PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-3948**
September 8, 2005

R E S O L U T I O N

Resolution E-3948. San Diego Gas and Electric for approval of its updated long-term procurement plan filed in compliance with D.04-12-048.

By Advice Letter 1684-E, filed April 12, 2005.

SUMMARY

This Resolution approves San Diego Gas and Electric Company's (SDG&E) updated long-term procurement plan filed in compliance with Decision (D.) 04-12-048.

Per Ordering Paragraph (OP) 1 of D.04-12-048, SDG&E filed its updated long-term procurement plan on April 12, 2005.[1]

SDG&E requested that the filing be effective on March 25, 2005.

The Advice Letter (AL) submitted by SDG&E includes confidential appendices intended to demonstrate its compliance with D.04-12-048. SDG&E submitted those appendices as Confidential Material protected by Section 583 of the Public Utilities Code, which prohibits disclosure of confidential public utility information except by Commission order or in the course of a hearing or proceeding. SDG&E also provided public versions of its updated energy and capacity tables, which are based on aggregated data.

The City of Chula Vista protested SDG&E AL 1684 on May 2, 2005.

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[1] SDG&E filed the update to its long-term procurement plan on March 25, 2005 as directed by D.04-12-048. In response to Energy Division's request, SDG&E resubmitted the filing as an Advice Letter on April 12, 2005.

This resolution rejects the City's protest and approves AL 1684-E effective today, August 25, 2005

BACKGROUND

D.04-12-048 orders the three major electric utilities to submit compliance filings to update their procurement plans in accordance with the direction provided in the Decision.

On December 16, 2004, the Commission adopted D.04-12-048 in Rulemaking (R.)04-04-003, an Order Instituting Rulemaking to Promote Policy and Program Coordination and Integration in Electric Utility Resource Planning.

The objective of D.04-12048 was "to give the three IOUs [investor-owned utilities] authorization to plan for and procure the resources necessary to provide reliable service to their customer loads for the planning period 2005 through 2014" as well as "coordinate and incorporate Commission and legislative efforts for other proceedings."[2] Towards this end, D.04-12-048 adopted the long term procurement plans of the three IOUs (Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company), provided direction on resource planning, and ordered the following:

"Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) shall, by no later than March 25, 2005, submit a compliance filing updating their procurement plans to reflect the changes and modifications adopted in today's decision. This compliance filing, shall include, but not be limited to the following:

a. Annual energy and capacity resource accounting tables, consistent with directions on baseline load forecasts adopted in this decision;
b. Procurement activities undertaken by the utilities subsequent to their initial filings in this proceeding;
c. Revised energy efficiency targets as adopted in Decision (D.) 04-09-060;
d. Demand response programs proposed for 2005 implementation in Rulemaking (R.) 02-06-001;

[2] D.04-12-048, p.5

e. The effect of resource adequacy and local reliability requirements adopted respectively in D.04-10-035 and D.04-07-028;

f. Changes occurring as a result of Commission decisions implementing Community Choice Aggregation (CCA) in R.03-10-033;

g. Revised forecasts for the price of natural gas, if necessary;

h. Status of qualifying facilities (QFs) with soon to be expiring contracts; and

i. Any other material information that affects the utilities' procurement activities."

In compliance with the Decision, PG&E, SCE and SDG&E submitted updates to their long-term procurement plans on March 25, 2005. In response to Energy Division's request, SDG&E resubmitted the filing as an Advice Letter on April 12, 2005.

NOTICE

Notice of AL 1684-E was made by publication in the Commission's Daily Calendar. SDG&E states that copies of the Advice Letter were mailed and distributed in accordance with Section III-G of General Order (GO) 96-A.

PROTESTS

The City of Chula Vista protested SDG&E AL 1684 on May 2, 2005. In its protest, the City of Chula Vista objects to "SDG&E's refusal to model and evaluate the development of CCA within its service territory for purposes of its LTRP"[3] and points out to the direction provided in D.04-12-046 issued in R.03-10-003 (CCA proceeding):

> "We share the parties' concerns that the utilities must recognize CCA load in their resource planning and should not sign contracts that might create new liabilities for CCA customers and utility customers where available information suggests the power might not be needed. We understand the utilities face a difficult balancing act by assuring adequate and reliable power supplies in amounts that reflect forecasts that are changing constantly. However, the utilities are accustomed to using available information to forecast customer demand and should incorporate CCA load losses into their planning efforts, just

[3] The Protest of the City of Chula Vista, p.1

as they would include any other forecast variable related to expected changes in supply or demand."[4]

The City is especially concerned that "if the implementation of CCA is not properly coordinated with the development in long term procurement plans, the utilities may over-procure and create new liability for CCA and utility customers."[5] Therefore, the City "urges the Commission to require it [SDG&E] to modify its plan to provide flexibility for implementation of CCA within its service territory at least to the level represented by a significant portion of its load within the City of Chula Vista."[6]

In its response to the City's protest, SDG&E states that: (1) the CCA Phase I decision does not require changes to SDG&E's current resource plan, and (2) the City reargues its position that was already considered in R.04-04-003.

City of Chula Vista replied to SDG&E's response on May 16, 2005. GO 96-A, as effective when SDG&E filed its advice letter, did not prohibit a response to SDG&E's reply to the protest. We therefore allowed Chula Vista's comments in response to SDG&E's reply, but in the interest of fairness, allowed SDG&E to respond to those comments as well.

The City submits its reply "in order to clarify the statutory and regulatory underpinnings of the City's position that SDG&E should be ordered to evaluate and account for the future development of CCA within its service territory." The City states that: (1) SDG&E fails to comply with D.04-12-046 and D.04-12-048 by excluding CCA departing load estimates, (2) SDG&E is risking avoidable costs by not cooperating with the City, (3) per Assembly Bill (AB) 117 the utilities have a statutory obligation to cooperate with the potential CCAs.

On May 25, 2005, SDG&E responded to the City's reply. SDG&E explains that the update does not require a revision regarding the CCA forecast at this time. SDG&E notes that "the only decision issued in that proceeding to date does not provide

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[4] D.04-12-046, p.30

[5] The protest of the City, p.1

[6] Ibid, p.3

sufficient detail for SDG&E to make adjustments to its resource plan for future implementation of CCA."[7]

SDG&E adds that once the parameters are established, SDG&E will consider whether modifications to its resource plan are necessary. In response to the City's concern on overprocurement, SDG&E notes that the utility is already fully resourced through 2009 due in large part to the DWR contracts and that the only activity that could be scaled back would be planned renewable acquisitions.

DISCUSSION

Energy Division reviewed SDG&E's compliance filing and concluded that SDG&E's updated long-term procurement plan complied with D.04-12-048.

Per the OP 1 of D.04-12-048, SDG&E filed its updated long-term procurement plan on April 12, 2005.[8] SDG&E included the following information in its compliance filing:

- Annual energy and capacity resource accounting tables, with an updated load forecast to reflect 2004 actual data and the latest forecast input data;
- Revised energy efficiency targets based on D.04-09-060;
- Peak load reductions equal to 4% in 2006 and 5% in 2007-2016, consistent with the demand response targets set in D.03-06-032 and the demand response programs approved for 2005 in D.05-01-056;
- Updated natural gas price forecasts;
- Updated information on the amount, timing, and types of renewables added in the near-term based on the preliminary results of SDG&E's current RFP;
- Current and expected renewal of QF contracts consistent with the 2004 LTPP;
- A reduction in SONG capacity to 14% beginning in 2009;
- Adjusted resource additions that reflect the change in overall need;

[7] SDG&E's Reply, p.1

- Preliminary results from its pending RFP.

Energy Division concludes that SDG&E's filing contains the updates ordered in D.04-12-048, although a further clarification regarding SDG&E's demand response goals is recommended. Specifically, D.04-12-048 directed the utilities to base their demand response MW goals on 'annual system peak', meaning all customers taking service within their respective territories. SDG&E agrees that its demand response goals should be based on the combined load of direct access and bundled service customers. SDG&E developed its resource plan based on this goal, but the number in the filing reflects demand response MWs expected from its bundled customer load, as opposed to both bundled and direct access customers, due to the format of the supply form submitted by SDG&E.[9] Energy Division recommends SDG&E to make a supplemental filing to its advice letter that clarifies the demand response MW goals.

Furthermore, consistent with the direction in D.04-12-048, we do not think that it is necessary for SDG&E to revise its energy and capacity need forecast at this time in order to include the CCA departing load estimates.

The OP 6 of the D.04-12-048 finds that "SDG&E's resource plan is reasonable, subject to the modifications required for the compliance filing described herein. SDG&E is essentially fully resourced through 2009, other than needed investments in renewable resources to meet RPS targets."

D.04-12-048 also states:

> "We find that all three LTPPs are consistent with the 2003 IEPR, are reasonable for planning purposes and that the medium, preferred case should be followed for making planning and procurement decisions."[10]

Furthermore, D.04-12-048 finds:

> "SDG&E's resource scenarios were the most complete and useful in understanding the impact of differing loads, risk strategies and the complex process of compiling a portfolio that meets reliability, adequacy, policy preferences and cost moderation goals. We find SDG&E's resource plan

[9] E-mail from SDG&E to Energy Division dated July 6, 2005.

[10] D.04-12-048, p. 28.

> reasonable, subject to the modifications required for the compliance filing. SDG&E is essentially fully resourced through 2009, other than needed investments in renewable resources to meet RPS targets. Because SDG&E is fully resourced, SDG&E's resource plan is vulnerable to departing load and the utility is still obligated to meet its renewables, EE and DR goals. Since SDG&E's estimated reserve margins, which exceed 17% in some years during the planning period are the result of prior Commission decisions, there should be no finding of unreasonableness if they exceed 17%."[11]

Based on the discussions and findings of D.04-12-048 listed above, we find that revising SDG&E's forecast will not have any impact on SDG&E's resource selection in the near term. Therefore, SDG&E does not need to revise its forecast at this time.

Even though D.04-12-046 states that: "the utilities are accustomed to using available information to forecast customer demand and should incorporate CCA load losses into their planning efforts, just as they would include any other forecast variable related to expected changes in supply or demand," D.04-12-048 does not order SDG&E to incorporate CCA departing load in its estimates at this time, but notes that:

> "Future IOU procurement plans shall incorporate reasonable anticipated CCA departing load. A prospective CCA provider should inform the utility of its intentions as early in the planning cycle as possible. IOU plans shall acknowledge potential CCA departing load by identifying the CCA, estimated departing load, and the implication for utility procurement liabilities." (p.50)

Therefore, SDG&E should include the CCA departing load estimate in its next long-term procurement filing.

D.04-12-048 expressed the Commission's intent to provide updated capacity and energy tables, once the data are revised. Specifically, the Decision stated the following:

> "This Commission favors openness in its decisions and in the information that market participants have in dealing with each other. Another section of this decision discusses specifically how we are responding to legislative direction on confidentiality matters. In this section we note that it is not the intent of the Commission to provide the means by which market power could be exercised

[11] D.04-12-048, pp.40-41.

> against the LSEs and, hence, against electric service customers in California. Therefore, this decision does not present information about the current NOPs of the utilities. Nor do we provide the elements from which that information can be calculated. **However, we will provide simplified tables based on projections of future resource balance information for the years 2007-2014 after those numbers have been refreshed from their initial filing in July.**" (p.32) (emphasis added)

The AL submitted by SDG&E includes confidential appendices intended to demonstrate its compliance with D.04-12-048. SDG&E submitted those appendices as Confidential Material protected by Section 583 of the Public Utilities Code, which prohibits disclosure of confidential public utility information except by Commission order or in the course of a hearing or proceeding. SDG&E also provided public versions of its updated energy and capacity tables, which are based on aggregated data.

The CPUC opened Rulemaking (R.)05-06-040, which will examine issues related to the disclosure of procurement-related data and documents, balancing the need for effective public participation with the potential harm to ratepayers that may result from disclosure of market sensitive data. In order not to prejudge the outcome of R.05-06-040, we will not disclose SDG&E's updated procurement data at this time. Depending on the outcome of R.05-06-040, we may require SDG&E to file a supplement to its advice letter.

COMMENTS

PU Code section 311(g) (1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly this draft resolution is mailed to parties in R.04-04-003 and will be placed on the Commission's agenda no earlier than 30 days from today. Comments are due on August 22, 2005. Reply comments are due August 29, 2005.

No parties submitted comments on the draft resolution.

FINDINGS

1. Per Ordering Paragraph (OP) 1 and 24 of D.04-12-048, SDG&E filed its updated long-term procurement plan.
2. Advice Letter 1684-E was protested by the City of Chula Vista.
3. Energy Division concludes that SDG&E's updated long-term procurement plans as filed in AL 1684 comply with D.04-12-048.
4. Based on the discussions and findings of D.04-12-048, we find that revising SDG&E's forecast will not have any impact on SDG&E's resource selection in the near term. Therefore, SDG&E does not need to revise its forecast at this time.
5. SDG&E should include the CCA departing load estimate in its next long-term procurement filing.
6. The AL submitted by SDG&E includes confidential appendices intended to demonstrate its compliance with D.04-12-048. SDG&E submitted those appendices as Confidential Material protected by Section 583 of the Public Utilities Code, which prohibits disclosure of confidential public utility information except by Commission order or in the course of a hearing or proceeding. SDG&E also provided public versions of its updated energy and capacity tables, which are based on aggregated data.
7. The CPUC opened Rulemaking (R.)05-06-040, which will examine issues related to the disclosure of procurement-related data and documents, balancing the need for effective public participation with the potential harm to ratepayers that may result from disclosure of market sensitive data.
8. Parties interested in disclosure of the updated procurement data submitted as part of its compliance filing Advice Letter AL 1684-E may submit their requests after the outcome of the R.05-06-040 and we may require SDG&E to disclose a portion or all of the updated procurement data submitted as part of its compliance filing Advice Letter AL 1684-E, consistent with the standards developed in that Rulemaking.
9. SDG&E should make a supplemental filing that clarifies that the demand response MW goals are based on both Direct Access and bundled customer load.

THEREFORE IT IS ORDERED THAT:

1. We approve SDG&E's Advice Letter 1684-E.
2. Parties interested in disclosure of the updated procurement data submitted as part of its compliance filing Advice Letter AL 1684-E may submit their requests after the outcome of the R.05-06-040 and we may require SDG&E to disclose a portion or all of the updated procurement data submitted as part of its compliance filing Advice Letter AL 1684-E consistent with the standards developed in that Rulemaking.

3. Within 10 days of the effective date of this resolution, SDG&E shall file a supplemental advice letter that includes a demand response goals table as part of its long term resource plan.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 8, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
GEOFFREY F. BROWN
SUSAN P. KENNEDY
DIAN M. GRUENEICH
JOHN A. BOHN
Commissioners