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SB 1368 Hearing @ CEC
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Item 7
1-12-12 Business
mtg.

Good morning. I am George Morrow, Director of Azusa Light & Water. As an electrical engineer, I have 33 years of electric utility experience including 17 as a General Manager of publicly owned utilities.

Azusa Light & Water is a community-owned electric and water utility which has been providing utility services to its owner-residents for more than 100 years. For those here not familiar with Azusa, it is a city of 49,000 residents located along the San Gabriel foothills in the Los Angeles Basin.

As a member of the Southern California Public Power Authority or SCPPA for short, Azusa has a diverse power supply portfolio incorporating nuclear, coal, hydroelectric, and wind resources. Azusa is also a participant in an efficient natural gas fired plant under construction just south of here in Lodi, California. Renewable resources make up over 20% of Azusa's resource mix and the electric utility is evaluating additional renewable resources as it moves forward to meet the goals identified with SBX1-2.

In 1993, Azusa acquired an interest in San Juan Unit 3, a coal-fired baseload power plant in northwest New Mexico, in conjunction with other SCPPA members. San Juan provides a majority of Azusa's energy needs and represents expenditure approximating 1/2 of the electric utility's budget. I think it would be accurate to say that San Juan is a critical resource not just to Azusa, but to each of the other project participants in California.

I am here today to express my concern with the proposal to modify the current rules related to SB 1368 implementation. The legislative intent of SB 1368 is clear to those of us with interests in non-EPS compliant resources and we have managed our resource involvement in the San Juan project accordingly. Operating a modern electric power generating station is a major commitment of time and resources. Literally hundreds of plant investments are made annually to ensure that this important electric grid resource can operate reliably, safely, efficiently and with environmental compliance. All four of these objectives are intertwined and critical.

From my involvement with the management, maintenance and operation of numerous power plants over the years, including joint participation plants, I

cannot understand how an enhanced reporting and vetting process of routine maintenance, including reliability, safety or efficiency investments, as the Petitioners in this matter have suggested, could administratively work. The California participants in San Juan are minority owners and as Mr. Pedersen noted, the Operating Agent for the station has broad authority to do those things necessary to keep the plant operating safely and reliably, and to comply with competent regulatory & environmental mandates. Such prudent investments are also in the best interests of all San Juan owners including the California residents that I represent.

From the Petition in this matter, it is apparent to me that the recent EPA order to install Selective Catalytic Reduction devices for enhanced NOx control at San Juan is a target of the Petitioners. Although we disagree with EPA's recommendations that this expensive retrofit is the best approach to accomplish the objectives of enhanced NOx control, the power plant does have an obligation to comply with final regulatory orders and the California participants have a contractual obligation to share in the costs... and the benefits of that investment.

With the recent adoption of a Green House Gas "cap and trade" program in California, Azusa does not believe that the current rules related to non-EPS compliant resources are needed any longer, or at least not needed in their current form. To be honest, if the Commission believes that it is legally possible and prudent for the California agencies involved in San Juan to not comply with EPA's recent environmental order, perhaps this matter should be the target of the CEC's attention, rather than the broader and administratively unworkable idea of reviewing and vetting environmental, reliability, safety and efficiency investments at San Juan and other non-EPS compliant plants.

From Azusa's standpoint, and I am certain for most if not all of the involved California entities, the premature loss of our investments in San Juan would have a catastrophic affect on our mandate to provide reliable and affordable electric service to the homes and businesses in our communities. **And that is why I am here today.**