

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 2, 2020

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

Dear Mr. Faber,

On October 31, 2019, February 7, 2020, and May 12, 2020, San Diego Gas & Electric Company (SDG&E) filed a waiver request via Advice Letter 3457-E, 3457-E-A, and 3457-E-B for its 2020 year-ahead local Resource Adequacy (RA) requirement in the San Diego-Imperial Valley (San Diego-IV) local area. SDG&E seeks relief from its remaining 2020 year-ahead local RA obligation and any potential Commission-imposed penalties for deficiencies. SDG&E's waiver request demonstrates that it pursued all commercially reasonable efforts in procuring local capacity to meet its local RA obligations. The Energy Division of the California Public Utilities Commission (Commission) approves Advice Letter 3457-E, 3457-E-A, and 3457-E-B, SDG&E's request for a penalty waiver.

Commission Decision (D.) 06-06-064 established waiver provisions for local Resource Adequacy (RA) procurement. D.19-06-026 established 2020 compliance year obligations for all Load Serving Entities (LSEs). On October 31, 2019, SDG&E submitted its year-ahead local RA compliance filing, showing a deficiency in the San Diego-IV local area. SDG&E also submitted a request for penalty waiver for this deficiency via Advice Letter 3457-E, 3457-E-A, and 3457-E-B pursuant to D.06-06-064 and D.19-06-026.

On February 27, 2020, Protect Our Communities Foundation (POC) submitted a protest to Advice Letter 3457-E-A, stating that there is a conflict between SDG&E's supplemental Advice Letter, which claimed that there were local deficiencies in 2020 and 2021 and SDG&E's statement on July 22, 2019 that SDG&E has long term contracts outside of the local area and combined with its local RA procurement, satisfies SDG&E's system RA requirement. POC argues that if SDG&E has excess local capacity, it should not be conducting solicitations, as described in Advice Letter 3457-E-A. POC protests 3457-E-A based on the ground that there is material error in the Advice Letter and requests Energy Division to investigate and determine the source of the error.

On March 5, 2020, SDG&E replied to POC's protest, stating that SDG&E did not claim that there was sufficient local capacity in the July 22, 2019 statement. SDG&E was explaining that System and Local RA resources together usually exceed its System RA requirements; SDG&E is able to meet its System RA requirement even with a deficiency in Local RA. The point of SDG&E's statement is that it does not have a need for additional System RA resources, and that a requirement to procure additional System RA will not help it to meet its Local RA need and would impose unreasonable cost on bundled service customers.

Section 3.3.12 of D.06-06-064 describes a standard that an LSE may use to demonstrate that it could not reasonably achieve its LCR obligations:

(1) a demonstration that the LSE reasonably and in good faith solicited bids for its RAR capacity needs along with accompanying information about the terms and conditions of the Request for Offer or other form of solicitation, and

(2) a demonstration that despite having actively pursued all commercially reasonable efforts to acquire the resources needed to meet the LSE's local procurement obligation, it either

(a) received no bids, or

(b) received no bids for an unbundled RA capacity contract of under \$40 per kW-year or for a bundled capacity and energy product of under \$73 per kW-year, or

(c) received bids below these thresholds but such bids included what the LSE believes are unreasonable terms and/or conditions, in which case the waiver request must demonstrate why such terms and/or conditions are unreasonable.

An LSE's waiver request that meets these requirements is a necessary but not a sufficient condition for the grant of such waiver. The Commission will also consider other information brought to its attention regarding the reasonableness of the waiver request.

Energy Division has reviewed SDG&E's actions and finds them reasonable considering the capacity available to meet SDG&E's local RA obligation. In this case, Energy Division finds that SDG&E held solicitations and pursued all commercially reasonable efforts to acquire the resources needed to meet the LSE's local procurement obligation. SDG&E's waiver request includes confidential market-sensitive information supporting this finding. In addition, Energy Division does not find material error in SDG&E's AL 3457-E-A, which describes their local deficiencies in 2020 and 2021, and SDG&E's effort to procure additional local capacity to meet its local requirement. SDG&E is able to meet its system RA requirement but still have a local deficiency. Thus, Energy Division grants Advice Letter 3457-E, 3457-E-A, and 3457-E-B, SDG&E's request for a waiver of Commission penalties related to its year-ahead 2020 local RA procurement.

Sincerely,



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

Cc: EDComplianceReports@cpuc.ca.gov
Tyson Siegle, Protect Our Communities Foundation