

## Appendix A: Contributors, Authors, and Acknowledgements

### A.1 Contributors/REIS Study Project Team

The **San Diego Regional Energy Infrastructure Study (REIS)** is the result of a nine-month effort involving the funding, cooperation and effort of many individuals and organizations. The Study was made possible by financial support of the City of San Diego (City), the County of San Diego (County), the San Diego County Water Authority (CWA), the San Diego Association of Governments (SANDAG), the Utility Consumers Action Network (UCAN), the San Diego Regional Energy Office (SDREO), and the Port of San Diego (Port). The following individuals representing the Project Team contributed a great deal of time and effort in seeing the project through to completion:

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**DISCLAIMER**

While we are grateful for the technical and critical support of those acknowledged below, responsibility for the conclusions and recommendations contained herein rests with the authoring organizations and the **REIS STUDY PROJECT TEAM**.

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**Appendix B: List of Acronyms Used in This Study**

AEO	Annual Energy Outlook
AGC	Automatic generation control
APCD	Air Pollution Control District
BACT	Best available control technology
BCAP	Biennial Cost Allocation Procedure
B/C	Benefit-cost ratio
Btu	British thermal unit
C&I	Commercial and industrial end users
CC	Combined cycle
CAISO	California Independent System Operator
CDWR	California Department of Water Resources
CEC	California Energy Commission
CERA	Cambridge Energy Resource Associates
CEQA	California Environmental Quality Act
CPA	California Power Authority
CFE	Commission Federal de Electricidad
CITY	City of San Diego
CO2	Carbon Dioxide
COUNTY	County of San Diego
CPUC	California Public Utilities Commission
CHP	Combined heat and power (cogeneration)
CH4	Methane
CT	Combustion turbine
CWA	County Water Authority
DC	Direct current
DER	Distributed energy resources
DG	Distributed generation
DHW	Domestic Hot Water (Solar)
DOE	United States Department of Energy
DR	Distributed resources
DSM	Demand Side Management
DVU	Discovery Valley Utility
E2PRO	Energy Environment Program
EER	Energy Efficiency Ratio
EG	Electric Generation

EIA	Energy Information Agency
EPA	Environmental Protection Agency
ERC	Emission Reduction Credits
ESCO	Energy service company
ESP	Electric service provider
FERC	Federal Energy Regulatory Commission
FSEC	Florida Solar Energy Center
GIR	Gas Industry Restructuring
GRP	Gross regional product
HRSG	Heat Recovery Steam Generator
HVAC	Heating ventilation and air conditioning
ICIP	Incremental Cost Incentive Pricing
IOU	Investor owned utility
IPP	Independent power producer
IRR	Internal Rate of Return
IRP	Integrated Resource Planning
ISO	Independent systems operator
JPA	Joint Power Authority
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt Hour
LADWP	Los Angeles Department of Water and Power
LNG	Liquefied Natural Gas
LRMC	Long-run market costs
LRMV	Long run market value
LSE	Load Supplying Entities
MCF	One thousand cubic feet of natural gas
MD02	CAISO's Market Design 2002
NERC	National Energy Reliability Council
NOx	Oxides of Nitrogen
NPV	Net Present Value
NRC	Nuclear Regulatory Commission
MMBtu	One million Btu
MSEC	Mobile source emission credits
MSW	Municipal Solid Waste
MW	Megawatt
MWh	Megawatt Hour

O&M	Operation and maintenance
PBR	Performance based ratemaking
PM	Particulate matter
PM-10	Particulate matter under ten microns
Port	Port of San Diego
PPM	Parts per million
PURPA	The Public Utility Regulatory Policy Act of 1978
PV	Photovoltaic(s)
QF	Qualifying facility
RDA	Resources Data International
REPAC	Regional Energy Policy Advisory Council
RES	Regional Energy Strategy
RMR	Reliability must-run
ROG	Reactive Organic Gasses
RTO	Regional Transmission Organization
RTP	Real-time Pricing
SAIC	Science Application International Corporation
SANDAG	San Diego Association of Governments
SDREO	San Diego Regional Energy Office
SDG&E	San Diego Gas and Electric
SEER	Seasonal energy efficiency ratio
SMUD	Sacramento Municipal Utility District
SO <sub>x</sub>	Oxides of sulfur
SWRTA	Southwest Regional Transmission Association
T&D	Transmission and Distribution
TOU	Time-of-use
UCAN	Utility Consumers Action Network
UDC	Utility distribution company
VAV System	Variable air volume system
VOC	Volatile Organic Compounds
WECC	Western Electricity Coordinating Council
WRTA	Western Regional Transmission Association
WSCC	Western System Coordinating Council



## Appendix C: Glossary of Terms Used in This Study

**AGGREGATOR** – An entity responsible for planning, scheduling, accounting, billing, and settlement for energy deliveries from the aggregator's portfolio of sellers and/or buyers. Aggregators seek to bring together customers or generators so they can buy or sell power in bulk, making a profit on the transaction.

**AIR POLLUTION** – Unwanted particles, mist or gases put into the atmosphere as a result of motor vehicle exhaust, the operation of industrial facilities or other human activity.

**ANCILLARY SERVICES** – The services other than scheduled energy that is required to maintain system reliability and meet WSCC/NERC operating criteria. Such services include spinning, non-spinning, and replacement reserves, voltage control, and black start capability. Services that the Independent System Operator may develop, in cooperation with market participants, to ensure reliability and to support the transmission of energy from generation sites to customer loads. Such services may include: regulation, spinning reserve, non-spinning reserve, replacement reserve, voltage support, and black start.

**APPLIANCE EFFICIENCY STANDARDS** – California Code of Regulations, Title 20, Chapter 2, Subchapter 4: Energy Conservation, Article 4: Appliance Efficiency Standards. Appliance Efficiency Standards regulate the minimum performance requirements for appliances sold in California and apply to refrigerators, freezers, room air conditioners, central air conditioners, gas space heaters, water heaters, plumbing fittings, fluorescent lamp ballasts and luminaries, and ignition devices for gas cooking appliances and gas pool heaters. New National Appliance Standards are in place for some of these appliances and will become effective for others at a future date.

**AVOIDED COST** – The cost the utility would incur but for the existence of an independent generator or other energy service option. Avoided cost rates have been used as the power purchase price utilities offer independent suppliers.

**BALLAST** – A device that provides starting voltage and limits the current during normal operation in electrical discharge lamps (such as fluorescent lamps).

**BASE LOAD** – The lowest level of power production needs during a season or year.

**BASE LOAD UNIT** – A power generating facility that is intended to run constantly at near capacity levels, as much of the time as possible.

**BASELINE FORECAST** – A prediction of future energy needs which does not take into account the likely effects of new conservation programs that have not yet been started.

**B/C**– Benefit-cost ratio/Cost effectiveness – measured in terms of:

- Participant Test – NPV bill savings divided by the NPV cost to participate in DSM
- Utility Test – NPV of fuel and capacity savings to the utility divided by dollars invested in DSM including equipment and program
- Societal Test – Total Energy and Capacity savings divided by program costs.

**BIOMASS** – Energy resources derived from organic matter. These include wood, agricultural waste, land-fill gas, digester gas and other living-cell material that can be burned to produce heat energy.

**BRITISH THERMAL UNITS** — Measure of energy.

**BROKER** — an entity arranging the sale and purchase of electric energy, transmission, and other services between buyers and sellers, but does not take title to any of the power sold (Public Resources Code section 331(b)).

**BUILDING ENERGY EFFICIENCY STANDARDS** – California Code of Regulations (California Code of Regulations), Title 24, Part 2, Chapter 2-53; regulating the energy efficiency of buildings constructed in California.

**BUILDING ENVELOPE** – The assembly of exterior partitions of a building, which enclose conditioned spaces, through which thermal energy may be transferred to or from the exterior, unconditioned spaces, or the ground. [See California Code of Regulations, Title 24, Section 2-5302]

**CALIFORNIA ENERGY COMMISSION** – The state agency established by the Warren-Alquist State Energy Resources Conservation and Development Act in 1974 (Public Resources Code, Sections 25000 et seq.) responsible for energy policy. The Energy Commission's five major areas of responsibilities are:

- Forecasting future statewide energy needs
- Licensing power plants sufficient to meet those needs
- Promoting energy conservation and efficiency measures
- Developing renewable and alternative energy resources, including providing assistance to develop clean transportation fuels
- Planning for and directing state response to energy emergencies
- Funding for the Commission's activities comes from the Energy Resources Program Account, Federal Petroleum Violation Escrow Account and other sources.

**CAPACITY** – The maximum load a generating unit, generating station, or other electrical apparatus is rated to carry by the user or the manufacturer or can actually carry under existing service conditions.

**CAPACITY CHARGES** – Usually expressed as \$1 kw-year. A kw-year is the value of electric capacity for a period of one year. These values change over time vs. a \$1 kw value which is an average or more stable use of the term.

**CAPACITY RELEASE/MARKET** – A secondary market for capacity that is contracted by a customer, which is not using all of its capacity.

**CALIFORNIA DEPARTMENT OF WATER RESOURCES** – (CDWR) Primary responsibility is water resource development and management. Also buys electricity for investor-owned utilities in wholesale market and resells power to investor owned utilities in form of long term contracts. These contracts have recently been renegotiated by CDWR. This is viewed as a temporary solution.

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR (CAISO)** – Scheduler, balancing and settlement of wholesale power transaction for California utilities making wholesale power transactions

**CALIFORNIA POWER AUTHORITY** – Focus is on developing peak reserve margin and in developing renewable energy and conservation projects. Success depends on ability to issue bonds and have them purchased.

**CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)** – A state agency created by constitutional amendment in 1911 to regulate the rates and services of more than 1,500 privately owned utilities and 20,000 transportation companies. The major duties of the CPUC are to regulate privately owned utilities, securing adequate service to the public at rates that are just and reasonable both to customers and shareholders of the utilities; including rates, electricity transmission lines and natural gas pipelines. The CPUC also provides electricity and natural gas forecasting, and analysis and planning of energy supply and resources. Its main headquarters are in San Francisco.

**CARBON DIOXIDE** – A colorless, odorless, non-poisonous gas that is a normal part of the air. Carbon dioxide, also called CO<sub>2</sub>, is exhaled by humans and animals and is absorbed by green growing things and by the sea.

**CHILLER** – A device that cools water, usually to between 40 and 50 degrees Fahrenheit for eventual use in cooling air.

**CHP** – Combined Heat and Power, also known as cogeneration.

**CIRCUIT** – One complete run of a set of electric conductors from a power source to various electrical devices (appliances, lights, etc.) and back to the same power source.

**CLIMATE ZONE** – A geographical area is the state that has particular weather patterns. These zones are used to determine the type of building standards that are required by law.

**COGENERATOR** – Co generators use the waste heat created by one process, for example during manufacturing, to produce steam, which is used, in turn, to spin a turbine and generate electricity. Co generators may also be QFs.

**COGENERATION** – Cogeneration means the sequential use of energy for the production of electrical and useful thermal energy. The sequence can be thermal use followed by power production or the reverse, subject to the following standards:

- At least 5 percent of the cogeneration project's total annual energy output shall be in the form of useful thermal energy.
- Where useful thermal energy follows power production, the useful annual power output plus one-half the useful annual thermal energy output equals not less than 42.5 percent of any natural gas and oil energy input.

**COMBINED CYCLE PLANT** – An electric generating station that uses waste heat from its gas turbines to produce steam for conventional steam turbines.

**CONSERVATION** – Steps taken to cause less energy to be used than would otherwise be the case. These steps may involve improved efficiency, avoidance of waste, reduced consumption, etc. They may involve installing equipment (such as a computer to ensure efficient energy use), modifying equipment (such as making a boiler more efficient), adding insulation, changing behavior patterns, etc.

**CONTROL AREA** – An electric power system, or a combination of electric power systems, to which a common automatic generation control (AGC) is applied to match the power output of generating units within the area to demand. The control area of the ISO is the state of California.

**COOLING DEGREE DAY** – A unit of measure that indicates how heavy the air-conditioning needs are under certain weather conditions.

**COOLING LOAD** – The rate at which heat must be extracted from a space in order to maintain the desired temperature within the space.

**CUBIC FOOT** – The most common unit of measurement of natural gas volume. It equals the amount of gas required to fill a volume of one cubic foot under stated conditions of temperature, pressure and water vapor. One cubic foot of natural gas has an energy content of approximately 1,000 Btus. One hundred (100) cubic feet equals one therm ( $100 \text{ ft}^3 = 1 \text{ therm}$ ).

**DAY-AHEAD MARKET** – The forward market for energy and ancillary services to be supplied during the settlement period of a particular trading day that is conducted by the ISO, the PX, and other Scheduling Coordinators. This market closes with the ISO's acceptance of the final day-ahead schedule.

**DAYLIGHTING** – The use of sunlight to supplement or replace electric lighting.

**DAYLIGHTING CONTROL** – A control system that varies the light output of an electric lighting system in response to variations in available daylight.

**DEGREE DAY** – A unit, based upon temperature difference and time, used in estimating fuel consumption and specifying nominal annual heating load of a building. When the mean temperature is

less than 65 degrees Fahrenheit the heating degree-days are equal to the total number of hours that temperature is less than 65 degrees Fahrenheit for an entire year.

**DEMAND RESPONSE PROGRAM** – A demand reduction program where for economic or low reserve reasons a customer reduces their peak load for incentive compensation which may be either on an intermittent day head basis or for a longer term.

**DEMAND SIDE MANAGEMENT (DSM)** – Planning, implementation, and evaluation of utility-sponsored programs to influence the amount or timing of customers' energy use.

**DEMAND (Utility)** the level at which electricity or natural gas is delivered to users at a given point in time. Electric demand is expressed in kilowatts.

**DEMAND BILLING** – The electric capacity requirement for which a large user pays. It may be based on the customer's peak demand during the contract year, on a previous maximum or on an agreed minimum. Measured in kilowatts.

**DEMAND CHARGES** – The sum to be paid by a large electricity consumer for its peak usage level.

**DEPARTMENT OF ENERGY (DOE)** – The federal department established by the Department of Energy Organization Act to consolidate the major federal energy functions into one cabinet-level department that would formulate a comprehensive, balanced national energy policy. DOE's main headquarters are in Washington, D.C.

**DERIVATIVES** – A specialized security or contract that has no intrinsic overall value, but whose value is based on an underlying security or factor as an index. A generic term that, in the energy field, may include options, futures, forwards, etc.

**DIRECT CURRENT (DC)** – Electricity that flows continuously in the same direction.

**DISTRIBUTION** – The delivery of electricity to the retail customer's home or business through low voltage distribution lines.

**DISTRIBUTED GENERATION** – A distributed generation system involves small amounts of generation located on a utility's distribution system for the purpose of meeting local (substation level) peak loads and/or displacing the need to build additional (or upgrade) local distribution lines.

**DISTRIBUTION SYSTEM (Electric utility)** – The substations, transformers and lines that convey electricity from high-power transmission lines to ultimate consumers.

**DISTRIBUTION UTILITY** – The regulated electric utility entity that constructs and maintains the distribution wires connecting the transmission grid to the final customer. The Disco can also perform other services such as aggregating customers, purchasing power supply and transmission services for customers, billing customers and reimbursing suppliers, and offering other regulated or non-regulated energy services to retail customers. The "wires" and "customer service" functions provided by a distribution utility could be split so that two totally separate entities are used to supply these two types of distribution services.

**Distributed Resources (DR)** – Includes energy efficiency, load management, renewables and distributed generation.

**ECONOMIC EFFICIENCY** – A term that refers to the optimal production and consumption of goods and services. This generally occurs when prices of products and services reflect their marginal costs. Economic efficiency gains can be achieved through cost reduction, but it is better to think of the concept as actions that promote an increase in overall net value (which includes, but is not limited to, cost reductions).

**ECONOMIZER AIR** – A ducting arrangement and automatic control system that allows a heating, ventilation and air conditioning (HVAC) system to supply up to 100-percent outside air to satisfy cooling demands, even if additional mechanical cooling is required.

**ENERGY EFFICIENCY** – Using less energy/electricity to perform the same function. Programs designed to use electricity more efficiently – doing the same with less. For the purpose of this paper, energy efficiency is distinguished from DSM programs in that the latter are utility-sponsored and -financed, while the former is a broader term not limited to any particular sponsor or funding source. "Energy conservation" is a term which has also been used but it has the connotation of doing without in order to save energy rather than using less energy to do the same thing and so is not used as much today. Many people use these terms interchangeably.

**ENVIRONMENTAL PROTECTION AGENCY** – A federal agency charged with protecting the environment.

**EPA Act** – The Energy Policy Act of 1992 addresses a wide variety of energy issues. The legislation creates a new class of power generators, exempt wholesale generators (EWGs), that are exempt from the provisions of the Public Utilities Holding Company Act of 1935 and grants the authority to FERC to order and condition access by eligible parties to the interconnected transmission grid.

**ENERGY SERVICES COMPANIES (ESCOs)** – ESCOs would be created in a deregulated, openly competitive electric marketplace. The Energy Services industry would be made up of power aggregators, power marketers and brokers, whose job is to match buyers and sellers, tailor both physical and financial instruments to suit the needs of particular customers, and to allow even the smallest residential customers to form buying groups or cooperatives that will give them the same bargaining power as large industrial customers.

**ENERGY EFFICIENCY RATIO (EER)** – the ratio of cooling capacity of an air conditioning unit in Btus per hour to the total electrical input in watts under specified test conditions. California Code of Regulations, Section 1602(c)(6).

**EFFICIENCY** – The ratio of the useful energy delivered by a dynamic system (such as a machine, engine, or motor) to the energy supplied to it over the same period or cycle of operation. The ratio is usually determined under specific test conditions.

**ELECTRIC GENERATOR** – A device that converts a heat, chemical or mechanical energy into electricity.

**ELECTRICITY** – A property of the basic particles of matter. A form of energy having magnetic, radiant and chemical effects. Electric current is created by a flow of charged particles (electrons).

**EMISSION STANDARD** – The maximum amount of a pollutant legally permitted to be discharged from a single source.

**ENERGY** – The capacity for doing work. Forms of energy include: thermal, mechanical, electrical and chemical. Energy may be transformed from one form into another.

**EER (Energy Efficiency Ratio)** – The ratio of cooling capacity of an air conditioning unit in Btus per hour to the total electrical input in watts under specified test conditions. [See California Code of Regulations, Title 20, Section 1602(c)(6)]

**ENERGY INTENSITY** – The ratio of Gross Regional Product to energy consumed. A measure of economic energy efficiency.

**ENERGY MANAGEMENT SYSTEM** – A control system (often computerized) designed to regulate the energy consumption of a building by controlling the operation of energy consuming systems, such as the heating, ventilation and air conditioning (HVAC), lighting and water heating systems.

**ENERGY CHARGE** – The amount of money owed by an electric customer for kilowatt-hours consumed.

**ENERGY CONSUMPTION** – The amount of energy consumed in the form in which it is acquired by the user. The term excludes electrical generation and distribution losses.

ESCO – Efficiency Service Company. A company that offers to reduce a client's electricity consumption with the cost savings being split with the client.

FEDERAL ENERGY REGULATORY COMMISSION (FERC) – regulates interstate sales and transportation of electric and natural gas.

FLUORESCENT LAMP – A tubular electric lamp that is coated on its inner surface with a phosphor and that contains mercury vapor whose bombardment by electrons from the cathode provides ultraviolet light which causes the phosphor to emit visible light either of a selected color or closely approximating daylight.

FORCED OUTAGE RATE – the percentage of time a plant is out of operation. This is the single most important determinant of local reliability of power. The higher the outage rate the lower the reliance on a unit when needed.

FORWARD ELECTRIC PRICES – Projected wholesale prices for energy and capacity based on natural gas prices, plant heat rates, transmission access, market demand, and plant dispatch.

FUEL CELL – A device or an electrochemical engine with no moving parts that converts the chemical energy of a fuel, such as hydrogen, and an oxidant, such as oxygen, directly into electricity. The principal components of a fuel cell are catalytically activated electrodes for the fuel (anode) and the oxidant (cathode) and an electrolyte to conduct ions between the two electrodes, thus producing electricity.

FUEL DIVERSITY – A utility or power supplier that has power stations using several different types of fuel. Avoiding over-reliance on one fuel helps avoid the risk of supply interruption and price spikes

GENERATING STATION – A power plant and ancillary equipment including fuel storage

GEOHERMAL ELEMENT – an element of a county general plan consisting of a statement of geothermal development policies, including a diagram or diagrams and text setting forth objectives, principles, standards, and plan proposals, including a discussion of environmental damages and identification of sensitive environmental areas, including unique wildlife habitat, scenic, residential, and recreational areas, adopted pursuant to Section 65303 of the Government Code.

GEOHERMAL ENERGY – Natural heat from within the earth, captured for production of electric power, space heating or industrial steam.

GIGAWATT (GW) – One thousand megawatts (1,000 MW) or, one million kilowatts (1,000,000 kW) or one billion watts (1,000,000,000 watts) of electricity. One gigawatt is enough to supply the electric demand of about one million average California homes.

GIGAWATT-HOUR (GWH) – One million kilowatt-hours of electric power. California's electric utilities generated a total of about 270,000 gigawatt-hours in 1988.

GREENHOUSE EFFECT – The presence of trace atmospheric gases make the earth warmer than would direct sunlight alone. These gases (carbon dioxide [CO<sub>2</sub>], methane [CH<sub>4</sub>], nitrous oxide [N<sub>2</sub>O], tropospheric ozone [O<sub>3</sub>], and water vapor [H<sub>2</sub>O]) allow visible light and ultraviolet light (shortwave radiation) to pass through the atmosphere and heat the earth's surface. This heat is re-radiated from the earth in form of infrared energy (longwave radiation). The greenhouse gases absorb part of that energy before it escapes into space. This process of trapping the long wave radiation is known as the greenhouse effect. Scientists estimate that without the greenhouse effect, the earth's surface would be roughly 54 degrees Fahrenheit colder than it is today – too cold to support life, as we know it.

GREENHOUSE EFFECT (relating to buildings) – The characteristic tendency of some transparent materials (such as glass) to transmit radiation with relatively short wavelengths (such as sunlight) and block radiation of longer wavelengths (such as heat). This tendency leads to a heat build-up within the space enclosed by such a material.

**GRID** – A system of interconnected power lines and generators that is managed so that the generators are dispatched as needed to meet the requirements of the customers connected to the grid at various points.

**HEAT RATE** – A number that tells how efficient a fuel-burning power plant is. The heat rate equals the Btu content of the fuel input divided by the kilowatt-hours of power output.

**HEATING DEGREE DAY** – A unit that measures the space heating needs during a given period of time.

**HEATING LOAD** – The rate at which heat must be added to a space in order to maintain the desired temperature within the space.

**HEATING SEASONAL PERFORMANCE FACTOR** – A representation of the total heating output of a central air-conditioning heat pump in BTUs during its normal usage period for heating, divided by the total electrical energy input in watt-hours during the same period, as determined using the test procedure specified in the California Code of Regulations, Title 20, Section 1603(c).

**HVAC (Heating Ventilation and Air Conditioning)** – A system that provides heating, ventilation and/or cooling within or associated with a building.

**HYDROELECTRIC POWER** – Electricity produced by falling water that turns a turbine generator. Also referred to as HYDRO.

**INCANDESCENT LAMP** – An electric lamp in which a filament is heated by an electric current until it emits visible light.

**INDEPENDENT POWER PRODUCER** – An Independent Power Producer (IPP) generates power that is purchased by an electric utility at wholesale prices. The utility then resells this power to end-use customers. Although IPPs generate power, they are not franchised utilities; government agencies or QFs. IPPs usually do not own transmission lines to transmit the power that they generate.

**INDEPENDENT SYSTEM OPERATOR (ISO)** – An ISO is the entity charged with reliable operation of the grid and provision of open transmission access to all market participants on a non-discriminatory basis. The California ISO is located at Folsom, California.

**INTERCHANGE (Electric utility)** – The agreement among interconnected utilities under which they buy, sell and exchange power among themselves. This can, for example, provide for economy energy and emergency power supplies.

**INTERCONNECTION (Electric utility)** – The linkage of transmission lines between two utilities, enabling power to be moved in either direction. Interconnections allow the utilities to help contain costs while enhancing system reliability.

**INTEGRATED RESOURCE PLANNING (IRP)** – A public planning process and framework within which the costs and benefits of both demand- and supply-side resources are evaluated to develop the least-total-cost mix of utility resource options. In many states, IRP includes a means for considering environmental damages caused by electricity supply/transmission and identifying cost-effective energy efficiency and renewable energy alternatives. IRP has become a formal process prescribed by law in some states and under some provisions of the Clean Air Act amendments of 1992.

**INTERRUPTIBLE SERVICE (Electric utility)** – Electricity supplied under agreements that allow the supplier to curtail or stop service at times.

**INTERVAL METERING** – The process by which power consumption is measured at regular intervals in order that specific load usage for a set period of time can be determined.

**INVESTOR OWNED UTILITY** – A company, owned by stockholders for profit, that provides utility services. A designation used to differentiate a utility owned and operated for the benefit of shareholders from municipally owned and operated utilities and rural electric cooperatives.

**INDEPENDENT SYSTEM OPERATOR (ISO)** – A neutral operator responsible for maintaining instantaneous balance of the grid system. The ISO performs its function by controlling the dispatch of flexible plants to ensure that loads match resources available to the system.

**KILOVOLT (kv)** – One-thousand volts (1,000). Distribution lines in residential areas usually are 12 kv (12,000 volts).

**KILOWATT (kW)** – One thousand (1,000) watts. A unit of measure of the amount of electricity needed to operate given equipment. On a hot summer afternoon a typical home, with central air conditioning and other equipment in use, might have a demand of four kW each hour.

**KILOWATT-HOUR (kWh)** – The most commonly-used unit of measure telling the amount of electricity consumed over time. It represents one kilowatt of electricity supplied for one hour. A typical San Diego home consumes about 500 kilowatt-hours per month.

**LANDFILL GAS** – Gas generated by the natural degrading and decomposition of municipal solid waste by anaerobic microorganisms in sanitary landfills. The gases produced, carbon dioxide and methane, can be collected by a series of low-level pressure wells and can be processed into a medium Btu gas that can be burned to generate steam or electricity.

**LOAD CENTERS** – A geographical area where large amounts of power are drawn by end-users.

**LIFE-CYCLE COST** – Amount of money necessary to own, operate and maintain a building over its useful life.

**LIFE EXTENSION** – A term used to describe capital expenses, which reduce operating and maintenance costs associated with continued operation of electric utility boilers. Such boilers usually have a 40-year operating life under normal circumstances.

**LIQUEFIED NATURAL GAS (LNG)** – Natural gas that has been condensed to a liquid, typically by cryogenically cooling the gas to minus 327.2 degrees Fahrenheit (below zero).

**LOAD (1)** – The amount of electric power supplied to meet one or more end user's needs.

**LOAD (2)** – An end-use device or an end-use customer that consumes power. Load should not be confused with demand, which is the measure of power that a load receives or requires.

**LOAD DIVERSITY** – The condition that exists when the peak demands of a variety of electric customers occur at different times. This is the objective of "load molding" strategies, ultimately curbing the total capacity requirements of a utility.

**LOAD FACTOR** – A percent telling the difference between the amount of electricity a consumer used during a given time span and the amount that would have been used if the usage had stayed at the consumer's highest demand level during the whole time. The term also is used to mean the percentage of capacity of an energy facility—such as power plant or gas pipeline—that is utilized in a given period of time.

**LOAD MANAGEMENT** – Steps taken to reduce power demand at peak load times or to shift some of it to off-peak times. This may be with reference to peak hours, peak days or peak seasons. The main thing affecting electric peaks is air-conditioning usage, which is therefore a prime target for load management efforts. Load management may be pursued by persuading consumers to modify behavior or by using equipment that regulates some electric consumption.

**LOAD SHIFTING** – A load shape objective that involves moving loads from peak periods to off-peak periods. If a utility does not expect to meet its demand during peak periods but has excess capacity in the off-peak periods, this strategy might be considered

**LUMEN** – A measure of the amount of light available from a light source equivalent to the light emitted by one candle.

**LUMENS/WATT** – A measure of the efficacy of a light fixture; the number of lumens output per watt of power consumed.

**LUMINAIRE** – A complete lighting unit consisting of a lamp or lamps together with the parts designed to distribute the light, to position and protect the lamps and to connect the lamps to the power supply. California Code of Regulations, Section 2-1602(h)].

**MARGINAL COST** – The sum that has to be paid the next increment of product of service. The marginal cost of electricity is the price to be paid for kilowatt-hours above and beyond those supplied by presently available generating capacity.

**MARKETER** – An agent for generation projects who markets power on behalf of the generator. The marketer may also arrange transmission, firming or other ancillary services as needed. Though a marketer may perform many of the same functions as a broker, the difference is that a marketer represents the generator while a broker acts as a middleman.

**MARGINAL COST** – In the utility context, the cost to the utility of providing the next (marginal) kilowatt-hour of electricity, irrespective of sunk costs.

**MARKET CLEARING PRICE** – The price at which supply equals demand in the Day Ahead and Hour Ahead Markets.

**MARKET PENETRATION** – The incidence of adoption of a new technology or practice as a percent of the total eligible market size.

**MARKET POWER** – The ability of one or more suppliers and traders to manipulate or game the market to serve their own benefit.

**MAXIMUM DEMAND** – Highest demand of the load within a specified period of time.

**MCF** – One thousand cubic feet of natural gas, having an energy value of one million Btu. A typical home might use six MCF in a month.

**MEGAWATT (MW)** – One thousand kilowatts (1,000 kW) or one million (1,000,000) watts. One megawatt is enough energy to power 1,000 average California homes.

**MEGAWATT HOUR (MWH)** – One thousand kilowatt-hours, or an amount of electricity that would supply the monthly power needs of a typical home having an electric hot water system.

**METER** – A device for measuring levels and volumes of a customer's gas and electricity use.

**MICROTURBINES** – A small turbine engine used to produce power at a customer facility.

**REAL TIME METER** – A meter that can measure instantaneous loads at certain intervals.

**METHANE (CH<sub>4</sub>)** – the simplest of hydrocarbons and the principal constituent of natural gas. Pure methane has a heating value of 1,1012 Btu per standard cubic foot.

**MUNICIPAL ELECTRIC UTILITY** – A power utility system owned and operated by a local jurisdiction.

**MUNICIPAL SOLID WASTE** – Locally collected garbage, which can be processed and burned to produce energy.

**MUNICIPALIZATION** – The process by which a municipal entity assumes responsibility for supplying utility service to its constituents. In supplying electricity, the municipality may generate and distribute the power or purchase wholesale power from other generators and distribute it.

**MUNICIPAL UTILITY** – A provider of utility services owned and operated by a municipal government.

**NATURAL GAS** – Hydrocarbon gas found in the earth, composed of methane, ethane, butane, propane and other gases.

**NATURAL MONOPOLY** – A situation where one firm can produce a given level of output at a lower total cost than can any combination of multiple firms. Natural monopolies occur in industries, which exhibit decreasing average long-run costs due to size (economies of scale). According to economic theory, a public monopoly governed by regulation is justified when an industry exhibits natural monopoly characteristics.

**NET CAPABILITY** – Maximum load carrying ability of the equipment, excluding station use.

**NET GENERATION** – Gross generation minus the energy consumed at the generating station for its use.

**NONRESIDENTIAL BUILDING** – any building which is heated or cooled in its interior, and is of an occupancy type other than Type H, I, or J, as defined in the Uniform Building Code, 1973 edition, as adopted by the International Conference of Building Officials.

**NON-FIRM ENERGY** – Electricity that is not required to be delivered or to be taken under the terms of an electric purchase contract.

**NORTH BAJA PIPELINE PROJECT** – A major pipeline from Arizona to North Baja California that runs parallel to the US/Mexican border – but is located in Mexico.

**NO<sub>x</sub>** – Oxides of nitrogen that are a chief component of air pollution that can be produced by the burning of fossil fuels. Also called nitrogen oxides. NO<sub>x</sub> is a precursor to Ozone – a public health threat.

**OCCUPANCY SENSOR** – A control device that senses the presence of a person in a given space, commonly used to control lighting systems in buildings.

**OFF-PEAK** – Periods of relatively low system demands.

**ON-PEAK ENERGY** – Energy supplied during periods of relatively high system demand as specified by the supplier.

**OPTIONS** – An option is a contractual agreement that gives the holder the right to buy (call option) or sell (put option) a fixed quantity of a security or commodity (for example, a commodity or commodity futures contract), at a fixed price, within a specified period of time. May either be standardized, exchange-traded, and government regulated, or over-the-counter customized and non-regulated.

**OTAY MESA PLANT** – A 510 MW power plant slated for on line operation by December 31, 2004. The developer and owner is Calpine. The plant will be located in Chula Vista, in South San Diego County.

**OUTAGE (Electric utility)** – An interruption of electric service that is temporary (minutes or hours) and affects a relatively small area (buildings or city blocks).

**OZONE** – A kind of oxygen that has three atoms per molecule instead of the usual two. Ozone is a poisonous gas, but the ozone layer in the upper atmosphere shields life on earth from deadly ultraviolet radiation from space. The molecule contains three oxygen atoms (O<sub>3</sub>).

**PARALLEL PATH FLOW** – As defined by NERC, this refers to the flow of electric power on an electric system's transmission facilities resulting from scheduled electric power transfers between two other electric systems. (Electric power flows on all interconnected parallel paths in amounts inversely proportional to each path's resistance.)

**PARTIAL LOAD** – An electrical demand that uses only part of the electrical power available. [See California Code of Regulations, Title 24, Section 2-5342(e) 2]

**PARTICULATE MATTER (PM)** – Unburned fuel particles that form smoke or soot and stick to lung tissue when inhaled. A chief component of exhaust emissions from heavy-duty diesel engines.

**PASSIVE SOLAR ENERGY** – Use of the sun to help meet a building's energy needs by means of architectural design (such as arrangement of windows) and materials (such as floors that store heat, or other thermal mass).

**PASSIVE SOLAR SYSTEM** – A solar heating or cooling system that uses no external mechanical power to move the collected solar heat.

**PERFORMANCE-BASED REGULATION (PBR)** – Any rate-setting mechanism that attempts to link rewards (generally profits) to desired results or targets. PBR sets rates, or components of rates, for a period of time based on external indices rather than a utility's cost-of-service. Other definitions include light-handed regulation that is less costly and less subject to debate and litigation. A form of rate regulation which provides utilities with better incentives to reduce their costs than does cost-of-service regulation.

**PEAK DEMAND** – See **PEAK LOAD**.

**PEAK LOAD** – The highest electrical demand within a particular period of time. Daily electric peaks on weekdays occur in late afternoon and early evening. Annual peaks occur on hot summer days.

**“PEAKER”** – A power generating station that is normally used to produce extra electricity during peak load times.

**PEAKING CAPACITY** – Generating equipment normally operated only during the hours of highest daily, weekly, or seasonal loads; this equipment is usually designed to meet the portion of load that is above base load.

**PEAKING UNIT** – A power generator used by a utility to produce extra electricity during peak load times.

**PHOTOVOLTAIC CELL** – A semiconductor that converts light directly into electricity.

**PIPELINE** – A line of pipe with pumping machinery and apparatus (including valves, compressor units, metering stations, regulator stations, etc.) for conveying a liquid or gas.

**POWER** – Electricity for use as energy.

**POWER GRID** – A network of power lines and associated equipment used to transmit and distribute electricity over a geographic area.

**POWER PLANT** (Note: Two separate words, not one word.) – A central station generating facility that produces energy.

**POWER POOL** – An interstate or regional power exchange where wholesale power is bought and sold. Scheduling and settlement and regional transmission coordination also occurs. The pool may own, manage and/or operate the transmission lines ("wires") or be an independent entity that manages the transactions between entities. Often, the power pool is not meant to provide transmission access and pricing, or settlement mechanisms if differences between contracted volumes among buyers and sellers exist.

**POWER PURCHASE AGREEMENT** – This refers to a contract entered into by an independent power producer and an electric utility for buying and selling power.

**PPM (PARTS PER MILLION)** – The unit commonly used to represent the degree of pollutant concentration where the concentrations are small.

**PREFERRED DAY-AHEAD SCHEDULE** – A Scheduling Coordinator's preferred schedule for the ISO day-ahead scheduling process.

**PRICE CAP** – Situation where a price has been determined and fixed.

**PROGRAMMABLE CONTROLLER** – A device that controls the operation of electrical equipment (such as air conditioning units and lights) according to a preset time schedule.

**PROVIDER OF LAST RESORT** – A legal obligation (traditionally given to utilities) to provide service to a customer where competitors have decided they do not want that customer's business.

**PUMPED HYDROELECTRIC STORAGE** – Commercial method used for large-scale storage of power. During off-peak times, excess power is used to pump water to a reservoir. During peak times, the reservoir releases water to operate hydroelectric generators.

**PURPA (The Public Utility Regulatory Policy Act of 1978)** – Among other things, this federal legislation requires utilities to buy electric power from private "qualifying facilities," at an avoided cost rate. This avoided cost rate is equivalent to what it would have otherwise cost the utility to generate or purchase that power themselves. Utilities must further provide customers who choose to self-generate a reasonably priced back-up supply of electricity.

**QUALIFYING FACILITY** – QFs are non-utility power producers that often generate electricity using renewable and alternative resources, such as hydro, wind, solar, geothermal, or biomass (solid waste). QFs must meet certain operating, efficiency, and fuel-use standards set forth by the Federal Energy Regulatory Commission (FERC). If they meet these FERC standards, utilities must buy power from them. QFs usually have long-term contracts with utilities for the purchase of this power, which is among the utility's highest-priced resources.

**R-VALUE** – A unit of thermal resistance used for comparing insulating values of different material. It is basically a measure of the effectiveness of insulation in stopping heat flow. The higher the R-value number, a material, the greater its insulating properties and the slower the heat flow through it. The specific value needed to insulate a home depends on climate, type of heating system and other factors.

**RADIANT ENERGY** – Energy transferred by the exchange of electromagnetic waves from a hot or warm object to one that is cold or cooler. Direct contact with the object is not necessary for the heat transfer to occur.

**RADIATION** – The flow of energy across open space via electromagnetic waves such as light. Passage of heat from one object to another without warming the air space in between.

**RATE BASE** – Value of property upon which a utility is permitted to earn a specific rate of return.

**RATE CLASS** – A group of customers identified as a class and subject to a rate different from the rates of other groups.

**RATE STRUCTURE** – The design and organization of billing charges by customer class to distribute the revenue requirement among customer classes and rating period.

**RATEPAYER** – This is a retail consumer of the electricity distributed by an electric utility. This includes residential, commercial and industrial users of electricity.

**REAL-TIME MARKET** – The competitive generation market controlled and coordinated by the ISO for arranging real-time imbalance energy.

**REAL-TIME PRICING** – The instantaneous pricing of electricity based on the cost of the electricity available for use at the time the electricity is demanded by the customer.

**REFRIGERANT** – A fluid such as freon that is used in cooling devices to absorb heat from surrounding air or liquids as it evaporates.

**RELIABILITY MUST-RUN GENERATION** – Utilities will be allowed to generate electricity when hydro resources are spilled for fish releases, irrigation, and agricultural purposes, and to generate power that is required by federal or state laws, regulations, or jurisdictional authorities. Such requirements include

hydrological flow requirements, irrigation and water supply, solid-waste generation, or other generation contracts in effect on December 20, 1995.

**RELIABILITY** – Electric system reliability has two components – adequacy and security. Adequacy is the ability of the electric system to supply the aggregate electrical demand and energy requirements of the customers at all times, taking into account scheduled and unscheduled outages of system facilities. Security is the ability of the electric system to withstand sudden disturbances such as electric short circuits or unanticipated loss of system facilities.

**RELIABILITY MUST-RUN GENERATION/Unit (RMR)** – Generating units that the owner must have available to run when called upon by the ISO to meet reserve and reliability requirements.

**RENEWABLE ENERGY** – Resources that constantly renew themselves or that are regarded as practically inexhaustible. These include solar, wind, geothermal, hydro and wood. Although particular geothermal formations can be depleted, the natural heat in the earth is a virtually inexhaustible reserve of potential energy. Renewable resources also include some experimental or less-developed sources such as tidal power, sea currents and ocean thermal gradients.

**RENEWABLE RESOURCES** – Renewable energy resources are naturally replenishable, but flow-limited. They are virtually inexhaustible in duration but limited in the amount of energy that is available per unit of time. Some (such as geothermal and biomass) may be stock-limited in that stocks are depleted by use, but on a time scale of decades, or perhaps centuries, they can probably be replenished. Renewable energy resources include: biomass, hydro, geothermal, solar and wind. In the future they could also include the use of ocean thermal, wave, and tidal action technologies. Utility renewable resource applications include bulk electricity generation, on-site electricity generation, distributed electricity generation, non-grid-connected generation, and demand-reduction (energy efficiency) technologies.

**REPOWERING** – Either refurbishing or replacement of generating equipment, controls, water intakes and cooling system to improve efficiency and lower emissions. Repowering can result in a 30% efficiency or heat rate improvement.

**RESERVE** – The extra generating capability that an electric utility needs, above and beyond the highest demand level it is required to supply to meet its users' needs.

**RESERVE MARGIN** – The differences between the dependable capacity of a utility's system and the anticipated peak load for a specified period.

**RESTRUCTURING** – The reconfiguration of the vertically-integrated electric utility. Restructuring usually refers to separation of the various utility functions into individually operated and -owned entities.

**RETAIL COMPETITION** – A system under which more than one electric provider can sell to retail customers, and retail customers are allowed to buy from more than one provider. (See also direct access)

**RETAIL MARKET** – A market in which electricity and other energy services are sold directly to the end-use customer.

**Seasonal Energy Efficiency Ratio (SEER)** –The total cooling output of a central air conditioning unit in BTUs during its normal usage period for cooling divided by the total electrical energy input in watt-hours during the same period, as determined using specified federal test procedures. [See California Code of Regulations, Title 20, Section 1602(c)(11)]

**SETTLEMENT** – The process of financial settlement for products and services purchased and sold. Each settlement involves a price and quantity. Both the ISO and PX may perform settlement functions.

**SET POINT** – Scheduled operating level for each generating unit or other resource scheduled to run in the Hour-ahead Schedule.

**SLACK CAPACITY** – The amount of pipeline capacity in excess of demand that is needed generate the benefits of competition. There is no slack capacity when all existing available capacity is used to meet demand. When there is no slack capacity consumers loose the benefits of competition and gas prices will dramatically increase. Need sufficient reserves for a competitive market to function.

**SOLAR COLLECTOR** – A component of an active or passive solar system that absorbs solar radiation to heat a transfer medium which, in turn, supplies heat energy to the space or water heating system.

**SOLAR CELL** – A photovoltaic cell that can convert light directly into electricity. A typical solar cell uses semiconductors made from silicon.

**SOLAR COLLECTOR** – A surface or device that absorbs solar heat and transfers it to a fluid. The heated fluid then is used to move the heat energy to where it will be useful, such as in water or space heating equipment.

**SOLAR ENERGY** – Heat and light radiated from the sun.

**SOLAR HEAT GAIN** – Heat added to a space due to transmitted and absorbed solar energy.

**SOLAR HEATING AND HOT WATER SYSTEMS** – Solar heating or hot water systems provide two basic functions: (a) capturing the sun's radiant energy, converting it into heat energy, and storing this heat in insulated storage tank(s); and (b) delivering the stored energy as needed to either the domestic hot water or heating system. These components are called the collection and delivery subsystems.

**SOLAR IRRADIATION** – The amount of radiation, both direct and diffuse, that can be received at any given location.

**SOLAR POWER** – Electricity generated from solar radiation.

**SOLAR RADIATION** – Electromagnetic radiation emitted by the sun.

**SOLAR THERMAL POWER PLANT** – means a thermal power plant in which 75 percent or more of the total energy output is from solar energy and the use of backup fuels, such as oil, natural gas, and coal, does not, in the aggregate, exceed 25 percent of the total energy input of the facility during any calendar year period.

**SOLAR THERMAL** – The process of concentrating sunlight on a relatively small area to create the high temperatures needs to vaporize water or other fluids to drive a turbine for generation of electric power.

**SO<sub>x</sub>** – Oxides of sulfur that are component of air pollution that can be produced by the burning of fossil fuels. Also called sulfur dioxide. SO<sub>x</sub> is known to cause smog and acid rain and is more predominant in burning of fuels in vehicles and power plants that burn coal and oil.

**STEAM ELECTRIC PLANT** – A power station in which steam is used to turn the turbines that generate electricity. The heat used to make the steam may come from burning fossil fuel, using a controlled nuclear reaction, concentrating the sun's energy, tapping the earth's natural heat or capturing industrial waste heat.

**STORAGE TYPE WATER HEATER** – A water heater that heats and stores water at a thermostatically controlled temperature for delivery on demand. [See California Code of Regulations, Title 20, Section 1602(f)(6)]

**STRANDED COSTS/STRANDED ASSETS** – See embedded Costs Exceeding Market Prices.

**SUBSTATION** – A facility that steps up or steps down the voltage in utility power lines. Voltage is stepped up where power is sent through long-distance transmission lines. It is stepped down where the power is to enter local distribution lines.

**SYSTEM** – A combination of equipment and/or controls, accessories, interconnecting means and terminal elements by which energy is transformed to perform a specific function, such as climate control, service water heating, or lighting. [See California Code of Regulations, Title 24, Section 2-5302]

**TAKE AWAY CAPACITY** – Ability of California natural gas transmission companies to take gas supply from the California border and distribute it to local distribution utilities. The state generally needs to work on improving its intrastate take away capacity.

**TARIFF** – A document, approved by the responsible regulatory agency, listing the terms and conditions, including a schedule of prices, under which utility services will be provided.

**THERM** – One hundred thousand (100,000) British thermal units (1 therm = 100,000 Btu).

**THERMAL POWER PLANT** – any stationary or floating electrical generating facility using any source of thermal energy, with a generating capacity of 50 megawatts or more, and any facilities appurtenant thereto. Exploratory, development, and production wells, resource transmission lines, and other related facilities used in connection with a geothermal exploratory project or a geothermal field development project is not appurtenant facilities for the purposes of this division. Thermal power plant does not include any wind, hydroelectric, or solar photovoltaic electrical generating facility.

**TON OF COOLING** – A useful cooling affect equal to 12,000 Btu hours.

**TIME-OF-USE METER** – A measuring device that records the times during which a customer uses various amounts of electricity. This type of meter is used for customers who pay time-of-use rates.

**TIME-OF-USE RATES** – Electricity prices that vary depending on the time periods in which the energy is consumed. In a time-of- use rate structure, higher prices are charged during utility peak-load times. Such rates can provide an incentive for consumers to curb power use during peak times.

**TITLE 24** – The State of California’s Building Code that ensures compliance with energy standards, developed and administered by the California Energy Commission.

**TRANSMISSION** – Transporting bulk power over long distances.

**TRANSMISSION CONSTRAINT** – Transmission line capacity limitations that prevent power from being delivered to markets where needed. Usually results in curtailments and higher prices.

**TURBINE GENERATOR** – A device that uses steam, heated gases, water flow or wind to cause spinning motion that activates electromagnetic forces and generates electricity.

**UDC (Utility distribution company)** – An entity that owns a distribution system for the delivery of energy to and from the ISO-controlled grid, and that provides regulated, retail service to eligible end-use customers who are not yet eligible for direct access, or who choose not to arrange services through another retailer.

**UTILITY** – A regulated entity, which exhibits the characteristics of a natural monopoly. For the purposes of electric industry restructuring, "utility" refers to the regulated, vertically integrated electric company. "Transmission utility" refers to the regulated owner/operator of the transmission system only. "Distribution utility" refers to the regulated owner/operator of the distribution system, which serves retail customers.

**VAV System (Variable Air Volume System)** – A mechanical HVAC system capable of serving multiple zones which controls the temperature maintained in a zone by controlling the amount of heated or cooled air supplied to the zone.

**VENTILATION** – The process of supplying or removing air by natural or mechanical means to or from any space. Such air may or may not have been conditioned or treated.

**VOLT** – A unit of electromotive force. It is the amount of force required to drive a steady current of one ampere through a resistance of one ohm. Electrical systems of most homes and office have 120 volts.

**VOLTAGE OF A CIRCUIT (Electric utility)** – The electric pressure of a circuit, measured in volts. Volts are analogous to water pressure or flow rate.

**WATT** – A unit of measure of electric power at a point in time, as capacity or demand.

**WATT-HOUR** – One watt of power expended for one hour.

**WEATHERSTRIPPING** – Specially designed strips, seals and gaskets installed around doors and windows to limit air leakage.

**WHEELING** – The transmission of electricity owned by a third party to another buyer.

**WHOLESALE POWER MARKET** – The purchase and sale of electricity from generators to resellers (who sell to retail customers) along with the ancillary services.

**WIRES CHARGE** – A broad term, which refers to charges levied on power suppliers or their customers for the use of the transmission or distribution wires.

**WESTERN SYSTEM COORDINATING COUNCIL (WSCC)** – A voluntary industry association created to enhance reliability among western utilities.

**Appendix D: Demand and Generation Scenarios and Forward Prices**

**D.1 Background**

This section presents the demand forecast methodology that was used for estimating the electric demand in each of three scenarios. The demand forecast, as noted earlier, consisted of using the SDG&E 50-50 forecast up until 2006 and then using the CEC forecast for years beyond. To complete a sensitivity 1.8 percent for the low forecast, 2.0 percent for the medium forecast and 2.5 percent for the high demand forecast.

**D.2 Electric and Demand Scenario Forecasts**

**D.2.1 Electric Forecast**

Figure D-1 presents the electric load forecast. Data for this forecast, except the adjustments for the sensitivity analyses came from SDG&E and the CEC. This forecast includes losses and excludes the 15% reserves.

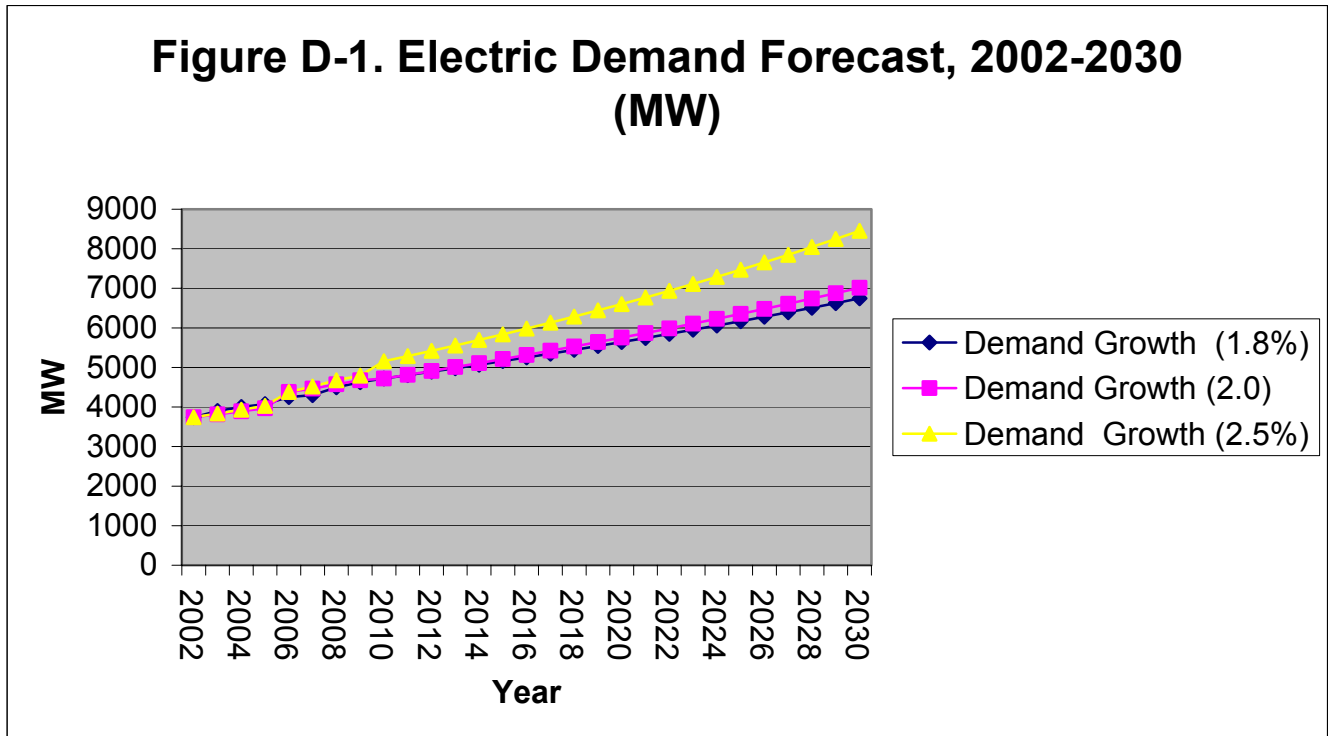


Figure D-2 presents the estimated projection for electric consumption. The total GWh of electric sales range from 32,000 GWh to 42,000 GWh in 2030. These sales projections are comparable to the CEC sales forecasts. While the CEC assumed an average growth rate of 2.3 percent, SAIC used 2.0, 2.3, and 2.5, percent as the basis of its low, medium, and high projections, respectively.

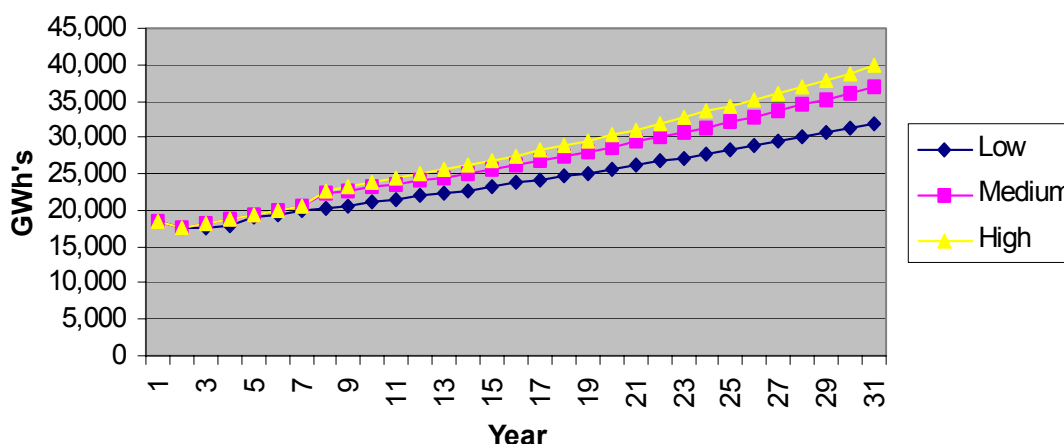
**Figure D-2. Electric Sales Projection (2000–3030) GWh****D.2.2 Natural Gas Forecast**

Table D-1 presents the natural gas forecast by scenario. The low scenario uses a 1.0-percent growth rate. The medium scenario uses a 1.2-percent growth rate and the high scenario uses a 1.5-percent growth rate. The use of gas for power plants may also serve to increase gas load. On the margin, the growth of new power plants in the region that use natural gas could be the largest single growth area. Another potentially important driver for growth is the use of natural gas for cogeneration. This compares to about 40 percent of today's load, according to SDG&E.

**Table D-1. Total Historical and Projected Retail Sales Estimate (MMTherms)**

Year	Natural Gas Retail Sales Scenarios			Maximum Daily Sendout		
	Low Case 1.00%	Medium Case 1.20%	High Case 1.40%	Low	Medium	High
1995	703	703	703		286	
1996	697	697	697		300	
1997	713	713	713		320	
1998	721	721	721		317	
1998	729	729	729		313	
2000	734	734	734		320	
2001	694	694	694		308	
2002	756	756	756		327	
2003	764	765	767		336	
2004	771	774	777		339	
2005	779	784	788		343	
2006	787	793	799		348	
2010	819	832	845	365	368	371
2020	904	944	967	411	417	435
2030	999	1003	1037	464	479	509

The growth rates for maximum winter peak day sendout are estimated to be 1.2, 1.4, and 1.6 percent, for the low, medium, and high scenarios.

Residential use of natural gas may grow at a rate of about 0.5 percent and commercial uses are projected to grow at a rate of 2.0 to 5.0 percent per year.<sup>1</sup>

<sup>1</sup> The 5% growth rate is provided by SDG&E.

### D.3 Electric Capacity and Energy Forward Prices

This section presents a short description of the following:

- Electric forward pricing methodology employed
- Areas modeled
- Key Assumptions
- Results.

#### D.3.1 Methodology Employed

SAIC used the Market Power dispatch model, which was developed by New Energy Associates of Atlanta, Georgia. This model simulates electric energy and capacity prices using a dispatch algorithm. The specific algorithm employed uses a linear programming technique. A typical weekday and weekend day is modeled for every month of every year. Hourly periods were specified for 2-hour periods (e.g., Hours 1–2, 3–4, etc.). These periods were then combined for specific analyses. The period 2002 through 2030 was modeled.

#### D.3.2 Areas Modeled

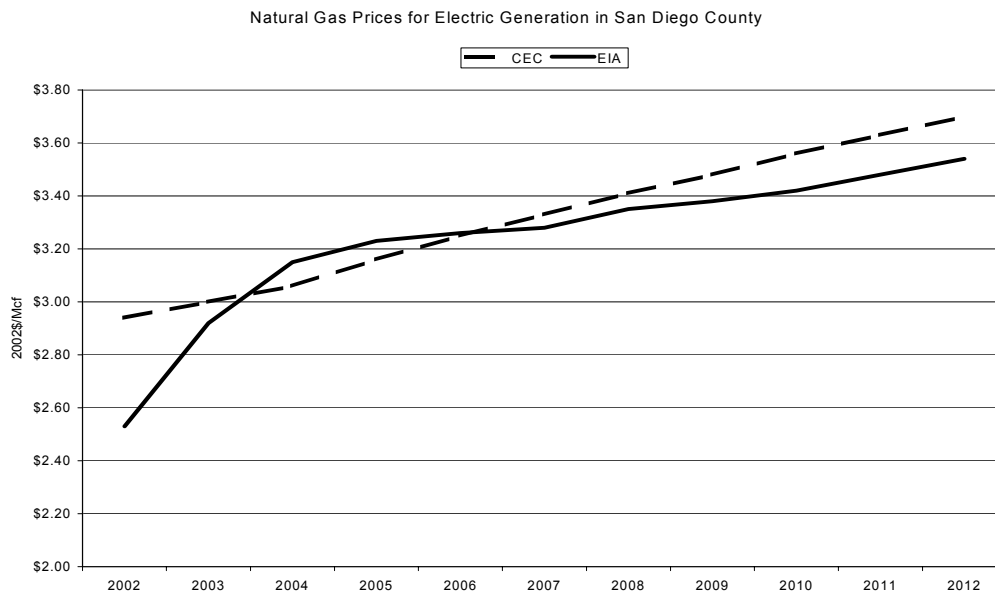
In order to capture the behavior of the area electricity market, SAIC modeled the entire WSCC, including British Columbia, Alberta; and Baja California. The total generation in this region totaled 164,000 MW in 2000.

#### D.3.3 Assumptions

The base case natural gas price forecast was adopted from the CEC projections. These projections are produced from a general equilibrium model of the western United States. An alternative gas price forecast scenario was also prepared and used based upon projections from the U.S. DOE-EIA. These projections are based upon a general equilibrium model of North America.

The *CEC natural gas price projections* (Figure D-3) provided pricing points for all regions modeled in the WSCC. The EIA forecast used basis differentials constructed from Gas Daily pricing points. All natural gas price forecasts conformed to the CEC inflation forecast.

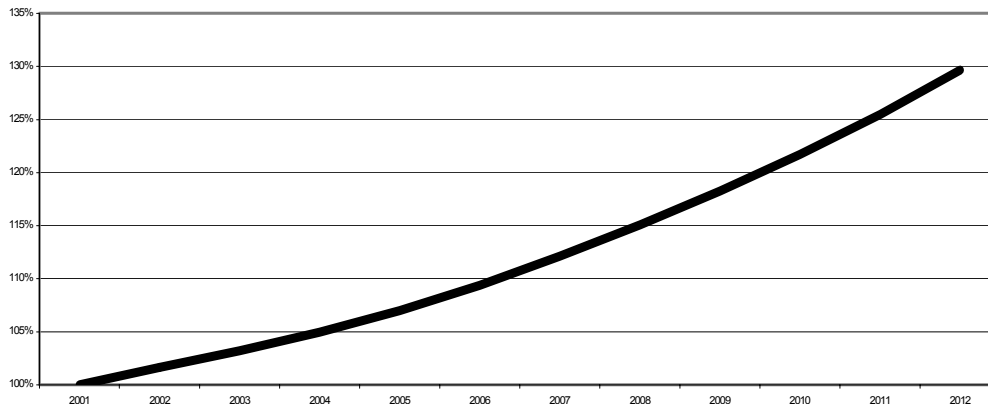
**Figure D-3. Natural Gas Price Forecast**



Other fuel forecasts were adopted from sources such as RDI or the EIA. In general, these other fuels (residual oil, distillate oil, coal, and uranium) are not establishing the market price in this region.

SAIC adopted the CEC inflation forecast (Figure D-4). This forecast averaged increases of 2.4 percent per year for the period 2001 through 2012. SAIC extrapolated additional growth rates from 2013–2030.

**Figure D-4. Inflation Forecast Used**



New generating units identified in the State of California were based upon a developer consensus estimate. This estimate was made based upon communications with marketers about specific projections (both their own and competitors), which would be completed. Projects outside of California were identified through various databases and other public information sources. The plants that were included in the analysis were:

- 20,952 MW of planned generation was identified to come online
- After January 2002 in the WSCC, 7,112 MW of that capacity is located in California.

Market Power creates an optimal generation expansion plan based upon the assumptions and parameters entered into the model. SAIC identified the following technologies as potential new generation additions in our analysis.

- A simple-cycle combustion turbine and combined cycle combustion turbine, which could be constructed in all areas except California.
- Simple- and combined-cycle combustion turbines, which could be constructed in California. These units are more expensive due to higher construction costs and more stringent emissions standards.
- A coal plant, which could be constructed in the Rockies and Montana/Wyoming.

SDG&E's peak demand and energy forecast was adopted until 2006. After that time period the CEC forecast was used. For the other California utilities the CEC forecast was adopted.

For non-California entities the Form 714 forecasts filed with the FERC were used.

Transmission interconnection capacities for the WSCC were adopted from various sources. San Diego County specific-transfer capabilities were confirmed by discussions with SDG&E personnel, including proposed projects such as Rainbow Valley. A transmission tariff of \$3/MWh between regions was adopted. Transfers within regions were assumed to have a marginal price of zero.

#### **D.3.4 Results**

The following forward price analysis was produced in this study

- A base case using CEC gas price projections and standard assumptions regarding identified new generation and prototype new generation. The CEC forecast and GADS data standard forced outage rates were used. This is the definitive forecast in California, with details specific to the west coast, including delivered gas prices from San Juan basin and local distribution fees.
- An alternative gas price scenario using EIA projections of natural gas prices. A lower forecast for generation is based on a general equilibrium model for North America.
- An alternative scenario assuming a higher IRR for California generation based upon political uncertainty. This scenario captures fact that there may be more risk in building plants in California than other Western states due to public comments about eminent domain, power contract negotiations, etc.
- An alternative scenario based upon a reduced level of construction in the 2002–2005 time period. In this scenario the number of planned projects was cut by 50 percent over the short term and this increased to a 75-percent reduction level for the WSCC. This scenario shows what would happen if marketers were to take action to avoid boom or bust cycles, by holding back on new plant development.

#### **D.4 Generating Plants in San Diego County (2002–2030)**

Table D-2 presents a current database on the current and proposed retirements of generating plants in San Diego County.

**Table D-2: Planned Generating Unit Capacity and Retirement Schedule for San Diego County, 2002–2030 (MW)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
<b>Assumption: Steam units retired at 50 years -- triggers retirements of Cabrillo 1-2-3</b>																			
<b>Existing Steam Units</b>																			
Cabrillo 1	106	106	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cabrillo 2	103	103	103	103	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cabrillo 3	109	109	109	109	109	109	-	-	-	-	-	-	-	-	-	-	-	-	-
Cabrillo 4	299	299	299	299	299	299	299	299	299	299	299	299	299	299	299	299	299	299	299
Cabrillo 5	329	329	329	329	329	329	329	329	329	329	329	329	329	329	329	329	329	329	329
South Bay 1	145	145	145	145	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
South Bay 2	149	149	149	149	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
South Bay 3	174	174	174	174	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
South Bay 4	221	221	221	221	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Steam Units</b>	<b>1,635</b>	<b>1,635</b>	<b>1,529</b>	<b>1,529</b>	<b>737</b>	<b>737</b>	<b>628</b>	<b>628</b>	<b>628</b>	<b>628</b>	<b>628</b>	<b>628</b>	<b>628</b>	<b>628</b>	<b>628</b>	<b>628</b>	<b>628</b>	<b>628</b>	<b>628</b>
<b>Assumption: GTs/Jets are replaced as retired</b>																			
<b>GTs and Jets</b>																			
Coronado – North Island 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Coronado – North Island 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Division GT	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13
Cabrillo GT 1	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13
Cabrillo GT 2	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
Kearny GT	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
Kearny GT	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
Kearny GT	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
Kearny GT	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13
Kearny GT	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
Kearny GT	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
Kearny GT	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
Kearny GT	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
Kearny GT	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
Miramar	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17
Miramar	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16
Naval Station	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NTC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
South Bay GT	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13
<b>Total GTs and Jets</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>
<b>QF / Cogen</b>																			
Division	47	47	47	47	47	47	47	47	47	47	47	47	47	47	47	47	47	47	47
Goal Line	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
North Island CG 1	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33
Point Loma	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22
Misc Customer Owned Capacity	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23
<b>Total QF / Cogen</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>	<b>175</b>
<b>Peak Additions</b>																			
Border / Larkspur	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49
Border / Larkspur	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49
Border / CalPeak	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49
Escondido / CalPeak	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49
El Cajon / CalPeak	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49
Ramco Escondido	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49	49
Ramco Chula Vista	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
<b>Total Peak Additions</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>	<b>336</b>
<b>Grand Total</b>	<b>2,359</b>	<b>2,359</b>	<b>2,253</b>	<b>2,253</b>	<b>1,461</b>	<b>1,461</b>	<b>1,352</b>	<b>1,352</b>	<b>1,352</b>	<b>1,352</b>	<b>1,352</b>	<b>1,352</b>	<b>1,352</b>	<b>1,352</b>	<b>1,352</b>	<b>1,352</b>	<b>1,352</b>	<b>1,352</b>	<b>1,352</b>

## Appendix E: Natural Gas System Data

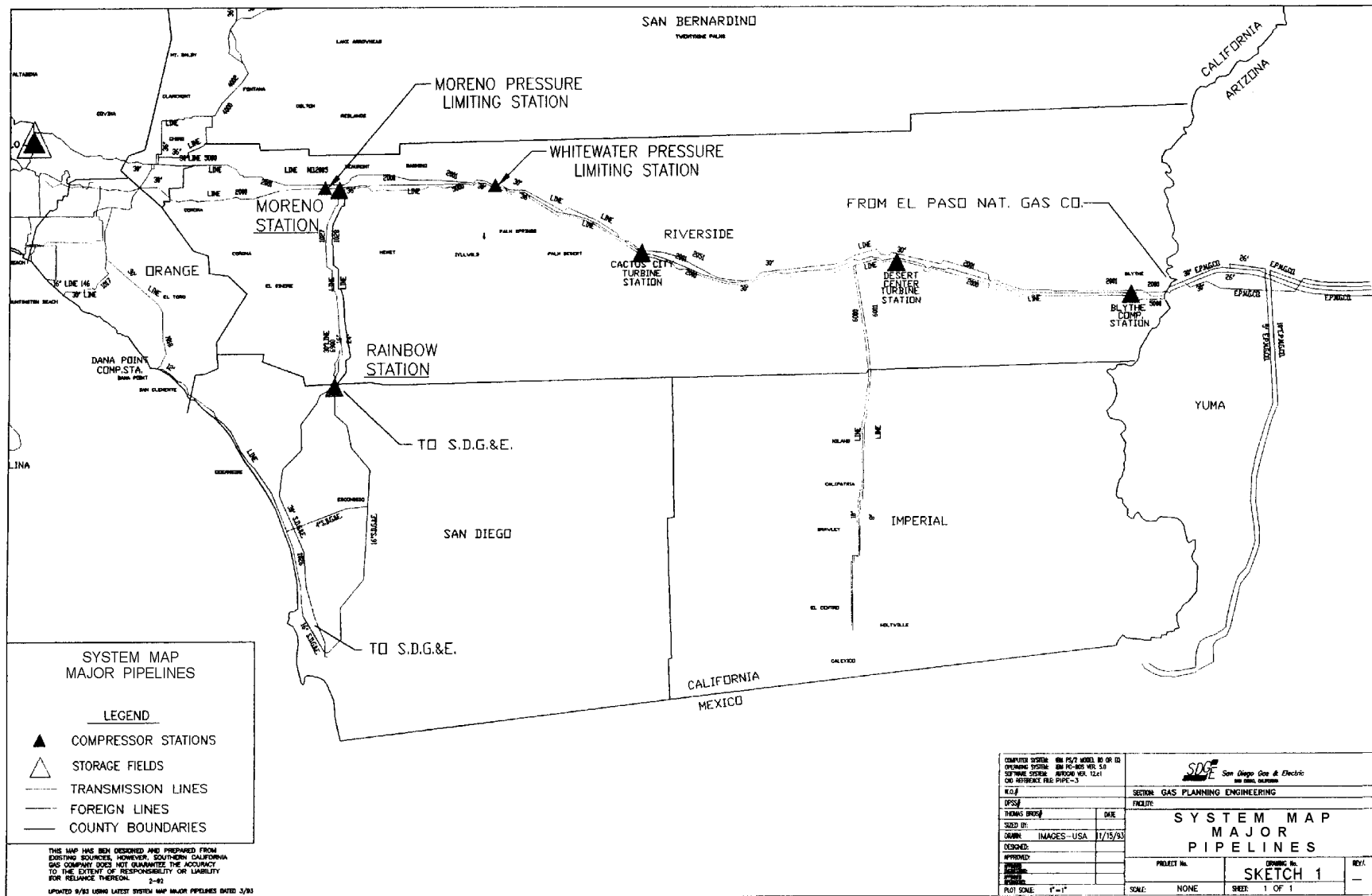
**Table E-1. Historical and Forecast Natural Gas Consumption (therms)  
(Actuals through 2001 shown in bold)**

Year	Therms		
	Gas Consumption- Historical and Base Case (Medium Growth)	Low Forecast	High Forecast
1980	884,838,871		
1981	890,951,453		
1982	852,637,463		
1983	836,676,815		
1984	955,109,954		
1985	982,763,151		
1986	826,639,955		
1987	1,102,397,691		
1988	997,726,138		
1989	1,091,808,659		
1990	1,042,618,290		
1991	1,077,300,837		
1992	1,149,227,489		
1993	1,129,262,891		
1994	1,109,782,269		
1995	1,092,255,316		
1996	1,128,056,473		
1997	1,195,106,695		
1998	1,328,633,088		
1999	1,271,444,933		
2000	1,414,204,156		
2001	1,449,559,260	1,449,559,260	1,449,559,260
2002	1,478,550,445	1,471,302,649	1,485,798,241
2003	1,508,121,454	1,493,372,189	1,522,943,197
2004	1,538,283,883	1,515,772,771	1,561,016,777
2005	1,569,049,561	1,538,509,363	1,600,042,197
2006	1,600,430,552	1,561,587,003	1,640,043,252
2007	1,616,434,857	1,580,326,047	1,666,283,944
2008	1,632,599,206	1,599,289,960	1,692,944,487
2009	1,648,925,198	1,618,481,440	1,720,031,599
2010	1,665,414,450	1,637,903,217	1,747,552,104
2011	1,682,068,595	1,657,558,055	1,775,512,938
2012	1,698,889,281	1,677,448,752	1,803,921,145
2013	1,715,878,173	1,697,578,137	1,832,783,883
2014	1,733,036,955	1,717,949,075	1,862,108,425
2015	1,750,367,325	1,738,564,464	1,891,902,160
2016	1,767,870,998	1,759,427,237	1,922,172,595
2017	1,785,549,708	1,780,540,364	1,952,927,356
2018	1,803,405,205	1,801,906,848	1,984,174,194
2019	1,821,439,257	1,823,529,731	2,015,920,981
2020	1,839,653,650	1,845,412,087	2,048,175,717
2021	1,858,050,186	1,867,557,032	2,080,946,528
2022	1,876,630,688	1,889,967,717	2,114,241,673
2023	1,895,396,995	1,912,647,329	2,148,069,539
2024	1,914,350,965	1,935,599,097	2,182,438,652
2025	1,933,494,474	1,958,826,286	2,217,357,670
2026	1,952,829,419	1,982,332,202	2,252,835,393
2027	1,972,357,713	2,006,120,188	2,288,880,759
2028	1,992,081,290	2,030,193,631	2,325,502,852
2029	2,012,002,103	2,054,555,954	2,362,710,897
2030	2,032,122,124	2,079,210,626	2,400,514,272

**Table E-2. Historical and Forecast Natural Gas Demand  
(actuals through 2001 shown in bold)**

Natural Gas Demand by Scenario (MMBtu)			
Year	Low Case	Medium Case	High Case
<b>1995</b>	<b>703</b>	<b>703</b>	<b>703</b>
<b>1996</b>	<b>697</b>	<b>697</b>	<b>697</b>
<b>1997</b>	<b>713</b>	<b>713</b>	<b>713</b>
<b>1998</b>	<b>721</b>	<b>721</b>	<b>721</b>
<b>1999</b>	<b>729</b>	<b>729</b>	<b>729</b>
<b>2000</b>	<b>734</b>	<b>734</b>	<b>734</b>
<b>2001</b>	<b>694</b>	<b>694</b>	<b>694</b>
<b>2002</b>	704	708	711
<b>2003</b>	715	722	729
<b>2004</b>	726	736	747
<b>2005</b>	737	751	766
<b>2006</b>	748	766	785
<b>2007</b>	755	775	798
<b>2008</b>	763	785	811
<b>2009</b>	770	794	823
<b>2010</b>	778	804	837
<b>2011</b>	786	813	850
<b>2012</b>	794	823	864
<b>2013</b>	802	833	877
<b>2014</b>	810	843	892
<b>2015</b>	818	853	906
<b>2018</b>	826	863	920
<b>2017</b>	834	874	935
<b>2018</b>	842	884	950
<b>2019</b>	851	895	965
<b>2020</b>	859	905	981
<b>2021</b>	868	916	996
<b>2022</b>	877	927	1012
<b>2023</b>	885	938	1028
<b>2024</b>	894	950	1045
<b>2025</b>	903	961	1062
<b>2026</b>	912	973	1079
<b>2027</b>	921	984	1096
<b>2028</b>	931	996	1113
<b>2029</b>	940	1008	1131
<b>2030</b>	949	1020	1149

Figure E-1. System Map for SDG&E with Major Pipeline Interconnections



**Table E-3. SDG&E Firm Service Day (FSD) Demand  
1 in 10 year Recurrence Interval**

<b>Year</b>	<b>Core (MMcfd)</b>	<b>Firm Noncore C&amp;I (MMcfd)</b>	<b>Firm EG (MMcfd)</b>	<b>Total (MMcfd)</b>
2003	380	63	37	<b>480</b>
2004	379	63	38	<b>480</b>
2005	379	63	67	<b>509</b>
2006	382	63	100	<b>545</b>
2007	387	63	136	<b>586</b>
2008	393	63	170	<b>626</b>
2009	400	63	174	<b>637</b>
2010	407	63	177	<b>647</b>
2011	414	63	181	<b>658</b>
2012	421	63	184	<b>668</b>
2013	427	63	188	<b>678</b>
2014	434	63	192	<b>689</b>
2015	440	63	196	<b>699</b>
2016	446	63	199	<b>708</b>
2017	452	64	203	<b>719</b>

## Description of SDG&E Potential Gas Infrastructure Projects

### Rainbow to Escondido 30-inch pipeline

This pipeline would extend 23 miles from the Rainbow station and would tie in with the existing 16-inch line further south. The lead-time for this pipeline is 2 to 3 years, of course depending on various factors. The majority of this pipeline would be planned for installation in franchise rights of way (roadways). The cost of this project is estimated at \$38 million, with only nominal operating and maintenance (O&M) costs. It would add about 45 MMcfd to the system capacity. It could also be extended further south and would be considered the first phase of the Rainbow to Santee line.

### Rainbow to Fallbrook 30-inch pipeline

This pipeline would extend 15 miles from the Rainbow station to the Fallbrook area, and would tie into the existing 30-inch line at Fallbrook. The route would follow the existing 30-inch pipeline route, which does not follow franchise positions. Therefore it would require acquisition of right-of-way and environmental permitting, which will influence the 3- to 4-year lead-time estimate. Cost is approximately \$29 million, and would add about 50 MMcfd to system capacity.

### Rainbow to Santee 30-inch pipeline

Project #1 described above is the northern 23 miles of this project. The total length of this pipeline would be 49 miles, extended all the way to the existing 36-inch Pipeline 2000 in Santee. Essentially, this pipeline would complete a loop between the Rainbow Compressor station and the southern extreme of the SDG&E service territory. The project was discussed at length with SDG&E personnel and they confirmed this project as being the ideal project to significantly improve system reliability, especially in time of emergencies or when other transmission lines are in need of maintenance. The lead-time for this project is estimated at 3 to 4 years, with the southern portion being the most problematic since it goes through federal government property and various sensitive environmental zones. The cost of this entire project would be about \$90 million and add 150 to 170 MMcfd to system capacity. Similar to Line 6900, this line could be built in phases, or increments, as demand increases over time.

### Rainbow to Main Line Valve #7 30-inch and Miramar to Santee 30-inch pipeline

The 30-inch Rainbow to Main Line Valve #7 begins at Rainbow and extends 25 miles south to the existing 30-inch line in the vicinity of the City of Carlsbad. Project # 2 described above is the northern 15 miles of this project. This pipeline would require significant environmental permitting and rights of way acquisition, causing lead times to run 3 to 4 years. Cost would be approximately \$47 million, with only nominal O&M charges.

The 30-inch Miramar to Santee pipeline would be about 7.5 miles from the Miramar Marine Corps Air Station to the City of Santee. This pipeline would tie into the 30-inch transmission line at Miramar and the 36-inch line in Santee. Lead time estimated at 3 to 4 years. Cost of this project is about \$15–20 million.

Both of these projects would add about 100–120 MMcfd capacity to the SDG&E system. Although this pipeline resembles a third transmission line into the SDG&E service territory like the Rainbow to Santee line, it does not go to the southern extreme end of the system. Therefore, it would not provide the same level of reliability of that line.

### Carlsbad Compressor Station and Miramar to Santee 30-inch

This potential project would install a new 17,000 bhp station in the City of Carlsbad located south of Main Line Valve #7. The lead-time for this project is 3 to 4 years, but since this area is highly developed locating a compressor station there would be difficult. The initial capital expense is estimate at \$34 million, however this facility would also incur about \$4 million a year in annual operating expenses for labor, fuel, O&M, and emission compliance costs. The 30-inch diameter pipeline is the same as described in project 4 above. Combined with the compressor station, these two projects would add about 90 to 100 MMcfd of capacity to the system for a total cost of about \$50 million.

## Gas Regulatory Proceeding Summaries

### 1. Gas Industry Restructuring – D.01-12-018 Issued December 2001

This decision is a fundamental structural change in the gas industry, especially in Southern California. First, firm receipt point capacity will be auctioned off by SoCalGas. SDG&E customers will have the opportunity to bid for this capacity directly. Second, SDG&E customers can contract directly for storage on SoCalGas' system. Other existing noncore gas supply options will be eliminated such as noncore gas sales, and core subscription option. The GIR also represents a return to embedded cost ratemaking, at least for the SoCalGas system, albeit on the backbone transmission and storage systems only. The SDG&E fixed costs will remain as they are today on a LRMC ratemaking basis. Essentially non-core customers in San Diego County are losing direct utility service options.

### 2. SDG&E Gas System Investigation (I. 00-11-002)

This proceeding was prompted by the gas curtailments that occurred on the SDG&E system during the winter of 2000/2001. At the time of this report, a proposed decision had been released by the ALJ in the proceeding. No final CPUC decision has been issued. Many important issues to San Diego gas consumers will result from this proceeding, such as: reliability standards, curtailment rules, interruptible/firm service rates, firm capacity reservations/open seasons, expansion policies, and other issues. The ALJ proposed decision also orders SDG&E to file a written report every six months on its capacity planning, demand forecast, and the status of its expansion projects. No other utility in the state is required to do this, however this potential new CPUC directive may eventually apply to the other gas utilities in the state. Only the San Diego APCD and the two major power plants in San Diego were active in this proceeding, and their participation was mainly focused on gas curtailment priorities and issues related to electric generation.

### 3. SoCalGas/SDG&E BCAP Proceedings (delayed 2002 and upcoming 2003)

Biennial Cost Allocation Proceedings, or BCAPs, are critical to all gas customers in California. Although both SDG&E and SoCalGas filed their 2002 BCAP applications in late 2001, they were essentially made moot by the GIR decision in December. For that reason, both Sempra utilities completely re-filed their applications in March 2002. Upon a request by the CPUC staff organization ORA, a 1-year delay was requested—and granted by the CPUC, thus making these revised filing moot as well. Utility proposals in these 2002 BCAP applications were never entered into evidence, sponsored by witnesses, or had any discovery conducted on them, therefore we have to be careful in talking about them. BCAPs set the gas cost allocation for all ratepayers, including SDG&E as a wholesale customer of SoCalGas. Fundamentally it is a “zero sum game”, meaning that once the total revenue requirement of the utility has been set, the cost allocation methodology recovers those costs from all customers, with one customer class paying more if another pays less. Therein lies much of the controversy between customer classes in a BCAP proceeding. BCAPs are the single most important proceeding for all gas consumers, including electric generators. This is the proceeding where the SEMPRA wide EG rate was established, resulting in a huge windfall for EGs on the SDG&E system, to the consternation of Los Angeles based EG customers. Proposals surfacing in the 2002 SDG&E BCAP included the proposed “peaking rate,” potential transition to embedded cost ratemaking from current LRMC ratemaking, 15-year commitments by EG customers, and many more. Whether these issues are revisited in the 2003 BCAP remains to be seen.

### 4. SoCalGas/SDG&E Portfolio Consolidation Proceeding (A. 01-01-021)

Proposed in early 2001, this concept met little resistance by any party in hearings held mid-2001. The proceeding is essentially over, with the ALJ issuing a proposed decision approving the application. However, an alternate decision has also been issued which denies the application. After comments, this will be followed by the final CPUC decision. In a combined portfolio with SoCalGas, San Diego's gas consumers will comprise less than 10 percent of the total portfolio, which will mean the priority will be with SoCalGas customers. Historically, SDG&E has been more economical in buying natural gas than SoCalGas, except for Winter 2000 and 2001. However, SoCalGas' access to firm interstate capacity shielded its customers from the extreme run-up in gas commodity costs last winter. SDG&E will also no longer be providing any commodity sales to its noncore customers, which is a reduction of service options for them.

## Appendix F: Power System Data

### Table F-1. Power Plants Located in San Diego County

--NAME--	--KV--	-PMAX-	Owner	RMR Contract	CDWR Contract	ISO Peaker Contract
<b>GTs</b>						
CORONADO (North Island 1)	12.5	18.0	Cabrillo II	Yes	No	No
CORONADO (North Island 2)	12.5	18.0	Cabrillo II	Yes	No	No
DIVISNGT	12.5	14.0	Cabrillo II	Yes	No	No
ELCAJNGT	12.5	15.0	Cabrillo II	Yes	No	No
ENCINAGT	12.5	15.0	Cabrillo II	Yes	No	No
KEARN2AB (Kearney GT2)	12.5	15.0	Cabrillo II	Yes	No	No
KEARN2AB (Kearney GT2)	12.5	15.0	Cabrillo II	Yes	No	No
KEARN2CD (Kearney GT2)	12.5	15.0	Cabrillo II	Yes	No	No
KEARN2CD (Kearney GT2)	12.5	15.0	Cabrillo II	Yes	No	No
KEARN3AB (Kearney GT3)	12.5	15.0	Cabrillo II	Yes	No	No
KEARN3AB (Kearney GT3)	12.5	15.0	Cabrillo II	Yes	No	No
KEARN3CD (Kearney GT3)	12.5	15.0	Cabrillo II	Yes	No	No
KEARN3CD (Kearney GT3)	12.5	15.0	Cabrillo II	Yes	No	No
KEARNGT1	12.5	16.0	Cabrillo II	Yes	No	No
MIRAMRGT (Miramar GT1)	12.5	18.0	Cabrillo II	Yes	No	No
MIRAMRGT (Miramar GT1)	12.5	18.0	Cabrillo II	Yes	No	No
NAVSTGT (Naval station 1)	12.5	22.0	Cabrillo II	Yes	No	No
OLDTWNGT Naval Training Center)	12.5	15.0	Cabrillo II	Yes	No	No
SOUTHBGT	12.5	15.0	Duke	Yes	No	No
		<b>GT Total</b>	<b>304.0</b>	<b>MW</b>		
<b>Steam Units</b>						
ENCINA 1	14.4	99.0	Cabrillo 1	Yes	No	No
ENCINA 2	14.4	103.0	Cabrillo 1	Yes	No	No
ENCINA 3	14.4	109.0	Cabrillo 1	Yes	No	No
ENCINA 4	22	299.0	Cabrillo 1	Yes	No	No
ENCINA 5	24	329.0	Cabrillo 1	Yes	No	No
SOUTHBY1	15	145.0	Duke	Yes	No	No
SOUTHBY2	15	149.0	Duke	Yes	No	No
SOUTHBY3	20	174.0	Duke	Yes	No	No
SOUTHBY4	20	221.0	Duke	Yes	No	No
		<b>Steam Total</b>	<b>1628.0</b>	<b>MW</b>		
<b>QF/CoGen</b>						
DIVISION	69	47.0	AEI	No	No	No
GOALLINE	69	50.0	PurEnergy	No	No	No
NOISLMTR (North Island)	69	33.0	AEI	Yes	No	No
POINTLMA (NTC/MCRD)	69	22.0	AEI	Yes	No	No
Misc Customer Owned Capacity(4)		23.0	Misc	No	No	No
		<b>QF Total</b>	<b>175.0</b>	<b>MW</b>		
<b>Peakers For 2001</b>						
BORDER/Larkspur	69	49.0	Coral	No	Yes <sup>(1)</sup>	No
BORDER/Larkspur	69	49.0	Coral	No	Yes <sup>(1)</sup>	No
BORDER/CalPeak <sup>(3)</sup>	69	49.0	CalPeak	No	Yes	No
ESCNDIDO/CalPeak <sup>(3)</sup>	69	49.0	CalPeak	No	Yes	No
Ramco Escondido	69	49.0	Ramco	No	No	Yes <sup>(2)</sup>
Ramco Chula Vista	13.8	42.0	Ramco	No	No	Yes <sup>(2)</sup>
		<b>Peaker Total</b>	<b>287.0</b>	<b>MW</b>		
		<b>Grand Total</b>	<b>2394.0</b>			

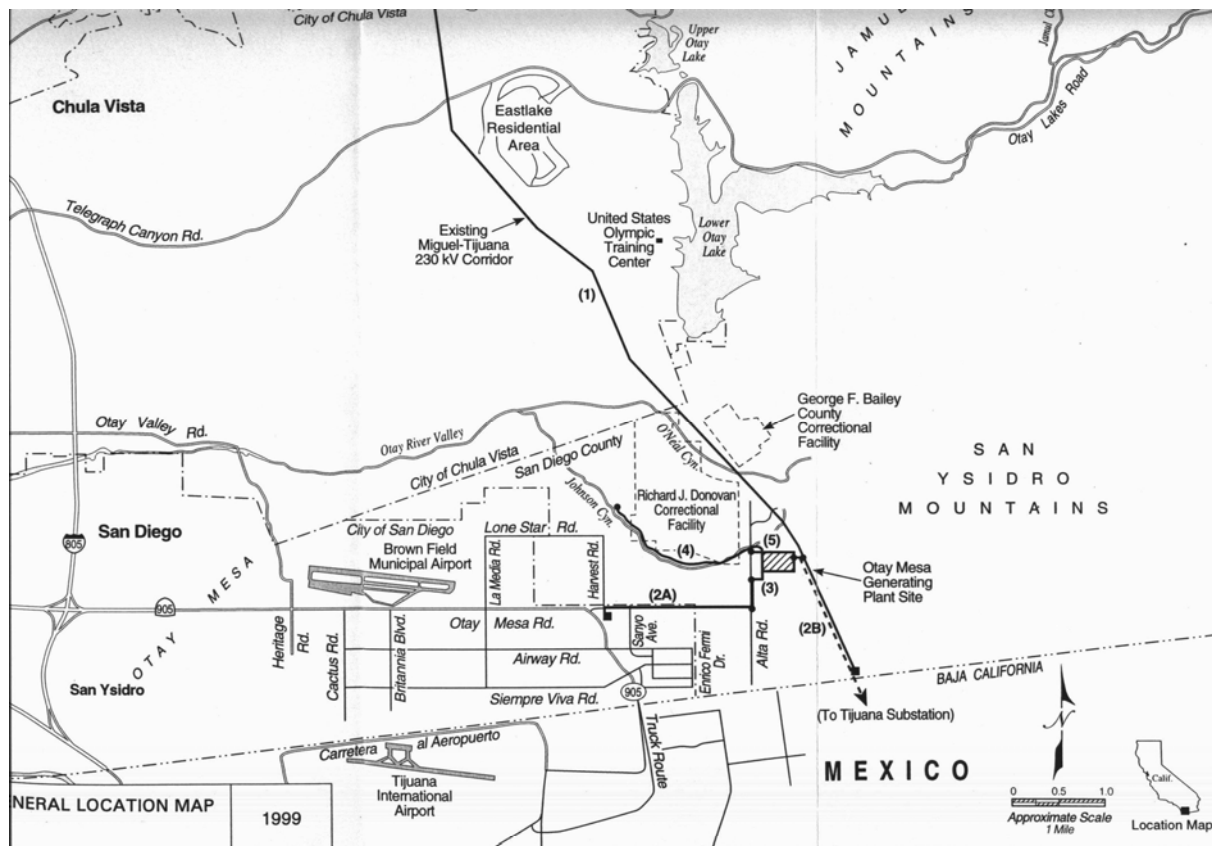
**Details of the Proposed Otay Mesa Power Plant.**

The plant will require a 0.1-mile connection to San Diego Gas & Electric's (SDG&E) existing 230-kV Miguel–Tijuana transmission line that passes near the eastern boundary of the Otay Mesa site. The project will use dry-cooling technology, which is discussed later in this chapter. The process water for steam generation and potable water for domestic needs will be supplied by reclaimed water from the Otay Water District via a 0.2-mile pipeline connection. Wastewater from the plant will be transported to San Diego County's sewer system from the plant, via a new 2-mile pipeline that will connect to an existing line in Johnson Canyon.

Otay Mesa will use dry cooling. Some of the main features of dry cooling are:

- It reduces water consumption by 95 percent
- Smokestacks have no plumes
- Reduced permitting process
- The key disadvantages of dry cooling is the systems are the noise, large land requirements and cost, which can be as much as 15-percent higher, noted an article in the San Diego Union-Tribute.

**Figure F-1. Map**



## Proposed Sempra Energy Palomar Energy Project (Source: CEC)

On November 28, 2001, Palomar Energy LLC (Palomar) filed an Application for Certification (AFC), for its proposed Palomar Energy Project (PEP) with the California Energy Commission seeking approval to construct and operate a 500-megawatt (MW) natural gas-fired, combined-cycle electric generating facility. The plant will be owned and operated by Palomar, a wholly owned subsidiary of Sempra Energy Resources. The proposed project would be located on a vacant 20-acre site within a proposed 186-acre industrial park in the City of Escondido, California. The industrial park project is known as the Escondido Research and Technology Center (ERTC). The ERTC project and a draft Specific Plan for the industrial park project area are currently undergoing a California Environmental Quality Act (CEQA) review, with the City of Escondido as Lead Agency. Schedule. The project is proposed to be operational in the summer of 2004. Facility Operation. The proposed power plant will consist of two General Electric 7FA natural-gas fired combustion turbine-generators (CTGs) equipped with dry low nitrogen oxide (NOx) combustors and evaporative inlet air coolers, as well as two heat recovery steam generators (HRSG), a steam turbine generator and associated auxiliary systems and equipment. In addition to the dry low NOx combustors, the power plant will also be equipped with selective catalytic reduction (SCR) systems for NOx control and oxidation catalyst systems for carbon monoxide (CO) and volatile organic compounds (VOCs) control. NOx emissions will be controlled to 2.0 parts-per-million volume dry basis (ppmvd) at 15-percent oxygen by the SCR systems. CO emissions will be controlled to 4.0 ppmvd at 15-percent oxygen using an oxidation catalyst system. The project's electric generation will be connected to a new 230-kV switchyard adjacent to the facility. From the switchyard, generated power will be transmitted to an existing San Diego Gas & Electric (SDG&E) 230-kV transmission line located adjacent to the project site. Electricity Market. Electricity generated from this facility may be sold to the California Department of Water Resources (DWR) under an existing contract with Sempra Energy Resources. The City of Escondido has also expressed interest in purchasing electricity from the project. The applicant has indicated that all electricity sales will be in accordance with the appropriate market rules.

**Fuel.** Natural gas will be the only fuel utilized by the two new CTGs. Natural gas will be supplied to the CTGs via an existing SDG&E natural gas pipeline located immediately adjacent to the project site.

**Water.** The Palomar Energy Project will utilize approximately 3.6 million gallons per day of reclaimed water provided by the City of Escondido's Hale Avenue Resource Recovery Facility (HARRF). Reclaimed water will be conveyed to the site by a new 1.1-mile, 16-inch, pipeline connecting to an existing City of Escondido reclaimed water main on Harmony Grove Road. The project's cooling tower will evaporate nearly 75 percent of the reclaimed water.

## Assumptions for the Wholesale Electric Price Forecast

SAIC prepared a forecast of wholesale electric prices for San Diego County and adjacent areas. Our approach in preparing this forecast was to simulate the behavior of this market through the use of a general equilibrium model. General equilibrium models produce projections of energy prices through the dispatch of specific generating units or groups of generating units while producing an optimized expansion plan through time. The model SAIC choose to perform this analysis was the Market Power model distributed by New Energy Associates of Atlanta, Georgia.

### General Assumptions

The following general assumptions were employed in this analysis:

- SAIC prepared these projections in nominal (current year) dollars;
- The area modeled in these simulations was the WSCC;
- SAIC assumed that a competitive wholesale electric market would develop in the California and the WSCC.

**Inflation**

Inflation forecasts used in this forecast were adopted from the California Energy Commission (CEC) Electricity Outlook Report. This report provided inflation estimates until 2012. For periods after 2012 estimates for the last year were extrapolated until the end of the study period.

**Market Areas**

SAIC performed this analysis based upon market areas. The primary market areas in the WSCC are as follows:

- The Rocky Mountain region;
- The Pacific Northwest;
- Arizona-New Mexico;
- California / Southern Nevada / Baja California.

The California/ Southern Nevada / Baja California was further differentiated to isolate San Diego County, Southern California and Baja California.

**Existing Generation Stock**

The Market Power model contains a database of all electric generating units in the various reliability councils. New Energy receives this data from RDI. These databases contain the following information for each unit:

1. Technology
2. In-service date
3. Maximum capacity
4. Heat rate
5. De-rating factors
6. Fuel type
7. Forced outage rate
8. Scheduled outage requirements

**Fuel Prices**

The primary fuel prices that establish the marginal cost (dispatch price) are natural gas, residual fuel oil and coal. Nuclear fuel and distillate oil are also used in the region but rarely if ever establish dispatch prices. Furthermore, hydroelectric units are also sub-marginal. Fuel prices were established as follows:

**Natural Gas**

Natural gas prices at Henry Hub were adopted from the CEC. Table F-1 details these values.

**Table F-2. Natural Gas Prices Delivered to Electric Generating Units (\$/MCF)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
SoCal Gas/ San Diego	2.94	3.00	3.06	3.16	3.25	3.33	3.41	3.48	3.56	3.63	3.70

Source: CEC 2002–2012 Electricity Outlook Report, Appendix A-2

An alternative natural gas price scenario was based upon projections of natural gas prices produced by the US DOE-EIA. These prices were derived from projections in AEO 2002, the EIA's annual energy forecast.

**Residual Oil**

Residual oil forecasts produced by Resource Data International were used in this analysis. Plants in Southern California were limited to a maximum residual oil burn of 2 percent per year.

**Nuclear Fuel**

Nuclear fuel was escalated at the rate of inflation.

**Coal**

Coal price forecasts were supplied by Resource Data International. Existing major coal units were generally forecasted on a station basis for larger units. Smaller and generic units were forecasted based upon regional coal price estimates.

**Load Growth**

Load growth projections for non-California entities were taken from Form 714 filing made with the Federal Energy regulatory Commission (FERC). These filings were:

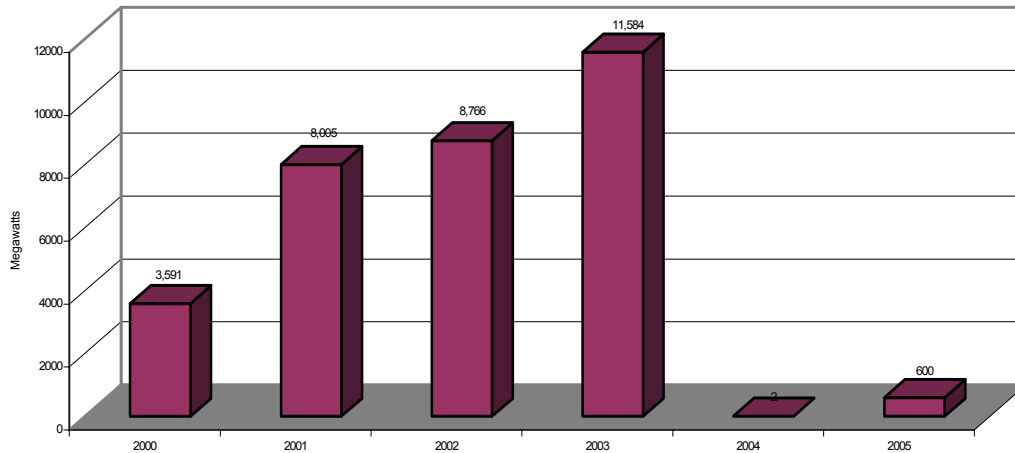
California load forecasts, with the exception of San Diego Gas and Electric, were taken from the CEC 2002–2012 Electricity Report. The specific details of the SDG&E forecast is discussed elsewhere in this report.

**New Generation**

New generation was introduced in two manners in this analysis: (1) Specifically identified units and prototype generating units introduced by the model in the creation of the expansion plan.

Specifically identified projects and prototype projects introduced by the model. Provided below in Figure F-2 is a chart summarizing the number of megawatts of new projects that were specifically identified and included in our modeling.

**Figure F-2. New Projects in the WSCC**



The number of new megawatts of generating units specifically identified was performed through extracts from the RDI NewGen database. After these extracts were performed project personnel then analyzed results to exclude projects that we felt were unlikely to occur.

The Market Power model creates this expansion plan by choosing from the fleet of potential new units that may be constructed during a specific period (prototype technologies) and determine which technologies need to be added in order to create the most economic expansion plan. Therefore, after specifically identified units are added to the generation mix an algorithm in the model as additional

units until such time as an economic expansion plant has been achieved. The characteristics of the prototype technologies are discussed below.

The prototype technologies periodically decreased the specified heat rate in order to account for changes in technology. Table F-3 specifies these heat rates for combined-cycle and simple-cycle combustion turbines:

**Table F-3. Projected Full Load Heat Rates (Btu/kWh) by Technology Projected to Be Achieved in the Period 2002–2030**

Years	Simple-Cycle Combustion Turbine	Combined-Cycle Combustion Turbine
2002–2008	10,487	6,566
2009–2013	10,427	6,435
2014–2018	10,070	6,306
2019–2030	9,871	6,180

Prototype technologies for California and non-California applications had different installed costs and emissions outputs. The installed cost for California units are provided in Table F-4.

**Table F-4. Installed Cost of Various Generation Technologies – 2002 Dollars per Kilowatt**

Technology	California Application	Non-California Application
Simple-Cycle Combustion Turbine	\$550	\$385
Combined-Cycle Combustion Turbine	\$850	\$650
Coal-fired Steam Plant	Not Applicable	\$1,600

The installed cost reflects the overall higher costs associated with siting a unit in California, attaining stricter NOX emission standards and property costs. Coal-fired steam units were assumed to only be feasible in non-environmentally sensitive regions and thus excluded California.

All prototype generation was assumed to require a 14.5 percent IRR for the base case. An alternative high cost of capital case was run. In this scenario generating units constructed in California were assumed to require an IRR of 16.5 percent due to regulatory risk.

#### Unit Retirements

Unit retirements for steam units were assumed to occur when a unit reaches 50 years of age. Simple cycle combustion turbines were assumed to have an economic life of 35 years. For the nuclear plants in the region SAIC assumed these units would receive 20-year life extensions after the initial license life of 40 years expired. Hydroelectric units were assumed to not retire.

#### Emissions Allowances

California has very serious problems with the creation of ozone. For this reason ozone allowances in California are significantly more expensive than in the other major of the non-attainment regions in the United States. SAIC assumed that NOx allowances for California were priced at the equivalent of \$10,740 per ton-year in 2002. After that time period we assumed they increased with inflation.

The balance of the WSCC priced NOX allowances at \$1,600 per ton. SOX allowances were priced at \$303 per ton escalating at inflation.

#### Forced Outage Rates

Forced outage rates were adopted based upon NERC GADS data. Forced outage rates were assigned based upon generating unit category.

### **Scheduled Outage Hours**

Scheduled outage hours for each generating unit category used NERC GADS data.

### **Transmission Interconnections**

Transmission interconnections were modeled using a transportation methodology, i.e., the capacity of transmission interconnections between regions was assumed not to vary within a given period. The transmission capabilities for the majority of the WSCC were adopted from various WSCC publications where non-simultaneous transmission were published. Detailed information about the SDG&E area was received from the Company and various CPUC filings.



## Appendix G: COMPASS Modeling

SAIC's approach to screening, designing and evaluating demand side programs including energy efficiency and demand response was the following:

- Reviewed sector sales and selected loads
- Identified applicable programs
- Gathered data on technology impacts, market size, saturation of efficiency measures, energy and demand savings, implementation costs
- Designed programs
- Entered data into the COMPASS<sup>2</sup> model
- Analyzed programs using COMPASS
- Summarized results.

The screening model used is Silicon Energy's COMPASS model. SAIC licensed the model for use in this project.

Key features of the model are the following:

- COMPASS is designed for demand side market planning
- Information is organized in relational databases
- Detailed information stored in specific databases
- Markets and growth, technology characteristics, rates and other key data for the 30-year period
- Output allows evaluation of demand-side management programs from different perspectives
- Based on California Standard Practice Tests

Other Compass features:

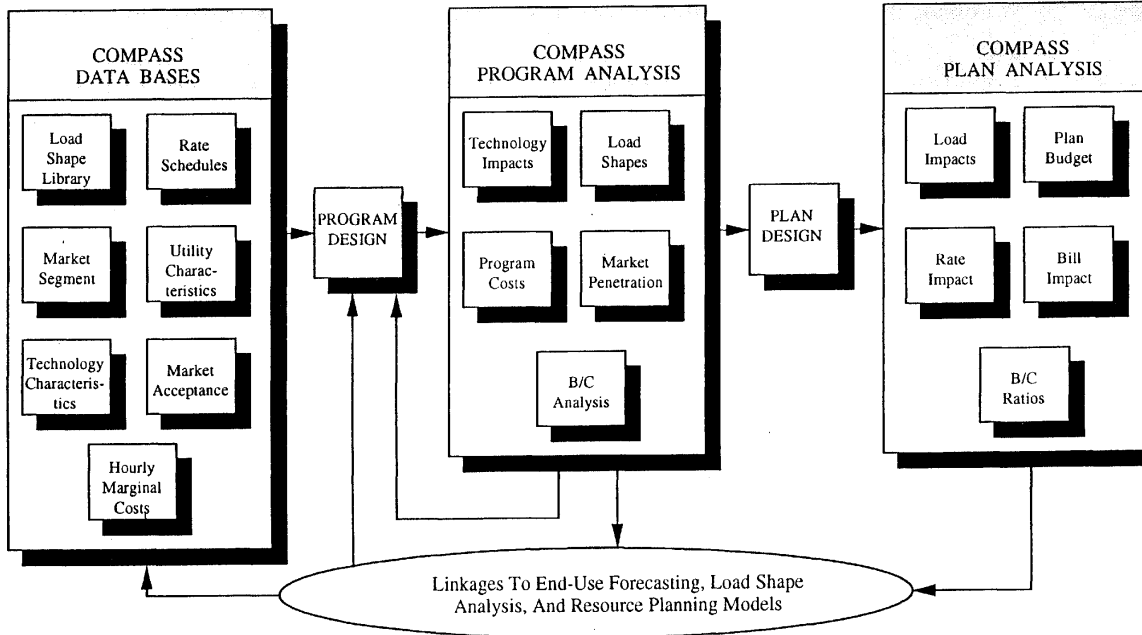
- All data and analysis in a single software package
- Integrates complex multi-factor analysis procedures
- Relational database manages all relevant data
- Full feature rate model
- Explicit modeling of market penetration and diffusion
- Market adoption calculated with and without program (accounts for free-riders)
- Benefit/cost methodology consistent with standard practice methodology
- Scenario analysis capability

See Figure G-1 regarding the general structure of the model.

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<sup>2</sup> Stands for the "Comprehensive Market Planning and Analysis System."

Figure G-1. Overview of COMPASS



The following market data by segment was used in the analysis of DSM potential (Table G-1).

Table G-1. Market Data by Segment

Sector	RESID	RESID	COMM	COMM	COMM	INDUS	INDUS	INDUS
Segment	Single Family	Multi Family	Comm Buildings	Comm MWH Sales	Comm Flr Space	Indust Lighting	Indust Motors	Ind MWH Sales
Description	Number of Homes	Number of Homes	Total Number of Commercial Buildings	Total MWH Sales to Commercial Buildings	Total SF of Commercial Buildings	MWH Sales For All Industrial Lighting Programs	MWH Sales For All Industrial Motors Programs	MWH Sales For All Sales Based Industrial Programs
Units	HOMES	HOMES	Buildings	MWH Sales	1000 sf	MWH Sales	MWH Sales	MWH Sales
Year 2002 Estimate	641.11	408.07	86.93	661.10	503.47	249.66	691.86	1979.00
Growth Rate, %/year	1.3	1.8	2.30	2.30	2.30	3.30	3.30	3.30
Demolition Rate, %/year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Discount Rate, %	15.00	15.00	12.50	12.50	12.50	12.50	12.50	12.50

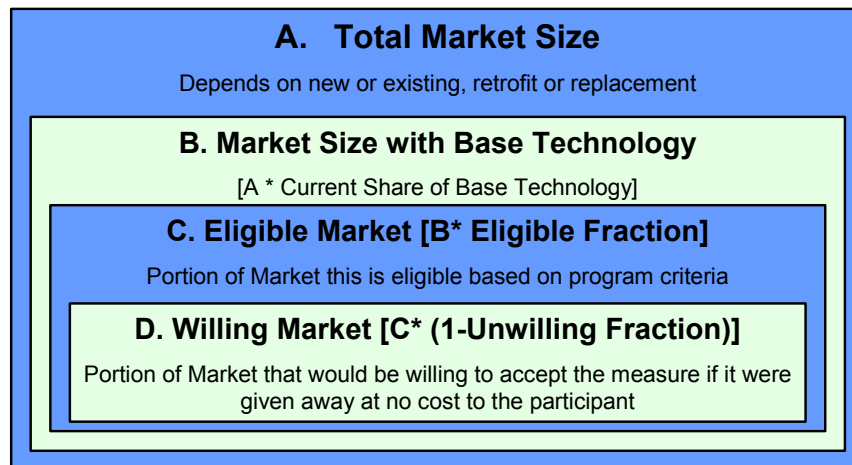
In applying the model the following assumptions were used:

- SDG&E Rates were used as inputs in the COMPASS Rates Database
  - Residential
    - Domestic Rate Schedule DR
    - Natural Gas Rate GR
  - Commercial
    - General Service Time Metered, Schedule AL-TOU
    - Commodity Rate EECC (DWR Decision)
    - Gas for Core Commercial Customers Rate GN-3
    - Escalation Rate: 2.09% per year
    - COMPASS uses marginal rate (tail block) to compute bills and savings

COMPASS technology data file consists of:

- Technology characteristics feature in COMPASS was used to input energy consumption:
  - For Base and Associated DSM Technology
  - For New and Existing Vintage
- Data entered included:
  - Technology cost and change in cost over time
  - Current market share of the base/DSM technology
  - Average customer energy/demand by season and time period
  - Coincidence factor to determine impact during system peak
  - Diversity factor to estimate impact on customer bill
- The COMPASS mass-market acceptance file consists of:
  - COMPASS uses market acceptance scenarios to estimate penetration of the DSM technology
  - Market acceptance files have different inputs for Program and No-Program case
  - To estimate technical potential, market potential for program case is set to 100% and for no-program case is set to 0% (i.e. program is credited with 100% of the savings)
  - Market acceptance scenarios in SDREO analysis included Payback Acceptance Curves or Direct Entry based on the technology.
  - COMPASS default payback acceptance curves were used
  - Payback acceptance curves were different for Residential, Commercial, and Industrial sectors

**Figure G-2. Calculating Market Size in COMPASS**



- Willing Market is a small fraction of the total market
- Final Adoption can be much smaller than willing market

**Compass Utility Characteristics File**

Key assumptions used were:

- Loss Factors (10% in Summer, 9% in Winter)
- Discount Rates for Utility (12%), TRC (12%), Societal (9.5%)
- Inflation Rate (2.09%)

- Electric Avoided Capacity and Energy Costs by season and period (see next page)
- Electric Avoided T&D Costs (\$10/kW-year with 3% esc)
- Gas Avoided Costs
- Sales, # of customers, Revenue Requirements

**Table G-2. Electric: Avoided Costs for Energy and Capacity (Base Case)**

	Capacity, \$/kW/year		Energy, \$/MWH			
	Summer	Winter	Summer		Winter	
			On	Off	On	Off
2002	99.14	-	34.86	31.90	36.90	35.04
2003	99.28	-	30.71	28.88	33.48	31.63
2004	96.98	-	30.64	28.48	32.38	29.60
2005	90.43	-	32.20	31.00	34.75	33.12
2006	99.77	-	36.82	33.59	38.22	36.12
2007	99.94	-	36.64	34.16	38.59	36.29
2008	100.11	-	37.88	34.63	39.45	36.38
2009	100.29	-	40.33	36.50	42.02	38.53
2010	112.37	-	43.71	38.72	44.56	41.18
2011	115.79	-	48.56	40.86	48.01	43.74
2012	119.53	-	49.66	42.67	49.52	44.88
2013	123.39	-	54.33	44.52	52.15	46.76
2014	127.19	-	56.87	45.89	54.16	48.36
2015	131.16	-	61.02	47.81	56.92	50.14
2016	135.48	-	62.67	48.88	58.83	51.19
2017	140.13	-	65.08	50.29	61.72	52.88
2018	144.62	-	67.53	51.88	64.66	54.39
2019	149.18	-	69.45	53.37	67.11	55.83
2020	154.03	-	71.97	54.79	69.16	57.06
2021	159.04	-	73.61	56.25	71.49	58.61
2022	164.24	-	75.40	57.54	73.15	60.12
2023	169.61	-	77.70	59.09	75.58	61.79
2024	175.10	-	80.04	60.53	77.71	63.23
2025	180.77	-	82.32	62.02	80.81	65.25
2026	180.98	-	83.79	63.49	82.73	66.72
2027	180.87	-	85.48	64.87	84.27	68.44
2028	256.53	-	87.06	66.48	85.59	69.88
2029	263.86	-	90.78	68.72	90.73	72.09
2030	253.10	-	91.84	69.41	92.41	73.35

**Table G-3. Utility Revenue Requirements**

	Revenue , \$ (1)	MWH Sold Year 2000 (1)	MWH Sold Year 2001	MWH Sold Year 2002	\$/MWH (computed)	Growth
Residential	729,798,797	6,304,063	6,392,320	6,481,812	115.77	1.40%
Small C/I	746,793,366	6,125,149	6,266,027	6,410,146	121.92	2.30%
Large C/I	309,731,267	2,614,082	2,700,347	2,789,458	118.49	3.30%
Other	7,544,357	74,264	75,749	77,264	101.59	2.00%

(1) Source: FERC Form 1, Year 2000, Page 300-301

### The Programs

- Residential
  - Advanced metering and control
  - Photovoltaics
  - Retrofit program
  - Condition of Sale
  - Title 24 Plus
  
- Commercial/Industrial
  - Demand flexibility
  - High efficiency motors
  - High efficiency lighting
  - Photovoltaics
  - Retrofit program
  - E2Pro: Energy and Environment Program

### Program Design in Compass

- Program design in COMPASS combines data from all databases with program design elements to estimate program participation and effectiveness
- Program description data includes:
  - New or existing customer
  - Utility characteristics data
  - Retrofit or replacement program
  - Existing facility or new facility
  - Persistence, start, years program in effect and duration
  - Assignment of customer rates, technology options, and market acceptance ramp up rate and technology diffusion
  - Eligible customer percent, unwilling percent and no program cases
  - Incentive type and amount
  - Program costs – one time fixed, annual fixed, annual variable
  - Repurchase rate
  - Drop out rate.

**Table G-4. Program Costs**

Program File	Program Name	Program Costs				High Case Incentive Payments
		2002 Costs, \$			Future	
		One-Time Developmt	Annual Fixed Cost	Variable Per Unit	Escalation Rate	
R-AM	Advanced Metering, Pricing and Control	33,064	43,264	100	2.09%	50% of Cap Cost plus \$240 bill credit
R-RE-PV	Photovoltaics	36,564	69,263	100	2.09%	Direct Entry, \$6000 in 1st yr
R-RT-XX	Residential Retrofit	43,520	87,606	-	2.09%	-
R-RT-LC	Lighting – CFL					50% of cap cost
R-RT-CF	Space Conditioning – Wholehouse Fans					50% of cap cost
R-RT-CT	Space Conditioning – Programmable Tstat					50% of cap cost
R-RT-AI	Envelope – Attic Insulation					50% of cap cost
R-RT-WP	Envelope – Window Pane Glazing					50% of cap cost
R-RT-WG	Water Heating Efficiency Gas					50% of cap cost
R-RT-WE	Water Heating Efficiency Electric					50% of cap cost
R-RT-IG	Wtr Htr Insulation and Flow Control - Gas					50% of cap cost
R-RT-IE	Wtr Htr Insulation and Flow Control - Elec					50% of cap cost
R-RT-PP	Pool Pumps					50% of cap cost
R-CS	Condition of Sale HERS Rating	43,334	98,933	100	2.09%	None -- Regulatory
R-24	Title 24 Plus House	41,830	37,133	100	2.09%	50% of cap cost
C-DR	Flexible, Market Driven Demand Response	16,895	24,367	10	2.09%	\$100/kW
C-RE-PV	Photovoltaics	36,000	69,000	3,000	2.09%	\$6000/kW 1st year Direct Entry
C-RT-XX	Commercial Retrofit	49,239	164,428	200	2.09%	
C-RT-LC	Lighting – CFL					\$200/kW saved
C-RT-L8	Lighting – T8					\$200/kW saved
C-RT-L5	Lighting – T5					\$200/kW saved
C-RT-LT	Lighting – Control Timer					\$200/kW saved
C-RT-CH	Space Conditioning – High Efficiency					\$100/kW saved
C-RT-CS	Cool Storage					\$200/kW saved
C-RT-RC	Envelope – Cool Roofs					50% of cap cost
C-DG	Distributed Generation Promotion	36,403	74,500	10	2.09%	\$500/kW saved
C-E2	E2 – Clean Energy and Environment Program	40,390	48,219	1	2.09%	\$125/kW saved
I-DR	Flexible, Market Driven Demand Response	11,520	21,240	1	2.09%	\$100/kW
I-MO-EE	High Efficiency Motor and Drive New &	29,475	42,940	1	2.09%	\$100/kW saved
I-LI-HE	High Efficiency Lighting	24,307	36,539	1	2.09%	\$100/kW saved
I-E2	E2 – Clean Energy and Environment Program	18,611	21,912	1	2.09%	\$100/kW saved

**Table G-5. Program Eligibility and Penetration**

Program File	Program Name	Market Acceptance	Program Type	Program Eligibility and Willingness		
				Eligible Percent	Percent - Program	Percent - No Program
R-AM	Advanced Metering, Pricing and Control	Direct Entry	Replacement	100%	0%	0%
R-RE-PV	Photovoltaics	Direct Entry	Replacement	85%	20%	20%
R-RT-XX	Residential Retrofit			85%	20%	20%
R-RT-LC	Lighting – CFL	Res PB Accept	Replacement	85%	20%	20%
R-RT-CF	Space Conditioning – Wholehouse Fans	Res PB Accept	Replacement	85%	20%	20%
R-RT-CT	Space Conditioning – Programmable Tstat	Res PB Accept	Replacement	85%	20%	20%
R-RT-AI	Envelope – Attic Insulation	Res PB Accept	Replacement	85%	20%	20%
R-RT-WP	Envelope – Window Pane Glazing	Res PB Accept	Replacement	85%	20%	20%
R-RT-WG	Water Heating Efficiency Gas	Res PB Accept	Replacement	85%	20%	20%
R-RT-WE	Water Heating Efficiency Electric	Res PB Accept	Replacement	85%	20%	20%
R-RT-IG	Wtr Htr Insulation and Flow Control - Gas	Res PB Accept	Retrofit	85%	20%	80%
R-RT-IE	Wtr Htr Insulation and Flow Control - Elec	Res PB Accept	Retrofit	85%	20%	20%
R-RT-PP	Pool Pumps	Res PB Accept	Retrofit	85%	20%	20%
R-CS	Condition of Sale HERS Rating	Direct Entry	Replacement	100%	0%	100%
R-24	Title 24 Plus House	Res PB Accept	Retrofit	50%	20%	80%
C-DR	Flexible, Market Driven Demand Response	Com PB Accept	Retrofit	20%	20%	100%
C-RE-PV	Photovoltaics	Com PB Accept	Replacement	10%	20%	20%
C-RT-XX	Commercial Retrofit	Com PB Accept		85%	20%	20%
C-RT-LC	Lighting – CFL	Com PB Accept	Replacement	50%	20%	80%
C-RT-L8	Lighting – T8	Com PB Accept	Replacement	33%	20%	80%
C-RT-L5	Lighting – T5	Com PB Accept	Replacement	67%	20%	80%
C-RT-LT	Lighting – Control Timer	Com PB Accept	Replacement	80%	20%	80%
C-RT-CH	Space Conditioning – High Efficiency	Com PB Accept	Replacement	80%	20%	20%
C-RT-CS	Cool Storage	Com PB Accept	Replacement	80%	20%	20%
C-RT-RC	Envelope – Cool Roofs	Com PB Accept	Replacement	80%	20%	80%
C-DG	Distributed Generation Promotion	Com PB Accept	Retrofit	20%	20%	100%
C-E2	E2 – Clean Energy and Environment Program	Com E2Pro 20%	Retrofit	100%	1%	100%
I-DR	Flexible, Market Driven Demand Response	Ind PB Accept	Retrofit	20%	20%	100%
I-MO-EE	High Efficiency Motor and Drive New &	Ind PB Accept	Retrofit	80%	20%	80%
I-LI-HE	High Efficiency Lighting	Ind PB Accept	Retrofit	80%	20%	80%
I-E2	E2 – Clean Energy and Environment Program	Ind E2PRO: 20%	Retrofit	100%	0%	100%

### Scenarios – Low, Medium, and High Cases

- Low, medium, and high DSM impact scenarios were developed
- Differences in scenarios are shown
- Use different marginal costs for each scenario
- Program incentives, costs and penetration rates varied.

**Table G-6. Low, Medium, and High Case Scenarios**

	LOW	MEDIUM	HIGH
Marginal Electric Costs	EIA Gas Price Scenario	Base Case Scenario	High Capacity Costs Scenario
Marginal Gas Costs	CEC Gas Price Forecast	CEC Gas Price Forecast	CEC Gas Price Forecast
Program Design			
Duration, years	30 years	30 years	30 years
Incentives	50% of High Case	75% of High Case	100% of High Case
Direct Entry Market Acceptance	50% of High Case	75% of High Case	100% of High Case
Program Costs	50% of High Case	75% of High Case	100% of High Case

**Table G-7. Comparison of CHP Technologies**

Factors	Diesel Engine	NG Engine	Steam Turbine	Gas Turbine	Micro-Turbine	Fuel Cells
Electric Efficiency (LHV)	30–50%	24–45%	30–42%	25–40% (Simple), 40–60% Combined	20–30%	40–70%
Footprint (Sq ft/kW)	0.22	0.22–0.31	<0.1	0.02–0.61	0.15–1.5	0.6–4
Installed Cost (\$/kW)	\$800–1,500	\$800–1,500	\$800–1,000	\$700–900	\$500–1,300	>\$3,000
O&M Cost (\$/kWh)	0.005–0.008	0.007–0.015	0.004	0.002–0.008	0.002–0.01	0.003–0.015
Fuels	Diesel and Residual	NG, Biogas, Propane	All	NG, Biogas, Propane, Distillate	NG, Biogas, Propane, Distillate	Hydrogen, NG, and Propane
NOx Emissions (lb/MWh)	3–33	2.2–28	1.8	0.3–4	0.4–2.2	<0.02
CHP Output (BTU/kWh)	3,400	1,000–5,000	n/a	3,400–12,000	4,000–15,000	500–3,700
Usable Temperature For CHP (F)	180–900	300–500	n/a	500–1,100	400–650	140–700



## Appendix H

### Addendum To Draft Report

This section reviews the comments that were submitted after the 45-day comment period, which closed on November 30, 2002. The following organizations submitted comments:

1. Air Pollution Control District
2. BIOCOM/San Diego
3. Border Power Plant Working Group
4. City of Chula Vista
5. City of San Diego MWW
6. Coronado Chamber of Commerce
7. East County Economic Development Council
8. EnergySC.Net
9. Environmental Health Coalition
10. Greenpeace
11. National City Chamber of Commerce
12. Pacifica Companies (Two separate comments)
13. Powers Engineering
14. Qualcomm
15. Richard Heath and Associates
16. SANDAG
17. San Diego Air Pollution Control Board
18. San Diego Gas and Electric
19. Sierra Club, San Diego Chapter
20. South County Economic Development Council
21. Southwest Center for Environmental Research and Policy (SCERP)
22. Technical Training Associates
23. The League of Women Voters of San Diego

Comments ranged from short one page general comments of support to lengthy and more extensive comments covering six or more pages. By far, the most extensive comments were received from Greenpeace, the Border Power Plant Working Group, Air Pollution Control District of the County of San Diego, the City of Chula Vista, the Environmental Health Coalition, Sierra Club of San Diego and San Diego Gas and Electric Company.

What follows is a review of the comments submitted, followed by the report Author's response to the comments, based on consultation and review of the comments with subcontractors.

A vast majority of commenters felt that the REIS was a very good and positive first step toward identifying the sources and uses of energy and a preliminary definition of the possible strategy options over the future. SDG&E also expressed this view. However, a number of organizations felt that the REIS could be improved. What follows below is a review of these comments and the response of the Author to the comments:

1. *Provide more documentation on the energy efficiency and renewable analysis (SANDAG, for example). Greenpeace concluded its review of the report by saying that it: "agrees with many of the conclusions for the REIS and appreciates the work that has gone into the study."*

**Response: Extensive documentation manuals and model inputs and outputs from the Compass analysis, which was used to evaluate DSM options, are available at SDREO. This information documents program design, program costs, market penetration rates, avoided energy and capacity costs, and cost effectiveness using the California Standard Practice. To keep the report from being too lengthy it was decided to keep detailed program documentation in separate volumes. Anyone interested may consult these documents at SDREO's office.**

2. *More attention is needed on the environmental impacts of the REIS. The Southwest Center for Environmental Research and Policy suggested that the environmental concerns have not been appropriately addressed. "The report does not do enough to present a comprehensive review of the environmental issues related to energy." The Center recommends that REPAC address an environmental agenda that parallels the energy agenda that is being discussed for the county. More attention is needed on the environmental problems created by energy generation in the county to solve specific environmental emission problems. The Border Power Plant Working Group suggested that the approval process for new plants requiring an air quality permit was over exaggerated, and that model approval processes exist (i.e., as was experienced with Otay Mesa). They went on to recommend that a model environmental performance capability of new power plants be defined and followed. If new plants meet this model approval process, then the approval process is timely, reasonable and appropriate.*

**Response: The environmental impacts from the COMPASS analysis was completed and reported. The main focus of the project was infrastructure. Environmental implications of new power plants and repowering were assumed to be addressed in the separate permitting processes, which have to meet state and regional standards of emission levels. The general emission performance levels of different types of plants were reported. It was also assumed that new plants replacing old plants would save substantial amounts of primary energy and emissions. Since the actual scheduling of these new projects is uncertain, and the general belief that there would be improved environmental impacts, no additional analysis was completed – other than for the DSM component.**

3. *Some commenters felt that the REIS was too conservative in its conservation and renewable assessment (Sierra Club and Greenpeace), and others felt that the potential was too exaggerated (SDG&E). The Border Power Plant Working Group felt that more detailed treatment is needed of the geothermal potential in the Salton Sea area – where Cal Energy estimates that there may be as much as 2,000 MW of untapped geothermal potential in the immediate area. The Border Power Plant*

*Working Group suggested that a more detailed discussion of how SDG&E will meet its 20 percent renewable portfolio obligations passed under SB 1078 and the SDG&E renewables plan should be included as an Appendix in the REIS document. The Sierra Club felt that Sections 5.5 to 5.15 were deficient regarding the options to implement renewable energy technologies for the San Diego region. They recommend that an action plan should be approved for the region to penetrate the market with attractive economical and clean energy technology. The Sierra Club also felt that fuel cells were not given as much consideration as what they feel is warranted.*

***Response: The Authors feel that the report found the mid point of potential opportunity for implementing low, medium and higher levels of DSM, renewables and DG. Tactical plans and resource economics will likely dictate how much potential is actually realized. The recent allocation of CDWR contracts and their cost and purchase provisions, will also have a strong influence on how much of the resources are supplied and consumed. The State's renewable portfolio standard will also have an impact on this. The market potential estimates only focused on regional (i.e., San Diego county, California-Mexico Border, Imperial Valley and Orange County) opportunities. Also, much analysis and consideration of fuel cells occurred, and while a break through may be possible, the authors, recognizing a long history of optimism regarding the maturity and growth of fuel cells which has not been realized, decided to take a conservative view of fuel cell potential. Also, the capital cost reduction of fuel cells is not viewed as significantly declining until the post 2015 period. In addition, The City of San Diego MWWD rightfully points out the high capital costs and limited market response to solar PV, and that there are some barriers to wide spread adoption to renewables in San Diego County. A lot of future deployment of renewable will depend on capital cost reduction, government incentives and the tactical plan that is developed.***

- 4. A few commenters felt that the report underestimated the amount of energy efficiency renewable potential in San Diego County. (Greenpeace, Sierra Club) Reference was given to the vast geothermal resources in Imperial County and in North Baja. A substantial amount of wind energy potential was also said to exist in the California/Mexico border area.*

***Response: See previous answer.***

- 5. Some commenters expressed reservations and had questions about the details of the pros and cons in creating a joint power authority before any decision was made about whether or not this would be a good solution to the region's energy problems (City of Chula Vista, and SANDAG)*

***Response: Clearly more San Diego stakeholder investigation of this issue is needed, especially in light of the newly allocated CDWR power contracts and purchase provisions. Also, separate CPUC investigation into customer exit fees also need to be considered. There are pros and cons of joint action. Both successes and failures have been recorded with public control over utilities. There have been very good successes from BPA, LADWP, TVA, MLGW, JEA and others. Also, there have been some problems such as the Washington Public Power Supply System, and Philadelphia Gas Works – the largest municipally-***

**owned gas system in the US. Although there are data furnished by the American Public Power Association (APPA) that shows municipally-owned systems do have cost advantages –about 10% lower prices than investor-owned power, it appears that there are situational factors that contribute to success and failure. Also, it appears that some California municipals did not experienced the super heated regional wholesale prices and market manipulations caused by some marketers in 2001. If anything, this speaks to the need for generation hedges to avoid similar market price volatility in the future. A major consideration now is what are the implications of the CDWR contracts, including their cost, terms and portfolio share represented for SDG&E. Also, the expiration schedule of the contracts is also an important question. When, as SDG&E reports, it has enough supply resources to meet area electric needs for up to ten years as they commented in their review of the Draft REIS, they should document this and the community should be engaged in evaluating the reasonableness of the contract provisions.**

6. *Some organizations felt that the treatment given to the Bi-national energy strategy was too limited and even somewhat ignored this important area. In particular, the pollution impacts of cross border power plant development is a key concern. In addition, a new EPA cross border air quality initiative was not emphasized which could help address cross border energy development solutions.*

**Response: The Authors agree that more attention is needed on the bi-national issues and opportunities. The emphasis on bi-national affairs was treated and addressed in a separate study by one of the project sponsors and only some of the findings were referenced. In the development of the upcoming energy strategy more emphasis should be placed on bi-national perspectives, resources and market opportunities. The possibility of joint project development and investment should be explored and deliberated, considering the renewable energy resource and central generation plant opportunities in North Baja.**

7. *A few commenters expressed a concern about the lack of recognition of the 1160 MW that is available in Mexicali that have some constraints in getting the power to San Diego. These plants in Mexicali should have been discussed more.*

**Response: It is correct that limited attention was devoted to the 1160 MW plants in Mexicali. The simultaneous import capability into San Diego County from these and other plants including imports from SONGS and the new CDWR contracts plus green energy power are all issues that need to be further investigated in the strategy for San Diego County. The REIS found that currently a maximum 2500 MW of power can be simultaneously imported from these plants and other resources outside of San Diego County. This constraint was imposed in the study. Clearly there are more power resources outside the county that can be imported (given other demand requirements) that may not be imported under current constraints). This is why we feel that a regional transmission study is needed that looks at the best way to optimize both local power plant development and transmission reinforcement. SDG&E says it already does this to some degree. But we feel that a grander, more comprehensive and integrated investigation is needed and that a broader range of criteria should be considered.**

8. *A comment was mentioned that the study should recommend “required close coordination of activities between energy and the non-energy related regional planning issues, such as water resources, waste management, water treatment plants, and other social needs for the region.” (Energy SC)*

**Response: The Authors believe that the report makes a strong recommendation for more comprehensive regional energy planning involving a wide range of stakeholders. This includes water, waste water, solid waste/bio gas, and other possible infrastructure providers. We agree with the League of Women Voters that consumer group representation should be included in developing the energy strategy and programs. All key planning assumptions, price forecasts, contracts, cost allocations and growth forecasts should be explored publicly and reviewed locally before decisions are made by remote regulatory bodies. Similarly recently submitted SDG&E green energy purchase portfolio provisions and the work papers on capacity allocations from CDWR should be identified and discussed in the community and a regional position should be presented on these matters well before decisions are made. Otherwise, a default and potentially suboptimal regional energy development path will occur with greater risks. The region has serious constraints to growth that need to be addressed.**

9. *Only a few comments were expressed about the study’s treatment of LNG. One commenter said that as gas prices increase over \$3.60/MMBTU, renewables become more competitive. Another commenter expressed reservations about using more LNG to supply the region pointing out that the supply of gas will come from areas that have much political instability. The use of more LNG was viewed as not learning from our past in terms of being dependent on OPEC.*

**Response: LNG infrastructure projects are highly speculative at the moment. At least one LNG plant could be built in the next ten years. Potential risks from LNG or even other internationally imported energy sources need to be considered in light of the overall portfolio and the ability of the infrastructure to meet projected demand. The report sites some risk in basing a substantial amount of new power generation on natural gas as the primary fuel. The fact that LNG is being considered as a backup, should indicate the potential tightness of gas supply over the next ten years. After earlier drafts of this report have been completed, more reports and evidence were reported about potential natural gas constraints and price impacts. This should be a potential warning to the region to find options in its resource portfolio for meeting electric demand. Also, weather events and international crises could also increase gas prices in the short-term markets, which are used to balance supply and demand.**

10. *One comment pertained to the fact that the REIS report authors may not appreciate and know about the “incredible potential for power plant construction just south of our border.” (Greenpeace)*

**Response: The Authors are indeed aware of this potential. In fact, San Diego is located near a substantial amount of electric generation plant development – Palo Verde, North Baja, Pacific Northwest and Four Corners creates access to potentially huge power supply opportunities. But the transmission capacity has to be available – especially if the market and the state of California are not attractive markets at the present time to build new capacity. However, a careful**

**look at the CDWR contracts is needed to evaluate how much supply and at what cost these resources are available**

11. One commenter felt that the study failed to review the water desalination issue and the synergies with central power plants (EnergySC)

**Response: It is recognized that the project did not devote much attention to the San Diego water desalination possibility. This study did not look at specific power development or transmission projects, which have to be evaluated at both regional and local levels. Instead, this project evaluated the mix of technologies based on their general characteristics, cost and performance. Desalination is growing in interest, such as a major project sponsored by the City of Tampa, Florida. The value of desalination projects are very site specific. We feel that water desalination project feasibility and economic attractiveness is best evaluated as part of a specific project feasibility study. The team also recognizes that water supply and imports into California is a great issue in the west and one that California needs to address – such as greater regional coordination issues on California use of Colorado River water supply. Water resource issues and cost of supply are a limit to growth that must be dealt with. Also, climate trends and implications on water supply need to be further investigated – especially for future power plants in the west. Serious drought conditions in the WSCC region occurred existed this past year in the very same areas where current and project major new power plant development has and is expected to occur.**

12. Many comments pertained to the treatment given to DG. A reviewer wanted more coverage on micro grids (Energy SC), the possibility of wheeling power using the SDG&E system (EnergySC),

**Response: A strong DG technology project team was assigned and used on this project. A substantial number of DG projects have been completed by this team in other forums. Near term DG opportunities are dependent on state incentives, interconnection and exit fees and other factors. Natural gas prices also need to be considered. DG can be very attractive for facilities with both thermal and electric loads – and even more attractive if a premium is placed on reliability. However, the cost implications of the CDWR contracts and price escalation issues need to be explored before one decides it is economic to rely heavily on DG.**

13. A couple commenters wanted the study to investigate electric municipalization (Energy SC and the City of Chula Vista).

**Response: Electric municipalization was not an objective of the project sponsors for the REIS.**

14. Two commenters suggested that the energy development impacts on low-income groups and that there is a need for additional funding for energy efficiency programs targeted toward low-income groups is needed (RHA and Environmental Health Coalition). RHA suggested the need for an assessment of the impacts and needs of low-income groups in San Diego County.

**Response: We agree with these comments in terms of considering energy development impacts on prices and on the communities where certain lower**

**income and ethnic groups reside are important issues. Since this project did not focus in detail on any one-development project, these issues were not investigated – although the team recognizes that there is a tendency to locate energy development facilities near lower income and ethnic concentrated communities. The Authors are also very concerned about the equity issues of energy development projects and the rate impacts of demand side programs including conservation and load management given the proportion of firm contract deliveries that are embodied in the CDWR contracts. As the regional energy strategy is developed, close attention to lower income community impacts of energy development projects and the rate impact of energy efficiency and renewable programs need to be considered.**

15. One organization criticized the report as being too focused on electricity and natural gas. More attention should have been devoted to the overarching need to reduce energy cost and pollution (Technical Training Associates)

**Response: The project sponsors clearly wanted the study to focus on electric and natural gas infrastructure, as well as on energy efficiency, DG and renewables. No other energy resources were included, except renewables.**

16. One commenter suggested that the South Bay Power plant be torn down and that power lines along the east side of South Bay should be moved underground (Pacifica Companies)

**Response: South Bay is scheduled to be removed in the latter part of this decade. Existing transmission asset conversions on specific sites was not a focus of the study.**

17. A number of commenters offered specific policies, strategies and tactical programs to pursue.

**Response: These types of recommendations are best left up to the sponsors and community as they move forward to developing the REIS strategy.**

18. A couple of comments were made on the finding in the study that San Diego needs to develop at least two power plants over the next 8 years. Some challenged this finding saying that conservation, DG, renewables could avoid this. Greenpeace compared the REIS with the CPUC review of Valley Rainbow and its own conclusions – recognizing that the REIS findings included DG, Renewables and energy efficiency, which the CPUC review did not.

**Response: The region could potentially get by without one or two new power plants if all the expected energy efficiency, DG and renewables were to occur in the medium or low growth scenario. However, reliability and market price issues for power could also be a concern. The goal of the regional energy strategy should be devoted to more than one objective – this includes reliability, economy of power prices, price stability, air quality and local self-determination as possible objectives. Given this, a diverse portfolio of energy resources should be considered. This is why two power plants over the next ten years were suggested. This does not seem to be an unreasonable assumption in a scenario**

**approach. This provides the region options in case something happens with higher load growth or other resources do not get realized as expected.**

19. A considerable number of comments were expressed about Valley Rainbow. Many commenters were supporters of the project (BIOCOM, local chambers of commerce, to name a few). A fewer number of respondents were against the project (Pacifica). Pacifica actually reviewed recent CPUC actions about the controversy surrounding the line and some inconsistency in CPUC decisions on the line. Pacifica felt that the REIS actually relied too heavily on SDG&E's position justifying support for the line. SDG&E felt that the report gives contradictory or inconsistent support for the project, and that the Author's of the project should take a stronger stand. In the review of the REIS energy balance tables and the CPUC regional forecast shown on page 50 of the proposed decision by ALJ Cooke, show that the region can actually get by without the project if more energy efficiency, renewables and DG were to occur.

**Response: The main body of the report and executive summary are clear about the need for more transmission. It is valuable and needed. However, the report in general refrained from endorsing specific projects other than Otay Mesa, and possible repowering opportunities. Also, the report felt that there was time to make a final decision on new transmission and that a rush to judgment was not needed in the short term. The study is clear about the need for more transmission to the south, then north and then east. The region needs to improve the process of evaluating infrastructure right of way in advance of project requirements and the selection of land for infrastructure development.**

#### **Comments By Organizations and Treatment of Comments**

1. *Air Pollution Control District* – we agree with all the major suggested areas of correction and the final REIS incorporated those changes.
2. *Chambers of Commerce and Economic Development Authorities* (i.e., National City Chamber of Commerce, San Diego's Voice for Bi-National Business, East County EDC, Coronado Chamber of Commerce) -- all expressed strong support for Valley Rainbow. Comments were made by the chambers that the REIS and regional energy strategy needs to strongly support Valley Rainbow. The position of the REIS team on Valley Rainbow has been articulated above.
3. *City of Chula Vista* – did not agree with the recommendations on the construction of additional transmission lines, and the study's recommendations on additional power plants to be developed in the region. They believe that the study has not proven that future electric and natural gas requirements could not be met by efficiency and DG. Many questions were raised about the creation of a joint power authority. The Authors agree that more local investigation is needed on JPA's and the community comfort and support or non-support on this issue. First, there is a need to evaluate the implications of the CDWR contracts. The Author also believes that the energy resource balance tables that appear in Chapter 6 present scenarios that show the implications and reserves, given the portfolio of resources that are assumed to exist.
4. *The League of Woman Voters* – the future REIS draft should include a discussion on how future power prices will be set because it is not clear that future plants would lower prices. The LOWV believe that a discussion on how prices could be reduced and demand reduced would be valued. The SAIC

authors believe that this should be a major focus of the Energy Strategy team. The DSM assessment was based on avoiding more expensive costs and limiting rate impacts. The Authors also believe that the ten year impacts of CDWR contracts and other SDG&E resource supply decisions need to be evaluated at least every two years in a formal process, which can be considered in regulatory decisions in a routine and timely fashion. The CDWR contract rate impacts on the community also needs to be explored -- above what is reported in CPUC documents. The Authors also believe SDG&E does do regional energy development plans such as in the area of transmission planning, but much of this planning still appears to be somewhat narrowly focused and fragmented on a particular functional issue. Under the current regulatory makeup in the state, Integrated Resource Planning appears to be more relevant now than over the past 2-3 years. The CPUC should require this type of planning on a San Diego-wide basis taking into account the CDWR contracts. Local input on the resource portfolio and cost impacts should also be explored.

5. *Environmental Health Coalition* – Stated that all energy decisions must include an evaluation of the environmental justice impacts. REPAC should initiate a series of workshops in conjunction with community grass roots and assistance organizations. New energy development projects that impact local communities should not be developed where the energy is shipped elsewhere. There is a need to insure that the energy produced stays within the region. The region should refuse power that is produced from facilities that do not meet federal environmental laws. The San Diego region should fully fund and expand weatherization energy efficiency programs. A “just transmission” program for workers employed in the energy sector should be available that provides training programs for renewable energy jobs. The region should position itself as the “silicon valley” of advanced clean energy technology development firms. The aggressive promotion of renewables and energy efficiency should be pursued. The study should more clearly outline its assumptions used for estimating energy efficiency potential. There is a need for more public involvement and recommendations for a regional energy strategy. The Authors believe that these comments should be addressed in the strategy development and tactical planning phase.
6. *San Diego Gas and Electric Company* – extensive comments were received ranging from the comment that the “draft study remains a valuable addition to the on-going discussion of how to meet the region’s growing energy needs, in part because it reaffirms the assessment of most energy industry participants that more energy infrastructure is needed.” A major comment made by SDG&E is that the study is out of date because the draft study was written before the state made its final determination of the amount of power allocated to SDG&E from California’s long-term CDWR contracts. SDG&E goes on to say that “*with that allocation complete, the San Diego region now has virtually no need for additional power for years to come, a situation that will require significant revisions to the current study.... The intent of the study was well meaning – to explore San Diego energy infrastructure needs, was well meaning. However, events have preempted many of the Draft Study’s conclusions and recommendations.*” (Emphasis added). SDG&E went on to mention that the conclusions that the study should have reached are the following:
  - a. The region has sufficient energy available for years to come, as a result of the state’s recent allocation of power

- b. Valley Rainbow should have been supported more strongly and clearly and developers of local energy infrastructure need support
- c. Prudent planning requires a broad and balanced portfolio of new supply and infrastructure based on realistic assessments – the study is over optimistic on predictions about the amount of long term efficiency, DG and demand management
- d. Infrastructure planners were excluded from most of the study’s development
- e. Planning and support for energy efficiency is already occurring. Additional comments were made about making technical corrections to the report

It should be pointed out that during and throughout the project, SDG&E management and planning staff were consulted in the project. Very good and timely support in the form of responses to data requests and meetings to review report findings occurred as part of the review opportunities given to the project sponsors. In fact, there were at least four meetings with SDG&E, and three formal reviews of earlier project documents. After careful consideration, a number of modifications to the document were made in terms of factual statements. Also, it should be clear that the opinions and conclusions expressed in the REIS are those of the Authors and not necessarily those of any one stakeholder. Each review led to the Author and subcontractors to revise the reports based on factual suggestions. Additional factual comments were submitted in this fourth round and serious consideration was given to all comments. Moreover, a large proportion of the factual suggestions was incorporated from all the comments submitted, including SDG&E.

The Author’s response to some of SDG&E’s comments is the following:

1. Local energy planners and SDG&E should work more closely together with the public in developing the regional energy strategy in order to insure that recent developments in CDWR power plant allocations, cost allocations are understood. Right now recent decisions, additional cost allocation decisions are still being negotiated. Proposed orders on the cost allocations have been issued. However, there is still much misconception about what these recent decisions entail. The implications of these decisions need to be discussed vis a vis the level and amount of DSM, renewables and DG that can be cost effectively invested in. There are low income and customer equity issues, price impact issues, local resource planning issues, and reliability issues that need to be explored. We feel that SDG&E and the community should jointly investigate these issues in an open process. Remote regulatory decisions do not necessarily bring about the public scrutiny that is required on such critical economic development and reliability issues.
2. SDG&E needs to address the possible inconsistency that there is enough electric capacity and supply for the region in light of the capacity allocations when it is not clear how much of the capacity and resulting energy will be able to be imported into the county. There are still simultaneous import restrictions of 2500 MW and later 3200 MW, plus power obligations from SONGS, SWPL and imports from Mexico. Simply

saying that there is 2900 MW in their comments on the REIS, and adding that this is enough capacity to meet ten years of future electric needs must be documented. This is a regulatory decision that bounds SDG&E and its rate payers for many years to come. The impacts of this decision should be discussed between SDG&E and those developing the future energy strategy for the San Diego region.

3. We agree with SDG&E that they and other energy developers should be much more actively involved in future deliberations. Senior executives of SDG&E should also participate in this process in the future. It should also be pointed out that SDG&E was heavily consulted and had tremendous opportunity to participate and engage project personnel during the project. The CAISO and CPA were contacted many times about the infrastructure issues. The Port of San Diego, CWA, and other plant operators and developers were also consulted. .
4. SDG&E feels that the Authors were too liberal in their estimate of DSM, renewables, and DG and other commenters felt that the study estimates were too low. What is more important is that over time with periodic revisions, these estimates should be routinely revised in future study revisions. The action plan will be the real telling sign of what resources actually get delivered and become the bedrock of the portfolio. The Authors stand behind the estimates, and recognize that some of the resource potential is a stretch. This is why scenarios were developed and sensitivity analyses were completed.
5. The Author also feels that the overall process of screening, evaluating, and gaining consensus of local regional energy projects has to be improved.

The Author and subcontractors want to thank San DAG, SDREO, and the project sponsors for their guidance and support. We also wish to thank SDG&E for its furnishing of timely data and to discuss with the Authors key infrastructure issues. We also thank all the organizations and individuals commenting on the draft REIS. We found a rich set of perspectives, insights and some very good recommendations – many of which the Author agrees with. Also, we did give careful consideration to all the comments submitted.

#### **To Summarize:**

The Authors feel that the major issues facing the region are:

1. Careful review and evaluation of the electric supply portfolio, costs, risks and implications for portfolio development
2. An evaluation of how the CDWR contracts affect new project development like Otay Mesa, and other resource options
3. A comprehensive regional transmission optimization study is needed that considers a wide range of resources and costs
4. An integrated resource plan and strategy should be considered
5. New transmission appears to be needed in the future. The major uncertainty is when and what the local price and market impacts are to the region. A lot of

- assumptions went into the results of the Valley Rainbow analysis and the real economic value depends on certain key assumptions occurring. Some of the results of Valley Rainbow analyses contrast other regional ISO analyses on zonal or locational marginal pricing. These anomalies need to be explored.
6. A community-wide energy planning process is needed and the CPUC should encourage this in local regions as part of rate cases and future cost allocations.
  7. A stronger cross border energy and environmental development process is needed
  8. Energy efficiency, renewables and DG do provide significant resource potential for the region. The amount of resource potential should be based on the avoided costs and rate impacts, given the newly allocated CDWR contracts and the proportion of the total SDG&E electric portfolio that it represents.