

# STATE REJECTS 2 POWER PLANTS

## Regulators unanimously deny SDG&E units in Otay Mesa and near Mission Trails park

By [Morgan Lee \(/staff/morgan-lee/\)](/staff/morgan-lee/) 12:01 a.m. March 22, 2013 Updated 5:56 p.m. March 21, 2013

Utilities regulators on Thursday rejected a proposal to build two natural gas power plants in San Diego and Otay Mesa at a packed public meeting Thursday in San Diego. They warned that the region must come up with cleaner alternatives quickly.

In a unanimous decision, the five voting members of the California Public Utilities Commission rejected the 300-megawatt Pio Pico Energy Center, adjacent to an existing power plant in unincorporated Otay Mesa, and the smaller Quail Brush power plant, opposite state Route 52 from Mission Trails Regional Park. The plants would have cost San Diego Gas & Electric customers more than \$1.5 billion over 20 years.

The decision was seen as at least a short-term victory by a coalition of environmentalists and consumer advocates who said the application by SDG&E overstated the immediate need for new generators and shortchanged contributions of energy efficiency and other utility-run conservation programs paid for by customers.

The California Public Utilities Commission, which occasionally holds its sessions away from San Francisco headquarters, met at a hall in the Kearny Mesa neighborhood and listened for nearly two hours to comments from scores of opponents of the plants and a smattering of supporters.

Commissioners cited evidence that there was no need for the facilities until at least 2018, four years after the facilities would have come online.

The commission did approve a 25-year contract extension and upgrade of the existing Escondido Energy Center off Interstate 15 and directed SDG&E to procure up to 298 megawatts of local electrical generation beginning in 2018.

In a statement, SDG&E expressed disappointment that its contracts with developers of Quail Brush and Pio Pico were rejected, and said the utility will assess how to best procure the power needed.

Amid a prolonged shutdown at the San Onofre nuclear plant, which once provided up to 20 percent of the San Diego region's power, backers pitched the plants as an insurance policy to help guarantee reliable electrical service.

"The price of this insurance policy — over \$1.5 billion between the two plants — is very high," said Commissioner Mark Ferron, the author of the final decision. "I think we run the significant risk of forcing ratepayers to pay needlessly for new generation twice — once now, and then a second time if we have different conflicting future information concerning need."

SDG&E has the option of resubmitting the contracts based on new information or soliciting a new round of bids.

"My goal is simple," Ferron said, "to make sure the SDG&E can best meet the future needs of its customers while avoiding a situation where ratepayers pay needlessly for new generation."

Comments by the commission suggested it may be difficult for the 100-megawatt Quail Brush plant to move forward. The plant's developer also has run into resistance from neighbors and city officials while seeking approval from the California Energy Commission.

Commissioner Catherine Sandoval said she believes Quail Brush is not well suited to the area's needs.

The utilities commission ordinarily tries to determine the local area needs for generation in separate proceedings from agreements with generators. But an unusual sequence of events tied together the power plant applications with a contentious debate over the area's overall energy needs, culminating in a high-stakes lobbying effort in recent months.

Private equity funds that dedicated tens of millions of dollars to developing the Quail Brush and Pio Pico projects warned that capital markets and plant developers could punish California for rejecting the plans.

Nicole Capretz of the National City-based Environmental Health Coalition praised the decision.

"I was most encouraged by the fact that the commission said, we want you to avoid getting new fossil fuel plants in the future, and that we want you as a community to forge a new path," she said. "We had never really heard that before."

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