



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**FILED**  
04-06-12  
04:59 PM

Order Instituting Rulemaking to Integrate and Refine  
Procurement Policies and Consider Long-Term  
Procurement Plans.

Rulemaking 12-03-014  
(Filed March 22, 2012)

**COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO ON THE  
SCOPE OF THE LONG-TERM PROCUREMENT PLAN PROCEEDING**

Pursuant to the Order Instituting Rulemaking (OIR) 12-13-014 inviting comments on the OIR as an initial scoping ruling (OIR, paragraph 6, page 12) and the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the City and County of San Francisco (San Francisco) presents these initial comments addressing the proposed scope for the Long-Term Procurement Plan (LTPP) OIR. San Francisco supports the proposed scope to consider long-term system and local reliability resource planning and the IOU's bundled procurement plans. The Commission's decision to examine recent energy policy decisions and significant changes in resource planning and procurement is timely and crucial. This LTPP proceeding will take place with California at a significant decision point in the largest electric industry infrastructure investment and development undertaking in the state's history. It is therefore appropriate for this LTPP to take a comprehensive look at the potential total cost impact of these decisions, given that California energy rates will reflect those decisions over the next 30 years and beyond. As the Commission has recently noted, renewable energy costs have more than doubled since 2002, without taking into consideration transmission integration costs.<sup>1</sup>

San Francisco is particularly concerned with recent reports from the CAISO regarding the oversubscription for generation interconnection requests represented by the projects in the

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<sup>1</sup> CPUC Renewables Portfolio Standard, 4<sup>th</sup> Quarterly Report, 2011.

current CAISO Generator Interconnection Queue for Clusters 1-4. The current queue collectively represents an approximately 55,000 MW of proposed new generating capacity, far in excess of that needed to meet the estimated 11,000-13,000 MW of new renewable generation needed to meet the 33% RPS.<sup>2</sup> The potential for burdening the state's ratepayers with the cost of unneeded, inefficient and ultimately, stranded transmission network upgrades cannot be ignored.

These circumstances were highlighted in recent stakeholder and Board of Governor proceedings at the CAISO in the context of Transmission Planning Process (TPP) – Generator Interconnection Process (GIP) Integration. The CAISO Board of Governors adopted a new TPP-GIP Integration plan on March 23, 2012. San Francisco supported this proposal and urged the CAISO to apply its new approach to projects in the current queue. The CAISO has declined to do so. This decision has several important implications for this proceeding. First, all of the transmission network upgrades associated with the Serial through Cluster 4 interconnection requests will be assumed to be part of the existing transmission network for the first transmission planning study anticipated for Phase 2 of Cluster 5. Not one of these projects has been evaluated for cost effectiveness or undergone any economic assessment in a resource or transmission planning process.

Second, absent a commitment by the CAISO to perform the new TPP-GIP Integration deliverability analysis before Phase 2, Cluster 5, the Commission will undertake the long-term planning and procurement plan development in this proceeding without regard to the status of the actual projects for which ratepayer funding will be obligated should those projects proceed to completion; this includes all projects currently in the CAISO Generator Interconnection Queue, Serial through Cluster 4.

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<sup>2</sup> “Briefing on Renewable Integration in the ISO Generator Interconnection Queue,” by Robert Emmert, Manager, Interconnection Resources at the Board of Governors Meeting General Session, October 27-28, 2011.

Third, the estimated cost impact of the transmission network upgrades associated with the 2011/2012 CAISO Transmission Plan Supporting Renewable Energy Goals is approximately \$7.6 billion, without including the generation resource costs for the associated projects. It has been estimated that should these transmission Network Upgrade (NU) projects be included in the High Voltage Transmission Access Charge (HV TAC), ratepayers could see a rate increase of 75% by the year 2020, raising the current \$6.8/MWh HV TAC to nearly \$17/MWh. The additional NUs triggered by the generation projects in the current queue could significantly further increase the HV TAC.

In this proceeding, the Commission has targeted appropriately the reassessment of transmission assumptions, length of planning horizon (10-year to a possible 20-year planning outlook) and updated 33% RPS renewable portfolio scenarios to assess other cost-effective resource strategies. OIR at pages 8-12. The OIR has also properly highlighted the need for interagency consideration of the issues in this proceeding, particularly the need to work cooperatively with the CAISO on “matters that directly impact long-term procurement, including renewable integration modeling, transmission planning and wholesale market issues.” OIR at page 6. In this context, San Francisco urges the Commission to include the following items within the scope of this OIR:

- 1) This proceeding should reassess and realign the CAISO’s deliverability assessment used in its transmission planning studies and transmission allocation with the Commission’s least-cost, best fit long-term resource planning and procurement oversight. The current CAISO criteria requires intermittent resources to be deliverable under extremely unlikely conditions which in turn adversely impacts the ability for an LSE to satisfy RA requirements. The CAISO generator interconnection process does not assure a least cost method to achieve the resource

adequacy needs of the LSE's nor of the CAISO grid, yet that process has become the major driver in transmission cost increases. For example, generators responding to IOU renewable resource solicitations are being asked to provide resources that are fully deliverable. This leads to those generators choosing the "full capacity" option when they apply for interconnection with the CAISO. The CAISO plans to use its existing deliverability assessment methodology for the many major generation projects in the large existing queue and is in the process of finalizing a methodology for quantifying and allocating deliverability for Distributed Generation projects. San Francisco urges the Commission and CAISO to align those criteria and analytical tools with the development of long-term, least cost, best fit resource plans and procurement strategies in this proceeding.

The Commission should closely consider operational, commercial or planning options that lead to the same level of resource adequacy eligible procurement without the obligation to fund an otherwise unneeded and costly transmission investment. Absent Commission intervention at this point, the current method puts all ratepayers at risk for funding unnecessary and extremely costly deliverability upgrades to interconnect the serial through Cluster Study 4 projects. The Commission can and should effectively modify the current process of achieving resource adequacy and RPS goals to avoid excessive and unnecessary ratepayer costs.

2) The LTPP resource plans and procurement scenarios should explicitly include and evaluate transmission upgrade costs associated with any proposed new resource procurement. While there may be significant challenges to this task, at a minimum, the Commission should develop a procurement analysis in this proceeding that includes scrutiny of any transmission cost adder and require that such analysis be subject to broad stakeholder review.

For all the foregoing reasons, San Francisco urges the Commission to include the items discussed above herein in the scope of this proceeding.

Respectfully submitted,

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April 6, 2012