

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

Order Instituting Rulemaking to Continue)
Implementation and Administration of California) Rulemaking 11-05-005
Renewables Portfolio Standard Program.) (Filed May 5, 2011)
)

**SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)
REPLY COMMENTS REGARDING DRAFT
2013 RENEWABLE PROCUREMENT PLAN**

AIMEE M. SMITH
101 Ash Street, HQ-12
San Diego, CA 92101
Phone: (619) 699-5042
Fax: (619) 699-5027
E-mail: amsmith@semprautilities.com

Attorney for
SAN DIEGO GAS & ELECTRIC COMPANY

July 22, 2013

#279944

SB_GT&S_0150672

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

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.))))	Rulemaking 11-05-005 (Filed May 5, 2011)
---	------------------	---

**SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)
REPLY COMMENTS REGARDING DRAFT
2013 RENEWABLE PROCUREMENT PLAN**

I. INTRODUCTION

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (the “Commission”) and the *Assigned Commissioner’s Ruling Identifying Issues and Schedule of Review for 2013 Renewables Portfolio Standard Procurement Plans Pursuant to Public Utilities Code Sections 399.11 et seq. and Requesting Comments on a New Proposal* (the “ACR”), issued in the above-captioned docket on May 10, 2013, San Diego Gas & Electric Company (“SDG&E”) hereby submits these reply comments concerning its draft 2013 Renewable Portfolio Standard (“RPS”) Procurement Plan and related appendices (together, the “Plan”).

II. DISCUSSION

A. *SDG&E’s Minimum and Voluntary Margins of Over-Procurement are Consistent with Statutory and Regulatory Directives*

The Division of Ratepayer Advocates (“DRA”) recommends that the Commission reject SDG&E’s inclusion of a Minimum Margin of Over-Procurement (“MMOP”) and a Voluntary Margin of Over-Procurement (“VMOP”) in its Risk Adjusted Net Short Calculation for the

compliance periods in which it is already over-procured.^{1/} Specifically, DRA argues that “any MMOP or VMOP should only be utilized if SDG&E assumes a 100 percent success rate for contracts executed but not yet online. A MMOP or VMOP is unnecessary for compliance periods in which SDG&E is over-procured.”^{2/} DRA’s argument should be rejected as it disregards the direction regarding the MMOP and VMOP provided by the Legislature and the Commission.

Many risk factors impact RPS procurement; projects may fail to come online for any of a number of reasons, and a utility’s quantity of procured generation may shift dramatically as a result. As a practical matter, it is not possible to exactly match procurement with program targets. In recognition of these realities, the MMOP and VMOP were created in order to assist in mitigating risk. Public Utilities Code § 399.13(a)(4)(D) defines the concept of the MMOP: “[a]n appropriate minimum margin of procurement above the minimum procurement level [that is] necessary to comply with the renewables portfolio standard to mitigate the risk that renewable projects planned or under contract are delayed or canceled.”^{3/} Regarding VMOP, the Commission directed all IOUs in its Renewable Net Short (“RNS”) Ruling to “[i]nclude a margin of voluntary over-procurement to account for project/forecasting risk in any year that the likelihood of not achieving compliance is called into question.”^{4/} The Commission made clear that the VMOP is intended to be calculated above and beyond the MMOP.^{5/}

In light of the fact that no individual procurement year or compliance period is risk-free, the MMOP and VMOP are a necessary component of the IOUs’ procurement management

^{1/} DRA Comments, p. 14.

^{2/} *Id.*

^{3/} All statutory references herein are to the Public Utilities Code unless otherwise noted.

^{4/} *Administrative Law Judge’s Ruling (1) Adopting Renewable Net Short Calculation Methodology (2) Incorporating the Attached Methodology into the Record, and (3) Extending the Date for Filing Updates to 2012 Procurement Plans*, dated August 2, 2012, Attachment A, p. 4.

^{5/} *Id.*

strategy. Elimination of the MMOP and VMOP procurement tools in SDG&E's Plan would run afoul of the RPS statute and Commission precedent. SDG&E's procurement activity related to the MMOP and VMOP is reasonable, and consistent with the law. Accordingly, DRA's proposal to require SDG&E to exclude the MMOP and VMOP from its Risk Adjusted Net Short Calculation should be rejected.

B. SDG&E's Reference in its Draft Plan to its Proposed connected.....to the sun Program is Proper

In its draft Plan, SDG&E addresses how its proposed *connected.....to the sun* Program would interact with its RPS portfolio. In its comments on SDG&E's Plan, DRA argued that the Commission should require SDG&E to provide additional justification for the program.^{6/} DRA's suggestion regarding this matter is misguided. There is currently an active proceeding at the Commission to consider SDG&E's application for approval of the *connected.....to the sun* Program; the merits of the application and justification for the proposed program will be considered in that forum and are clearly outside the scope of this proceeding.^{7/} The program is referenced by SDG&E in its Plan because, if approved, it will be implemented during the period of effectiveness of the 2013 Plan. Hence, the draft Plan must account for that contingency. Because Commission approval of the *connected.....to the sun* program is outside the scope of the instant proceeding, DRA's claim that justification of the instant proceeding must be provided in the context of approval of SDG&E's draft Plan must be rejected.

C. The Benefits of GHG Offset Revenue Should be Incorporated into a Project's Levelized Cost of Energy by the Developer

The Commission should reject DRA's recommendation to "direct the IOUs to include a discussion of how each IOU plans to prepare for the emerging [GHG] market... in their

^{6/} DRA Comments, p. 12.

^{7/} Application ("A.") 12-01-008.

renewable procurement strategies.”^{8/} SDG&E agrees with DRA that revenue from greenhouse gas (“GHG”) offset credits has the potential to reduce the levelized cost of electricity (“LCOE”) of projects that can claim them, including those projects eligible for Senate Bill (“SB”) 1122. While the mechanics of SB 1122 pricing have yet to be determined, SDG&E anticipates that developers proposing projects under this program will recognize the value of these credits in creating lower, more cost-competitive pricing options, and will incorporate them whenever possible. It is the developer’s responsibility to assess the value of these credits to its project and incorporate them as it sees fit, and it is the IOU’s role to then choose projects pursuant to its least-cost, best fit (“LCBF”) methodology. Since GHG offset credit usage strategy occurs at the developer level, it makes little sense to require the IOUs to incorporate a discussion regarding this issue into their RPS Plans. Accordingly, DRA’s proposal should be rejected.

D. SDG&E Supports the Commission’s Two-Year Procurement Authorization Proposal

As it has consistently made clear, SDG&E supports the proposal to establish a two-year procurement authorization process in the RPS program.^{9/} Both Tenaska Solar Ventures (“Tenaska”) and the Center for Energy Efficiency and Related Technologies (“CEERT”), however, cite to comments offered by SDG&E in connection with its draft 2012 RPS Plan to support arguments against adoption of the proposed two-year authorization.^{10/} In its ruling regarding submission of draft 2012 RPS Plan, the Commission directed parties to provide an analysis of the pros and cons of a substantially identical two-year procurement authorization proposal. In this context, SDG&E identified as a “con” the risk that bilateral deals executed in off years may be benchmarked to outdated data.

^{8/} DRA Comments, p. 3.

^{9/} See, e.g., *Comments of San Diego Gas & Electric Company Comments on Renewables Portfolio Standard Program Two-Year Authorization Proposal*, filed in R.11-05-005 on July 12, 2013.

^{10/} Tenaska Comments, p. 10; CEERT Comments, p. 16.

While SDG&E recognizes that a shortage of benchmark data may pose a risk, and thus included this potential “con” in its 2012 RPS Plan comments as required, SDG&E evaluated the two-year procurement authorization proposal and the benefits that it would provide as a whole, and found any potential risks to be far outweighed by the benefit to ratepayers of permitting IOUs to procure when optimal. On this basis, it expressed support for the two-year authorization proposal; SDG&E reiterated its support for the proposal in its comments submitted in the instant proceeding on July 12, 2013. SDG&E notes further that given the Renewable Auction Mechanism (“RAM”) program extension, and anticipated launch of the Re-MAT and SB 1122 feed-in tariff (“FiT”) programs, as well as other relevant procurement activities, comparison data will exist for bilateral contract proposed in an off year, thus the potential concern identified by SDG&E in the context of its 2012 RPS Plan is effectively mitigated.

III. CONCLUSION

SDG&E respectfully requests that the Commission approve SDG&E’s 2013 Plan and the two-year procurement authorization proposal in accordance with the comments set forth herein, in SDG&E’s Plan and in its comments filed July 12, 2013.

Respectfully submitted this 22nd day of July, 2013.

/s/ Aimee M. Smith

AIMEE M. SMITH

101 Ash Street, HQ-12

San Diego, CA 92101

Phone: (619) 699-5042

Fax: (619) 699-5027

E-mail: amsmith@semprautilities.com

Attorney for

SAN DIEGO GAS & ELECTRIC COMPANY

AFFIDAVIT

I am an employee of the respondent corporation herein, and am authorized to make this verification on its behalf. The matters stated in the foregoing **SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) REPLY COMMENTS REGARDING DRAFT 2013 RENEWABLE PROCUREMENT PLAN** are true of my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 22th day of July, 2013, at San Diego, California

/s/ Hillary Hebert

Hillary Hebert
Partnerships and Programs Manager
Origination and Portfolio Design Department