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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.	Rulemaking 10-05-006 (Filed May 6, 2010) (NOT CONSOLIDATED)
Application of San Diego Gas & Electric Company (U 902 E) for Authority to Enter into Purchase Power Tolling Agreements with Escondido Energy Center, Pio Pico Energy Center and Quail Brush Power.	Application 11-05-023 (Filed May 19, 2011)

JOINT ASSIGNED COMMISSIONERS' RULING

In the Rulemaking (R.) 10-05-006 addressing Long-Term Procurement Plans (LTPP), San Diego Gas & Electric Company (SDG&E) has requested that the Commission authorize 415 megawatts (MW) of new generation to meet its Local Capacity Requirement (LCR). (SDG&E Opening Brief at 11.) As SDG&E notes:

> [E]ven if system-wide studies do not identify a need for additional resources on a statewide basis, there may nevertheless still be a need for new resources to meet local resource adequacy criteria. (Id. at 5.)

According to SDG&E, this is primarily because of physical transmission constraints. (Id. at 5-6.) SDG&E describes the criteria and process that has been previously been applied to this issue:

> SDG&E's service area has been treated as a single load pocket since the creation of the CAISO [California Independent System Operator]. Accordingly, the CAISO determines on an annual basis if there are sufficient resources in the load pocket to meet grid

> reliability criteria, referred to as the G-1, N-1 criteria. These criteria require that SDG&E be capable of serving the entire load in its service area on a hot summer day – which is defined as a summer day that is expected once every ten years – while the largest transmission line and the largest generator are both out of service. These criteria have been endorsed by the Commission, which has used them to set the LCR in its resource adequacy program. The Commission also applied these criteria in determining the authorization for new resources approved in the 2006 LTPP proceeding. (Id. at 6, fn. Omitted.)

In the LTPP proceeding, the scoping memo set forth certain standardized planning assumptions that the utilities were required to use in preparing their procurement plans. The utilities could, however, also propose their own alternate assumptions. SDG&E proposed its own alternate assumptions in this area, making a series of what it called "updates/corrections" to the required assumptions. SDG&E's showing of need for 415 MW is based on its alternate assumptions. (Id. at 5.)

A number of parties oppose SDG&E's request. The Division of Ratepayer Advocates (DRA) argues that SDG&E's calculation of need is based on assumptions that are "inadequately justified and very flawed." (DRA Reply Brief at 5-6.)

Pacific Environment says that SDG&E "fails to support or justify its request for 415 MW for local capacity reliability," criticizes SDG&E's assumptions for energy storage and energy efficiency, and goes on to state:

> Even considering these numerous flaws, as SDG&E admits, it only calculates 180 MW of need, [fn. Omitted] and it has failed to conduct any detailed analysis to determine whether that need or the cushion SDG&E proposes is even necessary.

> In fact, SDG&E's speculative cushion demonstrates that its request is based largely on guesses and estimates. (Pacific Environment Reply Brief at 7.)

The Natural Resources Defense Council (NRDC) makes a similar argument:

> There is no need to grant SDG&E procurement authority because even under the most conservative efficiency assumptions plausible, and even under SDG&E's preferred nonefficiency assumptions, SDG&E still shows a surplus of capacity. (NRDC Opening Brief at 9.)

The Sierra Club also agrees with the critics of SDG&E's proposal. (Sierra Club Reply Brief at 1-3.)

Subsequent to testimony, hearings, and briefing in the LTPP proceeding, the CAISO issued a significant report that directly relates to this issue: "2011/2012 Transmission Planning Process Stakeholder Meeting Policy-Driven & Economic Study Preliminary Results." Because of the centrality of the CAISO processes and data to this issue, it would be beneficial to our decision-making process for the information in this report to be taken into consideration, and for the parties to have an opportunity to address the information in this report.

For this proceeding to do so would either require that the record be reopened, delaying the resolution of not only this but also important issues, or that this issue be deferred to the next phase of this proceeding (or a successor proceeding), which would delay resolution of this issue.

In the meantime, Application (A.)11-05-023, SDG&E's application for authority to enter into power purchase agreements with Escondido Energy Center, Pio Pico Energy Center and Quail Brush Power, is pending before us. That application raises the issue of need for the contracts in consideration of,

among other things, the Commission's decision in the LTPP rulemaking that was expected to update SDG&E's resource needs. Because of the common underlying issues of fact between A.11-05-023 and Track I of LTPP, and the expectation at the time that a decision would issue on Track I by the end of 2011, SDG&E and DRA made an unopposed motion to postpone evidentiary hearings in A.11-05-023 until the issuance of that decision; the motion was granted. In order to ensure that this latest analysis and information from the CAISO is integrated into the Commission processes in the most expeditious manner, and to avoid unnecessary further delay to A.11-05-023, the issue of SDG&E's LCR will be addressed in A.11-05-023, rather than in the LTPP proceeding.

The process for incorporating the CAISO report into the record of A.11-05-023 will be determined by the assigned ALJ and/or Commissioner for that proceeding. In addition, the assigned ALJ in A.11-05-023 may determine whether to incorporate any portions of the record of the LTPP proceeding into the record of A.11-05-023.

IT IS RULED that:

1. The issue of San Diego Gas & Electric Company's (SDG&E) Local Capacity Requirement will be addressed in Application (A.) 11-05-023.
2. The process for addressing the issue of SDG&E's Local Capacity Requirement in A.11-05-023 will be determined by the Administrative Law Judge and/or Commissioner assigned to A.11-05-023.

Dated January 18, 2012, at San Francisco, California.

/s/ MICHAEL R. PEEVEY	/s/ MARK J. FERRON
Michael R. Peevey	Mark J. Ferron
Assigned Commissioner	Assigned Commissioner