

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

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

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

**COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY  
(U 902 E) ON PRELIMINARY SCOPING MEMO**

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (the “Commission”) and the Order Instituting Rulemaking (“OIR”) issued March 22, 2012, in the above-captioned proceeding, San Diego Gas & Electric Company (“SDG&E”) hereby submits these comments concerning the preliminary scoping memo (“PSM”) and schedule set forth in the OIR.

The purpose of the OIR is to continue ongoing efforts to ensure a reliable and cost-effective electricity supply in California through integration and refinement of a comprehensive set of procurement policies, practices and procedures underlying long-term procurement plans (“LTPPs”).<sup>1/</sup> The instant proceeding is the successor to Commission Rulemaking (“R.”) 10-05-006 and the OIR makes clear that “the record developed in that proceeding is fully available for consideration in this proceeding.”<sup>2/</sup> The PSM preliminarily identifies three broad areas to be covered in the proceeding:<sup>3/</sup>

- (i) Identifying CPUC-jurisdictional needs for new resources to meet local or system resource adequacy (“RA”), renewable integration, or other requirements and to consider authorization of IOU procurement to meet that need. This includes issues related to long-term renewable planning and need for replacement generation infrastructure to eliminate reliance on power plants using OTC;

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<sup>1/</sup> OIR, p. 1.

<sup>2/</sup> *Id.* at Ordering Paragraph 3.

<sup>3/</sup> *Id.* at p. 5.

- (ii) Updating and reviewing individual IOU bundled procurement plans consistent with Public Utilities Code § 454.5; and
- (iii) Developing or refining procurement rules that were not resolved in R.10-06-005, and consider other emerging procurement policy topics. These issues include, but may not be limited to the following:
  - a. Multi-year flexible capacity procurement rules;
  - b. Procurement rules to comply with Senate Bill 695 on the cost allocation methodology;
  - c. Clarification and refinement of existing procurement rules through the development of a procurement rulebook;
  - d. California Independent System Operator (“CAISO”) market-related procurement implementation issues;
  - e. Greenhouse gas (“GHG”) procurement policies; and
  - f. Other procurement rule changes.<sup>4/</sup>

SDG&E generally agrees with the scope of the proceeding as broadly outlined in the PSM, with the proposed modifications discussed herein. With regard to the first issue area described above, SDG&E notes that the question of SDG&E’s current local capacity requirement (“LCR”) and its request for new resources to meet its LCR need is being considered in the context of the Commission proceeding to resolve SDG&E’s Application (“A.”) 11-05-023.<sup>5/</sup> Accordingly, the PSM should be revised to clarify that the issue within the scope of this proceeding is SDG&E’s LCR need over and above any need found and met in A.11-10-023.

With regard to the third issue area, SDG&E submits that the issue of multi-year flexible capacity procurement rules is more appropriately addressed in the Commission’s RA proceeding, Rulemaking (“R.”) 11-10-023. Adoption of new rules for forward procurement of flexible resources relates directly to the Commission’s RA requirements; close coordination between the Commission’s RA requirements and CAISO mechanisms is necessary in order to avoid potential redundancies in procurement of flexible capability under Commission and CAISO processes.

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<sup>4/</sup> *Id.* at pp. 9-10.

<sup>5/</sup> See *Joint Assigned Commissioner’s Ruling*, issued January 18, 2012 in R.10-05-006 and A.11-05-023.

The CAISO's flexible capacity procurement proposals raise complex issues that must be resolved in the near-term. SDG&E fears that delays in harmonizing the CAISO's forward procurement needs with the Commission's RA program could lead to increased, yet wholly preventable, CAISO backstop procurement.

The scope of the instant proceeding includes several other important issues that also must be addressed in the near-term. Determining system and local capacity need, for example, will be a time-consuming undertaking, requiring detailed analysis that must be completed on a very aggressive schedule in order to meet the year-end deadline set forth in the OIR. Considering the potential need for new rules for forward procurement of flexible resources in the RA proceeding rather than the LTPP proceeding will ensure that the Commission and stakeholders are able to address resource need issues, as well as the other important issues that are properly within the scope of the LTPP proceeding, without being slowed by the need to resolve the myriad complex issues surrounding the multi-year flexible capacity procurement proposal.

For the reasons set forth herein, the Commission should adopt a final scoping memo with the above modifications proposed by SDG&E.

Dated this 6<sup>th</sup> day of April, 2012 in San Diego, California.

Respectfully submitted,

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