

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of San Diego Gas & Electric
Company (U902E) for Authority to
Acquire the CalPeak El Cajon Energy
Facility.

A.11-01-004
(Filed January 5, 2011)

**OPENING BRIEF
OF THE DIVISION OF RATEPAYER ADVOCATES**

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June 3, 2011

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I. INTRODUCTION

Pursuant to Rule 13.11 of the Commission's Rules of Practice and Procedure, and the schedule set forth by Administrative Law Judge Yip-Kikugawa, the Division of Ratepayer Advocates (DRA) submits this Opening Brief on San Diego Gas and Electric's (SDG&E) Application to acquire the CalPeak El Cajon Energy Facility.

II. BACKGROUND

San Diego Gas and Electric (SDG&E) filed an Application to acquire the CalPeak El Cajon Energy Facility Application (A.) 11-01-004 on January 5, 2011. In its application, SDG&E requests authority to exercise a purchase option to acquire CalPeak-El Cajon LLC's (CalPeak) El Cajon Energy Facility (ECEP). SDG&E currently receives generation produced at ECEP pursuant to a contract between CalPeak and DWR, which is administered by SDG&E on behalf of DWR. CalPeak's contract with DWR expires January 1, 2012 and SDG&E seeks to take ownership of the facility immediately thereafter. ECEP is located on SDG&E's property at its El Cajon substation and the purchase option is part of SDG&E's land lease agreement with CalPeak Power-El Cajon.¹

¹ Section 20 of the *Agreement to Lease Real Property for Installation of Generators*, pp. 18-19 executed between SDG&E and CalPeak Power, LLC on 2/12/002. This Agreement was subsequently amended on May 26, 2006.

ECEF is a single unit 52 MW simple-cycle peaker plant. It is surrounded by the SDG&E Eastern Operating and Maintenance Center. It has a California Independent System Operator (ISO) Net Qualified Capacity rating of 42.2 MW and it began operating in 2002.²

SDG&E requests that the Commission issue a decision finding that:

1. SDG&E's bundled customers need the ECEF resource;
2. The price and terms set forth in the Purchase Option Implementation Agreement ("POIA") are just and reasonable;
3. Full cost recovery in rates, requested by SDG&E, should be granted; and,
4. Such other relief as is necessary and proper.

III. RECOMMENDATION

Based on DRA's review, DRA recommends that the Commission approve SDG&E's purchase of Calpeak ECEF for a total of \$16.8 million, subject to a cost containment mechanism. DRA recommends that the Commission include an Ordering Paragraph with a cost control mechanism as follows:

- Recoverable Operation and Maintenance (O&M) costs on this project may not exceed SDG&E's estimates³ of \$679,000 for 2012, \$701,000 for 2013, \$723,000 for 2014, and \$745,000 for 2015. These cost caps would remain effective until the final Commission decision on SDG&E's 2012 General Rate Case.
- Recoverable Capital costs may not exceed SDG&E's total project cost estimate of \$16.8 million. SDG&E could be authorized, however, to file an application for approval of any excess capital costs, but such an application would require SDG&E to demonstrate that such excess amounts were reasonable and should be recovered in rates.
- In order to track the costs, DRA recommends that the Commission order SDG&E to submit an annual Tier 3 advice letter filing that compares actual expenditures to the \$ 16.8 million capital cost cap.

² Prepared Direct Testimony of San Diego Gas & Electric Company in Supports [sic] of Application for Authority to Acquire the CalPeak El Cajon Energy Facility (Confidential Version) ("Confidential Testimony"), page (p.) 2.

³ Confidential Testimony, p. 45.

Respectfully submitted,

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