

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Agenda ID #22353
RESOLUTION E-5310
March 21, 2024

R E S O L U T I O N

Resolution E-5310. San Diego Gas & Electric Mid-Term Reliability Contract.

PROPOSED OUTCOME:

- Approves one San Diego Gas & Electric mid-term reliability contract and related cost for a total of 47 megawatts of nameplate capacity expected to begin deliveries on June 1, 2024.

SAFETY CONSIDERATIONS:

- The owner and seller of the project is responsible for the safe construction and operation of their facilities in compliance with all applicable laws, including safety regulations.
- The contract includes a requirement that the seller follow Accepted Electrical Practices, which are defined as those practices, methods, applicable codes and acts engaged in or approved by a significant portion of the electric power industry during the relevant time period, or any of the practices, methods and acts which, in exercise of reasonable judgment in light of the facts known at the time a decision is made, could have been expected to accomplish a desired result at reasonable cost consistent with good business practices, reliability, safety and expedition.

ESTIMATED COST:

- Contract cost is confidential at this time.

By Advice Letter 4299-E, Filed on December 21, 2023.

SUMMARY

This Resolution approves one mid-term reliability (MTR) contract, the Edwards Sanborn agreement, for 47 megawatts (MW) of nameplate capacity. San Diego Gas & Electric (SDG&E) procured this resource to help meet its MTR requirements. This contract is an energy storage power purchase agreement with EdSan 1B Group 2, LLC (currently an indirect subsidiary of Terra-Gen) from the larger Edwards-Sanborn solar and energy storage project.

BACKGROUND

On June 24, 2021, the Commission under its Integrated Resource Planning (IRP) authority adopted Decision (D.) 21-06-035 requiring load serving entities (LSEs) to procure at least their share of 11,500 MW of September net qualifying capacity (NQC), with at least 2,000 MW online by August 1, 2023; an additional 6,000 MW online by June 1, 2024; an additional 1,500 MW online by June 1, 2025; and an additional 2,000 MW of long lead time resources online by June 1, 2026, for MTR purposes. This procurement requirement is inclusive of a minimum of 2,500 MW of zero-emitting capacity required to be online by 2025, to replace capacity retiring at Diablo Canyon Power Plant (Diablo Canyon).

Pursuant to the D.21-06-035, SDG&E's share of this MTR procurement requirement was 63 MW online by August 1, 2023; 188 MW online by June 1, 2024; 47 MW online by June 1, 2025; and 63 MW of long lead time resources by 2026. In March 2022, SDG&E filed Tier 2 Advice Letter (AL) 3967-E with the Commission, requesting to adjust its MTR capacity requirements to reflect mutually agreed-upon reallocations of responsibility for long term procurement due to load migration with San Diego Community Power, a community choice aggregator in SDG&E's service territory. AL 3967-E was approved by the Commission's Energy Division in June 2022.

On February 28, 2023, the Commission adopted D.23-02-040, which ordered supplemental MTR procurement of 2,000 MW for 2026 and 2,000 MW for 2027 and changed the online date for long lead time resources from June 1, 2026 to June 1, 2028. With the mutually agreed-upon reallocations and the additional MTR procurement ordered in D.23-02-040, SDG&E's MTR procurement requirement is 83 MW online by August 1, 2023; 248 MW online by June 1, 2024; 62 MW online by June 1, 2025; 72 MW online by June 1, 2026; 72 MW online by June 1, 2027; and 83 MW of long lead time resources by June 1, 2028. This procurement requirement is inclusive of a minimum of

103 MW of zero-emitting capacity required to be online by 2025, to replace capacity retiring at Diablo Canyon.

On January 18, 2023, the Commission issued Resolution E-5250, approving SDG&E Advice Letter 4096-E's request of 200 MW with a Tranche 1 Mid-Term Reliability Contracts.

On March 22, 2023, SDG&E submitted Advice Letter 4182-E requesting to count the utility-owned Westside Canal Storage Project towards its mid-term reliability procurement requirements and to modify the project's cost recovery mechanism. The project was originally procured to meet summer reliability procurement targets pursuant to D.21-12-015. On July 13, 2023, the Commission issued Resolution E-5277 approving SDG&E's request.

On August 10, 2023, the Commission issued Resolution E-5283, approving SDG&E Advice Letter 4189-E's request of 379.5-402 MW with a Tranche 2 Mid-Term Reliability Contracts.¹

SDG&E launched its 2024 and 2025 Summer Reliability Request for Offers (RFO) on July 7, 2023. A single solicitation was conducted to procure resources for all required online delivery dates by June 1, 2024, and June 1, 2025. Consistent with the Commission's direction in D.21-06-035 and D.21-12-015 to procure incremental system RA capacity, SDG&E conducted a solicitation and invited participants to offer zero-emitting resources, including stand-alone energy storage.²

To minimize delay and identify resources able to promptly come online by June 1, 2024, SDG&E notified all counterparties that submitted offers into SDG&E's most recent Mid-term IRP RFO of the Summer 2024 and 2025 Reliability Generic Capacity RFO and solicited their participation. SDG&E received a limited number of responses with online dates by summer 2024 in the RFO.³

To evaluate the RFO offers, SDG&E utilized Net Market Value (NMV) and additional qualitative factors to achieve a shortlisted portfolio that could meet SDG&E's Minimum Mid-term Procurement Requirements as established in D.21-06-035 or system reliability

¹ SDG&E AL 4299-E at 2-3.

² *Id.* at 4.

³ *Id.* at 6.

needs under D.21-12-015 and D.23-06-029.⁴ The value and cost streams for all resources are used to calculate the NMV and a ranking by NMV from highest to lowest is then created. Value streams include capacity and may also include energy, ancillary services, and RECs, if applicable. Cost streams include capacity and may also include energy, variable operation and maintenance, and transmission upgrades. A positive NMV indicates that a resource provides more benefits than costs. SDG&E conducted a qualitative analysis on the resources with the highest ranked NMVs to determine the best fit for the portfolio, before proposing a shortlist. Qualitative factors to determine resource fit included commercial online date, capacity size, contract duration, interconnection, and permit status, Local or System RA, and developer experience.⁵

SDG&E discussed the RFO, shortlist, and status of contract negotiations with its Cost Allocation Mechanism Procurement Review Group (CAM PRG) on multiple occasions including July through December 2023 meetings. SDG&E assigned PA Consulting, a Commission-approved Independent Evaluator (IE), as the IE for the 2024 and 2025 Summer Reliability RFO. SDG&E states that PA Consulting reviewed and evaluated the planning of the solicitation, including solicitation materials; reviewed offers, including conformance and evaluation; assisted in shortlist development; were included in all written and verbal communication with offerors, and attended contract negotiations.⁶

The contract for which SDG&E seeks approval in Advice Letter (AL) 4299-E is summarized in the table below:

Project Name (Developer)	Resource Type	Contract Type	Nameplate Capacity	Term	Commercial Operation Date
Edwards Sanborn	Storage	Toll	47 MW	15 years	6/1/2024

The Edwards-Sanborn agreement is expected to provide 47 MW of incremental nameplate capacity. The larger Edwards-Sanborn project is already operational, and the delivery start date is June 1, 2024.

In accordance with Ordering Paragraph (OP) 14 of D.20-08-046, the contract between SDG&E and the counterparty include a representation and warranty that the seller has considered long-term climate change risks to the project, and counterparty has further

⁴ *Id.* at 6.

⁵ *Id.* at 7.

⁶ *Id.* at 8.

agreed to provide SDG&E copies of their respective climate risk plans identifying risks and vulnerabilities to the project associated with climate change and plans to mitigate such risks. SDG&E states that the seller's schedule to provide this plan is beyond the date of AL 4299-E, and SDG&E will use "reasonable efforts to obtain this information from the seller and provide Energy Division a copy" when available.⁷

In accordance with D.21-06-035, for resources with 2024 online date, SDG&E proposes to allocate the costs associated with the contract to applicable customers, which includes bundled service customers and departing load customers with 2021 vintage cost responsibility, using the Portfolio Allocation Balancing Account (PABA) in accordance with SDG&E's Advice Letter 4018-E. Pursuant to Advice Letter 4018-E, cost and benefit associated with procurement complying with D.21-06-035 will be recovered from applicable customers through the 2021 vintage of the PABA and include incremental administrative costs.⁸

NOTICE

Notice of SDG&E AL 4299-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the AL was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

SDG&E AL 4299-E was not protested.

DISCUSSION

The Commission has reviewed SDG&E AL 4299-E and finds that SDG&E's request for approval of the MTR contract presented in AL 4299-E is reasonable.

Consistency with D.21-06-035 and D.23-02-040

We find that SDG&E AL 4299-E is consistent with D.21-06-035 and D.23-02-040. As directed in the decisions, SDG&E filed a Tier 3 AL seeking approval for cost recovery for the one MTR contract described herein.

⁷ *Id.* at 9.

⁸ *Id.* at 9.

The Edwards Sanborn MTR contract is for 47 MW of nameplate capacity, with an expected online date of June 1, 2024. The Edwards Sanborn storage resource is part of the larger Edwards-Sanborn solar and energy storage project, which is a viable project, and is expected to help meet SDG&E's 2024 MTR requirements as ordered in D.21-06-035 and D.23-02-040.

Additionally, this MTR contract satisfy the 10-year or more delivery requirement.⁹

Procurement Methodology, Evaluation, and Cost Reasonableness

SDG&E launched its 2024 and 2025 Summer Reliability RFO on July 7, 2023 to solicit offers to procure incremental resources to meet its 2024 Summer Reliability procurement requirements. After shortlisting Edwards Sanborn, SDG&E decided to apply this resource towards its individual 2024 MTR requirements, rather than Summer Reliability procurement needs.

PA Consulting reviewed and evaluated the planning of the solicitation, reviewed offers, assisted in shortlist development, was included in all written/verbal communication with offerors, and attended contract negotiations. In the IE Report attached to AL 4299-E, PA Consulting provides an evaluation of SDG&E's outreach efforts, Least-Cost Best-Fit (LCBF) methodology design, shortlist, and project negotiations; overall, PA Consulting states that it believes these efforts were reasonable and resulted in the most appropriate offer for project coming online in 2024 from those submitted for SDG&E's 2024 and 2025 Summer Reliability RFO to count towards SDG&E's 2023-2026 Midterm Reliability RFO. PA Consulting thus recommends the Commission's approval of the contract.¹⁰

We have reviewed SDG&E's 2024 and 2025 Summer Reliability RFO evaluation methodology and the IE Report. We agree with PA Consulting's finding that SDG&E selected the most appropriate offer for the project coming online in 2024 from its RFO.

⁹ D.21-06-035 at 70.

¹⁰ SDG&E AL 4299-E, IE Report at 31.

Cost Recovery

The MTR decision authorized cost recovery of the MTR procurement via the power charge indifference adjustment (PCIA):

To the extent that any resources procured in response to this order are subject to allocation using the [PCIA], the date of that adjustment shall be vintaged by the date of this order. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall each file Tier 2 advice letters to update their balancing accounts to address the PCIA treatment as a result of this order.¹¹

SDG&E submitted AL 4018-E on June 1, 2022, to modify its PABA in compliance with OP 12 of D.21-06-035. This AL has been accepted by the Commission's Energy Division. Accordingly, SDG&E requests to recover the cost of the Edwards Sanborn Storage contract via the 2021 vintage sub-account of the PABA. Through this cost recovery methodology, the cost and benefit associated with this procurement complying with D.21-06-035 will be recovered from applicable customers, which includes bundled customers and departing load customers with 2021 vintage cost responsibility.

We find SDG&E's proposed cost recovery of the MTR contract to be consistent with OP 12 of D.21-06-035, and Energy Division's approval of AL 4018-E.

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. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. 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, and will be placed on the Commission's agenda no earlier than 30 days from today.

¹¹ D.21-06-035 OP 12.

FINDINGS

1. SDG&E's share of the MTR procurement requirement is 83 MW online by August 1, 2023; 248 MW online by June 1, 2024; 62 MW online by June 1, 2025; 72 MW online by June 1, 2026; 72 MW online by June 1, 2027; and 83 MW of long lead time resources by 2028. This procurement requirement is inclusive of a minimum of 103 MW of zero-emitting capacity required to be online by 2025, to replace capacity retiring at Diablo Canyon Power Plant.
2. By AL 4299-E, filed on December 21, 2023, SDG&E has submitted for approval one contract that is intended to meet SDG&E's D.21-06-035 and D.23-02-040 requirements.
3. The contract is for 47 MW in nameplate capacity to begin operation on or before June 1, 2024.
4. SDG&E's methodology used to evaluate the bids in the competitive solicitation that resulted in the contract presented in SDG&E AL 4299-E is overall reasonable.
5. The MTR contract presented in SDG&E AL 4299-E is reasonable based on the competitive solicitation and bid evaluation methodology.
6. SDG&E's request in SDG&E AL 4299-E to allocate the benefit and cost of the MTR contract to all applicable customers via the PABA 2021 vintage sub-accounts is reasonable.

THEREFORE IT IS ORDERED THAT:

1. The request of San Diego Gas & Electric for approval of one mid-term reliability contract and related cost, as requested in Advice Letter 4299-E, 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 March 21, 2024; the following Commissioners voting favorably thereon:

Rachel Peterson
Executive Director