

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**AGENDA ID# 22488
RESOLUTION E-5317
May 9, 2024**

R E S O L U T I O N

Resolution E-5317. San Diego Gas & Electric Company Amendments to Mid-Term Reliability Contract with Daggett Solar Power I, LLC.

PROPOSED OUTCOME:

- Approves San Diego Gas & Electric Company Amendments to Mid-Term Reliability Contract with Daggett Solar Power I, LLC.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- Contract costs are confidential at this time.

By Advice Letter 4376-E, Filed on January 31, 2024

SUMMARY

This resolution approves San Diego Gas & Electric Company (SDG&E) amendments to one mid-term reliability contract for capacity procured to meet requirements of Decision (D.) 21-06-035 and D.23-02-040. The contract with Daggett Solar Power I, LLC. (Daggett Storage) is amended to address a supply chain issue. The changes in contract terms will avoid an increase in price and a delay in Commercial Online Date (COD). The contract amendment included in this Advice Letter is necessary for the project to continue to make progress to meet the June 1, 2025, incremental September Net Qualifying Capacity (NQC) procurement requirement established in D.21-06-035.

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 their share of 11,500 MW of September 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 Mid-term Reliability (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 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 the decision 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.

SDG&E launched its MTR IRP Request for Offers (RFO) on September 30, 2021. On April 14, 2023, SDG&E submitted AL 4189-E requesting approval of 379.5 – 402 MW of capacity in four contracts expected to come online by June 1, 2025, and April 1, 2026, to meet its Tranche 2 MTR requirements. The Commission subsequently approved Tranche 2 in Resolution E-5283.

On January 31, 2024, SDG&E filed Tier 3 AL 4376-E requesting approval of amendments to one of the Tranche 2 contracts originally approved in Resolution E-5283. The original transaction is:

Counterparty (Project Name)	Resource Type	Capacity (MW)	Contract Type	Initial Delivery Date	Term (Years)
Daggett Storage (Clearway)	Storage/Contractual Hybrid	113.5 MW (derated to 91 MW for 5-hour duration)	Toll	6/1/2025	15 years

Subsequently, Daggett Storage approached SDG&E regarding a supply chain concern and proposed a Power Purchase Agreement (PPA) modification to address the issue. In response, SDG&E and Daggett Storage negotiated the amended terms and conditions to the PPA.¹ The modified PPA terms and conditions are confidential and summarized in the confidential appendix.

The Least-Cost/Best-Fit net scores for the Daggett Storage PPA was favorable, as approved in AL 4189-E, and the amended PPA provides additional ratepayer benefit based on the market valuation evaluated and scored for AL 4189-E in comparison to the revised values from the amended PPAs.²

SDG&E notified the CAM PRG group of the Daggett Storage amendment on October 19, 2023, November 17, 2023, and December 15, 2023.

NOTICE

Notice of AL 4376-E was made by publication in the Commission's Daily Calendar. San Diego Gas & Electric Company states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

¹ SDG&E AL 4376-E at p. 2

² *Ibid.* at p. 3

PROTESTS

Advice Letter 4376-E was not protested.

DISCUSSION

The Commission has reviewed the Advice Letter and Confidential Appendices and finds the contract amendments to be reasonable.

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 of 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.

FINDINGS

1. SDG&E's share of the Mid-Term Reliability 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. The Commission approved four contracts for 379.5 – 402 MW of capacity in Resolution E-5283 to meet D.21-06-035 and D.23-02-040 Mid-Term Reliability requirements.
3. The amendments to San Diego Gas and Electric Company's Mid-Term Reliability contract with Daggett Solar Power I, LLC are reasonable.

THEREFORE IT IS ORDERED THAT:

1. The request of San Diego Gas & Electric Company to amend its Mid-Term Reliability Contract with Daggett Solar Power I, LLC as requested in Advice Letter 4376-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 May 9, 2024; the following Commissioners voting favorably thereon:

Rachel Peterson
Executive Director

Confidential Appendix