

Application of SAN DIEGO GAS & ELECTRIC
COMPANY (U 902 E) For Authority To
Implement Optional Pilot Program To Increase
Customer Access To Solar Generated Electricity

Application 12-01-008
Exhibit No.: _____

**UPDATED PREPARED DIRECT TESTIMONY OF
HILLARY HEBERT
CHAPTER 4
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

MAY 10, 2013



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1 project eligibility requirements and pricing will be based on Commission-approved renewable
2 procurement programs, in order to provide administrative efficiencies. The renewable energy
3 credits (“RECs”) subscribed under the tariff that exceed each customer’s current RPS targets will
4 be retired by SDG&E on behalf of the customer and not counted towards RPS compliance. This
5 REC treatment ensures that the customer, not SDG&E, can claim the benefit of the customer’s
6 solar procurement under the program. In addition, this REC treatment will ensure that the
7 program results in additional renewable procurement.

8 **A. Process for Procuring *SunRate* Generation**

9 SDG&E proposes to use SDG&E’s existing Renewable Auction Mechanism³ (“RAM”)
10 process as the vehicle for procuring *SunRate* generation projects⁴. The Commission developed
11 the RAM program in 2011 for the purpose of streamlining RPS procurement. The program is
12 open to projects located within the service territories of Pacific Gas & Electric, Southern
13 California Edison (“SCE”) or SDG&E, and must be sized between 3 and 20 megawatts (“MW”).
14 SDG&E chooses the least cost bids to meet its mandated RAM procurement targets based on
15 each project’s bid price as adjusted by adders that reflect transmission costs and deliverability
16 benefits. Winning bidders must execute a standard, non-modifiable RAM Power Purchase
17 Agreement (“PPA”) with SDG&E.

18 SDG&E intends to use this RAM procurement process to acquire projects for *SunRate*.
19 SDG&E will target up to an additional 10 MW of solar procurement from local projects during
20 the first RAM solicitation that is scheduled to occur once this application is approved. Selecting

³ The Commission implemented the RAM program through the following decisions and resolutions:
Decision (“D.”)10-12-0481, Resolution E-4144.2 and Resolution E-4489.

⁴ At this point, RAM is the most appropriate Commission-approved procurement mechanism, but
SDG&E will procure *SunRate* capacity through the most appropriate method as the Commission
amends current programs or creates new ones.

1 a 10 MW (or smaller) *SunRate* project through a solicitation that permits projects sized up to 20
2 MW could create shortlisting challenges. SDG&E’s goal is to select the least expensive bids that
3 it needs to meet any existing RAM procurement requirements, and then select the next least
4 expensive local solar project that meets SDG&E’s expected *SunRate* capacity needs. For
5 example, if the next least expensive bid is a 20 MW solar project in SCE’s service territory,
6 SDG&E would move down to the next bid, and would continue in this fashion until it reaches a
7 bid located in SDG&E’s service territory that is 10 MW or smaller. At this point, SDG&E
8 proposes that the bid be selected only if the price does not exceed a price that is \$4 higher than
9 the weighted average price for shortlisted solar RAM bids (discussed in more detail in section
10 II(D)(2) below).

11 The RAM program is currently scheduled to conclude with its fourth solicitation in the
12 summer of 2013. However, the Commission has recently indicated their intent to extend the
13 program into the middle of 2014 so that the IOUs have an opportunity to procure replacement
14 capacity for failed RAM projects or fulfill any unmet RAM procurement requirements.⁵ If the
15 program is no longer functioning when SDG&E is ready to initiate procurement on behalf of
16 *SunRate* customers, SDG&E will utilize other Commission-approved procurement programs like
17 the renewable Feed-in-Tariff (“FiT”) or utility scale renewable solicitations to procure *SunRate*
18 capacity.

19 **B. Project Eligibility for *SunRate***

20 *SunRate* projects must meet the same eligibility requirements as all RAM projects, with
21 some additional requirements necessary for the *SunRate* program. The most current RAM

⁵ Resolution E-4582 issued May 9, 2013.

1 program eligibility requirements are set forth in Appendix D of Resolution E-4546.⁶ The critical
2 elements, including those criteria that are specific to *SunRate* projects, are outlined below:

3 **1. Eligibility:**

- 4 • Minimum Size: 3 MW.
- 5 • Project Vintage: *SunRate* project must be new build (not existing facilities).⁷
- 6 • Location: Within the service territory of SDG&E.⁸
- 7 • Project and Transaction Limit: 10 MW.⁹
- 8 • Seller Concentration: IOUs have the discretion to apply a seller concentration
9 limit after the bids are received.
- 10 • Site Control: Bidder must show 100% site control through (a) direct ownership,
11 (b) lease or (c) an option to lease or purchase that may be exercised upon award of
12 the RAM contract.
- 13 • Development Experience: Bidder must show that at least one member of the
14 development team has (a) completed at least one project of similar technology and
15 capacity or (b) begun construction of at least one other similar project.

⁶ The RAM program is designed to evolve through an advice letter process outlined in D.10-12-028. SDG&E expects that any new RAM requirements will apply to *SunRate* projects as well, but reserves the right to request exceptions or modifications to such rules through the advice letter process.

⁷ This eligibility requirement differs from the RAM program, which allows both new and existing projects to participate.

⁸ SDG&E filed Advice Letter 2437-E December 18, 2012 requesting that the RAM program be expanded to include projects located in the Imperial Valley (“IV”) region that are dynamically scheduled to the CAISO at the Imperial Valley substation. If the Commission approves this request, SDG&E would solicit projects for *SunRate* that are located either within SDG&E’s service territory or in IV and dynamically scheduled to the CAISO at the IV Substation.

⁹ This eligibility requirement differs from the RAM program, which allows projects up to 20 MWs.

- 1 • Commercialized Technology: Bidder must show the project is based on
2 commercialized technology (*e.g.*, is neither experimental, research,
3 demonstration, nor development).
- 4 • Interconnection Application: Bidder must show that it has filed its
5 interconnection application. In addition, bidder must have completed a System-
6 Impact Study, Cluster Study Phase 1, or have passed Fast Track screens.

7 **C. Existing RPS Portfolio Will Serve Early *SunRate* Customers**

8 To the extent customers wish to participate in *SunRate* before the projects procured for
9 the program can begin deliveries, SDG&E proposes to serve such customers from its existing
10 pool of Southern California RAM and FiT solar projects (the “*SunRate* Pool”).¹⁰ SDG&E must
11 expand this pool beyond the boundaries of its service territory because it has not yet procured
12 sufficient volumes within such boundaries through either the RAM or FiT program to meet the
13 needs of *SunRate* customers. SDG&E expects approximately 4 MW of solar FiT and RAM
14 projects located with SDG&E’s service territory to begin deliveries by the middle of 2014, while
15 it expects nearly 40 MW of capacity from Southern California FiT and RAM projects to be
16 delivering solar energy to SDG&E in the same timeframe. If the projects currently in the
17 *SunRate* Pool experience delays such that an insufficient volume of energy is available to serve
18 *SunRate* customers when the program begins, SDG&E will delay the full enrollment of *SunRate*
19 customers until sufficient volumes are available. Using this pool of Southern California RAM
20 and FiT solar projects allows SDG&E to launch the program in 2014 instead of delaying

¹⁰ The *SunRate* Pool includes projects located in Southern California in the service territories of SDG&E, Southern California Edison, and, potentially the Imperial Valley (if SDG&E’s advice letter requesting modification of the RAM project location requirement is approved).

1 customer participation into 2016, which is when new *SunRate* projects procured through the
2 RAM would likely begin deliveries.¹¹

3 **D. *SunRate* Pricing**

4 **1. *SunRate* Customers' Solar Commodity Price**

5 The price that customers pay for the *SunRate* commodity¹² should be based on the cost of
6 the incremental local solar projects that SDG&E procures for *SunRate* through the RAM process.
7 For example, if the average price of the projects procured for *SunRate* at the time a customer
8 signs up for the program is \$100/MWh, than that customer should pay \$100/MWh for its solar
9 commodity. If such projects have not yet begun delivering when *SunRate* customers begin
10 participating in the program, the price should be based on the average price of the projects in the
11 existing *SunRate* Pool that have achieved full commercial operation when the program begins. If
12 all of the projects currently in the *SunRate* Pool (listed in the table below) have achieved full
13 commercial operation, then the expected time of day-adjusted, weighted average price would be
14 approximately \$85.

15 **Expected *SunRate* Pool**

Project Name	MW	Estimated MWh/Yr	Location
Victor Mesa Linda B-RAM	5.0	9,501	Lancaster, CA
Western Antelope Dry Ranch-RAM	10.0	19,003	Victorville, CA
Cascade Solar – RAM	18.5	55,265	Joshua Tree, CA
Zodiac Power Solar A - CRE (FiT)	1.5	3,900	Potrero, CA
Zodiac Solar E - CRE (FiT)	1.0	2,450	Potrero, CA
Con Dios Solar 33 (Global Renewable Energy) - CRE (FiT)	1.5	4,743	Valley Center, CA
Total	37.5	94,862	

¹¹ If SDG&E is able to procure *SunRate* projects in a June 2014 RAM solicitation, such projects would have 24 months to achieve commercial operations, making them available to begin deliveries in the middle of 2016.

¹² The discussion of pricing in this testimony is focused only on the price of the solar commodity. Discussion of the total cost to participating customers is discussed in the updated testimony of Chris Yunker.

1
2 If some of these projects are delayed, the average price of the pool could vary depending
3 on which projects have achieved commercial operation by the time program begins. This
4 structure ensures that participating customers pay a rate that reflects the price of the projects that
5 are serving their needs.

6 **2. SDG&E's *SunRate* Procurement Price Cap**

7 SDG&E intends to cap the price of any new *SunRate* procurement at the price that is \$4
8 higher than the weighted average price of solar bids that are shortlisted in the RAM solicitation
9 in which the *SunRate* project(s) is procured. This price cap ensures that the price for *SunRate*
10 capacity does not exceed the market range. SDG&E may have to skip over the next least
11 expensive RAM bid on the list to get to a project that is appropriate for *SunRate*, but it will not
12 go so far down the list that the price exceeds the market range.

13 If the market fluctuates to the point that the existing price cap is no longer viable,
14 SDG&E will request an adjustment to the cap through the Commission's advice letter process.
15 SDG&E will justify the need for the change in the advice letter and request the Commission's
16 approval of an appropriate adjustment.

17 **III. *SHARE THE SUN* RESOURCE PROCUREMENT**

18 SDG&E proposes to contract for a limited quantity of local solar resources to support
19 *Share the Sun*. This program is intended to provide an additional solar alternative for customers
20 and to expand the potential customer base for solar developers.

21 **A. Overview of Procurement Process for *Share the Sun***

22 For the purposes of providing bundled ratepayers renewable energy through *Share the*
23 *Sun*, SDG&E will procure up to 10 MW of solar energy from new projects located within
24 SDG&E's service territory. SDG&E will rely upon the FiT process for *Share the Sun*

1 procurement. The Commission is currently working towards a second final decision under the
2 FiT program (“FiT PD”) that may modify some of the requirements established in the initial FiT
3 decision (D.12-05-035, as modified by D.13-01-041). SDG&E relies on the initial decision as
4 the basis for this testimony, with modifications made where appropriate to reflect issues that are
5 specific to *Share the Sun*.

6 SDG&E will procure 3 MW for *Share the Sun* in each bi-monthly FiT program period
7 until it has procured up to 10 MW for *Share the Sun*. The FiT PD contemplates requiring the
8 utilities to offer 10 MW per bi-monthly period for each product type. However, as SDG&E
9 explained in comments to the FiT PD, this would result in SDG&E offering substantially all of
10 its program capacity in the first bi-monthly period, which would not be in the best interest of
11 ratepayers. The same logic applies here. Therefore, SDG&E will retain this mechanism for the
12 *Share the Sun* program to procure 3 MW of capacity per bi-monthly period until the cumulative
13 total reaches 10 MW. For example, assuming SDG&E has 13 MW in its initial FiT queue, some
14 of which have indicated an interest in building a *Share the Sun* projects and some which have
15 not, SDG&E will select projects on a first come first served basis until it has fulfilled both its FiT
16 capacity requirements and its 3 MW *Share the Sun* target.

17 SDG&E will execute a PPA with these *Share the Sun* developers and commit to
18 purchasing all output from the project in order to facilitate project financing and construction.
19 This PPA will, in large part, mirror the standard contract that is ultimately approved by the
20 Commission for the FiT. Once the project achieves commercial operation, the developer will
21 work to subscribe the capacity to customers.

22 **B. Eligibility Requirements for *Share the Sun* Developers**

23 Developers who wish to participate in *Share the Sun* must submit the same application
24 materials as typical FiT participants, along with an indication that they intend to participate in

1 *Share the Sun*. During each bi-monthly period, SDG&E will select, on a first come-first served
2 basis, 3 MW of eligible projects to participate in its *Share the Sun* program. *Share the Sun*
3 developers must meet two sets of eligibility criteria; one set pertaining to the developer's ability
4 to successfully interact with SDG&E's customers and another pertaining to the developer's
5 ability to build a renewable facility. The eligibility criteria pertaining to the developer's ability
6 to successfully interact with customers is addressed in the updated testimony of Dawn Osborne.
7 The eligibility criteria pertaining to the developer's ability to build a renewable facility will
8 mirror those required for FiT projects, with some additional requirements necessary for the
9 *SunRate* program. Pursuant to D.12-05-035, as modified by D.13-01-041, those requirements for
10 respondent developers will include:

11 Resource:

- 12 1. Resources must be California Energy Commission-certifiable as an eligible
13 renewable resource;
- 14 2. The Respondent must register the project with the Federal Energy Regulatory
15 Commission ("FERC") as a Qualifying Facility;
- 16 3. Resources must be new facilities;¹³ and
- 17 4. Delivering partial output from a large system shall not be permitted.

18 Project Size:

- 19 1. 3 MW or less.
- 20 2. Developers must sell the full output of their facility to SDG&E. Excess sales
21 structures will not be permitted unless SDG&E agrees to do so at its sole

¹³ This requirement is not included in D.12-05-035, as modified by D.13-01-041.

1 discretion. Nameplate capacity must not exceed 3 MW, even for excess sales
2 projects.¹⁴

3 Location/Site Control:

- 4 1. Project must be located within the service territory of SDG&E;
- 5 2. The respondent must attest that the project is the only one being developed by
6 respondent or respondent's affiliates on any single or contiguous piece of
7 property.
- 8 3. The respondent must have site control for the duration of 10, 15 or 20-year power
9 purchase agreement. Site control may be evidenced by documentation of:
 - 10 a. direct ownership;
 - 11 b. a lease; or
 - 12 c. an option to lease or purchase.

13 Interconnection:

- 14 1. The respondent must have completed a System Impact Study, Phase 1 Study, or
15 have passed WDAT¹⁵ Fast Track screens. Evidence of the most recent completed
16 study or equivalent results from the Fast Track process must be provided.
- 17 2. The project must be interconnected to the distribution system, as opposed to the
18 transmission system, and must be sited near load, meaning sited in an area where
19 interconnection of the proposed generation to the distribution system requires
20 \$300,000 or less of upgrades to the transmission system.

¹⁴ This requirement differs from D.12-05-035, as modified by D.13-01-041. Because of the added complexity involved with customer participation in *Share the Sun* facilities, SDG&E must review the viability of any potential excess sales structures.

¹⁵ SDG&E's FERC Wholesale Distribution Access Tariff.

1 Developer Experience:

- 2 1. The respondent and/or members of the project development team must have
3 experience. Respondents and/or members of the project development team must
4 provide evidence of having completed, or begun construction, of a project using a
5 technology similar to the offered technology, that is at least the same size as the
6 project being proposed.

7 Project Start Date:

- 8 1. Developers must be able to bring the project on line within 24 months of contract
9 execution.

10 Other Incentives Not Permitted for the Project Being Offered:

- 11 1. Respondents shall not have sought California Solar Initiative (“CSI”) or Self-
12 Generation Incentive Program (“SGIP”) funds for the projects being offered
13 within the 10 years immediately preceding the respondent’s application for the
14 *Share the Sun* program, and shall not plan to seek CSI or SGIP for the entire term
15 of the contract;
16 2. Respondents shall not have participated in the Net Energy Metering (“NEM”)
17 Program for the projects being offered and shall not plan to participate in the
18 NEM Program for the projects being offered for the entire term of the contract.

19 Seller Concentration Limit:

- 20 1. The maximum cumulative capacity of executed contracts with a respondent
21 affiliated with any one parent company, or using any one development team, EPC
22 contractor, or panel supplier under the *Share the Sun* program cannot exceed 5
23 MW. A seller concentration limit was proposed in the original FiT decision, but

1 the new FiT PD proposes to delete this requirement. This requirement will be
2 maintained for *Share the Sun* in an effort to ensure that multiple respondents have
3 the opportunity to participate in the program to avoid a situation in which a single
4 respondent is able to secure all *Share the Sun* capacity.

5 Bid Fee:

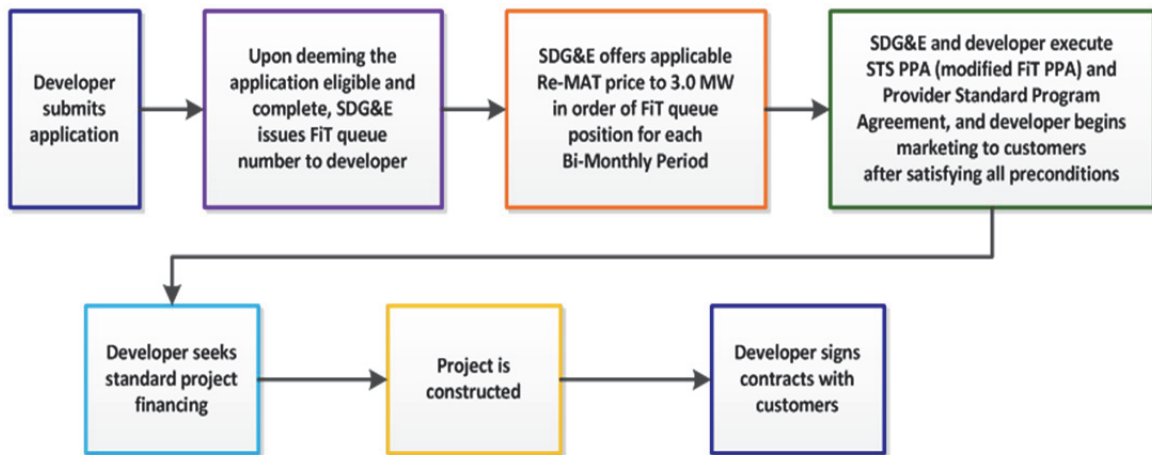
- 6 1. Respondent shall submit a non-refundable payment of \$2/kW when applying to
7 participate in the *Share the Sun* Program.

8 **C. Pricing of for *Share the Sun* Projects**

9 The contract pricing for eligible *Share the Sun* projects will be set at the then applicable
10 Re-MAT price¹⁶ for both subscribed and unsubscribed portions of *Share the Sun* projects for the
11 first 3 years of the delivery term. Since unsubscribed portions of the *Share the Sun* projects are
12 purchased by bundled ratepayers, using the same price for like projects will avoid gaming issues
13 between the two programs because of price differentials. In order to incent developers to secure
14 customer participation, SDG&E will pay the lower of the Default Load Aggregation Point
15 (“DLAP”) price¹⁷ or applicable Re-MAT price for unsubscribed portions of the project after the
16 first 3 years of the delivery term. A summary of the *Share the Sun* procurement process is
17 provided below:
18

¹⁶ D.12-05-035, as modified by D.13-01-041, created the renewable market adjusting tariff (“Re-MAT”), a mechanism that allows the FIT price to adjust in real-time based on market conditions.

¹⁷ SDG&E’s DLAP price reflects the costs that SDG&E avoids in procuring short term wholesale energy. The DLAP price is the load weighted average price of all the locational marginal prices located inside the CAISO-defined DLAP. In short, SDG&E’s DLAP acts as a proxy for the utility’s service territory. The Cal. Independent System Operator Corp. Fifth Replacement FERC Electric Tariff defines Default LAP as “The LAP [Load Aggregation Point] defined for the TAC [Transmission Access Charge] Area at which all Bids for Demand shall be submitted and settled, except as provided in Sections 27.2.1 and 30.5.3.2.” See Appendix A (Master Definitions).



1
2
3 **IV. INTERACTION WITH SDG&E’S RPS PROCUREMENT OBLIGATIONS**

4 **A. Subscriptions Provide Participants with Green Energy**

5 SDG&E will retire the RECs associated with the energy subscribed under *connected.....to*
6 *the sun* programs on behalf of all participating customers. In other words, SDG&E will not
7 include subscribed program RECs that exceed RPS targets in its RPS requirements. SDG&E
8 will retire RECs used by *connected.....to the sun* customers that are required to meet RPS targets
9 for its RPS program and all RECs that exceed a *connected.....to the sun* customer’s RPS targets
10 will be retired separately on behalf of the *connected.....to the sun* customer. SDG&E will rely on
11 the RPS targets established in D.11-12-020 (Decision Setting Procurement Quantity
12 Requirements for Retail Sellers for the RPS Program). For example, the target established by
13 D.11-12-020 for 2015 is 23.3%. Therefore, for any period of time during 2015 that a customer
14 participates in the *connected.....to the sun* program, SDG&E will retire 23.3% of that customer’s
15 use during that period towards its RPS goals and the remaining volumes will be retired
16 separately on behalf of the *connected.....to the sun* customer and not used towards SDG&E’s
17 RPS goals. In this way, SDG&E is able to show that it’s total retail sales in 2015 continue to
18 consist of the targeted 23.3% renewable energy, and *connected.....to the sun* customers can claim

1 the value of the renewable energy that they procure in excess of these targets. Retiring the RECs
2 in this manner will permit participants to claim in a very real sense that their subscriptions
3 contribute to the demand for, and the development of, additional local solar generation in excess
4 of RPS mandates.

5 To track the RECs associated with the customer's participation in the programs, SDG&E
6 will create one sub-account per year for the *connected.....to the sun* programs as a part of its
7 Western Renewable Energy Generation Information System ("WREGIS") account. Monthly,
8 SDG&E will track and transfer the number of cumulative kWh related to the RPS program into
9 its standard RPS sub-accounts. SDG&E will transfer the number of cumulative kWh related to
10 the *SunRate* program (those that exceed RPS targets) into the newly created *connected.....to the*
11 *sun* WREGIS sub-account. SDG&E will retire the RECs that have accumulated within the
12 *connected.....to the sun* program's WREGIS sub-account on an annual basis under the Utility
13 Pricing Program Category currently available through WREGIS. This category is separate and
14 apart from the Provincial Report Category that WREGIS provides for RPS compliance reporting.
15 The RECs from one category cannot be comingled with another, which provides customers with
16 added assurance that the *connected.....to the sun* program RECs are attributed to the customer
17 and not used for SDG&E's RPS compliance. SDG&E will include a statement in its annual RPS
18 Compliance filing stating that the RECs for these programs that exceed the mandated RPS level
19 were not used for RPS compliance. This statement will include the annual total of RECs for
20 these programs that were retired in the prior year on behalf of customers. Concurrently with its
21 annual RPS compliance filing, SDG&E will also generate, and post to its website, a Utility
22 Pricing Program Category report from WREGIS summarizing the RECs retired for the
23 *connected.....to the sun* programs in the prior year.

1 **B. Impact to RPS Goals**

2 SDG&E expects that the *connected.....to the sun* program will have little impact to its
3 RPS procurement obligations because it does not count subscribed volumes that exceed RPS
4 targets towards its RPS goals and because it will strive to procure *connected.....to the sun*
5 capacity in tandem with customer interest. For *Share the Sun* in particular, SDG&E has
6 minimized the potential need to purchase unsubscribed energy by: (1) incentivizing developers to
7 secure customer participation; and (2) requiring developers to provide proof of their ability to
8 market to customers as an eligibility requirement for the program.

9 Capacity that is procured for *connected.....to the sun* but ultimately not subscribed by
10 customers can be managed in the following ways: (1) used for unmet RPS requirements,
11 including FiT or RAM obligations; (2) banked by SDG&E for future RPS compliance
12 requirements; or (3) sold in the open market to, for example, utilities that are under-subscribed
13 for RPS. Even in the worst case scenario where no customers choose to participate, the 20 MW
14 of procurement proposed for SDG&E's pilot programs equates to approximately 0.2% towards
15 SDG&E's RPS goals for compliance period 3.

16 Furthermore, even if *connected.....to the sun* procurement exceeds RPS requirements,
17 voluntary procurement in excess of RPS requirements is contemplated by SDG&E's 2012 RPS
18 Procurement Plan.¹⁸ Any procurement associated with *connected.....to the sun* is within the
19 normal range of procurement that SDG&E would typically do to manage potential
20 underperformance of its RPS portfolio. Program procurement is expected to be subscribed by
21 participating customers and have little impact to non-participating customers. Program

¹⁸ SDG&E 2012 RPS Procurement Plan Compliance Filing (Public Version) (November 29, 2012)
Attachment 1SDG&E 2012 RPS Plan, p. 30-31.

1 procurement that is unsubscribed is part of SDG&E’s Voluntary Margin of Over Procurement
2 (“VMOP”)¹⁹ that it will use to ensure RPS compliance. SDG&E’s VMOP is designed to achieve
3 its RPS goals with a “buffer” to account for unforeseen changes to either the RPS targets or
4 deliveries.²⁰ Because it is more difficult to predict retail sales and project performance in future
5 years, SDG&E’s VMOP is higher in those years.²¹ The VMOP for the second RPS compliance
6 period (2014 – 2016), when the *connected.....to the sun* projects are expected to begin deliveries,
7 is up to SDG&E’s anticipated net long position at the time it filed the RPS Plan (November
8 2012).²² Since that time, SDG&E has terminated multiple contracts, leaving room for additional
9 procurement within its authorized VMOP. SDG&E is concerned with minimizing the impact of
10 over procurement to our bundled customers, but must also respond to the desires of our
11 customers to increase their contribution to environmental goals. As stated above and in the 2012
12 RPS Plan, SDG&E will make efforts to mitigate over procurement if necessary through selling
13 and banking. In addition, SDG&E intends to emphasize in its 2013 RPS Procurement Plan that
14 its voluntary over procurement strategy includes a limited volume of procurement associated
15 with new programs that reflect the changing needs of our customers, such as *connected.....to the*
16 *sun*.

¹⁹ The ALJ’s Ruling in Rulemaking (“R.”)11-05-005 (August, 2, 2012) (Attachment A, p. 6) provided that utilities could adopt a voluntary margin consistent with P.U. Code § 399.13(a)(4)(D) as follows: Voluntary Margin of Over-procurement – The margin of over procurement necessary to account for project/forecasting risk in any year that the likelihood of not achieving compliance is called in question. The margin of over-procurement relates only to a voluntary margin of over procurement and not the statutory margin of procurement. This is different than the statutory margin of over-procurement which is already reflected in the risk-adjustments to portfolios to account for the likelihood or project failure or delay.

²⁰ SDG&E 2012 RPS Procurement Plan Compliance Filing (Public Version) (November 29, 2012) Attachment 1, pp. 30-31.

²¹ *Id.*

²² *Id.* at p. 31

1 It is also possible that the *SunRate* program could jeopardize SDG&E’s ability to meet its
2 RPS targets. If SDG&E makes a portion of its existing RPS generation available to *SunRate*
3 customers during the interim period when *SunRate*-specific procurement is not yet built, SDG&E
4 could fall short of its RPS goals because of this shifting of RPS generation to *SunRate* customers.
5 Although this scenario is currently unlikely based on SDG&E’s RPS position in the coming
6 years, SDG&E requests that if it does fall short of RPS goals in any compliance period because
7 of the *SunRate* program, that such shortfall be carried over to the following portfolio cycle
8 without associated penalties.

9 **V. INTERACTION WITH SDG&E’S RESOURCE PLANNING**

10 **A. *SunRate*’s Impact on Procurement Planning**

11 For the *SunRate* program SDG&E will estimate total MWhs needed to serve *SunRate*
12 customers based on their previous year’s energy use. SDG&E will then use this estimate to
13 ensure that the total volume of energy needed to serve *SunRate* customers does not exceed the 10
14 MW procured for the pilot program. Actual energy use at the end of the year, however, may
15 exceed this 10 MW allocation. SDG&E will draw from its existing *SunRate* Pool to fulfill any
16 unanticipated increase in customer energy usage that exceeds the volume of energy procured for
17 the *SunRate* program. However, as the program expands, SDG&E must further address how to
18 manage this risk. SDG&E will study this during the pilot and address it if and when it applies to
19 expand the program.

20 **B. Commitment Periods Help SDG&E Manage Resource Planning**

21 To the extent SDG&E can encourage *connected.....to the sun* participants to sign up for
22 longer commitment periods, it will be better able to plan for required resource procurement. To
23 this end, SDG&E will lock in the cost of the solar resource for each of the *SunRate* and *Share the*
24 *Sun* programs only for the duration of the customer’s commitment period. This is a critical

1 element in establishing a sustainable program model. When a customer commits to participating
2 in *connected.....to the sun* for a longer period of time,²³ SDG&E can take this solar requirement
3 into consideration and incorporate it into the planning process. In exchange for this certainty,
4 SDG&E will offer a fixed commodity price to bundled customers. If SDG&E offered a fixed
5 price absent a commitment period, then the uncertainty in planning, or procurement risk, would
6 be shifted to non-participating customers. While the *connected.....to the sun* pilot program is
7 small today, it is still critical to incentivize customers to participate for longer periods of time,
8 otherwise what is a program concession today can quickly become an entitlement whose cost is
9 born by non-participating customers. Requiring a commitment in exchange for a fixed price will
10 provide greater stability on which to grow the *connected.....to the sun* program.

11 This concludes my prepared direct testimony.

12

²³ As discussed in more detail in Dawn Osborne's updated testimony, SDG&E will require a minimum subscription period of 1 year for each program, after which they may remain subscribed to the program on a month to month basis without a lock on their commodity price.

1 **V. STATEMENT OF QUALIFICATIONS**

2 My name is Hillary Hebert and I am the Programs and Partnerships Manager for
3 SDG&E's Origination and Portfolio Design group in its Electric and Fuels Procurement
4 department. My business address is 8315 Century Park Court, CP21D, San Diego, California,
5 92123.

6 I am responsible for designing solicitations for utility scale renewable projects and for
7 managing renewable solicitations such as the Renewable Auction Mechanism and the Feed-in-
8 Tariff. I also monitor regulatory issues impacting procurement and work with the California
9 Public Utilities Commission to provide feedback on such issues from the utility's perspective. I
10 also manage regulatory aspects of SDG&E's investments in renewable projects. I have a B.A. in
11 Urban Studies from the University of Minnesota and a J.D. from the University of Denver. Prior
12 to joining SDG&E, I was an attorney with Holland & Hart, LLP where I represented wind
13 developers in PPA negotiations and project financings. Since joining SDG&E in 2006, I have
14 focused mostly on regulatory aspects of renewable procurement. I have not previously provided
15 testimony to the Commission.