PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-4981 (Option A)**
February 21, 2019

R E S O L U T I O N

Resolution-4981. Approves San Diego Gas & Electric's request for approval of the resource adequacy confirmation for the Otay Mesa Energy Center Power Plant.

PROPOSED OUTCOME:
- Approves San Diego Gas & Electric's (SDG&E's) request for approval of the Resource Adequacy Confirmation between SDG&E and Otay Mesa Energy Center, LLC for the Otay Mesa Energy Center Power Plant

SAFETY CONSIDERATIONS:
- As an existing and operational generating facility, there are no incremental safety implications associated with approval of this contract beyond the status quo.

ESTIMATED COST:
- The costs of this agreement are confidential at this time.

By Advice Letter 3294-E, filed on October 26, 2018.

SUMMARY

San Diego Gas & Electric (SDG&E) seeks California Public Utilities Commission (Commission or CPUC) approval of its proposed Long Form Confirmation for Resource Adequacy Capacity Product (Confirmation) with Otay Mesa Energy Center, LLC (OMEC) for local, system and flexible capacity from the 608 MW OMEC facility between October 3, 2019 through August 31, 2024, the details of which are shown in the table below. SDG&E asserts that if the CPUC approves this Confirmation, OMEC LLC "will relinquish its right to sell the OMEC plant to SDG&E."

Counterparty	Otay Mesa Energy Center, LLC (a subsidiary of Calpine), a Delaware Corporation headquartered in Houston, TX[1]
Resource Type	Natural Gas Fired Combined Cycle Power plant
Generation Location	San Diego, CA
Local/System Capacity (in MWs)	603.6
Flexible Capacity (in MWs)	448.6
Delivery Point	California Independent System Operator Balancing Area, the San Diego – Imperial Valley Local Capacity Area
Delivery Term	59 months, October 3, 2019 through August 31, 2024

This Resolution approves SDG&E's request for approval of the confirmation for the 608 MW OMEC facility. Based on current local capacity studies conducted by the California Independent System Operator (CAISO) and considering current and expected capacity in the area, OMEC is likely to be needed over the next five years. SDG&E has demonstrated incremental benefits of the proposed Confirmation, over and above the potential ownership through the Put Option previously approved by the Commission. While the proposed benefits are modest, uncertain and appear to materialize only if energy prices (and corresponding net energy market revenues) continue on their current, relatively flat trajectory, it is reasonable to approve this Confirmation, given that the Commission's effort to reduce utility procurement and to allow Community

[1] Calpine Corporation's Securities and Exchange Commission 10Q, filed September 2018.

Choice Aggregators (CCAs) to choose their own local reliability resources in the future.

BACKGROUND

Otay Mesa Energy Center (OMEC) is a 608 MW natural gas-fired combined-cycle power plant located near San Diego, CA. The power plant is owned by Otay Mesa Energy Center, LLC (OMEC LLC), a subsidiary of Calpine.[2] SDG&E currently has 10-year Power Purchase Tolling Agreement (PPTA) that commenced on October 3, 2009. The current PPTA ends on October 2, 2019.

There is a related Ground Sublease and Easement Agreement between OMEC LLC and SDG&E that includes two options. The Call Option, exercisable at SDG&E's sole discretion, would have required OMEC LLC to sell OMEC to SDG&E for $377 million. SDG&E chose not to exercise the Call Option and it has since expired. The Put Option, exercisable at OMEC LLC's sole discretion, would require SDG&E to purchase OMEC for approximately $280 million. OMEC LLC must notify SDG&E if it intends to exercise the Put Option no later than April 1, 2019.

These contracts, and variations thereof, were considered and approved by the CPUC in D.04-06-011, D.06-02-031, and D.06-09-021. D.06-09-021, summarizes the Joint Petition for Modification to the original Otay Mesa agreement, as follows:

> The Joint Petition seeks Commission approval of a revised ten-year PPA between OMEC and SDG&E, with a new on-line commencement date of May 1, 2009, and Put and Call Options that could result in SDG&E owning the plant in 2019…. Under the price set for the Put Option, SDG&E would own the Otay Mesa Plant in 2019 at a price that would be significantly

[2] Calpine is an affiliate of the private equity firm, Energy Capital Partners, and a consortium of other investors, including Access Industries, Inc. and Canada Pension Plan Investment Board (CPPIB).

> below that of the Net Book Value of the Palomar Energy Center (Palomar) in 2019.
>
> Under the terms of the Call Option, SDG&E would seek further Commission review and approval prior to exercising that option. The agreed upon price for Otay Mesa under the Call Option is slightly higher than the Net Book Value for Palomar in 2019, but SDG&E believes the price will be significantly less than market alternatives available at that time. However, if SDG&E's predictions are wrong and it is not economic to own Otay Mesa in 2019 at the Call Option price, then the utility does not have to exercise that option.
>
> SDG&E argues that the addition of these Options to the PPA gives the utility the opportunity to evaluate the value of Otay Mesa at the end of the 10 years in light of other possible generation projects or aging plant retirements and not be left without generation necessary to service its grid reliability needs. That way, if Otay Mesa is needed and its price is competitive with other market options, SDG&E can exercise the Call Option, and if the market does not support the Call Option, SDG&E gets Otay Mesa under the Put Option at a below market price.

The Commission approved the amended agreement, with the Call and the Put Options, in D.06-09-021, finding that,

> The Revised PPA is reasonable and provides ratepayer benefits in excess of those we previously found in the original PPA because the revisions allow SDG&E to get a state-of-the-art generation facility built in its service territory and SDG&E now has an option to obtain the plant at a fair and reasonable price after the expiration of the PPA, obviating the risk associated with future resource procurement from the plant.

SDG&E indicates that, "[i]n anticipation of OMEC LLC's exercise of its Put Option," it included the future costs of OMEC in its most recent General Rate Case application (A.17-10-007).

While SDG&E acknowledges that "utility ownership of OMEC through OMEC LLC's exercise of the Put Option could provide material benefits to ratepayers, as detailed in D.06-09-021," SDG&E notes that "ratepayers could also benefit from the transaction structure proposed herein." SDG&E estimates the cost of owning the OMEC facility, including O&M, depreciation, taxes and return, would be $357 million over the delivery term, or $71 million per year. Additional details regarding SDG&E's analysis of the costs and benefits of utility ownership versus execution of the resource adequacy confirmation are contained in Confidential Appendices to AL 3294-E.

In addition, SDG&E argues that it may not need OMEC to meet its local capacity needs in the future, noting that, "Departure of the City of San Diego alone eliminates SDG&E's need for the OMEC resource in order to meet its bundled service Local Capacity Requirement." SDG&E also argues that, "[i]n the PCIA Track 2 proceeding, the Commission signaled that as the state continues to embrace customer choice, the Investor-Owned Utilities ("IOUs") historical role as default procurer of resources for reliability and to meet other policy objections must be reconsidered," that "the Commission emphasized the need for IOUs to account for potential load departure in making procurement decisions" and, thus, that its proposed Confirmation is "reasonable and well-aligned with Commission priorities for IOU portfolio management."

SDG&E acknowledges that CAISO has determined that OMEC is likely needed for the next ten years -- "[t]he CAISO's current planning process evaluates local capacity needs for the next 10[]years and that, "[c]urrent studies suggest that OMEC will be needed for local reliability during that period." However, SDG&E's asserts that proposed 4 year and 11 month agreement will, "secure the resource for a significant portion of the term of the forecasted need," that the need for this facility is unknown beyond the 10 year term, and that the need could change with transmission upgrades or changes in system conditions.

SDG&E states that it discussed the negotiated terms with its Procurement Review Group on October 15, 2018. SDG&E indicates that it is currently reviewing the process that it would use to modify its GRC to withdraw its request related to OMEC if the Commission approves this agreement. In addition, SDG&E notes that it has two conditions precedent. First, OMEC's lenders must approve the Confirmation and that SDG&E will promptly notify the Commission of such approval and that the Commission must approve the Confirmation "without conditions or modifications unacceptable to either OMEC LLC or SDG&E on or before March 15, 2019."

Finally, SDG&E notes that the Commission has authorized the utilities to engage in bilateral contracting for local reliability resources and that the Commission does not impose oversight for medium term contracts except for contracts with once-through cooling units. Thus, while SDG&E asserts that it is "pre-authorized to enter into this proposed medium-term transaction," SDG&E indicates that it has "elected to submit this Advice Letter for purposes of securing Commission approval necessary to meet a [condition precedent] to effectiveness of the transaction." SDG&E explains that the Confirmation will not go into effect unless that Commission has ***pre-approved*** the contract and OMEC LLC will not relinquish its rights under the Put Option unless and until the Confirmation goes into effect.

NOTICE

Notice of AL 3294-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letter 3294-E was protested.

SDG&E's Advice Letter 3294-E was timely protested by Protect Our Communities Foundation (POC), The Utility Reform Network (TURN), and Solana Energy Alliance (SEA). The Public Advocates Office of the California Public Utilities Commission (Public Advocates) wrote comments in support of the confirmation. SDG&E responded to the protests of POC, TURN, and SEA on November 26, 2018.

The following is a more detailed summary of the major issues raised in the protests, comments, and responses.

POC argues that approval of the advice letter would 1) violate the Public Utilities Code or Commission order, 2) is not authorized by the Commission decisions on which it relies, 3) requires consideration in a formal hearing and is otherwise inappropriate for an informal advice letter process, and 4) is unjust, unreasonable, or discriminatory, and 5) is based on analysis, calculations, or data that contains material errors or omissions.

TURN agrees with SDG&E that the Confirmation could provide net benefits compared to utility ownership, but notes that SDG&E's analysis "suggests customer costs under the Confirmation would likely be higher than the cost of purchasing capacity at market prices." In addition, TURN argues that approval of SDG&E's advice letter "would effectively render moot the disputes addressed and awaiting resolution" in SDG&E's GRC and that the Commission should consider "whether it is procedurally appropriate for the utility to seek through advice letter process relief an issue already litigated and pending resolution in a GRC." Finally, TURN notes that "any near term reduction during the term of the Confirmation would come with the risk of higher costs thereafter as compared to the greater certainty of the costs of ownership over a twenty-year period and that if the Commission approves the Confirmation, "it must use the period between now and late 2024 to identify and develop appropriate strategies to manage local capacity needs and mitigate market power in local capacity markets."

SEA argues that an advice letter is not suitable for approving its proposed contract and that the proposed contract should be considered by way of an application so that the affected parties can address the relevant issues. Moreover, SEA argues that an application would "not prejudice SDG&E because it can be processed on an expedited basis to address the timing issues that have been raised."

The Public Advocates Office supports the Confirmation "as an alternative to the Put Option that will provide ratepayer benefits and enable achievement of California's environmental goals as well as Community Choice Aggregator (CCA) development." The Public Advocates argues that the need for OMEC beyond 2024 is uncertain and that targeted transmission upgrades and distributed energy resources could reduce that need, that "SDG&E ownership of the natural gas power plant could provide prolong the life of OMEC and lead to greater GHG emissions beyond 2030," and, finally, that the Confirmation would benefit CCA customers because it would reduce the time the asset is recovered through the PCIA.

In its reply, SDG&E argues that the procedural issues raised by POC, TURN and SEA lack merit. SDG&E argues that disagreement and complexity does not compel termination of the advice letter process in favor of an application process and that it is beyond dispute that the proposed Confirmation is within the scope of what has been previously authorized. Likewise, SDG&E argues that TURN's claim that the Advice Letter is procedurally improper given that it is being considered in the GRC is contradicted by TURN's position supporting removal of OMEC issues from the GRC. In addition, SDG&E argues that POC's analysis is flawed and erroneous.

<u>DISCUSSION</u>

We have reviewed SDG&E's advice letter and have determined that an advice letter filing is not legally impermissible, nor procedurally improper, that there is likely a need for the OMEC through the term of the Confirmation, and that there are potentially incremental, although uncertain benefits of the proposed Confirmation over utility ownership, should OMEC LLC choose to exercise the Put Option and compel SDG&E to purchase the facility. Accordingly, and as discussed further below, we find the Confirmation just and reasonable and necessary to ensure the reliability operation of the grid.

This Advice Letter is Not Procedurally Improper and Reflects Changed Circumstances

POC, TURN, and SEA argue that SDG&E's advice letter filing seeking approval of this Confirmation is legally impermissible and procedurally improper and that an application is, or should be, required. We disagree.

SDG&E's Advice Letter was served by SDG&E in accordance with Section 4 of General Order 96-B and garnered protests and support by the aforementioned protestants. Thus, parties were on notice of and able to protest SDG&E's

intention to enter into this contract, and parties may further participate in the Commission's considerations by submitting comments on this draft Resolution.

It is true that the Commission would not normally grant pre-approval of a contract that may be entered into by parties without *any* upfront Commission approval. The reasonableness of this agreement would normally be reviewed after the contract was executed – for consistency with established standards. The Commission is willing to deviate from its normal practice in this instance because of several changed or relevant circumstances.

First, based on recent trends in formation of Community Choice Aggregators and efforts underway in SDG&E territory, there is a high likelihood of major reductions in the numbers of SDG&E bundled customers in the near future. Second, the scope of the issue is very narrow, namely, whether the Confirmation is in the best interest of ratepayers. Third, time is of the essence, since SDG&E loses this opportunity if the Commission does not act quickly. Thus, the substantive issues raised by protestors are discussed below.

The Confirmation is Essentially a Bilateral Contract

D.04-07-028, one of the early decisions approving utility procurement in the aftermath of the Energy Crisis, and D.14-02-040, approving SDG&E's most recently filed bundled procurement plan, allow SDG&E to procure local capacity through bilateral contracts. In addition, D.14-02-040 clarified that pre-approval through an application or an advice letter was not required for short-term or medium term contracts, except those executed with OTC facilities:

> Long-term contracts of five years or more in length. Long-term contracts must be submitted with an application to the Commission for preapproval. We currently do not impose oversight via advice letters over medium term contracts except for contracts with OTC units.

A Confirmation executed for four years and 11 months complies with this Decision. The Commission now has the opportunity to review the Confirmation to determine whether it is required to meet an identified reliability need and does so at a cost that would be considered just and reasonable, as it has done through the advice letter process for numerous other resource adequacy contracts over the past decade.

There is Likely a Reliability Need for OMEC over the Term of the Confirmation

POC implies that the OMEC plant is not needed for local reliability during the nearly five year term of the Confirmation, stating that “The Advice Letter references an unnamed study which suggests OMEC will be needed for local resource adequacy during the next ten years” and, “[a]t most, a CAISO forecast might show a need for a fraction of OMEC’s capacity.”

Based on our analysis of the current local capacity studies conducted by the California Independent System Operator (CAISO) for 2019, and 2023, and considering current and expected capacity in the area, we determine that it is likely OMEC will be needed for local reliability in the San Diego—Imperial Valley local area over the next five years.

CAISO identifies the local reliability need for this area as 4,026 MW in 2019, as adopted in D.18-07-030, potentially increasing to 4,132 MW in 2023. CAISO identified 4,358 MW of available resources in its 2019 local study, but the current list of resources includes only 4,282 MW, including two resources (82 MW) that recently lost their site leases (see withdrawal of SDG&E AL 3246-E) and have retired.[3] In addition, the Commission is currently considering additional updates and refinements to its ELCC methodology (effective load carrying capability), which could potentially reduce the available capacity by ~150-200 MW, in the San Diego-Imperial Valley local area. Finally, the Commission approved the Pio Pico and the Carlsbad power plants and additional preferred resources for this local area to be brought on by 2021, to replace the 800 MW Encina, once-through cooling power plant and the San Onofre Nuclear Power Plant, all assuming that Otay Mesa remains in operation for the duration of the assumed 40 year life of the plant. Thus, given these circumstances, OMEC will likely be needed during the term of this contract.

[3] See CAISO’s “Announced Retirement and Mothball List,” available at http://www.caiso.com/planning/Pages/ReliabilityRequirements/Default.aspx.

In addition, POC argues that SDG&E should not procure the OMEC through 2024 because the City of San Diego is considering forming a CCA and, thus, SDG&E should not procure on their behalf. However, the City has not yet submitted an implementation plan to the Commission, nor have the signed a binding notice of intent. Moreover, this past summer a CCA chose only a week before its launch date to delay implementation based on market conditions at the time. Given this, it is prudent for SDG&E to assume that it will be serving those customers, unless and until a binding notice of intent is provided by new CCAs. Finally, POC argues that this agreement should not be executed because, POC argues, "a better option is for OMEC's owners to request backstop procurement from the CAISO, should CAISO determine that OMEC is critical for reliability post-2019." Again, we disagree. Relying on backstop procurement is not consistent with statute, nor is it likely to be a cost-effective or prudent course of action, given backstop reliability must-run (RMR) and capacity procurement mechanism (CPM) prices likely to result.

There are Potential Incremental, Although Uncertain Benefits Associated with the Confirmation Over Utility Ownership

TURN notes that the Confirmation costs more than current market prices for capacity and that the potential near-term benefits come with the risk of higher costs thereafter as compared to the greater certainty of the cost of utility ownership. In addition, POC argues that backstop procurement through the CAISO's CPM mechanism would be less expensive.

TURN is correct that the Confirmation costs more than the current market prices for capacity and POC is correct that the proposed Confirmation is more expensive, overall, than backstop procurement through the current CPM mechanism. However, POC is not correct that only a fraction of the capacity would be procured under the CPM mechanism (likely all of the capacity would be needed based upon our analysis above) or that it could procured for a fraction of the year (local capacity requirements are year-round, not monthly, as argued by POC).

More importantly, however, SDG&E has demonstrated incremental benefits of the proposed Confirmation, over and above the potential ownership through the Put Option previously approved by the Commission. SDG&E indicates that the utility cost of ownership is $71 million per year, and assumes modest net energy market revenues (revenues less variable costs, which are confidential) and that the net energy market revenues would not increase over the term of the Confirmation or beyond. SDG&E then compares the "Implicit Cost of Capacity," (i.e., utility cost less expected net revenues) to the cost of the Confirmation, and finds modest potential benefits. These benefits, however, only accrue if energy prices (and corresponding net energy market revenues) remain constant and would reverse if energy prices increase. Moreover, if energy prices increase, any additional profits would accrue to OMEC, LLC, and its parent Calpine, under the proposed Confirmation, as opposed to ratepayers, under the utility ownership model.[4] This results because OMEC's heat rate is currently less than the implied market heat rate.[5]

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[4] In the third quarter of 2018, "Average prices increased compared to the previous quarter and the same quarter in 2018. Compared to the same quarter of 2017, average day-ahead prices increased by about $16/MWh (37 percent), 15-minute by about $3/MWh (7 percent) and 5-minute market prices by about $4/MWh (10 percent)," CA Independent System Operator, "Q3 2018 Report on Market Issues and Performance," November 1, 2018, prepared by the Department of Market Monitoring, p. 5. Moreover, SDG&E's estimates, based on its own financial options model presented in its Workpapers, show considerably higher net market revenues, which, if used, would eliminate any benefit of the proposed Confirmation. Finally, SDG&E used a different methodology to estimate its net market revenues in its ERRA filing, which was contemporaneous to this filing.

[5] For example, if OMEC's heat rate is 7,000 and the implied market heat rate is 10,000, then if gas prices are $3/MMBTU and market prices are 3 cents/kWh, OMEC's variable fuel costs would be 2.1 cents per kWh (and net energy market revenues would be 0.9 cents/kWh). By contrast, if gas prices are $5/MMBTU and energy prices are 5 cents/kWh, OMEC's variable fuel costs would be 3.5 cents/kWh (and net energy market revenues would be 1.5 cents/kWh).

However, while the potential benefits are modest, uncertain and appear to materialize only if energy prices continue on their current, relatively flat trajectory, it is reasonable to approve this Confirmation, given the Commission's effort to reduce utility procurement and to enable CCAs to choose their own local reliability resources in the future.

The Commission relied on the following studies in reaching its findings, above:

- CAISO, "Final 2019 Local Capacity Technical Report," May 15, 2018, available at http://www.caiso.com/Documents/Final2019LocalCapacityTechnicalReport.pdf. [4,026 MW needed in 2019].

- CAISO, "Final 2023 Long-Term Local Capacity Technical Report," May 15, 2018, available at http://www.caiso.com/Documents/Final2023Long-TermLocalCapacityTechnicalReport.pdf. [4,132 MW in 2023].

- CAISO, "Final Net Qualifying Capacity Report for Compliance Year 2019," January 16, 2019, available [4,282 MW] at http://www.caiso.com/planning/Pages/ReliabilityRequirements/Default.aspx.

- CHP withdrawal -- SDG&E Advice Letter 3246-E, available at http://regarchive.sdge.com/tm2/pdf/3246-E.pdf and request for withdrawal submitted to Energy Division on September 7, 2018.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments.
Comments were filed in a timely fashion on February 11, 2019, by SDG&E, the Public Advocates, Calpine Corporation (Calpine), Solana Energy Alliance (SEA), TURN, and POC. SDG&E, PAO, Calpine and SEA support the approval of the Confirmation and advice letter, and TURN and POC oppose approval of the Confirmation, as discussed further below.

SDG&E supports the Option A resolution approving the Confirmation, but argues that the Commission should revise the resolution to: (1) remove the assumption that an increase in energy prices will result in an increase in net market revenues, (2) remove the conclusion that the Confirmation is more expensive than the CPM, and (3) include a more expansive discussion of the qualitative benefits of the Confirmation.

The Public Advocates support the Option A resolution approving the Confirmation, but requests that the Commission also consider the net benefits of the Confirmation compared to SDG&E's ownership of OMEC over the expected life of the facility and address medium and longer-term procurement in the integrated resource planning proceeding.

While SEA does not agree that the advice letter process was the appropriate procedure, SEA now supports the Option A resolution approving the Confirmation and "takes this position with the understanding and assurance from SDG&E that Option A would have no PCIA impact to SEA's customers."

TURN opposes the Option A resolution approving the Confirmation, arguing that it "fails to meaningfully address the issues associated with SDG&E seeking to use the advice letter process as an end run around the GRC process" and requests that the Commission acknowledge this and clarify that it does not intend to encourage or deem appropriate the use of advice letters for matters currently pending in an open application proceeding.

Finally, POC opposes the Option A resolution approving the Confirmation, arguing that an advice letter is not the proper procedural vehicle for approval of a capacity contract, that the costs exceed the fair market value for the capacity and that that the need analysis is in error.

We considered the comments, focusing on factual, legal, or technical errors, and made changes and clarifications to this resolution as a result.

FINDINGS

1. SDG&E filed AL 3294-E on October 26, 3018, requesting approval of its Long Form Confirmation for Resource Adequacy Capacity Product (Confirmation) with Otay Mesa Energy Center, LLC (OMEC) for local, system and flexible capacity from the 608 MW OMEC facility between October 3, 2019 through August 31, 2024.
2. SDG&E's Advice Letter 3294-E was timely protested by Protect Our Communities Foundation (POC), The Utility Reform Network (TURN), and Solana Energy Alliance (SEA). The Public Advocates Office of the California Public Utilities Commission (Public Advocates) wrote comments in support of the confirmation.
3. SDG&E responded to the protests of POC, TURN, and SEA on November 26, 2018.
4. D.04-07-28 and D.14-02-040 authorize SDG&E to enter into certain bilateral contracts (as opposed to having to conduct a request for offers). In addition, D.14-02-040 approves SDG&E's bundled procurement plan and allows SDG&E to enter into medium term contracts (i.e., contracts of duration less than five years), without filing an application or advice letter for pre-approval.
5. Based on current local capacity studies conducted by the California Independent System Operator (CAISO) and considering current and expected capacity in the area, OMEC is likely to be needed over the next five years.
6. The costs of the proposed Confirmation are higher, overall, than current capacity and backstop procurement costs and the upside benefit accrues to Otay Mesa and its parent, Calpine, if market prices (and corresponding net energy market revenues) increase.
7. However, SDG&E has demonstrated potential incremental benefits of the proposed Confirmation, over and above the potential ownership through the Put Option previously approved by the Commission in D.06-09-021.

8. While the potential benefits of the Confirmation are modest, uncertain and appear to materialize only if energy prices (and corresponding net energy market revenues) continue on their current, relatively flat trajectory, it is reasonable to approve this Confirmation, given the Commission's effort to reduce utility procurement and to allow Community Choice Aggregators to choose their own reliability resources in the future.

THEREFORE IT IS ORDERED THAT:

1. The request of San Diego Gas & Electric (SDG&E) for approval of the resource adequacy Confirmation between SDG&E and Otay Mesa Energy Center, LLC for the 608 megawatt (MW) Otay Mesa Energy Center Power Plant is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on February 21, 2019; the following Commissioners voting favorably thereon:

/s/*ALICE STEBBINS*
ALICE STEBBINS
Executive Director

MICHAEL PICKER
President

CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
Commissioners

I dissent.
/s/LIANE M. RANDOLPH

/s/MARTHA GUZMAN ACEVES

Commissioners