked about. It wasn't about
16 how does this compare to other resources.
17 It's about we've got to identify the need in
18 this area. We want to mitigate that need.
19 We want to mitigate those concerns around
20 safety. What type of asset do we need to be
21 able to do that? This is the type of asset
22 that we needed.

23 Q Okay. But certainly a comparison
24 with other types of facilities in terms of
25 its performance can help inform whether
26 refurbishment is needed. And that was not
27 done here.

28 A We did not compare it to other

1 facilities. I didn't.

2 Q Okay. There's a line here that I
3 wanted to ask you a couple of questions
4 about. It's -- I guess it's a little -- two
5 lines. It's the end of that first paragraph
6 where you're talking about keeping the
7 facility operational for many more years, is
8 how you put it. And then, you know, having
9 this refurbishment result in a 30-year design
10 line of the resource.

11 Isn't it true that SCE recently
12 issued a white paper titled "The Emerging
13 Clean Energy Economy?"

14 A Yes.

15 Q Okay. I have copies of those. I
16 had a couple of questions about. I'm going
17 to give you a second exhibit to tee up. So
18 I'm marking 6 and 7. Sierra Club Exhibit 6
19 and 7.

20 ALJ DeANGELIS: All right. So the
21 white paper will be Sierra Club 6.

22 MR. VESPA: Yes.

23 ALJ DeANGELIS: And this is a white
24 paper issued by Edison and the date is
25 September 2016.

26 (Exhibit No. Sierra Club-6 was
27 marked for identification.)

28 ALJ DeANGELIS: And then Sierra Club 7

1 is --

2 MR. VESPA: These are excerpts -- an
3 excerpt of testimony submitted in its recent
4 general rate case.

5 ALJ DeANGELIS: Okay. And that's dated
6 September 1st of 2016. And it's an excerpt
7 of just general excerpts from different --

8 MR. VESPA: No. It's actually -- it's
9 the beginning of the policy. It's one piece
10 of testimony.

11 ALJ DeANGELIS: Okay. That's fair
12 enough. All right.

13 (Exhibit No. Sierra Club-7 was
14 marked for identification.)

15 MR. VESPA: Q Okay. And is this
16 exhibit, now marked Sierra Club 6, a copy of
17 the Emerging Clean Energy Economy white
18 paper?

19 A Yes.

20 Q Okay. Then you will see in the
21 bottom corner of the first page, there is a
22 graph where you forecast more than doubling
23 distributed energy resources in your service
24 territory over the next decade, correct?

25 A Yes.

26 Q Okay. And is it more or less
27 accurate to summarize the white paper as
28 positing that utilities like SCE should

1 invest in modernizing the distribution grid
2 to rapidly facilitate growth of DERs to help
3 California meet its climate goals?

4 A It's a reasonable characterization
5 of the white paper.

6 Q Isn't it true that following the
7 release of this white paper SCE filed a
8 multi-billion dollar general rate case
9 seeking significantly increased investment in
10 distribution system upgrades to enable this
11 higher penetration of DERs?

12 MS. REYES CLOSE: Objection, your
13 Honor. I believe this is outside the scope
14 of Mr. Sekhon's testimony. I don't believe
15 works on the general rate case and certainly
16 isn't relevant to this proceeding.

17 MR. VESPA: I mean, your Honor, I think
18 this is fairly common knowledge. I did want
19 to point to a couple of statements in this
20 particular testimony to contrast what I see
21 are positioning here and in SCE's statements
22 elsewhere.

23 MS. REYES CLOSE: I think you're asking
24 him to confirm information, though, that he
25 is not directly knowledgeable. So can you
26 point him to something specific?

27 MR. VESPA: Yeah.

28 ALJ DeANGELIS: Okay. Let's make this

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.

1 Thank you.

2 ALJ DeANGELIS: All right. Thank you.
3 Would you like to go ahead and move the
4 exhibits into evidence?

5 MR. VESPA: Yeah. So it was -- help me
6 out here -- 3, 4-C, 5, 6, and 7. I believe
7 that was it to move into evidence.

8 ALJ DeANGELIS: All right. We will
9 move 4, 5, 6 and 7?

10 MR. VESPA: There was 3, 4-C, the
11 confidential one, 5, 6 and 7.

12 ALJ DeANGELIS: Okay. We will move all
13 of those into evidence. Any objections?
14 Okay. Your request is granted. All right.

15 (Exhibit No. Sierra Club-3 was
16 received into evidence.)

17 (Exhibit No. Sierra Club-4-C was
18 received into evidence.)

19 (Exhibit No. Sierra Club-5 was
20 received into evidence.)

21 (Exhibit No. Sierra Club-6 was
22 received into evidence.)

23 (Exhibit No. Sierra Club-7 was
24 received into evidence.)

25 MR. FOSS: Could I have a moment to
26 chat with my client?

27 ALJ DeANGELIS: Sure. Let's go off the
28 record.

(Off the record.)

ALJ DeANGELIS: All right. Mr. Foss,
are you ready to go?

1 MR. VESPA: Can I ask one remaining
2 question?

3 ALJ DeANGELIS: Sure. Of course.

4 MR. VESPA: Q I had asked Mr. Chinn
5 some questions about configurations of energy
6 storage with added inverters, for example, to
7 provide extra SCD. Is it possible in your
8 RFOs you could put a preference for high SCD
9 resources to address some of the issues here
10 in the Goleta area?

11 A Yes, I think that's one of the
12 things that we probably would be doing is to
13 be setting out the exact requirements of what
14 we're soliciting for and SCD would be a
15 component of that. And if storage through
16 configuration could provide that, they would
17 have to submit that to us. We would then
18 have to do a liability screen. I think one
19 of the questions previously was: Are there
20 any demonstrated implementations of such
21 technologies? And that would be something
22 that we would look at in our evaluation.
23 Again, this is an imminent need in 2018. You
24 wouldn't want to take the risk with a
25 resource as it's been demonstrated, but we
26 would seek that characterization that we're
27 looking for short circuit duty. If you have
28 a solution, demonstrate it to us.

1 Q Thank you.

2 ALJ DeANGELIS: Thank you.

3 All right. Mr. Foss?

4 THE WITNESS: Before we go on, I would
5 like to correct the record in one statement
6 that I made. So I think I referred to the
7 PRP as a Preferred Resources Program. It's
8 actually the Preferred Resources Pilot. I
9 want to make sure --

10 ALJ DeANGELIS: Thank you for that
11 clarification.

12 All right. Mr. Foss.

13 MR. FOSS: Mr. Chaset and Mr. Vespa
14 covered almost all the areas that I was going
15 to cover. So this will be short.

16 ALJ DeANGELIS: All right.

17 CROSS-EXAMINATION

18 BY MR. FOSS:

19 Q Mr. Sekhon, if you could look at
20 page 9 of the rebuttal testimony. The very
21 last sentence on page 9.

22 A Yes.

23 Q You say, "Moreover, if Ellwood were
24 required to resubmit a bid in a new RFO, the
25 resource would not be available when needed
26 to start again in June of 2018."

27 So when you say "would not be
28 available," is that because you are assuming

1 it's going to be retired as of June 2018?

2 A I'm assuming that if it were to be
3 bid into any subsequent RFO that there may
4 not be time to do the refurbishment and have
5 the resource that we are looking for. So I
6 would say that Ellwood as it stands today,
7 which is a fairly unreliable resource, and
8 what we're looking for is a reliable Ellwood.
9 And if we were to move Ellwood into a
10 subsequent RFO, resource would not be
11 available when needed. So the resource that
12 we're looking for would not be available in
13 June of 2018. It may be sometime later due
14 to the nature of running the RFO, filing a
15 new application, getting approvals of that
16 application, and then NRG actually doing the
17 work if it was approved later on upgrading it
18 and so forth.

19 Q So are you saying that if the
20 refurbishment is not done, it will be
21 retired? Do you know that for a certainty?

22 A I do not know that for a certainty.

23 Q Okay. And, in fact, there's a
24 tentatively planned maintenance outage to do
25 the refurbishment; is that right?

26 A The maintenance outage that is
27 planned is based on this contract being
28 approved. So there is regular maintenance

1 outages. And it was conceived when we
2 executed this contract that we would use one
3 of those maintenance outages to do the
4 refurbishment. But if this contract is not
5 approved, that refurbishment will not happen.

6 Q Do you know how long the planned
7 maintenance outage would be to do the
8 refurbishment?

9 A What we have outlined in the
10 contract, I think it's from January of 2018
11 through April of 2018.

12 Q Okay. And it seems that you're
13 suggesting that the Ellwood Plant is
14 critical. What are you planning to do during
15 that time period when it's off-line?

16 A I don't know how long it will be
17 off-line. That's the period that's been
18 outlined in the plan. I think once the
19 independent engineer comes and determines
20 what the upgrades are, he will figure out the
21 exact time that it's going to be out. For
22 the period that it's out, as long as the
23 transmission towers aren't impacted by some
24 sort of severe event, there is enough short
25 circuit duty.

26 So, you know, again, what we're
27 talking about in terms of the need for
28 Ellwood is under the scenario if those two

1 towers aren't available. When those two
2 towers aren't available, you can do work on
3 Ellwood. You can do performance work. So
4 you would try and schedule the outage in a
5 period where you wouldn't expect heavy rains,
6 so that you mitigate the risk of an event
7 happening when Ellwood is not available.

8 Q Okay. Thanks.

9 I have no further questions.

10 ALJ DeANGELIS: Thank you. All right.

11 Helping Hand.

12 CROSS-EXAMINATION

13 BY MR. SARVEY:

14 Q On SCE-12C on page 8, we have
15 talked about this previously it says if that
16 the time to repair the Goleta-Santa Clara
17 transmission line is expected to exceed
18 emission limits, SCE may ask NRG to seek
19 permission from Pollution Control District to
20 exceed the run hour limitations specified in
21 the permit and the contract.

22 I want to ask something about the
23 contract there because I know the other area
24 is not yours.

25 Does the contract specify
26 compensation for NRG exceeding the contract
27 annual hours limitation?

28 A The contract does not specify

1 payments for exceeding the limitations. The
2 contract does have variable O&M that is paid.
3 So if the resource was run and exceeded, they
4 would be getting a variable O&M payment for
5 whatever hours we have running for them.

6 Q So the amount that they would
7 receive from exceeding the annual hours
8 limitation is not defined then. That's an
9 open-ended amount. We don't know what it is
10 at this point?

11 A Right now the contract doesn't
12 specify that. What the contract does specify
13 is as we run the unit we pay a bond rate. We
14 have the fixed capacity payment. So that
15 would be something that we would have to deal
16 with at that time.

17 Q Okay. And do you think at that
18 time, since you're in a reliability
19 situation, NRG will have you over the barrel
20 as far as negotiating this contract?

21 A They could. It depends on how that
22 emerging situation comes about. What I would
23 say is that there is currently time for us to
24 look into that before 2018.

25 Q So at this point I will ask again.
26 We don't have any idea what the ratepayer
27 impact would be at this point?

28 A We don't know if there would be any

1 incremental ratepayer impact. The contract
2 as it stands does include a bond payment.
3 That bond payment may be sufficient and NRG
4 may not need any additional.

5 Q Okay. Does the contract allow NRG
6 to dispatch this facility for a non-SCE
7 dispatch?

8 A The contract allows -- I would have
9 to -- subject to check -- go back and look.
10 But I think NRG may be allowed to do testing.
11 Once they do maintenance they have to test.]

12 Q So how many hours would be allowed
13 for non-SCE dispatch?

14 A I don't have that information. I
15 would have to go back and look at it. I will
16 say that the contract hours are slightly less
17 than the permanent hours. I think NRG has
18 done that on purpose to allow it some room to
19 do those tests on it.

20 MR. SARVEY: Thank you. That's all I
21 have.

22 ALJ DeANGELIS: Thank you. Any further
23 redirect?

24 MS. REYES CLOSE: Just one or two
25 questions, your Honor.

26 REDIRECT EXAMINATION

27 BY MS. REYES CLOSE:

28 Q Mr. Sekhon, I believe Mr. Vespa was

1 asking about a cost differential between the
2 a current Ellwood contract and the
3 refurbishment contract. Would the fact that
4 the current contract is an RA-only contract
5 and the Ellwood refurbishment contract is a
6 toling contract account for a potential
7 difference in cost or the difference in --

8 A Yes, it was. So an RA contract
9 does not portray the dispatch right. So the
10 asset -- as I discussed before, when you have
11 the dispatch rights and you bid that resource
12 into the market, any revenues received for
13 that dispatch belong to the customer. It can
14 go back. So they would net off. So yeah, it
15 would not be an apples-to-apples comparison
16 to compare the RA contract price that exists
17 in the current Ellwood contract with this
18 refurbishment price, which is a toling
19 resources. So there would be a difference.

20 Q And at this time, is SC proposing
21 to -- is SC proposing new gas fire generation
22 in the Santa Barbara/Goleta area or proposing
23 to solicit those types of resources in the
24 DER RFO?

25 A No. We are not proposing to
26 solicit those types of resources in our DER
27 RFO. We did have those types of resources
28 bid into the LCR RFO back in 2014. At that

1 time, when we assessed the cost of new gas in
2 the Goleta area, it was many multiples in
3 cost higher than the refurbishment of
4 Ellwood, which is why we went with the
5 Ellwood contract in terms of the
6 cost-effective solution.

7 MS. REYES CLOSE: Thank you. That's
8 all I have, your Honor.

9 ALJ DeANGELIS: All right. Thank you.
10 You are excused, and we finished before 4:15.
11 So we will reconvene tomorrow at 10:00.

12 Is there any matters that we should
13 discuss in our remaining few minutes.

14 MS. COTTLE: Yes, your Honor. I have
15 two questions. First is the exhibits that
16 Edison offered with the Ellwood outage data,
17 and we talked a lot about outages during this
18 proceeding, and it actually is a listing of
19 all of that information. So I was just going
20 to suggest that it could be moved, or if
21 there's a question about it, how fast can get
22 the question answered.

23 MR. VESPA: Yeah. So our -- I guess
24 the concern we're having -- this was provided
25 late Friday, the new information, and there
26 was a -- the first operational data we
27 received, it was from SC. And then this
28 second set sort of had this caveat, we're

1 just a passthrough. We can't really do
2 anything. So that raised the issue. I would
3 just say the 2016 numbers are very different
4 than the past three 3 years in terms of data.

5 So we are just trying to talk
6 internally about these other questions we
7 want to ask about why that is. Then we have
8 no one to ask, because SCE is not really
9 responsible for that information and you
10 don't have a witness.

11 MS. COTTLE: We did explain it in our
12 response to ORA's data request.

13 MR. VESPA: Okay.

14 MS. COTTLE: There was a forced outage,
15 and we explained that. And that's what you
16 see in the numbers. I mean, it's coming
17 straight from --

18 ALJ DeANGELIS: Okay. So what I would
19 prefer is that right now or sometime before
20 tomorrow you two talk about this, and if
21 there's any remaining -- is there anything
22 else I should do, then I will do it, if you
23 ask me too. But I need you two to figure all
24 of these --

25 MS. COTTLE: Yeah. I mean, my concern
26 is that we were asked to provide the
27 information. We provided the information in
28 response to the original data request in the

1 Phase 1. That came from NRG, and then we
2 updated it in response to Sierra Club's
3 subsequent data request. I think the data
4 doesn't show what they wanted to show. So
5 now they are trying to keep it out.

6 That is my concern is that it is the
7 data. It comes straight from the NERC
8 system. It answers all these questions that
9 they are trying to get Edison to answer, and
10 so why don't we just include it.

11 ALJ DeANGELIS: Okay. So why don't you
12 two talk about it, and let me know what the
13 status is tomorrow so we can just wrap it up.

14 MR. VESPA: Yeah. I mean --

15 MS. COTTLE: I have one more question,
16 different topic. I think I have a homework
17 assignment from you from earlier today about
18 what would happen if Edison asked NRG to
19 operate in excess of the current air permit
20 limits, and I wanted to know how you wanted
21 me to answer that question?

22 ALJ DeANGELIS: I just want just a
23 general idea of what does happen, how does
24 this agency immediately respond to a
25 situation.

26 MS. COTTLE: Okay. I mean, I think we
27 have examples of how it's worked with other
28 agencies, and I don't know how it would work

1 in this agency. So I don't think variance is
2 the right concept, and I'm trying to track
3 that down with our permitting experts but I
4 don't know how exactly.

5 ALJ DeANGELIS: Okay. It would just be
6 helpful for me to understand if this -- if an
7 emergency does exist --

8 MS. COTTLE: What would you do.

9 ALJ DeANGELIS: -- is there agencies in
10 place to actually authorize it, or does it
11 just kick in and then you ask for this
12 variance after the fact? I am just unclear
13 about how it actually works.

14 MS. REYES CLOSE: -- Edison does have
15 dealings with the Santa Barbara Air Pollution
16 District, and I think we can help with this
17 response.

18 ALJ DeANGELIS: Okay.

19 MS. REYES CLOSE: People who can help
20 answer this question.

21 ALJ DeANGELIS: Okay. I'm always
22 curious about how agencies can actually get
23 things done quick. All right. So I think
24 we've taken care of everything.

25 Off the record.

26 (Whereupon, at the hour of 4:09
27 p.m., this matter having been continued
28 to 10:00 a.m., November 3, 2016 at
San Francisco, California, the
Commission then adjourned.)

* * * * *

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

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

BEFORE THE PUBLIC UTILITIES COMMISSION
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Edison Company (U338E) for Approval)	Application
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Capacity Requirements Request for)	
Offers for the Moorpark Sub-Area.)	
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EXECUTED this 1st day of November, 2016.

Doris Huaman
CSR No. 10538

BEFORE THE PUBLIC UTILITIES COMMISSION
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STATE OF CALIFORNIA

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Application of Southern California)	
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Capacity Requirements Request for)	
Offers for the Moorpark Sub-Area.)	
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I further certify that I have no interest in the events of the matter or the outcome of the proceeding.

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Carol A. Mendez
CSR No. 4330