



TESTIMONY OF SOUTHERN CALIFORNIA EDISON

PRESENTED TO THE LITTLE HOOVER COMMISSION

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NOVEMBER 15, 2011

Introduction

On April 12, 2011, Governor Brown signed into law Senate Bill (SB) X 1 2, the 33% Renewables Portfolio Standard (RPS) program, which significantly increased the prior 20% RPS, and also modified program requirements. The California Public Utilities Commission (CPUC) issued a report in 2009 concluding that achieving this new goal by 2020 would require new generating facilities, transmission lines, and other grid infrastructure.¹ Timely construction of this infrastructure rests in large part upon the ability of project developers to obtain the requisite regulatory approvals from agencies at all levels of government.

SCE is pleased to report some success in timely licensing of transmission and interconnection facilities for several renewable projects. This success is the result of relatively new processes that facilitate strong coordination between and amongst private industry and government agencies at all levels. Before discussing these coordination efforts, SCE's testimony will first briefly address two foundational issues regarding the State's RPS program, as requested by this Commission: (1) SCE's progress toward meeting the State's renewable goals, and (2) how the costs of implementing the RPS are passed to customers.

I. SCE's Progress Toward Helping The State Meet its Renewable Goals

SCE procures power from a wide range of renewable resources, including geothermal, small hydro, solar, wind, and biomass. In 2010, SCE demonstrated compliance with California's 20 percent RPS through actual deliveries and a combination of flexible compliance tools, including banking and earmarking. To help achieve California's aggressive RPS goal, SCE will continue to increase the amount of renewable energy it delivers to customers through least-cost, best-fit principles. In addition, SCE is developing transmission and interconnection projects needed to access renewable generation and deliver it to customers.

II. How The Costs Of Implementing The State's RPS Are Passed To SCE's Customers

The costs to SCE's customers associated with implementing the state's RPS are primarily driven by (1) contracts to purchase power from renewable generators at negotiated prices, and (2) investment in transmission and distribution infrastructure to deliver renewable energy to customers. There are also

¹ California Public Utilities Commission, *33% Renewables Portfolio Standard: Implementation Analysis: Preliminary Results* at 4, June 2009, <http://docs.cpuc.ca.gov/PUBLISHED/GRAPHICS/102354.PDF>.

costs associated with backup generation and other renewables integration costs. The costs of each driver are passed to customers in different ways.

The costs associated with all contracts for renewable energy that SCE signs are directly passed through to customers with no mark-up by SCE. Customers will begin to pay for these costs in the year that the renewable energy is generated and used to meet customer load. Increases in transmission and distribution investment required to bring renewable power to SCE's customers is recovered from customers over the life of the transmission or distribution assets (i.e. recovered over many years).² SCE begins to recover the amortized transmission or distribution investment, including an authorized return, in rates in the year that the asset is placed "in-service".

As the 33% RPS is state policy, the cost of achieving the policy should be fairly borne by all customers. That is not the case today: the increased renewable costs affect rates differently for different customer groups. While public policy mandates currently shield low usage and low income residential customers from these added cost impacts by limiting any increases to lower rate tiers, higher usage residential customers and energy-intensive commercial and industrial customers pay disproportionately more as the additional costs must be allocated to the higher rate tiers. The legislature helped address this rate equity issue in 2009 with the passage of SB 695, allowing some of the costs of RPS, greenhouse gas reductions and other policies to be reflected in rates for low usage residential customers, but more rate reform is needed.

III. Interagency Cooperation on Renewable Projects

Licensing transmission facilities is a complex process that requires regulatory approvals from agencies at all levels of government. The potential for unnecessary delay looms large without strong coordination between the involved agencies and the project developer. Lack of coordination often results in duplicative work and inconsistent conclusions by agencies. Regulatory findings such as "project need" and "project alternative selection" must be established early in the development process and held consistent throughout. Failure to coordinate objectives at the outset can cause unnecessary delay and uncertainty as additional stakeholders and agencies review projects at different times during the review process.

Fortunately, strong coordination has occurred on SCE's transmission projects to aid renewable development. This coordination resulted in noteworthy progress towards the timely issuance of regulatory approvals. In some instances, this coordination has been facilitated by agencies signing a memorandum of understanding (MOU) to prepare joint review documents. In others, the coordination has been the result of forums established specifically for this purpose. Each of these efforts is detailed further below.

SCE has experienced some success in reducing the time required for agency approval when agencies have entered into MOUs to prepare joint reviews of a specific transmission project. For some of our recent transmission projects accessing renewable generation, the co-lead and cooperating agencies agreed to prepare joint review documents such as a state Environmental Impact Report (EIR) with a federal Environmental Impact Statement (EIS). The agencies involved include the CPUC, the California Energy Commission (CEC), U.S. Department of Agriculture (USDA), U.S. Department of the Interior (DOI) and the Bureau of Land Management (BLM), U.S. Army Corps. Of Engineers (USACE), and the U.S.

² SCE has received FERC approval to recover a return on the project funds expended during construction for certain transmission projects.

Department of Energy (DOE). The lead and cooperating agencies also participated in regular project review meetings with SCE prior to filing. As a result of this coordination, SCE was able to include the information required by all of the agencies for a complete environmental review in the Proponents Environmental Assessment (PEA).³ The agencies were able to negotiate and agree on shared resources and responsibilities to further improve efficiency. This cooperation reduced the approval time for certain projects by several months.

SCE's Eldorado – Ivanpah project is a recent example where an MOU in combination with additional pre-filing coordination resulted in significant improvement to the time required for agency approval. On this project, SCE worked with the CPUC and BLM to develop the PEA describing the proposed project, alternatives, and environmental impacts. Learning the needs and requirements of each agency, as well as their respective timeline requirements before filing reduced the post-filing work of the agencies and SCE, and avoided unnecessary delays. Fully vetting the alternatives and issues with the agencies in advance of filing reduced the variability and uncertainty of the work required of the agencies post filing. The result was timely completion of the regulatory review process in approximately 18 months.

Another example of effective coordination is the cooperation facilitated by the California Governor's office for the permitting and interconnection of large-scale renewable power projects eligible for incentives under the American Reinvestment and Recovery Act (ARRA). I'd like to describe two important vehicles through which this cooperation was facilitated. One of these vehicles was the Renewable Energy Policy Group, or "REPG," which was convened pursuant to an MOU signed by Department of the Interior Secretary Ken Salazar and Governor Arnold Schwarzenegger in October 2009. Although the REPG initially consisted of senior policy representatives of the U.S. Department of the Interior, the California Governor's Office, and the California Natural Resources Agency, it has since grown to include almost all of the federal and state agencies that have a key role in permitting renewable generation and transmission projects to interconnect the generation to the grid. A second vehicle was the Renewable Energy Action Team, or "REAT," which was also a part of the October 2009 MOU and includes the California Energy Commission, California Department of Fish and Game, Bureau of Land Management, and the U.S. Fish and Wildlife Service.⁴

For the first few years of their existence, the REPG and REAT were focused on permitting milestones and schedules affecting renewable power projects qualifying for ARRA funding and providing for more streamlined permitting processes for renewable energy projects. However, after demonstrated success in the area of generation permitting, the REPG and REAT have turned their attention to the permitting milestones and schedules associated with the transmission facilities needed by renewable energy projects.

The coordination and cooperation made possible by REPG and REAT have allowed the renewable generation developers and transmission owning utilities to jointly prepare the project descriptions and environmental analyses required for the cooperating agencies to render opinions, and the lead agencies to issue decisions, in a timeframe much shorter than in recent practice. A recent example of the cooperation facilitated by REPG and REAT is the Lockhart (Water Valley) switching station project. On

³ A PEA is a complete assessment of the existing environmental setting in the project area and of potential environmental impacts and mitigation measures. A PEA is prepared by the applicant and submitted to the CPUC and other agencies as part of the application process.

⁴ This same group was initially known as the Renewable Energy Permit Team (or "REPT"). The REPT was created by a 2008 Executive Order of the Governor and formalized by an MOU in November 2008.

this project, an environmental review conducted by the CEC and DOE/BLM was reviewed and supplemented by the CPUC to enable the timely issuance of expedited regulatory approval by the CPUC. The time from Edison's filing to CPUC approval was just under three months.

SCE is encouraged by the level of agency cooperation facilitated by the Governor's office, and continues to work with all agencies and stakeholders to improve the licensing process while maintaining high quality environmental review of its projects.