

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric  
Company (U 902 E) for Authority to  
Partially Fill the Local Capacity  
Requirement Need Identified in D.14-03-  
004 and Enter into a Purchase Power  
Tolling Agreement with Carlsbad  
Energy Center, LLC

Application 14-07-009  
(Filed July 21, 2014)

**PROTEST OF THE OFFICE OF RATEPAYER ADVOCATES**

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## PROTEST OF THE OFFICE OF RATEPAYER ADVOCATES

### I. INTRODUCTION

Pursuant to Rule 2.6(a) and (c) of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the Office of Ratepayer Advocates (ORA) submits the following protest to the *Application of San Diego Gas & Electric Company (U 902 E) for Authority to Partially Fill the Local Capacity Requirement Need Identified in D.14-03-004 and Enter into a Purchase Power Tolling Agreement with Carlsbad Energy Center, LLC* Application (A.) 14-07-09 (Application), which was filed on July 21, 2014 and appeared on the Daily Calendar on July 22, 2014. ORA files this protest pursuant to its statutory mission to obtain the lowest possible rates for service consistent with reliable and safe service levels.<sup>1</sup>

The Application and the "Prepared Direct Testimony of Daniel S. Baerman on behalf of San Diego Gas & Electric Company" (Baerman Testimony) request Commission authority to enter into a long-term power purchase tolling agreement (PPTA) with the Carlsbad Energy Center, LLC (Carlsbad or Carlsbad PPTA). San Diego Gas & Electric Company (SDG&E) requests authorization to execute a PPTA that would result in the purchase of 600 megawatts (MW) of capacity output from the Carlsbad Energy Center to fulfill part of the local capacity requirement (LCR) need set forth in the 2012 long-term procurement planning (LTPP) Decision (D.)14-03-004.<sup>2</sup> SDG&E seeks to recover the costs of the PPTA through the Commission's Cost Allocation Methodology (CAM).

### II. BACKGROUND

#### A. The LTPP Track 4 Decision and SDG&E's Conventional Procurement Plan

Decision 14-03-004 authorized SDG&E to procure between 500 – 800 MW of new local capacity resources to meet local capacity need stemming from the unanticipated early retirement of the San Onofre Nuclear Generation Station (SONGS).<sup>3</sup> Of the authorized 500-800 MW, the Commission authorized SDG&E to procure at least 175 MW from preferred resources such as

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<sup>1</sup> Public Utilities Code Section 309.5 (a).

<sup>2</sup> D.14-03-004, *Decision Authorizing Long-Term Procurement for Local Capacity Requirements Due to Permanent Retirement of the San Onofre Nuclear Generation Stations*.

<sup>3</sup> D.14-03-004, p. 2, Ordering Paragraph 2 at pp. 143-44.

energy efficiency (EE), demand response (DR), distributed generation, and renewable generation, and at least 25 MW from energy storage for a total of 200 MW of preferred resources.<sup>4</sup> In addition to the preferred resource requirement, the Commission authorized SDG&E to procure up to 600 MW of any resource, including conventional. In combination with the 300 MW of LCR resources met through the Pio Pico Energy Center PPTA approved in D.14-02-016 and D.14-06-053, the Commission authorized SDG&E to procure a total of 800 – 1100 MW of new resources to meet its LCR need in 2022.

D.14-03-004 authorized SDG&E to procure resources through a competitive request for offer solicitation (RFO), bilaterally, or by executing contingency contracts.

SDG&E submitted its plan for procuring the conventional portion of its Track 4 allocation to the Commission’s Energy Division on March 21, 2014.<sup>5</sup> SDG&E stated that while it is

“strongly committed to the goals of the Energy Action Plan and procurement of preferred resources in accordance with the Loading Order, it agrees with the Commission’s observation that [i]t is necessary that a significant amount of this procurement level be met through conventional gas-fired resources in order to ensure that LCRs needs will be met.”<sup>6</sup>

To meet this LCR need, SDG&E proposed to contract with the Carlsbad Energy Center and set forth the preliminary details of the PPTA including SDG&E’s reasons for contracting with the facility bilaterally in its conventional resource plan. SDG&E stated that a critical driver of its need to procure resources in the intermediate term (2018) is the retirement of the Encina once-through cooling (OTC) Power Station (Encina or Encina Power Station) by December 31, 2017. The Encina Power Station’s retirement causes an LCR deficit in 2018 that, according to SDG&E, the Carlsbad Energy Center with its online date of November 1, 2017 is “likely the only conventional resource that is far enough through the development process to meet the OTC

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<sup>4</sup> D.14-03-004, footnote 3 states at p. 7 “Energy Storage is a potential enabling technology, but is not a Preferred Resource because it stores power regardless of how that power is produced. However, in this decision, we also include Energy Storage in the category of Preferred Resources for ease of use unless otherwise noted.”

<sup>5</sup> Application, p. 2.

<sup>6</sup> San Diego Gas & Electric Company LTPP/Track 4 Procurement Plan (Conventional Procurement), p. 2 and D.14-03-004, p. 90.

retirement mandates and size requirements of SDG&E's need."<sup>7</sup> The Energy Division approved SDG&E's conventional resource plan on July 18, 2014<sup>8</sup> and SDG&E subsequently filed the Application on July 21, 2014.

### **B. Carlsbad PPTA Terms and Conditions**

According to the Application and Baerman Testimony, the Carlsbad PPTA will provide 600 MW of nominal, LCR quality capacity in SDG&E's service territory. The facility has an expected commercial operation date (COD) of November 1, 2017 and the terms of the PPTA are for 20 years.<sup>9</sup> The Carlsbad facility would be built on previously disturbed land adjacent to the existing Encina Power Station and will consist of six generating units using the GE LMS 100 technology to provide capacity and flexibility to the SDG&E local area.

## **III. DISCUSSION**

### **A. Scope of Issues Raised in this Application**

ORA has reviewed SDG&E's Application and accompanying testimony and has identified the following issues as within the scope of review for this proceeding.

#### **1. Does SDG&E need 600 MW of Capacity from the Carlsbad PPTA to Meet LCR Need?**

The Commission approved D.14-03-004 prior to finalization of the California Independent System Operator's (CAISO's) 2013-2014 Transmission Plan (2013-2014 TPP). The timing of the decision meant that it was not possible to accurately gauge whether and to what extent proposed transmission improvements could lower local capacity. D.14-03-004 recognized that

“[i]f some level of new transmission resources is identified in the 2013/2014 TPP which would reduce LCR needs in the SONGS service area by 2022 (for example, the Mesa Loop-In project), the total amount of overall procurement needed in the SONGS service area would be reduced.”<sup>10</sup>

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<sup>7</sup> Application, p. 5. The information in this protest is based on the public version of the Application.

<sup>8</sup> Application, p. 2.

<sup>9</sup> Application, p. 4

<sup>10</sup> D.14-03-004, p. 116.

Taking into account the potential for transmission solutions to help reduce LCR need, D.14-03-004 authorized a minimum and maximum range for resource procurement. If the CAISO’s approved 2013-2014 TPP contained transmission projects that would reduce LCR need, then D.14-03-004 assumed that:

“some combination of the following would occur: “a) procurement at or near the minimum levels authorized in this decision; b) less procurement or no procurement authorized in future LTPP proceedings; and c) less of a need to delay retirements of OTC plants.”<sup>11</sup>

The approved transmission projects from CAISO’s 2013-2014 TPP<sup>12</sup> that are expected to reduce LCR need are shown in Table 1 below:

**Table 1  
Summary of Proposed Transmission Solutions, Cost Estimates  
and Local Resource Reduction Benefits<sup>13</sup>**

| <b>Transmission Upgrade No.</b> | <b>Transmission Upgrade Option</b>  | <b>Proposed In-Service Date</b>  | <b>Estimated Cost (\$ Million)</b>                                    | <b>Local resources Reduction Benefits (MW)</b>   |
|---------------------------------|---|--|---|--|
| 1                               | Additional 450 MVAR of dynamic reactive support at San Luis Rey (i.e., two 225 MVAR synchronous condensers)   | June 2018 for permanent installation at SONGS Mesa or near vicinity (San Luis Rey) | ~\$80 M   | -100 to -200<br>(benefits in 2018; when coupled with other projects (i.e., items 2 and 3 below, it will be part of the benefits of those projects) |
| 2                               | Imperial Valley Flow controller (IV B2BDC or Phase Shifter) – for emergency flow control to prevent overloading on CFE line and voltage collapse under Category C.3 contingency | May 2017   | \$55 - \$300 M  | -400 to -840   |
| 3                               | Mesa Loop-in Project  | December 2020  | \$464 - \$614 M   | -300 to -640   |
| <b>TOTAL</b>                    |   |  | <b>\$599 - \$994 M (cost to upgrade the transmission in the area)</b> | <b>-800 to -1680 (Reduction LCR need in the area)</b>  |

<sup>11</sup> D.14-03-004, pp. 116-17.

<sup>12</sup> CAISO approved the 2013-2014 TPP on March 25, 2014.

<sup>13</sup> Table 1 is based on a table at p. 108 of the CAISO 2013-14 TPP, available at <http://www.caiso.com/Documents/Board-Approved2013-2014TransmissionPlan.pdf>. Table 1 has additional notations but the numbers are identical to those in the original table.

Of the three transmission upgrades listed in Table 1, two are expected to be in service by June 2018. Taken together, the three projects have the potential to lower LCR need between 800 – 1680 MW. It is not clear from the Application or Baerman Testimony that SDG&E appropriately factored in the impact of these transmission improvements or whether accounting for these transmission improvements might open up the possibility that other options, such as the 100 MW Quail Brush Generation project, could meet any remaining LCR need.<sup>14</sup> ORA intends to conduct discovery on the extent to which SDG&E considered whether transmission projects from the CAISO’s 2013-2014 plan could reduce LCR need, as well as the current status of the projects.

**2. Are the Terms and Conditions of the Carlsbad PPTA, Including Price, Reasonable?**

In its application for approval of the Carlsbad PPTA, SDG&E lists a number of attributes of the Carlsbad facility. Aside from being located in SDG&E’s LCR area and contributing to the timely retirement of SDG&E’s last OTC unit, the Encina Power Station, SDG&E states that the Carlsbad PPTA is also competitively priced. Although there are positive attributes of the Carlsbad PPTA including the ability to use existing transmission and other infrastructure,<sup>15</sup> ORA cannot conclude whether or not the Carlsbad PPTA offers a competitive price to ratepayers when the price of the PPTA has only been compared to one other facility, the Pio Pico PPTA. The Pio Pico PPTA provides only a single data point for assessing the reasonableness and competitiveness of the Carlsbad PPTA and is therefore inadequate. It is not sufficient to state that a project is competitively priced when the project: has not been compared side-by-side to another, similar offer, in a head-to-head competitive solicitation. In order to determine whether or not the Carlsbad PPTA operates favorably for ratepayers and is priced competitively, ORA recommends that SDG&E should provide additional price points for comparison, such as those submitted through its upcoming all-source RFO. This would give stakeholders and the Commission the opportunity to compare and determine whether or not the price of the Carlsbad PPTA is in the best interest of ratepayers.

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<sup>14</sup> Baerman Testimony, p. 8: 9-16.

<sup>15</sup> Application, p. 7.

**B. It is Premature for the Commission to Approve the Carlsbad Application without First Considering the Results of SDG&E’s Track 4 All-source Request for Offer (RFO)**

SDG&E announced that it plans to hold a Track 4 all-source RFO around the time it submits the Application.<sup>16</sup> Details of the RFO schedule have not been announced, but in the all-source RFO, SDG&E is seeking bids from both preferred and conventional resources (as well as energy storage resources).<sup>17</sup> SDG&E’s Application claims that one of the reasons SDG&E has selected the Carlsbad PPTA is that the resource “is of adequate capacity and can be developed to meet the time constraints and identified need.”<sup>18</sup> However, this declaration was made in the absence of obtaining information on other resources, both preferred and conventional that could be used to meet SDG&E’s needs in the near-term. Such information could be revealed in SDG&E’s upcoming all-source RFO. The results of the RFO could reveal other conventional and preferred resource projects that are better sized and/or better priced compared to the Carlsbad PPTA and have a similar construction timeline to meet SDG&E’s intermediate term LCR need. ORA urges the Commission to not approve the Carlsbad PPTA until SDG&E has assessed the bids from its all-source RFO, examined how the shortlist of offers compare to the Carlsbad PPTA both quantitatively and qualitatively, and shared these results with its procurement review group (PRG). Until this process has been completed, it would be premature for the Commission to assume that Carlsbad Energy Center is the only adequate and cost-effective option for SDG&E’s ratepayers.

**IV. CATEGORIZATION, HEARINGS, AND SCHEDULE**

SDG&E proposes that this Application be categorized as a “ratesetting” proceeding. ORA agrees with SDG&E’s proposed categorization.

SDG&E anticipates that evidentiary hearings may be needed. ORA agrees, but recommends that the Commission direct SDG&E to propose a schedule that will allow the

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<sup>16</sup> Application, p. 2. (“[SDG&E will be pursuing approval of this Application at the same time as it commences an all-source Request for Offers (“RFO”) discussed in the Track 4 Decision.”

<sup>17</sup> SDG&E states in its LTPP/Track 4 Procurement Plan (Conventional Procurement), “A minimum of 200 MW must come from preferred resources and must be procured through an all-source solicitation. The remaining balance may be procured from any resource, including gas fired generation.” p. 8.

<sup>18</sup> Application, p. 5.

Commission to consider the results from SDG&E’s upcoming all-source RFO. If the Commission does not direct SDG&E to propose a schedule that will allow it to consider upcoming RFO results, then ORA recommends the schedule below in Table 2, which is the minimum time needed to conduct discovery and prepare testimony.

**Table 2**  
**ORA’s proposed schedule in the event that the Commission fails direct SDG&E to propose a schedule that will allow consideration of RFO results**

| <b>Action</b>                        | <b>Date</b><br>(SDG&E’s proposed dates are in parenthesis) |                         |
|--------------------------------------|--|-------------------------|
| <b>Application Filed</b>             | July 21, 2014  |                         |
| <b>CPUC Notice in Daily Calendar</b> | July 22, 2014  |                         |
| <b>Protests/Responses</b>            | August 21, 2014  |                         |
| <b>Reply to Responses</b>            | September 2, 2014  |                         |
| <b>Prehearing Conference</b>         | September 3, 2014  |                         |
| <b>Scoping Memo Issued</b>           | September 12, 2014   |                         |
| <b>Intervenor Testimony</b>          | <b>October 27, 2014</b>                                    | (October 3, 2014)       |
| <b>Rebuttal Testimony</b>            | <b>November 21, 2014</b>                                   | (October 17, 2014)      |
| <b>Hearings (if necessary)</b>       | <b>December 1 – 5, 2014</b>                                | (October 20 – 24, 2014) |
| <b>Concurrent Opening Briefs</b>     | <b>January 5, 2015</b>                                     | (November 7, 2014)      |
| <b>Concurrent Reply Briefs</b>       | <b>January 26, 2015</b>                                    | (November 21, 2014)     |
| <b>Proposed Decision</b>             | <b>February 2015</b>                                       | (December 18, 2014)     |
| <b>Commission Decision Adopted</b>   | <b>March 2015</b>  | (January 2015)          |



## V. CONCLUSION

ORA respectfully submits this protest and recommends that before approving the Carlsbad PPTA, the Commission:

- Determine whether the full 600 MW needs to come solely from the Carlsbad PPTA or whether transmission upgrades or additional yet-to-be-determined resources could meet LCR need.
- Scrutinize the terms and conditions—including price—of the Carlsbad PPTA more closely; and
- Review the results of the Track 4 all-source RFO in order to allow for a more robust comparison of the price and other attributes of bids to the Carlsbad PPTA.

Respectfully submitted,

/s/ DIANA L. LEE

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