

**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)

**SAN DIEGO GAS AND ELECTRIC COMPANY
(U 902 E) REPLY COMMENTS REGARDING
PROPOSED DECISION DENYING PETITIONS
FOR MODIFICATION OF DECISION 14-03-004**

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Pursuant to Rule 14.3(d) of the Rules of Practice and Procedure of the California Public Utilities Commission (the “Commission”), San Diego Gas & Electric Company (“SDG&E”) provides these reply comments in response to the *Joint Comments to Proposed Decision Denying Petitions for Modification*, filed by Sierra Club, California Environmental Justice Alliance (“CEJA”), Center for Energy Efficiency and Renewable Technologies (“CEERT”), Vote Solar Initiative (“Vote Solar”), Natural Resources Defense Council (“NRDC”), and the Clean Coalition (together, the “Joint Parties”) in the above-captioned proceeding.

The Proposed Decision denies two separate Petitions for Modification (“PFMs”) of Decision (“D.”) 14-03-004, which directs SDG&E to provide its Track 4 procurement plan to the Energy Division for review and approval rather than establishing a formal stakeholder review process. The PFM filed by Sierra Club, CEJA, and Vote Solar (the “Sierra Club Petition”) seeks to modify the decision to require a 15-day period for parties to submit informal comments on the Track 4 procurement plan to the Energy Division, with service of comments on all parties to the proceeding (the “Sierra Club Petition”).^{1/} The PFM filed by NRDC, CEERT, Environmental Defense Fund, and Clean Coalition (the “NRDC Petition”) seeks to modify D. 14-03-004 to

^{1/} PD, pp. 6-7.

require SDG&E to seek approval of its Track 4 procurement plan through a Tier III Advice Letter process.^{2/} The modifications proposed in the PFMs would apply solely to SDG&E; the PFMs do not propose that the modifications be applied Southern California Edison Company's ("SCE's") amendment of its Track 1 procurement plan.

The Track 4 procurement plan submitted by SDG&E describes its strategy for procuring resources to meet the capacity need identified in Track 4 of the instant proceeding. This strategy involves (i) request for Commission approval of a contract with Carlsbad Energy Center, LLC ("Carlsbad Energy Center") to purchase output from a proposed natural gas-fired, simple cycle peaking facility with a 600 MW nominal contract capacity located in Carlsbad, California;^{3/} and (ii) issuance of an all-source request for offers ("RFO") in 2014 to solicit a minimum of 200 MW and up to 800 MW of local capacity.^{4/} The Energy Division issued its approval of the conventional portion of SDG&E's Track 4 procurement plan on July 17, 2014, and the preferred portion on July 22, 2014.

Although SDG&E's Track 4 procurement plan has now been approved, rendering both PFMs moot, the Joint Parties nevertheless argue that the PD errs in declining to grant either of the PFMs.^{5/} They assert that the Proposed Decision should be revised to either (i) approve the NRDC Petition and require approval of SDG&E's Track 4 procurement plan by the full Commission; or (ii) approve the Sierra Club Petition, which would void approval of the Track 4 Procurement Plan and "signal to Energy Division that a more robust review of SDG&E's

^{2/} PD, p. 8.

^{3/} SDG&E LTPP Track 4 Procurement Plan (Conventional Resource), p. 3. SDG&E's application requesting approval of the proposed agreement with Carlsbad Energy Center was filed on July 21, 2014 (A.14-07-009).

^{4/} *Id.* at p. 2; SDG&E LTPP Track 4 Procurement Plan (Preferred Resources), pp. 1-2. In the all-source RFO, SDG&E will target at least 175 MW of preferred resources and 25 MW of energy storage, as required under D.14-03-004.

^{5/} *Joint Comments to Proposed Decision Denying Petitions for Modification*, filed August 4, 2014, in R.12-03-014 ("Joint Comments"), p. 1.

procurement plan is required.”^{6/} The Joint Parties claim that “[t]he full Commission, not Energy Division, needs to ensure the integrity of its decision-making. The PD’s assurance that its delegation to the Energy Division was proper has now been proven factually and legally incorrect.”^{7/} They argue, specifically, that the Energy Division failed to require that the Track 4 procurement plan “legitimately” provide for an all-source RFO to meet at least some of the “any” resource authorization as required under D.14-03-004.

The Joint Parties’ arguments appear to be premised upon the assumption that the Energy Division’s approval of the procurement strategy outlined in SDG&E’s Track 4 procurement plans is tantamount to approval of contracts with individual resources. The Joint Parties conclude, for example, that procurement from the 600 MW Carlsbad facility is already “predetermined and approved”^{8/} and therefore that “under the process contemplated by the Procurement Plans approved by Energy Division, there is no possibility of a solicitation that allows clean and fossil fuel resources to actually compete for any megawatts of authorized procurement.”^{9/} The assumption by the Joint Parties is incorrect.

SDG&E’s Track 4 procurement plan makes clear that it is not seeking approval of specific resources in the context of the procurement plan and that separate applications requesting Commission approval will be filed for specific resources.^{10/} Thus, contrary to the assumption of the Joint Parties, Energy Division approval of SDG&E’s Track 4 procurement plan does not in any way guarantee that SDG&E’s separate application for approval for of the Carlsbad Energy Center agreement will ultimately be granted by the Commission. If the Carlsbad Energy Center agreement is not approved by the Commission, SDG&E will look to the

^{6/} *Id.* at pp. 2-3.

^{7/} *Id.* at p. 6.

^{8/} *See id.* at p. 8.

^{9/} *Id.* at p. 5.

^{10/} SDG&E LTPP Track 4 Procurement Plan (Conventional Resource), pp. 3, 4, 7, 8, 9.

RFO to fill its 500-800 MW procurement authorization; if it is, the total procured through the all source RFO will be reduced, as SDG&E has noted.^{11/} Accordingly, the claim by the Joint Parties that SDG&E's Track 4 procurement plan fails to meet the all-source RFO requirement of D.14-03-004 lacks merit and must be rejected.

The Joint Parties' claim that the Track 4 procurement plan "unjustifiably asserts a reliability need for 2018" is also incorrect.^{12/} The implications of the mandated retirement of once-through cooling ("OTC") resources located in San Diego was thoroughly explored in the proceeding, and the impact of OTC retirement on the timing of SDG&E's procurement of new resources is acknowledged in D.14-03-004.^{13/} That discussion need not be repeated here. It is clear that the 2017 OTC deadline for Encina is a critical driver for SDG&E's selection of new resources to fill a portion of its LCR need.^{14/} The other assertions offered by the Joint Parties to support the claim that the Track 4 procurement plan is flawed are not persuasive.

The Joint Parties further argue that the Proposed Decision errs in concluding that requiring an Advice Letter process would unnecessarily slow the review process. This claim makes little sense and was properly rejected in the Proposed Decision. Plainly, adding an Advice Letter approval process for the Track 4 procurement plan to the existing application filing requirement for specific resources would inject significant and harmful delay into the procurement process. The Commission pointed out in D.14-03-044 that time is of the essence in procuring new resources;^{15/} the Energy Division review process established in D.13-02-015 and

^{11/} SDG&E LTPP Track 4 Procurement Plan (Preferred Resources), p. 2.

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

^{13/} See, e.g., D.14-03-004, *mimeo*, Finding of Fact No. 91.

^{14/} SDG&E LTPP Track 4 Procurement Plan (Conventional Resources), p. 4.

^{15/} See, e.g., D.14-03-004, *mimeo*, p. 110.

D.14-03-004 strikes a reasonable balance between the desire to provide guidance concerning procurement strategy and the need to move forward expeditiously with procurement required to ensure local reliability.

Finally, contrary to the Joint Parties' claim, the Proposed Decision correctly determines that Energy Division's June 17, 2014 request for informal comments on the Track 4 procurement plan rendered moot the Sierra Club Petition. Given that parties were provided the opportunity to provide informal comments to the Energy Division – which is the substantive relief requested in the Sierra Club Petition – the PD correctly determines that the interest of the Sierra Club Petition has been substantially achieved and that the Petition should be denied as moot.^{16/}

Accordingly, for the reasons set forth herein, the Joint Parties claims should be rejected and the Proposed Decision should be adopted.

Dated this 11th day of August, 2014 in San Diego, California.

Respectfully submitted,

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^{16/} PD, p. 8.