

**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) ON TRACK 4 PROPOSED DECISION**

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March 3, 2014

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**I.  
INTRODUCTION**

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (the “Commission”), San Diego Gas and Electric Company (“SDG&E”) provides these comments regarding the proposed *Decision Authorizing Long-Term Procurement for Local Capacity Requirements Due to Permanent Retirement of the San Onofre Nuclear Generations Stations* [*sic*]<sup>1/</sup> (the “PD”) issued in Track 4 of the above-captioned long-term procurement plan (“LTTP”) proceeding.

The PD concludes that new resources will be required to meet local capacity need resulting from the retirement of the San Onofre Nuclear Generating Station (“SONGS”), as well as the mandatory retirement of once-through cooling (“OTC”) resources located in Southern California.<sup>2/</sup> It finds that “[a]n overall authorized procurement level for the SONGS service area

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<sup>1/</sup> The PD should be revised to accurately reflect the name of the resource – San Onofre Nuclear Generating Station.

<sup>2/</sup> PD, p. 2.

at this time of 1,000 MW -1,400 MW provides reasonable ratepayer protection against over procurement and simultaneously provides reasonable protection from reliability impacts from under procurement.”<sup>3/</sup>

SDG&E is authorized under the PD to procure up to 700 MW of authorized additional capacity. Specifically, the PD directs SDG&E to procure between 500 MW and 700 MW of electrical capacity in its service territory, including (i) at least 25 MW of energy storage resources; and (ii) at least 175 MW of incremental preferred resources consistent with the Loading Order of the Energy Action Plan.<sup>4/</sup> The PD requires SDG&E to issue an all-source Request for Offers (“RFO”) for the capacity authorized in the decision and also permits SDG&E to procure bilateral cost-of-service contracts to meet authorized local capacity requirements.<sup>5/</sup> Finally, the PD requires SDG&E to submit a procurement plan explaining how it plans to accomplish the procurement of authorized resources, which must be reviewed and approved by the Commission’s Energy Division (“ED”).

On the important issue of reliance for long-term planning purposes on load shedding pursuant to a Special Protection Scheme (“SPS”), the PD would require SDG&E’s long-term resource planning to assume reliance on load shedding to mitigate the contingency event at issue in this proceeding. The PD acknowledges that “it is not prudent to take a long-term system planning approach that assumes reliance on load shedding in a densely-populated urban area as mitigation for contingency events.”<sup>6/</sup> It nevertheless takes a “wait-and-see” approach,

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<sup>3/</sup> *Id.* at Conclusion of Law 35.

<sup>4/</sup> *Id.* at Ordering Paragraph 2.

<sup>5/</sup> *Id.* at Ordering Paragraphs 3 and 6.

<sup>6/</sup> *Id.* at p. 45.

concluding that “it is not reasonable at this time to authorize utilities to procure – and ratepayers to pay the cost of – the additional resources required to fully mitigate the identified N-1-1 contingency without an SPS.”<sup>7/</sup>

As discussed in more detail below, SDG&E supports a minimum 700 MW procurement authorization, as proposed in the PD, which is consistent with the minimum need for new local resources in the San Diego sub-area identified in technical studies performed jointly by SDG&E and Southern California Edison Company (“SCE”). The 700 MW authorization is based upon a conservative estimate of the new resources that will be required to ensure local reliability in the San Diego sub-area; evidence in the record supports an even higher procurement authorization. SDG&E’s technical studies demonstrate a minimum need of between 620 MW and 1,470 MW of new capacity by 2022 *after* assuming 408 MW of load reduction/resource additions from incremental preferred resources above current levels. A procurement authorization of at least 700 MW is also reasonable in light of the study results of the California Independent System Operator (“CAISO”) which demonstrate a minimum need in the San Diego sub-area of 620 MW by 2018.<sup>8/</sup>

SDG&E proposes a limited number of revisions to the PD that are intended to ensure that necessary local capacity resources are available when they are needed, and that system reliability is preserved. Specifically, SDG&E recommends that the resource carve-outs proposed in the PD be eliminated. It also recommends elimination of the requirement that bilateral transactions be

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<sup>7/</sup> PD, p. 45.

<sup>8/</sup> The CAISO determined that a local capacity need of 920 MW would exist in the San Diego sub-area in 2018, however SDG&E’s purchase power tolling agreement (“PPTA”) with Pio Pico Energy Center, LLC (“Pio Pico”) approved in D.14-02-016, will meet 300 MW of this need. *See* CAISO/Sparks Exh. 1, p. 19, Table 9.

cost-of-service based. SDG&E further proposes procedural changes, including that it be permitted to submit its required procurement plan to ED in a manner similar to that taken by SCE, submitting the conventional gas-fired resources portion of its procurement plan for review ahead of the full procurement plan. Finally, it seeks to correct factual errors included in the cost-benefit discussion related to the load shedding SPS.

## **II. DISCUSSION**

### ***A. The Evidentiary Record Supports Adoption of a 700 MW Procurement Authorization***

The PD sets forth a thoughtful and well-reasoned analysis of record evidence to support the proposal to adopt a 700 MW procurement authorization. Indeed, evidence in the record supports an even higher procurement authorization. Technical studies performed by SDG&E demonstrate a need for at least 1028 MW of new local resources between now and 2022 in the San Diego sub-area. SDG&E's base case assumed 408 MW of load reduction/resource additions *above* current levels from incremental preferred resources. SDG&E described in testimony presented in Track 4 its plan to aggressively pursue procurement of preferred resources such as Energy Efficiency ("EE"), Combined Heat and Power ("CHP") and rooftop solar through the existing dedicated proceedings in order to achieve the 408 MW load reduction/resource additions assumed in its base case. After assuming the existence of this incremental 408 MW of preferred

resources, the SDG&E studies identified a minimum local need of between 620 MW<sup>9/</sup> and 1,470 MW<sup>10/</sup> of dependable capacity in 2022. This need is in addition to the 300 MW identified in SDG&E's Pio Pico application (A.13-06-015).<sup>11/</sup>

If SDG&E's local capacity need is calculated based upon *existing* preferred resources (*i.e.*, without assuming 408 MW in preferred resources that currently do not exist), the minimum local need is 1028 MW – 1878 MW. Viewed in this context, it is clear that the 700 MW procurement authorization proposed in the PD is conservative. This is particularly evident when the results of the CAISO's analysis – which determined that a need for local capacity resources as early as 2018 – are taken into account. The CAISO performed studies to assess both interim (2018) and long-term (2022) local reliability needs in the Los Angeles Basin local area and the San Diego sub-area resulting from unavailability of SONGS. The CAISO's studies produced results regarding local need in 2022 that are similar to those presented by SDG&E, although not identical.<sup>12/</sup> With regard to interim (2018) reliability need, the CAISO determined that a local capacity need of 920 MW would exist in the San Diego sub-area in 2018 (SDG&E's Pio Pico PPTA, approved in D.14-02-016, will meet 300 MW of this need).<sup>13/</sup>

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<sup>9/</sup> The smaller figure of 620 MW represents the minimum amount of generation required to meet the forecasted LCR need for San Diego sub-area for 2022, assuming construction of the identified Imperial Valley-NCGen Direct Current (DC) Regional Transmission Project, as proposed by SDG&E and submitted to the CAISO for approval as a reliability project. SDG&E/Jontry, Exh. SDG&E-3, pp. 2-3.

<sup>10/</sup> The larger figure of 1470 MW represents the minimum amount of generation required to meet the forecasted LCR need for the San Diego LCR sub-area, assuming no major transmission projects are approved to increase import capability into the San Diego load center. SDG&E/Jontry, Exh. SDG&E-3, p. 3.

<sup>11/</sup> See SDG&E/Jontry, Exh. SDG&E-3, p. 2 and p. 11, Table 3. It is important to note that the CAISO's analysis assumes that the generation identified in the Pio Pico application is a solution for meeting local capacity need, whereas the SDG&E analysis assumed these units in the base case rather than treating the generation as a solution to meeting need. *Id.*

<sup>12/</sup> SDG&E/Jontry, Exh. SDG&E-3, pp. 11-12.

<sup>13/</sup> CAISO/Sparks Exh. CAISO-1, p. 19, Table 9.

Thus, the CAISO's studies establish that a significant local capacity need will likely arise in the San Diego sub-area in the near term – *i.e.*, in 2018 rather than 2022. It is important to note that given the uncertainty regarding the future availability of the preferred resources assumed in the need analysis; SDG&E's actual need in 2018 might in fact be *higher* than what is contemplated in the CAISO studies. Thus, 700 MW is a minimum level of procurement that will help SDG&E to ensure the availability of needed local capacity resources by 2018. It strikes a reasonable balance between the Commission's obligation to preserve service reliability, on the one hand, and its obligation to prevent over-procurement, on the other. Accordingly, SDG&E urges the Commission to adopt a procurement authorization of at least 700 MW for the San Diego sub-area.

***B. The PD Should be Revised to Eliminate Procurement Carve-Outs for Specific Resource Types***

The PD concludes that California's Loading Order requires the inclusion of specific procurement carve-outs for energy storage resources (25 MW) and incremental preferred resources (175 MW) within the 700 MW authorization proposed in the PD.<sup>14/</sup> SDG&E submits, however, that the policies set forth in the Loading Order must be balanced against the Commission's responsibility to preserve service reliability. Plainly, adherence to the Loading Order must not come at the expense of reliability. Indeed, the PD notes that “[w]hile we strongly intend to continue pursuing preferred resources to the greatest extent possible, we must always ensure that grid operations are not potentially compromised by excessive reliance on intermittent resources and resources with uncertain ability to meet [local capacity requirement] need.”<sup>15/</sup>

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<sup>14/</sup> See PD, Conclusion of Law 44.

<sup>15/</sup> *Id.* at 87-88.

As noted above, SDG&E’s technical studies included aggressive assumptions regarding growth in energy efficiency (“EE”), combined heat and power (“CHP”), rooftop solar and local renewable resource availability.<sup>16/</sup> Specifically, a total of 408 MW of these preferred resources was included in the model as incremental load reductions/resource additions, which reduced the need found in the modeling.<sup>17/</sup> Since the incremental 408 MW of preferred resources assumed in the base case is *future* procurement, the effect of the 200 MW preferred resources procurement carve-out is to increase the amount of preferred resources that SDG&E must procure in the next 4 years (to meet a 2018 need) to 608 MW (408 MW of assumed preferred resources + 200 MW procurement carve-out).

This level of preferred resources procurement is significant and may prove to be extremely difficult to accomplish within the short window of time available to meet a 2018 need. Indeed, certain of the preferred resources assumed in the local need analysis will definitely *not* be available by 2018. A significant portion of the assumed EE and customer-side incremental photovoltaic (“PV”) resources, for example, will not be available in 2018.<sup>18/</sup> Equally challenging is the procurement mandate related to energy storage. There are many issues related to energy storage procurement that require resolution, including the operational characteristics that energy storage must satisfy in order to be relied upon to meet local capacity need.<sup>19/</sup> While SDG&E expects that energy storage may play a role in meeting some of SDG&E’s identified local

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<sup>16/</sup> SDG&E/Anderson, Exh. SDG&E-1, p. 9; *see also*, p. 7, Table 1, p. 9, Table 2.

<sup>17/</sup> *Id.*; *see also, id.*, Tables 1 and 2.

<sup>18/</sup> *Revised Scoping Ruling and Memo of the Assigned Commissioner and Administrative Law Judge*, issued May, 21, 2013 in R.12-03-014, Attachment A, pp. 4, 8-10.

<sup>19/</sup> SDG&E/Anderson, Exh. SDG&E-2, pp. 1-3.



capacity need in the future, significant additional work by the CAISO, the Commission and stakeholders will be required in order to attain that objective and it is not clear that the necessary progress will be made within the window of the next few years.<sup>20/</sup>

The PD acknowledges that the analysis of the ability of various preferred resources and energy storage to meet local capacity need is at an early stage and that further work is required:

In the Commission’s RA proceeding (R.11-10-023), we are currently exploring the ability of various preferred resources and energy storage to meet LCR needs. The ISO is engaged in this effort as well. As this highly technical process develops, we will have a better idea of how such resources can be integrated with gas-fired resources to ensure reliability. In addition, we will learn more about the extent to which non-gas-fired resources can be used instead of gas-fired resources to meet LCR needs.<sup>21/</sup>

The PD further observes that “[u]ntil this effort [to determine the ability of various preferred resources and energy storage to meet local capacity needs] is better developed, we will take a prudent approach to reliability, while still promoting preferred resources to the greatest extent feasible.”<sup>22/</sup> It notes further that “[t]he prudent approach we take entails a gradual increase in the level of preferred resources and energy storage into the resource mix, to historically high levels.”<sup>23/</sup> SDG&E agrees with this in concept, but submits that imposing a requirement to procure over 600 MW of preferred resources and energy storage by 2018 is not a “gradual” increase.

Accordingly, the PD should be revised to acknowledge procurement activities by SDG&E that will promote preferred resources, including (i) SDG&E’s plan to aggressively pursue procurement of preferred resources such as EE, CHP and rooftop solar through the existing dedicated proceedings in order to achieve the 408 MW load

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<sup>20/</sup> See *id*; see also PD, Finding of Fact 51.

<sup>21/</sup> PD, p. 88 (internal citations omitted).

<sup>22/</sup> *Id*.

<sup>23/</sup> *Id*.

reduction/resource additions already assumed in the local need analysis; and (ii) SDG&E's procurement of energy storage resources in compliance with D.13-10-040, a portion of which might ultimately be deemed to be capable of meeting local capacity need.<sup>24/</sup> The PD should find that this action effectively promotes preferred resources in accordance with the Loading Order, and that imposition of additional preferred resources/energy storage procurement requirements through resource-specific procurement carve-outs would pose an unreasonable threat to service reliability and is therefore not in the public interest.

***C. The PD Should be Revised to Clarify Requirements Related to Submittal of SDG&E's Procurement Plan***

The PD directs SDG&E to submit for ED review and approval a procurement plan explaining how it will procure "at least the minimum level of resources authorized by this decision."<sup>25/</sup> The PD provides that "[t]he SDG&E procurement plan shall meet the procurement plan requirement as required for SCE in D.13-02-015, and be consistent with this decision."<sup>26/</sup> The PD notes that Ordering Paragraph 8 of D.13-02-015 allows SCE to submit the conventional gas-fired resources portion of the procurement plan to ED for review ahead of the full procurement plan.

It is SDG&E's understanding that since it is subject to the procurement plan process established for SCE in D.13-02-015, it too has the option of providing its conventional gas-fired resources portion of the procurement plan for review ahead of the full procurement plan. It requests, however, that the PD be revised to make this point

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<sup>24/</sup> SDG&E/Anderson, Exh. SDG&E-1, p. 4, p. 7, Table 1, p. 9, Table 2; p. 10; Exh. SDG&E-2, pp. 1-3.

<sup>25/</sup> PD, p. 108.

<sup>26/</sup> *Id.* at p. 109.

clear. Ordering Paragraph 7 of the PD refers specifically to the applicability to SDG&E of Ordering Paragraph 6 and 7 of D.13-02-015, but currently omits mention of Ordering Paragraph 8 of D.13-02-015.

As discussed above, SDG&E's local capacity need will arise as soon as 2018. Thus, given the need to move forward expeditiously with procurement of new resources, it is critical that SDG&E have the ability to provide the conventional gas-fired resources portion of its procurement plan for review ahead of the full procurement plan. SDG&E's need to move forward without delay is clearly not less pressing than SCE's. Accordingly, SDG&E should have the same option to submit this aspect of its procurement plan in advance of its full plan. SDG&E therefore requests that the PD be revised to expressly indicate that the process outlined in Ordering Paragraph 8 of D.13-02-015 is available to SDG&E.

In addition, the PD should be revised to acknowledge that resources procured under the authority granted in the final decision will not necessarily be procured at the same time. The PD currently requires that SDG&E file "one Application for approval of any and all contract entered into as the result of the procurement process."<sup>27/</sup> Plainly, the rationale supporting provision of the option to submit the conventional gas-fired resources portion of the procurement plan for review ahead of the full procurement plan also supports allowing SDG&E to file an application for approval of a conventional resource separate from and in advance of application(s) related to other resources and/or application(s) for bilateral contracts before an application for contracts coming out of an RFO.

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<sup>27/</sup> *Id.* at Ordering Paragraph 8.

Finally, Ordering Paragraph 8 of D.13-02-015 provides that if ED approves the conventional gas-fired resources portion of the procurement plan, SCE “may go forward with that procurement.” SDG&E understands this to signify that in the case of a Request for Offers (“RFO”), ED must approve the conventional gas-fired resources portion of the procurement plan before the RFO can be issued. With regard to bilateral contracts, SDG&E understands that it would be necessary to obtain ED’s approval of the conventional gas-fired resources portion of the procurement plan at the same time that it seeks Commission approval of the bilateral contract through a separate application proceeding. SDG&E proposes in Appendix A hereto revisions to Ordering Paragraph 7 of the PD intended to make these points clear.

***D. The PD Should be Revised to Eliminate the Requirement that SDG&E’s Bilateral Contracts Include Cost-of-Service Pricing***

The PD adopts SDG&E proposal that it be permitted to procure new resources through bilateral contracts where it is in the public interest to do so, but requires that such contracts include cost-of-service pricing.<sup>28/</sup> In D.13-02-015, the Commission authorized SCE to procure “bilateral cost-of-service contracts” to meet authorized local capacity need.<sup>29/</sup> The PD includes essentially identical language, authorizing SDG&E “to procure *bilateral cost-of-service contracts* to meet authorized local capacity requirements as specified in this Order . . .”<sup>30/</sup> The record does not support adoption of this requirement for SDG&E. SDG&E did not propose that bilateral contracts, if any, that it entered into

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<sup>28/</sup> *Id.* at Ordering Paragraph 3.

<sup>29/</sup> *Id.* at p. 89, note 190.

<sup>30/</sup> PD, Ordering Paragraph 3 (emphasis added).

be priced on a cost-of-service basis, and does not recall that any other party offered that proposal in connection with SDG&E's procurement contracting. SDG&E does not address herein whether SCE's bilateral contracts should include cost-of-service pricing.

In simple terms, cost-of-service pricing involves setting prices based on the cost of providing a good or service plus a limited profit. It is a familiar concept in utility ratemaking, but is not commonly applied to market-based transactions. While it is possible that cost-of-service pricing might make sense in certain circumstances, SDG&E views these cases as the exception rather than the rule. In SDG&E's experience, most market participants are reluctant to agree to cost-of-service pricing. Thus, a cost-of-service pricing requirement could significantly hamper SDG&E's ability to procure new local capacity resources to meet its 2018 need.

Cost-of-service pricing would require a counterparty to open its books to SDG&E, and to provide a detailed accounting of its costs and other relevant financial information – in other words, to submit to a rate case-type examination – in order to determine the pricing terms of the contract. Few market participants are willing to engage in this process. It would also be necessary for the parties to negotiate a rate of return for the seller. This would clearly be a time-consuming undertaking that would add significant delay to contract negotiation process (as would the cost review itself). The practical result of a cost-of-service requirement would likely be that most counterparties would elect not to contract with SDG&E. This could severely hamper SDG&E's ability to ensure local reliability. Accordingly, the requirement that bilateral contracts entered into by SDG&E include cost-of-service pricing should be eliminated.

***E. The PD Should be Revised to Correct Factual Data Related to Long-Term Reliance on an SPS as Mitigation in the San Diego Sub Area***

While noting that “it is not prudent to take a long-term system planning approach that assumes reliance on load shedding in a densely-populated urban area as mitigation for contingency events,” the PD nevertheless concludes that “it is not reasonable at this time to authorize utilities to procure – and ratepayers to pay the cost of – the additional resources required to fully mitigate the identified N-1-1 contingency without an SPS.”<sup>31/</sup> The PD finds that “it is prudent to wait and see what resources develop in the SONGS service area to determine whether an SPS or other load-shedding protocol need serve as a bridge until such resources are in place.”<sup>32/</sup> SDG&E strongly disagrees with the PD’s findings on this issue and submits that the approach taken in the PD is a *de facto* endorsement of a long-term system planning approach that assumes reliance on load shedding in a densely-populated urban area as mitigation for contingency events. SDG&E believes this policy determination is not in the public interest, but does not seek to relitigate the matter or propose changes to the PD related to this issue, other than to correct factually incorrect data that is included the PD’s cost-benefit analysis.

The PD correctly notes that SCE and SDG&E, in their respective analyses, identified the amount of generation necessary to mitigate the most severe N-1-1 contingency (the overlapping NERC Category C3 outage of the 500 kV Ocotillo Express-Suncrest and ECO-Miguel transmission lines). It correctly states that SCE identified the minimum additional generation necessary to avoid reliance on the load-shedding SPS as 438 MW, and that SDG&E also identified between 150 to 250 MW of additional generation necessary to avoid reliance on the

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<sup>31/</sup> *Id.* at p. 45.

<sup>32/</sup> *Id.*

SPS.<sup>33/</sup> The PD finds, based on these figures, that “the amount of new generation that reliance on the SPS could displace ranges from about 588 MW (assuming 438 MW for SCE’s and 150 MW for SDG&E) to 1,000 MW or more.”<sup>34/</sup>

The PD’s conclusion that the aggregate amount of MW need avoided by retention of the SPS is the arithmetic sum of the individual needs is incorrect. As noted in the detailed technical analysis presented in Track 4, generation in the San Diego area will offset generation in the Los Angeles basin, and is especially effective for mitigation of the N-1-1.<sup>35/</sup> In this case, an additional 250 MW of generation in San Diego would likely reduce the need in the LA Basin by an amount 250 MW or greater. Thus, the correct amount of SCE generation necessary to eliminate reliance on the SPS is less than the 438 MW identified by SCE, provided that all or some of that generation is located in San Diego.

In addition, the PD cites 1,000 MW as the high end of the range of the amount of new generation that reliance on the SPS could displace.<sup>36/</sup> As SDG&E has explained, while an initial CAISO study found that adherence to N-1-1 criteria without load shedding increased the LCR requirement for the San Diego LCR by over 1000 MW, this analysis is no longer applicable in light of approved transmission projects.<sup>37/</sup> Finally, the PD’s conclusion that “[t]he cost to ratepayers of these additional resources would be at least \$595 million” is based upon flawed analysis.<sup>38/</sup> Since, as noted above, the aggregate number of MW needed to avoid the SPS is lower than the 588 MW figure cited in the PD, the cost to fill that need is lower and is not the \$595 million cited in the PD.

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<sup>33/</sup> PD, p. 38.

<sup>34/</sup> PD, pp. 38-39.

<sup>35/</sup> See, e.g., CAISO/Sparks Exh. CAISO-1, p. 26, Table 13.

<sup>36/</sup> PD, p. 39.

<sup>37/</sup> See SDG&E/Jontry, Exh. SDG&E-1, p. 7; SDG&E/Jontry, Tr. Vol. 11, 1714:25-1715:15.

<sup>38/</sup> See PD, p. 45; see also p. 121 Finding of Fact 27.

**III.  
CONCLUSION**

For the reasons set forth above, the PD should be revised in accordance with the recommendations described herein and set forth in Attachment A hereto.

Dated this 3<sup>rd</sup> day of March, 2014 in San Diego, California.

Respectfully submitted,

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**ATTACHMENT A**  
**Proposed Findings of Fact, Conclusions  
of Law and Ordering Paragraphs**

**Proposed Findings of Fact:**

2. The San Onofre Nuclear Generating Station, Units 2 and 3 (SONGS) Permanent closed in June 2013.

26. There would need to be a ~~minimum of 588 MW~~ fewer resources if there is a temporary SPS in place, as compared to the resources needed to support the N-1-1 contingency identified by the ISO in the SDG&E territory.

27. ~~The cost to ratepayers of additional resources to mitigate the N-1-1 contingency identified by the ISO in the SDG&E territory would be at least \$595 million;~~ There is evidence that such investment may not be cost-effective.

87. ~~Requiring SDG&E to procure from at least 200 MW of additional resources authorized by this decision from preferred resources and/or energy storage would result in 25% to 70% of additional resources from preferred resources and/or energy storage, after consideration of procurement authorized by D.13-03-029 and approved by the Commission in D.14-02-016.~~

90. SDG&E can potentially procure the required amount of ~~preferred and other~~ resources needed to meet the LCR need in its portion of the SONGS service area through an all-source RFO and bilateral contracts.

Proposed Conclusions of Law:

~~12. It is reasonable to subtract 588 MW from the ISO's forecasted LCR need to account for resources that will not be procured at this time to fully avoid the possibility of load shedding in San Diego as a result of the identified N-1-1 contingency.~~

~~44. Authorizing SDG&E to procure at least 200 MW from preferred resources or energy storage is consistent with the authority granted to SCE herein and consistent with the Loading Order.~~

47. SDG&E should be required to show that it has a specific plan to procure the resources authorized by this decision, consistent with ~~the procurement categories and other~~ requirements of this decision.

Proposed Ordering Paragraphs:

2. San Diego Gas & Electric Company is authorized to procure between 500 Megawatts (MW) and 700 MW of electrical capacity in its territory to meet long-term local capacity requirements by the end of 2021. ~~Procurement must abide by the following guidelines:~~

- ~~a. At least 25 MW of local capacity must be procured from energy storage resources (as defined in Decision 13-10-040);~~
- ~~b. At least 175 MW of local capacity must be procured from preferred resources consistent with the Loading Order of the Energy Action Plan (beyond the requirement of subparagraph (a) of this Ordering Paragraph). Bulk energy storage and large pumped hydro facilities shall not be excluded from this category.~~

3. Southern California Edison Company ~~is~~ and San Diego Gas & Electric Company ~~are~~ authorized to procure bilateral cost-of-service contracts to meet authorized local capacity requirements as specified in this Order, including bilateral contracts consistent with the provisions of Public Utilities Code Section 454.6.

6. San Diego Gas & Electric Company (SDG&E) **is authorized to procure bilateral contracts to meet authorized local capacity requirements as specified in this Order, including bilateral contracts consistent with the provisions of Public Utilities Code Section 454.6.** ~~SDG&E may shall~~ issue an all-source Requests for Offer (RFO) for the capacity authorized by this decision in Ordering Paragraph 2. The RFO shall include the elements specified by Ordering Paragraph 4 of Decision (D.) 13-02-015, in addition to any RFO requirements not delineated herein but specified by previous Commission procurement decisions (including D.07-12-052) and the authorization and requirements of this decision.

7. No later than 90 days after the effective date of this decision, San Diego Gas & Electric Company (SDG&E) shall submit a procurement plan to be reviewed and approved by Energy Division. The procurement plan shall include a proposed Request for Offer **consistent with** ~~as required by Ordering Paragraph 6.~~ SDG&E shall not **issue an RFO** ~~commence any public procurement activities~~ until Energy Division approves its procurement plan, which shall be reviewed consistent with this decision. The SDG&E procurement plan shall be subject to the same procurement plan requirements of Ordering Paragraphs **6, 7 and 8** ~~and 7~~ in Decision 13-02-015 as were required of Southern California Edison Company, **to the extent they are consistent with the direction provided herein.** In addition, SDG&E shall provide to Energy Division all of the information listed in Attachment B to this decision. **SDG&E may seek Energy Division approval of the conventional gas-fired resources portion of its procurement plan concurrently with an application(s) requesting Commission approval of bilateral contract.**

8. Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) shall each file **application(s)** ~~one Application~~ for approval of any and all contracts entered into as a result of the procurement process authorized by this decision. The requirements of Ordering Paragraph 11 of Decision 13-02-015 shall apply to both utilities, **to the extent it is consistent with the direction provided herein.** Neither SCE nor SDG&E shall receive recovery in rates for the costs related to any such contract before Commission review and approval of these Applications. In addition to currently applicable rules, the Applications shall specify how the totality of the contracts meet the following criteria:

- a. Cost-effectiveness;
- b. Consistency with the Loading Order, including a demonstration that it has identified each preferred resource and assessed the availability, economics, viability

and effectiveness of that supply in meeting the LCR need;

c. Compliance with Ordering Paragraphs 1 or 2 (as applicable);

d. For applicable bilateral contracts, compliance with Public Utilities Code Section 454.6; and

e. A demonstration of technological neutrality, so that no resource was arbitrarily or unfairly prevented from bidding in SCE's or SDG&E's solicitation process. To the extent that the availability, viability and effectiveness of resources higher in the Loading Order are comparable to fossil-fueled resources, SCE and SDG&E shall show that it has contracted with these preferred resources first.

9. In its Application to implement this decision pursuant to Ordering Paragraph 8, Southern California Edison Company shall present contracts for at least 50 Megawatts (MW) of energy storage resources (pursuant to Ordering Paragraph 1) to the Commission for approval, or have the burden to show that it should procure less than 50 MW because the bids it received were unreasonable. ~~The same requirements shall apply for San Diego Gas & Electric Company, except the requirement for energy storage resources shall be 25 MW.~~