BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies Underlying Long-Term Procurement Plans.

Rulemaking 08-02-007
(Filed February 14, 2008)

SAN DIEGO GAS & ELECTRIC COMPANY’S (U-902-E)
COMMENTS REGARDING CONSULTANT’S RESOURCE PLANNING AND PROCUREMENT PRACTICES REPORT

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SAN DIEGO GAS & ELECTRIC COMPANY’S (U-902-E) COMMENTS REGARDING CONSULTANT’S RESOURCE PLANNING AND PROCUREMENT PRACTICES REPORT

I. INTRODUCTION

In an e-mail from consultants (Aspen/E3) hired by the Commission, dated September 17, 2008, parties in this proceeding were asked to provide limited comments on the consultants’ report entitled “Survey of Utility Resource Planning and Procurement Practices for Application to Long Term Procurement Planning in California” (Report). Specifically, the parties were asked to provide “clarifying comments” regarding: “1) The accuracy of the characterization of the 2006 California IOU LTPPs, and 2) The accuracy of the characterization of the California policy and regulatory context of the LTPPs.”

Below, San Diego Gas & Electric Company (SDG&E) provides its comments on each of the foregoing topics. However, before getting to these specific comments, SDG&E recommends that the Report add a general clarifying comment that a number of the differences that are shown between California practices and those of other entities are based more on process definitions, as opposed to substantive differences. For example, the LTPP process in California is designed to identify resource “need.” With respect to

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1 The parties were asked to respond by October 1, 2008. Subsequently, in an e-mail from Energy Division, dated September 29, 2008, the parties were given until October 8 to provide their comments.
the 2006 LTPP, the process was focused on the need to add new generation to ensure adequate system supply. The actual selection of resources to fill specific needs in each of the IOU’s bundled portfolios takes place via separate and individual Requests for Offers (RFOs), and not as part of the LTPP process (indeed, the Report does not cover the separate RFO process). However for many other entities, the procurement planning process is not limited to the identification of overall need, but also includes the selection of preferred resources. In this way, the Report makes it appear as if California is doing less than others. In reality, however, the difference is not as great as it may appear, since the Report, while covering the LTPP (overall need) process, does not cover the RFO (resource selection) process.

Moreover, it should be noted that SDG&E limited the following comments to the two topics identified in the request for comments. Accordingly, silence in these comments on other aspects of the Report should not be construed as approval by SDG&E. Assuming SDG&E is given the opportunity to comment on other parts of the Report, SDG&E may have other suggestions as to how the Report should be modified.

II. TARGETED CLARIFYING COMMENTS REGARDING THE ACCURACY OF THE CHARACTERIZATION OF THE 2006 LTPP

In response to the request for targeted clarifying comments on the accuracy of the characterization of the 2006 LTPP, SDG&E provides the following on items related to SDG&E in Chapter 4 of the Report.

- At Section 4.3.2, Table 8, the statement regarding SDG&E would better characterize SDG&E’s 2006 LTPP if it stated:
Base forecast based on CEC forecast. SDG&E developed its own low and high forecasts which were designed to capture the uncertainty in load, including the uncertainty with overall demand, direct access and Community Choice Aggregation. The high forecast is higher than the CEC high forecast, but was “well within historical forecasting error.” The low forecast also modeled the potential for loss of load to direct access and/or Community Choice Aggregation, and is lower than the CEC low forecast.

- At Section 4.4.2, Table 9, the statement regarding SDG&E would better characterize SDG&E’s 2006 LTPP if it stated:

System-wide (total service area) need for new capacity is estimated based on the CAISO Grid planning criteria. For bundled service customers, capacity needs are determined for both Local Capacity Requirements and System Capacity Requirements.

- At Section 4.6.2, the discussion on discount rates should be updated to say that in the draft 2008 Integrated Energy Policy Report (IEPR), the California Energy Commission (CEC) has recommended against using a social discount rate.

- At Section 4.6.2, Table 11, the statement regarding SDG&E should be modified to say:

Not discussed, since SDG&E’s LTPP did not select specific resources to meet the short position. In SDG&E’s RFOs, which do select resources, the utility’s cost of capital is used.

- At Section 4.7.2, after the first sentence in the paragraph, SDG&E recommends that the following sentence be added:

SDG&E followed a gas forecast methodology similar to SCE. SDG&E blended NYMEX forwards with fundamental forecasts from public and private sources.

- At Section 4.9.2, at the end of the first paragraph, SDG&E recommends that the following sentence be added:

SDG&E included the uncertainty in the amount of EE that would actually be achieved as part of its overall high and low load forecasts.

- At Section 4.9.2, Table 14, the statement regarding SDG&E would better characterize SDG&E’s 2006 LTPP if it stated:
SDG&E assumes a level of energy efficiency and DSM in its portfolio mix that is consistent with Commission targets, although it notes that it may not be able to actually meet these targets. SDG&E subtracts energy efficiency, both committed and uncommitted, from the forecasted load. DSM programs are split between “pricing driven programs” which are subtracted from load and “dispatchable” programs are modeled as a supply-side resource.

- At Section 4.11.1, before Table 16, the following sentence should be added:

For the 2006 California LTPPs, the CPUC directed the IOUs to include GHG forecasts as part of their ten-year resource plans. Each IOU was to indicate which methodology and assumptions it is using in making its GHG calculations.

- At Section 4.11.1, Table 16, the statement regarding SDG&E should be modified to read the same as that for SCE and PG&E.

- At Section 4.12.2, before Table 16, SDG&E recommends that the following sentence be added:

SDG&E describes three portfolios in its LTPP that were designed to highlight the range of need given the uncertainty in load. These three load scenarios also test for changes in local resource needs due to uncertainty in new transmission.

- At Section 4.12.2, Table 17, the statement regarding SDG&E would better characterize SDG&E’s 2006 LTPP if it stated:

SDG&E adds resources to its portfolio in the order outlined in the “loading order.” The quantities of many of the resources are pre-determined by the Commission in other proceedings or by State law. SDG&E describes the range of need for its candidate portfolio, given the uncertainty in the load and whether major transmission is added between SDG&E and surrounding systems.

- At Section 4.13.2, Table 18, the statement regarding SDG&E would better characterize SDG&E’s 2006 LTPP if it stated:

SDG&E builds portfolios to meet load under three scenarios related to its high, medium and low load forecasts. SDG&E qualitatively assesses the relative merits of adding resources to meet each load level. Since many of the resources are pre-determined and since the LTPP only addresses need and does not select resources, SDG&E is essentially deciding only on the timing and location of resource additions. SDG&E recommends that a plan be selected not just based on expected conditions, but one that can cover various uncertainties.
• At Section 4.16, Table 21, a statement regarding SDG&E should be added that says:

SDG&E followed the CPUC confidentiality rules adopted in D.06-06-066.

III. TARGETED CLARIFYING COMMENTS REGARDING THE ACCURACY OF THE CHARACTERIZATION OF THE CALIFORNIA POLICY AND REGULATORY CONTEXT OF THE LTPPs

In response to the request for targeted clarifying comments on the accuracy of the characterization of the 2006 LTPP, SDG&E provides the following on items related to SDG&E in Chapter 4 of the Report.

• Section 2.1 Introduction: The Report should note that the IOUs in California are also put in the position of having to backstop the competitive market and procure new generation in their service areas to ensure there is sufficient supply to meet the total load, even if their portfolios do not require it.

• Section 2.2 The 2000-2001 Energy Crisis and California’s Policy Response: The text should be modified regarding the solvency of the IOUs. As drafted, the text implies that all of the IOUs were financially insolvent during the energy crisis. This is not correct. SDG&E remained financially solvent during the energy crisis. Also, in this section, the text regarding IOU purchases from the PX should be modified to simply state that the IOUs were required to procure their entire open position from the PX. This was not 95% of the total need, as the Report states.

• Section 2.3 California Policy Directed Towards Resource Procurement: The opening statement should state that the items listed are the major mandates, but not a complete list of all mandates. Also, the description of the Renewables Portfolio Standard should include all of its legal provisions, including the transmission and cost control provisions, as well as the provisions regarding flexible compliance.

• Section 2.4 LTPP Process in California: This section would be enhanced if it pointed out that:

1. the 2006 LTPP was designed to integrate both the long-term and short-term procurement proceedings;
2. that there are a number of entities, in addition to the IOUs, that play important roles in meeting the 33% portfolio standard, including the CPUC, CEC, project developers, Bureau of Land Management, cities, counties, equipment manufacturers and others; and

3. in addition to participating in the LTPP process, the IOUs file separate RPS procurement plans in another proceeding.

IV. CONCLUSION

SDG&E respectfully submits the foregoing targeted comments regarding the Report. Additionally, SDG&E looks forward to the opportunity to expand on these comments in workshops related to these or other aspects of the Report.

Respectfully submitted,

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DATED at San Diego, California, this 8th day of October, 2008.
CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission’s Rules of Practice and Procedure, I have this day served a true and correct copy of the foregoing SAN DIEGO GAS & ELECTRIC COMPANY’S (U-902-E) COMMENTS REGARDING CONSULTANT’S RESOURCE PLANNING AND PROCUREMENT PRACTICES REPORT to each party of named in the official service list for R.08-02-007 by electronic mail. Those parties without an email address were served by placing copies in properly addressed and sealed envelopes and depositing such envelopes in the United States Mail with first-class postage prepaid.

Copies were also sent via Federal Express to Commissioner Michael Peevey and Administrative Law Judge Carol A. Brown, who have been assigned to this proceeding.

Executed this 8th day of October 2008, at San Diego, California.

_/s/ Lisa Fucci-Ortiz_
Lisa Fucci-Ortiz