

**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 AND ELECTRIC COMPANY (U-902-E)
IN TRACK III OF THE LONG-TERM PROCUREMENT PLAN PROCEEDING**

AIMEE M. SMITH

101 Ash Street, HQ-12
San Diego, California 92101
Telephone: (619) 699-5042
Facsimile: (619) 699-5027
amsmith@semprautilities.com

Attorney for
SAN DIEGO GAS & ELECTRIC COMPANY

November 2, 2012

**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 AND ELECTRIC COMPANY (U-902-E)
IN TRACK III OF THE LONG-TERM PROCUREMENT PLAN PROCEEDING**

Pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the *Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge* issued in the above-captioned proceeding on May 17, 2012 (the “Scoping Memo”), and the October 4, 2012 e-mail ruling of Administrative Law Judge (“ALJ”) David M. Gamson modifying the procedural schedule, San Diego Gas and Electric Company (“SDG&E”) provides these comments concerning changes to current procurement rules and adoption of new procurement rules in Track III of the long term procurement plan (“LTPP”) proceeding.

In the Scoping Memo, the Commission established three major tracks in the LTPP proceeding:

1. Local Reliability;
2. System Needs; and
3. Procurement Rules and Bundled Procurement.^{1/}

^{1/} Scoping Memo, p. 2.

It further explained that Track III (Procurement Rules and Bundled Procurement) would be conducted in two phases. Phase 1 will consider what changes, if any, should be made to current procurement rules and whether new procurement rules should be adopted.^{2/} To this end, the Scoping Memo sets forth several issues related to procurement rules and directs parties to file proposals for new procurement rules or changes to existing rules.^{3/}

On September 20, 2012, Pacific Gas and Electric Company (“PG&E”) moved to (i) transfer three related issues currently under consideration in the 2012 LTPP proceeding to the Resource Adequacy (“RA”) proceeding docket (R.11-10-023); and (ii) defer consideration of the remaining Track III procurement rules issues.^{4/} The three issues that PG&E seeks to transfer to the RA proceeding are:

1. Flexible resource procurement and contract policies;
2. Policies related to California Independent System Operator (“CAISO”) new markets and market products, including flexi-ramp products and intra-hour products; and
3. Multi-year forward procurement requirements.^{5/}

SDG&E responded in support of PG&E’s proposal to move the above-referenced issues to the RA proceeding and to defer consideration of the remaining Track III issues, and reiterates that support here.^{6/}

With regard to PG&E’s proposal to move the multi-year procurement and related procurement rules issues to the RA proceeding, it is clear that the current RA program must be modified to more effectively address the operational difficulties arising from increased levels of

^{2/} *Id.* at p. 11. Phase 2 will address the utilities’ bundled plans.

^{3/} *Id.* at pp. 12-13.

^{4/} *Motion of Pacific Gas & Electric Company to Move the Track 3 Multi-Year Procurement Requirement Issue to the Resource Adequacy Proceeding, and to Defer Remaining Track 3 Issues*, filed September 20, 2012 in R.12-03-014 (“PG&E Motion”).

^{5/} *See* Scoping Memo, p. 12.

^{6/} *See Response of San Diego Gas & Electric Company to Motion of Pacific Gas & Electric Company to Move the Track 3 Multi-Year Procurement Requirement Issue to the Resource Adequacy Proceeding*, filed October 5, 2012 in R.12-03-014.

intermittent generation and the pending retirements of once-through cooling (“OTC”) plants. The current one-year RA requirement does not provide the CAISO adequate certainty that existing resources with certain attributes related to operational flexibility will remain in service to address future reliability needs. Necessary modifications to the RA program include imposing a new “flexible” capacity requirement that measures the operational characteristics of the RA fleet, and possibly expanding the RA program from a one-year to a multi-year timeframe to provide the CAISO increased assurances that these flexible resources will be available in future years. Although the issue of flexible capacity requirements is intrinsically related to the issue of multi-year forward procurement obligations for flexible capacity, the Commission is currently addressing each of these issues in separate proceedings -- flexible capacity requirements are being addressed in the RA proceeding,^{7/} while multi-year forward procurement obligations for flexible capacity are being addressed in the LTPP proceeding.^{8/} SDG&E agrees with PG&E that consolidating these issues into one proceeding would better ensure issue comprehension and administrative efficiency.

In addition, PG&E’s proposal to defer the remaining Track III procurement rule issues until the conclusion of Track II and the conclusion of the Commission’s consideration of the flexibility and multi-year forward procurement issues plainly has merit given the several important Track I and Track II issues that must be addressed on a very aggressive schedule in order to meet the deadlines set forth in the OIR. As PG&E correctly points out in its motion, many of the remaining Track III issues identified in the Scoping Memo were very recently considered in the last LTPP proceeding (R.10-05-006), and addressed in D.12-04-046, and in any

^{7/} See D.12-06-025, *mimeo*, p. 2.

^{8/} See Scoping Memo, p. 12.

event are not high-priority.^{9/} Thus, given the significant time and resource burden associated with currently-active Tracks I and II, the Commission should defer consideration of the remaining Track III issues.

To the extent the Commission elects to reject PG&E's motion and to proceed with consideration of any or all of the Track III issues identified in the Scoping Memo, SDG&E notes that it proposes no procurement rule changes or new procurement rules at this time. SDG&E reserves the right, however, to respond to procurement rule changes or new procurement rules that may be proposed by other parties.

Dated this 2nd day of November, 2012 in San Diego, California.

Respectfully submitted,

/s/ Aimee M. Smith

AIMEE M. SMITH

101 Ash Street, HQ-12
San Diego, California 92101
Telephone: (619) 699-5042
Facsimile: (619) 699-5027
amsmith@semprautilities.com

Attorney for
SAN DIEGO GAS & ELECTRIC COMPANY

^{9/} PG&E Motion, p. 3.