

Application No: R.10-05-006
Exhibit No.: _____
Witness: Robert Anderson

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

Rulemaking 10-05-006
(Filed May 6, 2010)

**PREPARED TRACK I REBUTTAL TESTIMONY
OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)**

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

August 11, 2011



1 **PREPARED TRACK I REBUTTAL TESTIMONY OF**
2 **SAN DIEGO GAS & ELECTRIC COMPANY**

3
4 **Q. What is the purpose of your testimony today?**

5 A. I am responding to testimony submitted by Pacific Environment (PE), the Natural
6 Resources Defense Council (NRDC) and the Division of Ratepayer Advocates (DRA) regarding
7 San Diego Gas & Electric Company's (SDG&E's) request for local capacity requirements (LCR)
8 procurement authorization.

9 **I. REBUTTAL TO PACIFIC ENVIRONMENT**

10 **Q. Does SDG&E agree with the conclusion reached by Pacific Environment that the**
11 **Commission should deny SDG&E's request for LCR procurement authorization?**

12 A. PE's testimony claims that SDG&E's need for local capacity was based on a faulty model
13 and faulty assumptions. However, SDG&E's analysis uses the same method and calculations
14 used by CAISO to determine the local capacity requirement, and the input assumptions SDG&E
15 uses account for the items PE claims SDG&E did not account for.

16 **Q. How do you respond to PE's claim that SDG&E's model is faulty?**

17 A. SDG&E based its calculation on the same method that the CAISO has been using for
18 years to determine the local capacity need in the San Diego Service area. The CPUC has
19 adopted the CAISO's results in setting the local capacity requirements that it enforces. Thus, it is
20 clear that the model used by SDG&E is not faulty.

21

1 **Q. How do you respond to PE's claim that SDG&E's assumptions are faulty?**

2 A. First, PE claims on page 1 of its testimony that SDG&E ignored behind-the-meter solar
3 photo-voltaic (PV) projects. This is not correct. SDG&E's load forecast was reduced for
4 behind-the-meter generation, including PV supported by the California Solar Initiative (CSI)
5 program, consistent with the assumptions in the 2009 California Energy Commission (CEC)
6 Integrated Energy Policy Report (IEPR).

7 Second, PE claims that SDG&E did not consider all renewable energy projects. SDG&E did
8 in fact consider renewables, including actual existing and signed renewable energy contracts that
9 SDG&E has entered into to meet the 33% Renewable Portfolio Standard (RPS). The reality is
10 that the cost-effective renewables that SDG&E is procuring are not located in the SDG&E
11 service territory, which is considered a load pocket. Many of these projects are located east of
12 the load pocket and will be delivered to the load pocket on the Sunrise Powerlink transmission
13 line and the Southwest Powerlink transmission line. Thus, these projects are not considered to
14 be in-basin for purposes of in assessing LCR need.

15 Third, PE claims on page 4 of its testimony that SDG&E did not consider energy storage.
16 There is no definitive study that establishes the amount of storage that might be needed in the
17 future, if any. The overall system need for storage would have to be located in the SDG&E load
18 pocket, or the cost-effectiveness of storage would have to dictate that it be located in the San
19 Diego load pocket. Thus, at this time it is premature to consider energy storage.

20 Fourth, on page 4 of its testimony, PE claims that SDG&E was relying on the 2009 IEPR
21 load forecast, which has been revised downward. This is incorrect. The LCR need authorization
22 SDG&E is requesting is based on the load forecast used for the IOU common scenarios. This

1 load forecast is based on a revised load forecast that reflects the very decrease in load that PE
2 claims was not considered.

3 Fifth, PE claims on page 6 of its testimony that SDG&E relied on an accelerated once-
4 through cooling (OTC) retirement schedule. This is also not true. The Water Board's OTC
5 policy calls for all the OTC units in SDG&E's service area to meet the policy requirements or
6 shut down by 12/31/2017. SDG&E's need table shows the last of the OTC units shutting down
7 in 2017.

8 Finally, PE claims on page 6 of its testimony that SDG&E's needs can be met through
9 transmission upgrades, and references an ICF Jones Stokes report. However, a review of Table
10 4-1 in that report shows that, in all cases, the report assumed that 2 – 310 MW combined cycle
11 plants would be built at the South Bay site and that 3 - 180 MW Gas Turbines would be added at
12 the Encina site. All of this new capacity was added by 2010. Thus the ICF Jones Stokes report
13 found no additional capacity needed in San Diego after it added a total of 1,160 MW of new
14 capacity in San Diego. This is 2 to 3 times more local generation than SDG&E is requesting.

15 **II. REBUTTAL TO NATURAL RESOURCES DEFENSE COUNCIL**

16 **Q. The Natural Resources Defense Council asserts that the amount of energy efficiency**
17 **included in the CPUC-Required Scenarios is the minimum that should be used in any**
18 **scenario. Do you agree with this statement?**

19 A. No, I do not. The Commission's planning assumptions reflect an effort to find a balance
20 in uncertainties identified by parties and to determine energy efficiency savings values that may
21 occur in the planning period. In 2010, the CEC identified a range of Energy Efficiency values
22 for the planning period, of which the Mid-Case Incremental Uncommitted results (with the
23 exception of BBES) were selected for the CPUC-Required Scenarios. However, the Low Case

1 Incremental Uncommitted results are also reasonably likely to occur, which casts doubt on
2 NRDC's claim that the scoping memo values are conservative. Further, as NRDC admits, it is
3 unclear what energy efficiency savings from Title 20 and future appliance standards were
4 actually accounted for in the Commission's assumptions, making it difficult to assume that
5 additional energy efficiency savings exist in these areas.

6 **Q. NRDC also claims that it was not appropriate for SDG&E to apply a 70%**
7 **realization rate and an 80% net to gross ratio. Do you agree with this statement?**

8 A. No, I do not. SDG&E's intent in developing the load forecast was to incorporate
9 uncommitted energy efficiency in a way that was consistent with the way committed energy
10 efficiency was modeled in the CEC's adopted 2009 IEPR demand forecast. SDG&E applied the
11 exact same factors the CEC used to incorporate committed energy efficiency (EE) into its load
12 models. Failure to do so would result in double counting of naturally occurring savings that are
13 already embedded in the CEC models, and would not account for the real world effects that
14 evaluation, measurement and verification reports show occur.

15 **III. REBUTTAL TO DIVISION OF RATEPAYER ADVOCATES**

16 **Q. Do you agree with DRA's proposal that no authorization for new resources be**
17 **granted for SDG&E in the 2010 LTPP?**

18 A. No, I do not. DRA's recommendation is based on a number of assumptions that are
19 incorrect, and adoption of DRA's proposal would jeopardize the State's goal of allowing plants
20 in the San Diego LCR area that rely on OTC to close based on the schedule in the Water Board's
21 adopted policy. Failure to authorize sufficient capacity additions in this LTPP will result in the
22 OTC plants being retained, regardless of their ability to comply with the Water Board's
23 requirements, given the lack of sufficient local capacity.

1 **Q. In your opinion does DRA’s table on p. 11 of its testimony provide an accurate**
2 **comparison of resource additions and planned retirements since the 2006 LTPP?**

3 A. No, it does not. DRA claims that the table shows new generation resources added since
4 the 2006 LTPP. This is incorrect. Also, since the table does not address changes in loads or
5 transmission capacity since the 2006 LTPP, there is no way to determine if the San Diego load
6 pocket has enough capacity to meet grid planning criteria.

7 **Q. Does SDG&E take issue with the way retirements are portrayed in this table?**

8 A. Yes. The table incorrectly shows the South Bay power plant at only 311 MW when, in
9 actuality, the entire South Bay plant was 720 MW. However, it is unclear why South Bay is
10 shown at all since the retirement of this plant was included as a planning assumption in the 2006
11 LTPP. Thus, since the 2006 LTPP, an additional 1148 MW is expected to retire based on Encina
12 and the combustion turbines.

13 **Q. Does SDG&E agree with the units shown as new capacity in this table?**

14 A. No. For example, many of the resources identified in this table existed prior to the 2006
15 LTPP and were included as existing resources. Both Palomar and Larkspur were already in
16 operation at the time of the 2006 LTPP. The Otay Mesa combined cycle plant was also included
17 as an assumption in the 2006 LTPP. Thus a corrected table would show only Miramar II,
18 Orange Grove and Wellhead El Cajon, or approximately 200 MW, as new facilities added since
19 the 2006 LTPP.

20 **Q. Does DRA correctly interpret SDG&E’s characterization of a “300 MW cushion” in**
21 **its request for need authorization?**

22 A. No. DRA exaggerates SDG&E’s need authorization request by characterizing it as a
23 cushion on a cushion. With this characterization, DRA appears to incorrectly treat the stated
24 “300 MW cushion” and the 415 MW authorization request as separate redundant requests when,

1 in fact, they are simply two descriptions of the same request. SDG&E’s intent in using the
2 “cushion” characterization was to highlight the fact that there is substantial uncertainty in the
3 resources that may or may not become available.

4 For example, Table 2 of my direct testimony included 68 MW of local renewable projects by
5 2020, based on SDG&E’s Renewable Auction Mechanism (RAM) Advice Letter filing, which
6 looked to favor local projects under the Commission’s RAM program. However, the
7 Commission rejected that proposal in Resolution E-4414 and ordered SDG&E to “remove its
8 local category since this category is not in compliance with the Decision.” Likewise the table
9 shows 39 MW of new combined heat and power (CHP) supplies by 2020; however, at this time,
10 there are no know or proposed projects. SDG&E believes that prudent planning calls for adding
11 not just enough local capacity to meet the grid planning criteria, but adding enough capacity so
12 that the local capacity requirement can be meet and procurement can take place in a manner
13 consistent with Commission directives. With the length of time required to conduct a
14 solicitation, receive regulatory authorization, and permit and construct a new resource, SDG&E
15 believes it is prudent to request a greater MW authorization than the minimum shown. The
16 likelihood of variation from this single forecast leaves SDG&E at risk of having to react to
17 changing circumstances with inadequate time to provide a resolution.

18 **Q. Is DRA correct in its statement that the LTPP planning process already accounts**
19 **for a prudent margin with its 17% planning reserve?**

20 A. No. In fact, the 15-17% planning reserve margin (PRM) is added to loads to determine a
21 system resource adequacy requirement. Under the CPUC resource adequacy rules, load serving
22 entities that serve load in the San Diego load pocket have to meet both a local requirement and

1 the system requirement. The PRM is not used in determining the amount of capacity that is
2 needed for the local capacity requirement which is driving the need for new local resources.

3 **Q. Do you agree with DRA's assertion that SDG&E has not presented an adequately**
4 **thorough analysis to refute the 1.1% load growth assumption in this LTPP?**

5 A. No. SDG&E simply uses historical load growth data to demonstrate the possibility that
6 load growth could be much higher than what was assumed in this showing. Or, in other words, a
7 return to historical average load growth would result in a need for local resources almost 400
8 MW higher than is shown in this case. This is not an extreme load growth scenario, but the
9 actual observed 10 year average load growth. What has occurred in the past deserves due
10 consideration in evaluating forecasts of future load growth and resource needs. SDG&E believes
11 that it is prudent to consider how to reliably serve its customers if load growth returns to the
12 average historical growth rates. It should also be noted that even though expected loads are
13 currently down as compared to historical loads, SDG&E's system experienced a new all time
14 record peak demand in September of 2010.

15 **Q. Is the LCR planning criteria appropriate for SDG&E's long term planning?**

16 A. Yes. The CAISO is the organization responsible for setting planning criteria for its
17 control area. It is the CAISO that sets the criteria and has implemented the very planning criteria
18 used in this application for about 10 years. If DRA wishes to challenge the criteria, the
19 appropriate forum for doing so is at the CAISO.

20 **Q. DRA asserts states that PG&E's and SDG&E's use of the 2011 Load Impact reports**
21 **for the IOUs' forecast of demand response is contrary to the Commission's directive to use**
22 **the 2010 Load Impact reports. Is that an accurate statement?**

1 A. No. The Commission’s directive to use the 2010 Load Impact reports is solely for the
2 CPUC-Required Scenarios. On page 37 of the December 3, 2010 ALJ Joint Scoping Memo and
3 Ruling it states, “Parties are encouraged to file their own alternative scenarios and portfolios.”
4 This allows the IOUs, or any party that wished to present an alternative scenario, the flexibility
5 to depart from this assumption and provide a forecast that it considers more applicable.

6 **Q. On page 15, DRA recommends that the Commission require SDG&E to use the**
7 **2010 Load Impact forecast to provide consistency because this is the forecast SDG&E used**
8 **in its Bundled Plan. Do you agree with this recommendation?**

9 A. No. The Bundled Plan and System Plans serve different purposes. The Bundled Plan’s
10 main purpose is to provide the rules, procedures and processes that the utility will use to fill its
11 resource needs. The tables SDG&E provided with the bundled plan were based on the scoping
12 memo required standardized planning assumptions which SDG&E was required to use and not
13 based on up-to-date SDG&E loads and resource positions. In other words, the attached tables to
14 the bundled plan were “illustrative.”

15 **Q: Does this conclude your testimony?**

16 A: Yes, it does.
17