

Decision 09-12-004 December 3, 2009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Diego Gas & Electric Company (U902E) for a Certificate of Public Convenience and Necessity for the Sunrise Powerlink Transmission Project.

Application 06-08-010
(Filed August 4, 2006)

**DECISION CORRECTING ERRORS IN DECISION 08-12-058
AND DECISION 09-07-024 AND CLOSING PROCEEDING**

1. Summary

All outstanding matters having been resolved, this decision closes the proceeding after correcting, on the Commission's own motion, a procedural ambiguity concerning service of status reports in Ordering Paragraph 13 of Decision (D.) 08-12-058 and two inadvertent calculation errors in D.08-12-058 and in D.09-07-024, our decision denying rehearing of D.08-12-058. We correct the calculation errors to remove inconsistencies in the analysis that underlies these decisions but the corrections do not affect the rationale for our ultimate determination to approve construction of the Final Environmentally Superior Southern Route alternative for the Sunrise Powerlink Project and that determination remains unchanged.

2. Background

Decision (D.) 08-12-058 granted the application of San Diego Gas & Electric Company (SDG&E) for a Certificate of Public Convenience and Necessity to construct the Sunrise Powerlink Project via the Final Environmentally Superior

Southern Route alternative and thereby addressed all substantive issues raised in Phases 1 and 2 of this proceeding. D.09-07-024 modified D.08-12-058 in certain respects and denied rehearing of D.08-12-058, as modified. Subsequently, the Commission has addressed all intervenor compensation requests arising from Phases 1 and 2.

D.09-07-018 adopted, with clarifications, the parties' proposed settlement of Phase 3 issues.

3. Clarification of Ordering Paragraph 13

Ordering Paragraph 13 of D.08-12-058 requires SDG&E to make quarterly status reports on the progress of the project. On our own motion we revise Ordering Paragraph 13, which is internally ambiguous, to clarify that the reports must be filed but that such filings will not reopen the proceeding.

4. Correction of Calculation Errors

4.1. Ratio of Firm-To-Installed Solar Photovoltaic

The first calculation error arises from the incorrect use in both D.08-12-058 and D.09-07-024 of 50%, rather than 39%, as the ratio of firm-to-installed solar photovoltaic (PV) capacity in the SDG&E service territory. This inadvertent error affects the value of the "sunk" solar PV costs deducted from the capital cost of the All-Source Generation Alternative, a deduction performed to avoid double-counting, since the sunk costs already had been accounted for under the California Solar Initiative (CSI). We describe the error in greater detail in the following paragraph.

Both decisions adopt SDG&E's assumption that the ratio of firm-to-installed solar PV capacity in the SDG&E service territory equals 39%. (D.08-12-058 at 40, fn. 92 citing SDG&E Exhibit SD-27 at 6; D.08-12-058 at 157, fn. 446 as modified by D.09-07-024 at 34 [Ordering Paragraph 6]; D.09-07-024 at 30.)

However, the decisions also inadvertently apply a different ratio, 50%, which is the assumption that SDG&E had used initially, in Phase 1 of the proceeding. (D.08-12-058 at 156 (referencing 210 Megawatt (MW) solar PV (nameplate) and 105 MW solar PV (firm capacity) for the All-Source Generation Alternative); D.09-07-024 at 31, fn. 7; see also SDG&E Exhibit SD-6 at IV-14.)

Therefore, on our own motion we modify D.08-12-058 and D.09-07-024 to consistently use a 39% ratio of firm-to-installed solar PV capacity.

4.2. Solar PV Installations under the CSI

The second calculation error arises because D.08-12-058 and D.09-07-024 use different assumptions about the levels of solar PV installed under the CSI than the levels assumed in the Analytical Baseline. This error also affects D.09-07-024's calculation of the value of sunk solar PV costs that should be deducted from the capital cost of the All-Source Generation Alternative.

More particularly, the calculations of sunk solar PV costs in D.08-12-058 and D.09-07-024 assume that the CSI would result in installation of 3 MW (firm) of solar PV per year in SDG&E's service territory from 2006-2016. However, the Analytical Baseline adopted in D.08-12-058 attributes a different level of solar PV installation to the CSI -- between 3 MW and 4 MW per year -- an assumption that is consistent with Commission findings in D.07-12-052, an earlier decision in a different docket. (*See* D.08-12-058 at 40; Exhibit Compliance 1.)

Therefore, on our own motion we modify the calculation of the sunk solar PV costs to accurately reflect the levels of installed solar PV the Analytical Baseline attributes to the CSI.

4.3. Conclusion

Consistent application of a 39% ratio and use of accurate levels of solar PV (those assumed in the Analytical Baseline) result in recalculation of the costs of

sunk solar PV. The recalculated sum, \$436 million, is the amount that must be subtracted from the assumed capital cost of the All-Source Generation Alternative. Therefore, we replace \$368 million, the amount of sunk solar PV costs assumed in D.08-12-058 as modified by D.09-07-024, with the correct amount, \$436 million.

5. Assignment of Proceeding

Dian M. Grueneich is the assigned Commissioner and Jean Vieth is the assigned Administrative Law Judge (ALJ) in this proceeding.

6. The Proceeding Should be Closed

Nothing further remains for the Commission to resolve. Therefore, there is no reason for this proceeding to remain open and it should be closed.

7. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed timely on November 23, 2009, by SDG&E and the Utility Consumers' Action Network (UCAN), and reply comments were filed timely on November 30, 2009 by SDG&E.

Both parties address the proposed decision's correction of economic errors and argue that those corrections require additional - but different - adjustments. As we discuss below, both parties are incorrect that the recalculation of CSI sunk costs (\$436 million) results in a change to the levelized annual net benefits of the All-Source Generation Alternative.

UCAN contends that although the proposed decision reduces the capital cost of the All-Source Generation Alternative, it fails to reflect the corresponding

change to the annualized cost. According to UCAN, an adjustment of \$436 million to the capital cost reduces the levelized annual cost by \$6.5 million.

SDG&E supports the proposed decision's correction of economic errors but contends that those corrections increase the levelized annual net benefits for the All-Source Generation Alternative. SDG&E claims we should modify the scenarios in Tables 14 and 15 of D.08-12-058 to show an increase of \$6 million per year, resulting in a new total of \$99 million per year. SDG&E's proposed corrections to Table 15 reflect this increase as a "reliability" benefit. According to SDG&E, the purported increase affects neither the economic (net benefit) ranking of the various alternatives nor our ultimate determination to approve construction of the Final Environmentally Superior Southern Route alternative for the Sunrise Powerlink Project.

Neither UCAN nor SDG&E is persuasive. In D.08-12-058, we assumed that the renewable resource savings could not be less than zero, based on the modeling assumption that least cost renewable resources would be delivered whether or not Sunrise was built. (D.08-12-058 at 137.) Therefore, since the Commission's Update to the Compliance Exhibit determined that the renewable portfolio standard (RPS) benefits for the All-Source Generation Alternative were negative, these negative "benefits" were zeroed out when calculating the net benefits. (See D.08-12-058 at 137-138 and at 161-162 [Table 15].) Based on the methodology used in D.08-12-058, the corrected CSI sunk costs (\$436 million) translate into an approximately \$6 million per year increase in the levelized annual RPS benefits of the All-Source Generation Alternative. An increase of \$6 million per year to the RPS benefits for the All-Source Generation Alternative scenarios in the Commission's Update to the Compliance Exhibit still does not result in positive RPS benefits for the All-Source Generation Alternative

scenarios. Therefore, those benefits are still set at zero, and there is no change to the net benefits of the All-Source Generation Alternative.

UCAN also urges us to refrain from closing this docket so that we made be spared an administrative burden, since UCAN intends to file a petition for modification sometime in the coming year. While UCAN is correct that the filing of such a petition would require us to reopen the closed docket, UCAN's concern is unfounded. UCAN provides no reason for us to depart from our standard and orderly administrative procedure.

We do not find that either parties' comments warrant any further modifications to the proposed decision.

Findings of Fact

1. Ordering Paragraph 13 of D.08-12-058 should be corrected to clarify that the quarterly status reports required must be filed but that such filings will not reopen the proceeding.

2. D.08-12-058 and D.09-07-024 inconsistently use two different values, 39% and 50%, for the ratio of firm-to-installed capacity of solar PV.

3. It was incorrect to use the 50% ratio for firm-to-installed capacity of solar PV; D.08-12-058 and D.09-07-024 should have applied the 39% ratio throughout the decisions.

4. Unlike its initial evidence, SDG&E's subsequent evidence applies a 39% factor to convert installed capacity of solar PV to firm capacity.

5. The calculations in D.08-12-058 and D.09-07-024 for determining the sunk solar PV costs to deduct from the capital cost of the All-Source Generation Alternative should use, as assumptions for the levels of solar PV installed under the CSI, the same assumptions used in the Analytical Baseline.

6. Correcting D.08-12-058 and D.09-07-024 to consistently apply a ratio of firm-to-installed capacity for solar PV equal to 39% and accurately reflect the levels of solar PV installed under the CSI assumed in the Analytical Baseline results in \$436 million being deducted from the capital cost of the All-Source Generation Alternative to account for the solar PV already paid for in the CSI program.

7. The Commission has resolved all outstanding issues in the proceeding.

Conclusions of Law

1. Ordering Paragraph 13 of D.08-12-058 contains an internal, procedural ambiguity.

2. D.08-12-058 and D.09-07-024 contain an inadvertent error because they inconsistently use two different ratios, 39% and 50%, for firm-to-installed capacity of solar PV.

3. There is an inadvertent error in the calculation in D.08-12-058 and D.09-07-024 of the amount of sunk solar PV costs to be deducted from the capital cost of the All-Source Generation Alternative because the calculation does not accurately reflect the levels of installed solar PV the Analytical Baseline attributes to the CSI.

4. As nothing further remains to be decided by the Commission in this proceeding, this proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. Ordering Paragraph 13 of Decision 08-12-058 is corrected to read:
SDG&E shall file quarterly Sunrise project status updates. Contained in these status reports shall be, at minimum, a comprehensive project development schedule, including

estimated project in-service date; any changes in project scope and schedule, including the reasons for such changes; any engineering difficulties encountered in constructing the project; the need for the Encina transformer, the cost of undergrounding in Alpine Boulevard, and the amount of undergrounding contemplated; total estimated project costs; actual spending to date; any and all filings submitted to FERC for ultimate cost recovery through transmission rates; and, any additional information SDG&E believes relevant and necessary to accurately convey the status of the Sunrise project. This quarterly report shall be served ~~(but not filed)~~ on each Commissioner, the Director of the Commission's Energy Division, and the service list for Application 06-08-010. Filing of a quarterly report shall not reopen this proceeding.

2. Decision (D.) 08-12-058 and D.09-07-024 are corrected to consistently apply a ratio of firm-to-installed solar PV capacity of 39%.

3. The reference to "210 MW of solar PV by 2016" for the All-Source Generation Alternative in the last sentence of the second paragraph on page 156 of Decision 08-12-058 is corrected to read: "269 MW of solar PV by 2016."

4. The second sentence of the first paragraph on page 236 of Decision 08-12-058 is deleted and replaced with the following:

This alternative is a combination of various San Diego area renewable projects that collectively could provide up to 533 MW (firm)/1,059 MW (nameplate) of renewable resources in San Diego's service area by 2016.

5. The reference to "Solar PV (210 MW)" in the second bullet point on page 236 is corrected to read: "Solar PV (105 MW (firm))."

6. The fourth and fifth sentences in the second paragraph on page 255 are corrected as follows:

In contrast, the All-Source Generation Alternative proposes the development of 203 MW (firm) of solar PV and other

distributed renewables in San Diego's service area by 2010.

The In-Area Renewable Alternative proposes the development of a total of ~~1,000 MW~~ 533 MW (firm)/1,059 MW (nameplate) of renewable resources in San Diego's service area, ~~900 MW by 2016,~~ 433 MW (firm)/959 MW (nameplate) of which are intermittent solar and wind resources.

7. The references to "\$368 million" in the first paragraph on page 31 of Decision 09-07-024 are corrected to read: "\$436 million (2010\$)."

8. Footnote 7 on page 31 of Decision 09-07-024 is deleted in its entirety and replaced with the following:

The \$436 million (2010\$) is derived as follows: (1) Calculate the cost of PV in the CSI program (70 MW by 2016, added from 2007-2016 in 7 MW increments at a cost of \$11,718 per installed firm kW (2006\$)). The cost of PV of \$11,718 per installed firm kW (2006\$) is based on PV costs of \$24,783 per installed firm kW (2006\$) multiplied by (200 \$/MWh/423 \$/MWh) in order to scale the costs to reflect CAISO's CRS levelized costs for PV. Per Exhibit Compliance 1, SDG&E's levelized costs for PV were 423 \$/MWh and CAISO's CRS levelized costs for PV were 200 \$/MWh. \$24,783 \$/kW (firm installed 2006\$) is based on the following: \$2,197,000,000 (2010\$) (from Exhibit Compliance 1) * (1.02 ^ (2006 - 2010))(to convert 2010\$ to 2006\$) / (210,000 kW (installed capacity from Exhibit Compliance 1) * 39% (ratio of firm capacity associated with PV divided by installed capacity from SDG&E Exhibit SD-27, p. 6)). Installed costs per firm kW are escalated at 2% per year per CAISO, Exhibit I-12, p. 7. Thus, costs of the CSI for the period from 2007-2016 equals \$825 million (NPV 2010\$) using a discount rate of 8.13% per Exhibit Compliance 1; (2) Calculate the cost of PV in the Analytical Baseline (30 MW firm by 2015, added from 2007 at between 3 MW and 4 MW per year (i.e., 33 MW by 2016), using the same costs as those assumed in (1). Thus, the installed costs of the PV in the Analytical Baseline equals \$389 million (NPV 2010\$). Therefore, the "sunk costs" of the CSI program equals the difference between the costs calculated in steps (1) and (2) above (i.e., \$825 million - \$389 million). Thus, the sunk costs equal

\$436 million (NPV 2010\$). The net cost of the All-Source Generation Alternative is the difference between the costs calculated in step (1) above and the “sunk costs” previously discussed. (All references to Exhibit Compliance 1 in this footnote are references to Exhibit Compliance 1, Section_4_Workpapers-Rebuttal (Modified for DEIR)_Final_v3, “DEIR Renewable Costs” Tab.)

9. Ordering Paragraph 5 on page 33 of Decision 09-07-024 is corrected to subtract “\$436 million (2010\$)” from the assumed capital cost of the All-Source Generation Alternative, rather than “\$368 million (2010\$).”

10. Ordering Paragraph 20 on page 39 of Decision 09-07-024 is corrected to subtract “\$436 million (2010\$)” from the assumed capital cost of the All-Source Generation Alternative, rather than “\$368 million (2010\$).”

11. The corrections made to Decision (D.) 08-12-058 in this order apply to D.09-07-024 to the extent it modifies or references D.08-12-058.

12. Any holdings in Decision (D.) 08-12-058 or D.09-07-024 inconsistent with today’s order are hereby superseded.

13. Application 06-08-010 is closed.

This order is effective today.

Dated December 3, 2009, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners