

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

In Attendance: COMMISSIONER MICHEL PETER FLORIO
ADMINISTRATIVE LAW JUDGE REGINA DEANGELIS, presiding

)	EVIDENTIARY
)	HEARING
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)	
Application of Southern California)	
Edison Company (U338E) for Approval)	
of the Results of Its 2013 Local)	Application
Capacity Requirements Request for)	14-11-012
Offers for the Western Los Angeles)	
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REPORTERS' TRANSCRIPT
San Francisco, California
May 6, 2015
Pages 209 - 375
Volume - 2

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1 SAN FRANCISCO, CALIFORNIA

2 6 MAY, 2015 - 10:00 A.M.

3 * * * * *

4 ADMINISTRATIVE LAW JUDGE DE ANGELIS:

5 All right, we'll be on the record.

6 Good morning. This is the time and
7 place for the continuation of the evidentiary
8 hearing for A.14-11-012.

9 This morning we're going to
10 continue with cross-examination. And first
11 thing we'll do is just go over what we will
12 expect to have happen this morning.

13 So perhaps Ms. Reyes Close, could
14 you explain the witness --

15 MS. REYES CLOSE: Sure.

16 ALJ DE ANGELIS: -- order this morning.

17 MS. REYES CLOSE: Sure.

18 This morning, your Honor, we had
19 ordered the witnesses with Paul Hunt starting
20 us off. And Sierra Club will be crossing
21 Mr. Hunt and I think that may be --

22 About ten minutes?

23 MR. VESPA: Mm-hmm.

24 MS. REYES CLOSE: -- of allotted time.

25 And then we had scheduled Mr. Fagan
26 between Paul and SCE's other witnesses
27 because it's our understanding that he has
28 a flight to catch. So that's why we slotted

1 him in. So Mr. Fagan will be up next.

2 And then I think there was
3 a request yesterday from NRG's counsel that
4 Mr. Nickolay be able to go -- I think the
5 preference was after Mr. Fagan or before?

6 MS. COTTLE: Well, Ms. Sheriff from
7 CLECA is the one who wants to cross-examine
8 Mr. Nickolay, so she asked if she could go
9 immediately after the lunch break, and that's
10 fine with us.

11 MS. REYES CLOSE: Okay.

12 ALJ DE ANGELIS: Okay. So we'll go
13 after the lunch break.

14 MS. REYES CLOSE: So then I think after
15 Mr. Fagan, Mr. Chinn, SCE's witness Garry
16 Chinn will go up. And then after that, our
17 last witness Colin Cushnie.

18 ALJ DE ANGELIS: And Mr. Miller?

19 MR. PINJUV: Mr. Miller is scheduled
20 today. He's the ISO's witness and he has
21 a date certain for today as well.

22 ALJ DE ANGELIS: Okay. So
23 will Mr. Miller be able to testify this
24 morning?

25 MR. PINJUV: Yes, he would be.

26 ALJ DE ANGELIS: Okay. So it looks as
27 though we'll have just Mr. Nickolay in
28 the afternoon.

1 Well, perhaps. Okay. Let's see
2 how we do. All right.

3 Any other logical issues that
4 parties would like to raise before we get
5 started?

6 MS. REYES CLOSE: Yes, please, your
7 Honor.

8 Oh, I'm sorry.

9 ALJ DE ANGELIS: Ms. Myers.

10 MS. MYERS: I have two actually. One
11 is, if we could get done with the witnesses
12 scheduled for today and other witnesses that
13 are scheduled for tomorrow are available
14 today, can we proceed with them today is
15 the preference to have them go tomorrow?

16 ALJ DE ANGELIS: I don't have
17 a preference.

18 MS. MYERS: Okay.

19 ALJ DE ANGELIS: So perhaps at a break,
20 you could discuss that with the parties.

21 MS. MYERS: Okay.

22 ALJ DE ANGELIS: And if you can arrange
23 it, I can accommodate that.

24 MS. MYERS: Okay, thank you.

25 ALJ DE ANGELIS: Ms. Reyes Close.

26 MS. REYES CLOSE: Yes. So a couple of
27 things.

28 One, yesterday I had identified

1 Exhibit SCE-3 and I think it didn't get
2 marked into the record. So I was just
3 wondering if we could do that as
4 a housekeeping matter this morning before
5 Mr. Hunt starts.

6 And then also, Edison has two
7 additional exhibits that I would like to
8 identify and have marked. They have not
9 previously been introduced. And I have
10 checked with the parties to see if anybody
11 has an issue with that, and they do not. One
12 of them is a clean copy of the LCR RFO DR
13 pro forma agreement that ORA just went over
14 yesterday. It's just a clean copy.

15 And then the other one is SCE's
16 Track 1 procurement plan which Mr. Vespa has
17 referenced yesterday which I mistakenly
18 thought had been filed in the Track 1
19 proceeding, but I learned yesterday that it
20 had not. So I just wanted to make sure that
21 parties had an opportunity to see that
22 document because I don't believe everyone has
23 had the opportunity.

24 So those are the two exhibits.

25 ALJ DE ANGELIS: Okay. Why don't you
26 go ahead --

27 MS. REYES CLOSE: Sure.

28 ALJ DE ANGELIS: -- and request that

1 all those documents be marked.

2 MS. REYES CLOSE: Okay. Your Honor,
3 I would like to mark as Exhibit SCE-3 which
4 is SCE-3 I think -- I'm sorry -- Appendices E
5 and F to Testimony of SCE on the Results of
6 Its Local Capacity Requirements Request for
7 Offers for the Western Los Angeles Basin; and
8 SCE-7 which is the Track 1 procurement plan
9 of Southern California Edison Company
10 submitted to Energy Division Pursuant to
11 D.13-02-015; and Exhibit SCE-08 which is
12 the 2013 LCR RFO pro forma Demand Response
13 Resource Purchase Agreement.

14 ALJ DE ANGELIS: Thank you.

15 MS. REYES CLOSE: Thank you.

16 ALJ DE ANGELIS: SCE-3, SCE-7 and SCE-8
17 are marked for identification.

18 (Exhibit No. SCE-03 was marked for
19 identification.)

20 (Exhibit No. SCE-07 was marked for
21 identification.)

22 (Exhibit No. SCE-08 was marked for
23 identification.)

24 MS. REYES CLOSE: Thank you, your
25 Honor.

26 MS. MYERS: And your Honor, I'm sorry.
27 I had one other housekeeping matter.

28 I was wondering if I could move at

1 this time for EnerNOC-02 to be admitted into
2 evidence. It was used yesterday as
3 a cross-examination exhibit.

4 ALJ DE ANGELIS: Okay. Any objections?

5 (No response.)

6 ALJ DE ANGELIS: EnerNOC-02 is moved
7 into evidence.

8 (Exhibit No. EnerNOC-02 was received
9 into evidence.)

10 MS. MYERS: Thank you.

11 MR. POWERS: Your Honor, I would like
12 to offer into the record the Bill Powers'
13 testimony for Bill Powers Engineering.

14 I will be leaving as soon as
15 Witness Cushnie is done on the stand.

16 ALJ DE ANGELIS: Could you remind me,
17 is that Powers-1 and 2?

18 Let's move all of --

19 MR. POWERS: It is Powers-1 through
20 Powers-24. They are exhibits with testimony.

21 ALJ DE ANGELIS: Could you bring that
22 up to me, please?

23 MR. POWERS: Yes. (Handing document to
24 the ALJ.)

25 ALJ DE ANGELIS: And then Mr. Powers,
26 yesterday we marked for identification an
27 exhibit or two; is that correct?

28 MR. POWERS: That is correct.

1 ALJ DE ANGELIS: We marked two exhibits
2 for cross-examination.

3 MR. POWERS: Correct.

4 ALJ DE ANGELIS: Okay. So just to
5 clarify, you'd like to move into evidence
6 Powers-1 and 2, and those are the two
7 exhibits you used for cross-examination?

8 MR. POWERS: That is correct.

9 ALJ DE ANGELIS: And in addition, your
10 prepared testimony?

11 MR. POWERS: Yes.

12 ALJ DE ANGELIS: And just to clarify,
13 you handed me two copies of your prepared
14 testimony.

15 MR. POWERS: Correct.

16 ALJ DE ANGELIS: This will be marked
17 for identification as Powers-3, the entire
18 document.

19 (Exhibit No. Powers-3 was marked for
20 identification.)

21 MR. POWERS: Very good.

22 ALJ DE ANGELIS: Okay. And I will now
23 enter into the record Powers-1, Powers-2, and
24 Powers-3.

25 (Exhibit No. Powers-1 was received
26 into evidence.)

27 (Exhibit No. Powers-2 was received
28 into evidence.)

1 (Exhibit No. Powers-3 was received
2 into evidence.)

3 MR. POWERS: Thank you, your Honor.

4 ALJ DE ANGELIS: Anything further
5 before we get started?

6 (No response.)

7 ALJ DE ANGELIS: All right. Would you
8 like to call your first witness?

9 MS. REYES CLOSE: Yes. Paul Hunt for
10 SCE.

11 ALJ DE ANGELIS: All right. Good
12 morning. I'll swear you in.

13 MR. HUNT: Good morning.

14 PAUL T. HUNT, JR., called as a
15 witness by Southern California Edison
16 Company, having been sworn, testified
17 as follows:

18 THE WITNESS: Yes, I do.

19 ALJ DE ANGELIS: Thank you.

20 All right, go ahead.

21 MS. REYES CLOSE: Thank you.

22 DIRECT EXAMINATION

23 BY MS. REYES CLOSE:

24 Q Good morning, Mr. Hunt.

25 Would you please state your current
26 position at SCE for the record?

27 A My position is director of
28 regulatory finance and economics.

Q Thank you.

1 And are you sponsoring Chapter 4
2 Section I as identified in the table of
3 contents of Exhibit SCE-1 and Exhibit SCE-1-C
4 titled Testimony of Southern California
5 Edison Company on the Results of its 2013
6 Local Capacity Requirements Request for
7 Offers for the Western Los Angeles Basin;
8 your qualifications in Exhibit SCE-2 and
9 Exhibit SCE-2-C and a paragraph in Section
10 A-1-B in Chapter 2 as identified in the table
11 of contents of Exhibit SCE-6 titled
12 Residential Testimony of Southern California
13 Edison?

14 A Yes.

15 Q With respect to the testimony you
16 sponsored, do you have any additions or
17 corrections to make at this time?

18 A No.

19 Q Was this testimony prepared by you
20 or under your supervision?

21 A Yes.

22 Q Insofar as this testimony is
23 factual in nature, do you believe it to be
24 correct?

25 A Yes.

26 Q Insofar as this testimony is in
27 the nature of opinion or judgment, does it
28 represent your best judgment?

1 A Yes.

2 MS. REYES CLOSE: Thank you, Mr. Hunt.

3 Your Honor, Mr. Hunt is available
4 for cross-examination.

5 CROSS-EXAMINATION

6 BY MR. VESPA:

7 Q Good morning, Mr. Hunt. Matt Vespa
8 for Sierra Club.

9 A Good morning.

10 Q You talked a little about this in
11 your opening, but could you explain
12 the difference between long-term debt as
13 reported in your annual financial statements
14 and debt equivalents?

15 A Long-term debt is exactly that. It
16 a long term obligation of the company to
17 pay -- repay principle and make periodic
18 payments of interest to bondholders. Debt
19 equivalents are a construction of the credit
20 rating agencies.

21 Q Mm-hmm.

22 A And they are not, they do not
23 appear in the company's financial statements.

24 Q Okay. And each credit rating
25 agency has a different way of calculating
26 debt equivalents, is that right?

27 A They differ in the details but they
28 do not differ in the overall approach.

1 So what the rating agencies are
2 doing is they are looking at power purchase
3 agreements and certain other obligations of
4 the company and they are essentially saying
5 that these obligations have the possibility
6 of impeding cash flow to bondholders,
7 essentially raising the possibility of
8 default to bondholders even though they're
9 not carried on the books of the company.

10 So what the credit rating agencies
11 do is they essentially impute a debt amount
12 based on the capacity payments under a power
13 purchase agreement. And then they also
14 impute interest expense and depreciation
15 expense which they use to adjust income
16 statements as well as flow statements.

17 Q And in determining credit rating,
18 are there other factors besides debt
19 equivalents that goes into that
20 determination?

21 A Yes.

22 Q Can you talk a little bit about
23 what those other factors are?

24 A They're essentially two overall
25 factors that the rating agencies come up
26 with. One is what they call a business
27 profile which reflects the business that
28 the company is in, the composition of the

1 company's customers and the composition of
2 the demand for the company's output.

3 For a regulated utility, they will
4 also take into account the regulatory and
5 legislative environment in the state that the
6 utility operates in. They will make certain
7 other qualitative judgments to come up with
8 what they call a business profile. And they
9 will also do a financial profile of
10 the company where they will take
11 the company's financial statements and make
12 what they believe are appropriate adjustments
13 to those financial statements, come up with
14 credit ratios, and then they come up with an
15 overall financial risk metric for
16 the company, and they combine those two to
17 come up with an overall credit rating for
18 the company.

19 Q You mentioned Moody's in your
20 testimony. What other credit ratings or
21 credit rating agencies evaluate SCE?

22 A Moody's, Standard & Poor's and
23 Fitch, to my knowledge.

24 Q Okay. And what is SCE's current
25 credit rating from each of these agencies?

26 A The corporate credit rating of
27 the Standard & Poor's corporate rating is
28 triple B plus. The Moody's credit rating,

1 corporate credit rating is A-3. And
2 I believe that Fitch credit rating is A
3 minus.

4 Q Okay. Now I want to turn to your
5 rebuttal testimony, that's SCE-6, on page 5.
6 I'm on line 11. And here you say:

7 If SCE's debt equivalents increase
8 by a significant amount, it could
9 result in a downgrade of SCE's
10 credit rating.

11 I'm trying to get a sense of what
12 "significant" means.

13 What is the current debt
14 equivalents, for example, from Moody's that
15 they have assigned to SCE?

16 A The current debt equivalents is
17 probably on the order of I would say around
18 \$2 billion. I would have to check that
19 number to be exact, but it's in that
20 neighborhood.

21 Q And if the storage project was
22 characterized as a capital lease, that is
23 where the issue is of that, those payments
24 being assigned as debt equivalents, is that
25 right?

26 A Yes. The -- if it's a -- well,
27 what would happen is if it's a capital lease,
28 the discounted the net present -- the present

1 value of the capacity payments will be added
2 as debt by the credit rating agencies to
3 the balance sheet.

4 Q And the embedded put option and
5 those other measures were intended to avoid
6 that outcome, correct?

7 A What the embedded put option does
8 it is prevents the contract from being
9 a capital lease, we hope. In which case,
10 the net present value of payments would be
11 multiplied by a 25-percent risk factor.

12 So the debt equivalent on the --
13 imputed by the credit rating agencies would
14 only be about a quarter of what it would be
15 if it were a capital lease.

16 Q Okay. So for the hundred megawatt
17 storage project if this was ultimately
18 classified as a capital lease, what would
19 that add to SCE's current debt equivalents?

20 A I actually don't know that precise
21 number. I apologize. I don't know
22 the number for those contracts.

23 Q Okay. It would be a 75-percent
24 increase from what it would have been if it
25 was not categorized as a capital lease,
26 right?

27 A Well, the capital lease would be
28 four times the operating lease.

1 Q Okay. You know what, I'm trying to
2 understand, you know, when you say if debt
3 equivalents increase by a significant amount.

4 It sounds like you've already got
5 two billion that's currently characterized as
6 debt equivalents. You know, what would be
7 around a significant amount given all these
8 other factors that are involved in credit
9 ratings that could potentially result in
10 a downgrade?

11 A Well, I think I would submit that
12 a significant amount would be in order of
13 hundreds of millions of dollars. But of
14 course, keep in minds that this is not
15 the only contract we're signing as a result
16 of the RFO. We're signing all the other
17 contracts who have debt equivalents in those
18 as well. So it's not just the energy storage
19 contract, but it's all the other contracts as
20 well that add debt equivalents to the balance
21 sheet.

22 Q But it sounded like in some of your
23 testimony you were able to avoid a lot of
24 that through these other, you know, an
25 RA-only contract or the put option or other
26 mechanisms, correct?

27 A Yes, but -- that's correct. But
28 the total debt equivalents even with that is

1 I think on the order of a billion dollars.
2 I have that number in my direct testimony.

3 Q Oh. I saw that. So that was
4 a billion with all of the measures you took.

5 I had read that as a billion absent
6 a lot of the steps you took to minimize that.

7 A I believe that is a billion dollars
8 after the embedded put option is applied.

9 Q Okay. And you don't know how much
10 of that would be from hundred megawatts of
11 storage?

12 A No, I do not.]

13 MR. VESPA: Is that something I get
14 from a data request?

15 ALJ DE ANGELIS: Could you talk
16 directly.

17 MR. VESPA: I'm wondering if there's a
18 way to get that information in a subsequent
19 data request.

20 ALJ DE ANGELIS: Is that possible?

21 MS. REYES CLOSE: You can ask us.

22 MR. VESPA: I can ask you. So I guess
23 it's possible.

24 That's all the questions I have for
25 you. Thank you. Yeah. Thanks.

26 ALJ DE ANGELIS: Is there any further
27 questions?

28 (No response.)

1 ALJ DE ANGELIS: Any redirect?

2 MS. REYES CLOSE: No, your Honor.

3 Thank you.

4 ALJ DE ANGELIS: Thank you, Mr. Hunt.

5 You're excused.

6 All right. And we have Mr. Fagan
7 next. Mr. Vespa, would you like to call?

8 MR. VESPA: Oh, yeah. Sierra Club
9 calls Mr. Fagan.

10 ALJ DE ANGELIS: Thank you.

11 MS. REYES CLOSE: Your Honor, just so
12 you know, Rebecca Meiers-DePastino, who is
13 also an Edison attorney, will be crossing Mr.
14 Fagan.

15 ALJ DE ANGELIS: Thank you.

16 MS. MEIERS-DE PASTINO: Thank you.

17 ALJ DE ANGELIS: Good morning.

18 ROBERT FAGAN, called as a witness by
19 The Sierra Club, having been sworn,
20 testified as follows:

21 ALJ DE ANGELIS: Okay. Mr. Vespa.

22 DIRECT EXAMINATION

23 BY MR. VESPA:

24 Q Mr. Fagan, you submitted testimony
25 on behalf of Sierra Club in this matter,
26 correct?

27 A Yes.

28 Q You submitted a public version of
your testimony and a confidential version of

1 your testimony, correct?

2 A Yes.

3 Q Do you have any corrections to this
4 testimony you'd like to make at this time?

5 A Yes. I have three minor
6 corrections.

7 Q Okay. Lets go through those. And
8 we'll use the public version. Okay. What
9 are those corrections?

10 A The first is on page 3 at line 3.
11 Where it currently says in the beginning of
12 the line "resource adequacy" it should say
13 "resource adequacy and energy."

14 ALJ DE ANGELIS: And that's in the
15 prepared testimony?

16 MR. VESPA: Yes, your Honor.

17 ALJ DE ANGELIS: Let's just mark it so
18 we know. For the record let's mark it as
19 Sierra Club-8.

20 MR. VESPA: Your Honor, would it be
21 okay to mark it Sierra Club-2? Because we
22 skipped that number, and then we don't have
23 to -- people don't have to wonder about it.

24 ALJ DE ANGELIS: We'll mark it as
25 Sierra Club-2.

26 (Exhibit No. SIERRACLUB-02 was
27 marked for identification.)

28 ALJ DE ANGELIS: Okay.

1 THE WITNESS: The second correction is
2 on page 9, line 27. Where it currently says
3 "spinning reserve" it should say "spinning
4 and nonspinning reserve."

5 And the third correction is on page
6 14 at line 9. In the beginning where it
7 currently says "The gas-fired share," strike
8 that and replace it with "The increase of the
9 minimum for gas-fired resources."

10 And also on the same line a little
11 further down where it says "of total LCR
12 capacity," strike that.

13 MR. VESPA: Q Mr. Fagan, do you have
14 any more corrections?

15 A No.

16 MR. VESPA: Your Honor, I'd also like
17 -- we marked Exhibit Sierra Club-2 as Mr.
18 Fagan's testimony. And I'd also like to mark
19 Exhibit 2-C.

20 ALJ DE ANGELIS: Thank you. We'll mark
21 as Exhibit 2-C the confidential version of
22 the prepared testimony. Thank you.

23 (Exhibit No. SERRIACLUB-03-C was
24 marked for identification.)

25 MR. VESPA: Before we begin, Sierra
26 Club did introduce other exhibits yesterday.
27 Are those in the record, or do I need to move
28 those into the record at this time, or should

1 that happen later on?

2 ALJ DE ANGELIS: Go ahead and move them
3 into the record now.

4 MR. VESPA: Okay. Sierra Club would
5 like to move Exhibit Sierra Club 1 through
6 Sierra Club 7 into the record.

7 ALJ DE ANGELIS: Sierra Club-1, Sierra
8 Club --

9 MR. VESPA: 1-C.

10 ALJ DE ANGELIS: 1-C.

11 MR. VESPA: And then.

12 ALJ DE ANGELIS: 3, 4, 5, 6, and 7 are
13 entered into the record.

14 (Exhibit No. SIERRACLUB-01 was
15 received into evidence.)

16 (Exhibit No. SIERRACLUB-01-C was
17 received into evidence.)

18 (Exhibit No. SIERRACLUB-03 was
19 received into evidence.)

20 (Exhibit No. SIERRACLUB-04 was
21 received into evidence.)

22 (Exhibit No. SIERRACLUB-05 was
23 received into evidence.)

24 (Exhibit No. SIERRACLUB-06 was
25 received into evidence.)

26 (Exhibit No. SIERRACLUB-07 was
27 received into evidence.)

28 ALJ DE ANGELIS: And let's just go

1 ahead and move into the record Sierra Club-2
2 and Sierra Club-2-C.

3 (Exhibit No. SIERRACLUB-02 was
4 received into evidence.)

5 (Exhibit No. SIERRACLUB-02-C was
6 received into evidence.)

7 MR. VESPA: Thank you.

8 ALJ DE ANGELIS: Thank you.

9 MR. VESPA: Okay. Mr. Fagan is ready
10 for cross.

11 MS. MEIERS-DE PASTINO: Thank you.

12 CROSS-EXAMINATION

13 BY MS. MEIERS-DE PASTINO:

14 Q Good morning, Mr. Fagan.

15 A Good morning.

16 Q In your testimony you describe
17 yourself and your expertise as mechanical
18 engineering and energy economics, correct?

19 A That's correct.

20 Q Based on the resume you attached to
21 your testimony as Attachment 1, you don't
22 appear to have significant in-front-of-the-
23 meter energy storage experience; is that
24 correct?

25 A There's very little in-front-of-
26 the-meter energy storage throughout the
27 country. I'm not sure that there's many
28 people who might claim that. What's

1 important is that storage is a resource, an
2 outputting resource or a charging resource.
3 And in many respects it's not unlike the
4 action of other resources on the grid.

5 So I'm familiar enough with the way
6 resources and load works on the grid that I
7 can use my knowledge and expertise in that
8 area to think through the issues related to
9 in-front-of-the-meter energy storage.

10 THE REPORTER: Related to what?

11 THE WITNESS: In-front-of-the-meter
12 energy storage.

13 MS. MEIERS-DE PASTINO: Q So if I
14 understand --

15 ALJ DE ANGELIS: Excuse me. Is your
16 microphone on, Mr. Fagan? Can you just tap
17 it. Maybe just move it a little closer to
18 you so that the reporter can hear you. Thank
19 you.

20 MS. MEIERS-DE PASTINO: Q So to
21 paraphrase, if I understand your testimony
22 correctly, you're saying there isn't a lot of
23 historical experience with this technology
24 because it's new and emerging. Is that fair?

25 A No. I didn't say that. I think
26 that might be true, but what I was
27 characterizing is the way that I understand
28 analyzing this issue is through the lens of

1 how existing resources, historical resources
2 and load acts on the grid, resource planning,
3 which is my area of expertise.

4 Q And you would agree, though, that
5 it's an emerging technology, correct?

6 A I did not testify to that. So I'm
7 not going to make a claim to the extent that
8 storage is an emerging or not an emerging
9 technology.

10 Q You didn't testify to it in your
11 written testimony?

12 A That's correct.

13 Q I'm asking you now.

14 A I think --

15 MR. VESPA: It's outside the scope of
16 his testimony.

17 ALJ DE ANGELIS: Mr. Vespa, if you have
18 an objection.

19 MR. VESPA: I object. It's outside the
20 scope of his testimony. He's just said it's
21 not in his testimony.

22 MS. MEIERS-DE PASTINO: All right.
23 I'll let it go.

24 Q So would you agree that the market
25 at least, given that you're an economic
26 analyst, is emerging in this area for this
27 particular technology?

28 A No. The market is well established

1 in California, the wholesale market. This
2 technology will participate in that market,
3 but the market is well established.

4 Q So if you would turn to your
5 testimony on page 2, line 12, you
6 characterize Edison's hundred megawatt cap on
7 in-front-of-the-meter energy storage as
8 arbitrary; is that correct?

9 A That's correct.

10 Q And on that same page you say that
11 energy storage resources would provide
12 significant grid benefits, correct?

13 A Could you say specifically what
14 you're referring to?

15 Q I think it's on that same page.
16 Let me see if I can locate the line number.

17 A At lines 19 and 20 of the
18 confidential version. I quote from the
19 confidential portion of the independent
20 evaluator report.

21 Q Okay.

22 A In regards to what you just
23 questioned me on.

24 Q I don't think that's what I'm
25 referring to.

26 Well, I'll just ask you. Do you
27 think that they provide significant grid
28 benefits?

1 A I do state -- the answer is yes. I
2 do state on lines 16 and 17.

3 Q Okay.

4 A That the ancillary service benefits
5 attributed to those resources in SoCal
6 Edison's evaluation are fundamentally logical
7 following from the technical merits of the
8 resource.

9 Q Okay. Would you also agree that
10 there's no historical evidence of
11 in-front-of-the-meter energy storage
12 utilizing battery technology in -- at their
13 participation in the CAISO market?

14 A I'm not testifying to that effect.
15 I'm testifying to SoCal Edison's approach to
16 evaluating this resource. So I actually am
17 not fully aware of how much of that stuff is
18 on the California grid now and how much is
19 not on the grid now.

20 Q Okay. Isn't it true that Edison
21 did not have interconnection studies at the
22 time of the LCR solicitation on this
23 particular technology?

24 A I don't know the answer to that
25 question.

26 Q Okay. And at the time of the
27 solicitation do you know whether or not SCE
28 would have known whether there were charging

1 constraints that would have impacted the
2 value of an in-front-of-the-meter energy
3 storage offer?

4 A I don't know what SCE knew at that
5 time. I couldn't testify to something like
6 that.

7 Q And do you know if the charging
8 constraint issues that exist for this
9 particular technology have been resolved?

10 A Based on the information in the
11 CAISO November 2014 report, I would assert
12 that there are not significant charging
13 issues as respect -- in respect to the
14 resources' ability to provide resource
15 adequacy in most of the ancillary service
16 benefits and the energy benefits that SoCal
17 Edison documented in its evaluation of this
18 resource.

19 MS. MEIERS-DE PASTINO: One minute,
20 please.

21 ALJ DE ANGELIS: Mr. Fagan, when you
22 say SoCal -- when you say Edison documented,
23 what are you referring to, what document?

24 THE WITNESS: The thrust of my
25 testimony is --

26 ALJ DE ANGELIS: Could you just answer
27 that one question. What document are you --

28 THE WITNESS: I'm referring to SoCal

1 Edison's modeling of the benefits of the
2 storage technology --

3 ALJ DE ANGELIS: Okay.

4 THE WITNESS: -- as part of their
5 process.

6 ALJ DE ANGELIS: Okay. Thank you.

7 MS. MEIERS-DE PASTINO: Q Didn't the
8 CAISO report direct the energy storage
9 projects to go to the PTO for charging
10 studies?

11 A I believe that may be the case.
12 But more to the point, what that study also
13 said is that for the purposes of resource
14 adequacy and grid interconnection, the CAISO
15 didn't have to worry about that because they
16 didn't think that there was a charging
17 problem. Their focus was, when this
18 technology is being used as a resource, a
19 resource adequacy eligible resource, they're
20 interested in what's happening on the grid
21 during the four hours when this resource is
22 outputting at its maximum discharge
23 capability. That was their focus. They were
24 less concerned and did not seem to indicate
25 reliability concerns associated with the
26 other periods of the day when the resource
27 would need to charge.

28 Q So, but charging impacts valuation,

1 does it not?

2 A Yes. It should impact valuation in
3 that there's costs to charge. So the energy
4 valuation for a storage resource would depend
5 in part upon when the resource buys the
6 energy to charge, as an example.

7 Q And if you could only charge during
8 limited times, wouldn't that also have an
9 impact on valuation?

10 A Well, it would, but I don't agree
11 with the premise of your question. If you
12 could only charge during limited times is
13 what you said. What CAISO lays out is -- is
14 that there's clearly the rest of the day
15 other than the peak periods when you can
16 charge. And just looking at the
17 fundamentals, the resource has to be
18 available to put out for four hours during
19 the times when the grid is stressed. That's
20 what the resource adequacy obligation is for
21 this resource. That leaves the rest of the
22 day to charge. And to charge at a rate, a
23 megawatt rate much lower than the maximum
24 megawatt rate at which it's obligated to
25 produce output.

26 So for example, the hundred
27 megawatt selected IFOM resource has to
28 discharge at a hundred megawatts for four

1 consecutive hours. That's what it has to do.
2 But it doesn't have to charge at a hundred
3 megawatts. It can charge at 10 megawatts for
4 10 hours.]

5 And you've basically got the rest
6 of the day, day in and day out, for it to
7 charge. And there is an understanding of the
8 patterns on the grid that allows the resource
9 to optimally figure out when is the best time
10 to charge.

11 Q So it is your contention that there
12 just simply are no charging issues?

13 A I didn't say there were no charges
14 issues. What I said is for the purposes of
15 evaluating the benefits of these resources,
16 which SoCal Edison did, and you assigned
17 energy ancillary service and resource
18 adequacy benefits to each resource. The
19 resource adequacy and the energy benefits,
20 there are no charging limitations associated
21 with that valuation.

22 For the ancillary services, SoCal
23 Edison claimed that there might be some
24 limitations in your evaluation because of
25 concerns that it might have to charge during
26 peak periods. So, for example, you said that
27 it might not be able to provide regulation
28 down. But SoCal Edison never provided

1 evidence that indicated here is the periods
2 when it might have to provide regulation
3 down, when there might be a charging issue so
4 we should discount our evaluation of the
5 ancillary service benefits because of that.

6 Q So you are saying -- let's go back
7 to my original question. My question was
8 do -- you now claim there are no charging
9 issues, and you are saying you didn't say
10 that.

11 My question for you is: Are there
12 charging issues in your mind that exist or
13 not?

14 A That is a very general question.

15 Q Yes, it is.

16 A Because the PTOs have not done all
17 of the analyses that might uncover certain
18 times when there are charging issues. That
19 doesn't imply that the benefits that you
20 attributed to the storage resources in your
21 evaluation are exaggerated. If there are
22 charging issues that occur, for example,
23 during two or three or seven hours of the
24 day, what that generally means is the
25 resource is going to charge at different
26 times of the day. There is a lot of room to
27 charge all the other hours.

28 And...

1 MS. MEIERS-DE PASTINO: Can we take a
2 short break?

3 ALJ DE ANGELIS: Let's take -- would a
4 10-minute break be okay?

5 MS. MEIERS-DE PASTINO: I think a
6 minute break would be okay.

7 ALJ DE ANGELIS: Let's take a break
8 until a quarter till.

9 Off the record.

10 (Recess taken.)

11 ALJ DE ANGELIS: Back on the record.
12 Go ahead.

13 MS. MEIERS-DE PASTINO: Q So
14 Mr. Fagan, would you concede that charging
15 constraints can impact valuation?

16 A No, I wouldn't. That is not what
17 my testimony says. I mean --

18 Q I think your answer is "no."
19 So as renewables build -- as
20 renewable buildout occurs, there is a
21 potential for prices during certain times of
22 the day to become depressed; is that right?

23 A That is correct. More than
24 "potential," that is already evident.

25 Q Okay. If that were to occur, for
26 energy storage facilities to achieve their
27 maximum benefits, they would want to charge
28 the device at those low-priced hours. Would

1 you agree with that?

2 A Energy storage providers would most
3 likely want to do their charging during lower
4 priced hours; that is correct.

5 Q Okay. If a charging constraint
6 were to occur during those hours, wouldn't
7 that impact value?

8 A Yes, it could, in theory. But, you
9 know, again, let's deconstruct that premise.
10 The premise is if a charging constraint
11 occurs during low-priced hours. That is what
12 you said.

13 So in this case when we are talking
14 about the in-front-of-the-meter energy
15 storage devices, and in particular the large
16 in-front-of-the-meter energy storage devices
17 located at relatively high voltage points on
18 the grid where there is a lot less
19 congestion, dory periods of low-priced
20 energy, it is relatively unlikely that there
21 is going to be charging constraints cropping
22 up all the time. The energy storage resource
23 has a large selection of hours to do its
24 charging.

25 Q Okay. Thank you.

26 So I would like to turn now to page
27 8 line 11 of your written testimony. Let me
28 know when you are there.

1 A Go ahead.

2 Q I think that you say there that the
3 concerns expressed by SCE have been largely
4 resolved, or maybe that is a paraphrase; is
5 that right?

6 A No, that is exactly what it says.

7 Q Okay. That sentence is written in
8 the present tense, correct?

9 A Yes. And that is in reference to
10 the reasons given by SoCal Edison in your
11 testimony for questioning your own valuation
12 of the energy storage resource benefits.

13 Q Okay. So are the concerns to which
14 you are referring in that sentence the access
15 charges and the discharge issues, in
16 particular?

17 A The current concerns that I'm
18 referring to is in my direct testimony at
19 page 7 on lines 22 to 29. And those are
20 interconnection requirements, tariffs for
21 charging and discharging, whether or not the
22 resource needs to charge during peak periods,
23 and concerns that the ancillary service
24 valuation overestimates actual value.

25 Q And your testimony at line 8 --
26 sorry, page 8 line 11 and -- in that
27 paragraph relies upon the CAISO's November
28 18th, 2014, proposal for its authority,

1 correct?

2 A In part. It also relies upon
3 information in the independent evaluator
4 report.

5 Q I think the footnote at the bottom
6 of that sentence is Footnote 21, correct?

7 ALJ DE ANGELIS: You are looking at
8 what exhibit?

9 MS. MEIERS-DE PASTINO: This is his
10 written testimony on page 8 lines 11 through
11 15 followed by Footnote 21.

12 Q Is that correct?

13 A Hold on just a second. Footnote 21
14 refers to the second sentence. I'm double
15 checking to make sure I have the context.

16 Yes. Essentially, CAISO said they
17 did not think a charging deliverability
18 assessment was required. Therefore, they
19 didn't need to change the terms of the
20 generation interconnection portion of the
21 tariff.

22 Q Okay. And the CAISO proposal is
23 dated November 18th, 2014, correct?

24 A That is correct.

25 Q And SCE's LCR RFO selection
26 occurred in October of 2014, is that right,
27 to the best of your knowledge?

28 MR. VESPA: Objection. He hasn't

1 testified to this in his testimony.

2 ALJ DE ANGELIS: I can't hear you.

3 MR. VESPA: Objection. It is out of
4 scope. This is not something he testified
5 about.

6 MS. MEIERS-DE PASTINO: Actually, he is
7 relying on a citation right now. It is
8 relevant.

9 ALJ DE ANGELIS: You can go ahead with
10 the question.

11 MS. MEIERS-DE PASTINO: Q Thank you.

12 A I believe SCE's filing was in
13 November, a couple of days after this draft
14 report.

15 ALJ DE ANGELIS: Do you have a copy
16 that you can provide the witness?

17 MS. MEIERS-DE PASTINO: Of when our
18 selection was made?

19 The question was: Isn't it true
20 that SCE's LCR RFO selection occurred in
21 October of 2014?

22 A That sounds reasonable, if you
23 filed it in November.

24 The point I was making is I'm not
25 testifying as to what SCE knew about the
26 interconnection process at the CAISO that
27 resulted in CAISO's report in November of
28 2014. I would presume that SCE is aware of

1 these issues and was aware of these issues.
2 There was a straw proposal put out by CAISO
3 in June of 2014. I don't know how these
4 issues got worked out in the stakeholder
5 process that occurred during the second half
6 of 2014.

7 Q Okay. So let's turn to page 2
8 lines 18 to 20 of your written testimony.
9 Actually, we won't go there. I think we've
10 actually already covered this ground.

11 So let's turn instead to page 7
12 lines 26 to 29. You talked about this
13 earlier that these were the uncertainties
14 that you feel that SCE had identified,
15 correct?

16 A Yes. It wasn't my feeling. It was
17 based on discovery response by SoCal Edison
18 indicating where the areas of concern --
19 where SoCal Edison's areas of concern lay.

20 Q Okay. And the uncertainties
21 that -- those uncertainties that you list you
22 claim do not justify SCE's 100 megawatt
23 limit, correct?

24 A Yes.

25 Q The treatment or the accounting
26 treatment of energy storage contracts is not
27 on your list, correct?

28 A That is correct.

1 Q Okay. Do you know the difference
2 between an operating lease and a capital
3 lease?

4 A No.

5 Q And do you know the impact of each
6 on a balance sheet?

7 MR. VESPA: Your Honor, I'm going to
8 object. This is beyond the scope of his
9 testimony. He hasn't testified to those
10 issues.

11 MS. MEIERS-DE PASTINO: I think that is
12 the point, your Honor.

13 ALJ DE ANGELIS: You can go ahead.

14 MS. MEIERS-DE PASTINO: He did not --

15 ALJ DE ANGELIS: Go ahead.

16 MS. MEIERS-DE PASTINO: -- testify on
17 those important issues.

18 Q Are you familiar with the term
19 "debt equivalence"?

20 A Yes.

21 Q Do you know how debt equivalence
22 are calculated for energy storage or
23 payments?

24 A Not specifically, no.

25 Q Do you understand that the total
26 amount of debt equivalence on SCE's balance
27 sheet can have an impact on SCE's credit
28 rating?

1 A I can't respond to that question.

2 Q Okay. Just as a fundamental
3 matter, would you agree that it is important
4 that utilities remain investment grade?

5 MR. VESPA: Your Honor, I'm going to
6 object.

7 THE WITNESS: I can't respond to that.

8 ALJ DE ANGELIS: Objection sustained.

9 MS. MEIERS-DE PASTINO: So we will move
10 on from debt equivalence.

11 Q On page 11 line 1 of your written
12 testimony, I guess it is line 1 through 5,
13 you say that SCE should not have imposed an
14 arbitrary limit on storage procurement based
15 solely on concern that the company's own
16 methodology might be overestimating the value
17 of these resources; is that right?]

18 A That's correct.

19 ALJ DE ANGELIS: In the future, just
20 please read a little slower --

21 MS. MEIERS-DE PASTINO: Oh, I'm sorry.

22 ALJ DE ANGELIS: -- for the record.

23 Thank you.

24 MS. MEIERS-DE PASTINO: Of course.

25 Q Isn't it true that SCE's -- that
26 SCE had identified more risks than just
27 overvaluation?

28 A I think that's true, yes.

1 Q SCE also identified the financial
2 credit risk that I just asked you about, is
3 that right?

4 A Yes.

5 Q Okay.

6 A Which I'm not testifying to.

7 Q I understand. But it's your
8 overall conclusion then that SCE should have
9 disregarded those risks despite their
10 potential impact on cost to customers?

11 A I made --

12 MR. VESPA: Your Honor, that is --
13 I would object to that question. It's not --
14 I mean, he's not saying that in his
15 testimony.

16 ALJ DE ANGELIS: Let's just let
17 the witness clarify that.

18 MR. VESPA: Okay.

19 ALJ DE ANGELIS: Thank you.

20 THE WITNESS: Can you repeat
21 the question?

22 MS. MEIERS-DE PASTINO: Q I said is it
23 your overall testimony that SCE should have
24 disregarded the risks that it identified
25 among those you conceded was financial credit
26 risk despite the fact that it could have
27 a cost impact to customers?

28 A I need to stand with my testimony.

1 I think the limit on IFOM,
2 in-front-of-the-meter storage was arbitrary
3 based on the concern -- and it appears that
4 that's a major concern -- that the resources
5 are not as valuable as your own valuation
6 indicated.

7 Q So your testimony is limited to
8 the valuation issues and you are not going to
9 make an opinion on whether or not
10 the financial impacts could justify a cap?

11 A My testimony does not cover that
12 area. My testimony --

13 Q Okay.

14 A -- is focused on those other areas,
15 on the physical and the ancillary service,
16 energy and resource adequacy valuation.

17 MS. MEIERS-DE PASTINO: Okay. Thank
18 you. I have no further questions.

19 ALJ DE ANGELIS: Thank you.

20 MR. VESPA: Anyone else crossing?

21 ALJ DE ANGELIS: Any further cross?

22 (No response.)

23 ALJ DE ANGELIS: All right. Any
24 redirect?

25 MR. VESPA: Yeah. I might need a read
26 back or maybe counsel could help.

27 ALJ DE ANGELIS: Mr. Vespa, we
28 typically don't read back.

1 MR. VESPA: Okay.

2 ALJ DE ANGELIS: If you need a few
3 minutes to -- let's take a break --

4 MR. VESPA: Okay.

5 ALJ DE ANGELIS: -- would be my
6 preference.

7 MR. VESPA: Just one minute is fine.
8 If you want more, we can do more.

9 ALJ DE ANGELIS: We'll take a -- we'll
10 break for five minutes.

11 MR. VESPA: Okay.

12 ALJ DE ANGELIS: Let's break until 11.
13 Off the record.

14 (Recess taken.)

15 ALJ DE ANGELIS: All right, let's be
16 back on the record.

17 Mr. Vespa.

18 REDIRECT EXAMINATION

19 BY MR. VESPA:

20 Q Okay. Mr. Fagan, midway through
21 SCE's cross you were asked: Would you
22 concede that charging constraints can have an
23 impact on valuation.

24 You were in the midst of answering
25 that question when you were interrupted by
26 SCE's counsel and were not allowed to finish.
27 Would you like to finish your response?

28 A Yes.

1 My testimony focuses in large part
2 on the valuation that SoCal Edison did for
3 the energy storage resources. Its initial
4 findings were that these resources were very
5 valuable and that, indeed, more than
6 400 megawatts should have been selected. It
7 was done on valuation alone.

8 SoCal Edison then expressed concern
9 that their valuation might have exaggerated
10 the benefits associated with energy storage
11 resources. And a significant part of that
12 questioning appeared to be from the fact that
13 it's unclear whether or not charging
14 restrictions might limit that valuation.

15 Now, there's three components to
16 that valuation. It's three components to the
17 benefits associated with that valuation:
18 Resource adequacy benefits, energy benefits,
19 and ancillary service benefits. And SoCal
20 Edison quantified these benefits in its
21 workpapers that I looked at as part of my
22 analysis.

23 And in my testimony in one of the
24 tables, Table 1 which is -- the bulk of which
25 is confidential, I indicated what portions of
26 value were assigned to the energy storage
27 resources for energy resource adequacy and
28 ancillary services.

1 Now, I don't believe that there's
2 any way that a charging restriction impacts
3 the resource adequacy value. The resource
4 adequacy value is the physical capacity of
5 the resource. It's there. There's got to
6 at least be an assumption since energy
7 storage resources were allowed to participate
8 in the RFO that battery storage can serve as
9 capacity resource.

10 So I don't think there's any
11 question that the resource adequacy component
12 of the valuation is at all undermined by any
13 concern about charging restrictions.

14 Ancillary service benefits,
15 ancillary service benefits generally pay
16 the resource for being prepared to deliver
17 energy to the grid. Now, once the resource
18 is charged, there's no charging restriction
19 associated with a resource standing by to
20 provide the ancillary service benefit.

21 Now, you could question, well, are
22 there charging restrictions that might
23 prevent it from getting ready to provide
24 ancillary service benefits. Well,
25 the question is yes, you could look at that
26 just like you could look at whether or not
27 there's charging restrictions associated with
28 the resource providing energy value.

1 And to answer those two questions,
2 you have to go back to what are the periods
3 of time over the course of the day, day in
4 and day out, that the resource can pull
5 energy from the grid and charge, and at what
6 rate does it have to do that.

7 Now, generally the rate at which it
8 has to pull energy from the grid and charge
9 is much lower than the rate at which it is
10 obligated to discharge, which means that it's
11 acting as a relatively small, non-firm load
12 during periods of time when the grid has
13 a lot of headroom, so to speak. There's very
14 little congestion associated with the grid
15 for most hours of the year. And this is
16 documented clearly in the market monitor
17 reports and other instances where congestion
18 is described by CAISO and by others.

19 So I think the fundamental nature
20 of the obligation to discharge for four hours
21 along with the understanding that most of
22 the hours of most of the days of the year are
23 associated with availability to take energy
24 from the grid.

25 And this is especially true at
26 relatively thick, higher voltage points at
27 which some of these energy storage resources
28 are proposed to be installed, places where

1 there exists significant amounts of existing
2 generation, for example.

3 So based on those premises, I think
4 it's very clear that there is not necessarily
5 degradation of the value that SoCal Edison
6 assigned to these resources, you know.

7 And furthermore in the independent
8 evaluator report in the confidential
9 sections, there's other information that
10 could ascribe an even higher level of value
11 to some of these resources, depending upon
12 what happens to the ancillary service market
13 as a result of this new relatively fast
14 dispatchable flexible technology showing up
15 on the grid in larger amounts.

16 Q Is it your understanding that
17 the concerns about debt equivalents stem from
18 concerns about uncertainty in energy storage
19 valuation?

20 A No.

21 Q Okay.

22 A It's my understanding that the debt
23 equivalency issues don't really have anything
24 to do with the physical and economic issues
25 that I've addressed in my testimony.

26 MR. VESPA: Okay. Thank you.

27 ALJ DE ANGELIS: Thank you, Mr. Fagan.
28 You're excused.

1 THE WITNESS: Thank you.

2 ALJ DE ANGELIS: Ms. Reyes Close, would
3 you like to call your next witness?

4 MS. REYES CLOSE: Yes. Garry Chinn,
5 please.

6 ALJ DE ANGELIS: Good morning,
7 Mr. Chinn.

8 MR. CHINN: Good morning.

9 ALJ DE ANGELIS: Can I swear you in.

10 MR. CHINN: Sure.

11 GARRY CHINN, called as a witness by
12 Southern California Edison Company,
13 having been sworn, testified as
14 follows:

14 THE WITNESS: I do.

15 ALJ DE ANGELIS: Thank you.

16 Go ahead, Ms. Reyes Close.

17 DIRECT EXAMINATION

18 BY MS. REYES CLOSE:

19 Q Good morning, Mr. Chinn. Would you
20 please state your current position at SCE for
21 the record?

22 A I'm a manager in transmission
23 planning with Southern California Edison.

24 Q Thank you.

25 And are you sponsoring Chapter 4
26 Section G as identified in the table of
27 contents of Exhibit SCE-1 and Exhibit 1-C
28 titled Testimony of Southern California

1 Edison Company on the Results of its 2013
2 Local Capacity Requirements Request for
3 Offers for the Western Los Angeles Basin,
4 your qualifications in Exhibit SCE-2 and
5 Exhibit 2-C, and Chapter 5 as identified in
6 the table of contents of Exhibit SCE-6 titled
7 Rebuttal Testimony of Southern California
8 Edison?

9 A Yes.

10 Q With respect to the testimony
11 sponsored by you, do you have any additions
12 or corrections to make?

13 A No.

14 Q Was this testimony prepared by you
15 or under your supervision?

16 A Yes.

17 Q Insofar as this testimony is
18 factual in nature, do you believe it to be
19 correct?

20 A I do.

21 Q Insofar as this testimony is in
22 the nature of judgment or opinion, does it
23 represent your best judgment?

24 A It does.

25 MS. REYES CLOSE: Your Honor, Mr. Chinn
26 is available for cross-examination.

27 ALJ DE ANGELIS: Okay, Ms. Myers.

28 MS. MYERS: Yes. I can go first.

1 CROSS-EXAMINATION

2 BY MS. MYERS:

3 Q Good morning, Mr. Chinn. My name
4 is Megan Myers and I represent EnerNOC Inc.5 I would like to direct your
6 attention to your opening testimony, Exhibit
7 SCE-1 at page 27 starting at line 9.

8 A Okay, I'm there.

9 Q And in your testimony, you state
10 that there were discussions between Edison
11 and the CAISO regarding minimal operational
12 characteristics of each preferred resource
13 type; is that correct?

14 A That's correct.

15 Q Okay. I'd also like to refer you
16 to what's been marked as Exhibit EnerNOC-02.
17 Do you have that in front of you?

18 I can provide you a copy if --

19 A I don't think mine is marked.

20 Q Here. I'll -- (handing document to
21 the witness.)

22 A Thank you.

23 Q And I previously provided a copy of
24 this exhibit to your counsel.

25 A Okay.

26 Q And to the judge.

27 Have you seen this document before?

28 A I have.

1 Q Okay. And this document is
2 a Edison response to an EnerNOC data request
3 regarding the meetings between CAISO and
4 Edison; is that correct?

5 A That's correct.

6 Q And this document identifies who
7 was present at these meetings from the CAISO
8 and Edison, correct?

9 A Yes. There's a list of names.

10 Q And it indicates that there were
11 three meetings: February 7, 2014; May 22,
12 2014; and June 4, 2014, is that correct?

13 A That's correct.

14 Q Were you present for all of those
15 meetings?

16 A I believe I was present for all
17 three meetings.

18 Q And were there any additional
19 meetings other than the three identified in
20 this exhibit?

21 A I don't recall there was more than
22 that.

23 Q And it's my understanding that
24 these were teleconference meetings; is that
25 correct?

26 A Yes. I believe all three were
27 conducted over the phone.

28 Q And was there any discussion of

1 demand response at these meetings?

2 A Yes, there was.

3 Q Was there any discussion of
4 the response time requirement for demand
5 response resources to participate in the RFO?

6 A I guess the context was what was
7 ISO interested in terms of performance for
8 demand response.

9 Q I'd like to sort of refer back to
10 your testimony SCE-1.

11 A Okay.

12 Q Page 27, lines 18 to 20.

13 A Okay.

14 Q You indicate that Edison reduced
15 the maximum response time requirement of
16 demand response resources to 20 minutes
17 because of the CAISO's studies and direction.
18 Do you see that portion?

19 A I do.

20 Q Is that -- was that the case?

21 A That was the case.

22 Q Was it during one of these three
23 meetings that that change was made?

24 A I can't recall the specific meeting
25 but it would likely be one of them.

26 Q Do you recall what the previous
27 requirement was?

28 A I don't think we discussed what

1 the previous requirement was.

2 The discussion was about DR
3 response and in relationship to the critical
4 contingency. The critical contingency was
5 known as the N-1-1 in which half an hour is
6 provided by reliability standards to make an
7 adjustment. And the discussion centered
8 around well how fast does DR need to respond
9 within that 30 minimal indication.

10 Q But your testimony reflects that
11 you had reduced it from another number down
12 to 20 minutes. So that's what I'm asking is
13 if you recall what the previous requirement
14 was.

15 A I think it was just referencing the
16 30-minute that was allocated as the potential
17 maximum that it could have had.

18 Q Do any other resources have to meet
19 a 20-minute dispatch requirement in order to
20 qualify as a local capacity resource?

21 A I don't know the answer to that
22 question.

23 Q And it's your testimony that
24 the 20-minute requirement was adopted during
25 one of these three meetings with CAISO?

26 A At the meeting, we talked about,
27 again, the 30-minute allocation for
28 reliability standards that was the maximum

Good observation - SCE says it did not pursue mature, longer duration battery storage because all resources had to compete on 4 hr per day, 3 consecutive day playing field, yet DR held to additional "20 minutes or less" standard.

1 available for response time. And ISO
 2 indicated to us that they were interested in
 3 allowing 20 minutes for the response to DR.
 4 And that was the feedback we got back.

5 Exactly when the decision was made
 6 to go with 20 minutes in terms of the bids or
 7 the valuation, that was outside that meeting.

8 Q But all of these meetings occurred
 9 after the December deadline for bidders to
 10 make their offers into the RFO, is that
 11 correct?

12 A I do not know that.

13 Q How were bidders notified of this
 14 20-minute requirement?

15 A That's probably a question better
 16 directed towards Mr. Bryson since he was
 17 involved in the bidding process.

18 Q And during these meetings, was
 19 there anyone else on the conference other
 20 than people from Edison and the CAISO?

21 A No.

22 Q And did you notify the Commission
 23 of this 20-minute requirement?

24 A I don't believe we did.

25 Q And do you know if the Commission
 26 has adopted a 20-minute requirement for
 27 demand response resources?

28 A I don't believe that has been

SCE and CAISO are judge and jury in coming up with requirement for DR that effectively negates DR as factor in bidding process, despite Public Utilities Commission law to do DR first. Commission is AWOL.

1 determined yet.

2 Q Okay. So I'd now like to turn your
3 attention back to your testimony on page 27,
4 starting at line 22 to page 28, line 7.
5 Again, this is Exhibit SCE-1.

6 MS. REYES CLOSE: What page is it,
7 Megan?

8 MS. MYERS: I'm sorry. Pages 27 and
9 28.

10 THE WITNESS: Lines 22 through line 7
11 of page 28?

12 MS. MYERS: Q Yes.

13 A Okay.

14 Q Is it your testimony that Edison
15 developed additional hypothetical LCR
16 portfolios to the CAISO?

17 A Yes.

18 Q And that the results of the Edison
19 studies suggested that up to 150 megawatts of
20 two-hour dispatch discharge resources will be
21 effective until meeting or reducing
22 the identified LCR need in the LA basin, is
23 that correct?

24 A That's correct.

25 Q Who performed those studies at
26 Edison?

27 A I don't think anyone at Edison
28 performed those studies. The results of

1 the study came from the ISO.

2 Q But then -- okay. All right. So
3 that's fine.

4 And then, but you also note in your
5 testimony that CAISO did not study
6 the effectiveness of two-hour resources in
7 meeting the system RA requirement beyond
8 the local area, is that correct?

9 A That's correct. That centered
10 around whether two hour counts for RA.

11 Q Okay. And based on the CAISO's or
12 the fact that the CAISO was not prepared to
13 support any system RA value for two-hour
14 resources, Edison ultimately excluded
15 consideration of them, is that correct?

16 A I don't think ISO took a position
17 one way or another regarding that. They just
18 didn't take a position, therefore we --

19 Q But ultimately Edison excluded
20 them, is that correct?

21 A That's correct.

22 Q Okay. Did Edison include requests
23 for two-hour resources in the initial RFO?

24 A I can't answer that question.

25 Q And is it a Commission-adopted
26 requirement that for demand response
27 resources to meet system RA requirement, they
28 must be available for four hours a day for

1 three consecutive days?

2 A Yes.

3 Q So demand response -- okay. Let me
4 backtrack a little.

5 But the Commission has not yet
6 adopted a 20-minute dispatch requirement
7 for demand response, is that correct?

8 A Not to my knowledge.

9 Q Okay. So do demand response
10 resources that qualify as system RA resources
11 have to meet a 20-minute dispatch
12 requirement?

13 A I don't know that answer to that
14 question.

15 Q And then do you know if generating
16 resources other than demand response have
17 different RA requirements in order to qualify
18 for system or local RA other than
19 the requirement to be located within a local
20 area in order to qualify for local RA?

21 MS. REYES CLOSE: Objection, your
22 Honor. This is outside the scope of
23 Mr. Chinn's testimony.

24 MS. MYERS: I'm trying to determine why
25 some of these requirements were not adopted
26 by Edison or why they changed.

27 ALJ DE ANGELIS: You can proceed with
28 the question. Just say it again.

1 MS. MYERS: Sure.

2 Q Do generating resources other than
3 demand response have different RA
4 requirements in order to qualify for system
5 or local RA?

6 A Yeah. I'm not familiar with the
7 qualification parameters for RA.

8 MS. MYERS: All right. Thank you. No
9 further questions.

10 ALJ DE ANGELIS: Thank you.

11 Mr. Powers.

12 MR. POWERS: Thank you.

13 CROSS-EXAMINATION

14 BY MR. POWERS:

15 Q Good morning, Mr. Chinn. Bill
16 Powers, Powers Engineering. I have a few
17 questions.

18 The first one is in your rebuttal
19 testimony at line 27.

20 ALJ DE ANGELIS: Page number, please.

21 MS. REYES CLOSE: Page number, please.

22 MR. POWERS: Excuse me. Line 27,
23 page 19.

24 ALJ DE ANGELIS: Let's give the witness
25 a moment to get there.

26 THE WITNESS: Page 19. What line?
27 What line again?

28 MR. POWERS: Q It's line 27.

1 A Okay. I'm there.

2 Q The question is, is this statutory
3 responsibility of the ISO the same statutory
4 responsibility that the Commission has?

5 A I don't know the answer to that
6 question.

7 Q Isn't the Commission also
8 responsible for ensuring just and reasonable
9 rates?

10 MS. REYES CLOSE: Your Honor, this is
11 outside the scope of Mr. Chinn's testimony.

12 MR. POWERS: The initial answer is
13 acceptable.

14 ALJ DE ANGELIS: Okay. Thank you.

15 MR. POWERS: Q I'd like you to turn to
16 page 21 of your rebuttal testimony, line 12.

17 A Okay.

18 Q This is requesting a clarification.
19 You stated on line -- the direction received
20 in the Track 4 decision. You're not
21 asserting that this is in the record of
22 the Track 4 decision?

23 A I am not.

24 Q What is the federal transmission
25 planning standard, NERC and WECC transmission
26 planning standard?

27 A It's TPL-001-1 through -4. That's
28 the titles of those network reliability

1 standards.

2 Q Thank you.

3 Could you also state it as N-1 with
4 no loss of load?

5 A It encompasses a wide range of
6 contingencies, including that one that you
7 mention.

8 Q The ISO planning standard is not
9 intended to duplicate the federal standard,
10 correct?

11 MS. REYES CLOSE: Objection. I'm not
12 understanding the relevance of this line of
13 questioning.

14 ALJ DE ANGELIS: Could you perhaps be
15 a little more specific?

16 MR. POWERS: Mr. Chinn's testimony is
17 that the ISO has just made its standard more
18 rigorous. What I'm trying to get at is that
19 there is a federal requirement and that
20 the ISO requirements are complementary, are
21 extra to a base federal requirement.

22 ALJ DE ANGELIS: Okay. You can go
23 ahead and ask the question again.

24 I want to suggest that that's
25 something that's a legal argument that you
26 could make in your brief.

27 MR. POWERS: Very good.

28 Q Do you know if the ISO transmission

1 planning standards are meant to duplicate or
2 substitute for the federal standards?

3 A I would not characterize the ISO
4 standard as substituting. It's typically
5 adding additional requirements.

6 Q Thank you.

7 And the Commission did authorize
8 load shedding in the Track 4 decision,
9 correct?

10 A My testimony says -- based on my
11 testimony, I did not testify that that is
12 what they authorized.

13 Q I think your testimony is saying
14 that the new ISO transmission planning
15 standard does not allow load shedding?

16 Where in your testimony do you say
17 that Track 4 did not authorize load shedding?

18 A I think I stated that
19 the Commission decision on load shedding
20 wasn't necessarily as you characterize, that
21 they authorized load shedding.

22 I think the Commission authorized
23 that, on line 10 of page 21 of rebuttal, the
24 Commission stated: Load shedding through an
25 SPS instituted or continued by ISO should
26 only be used judiciously as mitigation of
27 contingencies.

28 And my testimony is it's just

1 pointing to the fact that the ISO did
2 consider it judiciously by having
3 a stakeholder process review when load
4 shedding or when load shedding or not load
5 shedding would be appropriate.

6 Q Mr. Chinn, you just read or you
7 quoted Conclusion of Law No. 9 from
8 the Track 4 final decision. There are also
9 Conclusions of Law 10, 11 and 12 on the same
10 issue.

11 Your Honor, I have one copy of
12 the Conclusions of Law from Track 4. Could
13 I have Mr. Chinn read those into the record?

14 MS. REYES CLOSE: Your Honor,
15 objection. Mr. Chinn did not reference those
16 in his testimony. I would state that those
17 are not within the scope of his testimony.

18 ALJ DE ANGELIS: Mr. Powers, you
19 don't -- I don't think we need to read them
20 into the record. You can just cite to them.

21 MR. POWERS: Very good.

22 ALJ DE ANGELIS: If you have questions
23 regarding those, we need to provide
24 the witness with a copy and give the witness
25 an opportunity to review those before you ask
26 questions.

27 MR. POWERS: I really have no
28 questions, your Honor. They simply make

1 statements that --

2 ALJ DE ANGELIS: You can -- actually,
3 I think that would be appropriate to state in
4 your brief.

5 MR. POWERS: Okay. Thank you, your
6 Honor.

7 ALJ DE ANGELIS: Thank you.]

8 MR. POWERS: Thank you, your Honor.

9 ALJ DE ANGELIS: Thank you.

10 MR. POWERS: Q A couple of questions,
11 Mr. Chinn, about the stakeholder process at
12 the ISO that resulted in these planning
13 standards. Is that an evidentiary process?

14 A No.

15 Q Do you know who the stakeholders
16 are?

17 A I personally do not know.

18 Q Does the ISO list the stakeholders
19 on a web page, or is there some way to find
20 out who the stakeholders are?

21 A That's probably a better question
22 for the ISO, but my understanding is they do
23 track all participants who made comments to
24 the process.

25 MR. POWERS: I have no further
26 questions, your Honor.

27 ALJ DE ANGELIS: Thank, you Mr. Powers.

28 MR. VESPA: Your Honor, I have some

1 questions for Mr. Chinn.

2 MS. REYES CLOSE: You didn't identify
3 it.

4 MR. VESPA: We have a question that Mr.
5 Bryson.

6 MS. REYES CLOSE: I'm sorry, Matt.

7 MR. VESPA: So I had some questions.

8 ALJ DE ANGELIS: Go ahead, Mr. Vespa.

9 MR. VESPA: Okay. Well, this relates
10 to what was admitted as Sierra Club
11 Exhibit 6, the 2019 local capacity technical
12 analysis. I will ask Mr. Chinn these
13 questions.

14 CROSS-EXAMINATION

15 BY MR. VESPA:

16 Q Do you have that there?

17 ALJ DE ANGELIS: It was identified as?

18 MR. VESPA: Sierra Club-6.

19 Q Were you here yesterday as I
20 started to go into those questions?

21 A Yes, I was here yesterday.

22 Q Okay. So we're at page 79 of
23 SCE-1. That's the opening testimony. And I
24 had asked Mr. Bryson about a statement at the
25 end of that page, which, at lines 18 to 19
26 there.

27 A I think you mean 71.

28 Q No. I think -- no. 79 of SCE-1

1 no. Oh, no. I'm talking about first the
2 testimony.

3 A Okay.

4 Q Sorry. It's page 71 of that
5 document.

6 ALJ DE ANGELIS: All right. And please
7 don't talk over each other.

8 THE WITNESS: I don't have page 71.
9 It's not part of my testimony.

10 MR. VESPA: Q 79 of --

11 A Okay.

12 Q I can read. Are you there?

13 A Yes. I do have that page.

14 Q So at lines 18 to 19 it states: As
15 identified by CAISO's study report,
16 generation sited at Barre had the highest
17 effectiveness factor at meeting a certain
18 limiting constraint. And then the footnote
19 there goes to meet 2015 and 2019 local
20 capacity technical report by CAISO.

21 A That's correct.

22 Q And so the questions I had were on
23 that report. So this is where Exhibit 6
24 comes in.

25 A Okay.

26 Q Okay. So we could turn to page 71
27 of that document. And I was just trying to
28 understand what some of this means.

1 So we're on the bottom of page 71.
2 And the first line there is the generator
3 name is B-A-R-P-K-G-E-N. Am I correct in
4 assuming that's a generator located at the
5 Barre substation?

6 A Yes, it is a generator located at
7 the Barre.

8 Q "Baree"?

9 A That's Barre. It's pronounced
10 "berry."

11 Q Oh, it's "berry"?

12 A Yes.

13 Q Okay. There's a Pennsylvania joke
14 in there I'll omit.

15 A Okay. So what generator is that?

16 A It's a 50-megawatt peaker plant.

17 Q Okay. And so that is assigned an
18 effectiveness factor of 28?

19 A Correct.

20 Q And what does that mean, a 28
21 effectiveness factor?

22 A This section of the ISO report is
23 referring to the Western LA Basin subarea.
24 This is not the same area regarding the San
25 Diego contingency. So this subarea, the
26 critical contingency is the loss of the
27 Serrano-Villa Park No. 2 line followed by the
28 loss of the Serrano-Lewis line, which results

1 in overload of the Serrano-Villa Park No. 1
2 line.

3 So having generation located at --
4 or having that particular unit located at
5 that -- where it's located, which is at Barre
6 substation, has a 28 percent effectiveness in
7 reducing the overload on the Serrano-Villa
8 Park No. 1 line.

9 Q All right. So that's 28 out of a
10 hundred percent?

11 A Correct.

12 Q Okay. And so going down, there's
13 this DowlingCTG. And I'm assuming that is --
14 am I correct in assuming that is generation
15 at a different substation in the Western LA
16 Basin?

17 A Correct.

18 Q Which one is that?

19 A I do not recall off the top of my
20 head where that one is located.

21 Q Okay. But there is another
22 substation in the LA Basin that would have a
23 27 percent effectiveness factor for
24 generation?

25 A Correct.

26 Q Do you know if the CanyonGTs that
27 are listed are in the same substation as the
28 DowlingCTG?

1 A I do not know where -- if they're
2 the same.

3 Q Okay.

4 A Well, it isn't the same because the
5 bus numbers are different.

6 Q So these would presumably be a
7 different substation?

8 A Correct.

9 Q So there's two substations with a
10 27 percent effectiveness factor?

11 A Right. That's correct.

12 Q Okay. And then moving on, these
13 next two have a 24 percent effectiveness
14 factor. I'm guessing from the name that's
15 Huntington Beach; is that right?

16 A That's correct.

17 Q Okay. So while the testimony says
18 the Barre substation -- locating generation
19 at the Barre substation has the highest
20 effectiveness factor, you could locate
21 generation, different types of storage, for
22 example, at Barre, or other substation in the
23 LA Basin would have a relatively similar
24 effectiveness at meeting this particular
25 constraint?

26 A Right. Effectiveness factor is
27 neutral as to what the technology is.

28 Q Right. But if it was in, for

1 example, these other two. I mean Barre is
2 the highest.

3 A Right.

4 Q My point is the next highest, the
5 next -- after that it's just 1 percent
6 difference?

7 A There's a 1 percent difference.
8 That's correct.

9 Q So as a practical matter, there's
10 multiple locations within the West LA Basin
11 that have roughly the same effectiveness in
12 terms of setting generation to meet this
13 constraint?

14 A They're close, within a percent.

15 MR. VESPA: Okay. No further
16 questions. Thank you.

17 ALJ DE ANGELIS: Mr. Kerner.

18 CROSS-EXAMINATION

19 BY MR. KERNER:

20 Q Good morning, Mr. Chinn. Douglas
21 Kerner. I'm one of the lawyers for the
22 Stanton Energy Reliability Center. I just
23 have a few very general questions for you.
24 Thank you.

25 My understanding is you agree that
26 one of the underpinnings of the Track 4
27 authorization was a concern over the
28 potential for catastrophic voltage, the

1 collapse or shortfall; is that right?

2 Voltage support?

3 A Right. The critical contingency
4 for the Track 4 procurement was the loss of
5 the 5 kV lines in San Diego, which is a --
6 characterized as a voltage collapse
7 situation.

8 Q Right. And the shutting down of
9 SONGS was a part of that consideration,
10 right?

11 A SONGS along with OTC units.

12 Q Right. So the authorization to
13 procure the generation, was that -- was the
14 provision of voltage support a specific
15 criterion in the selection, or was that just
16 it went along with the projects?

17 A I don't -- no. The specific
18 criteria to provide voltage support was not a
19 criteria.

20 Q All right.

21 MR. VESPA: Your Honor, I'm just a
22 little concerned we might be broaching
23 friendly cross at this juncture, which my
24 understanding is not allowed in these types
25 of proceedings. I mean this is an entity
26 that has a potential contract with a
27 contracting party.

28 MR. KERNER: Well, these are

1 valuations.

2 ALJ DE ANGELIS: Could you say a little
3 bit more about it.

4 MR. VESPA: Typically my understanding
5 is when parties are aligned in their
6 interests, that is occasionally looked at as
7 friendly cross, and we don't do that in these
8 types of proceedings. So these two entities
9 would seem to have aligned interests. And
10 I'm not sure it's appropriate to continue
11 with this line of questioning.

12 MR. KERNER: How about if I continue
13 and see? I'm not sure I'm going to address
14 these things.

15 MR. VESPA: Okay.

16 MR. KERNER: Q Do you have a view, Mr.
17 Chinn, on in terms of the provision of
18 voltage support on the value of, for example,
19 the synchronous condenser? Is that something
20 you're familiar with?

21 A Synchronous condenser as a
22 technology is -- does support voltage.

23 Q All right. Let me ask you
24 something else. Let me ask you if you're
25 familiar. Do you have an understanding in
26 the -- the CAISO 20 report is part of this
27 case. Are you aware, familiar with that?

28 MS. REYES CLOSE: Objection. Will you

1 please clarify that question? I don't
2 understand that.

3 ALJ DE ANGELIS: Could you clarify,
4 please.

5 MR. KERNER: Sure.

6 Q Well, I'll just ask you. The
7 California ISO 2014-15 transmission plan is
8 part of this proceeding. Is that your
9 understanding?

10 A Yes. That particular transmission
11 plan was referenced.

12 Q Okay. Do you have an understanding
13 of what is called a frequency response
14 obligation that was part of that report?

15 MS. REYES CLOSE: Your Honor, I'm
16 questioning the relevance and also the scope
17 of this information.

18 ALJ DE ANGELIS: Mr. Kerner, where are
19 you going with this?

20 MR. KERNER: Q I'm trying to -- well,
21 to the extent he is not familiar with
22 frequency response obligations, I'm
23 interested in asking him, to the extent that
24 a project that you were looking at provided
25 that assistance, would that -- was that
26 evalua -- let me --

27 Was that evaluation criterion in
28 your selection of resources?

1 ALJ DE ANGELIS: Could you restate
2 that. Could you restate the complete
3 question.

4 MR. KERNER: Q Was the provision of
5 frequency -- was the contribution to meeting
6 a frequency response obligation a decision
7 criterion in your selection of projects?

8 A No.

9 Q To the extent that a project could
10 provide that and you knew that, would you
11 regard that as being of some value?

12 MS. REYES CLOSE: Your Honor, again,
13 this is outside the scope of Mr. Chinn's
14 testimony. He was not involved in the
15 selection process. Mr. Singh is the witness
16 for valuation and selection questions.

17 ALJ DE ANGELIS: All right. Your
18 objection is sustained.

19 MR. KERNER: Thank you.

20 ALJ DE ANGELIS: Any redirect?

21 MS. REYES CLOSE: Your Honor, please,
22 just a moment.

23 Okay, your Honor.

24 REDIRECT EXAMINATION

25 BY MS. REYES CLOSE:

26 Q Mr. Chinn, I just have one
27 follow-up question. Was the response time,
28 the 20-minute response time discussed in the

1 CAISO's 2013-2014 TPP?

2 A Yes. The 20-minute response time
3 was discussed in the '13-'14 TPP as one of
4 the characteristics the ISO was studying.
5 And in fact, in the '14-'15 Commission plan
6 they stated that that is going to be the
7 requirement, the 20-minute response time.

8 MS. REYES CLOSE: Thank you, Mr. Chinn.

9 Your Honor, I don't have any
10 additional questions.

11 ALJ DE ANGELIS: Thank you, Mr. Chinn.
12 You're excused.

13 THE WITNESS: Thank you.

14 MS. REYES CLOSE: Your Honor, Mr.
15 Cushnie is identified as the next witness. I
16 don't know if you want to go ahead and start
17 with him or go to lunch or start.

18 ALJ DE ANGELIS: Let's go ahead and
19 start.

20 MS. REYES CLOSE: Okay. Sounds good.

21 ALJ DE ANGELIS: If everyone can bear
22 with me for 15 more minutes.

23 MS. MYERS: I had reserved I think it
24 was 35 minutes. I don't think mine will take
25 that long. I could try to get my cross done
26 before lunch if that works.

27 ALJ DE ANGELIS: All right. Well,
28 perhaps we might shift lunch, keep the entire

1 hour but maybe shift it a few minutes. Does
2 anyone have any objections to that?

3 MS. MYERS: Or if someone has a shorter
4 estimate, they can go before me.

5 ALJ DE ANGELIS: Okay.

6 Good morning.

7 THE WITNESS: Good morning.

8 COLIN CUSHNIE, called as a witness
9 by Southern California Edison Company,
10 having been sworn, testified as
11 follows:

12 ALJ DE ANGELIS: Thank you. All right.

13 DIRECT EXAMINATION

14 BY MS. REYES CLOSE:

15 Q Good morning, Mr. Cushnie. Will
16 you please state your current position at SCE
17 for the record?

18 A I am Vice President of Energy
19 Procurement and Management.

20 Q Thank you. Are you sponsoring
21 Chapters 1 through 3 and 10 as identified in
22 the table of contents of Exhibit SCE-1 and
23 Exhibit SCE-1-C titled Testimony of Southern
24 California Edison Company on the Results of
25 its 2013 Local Capacity Requirements Request
26 for Offers for the Western Los Angeles Basin,
27 your qualifications in Exhibit SCE-2 and
28 Exhibit SCE-2-C, and Chapters 1 and 7 as
identified in the table of contents of

1 Exhibit SCE-6 titled Rebuttal Testimony of
2 southern California Edison?

3 A I am.

4 Q With respect to the testimony
5 sponsored by you, do you have any additions
6 or corrections to make?

7 A I do not.

8 Q Was this testimony prepared by you
9 or under your supervision?

10 A It was.

11 Q In so far as this testimony is
12 factual in nature, do you believe it to be
13 correct?

14 A Yes.

15 Q In so far as this testimony is in
16 the nature of opinion or judgment, does it
17 represent your best judgment?

18 A It does.

19 MS. REYES CLOSE: Your Honor, Mr.
20 Cushnie is available for cross-examination.

21 ALJ DE ANGELIS: All right. Ms. Myers.

22 CROSS-EXAMINATION

23 BY MS. MYERS:

24 Q Good morning, Mr. Cushnie. My name
25 is Megan Myers, and I represent EnerNOC, Inc.
26 I would like to start by referring you to
27 EnerNOC Exhibit 2. I don't know if you have
28 a copy up there. I can provide you with one.

1 A I believe I do.

2 Q And have you seen this document
3 before?

4 A I received it yesterday and looked
5 at it briefly.

6 Q And this is a Edison response to an
7 EnerNOC data request regarding meetings
8 between the CAISO and Edison regard this RFO;
9 is that correct?

10 A Yes.

11 Q And this document identifies three
12 dates in 2014 where meetings took place; is
13 that correct?

14 A Yes.

15 Q Were you present for these three
16 meetings?

17 A I do recall being present at two
18 meetings. I don't recall if I was present at
19 all three.

20 Q Do you recall which of those
21 meetings were the two that you attended?

22 A I do not.

23 Q And this document also identifies
24 people from the CAISO and Edison that were
25 present at these meetings. Does this list
26 identify the people that were present, or
27 were there additional people present at these
28 meetings?

1 A This list contains the Edison
2 personnel that I can recall being at these
3 meetings. I can't speak with certainty as to
4 the CAISO personnel.

5 Q Was DR or demand response discussed
6 at these meetings?

7 A I don't have a specific
8 recollection on that. I'll elaborate. We
9 did discuss demand response issues with the
10 CAISO. I just can't tell you that it was at
11 these specific meetings.

12 Q Did you have any discussions with
13 the California ISO regarding response time
14 requirements for demand response in this RFO?

15 A We did have conversations around
16 response times.

17 Q What was said?

18 A At a high level, the issue we were
19 grappling with is how quickly do demand
20 response resources have to respond in order
21 to meet a critical contingency need. And we
22 ultimately planned it on 20 minutes.

23 Q Was there a previous requirement in
24 this RFO for demand response, a response time
25 requirement for demand response resources?

26 A SCE's initial pro forma contracts
27 that were put out through the market for bid
28 had a one-hour response time, I believe. And

1 then we subsequently changed that to
2 20 minutes.

3 MS. MYERS: And counsel, is that --
4 what has that been -- has that been marked as
5 an exhibit?

6 MS. REYES CLOSE: Which one?

7 MS. MYERS: The pro forma contract.

8 ALJ DE ANGELIS: Ms. Myers, could you
9 ask the question.

10 MS. MYERS: I may use it as an exhibit.

11 MS. REYES CLOSE: Talking about the DR
12 pro forma contract?

13 ALJ DE ANGELIS: Just in terms of
14 capturing this for the record, we need to
15 direct the questions to me.

16 MS. MYERS: Okay. I apologize.

17 ALJ DE ANGELIS: Thank you.

18 MS. MYERS: I'd like to refer to SCE
19 exhibit -- sorry. Can we go off the record
20 for a second?

21 ALJ DE ANGELIS: Of course.

22 (Off the record.)

23 ALJ DE ANGELIS: Back on the record.

24 MS. MYERS: Q Mr. Cushnie, I'd like to
25 direct you to what has been marked as SCE-08,
26 which is identified as the 2013 LCR RFO pro
27 forma demand response resource purchase
28 agreement. And is that the document you're

1 referring to?

2 A Without doing a thorough review, it
3 does look like the document I'm referring to.

4 Q And I believe that may be an
5 updated version of the original 2013 pro
6 forma contract?

7 A Yes. So I am aware that we updated
8 the demand response pro forma contract at
9 least once, possibly more, and that that one
10 update that I'm referring to changed the
11 response time from one hour to 20 minutes.
12 There may have been other changes. We had
13 multiple pro forma contracts, and I wasn't
14 responsible for all the day-to-day changes in
15 the contracts.

16 Q Do you know when the original 2013
17 pro forma contract was made available?

18 A I don't know the specific date, but
19 I would imagine it was on or about the time
20 that we issued our RFO, which was in
21 September of 2013.

22 Q And I know you're not sure exactly
23 when the change was made, but was it sometime
24 in 2014?

25 A Yeah. I believe it was in May of
26 2014 based on some information I recently
27 saw.

28 Q And that would have been after the

1 deadline to submit indicative offers and
2 completed offer submittal packages; is that
3 correct?

4 A That would have been after the
5 indicatives were submitted, correct.

6 Q How was this change communicated to
7 the bidders, the one hour to the 20-minute
8 response time requirement?

9 A I'm not aware of how it was
10 specifically communicated to bidders.
11 Generally we have a process where our
12 contract managers reach out to the
13 counterparties that they're dealing with and
14 make them aware of pro forma contract changes
15 that are going to be important for the
16 negotiations. We also put notices out on our
17 web site, encourage the bidders to look at
18 the web site periodically. So I couldn't
19 tell you how this one was specifically
20 communicated.

21 Q And during the meetings that you
22 had with the CAISO was anyone present other
23 than people from the CAISO and Edison?

24 A Our independent evaluator, Segue
25 Consulting, may have participated in some of
26 those calls. I don't have a recollection.
27 If he did, it would -- in particular, this
28 gentleman, Alan Taylor, typically

1 participated via phone. And so I'm not -- my
2 recollection of who was on the phone call
3 isn't that good.

4 Q Do you know if any stakeholders or
5 bidders were part of these meetings?

6 A Not the specific meetings that were
7 referenced here.

8 Q Sorry. Just to clarify, meaning
9 they were not present?

10 A They were not present.

11 Q Okay. And I'd like to turn your
12 attention to Decision D.13-02-015. I have a
13 copy if you'd like me to provide it to you.

14 A I would appreciate a copy. Thank
15 you.

16 Q Turning your attention to page 86,
17 towards the bottom of the page, the decision
18 states that SCE Witness Cushnie contends
19 certain preferred resources just aren't going
20 to be viable, in parentheses, an all-source
21 solicitation, and that he is not aware of a
22 preferred resource ever prevailing against a
23 conventional resource in an all-source RFO.
24 Do you see that language?

25 A Yes, I do.

26 Q Was that something you testified to
27 previously?

28 A I believe the citation here in this

1 decision came from my testimony here at the
2 CPUC.

3 Q And do you now believe that an
4 all-source RFO process is appropriate for
5 demand response?

6 A I believe that demand response
7 resources, you know, can be included in an
8 all-source solicitation, and they have an
9 opportunity to be competitive, particularly
10 if we don't constrain ourselves to some of
11 the existing DR rules that are in place. So
12 it's just a matter of balancing the I'll say
13 desires of some to maintain programs within
14 the current context versus trying to think
15 outside the box and use resources more
16 creatively than we have historically as an
17 industry.

18 My testimony here, I do recall it,
19 was -- was because Edison was looking to
20 target preferred resources in order to meet
21 our LCR needs, and we were concerned that if
22 it had to be strictly a head-to-head
23 competition with conventional resources, we
24 wouldn't get as many preferred resources as
25 we hoped to.

26 Q And do you think that there were
27 any shortcomings in this RFO process that is
28 the subject of this application?

1 A I think the largest concern that I
 2 personally had with our solicitation was we
 3 had asked for more time to prepare to issue
 4 our bid docs so that we could engage with the
 5 industry to understand what their concerns
 6 might be with our pro forma agreements and
 7 then try to deal with those proactively. And
 8 the Commission felt a lot of pressure, I
 9 believe, to get the solicitation started
 10 soon as possible because getting gas-fired
 11 generation contracted, permitted, and built
 12 is a very long lead time activity, and wanted
 13 to make sure we had at least that part of the
 14 portfolio constructed by 2020. So there were
 15 some other pressures pushing Edison to issue
 16 its solicitation sooner than we might have
 17 otherwise cared to.

18 Q And it's true that only
 19 75 megawatts of demand response resources
 20 were selected in this RFO; is that correct?

21 A That's correct.

22 Q And is it also correct that Edison
 23 is still short preferred resources?

24 A Yes. Edison still has an
 25 obligation to provide approximately
 26 99 megawatts of preferred resources and
 27 energy storage to meet the 600-megawatt
 28 minimum that the Commission authorized in the

Had SCE been given the additional time it felt it needed to prepare adequate bid documents, more preferred may have been selected. The predetermination in Track 1 to award 1,000+ MW of gas actually undercut a fair bidding process for preferred resources.

1 Track 1 and Track 4 decisions.

2 Q Do you have any recommendations on
3 how to improve the process for procurement of
4 demand response resources?

5 A I don't have anything specific
6 right now. There will be very detailed
7 recommendations that Edison can provide with
8 respect to our contracts based on lessons
9 learned.

10 Q And do you think if you had had
11 more time, as you indicated, that that could
12 have improved the procurement process for
13 demand response?

14 A I think it would have improved the
15 procurement process for all technology types.

16 Q And are you familiar with the
17 Commission Rulemaking R.13-09-011? That
18 the demand response rulemaking.

The rushing of the bidding process, to
accommodate gas procurement, hurt
the procurement of preferred resources.

19 A I'm aware that it exists, yes.

20 Q Are you also aware that there are
21 issues being -- attempted to being resolved
22 in that proceeding regarding the ability of
23 demand response to compete in the wholesale
24 market?]

25 MS. REYES CLOSE: Your Honor, I believe
26 this is outside of the scope of Mr. Cushnie's
27 testimony. It is a decision in another
28 proceeding. He is not familiar, intimately

1 familiar with it.

2 ALJ DE ANGELIS: Ms. Myers.

3 MS. MYERS: I'm leading up to another
4 question about resolving these issues prior
5 to the next RFO. So I'm laying the
6 foundation for that.

7 ALJ DE ANGELIS: Okay. Go ahead.

8 Could you restate the question,
9 please?

10 MS. MYERS: Sure.

11 Q Are you aware that there are issues
12 regarding the ability of demand response to
13 compete in the wholesale market?

14 A I'm aware of a number of technical
15 challenges in integrating demand response
16 resources into the wholesale market. And I'm
17 also aware that across the industry there is
18 different schools of thought as to how to
19 compensate demand response resources in the
20 market.

21 Q And these challenges are still
22 ongoing; is that correct?

23 A That is correct.

24 Q And so they were not resolved at
25 the time that Edison issued the RFO; is that
26 correct?

27 A The issues I just referred to were
28 not resolved at the time that we issued the

1 RFO. But we did provide in our contract a
2 mechanism for compensating the DR resources
3 that we would contract with in a way that
4 would provide some certainty to bidders.

5 Q And do you think resolving these
6 issues prior to holding the next RFO would
7 lead to better results for demand response?

8 A I mean I think resolving any issues
9 that are of concern or are outstanding for
10 any technology type is going to be beneficial
11 to bidders in participating in a future
12 solicitation.

13 Q Are you planning to hold another
14 RFO in this -- for this procurement.

15 A Edison has not made a decision on
16 that yet. We are planning on continuing to
17 procure preferred resources in energy storage
18 in our existing procurement processes. And
19 we are going to wait and see what the
20 Commission's final decision is on this
21 application. And if through our incremental
22 procurement activities and a favorable
23 Commission decision we have met or 600
24 megawatt minimum, then we probably will not
25 issue another solicitation.

26 MS. MYERS: Thank you. No further
27 questions.

28 ALJ DE ANGELIS: Thank you, Ms. Myers.

1 So we have Sierra Club and Stanton.

2 MR. KERNER: No, we will withdraw our
3 request.

4 ALJ DE ANGELIS: Okay. Sierra Club and
5 Mr. Powers.

6 MR. POWERS: Yes, your Honor.

7 ALJ DE ANGELIS: And how long do you
8 think that your cross will take?

9 MR. POWERS: I don't think it will take
10 more than 10 minutes.

11 MR. VESPA: No more than 10.

12 ALJ DE ANGELIS: How would you like to
13 proceed? We could break for lunch or try to
14 finish. Let's break for lunch.

15 MS. REYES CLOSE: Break for lunch, yes,
16 please.

17 ALJ DE ANGELIS: We will break for
18 lunch, convene a little bit after 1:00. We
19 will reconvene at 1:00.

20 Off the record.

21 (Whereupon, at the hour of 12:00
22 p.m. a.m., a recess was taken until
1:00 p.m.)

23 * * * * *

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1 AFTERNOON SESSION - 1:00 P.M.

2

3 * * * * *

4 ALJ DE ANGELIS: Let's go on the
5 record.

6 Mr. Vespa.

7 MR. VESPA: Sure.

8 CROSS-EXAMINATION

9 BY MR. VESPA:

10 Q Mr. Cushnie, Matt Vespa from Sierra
11 Club.

12 A Good afternoon.

13 Q I just had a couple of clarifying
14 questions on page 97 of SCE-1, which is your
15 opening testimony. And that is where you
16 talk about needing residual procurement.

17 A I have that.

18 Q Okay. So I'm on, let me see, lines
19 11 to 12 where you say:

20 [Reading...]

21 Before undertaking any major
22 procurement initiative to procure
23 additional preferred resources, SCE
24 will request that CAISO update its
25 LCR studies to account for planning
26 transmission upgrades, load forecast
27 updates, and SCE's proposed LCR
28 procurement to determine what

1 residual reliability may exist,
2 including needed resource attributes
3 and changes to locational
4 effectiveness.

5 I was a little confused about some
6 of this. It is my understanding that CAISO
7 every year automatically updates their LCR
8 needs, correct?

9 A Currently the Cal ISO has an annual
10 transmission planning process.

11 Q Well, I meant -- I don't know if
12 you are familiar with Sierra Club-6. It was
13 a 2019 local capacity study that was dated
14 April 30th, 2014. My understanding is that
15 they just did a new one, which is local
16 capacity requirements for 2020 just this last
17 April, right?

18 A Correct. So I have not looked at a
19 Cal ISO local capacity requirement study in a
20 few years. My recollection is they are
21 looking at what I would characterize to be
22 near-term local capacity requirement needs as
23 opposed to a long-term local capacity
24 requirement needs. So you might want to ask
25 Cal ISO witness Mr. Miller that question.

26 But my understanding, again, is
27 that is more of a near-term outlook. What we
28 are looking at here are long-term LCR needs.

1 Q So like 10 years out do you mean,
2 or what do you mean by "long-term"?

3 A Correct, in our case post-2020.

4 Q Okay.

5 A So the Cal ISO studies that you
6 might be referring to set the local capacity
7 requirements in each of the utility service
8 territories for subsequent year.

9 Q And for 2020, this one would go to
10 2020?

11 A This one would go to 2020, but --
12 because of the passage of time.

13 My testimony that you are referring
14 to here was really looking at refreshing the
15 studies that the Cal ISO did that set the LCR
16 need that the Commission utilized for giving
17 us our procurement authorization.

18 Q And that would be something then in
19 LTPP that would occur?

20 A No.

21 Q Okay.

22 A This would be something that -- for
23 efficiency sake that -- we are proposing that
24 Edison just check in with the Cal ISO to make
25 sure that the need determination that we are
26 working under is still valid. If it isn't,
27 then we would potentially come back to the
28 Commission and ask for a change presumably in

1 a petition for modification.

2 Q So if -- okay. So if the TTP, for
3 example, showed less future need than
4 originally forecast, you may ask the PUC to
5 eliminate or reduce this residual
6 requirement. Is that what you are saying?

VP Cushnie - SCE would reduce
authorization if updated CAISO
forecast supported this action.

7 A Correct, potentially. We would
8 have to look at the specifics. If it showed
9 more need and the need fit within our current
10 authorization, then presumably we wouldn't
11 have to do anything. We could just continue
12 to contract under our current procurement
13 authorization.

14 Q And when you say -- you said we
15 would check with the CAISO on this. I'm
16 wondering the timing, you know, what with
17 this take? When would a new RFO happen,
18 assuming you feel the need to do these
19 things?

20 A So the tentative timeline, I'm
21 hopeful that the CPUC will issue a final
22 decision in this proceeding by the end of
23 third quarter, and Edison would engage the
24 Cal ISO at that time. And it will really
25 depend on how many resources Cal ISO has to
26 look at this issue. They may have already
27 done these studies that we can leverage and
28 make some simplified assumptions around. But

1 through some combination of meeting with the
2 Cal ISO, looking what the CPUC has approved
3 in terms of the contracts that we submitted
4 for approval, and any other additional
5 information we might have, we would then
6 determine how best to meet the residual
7 procurement need.

8 Q Okay. Presumably any additional
9 procurement that might be necessary should
10 the Commission reject some of these
11 contracts?

12 A Correct. If the Commission rejects
13 contracts, then our current 99 megawatt short
14 position on preferred resource becomes less,
15 or becomes greater, I'm saying it
16 differently. We would have to buy more.

17 Q Okay. On this page you also
18 reference the Track 1 procurement plan
19 regarding other mechanisms to procure various
20 resources, correct? It is on the Footnote
21 105 at the bottom.

22 A That is correct.

23 Q So I looked at those pages you
24 cited. I'm happy to provide you a copy. I
25 just didn't see a lot there in terms of
26 actual procurement and the timing of proposed
27 future procurement that could meet this
28 residual need. So could you talk a little

1 bit about maybe what is in the pipeline
2 currently for SCE's procurement that might
3 transcript to this?

4 A Yes. So the section of our
5 procurement plan that you are referring to
6 was a recap of the various resource types
7 that we were seeking to require in the LCR
8 solicitation. In there we identified
9 conceptually some of the things that we could
10 do to increase the amount of procurement of
11 these preferred resources and other resource
12 types.

13 To answer your specific question,
14 Edison has a series of procurements underway
15 and also planned. These typically take the
16 form of things like our feed-in tariffs for
17 renewable resources, our annual RPS
18 solicitation. We have a solicitation looking
19 for distributed generation in the
20 Johanna-Santiago Substation regions which
21 would qualify as Western LA Basin resources.

This solicitation is specifically intended to displace gas resources w preferred resources.

22 So we have a number of different
23 procurement solicitations underway, or about
24 to launch, where we would look at purchasing
25 resource incremental to what we would
26 otherwise be doing under those solicitations,
27 and it would be those incremental resources
28 that we could count towards the procurement

1 authorization that we received in Track 1 and
2 Track 4.

3 Q And you also have a new storage
4 RFO, correct?

5 A Correct. We have an energy storage
6 RFO that is on the street right now. We will
7 be launching another one in two years. So
8 between the combination of those two we could
9 also buy incremental resources to meet the
10 LCR need.

11 Q What is the timing of the current
12 RFO for storage in terms of you would
13 announce the bid?

14 A I don't have the exact date with
15 me. We are in the process of finalizing our
16 shortlisting of the offers. We will notify
17 the shortlisted counterparties some time this
18 month. And then we will finalize
19 negotiations and get final bids from them.
20 So it is sometime this year. I don't recall
21 the exact date.

22 Q Are you prioritizing some of those
23 bids for the LCR area to potentially
24 contribute to this need?

25 A Meeting an LCR need is something we
26 consider in all of our procurement
27 solicitations right now. It is an additional
28 subject or qualitative criteria that we look

1 at.

2 Q Okay. Was there a cap on what you
3 would be procuring through that RFO or some
4 sort of size limit for bids?

5 A Energy storage, we have a minimum
6 amount of capacity that we have to procure to
7 meet or initial period target.

8 Q Right.

9 A I believe that is 16.3 megawatts.
10 I don't recall. I don't think we put a cap
11 in the proposal itself on the total amount of
12 megawatts, but we let bidders know that we
13 are not buying a lot of megawatts in this
14 particular round. So our definition, the
15 bids weren't large.

16 Q Okay. In the beginning, this is
17 earlier in your testimony, I'm not citing
18 anything specific, you seem to suggest that
19 the contracts were signed. They were done.
20 You really couldn't go back.

21 I'm just wondering about SCE's view
22 on a potential remedy in this case. So, for
23 example, if the storage cap was determined to
24 be unreasonable and then you needed to
25 procure additional storage. There is a
26 significant shortlist from this RFO for
27 storage, correct?

28 A So we still have all of our

1 valuation materials, and we still have the
2 old offers, if that is what you are asking.
3 The offers were only effective to the point
4 in time that we made our final award
5 selections, in which case in time the offers
6 are no longer valid.

7 So Edison is always able to go back
8 and ask bidders if they are willing to
9 refresh bids, but I would recommend against
10 that. If we were going to do something like
11 that, it would make more sense to reissue a
12 solicitation targeted to meeting our LCR need
13 and give bidders equal opportunity to
14 participate.

15 Q So you would reopen -- you would do
16 a new RFO, reopen to all resources?

17 A That would be my recommendation at
18 this point in time. That is -- we know more
19 now than we did at the time, and we would
20 want to reissue documents to reflect what we
21 know, with better contracts effectively.

22 The other thing I'll add here on
23 energy storage, it is something that we
24 pointed out quite a bit in the past, is there
25 is a general belief in the industry, and we
26 certainly hold out that the technology is
27 evolving, prices are coming down over time.
28 There is not an urgency for us to do energy

1 storage at this moment. If we do energy
 2 storage at a later point in time, presumably
 3 it will be at a lower cost or with a more
 4 developed technology, which will benefit our
 5 customers. As long as it is installed by
 6 2021, that will be sufficient for meeting the
 7 need.

8 Q So it is your view you could better
 9 take advantage of procurement space here
 10 should the determination be made that the cap
 11 was unreasonable through a subsequent
 12 solicitation?

13 A Correct.

14 MR. VESPA: Okay. That is all I have.
 15 Thank you.

16 ALJ DE ANGELIS: Thank you. Mr. Vespa,
 17 any redirect?

18 MR. VESPA: I think Bill has to go
 19 still.

20 MS. REYES CLOSE: Yeah, I think Bill
 21 Powers still has to go.

22 ALJ DE ANGELIS: Okay. Mr. Powers.

23 Welcome Commissioner Florio. Thank
 24 you for joining us a few minutes ago.

25 COMMISSIONER FLORIO: I came in to
 26 scare Mr. Cushnie.

27 THE WITNESS: Duly scared.

28 (Laughter)

However ES cap now assures 1,000+ MW of gas, while elimination of ES cap means at least 98 MW less gas (Stanton Energy).

BP - This "old pals" exchange did not inspire much confidence in Commission neutrality.

1 ALJ DE ANGELIS: Mr. Powers.

2 CROSS-EXAMINATION

3 BY MR. POWERS:

4 Q Hello, Mr. Cushnie. Bill Powers,
5 Powers Engineering.

6 My first question relates to Powers
7 Engineering Exhibit 2. I don't know if you
8 have that exhibit, or if Commissioner Florio
9 has the exhibit. I have copies with me?

10 A Is that the printout of the UC San
11 Diego article?

12 Q Yes.

13 A I have that.

14 Q My first question is relating to
15 this article about two-thirds of the way
16 down. There is a statement that you make
17 about bids, and I just wanted to confirm that
18 you consider this an accurate statement in
19 the article.

20 A Are you referring to the statement
21 that indicates I said the utility collected
22 fewer qualified bids than it would have
23 liked?

24 Q That is correct.

25 A Yes, I did make a statement to that
26 effect. But the context of it was why didn't
27 Edison sign up more preferred resources than
28 what we submitted to the Commission for

1 approval. It wasn't limited to just energy
2 storage.

3 And in the context of preferred
4 resource as defined in preferred loading
5 order, Edison did not receive as many bids
6 it would have liked to allow us to fully meet
7 our preferred resource requirement.

8 Q I would like to turn to SCE Exhibit
9 2 Appendix D page D-35, and take a look at
10 the third paragraph on the issue of bid.

11 A You said SCE-2?

12 Q SCE-2 Appendix D page-35, it is the
13 third paragraph down that starts "Sedway
14 Consulting concluded."

15 THE WITNESS: Yes. Excuse me for a
16 minute, Mr. Powers.

17 I need to ask my counsel what is
18 Exhibit 2.

19 MS. REYES CLOSE: Yes. This is a good
20 time to note this is not Mr. Cushnie's
21 sponsored testimony. Mr. Bryson sponsored
22 Appendices A through D. So he doesn't have
23 this. I can provide it to him. I'm making a
24 note it is not within the scope of the
25 testimony.

26 THE WITNESS: So I have that document.
27 And you said it is on page 32?

28 MR. POWERS: Q Page 32 which is also

Rushed bidding process, as
acknowledged by VP Cushnie, to
accommodate gas procurement,
compromised integrity of
preferred resources procurement
and resulted in less than optimal
preferred resources procurement.

1 marked as page D-35.

2 A I have that document.

3 Q Third paragraph. If you could take
4 a look at that, and I'll ask a question on
5 it.

6 A I have that.

7 Q So my question is: You indicate
8 here that you didn't get enough bids, less
9 than your minimum. Yet the independent
10 evaluator indicates SCE did a good job. It
11 was quite robust, and you got almost 2,000
12 final offers.

13 And would you consider that not to
14 be a robust bidding process?

15 A So to be clear, our bidding process
16 I do believe was robust. And we did receive
17 several thousand offers. Many of them are
18 multiple offers for the same project.

19 And my earlier statement that we
20 referred to that was represented in the San
21 Diego Tribune was referring to why wasn't
22 Edison able to fully meet the preferred
23 resource minimum procurement authorization in
24 this solicitation.

25 And in regard to that very specific
26 question, Edison did contract with all the
27 competitively priced preferred resource
28 offers we received. They were not sufficient

1 in their totality to meet the 600 megawatt
2 minimum authorization when combined with 100
3 megawatts of in-front-of-the-meter energy
4 storage that Edison procured for AES.

5 So we did receive a lot of offers,
6 but not enough to meet the 600 megawatt
7 minimum.

8 Q Do you recall approximately how
9 many energy storage offers you got?

10 MS. REYES CLOSE: Objection, your
11 Honor. This is outside of the scope of
12 Mr. Cushnie's testimony. It is Mr. Bryson's
13 testimony.

14 ALJ DE ANGELIS: Objection sustained.

15 MR. POWERS: Your Honor, I didn't hear
16 your response.

17 ALJ DE ANGELIS: Objection sustained.
18 You can move to your next question.

19 MR. POWERS: May I may make one
20 comment?

21 ALJ DE ANGELIS: Sure.

22 MS. POWERS: I was redirected to
23 Mr. Cushnie on the issue of robustness of
24 bids yesterday when I was asking Mr. Bryson
25 this. So I'm caught in a bit of a do-loop on
26 my ability to get an answer from SCE on this
27 issue.

28 ALJ DE ANGELIS: Okay. Ms. Reyes

1 Close, can you respond to that?

2 MS. REYES CLOSE: Sure. I don't recall
3 the specifics of that. I think the
4 robustness of the LCR RFO, you can ask
5 questions of Mr. Cushnie about that
6 particular issue. If you are asking
7 Mr. Cushnie about the number of energy
8 storage offers we received, that is a very
9 specific amount, and that is a number that is
10 in Mr. Bryson's testimony. That is different
11 than the robustness, I think, general
12 robustness of the LCR RFO.

13 MR. POWERS: True.

14 ALJ DE ANGELIS: Mr. Powers.

15 MR. POWERS: Excuse me, your Honor.

16 ALJ DE ANGELIS: You can respond to me.

17 MR. POWERS: The exhibit addresses both
18 issues. The cross was cut off at the request
19 of SCE counsel, because it was addressing one
20 issue.

21 ALJ DE ANGELIS: You said that that
22 number is in the testimony of Mr. Bryson?

23 MS. REYES CLOSE: It is in the
24 confidential testimony.

25 What I recall from that discussion
26 is that Mr. Powers was asking about a
27 statement that Mr. Cushnie made in an
28 article. I said if he wants to ask

1 Mr. Bryson about a statement that Mr. Cushnie
2 made, he should probably ask Mr. Cushnie
3 about that statement. It was limited to
4 that. I wasn't telling him he couldn't ask
5 about the LCR RFO.

6 ALJ DE ANGELIS: Can we move forward,
7 and you can look at that number in the
8 confidential documents, provided that you
9 signed the necessary nondisclosure agreement?

10 MR. POWERS: Your Honor, may I speak on
11 this point? I have not signed a confidential
12 agreement.

13 And Mr. Cushnie was making
14 statements about the robustness of the bids.
15 He must have an idea of the basic categories,
16 and how many bids they got.

17 ALJ DE ANGELIS: Okay, but you are
18 asking for a specific number here rather than
19 basic idea. So perhaps you would like to
20 rephrase your question, and we could move
21 forward.

22 MR. POWERS: Thank you, your Honor.

23 Q Mr. Cushnie, do you have any
24 approximate idea of how many energy storage
25 bids out of these nearly 2,000 bids SCE
26 received?

27 A I don't have a recollection of a
28 specific value in terms of the number of bids

1 we received. It was somewhere in the
2 neighborhood of a couple of hundred.

3 Q My next question is: How does a
4 bid that includes no specific technology, no
5 bidder experience, no creditor collateral, or
6 no site control qualify as the robust bids
7 that you referred to? I'm specifically
8 talking about the four building hybrid
9 counteroffers that you signed.

10 A Okay. So those offers we did
11 consider to be sufficiently robust. We did
12 our due diligence and determined that the
13 counterparty had relevant energy experience,
14 had the resources available to them to
15 perform. They were required to post
16 development security like any other bidder
17 that we award a contract with. They would be
18 financially penalized if they didn't perform.

19 So the combination of understanding
20 that they were going to be using commercially
21 available technology, they had the expertise
22 within their company to do this work, and the
23 fact that they were going to be signing our
24 pro forma contract with minor modifications
25 put us in a position saying that we will
26 accept the offers that they submitted to us.
27 It is actually I think very consistent with
28 what happened in the solicitation, which is

SCE got in the range of 200 energy storage bids according VP Cushnie, and yet 4 of 7 counterparties that received energy storage contracts are Susan Kennedy LLCs w no experience, no employees (at time of contract signing), no collateral, and no site control.

This Cushnie statement contradicts Bryson (Day 1) who acknowledged that AMS has no experience.

1 we had a lot of counterparties that were
 2 fairly new in our space bringing us bids. We
 3 had to make some determinations as to whether
 4 or not we should contract with them. We
 5 erred on the side, clearly, of trying to do
 6 more business than less business.

But SCE got ~200 energy storage bids. There was plenty of opportunity to do more business with more qualified ES firms.

7 Q Just to be clear, Powers Exhibit 1,
 8 I don't know if you have that --

9 A I don't have that.

10 Q -- exhibit before you?

11 A I might have it.

12 Q On the last page of that exhibit
 13 there is a quote.

14 A I do not have that with me.

15 MS. REYES CLOSE: We have one copy,
 16 your Honor. That is my copy.

17 Do you have another copy,
 18 Mr. Powers?

19 MR. POWERS: I actually gave my copies
 20 to --

21 MS. REYES CLOSE: Actually, that is
 22 okay. We have a couple of extra copies.

23 MR. POWERS: I think we have plenty of
 24 copies.

25 (Document handed to the witness.)

26 MR. POWERS: Q If you could go to the
 27 last page, Mr. Cushnie, the second paragraph,
 28 first sentence. Could you read that

1 sentence.

2 A Is that the one begins "If that
3 goes well"?

4 Q It begins "Advanced Microgrid is."

5 A You want me to read it internally?

6 Q Yes.

7 A I've read that.

8 Q I would like you to read it into
9 the record so I could ask you a question
10 about it.

11 ALJ DE ANGELIS: It is not necessary.

12 MR. POWERS: Q No?

13 ALJ DE ANGELIS: No. For the purposes
14 of the record, we can read that document.

15 MR. POWERS: Q SCE awarded their seven
16 counterparties that received contracts for
17 energy storage. Four of them are owned by
18 the same parent, Advanced Microgrid
19 Solutions. This is saying that Advanced
20 Microgrid is going to look to buy batteries
21 and look to buy software at some point in the
22 future.

23 And that is your understanding that
24 Advanced Microgrid is going to be essentially
25 shopping for batteries and software at some
26 point in the future to fulfill this contract
27 obligation?

28 A That is correct. All of the

1 counterparties that we're contracting with
2 will be entering into procurement
3 arrangements with manufacturers of the
4 technology that they will be deploying.

5 Q I would like to look at SCE-2
6 Appendix D page D-40.

7 MS. REYES CLOSE: What was that,
8 Mr. Powers?

9 ALJ DE ANGELIS: D-40 did you say?
10 Excuse me, what page did you say.

11 MR. POWERS: It is D-40.

12 ALJ DE ANGELIS: Thank you.

13 (Document handed to the witness.)

14 THE WITNESS: I'm at page D-40.

15 MR. POWERS: Q Was the selection
16 price -- was the selection in the term
17 "robustness" used solely in the context of
18 price?

19 A Price is an input into our
20 valuation. We also have to value what the
21 projected market revenue streams will be from
22 the source, and we also have to look at the
23 resources' capability of meeting the
24 technical need. So there is a variety of
25 things that we look at. I believe Edison
26 witness Ranbir Singh addressed that in
27 cross-examination as well as his direct and
28 reply testimony.

1 Q Yesterday under cross-examination
2 of Mr. Bryson, I asked if Advanced Microgrid
3 Solutions has done any projects, or if they
4 have any projects in the pipeline other than
5 these projects, and he said no. My question
6 is under project viability in looking at
7 these bids, which is letter C, says
8 technology, bidder experience, credit and
9 collateral, site control, you determined that
10 these four counteroffers met all of these
11 conditions relative to the other 200 energy
12 storage bids that you received?

13 MS. REYES CLOSE: Objection, your
14 Honor. This is within the scope of Ranbir
15 Singh's testimony regarding valuation. If
16 Mr. Powers wanted to ask questions about
17 valuation in the select process, he should
18 have done so with Mr. Singh.

19 ALJ DE ANGELIS: The witness can go
20 ahead and answer the question to the best of
21 your ability.

22 THE WITNESS: So with respect to
23 the -- these four offers, we looked hard at
24 this company. We looked at their financial
25 wherewithal. They had to demonstrate that
26 they had sufficient financing. We looked at
27 the personnel as to whether or not they had
28 the expertise to do what they said they would

AMS has no technical personnel
at the time the contracts were
signed with SCE.

1 do.

2 We had to look at the technology
3 that they said they would deploy. We had to
4 look at the plans that -- the preliminary
5 plans that they had for delivering on their
6 proposals. And in total, they we were deemed
7 to be sufficient to be able to make
8 contracts.

9 Again, we were seeking to be as
10 progressive as possible in our contracting,
11 looking to bring on as many different
12 counterparties and technologies as possible,
13 particularly in the preferred resource space.
14 And these four offers were among the best
15 offers that we received.

16 MS. REYES CLOSE: Your Honor, if I
17 I'd like to correct the record.

18 Mr. Powers said that Mr. Bryson
19 responded to the question "Do you know if
20 Advanced Microgrid Solutions has any projects
21 in development besides potentially these
22 projects?" That was the question Mr. Powers
23 had. And Mr. Bryson said "Not that I know
24 of." He didn't say no.

25 ALJ DE ANGELIS: Okay. Thank you for
26 that correction.

27 Mr. Powers. I'm not asking you to
28 responsibility to the correction.

AMS declined to describe what battery technology would be deployed, at least in Exh 2.

If AMS was deemed sufficient, then all 2,000 contract offers should have been deemed sufficient.

The only criterion that apparently mattered was price, even if bidder had no background, no technology, no collateral, and no site control. This conflicts with independent evaluator criteria and SCE stated criteria by Cushnie.

1 Do you have further questions of
2 Mr. Cushnie?

3 MR. POWERS: Yes, your Honor.

4 Q This company was formed two months
5 after the solicitation started. And are you
6 personally aware of any of the employees at
7 the company had at the time?

8 A I am not personally aware of any
9 employees. The determination as to their
10 capability was done by Southern California
11 Edison procurement staff and I believe some
12 of our engineering personnel as well looked
13 into their technology, but I personally was
14 not involved in the day-to-day scrubbing of
15 the offers.

16 Q Thank you.

17 Switching gears to SCE's rebuttal
18 testimony page 1, pages 1 and 2, lines 18 to
19 22 and page 2, line 1 to 6. And this begins
20 with the sentence: SCE cannot go back to
21 counterparties.

22 A I have that.

23 Q And it ends with the statement: If
24 the Commission were to order SCE to make such
25 modifications at this point in time, it would
26 be equivalent to rejecting the contract.

27 The Commission can reject or change
28 specific contracts it has issues with,

1 correct?

2 A The Commission can clearly reject
3 contracts. The Commission could also
4 presumably say contracts were approved with
5 X, Y, and Z modifications and Edison would
6 not be able to impose those modifications on
7 our counterparties. We could request that
8 the counterparties modify. But depending on
9 the nature of the modifications, it may
10 require further changes to the balance of
11 the terms that the parties struck. And
12 presumably we'd have to bring any revised
13 contract back to the Commission for approval
14 if we deviated beyond what the Commission
15 asked us to do.

16 From my perspective, any
17 substantial change to the contracts means we
18 would be better off just seeking to enter
19 into new contracts through a separate
20 solicitation.

21 Q And that leads into my next
22 question is I wasn't clear in this statement
23 where if you were saying that any request by
24 the Commission to modify any contract would
25 result in SCE saying "Let's reject all
26 the contracts and start anew." Is that what
27 you were saying?

28 A No. Edison would not reject all

1 the contracts. Edison would move forward
2 with all the contracts that the Commission
3 approved.

4 For contracts that the Commission
5 declined to approve unless certain
6 modifications were made, if the Commission
7 were to so act, we would have to look at
8 those specific modifications the Commission
9 was requesting and, you know, we would
10 certainly engage the counterparties as to
11 their willingness to accept those modified
12 terms.

13 But if Edison was not willing to
14 accept the modified term and/or
15 the counterparty was not willing to accept
16 the modified term, then we would not have
17 a contract that could be made effective and
18 we would have to recontract for the -- for
19 those megawatts.

20 Q My next question relates to, in
21 the same paragraph, quote: Intervenor such
22 as ORA that are participating in SCE's
23 Procurement Review Group had the opportunity
24 to suggest contract modifications.

25 Do you know who's part of SCE's
26 Procurement Review Group?

27 A I'm fairly familiar with the
28 participants in the Procurement Review Group,

1 yes.

2 Q And who are they?

3 A The Office of Ratepayer Advocates
4 participates. Energy Division staff
5 participates. TURN participates. NRDC has
6 recently joined our PRG. CCUE participates.
7 The Department of Water Resources
8 participates. There may be one or two
9 others, but those would be the primary
10 participants.

11 Q Very good.

12 And so how does it work? Is it
13 evidentiary? Is it majority vote?

14 If someone in the PRG says "I have
15 a issue with how you structure your demand
16 response contracts" for example, is there
17 some formal process so that SCE incorporates
18 that or does SCE just hear from someone on
19 the PRG and you decide one way or the other
20 whether you're going to incorporate or not
21 that suggestion?

22 A So the Procurement Review Group
23 process a consultive process. There is no
24 membership, per se. The entities that
25 participate that are not Commission staff
26 sign nondisclosure agreements.
27 The Commission personnel participate under
28 the Commission's confidentiality Public

1 Utility Code requirements.

2 And it is a process in which Edison
3 as the utility puts forward its procurement
4 recommendations and it seeks feedback from
5 these participants. And it's an iterative
6 process at times. It is certainly
7 a dialogue. But at the end of the day,
8 there's no vote taken. Edison takes
9 the feedback that it gets under advisement,
10 and then it moves forward.

11 In this particular case, we are
12 just saying here that ORA had an opportunity
13 to raise concerns with this form of contract
14 and did not do so at the time that we were
15 entering into the contract. And we now
16 believe that raising those concerns after
17 the contract is executed is a little late in
18 the process for us to be able to act on that
19 information.

20 Q I appreciate that.
21 My takeaway from this is that
22 parties like Powers Engineering who are not
23 part of the PRG have no opportunity to
24 suggest any modifications prior to an
25 application actually being filed. That is
26 the case.

27 A That's correct. And so this
28 testimony should not be inferred as to

1 suggest that somehow you could have told us
2 to do something at the time that we were
3 contracting. This is just referring to ORA's
4 challenge to our contracts. Edison will
5 respond to Powers Engineering and any other
6 intervenor's concerns to our contracts
7 through this hearing process.

8 MR. POWERS: Thank you, Mr. Cushnie.
9 I have no further questions.

10 ALJ DE ANGELIS: Thank you, Mr. Powers.
11 Ms. Reyes Close.

12 MS. REYES CLOSE: May I have just one
13 moment, please?

14 Okay, your Honor. We have one
15 follow-up question.

16 REDIRECT EXAMINATION

17 BY MS. REYES CLOSE:

18 Q Mr. Cushnie, would modifications to
19 contracts potentially result in changes to
20 contract price or to the negotiated contract
21 price?

22 A Are you asking could a --

23 Q Could --

24 A -- modification -- the Commission
25 could order, if that's what you're asking.

26 The Commission could order
27 modification to any term. It doesn't mean
28 that Edison or the counterparty would be

1 willing to accept that term.

2 Q But that could potentially result
3 in a change in the contract price?

4 A So if -- a counterparty may agree
5 to a changed term subject to a revised price,
6 which would then potentially cause the
7 contract not to have the same net value that
8 we had originally valued and cause us to not
9 want to move forward with the deal.

10 MS. REYES CLOSE: Thank you,
11 Mr. Cushnie.

12 That's all I have, your Honor.

13 ALJ DE ANGELIS: All right, thank you.

14 Thank you, Mr. Cushnie. You're
15 excused.

16 THE WITNESS: Thank you.

17 ALJ DE ANGELIS: All right, Ms. Cottle.

18 MS. COTTLE: Thank you, your Honor.

19 NRG would like to call to the stand Clive
20 Nickolay.

21 And your Honor, I was going to ask
22 for this to be marked as NRG-1.

23 Does anyone need --

24 (Distributing document)

25 ALJ DE ANGELIS: Good afternoon.

26 CLIVE NICKOLAY, called as a witness
27 by NRG Distributed Generation PR LLC,
28 having been sworn, testified as
follows:

1 ALJ DE ANGELIS: Thank you.

2 Ms. Cottle, go ahead when you're
3 ready.

4 MS. COTTLE: Yes. For the record, your
5 Honor, we would like to ask that our
6 testimony be marked as Exhibit NRG-1.

7 ALJ DE ANGELIS: We'll mark
8 the prepared testimony of NRG as NRG-1.

9 (Exhibit No. NRG-1 was marked for
10 identification.)

11 MS. COTTLE: Thank you.

12 DIRECT EXAMINATION

13 BY MS. COTTLE:

14 Q Good afternoon, Mr. Nickolay.

15 Could you state your name and
16 current position for the record, please.

17 A Clive Nickolay. I'm the president
18 of reliability solutions for NRG.

19 Q And do you have before you
20 the document that has been marked for
21 identification as Exhibit NRG-1 which is
22 titled Prepared Testimony of Clive Nickolay
23 on Behalf of NRG Distributed Generation PR
24 LLC?

25 A I do.

26 Q Was this testimony prepared by you
27 or under your supervision?

28 A It was.

1 Q Do you have any changes or
2 corrections to the testimony?

3 A I do not.

4 Q And did you adopt Exhibit NRG-1 as
5 your sworn testimony in this proceeding?

6 A I do.

7 MS. COTTLE: Thank you, your Honor.
8 The witness is available for cross-
9 examination.

10 ALJ DE ANGELIS: All right.
11 Commissioner Florio has a few questions.

12 EXAMINATION

13 BY COMMISSIONER FLORIO:

14 Q Good afternoon, Mr. Nickolay.

15 On page 3 you give an emission
16 comparison for the technology that you're
17 contemplating using as compared to a diesel
18 generator.

19 One aspect that I didn't see that
20 I'm curious about is what kind of heat rate
21 do you expect from these units?

22 Approximately is certainly fine.

23 A Yeah, I'm not familiar with the
24 exact number but they are somewhere in
25 the range of mid thirties in terms of their
26 simple cycle efficiency.

27 Q Mid thirties. Okay. That's 30,000
28 MMBtu per kilowatt hour?

1 A Forgive me. I only think in terms
2 of those units.

3 Q Okay.

4 A Mid thirties would be somewhere in
5 the kind of 34 to 36 percent efficient range.

6 Q Oh, okay.

7 A I think that equates -- I'm really
8 not sure. I can't quite do the math in my
9 head. Sorry.

10 Q Okay. Now, you indicated at the
11 bottom of page 2, you made a reference to
12 building codes which mandate installation of
13 backup generators. What are you referring to
14 there?

15 A So that part of the testimony talks
16 to the fact that it's relatively common
17 practice for certain types of
18 commercial/industrial consumers to install
19 backup generation. And on occasion, that's
20 mandated by building code. So for example,
21 life safety systems in office buildings would
22 come under that category.

23 Q Do you know to the extent -- or is
24 this a lot of buildings have this requirement
25 or just a few?

26 A I couldn't speak to the proportion
27 of buildings where it's mandated versus, you
28 know, building owners or business owners

1 doing it by choice. I'm not familiar with
2 that number.

3 Q Do you anticipate that most of your
4 installations under this contract will be
5 replacement of an existing generator or
6 putting a new generator where one doesn't
7 exist now?

8 A As of now, we don't really have
9 a vision as to how -- what proportion would
10 be from which source. And we are relatively
11 neutral in terms of whether or not it's
12 a site that currently has no resiliency and
13 wishes to add it in a cleaner way than they
14 would do with a backup generator. Or whether
15 it would be a host site that would simply
16 prefer to remove the higher emitting diesel
17 engine and replace it with a cleaner natural
18 gas engine.

19 Q And you're looking primarily at
20 microturbines, is that correct?

21 A So that terminology has been used
22 a number of times in the last couple of days,
23 and I think it's been used in a very generic
24 sense. In actual fact, we're looking
25 primarily at reciprocating engines, not micro
26 turbines.

27 COMMISSIONER FLORIO: Okay. That's all
28 I have. Thank you very much.

1 THE WITNESS: Thank you.

2 ALJ DE ANGELIS: Thank you,
3 Commissioner.

4 CLECA?

5 THE VIDEOGRAPHER: Thank you, your
6 Honor.

7 CROSS-EXAMINATION

8 BY MS. SHERIFF:

9 Q Good afternoon. My name is Nora
10 Sheriff. I represent CLECA, the California
11 Large Energy Consumers and Users Coalition.
12 No. California Large Energy Consumers
13 Association. Sorry.

14 Were you in the room yesterday
15 afternoon when I was asking Mr. Bryson some
16 questions?

17 A I was.

18 Q And do you have copies of what has
19 been marked for identification as CLECA-1,
20 the South Coast Air Quality Management
21 District Rule 1470 and CLECA-2,
22 the California Independent System Operator
23 Operating Procedure 4420?

24 A I do.

25 Q Have you had a chance to review
26 CLECA-1, the Rule 1470 on the use of diesel
27 emergency standby generators?

28 A I would say I've kind of scanned

1 both documents. I wouldn't say I've read
2 them in any great detail.

3 Q Is it your understanding that
4 Rule 1470 limits the use of diesel backup
5 generators to either an emergency
6 circumstance or pursuant to an interruptible
7 service contract between a utility
8 distribution company and a nonresidential
9 retail customer?

10 A Yes, absolutely.

11 Q So would you agree that under that
12 South Coast Air Quality Management District
13 Rule 1470, the permitted use of a diesel
14 emergency standby generator for emergency
15 circumstances for interruptible service
16 contracts is very limited?

17 A Yes. And that's why for
18 the project proposed we won't be permitting
19 under that standard.

20 Q Okay, because that rule wouldn't
21 permit flexible use of that type of
22 generation?

23 A That's correct.

24 Q And there are other rules under
25 the South Coast Air Quality Management
26 District that would govern the reciprocating
27 engines that you're looking at in terms of
28 the distributed generation technology that

1 you would be using?

2 A Yeah, that's correct. We're
3 intending to permit under Rule 1110-2.

4 Q Thank you.

5 Now on page 3, you discussed
6 briefly with Commissioner Florio
7 the emissions comparison.

8 A Yes.

9 Q You don't list under here PM 2.5.
10 Do you have a general sense of what that
11 comparison would be?

12 A So when you look at the
13 proportional difference between PM-10 between
14 a Tier 2 emergency diesel generator and the
15 gas engines that we're considering, you'll
16 see about a six-fold differential.

17 The differential for PM2.5 I would
18 be of a similar proportion.

19 I don't actually have data
20 available for exactly what proportion of
21 the PM10 number would be made up of PM2.5.

22 Q Thank you.

23 And then lastly on page 4 of your
24 testimony exhibit NRG-1, line 13, you
25 reference commercial customers. Are
26 commercial customers your primary target
27 here?

28 A Yes. I would say they're our

1 primary target. Certainly not residential
2 customers, they would not be a target. But
3 any customer within the right service
4 territory that had an appropriate size load,
5 we would be happy to have those part of
6 the portfolio.

7 Q And what would be the appropriate
8 size load?

9 A Currently we're looking at kind of
10 a load in the -- a total of now around
11 500 kilowatts as being kind of a minimum
12 required, but that may be subject to change
13 as we get more market data.

14 THE VIDEOGRAPHER: Okay. Thank you.

15 Thank you, your Honor. I have no
16 further questions.

17 ALJ DE ANGELIS: Thank you.

18 Ms. Cottle.

19 MS. COTTLE: Your Honor, would it be
20 possible to take just a quick break?

21 ALJ DE ANGELIS: Okay. Let's take
22 a five-minute break. Off the record.

23 (Recess taken.)

24 ALJ DE ANGELIS: On the record.

25 Ms. Cottle.

26 MS. COTTLE: Thank you. We do have
27 some brief redirect.

28 ///

1 REDIRECT EXAMINATION

2 BY MS. COTTLE:

3 Q Mr. Nickolay, Commissioner Florio
4 earlier asked you about the heat rate of
5 these engines. Is there any additional
6 information you can provide regarding
7 expected heat rate?

8 A So I did some checking of the math
9 and the effective heat rate would be a little
10 over 10,000.

11 COMMISSIONER FLORIO: Oh.

12 THE WITNESS: So it would be equivalent
13 to a very efficient, modern, simple cycle gas
14 peaking unit.

15 MS. COTTLE: Nothing further.

16 ALJ DE ANGELIS: All right. Thank you,
17 Ms. Cottle.

18 Thank you, you're excused.

19 Okay. I believe that we're done
20 with the witnesses that were scheduled for
21 today.

22 Are we able to --

23 MR. PINJUV: We actually had one more
24 scheduled for today. Mr. Millar from the ISO
25 is set to --

26 ALJ DE ANGELIS: Would you like to call
27 the next witness?

28 MR. PINJUV: Thank you. The ISO would

1 call Mr. Neil Millar to the stand.

2 COMMISSIONER FLORIO: Sorry. I have a
3 meeting across the hall. No offense to
4 the excellent witness.

5 ALJ DE ANGELIS: Thank you,
6 Commissioner.

7 MR. MILLAR: Thank you.

8 ALJ DE ANGELIS: Mr. Miller, can
9 I swear you in.

10 NEIL MILLAR, called as a witness by
11 California Independent System Operator,
12 having been sworn, testified as
13 follows:

13 THE WITNESS: I do.

14 ALJ DE ANGELIS: Thank you.

15 MR. PINJUV: And at this time, I'd like
16 to mark Mr. Millar's Prepared Direct
17 Testimony as Exhibit ISO-1.

18 ALJ DE ANGELIS: All right. We'll mark
19 as CAISO-1 --

20 MR. PINJUV: CAISO-1, yes. Let's do
21 that.

22 ALJ DE ANGELIS: -- Mr. Millar's
23 prepared testimony.

24 (Exhibit No. CAISO-1 was marked for
25 identification.)

26 MR. PINJUV: If I could, I'd like to
27 mark the Prepared Direct Testimony of Robert
28 Sparks at this time as well as CAISO

1 Exhibit 2.

2 Mr. Sparks was scheduled to have
3 cross-examination from only the Energy
4 Center. And if the cross-examination of
5 Mr. Millar is sufficient, Mr. Sparks will
6 have his cross waived from my understanding.

7 ALJ DE ANGELIS: We will mark as
8 CAISO-2 the Prepared Testimony of Mr. Sparks.

9 (Exhibit No. CAISO-2 was marked for
10 identification.)

11 MR. PINJUV: Thank you.

12 DIRECT EXAMINATION

13 BY MR. PINJUV:

14 Q Would you state your name and your
15 position at the ISO for the record, please?

16 A Neil Miller. I'm the executive
17 director of infrastructure development with
18 the California Independent System Operator.

19 Q And do you have in front of you
20 what's been marked as Exhibit CAISO-1?

21 A Yes, I do.

22 Q And was that exhibit prepared by
23 you or under your supervision?

24 A Yes, it was.

25 Q Do you have any changes to your
26 testimony at this time?

27 A No, I don't.

28 MR. PINJUV: The witness is tendered

1 for cross.

2 MS. MYERS: I can start if that works
3 or --

4 ALJ DE ANGELIS: All right. Go ahead,
5 Ms. Myers.

6 CROSS-EXAMINATION

7 BY MS. MYERS:

8 Q Good afternoon, Mr. Millar. My
9 name is Megan Myers. I represent EnerNOC,
10 Inc.

11 I'd like you to turn to your
12 testimony at CAISO-1 at page 5, line 19 to
13 page 6, line 13.

14 A Yes, I have that.

15 Q Is it your testimony that there
16 were discussions between Edison and CAISO to
17 confirm that the location and characteristics
18 of the procured resources would meet
19 the local capacity needs?

20 A Yes. As we've set out in
21 the testimony, we've provided locational
22 effectiveness factors and we had other
23 discussions about the necessary
24 characteristics.

25 Q And now I'd like you to refer to
26 EnerNOC-02, which I believe is in front of
27 you. And I previously given a copy to your
28 counsel. Have you seen this document before?

1 A Yes. It was given to me before
2 I took the stand.

3 Q And this document is a Edison
4 response to data request by EnerNOC regarding
5 discussions between CAISO and Edison
6 regarding this RFO; is that correct?

7 A Yes.

8 Q On this document, it lists
9 personnel from CAISO and Edison as being
10 present at these meetings. Do you see that
11 portion of the document?

12 A Yes.

13 Q Were you present at these meetings?

14 A Yes. I think two out of three but
15 I haven't checked which ones. I didn't think
16 I made it to all three.

17 Q And the dates on the exhibit, are
18 those the dates that the meetings were held?

19 A I didn't double check but that was
20 my recollection.

21 Q Do you know which of the two that
22 were you at?

23 A No, I don't.

24 Q And these were teleconferences,
25 correct?

26 A Yes, they were.

27 Q During these meetings, was there
28 any discussion of demand response?

1 A Yes.

2 Q Was there any discussion of
3 the response time requirement for demand
4 response in this RFO?

5 A Yes.

6 Q Do you recall which meeting that
7 occurred at?

8 A Not particularly, no.

9 Q And what was said, do you recall?

10 A No. I don't recall exact wording
11 obviously but I do recall that the gist of it
12 is that the -- on the demand response issue
13 that we saw the need for a 20-minute response
14 from demand response in order to be
15 meaningful in helping us address the specific
16 local capacity needs we had in the area and
17 the reliability issues in the area.

18 Q Because previously, Edison had had
19 a one-hour response time requirement, is that
20 correct?

21 A I couldn't -- when you say they had
22 a one-hour, in what context?

23 Q Originally in their RFO materials,
24 it had a one-hour response time requirement
25 for demand response resources to participate.

26 MR. PINJUV: I'm going to object to
27 that question because I don't think my
28 witness has personal knowledge of the RFO

1 requirement that's been put out.

2 ALJ DE ANGELIS: All right. Sustained.

3 MS. MYERS: Q But at some point there
4 was discussion of a 20-minute response time
5 requirement, is that correct?

6 A Yes.

7 Q And did you know what the previous
8 response time requirement was from Edison?

9 A I did not know what was in their
10 RFO.

11 Q At these meetings, were there any
12 stakeholders or bidders present?

13 A No, not to my -- actually, let me
14 rephrase. No, there weren't.

15 Q Was anyone from the Commission
16 present?

17 A No.

18 Q Were the results of these meetings
19 provided to the Commission?

20 A I think the results were summarized
21 in Edison's testimony, but that would be
22 the only venue that I'm aware of.

23 Q And do you know if the results of
24 these meetings were ever made public?

25 A We were expecting Edison to provide
26 that information in their stakeholder --
27 their RFO process in this proceeding.

28 MS. MYERS: Thank you. No further

1 questions.

2 ALJ DE ANGELIS: Thank you, Ms. Myers.

3 Mr. Kerner.

4 MR. KERNER: Thank you.

5 CROSS-EXAMINATION

6 BY MR. KERNER:

7 Q Good afternoon. Thank you for
8 being here. Douglas Kerner for the STEM
9 project.

10 In your testimony, you cite and
11 refer the reader to Mr. Sparks' testimony.
12 Thank you for that.

13 I'm particularly interested in are
14 you familiar -- in addition, he attached
15 the CAISO transmission study '14- '15?

16 A The 2014- '15 transmission plan was
17 attached to Mr. Sparks' testimony.

18 Q Right. I'm just looking for
19 a little clarification on the point if you
20 might.

21 And in 3.4 of the study, there's
22 a discussion of the impact of older -- as
23 I understand it, older generation creating
24 a frequency response obligation. Is that
25 something you're familiar with?

26 A Well, Section 3.4 is the study of
27 how well the ISO would comply with its
28 frequency response obligation looking ten

1 years out into the future.

2 Q Okay. And the frequency response
3 obligation is a continuing obligation on your
4 part, something you cannot comply with,
5 right?

6 A But the frequency response
7 obligation that we're talking about is part
8 of a network standard necessary to, for each
9 system to do their part in managing total
10 system reliability during a major contingency
11 and especially during a major loss of
12 resources.

13 So there's a framework in place
14 that's part of a mandatory standard.
15 The ISO's required to comply with that. It's
16 a new standard being phased in.

17 But this study was focusing on
18 the addition of significant amounts of
19 renewable generation that have different
20 characteristics in the future: What would
21 our performance look like on the path we're
22 on; are there issues that we would need to
23 identify and mitigate. And we are obliged to
24 maintain compliance with those standards.

25 Q I think as the study concludes,
26 that there may be indeed be issues associated
27 with compliance that will be looked at. Is
28 that fair?

1 A The study identified --

2 Q More renewables as you point out?

3 A The study identified that There
4 would be issues that we will need to manage
5 and mitigate to maintain compliance with that
6 standard, yes.

7 Q To the extent now that the ability
8 of a particular resource option to be
9 beneficial or helpful in terms of meeting
10 this requirement is related to
11 the characteristics of that particular
12 resource, right, the resources or not?

13 A It would be. We are at the very
14 beginning of this -- of exploring this issue.
15 This study was the first really of its kind
16 to dive in, looking at the new generation.
17 It's a systemwide issue, so we started in
18 this cycle doing this initial study really to
19 identify if there's an issue there or not
20 that will require further analysis and
21 mitigations in the future.

22 Q In particular as I think you said
23 in the likely expected event, policy to
24 increase the number of -- the types of
25 resources that don't provide this capability?]

26 A Yes. Or to avoid having to operate
27 those in a different way that they may not
28 like.

1 Q Understood.

2 A In order to manage the frequency.

3 Q All right. To that extent, to the
4 extent that the company, you say Edison is in
5 a position to acquire and install the type of
6 a resource that you're looking for which can
7 provide or contribute to the subrogation, you
8 would find that to be a helpful and valuable
9 thing to do?

10 A Yes. So where resources are being
11 acquired, we would like to see them provide
12 as broad a range of service as possible so
13 that they can play their part on a range of
14 these issues instead of only dealing with one
15 issue at a time.

16 MR. KERNER: Thank you, sir.

17 Your Honor, that's all I have for
18 now.

19 ALJ DE ANGELIS: Thank you.

20 MR. KERNER: And thank you for the
21 courtesy, Counsel.

22 ALJ DE ANGELIS: Any redirect?

23 MR. PINJUV: No. I don't have
24 redirect.

25 ALJ DE ANGELIS: Okay. Thank you.
26 You're excused.

27 THE WITNESS: Thank you very much.

28 MS. COTTLE: Your Honor, I realize I

1 neglected to move my exhibit into evidence.

2 ALJ DE ANGELIS: Why don't you do that
3 now.

4 MS. COTTLE: I'd like to move the
5 admission of the Exhibit NRG-1 into the
6 record.

7 ALJ DE ANGELIS: NRG-1 is entered into
8 the record.

9 (Exhibit No. NRG-01 was received
10 into evidence.)

11 MS. COTTLE: Thank you.

12 MS. SHERIFF: Your Honor.

13 ALJ DE ANGELIS: Go ahead, Ms. Sheriff.

14 MS. SHERIFF: Your Honor, I would also
15 like to move Exhibits CLECA-1 and CLECA-2
16 into the record.

17 ALJ DE ANGELIS: CLECA-1 and CLECA-2
18 are entered into the record.

19 (Exhibit No. CLECA-01 was received
20 into evidence.)

21 (Exhibit No. CLECA-02 was received
22 into evidence.)

23 ALJ DE ANGELIS: Mr. Kerner.

24 MR. KERNER: Thank you. Just to
25 confirm Counsel's observation at the
26 beginning, we will not have any
27 cross-examination for Mr. Sparks.

28 ALJ DE ANGELIS: Thank you for that

1 clarification.

2 MS. REYES CLOSE: Your Honor, may
3 Edison move its exhibits into the record as
4 well. Edison would like to move Exhibit
5 SCE-1, SCE-1-C, SCE-2, SCE-2-C, SCE-3, SCE-4,
6 SCE-5, SCE-6, SCE-7, and SCE-8 into the
7 record, please.

8 ALJ DE ANGELIS: Those exhibits are
9 moved into the record.

10 (Exhibit No. SCE-01 was received
11 into evidence.)

12 (Exhibit No. SCE-01-C was received
13 into evidence.)

14 (Exhibit No. SCE-02 was received
15 into evidence.)

16 (Exhibit No. SCE-02-C was received
17 into evidence.)

18 (Exhibit No. SCE-03 was received
19 into evidence.)

20 (Exhibit No. SCE-04 was received
21 into evidence.)

22 (Exhibit No. SCE-05 was received
23 into evidence.)

24 (Exhibit No. SCE-06 was received
25 into evidence.)

26 (Exhibit No. SCE-07 was received
27 into evidence.)

28 (Exhibit No. SCE-08 was received
into evidence.)

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MS. REYES CLOSE: Thank you.

MR. PINJUV: The ISO would go ahead and move Exhibits CAISO-1 and CAISO-2 into the record as well.

ALJ DE ANGELIS: Those two exhibits are entered into the record.

(Exhibit No. CAISO-01 was received into evidence.)

(Exhibit No. CAISO-02 was received into evidence.)

ALJ DE ANGELIS: All right. Now we've completed all the witnesses that were scheduled for today. So tomorrow it looks as though two witnesses left, or do we have Mr. Sparks? Is there any cross of Mr. Sparks?

MR. PINJUV: No, there's no Sparks, that I know of at least for Mr. Sparks.

ALJ DE ANGELIS: Okay. So we have two witnesses scheduled for tomorrow. Have parties had an opportunity to talk about whether we could have those two witnesses testify today? Mr. Ralph.

MR. RALPH: Thank you, your Honor. Both witnesses are ORA witnesses. And ORA is prepared to have Ms. O'Hara testify this afternoon if parties would like to proceed for purposes of efficiency and see how far we

1 get.

2 ALJ DE ANGELIS: And for your second
3 witness.

4 MR. RALPH: I think if we have time for
5 his testimony he can be available, but he was
6 planning on testifying tomorrow. But if we
7 end up with an hour at the end of the
8 afternoon for his testimony, then I think we
9 can do him today as well.

10 ALJ DE ANGELIS: Okay. So my
11 preference would be to move forward. Does
12 any party have an objection?

13 (No response.)

14 ALJ DE ANGELIS: Okay. Let's take a
15 5-minute break. Well, let's take a break
16 until -- wait a second. Let me figure this
17 out. Let's take a break until 2:20. And we
18 will start with ORA's first witness.

19 Off the record.

20 (Recess taken.)

21 ALJ DE ANGELIS: On the record.

22 Mr. Ralph, would you like to call
23 your first witness.

24 MR. RALPH: Thank you, your Honor. ORA
25 calls Ms. O'Hara.

26 ALJ DE ANGELIS: Let me swear you in.

27 ROSANNE O'HARA, called as a witness
28 by The Office of Ratepayer Advocates,
having been sworn, testified as
follows:

1
2 MR. RALPH: Your Honor, I'd like to
3 mark for identification Second Amended
4 Testimony on Southern California Edison
5 Company's Application for Approval of the
6 Results of its 2013 Local Capacity
7 Requirements Requests For Offers For the
8 Western Los Angeles Basin as the next exhibit
9 in order, ORA Exhibit 2-C referring to the
10 confidential version, ORA Exhibit 2 referring
11 to the public version. I believe that's how
12 other parties have identified their two
13 versions of their testimony.

14 ALJ DE ANGELIS: We'll mark the second
15 amended testimony of ORA as ORA-2 and the
16 confidential version as ORA-2-C.

17 (Exhibit No. ORA-02 was marked for
18 identification.)

19 (Exhibit No. ORA-02-C was received
20 into evidence.)

21 ALJ DE ANGELIS: Thank you.

22 MR. RALPH: Thank you, your Honor.

23 DIRECT EXAMINATION

24 BY MR. RALPH:

25 Q Good afternoon, Ms. O'Hara. Can
26 you please state your current position at the
27 Office of Ratepayer Advocates?

28 A I am a Regulatory Analyst.

1 Q And are you sponsoring Chapter 5 as
2 identified in the table of contents of ORA
3 Exhibit 2?

4 A Yes.

5 Q And are your qualifications
6 contained in Appendix A1 of Exhibit ORA-2?

7 A Yes.

8 Q With respect to the testimony
9 sponsored by you, do you have any additions
10 or corrections to make to your testimony
11 today?

12 A No.

13 Q Was this testimony prepared by you
14 or under your supervision?

15 A Yes.

16 Q Do you believe this testimony to be
17 an accurate representation of your opinion?

18 A Yes.

19 MR. RALPH: Your Honor, Ms. O'Hara is
20 available for cross-examination.

21 CROSS-EXAMINATION

22 BY MS. MEIERS-DE PASTINO:

23 Q Good afternoon, Ms. O'Hara. So you
24 described all of your background and
25 experience in your testimony. I don't want
26 to go over that with you again.

27 I want to ask, though, do you have
28 any technical accounting experience or

1 background?

2 A No technical accounting.

3 Q So at the time of the LCR
4 solicitation isn't it true that SCE didn't
5 have any interconnection studies that had
6 been completed at that time?

7 A At the time of the solicitation,
8 no, there weren't completed interconnection
9 studies.

10 Q Okay. And there was no time to
11 complete interconnection studies in advance
12 of selection; isn't that right?

13 MR. RALPH: Objection, your Honor.
14 Edison's possession of studies or ability to
15 do studies is beyond the scope of the
16 witness's testimony.

17 MS. MEIERS-DE PASTINO: I'm not sure I
18 agree with that, your Honor.

19 ALJ DE ANGELIS: Go ahead and answer to
20 the best of your ability, please. Thank you.

21 THE WITNESS: I was going to actually
22 ask, can you clarify what you mean?

23 MS. MEIERS-DE PASTINO: In the time
24 that we had before we could make contract
25 selection, was there time to conduct and
26 complete interconnection studies?

27 MR. RALPH: Objection, your Honor.
28 That's beyond the witness's expertise.

1 MS. MEIERS-DE PASTINO: Then I think
2 the appropriate answer is "I don't know."

3 ALJ DE ANGELIS: Would you please
4 answer to the extent you're able. Thank you.

5 THE WITNESS: I don't know if SCE could
6 have.

7 MS. MEIERS-DE PASTINO: Q Okay. At
8 the time of the solicitation, wasn't it also
9 unclear to what degree charging constraints
10 could affect the valuation?

11 A Based on SCE's testimony, it was
12 unclear what degree the in-front-of-the-meter
13 energy storage device -- I don't know if I
14 need this so close -- could or could not
15 incur charging constraints.

16 Q Okay. And at the time of contract
17 selection isn't it also true that the CAISO
18 tariff did not specify whether a transmission
19 access charge would be assessed for
20 in-front-of-the-meter energy storage?

21 A I'm not sure when exactly Edison
22 chose contracts. I know that CAISO had
23 issued their straw proposal in June of 2014
24 where its -- it highlighted that it would not
25 actually assess a transmission access charge
26 on energy storage devices that charge
27 whenever.

28 Q And its final proposal, which you I

1 believe cite in your testimony, is dated
2 November 18, 2014; is that right?

3 A Yes.

4 Q Does October 2014 sound right to
5 you for contract selection?

6 A Yes.

7 Q Would you agree that at the time
8 that SCE made its selections regulatory
9 uncertainty did exist?

10 MR. RALPH: Objection, your Honor.
11 Vague and ambiguous as to regulatory
12 uncertainty. Could Counselor identify what
13 she's referring to.

14 MS. MEIERS-DE PASTINO: Yes.

15 Q Okay. So you talked about in your
16 testimony and I think just now the CAISO
17 proposal that came out on November 18th,
18 2014, which I think you contend in your
19 testimony resolved some uncertainties,
20 correct?

21 A Correct.

22 Q So, and I think you also just
23 testified that October 2014 roughly sounded
24 right to you for contract selection?

25 A Correct.

26 Q So what I'm asking you is, the
27 regulatory uncertainties that were in your
28 mind resolved by the CAISO's November 2014

1 report, did those exist at the time of
2 contract selection in October 2014?

3 A The clear statement by CAISO did
4 not occur until November.

5 Q Okay. Thank you. On page 5-11 of
6 your second amended testimony.

7 A Is this the public version?

8 Q This is the public version. If you
9 would look at line 17. Are you there?

10 A Yes.

11 Q Okay. You say -- I'm sorry. You
12 say that credit ratings are important to
13 utilities and ratepayers alike. Is that
14 right?

15 A Yes.

16 Q Okay. And I assume that you stand
17 by that statement today.

18 A Yes.

19 Q All right. Would you therefore
20 agree that it's important that utilities
21 remain investment grade?

22 A I would say that it's important for
23 utilities to consider the cost of borrowing.

24 Q And do you say that because if
25 interest rates went up on borrowing,
26 ratepayers would then bear the burden of
27 those increased costs?

28 A They could, yes.

1 Q And if the utilities' investment
2 grade or credit rating dropped, would it also
3 make -- make transacting with us more
4 expensive for suppliers?

5 A It could potentially.

6 Q And would those costs also get
7 passed on to ratepayers?

8 A They could potentially.

9 Q In addition, if utilities'
10 investment grade is diminished, would that
11 also make it more difficult for SCE to access
12 capital?

13 A Theoretically, yes.

14 Q If storage devices had significant
15 operational constraints built into their
16 interconnection agreements, do you think that
17 that could also trigger capital lease
18 treatment?

19 A It depends on how significant, I
20 think.

21 Q Okay. Let's turn to page 5-12 of
22 your testimony and to lines 6 through 7.

23 A Yes.

24 Q Okay. You say, "an embedded put
25 option" -- "As such," I'll start at the
26 beginning of the sentence:

27 As such, SCE included an embedded
28 put option into in-front-of-the-

1 meter energy storage contracts to
2 disqualify it from capital lease
3 accounting treatment.

4 Correct?

5 A Correct.

6 Q Okay. Isn't it true that the put
7 option mitigates the risk but doesn't
8 disqualify those contracts from risk?

9 A According -- yeah, according to
10 SCE's testimony, the put option acts as a
11 hedge against the capital lease accounting
12 treatment.

13 Q When you say "disqualify," do you
14 mean kind of mitigate as opposed to
15 eliminate?

16 A Correct.

17 Q Okay. Thank you. So let's turn to
18 pages 5-14, line -- let's see. You reference
19 in lines 22 to 23 in the public portion of
20 that testimony that the wellhead projects
21 incur similar capital lease treatment to
22 in-front-of-the-meter energy storage; is that
23 right?

24 A Right. The contracts, the
25 contracts will.

26 Q What is the basis for your
27 assertion that wellhead would have the same
28 capital lease treatment as in-front-of-the-

1 meter energy storage?

2 A Edison's testimony, their opening
3 testimony.

4 Q Isn't it true that the wellhead
5 contracts are RA only?

6 A Right. So they were gas-fired
7 generation peakers. These contracts
8 associated with them had to be reformatted
9 into RA-only contracts in order to limit the
10 risk of capital, capital accounting
11 treatment.

12 Q Okay. So do you believe they have
13 capital lease treatment or not?

14 A So as of now with the RA only, the
15 RA-only contracts, it's my understanding that
16 Edison doesn't believe that capital
17 accounting treatment would apply.

18 MS. MEIERS-DE PASTINO: Okay. So
19 you're not saying that they are going to be
20 treated as capital lease. Okay. Thank you
21 for the clarification.

22 I have no further questions. Thank
23 you.

24 THE WITNESS: Sorry. Ready to go.

25 (Laughter.)

26 ALJ DE ANGELIS: Who would like to go
27 next? Any further questions? Any redirect?

28 ///

1 REDIRECT EXAMINATION

2 BY MR. RALPH:

3 Q Ms. O'Hara, do you have any
4 advanced degrees?

5 A I do. I have a master's from the
6 London School of Economics.

7 MR. RALPH: No further redirect. Thank
8 you.

9 ALJ DE ANGELIS: Thank you. You're
10 excused.

11 Would you like to call your next
12 witness.

13 MR. RALPH: Yes, your Honor. If people
14 hear me. Your Honor, if all of the other
15 parties are fine, we'd like to proceed
16 with -- actually, can you give me just a
17 minute to speak with my other witness just to
18 confirm that he's available.

19 ALJ DE ANGELIS: Of course. Let's take
20 until -- let's take five minutes.

21 (Recess taken.)]

22 ALJ DE ANGELIS: Let's go back on the
23 record.

24 MR. RALPH: We are missing Edison's
25 counsel.

26 ALJ DE ANGELIS: We will wait a few
27 minutes.

28 Mr. Ralph, would you like to call

1 the next witness?

2 MR. RALPH: Yes, your Honor. ORA would
3 like to call Mr. Gokhale.

4 SUDHEER GOKHALE, called as a witness
5 by Office of Ratepayer Advocates,
6 having been sworn, testified as
7 follows:

8 ALJ DE ANGELIS: Thank you. Go ahead,
9 Mr. Ralph.

10 DIRECT EXAMINATION

11 BY MR. RALPH:

12 Q Good afternoon, Mr. Gokale.

13 A Good afternoon.

14 Q Please state your current position
15 for Office of Ratepayer Advocates.

16 A I am with Senior Utilities
17 Engineer, and in the bracket called
18 Specialist.

19 Q And are you sponsoring Chapters 2
20 and 3 and 4 --

21 A That is correct.

22 Q -- as identified in the table of
23 contents of Exhibit ORA-2?

24 A Yes.

25 Q And are your qualifications
26 contained in Appendix A-1 of Exhibit ORA-2?

27 A Yes.

28 Q With respect to the testimony
sponsored by you, do you have any additions

1 or corrections to make to your testimony?

2 A Yes, I have a few corrections I
3 would like to make.

4 Q Please identify them.

5 A Again referring to Exhibit 2 on
6 page 2-1, several places. For example, on
7 line 16, 17, 18, 19, et cetera, you see text
8 is underlined. It is just by error in the
9 drafting area. So those underlines should
10 not be there.

11 Q That error was corrected in the
12 second amended testimony, I believe. It did
13 not exist in the second amended testimony.
14 Thank you for drawing our attention to that.

15 A Okay. The next correction is on
16 page 2-4, and Footnote 17 I give a reference
17 for CPUC resource adequacy requirements
18 there. And just to clarify where that is, I
19 want to add pages 21 and 22 to that footnote.
20 That is additional information.

21 Q Thank you.

22 A The next one is on page 2-6. There
23 it refers to DR pro forma contract Section
24 3.2, and it should be actually 3.4.

25 ALJ DE ANGELIS: That is in Footnote
26 25?

27 THE WITNESS: Footnote 26.

28 ALJ DE ANGELIS: Okay.

1 THE WITNESS: Finally, I have a
2 correction on my statement of qualifications.
3 I think it is page labelled A-1. At line 16
4 it says from the November 1980 to June 2005 I
5 was employed by PG&E. I was actually
6 employed from November '86 to June 2005. So
7 instead of 1980, it should be 1986.

8 ALJ DE ANGELIS: Thank you.

9 THE WITNESS: Those are all the
10 corrections I have.

11 MR. RALPH: Your Honor, ORA would like
12 to ensure that the record -- that we have
13 identified the complete testimony and
14 attachments for the record. There has been
15 three versions of this testimony that we have
16 served on the parties. We thank the parties'
17 patience for that.

18 I've been informed that the second
19 amended version, the version which is the
20 most recent version, did not have the
21 appendix qualifications attached to it.

22 ORA, with the parties' agreement,
23 would like to serve that this afternoon
24 electronically to the service list. In
25 addition to that, we can include the
26 attachments of the testimony. Because the
27 Appendix A and the attachments were included
28 in the earlier versions of the testimony so

1 the parties have it, but I don't believe they
2 are included in the second amended testimony
3 that we served and intend to enter into the
4 record today.

5 ALJ DE ANGELIS: Let's agree to an
6 exhibit number. Would you late file that as
7 an exhibit?

8 MR. RALPH: Yes, your Honor. I believe
9 that would be --

10 ALJ DE ANGELIS: And is there any
11 objections to moving that into the record?

12 (No response.)

13 MR. RALPH: I believe that would be ORA
14 Exhibit 3.

15 ALJ DE ANGELIS: Okay. We will mark
16 for identification those documents that were
17 inadvertently left out of the amended version
18 of ORA's -- of ORA-2.

19 (Exhibit No. ORA-03 was marked for
20 identification.)

21 MR. RALPH: Correct, your Honor. We
22 thank yourself and the parties for their
23 appearance and clarifying the record.

24 ALJ DE ANGELIS: Okay. We will move
25 that into evidence now.

26 MR. RALPH: Your Honor, ORA would like
27 to move in Exhibits ORA Exhibits 1, 2 and 3
28 into the record.

1 ALJ DE ANGELIS: I will move those into
2 the record.

3 (Exhibit Nos. ORA-01, ORA-02, ORA-03
4 were received into evidence.)

5 ALJ DE ANGELIS: And you will provide
6 that document to me today or tomorrow?

7 MR. RALPH: We can provide it to you
8 today later this afternoon after the hearing.

9 ALJ DE ANGELIS: Okay. Thank you. You
10 will serve it on the service list?

11 MR. RALPH: I will serve it
12 electronically on the service list. If any
13 parties would like paper copies, I can
14 provide them.

15 ALJ DE ANGELIS: Thank you. Perfect.

16 MR. RALPH: Thank you, your Honor.

17 Q Mr. Gokale, returning to your
18 testimony. Was this testimony prepared by
19 you or under your supervision?

20 A Yes.

21 Q Do you believe this testimony to be
22 a correct representation of your opinion?

23 A Yes.

24 MR. RALPH: Your Honor, Mr. Gokale is
25 available for cross-examination.

26 ALJ DE ANGELIS: All right.

27 Ms. Reyes Close?

28 MS. REYES CLOSE: We had not reserved

1 time with this witness, your Honor.

2 ALJ DE ANGELIS: Who would like to
3 proceed. Ms. Sheriff?

4 MS. SHERIFF: Thank you, your Honor.

5 CROSS-EXAMINATION

6 BY MS. SHERIFF:

7 Q Good afternoon, Mr. Gokale.

8 A Good afternoon.

9 Q My name is Nora Sheriff, and I
10 represent CLECA.

11 I have a clarifying question for
12 you on page 2-4 of what has been identified
13 as Exhibit ORA-2 on line 8?

14 A Let me get there. Just a second.

15 Q Sure.

16 A Okay. I'm there. Thanks.

17 Q Okay. On line 8 you say:

18 [Reading...]

19 To assure performance, an all-event
20 hour is also consistent with the
21 CPUC's resource adequacy (RA)
22 requirement that specifies that DR
23 needs to perform a minimum of 24
24 hours a month and four hours per day
25 for three consecutive days to
26 receive RA credit.

27 In terms of that word
28 "performance," is your understanding of the

1 performance requirement for demand response,
2 which is a use-limited resource, is your
3 understanding of that performance requirement
4 that it is a requirement to bid in or offer
5 into the CAISO market?

6 A Yes. What I meant there by perform
7 is really perform according to the
8 requirements of the must-offer obligation,
9 which is the resource has to be offered to
10 Cal ISO.

11 MS. SHERIFF: Thank you. No further
12 questions.

13 MS. MYERS: I had reserved some cross
14 for Mr. Gokale as well.

15 ALJ DE ANGELIS: Go ahead, Ms. Myers.

16 CROSS-EXAMINATION

17 BY MS. MYERS:

18 Q Good morning, Mr. Gokale.

19 A Good afternoon.

20 Q My name is Megan Myers, and I
21 represent EnerNOC.

22 I was wondering if you could please
23 turn to page 2-2 of your testimony, looking
24 at line 13 to 14.

25 A Okay.

26 Q Is it your testimony that similar
27 to prior AMP contracts if the seller performs
28 poorly, it faces to capacity penalty but may

1 have an energy penalty?

2 A Correct.

3 Q And what are you basing that
4 opinion on?

5 A Are you saying what my opinion is
6 about this particular contract or the
7 previous AMP contract?

8 Q Let's start with the previous AMP
9 contracts. What are you basing that opinion
10 on?

11 A It is just the simple language of
12 the previous AMP contract which provided for
13 no capacity penalty if the seller performs
14 poorly but there was an energy penalty.

15 Q And what is your definition of
16 poorly, "performs poorly"?

17 A It can be varied, but it could be
18 performing less than 50 percent of --
19 providing less than 50 percent of contract
20 capacity when an event is called.

21 Q And that is the same for these AMP
22 contracts in in is proceeding?

23 A Correct, but this is with respect
24 to capacity payment.

25 Q Are you familiar with decision
26 D.14-02-033 which adopted PG&E's petition for
27 modification of its AMP contracts in
28 D.13-01-024?

1 A I don't recall now.

2 Q Okay. Would you agree that AMP
3 contracts in general are paid on a linear
4 basis for their capacity performance during
5 demand response events up until they reach 75
6 percent performance?

7 A That is correct.

8 Q Would you also agree that
9 performance less than 75 percent of the
10 contract commitment, but more than 60
11 percent, would result in a 50 percent derate
12 of the delivered capacity?

13 A Can you repeat that question,
14 again, please?

15 Q Sure. Would you agree that
16 performance less than 75 percent of an AMP
17 contract commitment, but more than 60
18 percent, would result in a 50 percent derate
19 of the delivered capacity?

20 A Yeah. I don't have the AMP
21 contract in front of me, but I remember
22 something like that.

23 Q Okay. Would you also agree that
24 performance of less than 60 percent would
25 result in the AMP contract receiving no
26 revenue for delivered capacity and paying the
27 utility a penalty?

28 MR. RALPH: Your Honor, I'm going to

1 object to the extent that the line of
2 questioning is about the AMP contract, if
3 she, if counsel has a copy of the contract
4 for him. He doesn't have the provisions of
5 the AMP contract in front of him.

6 MS. MYERS: I'm just asking generally
7 what his knowledge is about AMP contracts.

8 ALJ DE ANGELIS: If you could please
9 answer to the best of your ability.

10 THE WITNESS: Right. I mean I have
11 general memory about what the AMP contracts
12 where, and the general structure of the AMP
13 contracts. They had a certain prorated
14 capacity payment for a certain performance
15 about certain limit which was -- I think it
16 was 75 percent. I could be wrong. And then
17 performance below that, they either get no
18 penalty or there is no penalty or they just
19 don't get any payment for that capacity.

20 MS. MYERS: Q But would you agree that
21 a 50 percent derate for delivered capacity,
22 less than whatever, 75 percent of the
23 commitment but more than 60 percent of the
24 commitment, would represent a penalty?

25 MR. RALPH: Your Honor, I'm going to
26 reassert my objection. To the extent this
27 line of question is specifics to the AMP
28 contracts -- I mean Mr. Gokale, if you can

1 answer it, that is fine. But it is asking a
2 lot of him to answer the question without
3 having the contract.

4 ALJ DE ANGELIS: If you could answer to
5 the best of your ability.

6 THE WITNESS: Yeah, I don't want to be
7 wrong. So I would like to refer to either
8 the AMP contract or answer these questions
9 for this particular contract.

10 ALJ DE ANGELIS: Ms. Myers.

11 MS. MYERS: Can I have one minute,
12 please?

13 ALJ DE ANGELIS: Yes.

14 MS. MYERS: Thank you. I can go back
15 now.

16 ALJ DE ANGELIS: Go ahead, Ms. Myers.

17 MS. MYERS: No further questions.
18 Thank you.

19 ALJ DE ANGELIS: Any additional cross?
20 (No response.)

21 ALJ DE ANGELIS: Any redirect?

22 MR. RALPH: No, your Honor.

23 ALJ DE ANGELIS: Thank you. You are
24 excused.

25 THE WITNESS: Okay. All right. I
26 believe we've come to the end of our
27 witnesses; am I correct?

28 MS. REYES CLOSE: Yes.

1 ALJ DE ANGELIS: So in terms of moving
2 forward, I know that there was a few
3 questions at the last break. But I suggest
4 we take it on the record.

5 Mr. Vespa, do you still have a
6 question?

7 MR. VESPA: I was able to resolve that
8 with SCE's counsel. Thank you.

9 ALJ DE ANGELIS: Okay. Go ahead.

10 MS. REYES CLOSE: Sure. Thank you,
11 your Honor. Edison would like to know if we
12 have corrections to the transcript, how
13 should we submit those corrections and by
14 when, please.

15 ALJ DE ANGELIS: I would like you to
16 file a motion with those corrections, and
17 let's give parties a few days to respond and
18 object. And then they will be in the docket
19 card, and we can all refer to them easily.

20 Any other questions?

21 (No response.)

22 ALJ DE ANGELIS: All right. So we have
23 a briefing schedule already set in the
24 scoping memo.

25 MS. SHERIFF: Yes.

26 MR. VESPA: Yes, we do.

27 (Laughter.)

28 ALJ DE ANGELIS: And I look forward to

1 reading your briefs. So other than that, is
2 there anything else that parties would like
3 to talk about before we adjourn?

4 MR. VESPA: Just a reminder for
5 everyone to electronically serve all of their
6 exhibits with the numbers. I'll do that for
7 Sierra Club. It might be easier for
8 recordkeeping. People can do that. I know
9 that was asked by NRG yesterday.

10 ALJ DE ANGELIS: Okay. I have asked
11 Edison to serve a document with all of the
12 exhibit numbers on it so that we are all on
13 the same page. Okay. That will happen today
14 or tomorrow.

15 So thank you, everybody.

16 (Whereupon, at the hour of 3:01
17 p.m., this matter having been submitted
18 upon reply briefs due June 24, 2015,
the Commission then adjourned.)

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

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)	
Application of Southern California)	
Edison Company (U338E) for Approval)	
of the Results of Its 2013 Local)	Application
Capacity Requirements Request for)	14-11-012
Offers for the Western Los Angeles)	
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CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, Alejandrina E. Shori, Certified Shorthand Reporter No. 8856, in and for the State of California do hereby certify that the pages of this transcript prepared by me comprise a full, true and correct transcript of the testimony and proceedings held in the above-captioned matter on May 6, 2015.

I further certify that I have no interest in the events of the matter or the outcome of the proceeding.

EXECUTED this 6th day of May, 2015.

Alejandrina E. Shori
CSR No. 8856

BEFORE THE PUBLIC UTILITIES COMMISSION
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Application of Southern California)	
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CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, Ana M. Gonzalez, Certified Shorthand Reporter No. 11320, in and for the State of California do hereby certify that the pages of this transcript prepared by me comprise a full, true and correct transcript of the testimony and proceedings held in the above-captioned matter on May 6, 2015.

I further certify that I have no interest in the events of the matter or the outcome of the proceeding.

EXECUTED this 6th day of May, 2015.

Ana M. Gonzalez
CSR No. 11320

BEFORE THE PUBLIC UTILITIES COMMISSION
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Application of Southern California)	
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of the Results of Its 2013 Local)	Application
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CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, Thomas C. Brenneman, Certified Shorthand Reporter No. 9554, in and for the State of California do hereby certify that the pages of this transcript prepared by me comprise a full, true and correct transcript of the testimony and proceedings held in the above-captioned matter on May 6, 2015.

I further certify that I have no interest in the events of the matter or the outcome of the proceeding.

EXECUTED this 6th day of May, 2015.

Thomas C. Brenneman
CSR No. 9554