

Rulemaking: 12-03-014

(U 39 E)

Exhibit No.: PG&E-X-SSJID-01

Date: August 15, 2012

Witness: Jeffrey K. Shields (SSJID)

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**PACIFIC GAS AND ELECTRIC COMPANY**

**2012 LONG-TERM PROCUREMENT PLAN**

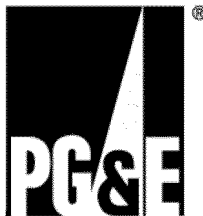
**TRACK 1**

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**Cross-Examination Exhibit**

**Prepared Direct Testimony of Jeffrey K. Shields on  
Behalf of SSJID (R.04-04-003)**

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Exhibit No. \_\_\_\_\_

Date Rec'd. \_\_\_\_\_

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

Order Instituting Rulemaking to Promote Policy and  
Program Coordination and Integration in electric Utility  
Resource Planning

Rulemaking 04-04-003  
(Filed April 1, 2004)

**PREPARED DIRECT TESTIMONY OF  
JEFFREY K. SHIELDS  
ON BEHALF OF SOUTH SAN JOAQUIN IRRIGATION DISTRICT**

August 4, 2004



1 to file long term procurement plans using a “number of scenarios representing different  
2 loads the utilities could be called upon to meet.”<sup>1</sup> To this end, PG&E, along with the  
3 other respondent utilities, submitted their long term procurement plans, and associated  
4 testimony on July 9, 2004. A necessary part of these plans is load forecasts. Recognizing  
5 that there is always risks in matching forecasted load with resource commitments, PG&E  
6 has requested its commitments be “conditioned upon assurances from the California  
7 Public Utilities Commission that the costs of these new commitments will be recoverable  
8 under a non -bypassable charge from all customers including those that elect to take  
9 generation services from another supplier, such as local public owned electric utility (as  
10 defined in Section 9604(d)), or consistent with community aggregation and noncore  
11 options.”<sup>2</sup>

12  
13  
14 Given the stated purpose of this proceeding of adopting long term resource plans, and  
15 PG&E’s request that the commitments it enters into under such a plan be protected by way  
16 of a non -bypassable charge, it is critical that PG&E’s load forecasts and associated  
17 resource commitments accurately reflect the plans of South San Joaquin Irrigation District  
18 (“SSJID”) to commence electric service to its own constituency in the near future.  
19 Accordingly, my testimony will illustrate to the Commission SSJID’s capability to, and  
20 the steps it has taken towards, serving the electric load in its territory by the start of 2007.

21  
22 **II. RELEVANT BACKGROUND ON SOUTH SAN JOAQUIN IRRIGATION DISTRICT**

23 Q. Could you please explain how and when the South San Joaquin Irrigation District was  
24 formed?  
25

26  
27 <sup>1</sup> “Assigned Commissioner’s Ruling and Scoping Memo,” R. 04 -04-003 (June 4, 2004), Appendix  
A., page 1.

28 <sup>2</sup> Pacific Gas and Electric Company, Prepared Testimony, R. 040-04-03 (July 9, 2004), at p. 1-3.

1 A. SSJID is a special district formed in May 1909 pursuant to the Wright-Bridgeford Act, the  
2 predecessor of the California Water Code , for the purpose of providing a reliable,  
3 economic source of irrigation water for the cities of Escalon, Ripon and Manteca in San  
4 Joaquin County California. SSJID continues to serve that function today.

5  
6 Q. What do you mean when you state that SSJID is a special district?

7 A. Special Districts in California are local units of government established by the residents  
8 of an area to provide a service not provided by the county or city. The geographic area  
9 which defines the SSJID service territory is generally the Southern most portion of San  
10 Joaquin County. The District , with a western boundary consistent with the City of  
11 Manteca's western boundary , runs approximately 19 miles east to the San  
12 Joaquin/Stanislaus County line. Its southern boundary approximately parallels the San  
13 Joaquin River and extends 6 miles northward . Appended as Attachment B to this  
14 testimony is a map depicting the SJJID.  
15

16 Q. Besides the provision of water resources to the district's constituency, what other  
17 functions are irrigations districts permitted to perform?

18 A. Pursuant to the California Water Code , in particular sections 22115 and 22120, irrigation  
19 districts enjoy limited purposes within a geographic area and hold independent authority  
20 to generate, transmit and distribute electricity including the sale of electricity to retail  
21 customers. Unlike investor owned electric utilities, irrigation districts are not regulated by  
22 the California Public Utilities Commission (CPUC).  
23

24 Q. Has SSJID exercised its statutory right to generate, transmit or distribute electric energy?

25 A. Yes. In 1925, SSJID entered into a partnership with the Oakdale Irrigation District (OID)  
26 to develop a series of three hydro-electric generation facilities with a combined maximum  
27 capacity exceeding 100 MW. The power from these projects has been sold to PG&E under  
28

1 long-term contracts. The power from three of these facilities, Beardsley (11 MW),  
2 Donnells (80MW) and Tulloch (18 MW) , known jointly as the Tri -Dam Electric Project,  
3 is sold to PG&E under 50 year contracts which expire on December 31, 2004. Power  
4 from a fourth facility, Sand Bar Power House ( 19 MW), remains under contract to PG&E  
5 through 2017.

6  
7 In addition, to the facilities SSJID owns in partnership with OID, it also owns two smaller  
8 facilities; the Woodward Hydro Plant (2.3 MW) and the Frankenheimer Hydro Plant  
9 (5.5MW). Power from these two facilities is sold to Turlock Irrigation District under long -  
10 term contracts that end in 2026.

11 Q. Does SSJID currently sell any electric power at retail to customers within the district's  
12 territory?

13  
14 A. No. Currently customers residing within SSJID's territory receive electric service from  
15 PG&E and the Modesto Irrigation District. According to PG&E, there are approximately  
16 33,000 accounts that they serve in the SSJID territory. These accounts represent estimated  
17 annual energy sales of 450,000 MWh.

18 **III. SSJID'S PLANS TO PROVIDE ELECTRIC SERVICE TO ITS**  
19 **CONSTITUENTS**

20 Q. You stated earlier that SSJID's contracts with PG&E for sale of the power from the Tri -  
21 Dam Electric Project expire on December 31, 2004. Has SSJID undertaken any analysis  
22 on how best to utilize that power subsequent to the expiration of those contracts?

23 A. Yes. Since 1997, SSJID has been planning for how best to use that power starting January  
24 1, 2005. SSJID's publicly-stated goal has been to use this resource locally, for the benefit  
25 of its constituents -- Tri-Dam's owners -- if possible. In furtherance of its local use goal,  
26 SSJID has expended significant effort and invested substantial amounts preparing to  
27 provide electric service to customers within its boundaries.  
28

1 Some of the steps SSJID has taken include:

- 2 • A feasibility study which concluded that SSJID is in a strong position to provide  
3 local retail electric service. This study was completed in November 1997.
- 4 • An electric distribution services business plan focused on the objectives of using  
5 Tri-Dam power directly for the benefit of SSJID's constituents . This plan was  
6 completed in June 1998.
- 7 • Retention of a consultant to evaluate the significant issues associated with entering  
8 the electric distribution business and to prepare a detailed business operations plan  
9 and recommend a course of action. The Business Operations Plan was presented  
10 to SSJID's Board in public session on May 27, 2003.
- 11 • Official confirmation by SSJID's Board of SSJID's intent to provide local  
12 distribution service.

13 All of these preliminary steps have culminated in the SSJID establishing an  
14 executive management position -- Utility Systems Director -- with the mandate to design  
15 and implement a strategy through which SSJID can allocate the benefits of the Tri -Dam  
16 hydro-generation to the broad benefit of the customers within the District. I started in that  
17 position on June 1, 2004. The District expects to take action in the next few weeks to  
18 initiate an aggressive effort to enter the retail electric distribution business with the goal of  
19 serving all of the loads currently served by PG&E within the boundaries of SSJID , as well  
20 as assuming responsibility for acquisition of the power supply.

21 Q. What is SSJID's financial capability to secure power to meet the needs of its constituents?

22 A. While the District currently has no outstanding debt, it has none the less demonstrated its  
23 capacity to secure low-cost, tax -exempt capital and enjoys an exemplary credit history.  
24 The most recent credit rating assigned to SSJID was an "A" rating by S&P. The District  
25 has significant cash reserves, no debt and a reliable stream of revenues from the sale of  
26 irrigation and wholesale domestic water , as well as the sale of energy from their various  
27 hydro-power facilities.  
28

1 Q. In your opinion how does SSJID's financial capability compare with that of PG&E?

2 A. Having evaluated the credit and financial performance of PG&E, the District is convinced  
3 that SSJID is in a superior position to secure power to meet the needs of consumers at  
4 more attractive terms than PG&E. The bankruptcy of PG&E and the current sub-prime  
5 credit rating (S&P=BBB and Moody's=Baa3) coupled with the high probability of loss of  
6 load due to the advent of community aggregation programs and the potential development  
7 of the core/noncore electric market will be reflected in the cost of capital and the terms  
8 (principally volume and term) that the market will show PG&E.

9  
10 Q. What is SSJID's projected timeline for providing electric retail service to customers  
11 within its territory that are currently being serviced by PG&E?

12 A. SSJID anticipates commencing electric retail service on or before January 2007.

13 Q. Is it your testimony that PG&E should eliminate from its load forecasts and corresponding  
14 resource procurement plan the load of electric customers within the geographic parameters  
15 of SSJID which it currently serves commencing January 2007.

16  
17 A. Yes. PG&E has expressed the desire that any commitments it makes under its long term  
18 integrated resource plan be conditioned upon assurances from the CPUC that the costs of  
19 these commitments be recoverable under a non-bypassable charge from all customers,  
20 including those that elect to take generation service from another supplier such as a "local  
21 publicly owned electric utility (as defined in Section 9604(d))" of the Public Utilities  
22 Code, which would include SSJID. So as to avoid such an assessment on customers  
23 which will receive their electric service from SSJID, it is imperative that PG&E recognize  
24 the district's plans to commence electric service in 2007 and remove that load from its  
25 forecasts. Stated plainly, PG&E should not be contracting for resources to serve the  
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27  
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1 SJJID's load commencing in 2007. If PG&E does not make any commitments to serve the  
2 load, then there is no basis for assessing a non-bypassable charge.

3 Q. Despite the district's intent to be in the electric retail business by January 2007,  
4 circumstances could arise that delay the district's ability to commence service within that  
5 time frame. If such were to occur, would PG&E remain responsible for continuing to  
6 serve the SSJID's load?  
7

8 A. Yes. PG&E's obligation to serve would remain until it was replaced by the SSJID's.

9 Q. You just testified, however, that PG&E should be directed not to contract resources to  
10 serve the SJJID's load commencing in 2007. How then would PG&E continue to serve  
11 SSJID's constituents if it was no longer contracting for resources to serve that load?

12 A. It must be remembered that SSJID represents a small fraction of PG&E's total resource  
13 requirements. PG&E is not intending to lock itself into long term procurement plans to  
14 service each MW of its load. As recognized by PG&E, its strategy over the next few  
15 years is to contract with existing market resources under short to mid-term contracts.<sup>3</sup> If,  
16 for whatever reason, SSJID is not prepared to commence electric service to its customers  
17 on in January 2007, then PG&E may have to enter into such a short term arrangement in  
18 order to bridge the gap. If PG&E was compelled to do such, then SSJID would be  
19 prepared to discuss with PG&E the option of the district assuming that contractual  
20 obligation from PG&E upon the district's commencement of electric service.  
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23 Q. Are you aware that the CPUC has adopted resource adequacy standards for both the  
24 investor owned utilities and other Load Serving Entities?

25 A. Yes. I am aware that in Decision 04-01-050 the CPUC (1) directed each Load Serving  
26 Entity (LSE) within the utility's service territory (i.e., utility, energy service provider

27 <sup>3</sup> Pacific Gas and Electric Company, Prepared Testimony, R. 040-04-03 (July 9, 2004), at p. 1-9  
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1 (ESP) or community choice aggregator) has an obligation to acquire sufficient reserves for  
2 its customer's load located; (2) adopted a reserve margin for LSEs of 15-17%; (3) directed  
3 the LSEs to meet this 15 -17% reserve requirement by no later than January 1, 2008,  
4 through a gradual phase -in including the establishment of interim benchmarks to become  
5 effective in 2005; (4) established a requirement that utilities forward contract 90% of their  
6 summer (May through September) peaking needs (loads plus planning reserves) a year in  
7 advance; and (5) continued the 5% target limitation on utilities' reliance on the spot  
8 market (i.e., Day-Ahead, Hour-Ahead, and Real-Time energy) to meet their energy needs.  
9 I am also aware that the CPUC is in the process of refining these requirements and intends  
10 to provide further guidance in an upcoming decision on resource adequacy issues.

11  
12 Q. Is it SSJID's intent to comply with the CPUC's dictates on resource adequacy for load  
13 serving entities?  
14

15 A. As a publicly owned utility, SSJID does not fall under the CPUC's jurisdiction and, thus  
16 is not required to comply with the resources adequacy requirements imposed by the CPUC  
17 on LSEs. Having said that, SSJID does take seriously its obligation to share the  
18 responsibility of assuring a strong and reliable electric grid in the region. Thus, the district  
19 intends to participate, to the extent possible, in the proceedings before this Commission  
20 and the Western Electricity Coordinating Council to set appropriate standards for resource  
21 adequacy and will strive for its system to be consistent with such standards.  
22

23 Q. Is it SSJID's intent to meet California's renewable portfolio standard of procuring at least  
24 20 percent of the energy needed to serve its load from eligible renewable energy suppliers  
25 by the year 2017?

26 A. SSJID is committed to meeting the states renewable portfolio standards. In fact, South San  
27 Joaquin Irrigation District, through our hydro -electric portfolio is currently a carbon -free  
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1 generating entity. We are currently exploring options to work with livestock operations in  
2 our service area for the purpose of building methane-fueled generating facilities and  
3 exploring applications for solar technologies in SSJID's service area.

4 **IV. CONCLUSION**

5 Q. Would you like to make any closing remarks?

6 A. Yes. South San Joaquin Irrigation District is committed to the principles of home rule and  
7 local control. We have nearly 100 years of experience in the delivery of essential public  
8 services to consumers within our territory. The District has the statutory authority as well  
9 as an existing power supply, financial capacity and experience to serve the electric energy  
10 needs of persons within our territory. Accordingly, we respectfully request that the CPUC  
11 condition approval of PG&E's long term integrated resource plan with the recognition that  
12 PG&E be denied recovery of the costs of any proposed acquisition of long-term resources,  
13 whether that be commodity energy or investment in generation, for the purposes of  
14 serving loads in the service area of South San Joaquin Irrigation District commencing on  
15 January 1, 2007. Concomitantly, PG&E should be denied the authority to assess a non-  
16 bypassable surcharge on customers that leave its system in order to receive electric service  
17 from SSJID.

18 Q. Does that conclude your testimony?

19 A. Yes, it does.

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