

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) for a Certificate of Public Convenience and Necessity Regarding the Eldorado-Lugo-Mohave Series Capacitor Project.

A.18-05-007

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY BRIEF
SUPPORTING ITS APPLICATION FOR A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY TO CONSTRUCT THE ELDORADO-LUGO-
MOHAVE SERIES CAPACITOR PROJECT

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LIST OF COMMONLY USED ACRONYMS AND ABBREVIATIONS

A.	Application
AACE	Association for the Advancement of Cost Engineering
AFUDC	Allowance for Funds Used During Construction
APM	Applicant Proposed Measure
BLM	Bureau of Land Management
CAISO	California Independent System Operator
Cal Advocates	Public Advocates Office at the California Public Utilities Commission
CCA	Community Choice Aggregator
CDFW	California Department of Fish and Wildlife
CEC	California Energy Commission
CESA	California Endangered Species Act
CEQA	California Environmental Quality Act (Cal. Pub. Resources Code § 21000 <i>et seq.</i>)
CEQA Guidelines	Guidelines for the Implementation of the California Environmental Quality Act (Title 14, Cal. Code Regs. §15000 <i>et seq.</i>)
Commission	California Public Utilities Commission
CPCN	Certificate of Public Convenience and Necessity
CPUC	California Public Utilities Commission
CREZs	Competitive Renewable Energy Zones
CWIP	Construction Work In Progress
D.	Decision
EIR	Environmental Impact Report
ELM Project	Eldorado-Lugo-Mohave Series Capacitor Project

ESA	Endangered Species Act
EO	Energy Only
FCDS	Full Capacity Deliverability Status
FERC	Federal Energy Regulatory Commission
GIA	Generator Interconnection Agreement
IA	Interconnection Agreement
IOU	Investor-Owned Utility
IRP	Integrated Resource Plan
IR	Interconnection Request
IS	Initial Study
ITP	Incidental Take Permit
kV	Kilovolt
LSE	Load Serving Entity
LTPP	Long-Term Procurement Plan
LADWP	Los Angeles Department of Water & Power
MW	Megawatt
MM	Mitigation Measure
MND	Mitigated Negative Declaration
MRPC	Maximum Reasonable and Prudent Cost
NEPA	National Environmental Policy Act
NERC	North American Electric Reliability Corporation
NOP	Notice of Preparation
Next Era	NextEra Energy Resources, LLC

OPGW	Optical ground-wire
OPHW	Overhead ground-wire
PEA	Proponent’s Environmental Assessment
PHC	Prehearing Conference
PPA	Power Purchase Agreement
PTC	Permit to Construct
QC	Queue Cluster
RA	Resource Adequacy
REC	Renewable Energy Credit
ROW	Right-of-Way
RPS	Renewables Portfolio Standard
SDG&E	San Diego Gas & Electric
SB	California Senate Bill
SCE	Southern California Edison Company
Scoping Memo	<i>Assigned Commissioner’s Scoping Memo And Ruling</i> (issued August 12, 2019 and amended (to update briefing schedule) on December 9, 2019)
TCA	Transmission Control Agreement
TO	Transmission Owners
TOT	Transmission Owner Tariff
TPP	Transmission Planning Process
VEA	Valley Electric Association
WDAT	Wholesale Distribution Access Tariff
Wild Tree	Wild Tree Foundation

RECORD CITATION FORM

Record exhibits are cited according to the following formats:

- Citations to prepared written testimony are cited as: “Exh. [ABBREVIATED OFFERING PARTY DESIGNATION]-[number] ([witness last name]), at [page(s): line(s)].”
- Citations to exhibits introduced during the December 3, 2019 evidentiary hearing are cited as: “Exh. [number]X, at [page(s): line(s)].”¹
- Citations to the *2019 Final Mitigated Negative Declaration* for the Eldorado Lugo Mohave Project are cited as: “Exh. SCE-3 (Final MND), at Vol. [number], at [page(s)].”²
- Citations to the transcript of the December 3, 2019 evidentiary hearing proceeding (as transcribed by Andrea Ross, CSR No. 7896; Jason Stacey, CSR No. 14092; and Rebekah DeRosa, CSR No. 8708) are cited as: “Transcript, Vol. [number] ([Party/witness or speaker last name]), at [page(s):line(s)].”
- Citations to Opening Briefs are cited as: [Party], at [page(s)]

¹ Exhibit designations correspond to the designations assigned by Administrative Law Judge Jason Jungreis at the evidentiary hearing held December 3, 2019. The designations generally correspond to combinations consisting of abbreviated party names and numbers.

² The 2019 Final MND is available online at:
https://www.cpuc.ca.gov/environment/info/aspen/elm/fmnd/1_mnd.pdf.

SUMMARY OF RECOMMENDATIONS

Southern California Edison Company (“SCE”) has requested that the California Public Utilities Commission (“CPUC” or “Commission”) grant SCE’s application for a Certificate of Public Convenience and Necessity (“CPCN”) for the Eldorado-Lugo-Mohave Series Capacitor Project (“ELM Project”).

In this Reply Brief, SCE rebuts arguments by the Public Advocates Office of the California Public Utilities Commission (“Cal Advocates”) and the Wild Tree Foundation (“Wild Tree”) that the ELM Project is not needed. Both Cal Advocates and Wild Tree attempt to unravel what have been years of planning by the CPUC and the California Independent System Operator (“CAISO”) focused on ensuring the state’s Renewable Portfolio Standards (“RPS”) are met. SCE has provided a preponderance of evidence in support of approval of the ELM Project at the estimated cost and has shown that the ELM Project is in the public interest. Pursuant to Rule 13.11 of the Commission’s Rules of Practice and Procedure, SCE provides the following summary of points that are further developed throughout the balance of this Reply Brief:

1. The Commission should find that the ELM Project is needed. The ELM Project will provide the transmission capacity necessary to make the CPUC’s 33 percent RPS portfolios fully deliverable. The ELM Project will also provide ancillary benefits in the form of Resource Adequacy (“RA”). The Commission should disregard arguments by Cal Advocates and Wild Tree that the ELM Project is not needed to meet the state’s RPS goals or provide generators with full deliverability. To the contrary, the record shows that transmission capacity the ELM Project makes available is necessary for the generation identified in the CPUC’s RPS portfolios to

be fully deliverable, ensuring sufficient transmission capacity exists to meet the state's RPS goals.³

2. The Commission should reject arguments by Cal Advocates and Wild Tree that suggest the process the CAISO used to identify the need for the ELM Project should be revised. The CAISO found the ELM Project to be needed through its generator interconnection process and affirmed this need through its transmission planning process. Any arguments regarding the sufficiency of that process are not proper for this forum.
3. The Commission should disregard Wild Tree's arguments that the Mitigated Negative Declaration ("MND") prepared for the ELM Project was legally insufficient, as the record clearly shows that the ELM Project would not result in any significant environmental impacts that cannot be mitigated to a less than significant level.
4. The Commission should disregard Wild Tree's and Cal Advocates' arguments that alternatives to the ELM Project are required. A preponderance of evidence in the record demonstrates that both the CPUC and the CAISO considered demand-side and distributed generation alternatives during each of their respective planning processes. The record also demonstrates that SCE and the CPUC considered transmission alternatives to the ELM Project.
5. The Commission should find that SCE's estimated costs for the ELM Project are reasonable and prudent. Cal Advocates' cost arguments are largely premised on a mischaracterization of SCE's position regarding contingency estimates, and the false

³ RPS procurement requirements are 33% by end of 2020, 44% by end of 2024, 52% by the end of 2027, and 60% by end of 2030 and a state goal of 100% by end of 2045. (Cal. Pub. Util. Code § 399.33; Cal. Pub. Util. Code § 454.53.)

assumption that SCE's right to seek recovery for unforeseeable costs somehow hinders the ability to establish a maximum and reasonable prudent cost ("MRCP") for the ELM Project. The Commission should reject Cal Advocates' arguments as SCE has provided sufficient evidence to support its cost estimates.

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I.

INTRODUCTION AND SUMMARY OF REPLY

Pursuant to Rule 13.11 of the Rules of Practice and Procedure of the California Public Utilities Commission (“CPUC” or “Commission”), Southern California Edison Company (“SCE”) respectfully provides this Reply Brief in support of SCE’s application for a certificate of public convenience and necessity (“CPCN”) to construct the Eldorado-Lugo-Mohave Series Capacitor Project (“ELM Project”). This Reply Brief responds to the Opening Briefs of the Public Advocates Office of the California Public Utilities Commission (“Cal Advocates”) and the Wild Tree Foundation (“Wild Tree”). All of the parties to this proceeding, with the exception of Cal Advocates and Wild Tree argue in favor of the ELM Project.

Cal Advocates and Wild Tree (collectively, the “Intervenors”) make numerous flawed assumptions and arguments about the ELM Project, each of which is addressed in turn. For example, both Cal Advocates and Wild Tree claim that the project is not needed to support the state’s Renewable Portfolio Standards (“RPS”) because SCE has already met its 33 percent RPS

goal. The CPUC should dismiss this argument as the ELM Project is needed to provide increased transmission capacity to deliver additional renewable generation in furtherance of the statewide RPS goal. Cal Advocates and Wild Tree also argue that the renewable generation identified in the CPUC's 33 percent RPS portfolio does not need to be fully deliverable. This argument should also be dismissed as the CPUC-developed portfolios clearly require all renewable generation from within the constrained Desert Area to have full deliverability. Cal Advocates argues that generators can provide resource adequacy ("RA") without having full deliverability. This argument should also be dismissed, as resources must be fully deliverable to provide RA. Lastly, Cal Advocates states the CPUC should reevaluate the need for the project using a new deliverability methodology. The CPUC should dismiss this argument, as the proposed deliverability methodology has not been approved and the record clearly demonstrates a continued need for the project.

Wild Tree also makes a number of inaccurate factual and legal assertions about the Mitigated Negative Declaration ("MND") prepared for the ELM Project. For example, Wild Tree asserts that the Commission improperly prepared an MND, instead of an Environmental Impact Report ("EIR"). This argument should be summarily dismissed as the record demonstrates that the ELM Project will be constructed largely in existing right-of-way ("ROW") and will not create any environmental impacts that cannot be mitigated to a less than significant level.

The Intervenor also argue that the Commission should have considered transmission alternatives and non-transmission alternatives (such as distributed generation and demand-side alternatives) to the ELM Project. However, the record demonstrates that SCE considered transmission alternatives, which were provided to the Commission in SCE's Proponent's Environmental Assessment ("PEA"), and that non-transmission alternatives were considered by both the CPUC and the California Independent System Operator ("CAISO"). In addition, the alternatives proposed by the Intervenor would not meet the ELM Project Objectives, which is a

fundamental requirement under CEQA. Accordingly, Wild Tree and Cal Advocates' arguments related to a lack of alternatives analysis should be summarily rejected.

The majority of the arguments made by the Intervenors are misplaced in this proceeding because they amount to sweeping policy-based challenges and general critiques of the Commission's or the CAISO's long-standing, carefully coordinated planning processes. For example, the Intervenors attempt to reverse years of state-wide policy by arguing that the need for transmission upgrades should not consider the requirements of the CPUC-developed portfolios, including the requirement for FCDS. Such an abrupt policy transformation has been rejected by the CAISO and could cause significant economic harm to generators that have reasonably relied upon the existing transmission planning framework, thereby acting as a deterrent to the development of future renewable generation.

The Intervenors provide little in the way of evidence to support their arguments, and the majority of Wild Tree's arguments are wholly premised on the opinion of its one witness. In contrast, the preponderance of record evidence from SCE, the CAISO, and the generator parties to this proceeding strongly supports the need for the ELM Project.⁴ The CAISO has repeatedly confirmed that the ELM Project is needed to provide deliverability for generation interconnection requests and to support renewable generation development to meet California's RPS goals. Contrary to the Intervenors' position that the ELM Project is not needed to facilitate renewable generation development, CAISO has unequivocally determined that the ELM Project is needed to achieve the renewable energy goals and the requirements of the renewable generation portfolios provided by the Commission for transmission planning purposes. In addition, CAISO's updated policy-driven transmission planning analysis confirmed a continuing need for the ELM Project,⁵ finding that existing transmission capacity is inadequate to support

⁴ As detailed in SCE's Opening Brief, the preponderance of the evidence supports a finding of need under both California Public Utilities Code Section 1001 *et. seq.* and Section 399.2.5(a).

⁵ CAISO Opening Brief, p. 3. Specifically, the CAISO assessed the transmission system using the Commission-developed RPS portfolios provided for the 2019-2020 transmission planning process.

the full deliverability of the resources identified in the most recent Commission-developed RPS portfolio⁶ and therefore the ELM Project upgrades remain necessary⁷ to integrate the renewable resources needed to meet the state's RPS goal.

Despite a wealth of evidence to the contrary, the Intervenor raise various challenges to evidence of this need⁸ and claim that the CPUC erred in requiring all generation in the portfolio to be fully deliverable, that the CAISO erred in identifying the ELM Project as needed to provide additional transmission capacity to support the CPUC's RPS portfolios, and that the iterative transmission planning process used by the CPUC and the CAISO to identify how best to bring additional renewable resources online is "outdated." The Intervenor argue that the state can meet its renewable energy goals without the upgrades proposed in SCE's CPCN Application and discount any studies by CAISO to the contrary.⁹ Cal Advocates and Wild Tree's arguments against the need for the ELM Project ignore evidence demonstrating that the ELM Project is needed as a CAISO-identified public-policy driven project intended to facilitate deliverability of significant renewable generation to meet statewide RPS goals.

Because the Intervenor cannot point to credible analysis or substantive evidence that materially undermines the need for the ELM Project, the Commission should find that the preponderance of evidence in the record supports the ELM Project.

⁶ Exh, CAISO-1 (Barave), at 8:6-8.

⁷ *Id.*, at 14:11-14.

⁸ Cal Advocates asserts that SCE has provided no evidence that the project is needed to meet SCE's RPS goals. Wild Tree asserts that SCE does not need ELM because the portfolios identifying the need have been superseded, that SCE has already met its 33 percent RPS goal, and that if a need exists, it can be met through other means, such as the purchase of renewable energy credits (RECs).

⁹ Cal Advocates Opening Brief, at 10.

II.

THE ELM PROJECT IS NEEDED TO MEET THE REQUIREMENTS OF THE CPUC'S RPS PORTFOLIOS

A. The CPUC-Developed Portfolios Identify the Renewable Generation Needed to Meet the State's 33 Percent RPS Goals

The CPUC is responsible for identifying what new generation resources are needed to meet the state's RPS goals. Using information provided by the CEC¹⁰ the CPUC determines whether enough renewable generation is, or will be available, to meet the requirements of the RPS. If the CPUC determines additional renewable resources are needed to meet the RPS goal, the CPUC develops RPS "portfolios" that identify the amount ("MW"), type (*e.g.* solar and wind), attributes (*e.g.* full deliverability), and location (categorized as a Competitive Renewable Energy Zone ["CREZ"]) of renewable generation needed to meet the statewide RPS goal.¹¹ The CPUC developed portfolios to meet the 33 percent RPS goal. The CPUC required all renewable generation in its 33 percent RPS portfolios to be fully deliverable. The CPUC provided these portfolios to the CAISO for use in the CAISO Transmission Planning Process ("TPP").¹² The CAISO TPP identified which transmission upgrades, if any, were necessary to make the renewable generation identified in the CPUC's RPS portfolios fully deliverable.

¹⁰ The CEC provides the CPUC with a retail sales forecast, demand forecast, environmental scores, and list of online renewable resources that the CPUC then uses to determine the total amount of additional renewable resources needed to meet the statewide RPS goal.

¹¹ Formerly this forecast was developed using the RPS Calculator. RPS Calculator User Guide Version 6.2 can be found on the CPUC's *RPS Calculator Home Page* at https://www.cpuc.ca.gov/RPS_Calculator/. Version 6.2 of the user guide can be found at <https://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=10349>. The RPS Calculator has since been replaced as part of the new Integrated Resource Planning (IRP) process.

¹² See *e.g.*, Exh. SCE-1 (Chacon) A5, at 772-775, Exh. SCE-1 (Chacon) A6, at 1096-1098.

Wild Tree and Cal Advocates argue that the ELM Project is not needed to meet the state's RPS goals because SCE has already met and exceeded its 2020 RPS goals and SCE has not been directed to procure additional RPS eligible resources through 2030.¹³

These arguments misunderstand the distinction between an individual LSE's compliance with the RPS goals and the statewide need to comply with those goals. An LSE's anticipated individual compliance with the 33 percent RPS goal does not mean that there has been statewide compliance with that goal. The ELM Project is necessary to accommodate the renewable energy resources identified in the CPUC portfolio needed to meet a statewide, rather than an individual, RPS goal.

SCE is obligated by the CAISO tariff¹⁴ and SCE's Transmission Control Agreement ("TCA")¹⁵ to seek approval for upgrades to the transmission system identified by CAISO as needed to meet the requirements of the CPUC-developed RPS portfolios.¹⁶ SCE's individual compliance with the RPS goals does not impact the need for the transmission upgrades identified by the CAISO. Therefore, it is incorrect to argue that because SCE will not procure additional RPS resources through 2030 that SCE should not comply with the CAISO's direction to upgrade SCE's transmission lines to provide the transmission capacity needed to accommodate the generation identified in the CPUC-developed RPS portfolios.

¹³ Cal Advocates Opening Brief, at 10-11, Wild Tree Opening Brief, at 23.

¹⁴ See *California Independent System Operator Corporation, Fifth Replacement FERC Electric Tariff (Open Access Transmission Tariff)* (Effective Sept 28, 2019) ("CAISO Tariff") (available here: <http://www.caiso.com/Documents/Conformed-Tariff-asof-Sep28-2019.pdf>, last checked Nov. 15, 2019), at 602 (§ 24.5.1), 614 (§ 24.6).

¹⁵ Exh. SCE-2 (Chacon), at Attachment A.

¹⁶ *Id.*, at 24:3-13.

B. The CAISO Identified the ELM Project As Necessary to Accommodate the Renewable Generation Identified in the CPUC’s RPS Portfolios

Cal Advocates and Wild Tree contend that SCE has not shown that the increased transmission capacity the ELM Project makes available is needed to meet the RPS goals because all renewable generation, regardless of its deliverability status, counts towards the RPS goals.¹⁷ The Intervenor’s argument confuses the goals of the RPS program with the requirements of the CPUC-developed 33 percent RPS portfolios. The CPUC-developed 33 percent RPS portfolios require that all renewable generation in those portfolios be fully deliverable. Under the RPS, any deliverable output from renewable generators who otherwise meet the elements of the RPS program, regardless of its deliverability status (FCDS or energy only [“EO”]), could count towards the state’s RPS goals. However, the CPUC-developed portfolios required that all generation identified in the 33 percent RPS portfolios must be “fully deliverable” — meaning the CAISO was required to design the transmission system to ensure that all generation in the portfolios could achieve FCDS.¹⁸

If the CPUC’s portfolios did not designate the type of deliverability required, then the Intervenor’s argument would be plausible. The CPUC could designate a certain percentage of the resources in the portfolio as having EO. The CAISO would then model the transmission upgrades needed to accommodate the resources in that portfolio. However, here, the CPUC’s 33 percent RPS portfolios required all generation resources to be fully deliverable.¹⁹

Using the CPUC-developed 33 percent RPS portfolios, the CAISO conducted the 2012-2013 and 2013-2014 TPPs to determine whether the CAISO controlled grid had adequate

¹⁷ Cal Advocates Opening Brief, at 11; Wild Tree Opening Brief, at 31.

¹⁸ Exh. SCE-1 (Chacon), at 25:1 n.33; Exh. SCE-2 (Chacon), at 7:20-21, 8:1-2, 19-20, 9:1-4; Exh. Cal Adv-7 (CAISO Response to Interrogatory), at 3; Exh. CAISO-3 (Millar), at 8:10-11.

¹⁹ RPS Calculator User Guide, Version 6.2, at p. A-17 (noting that in prior versions of the RPS Calculator (V.1.0 – V.6.0), all new renewable resources were assumed to have full capacity deliverability status (FCDS).). Exh. SCE-1 (Chacon), Exhibit A14. *Available at* <https://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=10349>.

transmission capacity to deliver, with FCDS, the renewable generation identified in those portfolios.²⁰ The CAISO concluded that transmission upgrades were needed to relieve an existing transmission capacity constraint (the “Desert Area Deliverability Constraint”) that restricts the full deliverability of new renewable generation resources from several CREZs identified in the 33 percent RPS portfolio.²¹ Therefore, the CAISO identified the ELM Project as necessary to relieve this deliverability constraint and integrate the renewable resources identified in the CPUC’s 33 percent RPS portfolios located in the Desert Area.²²

Wild Tree claims that any need for FCDS is “no longer relevant,” that the provision of FCDS is “in fact against Commission policy given recent Commission decisions,” and that “FCDS was never a justification for this project but is most certainly not now, given clear Commission decisions to the contrary.”²³ Wild Tree cites to no authority, Commission decision, or evidence to support these claims.²⁴ The CPUC’s 33 percent RPS portfolios require all generation in the portfolio have FCDS and the CAISO’s most recent TPPs have re-confirmed that the ELM Project is still needed to accommodate the renewable generation identified in the CPUC’s portfolios.²⁵

²⁰ Exh. CAISO-1 (Barave), at 3:21 - 4:4.

²¹ *Id.*, at 4:10-12.

²² Exh. CAISO-3 (Millar), at 10:8-15.

²³ Wild Tree Opening Brief, at 32.

²⁴ Wild Tree Opening Brief, at 32.

²⁵ Exh. CAISO-3 (Millar), at 9:4-10.

1. Transmission Upgrades Identified in the CAISO's Transmission Plans are Incorporated into in all Future CAISO Transmission Planning Processes

The CAISO's TPP is used to determine what, if any, transmission improvements are needed to bring the generation identified in the CPUC's portfolios online.²⁶ If existing and planned transmission capacity is insufficient to deliver the generation identified in the CPUC's portfolio, the CAISO will design transmission solutions to accommodate those resources.²⁷ The CAISO transmission planning process is iterative; each annual transmission plan assumes that all transmission upgrades previously approved in earlier planning processes are to be developed as approved.²⁸ In other words, transmission upgrades approved in previous TPPs become part of the transmission system assumptions, or "base case," used in subsequent CAISO TPPs. Later TPPs do not supersede or replace prior TPPs but build upon the outcomes of prior TPPs.

The CAISO used the CPUC developed portfolios to conduct the 2012-2013 and 2013-2014 TPPs. Based on the requirements of the portfolios, the CAISO determined what transmission upgrades, if any, were necessary to support delivery of the generation included in the CPUC's portfolios. The CAISO's 2012-2013 and 2013-2014 TPPs identified a need to increase the capacity of the existing Eldorado-Lugo and Lugo-Mohave 500kV transmission lines to accommodate, with FCDS, the generation identified in the CPUC's RPS portfolios.

Once these transmission upgrades were identified, they became a part of the TPP base case, such that all subsequent CAISO TPPs assume that the upgrades identified in prior TPPs are built and the capacity made available by those upgrades is accessible to generators in the CAISO

²⁶ An overview of the Transmission Planning Process (TPP) and the incorporation of the 33 percent RPS Portfolios into the TPP can be found within the 2012-2013 and 2013-2014 CAISO Transmission Plans attached to Exh. SCE-1 as Exhibits A5 and A6 and are available at: <http://www.caiso.com/Documents/BoardApproved2012-2013TransmissionPlan.pdf> and http://www.caiso.com/Documents/Board-Approved2013-2014TransmissionPlan_July162014.pdf.

²⁷ Exh. CAISO-3 (Millar), at 2:25-26.

²⁸ *Id.*, at 4:18-19. For a detailed description of the CAISO's TPP process see Exh. CAISO-3 (Millar), at 2-8.

controlled grid. For example, the 2013-2014 TPP assumed the upgrades identified in the 2012-2013 TPP were built and that the transmission capacity those upgrades provide was available. Any transmission upgrades identified in any subsequent TPPs are incremental to those identified in prior TPPs.

Wild Tree contends that the CAISO's previous TPPs are "irrelevant"²⁹ and that the "old" portfolios have been "superseded" by either subsequent portfolios, the IRP process, or the requirements of SB 350³⁰ and CAISO's claims to the contrary are false.³¹ This argument is incorrect and reveals Wild Tree's fundamental misunderstanding of the CAISO's TPP process. As described above, the CAISO TPP process is iterative, all subsequent TPPs assume that all projects identified in previous TPPs have been constructed. For example, CAISO's 2014 TPP describes a number of previously identified renewable energy-driven transmission projects that were included in the base case for the 2014 TPP.³² Therefore, because subsequent TPPs do not supersede prior TPPs, there is no basis for Wild Tree's claim that there is no longer a need for the ELM Project.

2. Generation Identified in the CPUC 33 Percent RPS Portfolios Is Incorporated into Future CPUC RPS Portfolios

Similarly, the CPUC's portfolios are not "superseded" or "replaced" by later portfolios but build upon one another.³³ The CPUC considers the outcome of the CAISO's previous TPPs, built using the CPUC's portfolios, and uses them as a foundation to develop subsequent CPUC portfolios. CAISO's testimony confirms this process; "updated portfolios do not detract from

²⁹ Wild Tree Opening Brief, at 24.

³⁰ *Id.*, at. 23-24.

³¹ *Id.*, at. 33.

³² Exh. SCE-1 (Chacon), at A6, p. 1132-33.

³³ Exh. SCE-2 (Chacon), at 12:6-8.

previously-identified needs or the volumes requiring Full Capacity Deliverability Status but build on previous plans.”³⁴

Wild Tree claims that because the most recent portfolios developed through the IRP process do not require SCE to procure any additional RPS resources through 2030, the ELM Project is no longer needed.³⁵ Wild Tree’s argument ignores that the portfolios developed through the IRP process do not supersede prior portfolios which require the construction of the ELM Project.³⁶ Wild Tree’s argument is also incorrect as it assumes that the renewable generation resources made available by the ELM Project could only be used by SCE. As described above, the additional renewable generation made available by the ELM Project would be made available to any LSE and could be used by that LSE to count towards its RPS goals.

Wild Tree goes on to argue that the ELM Project is no longer needed because the CAISO’s 2018-2019 TPP states that it is unlikely that “additional policy-driven transmission” is needed to achieve 2030 RPS goals.³⁷ Contrary to Wild Tree’s assertion, this statement does not cut against the need for the ELM Project. The statement says that no “*additional* policy driven transmission” is likely to be needed.³⁸ As all TPPs are iterative, this statement means that the CPUC expects that the CAISO will find no new transmission is needed above and beyond previously identified policy-driven transmission projects, including the ELM Project, to meet the statewide goals. In fact, the CAISO’s 2018-2019 TPP says exactly that: “no transmission upgrades beyond what have already been approved previously” would be needed to meet the 2030 RPS goals.³⁹

³⁴ Exh. CAISO-3 (Millar), at 9:9-10.

³⁵ Wild Tree Opening Brief, at 24.

³⁶ Exh. SCE-1 (Chacon), at A7, at 1244.

³⁷ Wild Tree Opening Brief, at 35.

³⁸ *Id.*

³⁹ Exh. SCE-1 (Chacon), at A1, at 230.

C. CAISO’s Subsequent Deliverability Studies Confirm A Continued Need for the ELM Project To Meet the Requirements of the CPUC Developed RPS Portfolios

Cal Advocates and Wild Tree argue that the CAISO TPP identifying the need for the ELM Project was based on outdated information and therefore the TPP should be considered “obsolete” and the ELM Project should not be approved⁴⁰. The CAISO’s 2012-2013 and 2013-2014 TPPs plainly identify a need for the ELM Project to meet the requirements of the CPUC developed portfolios. As described above, the outcome of any previous TPPs is incorporated into subsequent TPPs. Therefore, prior analyses are never considered “obsolete” or “outdated.”

Additionally, the CAISO updated its policy-driven transmission planning analysis for this proceeding.⁴¹ Specifically, the CAISO assessed whether existing transmission capacity could provide deliverability to the resources identified in the most recent Commission-developed RPS portfolios.⁴² The results of the updated analysis (which builds upon previous TPPs and assumes construction of the ELM Project) document and reaffirm the need for the ELM Project to provide fully deliverable renewable generation from the Desert Area.⁴³

III.

THE TRANSMISSION CAPACITY PROVIDED BY THE ELM PROJECT IS NEEDED TO MAKE AVAILABLE THE RENEWABLE RESOURCES IDENTIFIED IN THE CPUC’S RPS PORTFOLIOS

As SCE previously explained, the ELM Project is designed to integrate renewable generation resources to meet the State’s RPS goal. The ELM Project will do so by ensuring that sufficient transmission capacity exists to provide FCDS to the renewable resources identified in

⁴⁰ Cal Advocates Opening Brief, at 8-9; Wild Tree Opening Brief, at 34-36.

⁴¹ CAISO Opening Brief, at 3.

⁴² *Id.*

⁴³ Exh. CAISO-3 (Millar), at 9:4-10.

the CPUC's 33 percent RPS portfolios. Once constructed, the ELM Project will be able to accommodate, with FCDS, the renewable generation from the CREZs within the Desert Area. Because the ELM Project will support the statewide RPS goals by providing the transmission capacity necessary to meet the RPS need identified in the CPUC developed portfolios, the CPUC should grant SCE a CPCN to construct the project.

As CAISO's testimony demonstrates, the 2012-2013 and 2013-2014 TPPs identified a need to relieve the Desert Area Deliverability Constraint to accommodate the CPUC-developed RPS portfolios.⁴⁴ Without the ELM Project, the constraint in the Desert Area will continue to be a barrier to future renewable energy development needed to facilitate the state's RPS goals.

Cal Advocates claims that the ELM Project is not "necessary to meet California's RPS obligations."⁴⁵ Cal Advocates argues that because EO resources can count toward the RPS goals, there is no need for the additional transmission capacity made available by the ELM Project to comply with the RPS.⁴⁶ While the RPS program does not require generation to have FCDS, the CPUC required FCDS in their portfolios submitted to the CAISO.

The CAISO's TPP found that resources from the Desert Area cannot provide the amount of FCDS renewable resources needed to meet the requirements of the Commission-developed RPS portfolios due to the existing Desert Area Deliverability Constraint. The CAISO has determined that additional transmission capacity is needed for renewable generation resources in the Desert Area to have FCDS.⁴⁷ Accordingly, the CAISO concluded that an upgrade to the existing transmission system was necessary to alleviate the constraint in the Desert Area, and identified the ELM Project as a result.⁴⁸ The CAISO has subsequently confirmed that there is a

⁴⁴ See Exh. CAISO-4 (Millar), at 2:19-22.

⁴⁵ Cal Advocates Opening Brief, at 10-11.

⁴⁶ *Id.*

⁴⁷ Exh. CAISO-03 (Millar), at 2:19-22

⁴⁸ *Id.*

continued need for the ELM Project to facilitate the deliverability of renewable generation from the Desert Area to meet the requirements of the CPUC developed portfolios.⁴⁹

A. The Transmission Capacity the ELM Project Provides Will Increase the Amount of Renewable Generation Available Statewide

Cal Advocates and Wild Tree reiterate their claims made in testimony that the ELM Project is not needed because it would satisfy neither the RPS needs of SCE nor any other specified LSE.⁵⁰ Cal Advocates cites to a lack of testimony from other LSEs, arguing that if the ELM Project were truly needed to meet statewide RPS goals, other LSEs would have “intervened in this proceeding to claim that they would not be able to meet their RPS goals without ELM.”⁵¹

The claim that the ELM Project would not meet the RPS needs of SCE or any other LSE is false. The CAISO identified the ELM Project as needed to support the implementation of the CPUC-developed RPS portfolios, not to meet SCE’s individual RPS goals nor the specific RPS goals of any other individual LSE. As SCE and CAISO have explained, the ELM Project would, in fact, assist SCE and other LSEs in meeting the statewide RPS goals because the ELM Project supports the integration of renewable resources from the Desert Area into the California grid, as required by the CPUC-developed RPS portfolios. The ELM Project not only benefits generators requesting to interconnect to the SCE transmission system but also benefits generators requesting to interconnect in other areas, including areas served by the Valley Electric Association (VEA), GridLiance West (GLW) and San Diego Gas & Electric (SDG&E), all of which are a part of the CAISO-controlled grid.⁵²

⁴⁹ Exh. CAISO-3 (Millar), at 9:4-10.

⁵⁰ Cal Advocates Opening Brief, at 10-11; Wild Tree Opening Brief, at 26.

⁵¹ Cal Advocates Opening Brief, at 11.

⁵² Exh. SCE-1 (Chacon), at 14:20-24; 22:7-19.

Wild Tree states that because SCE has already exceeded its 2020 RPS goal, has not requested additional procurement in the future, and has done so without the construction of the ELM Project, the ELM Project is not necessary for SCE to meet its 33 percent RPS goals.⁵³ Wild Tree argues that any future need SCE may have will be further reduced by the loss of load to CCAs⁵⁴ and any “new renewable projects to meet the RPS going forward will be for other LSEs.”⁵⁵ Wild Tree bases its arguments on a mistaken belief that the ELM Project is needed only to meet SCE’s RPS compliance goals. The CAISO identified the ELM Project as necessary to provide the additional transmission capacity needed to make the CPUC’s portfolios deliverable, which could provide renewable generation to other LSEs to meet their RPS goals. So, while the loss of load to CCAs may decrease SCE’s overall individual RPS compliance goal, because the RPS is a statewide goal, the loss of load to CCAs will not decrease the statewide need to bring on additional renewable generation to meet the RPS goals. Generation made available by the ELM Project could help all LSEs, including the CCAs, procure renewable energy to meet the state’s RPS goals.

Wild Tree admits that the CCAs may have a large future RPS need but argues that “the CCAs are way over-procured compared to the current requirement.”⁵⁶ However, the exhibit Wild Tree points to as evidence to support this claim actually contradicts its argument, as the report states that current load forecasts indicate that the CCAs will not meet the 33 percent RPS goal by 2020.⁵⁷

⁵³ Wild Tree Opening Brief, p. 26.

⁵⁴ *Id.*, p. 25.

⁵⁵ *Id.*, p. 27.

⁵⁶ *Id.*, at 28-29.

⁵⁷ Exh. WTF-4 (Freehling), at 1. The report shows that collectively the CCAs have only procured 29 percent of the renewable generation needed to meet the 2020 RPS goal, and individually, at least four CCAs are forecasted not to have sufficient RPS procurement to meet the 33 percent goal. *See generally* Exh. WTF-4 (Freehling), at 8-10.

Similarly, Wild Tree argues that because only two projects relying on ELM for FCDS have PPAs signed with SCE, SCE does not need the ELM Project to meet its individual RPS goals.⁵⁸ As stated above, SCE is not building the ELM Project to meet its own RPS goals, but to provide additional transmission capacity in support of the statewide RPS needs. Therefore, the argument that the ELM Project is intended to facilitate interconnection of just two projects is incorrect. There are 3,715 MWs of projects in the CAISO interconnection queue with completed IAs that are awaiting construction of the ELM Project to achieve FCDS.⁵⁹ The ELM Project would provide benefits to these projects even though they do not have PPAs with SCE. The fact that generators with completed IAs that will deliver power to the aggregate of load do not have PPAs with SCE is irrelevant.

Additionally, the ELM Project would still be justified even if, hypothetically, SCE did not have a single PPA with any generator that was delivering power to the aggregate of load within the CAISO service territory. This is true because the CAISO identified and approved the ELM Project as a policy-driven transmission solution to provide access to an increased amount of renewable generation as identified in the Commission-developed portfolios for the benefit of the entire state of California.⁶⁰

Wild Tree argues that if other LSEs have a need to procure renewable generation to meet the statewide RPS goals, that need is “mitigated by the opportunity for other LSEs to purchase excess renewable energy credits (“RECs”) from the IOUs.”⁶¹ Wild Tree cites no authority to support the claim that future RPS goals can be satisfied through the purchase of RECs. Beginning in January 1, 2021, the state will require that at least 65 percent of each individual LSE’s procurement toward the RPS be from contracts of 10 years or more.⁶² The Commission

⁵⁸ Wild Tree Opening Brief, at 30.

⁵⁹ Exh. CAISO-4 (Millar), at 5:9-12.

⁶⁰ *Id.*, at 11:9-14.

⁶¹ Wild Tree Opening Brief, at 27, 29.

⁶² Cal. Pub. Util. Code §399.13(b).

recently ruled that REC sales contracts with the Investor-Owned Utilities (“IOUs”), who own most of the RECs for sale in California, may not exceed five years.⁶³ Therefore, contrary to Wild Tree’s claim, LSEs could not use RECs purchased from IOUs to fully comply with their long-term RPS goals.

Lastly, Wild Tree suggests that to avoid a need for future procurement, CCAs should be able to “‘roll-over’ extra credits into future years.”⁶⁴ This recommendation cannot be properly addressed here; any changes to the RPS program are outside the scope of this proceeding, and should be addressed in the RPS proceeding.⁶⁵

B. Additional Transmission Capacity is Necessary to Provide the Full Deliverability Required by the CPUC’s RPS Portfolios

The ELM Project will alleviate the Desert Area Deliverability Constraint, which limits the full deliverability of renewable generation, by increasing the transmission capacity of existing infrastructure. Without the ELM Project, the constraint would not be alleviated, thereby limiting the deliverability of the resources needed to meet the requirements of the CPUC’s 33 percent RPS portfolios.

In its Opening Brief, Wild Tree argues that the CAISO has grossly overstated the need for FCDS. Wild Tree claims that because the CPUC’s most recently approved portfolio states that the new renewable and storage buildout for 2030 should “include 7304 MW of FCDS resources for the entire state” and “800 MW of FCDS for solar only for S. Nevada area” that these MW of FCDS are all the state needs to meet its RPS goals.⁶⁶ This argument reveals Wild Tree’s fundamental misunderstanding of the CPUC portfolio process. As described above, the

⁶³ D.19-12-042, Ordering Paragraphs 17-19.

⁶⁴ Wild Tree Opening Brief, at 29.

⁶⁵ R.18-07-003, *Order Instituting Rulemaking To Continue Implementation and Administration, and Consider Further Development, of California Renewables Portfolio Standard Program.*

⁶⁶ Wild Tree Opening Brief, at 33.

CPUC portfolios are iterative: to meet the requirements of the CPUC developed portfolios, MWs of FCDS identified in subsequent (*i.e.* 50 percent RPS) portfolio are needed in addition to all MWs of FCDS identified in prior portfolios. Therefore, Wild Tree's evidence points to a future need for more, rather than less, FCDS resources statewide. Furthermore, the CAISO's updated policy-driven transmission planning analysis demonstrates that existing transmission capacity is still needed to relieve the Desert Area Deliverability Constraint, and therefore the ELM Project is still needed.⁶⁷ The results of the new TPP (which builds upon previous TPPs and assumes construction of the ELM Project) document and reaffirm the need for additional transmission to make available fully deliverable renewable generation from the Desert Area.⁶⁸

C. Generators in the Desert Area Need The Transmission Capacity Made Available by the ELM Project To Come Online

The ELM Project would benefit all generators interconnecting to the CAISO-controlled grid from the area affected by the Desert Area Deliverability Constraint by increasing the transfer capability of the transmission system. Cal Advocates and Wild Tree claim that SCE has proposed the ELM Project to provide generators with FCDS and argue that the CPUC cannot approve the ELM Project if the purpose of the ELM Project is to serve generator needs.⁶⁹

The ELM Project is designed to meet the requirements of the CPUC-developed portfolios, not the needs of specific generators. The CPUC's 33 percent renewable generation portfolios require all generation in the portfolios be fully deliverable. The CAISO developed a transmission plan that would allow for all resources in the portfolio to come online with full deliverability. The ELM Project was identified as a needed upgrade to relieve a system constraint to make renewable generation projects within the constrained Desert Area deliverable.

⁶⁷ Exh. CAISO-1 (Barave), at 6:21 – 7:6.

⁶⁸ *Id.*, at 7:4-6.

⁶⁹ Cal Advocates Opening Brief, at 11, Wild Tree Opening Brief, at 29.

Cal Advocates claims that the FCDS made available by the ELM Project is not needed to meet the state's RPS goals and that it is improper for SCE to propose a project to provide generators with an attribute necessary only to "increase[] profits."⁷⁰ The ELM Project would increase the transmission capacity in the Desert Area to make the generation from the CPUC's RPS portfolios fully deliverable. The FCDS made available by the ELM Project could be used by renewable generators in the Desert Area with signed IAs who rely on the ELM Project to achieve FCDS.⁷¹ The failure to provide transmission capacity, particularly transmission capacity that was identified by CAISO as needed to support the goals of the RPS, could call into question the reliability of the CPUC and CAISO planning processes. This in turn could impact the renewable energy generation market in California and jeopardize the viability of future renewable development needed to achieve the state's RPS goals.

The Intervenors disagree that a generator's inability to achieve FCDS will reduce the amount of renewable generation available to the grid. Cal Advocates and Wild Tree incorrectly assume that generation projects dependent upon the ELM Project for FCDS will develop even if these generators lack access to FCDS.⁷² The Commission has previously recognized that for renewable generation to develop, generators, and by extension their financial backers, need assurance that they will be able to bring renewable energy to market.⁷³ The Commission has also stated that without FCDS, generation projects are "more likely to be subject to congestion and curtailment, making the financing of such projects more difficult which could conceivably dampen progress toward achieving the RPS standard."⁷⁴ This conclusion is supported by testimony from generators with projects relying upon the ELM Project for FCDS.⁷⁵

⁷⁰ Cal Advocates Opening Brief, at 11.

⁷¹ Generators in the queue without signed IAs may need other upgrades to get FCDS.

⁷² WildTree Opening Brief, at 30; Cal Advocates Opening Brief, at 11.

⁷³ D.10-12-052, at 27.

⁷⁴ D.16-08-017, at 16.

⁷⁵ See e.g., NextEra Opening Brief, at 18-20; EDF Opening Brief at 3; CED Opening Brief at 7-8.

If the CPUC were to deny the CPCN for the ELM Project, as the Intervenors suggest, projects relying on ELM would be left without a transmission upgrade that would otherwise allow them to receive FCDS. Generators who have executed PPAs based upon the reasonable belief that the ELM Project would be available to provide FCDS will be unable to fulfill their contractual obligations and will risk financial harm.⁷⁶ This could lead generators to lose confidence in the CPUC and CAISO planning processes and as a result, reduce the total amount of renewable generation projects coming online. For example, generators that entered into a financial arrangement with a presumption they would receive FCDS status may be unable to satisfy their PPA or financial obligations. Projects with a pending or executed GIA that have not been constructed may not move forward with construction if the ELM Project is not built because they would not have FCDS. Other projects in the queue that do not yet have an IA may reconsider entering into an IA if FCDS is not available.

IV.

THE TRANSMISSION CAPACITY MADE AVAILABLE BY THE ELM PROJECT MAY PROVIDE ANCILLARY RESOURCE ADEQUACY BENEFITS

Cal Advocates and Wild Tree argue the ELM Project is not needed to “to deliver RA”⁷⁷ and that most of the projects that rely on the ELM Project for FCDS “will not help meet RA need.”⁷⁸ These arguments are misleading as the stated purpose of the ELM Project is to integrate renewable generation by relieving deliverability constraints within the Desert Area. SCE’s CPCN Application, and the CPUC’s MND describe the objectives of the ELM Project in detail, and none of those objectives indicate that the ELM Project is needed to provide RA.⁷⁹

⁷⁶ EDF Opening Brief, at 2-3; CED Opening Brief, at 5-8; NEER Opening Brief, at 13-18.

⁷⁷ Cal Advocates Opening Brief, at 10.

⁷⁸ Wild Tree Opening Brief, at 46.

⁷⁹ See Exh.SCE-3 (Final MND), Vol. 1, at 1-1 to 1-2.

Regardless, the FCDS made available by the ELM Project will provide generators in the Desert Area with the option of providing additional RA to the system. Because the ELM Project will provide the additional transmission capacity necessary to provide FCDS to generation from within the Desert Area, construction of the ELM Project could support the new incremental system RA need set forth in D.19-11-016.⁸⁰

Cal Advocates states that “SCE and CAISO are incorrect that FCDS is necessary for generators to provide RA services”⁸¹ and argue that evidence shows that generators with interim deliverability status, such as the Copper Mountain Solar 4 project, “provide RA without the Proposed Project,”⁸² This argument contradicts statements made in Cal Advocates’ opening testimony, which states, “to be eligible for RA, a generator must have FCDS.”⁸³ Cal Advocates’ arguments confuse *interim* full delivery with *permanent* full deliverability.

To clarify, while capacity from a project with interim deliverability, such as the Copper Mountain Solar 4 project, may be fully deliverable on an interim basis and may provide RA when the project is considered deliverable, interim deliverability is not the same as permanent deliverability. Year-to-year interim deliverability is neither permanent nor guaranteed. As more resources come online, and the system becomes more constrained, projects with interim deliverability will be impacted, and only those projects with permanent deliverability are able to provide RA.⁸⁴ The ELM Project will increase the available capacity on the electric transmission system and therefore will increase the amount of energy that would likely be considered fully deliverable, allowing generators to achieve the deliverability status necessary to qualify to supply

⁸⁰ Exh. SCE-2 (Chacon), at 26:5-9.

⁸¹ Cal Advocates Opening Brief, at 10.

⁸² *Id.*, at 8.

⁸³ Exh. Cal Adv-1 (Leon Diaz), at 12:1.

⁸⁴ RT; 30:1-6.

RA on a permanent basis. This additional RA capacity could be used to meet statewide RA requirements.⁸⁵

Wild Tree argues that the CAISO has overestimated the number of projects that could provide RA if SCE constructs the ELM Project.⁸⁶ The CAISO based its RA estimates on the number of generation projects already online and awaiting the completion of the ELM Project for FCDS, as well as the number of active projects in the queue that have maintained an executed GIA in good standing with the CAISO as of October 14, 2019.⁸⁷ Using that list, the CAISO estimates that the ELM Project will provide FCDS to 3,715 MWs of generation, 3,677 MW⁸⁸ of which would be eligible to provide incremental RA capacity by August 1, 2023, pursuant to D.19-11-016.⁸⁹ Wild Tree argues that CAISO overestimated the total number of MWs the ELM Project could provide by including a natural gas project and projects with online dates after August 1, 2023.⁹⁰ Wild Tree's argument is incorrect. CAISO's testimony shows that the 3,715 MW estimate excluded the 38 MW of natural gas capacity in the queue and did not include any projects with an online date after August 1, 2023.⁹¹

Wild Tree also claims that storage should be used to address any RA shortfall. SCE has not proposed the ELM Project to address an RA shortfall, and the RA shortfall is not within the scope of this proceeding. Any recommendations as to how to alleviate an RA shortfall should be raised in the CPUC proceeding addressing those matters.⁹² Even if the CPUC were to consider

⁸⁵ Exh. SCE-1 (Chacon), at 23:14-16.

⁸⁶ Wild Tree Opening Brief, at 46.

⁸⁷ Exh. CAISO-1 (Barave), at 11:1-2.

⁸⁸ Exh. CAISO-4 (Millar), at 5:9-12. These MW values are based upon projects with executed GIAs that are online or could come online and provide RA once the ELM Project is constructed. The total 3,715 MW does not include the 38 MW of natural gas capacity in the queue.

⁸⁹ D.19-11-016 at 74, Conclusion of Law 9.

⁹⁰ Wild Tree Opening Brief, at 46.

⁹¹ Exh. CAISO-4 (Millar), at 5:9-12.

⁹² R.19-11-009, *Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Forward Resource Adequacy Procurement Obligations*.

in this proceeding whether storage is the best way to alleviate an RA shortfall, the CPUC could not, as Wild Tree suggests,⁹³ require generators to add storage to existing renewable generation projects, as neither the CAISO nor CPUC has the jurisdiction to order generators to do so. Generators may add storage to their renewable generation facility to alleviate an RA shortfall if they see a benefit in doing so, and many have already done so.⁹⁴

V.

THE CPUC SHOULD DISMISS CAL ADVOCATES' ARGUMENTS SEEKING TO REVISE THE CAISO'S TRANSMISSION PLANNING AND APPROVAL PROCESS

The majority of Cal Advocates arguments are misplaced in this proceeding because they amount to disputes over the requirements of the portfolios developed by the CPUC and critiques of the CAISO's long-standing, carefully coordinated transmission planning process. For example, Cal Advocates attempts to reverse years of precedent by arguing that the need for transmission upgrades should not consider whether renewable generators will be given FCDS.⁹⁵ Such an abrupt policy transformation could cause significant economic harm to renewable developers that have reasonably relied upon the existing transmission planning framework. Overhauls to CAISO's deliverability methodology are not within the scope of this proceeding.

Cal Advocates argues that under a yet to be approved CAISO deliverability methodology, resources would be deliverable without further upgrades to the current transmission system.⁹⁶ As described below, Cal Advocates' claim that CAISO's new deliverability methodology would obviate the need for the ELM Project is moot, as there is no approved "new deliverability methodology"⁹⁷ in place and, even if a new deliverability methodology were available for the

⁹³ Wild Tree Opening Brief, at 43.

⁹⁴ Exh CAISO-1 (Barave), at Table 4; *see e.g.* Exh. NEER-2 (Rosenblum), at 4:3-6.

⁹⁵ Cal Advocates Opening Brief, at 7.

⁹⁶ *Id.*, at 9.

⁹⁷ RT, 59:10-14.

CAISO's use, there is no basis to conclude that the new deliverability assessment methodology would eliminate the need for the ELM Project or otherwise enable the RPS portfolio resources to achieve deliverability.⁹⁸

A. The ELM Project Was Properly Identified, Approved, and Confirmed Through The CAISO Transmission Planning Process

The need for the ELM Project was identified using CAISO's current deliverability methodology. Any speculation on the potential effects of a new methodology is unwarranted. Cal Advocates speculates that under CAISO's new deliverability methodology the ELM Project would not need to be constructed because "generation resources will be able to achieve FCDS with the current system design."⁹⁹ However, the impacts of using the proposed deliverability methodology are unknown. As CAISO observed in ELM hearing held on October 3, 2019, "the result of applying a new deliverability methodology is a hypothetical question"¹⁰⁰ and applying the methodology at this time would assume that the methodology is approved "as is" by FERC.

As a threshold matter, the new deliverability methodology cannot be implemented until approved by FERC.¹⁰¹ It is wholly inappropriate for Cal Advocates to disclaim the need for the ELM Project based on an unapproved and unproven methodology. There is no basis to conclude that the proposed deliverability methodology would obviate the need for the ELM project or otherwise allow generation resources to achieve FCDS without transmission upgrades.¹⁰²

Using its FERC-approved transmission planning process, the CAISO determined that the ELM Project is necessary to meet the requirements of the CPUC developed portfolios.¹⁰³

⁹⁸ CAISO Opening Brief, at 6.

⁹⁹ Cal Advocates Opening Brief, at 10.

¹⁰⁰ RT, at 59:20-26.

¹⁰¹ Exhibit CAL ADV-7, at 21, CAISO Opening Brief, at 6.

¹⁰² CAISO Opening Brief, at 7.

¹⁰³ *Id.*, at 3.

CAISO does not waiver in its conclusion that ELM Project is needed: “[t]he Proposed Project is necessary to meet California’s public policy driven transmission requirements, provide requested full capacity deliverability service to generation and storage developers, and ...will provide significant access to preferred resources that can address the Commission-identified need for system resource adequacy capacity.”¹⁰⁴

B. It Is Inappropriate to Rely Upon An Unapproved Deliverability Methodology To Evaluate The Need For the ELM Project

Cal Advocates’ speculation about what the new deliverability methodology may or may not show in the future does not outweigh the CAISO’s present determination of the need for the ELM project and cannot credibly support Cal Advocates’ recommendation that SCE’s CPCN application be dismissed.¹⁰⁵ As described above, the CAISO relied on its existing deliverability assessment methodology to evaluate the need for the ELM Project. Because the proposed methodology has neither gone through the generator interconnection and transmission planning process nor has been approved by FERC, it is unclear if the proposed methodology would have any impact on the ELM Project.¹⁰⁶

The CPUC has previously held that the availability of a new methodology should not preclude project approval unless it is clear the methodology would constitute a “fundamental change to the status quo.”¹⁰⁷ In challenging SCE’s Application for a CPCN to construct the West of Devers Project, Cal Advocates argued that the CPUC should have dismissed SCE’s Application to await the incorporation of a new methodology to determine whether the new methodology would support the proposed project.¹⁰⁸ The CPUC dismissed Cal Advocates’

¹⁰⁴ *Id.*, at 1.

¹⁰⁵ *See* Cal Advocates Opening Brief, at 7-10.

¹⁰⁶ CAISO Opening Brief, at 6.

¹⁰⁷ D.16-08-017, at 20.

¹⁰⁸ *Id.* (citing Cal Advocates Reply Brief, at 22-24).

argument, stating there were no facts to show that the new methodology would change the fundamental need for the project.¹⁰⁹ Similarly, Cal Advocates argues here that the CPUC should delay the approval of the CPCN until the CAISO conducts an analysis of the ELM Project using a yet to be determined deliverability assessment methodology. The CAISO has stated that there is no basis to conclude that the prospective deliverability assessment methodology will obviate the need for the ELM Project.¹¹⁰ Consequently, the CPUC should dismiss Cal Advocates' argument to delay approval of the CPCN for the ELM Project.

VI.

THE MITIGATED NEGATIVE DECLARATION PREPARED FOR THE ELM PROJECT FULLY COMPLIES WITH CEQA

As the lead agency pursuant to CEQA, the CPUC circulated a Draft Mitigated Negative Declaration (“MND”) and supporting Initial Study on August 12, 2019. In compliance with CEQA, the CPUC opened a public comment period for 30 days, from August 12, 2019 to September 13, 2019. Following the public comment period, the CPUC prepared the Final MND. The Final MND, in compliance with CEQA, addresses the comments received on the Draft MND and includes the Initial Study and Mitigation Monitoring and Reporting Compliance Plan (“MMRCP”). The MMRCP ensures that the Project (as approved by the CPUC) would be constructed as defined in the Final MND, and that all adopted mitigation measures and project design features agreed upon by SCE are implemented.¹¹¹

As described in the Final MND, the Initial Study prepared by the CPUC “relies on information in SCE’s Proponent’s Environmental Assessment (“PEA”) filed on May 2, 2018, subsequent information provided by SCE in response to queries by the CPUC, project site

¹⁰⁹ *Id.*

¹¹⁰ CAISO Opening Brief, at 6.

¹¹¹ The Final MND, Appendix A, Initial Study and MMRCP are referred to collectively throughout this Response as the “Final MND”.

reconnaissance by the CPUC environmental team in April and June 2019, and other environmental analyses and data.”¹¹² SCE’s PEA included a detailed description of the ELM Project, the primary components of which include: the installation of two new 500 kV mid-line series capacitors; the construction of new fiber optic repeater facilities within existing right-of-way (“ROW”); modifications of 12 existing transmission, subtransmission, and distribution facilities, which modifications include the raising of nine existing towers to address overhead clearance discrepancies; the installation of optical ground wire (“OPGW”) to replace the existing overhead ground wire; and the modification and upgrade to the existing series capacitors.¹¹³

Because the ELM Project “would occur mostly within existing 500 kV transmission line ROWs and at existing substations,”¹¹⁴ and because “all project-related environmental impacts would be less than significant or reduced to a less than significant level with the incorporation of feasible mitigation measures,”¹¹⁵ the CPUC properly determined that an MND, rather than an Environmental Impact Report (“EIR”) be prepared in compliance with CEQA.

Despite the substantial evidence in the record to support the CPUC’s decision, Wild Tree argues that an EIR should have been prepared. However, Wild Tree fails to demonstrate any deficiency in the CPUC’s analysis of the ELM Project’s potential environmental impacts, including the CPUC’s decision to prepare an MND as opposed to an EIR. In fact, the CPUC’s decision is well-grounded in CEQA law (Cal. Pub. Res. Code § 21000 *et. seq.*) (CEQA) law: a lead agency need prepare an EIR *only* where there is substantial evidence in light of the whole record that the project may have a significant effect¹¹⁶ on the environment. (Tit. 14 Cal. Code

¹¹² Final MND at 1-4.

¹¹³ A complete project description can be found in the Final MND, at 1-3.

¹¹⁴ Final MND at 3-2.

¹¹⁵ *Id.* at 1-3.

¹¹⁶ *See* Pub. Resources Code § 21000 *et. seq.* *See Also*, CEQA Guidelines (Tit. 14, Cal. Code Regs. § 15000 *et seq.*) (CEQA Guidelines), which define a significant effect on the environment as a substantial or potentially substantial, adverse change in any of the physical conditions within the area affected by the project including land, air, water, minerals, flora, fauna, ambient noise, and objects of historic or aesthetic significance.

Regs., § 15604 (a) (1).) The environmental analysis performed by the CPUC includes a detailed Initial Study/MND containing several hundred pages of analysis, including analyses of each of the ELM Project's potential environmental impacts as required by CEQA and the CEQA Guidelines. Based on those comprehensive analyses, the CPUC appropriately concluded that the ELM Project would not have the potential to cause any significant impacts on the environment, and an EIR was not required.

Wild Tree does little more than express disagreement with that conclusion, without providing any substantial evidence as to any potential significant impact on the environment that would require the preparation of an EIR. For instance, while Wild Tree argues that the ELM Project creates significant environmental impacts on biological resources, it provides no credible evidence to demonstrate how this could be the case. Rather, Wild Tree generally argues that the ELM Project would have significant impacts on the Desert Tortoise, a species for which the CPUC determined that SCE's participation under Section 7 of the Endangered Species Act ("ESA") would mitigate any significant environmental impacts. While Wild Tree argues that the ELM Project would have a significant impact on the Desert Tortoise, its argument is not supported by any evidence, let alone substantial evidence.

Wild Tree's arguments that the Commission should have considered growth-inducing impacts and alternatives to the ELM Project are also without merit and should be rejected. As discussed below, CEQA does not require an MND to consider either growth-inducing impacts or alternatives. Regardless, the Commission considered growth-inducing impacts and determined that the ELM Project is only being built in response to the CAISO's determination that additional transmission capacity is needed to support existing generators currently in the CAISO queue, and is not growth-inducing in and of itself. The Commission also considered alternatives to the ELM Project. However, despite the Intervenor's claims to the contrary, the Commission is not required to consider alternatives that do not meet the objectives of the ELM Project.

A. Impacts to Special Status Species are Covered by State Agency Take Permits

Performing its duties as the lead agency, the Commission prepared an MND that fully analyzed the ELM Project’s impacts on the environment consistent with the requirements of CEQA. The MND meticulously described and disclosed potential environmental impacts associated with the construction of the ELM Project, as well as SCE’s Applicant Proposed Measures (“APMs”) and the mitigation measures recommended by the Commission’s staff and CEQA experts to address potential environmental impacts. The MND concludes that with the implementation of mitigated measures agreed upon by the CPUC and SCE, the ELM Project will not result in any significant and unavoidable environmental impacts.¹¹⁷

Nevertheless, Wild Tree asserts the MND is deficient because it did not address significant impacts that could occur to the Desert Tortoise and other special status species. Yet Wild Tree’s challenges are without merit. The MND analyzed potential impacts to biological resources in the vicinity of the ELM Project, focusing on foreseeable changes to baseline conditions in the context of the identified significance criteria. The Commission’s analyses were based, in part, on: SCE’s PEA; biological resources technical reports; rare plant surveys; environmental documents of other projects in the ELM Project area; and searches of relevant databases, including the California Natural Diversity Database, the California Native Plant Society inventory, and U.S. Fish and Wildlife habitat data.¹¹⁸

Supported by these reports and investigations, and the implementation of mitigation measures and APMs, the MND concludes that the ELM Project would not significantly impact native species or habitat. The CPUC’s determination was also based on SCE obtaining take coverage pursuant to: a) Section 7 of the ESA under the 2017 programmatic Biological Opinion for Activities in the California Desert Conservation Area; b) the 2018 Biological Opinion issued

¹¹⁷ Final MND at 1-5.

¹¹⁸ Final MND, at 5-64.

for critical habitat in Southern Nevada; and c) Section 2081 Incidental Take Permit (“ITP”) under the California Endangered Species Act (“CESA”) for desert tortoise.¹¹⁹

As stated in the MND:

Potential impacts to desert tortoise, Mojave fringe-toad lizard, banded Gila monster, and desert rosy boa would be avoided, minimized, and mitigated by implementing the measures identified above. Mitigation Measures BR-1 through BR-5 and BR-7 through BR-8 are applicable to all wildlife, including desert tortoise. Mitigation measure BR-9 is specifically applicable to reptiles. Additionally, project impacts to desert tortoise would be avoided, minimized, or mitigated in accordance with the requirements of the take permits issued pursuant to the California Endangered Species Act and Federal Endangered Species Act. With incorporation of these mitigation measures, project impacts to reptiles would be less than significant.¹²⁰

Each of these conclusions is supported by substantial evidence and Wild Tree has provided no evidence, let alone substantial evidence, that SCE would not be eligible to obtain coverage or that the avoidance, protection, or compensation measures set forth in those permits would be insufficient to mitigate impacts to the desert tortoise. Accordingly, Wild Tree’s arguments are without merit.

Wild Tree also argues that conducting surveys for certain species of special concern, such as the Mojave fringe-toed lizard, is insufficient mitigation because surveying does not protect those species. Contrary to Wild Tree’s assertions, surveys help inform the environmental analysis and are essential components for avoidance and minimization of impacts to those species.¹²¹ Accordingly, the MND addresses all California Department of Fish and Wildlife (“CDFW”) Species of Special Concern and BLM Sensitive Species occurring within the ELM Project area and properly identifies preconstruction surveys to identify resources, biological monitoring, and the implementation of avoidance measures as adequate mitigation.¹²² The

¹¹⁹ Final MND, at 5-92.

¹²⁰ *Id.*

¹²¹ Final MND, at 7-58.

¹²² *See* Final MND, at 5-95 (Mitigation Measure BR-1).

Final MND also requires that the BLM and the CPUC provide oversight by reviewing the qualifications of biologists and the determination of the presence or absence of sensitive resources at work sites.¹²³

B. An Analysis of Growth Inducing Impacts is Not Required for an MND

Wild Tree also argues that the CPUC's CEQA analysis is flawed because it does not consider growth inducing impacts. The requirement to consider growth-inducing impacts applies to an EIR instead of an MND. Nonetheless, the MND considers growth-inducing impacts in: Section 5.3 (Air Quality); Section 5.14 (Population and Housing); Section 5.15 (Public Services); Section 5.16 (Recreation); and Section 5.17 (Transportation).

As described in the MND, the Commission considered and discounted the ELM Project's growth inducing impacts because the project is designed to assist growth that is already forecasted and planned.¹²⁴ The ELM Project is proposed "in response to analyses by the CAISO, including CAISO's identification of proposed generation projects and CAISO's study of the likely path of future renewable generation across geographic zones."¹²⁵

As stated throughout this Reply Brief, the ELM Project is being proposed to provide the necessary upgrades to support the state's RPS goals. Thus, the ELM Project is not inducing growth, but rather responding to the need identified by both the Commission and the CAISO. It is the policy of the state that is driving the development of generation projects, and it is the need to bring in additional renewable energy from the CREZs' that is driving the need to construct the transmission line upgrades. Accordingly, the Commission appropriately determined that because the ELM Project is being proposed to accommodate the generation currently in the CAISO queue, in and of itself, the ELM Project is not growth-inducing.

¹²³ *Id.*

¹²⁴ Final MND, at 7-65.

¹²⁵ *Id.*

The Commission's approach is also consistent with CEQA case law, which holds that indirect effects that are too amorphous or speculative need not be considered because the agency cannot mitigate an effect it cannot identify.¹²⁶ Here, while there could be generation that may come on-line at some point in the future, the environmental effects of that future generation are speculative and there is no way to analyze the impact of those projects, as the type of generation, the location of the generation, or when that generation may materialize is unknown.

C. Alternatives That Do Not Meet The Project Objectives Need Not Be Considered

Both Wild Tree and Cal Advocates argue that the CPUC failed to consider alternatives to the ELM Project. Wild Tree cites to Public Utilities Code sections 1002.3 and 1005.1 to demonstrate that an alternatives analysis must be performed that considers distributed generation and demand-side alternatives. However, what Wild Tree ignores is that the reason for an alternatives analysis is to ensure that there are no other project alternatives that would feasibly reduce environmental impacts while also *meeting the project objectives*.¹²⁷ Here, the ELM Project is being proposed in order to meet the requirements of the Commission-developed renewable portfolios. Thus, any alternative considered is required to meet this objective.

Wild Tree's interpretation of these statutes and of CEQA would render any alternatives analysis futile, because the alternatives analyzed must meet the project objectives. Distributed generation and demand-side alternatives alone cannot meet the objectives of the ELM Project, particularly the objective of increasing power flow through the existing SCE transmission lines for the purpose of meeting the state's RPS goals. Rather, after analyzing alternatives that included distributed generation and demand-side alternatives, the CAISO determined the best way to meet the RPS goals was to provide the additional transmission capacity needed to utilize renewable energy located in the CREZs. This can be done by either increasing the capacity of

¹²⁶ See, e.g., *Marin Municipal Water District v. KG Land California Corporation* (1st Dist. 1991) 235 Cal.App.3d 1652, 1660-1663.

¹²⁷ CEQA Guidelines § 15126.6 (a).

the existing lines by installing the series capacitors, or by building an entirely new transmission line, both of which were considered by both SCE and the CPUC during the CEQA analysis.

Furthermore, Wild Tree's interpretation of the statutes is in direct conflict with the provisions of CEQA, that state that a lead agency *must* prepare an MND when it has determined that there would be no significant impacts.¹²⁸ To interpret the statutes as Wild Tree suggests would mean that the Commission would need to always prepare an EIR (with a discussion of alternatives) for any CPCN, regardless of whether the alternatives meet the project objectives or whether the project has any environmental impacts.

Pursuant to CEQA, the purpose of an alternatives analysis is to consider whether there are feasible alternatives to the proposed project that would have fewer environmental impacts, while still meeting the project objectives. As noted in prior Commission decisions, the Commission may not approve a project other than the environmentally superior project alternative.¹²⁹ To the extent the Intervenors propose alternatives to the ELM Project, the proper forum to have considered those alternatives was in the CEQA phase of the proceeding, during the MND comment period. However, neither Intervenor suggested an alternative during that period that could be considered and studied by the Commission during the CEQA process. Accordingly, these decisions have held that no evidence can be taken outside the CEQA process regarding the identification of alternatives.¹³⁰

Prior Commission precedent has also made clear that the issue of whether there is a public convenience and necessity for the project is not whether there is a superior project alternative, either for environmental or cost reasons, but rather whether there is a need to achieve

¹²⁸ Cal. Pub. Res. Code § 21064; 14 Cal. Code Regs. § 15371. (*emphasis added.*); CEQA Guidelines § 15070.

¹²⁹ See D.18-08-026 (Decision Granting SCE's Petition to Modify Permit to Construct the Valley-IvyGlen 115 kV Subtransmission line Project and Holding Proceeding Open for Certificate of Public Convenience and Necessity for the Alberhill System Project.); *see also* CEQA Guidelines § 15021.

¹³⁰ *Id.*, at 36.

the proposed project’s objectives in the first place.¹³¹ For example, in the decision granting a CPCN for the Eldorado-Ivanpah Transmission Project (“EITP”), the intervenors argued that non-wires alternatives should have been considered because they would be less expensive but still effective in meeting state renewable goals.¹³² However, this argument was rejected because the “non-wires alternative would fail to meet one of the primary, and in our view, one of the principle objectives to the project, namely the interconnection of the renewable resources in the Ivanpah Dry Lake Area, including four projects with Commission approved PPAs.”¹³³ Just as in that decision, here, non-wires alternatives would not meet the objective of the ELM Project as they will not allow for the integration of renewable generation with FCDS through increased transmission capacity needed to meet the state’s RPS goals.¹³⁴

The Commission’s decision in EITP is also consistent with CEQA precedent which states that analysis of alternatives is only required to compare different alternative projects that might reduce otherwise significant environmental impacts – “CEQA compels government first to identify the [significant] environmental effects of projects, and then to mitigate those adverse effects through the imposition of feasible mitigation measures or through the selection of feasible alternatives.” (*Sierra Club v. State Board of Forestry* (1995) 7 Cal. 4th 1215, 1233.) Even the “rule of reason” requiring an analysis of alternatives in an EIR requires a discussion of only those alternatives that would “avoid or substantially lessen any of the *significant* effects of the project.” (CEQA Guidelines § 15126.6 (a) (emphasis added).) Here, the Final MND concluded that the Project would have no significant environmental impacts with the implementation of mitigation measures. Consequently, the CPUC was not required to evaluate any project alternatives in the Final MND.

¹³¹ *Id.*, at 36-37.

¹³² D.10-12-052, at 23.

¹³³ *Id.*, at 23-24.

¹³⁴ *See* Final MND (list of project objectives), at 1-2.

Both Wild Tree and Cal Advocates also continue to ignore the fact that both transmission and non-transmission alternatives to the ELM Project were considered in the CPUC's RPS portfolios and the CAISO's TPPs. In addition, SCE's PEA also considered transmission alternatives consistent with CEQA. The CPUC considered non-transmission demand-side alternatives in developing the RPS portfolios.¹³⁵ As described in SCE's and CAISO's testimony, as well as in SCE's Opening Brief, the CPUC considered all viable alternatives for meeting the state's policy goals in developing the 33 percent RPS portfolios, including grid-connected resources, distributed resources and demand-side alternatives.¹³⁶ The CPUC included these alternatives in the various scenarios provided to CAISO for consideration and study in the TPP.¹³⁷

Similarly, the CAISO considered both transmission and non-transmission alternatives as part of its TPP.¹³⁸ As described in CAISO's testimony, as part of the 2012-2013 and 2013-2014 TPPs, CAISO considered conventional generation and preferred resources such as energy efficiency, demand response, renewable resources, and energy storage.¹³⁹

Finally, SCE's PEA built upon the consideration of demand-side alternatives undertaken by the Commission and CEC in developing the RPS portfolios and the CAISO in the TPP.¹⁴⁰ Specifically, the PEA evaluated two categories of alternatives to the ELM Project: electrical system alternatives developed in conjunction with the CAISO, and alternative locations for the

¹³⁵ Exh. SCE-2 (Chacon), at 18:3-6.

¹³⁶ *Id.*, at 17:8-10, 18:3-15; Exh. CAISO-3 (Millar), at 3:7-10; SCE Opening Brief at 31.

¹³⁷ Exh. SCE-2 (Chacon), at 18:3-15; Exh. CAISO-4 (Millar), at 2:12-17; Exh. CAISO-1 (Barave), at 4:1 n. 2; SCE Opening Brief, at 31.

¹³⁸ *Id.*, at 18:17-19; Exh. CAISO-3 (Millar), at 3:7-10; SCE Opening Brief, at 31.

¹³⁹ Exh. CAISO-3 (Millar), at 3:7-10; Exh. SCE-2 (Chacon), at 19:2-20:2; SCE Opening Brief at 31.

¹⁴⁰ SCE Opening Brief, at 31.

mid-line series capacitors.¹⁴¹ SCE also analyzed as an alternative building an entirely new 500 kV transmission line.¹⁴²

VII.

SCE PROVIDED SUFFICIENT EVIDENCE FOR THE COMMISSION TO DETERMINE A MAXIMUM PRUDENT AND REASONABLE COST OF THE ELM PROJECT

Cal Advocates argues that SCE failed to provide sufficient evidence for the Commission to determine a maximum prudent and reasonable cost of the ELM Project; however, it is unclear from Cal Advocates' Opening Brief what information it claims is deficient. For instance, citing California Public Utilities Code §1005.5(a), Cal Advocates argues that SCE's direct cost estimate specifically excludes anticipated construction costs that are required by law. That provision states, in relevant part, that "[t]he commission shall determine the maximum cost using an estimate of the anticipated construction cost, taking into consideration the design of the project, the expected duration of construction, an estimate of the effects of economic inflation, and any known engineering difficulties associated with the project." ¹⁴³

SCE assumes that Cal Advocates is referring to "an estimate of the effects of economic inflation", although it fails to state this explicitly. As explained in SCE's cost testimony, all estimates are in constant dollars in the year of application filing. This practice dates to before 2004¹⁴⁴ and is deliberate to create a base reference cost to which inflation can be applied at such time the project is complete, if appropriate. In nominal dollars (adjusted for inflation to the year of completion), the cost of the ELM Project would be \$246 million.

¹⁴¹ See SCE's Preliminary Environmental Assessment ("PEA") at Section 3.15 ("Project Alternatives Components Description).

¹⁴² *Id.*

¹⁴³ Cal. Pub. Util. Code § 1005.5 (a).

¹⁴⁴ See e.g., A.04-12-007 (SCE's Application for a CPCN concerning the Antelope Transmission Project).

Cal Advocates also argues that SCE's total cost (direct costs plus contingency) represents the base value (50% probability of cost underrun versus overrun) for a given scope in determining the 80% confidence interval, leading to an exaggerated suggestion that the Maximum Reasonable and Prudent Cost ("MRPC") should be \$287 million (20% higher than the \$239 estimate SCE provided). However, there are multiple inaccuracies that are compounded in reaching this conclusion.

First, the Association for the Advancement of Cost Engineering ("AACE") provides expected accuracy ranges for each class of estimate. Cal Advocates takes only the highest number in the range for class 2 and applies that number as the 80% confidence interval for the total ELM Project cost, whereas SCE stated in testimony (cited by Cal Advocates), that a class 2 engineering maturity ranges from 30% to 75% and SCE was around 70% complete.¹⁴⁵ Cal Advocates further ignores the portion of the ELM Project that is Class 1 (65% to 100%), estimated to be around 90% complete by SCE.¹⁴⁶ Utilizing the expected accuracy ranges as indicated in the AACE Cost Estimate Classification Matrix for Power Transmission would lead to a blended confidence interval closer to +7%, not 20% higher than the estimated direct cost. SCE's net contingency request is approximately 13% of remaining costs indicating a more conservative contingency request than the 80% confidence interval that Cal Advocates suggests is required to meet an MRPC.

Second, nowhere in AACE literature or any other reference authority is there a clear direction provided in what duly notes an MRPC given timing, complexity and utility regulations. SCE's CPCN filing is based on its best effort estimate given the proposed scope and completed engineering. SCE further seeks to establish an MRPC that is reasonable so as to prevent a timely, costly and complicated process of continually seeking adjustments to the MRPC that would result in project delays and unnecessarily increased costs, while at the same time

¹⁴⁵ SCE-1 (Adamson), at 38 (Table 2).

¹⁴⁶ Transcript, Vol. 1 (SCE/Adamson), at 47:9-26.

presenting a conservative view of the MRPC for the proposed scope in order to provide the Commission with enough evidence to establish an MRPC for the proposed CPCN Application.

Additionally, Cal Advocates inaccurately states that “SCE is really asserting that the cost estimate is actually about \$287 million (20% higher than \$239).” As discussed above, SCE has testified that part of the project is at the maturity level 2, and part is at maturity level 1. Cal Advocates is using a baseline cost that is higher by including contingency, and then adding 20%, which is not valid. As described in SCE’s testimony, contingency is not applied to the inception to date recorded costs, issued purchase orders and major materials already procured within this estimate, therefore, the contingency is only applied to \$146 million of the ELM Project costs.¹⁴⁷

Cal Advocates also mischaracterizes SCE’s position regarding contingency by incorrectly suggesting that contingency effectively covers no potential variance against the proposed direct cost, and that SCE’s right to seek additional cost recovery from the Commission for any variances against the ELM project cost means that an MRPC cannot be established. In fact, SCE establishes an MRPC and reserves the right granted in the Public Utilities Code to seek recovery for significant unforeseeable costs, while utilizing the contingency to cover normal variances and increases expected based on the proposed scope and data given the engineering completed to date. Accordingly, the contingency does not cover any adjustments due to: (1) unanticipated delays, (2) final design changes, (3) adopted mitigation measures, and (4) any change in labor or materials.¹⁴⁸

Finally, Cal Advocates argues that the cost of overhead and Allowance for Funds Used During Construction (AFUDC) were improperly excluded from SCE’s cost estimate. There are two methods by which SCE can recover project financing costs: (1) Allowance for Funds Used During Construction (“AFUDC”), and (2) Construction Work in Progress (“CWIP”). For the ELM Project, the Federal Energy Regulatory Commission (“FERC”) has authorized CWIP,

¹⁴⁷ SCE-1 (Adamson), at 39:3-26.

¹⁴⁸ *Id.*, at 41:1-9.

which allows SCE to recover financing charges in current rates while in construction, in lieu of later collecting AFUDC.

Because SCE is recovering its cost of capital through CWIP in Rate Base, such cost of capital is not accrued through AFUDC. As noted in the Commission's decision granting a cost increase for SCE's Antelope Transmission Project, recovering construction finance charges through CWIP in Rate Base replaces the actual AFUDC that otherwise would be accrued to the project, and accordingly, AFUDC should not be included in the MRPC.¹⁴⁹ This conclusion is supported by numerous Commission decisions that have been issued since the Antelope Transmission Project.¹⁵⁰ Although Commission precedent has consistently held that AFUDC should not be included in the MRPC, for informational purposes only, SCE estimates AFUDC costs at approximately \$1 million in nominal dollars and CWIP costs at approximately \$25 million in nominal dollars.

Just as with AFUDC, corporate overhead costs are excluded from the MRPC. Corporate overhead costs include administrative and general ("A&G") and payroll loadings for such items as pension and benefits ("P&B"). As SCE's cost witness Mr. Adamson stated at the December 3, 2019 hearing, corporate overhead costs exist regardless of whether any specific project goes forward or not.¹⁵¹ If a project does not move forward, the overhead costs associated with that project would be allocated to another project.¹⁵² In other words, corporate overhead costs are already accounted for in SCE's rates, and also including them as part of the MRPC would mean

¹⁴⁹ See D.09-09-033 (holding that AFUDC should not be included in the MRPC for SCE's Antelope Transmission Project).

¹⁵⁰ See D.09-12-044 (holding that AFUDC should be excluded in the MRPC for SCE's Tehachapi Renewable Transmission Project); D.10-07-043 (excludes AFUDC from the MRPC for SCE's San Joaquin Cross Valley Loop Project); D.10-12-052 (excludes AFUDC for SCE's Eldorado-Ivanpah Transmission Project); D.13-07-018 (excludes AFUDC for SCE's Chino Hills Undergrounding Project); and D.16-08-017 (excludes AFUDC for SCE's West of Devers Project).

¹⁵¹ RT, at 44:9-12 (SCE/Adamson).

¹⁵² *Id.* at 44:16-22.

those costs are essentially considered twice. Accordingly, the Commission routinely excludes corporate overhead costs from the MRPC.¹⁵³

VIII.

CONCLUSION

Cal Advocates and Wild Tree's arguments inappropriately attempt to change established Commission and CAISO planning processes aimed at ensuring there is sufficient transmission capacity to access critical renewable resources in furtherance of the state's RPS goals and should be summarily rejected. SCE has provided a preponderance of evidence in support of approval of the ELM Project and has demonstrated that the ELM Project is consistent with the public interest. For these reasons, SCE requests that the Commission reject Cal Advocates' and Wild Tree's arguments and: (1) grant SCE a Certificate of Public Convenience and Necessity for the ELM Project; (2) certify the MND prepared by CPUC staff; and (3) establish an MRPC for the ELM Project based on SCE's cost estimates as presented in this proceeding.

¹⁵³ See D.10-12-052 (excludes overhead for SCE's Eldorado-Ivanpah Transmission Project); D.13-07-018 (excludes overhead for SCE's Chino Hills Undergrounding Project); and D.16-08-017 (excludes overhead for SCE's West of Devers Project).

Respectfully submitted,

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Dated: January 31, 2020

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) for a Certificate of Public Convenience and Necessity Regarding the Eldorado-Lugo-Mohave Series Capacitor Project.

A.18-05-007

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of the **SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY BRIEF SUPPORTING ITS APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT THE ELDORADO-LUGO-MOHAVE SERIES CAPACITOR PROJECT**, on all parties identified on the attached service list(s) for **A.18-05-007**. Service was effected by one or more means indicated below:

- Transmitting the copies via e-mail to all parties who have provided an e-mail address.
- Placing the copies in sealed envelopes and causing such envelopes to be delivered by United States mail to the offices of the assigned ALJ or other addressee(s).

**ALJ Jason Jungreis
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102**

Executed this **January 31, 2020**, at Rosemead, California.

/s/ Kelly Morikawa Kwong

Kelly Morikawa Kwong
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