

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



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Application of San Diego Gas & Electric
Company (U 902 M) for Approval of The
SDG&E Solar Energy Project

Application 08-07-017
(Filed July 11, 2008)

**REPLY OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M)
TO RESPONSES TO THE PETITION FOR MODIFICATION OF
SAN DIEGO GAS & ELECTRIC COMPANY**

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May 31, 2011

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**I.
INTRODUCTION AND SUMMARY**

Pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), San Diego Gas & Electric Company (“SDG&E”) submits this Reply to the Responses of the Division of Ratepayer Advocates (“DRA”) and the Solar Alliance to SDG&E’s Petition for Modification of SDG&E’s Solar Energy Project (“SEP”) approved in D.10-09-016. In particular SDG&E notes that pursuant to Rule 16.4(g), as a party which has filed a Petition For Modification (“Petition”), SDG&E requested and received permission from Administrative Law Judge (“ALJ”) Maryam Ebke to file this Reply¹.

**II.
REPLY TO DRA**

In its Response, DRA urges the Commission to approve SDG&E’s Petition subject to three clarifications²:

- Allow the two-year renewable auction mechanism (“RAM”) solicitation window to be extended to four years under the condition that the 81 MW associated with SDG&E’s original RAM program be procured in the first two years of the proposed four year program consistent with the RAM Decision.

¹ By email dated May 25, 2011, ALJ Ebke granted SDG&E’s request to file this reply.

² DRA Response, p. 3.

- Allow the 74 PV MWs of the combined RAM MWs to remain projects which will be located within SDG&E's service area under the condition that the remaining 81 MWs be located consistent with the RAM Decision.
- Allow the in-process bilateral transactions currently being negotiated to offset the 74 MW of SEP PV under the condition that the negotiated prices of the contracts is as good or better than the final negotiated prices from the first RAM auction.

SDG&E agrees with DRA and submits that the remaining capacity, i.e., the capacity exclusive of the 74 MW SEP capacity should be procured in accordance with the RAM program, which allows the utilities to develop "product buckets." SDG&E's proposed product buckets are heavily weighted to procure products within its service territory as provided in SDG&E's original RAM advice letter, AL 2232-E.³ This proposed procurement structure is currently under review by the Commission.

III. REPLY TO THE SOLAR ALLIANCE

In contrast to DRA, the Solar Alliance suggests the Commission reject SDG&E's proposal to increase the solicitation time line for SEP MWs from two to four years, but that if the Commission does grant SDG&E's request, the Solar Alliance recommends the MWs subject to the combined programs be solicited as follows: Year 1: 59 MW, Year 2: 59 MW, Year 3: 19 MW, Year 4: 18 MW.⁴

SDG&E disagrees with both of the Solar Alliance's alternative recommendations and urges the Commission to approve the increase in the solicitation time line from two to four years, as recommended by DRA and reject Solar Alliance's prescriptive four year MW procurement schedule. SDG&E submits that its auction schedule effectively and efficiently combines the procurement requirements from both the RAM (80 MW over two years) and the SEP (74 MWs

³ SDG&E AL 2232-E, pp. 2-3.

⁴ Response of Solar Alliance, p.3.

over 5 years). SDG&E further submits that it is prudent for SDG&E to use the initial year of RAM auctions as a learning experience to identify and address any issues and ensure that the process produces the desired results. An arbitrary, prescriptive frontloading of the procurement process under the combined RAM/SEP would only aggravate any problems which may occur and lead to less than optimum results.

The Solar Alliance also urges the Commission to reject SDG&E's proposal to restrict SEP procurement projects to those located within SDG&E's service territory.⁵

The Solar Alliance's suggestion should be rejected. SDG&E submits that it is reasonable to restrict the 74 MW from SEP to SDG&E's service territory because the location of solar PV generation on SDG&E's distribution system was an essential element of and a primary purpose for the SEP program as approved by the Commission. There is no basis for the Commission to eliminate this requirement for SEP MWs. In addition, the remaining 80 MWs of capacity should be procured in accordance with the RAM program, which allows the utilities to develop "product buckets" as set forth above.⁶

The Solar Alliance further suggests the Commission reject SDG&E's proposal to allow application of pending bilaterals to be applied against the MWs to be procured under the combined program, offering the opinion that allowing bilaterals to count toward the SEP and/or RAM totals runs counter to the Commission's stated preference for competitive solicitations.⁷

SDG&E submits that due to the absence of any Commission approved RFOs in 2010, SDG&E contracted bilaterally to purchase approximately 80 MWs of small-scale solar projects (between approximately 2 and 15 MW each). SDG&E's good faith decision in the absence of Commission approved RFOs to work bilaterally with these small scale solar projects is entirely

⁵ Response of Solar Alliance, pp. 3-4.

⁶ D.10-12-048, *mimeo*, p. 35.

⁷ Response of Solar Alliance, pp.4-5.

consistent with the Commission's focus on increasing procurement of MWs from such projects. If SDG&E had waited for authorization to initiate either an SEP RFO or a RAM auction, the projects in question would still be delayed and in limbo, particularly given the uncertainty surrounding the availability of federal stimulus and tax incentives beyond 2011. Instead of waiting, SDG&E chose to move forward and execute PPAs to procure these MWs, and is requesting that such contracts be counted towards the combined RAM/SEP program but only to the extent that the negotiated prices provided by these bilateral contracts are competitive with respect to the prices of successful RAM projects, as suggested by DRA.

Dated this 31st day of May, 2011.

Respectfully submitted

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