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STATE OF CALIFORNIA

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PUBLIC UTILITIES COMMISSION

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SAN FRANCISCO, CA 94102-3298

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May 9, 2025

Agenda ID #23491
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 23-06-002:

This is the proposed decision of Administrative Law Judge Rajan Mutialu. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's **6/12/2025** Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOK
Michelle Cooke
Chief Administrative Law Judge

MLC: smt

Attachment

Decision PROPOSED DECISION OF ALJ MUTIALU (Mailed 5/9/2025)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902E) for Approval of: (i) Contract Administration, Least-Cost Dispatch and Power Procurement Activities in 2022, (ii) Costs Related to those Activities Recorded to the Energy Resource Recovery Account, Portfolio Allocation Balancing Account, Power Charge Indifference Adjustment Undercollection Balancing Account, Transition Cost Balancing Account, and Local Generating Balancing Account in 2022, and (iii) Costs Recorded in Related Regulatory Accounts in 2022.

Application 23-06-002

**DECISION APPROVING SAN DIEGO GAS & ELECTRIC COMPANY'S
2022 ENERGY RESOURCE RECOVERY ACCOUNT-RELATED
ACTIVITIES AND COSTS**

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**DECISION APPROVING SAN DIEGO GAS & ELECTRIC COMPANY'S
2022 ENERGY RESOURCE RECOVERY ACCOUNT-RELATED
ACTIVITIES AND COSTS**

Summary

This decision approves the Application of San Diego Gas & Electric Company (SDG&E) related to the 2022 record year Energy Resource Recovery Account (ERRA) and related activities and costs. In 2022, SDG&E administered and managed its utility owned generation facilities prudently and its contracts for generation and power purchase agreements in accordance with the contract provisions and California Public Utilities Commission guidelines. This decision also approves SDG&E's 2022 use of energy resources based upon its achievement of least cost dispatch. SDG&E is authorized to include a 2022 overcollection of \$0.427 million in the Annual Electric Regulatory Account Update filing to be implemented in rates effective January 1 following the Commission's approval of SDG&E's ERRA Application. To credit revenues from its Miguel Battery Energy Storage System to its bundled and unbundled customers, SDG&E is authorized to modify its preliminary statements for its ERRA and Electric Distribution Fixed Cost Account (EDFCA) so that these revenues may be appropriately recorded in its EDFCA.

This proceeding is closed.

1. Procedural Background

On June 1, 2023, San Diego Gas & Electric Company (SDG&E) filed the instant Application (Application) seeking California Public Utilities Commission (Commission) approval of SDG&E's activities from January 1, 2022 to December 31, 2022 (Record Period) regarding contract administration, least cost dispatch, and power procurement, costs related to those activities recorded to the Energy Resource Recovery Account (ERRA), Portfolio Allocation Balancing Account,

Transition Cost Balancing Account, and Local Generating Balancing Account, and costs recorded in related regulatory accounts. By Resolution ALJ 176-3464 adopted on June 25, 2020, the Commission preliminarily determined that this proceeding was ratesetting and that hearings were necessary.

On July 6, 2023, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a Protest to the Application and San Diego Community Power (SDCP) and Clean Energy Alliance (CEA), collectively the “CCA Parties”, filed a Joint Protest to the Application. SDG&E filed a Reply to the Protests on July 17, 2023.

On August 21, 2023, the assigned Administrative Law Judge (ALJ) held a Prehearing Conference. An Assigned Commissioner’s Scoping Memo and Ruling (Scoping Memo) filed on October 31, 2023, affirmed the Commission’s preliminary categorization of this proceeding as ratesetting and the necessity for hearings, set forth issues, and adopted a procedural schedule. A ruling issued on November 16, 2023, modified the procedural schedule.

On November 22, 2023, CCA Parties filed a joint motion to compel discovery from SDG&E (Joint Motion to Compel Discovery). A ruling issued on December 4, 2023, granted the Joint Motion to Compel Discovery. To address discovery-related issues prior to party submission of direct and rebuttal testimony, a ruling was issued on December 6, 2023, that further modified the procedural schedule. A ruling issued on December 8, 2023, extended the deadline for SDG&E’s response to the Joint Motion to Compel Discovery until December 13, 2023.

Pursuant to Rule 13.9 of the Commission Rules of Practice and Procedure (Rule), SDG&E, Cal Advocates, SDCP, and CEA filed a Joint Status Report on meet and confer efforts and list of stipulated and disputed facts on March 8, 2024.

In response to the Joint Status Report, a ruling issued on March 8, 2024, modified the procedural schedule. On behalf of Parties (SDG&E, Cal Advocates, SDCP, and CEA), SDG&E sent an email to the service list that waived the need for evidentiary hearings.

On March 22, 2024, SDG&E, SDCP, CEA, and Cal Advocates filed a Joint Motion to enter testimony and exhibits into the evidentiary record, including certain exhibits under seal pursuant to Rule 11.5 (Joint Motion to File Exhibits) to preserve the confidentiality of market sensitive data. A ruling issued on April 3, 2024, granted the parties' request in the Joint Motion to file confidential exhibits into the evidentiary record. A ruling issued on April 9, 2024, granted the parties' request in the Joint Motion to file non-confidential exhibits into the evidentiary record. As a result, no evidentiary hearings were held. SDG&E and the CCA Parties, filed opening briefs on April 12, 2024, and reply briefs on May 3, 2024. On November 7, 2024, Decision (D.) 24-11-014 extended the statutory deadline in this proceeding until March 31, 2025.

2. Factual Background

In D.02-10-062, the Commission established the Energy Resource Recovery Account (ERRA) balancing account mechanism to track billed revenues for fuel and purchased power against the actual recorded costs of these items. Further, D.02-10-062 set requirements for regulated electric utilities in California to establish a fuel and purchased power revenue requirement forecast, a trigger mechanism to address revenue balances that exceed certain benchmarks, and a schedule for filing ERRA applications. Thereafter, the Commission adopted ERRA decisions that set minimum standards of conduct for procurement of fuel and purchased power that regulated energy utilities must follow.

The ERRRA regulatory process includes an annual compliance proceeding and an annual forecast proceeding. In this ERRRA compliance proceeding, the Commission must determine if SDG&E complied with all applicable rules, regulations, opinions, and laws governing administration of energy resource contracts, utility-owned generation (UOG) and dispatch of the most cost-effective mix of total resources, or least-cost dispatch.

Pursuant to Assembly Bill (AB) 32 that became law in 2006, the California Air Resources Board (CARB) created California's Cap-and-Trade program designed to establish a market-based price for GHG emissions. As a covered entity, SDG&E is also required to procure compliance instruments for its imported power and for its UOG facilities. SDG&E's procurement of compliance instruments must comply with D.12-04-046, in which the Commission set a GHG compliance instruments procurement limit, and with SDG&E's Conformed Bundled Procurement Plan (BPP).

During its compliance review, the Commission considers whether the utility has prudently administered its contracts and generation resources and dispatched energy in a least-cost manner in accordance with SOC 4, which provides that "...utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner."¹ Prudent contract administration requires that utilities adhere to contract terms and conditions and dispose of economic long power and purchase economic short power such that ratepayer costs are minimized.² When a utility shows that its conduct was prudent, a party proposing a disallowance of requested billed revenue must

¹ D.02-10-062 Conclusion of Law 11, Ordering Paragraph 15.

² D.02-12-074, Ordering Paragraph 24b.

establish that the utility did not act in accordance with the reasonable manager standard. To comply with the reasonable manager standard, utilities must demonstrate that its actions comport with the actions of entities with sufficient education, training, experience, and skills using tools and knowledge at their disposal when faced with a need to make a decision.

As the applicant, SDG&E has the burden to affirmatively establish by a preponderance of the evidence that it has acted as a prudent contract administrator and reasonable manager and therefore is entitled to the Commission's actions and relief that it is requesting.

3. Issues Before the Commission

As set forth in the Scoping Memo, the issues to be determined in this proceeding are:

1. Whether SDG&E administered and managed its own generation resources prudently, to include the management of outages and associated fuel costs according to Standard of Conduct ("SOC") 4.
2. Whether SDG&E administered and managed its Qualifying Facility ("QF") and non-QF contracts for generation and power purchase agreements in accordance with the contract provisions and otherwise followed Commission guidelines relating to those contracts and their amendments according to SOC 4.
3. Whether SDG&E used the most cost-effective mix of energy resources under its control and achieved Least Cost Dispatch of its energy resources according to SOC 4.
4. Whether SDG&E administered its demand response programs to minimize costs to its ratepayers according to SOC 4.
5. Whether the entries recorded during the record year in the following accounts are correctly stated and in compliance with Commission directives:

- a. the Energy Resource Recovery Account Balancing Account (ERRABA);
 - b. Portfolio Allocation Balancing Account (PABA);
 - c. Undercollection Balancing Account (UBA);
 - d. Transition Cost Balancing Account (TCBA);
 - e. Local Generating Balancing Account (LGBA);
 - f. New Environmental Regulatory Balancing Account (NERBA);
 - g. Independent Evaluator Memorandum Account (IEMA);
 - h. Litigation Cost Memorandum Account (LCMA);
 - i. Green Tariff Marketing Education & Outreach Memorandum Account (GTME & OMA);
 - j. Green Tariff Shared Renewables Administrative Cost Memorandum Account (GTSRACMA);
 - k. Enhanced Community Renewable ME&O Memorandum Account (ECRME & OMA);
 - l. Green Tariff Shared Renewables Balancing Account (GTSRBA);
 - m. Tree Mortality Non-Bypassable Charge Balancing Account (TMNBCBA);
 - n. Disadvantaged Communities – Single Family Solar Homes Balancing Account (DAC-SASHBA);
 - o. Disadvantaged Communities-Green Tariff Balancing Account (DAC-GTBA); and
 - p. Community Solar Green Tariff Balancing Account (CSGTBA)
6. Whether SDG&E’s Greenhouse Gas (GHG) Compliance Instrument procurement was consistent with applicable

- standards and in compliance with SDG&E's Commission-approved procurement plans.
7. Whether the entries in SDG&E's Greenhouse Gas Revenue Balancing Account and Greenhouse Gas-related entries in other ERRA sub-accounts are accurate, and whether SDG&E met its burden of proof regarding its claim for these entries.
 8. Whether the Commission should authorize SDG&E to pursue adjustment of the undercollection in SDG&E's NERBA in the Annual Electric Regulatory Account Update filing.
 9. Whether the Commission should authorize SDG&E to pursue adjustment of the undercollection in SDG&E's TMNBCBA in the Annual Electric Public Purpose Program Account Update filing

4. Analysis and Discussion

We will now review and evaluate each element of SDG&E's 2022 ERRA application, related party testimony, and briefs to determine if SDG&E complied with SOC 4 requirements, prudently administered contracts, and acted as a reasonable manager during the Record Period.

4.1. Administration and Management of UOG Facilities

SDG&E asserts that it prudently and reasonably operated and maintained its UOG resources and adhered to the Commission's "Good Utility Practice" as defined in D.02-12-069 during the Record Period.³ Further, SDG&E claims that its maintenance program factored in manufacturer guidelines, appropriate power

³ Ex. SDG&E-1 at 4-5.

industry practices, safety considerations, and good engineering and technical judgment to allocate resources most effectively to maximize the availability of its UOG resources.⁴

In its assessment, Cal Advocates concludes that SDG&E performed the appropriate corrective actions to address an August 17, 2022, outage at its Cuyamaca Peak Energy Plant (CPEP).⁵

Following our review of the admitted evidence, we find that SDG&E prudently administered and managed its UOG facilities, including the management of outages and associated fuel costs, in accordance with SOC 4 during the Record Period.

4.2. Administration and Management of QF and non-QF Contracts

SDG&E served testimony that details its management of its Long-Term Portfolio, non-QF contracts, and QF/Combined Heat and Power (CHP) including but not limited to managing the process between generation resource construction and commercial operation,⁶ reporting renewable generation through Western Renewable Energy Generation Information System (WREGIS),⁷ and monitoring seller compliance with contract standard terms and conditions.⁸ Based on its testimony, SDG&E requests that the Commission finds that its administration and management of QF and non-QF contracts for generation and power purchase agreements during the Record Year is reasonable.⁹

⁴ Ex. SDG&E-1 at 5.

⁵ Ex. CALAD-01 at 1-3.

⁶ Ex. SDG&E-4 at 9.

⁷ Ex. SDG&E-4 at 10.

⁸ Ex. SDG&E-4 at 11.

⁹ Ex. SDG&E-4 at 36.

According to its review, Cal Advocates did not identify any concerns regarding SDG&E's contract management during the Record Year.¹⁰

Upon our evaluation of admitted evidence, we find that SDG&E prudently administered and managed its QF and non-QF contracts according to contract provisions and otherwise followed Commission guidelines relating to those contracts and their amendments pursuant to SOC 4 during the Record Period.

4.3. Administration of Cost-Effective Mix and Least-Cost Dispatch of Energy Resources

SDG&E claims that its least-cost dispatch of energy from UOG and Power Purchase Agreement (PPA) resources during the Record Year complied with SDG&E's Commission-approved BPP and applicable procurement-related rulings and decisions.¹¹

Based on its review, Cal Advocates did not identify cost impacts attributed to SDG&E's improper calculation of energy bids, resulting from an error in SDG&E's automated bid calculation software.¹² To address this issue, Cal Advocates recommends that SDG&E continues to work with its load forecast provider to address inherent complexities and variability in load forecasting (i.e. load migration).¹³

Cal Advocates found that SDG&E dispatched its hydroelectric resources in alignment with least-cost principles and generally agrees that SDG&E

¹⁰ Ex. CALAD-01 at 4-8.

¹¹ Ex. SDG&E-6 at 1.

¹² Ex. CALAD-01 at 2-11.

¹³ Ex. CALAD-01 at 2-10.

appropriately managed its thermal and hydro generation resources.^{14 15} Cal Advocates did not find any cost impacts due to SDG&E's non-economic, self-scheduling of dispatched resources.¹⁶ Because the Commission has not yet identified a method to evaluate utility compliance with least-cost dispatch of battery energy storage systems, Cal Advocates states that it could not determine if SDG&E complied with SOC 4 for these resources.¹⁷

According to our review of the record, we find that SDG&E administered and managed a cost-effective mix and least-cost dispatch of energy resources under its control during the Record Period pursuant to SOC 4. To enhance the accuracy of SDG&E's energy bids, we agree with Cal Advocates that SDG&E should work with its load forecast provider to address inherent complexities and variability in load forecasting.

4.4. Administration of Demand Response

SDG&E asserts that its demand response (DR) programs were utilized primarily to reduce electricity consumption during peak demand or to respond to system reliability needs during the Record Period.¹⁸

Cal Advocates' analysis reveals that SDG&E consistently under-forecast the potential load reduction provided by the Air Conditioning Saver Thermostats DR program.¹⁹ However, Cal Advocates does not recommend disallowance of

¹⁴ Ex. CALAD-01 at 2-13.

¹⁵ Ex. CALAD-01 at 2-17.

¹⁶ Ex. CALAD-01 at 2-12.

¹⁷ Ex. CALAD-01 at 2-13.

¹⁸ Ex. SDG&E-6 at 32.

¹⁹ Ex. CALAD-01 at 2-17.

billed revenues pertaining to SDG&E's administration of its DR programs.²⁰ Cal Advocates does suggest that SDG&E should work with its DR program aggregators to increase customer participation when DR events are triggered.²¹

Following our review of the admitted evidence, we find that SDG&E administered its DR programs to minimize costs to its ratepayers in accordance with SOC 4 during the Record Period. We also agree with Cal Advocates that SDG&E should work with its DR program aggregators to increase customer participation when DR events are triggered.

4.5. Accuracy of Entries in ERRAsub-Accounts and GHG-Related Balancing Account

SDG&E requests that the Commission find that entries recorded in ERRAsubaccounts and its GHG-related balancing accounts during the Record Period were correctly stated and complied with Commission directives.²² Cal Advocates did not object to SDG&E's request.²³

Based on our review of the record, we find that the entries in SDG&E's ERRAsubaccounts and GHG-related balancing accounts comply with Commission directives and requirements, including but not limited to the Commission's prudent manager standard during the Record Period.

4.6. Administration of GHG Compliance Instrument Procurement

SDG&E asserts that its GHG compliance instrument procurement activity during the Record Period was consistent with the approach prescribed by the

²⁰ Ex. CALAD-01 at 2-23.

²¹ Ex. CALAD-01 at 2-11.

²² Ex. SDG&E-2 at 2.

²³ Ex. CALAD-01 at 2-11.

Commission in D.12-04-046, D.15-10-031, and SDG&E's BPP in Advice Letter 2850-E-A.²⁴ Cal Advocates did not provide testimony on this issue.²⁵

Following our review of the admitted evidence, we find that SDG&E's GHG compliance instrument procurement complied with the Commission's approach on GHG procurement, as stated in the Track III Decision of the Long Term Procurement Plan (LTPP) Proceeding, D.12-04-046 and was consistent with Commission and state policies and laws during the Record Period.

4.7. Adjustment of NERBA and TMNBCBA Undercollection

The AB 32 electric subaccount in NERBA records actual costs against revenue requirements for authorized administrative fees charged by the California Air Resources Board (CARB). The TMNBCBA records tree mortality related procurement costs. In its testimony, SDG&E requests that the Commission find that 2022 transactions recorded in NERBA and TMNBCA are correctly stated and in compliance with Commission directives during the Record Year.²⁶ Further, SDG&E requests that the Commission authorize SDG&E to include a 2022 undercollection of \$427,000 in the Annual Electric Regulatory Account Update filing to be implemented in rates effective January 1 following the Commission's approval of SDG&E's Application.²⁷

Based on its review of SDG&E's testimony, workpapers, exhibits, data requests, and other account-related information, Cal Advocates does not object to SDG&E's request for Commission approval of transactions recorded in the

²⁴ Ex. SDG&E-3 at 4-5.

²⁵ Ex. CALAD-01 at 5-17.

²⁶ Ex. SDG&E-2 at 17-18.

²⁷ Ex. SDG&E-2 at 18.

NERBA and TMNBCBA complied with Commission directives and decisions during the Record Period.²⁸

Following our review of the admitted evidence, we find that entries in SDG&E's NERBA and TMNBCA were correctly stated and in compliance with Commission directives during the Record Year. In addition, the Commission authorizes SDG&E to include a 2022 undercollection of \$427,000 in the Annual Electric Regulatory Account Update filing to be implemented in rates effective January 1 following the Commission's approval of SDG&E's Application.

4.8. Adjustment of Sales Due to Public Safety Power Shutoffs

Following our review of the admitted evidence, we do not require SDG&E to include its Fast Trip events that resulted in de-energization for the 2022 record year in its Public Safety Power Shutoff (PSPS) unrealized revenue calculation.²⁹

D.23-06-054 directed the State's large electric utilities, including SDG&E, to serve supplemental testimony in its respective ERRA compliance proceedings to present and support estimated unrealized sales and revenues for PSPS Events that occurred after the date of the PSPS Order Instituting Investigation (OII) Decision, D.21-06-014 in 2021.³⁰

In Supplemental Testimony, SDG&E states that it did not activate PSPS Events in 2022. As such, SDG&E claims that it did not experience any unrealized sales due to PSPS Events during the Record Period.³¹

²⁸ Ex. CALAD-01 at 5-15.

²⁹ Ex. CALAD-01 at 1.

³⁰ D.23-06-054 Ordering Paragraph 2.

³¹ Ex. SDG&E-7 at 5.

However, Cal Advocates recommends that the Commission require SDG&E to include its Fast Trip events that resulted in de-energization for the 2022 record year in its PSPS unrealized revenue calculation for PSPS Events.³² To support this claim, Cal Advocates argues that D.21-06-014 explicitly defined a “PSPS Event” as:

“...the entire situation resulting from a de-energization by a utility for the specific purpose of mitigating the potential for catastrophic wildfire caused by utility infrastructure.”³³

Further, Cal Advocates claims that it is clear from the Commission’s language, definition, and description of de-energizations in D.19-05-042, which adopted de-energization guidelines, that PSPS shut-offs are synonymous with de-energization.³⁴

In its opening brief, SDG&E rejects Cal Advocates’ claim that unrealized sales and unrealized revenue for unplanned outages on Fast Trip enabled circuits should be reflected in its unrealized revenue calculation for PSPS Events because they are outside the scope of the PSPS ratemaking remedy established in D.21-06-014 and D.23-06-054. Further, SDG&E asserts that Cal Advocates and the Commission have recognized that Fast Trip programs are beyond the scope of the PSPS OII. To support its claim, SDG&E states that (1) unplanned outages on Fast Trip enabled circuits are reactive and therefore fundamentally different than PSPS Events that are proactive (2) the financial disallowance resulting from the PSPS ratemaking remedy is wholly irrelevant and (3) the common methodology proposed by the Joint IOUs did not envision the inclusion of unplanned outages

³² Ex. CALAD-01 at 1.

³³ Ex. CALAD-01 at 7-5.

³⁴ Ex. CALAD-01 at 7-4.

on Fast Trip enable circuits.³⁵ As further proof, SDG&E states that PSPS Events were defined as proactive power shut off events in D.21-06-014.³⁶

Despite Cal Advocates' contention that Fast Trip de-energizations qualify as PSPS Events, we do not find evidence in the record of this proceeding that Fast Trip de-energizations are clearly defined as PSPS Events. Further, D.23-06-054 does not explicitly require that they should be considered in SDG&E's methodology to calculate unrealized sales and revenue. Accordingly, we do not impose this requirement on SDG&E.

4.9. Transfer of Miguel Battery Revenues from ERRRA Accounts to Distribution Accounts

As raised by CCA Parties, capital costs for the Miguel Battery that were approved in SDG&E's 2019 General Rate Case (GRC) proceeding were booked in relevant SDG&E distribution accounts, and recovered from bundled and unbundled customers in distribution rates.³⁷ However, CCA Parties point out that CAISO market revenues from the operation of Miguel Battery are recorded in generation-related ERRRA accounts and do not offset costs for unbundled customers, including CCAs.³⁸ This issue was addressed and disposed of in SDG&E's 2024 General Rate Case Decision, and as a result, is moot.³⁹

³⁵ SDG&E Opening Brief at 31-32.

³⁶ SDG&E Opening Brief at 41 and D.21-06-014 at 30.

³⁷ Ex. CCA-01 at 16.

³⁸ Ex. CCA-01 at 17.

³⁹ D.24-12-074 at 406

4.10. SDG&E Management of Excess RA Capacity

The CCA Parties contend that SDG&E did not prudently manage its Excess Resource Adequacy (RA) capacity (i.e. RA capacity that is not required for compliance) in 2022 per SOC 4 requirements.⁴⁰ According to CCA Parties, revenue from the sale Excess RA capacity that is Power Charge Indifference Adjustment (PCIA)-eligible offsets costs for both bundled and unbundled customers, including CCAs.⁴¹ These revenues are recorded in SDG&E's PABA during the record year. Any Excess RA capacity from PCIA-eligible resources that is not sold to third parties is classified as Unsold RA and is valued at \$0 in the PABA and therefore is not reflected as a credit.⁴² CCA Parties report that SDG&E's Unsold RA capacity from PCIA-eligible resources averaged 484 megawatts (MW) per month in 2022.⁴³

The CCA Parties suggest that SDG&E's effort to sell Excess RA must be reviewed in its BPP, the Commission-approved plan for SDG&E resource procurement and sales, to determine whether it prudently managed its resources.⁴⁴ ⁴⁵ Based on its review, CCA Parties state that SDG&E limited the amount of Excess RA that was offered for sale to non-IOU retail sellers despite the presence of a constrained RA market in 2022.⁴⁶ Further, CCA Parties claim

⁴⁰ Ex. CCA-01 at 14.

⁴¹ To ensure customer indifference, departing load customers including CCAs must pay a power charge indifference adjustment (PCIA).

⁴² Unsold RA costs are set pursuant to D.19-10-001.

⁴³ Ex. CCA-01 at 4.

⁴⁴ Ex. CCA-01 at 1-2.

⁴⁵ SDG&E Opening Brief at 9.

⁴⁶ Ex. CCA-01 at 6.

that the amount of Excess RA that was made available in the 2022 RA market was limited by price.⁴⁷

However, the CCA Parties assert that SDG&E's BPP does not contain sufficient guidance about the quantity of Excess RA that should be offered for sale in SDG&E's RA solicitations. CCA Parties make this claim after their review of SDG&E's RA program documentation, including RA solicitation details (i.e. RA capacity sold by SDG&E on a monthly basis in 2022, the number and volume of RA bids that were received, rejected, or accepted in 2022, etc.),⁴⁸ CCA Parties point out that SDG&E's BPP states that it "may choose to retain all or some portion of Excess RA in order to retain surplus RA for use in management of scheduled outage replacement or lowering the CAISO's RA product charges."⁴⁹ Further, CCA Parties note that "SDG&E's BPP is so vague with regard to sales of Excess RA that it would be difficult to determine that the utility did not comply with its terms."⁵⁰ To benefit all customers by lowering PCIA rates, CCA Parties conclude that SDG&E should offer "all its available Excess RA in each solicitation to maximize potential revenues from RA sales..."⁵¹

To address their concern, CCA Parties' requested relief is that the Commission should (1) find that SDG&E's BPP is not prescriptive regarding how much Excess RA it should offer for sale during its RA solicitations and (2) order

⁴⁷ Ex. CCA-01 at 8.

⁴⁸ Ex. CCA-02.

⁴⁹ Ex. CCA-01 at 14.

⁵⁰ CCA Parties' Reply Comments at 6.

⁵¹ Ex. CCA-01 at 15.

that SDG&E's BPP be reviewed in the Integrated Resource Planning (IRP) proceeding to address this issue.⁵²

SDG&E refutes the CCA Parties' conclusion that SDG&E did not prudently manage its Excess RA position in 2022, per SOC 4 requirements. To illustrate its view, SDG&E provides an excerpt from its BPP that details language concerning RA procurement and sales as follows:

"...SDG&E may make excess local, system, or flexible RA supply (i.e., RA in excess of what SDG&E requires to meet its own RA obligations) available to the market. SDG&E may procure excess capacity from resources to enhance local area reliability in order to reduce the chance of the backstop by the (CAISO) as part of the (CAISO)'s capacity procurement mechanism Tariff authorization. SDG&E may offer such excess RA products to the market through an Request for Offers (RFO) process, through the CAISO's Competitive Solicitation Process where the offers are submitted to the CAISO and CAISO optimizes to procure backstop capacity to meet deficiencies or significant events, through a response to a counterparty RFO or through bilateral negotiations with counterparties. Such transactions would be for capacity or rights to capacity, and the related cost would be fully recoverable through SDG&E's Energy Resource Recovery Account (ERRA). Current Commission rules permit SDG&E to buy and/or sell products bilaterally when (1) SDG&E is approached by an outside non-affiliated third party seeking to sell or purchase short-term RA for one year or less in duration; or (2) SDG&E has a need to purchase or sell short term system, local, or flexible RA capacity. SDG&E will periodically brief its PRG on its RA positions. SDG&E may choose to retain all or some portion of excess RA in order to retain surplus RA for use in management of scheduled outage replacement or lowering the CAISO's RA product charges."⁵³

⁵² CCA Parties' Reply Brief at 3-4.

⁵³ SDG&E Opening Brief at 9.

In reference to its BPP, SDG&E explains that the methodology used to determine available PCIA-eligible RA capacity for solicitation (including a discussion of SDG&E's RA reservation methodology, Excess RA determination, availability of Excess RA, and sales volume reporting), was deemed to be reasonable by the Commission through approval of various Advice Letters.⁵⁴ SDG&E states that "while it makes every effort to offer Excess RA to the market at market prices, it does not have the obligation to "maximize RA sales" at the expense of missing its RA obligations."⁵⁵ According to SDG&E, RA solicitations are reviewed by an Independent Evaluator and Procurement Review Groups (PRGs), its selection of RA bids or awards is not within the scope of the ERRA Compliance proceedings⁵⁶ and should not be subject to an after-the-fact reasonableness review pursuant to Pub. Util. Code Section 454.5(d)(2).⁵⁷ Further, SDG&E states its solicitation results are reported in Quarterly Compliance Reports (QCR) that are audited by the Commission's Utility Audits Branch (UAB) for compliance with its BPP.⁵⁸

In consideration of arguments put forward by SDG&E and CCA Parties, information in the record, and the intent of Scoping Items 1, 2, and 3, it is clear that the Commission's review of SDG&E's management of Excess RA capacity does not rest within the scope of this ERRA Compliance proceeding. Scoping Item 1 relates to SDG&E's prudent management of its UOG resources during the Record Year. To this point, SDG&E's RA resources are not utility-owned, and

⁵⁴ SDG&E Opening Brief at 11 and Ex. CCA-01, Attachment C.

⁵⁵ SDG&E Opening Brief at 14.

⁵⁶ SDG&E Opening Brief at 11.

⁵⁷ SDG&E Opening Brief at 3.

⁵⁸ SDG&E Opening Brief at 8.

therefore SDG&E management of Excess RA is not subject to review in reference to Scoping Item 1. Scoping Item 2 addresses SDG&E's prudent management of QF and non-QF contracts and power purchase agreements. Similarly, the degree to which SDG&E retained or sold RA resources during the Record Year does not relate to SDG&E's prudent management of contracts. Finally, Scoping Item 3 pertains to SDG&E's use of a cost-effective mix of generation resources under its control and dispatch of least-cost resources. SDG&E's retention or sale Excess RA resources does not relate to least-cost dispatch of generation resources, nor does it relate to use of a cost-effective mix of generation resources. As explained by SDG&E, its RA solicitations are overseen by an Independent Evaluator and subject to review by PRGs. This process entails an examination of bid prices in RA solicitations.

While we determine that the matter of SDG&E's retention or sale of Excess RA does not fall within the scope of this ERRA Compliance proceeding, we note that any revisions to SDG&E's BPP that would impact the amount of Excess RA that is retained, could fall under the scope of Rulemaking (R.) 20-05-003, the IRP rulemaking, or specifically within the scope of Track 2 in R.25-02-005, the Order Instituting Rulemaking (OIR) to Update and Reform Energy Resource Recovery Account and Power Charge Indifference Adjustment Policies and Processes.⁵⁹ Based on this determination, we reject CCA Parties' request that this decision find that SDG&E's BPP does not provide specificity regarding the amount of Excess RA that should be offered to the market in RA solicitations. Further, this decision does not find that a review of SDG&E's BPP, as it relates to the retention

⁵⁹ R.25-02-005 OIR at 24.

or sale of Excess RA, is necessary, as this determination would fall squarely within the purview of the IRP proceeding or R.25-02-005.

5. Compliance Authorization

To implement the authorization granted in this decision, SDG&E must file a Tier 1 Advice Letter within 30 days of the effective date of this decision. The tariff sheets filed with the Advice Letter shall be effective on or after the date filed, and the Commission's Energy Division shall determine whether the tariff sheets comply with this decision.

6. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. No public comment was filed with reference to the matters addressed in this proceeding.

7. Conclusion

Based on the evidentiary record, we find that SDG&E prudently administered and dispatched its UOG resources, power purchase agreements, QF and non-QF facilities, in compliance with SDG&E's Commission-approved procurement plan during the Record Period. We also find the entries and costs recorded in the ERRA and other sub-accounts contained herein during the Record Year are appropriate and correctly stated. Further, we find SDG&E's procurement of greenhouse gas compliance instruments during the Record Period is consistent with Commission directives. Finally, the Commission authorizes SDG&E to include a 2022 overcollection of \$0.427 million in the Annual Electric Regulatory Account Update filing to be implemented in rates

effective January 1 following the Commission's approval of SDG&E's Application. There being no other issues to resolve, this proceeding is closed

8. Procedural Matters

This decision affirms all rulings made by the Administrative Law Judge and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

9. Comments on Proposed Decision

The proposed decision of ALJ Rajan Mutialu 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 on _____, and reply comments were filed on _____ by _____.

10. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Rajan Mutialu is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. SDG&E prudently administered UOG operations including the dispatch of UOG resources, and management of outages and associated fuel costs according to SOC 4 requirements and complied with SDG&E's Commission-approved procurement plans during the Record Period

2. SDG&E prudently administered and managed its portfolio of contracts, including QF and non-QF contracts, power purchase agreements, and renewable resources in accordance with contract provisions and followed Commission guidelines relating to those contracts and their amendments pursuant to SOC 4 requirements and Commission-approved procurement plans during the Record Period.

3. SDG&E prudently administered and managed a cost-effective mix of generation resources and least-cost dispatch of generation resources under its control according to SOC 4 requirements during the Record Period.

4. Inaccuracies in SDG&E's load forecasting decreased the accuracy of its energy bids.

5. SDG&E prudently administered and managed its DR programs to minimize costs for its ratepayers in accordance with SOC 4 requirements during the Record Period.

6. SDG&E could improve customer participation when DR events are triggered.

7. SDG&E correctly stated entries and costs recorded in SDG&E's ERRA, PABA, CAPBA, TCBA, LGBA, NERBA, IEMA, LCMA, GTME&OMA, GTSRACMA, ECRME&OMA, GTSRBA, TMNBCBA, DACSASHBA, DACGTBA, and CSGTBA and related sub accounts to comply with Commission directives during the Record Period.

8. SDG&E prudently administered and managed its GHG Compliance Instrument procurement to be consistent with applicable standards and comply with its Commission-approved procurement plans during the Record Period.

9. SDG&E prudently administered and managed its GHG Revenue Balancing Account and GHG-related entries in other ERRA sub-accounts and met its burden of proof regarding the accuracy of these entries during the Record Period.

10. SDG&E's request to adjust the \$427,000 undercollection in the NERBA during the Record Year in its Annual Electric Regulatory Account Update filing, that will be implemented in rates and amortized effective on January 1 following the Commission's approval of SDG&E's Application, is reasonable.

11. There is insufficient evidence in the record to conclude that Fast Trip de-energizations should be categorized as PSPS Events.

12. D.23-06-054 does not specify that unrealized sales from Fast Trip de-energizations should be used to calculate unrealized sales and revenues from PSPS Events.

13. SDG&E's Miguel Battery Energy Storage System is a distribution asset whose capital costs were authorized by the Commission in SDG&E's 2019 GRC proceeding. Revenues are recorded in SDG&E's ERRRA accounts and are only credited to SDG&E's bundled customers.

14. SDG&E's Miguel Battery Energy Storage System CAISO net revenues were ordered to be correctly attributed to all customers in SDG&E's 2024 General Rate Case Decision.

15. The issue regarding SDG&E's Miguel Battery Energy Storage System in this proceeding is moot.

16. Any proposed modification of SDG&E's BPP, which specifies SDG&E's Commission-approved methodology for determining the amount of Excess RA to be retained or sold in its RA solicitations, is in the scope of the IRP proceeding and is not in the scope of this ERRRA Compliance proceeding.

17. Since any proposed modification of SDG&E's BPP is in the scope of the IRP proceeding, we do not find that SDG&E's Commission-approved methodology for determining the amount of Excess RA to be retained or sold in its RA solicitations should be revised.

Conclusions of Law

1. SDG&E's request for Commission approval of its administration of UOG resources and management of outages and associated fuel costs according to

SOC 4 requirements and Commission-approved procurement plans during the Record Year should be granted.

2. SDG&E's request for Commission approval of its administration and management of QF and non-QF contracts, power purchase agreements, and renewable resources in accordance with contract provisions and Commission-guidelines relating to those contracts and their amendments pursuant to SOC 4 requirements and Commission-approved procurement plans during the Record Year should be granted.

3. SDG&E's request for Commission approval of its administration of a cost-effective mix of generation resources and compliance with the Commission's least-cost dispatch requirements for generation resources under its control in accordance with SOC 4 requirements during the Record Year should be granted.

4. SDG&E should work with its load forecast provider to address inherent complexities and variability in load forecasting to enhance the accuracy of its energy bids.

5. SDG&E's request for Commission approval of its administration of DR programs to minimize costs to its ratepayers according to SOC 4 requirements during the Record Year should be granted.

6. SDG&E should work with its DR program aggregators to increase customer participation when DR events are triggered.

7. SDG&E's request for Commission approval of transactions, entries, and calculations, and costs related to activities in its ERRA accounts and related sub-accounts during the Record Year should be granted.

8. SDG&E's request for Commission approval of its GHG-related Compliance Instrument procurement to be consistent with applicable standards

and comply with Commission-approved procurement plans during the Record Year should be granted.

9. SDG&E's request for Commission approval of transactions, entries, and calculations, and costs related to activities in its GHG Revenue Balancing Account and GHG-related entries in other ERRRA sub-accounts during the Record Year should be granted.

10. SDG&E's request for the Commission to authorize SDG&E to adjust undercollection in its NERBA in the Annual Electric Regulatory Account Update filing during the Record Year should be granted.

11. CCA Parties' request that the Commission issue an order to review SDG&E's BPP methodology for determining how much Excess RA it should retain or offer for sale in its RA solicitations in the IRP proceeding should not be granted.

12. SDG&E should file a Tier 1 Advice Letter within 30 days of the effective date of this decision to implement the authorization granted in this decision.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric's 2022 Energy Resource Recovery Account Compliance Application, Application 23-06-002, is approved consistent with the findings of fact and conclusions of law set forth in this decision.

2. San Diego Gas & Electric Company is authorized to include a 2022 undercollection of \$427,000 in the Annual Electric Regulatory Account Update filing to be implemented in rates effective January 1, 2026 following the Commission's approval of SDG&E's Application.

3. San Diego Gas & Electric Company must file a Tier 1 Advice Letter within 30 days of the effective date of this decision to implement the authorization granted in this decision.

This order is effective today.

Dated _____, at Sacramento, California.