

California Department of Water Resources 2013 Revenue Requirement Determination

Workshop Regarding Transportation Services Agreement

April 29, 2013

Agenda



- Introductions and Overview
- Solutions for Eliminating or Reducing Costs Associated with the Kern River Transportation Services Agreement (TSA)
- Allocation of TSA Costs

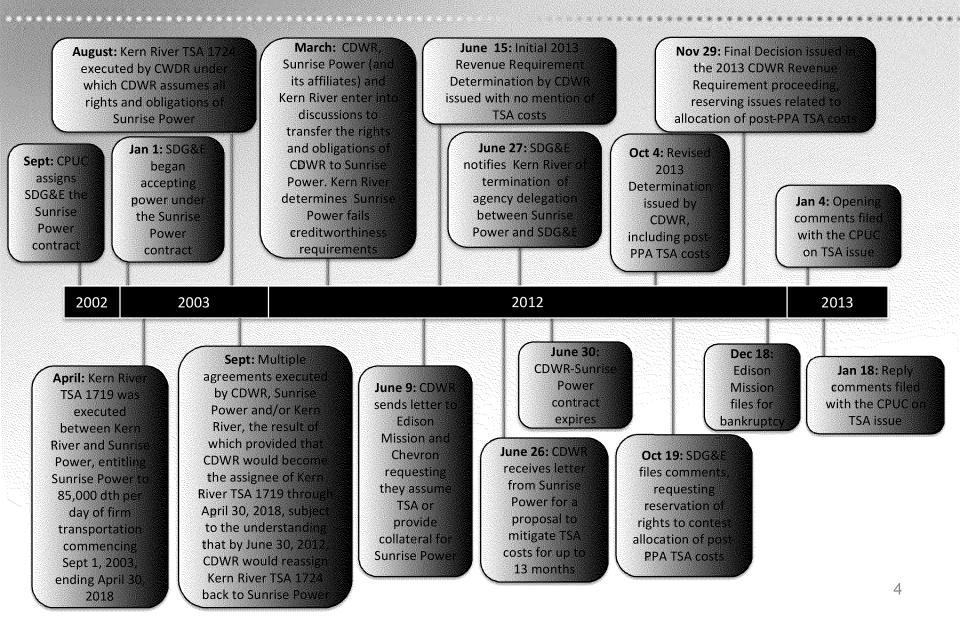
Parties Involved



- Kern River Gas Transmission Company: FERC-jurisdictional pipeline providing the natural gas transportation services which are the subject of the dispute.
- California Department of Water Resources (CDWR or Department): an agency of the State of California with limited authority, now expired, to execute contracts for electricity for delivery to California consumers.
 - Exercised authority during 2000-2001 California energy crisis, including a tolling agreement with Sunrise Power Company.
 - In support of the Sunrise Power tolling agreement, CDWR became, and is currently, the shipper under Kern River TSA 1724.
- Sunrise Power Company (Sunrise): a California-based generator and affiliate of Edison Mission Energy (a subsidiary of Edison International) and Chevron USA.
 - CDWR's predecessor shipper under Kern River TSA 1719.

Timeline of Events





Potential Outcomes



- CDWR is fully or substantially relieved of obligations under Kern River TSA 1724 through a transfer of its rights and obligations to Sunrise Power.
 - Accomplished through permanent release under the provisions of Kern River's capacity release program, or assignment under Kern River TSA 1724.
- 2. Possible action is taken by the Commission and/or one or more of the three electric utilities to assist in the termination of CDWR's obligations under Kern River TSA 1724 or, as the financial equivalent, obtaining an award of damages for any costs related to the TSA paid after June 30, 2012.
 - Possible action brought before FERC under the Natural Gas Act for a declaratory order that the failure of Kern River to consent to an assignment and/or permanent release of TSA capacity to Sunrise Power under the terms and conditions offered by CDWR and Sunrise Power was in violation of Kern River's tariffs and/or applicable FERC orders.
- 3. CDWR mitigates the TSA 1724 costs, whether in whole or in part, through a transfer of those obligations to a third party other than Sunrise Power.
 - Accomplished through release of capacity under the provisions of Kern River's capacity release program, or assignment, subject to consent by Kern River.
 - The Commission determines the fair allocation of the TSA costs.

Estimate of Kern River TSA Costs (Post Sunrise Power Contract Expiration)



	2012	2013						2018	
	Jul - Dec	Jan - Mai	Apr - Dec	2014	2015	2016	2017	Jan - Apr	Total
BCF/Yr	15.6	7.	7 23.4	31.0	31.0	31.1	31.0	10.2	181.1
Rate	0.47	0.4	7 0.47	7 0.47	0.47	0.47	0.47	0.47	0.47
TSA Cost (\$ in MM)	\$ 7.4	\$ 3.0	5 \$ 11.0	\$ 14.6	\$ 14.6	\$ 14.6	\$ 14.6	\$ 4.8	\$ 85.1
Capacity Release Revenues (1) (\$ in MM)	\$ (3.3)	\$ (0.5) \$ (3.2) \$ (5.5)	\$ (7.7)	\$ (8.6)	\$ (9.3)	\$ (2.8)	\$ (40.9)
Net Cost to DWR (\$ in MM)	\$ 4.0	\$ 3.	1 \$ 7.8	\$ 9.1	\$ 6.9	\$ 6.0	\$ 5.3	\$ 2.0	\$ 44.2

⁽¹⁾ April 2013 - April 2018 Estimate Based on Opal to SoCal Border Value as of 4/25/13 Market Prices

SDG&E's Position



- Consistent with Commission directives, the Department should be able to recover the costs it incurs from the ratepayers of the three electric utilities.
- The priority should be to eliminate or reduce the costs of the Kern River TSA 1724 to California electric ratepayers, whether in whole or in part, in support of the Department.
- With that objective in mind and to motivate the California investor-owned utilities to help the Department mitigate and eliminate these significant costs to California ratepayers, the Commission should impose a fair allocation of any fixed costs remaining after the Commission takes action from TSA 1724 among the three electric utilities in accordance with D.05-06-060.