



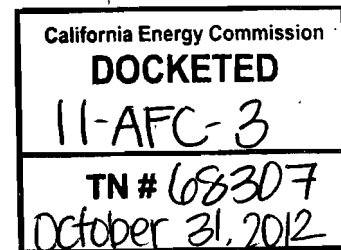
Quail Brush Genco, LLC

A Project Company of Cogentrix Energy, LLC

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October 30, 2012

Mr. Eric Solorio, Project Manager
Siting, Transmission and Environmental Protection Division
California Energy Commission
1516 Ninth Street, MS-2000
Sacramento, CA 95814



Re: Quail Brush Generation Project (11-AFC-03), Public Record Documents Supporting the Need for the Project

On behalf of Quail Brush Genco, LLC (the "Applicant"), I am enclosing with this letter the following documents from the public record, each of which provides information relating to the need for the proposed Project. As explained further below, I also provide links to additional documents available on the websites of the California Public Utilities Commission ("CPUC") and the California Independent System Operator ("CAISO").

I. Documents from CPUC Application 11-05-023 Proceeding

a. EXHIBIT I(a): SDG&E Application for Authorization To Enter Into Three Purchase Power Tolling Agreements (May 19, 2011)

On May 19, 2011, in Docket No. A. 11-05-023, SDG&E filed an application and its opening testimony with the CPUC for authorization to enter into three purchase power tolling agreements ("PPTAs"), including the PPTA for the Quail Brush Generation Project.

The Application explains that SDG&E requested authorization to enter into the three PPTAs to meet local capacity requirements, based on the CPUC's prior finding that SDG&E had a need for 530 MW of new local capacity resources in the San Diego load pocket by 2015. See CPUC Decision ("D.") 06-06-064¹ (imposing local capacity requirements on the investor-owned utilities to ensure that they have adequate capacity available to meet local needs in load pockets where limitations on transmission prevent generation outside the load pocket from being able to back-up generation

¹ Available at: http://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_DECISION/57644.PDF.

within it); D.08-11-008² at 25-26 (confirming SDG&E's authorization to procure resources in order to meet its need for 530 MW of new local capacity resources in the San Diego load pocket by 2015).

b. EXHIBIT I(b): SDG&E Prepared Direct Testimony (May 19, 2011)

This testimony was filed concurrently with and in support of SDG&E's Application. Witnesses Robert Anderson and Brad Mantz of SDG&E provided testimony relevant to the need for the PPTA with the proposed Project. Robert Anderson provided background information (Exhibit I(b) at pp. 8-16), described the Request for Offers ("RFO") design process and bid selection process (*id.* at 17-26), explained the PPTAs' consistency with prior CPUC decisions (*id.* at 40-48), and described the participation of the Procurement Review Group and the Independent Evaluator (*id.* at 48-52). Brad Mantz described the details of the Quail Brush Generation Project selection and the Project's PPTA. *Id.* at 36-40.

The exhibits to the Prepared Direct Testimony include, among other documents, the Independent Evaluator's Report which concurred with SDG&E's conclusion that the three projects under consideration are needed to satisfy local resource adequacy requirements. *See* Exhibit I(b) at Appendix 9, p. 8.

c. EXHIBIT I(c): SDG&E Rebuttal Testimony (October 21, 2011)

SDG&E witness Robert Anderson provided Rebuttal Testimony in response to testimony provided by various intervenors in the CPUC A. 11-05-023 proceeding. Among other things, this testimony explained that there is a need for local resources even after accounting for the Sunrise Powerlink (Exhibit I(c) at RA-6 through RA-7), justified SDG&E's planning assumptions relating to energy efficiency, demand response, and anticipated once-through cooling ("OTC") plant retirements (*id.* at RA-10 through RA-18).

d. CAISO Prepared Direct Testimony (March 9, 2012)

i. EXHIBIT I(d)(i): Testimony of Mark Rothleder

CAISO witness Mark Rothleder testified regarding the CAISO's renewable integration studies and its OTC retirement studies. He concluded it is "clear that there will be substantial needs for new, or repowered, generation resources in several local capacity areas, including the San Diego area, in as early as 2018 when the existing OTC units must comply with the OTC requirements." Exhibit I(d)(i) at 3. He also explained that the load-serving entities should be authorized to procure flexible thermal resources (those resources that have "the ability to be dispatched and will respond to such dispatches based on the resources registered ramp rate" in the local area) "as soon as possible in the timeframe set forth in the [Long Term Procurement Proceeding] settlement agreement." *Id.* at 4. Mr. Rothleder also explained that "the ISO is not aware of a viable alternative to flexible conventional generation that has all the attributes of such resources, including voltage support, flexibility, sustained energy supply, reliable responsiveness, no significant use limitations, and the ability to provide energy regulation, operating reserves, and load following." *Id.*

² Available at: http://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_DECISION/93602.PDF.

ii. EXHIBIT I(d)(ii): Testimony of Robert Sparks

CAISO witness Robert Sparks described the San Diego area local capacity needs that the CAISO has identified based on analysis from three studies: (1) a local capacity requirements study that addresses local capacity needs in the immediate future, (2) a longer-term local capacity requirements study addressing needs through 2016, and (3) a study of local capacity needs in San Diego for 2021 based on transmission planning studies that the CAISO conducted during its 2011/2012 transmission planning process, and taking into account various renewable scenarios and the future of OTC power plants. Exhibit I(d)(ii) at 1-13. He concluded that “[t]he ISO’s studies have identified substantial local area resource needs in San Diego,” that “[i]t is important that resources be procured in the area as quickly as possible,” and the proposed Project and the other two projects under consideration “partially meet such needs.” *Id.* at 13.

e. EXHIBIT I(e): CAISO Prepared Supplemental Testimony (April 6, 2012)

CAISO witness Robert Sparks provided supplemental testimony following new CAISO analysis based on revised Western Electricity Coordinating Council (“WECC”) reliability criteria. He explained that while at first the CAISO had found that the most limiting contingency in 2021 for the San Diego local capacity area would be the outages of the Sunrise Powerlink and Southwest Powerlink overlapping with an outage of the Otay Mesa plant, upon applying new WECC criterion, the most limiting contingency would be the loss of the Imperial Valley-Suncrest 500 kV line followed by the loss of the ECO-Miguel 500 kV line. Exhibit I(e) at 2-4. He also explained the difference between the San Diego local area and the San Diego-Imperial Valley local area. *Id.* at 6-7.

f. SDG&E Prepared Supplemental Testimony (April 27, 2012)

i. EXHIBIT I(f)(i): Testimony of Robert Anderson

SDG&E witness Robert Anderson submitted additional testimony to address the question: “How much new generation, if any, does SDG&E require to meet its Local Capacity Requirement for the planning horizon 2011 to 2020 considering, but not limited to, the CAISO’s 2011-12 transmission plan.” Exhibit I(f)(i) at RA-1. The witness explained that SDG&E’s analysis shows that after considering “uncommitted energy efficiency, demand response programs, and new renewable or combined heat and power resources, . . . there is still a remaining need of 647 MW for 2020,” and provided the basis for that conclusion. *Id.* at RA-4 through RA-11. He also explained that SDG&E concurs with CAISO’s conclusion that “the San Diego area needs a significant amount of new, flexible-ramping generation,” and that “[t]he generation from the PPTAs proposed in SDG&E’s Application will meet at least a large portion of this need by helping to achieve the important objectives of serving the local reliability needs in the San Diego area, providing the flexibility that the CAISO needs to integrate renewable power.” *Id.* at RA-2. The testimony concluded with an explanation of how the proposed Project and other projects under consideration in the proceeding would enable aging OTC plants to retire while “provid[ing] the San Diego service area with adequate generation resources.” *Id.* at RA-12.

ii. EXHIBIT I(f)(ii): Testimony of Juancho Eekhout

SDG&E witness Juancho Eekhout testified to update the CPUC on the then-current status of the PPTAs, but did not specifically address issues relating to LCR need. *See* Exhibit I(f)(ii) at JE-1.

iii. EXHIBIT I(f)(iii): Testimony of Jan Strack

SDG&E witness Jan Strack submitted supplemental testimony in which he reached and explained the basis for the following conclusions: “(1) SDG&E and the CAISO each have independently determined that the San Diego LCR area needs additional dependable capacity; (2) the three generating facilities for which SDG&E is seeking approval in this application, namely, the Escondido Energy Center, LLC, Pio Pico Energy Center, LLC and Quail Brush Genco, LLC . . . will be fully deliverable with a minor grid reconfiguration and will thereby count towards the San Diego area LCR; and (3) there are relatively minor transmission upgrades that will eliminate the Encina LCR sub-area, thereby removing any requirement for generation in the Encina area and allowing dependable capacity added anywhere within the San Diego area to satisfy San Diego area LCRs.” *See* Exhibit I(f)(iii) at JS-1 through JS-2. He also explained how the various relevant LCR areas are established and defined. *Id.* at JS-2 through JS-4.

g. EXHIBIT I(g): CAISO Prepared Rebuttal Testimony of Robert Sparks (June 6, 2012)

CAISO witness Robert Sparks submitted testimony in response to filings made by various intervenors in the proceeding. He specifically addressed the intervenors’ challenges to the CAISO’s assumptions and calculations relating to demand response, uncommitted energy efficiency, uncommitted combined heat and power, energy storage, and distributed generation resources. *See* Exhibit I(g) at 1-8. He also explained his conclusion that “it would not be prudent planning to rely on an automatic load shedding [special protection scheme]” to mitigate the effects of the San Diego local area’s most limiting contingency. *See id.* at 9-12. Additionally, Mr. Sparks addressed issues relating to the CAISO’s load forecast, planning horizon and transmission planning efforts. *See id.* at 12-18. Lastly, he explained that generation used to replace retiring OTC capacity should be flexible characteristics. *See id.* at 18-19.

h. SDG&E Prepared Supplemental Rebuttal Testimony (June 6, 2012)

i. EXHIBIT I(h)(i): Testimony of Robert Anderson

SDG&E witness Robert Anderson addressed various arguments raised by intervenors, explaining that PPTAs will not result in over-procurement or crowd out preferred resources, and provided the basis of SDG&E’s planning assumptions, forecast data, and assumptions relating to demand response, energy efficiency and other resources. *See* Exhibit I(h)(i) at RA-3 through RA-19. Mr. Anderson also explained that “SDG&E has proposed the 3 PPTAs for approval because doing so is in the best, long-term interests of San Diego area electric consumers to obtain reliable, clean, generation that will serve the local reliability needs for decades to come and will support the integration of renewable generation.” *Id.* at RA-3.

ii. EXHIBIT I(h)(ii): Testimony of Jan Strack

SDG&E witness Jan Strack submitted testimony to address issues relating to the Encina sub-area. He explains that a reconductoring project can eliminate the Encina sub-area and that “[i]f the Encina sub-area is eliminated, then, for purposes of satisfying San Diego area local capacity requirements, generation anywhere within the San Diego area would exhibit ‘electrical equivalence’ with generation

at Encina.” Exhibit I(h)(ii) at JS-2 through JS-3. He also addressed various concerns relating to the Encina Power Plant and proposed transmission upgrades. *Id.* at JS-3 through JS-16.

iii. EXHIBIT I(h)(iii): Testimony of Athena Besa

SDG&E witness Athena Besa submitted testimony to respond to intervenors’ testimony regarding SDG&E’s uncommitted energy efficiency assumptions and demand response goals. *See* Exhibit I(h)(iii) at AB-1 through AB-6.

i. EXHIBIT I(i): CPUC Hearing Transcripts (June 19-22, 2012)

The CPUC conducted a four-day evidentiary hearing regarding the three PPTAs at issue. The hearing transcript from June 19, 2012 is included as Exhibit I(i)(i); the hearing transcript from June 20, 2012 is included as Exhibit I(i)(ii); the hearing transcript from June 21, 2012 is included as Exhibit I(i)(iii); and hearing transcript from June 22, 2012 is included as Exhibit I(i)(iv).

II. California Independent System Operator Plans and Reports

a. CAISO 2011-2012 Transmission Plan

i. EXHIBIT (a)(i): Board Approved Transmission Plan (March 23, 2012)

For its 2011-12 Transmission Plan the CAISO prepared a study on local capacity area needs and the impact of retirement of power plants that use OTC under four different scenarios. The results of the study can be found in Chapter 3. With respect to local capacity area needs for the San Diego area, the CAISO concluded that in order to retire power plants using once-through cooling technology, there is a need for between 650 MW and 950 MW of generating capacity for the four scenarios studied. *See* Exhibit II(a)(i) at 251, Table 3.3-42.³

ii. EXHIBIT (a) (ii) Addendum to Board Approved Transmission Plan (June 12, 2012)

This Addendum to the Board-approved 2011-2012 Transmission Plan updates the study results for the LCR sensitivity analyses of the mid net load scenario conducted at the request of the Commission, the CPUC, and the California Air Resources Board.

b. 2013 Local Capacity Technical Analysis

i. EXHIBIT II(b)(i): 2013 Local Capacity Technical Analysis (April 30, 2012)

This report documents the results and recommendations of the CAISO’s 2013 Local Capacity Technical Study. The report defines the various sub-areas that make up the San Diego local capacity area and the San Diego-Imperial Valley local capacity area, and sets out the most limiting contingency for each sub-area. Exhibit II(b) at 94-103. With regard to the San Diego Local Capacity Area, the report also explains that “there are expected LCR deficiencies in San Diego area due to the 2017

³ Additional technical appendices to the 2011-2012 Transmission Plan are available for download at: <http://www.caiso.com/planning/Pages/TransmissionPlanning/2011-2012TransmissionPlanningProcess.aspx>.

OTC compliance date for the Encina power plant and to the most restrictive contingency for this area limiting the pool of resources (qualifying capacity) effective in addressing the local area needs.” *Id.* at 3.

ii. EXHIBIT II(b)(ii): 2013 Local Capacity Technical Analysis - Addendum (August 20, 2012)

This addendum includes the results and recommendations of the 2013 Local Capacity Technical Study in the absence of the San Onofre Nuclear Generating Station (“SONGS”). Without the operation of SONGS in 2013, the CAISO’s analysis finds that the San Diego sub-area requirements and the San Diego-Imperial Valley area requirements increase significantly. *Id.* at 3, 19-27.

III. Other Policy Documents

a. EXHIBIT III(a): Commission Staff Report: “The Role of Aging and Once-Through-Cooled Power Plants in California - An Update” (February 2010)

In 2010, Commission Staff undertook issued a report that “describes the [OTC] plants and units central to retirement and replacement policies, their sizes and locations, their historical and current contribution to energy production in California, and their importance for the electrical system’s reliability needs.” Exhibit III(a) at v. With regard to the Encina Power Plant units, Staff recognized that “[r]etirement of the Encina facility would require at least an equal amount of replacement capacity in the [San Diego local resource area].” *Id.* at 47.

b. EXHIBIT III(b): State Water Resources Control Board Policy on Once-Through Cooling (July 19, 2011)

The current version of the State Water Resources Control Board policy which requires the retirement or retrofitting of power plants that use OTC is included as Exhibit III(b).

Sincerely,



Rick Neff

Enclosures

cc: Docket (11-AFC-3)



BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
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**APPLICATION FOR CERTIFICATION FOR THE
QUAIL BRUSH GENERATION PROJECT**

**DOCKET NO. 11-AFC-03
PROOF OF SERVICE**
(Revised 10/29/2012)

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DECLARATION OF SERVICE

I, Margaret Pavao declare that on October 30, 2012, I served and filed copies of the attached Letter and Attachments (CD) regarding Public Record Documents Supporting the Need for the Project, dated October 30, 2012. This document is accompanied by the most recent Proof of Service list, located on the web page for this project at: <http://www.energy.ca.gov/sitingcases/quailbrush/index.html>.

The document has been sent to the other parties in this proceeding (as shown on the Proof of Service list) and to the Commission's Docket Unit or Chief Counsel, as appropriate, in the following manner:

(Check all that Apply)

For service to all other parties:

- Served electronically to all e-mail addresses on the Proof of Service list;
- Served by delivering on this date, either personally, or for mailing with the U.S. Postal Service with first-class postage thereon fully prepaid, to the name and address of the person served, for mailing that same day in the ordinary course of business; that the envelope was sealed and placed for collection and mailing on that date to those addresses marked "hard copy required" or where no e-mail address is provided.

AND

For filing with the Docket Unit at the Energy Commission:

- by sending an electronic copy to the e-mail address below (preferred method); OR
- by depositing an original and 12 paper copies in the mail with the U.S. Postal Service with first class postage thereon fully prepaid, as follows:

CALIFORNIA ENERGY COMMISSION - DOCKET UNIT
Attn: Docket No. 11-AFC-03
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512
docket@energy.ca.gov

OR, if filing a Petition for Reconsideration of Decision or Order pursuant to Title 20, § 1720:

- Served by delivering on this date one electronic copy by e-mail, and an original paper copy to the Chief Counsel at the following address, either personally, or for mailing with the U.S. Postal Service with first class postage thereon fully prepaid:

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I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, that I am employed in the county where this mailing occurred, and that I am over the age of 18 years and not a party to the proceeding.

Margaret Pavao

Margaret Pavao