BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FILED
10/21/21
02:39 PM

Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes.	Rulemaking 20-05-003 (Filed May 7, 2020)

SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) OPENING COMMENTS REGARDING MID-TERM RELIABILITY ANALYSIS AND STAFF PAPER ON GAS UPGRADES

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October 21, 2021

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I. INTRODUCTION

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (the "Commission") and the direction set forth in the *Administrative Law Judge's Email Ruling Inviting Comments on Natural Gas Issues* ("ALJ Ruling") issued on October 13, 2021, San Diego Gas & Electric Company ("SDG&E") submits these opening comments in response to the ALJ Ruling. The ALJ Ruling solicits feedback regarding the Commission staff paper "Considering Gas Capacity Upgrades to Address Reliability Risk in Integrated Resource Planning" ("Staff Paper"). SDG&E responds below to the issues raised and questions posed in the ALJ Ruling and provides additional recommendations.

II. RESPONSES TO ISSUES AND QUESTIONS

A. The assumptions and conclusions of the RESOLVE analysis that includes gas capacity upgrades as a candidate resource.

The Staff Paper acknowledges that unanswered questions remain regarding the optimal approach to ensuring midterm reliability, including "whether and how to pursue gas capacity upgrades."[1/] Staff undertook additional analysis "that allow[ed] the new candidate resource of gas capacity upgrades to compete to meet reliability needs, with a focus on the mid-term (2024-

[1/] Staff Paper, p. 3.

2026)."[2/] The results of this analysis highlight that upgrades to and/or expansions of natural gas capacity resources may provide material benefits in the near term related to reliability and affordability.

While SDG&E appreciates Staff's focus on reliability and affordability, this after-the-fact approach to determining what candidate resources are acceptable as a RESOLVE input is improper from an analytical and procedural perspective. The correct time to explore such inputs is during the development of the Reference System Plan ("RSP"). Preparation of the RSP is carried out through a different mechanism, the Modeling Advisory Group ("MAG"), which is comprised of a group of experts and stakeholders that are specifically tasked with Integrated Resource Planning ("IRP") resource modeling. In future IRP modeling efforts, SDG&E recommends vetting input assumptions such as allowing gas capacity expansions and upgrades through the MAG rather than as a separate undertaking.

B. Whether gas capacity upgrades at existing sites should be considered as eligible resources for the procurement requirements of D.21-06-035? If so, which of the various procurement process steps of D.21-06-035 would need to be amended, and how?

The Staff Paper considers "whether to allow or require some volume of gas capacity upgrades for reliability."[3/] While SDG&E supports ***allowing*** load-serving entities ("LSEs") to consider gas capacity upgrades at existing sites that could count toward Midterm Reliability ("MTR") procurement or any near-term future procurement such as procurement arising from the Preferred System Plan ("PSP"), SDG&E strongly opposes ***requiring*** any LSE to undertake fossil

[2/] *Id.*
[3/] Staff Paper, p. 16.

fueled procurement – and, in particular, opposes requiring the investor-owned utilities ("IOUs") *alone* to procure fossil fueled resources.[4/]

As SDG&E has pointed out previously, requiring the IOUs to procure fossil resources while other LSEs are not subject to the same obligation is inequitable, hinders transparency and customer choice, and undermines cost indifference principles.[5/] Such an approach would impose a disproportionate negative impact on the IOUs and would directly interfere with each IOU's commitment to greenhouse gas ("GHG") reduction. For example, SDG&E's 2020 Sustainability Report and its March 2021 climate pledge of reaching Net Zero GHG emissions by 2045 clearly describe SDG&E's intent to enter into clean energy projects and to eliminate all of SDG&E's scope 1, 2, and 3 GHG emissions by 2045, reinforcing its commitment to a sustainable future.

If the Commission elects to allow fossil resource capacity expansions and upgrades to count toward satisfaction of the 7,000 MW Net Qualifying Capacity ("NQC") not subject to specific requirements, it should establish this pathway as an ***option*** rather than a requirement, particularly since solicitations for MTR procurement are well underway.

C. Whether load serving entities that wish to contract with gas capacity upgrades at existing sites, if permitted by the Commission, should be required to demonstrate that they first attempted to procure non-emitting resources. If so, what should this demonstration consist of, and on what timeframe?

SDG&E does not believe that an LSE contracting for gas capacity upgrades at existing sites should be required to demonstrate that it first attempted to procure non-emitting resources. The IRP process already effectively addresses this issue by identifying preferred resource characteristics and requiring LSEs to procure in alignment with that guidance. To promote optionality in the procurement process, additional procurement restrictions should be imposed

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[4/] *See San Diego Gas & Electric Company Opening Comments on Proposed and Alternate Decisions Requiring Procurement to Address Mid-Term Reliability (2023-2026)*, filed June 10, 2021, pp. 3-8.

[5/] *Id.*

only in narrow circumstances such as to ensure reliability. In other words, all LSEs are required to meet the IRP GHG reduction target and should have procurement autonomy to meet that goal along with meeting the IRP's other goals of reliability and affordability.

D. If the Commission allows gas capacity upgrades at existing sites, whether the Commission should restrict or prohibit gas capacity upgrades in disadvantaged communities, as defined by the CalEnviroScreen tool, or impose some other/additional criteria.

It is critical that the Commission allow limited improvements and upgrades for natural gas plants located within disadvantaged communities ("DACs"). Upgrades to DAC-located fossil resources such as efficiency improvements, green hydrogen improvements, and/or hybridization could directly benefit the local areas where the resources are already located and operating by reducing both global emissions and local air pollution. Absent these improvements, if resources located in DACs are extended in the future due to reliability concerns, poor air quality conditions in such DACs could be further exacerbated.

Restricting upgrades to gas capacity in DACs would also have the unintended negative effect of preventing upgrades to accommodate conversion to clean fuel gas/hydrogen blending and potentially to hydrogen conversion even though such improvements would *reduce* local air pollution in the DAC. Thus, the implication that additional restrictions to gas capacity upgrades in DACs would lead to improved air quality within DACs is factually erroneous. It clearly serves the public interest to allow generators in DACs to perform upgrades that reduce overall emissions and local air pollution.

III. CONCLUSION

For the reasons set forth above, the Commission should adopt the recommendations provided herein.

Respectfully submitted this 21st day of October, 2021.

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