

DOCKETED

Docket Number:	07-AFC-06C
Project Title:	Carlsbad Energy Center - Compliance
TN #:	203993
Document Title:	Opening Comments of San Diego Gas & Electric Company (U 902 E) on the Proposed Decision Denying Without Prejudice SDG&E's
Description:	Application for Authority to Enter Into Purchase Power Tolling Agreement with Carlsbad Energy Center, LLC Submitted as an Exhibit by Robert Sarvey
Filer:	Robert Sarvey
Organization:	Robert Sarvey
Submitter Role:	Intervenor
Submission Date:	3/29/2015 6:49:08 PM
Docketed Date:	3/30/2015



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

FILED
3-26-15
04:59 PM

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)

**OPENING COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)
ON THE PROPOSED DECISION DENYING WITHOUT PREJUDICE SDG&E'S
APPLICATION FOR AUTHORITY TO ENTER INTO PURCHASE POWER TOLLING
AGREEMENT WITH CARLSBAD ENERGY CENTER, LLC**

Steven C. Nelson
Attorney for
SAN DIEGO GAS & ELECTRIC COMPANY
101 Ash Street
San Diego, California 92101-3017
Telephone: (619) 699-5136
Facsimile: (619) 699-4488
Email: SNelson@sempra.com

March 26, 2015

SUBJECT INDEX

I. INTRODUCTION.....1

II. COMMENTS.....3

A. The PD Errs in Concluding that the Commission Already Has “Addressed” and “Accounted For” the Retirement of the 965 MW Encina Facility in 2017 By Approving the 300 MW Pio Pico Facility Because the Pio Pico Decision – Unlike the Track 4 Decision - Assumed SONGS Would Remain in Service.....3

B. The PD Errs by Largely Divorcing the Loading Order from any Consideration of Reliability or Other Policy Concerns Such as OTC Deadlines6

C. The PD Errs in Drawing Speculative Conclusions from the One-Week Old Raw Bid Data from SDG&E’s All-Source RFO10

III. CONCLUSION12

APPENDIX A – SDG&E’s Proposed Changes to the Findings of Fact, Conclusions of Law and Ordering Paragraphs

TABLE OF AUTHORITIES

CALIFORNIA PUBLIC UTILITIES COMMISSION DECISIONS

D.13-03-029, 2013 Cal. PUC LEXIS 1013
D.14-02-016, 2014 Cal. PUC LEXIS 781, 4
D.14-03-004, 2014 Cal. PUC LEXIS 124 *passim*
D.14-06-053, 2014 Cal. PUC LEXIS 33610

OTHER AUTHORITIES

Commission Rules of Practice and Procedure, Rule 14.31

**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)

**OPENING COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)
ON THE PROPOSED DECISION DENYING WITHOUT PREJUDICE SDG&E'S
APPLICATION FOR AUTHORITY TO ENTER INTO PURCHASE POWER TOLLING
AGREEMENT WITH CARLSBAD ENERGY CENTER, LLC**

I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), San Diego Gas & Electric Company (“SDG&E”) respectfully submits its Opening Comments on the Proposed Decision (“PD”) of Administrative Law Judge (“ALJ”) Hallie Yacknin issued in the above-captioned matter on March 6, 2015.¹

In these Opening Comments, SDG&E identifies the following three errors in the PD:

- The PD errs in concluding that the Commission already has “addressed” and “accounted for” the retirement of the 965 MW Encina Power Station (“Encina”) in 2017 by approving the 300 MW Pio Pico Energy Center (“Pio Pico”) because the Pio Pico decision² – unlike the Track 4 Decision³ – assumed the San Onofre Nuclear Generating Station (“SONGS”) would remain in service.
- The PD errs by largely divorcing the Loading Order from any consideration of reliability or other important State policy concerns such as once-through cooling (“OTC”) deadlines.
- The PD errs in drawing speculative conclusions from the one-week old raw bid data from SDG&E’s all-source Request for Offers (“RFO”).

¹ Per Rule 14.3(a), “[p]arties may file comments on a proposed or alternate decision within 20 days of the date of its service on the parties.” The PD was served on March 6, 2015, thus SDG&E’s comments are timely filed.

² Decision (“D.”) 14-02-016.

³ D.14-03-004 issued in Track 4 of the 2012 Long Term Procurement Plan (“LTTP”) proceeding.

With respect to NRG's alternative proposal in its March 20, 2015 opening comments, SDG&E is not opposed to the reduction in size of the project from 600 MW to 500 MW, assuming the capacity rate is unchanged, which is SDG&E's understanding. With respect to the proposal for an option for a sixth unit, in the future, SDG&E would be willing to consider negotiating an amendment for the additional quantity or negotiating the terms of an option if the right to exercise the option were at SDG&E's sole discretion (subject of course to the Commission's subsequent review and approval of the terms and conditions), though SDG&E's hope is to meet the need for the additional 100 MW with preferred resources or energy storage and SDG&E would like the flexibility to fill this need from either its pending 2014 RFO, some future RFO or other procedural vehicle.⁴ SDG&E is committed to pursuing additional cost effective and feasibly available preferred resources and energy storage. To this end, SDG&E will continue to work closely with its Procurement Review Group to review the analysis of the 2014 RFO and future RFOs as needed to identify opportunities for incremental preferred resources and/ or energy storage to meet SDG&E's LCR need, minus any need filled by the 500MW NRG project.

⁴ As indicated at p. 6 of SDG&E's LTPP/Track 4 Procurement Plan (Preferred Resources) dated July 18, 2014, which the Energy Division approved on July 22, 2014, "Evaluating multiple resources through one solicitation will lead to better understanding of how preferred resources can meet LCR needs in a cost-effective way. However, many of the preferred resource product types that SDG&E will solicit involve emerging technologies or hybrids that are new to the market. Also, SDG&E's smaller service territory may impact the volume, and correspondingly, the competitiveness of bids for preferred resources. SDG&E will closely monitor how these issues impact the cost and effectiveness of these bids. If SDG&E is unable to procure the targeted 200 MW of preferred resources through this solicitation, it will consider one or more of the following opportunities: (1) utilize existing preferred resource programs in an effort to fulfill any remaining LCR need; (2) hold additional solicitations for preferred resources to meet LCR needs; or (3) continue working towards bilateral arrangements. SDG&E will also strive to learn more about which resources best meet local reliability needs so that LCR procurement can be more targeted."

II. COMMENTS

A. **The PD Errs in Concluding that the Commission Already Has “Addressed” and “Accounted For” the Retirement of the 965 MW Encina Facility in 2017 By Approving the 300 MW Pio Pico Facility Because the Pio Pico Decision – Unlike the Track 4 Decision - Assumed SONGS Would Remain in Service**

Short Answer: If the 965 MW Encina facility retires by the end of 2017 in time to meet the State-mandated OTC deadline, the PD says there likely would *not* be a reliability gap for as long as five (5) years thereafter – until 2022. The PD’s rationale is that the Commission’s approval of the 300 MW Pio Pico facility “addressed” and fully “accounted for” the retirement of Encina. SDG&E disagrees with this conclusion because the Commission’s Pio Pico decision assumed SONGS would remain in service. In contrast, the Commission’s Track 4 Decision, which is the basis for this Application, was based on updated assumptions, most importantly the closure of SONGS. The Commission should correct this error in its final decision.

More Detailed Answer: The PD at p. 22 states:

SDG&E claims that the Carlsbad PPTA [Power Purchase Tolling Agreement] will provide the additional benefit of enabling Encina to timely retire and replace its older, less-efficient generation facilities with more efficient and less polluting technology. . . . While bringing an additional 600 MW on line by Encina’s OTC compliance date of December 31, 2017, certainly reduces the risk of a reliability gap at that time, the Commission *addressed and accounted for* the potential reliability gap caused by Encina’s retirement when it determined SDG&E’s LCR [Local Capacity Requirement] need and authorized it to procure an additional 298 MW in D.13-03-029, and approved a PPTA to meet that need with the Pio Pico Energy Center in D.14-02-016. (emphasis added)

The above quote is a summary of the discussion at pp. 14-17 of the PD. As set forth below, the conclusion in the PD that the Commission already has “addressed and accounted for” the retirement of the 965 MW Encina facility when it approved the 300 MW Pio Pico facility represents a very flawed reading of the Commission’s Track 4 and Pio Pico decisions.

Although the Commission’s Pio Pico decision – which arose out of SDG&E’s 2010 LTPP proceeding – directed SDG&E to “coordinate” the PPTA start date for the 300 MW Pio Pico facility with the anticipated retirement of the 965 MW Encina facility,⁵ the Pio Pico decision did not include any analysis or any modeling with respect to the retirement of the 2,200 MW SONGS facility.⁶ In contrast, in the Track 4 proceeding – in the 2012 LTPP – the California Independent System Operator Corporation (“CAISO”) updated its models to include *both* the “retirement of OTC plants in the SONGS study area *and* the retirement of SONGS to produce an analysis of need for the area.”⁷ In addition, this analysis, and the Commission’s Track 4 Decision, already assumed the Pio Pico facility would be built.⁸ Thus, it is incorrect to state that the Pio Pico decision fully “addressed” and “accounted for” the retirement of Encina.

While the Track 4 Decision sometimes uses conflicting language to describe when SDG&E’s Track 4 Decision LCR need arises – a range of from 2018 to 2022⁹ – there can be no doubt – contrary to the PD – that at least a portion of SDG&E’s Track 4 LCR need is tied to the

⁵ See, e.g., D.13-03-029 at p. 25, Conclusion of Law (“COL”) 8: “It is reasonable to authorize SDG&E to procure up to 298 MW of local generation capacity to come on-line beginning in 2018, as coordinated with the anticipated retirement of once-through cooling generation units or other changing circumstances in its service territory.”

⁶ See, e.g., *id.* at p. 23, Finding of Fact (“FOF”) 13 (“There is no record evidence of the impact of a prolonged SONGS outage on SDG&E’s LCR need.”).

⁷ D.14-03-004 at p. 124, FOF 7 (emphasis added). See also *id.* at pp. 23-24: “In this Track 4 proceeding, the [CA]ISO modeled retirement of OTC plants in the SONGS study area, along with the retirement of SONGS, to produce an analysis of need for the area. The [CA]ISO essentially used the same models as in Track 1 to determine LCR needs for 2022 (including the expected retirement of OTC plants), but modified its modeling to reflect the loss of SONGS. Thus, the [CA]ISO did not narrowly attempt to identify how much local capacity will be needed to replace SONGS, but modeled overall LCR needs in the SONGS service territory through 2022.”

⁸ See, e.g., D.14-03-004 the table at p. 4 showing that SDG&E’s “Total [Procurement] Authorization” is 800 – 1,100 MW, which represents the 300 MW Pio Pico facility approved in D.14-02-016 *plus* the 500 – 800 MW Track 4 authorization.

⁹ For example, at pp. 11, 113 and 134 (FOF 91) of the Track 4 Decision, the Commission states either that “potential reliability issues surface[e] *starting in 2018*” or “[p]rocurement needs may become critical *as early as 2018*, whereas at pp. 23 and 124 (FOF 5), the Commission states that “both SCE and SDG&E have sufficient supplies to meet projected demands in the SONGS service area *through at least 2018*.” See also p. 134 (FOF 91): “Procurement needs may become critical as early as 2018, and certainly by 2020.”

December 31, 2017 OTC retirement deadline for Encina because the CAISO assumed both the retirement of Encina - and the permanent closure of SONGS - in its Track 4 studies.¹⁰ As SDG&E explained in its opening brief, this was based on the CAISO's 2018 interim studies introduced in the Track 4 proceeding:

Although the Track 4 planning studies performed jointly by SDG&E and SCE [Southern California Edison] did not examine local area need in 2018, the studies performed by the CAISO did include this analysis. The CAISO developed studies to assess both the interim (2018) and long-term (2022) local reliability needs in the Los Angeles Basin local area and San Diego sub-area resulting from an extended SONGS outage.¹¹ Indeed, the Track 4 LTPP testimony of Robert Sparks on behalf of the CAISO indicates a 920 MW need in San Diego beginning in 2018.¹² The CAISO's determination that new local capacity resources will be required in the San Diego sub area in 2018 formed the basis for the Commission's finding in the Track 4 Decision that "[p]rocurment needs may become critical as early as 2018 . . ."¹³

Moreover, the CAISO repeatedly emphasized in *this* proceeding the need to get the incremental resources authorized in the Track 4 Decision in place in San Diego "prior to the summer 2018 period" or "before summer of 2018" to ensure reliability and has done so with specific reference to the need for the Carlsbad Energy Center. *See, e.g.*, Exh. 4 at p. 4 (an "overloading concern was identified for summer 2018 peak load conditions under the scenario in which the Encina power plant is retired due to compliance with the State Water Resources Control Board's Policy on once-through cooling plants and SDG&E does not receive authorization from the Commission for its requested LCR needs to be in operation prior to summer 2018"), at p. 5 ("The [2013/2014] TPP [Transmission Planning Process] assumes that SDG&E will have Track 4 resources operational prior to 2018 peak load conditions to resolve this constraint"), at p. 6 ("The 600 MW of new resource capacity is needed before summer 2018

¹⁰ Exh. 31 (the CAISO's Track 4 Testimony) at p. 12.

¹¹ D.14-03-004 at p. 16.

¹² Exh. 31 at p. 19, Table 9.

¹³ D.14-03-004 at p. 134, FOF 91. *See also id.* at p. 113.

along with the transmission projects in Table 1 to ensure LCR needs are met”), at p. 7 (“The [Carlsbad Energy Center] facility is expected to be operational in November, 2017, prior to the summer 2018 period in which the CAISO has identified system reliability issues”), and at p. 8 (“Having the 600 MW Carlsbad plant in-service before summer of 2018 will help mitigate the degradation of deliverability of renewable generation in the Imperial zone expected to be in-service at that time”).

In summary, there is no basis for the PD’s conclusion that the Commission’s Pio Pico decision already addressed and fully accounted for the retirement of the 965 MW Encina facility in 2017.

B. The PD Errs by Largely Divorcing the Loading Order from any Consideration of Reliability or Other Policy Concerns Such as OTC Deadlines

Short Answer: SDG&E believes that compliance with the Loading Order is a key policy consideration but it should not be the exclusive consideration and it should not be divorced from other key State policy considerations such as reliability or meeting OTC deadlines. One illustration of how the PD gets this wrong is to compare one of the conclusions of law from the PD with one of the conclusions of law from the Commission’s Track 4 Decision:

- PD at p. 34, COL 7: “Consistency with the Loading Order and advancing California’s policy of fossil fuel reduction demand requiring the utility to procure preferred resources and energy storage to the fullest extent possible.”
- Track 4 Decision at p. 139, COL 37: “It is prudent to promote preferred resources to the greatest extent feasible, *subject to ensuring a continued high level of reliability.*” (emphasis added)

The missing emphasis in the PD on reliability and other important State policy considerations such as meeting OTC deadlines should be corrected in the Commission’s final decision in this matter.

More Detailed Answer: The PD, at p. 34, COL 7, states that “Consistency with the Loading Order and advancing California’s policy of fossil fuel reduction demand requiring the utility to procure preferred resources and energy storage to the fullest extent possible.” While SDG&E does not disagree with this as a statement of general principle, it largely ignores the Commission’s specific findings in the Track 4 Decision that compliance with the Loading Order must be balanced by reliability concerns and that a “significant amount” of conventional gas-fired resources – in addition to the 300 MW previously authorized for the Pio Pico facility – will be necessary “in order to ensure LCR needs will be met.”

The Track 4 Decision, for example, made the following specific factual findings with respect to the need to balance Loading Order considerations with reliability concerns and the need for additional gas-fired resources:

- “Authorizing SDG&E to procure between 500 and 800 MW [the incremental amount *above* the 300 MW previously authorized for Pio Pico]¹⁴ in its portion of the SONGS service area is within the range of prudent procurement.” D.14-03-004 at p. 133, Finding of Fact 81.
- “D.13-02-015, Finding of Fact 30 continues to be valid: ‘It is necessary that a significant amount of this procurement level be met through conventional gas-fired resources in order to ensure LCR needs will be met.’” *Id.* at Finding of Fact 82.
- “Pursuing procurement of preferred resources consistent with the Loading Order must be balanced by ensuring that grid operations are not potentially compromised by excessive reliance on intermittent resources and resources with uncertain ability to meet LCR needs.” *Id.* at Finding of Fact 83.

In the Track 4 Decision, the Commission also concluded as a matter of law that Loading Order considerations would need to be balanced with reliability concerns and the need for additional gas-fired resources:

¹⁴ See, e.g., D.14-03-004 at the table at p. 4.

- “It is reasonable to authorize SDG&E to procure between 500 and 800 MW [*in addition to* the 300 MW previously authorized for Pio Pico]¹⁵ in its portions of the SONGS service area.” D.14-03-004 at p. 139, Conclusion of Law 36.
- “It is prudent to promote preferred resources to the greatest extent feasible, *subject to ensuring a continued high level of reliability.*” *Id.* at Conclusion of Law 37. (emphasis added)
- “A prudent approach to reliability entails a gradual increase in the level of preferred resources and energy storage into the resource mix.” *Id.* at Conclusion of Law 38.
- “Consistent with D.13-02-015, it is reasonable to provide a level of flexibility to SCE and to ensure procurement consistent with [CA]ISO reliability standards by expanding the range of procurement specified in D.13-02-015 for gas-fired resources, preferred resources and energy storage.” *Id.* at Conclusion of Law 39.
- “A similar range of procurement flexibility should be provided to SDG&E as to SCE.” *Id.* at Conclusion of Law 40.
- “SDG&E should be authorized some flexibility to procure gas-fired, preferred and energy storage resources to meet reliability needs.” *Id.* at Conclusion of Law 43.

The PD also ignores that the Commission in the Track 4 Decision already determined that the 200 MW carve out for preferred resources and energy storage – in conjunction with SDG&E’s procurement of approximately 408 MW of *incremental* preferred resources in other dockets (totaling 608 MW or a 50/50 split between preferred and conventional resources) – reasonably satisfied the Loading Order. *See* D.14-03-004 at p.140, Conclusion of Law 44 – “Requiring 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” – and the discussion on this issue at p. 96 of the Track 4 Decision:

¹⁵ *Id.*

There are no requirements from D.13-03-027 for specific resource procurement amounts to meet SDG&E's LCR needs; however, SDG&E now has been approved to fill the authorized 300 MW from the gas-fired Pio Pico project. We will take a similar approach for SDG&E as for SCE. We approve SDG&E's proposal to issue an all-source RFO or enter into bilateral contracts for the additional 500 – 800 MW authorized herein. SDG&E proposes that it procure preferred resources through specific proceedings dedicated to these resources. We agree that SDG&E should continue to follow the Commission's requirements in other dockets; SDG&E already anticipates 407 MW will be procured in this manner. However, as with SCE, *it is our intent that SDG&E should also pursue significant percentages of procurement to replace SONGS through preferred resources, energy storage and consistency with the Loading Order. Therefore, SDG&E shall ensure that no less than 200 MW of procurement authorized by this decision is from preferred resources or energy storage.*" (emphasis added).

In its testimony and briefs, SDG&E also demonstrated that it has a need for resources that have the necessary flexibility – like the proposed Carlsbad Energy Center – to meet dual resources needs in SDG&E's service territory – resources to meet the demand in the late afternoon (generally between 4:00 PM and 5:00 PM) and a second resource need between 8:00 PM and 10:00 PM when loads are relatively high but supply of renewables has dropped off substantially. Fully dispatchable conventional resources, like the Carlsbad Energy Center, are near-ideal for meeting this dual-resource need in that they can ramp up and down, follow load and be started multiple times within a single day. Besides this dual resource need, as more renewable generation resources are added to the grid, these resources will be valuable in accommodating the variability associated with renewable generation and to provide a backstop when those resources are not available.

Finally, with respect to the PD's finding that the State Water Resources Control Board ("SWRCB") could simply extend the OTC deadline for Encina if a reliability issue arises,¹⁶ it is

¹⁶ See, e.g., PD at p. 32, FOF 4: "To the extent that the Encina OTC retirement were to cause a system reliability gap, the SWRCB, pursuant to CAISO recommendation, could adopt an extension of its operation beyond its December 31, 2017, OTC compliance date." See also PD at p. 16.

important to note that the Commission’s reasonable planning assumption in the Track 4 Decision (issued March 14, 2014) was that the OTC facilities in the SONGS study area would be timely retired.¹⁷ Even more recently, in the context of the Commission’s rehearing decision in the Pio Pico proceeding (issued June 26, 2014), the Commission made specific findings that the continued operation of Encina – beyond the OTC deadline - is “undesirable” and should “only occur as a response to an emergency:”

Claims that the Encina facility might not retire on the date it is currently scheduled to do so are speculative, and material in the record leads us to infer that this facility is undesirable and its continued operation would only occur as a response to an emergency.¹⁸

There is no basis in the record for changing the planning assumptions with respect to the retirement of the Encina OTC facility, particularly given the undesirability from a policy perspective of such an approach.

In summary, there is no basis for the PD’s assertion that SDG&E’s Application is inconsistent with the Commission’s directives in the Track 4 Decision and/or the Loading Order.

C. The PD Errs in Drawing Speculative Conclusions from the One-Week Old Raw Bid Data from SDG&E’s All-Source RFO

Short Answer: In arriving at its conclusions, the PD relies at least in part on highly preliminary bid data that does not reflect any viability assessment or any other kind of evaluation. SDG&E believes that it is wrong as a matter of law for the Commission to place any

¹⁷ D.14-03-004 at p. 86: “In D.13-02-015, Finding of Fact 10 stated: ‘It is reasonable to assume that the OTC plants in the SCE territory required to comply with SWRCB regulations will comply through retirement or repowering consistent with the SWRCB schedule, for the purpose of LCR forecasting in this proceeding. However, no finding on this point is intended to apply to SONGS’ [Footnote 183: The reference to SONGS in this Finding of Fact was intended to reference SONGS as an OTC plant. In other words, there was no Finding of Fact about whether SONGS would remain in service, retire, or repower in any given timeframe’]. We do not revisit this Finding. At the same time, we agree with ORA’s observation that it may be possible to extend OTC deadlines if it is necessary to ensure reliability. Any such action will occur through the appropriate process.”

¹⁸ D.14-06-053 at p. 38, Ordering Paragraph (“OP”) 12, adding new FOF 10a to D.14-02-016.

weight and to speculate and draw any conclusions based on this unverified and unanalyzed bid data.

More Detailed Answer: The PD at p. 19 states:

SDG&E's RFO has produced a robust number of offers for preferred resources and energy storage which could potentially meet some, if not all, of the 300 MW to 600 MW of SDG&E's LCR need that may be procured from any source. (Ex. 20.) We acknowledge SDG&E's important caveats regarding the viability of these offers: SDG&E has not yet completed conformance checks or analyzed project viability; the offers include multiple offers for different configurations of the same project; and some offers include more than one technology may be duplicate offers. (*Id.*) *Nevertheless, the evidence does not lead us to presume that the RFO will fail to produce feasibly available and cost-effective preferred resource options to meet SDG&E's procurement requirement beyond the 200 MW minimum of preferred resources and energy storage.* (emphasis added)

See also id. at p. 33, Finding of Fact 8.

The evidence referred to in the PD is Late-Filed Exhibit 20, which SDG&E submitted on January 13, 2015. Late-Filed Exhibit 20 summarized, at the ALJ's direction, the offers SDG&E received in its all-source RFO on January 5, 2015 organized at a very high level by resource type, number of megawatts and proposed on-line dates. Late-Filed Exhibit 20 contains no cost information, no viability assessment or any information whatsoever on which one could draw any reasoned conclusions, let alone conclusions with respect to feasibility, availability or reasonableness in general. It would be error for the Commission to place any weight on Late-Filed Exhibit 20 or draw any speculative conclusions from the one week-old raw bid data contained in Late-Filed Exhibit 20.

III. CONCLUSION

For the reasons discussed herein, SDG&E respectfully requests that the Commission correct the errors in the PD that SDG&E has identified herein. SDG&E's proposed revisions to the PD's Findings of Fact, Conclusions of Law and Ordering Paragraphs are set forth in Appendix A.

Respectfully submitted,

By: /s/ Steven C. Nelson
Steven C. Nelson

Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY
101 Ash Street
San Diego, CA 92101
Telephone: (619) 699-5136
Facsimile: (619) 699-4488
E-mail: SNelson@sempra.com

DATED this 26th day of March, 2015

APPENDIX A

SDG&E's Proposed Changes to the Findings of Fact, Conclusions of Law and Ordering Paragraphs

(Proposed additions are in underlined text and proposed deletions are in ~~striketrough~~ text)

Proposed Changes to Findings of Fact

~~6. Approval of the Carlsbad PPTA would preclude SDG&E from procuring preferred resources and energy storage in excess of the required minimum 200 MW.~~

~~7. SDG&E's RFO has produced a robust number of offers for preferred resources and energy storage which could potentially meet some, if not all, of the 600 MW of SDG&E's LCR need that may be procured from any source.~~

~~8. While it is not possible at this juncture to determine the viability of offers for preferred resources and energy storage, the evidence does not lead us to presume that the RFO will fail to produce any preferred resource options to meet SDG&E's procurement requirement beyond the 200 MW minimum of preferred resources and energy storage.~~

Proposed Changes to Conclusions of Law

3. D.13-03-029 authorized SDG&E to procure new generation to meet its LCR need, which it determined based on the assumption that SONGS remained in service and that the Encina OTC units would retire by 2018, and D.14-02-016 authorized SD&E's to enter into a PPTA with the Pio Pico Energy Center to meet that need.

5. D.14-03-004 ~~did not determine~~ recognized that SDG&E's LCR need ~~w~~could arise as early as 2018 upon the retirement of the Encina OTC units.

6. D.14-03-004 requires SDG&E to procure at least 200 MW, and allows SDG&E to procure up to 100 percent, of its LCR need from preferred resources and energy storage while recognizing that SDG&E should be authorized some flexibility to procure gas-fired resources to meet reliability needs.

7. Consistency with the Loading Order and advancing California's policy of fossil fuel reduction demand requiring the utility to procure preferred resources and energy storage to the fullest extent possible, subject to ensuring a continued high level of reliability.

8. ~~On balance,~~ The public interest in awaiting the results of SDG&E's RFO for purposes of ascertaining the availability of feasibly available and cost-effective preferred resources and/or energy storage in excess of the minimum required 200 MW outweighs ~~must be~~ balanced by the risk of a reliability gap/and or delay in the Encina OTC retirement (and its potential ratepayer costs).

9. The Carlsbad PPTA is a reasonable means of meeting 500 MW of SDG&E's LCR need, ~~in the event that the RFO fails to produce more than the minimum required 200 MW of feasibly available and cost-effective preferred resource and energy storage.~~

13. ~~This application should be denied without prejudice.~~

Proposed Changes to Ordering Paragraphs

1. Application 14-07-009 is ~~denied without prejudice~~ approved as revised herein to reflect a 500 MW project with the possibility of the Carlsbad Energy Center and SDG&E agreeing to a future incremental 100 MW amendment or option subject to the Commission's subsequent review and approval of the terms and conditions.