



California Public Utilities Commission

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PRESS RELEASE

Docket #: A.11-05-023

CPUC ACTS TO ENSURE RELIABLE ENERGY FOR SAN DIEGO

SAN FRANCISCO, March 21, 2013 - The California Public Utilities Commission (CPUC), in its ongoing mission to ensure safe, reliable, and affordable utility service to customers, today directed San Diego Gas & Electric (SDG&E) to procure up to 298 megawatts (MW) of local generation beginning in 2018, and authorized the utility to enter into a purchase power tolling agreement with Escondido Energy Center.

SDG&E's contract with Escondido Energy Center is a repowering of an existing 35 MW facility with a contract term of 25 years. After repowering is complete, the facility will be expanded to a total of 45 MW. The CPUC approved the contract due to the project's relative low cost, small size increase, high viability, and environmental benefits resulting from a repower.

The CPUC declined to allow SDG&E to enter into similar purchase power tolling agreements with Pio Pico Energy Center and Quail Brush Power. The agreements were denied, in part, because they were scheduled to come online in 2014, but the evidence demonstrated that there is no need for incremental local capacity until 2018, four years into the 20 year terms of the contracts. The CPUC found the timing mismatch ultimately to be unreasonable to ratepayers. In order to meet the remainder of the 298 MW need, the CPUC directed SDG&E to either issue new Requests for Offers or to submit for CPUC consideration a renewed application that better matches the timing issue or demonstrates a different showing of need for either Pio Pico and/or Quail Brush.

Said Commissioner Mark J. Ferron, the author of today's decision, "My goal is simple: to ensure that SDG&E can best meet the future needs of its customers while avoiding a situation where ratepayers



pay needlessly for new generation.” With respect to the Pio Pico and Quail Brush projects, Commissioner Ferron added, “It is only natural to look at these projects and conclude that they might help address not-yet-defined future problems. However, as tempting as it may be, I think this is the wrong approach. We run the risk of paying for new generation twice—once now and a second time if we have different, conflicting, future information.”

Said CPUC President Michael R. Peevey, “If SDG&E is able to amend the contracts we declined and bring them back to us, we will consider them. San Diego is going to need plants with flexible operating qualities in the very near future.”

Added Commissioner Mike Florio, “At present, the evidence supporting the need for Pio Pico and Quail Brush is inconclusive and SDG&E’s customers should not be made to pay until it is conclusive. Going forward SDG&E will continue to monitor system reliability in its service territory. If circumstances change and new evidence comes to light supporting the need for these or other resources, the CPUC will stand ready to meet its obligation to ensure safe, reliable, and affordable service.”

Today’s decision was made as part of the CPUC’s Long-Term Procurement Planning process, which established the need for additional energy supplies for the San Diego area beginning in 2018.

The proposal voted on today is available at

<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M060/K898/60898567.PDF>.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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