

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



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Order Instituting Rulemaking To Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.

R. 12-03-014  
(Filed March 22, 2012)

**JOINT PETITION FOR MODIFICATION OF DECISION 14-03-004 SEEKING TIER III  
ADVICE LETTER FILING FOR SDG&E'S PROPOSED PROCUREMENT PLANS**

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Dated: June 23, 2014

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The Natural Resources Defense Council (NRDC), Center for Energy Efficiency and Renewable Technologies (CEERT), Environmental Defense Fund (EDF), and Clean Coalition, respectfully submit the following Joint Petition for Modification of Decision (D.) 14-03-004 (“Petition”). This Petition is timely filed and served pursuant to Rule 16.4 of the California Public Utilities Commission’s (CPUC or Commission) Rules of Practice and Procedure.

**I. BACKGROUND**

On March 21, 2013, the Commission initiated Track 4 of R.12-03-014 for the purpose of considering “additional resource needs related to the long-term outage (and subsequent permanent closure in June 2013) of the San Onofre Nuclear Generation Station, Units 2 and 3 (SONGS).”<sup>1</sup> By D.14-03-004, the Commission, among other things, authorized San Diego Gas and Electric Company (SDG&E) “to procure between 500 and 800 MW by 2022 to meet local capacity needs stemming from the retired [SONGS].”<sup>2</sup> In terms of resources to meet that need, SDG&E was further “required to procure at least 200 MW, and may procure up to the full 800 MW of authorized additional capacity, from preferred resources or energy storage.”<sup>3</sup> This authorization included the instruction to SDG&E “to solicit procurement offers through an all-source RFO [request for offers], subject to Energy Division approval of its procurement

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<sup>1</sup> D.14-03-004, at p. 8.

<sup>2</sup> *Id.*, at p. 2.

<sup>3</sup> *Id.*

process.”<sup>4</sup> The Commission further directed the “elements” and “requirements” for both the RFO and “procurement plan” and conditioned commencement of “any procurement activities” by SDG&E on approval of its procurement plan by the Director of the Energy Division, as “reviewed consistent with this decision.”<sup>5</sup>

By virtue of an electronic mail communication by Energy Division Staff to the service list in this proceeding sent on June 17, 2014, Energy Division stated that a “LTPP/Track 4 Procurement Plan (Conventional Procurement)” and a “LTPP/Track 4 Procurement Plan (Preferred Resources)” were “filed with the Energy Division of the California Public Utilities Commission (CPUC) on May 1, 2014” by SDG&E. The two plans were attached to that email, with parties given the very limited opportunity to review and submit informal comments to Energy Division within four business days.

## **II. SUMMARY OF REQUESTED RELIEF**

This Joint Petition seeks to modify D. 14-03-004 to require SDG&E to submit its proposed procurement plans submitted to the Energy Division on May 1 as a Tier III Advice Letter, which will require a Commission resolution on the merits of these plans, including compliance with D.14-03-004. This requested modification is justified by the discovery that SDG&E’s proposed procurement plans fail to comply with D.14-03-004, the Commission’s decision in Track 4 of this proceeding. Requiring SDG&E to file its procurement plans as a Tier III Advice Letter creates a notice and comment procedure with sufficient time to provide meaningful input and enables Commissioners to weigh in on SDG&E’s procurement plans, which will have significant implications for ratepayers and the environment. While the Energy Division electronic mail noted above stated that these plans had been “filed” with the Energy

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<sup>4</sup> D.14-03-004, at p. 4.

<sup>5</sup> D.14-03-004, Ordering Paragraphs 6 and 7, at pp. 144-145.

Division, that is a misnomer since the review process has been, and, absent modification of D.14-03-004, will continue to be, an informal one that does not create a record of deficiencies or permit a Commission determination on the merits of SDG&E's compliance with D.14-03-004.

### III. DISCUSSION

#### A. **D.14-03-004 Must Be Modified to Require SDG&E's Track 4 Procurement Plans to be Submitted Through a Tier III Advice Letter In Order To Provide Needed Transparency, a Formal Comment Record, and Commission Review of Those Plans That Fail to Meet the Requirements of D. 14-03-004.**

We strongly urge the Commission to modify D. 14-03-004 to require that SDG&E file its procurement plans as a Tier III Advice Letter. As provided for by General Order 96-B, advice letters are the appropriate mechanism for Commission review of a utility proposal that results from a Commission order.<sup>6</sup>

While we acknowledge that Energy Division has now served SDG&E's procurement plan on the service list and requested informal comments, this "opportunity" has come late in the process (more than six weeks after the submission of the plans to Energy Division alone) and results in only informal comments to be submitted to Energy Division alone (not even service to the service list) on a highly truncated schedule. Such circumstances inadequately address our process and transparency concerns.

Specifically, this process does not provide adequate notice or opportunity to be heard, does not create a public, formal record on shortcomings of these plans, and does not present the Commission with an opportunity to correct the procurement plans that are in violation of

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<sup>6</sup> General Order 96-B, p. 88. *See* Section 5.1: Matters Appropriate to Advice Letters: "The primary use of the advice letter process is to review a utility's request to change its tariffs in a manner previously authorized by statute or Commission order, to conform the tariffs to the requirements of a statute or Commission order, or to get Commission authorization to deviate from its tariffs. A utility may also request relief by means of an advice letter where the utility: (1) has been authorized or required, by statute, by this General Order, or by other Commission order, to seek the requested relief by means of an advice letter; or (2) requests modification of a Commission resolution addressing a prior advice letter of the utility."

Commission order. These shortcomings are particularly significant due to the large cost and environmental impacts likely to result from approval of SDG&E's procurement plan as currently written. Further, Energy Division provided parties with only four business days to comment on the procurement plan, an insufficient amount of time for meaningful input, and declined to offer an extension even where numerous parties requested one. Finally, comments to Energy Division are informal in nature, do not become part of the record, and are not required to be served on all parties.

We also acknowledge, and today NRDC and CEERT will jointly file a response in support of, the Joint Petition for Modification of Decision 14-03-004 Seeking Notice and Comment of SDG&E's Proposed Procurement Plans filed on June 12, 2014. However, we do not find this solution alone to be sufficient given the import of SDG&E's Procurement Plans and the failure of these plans to comply with the D.14-03-004. In contrast, a Tier III Advice Letter would require a utility to submit its plan to Energy Division and the service list, would enable parties to file protests, if appropriate; would require the Energy Division to prepare and issue a draft resolution for comment, which would either approve, deny, or modify the advice letter; and, finally, require the Commission to approve or alter Energy Division's resolution in a publicly noticed meeting.

This increased process is warranted given the large cost and environmental implications of SDG&E's procurement plans, and particularly given the number of violations with the Decision's ordering paragraphs (e.g. failing to issue an all-source RFO, failing to comply with the Loading Order, failing to account for CAISO-approved transmission upgrades, etc.). For details on the ways in which SDG&E's procurement plans do not comply with D. 14-03-004, please see our Joint "Informal Comment on SDG&E's Proposed Any Resource Procurement

Plan Under D. 14-03-004 (LTTP Track 4),” attached hereto as Attachment A.

**B. Reliability Can Still Be Maintained If the Commission Approves the Tier III Advice Letter Process and Doing So Could Avoid Significant Cost and Environmental Impacts Otherwise Resulting from SDG&E’s Proposed Procurement Plans.**

The significant cost and environmental benefits likely to result from ordering a formal advice letter process outweigh any minimal delay that may result from ordering SDG&E’s proposed plans be submitted as a Tier III Advice Letter. Most importantly, reliability can still be maintained. Decision 14-03-004 did not identify the full amount of need until 2022. Moreover, since the Decision was issued, CAISO has approved three highly viable transmission improvements, which will lower LCR need between 800 – 1680 MW before 2022, and are expected to cost between \$559 and \$994 million.<sup>7</sup> Two of these projects, the Imperial Valley Flow Controller and dynamic reactive support at San Luis Rey, have in-service dates of May 2015 and June 2018 respectively, and CAISO expects these projects to collectively reduce need between 500 and 1040 MW.<sup>8</sup> Additionally, since the issuance of D.14-03-004, the Commission has instructed utilities to target energy efficiency programs in other proceedings to the SONGS area.<sup>9</sup> This program innovation was not accounted for in D. 14-03-003 and therefore creates additional energy efficiency savings – yielding additional reliability benefits. Finally, preferred resources and energy storage can be deployed rapidly if needed, and the proposed Carlsbad plant can also be developed incrementally since it consists of six separate 100 MW turbines.

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<sup>7</sup> See CAISO 2013-14 TPP at p. 108, available at <http://www.aiso.com/Documents/Board-Approved2013-2014TransmissionPlan.pdf>.

<sup>8</sup> See CAISO 2013-14 TPP at p. 108, available at <http://www.aiso.com/Documents/Board-Approved2013-2014TransmissionPlan.pdf>.

<sup>9</sup> The Commission has instructed utilities to target their efficiency programs to the SONGS region in both the General Energy Efficiency Proceeding and the Low Income Proceeding. See R. 13-11-005, *Assigned Commissioner’s Ruling and Scoping Memorandum Regarding 2015 Portfolios*, pp. 5-6 and A. 11-05-017 et al. *Proposed Phase II Decision on the Large Investor-Owned 2012-2014 Energy Savings Assistance Program and California Alternate Rates for Energy Applications*, Guidance Document - Appendix Q, p. 23.

We also emphasize that the Commission and SDG&E have some discretion over how long the advice letter process will take. Following the filing date of an advice letter, parties are granted a 20-day protest period.<sup>10</sup> A utility will have 5 business days following the protest period to reply.<sup>11</sup> Thereafter, Energy Division will adopt a resolution approving, rejecting, or modifying the advice letter, which will become effective upon adoption by the Commission.<sup>12</sup> While a suspension of the advice letter process could extend this timeframe, the duration of extension is largely controlled by the Commission and SDG&E's response to any requested modifications.<sup>13</sup>

Finally, SDG&E has already written its procurement plan so it should take little additional time to file it as an advice letter. If SDG&E decides to make adjustments to its plans, we highlight that it previously took SDG&E less than two months to prepare its procurement plans, measured from the issuance of the final decision on March 13, 2014 to SDG&E's submittal of its final plan on May 1, 2014.

**C. An *After-the-Fact* Application Is Not an Appropriate Process to Ensure that SDG&E's Procurement Plan Complies with D.14-03-004.**

*Only after* SDG&E's Procurement Plans are approved by the Energy Division *and after* SDG&E has already "entered" contracts as a result of that process will parties or the Commission ever have an opportunity to publicly review and comment on SDG&E's plans, RFOs, or even outcomes of that process by the filing by SDG&E of an application for approval of those contracts.<sup>14</sup> The application, thus, focuses on *after-the-fact* approval of specific resources already made by SDG&E pursuant to a plan that was never publicly reviewed as to its merits or consistency with D.14-03-004.

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<sup>10</sup> See CPUC General Order 96-B.

<sup>11</sup> *Ibid.*

<sup>12</sup> *Ibid.*

<sup>13</sup> *Ibid.*

<sup>14</sup> D.14-03-004, at p. 145.

Such an approach will not provide adequate notice or opportunity for stakeholders to comment on, or the Commission to review and seek corrections of, SDG&E's procurement plans or its RFO(s) in the first place, especially as to their compliance with D.14-03-004 and the Loading Order. Because procurement plans establish the fundamental framework for future procurement, process and input at this stage is critical to determining ultimate outcomes. If, as in the case of SDG&E, the procurement plan calls only for bilateral procurement of a specific fossil fuel facility, parties will have no meaningful ability to ensure the utility complied with D.14-03-004 or that it provided an opportunity for all cost-effective resources, especially preferred resources, to at least compete in the first instance, as expected by D.14-03-004.

**IV. TO ENSURE COMPLIANCE WITH APPLICABLE ORDERS AND THE RECORD, D. 14-03-004 MUST BE MODIFIED TO REQUIRE A TIER III ADVICE LETTER FILING FOR SDG&E'S PROCUREMENT PLANS.**

In briefing and comments leading up to D.14-03-004, a number of parties requested that the review of the procurement plan be a public process to facilitate development of robust procurement plans that comport with the requirements of the underlying procurement authorization.<sup>15</sup> D.14-03-004 ultimately did not provide a notice and comment process on proposed procurement plans. In light of San Diego's proposed procurement plan failing to comply with the final Decision, it is apparent that additional process is needed.

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<sup>15</sup> The Office of Ratepayer Advocates' Comments on Proposed Decision Authorizing Long-Term Procurement for Local Capacity Requirements Due to Permanent Retirement of the San Onofre Nuclear Generating Stations (March 3, 2014), pp. 7-8; Sierra Club California's Comments on Proposed Decision Authorizing Long-Term Procurement for Local Capacity Requirements Due to the Permanent Retirement of the San Onofre Nuclear Generation Station (March 3, 2014), p. 13; Opening Brief of the California Energy Storage Alliance on Track 4 Issues (November 25, 2013), pp. 10-13; Opening Brief of the Center For Energy Efficiency and Renewable Technologies on Track 4 (San Onofre Nuclear Generating Station) (November 25, 2013), pp. 51-55; Comments of the Center For Energy Efficiency and Renewable Technologies on Track 4 (SONGS) Proposed Decision (March 3, 2014), pp. 9-10; Reply Comments of the Center For Energy Efficiency and Renewable Technologies on Track 4 (SONGS) Proposed Decision (March 10, 2014), pp. 2-4; California Environmental Justice Alliance's Reply Comments on Track IV Proposed Decision (March 10, 2014), p. 4; Reply Comments of EnerNOC, Inc., on Track 4 ("SONGS") Proposed Decision (March 10, 2014), p. 4. *See also* California Environmental Justice Alliance's Track I Opening Brief (September 24, 2012), pp. 42-43.



Accordingly, the following modification should be made to D.14-03-004 to provide that SDG&E's procurement plan be served as a Tier III Advice Letter:

Page 114: The SDG&E procurement plan shall be provided to Energy Division **as a Tier III advice letter** no later than 90 days after the effective date of this decision. Consistent with the approved procurement plan....

Ordering Paragraph 7: No later than 90 days after the effective date of this decision, San Diego Gas & Electric (SDG&E) shall submit a procurement plan **as a Tier III advice letter to be review and approved in writing by** the Director of the Energy Division. SDG&E may propose....

The procurement plans' failure to comply with D. 14-03-004 merits a more formal and open process. Other stakeholders, Energy Division, and Commissioners will then be afforded an opportunity to ensure the plans comply with the Decision, including that the loading order is followed and the most cost-effective resources procured.

**V. CONCLUSION**

For the reasons stated above, the Joint Parties request that the Commission modify D.14-03-004 to require that SDG&E's proposed procurement plans be filed as a Tier III Advice Letter.

Dated: June 23, 2014

Respectfully submitted,



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## ATTACHMENT A



June 23, 2014

*Via electronic mail*

Edward Randolph  
Energy Division  
California Public Utilities Commission  
[edward.randolph@cpuc.ca.gov](mailto:edward.randolph@cpuc.ca.gov)

**Re: Informal Comment on SDG&E's Proposed Any Resource Procurement Plan Under D.14-03-004 (LTTP Track 4)**

Mr. Randolph:

The California Environmental Justice Alliance (CEJA), Sierra Club, Vote Solar, the Natural Resources Defense Council (NRDC), and the Environmental Defense Fund (EDF) write to express our serious concerns with the proposed procurement plans submitted to Energy Division by San Diego Gas & Electric (SDG&E) to meet procurement authorization under the Track 4 Decision in the 2012 Long Term Procurement Proceeding (D.14-03-004). In D.14-03-004, the Commission authorized SDG&E to procure 300 to 600 MW from any resource and 200 MW from preferred resources and energy storage. With regard to "any resource" procurement, D.14-03-004 requires that: 1) SDG&E "shall issue an all-source Request for Offers for some or all capacity"; 2) the procurement be "consistent to extent feasible with the Loading Order"; and

3) total procurement can be lowered toward minimum levels in the event of approval of transmission projects that reduce local capacity needs.<sup>16</sup>

SDG&E's proposed procurement plan for its any resource authorization, which it names a "Conventional Procurement" plan, plainly fails to meet the requirements of D.14-03-004. Under the proposed any resource plan, SDG&E will not issue an all-source RFO to meet *any* of its any resource authorization and will not comply with the Loading Order. The procurement plan also ignores the recent approval of three transmission projects that collectively reduce local capacity needs in the San Onofre area by 800 – 1680 MW. Instead, SDG&E proposes to fill the entirety of its "up to 600 MW" any resource authorization through a bilateral contract with the proposed Carlsbad gas plant. Energy Division should require SDG&E to submit a revised any resource procurement plan that contains an all-source solicitation process, complies with the Loading Order, and accounts for the significant reductions in local area need that will result from recently approved transmission projects.

Notably, the Carlsbad gas plant SDG&E seeks to bilaterally procure would be composed of six LMS100 units. Because each unit provides 100 MW of capacity, an LMS100 gas plant can be built in 100 MW increments.<sup>17</sup> Once the benefits of recently approved transmission projects have been accounted for to determine the appropriate procurement authorization level and all cost-effective preferred resources are used to fill need, if SDG&E believes that there is a remaining need, it could consider filling it with a smaller facility with fewer LMS100 units. Allocating the entire 600 MW to fossil fuels at this juncture is premature, unnecessary, and inconsistent with the Track 4 decision.

## **DISCUSSION**

### **1. SDG&E's Proposed Plan Violates D.14-03-004's Requirement to Issue an All-Source RFO to Meet "Some or All" of the Any Resource Capacity Authorization.**

Ordering Paragraph 6 of D.14-03-004 unequivocally requires that: "San Diego Gas & Electric (SDG&E) *shall* issue an all-source Request for Offers for some or all capacity authorized by this decision."<sup>18</sup> Under Ordering Paragraph 7, the procurement plan must include "a proposed Request for Offers as required by Ordering Paragraph 6."<sup>19</sup> In direct contravention of these requirements, SDG&E's procurement plans do not contemplate an all-source RFO to meet *any* of the capacity authorized by the Track 4 Decision. By definition, a preferred resource or energy storage only solicitation is not an all-source request. SDG&E's "conventional" procurement plan calls only for bilateral procurement. While D.14-03-004 does allow bilateral procurement, the any resource plan must still include an all-source RFO to meet some of the resource authorization. Accordingly, SDG&E's plan violates D.14-03-004 and cannot be

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<sup>16</sup> D.14-03-004, at pp. 144 (Ordering Paragraph 6) (emphasis added), 97, 116-17.

<sup>17</sup> Preferred resources could also be procured in increments.

<sup>18</sup> D.14-03-004, at p. 144 (Ordering Paragraph 6) (emphasis added).

<sup>19</sup> D.14-03-004, at pp. 144-45 (Ordering Paragraph 7).

approved as proposed. To meet the requirements of D.14-03-004, the procurement plan must be revised to require solicitation of at least part of SDG&E's capacity authorization through an all-source RFO.

## **2. The SDG&E Procurement Plan Is Inconsistent with the Decision's Requirement to Follow the Loading Order.**

In addition to contravening Ordering Paragraph 6, SDG&E's proposed bilateral procurement is inconsistent with D.14-03-004's requirement that a plan to meet the any resource authorization must comply with the Loading Order. D.14-03-004 requires SDG&E to ensure that "all resources that can meet the specified requirements should be able to compete on a fair basis"<sup>20</sup> and that procurement to meet the any resource authorization be "consistent to extent feasible with the Loading Order."<sup>21</sup> Ordering Paragraph 8 further provides that SDG&E must show how any contracts meet the following criteria:

- "Consistency with the Loading Order, including a demonstration that it has identified each preferred resource and assessed the availability, economics, viability and effectiveness of that supply in meeting LCR need;" and
- "A demonstration of technological neutrality, so that no resource was arbitrarily or unfairly prevented from bidding in . . . SDG&E's solicitation process. To the extent that the availability, viability and effectiveness of resources higher in the Loading Order are comparable to fossil-fueled resources, . . .SDG&E shall show that it has contracted with these preferred resources first."

Contrary to these requirements, SDG&E's plan precludes consideration of preferred resources to meet its any resource authorization. Instead, SDG&E decided unilaterally, without even conducting a solicitation to determine what preferred resources are available, that it would fill its 600 MW any resource authorization with a bilateral contract with the Carlsbad facility. Far from demonstrating technological neutral as required under D.14-03-004, SDG&E's proposed any resource procurement plan forecloses competition and participation by clean energy solutions by predetermining the selection of a polluting, greenhouse gas intensive, fossil fuel facility. These multiple failures are inconsistent with the requirements of the Track 4 Decision and further justify Energy Division rejection of SDG&E's procurement plan.

Preferred resources have not been given the opportunity to compete in an all-source RFO in the San Diego area because SDG&E has not issued an all-source RFO in at least the last five years despite having opportunities to do so. For example, although SDG&E was recently authorized in D.13-03-029 to conduct an all-source RFO to meet 300 MW of need upon retirement of Encina, it circumvented this process by filling the entire 300 MW through bilateral procurement of the Pio Pico fossil fuel facility. An all-source RFO is long overdue. SDG&E's

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<sup>20</sup> D.14-03-004, at p. 112.

<sup>21</sup> D.14-03-004, at p. 97.

any resource procurement plan must allow preferred resources and energy storage to compete in an all-source RFO as required by the Commission's Track 4 Decision.

### **3. Energy Division Should Reduce the Any Resource Authorization to its Minimum Range to Account for the Benefits of Recently Approved Transmission Projects.**

In seeking its maximum procurement authorization, SDG&E's any resource plan fails to account for the benefits of recently approved transmission projects, resulting in significant over-procurement and additional unneeded burden to ratepayers. Because D.14-03-004 was approved prior to finalization of the CAISO's 2013-2014 Transmission Plan ("2013-2014 TPP"), potential benefits of proposed transmission improvements in lowering local capacity needs could not be ascertained with certainty at the time the Decision was issued. However, D.14-03-004 recognized that "[i]f some level of new transmission resources is identified in the 2013/2014 TPP which would reduce LCR needs in the SONGS service area by 2022 (for example, the Mesa Loop-In project), the total amount of overall procurement needed in the SONGS service area would be reduced."<sup>22</sup> To accommodate this uncertainty, D.14-03-004 built in flexibility in future procurement by authorizing a minimum and maximum range in the any source procurement authorizations. In the event transmission projects that would reduce local capacity needs are approved, the Decision provided that "some combination of this would occur: a) procurement at or near the minimum levels authorized in this decision; b) less procurement or no procurement authorized in future LTPP proceedings; and c) less of a need to delay retirements of OTC plants."<sup>23</sup>

On March 25, 2014, CAISO's Board approved the 2013-2014 TPP. The TPP approved three transmission upgrades that will significantly lower LCR need in the SONGS area. The approved transmission projects include:

- An additional 450 MVAR of dynamic reactive support at San Luis Rey, which has a proposed in-service date of June 2018, and is expected to reduce LCR need from between 100 and 200 MW;
- An Imperial Valley Flow Controller, which has a proposed in-service date of May 2017, and is expected to reduce LCR need between 400 and 840 MW; and
- The Mesa Loop-In Project, which has a proposed in-service date of December 2020, and is expected to reduce LCR need by 300 to 640 MW.<sup>24</sup>

These transmission projects, which lower LCR need between 800 – 1680 MW, are expected to cost between \$559 and \$994 million.<sup>25</sup> To avoid overprocurement, Energy Division should

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<sup>22</sup> D.14-03-004 at p. 116.

<sup>23</sup> D.14-03-004 at pp. 116-17.

<sup>24</sup> See CAISO 2013-14 TPP at p. 108, available at <http://www.aiso.com/Documents/Board-Approved2013-2014TransmissionPlan.pdf>.

<sup>25</sup> See CAISO 2013-14 TPP at p. 108, available at <http://www.aiso.com/Documents/Board-Approved2013-2014TransmissionPlan.pdf>.

require SDG&E to account for these approved transmission projects and only approve all resource procurement at minimum authorized levels.

#### **4. SDG&E’s Attempt to Justify Immediate Approval of Bilateral Procurement of Fossil Fuel Resources Based on Purported Need in 2018 Does Not Withstand Scrutiny.**

SDG&E’s claim that Carlsbad is needed to address local need emerging in 2018 is inconsistent with D.14-03-004 and is not a credible basis for approval. The Track 4 Decision determined the need in the SDG&E territory in 2022: “[t]he first task at hand in Track 4 is to determine a reasonable and prudent LCR need amount for the SONGS service area by 2022.”<sup>26</sup> Consistent with this time frame, the Commission analyzed the availability of resources in 2022. Thus, the Commission’s LCR determination was based on the need forecast from 2022 and the Commission ultimately authorized SDG&E to procure resources by 2021, not before. Indeed, approval of a 2017 start-date for Carlsbad would mean that ratepayers would begin paying for 600 MW of capacity four years prior to the Commission’s determination of when it would be needed.<sup>27</sup> This is inconsistent with the Decision and should be rejected.

Even assuming need could emerge in 2018, highly viable transmission solutions have now been approved and will be on-line by 2018.<sup>28</sup> As set forth above, two transmission improvements approved by CAISO, the Imperial Valley Flow Controller and dynamic reactive support at San Luis Rey, have in-service dates of May 2015 and June 2018 respectively and would collectively reduce need between 500 and 1040 MW.

In addition, preferred resources and energy storage can be deployed rapidly if needed. Because procurement and deployment can occur incrementally, preferred resource solutions offer superior ratepayer value to any purported near-term need than a 600 MW gas plant and provide inherent economic risk-management relative to locking-in decades of conventional procurement.

Moreover, SDG&E’s collective procurement to replace once-through-cooling facilities and San Onofre is extremely greenhouse gas intensive and would complicate achievement of California’s greenhouse gas reduction efforts.<sup>29</sup> When recently authorized in D.13-03-029 to procure 300 MW of resources to account for once-through-cooling retirements, SDG&E chose to fill the 300 MW entirely with fossil fuels. In the Track 4 Decision, SDG&E was authorized to

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<sup>26</sup> D.14-03-004, at p. 27.

<sup>27</sup> In its preferred resource plan, SDG&E admits that the Track 4 decision has a deadline of December 31, 2021 and states that it plans to procure resources that will meet that 2021 date. It is unclear why SDG&E is delaying the on-line dates for preferred resources when it believes that its need is urgent.

<sup>28</sup> In addition, as the Decision points out, the retirement dates for the OTC units could be delayed if there was an urgent need.

<sup>29</sup> Throughout its proposed fossil-fuel plan, SDG&E references a 50/50 split. A 50/50 split was not authorized by the Track 4 decision, and it is inconsistent with the loading order. In addition, as described above, it is inconsistent with the facts.

procure between 500 and 800 MW of new resources to replace San Onofre.<sup>30</sup> If SDG&E procures a 600 MW Carlsbad facility, 900 of the 1100 MW it procures will be fossil fuel resources. Thus, SDG&E will be procuring the vast majority of its authorized MW from dirty, polluting fossil fuel facilities. Moreover, as SDG&E's Track 4 Preferred Resources Procurement Plan contemplates reducing authorized preferred resource procurement to account for load reductions attributable to rate reforms, the extent to which SDG&E would actively procure preferred resources under the Track 4 Decision is unclear.<sup>31</sup> Especially because Track 4 Procurement is replacing a carbon-free resource, the totality of SDG&E's proposed procurement would result in an increase in emissions when sharp declines in greenhouse gas pollution are urgently needed and within reach.

Finally, we note that a number of parties originally requested that the review of the procurement plan be a public process. The numerous issues highlighted here demonstrate how review would benefit from additional stakeholder input.

Thank you for your consideration of these issues. If you have any questions, please contact Deborah Behles at [dbehles@ggu.edu](mailto:dbehles@ggu.edu) and (415) 369-5336 or Matt Vespa at [matt.vespa@sierraclub.org](mailto:matt.vespa@sierraclub.org) and (415) 977-5753.

Sincerely,



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Matthew Vespa  
Senior Attorney  
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Sierra Martinez  
Legal Director, California Energy Project  
Natural Resources Defense Council



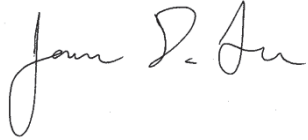
Jim Baak  
Program Director, Grid Integration  
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<sup>30</sup> D.14-03-004 at p. 98.

<sup>31</sup> SDG&E, LTPP/Track 4 Procurement Plan (Preferred Resources), May 1, 2014, at 6.





James D. Fine  
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