Dissent of Commissioner Carla J. Peterman on D.18-07-023, Approving the Results of Southern California Edison Company's Second Preferred Resources Pilot Procurement

I respectfully disagree with my colleagues on this decision approving the results of Southern California Edison's (SCE) Second Preferred Resource Pilot (PRP) procurement. While I am supportive of the general concept of this pilot, I do not believe SCE met its burden of proof demonstrating why these contract costs are justified and should be recovered in rates. My rationale is as follows.

First, I believe the manner in which SCE structured this application significantly undermined the Commission's ability to evaluate these contracts, which for me resulted in concerns regarding whether these contracts will actually meet the core objectives of the pilot. Specifically, the Request for Offers (RFO) that led to these contracts is part of a larger pilot program that has not previously been authorized or evaluated by the Commission, and which SCE adamantly argued should not be evaluated here. While a utility is always free to self-initiate programs, it becomes very difficult to evaluate the resultant procurement from such programs if they are filed with the Commission in a piecemeal fashion (and some not at all), and without the benefit of looking at the program as a whole.

This piecemeal aspect of the application is particularly complicated by the fact that SCE's underlying purpose for this pilot is to evaluate very specific study objectives - whether locally-sited distributed energy resources (DERs) can offset increasing customer demand and the use of gas-fired peaker plants - where it becomes relevant to understand how the 125 megawatts in this application fit into the larger 275 megawatt portfolio that SCE claims is needed for the pilot, and whether together the portfolio is appropriately designed and sized to meet the intended purpose. Regrettably, SCE provided none of this information for us to consider.

Second, the stated objectives of the pilot evolved over time, resulting in a lack of demonstrated clarity as to why these contracts need to be executed now, and at this location. When SCE first introduced the concept of the PRP in 2013 there was still a Local Capacity Requirement (LCR) deficiency in the Los Angeles Basin, and the purpose of the pilot was to determine whether local-sited distributed energy resources (DER) could offset the need for new gas-fired peaker plants. As argued in the instant proceeding, the purpose of the RFO is now to study whether the contracts can offset existing peaker plants. While this study

objective is not less important in its own right, it does impact what is being measured and evaluated. Here again, SCE offered limited justifications for our consideration. Despite the very specific scoping memo questions at the beginning of the proceeding directing SCE to demonstrate whether and how the contracts are fulfilling the goals of the RFO, SCE provided little explanation describing how these 19 contracts are designed and located in spots that will actually offset gas-fired generation, or reduce greenhouse gas emissions, an aspect further hindered by SCE's own admission that any load growth in the area could be fully met by imports.

On the related issue the 169.4 megawatts of preferred resources or energy storage procurement remaining from Decision (D.) 16-05-053, my interpretation of this rehearing decision is that the remaining procurement should occur while reviewing all updated grid information, including the most recent analysis by the California Independent System Operator (CAISO). The 2018 and 2022 CAISO LCR studies that were filed in this proceeding indicate there is currently no LCR deficiency in the Los Angeles Basin, a position which no party disputed.

Finally, SCE provided several secondary need-based justifications for these contracts, all of which I believe do not hold up under scrutiny. Specifically, SCE stated that these contracts may provide hedge value for LCR contract failure, but failed to address the actual risk of LCR contract failure, the magnitude of need, and why these contracts are best positioned to address such a shortfall. SCE also provided secondary justifications based on meeting existing Commission programs, including the Distribution Resources Plan pilots and energy storage mandate, but failed to justify why these contracts should be approved when they fail to meet the basic requirements of these programs, including specific cost caps and cost-effectiveness requirements adopted in previous Commission decisions.

My preference is not to be voting against a concept that I think has true potential; however, the combination of all the aforementioned aspects of this application leaves me with too many concerns to justify the multi-million dollar price tag that these contracts will impose on ratepayers. Moving forward, it is worth highlighting that SCE and the Office of Ratepayer Advocates were the only two parties that participated in this proceeding. While it is unclear at this point how much the proceeding may have benefitted from additional party participation, I strongly encourage storage developers and trade groups to actively participate in these types of proceedings in the future, where their input may be instrumental in achieving broader Commission support.

/s/ CARLA J. PETERMAN

7/12/2018