SDGE

Southern California Gas Company

Sempra Energy utilities

DOCKET
09-IEP-1O

DATE 8/11/2009

RECD. 8/11/2009

Tamara Rasberry
Manager, State Regulatory Affairs

925 L Street, Suite 650
Sacramento, CA 95814

(916) 492-4252
trasberry@sempra.com

August 11, 2009

California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

RE: Draft Joint Agency Staff Paper: Implementation of Once-Through Cooling Mitigation Through Energy Infrastructure Planning and Procurement

Dear Commissioners:

SDG&E appreciates the opportunity to provide comments on the California Energy Commission's (CEC's) report regarding Implementation of Once-through Cooling Mitigation through Energy Infrastructure Planning and Procurement. This report shows recognition by the multiple state agencies that the phasing out of once-through cooling (OTC) units must be done in a well-planned manner in order for the state to continue to be served with a safe, reliable supply of electricity at the lowest possible cost.

SDG&E believes it can reduce and then eliminate the need for the fossil plants that use OTC in its San Diego service area in a timely manner, through its past and future planning and procurement activities. The timeline will be driven by the time it takes to license and build new units in the region. The ability to reliably meet the electric needs in San Diego has been a constant goal of SDG&E's planning and procurement processes since the utility was returned to its current integrated planning role after the energy crisis. Since 2002, SDG&E has added or currently has under construction over 1,300 MW of new capacity in its service area. SDG&E currently has a Request for Offers (RFO) out that is seeking, among other products, proposals to build additional new capacity in the San Diego region. SDG&E has also aggressively pursued the Sunrise Powerlink, a new transmission line that will reach out to new renewable sources in the Imperial Valley. In addition to accessing renewable power sources, this line adds the equivalent of 1,000 MW of new capacity to a transmission constrained load pocket. By taking these actions to increase supply, through both generation and transmission solutions, SDG&E believes it can add sufficient new capacity to meet its local capacity requirements without the existing OTC units. However, if the existing OTC units are forced out of service prematurely, reliability of the electric supply would be at risk.

Regarding OTC at San Onofre Nuclear Generating Station (SONGS), SDG&E feels it is important for the state to recognize the mitigation that has already occurred. The owners (including SDG&E, a non-operating minority owner), at the direction of the California Coastal Commission, use an innovative ocean water intake system that protects 94 percent of fish from harm. Then the utilities developed several large-scale marine mitigation projects as an effective way to offset any impact from SONGS' ocean water cooling system on nearby kelp beds and fish populations. For example, the utilities have constructed a 171-acre artificial reef approximately one mile off the coast of San Clemente in Orange County. The artificial reef, completed in the summer of 2008, now provides a marine habitat for as many as 50 varieties of fish and invertebrates. Another marine restoration project, located in the San Dieguito River Valley of San Diego County, involves restoration of more than 150 acres of new coastal wetlands and more than 100 acres of new tidal salt marsh land. These efforts have resulted in significant increases of fish and wildlife, and a total of 440 acres of enhanced wetlands will soon be visible to visitors from the newly constructed coastal segment of the Coast to Crest Trail along the San Dieguito River.

Given these mitigation measures, SDG&E is urging state policymakers to (1) take into account the fact that SONGS has already offset SONGS' marine impact and (2) carefully review whether there are additional benefits to be gained from retrofitting the plant's cooling system that would match the high costs of such a project.

Regarding the specific questions that were posed to the investor-owned utilities (IOUs) at the July 28, 2009 workshop, the following are SDG&E's responses.

1. How should an RFO be structured, what changes are needed from the current process, to facilitate competition between possible greenfield sites, building new units on existing sites, and repowers that replace cooling systems?

   Response: SDG&E sees no need for any changes to its RFO process. As noted above, through the past and current RFO process, SDG&E believes it will be able to obtain enough new generation to allow the retirement of the existing OTC units in a timely manner and still maintain reliability in its load pockets. All types of projects compete to meet the local generation need.

2. How should an RFO be targeted to a particular location/product type?

   Response: For SDG&E, location needs and product types come from SDG&E's California Public Utilities Commission (CPUC)-authorized need. As far as location and product type, RFOs should be structured as broadly as possible to allow for the greatest amount of competition.

3. How would a repowering via AB 1576 be conducted/approved/completed?

   Response: There is nothing in AB 1576 that requires a special or separate procurement process. Thus, all offers should compete on merit in the RFO process. This bill was structured to assure the IOUs recover their costs if certain requirements are met.

4. For load serving entities (LSEs) who own fossil OTC units, given the SWRCB proposed OTC policy issued June 30, 2009, what combination of retrofit, repowering or retirement of various units at power plant facilities seem most likely?

   Response: SDG&E does not own any fossil OTC plants.

5. What are the LSE/PTO's plans to meet their resource adequacy (RA) and energy requirements without generators using OTC, either temporarily, as repower construction activities make a unit unavailable or permanently, if a unit is retired?

   Response: Meeting RA or energy needs without the existing fossil OTC plants is not an issue for SDG&E, so long as the final adopted rules do not force an early shutdown of OTC. As stated above, SDG&E has contracted for substantial, additional new generation and transmission. Our results to date have shown that new plants can be added in a manner that does not rely on OTC, so long as the existing OTC plants can continue to operate until the new plants are in service, and the OTC plants are no longer necessary.

Yours sincerely,

Tamara Rasberry

c: Mr. Michael Jaske, CEC, Electricity Supply Analysis Division