

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

_____))
Order Instituting Rulemaking to Promote Policy and))
Program Coordination and Integration in Electric) R.04-04-003
Utility Resource Planning.))
_____))

**MOTION OF
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)
FOR LEAVE TO FILE ONE DAY LATE THE
ATTACHED "POST-WORKSHOP COMMENTS
OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)"**

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January 6, 2006

Attorney for
SAN DIEGO GAS & ELECTRIC COMPANY

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OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Promote Policy and
Program Coordination and Integration in Electric
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Pursuant to Rule 45 of the Commission’s Rules of Practice and Procedure, San Diego Gas & Electric Company (SDG&E) hereby files this Motion For Leave to File One Day Late the attached “Post-Workshop Comments of San Diego Gas & Electric Company (U 902-E),” in the above-captioned docket. The Comments were due to be filed yesterday, January 5, 2006. Unfortunately, SDG&E was unable to finalize its Comments yesterday due to a major problem with SDG&E’s e-mail system for most of the afternoon such that e-mails could not be sent or received without severe delays. Accordingly, it was not possible to complete the revisions to SDG&E’s Comments in a timely manner. Instead, SDG&E is filing and serving these Comments at its first opportunity today, January 6, 2006. SDG&E believes that parties will not be prejudiced

by this brief delay, and for good cause being shown, respectfully requests that the Commission grant this request for SDG&E to file the attached Comments one day late.

DATED this 6th day of January, 2006, at San Diego, California.

Respectfully submitted,

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**POST- WORKSHOP COMMENTS OF
SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)**

I.

INTRODUCTION

Pursuant to the schedule established in the Assigned Commissioner's Ruling dated December 2, 2005 (ACR), San Diego Gas & Electric Company (SDG&E) hereby files its Post-Workshop Comments on the issues raised in the ACR and at the December 14, 2005 Workshop regarding the 2006 Procurement Rulemaking. SDG&E supports the Commission taking these steps up-front to ensure that the new Order Instituting Rulemaking (OIR) to address resource planning and related issues runs as efficiently as possible in the coming year. In Section II below, SDG&E first discusses several overall themes and suggestions for structuring the proceeding based on the ACR, filed comments, and the workshop. In Section III below, SDG&E addresses the specific questions that are presented in Appendix A of the ACR. Attachment A to this filing contains SDG&E's Comments on the Transmission Planning Collaboration issues raised in Appendix B of the ACR.

II.

OVERALL THEMES AND RECOMMENDATIONS

The 2006 Resource Planning Proceeding needs to be focused and limited in scope. The ACR identifies many important issues that need to be addressed as the resource planning process continues in the future.^{1/} SDG&E is concerned, however, that the ACR has outlined a proceeding that includes too many issues to be addressed by the end of 2006. Therefore, SDG&E urges the Commission to strictly prioritize the most critical matters (new generation analysis and approving 10-year resource plans) to be addressed in the new 2006 Long-Term Procurement Plan docket. Use of other, specific proceedings to address particular procurement matters in a comprehensive and detailed manner and on different schedules is appropriate, as the ACR apparently anticipates.^{2/} Procurement policy issues that are addressed in the new procurement OIR must be carefully managed so as not to interfere with the main objective of filing, reviewing, and approving detailed 10-year procurement plans by the end of the year. It is important that contracting take place for generation needs identified without awaiting the outcome of contentious and lengthy litigation of ancillary policy issues.

The Commission must also take care not to re-litigate issues that were only recently decided. Certain topics that parties suggested be addressed in this proceeding were considered and decided in the last Commission resource planning proceeding and therefore need time for implementation (for example, independent evaluators and RFP

^{1/} In the ACR, the Commission appears to use the terms “resource plans” and “procurement plans” interchangeably. SDG&E does so here as well unless otherwise indicated.

^{2/} ACR, p. 5.

processes). Simply because issues were not decided as certain parties might have wished is no reason to expend precious resources now to address those matters again, especially when there are no new facts or circumstances warranting reconsideration. SDG&E is particularly concerned because certain of these issues consumed extensive hearing time in the past. The focus of the new OIR should remain on timely approval of the resource plans. If necessary, the Commission can consider revisions to its past procurement guidance after more experience has been gained.

Once set, the Commission should take care not to revise or expand the scope of the resource plan filings. As the ACR proposes, SDG&E believes that doing more work prior to filing the resource plans through workshops may help streamline the plan approval process overall. This approach should also go a long way to ensure that the filed plans are consistent with the Commission's needs and expectations and also expedite the hearing process. Past resource planning proceedings have been "moving targets" in terms of scope and deadlines. Once set, the scope of issues to be addressed through hearings and briefs must be strictly managed to ensure that valuable time is not spent addressing issues that were not essential to decide for approval of the resource plans. Once the final assumptions are set for preparing the plans, there must be at least 60 days before the plans are filed.

Regarding the use of workshops generally, it is important to emphasize that they must be efficiently managed in terms of topics to be addressed. Long tangents advocating single viewpoints should not dominate the workshop process, particularly where those tangents are not closely tied to priority decision items in the approval of

resource plans. It will be necessary to clearly delineate the scope of the workshops and limit workshop debate as necessary to adhere closely to the established scope.

The Commission has identified important goals for the proceeding and two of those goals should be considered the top priorities. SDG&E believes the needs of customers will be best served if this year's resource planning proceeding focuses on two objectives, which are among the goals listed in the ACR.^{3/} SDG&E has somewhat modified below the precise goals that it believes should be addressed, as well as shifted slightly the order of priority for approval of the procurement plans:

1. Determination of the need, if any, for new generation in specific locations in California. If necessary, determine an interim mechanism to be used to acquire any generation until a new market structure can be put in place;
2. Approval of the utilities' 10-year procurement plans that meet the requirements of AB57. Procurement plans will include both a 10-year resource plan as well as specific actions the IOU plans to undertake to carry out that plan.

Coordination with the California Energy Commission's Integrated Energy Policy Report (IEPR) proceeding. The ACR seeks input on how the IEPR can be a starting point for this proceeding and other coordination issues regarding the work that was done in the IEPR in 2005. As an initial matter, SDG&E recommends that the CEC participate in this year's resource planning proceeding as a party and not as an extension of Commission staff. As discussed further in Section III, SDG&E also believes that the

^{3/} ACR, p. 2.

IEPR work that would be most helpful to use in this proceeding is the supply/demand (total demand compared to physical resources and imports) forecast on a statewide and Participating Transmission Owner (PTO) aggregated basis over the next 10 years. The information should be updated as necessary in this proceeding in the phase addressing the need for new generation.

In general, the IEPR articulated potential statewide policy preferences for resource procurement targets, but the CEC's IEPR process should not decide specific targets, which will be subject to more detailed analysis at this Commission. The CEC policy preferences were not fully tested in the IEPR and not subjected to cost-benefit analysis. In addition, more efficient coordination between Commission and CEC resource planning efforts could be achieved where the Commission would look at the individual utility procurement plans in the Commission's resource planning docket. In the following year, the CEC would look at statewide need and planning issues. This approach would be more efficient than running two parallel processes to tackle overlapping goals as currently is the situation.

The Energy Action Plan constitutes a solid approach to "integrated resource planning" (IRP). The Commission and CEC should follow Energy Action Plan-based integrated resource planning, as has essentially been the practice to date. This approach already considers trade-offs between resources and generation, and there is no need to adopt a different methodology. The lengthy IRP processes that are conducted in certain other regions are not currently compatible overlays in California for numerous reasons, including geographic differences, level of retail competition and market structure differences, and load and resource variations among the different load serving entities in

other regions as compared to the large California utilities. These proceedings would also consume at a minimum 18 months, which is not how the Commission's resource planning process has been structured.

The management audits, pending since 2004, should be concluded quickly. The ACR notes that the management audits ordered in D.04-12-048 are finally underway. These audits are reviewing data from the utilities' quarterly procurement transactions reports, among other issues. SDG&E would underscore that these audits should be concluded quickly, as they create uncertainty in the procurement process given that the time between the audits being ordered and their commencement has been so delayed. Any findings resulting from the audit should only apply prospectively due, among other reasons, to this long passage of time and the requirements of AB57.

The development of procurement incentives should be pursued on a limited pilot basis if the time is not yet ripe for all utilities to adopt a procurement incentive mechanism. The ACR notes that the issue of procurement incentive mechanisms would be taken up in the future, either in this proceeding or a successor proceeding. SDG&E supports this effort and would also point out that procurement incentives need not encompass all utilities at the outset. The Commission should explore a limited pilot if not all utilities are prepared to move forward in this area.

III.

RESPONSES TO QUESTIONS IN APPENDIX A OF ACR

A. Review the Need for New Generation (Appendix, A, ACR, pp. 3-6)

- Does the CEC Transmittal Report, or the Transmittal Report in concert with other IEPR documents, establish the timeline on which there is a need for new generation? Is this needs showing in the IEPR

sufficient for a CPCN? Do any of the CEC IEPR documents (if so which?) need to be updated in order to identify when there is a need for new generation, and if so, on what timeline should such documents be updated?

SDG&E does not believe there is a single document that fully provides the data needed to make the new generation assessment. Data developed by the CEC during the 2005 IEPR process, however, that was used in the CEC reports such as the “California and Western Electric Supply Outlook” will provide a solid starting point. This data should be enhanced and fully vetted at a workshop, however. As noted above, the CEC should participate in this proceeding as a party, and it should take the lead and present its demand/supply outlook and underlying data at the workshop. Detailed tables similar to those the CEC developed for its Summer 2006 Outlook presented at the Joint Agency Meeting held on December 12, 2005, should be used for each year that is examined. This step in the process can and should be based on publicly available data.

- At what level does the need for new generation need to be established—statewide, IOU planning level, zonal, local, or other—in order for the Commission to effectively authorize the construction of new generation? Is this information already readily available in the public record?

The workshop proposed above will need to determine if the generation could be added in any location or whether it is needed in a specific location. The CAISO should take an active role in this process and also participate at the workshop. It will also be important to know any existing transmission constraints that may require generation in a specific location and whether any proposed transmission projects in the CAISO’s transmission plan may eliminate location issues in future years.

- Do OPs 4 & 5 in D.04-12-048 suffice to establish the need for new generation? (If so, is there any further need to review this in an early phase of this proceeding?) Is it possible to separate off cost-

allocation treatment of new generation need already acknowledged for Pacific Gas & Electric Company (PG&E) and Southern California Edison Company (SCE) in D.04-12-048, and treat that separately than any additional need for new generation that may be established by the integrated resource planning process later in this proceeding?

These ordering paragraphs, along with OP 6 that deals with SDG&E's resource plan, do not address the question that this portion of the proceeding needs to address regarding the specific need for new generation. Also, subsequent events since D.04-12-048 was issued, such as reallocation of the Williams D contract, have had a significant impact on SDG&E's need assessment. All three utilities could be fully resourced, but that does not mean that the total future need for capacity in the right places to meet reliability has been met.

The permanent cost allocation of projects already included in the utilities' plans should not be part of this proceeding. Cost allocation discussions should be limited to the amount of need identified for the interim. Should the Commission ultimately decide, however, that the cost allocation of new generation includes recent solicitations by SCE and PG&E, the new capacity SDG&E acquired as part of its grid reliability RFP conducted in 2003-2004 should also be considered. SDG&E should not be de-positioned for aggressively addressing this issue earlier than other parts of the State.

- Should the need for new generation be distinguished between generation needed for "reliability," versus generation needed for "aging plant replacement," versus generation needed for "compliance with renewable portfolio standards"? Should new generation be divided into different categories so that cost allocation can be apportioned relative to the purpose served by the new generation?

This portion of the proceeding should be limited to determining the minimal amount (or a limited range around the minimum amount) of new generation needed for reliability only. Other needs such as potential generation for "aging plant replacement"

or for the “renewable portfolio standard” should be subject to the subsequent procurement process.

- Is it possible for an early phase of this proceeding to set the need for new generation at a number (e.g., X MW, or a range of X-Y MW) in a set location (e.g., in NP15 or the Greater Bay Area or the Oakland sub-area) in this phase of proceeding, and have the later phase of this proceeding examine the resource supply plans used to meet the need for new generation? Given that the integrated resource planning process described below may reveal that transmission investments obviate the need for some new power plants, how can the State adopt a need determination prior to conducting a full review of the integrated resource plans?

It should be noted that the data necessary to determine the need for new generation should be based on the total load in various areas of the state, the total supply physically available in that area, and the transmission capability in and out of the area. Thus, the data need is not based on any single entity’s resource plan or its contractual position so it is possible to do this step first. As stated above, the CAISO needs to be involved so that any transmission additions can be integrated into the analysis.

In summary, SDG&E supports the idea that workshops be held as soon as practical to identify the facts already available in the public record to support the need, if any, for new generation. The CEC should take the lead using the data developed in the IEPR process. The CAISO should also identify any limitation in the transmission system that would require the generation to be located in a specific area and possible transmission projects to eliminate the need.

B. Temporary and/or Permanent Mechanism (e.g., cost allocation and benefit sharing or other alternative) (Appendix A, ACR pp. 5-6)

- Does the state immediately require an interim and/or permanent mechanism that allows the costs and benefits of new generation to be allocated across all load-serving entities, or all load-serving entities in a defined geographic location?

The State must determine the process it will use to decide whether generation investment is needed and depending on the process, an interim followed by permanent cost allocation mechanism may also be needed. Any allocation adopted should follow the principle of LSE-based responsibility for procurement. Ultimately, new market structures, such as a five-year capacity market run by the CAISO, should be investigated as the end-state mechanism for getting needed generation built. SDG&E expects that this type of issue would be addressed in the resource adequacy proceeding. The instant proceeding should be limited to determining the minimum capacity needed to maintain reliability and how the costs of this capacity should be recovered. This proceeding should not establish the long-term solution.

- Is it possible or desirable to establish a “new portfolio standard” for all LSEs, so that all LSEs would share in the costs and benefits of new generation?

SDG&E does not believe that there is a need for this proceeding to develop a “new portfolio standard” for all LSEs. The resource adequacy phase should be the process that considers long-term solutions along these lines.

- Should the cost and benefit allocation mechanism apply to all new generation in IOU planning areas, only new generation identified to meet system reliability needs, or some other specified subset of new generation?

The cost allocation should only apply to the new generation that is specifically identified for reliability needs in this proceeding and developed as a result of this process.

- What are the options for cost and benefit allocation of new generation? (For example, IOUs invest in all new generation in support of IOU bundled customers only, IOUs invest in all new generation in support of all customers in IOU planning areas, a third party invests in new generation in IOU planning areas, or others, etc.)

In addition, how should the cost/benefit allocation be integrated into integrated resource planning?

One option would be for the utilities to occupy the role of centralized market backstop procurement until this function can be transitioned to the CAISO as part of a structured capacity market. There should be no consideration of proposals such as SCE made in A.05-06-003 that would spread acquisition costs across service territories, such as throughout SP-15. Another option would be for the CAISO to provide a centralized backstop procurement function as part of a transition to a centralized resource adequacy market run by the CAISO, pursuant to rules adopted by the Commission.

- The Commission has already issued a White Paper that contemplates the creation of a capacity market; however, it is not expected that an independent capacity market will be in place in 2006. Furthermore, it is not expected that, initially, a capacity market alone will support the development of new generation. Is it possible to choose an interim cost and benefit allocation mechanism (or some other alternative) that does not foreclose the possibility of capacity markets?

It is not only possible, but imperative, that any cost allocation developed in this process be done in a manner that can fit with future market structures. Work needs to progress as rapidly as possible on the development of a long-term resource adequacy framework. Given the potential for future changes in market structure, SDG&E believes this year's resource planning should only deal with minimal additions at this time needed for reliability. SDG&E resists, however, the assumption that "it is not expected that, initially, a capacity market alone will support the development of new generation." SDG&E's capacity market proposal would get plants built.

C. A Review of Long-Term Procurement Plans, Including an Integrated Resource Planning Process for All IOU Planning Areas (Appendix A, ACR, pp. 7-10)

- How can the Commission establish a process for implementing integrated resource planning as part of the long-term procurement planning proceeding?

As noted above, the State already has in place an integrated resource planning process by implementing the preferred loading order and Energy Action Plan goals. The State has already established through numerous policy preferences and goals most of the trade-offs that would occur in an integrated resource planning process. These goals are included in the Energy Action Plan, the preferred loading order, energy efficiency and demand response targets, renewable portfolio standard and other direction from past Commission orders and interagency guidance. Thus, there is no need for the Commission to establish a different integrated planning process at this time.

If the Commission is interested in reassessing all these targets, then an integrated process would be of value. Such a process would likely take close to a year to complete, however. Therefore, it should only be started, if at all, after the Commission approves new procurement plans in 2006.

- Does the Commission need to establish or adopt an Integrated Resource Planning (IRP) methodology prior to having parties file plans? How much guidance should the Commission provide respondents in filing their resource plans? Given that the development of an IRP methodology is expected to be iterative (i.e., 2006 plans will not be perfect), what can the Commission expect to do in 2006 vs. reserve for future year iterations?

As stated above, SDG&E believes the State has already set the necessary goals and priorities to constitute an IRP process prior to the submission of resource plans.

Some procurement is going to be necessary prior to establishing further, evolving policy goals.

- Can parties use the Supply Plans submitted to the CEC in February 2005 as the basis (or framework) for submitting supply plans to the Commission?

SDG&E is agreeable to using a standard framework to submit its information to the Commission, and starting with the CEC framework makes sense. The CEC form may need to be adjusted, however. SDG&E believes that more data may be required in areas such as new resources and the precise format could be among the issues addressed in an upcoming workshop.

- How should the parties represent local area needs in their resource plans? What are the local areas that need to be considered on a stand alone basis?

SDG&E has historically identified the need for local generation in its resource plans, which has been done by examining the service area's ability to meet the CAISO planning criteria. SDG&E will continue to include such a showing in its future plans.

For SDG&E, the CAISO has historically identified its entire service area as a load pocket. SDG&E believes that should continue into the future, and the SDG&E service area can therefore be treated as a single load pocket. This situation is not the same for SCE and PG&E because each has historically had a number of load pockets. It will be necessary for the CAISO to determine the load pockets.

- What should be the content (and organizational structure) of the resource plans?

Each party should be free to organize the plans in a manner its feels best describes and supports its case. Because each party will have different needs, each party will need

to organize around those needs. Also, because these plans will be subject to hearings, the plans may differ due to witnesses of different parties covering different topics.

In the past, the Commission had asked for the utilities to agree to a standard outline for the plans. SDG&E does not recommend this approach because each utility needed to vary from that plan due to its own unique situation. SDG&E would not object to the development of a standard table for organizing the resource plan data, however, in order to facilitate the Commission's review of the plans.

- How should CEC 2005 IEPR (including Transmittal Report, policy recommendations, and other documents, as appropriate) and CAISO Transmission planning study be incorporated into the IRP methodology?

Although the CEC IEPR provides a solid starting point, it is necessary to update all the information submitted in that case. Because SDG&E will be making financial commitments on behalf of its customers, as a result of this resource plan, SDG&E believes it is particularly important to use the most current data it has to assess its needs. See Attachment A herewith for more information regarding Transmission Planning issues.

- What should the basis be for the review of plans submitted to the Commission? What should the evaluation metrics be and how should they be established?

Plans should be measured by how well they reliably serve load requirements while carrying out the State's policies. The Commission should ensure that the procurement plan is approved consistent with AB57 and that final approval satisfies the AB57 no hindsight reasonableness review standard. While large, individual generation and transmission projects are not specifically approved in the final resource plan decision, the needs identified in the plan should be approved and not revisited in later

proceedings until a new plan is submitted. Also, SDG&E is not sure the process for “single plan” (short- and long-term) approval has been fully worked out and this may need to be the subject of further discussion.

- How should parties treat risks and uncertainties in their resource plans?

SDG&E supports using “high, expected, and low” scenarios for items that each utility deems to be significant risk and uncertainty in its own plan.

- What assumptions need to be established prior to parties filing resource plans? (For reference, the Commission provided IOUs with a lengthy set of planning assumptions in a June 4, 2004 ruling.)

SDG&E supports the use of workshops prior to submitting resource plans to discuss, and to the extent possible agree upon, assumptions to be used in the plans. Assumptions regarding the potential for load loss due to the potential re-opening of direct access or CCA will be critical. In the past, parties have opposed plans solely because parties did not agree with the assumptions used in the plan, such as CCA. SDG&E believes substantial amounts of hearing and briefing time can be eliminated if assumptions can be agreed to in advance and enforced by the Commission during litigation of the proceeding.

- What response should the Commission take if plans are inadequate or approved plans are not implemented?

SDG&E would emphasize two points in this regard. First, the Commission must give the utilities time to actually implement the plans before “passing judgment” on how the utilities and plans have performed. Second, the Commission must keep in mind that variation in one year of the plan does not mean the utility impermissibly changed or failed to implement its plan. The Commission must recognize that because large-scale,

individual projects are not approved in the plan, near-term changes in procurement are expected refinements to the planning process and should not be deemed as unwarranted deviations. Of course, the utility may be expected to explain how it has implemented its plan, especially in areas where the Commission has specific questions.

D. Updates to IOU Procurement Policies and Practices, Including Review and Approval of New 10-year Procurement Plans (Appendix A, ACR, pp. 10-12)

Which of the following issues needs to be filed as part of the IOU procurement plans?

1. IOU gas hedging practices for electricity portfolios and procedures for modifying gas hedging strategies
2. IOU use of TeVar to measure the customer risk tolerance threshold in its procurement practices
3. Impact of resource adequacy on costs and procurement practices
4. Use of GHG adder in procurement practices of IOUs
5. Credit risk policies used by IOUs in procurement
6. Portfolio risk policies used by IOUs in procurement
7. Use of Independent Evaluator in procurement bid evaluations
8. Evaluation of the Level Playing Field in IOU procurement (i.e., contracting for utility owned generation vs. power purchase agreements)
9. Role of Procurement Review Groups in IOU procurement
10. Practices and procedures used by IOUs in their Requests for Offers (RFOs), including use of all source or all party RFOs (open to new only or existing generation)
11. Other Issues

Items 4 and 7-10 should not be part of the 2006 procurement planning docket.

These issues were recently and/or thoroughly decided by the Commission and at a minimum need further time for implementation before revisiting the issues in formal proceedings. Regarding issues not included in the list, the Commission should take the opportunity of this proceeding to integrate the Gas Supply Plans into the Procurement Plan. Regarding item 2, it should also be understood that the characterization of this issues does not preclude the utilities from using more than one risk measure.

- How should the procurement-related policy recommendations noted in the CEC's Transmittal Report be handled in this phase of the proceeding?

The policy recommendations in the CEC transmittal report were never subjected to cost –benefit analysis and should only be viewed as potential actions and not proven policies that will benefit the consumers in California.

- Should the IOUs prepare and file comprehensive procurement policies and practices that incorporate the numerous decisions, rules, and laws that govern their procurement?

No, because the utilities already have resource plans that integrate these various elements and features.

E. Any Procurement Policy Issues Not Handled in R.04-04-003 or Other Procurement Related Dockets (ACR, p. 12)

It would be useful for the Commission to clarify what an approved plan allows the utility to do. Generally, the accepted role of the long-term plan is to provide the road map for future acquisitions, but it does not mean that specific, large scale projects are approved by virtue of approval of the plan. The Commission should streamline this process by clarifying that plan approval will verify that particular needs have been demonstrated so that the need issue is not continually revisited in future resource specific proceedings.

In addition, there should not be a separate utility renewable resource plan. Any review of the utilities' plans to meet RPS goals should be approved as part of this proceeding.

Finally, in their Pre-Workshop filings and comments, other parties have raised issues that either should or should not be addressed in this phase of the proceeding as follows:

Mirant - Claims a need to revisit the utility procurement process; SDG&E objects because that issue has already been thoroughly addressed and needs time to be implemented.

TURN - SDG&E supports TURN's comment that this proceeding should look for rate relief (page 2).

West Coast Power - SDG&E supports the point that the new resource adequacy proceeding should address capacity markets (page 2); that review should not take place in this proceeding.

NRDC - There is no need to address again the use of the GHG adder in procurement evaluations, but SDG&E agrees that the submitted procurement plans should show a forecast of GHG emissions and how the plans are progressing toward state goals.

SVLG, WPTF - Debating the merits of the "hybrid" market should not be addressed at this time, but if the issue is considered now it should not be done in this proceeding.

WTPF- WPTF seeks to reopen items recently decided (RFO processes, hybrid market). These issues should not be addressed again here. Furthermore, the utilities should not be required to release net short positions, as WPTF recommends.

AReM – SDG&E disagrees that the need for new generation should be attributed to increases in utility load; even usage for Direct Access customers is increasing. If needed for reliability, then the need is wider than just the utility's bundled customers.

Constellation - Procurement practices and hybrid market structure issues should not be addressed at this time as they have recently been litigated and decided. "Slice of

load” issues are not ripe for review and should be considered at the appropriate time in another proceeding looking at market structure issues.

SCE - SDG&E agrees that lack of stability in future load is a key issue that needs to be addressed. SDG&E also agrees that most of the procurement plan should not be subject to hearings because the utilities are simply following Commission orders.

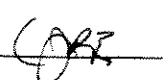
IV.

CONCLUSION

SDG&E appreciates that the Commission is taking steps to ensure that this year’s resource planning proceeding advances as efficiently as possible. Overall, SDG&E hopes the Commission will strictly prioritize the issues to be addressed in this proceeding and place other matters in related dockets as necessary.

DATED January 6, 2006, at San Diego, California.

Respectfully submitted,

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ATTACHMENT A

SDG&E'S COMMENTS ON APPENDIX B ("TRANSMISSION PLANNING COLLABORATION") TO THE DECEMBER 2, 2005 "ASSIGNED COMMISSIONER'S RULING REGARDING NEXT STEPS IN PROCUREMENT PROCEEDING"

SDG&E generally supports the "Coordinated Infrastructure Planning and Development" process developed by the CPUC, CEC and CAISO and outlined in Appendix B of the December 2, 2005 Assigned Commissioner's Ruling in this proceeding. SDG&E offers the following comments to improve the usefulness and effectiveness of that process.

A. Load forecasting should be collaborative and targeted.

The load forecast is a primary driver for the output of the planning studies. The process to develop the forecast, including new generation and generation retirement assumptions, should be collaborative and include the PTOs, the CEC and the CAISO. This collaborative Statewide Transmission Plan, whether developed under the aegis of the CAISO or other agency, should accommodate a range of forecast loads (i.e., provide a spectrum of potential scenarios).

Moreover, the CAISO, PTOs, CEC, CPUC, and the CAISO should reach agreement on which load forecasts are used for which purposes. For example, evaluation of grid and local reliability requirements may dictate the use of more extreme load forecasts, while longer-term economic analysis may require the use of "expected" load forecasts. Load forecasts are needed to support the CEC's Integrated Energy Policy Report ("IEPR") process, the CAISO's determination of Reliability Must Run ("RMR") contract requirements, the Commission's long term resource planning ("LTRP"), resource adequacy requirements ("RAR"), local capacity requirements ("LCR"), and resource deliverability assessments.

B. Planning should include PTO-developed projects.

The coordinated infrastructure planning and development process does not appear to facilitate approval of a PTO's transmission project that is not included in the CAISO's Statewide Transmission Plan. SDG&E believes the coordinated infrastructure planning and development process should provide the PTOs with the opportunity to include in the CAISO's Statewide Transmission Plan transmission expansion projects other than those developed by the CAISO. The alternative of using the CAISO's Alternative Dispute Resolution process to get a proposed project included in the CAISO's Statewide Transmission Plan is clearly less desirable.

C. The Commission should defer to CAISO need determinations.

Because the CAISO is assuming responsibility for developing a Statewide Transmission Plan, SDG&E recommends that the Commission formally adopt a policy under which it would defer to the CAISO's determination of need. "Deference" in this context could mean that the Commission gives the CAISO determination a rebuttable presumption of validity. In other words, the burden is on those challenging the CAISO's finding to persuade the Commission that the finding is invalid, or at least needs more support.^{1/}

D. The CAISO should consider a PTO's financial resources.

To ensure an alignment of risk and incentives, the PTO responsible for building a proposed transmission project should be also responsible for estimating the costs of such project.

^{1/} See, SDG&E's comments in this proceeding filed in response to the ALJ's September 27, 2005 Ruling at pp. 1-2 for additional detail.

The CAISO should work collaboratively with the PTO which will be responsible for building a proposed transmission project, to ensure the PTO has adequate resources and funding authority to do the work. If the CAISO determines a project is needed that the PTO has not planned, the project must be coordinated with the PTO's capital budget and construction scheduling process.

E. Guidelines are needed for generator assumptions.

Today, there are several processes that estimate the transmission upgrades that would be required to interconnect a new generation. The regional planning process should ensure that all proposed new generators follow FERC new generation interconnection procedures. The Commission and the CEC should support that process and recognize that processes such as the Commission's Transmission Ranking Cost Report are only estimates of potential system upgrades and that such other processes do not fully determine what upgrades are needed to accommodate a new generator. And, for a new generator to be considered "viable" for purposes of inclusion in forecasting and planning assumptions, it should at least be in the CAISO's interconnection queue.

F. Projects currently under review should be expedited.

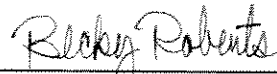
Introduction of the CPUC/CEC/CAISO's coordinated infrastructure planning and development process should not delay approvals for transmission expansion projects that are already in the regulatory review process. For example, on December 14, 2005, SDG&E filed its "Application ... for a Certificate of Public Convenience and Necessity for the Sunrise Powerlink" (A.05-12-014), and Southern California Edison's A.05-04-015 for the Palo Verde-Devers No. 2 line is on the eve of evidentiary hearings. Commission action on these filings should not be encumbered by ongoing efforts of the CPUC, CEC and CAISO to work out a coordinated infrastructure planning and development process.

In any event, applications such as Sunrise already in process have overtaken much of what the coordinated process, once introduced, would address. The Commission should not send critical infrastructure projects back to the starting line to await agency planning coordination.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **MOTION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) FOR LEAVE TO FILE ONE DAY LATE THE ATTACHED "POST-WORKSHOP COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)"** on all parties of record in R.04-04-003 by electronic mail and by U.S. mail to those parties who have not provided an electronic address to the Commission. I have also sent hard copies by overnight mail to the Assigned Administrative Law Judge and Assigned Commissioner.

Dated at Los Angeles, California, this 6th day of January, 2006.



Becky Roberts