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Maria Salinas
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Comments of San Diego Gas & Electric Company on Draft Resolution E-4489

Dear Ms. Salinas:

Pursuant to Rule 14.5 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), San Diego Gas & Electric Company ("SDG&E") submits the following brief comments regarding Draft Resolution E-4489 (the "RAM DR"), which approves with modifications Pacific Gas & Electric's advice letter 4000-E and addresses additional issues that impact the Renewable Auction Mechanism ("RAM") for all three Investor Owned Utilities ("IOUs"). In particular, the RAM DR would modify Resolution E-4414 ("RAM Resolution") to allow developers to bid their projects as energy-only or to bid their projects with Full Capacity Deliverability Status ("FCDS").¹ The RAM DR would also allow the IOUs to incorporate the value of resource adequacy ("RA") benefits provided by a seller with FCDS when evaluating bids.²

SDG&E commends the Commission for working to improve the RAM program by allowing IOUs to assess the value of FCDS. However, SDG&E suggests that the RAM DR should go further to clarify that if an IOU gives an advantage to a project in its evaluation process based on the developer's anticipated ability to achieve FCDS, then the Power Purchase Agreement ("PPA") associated with that project should also reflect that anticipated value.

The RAM Resolution currently requires bidders to take the first step towards achieving FCDS by obtaining a deliverability study, but does not require that the project actually achieve FCDS unless "the seller can obtain full deliverability with no additional costs to the seller". This structure created the potential for a situation where ratepayers could pay a higher price for a product that they do not ultimately receive. For example, if a bidder expects that their project will achieve FCDS, submits a price that includes the value of such status, the IOU selects the project at that price, and then the project does not ultimately achieve FCDS, then the ratepayer is paying for FCDS without receiving the value of FCDS.

¹ Draft Resolution E-4489, pp. 13-14.

² Id.

The RAM DR solves part of this problem by allowing the IOUs to accept energy only or FCDS bids and incorporate the higher value of FCDS bids in the evaluation process. This process makes the full value of the project more transparent to the IOU. However, the RAM DR proposal does not require that a project that was selected on the basis of promising to provide FCDS actually provide FCDS. If a project is selected because of the additional FCDS value it expected to provide, but fails to achieve FCDS, ratepayers should not pay for FCDS value.

This problem can be solved by amending the RAM PPA to account for the possibility that the project may or may not achieve FCDS. The agreement could be adjusted to provide that the seller receive an "energy only" price until the project achieves FCDS, at which time the seller would receive a higher price that would include the value of FCDS. The RAM PPA could also allow for a termination provision if the project fails to achieve FCDS by a certain date. Most importantly, ratepayers should not be charged for FCDS unless the project has achieved FCDS.

In light of this concern, SDG&E recommends that the Commission amend the RAM DR to clarify that the IOUs should amend their RAM PPAs to account for the possibility that the project may or may not provide FCDS.

In addition, SDG&E requests the authority to make non-substantive changes to its RAM protocols and RAM PPA. D. 10-12-048 allowed utilities to submit for Commission consideration via a Tier 2 advice letter modifications necessary to improve the RAM program. The modifications proposed by SDG&E are non-substantive in nature but nonetheless will provide much needed clarity for the second RAM auction. Given the second RAM auction is quickly approaching, SDG&E seeks the ability to include these modifications in the compliance filing that will be submitted as part of this RAM Resolution.

Respectfully Submitted,

Clay Faber
Director, Regulatory Affairs

cc: President Michael R. Peevey
Commissioner Mark J. Ferron
Commissioner Timothy A. Simon
Commissioner Michel P. Florio
Commissioner Catherine J.K. Sandoval
Edward Randolph, Director of Energy Division
Adam Schultz, Energy Division
Karen Clopton, Chief Administrative Law Judge
Frank Lindh, General Counsel
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