

Decision 17-03-016 March 23, 2017

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 2015, (ii) Costs Related to those Activities Recorded to the Energy Resource Recovery Account and Transition Cost Balancing Account in 2015 and (iii) Costs Recorded in Related Regulatory Accounts in 2015.

Application 16-06-002
(Filed June 1, 2016)

**DECISION APPROVING SAN DIEGO GAS & ELECTRIC COMPANY'S
2015 ENERGY RESOURCE RECOVERY ACCOUNT COSTS
AND RELATED MATTERS**

Table of Contents

<u>Title</u>	<u>Page</u>
DECISION APPROVING SAN DIEGO GAS & ELECTRIC COMPANY’S 2015 ENERGY RESOURCE RECOVERY ACCOUNT COSTS AND RELATED MATTERS	1
Summary	2
1. Background	2
2. Scope of Proceeding	5
3. Resolution of SDG&E’s Application, ORA’s Analysis, and Recommendations	6
3.1. SDG&E Must Prudently Manage Its Contracts and Resources	6
3.2. Least-Cost Dispatch	7
3.2.1. Maximum Disallowance for SOC 4 Violation	7
3.2.2. Violation of SOC 4	8
3.2.3. Approval of Contract Administration	9
3.3. Utility-Owned Generation and Facilities Under Contract	9
3.4. Compliance Review of the ERRA and Other Balancing Accounts	10
3.5. Cost Recovery	11
3.6. ORA’s Additional Proposals	11
3.6.1. Independent Review for Forecasting Models and Processes	11
3.6.2. Submitting Load and Price Forecast Data in a Prescribed Format	12
3.6.3. Zero Dispatch	12
3.6.4. Demand Response: Summer Saver Program	14
3.6.5. Contract Terminations	15
4. Other Procedural Matters	16
4.1. Motions to Admit Testimony into Evidence	16
4.1.1. SDG&E	16
4.1.2. Office of Ratepayer Advocates	16
4.2. Request to File Under Seal	17
4.2.1. SDG&E	17
4.2.2. Office of Ratepayer Advocates	17
4.3. Change in Determination of Need for Hearings	18
4.4. Compliance with the Authority Granted Herein	18
5. Comments on Proposed Decision	18
6. Assignment of Proceeding	18
Findings of Fact	19

Table of Contents (cont.)

<u>Title</u>	<u>Page</u>
Conclusions of Law	20
ORDER	22

**DECISION APPROVING SAN DIEGO GAS & ELECTRIC COMPANY'S
2015 ENERGY RESOURCE RECOVERY ACCOUNT COSTS
AND RELATED MATTERS**

Summary

By this Decision, the California Public Utilities Commission approves San Diego Gas & Electric Company's administration, activities, and costs set forth by its 2015 Energy Resource Recovery Account compliance application.

1. Background

The Commission established the Energy Resource Recovery Account (ERRA) balancing account mechanism in Decision (D.) 02-10-062 to track fuel and purchased power billed revenues against actual recorded costs of these items. In the same decision, the Commission required regulated electric utilities in California to establish a fuel and purchased power revenue requirement forecast, a trigger mechanism (to address balances exceeding certain benchmarks), and a schedule for semiannual ERRA applications. Since that time, the Commission has adopted decisions regarding the ERRA balancing account, setting, among other things, minimum standards of conduct that regulated energy utilities must follow in performing their procurement responsibilities.

In the annual ERRA forecast application, a utility requests adoption of the utility's forecast of its expected annual fuel and purchased power costs for the upcoming 12 months. Approval of the forecast includes recovery in rates of the ERRA revenue requirement.

In a separate annual ERRA compliance application, a utility requests a determination of whether it is in compliance during the prior year with applicable rules governing energy resource contract administration, maintenance and administration of Utility Owned Generation (UOG), and least-cost dispatch

(LCD), approval of any over- or under-collection in its ERRA balancing account and related regulatory accounts, and requests pertaining to other, non-ERRA accounts.

The Commission is required to perform a compliance review of the ERRA balancing account and related regulatory accounts and non-ERRA accounts. A compliance review considers whether a utility has complied with all applicable rules, regulations, opinions, and laws, while a reasonableness review evaluates not only a utility's compliance, but also whether the data or actions resulting from, for example, the calculation of a forecasted expense, are reasonable, based on the methods and inputs used. The Commission also reviews whether the utility has prudently administered its contracts and generation resources and dispatched energy in a least-cost manner in compliance with Standard of Conduct 4 (SOC). These standards are discussed in greater detail in Section 3, below.

This Decision resolves the application filed by San Diego Gas & Electric Company (SDG&E) on June 1, 2016: Application (A.) 16-06-002. In A.16-06-002, SDG&E requests approval of: (i) contract administration, LCD, and power procurement activities in 2015; (ii) costs related to those activities recorded to the ERRA, Transition Cost Balancing Account (TCBA), and Local Generation Balancing Account (LGBA) in 2015; and (iii) costs recorded in other regulatory accounts in 2015. The other regulatory accounts include SDG&E's, New Environmental Regulatory Balancing Account (NERBA), Independent Evaluator Memorandum Account (IEMA), and Litigation Cost Memorandum Account (LCMA).

SDG&E is not seeking a rate change or cost recovery in conjunction with this application for any of these recorded costs, thereby avoiding a rate increase

for a relatively small amount and promoting rate stability. SDG&E is, however, requesting approval to defer recovery of under-collected costs in the LGBA until SDG&E's 2018 ERRRA Forecast proceeding or SDG&E's next Annual Regulatory Account Update filing.

The application first appeared on the daily calendar on June 6, 2016. By Resolution ALJ 176-3379, issued on June 9, 2016, A.16-06-002 was preliminarily categorized as ratesetting with a need for evidentiary hearings. On July 6, 2016, the Office of Ratepayer Advocates (ORA) filed a protest to A.16-06-002.

On July 28, 2016, a prehearing conference was held to establish the service list, discuss the scope of this proceeding, and develop a procedural timetable for the management of this proceeding.

On August 5, 2016, Southern California Edison Company (SCE) filed a motion for party status. On August 10, 2016, SCE was granted limited party status.

On August 16, 2016, assigned Commissioner Michel P. Florio and assigned Administrative Law Judge (ALJ) Eric Wildgrube issued their Scoping Memo and Ruling (Scoping Memo) setting the schedule for hearings and briefing.

SDG&E served direct testimony with their application. ORA served their direct testimony on September 30, 2016. SDG&E served rebuttal testimony on October 21, 2016.

On October 28, 2016, SDG&E and ORA requested the evidentiary hearings - scheduled to begin November 8, 2016 - be removed from the Commission's calendar as the parties no longer considered them necessary. On November 2, 2016, the assigned ALJ issued a ruling removing the evidentiary hearings from the Commission's Calendar.

On December 1, 2016, SDG&E and ORA filed motions to offer prepared testimony and appendices into evidence and to seal a portion of the evidentiary record. These motions are addressed by this decision. ORA filed its brief on December 1, 2016. SDG&E filed its brief on December 15, 2016.

All rulings made by the assigned Commissioner or ALJ during the pendency of this proceeding are affirmed.

2. Scope of Proceeding

The following issues were determined by the Scoping Memo as within the scope of this proceeding:

- Whether SDG&E administered and managed its utility-owned generation in a prudent manner;
- Whether SDG&E managed utility-owned generation outages and associated fuel costs in a prudent manner;
- Whether SDG&E administered and managed its qualifying facility (QF) and non-QF contracts in accordance with the contract provisions in a prudent manner and otherwise followed Commission guidelines;
- Whether the contract amendments proposed by SDG&E are reasonable and whether the associated costs should be recovered through the ERRAs;
- Whether SDG&E achieved least-cost dispatch of its energy resources;
- Whether SDG&E's entries and costs recorded in SDG&E's ERRAs for 2015 are appropriate and correctly stated, including entries in the TCBA, LGBA, NERBA, IEMA, and LCMA;
- Whether SDG&E administered its demand response (DR) programs to minimize costs to ratepayers;
- Whether SDG&E's Greenhouse Gas (GHG) Compliance Instrument procurement is consistent with its Bundled Procurement Plan and Commission directives and policies;

- Whether the entries in SDG&E's ERRR GHG subaccount are accurate and whether SDG&E met its burden of proof regarding its claim for these entries; and
- Whether SDG&E may pursue cost recovery of under-collection in the LGBA in its next-filed ERRR Forecast Proceeding for 2018 or SDG&E's next Annual Electric Regulatory Update filing.

3. Resolution of SDG&E's Application, ORA's Analysis, and Recommendations

During this proceeding, ORA submitted testimony of its analysis of SDG&E's application. Notably, ORA did not contest approving the majority of the application. Excepting one proposed disallowance, ORA did not propose disallowances or recommendations concerning SDG&E's current application; ORA's recommendations are for showings in future ERRR proceedings. Therefore, excepting the disallowance discussed below, we find SDG&E has met its burden and has established that its application should be approved.

3.1. SDG&E Must Prudently Manage Its Contracts and Resources

SDG&E and ORA agree SOC 4 requires, "The Utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner."¹

The parties further agree SOC 4 is analogous to the reasonable manager standard which requires "the act of the utility should comport with what a reasonable manager of sufficient education, training, experience, and skills using

¹ ORA Brief at 2, 4; D.02-10-062 at 52; *see also* SDG&E's Rebuttal Testimony of Joseph Pasquito at JP-5:8-10 (citing D.05-01-054 at 12-16, D.16-05-003 at 10).

the tools and knowledge at his or her disposal would do when faced with a need to make a decision and act.”²

3.2. Least-Cost Dispatch

Least-Cost Dispatch requirements apply to SDG&E’s day-ahead and intra-day trading of its portfolio of resources, including UOG and power purchase agreements. SDG&E’s testimony establishes – except as discussed in Section 3.2.2. – SDG&E complied with the Commission’s LCD requirements and SOC 4 during the 2015 Record Period by considering variable costs and utilizing the lowest cost resource mix, subject to constraints in the day-ahead, hour-ahead and real-time markets. Excepting the single disallowance discussed below, ORA did not recommend disallowances regarding LCD.

3.2.1. Maximum Disallowance for SOC 4 Violation

SOC 4 adopted by D.02-10-062 provides, “[t]he utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner.” The Commission subsequently adopted in D.02-12-074 a maximum potential disallowance for violations of SOC 4 of twice the utility’s annual procurement administrative expenditures.³

SDG&E’s testimony establishes that the maximum disallowance for any SDG&E violation(s) of SOC 4 is \$18.8 million for the 2015 Record Year. There being no dispute, the Commission confirms the maximum disallowance. The maximum disallowance is not applied.

² ORA Brief at 7; SDG&E’s Rebuttal Testimony of Joseph Pasquito at JP-6:5-10 (citing D.05-01-054 at 15 and D.14-05-023 at 15).

³ The Commission has not considered the maximum disallowance to be applicable to improper utility maintenance of their own generation facilities. (*See*, D.03-06-067)

3.2.2. Violation of SOC 4

ORA identified a single incident – a self-scheduling error of the Orange Grove unit – which it contends is a violation of SOC 4:

SDG&E violated SOC 4 when it self-scheduled a resource that resulted in a deficit Instead of submitting the resource as an ancillary service, as SDG&E intended, it self-scheduled the resource to run as energy. Self-scheduled resources are price-taker bids, which means that the resources are paid the energy's spot price. The resulting spot price was lower than the cost of running the resource. SDG&E could have avoided the deficit if the resource was scheduled at its minimum incremental bid price. SDG&E's 2015 ERRAs workpapers included the deficit, remaining as a ratepayer cost rather than being excluded from the ERRA balancing account.⁴

SDG&E contends this single inadvertent error does not establish a lack of prudence and a consequent violation of SOC 4. SDG&E claims it self-reported the error in its direct testimony “providing up-front transparency and candor to the Commission about the existence and nature of the error.”⁵

We agree with SDG&E that SOC 4 does not require perfection. SDG&E by its testimony has established that overall it prudently administers and manages its contracts and resources. SDG&E's focus on its overall conduct however, fails to establish SDG&E acted prudently when it committed the self-scheduling error. SDG&E has failed to establish the self-scheduling error comports with what a “reasonable manager of sufficient education, training, experience, and skills using the tools and knowledge at his or her disposal would do when faced with a need to make a decision and act.” SDG&E argues against the Commission

⁴ ORA Brief at 6 (internal citations omitted).

⁵ SDG&E Brief at 4.

finding a violation based on its “self-reporting,” “transparency,” and “candor” in reporting the error. Although the error is reported in SDG&E’s June 1, 2016 testimony of Joseph Pasquito, the error was neither identified nor explained in either Mr. Pasquito’s opening or rebuttal testimony. SDG&E has not explained why or how the error occurred except to argue it was a mistake and inadvertent. We acknowledge SDG&E’s assertion that it “has implemented on its own initiative corrective actions to prevent such errors from recurring.”⁶ Although corrective action is commendable, it does not support a finding that SDG&E acted prudently before it implemented the corrective action. We do not impose strict liability on SDG&E for any error which may occur. Rather, we base our finding in this instance on SDG&E’s failure to meet its burden to establish that this specific self-scheduling error was not a violation of SOC 4. Therefore, we disallow as a ratepayer cost recoverable from the ERRRA balancing account the deficit due to SDG&E’s self-scheduling error of the Orange Grove Unit.⁷

3.3. Approval of Contract Administration

ORA does not object to SDG&E’s contract administration activities for the Record Year 2015. Following our review of SDG&E’s testimony, the Commission approves SDG&E’s contract administration for the Record Year 2015.

3.4. Utility-Owned Generation and Facilities Under Contract

SDG&E’s application and testimony establishes, and the Commission finds, that SDG&E has adequately demonstrated that during 2015 SDG&E

⁶ SDG&E’s Rebuttal Testimony of Joseph Pasquito at JP-6:15-16.

⁷ The amount disallowed is confidential and filed under seal at ORA’s Brief at 6, ORA-1-C at 2-6:1 to 2-7:14, and SDG&E’s Rebuttal Testimony of Joseph Pasquito at JP-5:4.

prudently administered and dispatched its utility owned generation resources and portfolio of contracts (excepting as discussed in section 3.2.2.), including Miramar, Palomar, Desert Star, Cuyamaca, allocated California Department of Water Resources contracts, power purchase agreements, QFs, non-QF resources, and renewable energy resources, in compliance with SDG&E's Commission approved procurement plan.

3.5. Compliance Review of the ERRA and Other Balancing Accounts

ORA reviewed SDG&E's ERRA and five other balancing and memorandum accounts in this proceeding. These are: the TCBA, LGBA, NERBA, IEMA, and LCMA. ORA found no required accounting adjustments and no exceptions to the recovery requirements. The Commission concludes that the ERRA entries and the other balancing and memorandum account entries for Record Year 2015 are appropriate, correctly stated, and in compliance with applicable Commission decisions.

ORA also reviewed SDG&E's testimony on GHG compliance instruments. From this review, ORA had no objection to SDG&E's request for Commission approval that SDG&E procured GHG compliance instruments in accordance with its approved Bundled Procurement Plan and Commission directives and policies. The Commission finds SDG&E's GHG procurement activity for Record Year 2015 was within SDG&E's GHG procurement authority.⁸

⁸ GHG account entries and the main ERRA balance are confidential and filed under seal.

3.6. Cost Recovery

SDG&E seeks to defer recovery of the under-collection in SDG&E's LGBA to SDG&E's next-filed ERRA Forecast Proceeding (for year 2018) or SDG&E's next Annual Electric Regulatory Update filing. SDG&E contends deferring recovery will promote rate stability for its customers. The Commission is not opposed to this request and approves it.

Recovery of the under-collected LCMA balance may also be deferred due to pending litigation which may change the LCMA balance.

3.7. ORA's Additional Proposals

3.7.1. Independent Review for Forecasting Models and Processes

ORA, following an analysis of SDG&E's forecasting, recommended SDG&E undergo "an independent evaluation to review its process and models of forecasting short term system loads, prices in the Day-Ahead Market, and the forecast results."⁹ SDG&E "does not necessarily concur with ORA's analysis or conclusions," but agrees to the independent evaluation "provided that the cost of that review ... is fully recoverable through ERRA."¹⁰

Despite the parties apparent agreement to an "independent evaluation," there is a lack of clarity as to what they are agreeing should occur. SDG&E states it "supports measures to improve forecasting accuracy as a general matter and

⁹ ORA Testimony at 2-15:8-11.

¹⁰ SDG&E's Rebuttal Testimony of Joseph Pasquito at JP-2:22-3:1.

engages in ongoing self-evaluation for that purpose,”¹¹ but then in a footnote objects to ORA’s request for an “external” evaluation.¹²

ORA has not established that the evaluation of forecasting that it proposes would attain its goal “to ensure more effective forecasting and overall lower costs to ratepayers.”¹³ Furthermore, despite SDG&E’s willingness to conduct an evaluation at the ratepayers’ expense, we do not adopt the proposal absent greater clarity as to the potential cost savings from improved accuracy of forecasting, the parameters of any evaluation, and the anticipated costs of it. Meanwhile, we support SDG&E’s “ongoing self-evaluation” “to improve forecasting accuracy.”¹⁴

3.7.2. Submitting Load and Price Forecast Data in a Prescribed Format

The parties have agreed SDG&E should submit load and price forecast data in the same manner as the attachment to Data Response #6 Question 2 to satisfy the similar requirement in D.15-05-005. The Commission is not opposed to this request and adopts it.

3.7.3. Zero Dispatch

The Joint Utility’s proposal adopted by D.15-05-005 requires SDG&E to report as part of its ERRA compliance application:

Percentage of times incremental energy was not awarded when incremental bid cost at the awarded megawatt (“MW”) level was lower than the locational marginal price (“LMP”) at the applicable

¹¹ *Id.* at JP-3:1-2.

¹² *Id.* at JP-3:2, fn. 7.

¹³ ORA Testimony at 2-28:8-9.

¹⁴ SDG&E’s Rebuttal Testimony of Joseph Pasquito at JP-3:1-2.

node. Explanation and documentation of CIDI [Customer Inquiry Dispute & Information] tickets submitted, and subsequent actions taken by the utility.¹⁵

The parties agree these “non-economic” dispatches are reported.

ORA also recommends, consistent with reporting non-economic dispatches, that SDG&E document instances of “zero dispatch.” A “zero dispatch” occurs when there was no energy awarded even though the incremental bid cost was lower than the LMP. It is not readily apparent that the reporting of “zero dispatch” is required by the Joint Utility’s proposal adopted by D.15-05-005; SDG&E argues it is not. ORA recommends the Commission require SDG&E make an additional showing, in future ERRA compliance proceedings, explaining and documenting instances of “zero dispatch.”

ORA contends by its comments that reporting on “zero dispatch” is not an additional requirement but only a clarification of the requirement adopted by D.15-05-005. Whether one regards the proposed reporting as a “clarification” or “additional” does not alter the fact that ORA proposes SDG&E report something new. The requirements adopted by D.15-05-005 were founded on a Joint Utility proposal. The Commission will not, under the guise of what ORA terms a “clarification,” broaden what was previously jointly proposed by the utilities and subsequently adopted by the Commission. ORA further argues SDG&E cannot demonstrate LCD and the Commission cannot ensure just and reasonable rates absent the additional showing; however, it must be noted, ORA only seeks the additional showing in future proceedings. ORA did not contend SDG&E’s

¹⁵ D.15-05-005, Appendix A, *Workpapers*, Section 2.e.

showing precluded ORA from completing its review of the current record year, undercutting its argument that an additional showing is necessary.

Imposing a new requirement on SDG&E is outside the scope of this proceeding. If ORA wants to pursue this documentation in the future, it should seek to include it within the scope of a future proceeding, or – preferably – file a Petition to Modify D.15-05-005.

3.7.4. Demand Response: Summer Saver Program

The Joint Utility’s proposal adopted by D.15-05-005 also requires the Joint Utilities “provide information regarding DR programs that are bid into the CAISO [California Independent System Operator] market.”¹⁶

The “Adopted Metrics for Demand Response Resources” of the Joint Utility’s proposal require reporting of dispatchable DR programs with an economic trigger. ORA asserts the Commission should order SDG&E to submit DR metrics for the Summer Saver Program (SSP) to determine compliance with LCD. ORA argues this reporting is required because the SSP trigger is “intrinsically economic because system load directly impacts market energy prices.”¹⁷ The parties agree, dispatch of the SSP is triggered when SDG&E’s system load reaches 3,800 MW or higher for four consecutive hours. Although there are certainly economic implications associated with SDG&E’s system load reaching 3,800 MW or higher for four consecutive hours, an economic trigger is required by D.15-05-005 to require reporting, not economic implications. Nevertheless, SDG&E anticipates that the SSP will be bid or scheduled into the

¹⁶ D.15-05-005, Appendix A, *Demand Response*.

¹⁷ ORA Brief at 10 (internal citations omitted).

CAISO market in Record Year 2017 and SDG&E agrees, at that time, SDG&E will report the SSP as it does other DR programs.¹⁸ Again, if ORA wants to pursue this reporting for future proceedings (before reporting would otherwise begin for 2017), it should seek to include it within the scope of the proceeding, or – preferably – file a Petition to Modify D.15-05-005.

3.7.5. Contract Terminations

Lastly, ORA recommends SDG&E include in future ERRA compliance applications:

... additional documentation supporting terminated contracts. The Commission should require SDG&E to provide an economic analysis of its contract terminations which compare [sic] the costs of termination to the costs of extending and maintaining the contract. This would allow the Commission to decide if contract administration was prudently conducted for the benefit of ratepayers.¹⁹

ORA contends, “Such terminations must be justified as prudent economic decisions that are in the best interest of ratepayers, compared to the alternative of extending a contract by amendment or existing contract language.”²⁰

Again, we look unfavorably on ORA’s efforts to establish a new and separate standard (as compared to other utilities) for SDG&E in its ERRA compliance proceeding. Furthermore, ORA has not established the benefit of requiring additional documentation analyzing the termination – often consistent with contract terms – of contracts.

¹⁸ SDG&E Brief at 9-10.

¹⁹ ORA-1, Testimony of Patrick Cunningham, 5-17.

²⁰ *Id.* at 5-1.

4. Other Procedural Matters

4.1. Motions to Admit Testimony into Evidence

On December 1, 2016, the parties separately moved, pursuant to Rule 13.8(c) of the Commission's Rules of Practice and Procedure,²¹ that the Commission receive testimony into evidence.

4.1.1. SDG&E

SDG&E moves into evidence direct testimony submitted on June 1, 2016: SDG&E Exhibits 1, 2, 3, 4, and 5; the confidential versions of SDG&E's direct testimony submitted on June 1, 2016, SDG&E Exhibits 1-C, 2-C, 3-C, and 4-C; the public and confidential versions of SDG&E's rebuttal and updated testimony submitted on October 21, 2016, SDG&E Exhibits 6, 7, and 7-C; and, the accompanying declarations of Sally Chen, Ana Garza-Beutz, Norma Jasso, Joseph Pasquito, and Carl LaPeter.

Based on the motion of SDG&E and good cause appearing, we admit into evidence the public and, as applicable, confidential versions of SDG&E's Exhibits 1 through 7, 1-C through 4-C and 7-C, and the accompanying declarations of Sally Chen, Ana Garza-Beutz, Norma Jasso, Joseph Pasquito, and Carl LaPeter.

4.1.2. Office of Ratepayer Advocates

ORA moves the Commission admit into the record ORA's testimony served on September 30, 2016 consisting of the public and confidential versions of its Exhibits: ORA-1 and ORA-1-C, respectively.

²¹ California Code of Regulations, Title 20, Division 1, Chapter 1; hereinafter, Rule or Rules.

Based on the motion of ORA and good cause appearing, we admit into evidence the public and confidential versions of ORA's testimony, Exhibits ORA-1 and ORA-1-C.

4.2. Request to File Under Seal

Pursuant to Rule 11.4 of the Commission's Rules of Practice and Procedure, SDG&E and ORA have, separately, filed for leave to file testimony and exhibits as confidential materials under seal. ORA also moves to file a confidential version of its brief under seal. The parties represent that the information is material, market sensitive, electric procurement-related information. We agree that the information contained in these exhibits is within the scope of Public Utilities Code Section 454.5(g). We have granted similar requests in the past and do so here.

4.2.1. SDG&E

Pursuant to D.06-06-066, D.08-04-023, D.16-08-024, and Rule 11.5, we grant SDG&E's request to treat as confidential and seal those portions of the evidentiary record consisting of SDG&E's Exhibits 1-C, 2-C, 3-C, 4-C, and 7-C. The confidential version of each of these exhibits is and will be denoted by a "C" after the number of the exhibit.

4.2.2. Office of Ratepayer Advocates

Pursuant to D.06-06-066, D.16-08-024, General Order 66-C, and Rule 11.5, we grant ORA's motion to treat as confidential and seal those portions of the evidentiary record consisting of ORA's Exhibit 1-C. Pursuant to Rule 11.4, we grant ORA's motion for leave to file its opening brief under seal. The confidential version of ORA's exhibit is and will be denoted by a "C" after the number of the exhibit.

4.3. Change in Determination of Need for Hearings

Given that no hearings were held in the current proceeding, we change our preliminary and Scoping Memo determination regarding hearings to reflect that hearings are not necessary.

4.4. Compliance with the Authority Granted Herein

In order to implement the authority granted herein, SDG&E must file a Tier 1 Advice Letter within 30 days of the date of this decision.

5. Comments on Proposed Decision

The proposed decision of ALJ Wildgrube 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 by ORA on February 27, 2017, and reply comments were filed on March 6, 2017 by SDG&E. In light of the comments, we have clarified our discussion of the Commission's review of ERRAs compliance proceedings and documentation of instances of "zero dispatch." For the reasons stated herein however, we do not adopt in this proceeding ORA's proposal for further documentation by SDG&E of "zero dispatch." We also note the comments of both ORA and SDG&E typically repeated the earlier testimony and briefing and do not warrant further discussion.

6. Assignment of Proceeding

President Michael Picker is the assigned Commissioner and Eric Wildgrube is the assigned ALJ in this proceeding.

Findings of Fact

1. The Commission established the ERRA balancing account mechanism in D.02-10-062 to track fuel and purchased power billed revenues against actual recorded costs of these items. In the same decision, the Commission required regulated electric utilities in California to establish a fuel and purchased power revenue requirement forecast, a trigger mechanism (to address balances exceeding certain benchmarks), and a schedule for semiannual ERRA applications.

2. Subsequent decisions regarding the ERRA balancing account (D.05-01-054, D.05-04-036) and Public Utilities Code Section 454.5(d)(2) have adopted minimum standards of conduct that regulated energy utilities must follow in performing their procurement responsibilities and require that the Commission perform a compliance review as opposed to a reasonableness review of these items.

3. ORA reviewed SDG&E's ERRA and five other balancing and memorandum accounts in SDG&E's 2015 ERRA Compliance filing. These include: the TCBA, LGBA, NERBA, IEMA, and the LCMA. ORA found no required accounting adjustments and no exceptions to the recovery requirements excepting a single adjustment in ERRA disallowing recovery for an SDG&E self-scheduling error of the Orange Grove Unit.

4. SDG&E is deferring recovery of the under-collected LCMA balance as there is pending litigation which may change the LCMA balance.

5. SDG&E's LGBA had an under-collected balance as of December 31, 2015; however, SDG&E is not seeking a cost recovery or rate change in conjunction with this application for any under-collected costs.

6. SDG&E is deferring recovery of the under-collected costs in SDG&E's LGBA until SDG&E's ERRA Forecast proceeding for 2018 or SDG&E's next Annual Electric Regulatory Update filing to promote rate stability for its customers.

7. ORA also reviewed SDG&E's testimony on GHG compliance instruments. From this review, ORA concluded that SDG&E procured GHG compliance instruments in accordance with its approved GHG Procurement Plan, contained within its Bundled Procurement Plan, and complied with the Commission's reporting requirements for utility procurement of GHG compliance instruments.

8. ORA concluded following its review that SDG&E managed and administered its contracts and contract settlements reasonably and therefore ORA does not object to SDG&E's contract administration activities for the Record Year 2015.

9. The maximum disallowance for SDG&E's violation(s) of SOC 4 for the 2015 Record Year is \$18.8 million.

10. Pursuant to Commission Rules of Practice and Procedure Rule 11.4, SDG&E filed a motion for leave to file confidential materials under seal, Exhibits 1-C, 2-C, 3-C, 4-C, and 7-C, and Office of Ratepayer Advocates' filed a motion for leave to file confidential materials under seal, Exhibit 1-C.

Conclusions of Law

1. The determination of Resolution ALJ 176-3379 and the Scoping Memo is revised from hearings are necessary to hearings are not required.

2. During 2015, SDG&E prudently administered and dispatched its UOG resources and portfolio of contracts, including Miramar, Palomar, Desert Star, Cuyamaca, allocated California Department of Water Resources contracts, power purchase agreements, QFs, non-QF resources, and renewable energy resources,

in compliance with SDG&E's Commission-approved procurement plan and otherwise followed Commission guidelines relating to those contracts (pursuant to the Commission's SOC 4) excepting a single dispatch due to SDG&E's self-scheduling error of the Orange Grove Unit.

3. There is a single violation of SOC 4 due to SDG&E's self-scheduling error of the Orange Grove Unit during the Record Year 2015 and cost recovery should be disallowed. The amount disallowed does not exceed the maximum disallowance.

4. Excepting the disallowance for SDG&E's self-scheduling error of the Orange Grove Unit, the ERRA entries and TCBA, LGBA, NERBA, IEMA, and LCMA entries for Record Year 2015 are appropriate, correctly stated, and in compliance with applicable Commission decisions.

5. SDG&E's GHG compliance instrument procurement activity for Record Year 2015 was reasonable and within SDG&E's GHG procurement authority and is consistent with the Commission's current directives applicable to those compliance instruments.

6. The balance in SDG&E's GHG sub-account is appropriate.

7. SDG&E should be authorized to seek recovery of the under-collection in SDG&E's LGBA in SDG&E's next-filed ERRA Forecast Proceeding for year 2018 or SDG&E's next Annual Electric Regulatory Update filing.

8. In order to implement the authority granted herein, SDG&E should file a Tier 1 Advice Letter within 30 days of the date of this decision. The tariff sheets filed in these Advice Letters should be effective on or after the date filed subject to Energy Division determining they are in compliance with this decision.

9. The motions to seal SDG&E Exhibits 1-C, 2-C, 3-C, 4-C, and 7-C and Office of Ratepayer Advocates' Exhibit 1-C and to file under seal Office of Ratepayer Advocates' brief should be granted for three years.

10. All rulings of the assigned Commissioner and ALJ should be affirmed.

11. A.16-06-002 should be closed.

O R D E R

IT IS ORDERED that:

1. The entries and calculations in San Diego Gas & Electric Company's Energy Resource Recovery Account, including the over-collected balance of \$25,271,695 as of December 31, 2015, excepting the disallowance for San Diego Gas & Electric Company's self-scheduling error of the Orange Grove Unit, are approved.

2. The entries, calculations, and balance of San Diego Gas & Electric Company's Greenhouse Gas sub-account as of December 31, 2015 are approved.

3. The entries and calculations and under-collected balance in San Diego Gas & Electric Company's Transition Cost Balancing Account of \$6,333,536 as of December 31, 2015 are approved.

4. San Diego Gas and Electric Company's Local Generation Balancing Account entries and calculations are approved, and the under-collected balance is approved as of December 31, 2015 and may be recovered in San Diego Gas & Electric Company's Energy Resource Recovery Account Forecast Application for 2018 or it's next Annual Electric Regulatory Update filing.

5. The over-collected balance of \$0.3 million in San Diego Gas & Electric Company's New Environmental Regulatory Balancing Account as of December 31, 2015 is approved.

6. The transfer during 2015 of the under-collected balance of \$0.5 million in San Diego Gas & Electric Company's Independent Evaluator Memorandum Account to San Diego Gas & Electric Company's Energy Resource Recovery Account is approved.

7. The under-collected balance of \$0.1 million in San Diego Gas & Electric Company's Litigation Cost Management Account as of December 31, 2015 is approved.

8. In order to implement the authority granted herein, San Diego Gas & Electric Company shall file a Tier 1 Advice Letter within 30 days of the date of this decision. The tariffs filed in the Advice Letter shall become effective on or after the date filed subject to Energy Division determining they are in compliance with this decision.

9. The motion of San Diego Gas & Electric Company to receive into evidence the public and confidential versions of San Diego Gas & Electric Company's testimony is granted. The public and confidential versions of the prepared testimony of San Diego Gas & Electric Company, Exhibits 1 through 8, 1-C through 4-C and 7-C, and the accompanying declarations of Sally Chen, Ana Garza-Beutz, Jenny Phan, Andrew Scates, and Carl LaPeter are identified and received into evidence.

10. The motion of the Office of Ratepayer Advocates to receive into evidence the public and confidential versions of the Office of Ratepayer Advocates' direct testimony is granted. The public and confidential versions of the prepared testimony of the Office of Ratepayer Advocates, Exhibits ORA-1 and ORA-1C, are identified and received into evidence.

11. The motion of San Diego Gas & Electric Company for the Commission to seal portions of the evidentiary record and to treat as confidential San Diego Gas

& Electric Company Exhibits 1-C, 2-C, 3-C, 4-C, and 7-C is granted. We treat as confidential and seal those portions of the evidentiary record consisting of San Diego Gas & Electric Company's Exhibits 1-C, 2-C, 3-C, 4-C, and 7-C. The confidential version of each of these exhibits is and will be denoted by a "C" after the number of the exhibit.

12. The motion of the Office of Ratepayer Advocates for the Commission to seal portions of the evidentiary record and to treat as confidential Office of Ratepayer Advocates' Exhibit 1-C is granted. We treat as confidential and seal those portions of the evidentiary record consisting of Office of Ratepayer Advocates' Exhibit ORA-1C. The confidential version of exhibit ORA-1 will be denoted by a "C" after the number of the exhibit.

13. The motion of the Office of Ratepayer Advocates for the Commission to accept for filing under seal portions of Office of Ratepayer Advocates' brief is granted. We treat as confidential and seal those portions of the brief of Office of Ratepayer Advocates.

14. The information identified as confidential by this decision shall remain sealed and confidential for a period of three years after the date of this order. During this three-year period, this information will remain under seal and confidential, and shall not be made accessible or disclosed to anyone other than the Commission staff or on further order or ruling of the Commission, the assigned Commissioner, the assigned Administrative Law Judge, the Law and Motion Judge, the Chief Administrative Law Judge, or the Assistant Chief Administrative Law Judge, or as ordered by a court of competent jurisdiction. If either party believes that it is necessary for this information to remain under seal for longer than three years, a party may file a new motion stating the justification of further withholding of the information from public inspection. This motion

shall be filed at least 30 days before the expiration of this limited protective order.

15. Hearings are not necessary in this proceeding.

16. Application 16-06-002 is closed.

This order is effective today.

Dated March 23, 2017, 2017, at San Francisco, California.

MICHAEL PICKER

President

CARLA J. PETERMAN

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

Commissioners