

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
San Francisco, CA 94102



November 19, 2021

Advice Letter 3868-E

Clay Faber
Director, Federal & CA Regulatory
San Diego Gas & Electric Company
8330 Century Park Court
San Diego, CA 92123-1548

SUBJECT: SDG&E's System Reliability Contracts Pursuant to Decision 21-02-028 and Decision 21-03-056

Dear Mr. Faber,

Advice Letter (AL) 3868-E (System Reliability Contracts Pursuant to Decision 21-02-028 and Decision 21-03-056) is approved, effective October 26, 2021, for the reasons described below.

Background:

Decision (D.) 21-02-028 requires the investor-owned utilities (IOU) to procure capacity that will be available during peak and net peak periods over the summer of 2021. The IOUs may consider incremental capacity from existing generators (such as through efficiency upgrades or revised power purchase agreements (PPA)), generation that is at risk of retirement, incremental storage capacity, and firm forward imported energy. They may pursue resource adequacy (RA) only contracts or contracts with tolling agreements, and they may initiate new bilateral agreements or revisit proposals from recent requests for offers (RFO). All procurement must undergo review by the independent evaluator (IE) and the Cost Allocation Mechanism Procurement Review Group (CAM PRG).¹ Selected contracts must be competitive with recent procurement, and costs and benefits of the procurement will be allocated to all benefitting customers through the CAM.² The IOUs may submit agreements for resources that will be available before September 1, 2021 (but preferably before June 1, 2021) via Tier 1 advice letters, except in the case of utility owned generation, which the IOUs must submit for approval via Tier 2 advice letters.³

In order to prepare for potential extreme weather events in the summers of 2021 and 2022, D.21-03-056 authorizes the IOUs to continue the procurement efforts directed in D.21-02-028 and to endeavor to meet and exceed their respective incremental procurement targets to achieve an

¹ D.21-02-028, p. 11.

² *Ibid.* at p. 12

³ *Ibid.* at p. 11

effective 17.5 percent planning reserve margin (PRM) for the months of system reliability concern.⁴ The decision directs the IOUs to submit all contracts to Energy Division via a Tier 1 advice letter on a continuing basis, except for contracts for incremental gas generation of five years or more and incremental imports, which shall be submitted via a Tier 3 advice letter. The net costs associated with this procurement shall be passed through to all benefiting customers consistent with the existing CAM.⁵

San Diego Gas & Electric Company (SDG&E) filed AL 3868-E on October 21, 2021, requesting approval of an 80 MW energy storage PPA with Sagebrush Storage I, LLC, with a July 12, 2022 commercial online date (COD). As the PPA is intended to meet the near-term reliability needs for summer 2022 and the reliability needs outlined in D.19-11-016, from its online date through the end of July 2023, SDG&E proposes to recover costs through the CAM mechanism pursuant to D.21-03-056; after July 2023, SDG&E proposes to apply the incremental capacity towards its procurement requirements established in D.19-11-016 and to recover costs via the “modified” CAM mechanism.⁶

Protests, Responses, and Replies:

The protest period was shortened to ten days after the AL submission. No protest was received.

Discussion:

Energy Division has reviewed AL 3868-E. The Energy Division finds that AL 3868-E meets the requirements of D.21-02-028 and D.21-03-056.

Disposition:

Energy Division hereby approves San Diego Gas & Electric Company’s AL 3868-E. The 80 MW of Sagebrush Storage I procured as part of D.21-02-028 and D.21-03-056 meets the Decision requirement and Energy Division approves this contract. Energy Division also approves SDG&E’s proposed cost recovery mechanism.

Sincerely,

Handwritten signature of Edward Randolph in black ink, with the initials "(for)" written below it.

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division

cc: R.20-11-003, R.21-10-002, R.19-11-009

⁴ D.21-03-056 at Ordering Paragraph 14.

⁵ *Ibid.*

⁶ SDG&E AL 3868-E, p. 5.